

Project Readiness Financing Project Administration Manual

Project Number: 55009-001
Grant Number: PRFXXXX
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Federated States of Micronesia: Preparing the Sustainable Road Infrastructure Investment Project

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Project Administration Manual for Project Readiness Financing: Purpose and Process

The project administration manual (PAM) for the project readiness financing (PRF) facility is an abridged version of the regular PAM of the Asian Development Bank (ADB) and describes the essential administrative and management requirements to implement the PRF facility following the policies and procedures of the government and ADB. The PAM should include references to all available templates and instructions either by linking to relevant URLs or directly incorporating them in the PAM.

The Department of Finance and Administration (DOFA) as the executing agency, and the Department of Transportation, Communications, and Infrastructure (DTC&I) through the Program Management Unit (PMU) as the implementing agency are wholly responsible for the implementation of ADB-financed PRF project, as agreed between the recipient and ADB, and following the policies and procedures of the government and ADB. ADB staff is responsible for supporting implementation, including compliance by DOFA, DTC&I through the PMU, of their obligations and responsibilities for PRF project implementation following ADB's policies and procedures.

In the event of any discrepancy or contradiction between the PAM and the grant agreement, the provisions of the PRF grant agreement will prevail.

After ADB's approval of the PRF proposal, 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 this PAM.

ABBREVIATIONS

ADB	–	Asian Development Bank
DOFA	–	Department of Finance and Administration
DTC&I	–	Department of Transportation, Communications, and Infrastructure
FMA	–	financial management assessment
FSM	–	Federated States of Micronesia
PAM	–	project administration manual
PMU	–	program management unit
PRF	–	project readiness financing

II. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations: Roles and Responsibilities

Table 2: Roles and Responsibilities of Key Stakeholders

PRF Project Implementation Organizations	Management Roles and Responsibilities
<p>A. Executing agency Department of Finance and Administration</p>	<ul style="list-style-type: none"> (i) Project management: <ul style="list-style-type: none"> a. responsible for overall project execution oversight; b. monitor and ensure compliance with grant covenants; and c. provide clearance and support ADB project review missions. (ii) Financial management: <ul style="list-style-type: none"> a. manage provision of counterpart funding and grant proceeds in respect of government's internal procedures and submission of payment requests to ADB; b. set up and manage project advance account; c. provide ADB with annual independent audit report and financial statements for the project accounts; and d. certify and submit withdrawal applications following ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time).
<p>B. Implementing agency Department of Transportation, Communications, and Infrastructure through the Program Management Unit</p>	<ul style="list-style-type: none"> (i) Project management: <ul style="list-style-type: none"> a. coordinate all PRF and PSC activities at the national level, specifically with the DOFA, and with the respective departments responsible for infrastructure in each of the state governments; b. undertake the day-to-day project implementation in accordance with ADB's relevant guidelines and in coordination with DOFA, PSC, and each of the state governments; c. IA shall be responsible for administering all contracts under the project in accordance with the provisions of each individual contract that IA signs; d. maintain and strengthen, the PMU for the project, including recruiting individual consultants for, and assigning staff to the PMU; as well as providing office space and operational support; e. prepare quarterly project progress and milestone reports in agreed format and content and submit to the DOFA and ADB; f. maintain project records, design and implementation documents, photographs and as-built drawings of the pilot test project; g. supervise and provide timely guidance and decisions on project implementation matters to the PRF consultants; h. implement project specific covenants and compliance measures; and i. submit to ADB a project completion report within 6 months after project completion. (ii) Procurement management: <ul style="list-style-type: none"> a. procure consulting services, civil works and goods contracts in accordance with ADB Procurement Policy (2017, as amended from time to time) and the Procurement Regulations for ADB Borrowers (2017, as amended from time to time); and b. secure approval of DOFA and Department of Justice the in procurement of civil works and consulting services. (iii) Safeguards management: <ul style="list-style-type: none"> a. overall monitoring and reporting on safeguards implementation to ADB; b. finalize, implement and monitor all requirements and measures as identified in the IEE and EMP for the pilot test project; c. establish and maintain project public communication strategy and grievance redress mechanism; d. implement safeguards compliance measures and safeguards specific covenants; and

PRF Project Implementation Organizations	Management Roles and Responsibilities
	<ul style="list-style-type: none"> e. prepare and submit safeguards monitoring reports, gender action plan monitoring reports, and corrective action plans.
	<ul style="list-style-type: none"> (iv) Financial management: <ul style="list-style-type: none"> a. ensure timely review, check and approval of payment claims by the contractors and consultants following contract terms and conditions and submission to DOFA; b. ensure adequate management of financial resources and accountability; c. prepare and submit to DOFA withdrawal applications following ADB's <i>Loan Disbursement Handbook</i>, complete payment certificates for direct payments and with expenditure estimates and claims to be paid out of advance account; d. provide financial information to the periodic progress reports; and e. prepare project financial statements at cutoff and submit for audit.
C. Project Steering Committee	<ul style="list-style-type: none"> (i) chaired by Secretary of DTC&I and comprises officials from DOFA, each of the state governor's offices, program management unit, and other concerned national and state agencies; (ii) provides general oversight and direction during PRF implementation; and (iii) upon submission from DTC&I, review and endorse PRF recommendations.
D. Asian Development Bank	<ul style="list-style-type: none"> (i) finance the project expenditures in accordance with the grant agreement; (ii) review overall implementation of the project; (iii) support the implementing agency in oversight role for safeguards implementation of the project; (iv) examine implementation problems, and work with the DOFA and DTC&I to resolve them; (v) review and respond to the procurement and disbursement documents submitted by the DOFA, DTC&I, and the PMU; (vi) advise the Government on procurement, disbursement, and project implementation matters; (vii) conduct comprehensive training on disbursement procedures and reporting requirements to the PMU staff during project inception and as necessary; (viii) monitor the status of compliance with project covenants; (ix) conduct review missions every 6 months, undertake midterm review at around 50% completion, or as needed; and (x) review audited project financial statements submitted and compliance with other covenants.

ADB = Asian Development Bank; DOFA = Department of Finance and Administration; DTC&I = Department of Transportation, Communications, and Infrastructure; EMP = environmental management plan; IA = implementing agency; IEE = initial environmental examination; PMU = program management unit; PRF = project readiness financing; PSC = Project Steering Committee.

Source: Asian Development Bank.

B. Key Persons Involved in Implementation

Executing Agency

Department of Finance
and Administration

Officer's Name:	Eugene Amor
Position:	Secretary
Telephone:	(691) 320-2640/5852
E-mail address:	fmssofa@mail.fm
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Implementing Agency

Department of
Transportation,
Communications, and
Infrastructure

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Position: Secretary
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Fax: (691).320.5853

Program Management Unit

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Asian Development Bank

Transport and
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Staff Name: Dong-Kyu Lee
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Telephone No.: +632 8632 6109
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Mission Leader

Staff Name: Rustam Ishenaliev
Position: Principal Infrastructure Specialist
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III. COSTS AND FINANCING

2. The PRF is estimated to cost \$5.5 million. The government has requested a grant not exceeding \$5.0 million from ADB's Special Funds resources (Asian Development Fund) to help finance project preparation and design activities.

3. ADB will finance the expenditures in relation to consulting services, surveys, pilot testing, equipment, works, taxes, and audit fees. The government will finance the equivalent of \$0.5 million for salaries and operating expenses of the implementing agency. Cost estimates will be reviewed annually during implementation, based on bids and proposals received for civil works and consulting services.

4. **Consulting services.** An estimated \$3.46 million for about 74 person-months of consulting services will be required to supervise and support implementation of the project.

5. The scope of the PRF consultant's (firm) services will include construction supervision under a single consulting services package, with supervision services to be financed by the ensuing project subject to satisfactory performance. The single package for PRF and downstream construction supervision services is necessary to ensure the transfer of knowledge and lessons learned from pilot testing high-level technologies and overall project delivery approach

to the implementation stage of the ensuing project. It will also help reduce project start-up delays often associated with mobilizing the project consultants to the project sites.

6. **Pilot testing component.** The PRF will undertake a small-scale pilot testing of innovative construction methods. This includes (i) full-depth reclamation to recycle existing pavement materials to combat construction waste and reduce carbon emission during construction, and (ii) intelligent compaction for better coverage and quality of road compaction operations. The PRF will procure equipment and materials for the pilot study, which will be implemented on selected segments of the Federated States of Micronesia (FSM) road network. The pilot study will be witnessed by representatives of the FSM states and a report will be provided on the potential for upscaling the pilot study to all states under the ensuing project.

A. Key Assumptions

7. The following key assumptions underpin the cost estimates and financing plan:

- (i) There will be no price contingencies in the PRF as works contract will be limited to less than 18 months implementation period, goods contracts will be at price, and consulting services will not include price adjustment clauses. The currency of contracts will be United States dollar, which is the currency used in FSM.
- (ii) Physical contingencies are estimated at 5% of the total cost.
- (iii) Taxes are estimated as 3% on all works, goods and services, and will be paid from the grant. Customs duties of the importation cost of goods will be financed by the government through exemption.
- (iv) Counterpart contributions are in-kind and deemed to include operating expenses of the Program Management Unit (PMU) such as staff salaries, maintenance of office accommodation and facilities, home country travel and transportation, and other incidental expenses.

B. Allocation and Withdrawal of Grant Proceeds

Table 3: Allocation and Withdrawal of Grant Proceeds

Number	Category	Total Amount Allocated for ADB financing (\$)	Basis for Withdrawal from the Grant Account
1	Works, Consulting Services, and Goods	5,000,000	100% of total expenditure claimed *

* Inclusive of taxes but exclusive of duties imposed within the territory of the Recipient.

Source: Asian Development Bank.

C. Detailed Cost Estimates by Expenditure Category and Financier

Table 4: Detailed Cost Estimates by Expenditure Category and Financier
(\$ million)

Item	ADB		Government		Total Cost	
	Amount	% of Cost Category	Amount	% of Cost Category	Amount	Taxes and Duties
A. Consulting Services						
1. PRF Consultant (Firm)	3.20	100%	0.00	0%	3.20	0.10
Subtotal (A)	3.20	100%	0.00	0%	3.20	0.10
B. Pilot testing						
1. Civil works	1.00	100%	0.00	0%	1.00	0.03
2. Equipment (Pavement Reclaimer Machine)	0.30	100%	0.00	0%	0.30	0.01
Subtotal (B)	1.30	100%	0.00	0%	1.30	0.04
C. Project Management						
1. Staff and Facilities	0.00	0%	0.50	100%	0.50	0.02
2. Project Auditor	0.06	100%	0.00	0%	0.06	0.00
3. Financial Management Specialist (PMU)	0.10	100%	0.00	0%	0.10	0.00
4. Miscellaneous Consultant Support (PMU/DOFA)	0.10	100%	0.00	0%	0.10	0.00
Subtotal (C)	0.26	34%	0.50	66%	0.76	0.02
Total Base Cost (A+B+C)	4.76	90%	0.50	10%	5.26	0.15
D. Contingencies						
1. Physical	0.24	100%			0.24	0.00
2. Price	0.00	0%			0.00	0.00
Subtotal (D)	0.24	100%			0.24	0.00
Total Project Cost (A+B+C+D)	5.00		0.50		5.50	0.15
% Total Project Cost		91%		9%		

ADB = Asian Development Bank; DOFA = Department of Finance and Administration; PMU = program management unit; PRF = project readiness financing.

Notes:

- Numbers may not sum precisely because of rounding.
- In mid-2021 prices.
- Includes taxes 3% and duties. Taxes will be financed by ADB, while customs duties will be financed via exemption. Total project amount and the government's contribution does not include the estimated amount of exemption by the government.
- The government will finance costs associated with project management through salaries and operational expenses of the program management unit estimated at \$0.5 million. Such amount does not represent an excessive share of the project cost.
- Physical contingencies computed at 5%. There will be no price contingencies as works contract will be limited to less than 18 months implementation period, goods contracts will be at price, and consulting services will not include price adjustment clauses. The currency of contracts will be US dollar, which is the currency used in the Federated States of Micronesia.

Source: Asian Development Bank estimates.

D. Detailed Cost Estimates by Year

Table 5: Detailed Cost Estimates by Year
(\$ million)

Item	Total Cost	2021	2022	2023	2024
A. Consulting Services					
1. PRF Consultant (Firm)	3.20	0.00	0.68	1.36	1.36
Subtotal (A)	3.20	0.00	0.68	1.36	1.36
B. Pilot testing					
1. Civil works	1.00	0.00	0.10	0.49	0.39
2. Equipment (Pavement Reclaimer Machine)	0.30	0.00	0.03	0.15	0.12
Subtotal (B)	1.30	0.00	0.13	0.64	0.51
C. Project Management					
1. Staff and Facilities	0.50	0.00	0.04	0.14	0.18
2. Project Auditor	0.06	0.00	0.00	0.02	0.03
3. Financial Management Specialist (PMU)	0.10	0.00	0.02	0.04	0.04
4. Miscellaneous Consultant Support (PMU/DOFA)	0.10	0.00	0.01	0.04	0.05
Subtotal (C)	0.76	0.00	0.06	0.24	0.29
Total Base Cost (A+B+C)	5.26	0.00	0.87	2.23	2.16
D. Contingencies					
1. Physical	0.24	0.00	0.00	0.00	0.24
2. Price	0.00	0.00	0.00	0.00	0.00
Subtotal (D)	0.24	0.00	0.00	0.00	0.24
Total Project Cost (A+B+C+D)	5.50	0.00	0.87	2.23	2.40
% Total Project Cost		0.00%	15.82%	40.59%	43.59%

PMU = program management unit; DOFA = Department of Finance and Administration; PRF = project readiness financing.

