

Project Administration Manual

Project Number: 47127-002

Loan and/or Grant Number(s): {LXXXX; GXXXX}

October 2015

Republic of the Union of Myanmar: Mandalay Urban Services Improvement Project

Contents

ABBREVIATIONS

I.	PROJECT DESCRIPTION	1
II.	IMPLEMENTATION PLANS	3
	A. Project Readiness Activities	3
	B. Overall Project Implementation Plan	4
III.	PROJECT MANAGEMENT ARRANGEMENTS	5
	A. Project Implementation Organizations – Roles and Responsibilities	5
	B. Key Persons Involved in Implementation	8
	C. Project Organization Structure	9
IV.	COSTS AND FINANCING	10
	A. Detailed Cost Estimates by Expenditure Category	12
	B. Allocation and Withdrawal of {Loan/Grant} Proceeds	13
	C. Detailed Cost Estimates by Financier	15
	D. Detailed Cost Estimates by Outputs/Components	16
	E. Detailed Cost Estimates by Year	17
	F. Contract and Disbursement S-curve	18
	G. Fund Flow Diagram	19
V.	FINANCIAL MANAGEMENT	20
	A. Financial Management Assessment	20
	B. Disbursement	22
	C. Accounting	23
	D. Auditing	23
VI.	PROCUREMENT AND CONSULTING SERVICES	24
	A. Advance Contracting and Retroactive Financing	24
	B. Procurement of Goods, Works and Consulting Services	24
	C. Procurement Plan	25
	D. Consultant's Terms of Reference	30
VII.	SAFEGUARDS	31
VIII.	GENDER AND SOCIAL DIMENSIONS	32
IX.	PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION	36
	A. Project Design and Monitoring Framework	36
	B. Monitoring	39
	C. Evaluation	42
	D. Reporting	42
	E. Stakeholder Communication Strategy	43
X.	ANTICORRUPTION POLICY	46
XI.	ACCOUNTABILITY MECHANISM	46
XII.	RECORD OF PAM CHANGES	46

Appendix available from <http://adb.org/Documents/RPps/?id=xxxxx-xxx-x>

1. MUSIP Resettlement Plan
2. MUSIP Initial Environmental Examination

Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The executing and implementing agencies are wholly responsible for the implementation of ADB financed projects, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by executing and implementing agencies of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan Negotiations the borrower and ADB shall agree to the PAM and ensure consistency with the Legal agreements. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the Legal Agreements, the provisions of the Legal Agreements shall prevail.

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

Abbreviations

ADB	=	Asian Development Bank
ADF	=	Asian Development Fund
AFD	=	Agence Francaise de Developpement
AFS	=	audited financial statements
DMF	=	design and monitoring framework
EMP	=	environmental management plan
ESMS	=	environmental and social management system
GDP	=	gross domestic product
ICB	=	international competitive bidding
IEE	=	initial environmental examination
IPP	=	indigenous people plan
km	=	kilometer
MCDC	=	Mandalay City Development Committee
MOC	=	Ministry of Construction
NCB	=	national competitive bidding
NGOs	=	nongovernment organizations
PAI	=	project administration instructions
PAM	=	project administration manual
PIU	=	project implementation unit
QCBS	=	quality- and cost based selection
RRP	=	report and recommendation of the President to the Board
SOE	=	statement of expenditure
SPS	=	Safeguard Policy Statement
SPRSS	=	summary poverty reduction and social strategy
TOR	=	terms of reference
TA	=	technical assistance

I. PROJECT DESCRIPTION

A. Rationale

1. **Urban sector profile.** Although about 70% of the population resides in rural areas in Myanmar, annual urban population growth has been around 2.3% which is much faster than the country's total population growth of 1.8%. The urban population in Myanmar increased from 14.6 million or 29% of the total population in 2000 to 18.4 million or 31% of the total population in 2010. Currently 10% of Myanmar's population lives in two major cities of Yangon and Mandalay contributing to 30% of gross domestic product (GDP), and this share is expected rise rapidly in the next decades. There is an estimation that a quarter of Myanmar's population will live in urban areas which will account for roughly half of Myanmar's GDP in 2030.¹ Once Myanmar has a functioning tax regime with ongoing and planned tax reform, the majority of tax revenue is also likely to come from cities. However, in order to ensure urbanization to be a driving force for economic growth and social development, urban planning and management need to be modernized and investments in urban infrastructure need to be increased.