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

E. Contract and Disbursement S-Curve

8. Figure 1 and Table 6 show the contract award and disbursement projections.

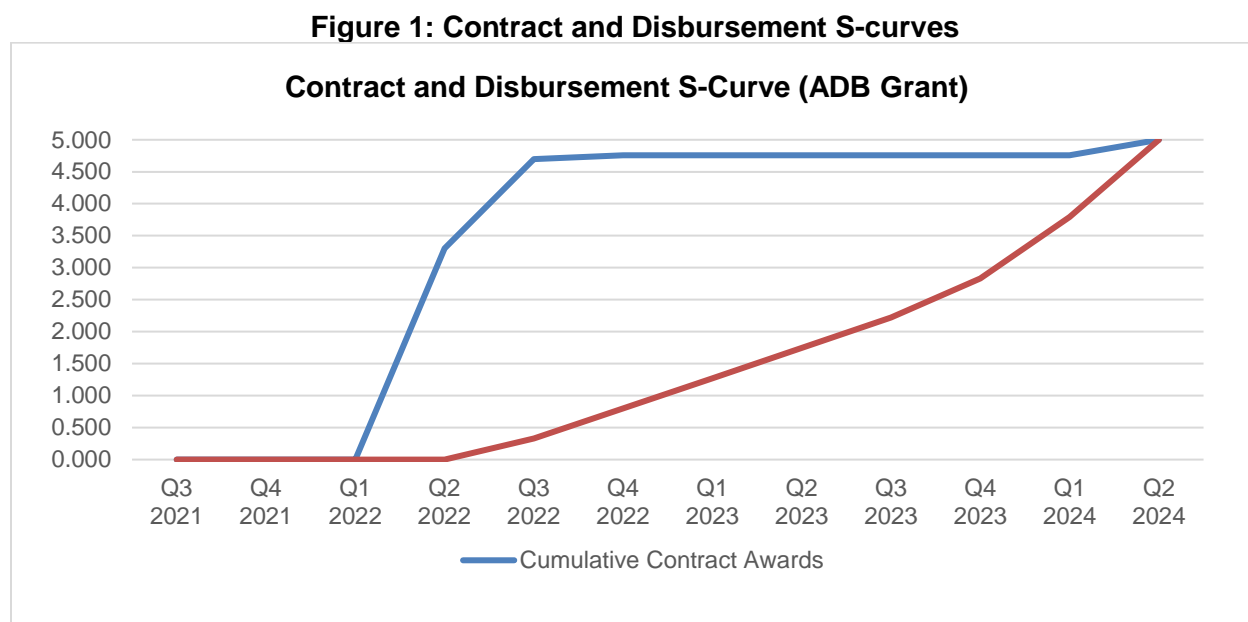


Table 6: Contract Award and Disbursement Projections

	Contract Awards (in USD million)					Disbursements (in USD million)				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2021	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2022	0.000	3.300	1.400	0.060	4.760	0.000	0.000	0.330	0.470	0.800
2023	0.000	0.000	0.000	0.000	0.000	0.470	0.476	0.476	0.612	2.034
2024	0.000	0.240	0.000	0.000	0.240	0.958	1.208	0.000	0.000	2.166
Total Contract Awards:					5.000	Total Disbursements:				5.000

IV. FINANCIAL MANAGEMENT

A. Financial Management Assessment

9. The financial management assessment (FMA) was prepared in April 2021 in accordance with ADB's 2015 Financial Management Technical Guidance Note and the Financial Due Diligence, A Methodology Note. The FMA covers the FSM's Department of Finance and Administration (DOFA) as the executing agency, and the Department of Transportation, Communications, and Infrastructure (DTC&I) as the implementing agency. A program management unit (PMU) established within DTC&I will manage day-to-day activities of project management and coordination, including financial management, in coordination with DOFA on the financial aspects of project implementation. The FMA includes a summary financial management, internal control, risk assessment, and the financial management action plan to address identified risks with suitable mitigation actions.

10. The FMA assessed the financial management capacity of the executing and implementing agencies, including funds flow arrangements, staffing, accounting and financial reporting systems, internal and external auditing arrangements. Project activities are planned to be carried

out in the four states namely Pohnpei, Kosrae, Chuuk, and Yap. The overall project pre-mitigation financial management risk assessment is substantial.

11. **Country financial management issues.** The legislative framework sets out the basic budget and accountability structures. In FSM, this means (i) the requirement that all revenues and other resources raised or received by the government be paid into the General Fund, out of which only legally approved expenditures can be made; (ii) appropriate oversight by the FSM Congress; and (iii) the delegation of responsibility and accountability for public resources to specified stakeholders. Country issues that will potentially impact the effective financial management of the proposed project include (i) overall public financial management; (ii) availability of skills; and (iii) asset management. The limited institutional and financial management capacity in the DTC&I is acknowledged and the constraint of hiring a financially qualified person to support project management tasks both at the national and state-level will be addressed under the PRF. Given the project scope that covers all the four states, coordination could be a challenge and adherence to plans, policies and guidelines will need increased supervision efforts. However, some recent developments were put into place that could help mitigate these risks.

- (i) **Public financial management.** The budget process has been identified as one of the weakness areas with projected revenues as compared with actual turn-out has significant variances which undermines the budget allocation process. Expenditures are managed within budget allocated but composition of actual expenditures differs significantly from expenditures programmed. While external audit is satisfactorily done annually, legislative scrutiny of audit reports has not been prioritized.
- (ii) **Shortage of skills.** As with many Pacific developing member countries, FSM has shortage of skills in financial management particularly in financial reporting and audit. With the lack of qualified local accountants and audit professionals, staffing public offices takes time and retaining trained staff is a continuous challenge. This also pose problems with the recruitment of staff with the necessary financial skills to support the project.
- (iii) **Asset management.** Due to budgetary constraints, allocating adequate repair and maintenance funds to ensure the functioning status of assets has proven difficult. The lack of funds and absence of a systematic program for maintenance leads to deterioration of assets to the point that they may need to be replaced.

12. **Financial management assessment of the Department of Finance and Administration (DOFA).** DOFA consists of five divisions including Treasury, Customs and Taxes, Investment and International Finance, Budget and Economic Management, and Personnel. DOFA's role is to promote accountability and transparency in service delivery to the people through establishment and implementation of sound public financial management systems, standards, policies, and procedures. The DOFA, has adequate financial management capacity. It has sufficient number of financially qualified staff on board. DOFA and other ministries including the four states share the use of Fundware which was installed in 2008. This system is still being used although the new financial management information system is being developed to ensure smooth transition into the new system. With the support of the development partners, DOFA established the Central Implementation Unit which supports the PMU within DTC&I and other PMUs created under projects. The Central Implementation Unit handles the financial aspects of project implementation for select donor-funded projects. The DOFA has also

demonstrated the capability to manage advance accounts of previous ADB projects. The pre-mitigation financial management assessment for DOFA is low.

13. Financial management assessment of the Department of Transportation, Communications, and Infrastructure (DTC&I). DTC&I oversees the development and administration of sound policies and regulations to ensure reliable transportation system and communication network. They oversee capital investment projects to ensure that these meet construction safety standards, are cost effective, and are aligned with strategic plans of the country. The department is composed of four divisions, but a recent addition is the establishment of the PMU within the department to focus on the implementation of foreign-funded projects. It also provides support to PMUs of projects set up separately. The PMU is staffed with technically qualified personnel to be able to manage the review of project designs and procurement support. On the financial management aspects, DTC&I does not have a financial management unit. Its focus under the PRF will be on the technical aspects of the ensuing project, reviewing technical designs, coordinating project plans and working with focal persons in each state on project activities. The financial management specialist that will be recruited under the PMU is expected to handle all the financial aspects of project implementation including funds management, preparation of financial statements, financial reporting, and submitting for audit (terms of reference is in Appendix 1). Based on this, the financial management assessment for DTC&I is substantial.

Table 7: Financial Management Internal Control, Risk Assessment, and Management Action Plan

Entity/Risk Description	Risk Assessment	Mitigation Measures	Agency Responsible and Timing
Executing Agency - DOFA			
DOFA is primarily responsible for oversight on all financial aspects of project implementation for ongoing projects. DOFA might be too stretched with its supervision role.	Low	DOFA supervises the financial activities of all the program management units operating in FSM. A dedicated financial management specialist for the PMU will be recruited to ensure efficient management of the project's resources.	DOFA, PMU
Implementing Agencies			
The absence of internal audit function in DTC&I will allow for lapses in internal control and misuse of resources	Substantial	DOFA, the only agency with internal audit function will be requested to provide this support to the PMU. However, the audit reports should be scrutinized and tabled by the Public Accounts Committee.	DOFA (within first quarter of project implementation and continues until project completion)
The low capacity of the implementing agencies will cause difficulties in monitoring and reporting. The lack of available persons with adequate financial management skills will delay the staffing of PMUs. Different implementation processes of donors will also pose additional tasks for PMU staff.	Substantial	The project will recruit a financial management specialist that will ensure efficient management of the project's resources. This specialist will consolidate financial transactions of the IA at the state-level and submit for a single audit by the independent auditor, all in coordination with DOFA. DOFA will engage external auditor. Cost of audit is provided in the cost estimates.	DOFA, DTC&I, ADB (during PRF start-up stage)

Entity/Risk Description	Risk Assessment	Mitigation Measures	Agency Responsible and Timing
Unfamiliarity with ADB's disbursement procedures and reporting requirements will delay release of funds and may receive adverse opinion during audit.	Substantial	ADB will conduct comprehensive training on disbursement procedures and reporting requirements to the PMU staff during project inception and refreshers as necessary during project implementation.	ADB (During project inception and as needed during project implementation)
Inadequate allocation of budgets for repair and maintenance will undermine the useful life and benefits from investments.	Substantial	The project will pilot maintenance approaches to optimize resources available to prolong the useful life of assets.	DTC&I, ADB

ADB = Asian Development Bank; DOFA = Department of Finance and Administration; DTC&I = Department of Transportation, Communications, and Infrastructure; FMS = financial management specialist; FSM = Federated States of Micronesia; IA = implementing agency; PMU = program management unit.

Source: Asian Development Bank.

B. Disbursement

14. The project readiness grant proceeds will be disbursed following ADB's *Loan Disbursement Handbook* (2017, as amended from time to time), and detailed arrangements agreed between the government and ADB. Online training for project staff on disbursement policies and procedures is available.¹ Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

15. **Direct payment procedure.** Under this procedure, at the recipient's request, ADB will directly pay a designated beneficiary stipulated in the contract and approved by ADB (e.g., contractor, supplier, or consultant). It will generally be used for consulting services and works that exceeds \$100,000 equivalent during PRF implementation. All goods contracts will be directly paid to the supplier as they are anticipated to be procured from outside FSM. A signed withdrawal application will be submitted by DOFA to ADB, based on invoices approved by DTC&I, together with a summary sheet and the required supporting documents. The PMU will be responsible for collecting and retaining supporting documents, as well as preparing and sending the withdrawal applications to DOFA for approval and submission to ADB.

16. **Advance fund procedure.** An advance account will be opened for the project in a commercial bank² under the auspices of DOFA. Under this procedure, ADB makes advance disbursements from the ADB grant funds to be deposited to the advance account. The currency of the advance account is US dollar. DOFA, which has demonstrated capacity to manage and administer the advance account, is accountable and responsible for proper use of the advance account and liquidation of advances. The PMU, in coordination with DTC&I will prepare the documentation (e.g., payment vouchers), to be submitted to DOFA for endorsement and signing of the advance account cheques. DOFA authorized staff for this project will be the authorized signatory to the account. The advance account will be established, managed, and liquidated in accordance with ADB policies and detailed arrangements agreed by the government and ADB. The advance account is to be used exclusively for ADB's share of eligible expenditures.

17. The total outstanding advance to the advance account should not exceed the estimate of ADB's share of expenditures to be paid through the advance account for the forthcoming 6 months. The DOFA may request for initial and additional advances to the advance account based

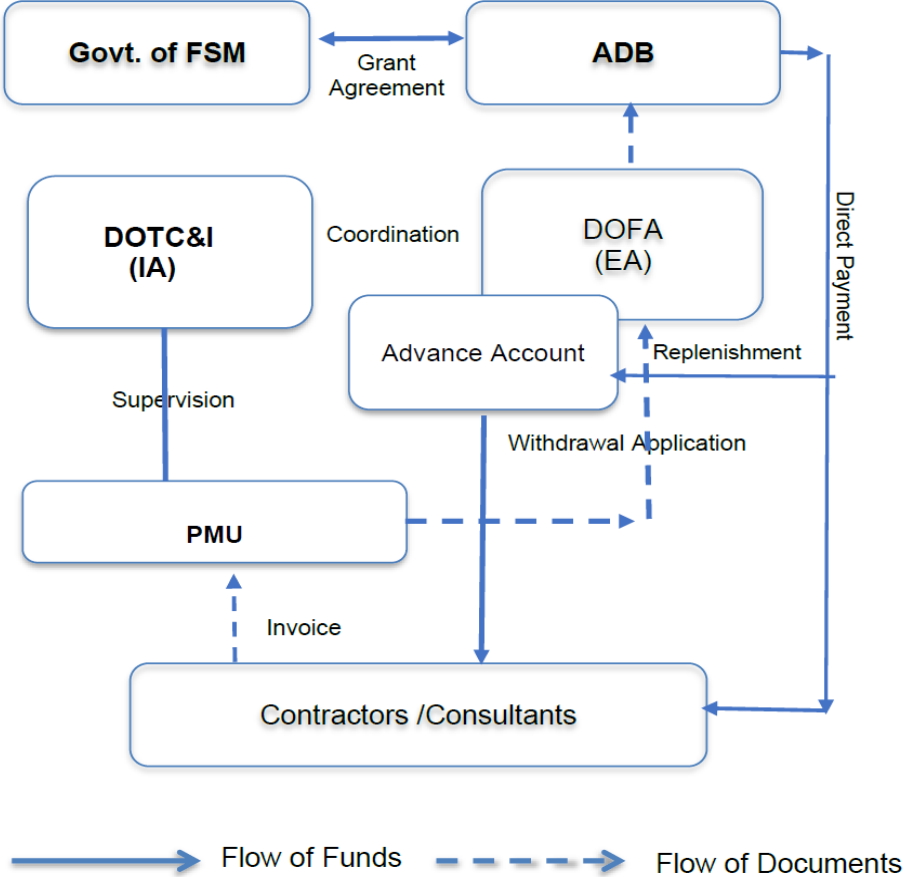
¹ Disbursement eLearning. http://wpqr4.adb.org/disbursement_elearning

² FSM Bank.

on an Estimate of Expenditure Sheet³ setting out the estimated expenditures to be financed through the account for the forthcoming 6 months. Supporting documents should be submitted to ADB or retained by the DOFA in accordance with ADB's *Loan Disbursement Handbook* when liquidating or replenishing the advance account.

18. The processing of payments to the consultants, suppliers and contractors will generally follow the fund flow diagram shown in Figure 2. The implementing agency through the PMU will be responsible for processing payment certificates, collecting and retaining supporting documents, preparing the disbursement projections, and requesting for counterpart budget from the national government. The DOFA will be responsible for certifying DTC&I's payment certificates, preparing and submitting the withdrawal applications to ADB, opening and administering the project advance account, and submitting to ADB annual audited project accounts and financial statements.

Figure 2: Funds Flow Diagram



ADB = Asian Development Bank; EA = executing agency; FSM = Federated States of Micronesia; IA = implementing agency; DOFA = Department of Finance and Administration; DTC&I = Department of Transportation, Communications, and Infrastructure; PMU = program management unit.
Source: Asian Development Bank.

³ Estimate of Expenditure sheet is available in Appendix 8A of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

19. Before submitting the first withdrawal application, the government should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the government, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is stipulated in ADB's *Loan Disbursement Handbook*. Individual payments below such amount should be paid by the DOFA and DTC&I and subsequently claimed from ADB through reimbursement unless otherwise accepted by ADB. The recipient should ensure sufficient contract balances before requesting disbursements. Use of ADB's Client Portal for Disbursements system is encouraged for submission of withdrawal applications to ADB.⁴

C. Accounting

20. The DOFA will cause the implementing agency to maintain separate PRF project accounts and records by funding source for all expenditures incurred on the PRF project, following accrual basis of accounting. PRF project accounts will follow US generally accepted accounting principles.⁵

D. Auditing and Public Disclosure

21. The DOFA will cause the detailed project financial statements to be audited following the International Standards on Auditing by an independent auditor acceptable to ADB. DOFA will present the audited project financial statements together with the auditor's opinion, in English, to ADB within 6 months from the end of the fiscal year.

22. The audit report for the project financial statements will include a management letter and auditor's opinions, which cover (i) whether the project financial statements present an accurate and fair view or are presented fairly, in all material respects, following the applicable financial reporting standards; (ii) whether the proceeds of the grant were used only for the purpose of the project; and (iii) whether the recipient or executing agency complied with the financial covenants contained in the legal agreements (where applicable).

23. The DOFA will monitor compliance with financial reporting and auditing requirements during review missions and normal program supervision and will follow up regularly with all concerned, including the external auditor.

24. ADB has made the government, DOFA, and DTC&I aware of ADB's approach to delayed submission and the requirements for satisfactory and acceptable quality of the audited project financial statements.⁶ ADB reserves the right to require a change in the auditor (in a manner

⁴ ADB's Client Portal for Disbursements system facilitates online submission of withdrawal applications to ADB, resulting in faster disbursement. The forms to be completed by the borrower are available at ADB. [Guide to the Client Portal for Disbursements](#)

⁵ US Generally Accepted Accounting Principles (US GAAP) – [FSMCode2014Tit54Chap02 \(gov.fm\)](#)

⁶ ADB's approach and procedures regarding delayed submission of audited project financial statements:

- (i) When ADB does not receive the audited project financial statements by the due date, ADB will write to the executing agency to inform it 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 advance accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- (ii) When ADB does not receive the audited project financial statements within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will

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 its policies and procedures were followed when the share of ADB's financing was used.

25. ADB's Access to Information Policy will guide the public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements. 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 its website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.⁷

V. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting

26. All advance contracting will follow the ADB Procurement Policy (2017, as amended from time to time) and the Procurement Regulations for ADB Borrowers (2017, as amended from time to time). The issuance of consulting service recruitment notices or invitations to bid under advance contracting will be subject to ADB approval. ADB has advised the recipient, DOFA, and DTC&I that approval of advance contracting financing does not commit ADB to finance the PRF project.

27. Advance contracting will be used for the recruitment of PRF consultants following arrangements described in para. 32 below.

B. Procurement of Consulting Services

28. The DTC&I with the assistance of ADB will recruit all consultants following the ADB Procurement Policy and the Procurement Regulations for ADB Borrowers. The government requested ADB support to recruit PRF consultant selection package required under the PRF. A delegation matrix outlining the responsibilities of government and ADB for consultant selection has been agreed with the recipient (Appendix 2). ADB will support the recruitment process including the advertisement, tender, and evaluation stages. Government will remain responsible for negotiating and signing the consulting services contracts.

29. About 50 person-months of international and 24 person-months of national consulting services are required to (i) undertake feasibility studies for priority investments, (ii) prepare detailed engineering designs and bidding documents, (iii) support procurement of specialized pilot test equipment, undertake design and supervise execution of the pilot test works, and (iv) strengthen the institutional capacity of the implementing agency. PRF activities including detailed engineering designs and construction supervision services will be procured under a single consulting services package with two separate contracts. PRF will finance investment prioritization, feasibility studies, due diligence, detailed engineering design services, while the

inform the executing agency (a) of ADB's actions and (b) that the loan/grant may be suspended if the audit documents are not received within the next 6 months.

(iii) When ADB does not receive the audited project financial statements within 12 months after the due date, ADB may suspend the loan/grant.

⁷ Such information generally falls under public communications policy exceptions to disclosure (ADB. 2018. *Access to Information Policy*. Manila).

ensuing grant will finance construction supervision services. ADB will engage consulting firms using the quality- and cost-based selection method with a standard quality–cost ratio of 90:10.

C. Procurement of Goods and Civil Works

30. All procurement of goods and works for pilot testing will follow ADB’s Procurement Policy and the Procurement Regulations for ADB Borrowers.

31. Procurement of main pilot testing equipment will be through a request for quotations from well-established equipment suppliers of eligible ADB member countries. Estimated cost of the pilot test pavement reclaiming and/or recycling equipment is about \$300,000. Supplementary quality testing equipment will cost less than \$100,000 and will be procured under the PRF consultant’s contract using provisional sums. Procurement of civil works will be through request for quotations from qualified local contractor to undertake the pilot test and ancillary civil works that is estimated to cost less than \$1,000,000.

D. Procurement Plan

Basic Data		
Project Name: Preparing the Sustainable Road Infrastructure Investment Project		
Project Number: 55009-001	Approval Number: TBD	
Country: Federated States of Micronesia	Executing Agency: Department of Finance and Administration	
Project Procurement Classification: High	Implementing Agency: Department of Transportation, Communication, and Infrastructure through the Program Management Unit	
Procurement Risk: Medium		
Project Financing Amount: \$5,500,000.00 ADB Financing: \$5,000,000.00 Cofinancing (ADB Administered): \$0 Non-ADB Financing: \$500,000.00	Project Closing Date: 31 December 2023	
Date of First Procurement Plan: 13 September 2021	Date of this Procurement Plan:	
Procurement Plan Duration: 18 months	Advance contracting: yes	eGP: no

a. Methods, Review and Procurement Plan

Except as the Asian Development Bank (ADB) may otherwise agree, the following methods shall apply to procurement of goods, works, non-consulting services, and consulting services.

Procurement of Goods, Works and Non-consulting Services	
Method	Comments
Request for quotations for goods	(a) Road reclaimer/recycler machine for full-depth reclamation (b) Retrofit equipment for intelligent compaction
Request for quotations for small value works	One package for civil works to undertake the pilot test

Consulting Services	
Method	Comments
Quality- and Cost-Based Selection for Consulting Firm	A single consulting firm will undertake the PRF activities. There are no local firms that have

	experience in undertaking projects of the anticipated nature and value, therefore the package will be subject to international advertisement.
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PRF = project readiness financing.

b. List of Active Procurement Packages (Contracts)

The following table lists goods, works, non-consulting, and consulting services contracts for which the procurement activity is either ongoing or expected to commence within the procurement plan's duration.

Goods, Works, and Non-consulting Services							
Package Number	General Description	Estimated Value (\$)	Procurement Method	Review	Bidding Procedure	Advertisement Date	Comments
CW1	Civil works for pilot test	1,000,000	RFQ	Prior	Shopping	Q2 2022	
G1	Pavement reclaimer/recycler	300,000	RFQ	Prior	Shopping	Q2 2022	
G2	Intelligent compaction analyzer	50,000	PS under Consulting Firm Contract	Prior	Shopping	Q2 2022	
G3	Other quality control equipment	20,000	PS under Consulting Firm Contract	Prior	Shopping	Q2 2022	TBD

CW = civil work, G = good, PS = provisional sum, Q = quarter, RFQ = request for quotation, TBD = to be determined.

Consulting Services							
Package Number	General Description	Estimated Value (\$)	Selection Method	Review	Type of Proposal	Advertisement Date	Comments
CS1	PRF Consultant for Project Prioritization, Readiness, and Pilot-testing	3,200,000	QCBS	Delegated to ADB	FTP	Q3 2021	90:10 quality-to-cost ratio advance contracting
CS2	Project Auditor	60,000	RFQ	Prior	NA	Q3 2022	
CS3	Financial Management Specialist	100,000	ICS	Post	Biodata	Q3 2021	Posting in ADB's CSRN
CS4,5...	Other individual specialist support to EA/IA as needs arise	100,000	ICS	Prior	Biodata	Q3 2021	Posting in ADB's CSRN

ADB = Asian Development Bank, CS = consulting service, CSRN = consulting services recruitment notice, FTP = full technical proposal, IA = implementing agency, ICS = individual consultant selection, NA = not applicable, PRF = project readiness financing, Q = quarter, QCBS = quality- and cost-based selection.

c. List of Awarded and Completed Contracts

The following table lists the awarded contracts and completed contracts for goods, works, non-consulting, and consulting services.

Goods, Works and Non-consulting Services					
Package Number	General Description	Contract Value	Date of ADB Approval of Contract Award	Date of Completion	Comments
Consulting Services					
Package Number	General Description	Contract Value	Date of ADB Approval of Contract Award	Date of Completion	Comments

E. Consultant's Terms of Reference

32. The PRF consultant will be responsible to undertake all PRF activities as prescribed in the detailed terms of reference (Appendix 3). The PRF consultant's contract will have two parts (i) Part 1: prioritization, design and pilot-testing phase as described in the PRF outputs 1 to 4; and (ii) Part 2: construction supervision and implementations support under the ensuing grant project. The request for proposal will require the interested firms to include in their proposal details of their approach and methodology and indicate resources for the supervision part. The implementing agency will sign a contract with the winning firm for the first (PRF) phase and will sign a separate contract for the second (supervision) phase subject to satisfactory performance under the first phase and ADB approving ensuing grant project.

VI. SAFEGUARDS

33. The PRF is classified category B for environment, and category C for involuntary resettlement and indigenous people's safeguards. In responding to climate resilience and long-term sustainability objectives of the project, the PRF will undertake small-scale pilot-testing of innovative construction methods. This pilot study focused in Pohnpei State has the potential to be rolled out into other states for the ensuing project. An initial environmental examination has thus been prepared with impacts noted to be minor in nature and can be managed and mitigated through implementation of the measures outlined in the project's environmental management plan. The PRF will also provide the government with additional resources to build safeguards capacity and to complete all safeguards due diligence activities in compliance with both the country safeguard system and the ADB's Safeguard Policy Statement (2009). This will ensure that the ensuing projects to be supported by the PRF will be implemented in compliance with those requirements.

34. **Prohibited investment activities.** Pursuant to ADB's Safeguard Policy Statement, ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth in Appendix 5 of the SPS.

VII. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

A. Monitoring and Reporting

35. The DTC&I will prepare quarterly progress monitoring reports and submit to DOFA and ADB. These reports will include (i) each activity's progress measured against the implementation schedule, (ii) key implementation issues and solutions, (iii) compliance with ADB's safeguards

requirements as per project assurances and covenants, (iv) an updated procurement plan, and (v) an updated implementation plan for the next 12 months. To ensure PRF projects continue to be both viable and sustainable, DOFA should adequately review PRF project financial statements and the associated auditor's report. In the event that an ensuring grant is not approved, DOFA will submit a PRF completion report to ADB within 6 months of physical completion of the PRF project.⁸

VIII. ANTICORRUPTION POLICY

36. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy (1998, as amended to date) relating to the PRF project following ADB's Integrity Principles and Guidelines.⁹ All contracts financed by ADB will include provisions specifying ADB's right to audit and examine the records and accounts of the executing agency and all PRF project contractors, suppliers, consultants, and other service providers. This includes the examination of project outputs, assets, and all other information that may be considered relevant for audit or inspection by ADB regardless of project completion, termination, or cancellation. Firms or individuals on ADB's anticorruption debarment list are ineligible to participate in activities that are financed, supported, or administered by ADB; and may not be awarded any contracts under the PRF project.¹⁰

37. To support these efforts, ADB included relevant provisions in the grant agreement and/or regulations and the bidding documents for the PRF project.

IX. ACCOUNTABILITY MECHANISM

38. People who are, or may in the future be, adversely affected by the PRF 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 PRF projects can voice and seek a resolution for 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 an effort in good faith 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.¹¹

X. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL

39. Any changes to the PAM agreed during the PRF implementation will be recorded here.

⁸ ADB. 2018. Project Completion Report for Sovereign Operations. *Project Administration Instructions*. PAI 6.07A. Manila.

⁹ ADB. 2015. Integrity Principles and Guidelines (2015). Manila.

¹⁰ ADB. Anticorruption and Integrity.

¹¹ ADB. Accountability Mechanism.

TERMS OF REFERENCE
Program Management Unit Staff - Financial Management Specialist

Objective and Purpose of the Assignment:

The Asian Development Bank (ADB) is assisting the Government of the Federated States of Micronesia (the government) under a project readiness financing (PRF) to prepare the feasibility studies, detailed designs, and due diligence reports for the transport projects proposed to be funded by ADB under the Sustainable Road Infrastructure Investment Project (SRIIP).

The PRF for the SRIIP aims to support the government in increasing the readiness of the ensuing projects, including piloting of engineering approaches and maintenance, preparation of engineering designs, surveys, and other start-up activities (implementation of due diligence and procurement support), together with the improvement of project implementation capacity of the executing and implementing agencies.

The Department of Finance (DOFA) is the executing agency for the PRF, while the implementing agency is the Department of Transport, Communications, and Infrastructure (DTC&I). The Program Management Unit (PMU) under DTC&I will implement the ensuing project and support the preparation of feasibility studies, detailed designs, due diligence reports, pilot activities and bidding support.

Scope of Works:

The Financial Management Specialist shall provide project accounting support to the executing and implementing agencies, consultants and other PMU staff for the PRF and possibly the ensuing projects.

The responsibilities and key tasks of the financial management specialist include the following:

- i. Establish and administer the financial management system of the projects in accordance with the relevant ADB guidelines to ensure effective project administration, disbursements, and payment arrangements.
- ii. Maintain separate project accounts according to US generally accepted accounting principles (US GAAP) acceptable to ADB;
- iii. Provide inputs on financial aspects of progress reports;
- iv. Prepare project financial statements on time, coordinate transactions with focals from the four states, and according to ADB guidelines and standards.
- v. Reconcile project accounts with ADB's Loan/Grant Financial Information Systems;
- vi. Coordinate and arrange the independent audit of project financial statements, ensuring the ADB's requirements of audit are met;
- vii. Review consultant and contractors' progress claims to certify them for payment in coordination with the focal persons in Pohnpei, Kosrae, Chuuk and Yap, and with Project Manager;
- viii. Initiate timely disbursement of project funds in accordance with ADB's disbursement guidelines, Client's Portal for Disbursements and *Loan Disbursement Handbook*;
- ix. Manage the drawdown and utilization of government counterpart funds and record in-kind contributions;
- x. Provide hands on training and knowledge transfer to executing and implementing agencies on contract and financial management of projects;
- xi. Coordinate with the conduct of internal audit, providing support to tests of internal control, and responding to findings;
- xii. Ensure project records and documentation are complete and filed to enable easy retrieval for purposes of responding to request for information or for preparing the project completion report; and
- xiii. Assist in donor coordination and negotiation on financial management matters and participate in project team meetings as required, ensuring that minutes of meetings are kept.

Qualifications and Experience		
Professional qualification in accounting and contract management. Minimum of 10 years of experience and at least 5 years of experience in accounting or contract management.		
Outputs/Reporting Requirements		
The consultant will prepare and submit bi-monthly progress reports, covering detailed inputs and activities, issues identified and proposed or implemented solutions, and any other relevant matters in relation to the progress of the Project. The consultant will report to the Project Director of the PMU under DTC&I.		
Place of Assignment	Estimated Period	Period
Pohnpei, FSM	24 months (intermittent over 4 years)	January 2022–December 2025

DELEGATION OF GRANT FUNDED CONSULTANT RECRUITMENT TO ADB

MATRIX OF RESPONSIBILITIES

Project Name:	Preparing the Sustainable Road Infrastructure Investment Project
Executing Agency:	Department of Finance and Administration
Implementing Agency:	Department of Transportation, Communications, and Infrastructure through the Program Management Unit
Name of Consulting Service:	

Purpose of this Matrix:

This matrix establishes the roles and responsibilities of the implementing agency (IA) and ADB as the Recipient requested ADB to recruit grant financed consultant on its behalf.

ADB shall procure the Consultant in accordance with its established practices, using ADB's Consultant Management System (CMS), using reasonable skill and care. ADB shall not be a party to the contract between the Consultant and the IA. The IA shall consult with its legal and other professional advisors before signing the consultancy contract. ADB shall take no responsibility for the performance of the Consultant.

If the Recipient concurs with the matrix, the IA staff shall sign on the last page and send all pages back to ADB.

No.	Stage	Activity	Responsible
1	Pre-advertisement Procurement plan	Preparation of terms of reference, budget estimate, shortlisting criteria and recommendation of selection method choice	IA in coordination with ADB
2	Advertisement/ Consulting Services Recruitment Notice (CSRN)	Advertisement of consulting services assignment and collection of EOIs	ADB
3	Preparation of Long List	EOIs are received electronically through CMS and by e-mail. Submitted EOIs will be shared with the IA.	ADB
4	Shortlisting of consultants	ADB staff evaluate EOIs, prepare a shortlist, and seek IA's concurrence.	ADB and IA
5	Preparation of Request for Proposal	Request for Proposal is prepared using ADB's current standard template and based on current understanding of the assignment scope, complexity, and risks. Feedback received from consulting firms on adequacy of budget and adequacy of TOR, as advertised, is reviewed and incorporated, as applicable.	ADB prepares RFP in consultation with IA
6	Approval of shortlist and RFP	ADB officially approves shortlist and RFP.	ADB
7	Issuance of RFP to the shortlisted firms	ADB issues RFP to the shortlisted firms through ADB's CMS.	ADB
8	Clarifications to the RFP	ADB responds to clarifications requests. If required, ADB staff seeks clarifications from IA.	ADB and IA, if applicable
9	Receipt of the proposals	Proposals are submitted through CMS.	ADB

No.	Stage	Activity	Responsible
10	Distribution of technical proposals	Technical proposals are distributed to the members of the consultant selection committee (CSC)(see 12 for CSC).	ADB
11	Copy of technical proposals shared with IA	ADB project officer shares electronic copies of technical proposals with the IA.	ADB
12	Technical evaluation	<p>ADB staff form CSC and evaluate technical proposals along with the IA evaluator. IA may send ADB any concerns on technical proposals before ADB holds a CSC meeting.</p> <p><i>For IA Evaluators:</i> The IA shall be permitted to nominate an evaluator to evaluate the proposal along with the ADB evaluators. This IA evaluator shall be entitled to read the technical proposals in advance of the meeting, shall attend the entire evaluation meeting (in person or virtually) and have the same status as the other evaluators, however the chair of the evaluation committee shall be an ADB evaluator. The IA evaluator shall be required to sign the Statement of Ethical Conduct.¹</p>	ADB
13	Electronic Approval of technical evaluation	ADB officially approves technical evaluation.	ADB
14	Confidential notification of total scores of evaluated technical proposals	ADB notifies IA of the total scores of evaluated technical proposals.	ADB
15	Electronic opening of financial proposals for.	<p><i>For QCBS, FBS, or LCS Method:</i> CMS issues notifications of electronic opening of financial proposals to consulting firms whose technical proposals are evaluated above qualifying threshold of 750 points out of 1000.</p> <p><i>For QBS, CQS or SSS Method:</i> CMS issues notification of electronic opening of the financial proposal to the first-ranked technically consulting firm and opens its financial proposal.</p>	ADB
16	Financial evaluation and final ranking	ADB's PPFD evaluates financial proposals and prepares final ranking. ADB consults with IA on the results of financial evaluation and final ranking. IA reviews and may point out any inconsistencies in the financial proposals that might need to be discussed during the negotiations with the first-ranked firm. If no issues are uncovered within 3 working days or no feedback is received within 3 working days, the final ranking will be finalized.	ADB
17	Notification of final ranking and recommendation of contract award	CMS notifies IA of the final ranking and recommendation of contract award to the first-ranked firm.	ADB
18	Contract negotiations	IA negotiates the contract with the first-ranked firm. ADB may facilitate negotiations, if required, however the IA shall be solely responsible for the negotiations and shall not rely on ADB's facilitation.	IA (and ADB, if requested)
19	Publication of contract award	IA publishes the award on government website, if applicable. ADB publishes the award on CMS.	IA and ADB
20	Notice to Proceed	IA issues Notice to Proceed.	IA

¹ Form available at <https://www.adb.org/documents/recruitment-firms-individual-consultants-executing-agencies>

No.	Stage	Activity	Responsible
21	Contract Administration	IA shall be responsible for contract administration including issuing variations to the contract for replacement of experts, and cost extensions. The IA must seek ADB's approval if it intends to increase the contract price by 15% or more from the original contracted amount.	IA
22	Procurement Complaints	ADB to handle all recruitment related complaints and IA to handle all contract administration complaints	ADB and IA

ADB = Asian Development Bank; CMS = consultant management system; CSC = consultant selection committee; CSRN = consulting services recruitment notice; EOI = expression of interest; FBS = fixed budget selection; IA = implementing agency; LCS = least cost selection; PPF = Procurement, Portfolio and Financial Management Department; QBS = quality-based selection; QCBS = quality- and cost-based selection; RFP = request for proposal; SSS = single-source selection; TOR = terms of reference.

Confirmed:

Signature:	
Printed name:	
Title:	
Agency Name:	
Date:	

TERMS OF REFERENCE FOR PRF CONSULTANTS

A. Project Background

A.1. General

1. The population of the Federated States of Micronesia (FSM) is served by 200 kilometers (km) of sealed and 15 km of unsealed primary roads over a combined land area of 700 square kilometers dispersed across the four semiautonomous states of Chuuk, Kosrae, Pohnpei, and Yap. Because of urban migration for job opportunities, especially to Pohnpei where the country's capital Palikir is located, about 56% of population live on the four main islands. The remaining 44% live on the outer islands. As is typical of many Pacific small island developing states, primary roads in the FSM provide access to public facilities, economic infrastructure, and job opportunities along the coastlines, where most of the population resides. These roads are a vital means for coastal communities to access public goods and services. Geographic remoteness and dispersion, environmental fragility, and climate change impacts pose major challenges for infrastructure delivery, and even threaten the physical viability of some areas of the main islands and the more remote outer islands of the FSM.
2. Each of the four FSM states has only one primary circumferential route on the main island. These are two-lane roads with carriageways ranging in width from 5.5 meters to 7.3 meters. Most of these roads are in good to fair condition with some sections in poor or very poor condition. Furthermore, extreme weather in undulating terrain and a general lack of adequate drainage and routine maintenance severely hamper all-weather access. Even a few bad or very bad sections or crossings can seriously impede the flow of people, goods, and services. This limited connectivity and lack of alternative access means that the road network is essentially nonexistent.
3. The road network in each of the four states is owned and managed by the state government through the department responsible for infrastructure. In Chuuk State, this is the Department of Transport and Public Works; in Kosrae State, the Department of Transport and Infrastructure; in Pohnpei State, the State Office of Transport and Infrastructure; and in Yap State, the Department of Public Works and Transport. An infrastructure planning and implementation committee in each state is responsible for reviewing, approving, and monitoring infrastructure projects. State-level project management offices manage United States-supported infrastructure projects. The absence of effective institutional arrangements and lack of adequate funding have resulted in the progressive deterioration of the roads and lack of adequate network coverage to integrate all communities into the economic mainstream and provide access to social services. This problem is particularly severe in the states of Chuuk and Kosrae.
4. FSM has applied for a grant for project readiness financing (PRF) from Asian Development Bank (ADB) for Preparing the Sustainable Road Infrastructure Investment Project. If approved, the proposed PRF will be applied, in part, to financing the consulting services which are described in these terms of reference (TOR).
5. The Department of Transportation, Communications and Infrastructure (DTC&I) will be the implementing agency for the PRF. A program management unit (PMU) under the DTC&I will be the implementing arm to coordinate all PRF activities at the national level, specifically with the FSM's Department of Finance and Administration (DOFA), and with the respective departments responsible for infrastructure in each of the state governments. The PMU is presently coordinating the delivery of the infrastructure programs as well as projects funded by the development partners. It has project implementation units (PIU) for major infrastructure projects (e.g., World

Bank-funded Prioritized Road Investment and Management Enhancement Project [PRIME], FSM Maritime Investment Project). Similar arrangements will be used with additional resources from the PRF.

6. The World Bank approved the \$40 million PRIME Project in 2021 to (i) improve the FSM's road network through climate resilient upgrades to primary road sections and water crossings, (ii) provide technical assistance to create an enabling environment for asset management systems, and (iii) provide planning tools for prioritizing road investments.¹ Guided by Strategy 2030,² ADB's support is essential to bridge the infrastructure funding gap; partner with the World Bank and other financiers to deliver coordinated assistance; and provide knowledge support for institutional, technological, and human resources development. Given that the FSM is a small island developing state and is classified as a fragile and conflict-affected situation, project development will take a country-focused approach and seek to use advanced technologies with a primary focus on building long-term sustainability for operation and maintenance of the road assets.

A.2. Purpose of the Assignment

7. The purpose of this assignment is to deliver the following PRF outputs to prepare ensuing and subsequent pipeline of projects suitable for ADB-financing:

- (i) **Output 1: Scope of sector policies, strategies, and investments identified.** Building on assessments of the primary road network by the World Bank's project (para 6),³ the PRF will undertake project pipeline development and sector studies to identify policies, strategies, and investments to be supported by ensuing and subsequent projects. The scope of the sector studies will include primary, secondary, and urban roads in the four states of the FSM. The PRF will critically review the FSM's road policies, strategies, and investment plans to identify opportunities for more efficient sector operation and maintenance and better funding that aligns with Strategy 2030. The PRF will develop a long-term plan for sustainable sector funding and operation focusing on climate resilience; disaster risk management; environmental sustainability; innovation; and inclusive practices in project development, finance, and delivery. The PRF will hold thorough consultations on the long-term plan with the FSM's four state governments and a wider group of stakeholders including civil society organizations. The PRF will subject the priority investments identified for ADB-financing to technical, economic, gender, social, and environmental viability assessments and rank them according to their intended sector outcomes.
- (ii) **Output 2: Detailed engineering designs and bidding documents prepared and implementation contracts procured.** The PRF will conduct all necessary engineering surveys and investigations for the priority investments and develop engineering designs with a focus on climate and disaster resilience, inclusive development, and road safety. It will undertake strategic procurement planning and prepare bidding documents for the road works proposed under the ensuing project

¹ World Bank. [Federated States of Micronesia. Prioritized Road Investment and Management Enhancement Project](#). Washington, DC (approved on 17 May 2021).

² ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

³ Under the World Bank's project, the FSM is undertaking a vulnerability assessment of the Climate Resilient Road Strategy by October 2021.

following ADB's Guidance Note on Procurement.⁴ One or two road sections will be included from each state within the available financing. Where there is potential for land acquisition, land surveys will be coordinated with the relevant land management authorities and carried out as needed. The designs, procurement plan, and bidding documents will be prepared in sufficient detail so that bids can be invited as soon as the ensuing project's fact-finding mission is completed.

- (iii) **Output 3: Innovative tools for road rehabilitation works in the Federated States of Micronesia piloted.** Responding to the need for climate resilience and long-term sustainability, the PRF will undertake small-scale pilot-testing of two innovative construction methods: (i) full-depth reclamation and recycling of pavement materials to reduce construction waste and carbon emissions during construction, and (ii) intelligent compaction for better coverage and quality of road compaction operations. The study will be implemented on selected segments of the FSM road network and will include participation by representatives of the FSM states. The PRF will procure equipment and materials for the pilot study and provide a report on the potential for upscaling the pilot study to all states under the ensuing project.
 - (iv) **Output 4: Capacity of executing and implementing agencies and implementation arrangements tested.** Based on the recommendations of output 1, the PRF will test the project delivery approach to determine the most effective organizational and implementation arrangements. It will ensure that selected projects from all states are planned and implemented in a coordinated and efficient manner. This output will ensure that the ensuing project is adequately resourced and organizational relationships are structured to manage the project risks effectively. It will also establish an effective internal and external stakeholder communication strategy for the ensuing project.
8. The assignment will include construction supervision as part of a single consulting services package. Supervision services will be financed by the ensuing project if performance is satisfactory. To ensure the transfer of knowledge and lessons learned from pilot-testing high-level technologies and the replication of overall project delivery approach to implementation of the ensuing project, a single package for PRF and construction supervision services is required. This is expected to help reduce project start-up delays, which are often associated with mobilizing the project consultants to the project sites. Therefore, services will be delivered in two parts as described below:
- (i) *Part 1* of the assignment is to support the preparation of an investment project suitable for ADB's financing programmed in 2023 through delivery of PRF's four outputs. Services will be delivered through a lump-sum contract at fixed cost and paid from the PRF proceeds. Provisional sums will be provided for the variable costs as described below.
 - (ii) *Part 2* of the assignment will be subject to satisfactory performance of the selected firm under *Part 1* and ADB's approval of financing for the ensuing project and include provision of construction supervision and implementation support services for the ensuing project and implementation of capacity building for road sector

⁴ ADB. 2018. *Strategic Procurement Planning: Guidance Note on Procurement*. Manila.

sustainability. Services will be delivered through a time-based contract and paid from the ensuing project.

B. Selection Procedure

9. The DTC&I and ADB will jointly select the PRF consultant following the ADB Procurement Policy (2017, as amended from time to time) and the Procurement Regulations for ADB Borrowers (2017, as amended from time to time). The DTC&I will negotiate and sign the contract with the first-ranked firm. Quality- and cost-based procedures will be used with a quality-to-cost ratio of 90:10.

10. Part 1 services will be financed from this PRF grant and will be based on a combination lump sum for sector studies, project screening, feasibility studies, detailed design and procurement tasks, with provisional sums for equipment, surveys and investigations and other additional costs as specified in the request for proposal.

11. Subject to performance and financing conditions in para 8(ii) above being met, the DTC&I will negotiate rates and make the *Part 2* contract effective by issuing a *Part 2* notice to proceed. *Part 2* services will be a time-based contract. It is intended that the *Part 2* contract will be based on provisional time inputs that may be subject to adjustment when the exact scope of the ensuing project is determined.

12. Full technical proposals will be required addressing both *Part 1* and *Part 2* of the scope of the assignment.

C. Duration and Location of the Services

C.1. Expected Timing

13. It is expected that *Part 1* of the services will commence in January 2022 and be completed to the point of completing bidding documents for construction packages for issuance by August 2023. Support for procurement will continue until construction contracts are in negotiations stage (tentatively December 2023). The Consultant will prepare and have its program reviewed and approved by DTC&I prior to commencement of services at the inception stage. DTC&I will objectively review performance of the consultant in regular intervals based on achievements of its program targets.

14. Based on DTC&I's assessment of the consultant's performance in *Part 1*, it is expected that *Part 2* of the Services will commence in January 2024 and be completed by July 2026 with the exception of services required during the contracts Defects Notification Periods, e.g., for administering issuance of the contract Performance Certificates and for processing the Final Payment Certificates. End date of *Part 2* is tentative at this stage and will depend on the scope of ensuing project. Adjustment to the time inputs for *Part 2* services will be agreed upon in conjunction with the ADB fact-finding mission for the ensuing project.

C.2. Location

15. To the extent practicable, the Services shall be carried out in FSM to maximize knowledge transfer to local counterparts. The Services will be required in all four States and travel to the project sites by relevant personnel is expected to be necessary. The Consultant will reflect in its proposal arrangements for the remote work to undertake desk review, survey, analysis, and virtual

consultations/workshops that can be performed from their home office to the extent practical, in case international travel to FSM remains restricted due to prevailing coronavirus disease (COVID-19) pandemic situation.

D. Scope of the Services

D.1. Output 1 Services

16. DTC&I has initially formulated a Concept Note on Proposed Road Improvements for ADB Financing (Appendix A3.1) which provides basic information on FSM's road network, physical and operational conditions, institutional set up and investment priorities. Based on further consultations with each of the states during the formulation of this PRF, a tentative list of potential projects for detailed studies under PRF was developed (Appendix A2.2). As this list represents tentative priorities, The Consultant will undertake further review and consultations to refine these priorities and undertake sector studies to identify policies, strategies, and investments under ensuing project(s) and screen and rank each project against eligibility criteria (Appendix A3.3). This will include, inter alia, conducting technical, climate and disaster risk assessments, economic analyses, and assessment of social and environmental conditions. The Consultant will use multicriteria analysis⁵ agreed with DTC&I and ADB and conduct extensive stakeholder consultations with government and non-government organization in all four states to analyze the sector performance, screen potential projects and develop a long-term sustainable sector funding and operational plan focusing on climate resilience, disaster risk management, environmental sustainability, innovation, and inclusive practices in project development, finance, and delivery. The Consultant will ensure that its outputs are closely coordinated with the World Bank-financed studies and activities, which are expected to become available by early 2022.

D.2. Output 2 Services

17. For those subprojects selected for financing under the ensuing project, the consultant will prepare detailed engineering designs and bidding documents. It is expected that bridges will be considered on a case-by-case basis based on safeguards and cost implications. For each subproject, safeguard documentation, including environmental and social, will be prepared in accordance with ADB's Safeguard Policy Statement (SPS) (2009).

18. The Consultant will undertake strategic procurement planning and market analysis and prepare bidding documents for the proposed road works under the ensuing project following ADB's Guidance Note (footnote 4). Opportunities for developing local contractors' capacity will be assessed and recommended for consideration under the project procurement planning exercise. The Consultant will use ADB's Standard Bidding Documents and User's Guide to Procurement of Works in preparing the procurement documents intended for international bidding.⁶ If local bidding is warranted and approved, ADB's Standard Bidding Documents and User's Guide to Procurement of Works – Small Contracts may be used.⁷

⁵ Analytical Hierarchy Process or similar robust multicriteria analysis tools are preferred.
https://en.wikipedia.org/wiki/Analytic_hierarchy_process.

⁶ ADB. 2018. *ADB Standard Bidding Documents and User's Guide to Procurement of Works*. Manila.
<https://www.adb.org/documents/procurement-large-works-guide>.

⁷ ADB. 2018. *ADB Standard Bidding Documents and User's Guide to Procurement of Works – Small Works*. Manila.
<https://www.adb.org/documents/procurement-small-works-guide>.

D.3. Output 3 Services

19. Responding to climate resilience and long-term sustainability, the consultant will support DTC&I undertake small-scale pilot-testing of innovative construction methods. These include: (i) full-depth reclamation to recycle existing pavement materials to combat construction waste and reduce carbon emission during construction; (ii) intelligent compaction for better coverage and quality of road compaction operations. The Consultant will design the pilot works and support procurement of equipment (to be financed by the PRF grant) and materials for the pilot study, which will be implemented on selected short (less than 2 km) segment(s) of the FSM road network. The Consultant will review, update, and confirm the suitability of candidate pilot test site(s) along the Sokehs Circular Road in Pohnpei (about 3.45 km stretch), both from climate and environmental impact perspectives. ADB has undertaken rapid climate and environmental assessments and incorporated its findings in the initial environmental examination (IEE) for this PRF (access this document from ADB website for the project <https://www.adb.org/projects/55009-001/main>).

D.4. Output 4 Services

20. It is intended that the project delivery approach be tested for most effective organizational and implementation arrangements to ensure that selected projects from all states are planned and implemented in a coordinated and efficient manner. The Consultant will recommend resources, and organizational relationships for the ensuing project that are structured to effectively manage the project risks. An effective internal and external stakeholders' communication strategy for the ensuing project will be developed.

D.5. Construction Supervision Services

21. Upon issuance of notice to proceed for *Part 2* service by DTC&I, the Consultant will mobilize to supervise each contract and will provide personnel and other resources to ensure the works are constructed in accordance with the contract requirements. It is expected that, due to limited local capacity, international contractors will bid for the works contracts. These contracts will be supervised by the consultant following Fédération Internationale des Ingénieurs-Conseil (FIDIC) Conditions of Contract, MDB Harmonized Version (2010).

E. Detailed Outputs, Tasks, and Expected Deliverables

E.1. Project Screening

22. A tentative list of potential projects is in Appendix A3.2 and the project selection criteria is in Appendix A3.3. The Consultant will formulate and undertake multicriteria analysis and appraisal of candidate subprojects to establish subproject eligibility, in accordance with the subproject eligibility criteria. The appraisals will involve collecting and analyzing baseline data to assess feasibility and expected impact. Feasibility studies will also assess costs based on recommended design options of the rehabilitated assets. Each subproject appraisal will include (i) a technical feasibility study including a cost estimate, (ii) an economic analysis in accordance with ADB's Guidelines for the Economic Analysis for Projects,⁸ (iii) a social and poverty analysis, and (iv) an environmental assessment and environmental management plan, and (v) an involuntary resettlement appraisal. The appraisal will confirm (or otherwise) that acquisition of land and

⁸ ADB. 1997. Guidelines for the Economic Analysis of Projects. Manila.

resettlement is not required. Each component of the assessment will confirm acceptable ratings against the criteria.

23. The Consultant will follow ADB guidance for the climate and disaster risk assessments. Immediately prior to the commencement of the services required by these TOR, the Road Network Vulnerability Assessment and Climate Resilient Road Strategy is expected to have been completed by others as part of the World Bank-financed Climate Resilient Road Project. Assessments, including data collected for that assignment will be made available to the consultant. The Consultant may, after critical review rely on assessments and data to complement its own due diligence for preliminary screening of candidate projects where applicable. This is expected to include:

- (i) Definition of existing and likely future key hazard events (e.g., extreme rainfall, landslides, storm surge, king tides, etc.) and potential impacts (blockages, wash outs, overtopping etc.) on the four principal islands of FSM.
- (ii) Assessment of demographic and socioeconomic data and identification of areas with high densities of population, especially the poor or other vulnerable people.
- (iii) Assessment of existing data and government development plans and identification of the location of critical services and major economic activities, existing and planned.
- (iv) Drive-over surveys of all primary roads, including Go-pro or similar GPS-linked and GIS-compatible video and still photo sequences, as well as International Roughness Index (IRI) profiles. The Consultant may propose to use advanced ground- or drone-based LiDAR technologies to supplement their surveys.
- (v) Assessment of the likely severity and frequency of hazard event impacts for all major links of the road network.
- (vi) Mapping of the existing transport network and an assessment of existing and forecasted traffic data.

24. Notwithstanding that project selection is dependent upon the results and recommendations of the screening exercise, these TOR require that options development, preparatory work, including environmental and social due diligence, detailed design and preparation of draft bidding documents be accomplished for the Ganir Bridge. The Consultant shall also prepare its proposal for Part 2, Construction Supervision inclusive of methodology and resources for supervision of construction of Ganir Bridge.

E.2. Design and Contract Bidding Documents

25. **Design.** Detailed design activities will include but are not limited to:

- (i) Conducting topographical, cadastral, geotechnical, bathymetric, and traffic surveys including axle load surveys;
- (ii) Determination of sources of appropriate construction materials, including verification of material quality;
- (iii) Determination of pavement structure and surfacing design of associated roads, taking into consideration traffic loading over a design life of 20 years, subgrade condition and variability, topographical and climatic conditions, and the likely maintenance arrangements post-construction;
- (iv) Preparation of engineering and hydraulic designs for bridge structures;

- (v) Design of drainage structures, including side drains, culverts, and associated inlet and outlet structures, with consideration of climate change impacts, and prevention of scour and siltation;
- (vi) Design of appropriate, cost-effective road safety features that may include streetlight improvements, traffic calming measures, pedestrian access, and road safety furniture. Road safety features will take into account the International Road Assessment Program (iRAP) Star Rating for Design (SR4D) tool and independent road safety audits;⁹ and
- (vii) Design of coastal structures including coastal protection, with consideration of climate change impacts and potential natural hazards.

26. **Design of Ganir Bridge.** A concept design was prepared for the Ganir Bridge in 2009.¹⁰ The report is included with these TOR for information only (Appendix A3.4) and the consultant shall remain entirely responsible for all aspects of the design, which will include consideration of the stability of the approach embankments. The geotechnical investigation is not available.¹¹ A provisional sum is included for further geotechnical investigations should they prove necessary. Bridge design shall be in accordance with the AASHTO LFRD Bridge Design Specifications.

27. **Bidding Documents.** Each civil works contract package will be procured in accordance with ADB's Procurement Policy (2017, as amended from time to time) and the Procurement Regulations for ADB Borrowers (2017, as amended from time to time). The standard bidding documents for civil works (Large Contracts) shall be used. The Consultant will prepare draft bidding documents, including details for bid evaluation criteria and contractor qualification criteria, Employer's Requirements, bill of quantities (BOQ), and detailed specifications. The Consultant will liaise with DTC&I and with ADB regarding any conditions of particular application required to amend the standard general conditions of contract. A method of measurement clearly linked to the BOQ item descriptions will be provided either as a stand-alone document or incorporated in the specifications.

28. The Consultant will assess the local contracting capacity. To the extent possible, contract packages are to be selected that are within the financial capacity of several locally based potential bidders. Shortcomings in technical capacity are to be identified, and workable suggestions to address these shortcomings proposed for possible inclusion in the procurement strategy for the ensuing project.

29. **Safeguards.** The Consultant will screen the subprojects and in consultation with ADB prepare necessary initial environmental examinations (IEE) and environmental management plans (EMP). They will also prepare required social safeguard planning documents whether it be a due diligence report (DDR) confirming that there are no involuntary resettlement impacts or a resettlement plan (RP) for potential impacts. A public communication strategy for the overall project and consultation and participation plans for each selected subproject will also be prepared. The IEEs will accurately reflect the final design and clearly identify and describe the project impact/influence area as part of the description of existing environment (baseline physical, ecological, and socioeconomic conditions). It will also identify the impacts of project activities during the design and pre-construction, construction, and operation stages on the physical, biological, and socioeconomic conditions. The impact assessment will also identify impacts

⁹ The International Road Assessment Program (iRAP) – Star Rating for Design (SR4D). <https://irap.org/project/star-rating-for-designs/>.

¹⁰ Beca International Consultants Ltd. 2009. *Yap Bridges – Concept Design Report*. Auckland.

¹¹ Geotesting Inc. 2001. *Geotechnical Testing of Ganir and Twin Bridges*. Pohnpei.

related to materials sources, processing and haulage including audit of existing quarry/material sources (as per Appendix 4 para. 12 SPS) if the project is likely to use existing sources/operations (especially noting whether they are licensed and/or have requisite development consent) as well as generic impacts of opening a new source, processing plant and haulage etc. and setting out the procedure the civil works contractor will need to follow to obtain development consent (and other permits) for any new operation/site. The detailed designs are required, as far as practicable, to reflect the recommendations and proposals for mitigation of impacts made in the IEEs and the EMPs. The Consultant shall update the IEEs to reflect the final designs. The updated EMPs will be included in the employer's requirements of the bidding documents. The updated EMPs will include the schedule outlining a program of baseline and compliance monitoring as required under the SPS and applicable local regulations. The social safeguards DDR will be prepared to confirm that land acquisition will not be required in any of the selected subprojects. Should involuntary resettlement safeguards be triggered during the project screening exercise, the project will be re-categorized, and a RP will be prepared based on the cadastral survey, further consultations, and other findings arising from the detailed design. The documents shall conform with the requirements of ADB's SPS and applicable local regulations.

E.3. Construction Innovation

30. The PRF calls for the use of cutting-edge technology for road construction. Full-depth reclamation and intelligent compaction methods, which are widely used in advanced economies such as the United States and Western Europe, are among the proposed technologies. These technologies reduce emissions related to road construction by recycling the road pavements in place, thereby reducing the need to source and transport the raw materials from quarries to the project site. They have been shown to speed up project implementation, improve quality, and reduce traffic disruptions. The costs of pilot-testing these technologies under the PRF are low relative to PRF budget. The estimated cost of a road reclaimer is less than \$300,000 and intelligent compaction systems cost about \$50,000. The pilot-testing will include acquisition of these technologies and construction of a suitable 1–2 km road section by a qualified national civil works contractor. The PRF consultant will (i) design the pilot works and support procurement of equipment and civil works to carry out the pilot-testing of the technologies following the ADB Procurement Policy and Procurement Regulations for ADB Borrowers, and (ii) supervise the application of these technologies from acquisition to full pilot-testing.

- (i) **Full-Depth Reclamation (FDR).** The Consultant will design and supervise the construction of a pilot section that will trial FDR to test its effectiveness and identify advantages and disadvantages in comparison with standard approaches to pavement rehabilitation. The Consultant will manage all aspects of the trial. A local qualified contractor will be selected by DTC&I using ADB's request for quotation procedure to undertake the trial under the direction of the consultant.
- (ii) The Consultant shall prepare a draft contract, inclusive of bills of quantity, specifications etc. necessary to administer, oversee and ensure the quality and timely implementation of the works. The Consultant will supervise the works comprising the trial section.
- (iii) A suitable pavement reclamation machine will be purchased by the DTC&I to be operated by a qualified local contractor and financed under the PRF. The Consultant shall determine the specifications of the required machine and shall support its purchase using ADB's request for quotation procedure.
- (iv) The trial will also test and validate Intelligent Compaction technology. The Consultant will identify a locally owned vibrating single-drum roller to which suitable Intelligent Compaction devices can be attached. The Consultant will arrange for

purchase of these devices on behalf of the DTC&I using request for quotation procedure and pay for it from a provisional sum included in the consultant's contract.

- (v) The Consultant will, in close collaboration with the DTC&I, select a suitable site for the trial. Site selection shall include sufficient geotechnical investigation to enable properties of the in-situ materials to be determined. The trial section length shall be about 1000-2000 meters long and includes both carriageways. The works comprising the trial will be designed by the consultant and consideration will be given to ancillary work (in addition to pavement rehabilitation) such as, but not limited to drainage and safety features as may be required. The Consultant shall prepare a detailed cost estimate that will be derived from first principles, and sufficient to validate cost proposals submitted by the selected contractor.
- (vi) The Consultant shall prepare a report outlining the precise methodology to be followed for the trial for approval by DTC&I. On completion, the consultant shall prepare a report that will critically assess the trial and its outcome.

E.4. Construction Supervision

31. Upon issuance of *Part 2* notice to proceed, the consultant will undertake construction supervision and contract management of awarded subproject contracts. Activities will include but are not limited to:

- (i) Liaising between DTC&I's project management team and contractors;
- (ii) Preparing and submitting monthly progress reports to DTC&I. The format and content of reports are to be agreed with DTC&I;
- (iii) Monitoring and implementing day-to-day quality control and quantity measurements of works under the contract;
- (iv) Supervising works, approving materials, equipment, and workmanship to ensure compliance with contract requirements;
- (v) Verifying quantity measurements invoiced for payment, and ensuring quantity measurements are carried out in a manner and at the frequency required by the contract;
- (vi) Verifying and countersigning monthly payment certificates;
- (vii) Ensuring works comply with technical specifications, engineering drawings, and other contractual requirements;
- (viii) Updating original designs or proposing new solutions to meet changed conditions in the field;
- (ix) Consulting with DTC&I and Contractor when interpreting and applying requirements of the contract and advising the DTC&I on matters related to contractors' claims, such as time extensions or additional works, and issuing decisions as required by the contract;
- (x) Prepare detailed recommendations for contract variations for review and approval by DTC&I;
- (xi) Recommend solutions to DTC&I on ambiguities, discrepancies, or disputes arising from contracts;
- (xii) Inspecting and testing materials and works done by the contractor to ensure compliance with contract specifications;
- (xiii) Ensure contractors implement site safety plans in accordance with requirements of the contract;
- (xiv) Ensure implementation of land acquisition and resettlement plans (if any);

- (xv) Hold regular site meetings to formally record progress and discuss and resolve issues;
- (xvi) Ensure that the contractor liaises with utility operators and service connection owners to identify location of existing and new services;
- (xvii) Review, approve, and monitor implementation of contractors' environmental management plan (CEMP), ensuring contractor complies with its reporting requirements, and incorporating monitoring reports in quarterly progress reports to the implementing agency and the submission of semiannual safeguards monitoring reports to ADB;
- (xviii) Produce as-built drawings in format suitable for use in DTC&I's asset management system;
- (xix) Maintaining daily contract diary recording construction activity on the sites and all events pertaining to contract administration;
- (xx) Issuing the Taking-Over Certificate;
- (xxi) Monitor the Contractor's compliance with requirements during the 12-month defects notification period;
- (xxii) Issuing the Performance Certificate;
- (xxiii) Certifying the Statement at Completion; and
- (xxiv) Issuing the Final Payment Certificate.

E.5. Team Effort, Composition, and Qualification Requirements (Part 1)

32. **General requirements.** For the purpose of formulating the budget, approximately 50 person-months of specialist inputs has been estimated to deliver Part 1 services. Consulting firms are required to develop their own estimated level of effort to support their proposed approach and methodology as well as the staffing plan to accomplish the TOR. This assignment will require the firm to staff an appropriate mix of qualified specialists that includes but is not necessarily limited to the key and non-key experts noted below for *Parts 1* and *Part 2*. Firms will be evaluated on how well they have chosen mix of experts and approach to resource mobilization to meet the requirements of the entire assignment. Where key experts proposed by firms do not have experience in Pacific or small island countries, it is expected that they would be assisted by non-key experts with such experience. It is up to the firm to propose which of the staff on its team is Team Leader for *Part 1*, but Team Leader is expected to manage the firm's services in-country except for short periods of absence. The Team Leader for *Part 1* and *Part 2* need not necessarily be the same person. The Team leader for *Part 2* shall however be the Resident Engineer. The Team Leader will have overall responsibility for the direction, technical excellence and successful completion of *Part 1* of the project and must have at least 15 years of project management experience in leadership roles who also meets the requisite qualifications of one of the key staff positions in Table 1 and Table 3.

33. The Consultant will provide with its proposal curriculum vitae of the following key experts to demonstrate the consultant's capacity to undertake key attributes of project development for ADB financing.

Table 1: Key Experts (Part 1)

Position	Qualifications	Experience
Road Design Engineer	1st degree in civil engineering, with post-graduate qualification in roads-related discipline preferred. Full membership of national or international	Preferably 20 years or more experience in the field of road engineering, out of which minimum 7 years post-graduate experience in roads and drainage design in small island states, preferably in the Pacific region would

Position	Qualifications	Experience
	professional institution preferred.	be an advantage. Experience in climate-change adaptation, disaster risk management and advanced pavement recycling technologies would be an advantage.
Bridge Design Engineer	1st degree in civil or structural engineering, with post-graduate qualification in roads-related discipline preferred. Full membership of national or international professional institution preferred.	Preferably 20 years or more experience in the field of bridge engineering, out of which minimum 7 years post-graduate experience in bridge design in small island states, preferably in the Pacific region would be an advantage.
Economist	Master's degree in Economics required.	Preferably 12 years or more experience in conducting economic analysis of projects, out of which a minimum of 5 years shall be for appraisal of public transport projects. Demonstrated experience in applying ADB's Guidelines for the Economic Analysis for Projects would be an advantage.
Environmental Safeguards Specialist	Master's degree or higher in in environmental science or engineering discipline (Biology, Chemistry, Geology, Environmental, Civil or Chemical Engineering)	At least 10 years of experience in positions requiring proficiency with the analysis and application of environmental assessments and demonstrated familiarity with implementation of ADB's Safeguard Policy Statement or similar international financing institute. Experience working in Pacific Island countries preferred.
Gender and Social Development Specialist	Master's degree in a related field such as sociology, anthropology, urban planning, or other social sciences.	At least 10 years relevant social development experience with demonstrated skills in ADB's IR safeguards and expertise in gender analysis, and planning, as well as experience in mainstreaming gender in infrastructure, especially in the transport sector. Experience working in Pacific Island countries preferred.

34. The Consultant will provide with its proposal curriculum vitae of the following non-key experts to demonstrate the consultant's capacity to undertake other key attributes of project development for ADB financing. The Consultant may choose to add more non-key experts. These experts will not be evaluated individually but will be considered in evaluating how the firm demonstrates its strength in undertaking the assignment, and to support its approach and methodology to the assignment.

Table 2: Non-key Experts (Part 1)

Position	Qualifications	Experience
Social Safeguards Specialist	Master's degree in a related field such as sociology, anthropology, urban planning, or other social sciences.	At least 10 years relevant experience in social development and in particular working on projects covering a broad range of resettlement issues, including the preparation and implementation of due diligence reports or resettlement plans in accordance with ADB's Safeguard Policy Statement or similar international financing institute. Experience working in Pacific Island countries preferred.

Position	Qualifications	Experience
Climate Change Specialist	Degree in environmental science or engineering with climate change related credentials/training.	5 to 10 years of relevant experience in climate science and practical work experience in infrastructure climate proofing/adaptation. Experience working in Pacific Island countries preferred.
Road Safety Specialist	Degree in road engineering with specific credentials/training on road safety.	5 to 10 years of relevant experience in road safety related work with practical work experience in designing road safety features, road safety audits and training. Experience working in Pacific Island countries preferred.

35. **Team Leader** (international, 20 person-months for Part 1, 30 person-months for Part 2). The team leader will have overall responsibility for the subproject screening reports, preparation of feasibility studies, detailed designs and collation of bidding documents. The team leader's tasks will include but are not limited to:

- (i) lead all activities related to subproject screening, feasibility studies, detailed designs, and preparation of bid documents ensuring quality and timely delivery;
- (ii) ensure project screening and feasibility studies are consistent with the eligibility criteria (Appendix A3.3);
- (iii) supervise preparation of engineering reports, environmental management plan, resettlement plan, detailed drawings (incorporating social- and gender inclusive designs), technical specifications, bidding documents, and construction schedules showing anticipated contract durations and expenditure projections on a quarterly basis;
- (iv) ensure bills of quantities are aligned with standard methods of measurement for purposes of bidding and contractor claims during construction;
- (v) ensure timely reporting as specified in these TOR; and
- (vi) participate in implementation support missions.

36. **Road Design Engineer** (international, 8 person-months). The road design engineer will be responsible for the technical feasibility studies related to roads at subproject appraisal, detailed road design, and incorporation of all structural bridge and drainage designs into selected subproject road contract packages. The road design engineer will prepare bidding documents for each civil works package. He/she will perform the following tasks:

- (i) identify potential future climate change impacts including on drainage and coastal protection where relevant;
- (ii) consider impacts in road and bridge designs and evaluate incremental costs associated with incorporation of mitigation measures in the project design;
- (iii) carry out technical feasibility studies for candidate road subprojects that identify appropriate engineering options, with consideration of cost-effectiveness, road safety, and climate change impacts;
- (iv) identify required engineering, geotechnical, traffic, cadastral, and topographical surveys for the purposes of detailed design of approved subprojects, and coordinate with the design team specialists;
- (v) review available engineering data, including data relating to availability and quality of construction materials;
- (vi) apply appropriate design standards, and ensure appropriate technical specifications are incorporated in engineering designs with due regard to national systems and resources;

- (vii) determine cost-effective options to upgrade selected subproject road sections, with due consideration for topographical characteristics, minimum service standards, and use or conservation of limited resources;
- (viii) consider any areas of potential slope instability, and develop recommendations and detailed engineering design to prevent slope failure, in consultation with the Geotechnical Engineer;
- (ix) prepare pavement designs on the basis of subgrade condition, projected traffic levels, axle loads, climate change impacts, and expected future maintenance regime;
- (x) prepare detailed drawings and construction schedules;
- (xi) review road safety measures, consider any iRAP surveys and independent road safety audits, and identify black-spots on selected subproject road sections and incorporate cost-effective and site appropriate road safety treatment measures in the design;
- (xii) prepare bills of quantities aligned with standard methods of measurement for purposes of bidding and contractor claims during construction;
- (xiii) prepare detailed construction cost estimates;
- (xiv) review environmental implications of construction, including those related to opening of borrow pits and spoil disposal;
- (xv) prepare construction schedules showing anticipated construction durations, and quarterly expenditure projections; and
- (xvi) prepare draft bidding documents.

37. **Bridge Design Engineer** (international, 5 person-months). The bridge design engineer will support the technical feasibility studies at subproject appraisal and detailed design by providing structural bridge and drainage designs for selected subproject road and bridge contract packages. The bridge design engineer will support the road design engineer in the preparation of bidding documents for each contract package. He/she will perform the following tasks:

- (i) establish parameters for drainage design, taking into account climate change forecasts over the design life of the road, major structures and other component parts;
- (ii) support the Team Leader, road design engineer and economist in the preparation of technical feasibility studies by providing inputs related to the design of bridge and drainage structures;
- (iii) study existing hydrological regimes based on analysis of catchment, rainfall, flood records, and local enquiry;
- (iv) estimate the required hydraulic capacity of main drainage structures, including an estimate of incremental capacity needed to cater for climate change considerations;
- (v) prepare a program of geotechnical investigation needed for the design of drainage structures and bridges;
- (vi) identify, design, and quantify all necessary drainage systems including bridges, culverts, side drains and ensure that they are incorporated in the overall design of the works;
- (vii) prepare full, specific designs for all bridge structures, and large drainage structures such as in situ box culverts, aprons, wing walls; and
- (viii) support the preparation of technical specifications, bills of quantity, and engineering drawings.

38. **Economist** (international, 3 person-months). The project economist will be responsible for the economic feasibility and other studies for screening and ranking of road and bridge projects

that are included in the “long list” at Appendix A3.2. The economist will liaise with the relevant design engineers on the expected capital and lifecycle costs, and initiate and supervise surveys to establish expected lifecycle benefits. The economist will identify subproject alternatives and carry out least cost analyses and cost benefit analyses, and perform sensitivity and risk analyses. He/she will perform the following tasks:

- (i) identify data requirements, design field surveys, and configure economic analysis spreadsheets;
- (ii) identify all costs and benefits of various engineering options, taking into account engineering, environmental, and socioeconomic perspectives of the subprojects;
- (iii) apply a cost benefit and/or cost-effectiveness analysis of the adaptation options identified above and prioritize the options;
- (iv) conduct economic analysis in accordance with ADB’s Guidelines for the Economic Analysis of Projects (footnote 8); and
- (v) liaise with other specialists to provide an integrated feasibility study report(s).

39. Environmental Safeguards Specialist (international, 5 person-months). The Environmental Safeguards Specialist (ESS) will undertake screening of each subproject and prepare the necessary IEEs for the ensuing project. The ESS will:

- (i) review and update the IEE drafted for the pilot project after further detailed design and ensure monitoring and reporting in compliance with national laws and ADB’s safeguard requirements;
- (ii) review the scope and activities of the proposed subprojects and screen their potential impacts on the environment to determine the environmental categorization for each subproject in the tentative list (Annex 1);
- (iii) prepare the screening applications (with prescribed checklists) as required by state authorities (EPA) for each subproject that will be formally submitted to EPA by the DTC&I;
- (iv) identify all permits, licenses and approvals/clearances required for the construction and operation of the project including which stage they are required, timeframe to obtain, and who will have primary responsibility for obtaining them (DOFA, DTC&I or contractor etc. – to be documented in the section of the IEEs covering policy, legal and administrative framework);
- (v) In consultation with the EPA to develop the IEEs for each state based on subprojects that is to be prepared for the ensuing ADB-financed project(s);
- (vi) establish the environmental baseline and conduct surveying and testing as necessary to benchmark the physical, biological, and socioeconomic conditions properly and fully. This will include maps clearly identifying locations of ecological values and sensitive receptors;
- (vii) upon completion of the baseline, prepare the necessary environmental assessment documentation as well as the requisite EMP which will include measures to prevent/avoid or mitigate adverse environmental impacts predicted to occur during the construction periods, and incorporate as specific actions in the scope of civil works contract;
- (viii) after detailed design of each subproject, update the EMPs reflecting any conditions on IEE approval required by EPA and prepare draft method statements for other management plans such as traffic management and health and safety plans (to be integrated into EMP) as required and ensure that bidding documents will include EMP (this will include guidelines for the management of COVID-19 in the

- workplace and on construction sites as released by the World Health Organization);¹²
- (ix) supervise the inclusion of mitigation actions required during the design phase as prescribed in the IEE and EMP and incorporate a proposal for environment monitoring which includes quantities and cost estimates;
 - (x) monitor and report on the impact of project actions on the environment, and any reported grievances during implementation; to be documented in quarterly progress reports in a format consistent with ADB's project performance reporting system; and semi-annual safeguard monitoring reports indicating progress achieved, with key implementation issues and solutions;
 - (xi) during evaluation of bids, assist in the review of contractor bids, in respect of response to environmental management provisions;
 - (xii) in coordination with the social and gender specialist in the team, assist DTC&I in public consultations with stakeholders and disclose relevant project information including the draft safeguard documents in accordance with ADB's SPS and Access to Information Policy;
 - (xiii) identify specific training needs for DTC&I safeguard staff or consultants on all aspects of environmental assessment and management and deliver necessary capacity building trainings at the project level; and
 - (xiv) Submit draft safeguard documents to DTC&I and ADB and finalize these incorporating comments.

40. **Gender and Social Development Specialist** (international, 5 person-months). The Gender and Social Development Specialist (GSDS) will lead screening of Involuntary Resettlement (IR) safeguards, gender and social development aspects of each subproject, and lead the preparation of necessary resettlement plan instruments, Poverty Social and Gender Assessment (PSGA), including a gender action plan (GAP) for the ensuing project. The GSDS is expected to ensure that the project is designed to meet ADB's criteria for at least a Category B for IR safeguards and an 'effective gender mainstreaming' gender categorization. The GSDS in this context will:

- (i) conduct a stakeholder analysis and prepare a public communication strategy and consultation and participation plan to ensure effective stakeholder engagement not only in preparation but also during implementation;
- (ii) based on the project's grievance redress mechanism (GRM) outlined in the IEE prescribed for the pilot project, review and update the GRM for the ensuing project;
- (iii) review the scope and activities of the proposed subprojects and screen their potential impacts on land acquisition/IR and indigenous peoples in all selected sites, and prepare a DDR confirming that there are no involuntary resettlement impacts for the ensuing project;
- (iv) if an RP is required, the ensuing project will be re-categorized, and the RP will be based on a census of affected persons, inventory of losses, and socioeconomic survey of affected person;
- (v) in coordination with the DTC&I and relevant government agencies, undertake adequate consultations with affected persons and other stakeholders and assist in disclosing relevant information in accordance with country's laws, ADB's SPS and Access to Information Policy;

¹² World Health Organization. <https://www.who.int/publications-detail/considerations-for-public-health-and-social-measures-in-the-workplace-in-the-context-of-covid-19>.

- (vi) assess potential poverty and social impacts of the ensuing project and lead the preparation of the PSGA as the basis of the Summary Poverty Reduction and Social Strategy;
- (vii) support screening of the tentative list of projects from the Gender and Social Development perspective; and lead preparation of a GAP that mirrors the design and monitoring framework (DMF) and includes gender inclusive design features, gender targets and indicators, timelines, assigned responsibilities, and implementation arrangements for the ensuing project(s);
- (viii) ensure that all bid documents incorporate required design and activities specified in the GAP and that the GAP has cost estimates; and
- (ix) assist DTC&I implement the GAP and provide capacity development support to national social safeguard specialists (both relevant DTC&I and consultant's staff) on GAP implementation and monitoring responsibilities, including:
 - (a) provide gender awareness training to DTC&I, and project design and supervision team as specified in the GAP;
 - (b) ensure that gender-responsive designs addressing women's needs for transport infrastructure and road safety are incorporated into all subproject designs;
 - (c) support the national social safeguard specialists to develop concrete plans to ensure women's participation in all project activities during project implementation stage;
 - (d) assist DTC&I establish clear institutional arrangements for GAP implementation, monitoring, and reporting responsibilities;
 - (e) assist DTC&I and PMU to establish mechanisms for collecting and reporting sex-disaggregated data for the GAP, as well as all other project-related indicators;
 - (f) establish sex-disaggregated baseline data for the GAP and DMF performance indicators, if needed, and other gender-related indicators for subprojects for regular monitoring and reporting during project implementation period;
 - (g) in coordination with the ESS, assist DTC&I undertake consultations with key stakeholders and disclose relevant information including the draft safeguard documents in accordance with the country's laws and ADB's SPS and Access to Information Policy; and
 - (h) submit draft safeguard documents to the implementing agency and ADB and finalize these incorporating comments.

E.6. Team Composition & Qualification Requirements (Part 2)

Table 3: Key Experts (Part 2)

Position	Qualifications	Experience
Engineer to Contract	1st degree in civil engineering, with post-graduate qualification in project management related discipline preferred. Full membership of national or international professional institution preferred.	Preferably 20 years or more experience in the field of civil engineering, out of which minimum 10 years post-graduate experience in implementation of transport infrastructure projects in small island states, preferably in the Pacific region would be an advantage. At least 7 years-experience administering FIDIC – based contracts is a requirement.
Senior Resident	Bachelor's degree in civil or structural engineering. Full membership of national or	Preferably 12 years or more experience in construction supervision out of which minimum 5 years-experience in small island states, preferably

Position	Qualifications	Experience
Engineer and Team Leader	international professional institution preferred.	in the Pacific region would be an advantage. Experience and/or training in administering at least one FIDIC-based contract of civil engineering contract in a similar position is required
Assistant Resident Engineer (Ganir Bridge)	Bachelor's degree in civil or structural engineering is preferred though a Diploma along with requisite experience may also be acceptable.	Preferably 12 years or more experience in supervision of construction, including having a similar level of responsibility for at least one bridge similar in size and scope to the Ganir Bridge.
Assistant Resident Engineer (Roadworks Contract 1)	Bachelor's degree in civil or structural engineering is preferred though a Diploma along with requisite experience may also be acceptable.	Preferably 12 years or more experience in supervision of construction, including having a similar level of responsibility for at least one road construction contract similar in size and scope to the largest long list candidate roadworks contract.
Safeguards Monitoring Specialist	Bachelor's degree in social or environmental sciences or in a related area though a Diploma along with requisite experience may also be acceptable.	Preferably (>5 years) experience in safeguards and social development monitoring and evaluation work, and conversant with ADB or similar multilateral institutions guidelines on safeguards and gender monitoring, evaluation and reporting.

41. **Engineer to Contract** (international, 4 person-months intermittent). The consulting firm will assume the powers and authorities of the Engineer, subject to such limitations as may be specified in the construction contracts. The general conditions of contract for the main civil works contract will be the Conditions of Contract for Construction for Building and Engineering Works Designed by the Employer, Multilateral Development Bank Harmonized Edition, prepared by the FIDIC (FIDIC MDB Harmonized Construction Contract) available at FIDIC MDB June 2010. However, the consulting firm shall nominate the person (who shall be preferably a permanent employee of the firm) with lead responsibility for administering the civil works contracts to be evaluated as one of the key personnel. The Engineer to the Contract(s) will:

- (i) visit each contract site at intervals of no more than 3 months (unless agreed with the DTC&I that a visit, or a visit to a particular site is not warranted);
- (ii) delegate sufficient powers and authorities of the Engineer to the Resident Engineer (the extent of delegation to the Resident Engineer shall be proposed in the consultant's technical proposal);
- (iii) review all contractual correspondence and provide advice to the Resident Engineer where necessary; and
- (iv) ensure that the contracts are correctly administered in accordance with the contracts.

42. **Resident Engineer** (international, 32 person-months inclusive of Defects Liability and post-construction visits). The resident engineer, under authorities delegated to him by the Engineer will:

- (i) supervise construction of the work and test or order to test and examine any materials to be used or workmanship employed in connection with the works;
- (ii) lead the construction supervision team on a day-to-day basis;
- (iii) train national consultants in contract administration, assigning roles and responsibilities to engineers attached to the team; and
- (iv) ensure that the team accomplished all tasks and duties related to construction supervision and contract management of awarded subproject contracts, as delegated by the Engineer and set out in para. 5.4 above (cross-reference refers

to the general TOR for supervision, for which the Resident Engineer will be mostly responsible).

43. **Assistant Resident Engineer – Ganir Bridge** (national or international, 15 person-months). Reporting to the Resident Engineer, an Assistant Resident Engineer shall be assigned full-time to oversee the construction of the Ganir Bridge. The Assistant Resident Engineer will:

- (i) oversee the works, checking that all aspects of construction comply with the contract specifications;
- (ii) assist the ESS to monitor compliance with the CEMP;
- (iii) monitor compliance with approved construction management plans;
- (iv) maintain site daily activity and climate records;
- (v) measure work quantities for interim payment purposes; and
- (vi) keep and agree records with the contractor.

44. **Assistant Resident Engineer – Roadworks Contract 1** (national or international, 18 person-months). Reporting to the Resident Engineer, an Assistant Resident Engineer shall be assigned full-time to oversee the construction of the Roadworks Contract 1. The Assistant Resident Engineer will:

- (i) oversee the works, checking that all aspects of construction comply with the contract specifications;
- (ii) assist the ESS to monitor compliance with the CEMP;
- (iii) monitor compliance with approved construction management plans;
- (iv) maintain site daily activity and climate records;
- (v) measure work quantities for interim payment purposes; and
- (vi) keep and agree records with the contractor.

45. **Assistant Resident Engineer – Roadworks Contract 2** (national or international, 18 person-months) – as above.

46. **Safeguards Monitoring Specialist** (national or international, 18 person-months). Reporting to the Team Leader for *Part 2*, the specialist will be responsible for implementing, monitoring, and reporting of both environment and involuntary resettlement safeguards, the projects GRM and gender performance targets for the project. The detailed tasks and expected outputs include:

- (i) regularly review and report on the impact of project actions on the environment and involuntary resettlement, and any reported grievances; to be documented in quarterly progress reports in a format consistent with ADB's project performance reporting system; and semi-annual safeguard monitoring reports indicating progress achieved, with key implementation issues and solutions;
- (ii) facilitate consultations and participatory planning on governance activities in the implementation of IEEs and DDR or RP recommendations, their proposed methodologies, and project implementation plans to identify unanticipated impacts and project grievances and initiate corrective action measures;
- (iii) review implementation of project GAP and all training and knowledge sharing activities with regard to gender needs and benefits, and provide guidance on their revision;
- (iv) facilitate training and knowledge sharing activities, and ensure the broad participation of women; and
- (v) support the project teams and other project stakeholders in adopting international best practices in implementing the project's GRM, public communication strategy

and consultation and participation plans ensuring effective community engagement on relevant social gender development issues for the project.

E.7. Non-Key Experts and Support Staff

47. The Consultants shall also include in its technical and financial proposal all other non-key experts and all supporting staff including surveyors, draftspersons, administrative and office staff necessary to achieve the objectives of the contract, in accordance with their proposed approach and methodology.

E.8. Deliverables – Part 1 Services

48. The outputs and tentative payment schedule are provided in the following table. All components of each item must be completed to qualify for a milestone payment. The proposed milestone payments are subject to final negotiated percentages. Payments will be due on DTC&I's approval of the deliverable. ADB and DTC&I comments will be provided within 14 days of receipt of deliverables. Days are calendar days. The Consultant will assist ADB missions by providing information, reports and data as may be requested by the ADB Project Team from time to time.

Table 4: Schedule of Deliverables – Part 1

Deliverable No.	Description	Milestone payment ^a	Submission date
NA	Inception Report	0% ^b	Within 30 days of commencement
1 st Quarterly Report	Output 1 – 1 st Report (sector analysis)	5%	Within 90 days of commencement
2 nd Quarterly Report	Output 1 – 2 nd Report (prioritization) Output 4 – 1 st Report (capacity assessments)	5%	Within 180 days of commencement
3 rd Quarterly Report	Output 1 – Final Report (final ranking of priorities) Output 2 – 1 st Report (institutional analysis) Output 3 – 1 st Report (FDR design) Output 4 – 2 nd Report (capacity assessments)	15%	Within 270 days of commencement
4 th Quarterly Report	Output 2 – 2 nd Report (Design stage) Output 3 – 2 nd Report (FDR implementation) Output 4 – 3 rd Report (implementation arrangement recommendations)	15%	Within 360 days of commencement
5 th Quarterly Report	Output 2 – 3 rd Report (Procurement assessment) Output 3 – Final Report (FDR pilot test outcomes and recommendations) Output 4 – 4 th Report (validation of proposed implementation arrangements)	15%	Within 450 days of commencement
6 th Quarterly Report	Output 2 – 4 th Report (Bidding stage) Output 4 – 5 th Report (remaining due diligence reports for ensuing ADB project)	15%	Within 540 days of commencement
7 th Quarterly Report	Output 4 – Final Report (post ADB fact-finding mission report)	10%	Withing 630 days of commencement
8 th Quarterly Report	Final <i>Part 1</i> Report (summary of agreed project design including final reports of each output report)	10%	720 days of commencement

^a percentage of contract sum excluding provisional sums.

^b no payment but deemed covered in 10% advance payment.

E.9. Deliverables – Part 2 Services

49. Deliverables for Part 2 services will generally follow schedule of monthly progress report submission for the construction supervision and implementation support of the ensuing project. The Consultant will help DTC&I/PMU draft quarterly progress reports following standard ADB progress reporting requirements for submission by DTC&I to DOFA and ADB, including safeguards monitoring reports.

F. Inputs and Counterpart Personnel of DTC&I

- (i) DTC&I will use its best endeavors to assist the consultant to arrange meetings, consultations and the like necessary for the proper implementation of the services.
- (ii) DTC&I will provide information in its possession that may be required to support the work of the consultant including existing and ongoing studies that are relevant for the screening, prioritization and design work in addition to the information already contained in this TOR appendices. Available technical data including weather, topography, soil, and road and bridge standards information is provided in Appendix A3.5 for information.
- (iii) DTC&I will assist the consultant to obtain all permits and licenses where required. The Consultant will make its own arrangements for laboratory equipment and facilities in FSM or elsewhere.
- (iv) DTC&I will assist the consultant coordinate with the land management authorities and utility owners to obtain necessary land and utility records for the purpose of the project.
- (v) The Consultant shall be entirely responsible for provision of office, laboratory and personnel accommodation for its own project team personnel.
- (vi) The Consultant shall purchase all equipment necessary for the design and quality control of the pilot project and for the geotechnical investigation of projects that are selected for detailed design.
- (vii) The Consultant shall purchase equipment, including all hardware and software for implementing Intelligent Compaction on the pilot project. The Consultant will arrange for qualified and experienced persons to support installation in suitable machinery and for training of selected client and contractor personnel.
- (viii) The Consultant's contract provisional sums will cover reimbursement of eligible costs associated with the above activities as per breakdown in Section H below. Use of provisional sums shall require prior approval of DTC&I. The equipment procured under the provisional sums will be the property of DTC&I on completion of the assignment.

G. Appendixes

- A3.1. DTC&I's Concept Note on Proposed Road Improvements for ADB Financing
- A3.2. Tentative List of Potential Projects
- A3.3. Project Selection Criteria
- A3.4. Yap Bridges – Concept Design Report
- A3.5. Additional Technical Data

H. Breakdown of Estimated Provisional Sums

Items	Amount (\$)
Equipment for Intelligent Compaction (retrofit kit from major road construction equipment manufacturers)	50,000
Specialized equipment for design and quality control for the pilot project (LiDAR, drone and other IT means to accelerate survey and design process, critical quality control/lab equipment not available in FSM)	20,000
Surveys and investigations (geotechnical investigations including Ganir bridge)	100,000
Miscellaneous expenses to meet project objectives	30,000
TOTAL	200,000

Appendix A3.1:
DTC&I's Concept Note on Proposed Road Improvements for ADB Financing
[refer to separately attached pdf file]

Appendix A3.2: Tentative List of Potential Projects

No.	Project Name
1.	Rehabilitation of Lelu Causeway to Tofol road in Kosrae (3.3 km)
2.	Tafunsak Bypass Road in Kosrae (1.0 km)
3.	Lelu Town Roads (4.32 km)
4.	Road Rehabilitation in Madolenihmw (7.9 km)
5.	Road rehabilitation in the Municipalities of Uh, Nett, Kitti and Sokehs in Pohnpei (9.8 km)
6.	Rehabilitation of urban roads in Kolonia town in Pohnpei (3.8 km)
7.	Paving of West Pou and East Pou Roads (3.07 km)
8.	Paving section of Weno Road to entrance to Blue Lagoon Hotel (2.7 km)
9.	Rehabilitation of secondary road network in Yap (2.04 km)
10.	Replacement of Ganir Bridge in Colonia Town

km = kilometer.

Appendix A3.3: Project Selection Criteria

1. The Asian Development Bank (ADB) and the implementing agency for the project readiness financing (PRF) grant have agreed on selection criteria for choosing ensuing projects that will be supported during implementation. This approach will allow the government to lead the identification, prioritization, and due diligence for selecting the future projects to be supported by the PRF grant. ADB will grant approval based on criteria listed below, agreed between the executing agency and ADB.

2. The nominated subprojects must meet the selection criteria for funding under the PRF. The subprojects will be screened through a multicriteria analysis (MCA) that will rank subproject proposals on the merits of their technical, economic, gender, social, environmental, climate, disaster, and other socioeconomic impacts through a purposefully designed stakeholder consultations and analytical research. The PRF consultant will design the MCA and support the implementation. Subprojects must substantially meet the following eligibility criteria for ADB financing of civil works under the project:

- (i) **Improved Access.** Subprojects should demonstrate improved access to employment opportunities by quantifying the population served, and the number of schools, police stations, markets, health centers, and cultural and recreational facilities in the subproject catchment area. Subprojects should demonstrate improved access to women and girls, and benefits to gender equality outcomes.
- (ii) **Connectivity.** Critical access to rural and remote communities for delivering essential services, and business opportunities, markets, tourism hotspots.
- (iii) **Climate and Disaster Resilience.** Subprojects should demonstrate contribution to the FSM road network's overall climate and disaster resilience.
- (iv) **Economic Efficiency.** All subprojects should achieve a minimum economic internal rate of return of 9%. Lower rates of return in accordance with ADB's requirements will be considered on a case-by-case basis, where significant unquantifiable social benefits can be demonstrated.
- (v) **Environmental Impact.** Subprojects likely to cause significant negative environmental impacts (classified as category A under ADB's Safeguard Policy Statement (SPS) (2009)) shall be excluded from the project.
- (vi) **Land Acquisition and Resettlement Impact.** Subprojects likely to cause significant negative land acquisition and/or resettlement impacts (classified as category A under ADB's SPS) shall be excluded. Subprojects that involve significant effort and time in terms of identifying land ownership records will be excluded.
- (vii) **Community Support.** The implementing agency, in coordination with relevant government and state agencies, will organize appropriate level consultations with the affected local communities (including separate consultations with women where appropriate/necessary), community groups and private sector participants. MCA will help ensure a broad local community support of the proposed subproject. Only top-ranking 1 or 2 subprojects from each state will be selected to receive project financing. Detailed feasibility reports will include a summary of consultation activities and confirmation of the broad community support of the subproject.

3. ADB will review the executing agency's proposal for a project to be included for support under the PRF grant and, if necessary, may request additional information to justify the selection. The Department of Transportation, Communications, and Infrastructure will obtain ADB's formal

approval before starting detailed design or other project preparation activities for the proposed project.

Appendix A3.4: Yap Bridges - Concept Design Report
[refer to separately attached pdf file]

Appendix A3.5: Additional Technical Data
[available upon request]