2. **Climate change impacts.** Myanmar is considered to be in second place of countries hardest hit by climate change-related extreme weather events during the period 1991–2010; its overall climate change vulnerability factor to 2030 is classified as “acute”.² The government's records reflect the trend in Mandalay Region with a shortening of the monsoon period, a lengthening of the pre-monsoon drought, and higher daily rainfall depths: the four highest peak annual daily rainfall depths have been recorded over the last 10 years. These changing climatic conditions in parallel with the expanding urban area are increasing the demand for reliable water resources, wastewater collection and treatment, and urban drainage improvements.

3. **Mandalay city profile and institutional capacity issues.** Mandalay, with a population of about 1.25 million, is the country's second largest city and the capital of Mandalay Region. Mandalay's population is about 2% of the national population and its contribution to GDP is approximately 8%. It is located on the Greater Mekong Subregion (GMS) Northern Economic Corridor linking People's Republic of China and India. Mandalay as well as Yangon and Nay Pyi Taw have a special institutional regime of development committee. The Mandalay Regional Government (MRG) does not directly intervene in urban management matters in Mandalay City while it has a significant role in approving infrastructure projects and urban service tariffs. The Mandalay City Development Committee (MCDC) is tasked with urban service delivery and infrastructure development as stated in the MCDC Law (2015), however, it does not effectively undertake all the responsibilities. Shortage of staff, skills, funds, and data are obstacles to urban planning and management. Shortage of staff, skills, funds, and data are obstacles to urban planning and management in Mandalay. As the tariffs for water supply, sanitation, and solid waste collection are very low and these services are not managed on a corporate basis; sufficient funds are not allocated for operation and maintenance. Substantial capacity development is needed in project implementation, operation and maintenance, urban planning, and financial management.

4. **Special features.** The project has two special features. First, the improvement of urban infrastructure and service quality and the comprehensive capacity development in municipal financial management will contribute to enhancing the creditworthiness of Mandalay City. There have not been major infrastructure investments in Mandalay for the last over two decades. The

¹ McKinsey Global Institute. 2013. *Myanmar's moment: Unique opportunities, major challenges*.

² Germanwatch. 2012. *Global Climate Risk Index 2013*. Bonn.

proposed project is expected to be a trigger to boost economic growth in Mandalay as the national social and economic hub. Second, the project will support innovation to integrate a biogas generating system and sludge stabilization as part of the wastewater treatment plant. Biogas generated in the sludge digesting process will be used to produce electricity which will supply power for the wastewater treatment plant. The wastewater treatment plant is expected to be carbon neutral and at least 50% energy self-sufficient. Sludge from the digester will be stabilized for potential reuse in agriculture and/or material reuse with cement works. Training will be conducted for MCDC to ensure effective operation of this system.

B. Impact and Outcome

5. The project's impact will be improved urban environment and public health in Mandalay. The outcome will be improved access to sustainable urban services in Mandalay.

C. Outputs

6. The outputs will include (i) improved water supply systems, (ii) improved wastewater and drainage management, and (iii) strengthened urban services management capacity. The details are summarized below. Although a solid waste management was included in the initial project scope, it was dropped because suitable land for a new landfill site could not be identified, and the loan amount might exceed the MCDC's borrowing capacity.

Table 1: Project Outputs

Output 1: Improved water supply systems will (i) increase water production capacity from 97,000m³/day to 183,000m³/day by rehabilitating existing treatment plant and two reservoirs, and constructing a new treatment plant; (ii) construct 19km of main transmission lines and 116km of distribution systems; (iii) rehabilitate 18km of existing network and extend new network; and (iv) replace 2,000 connections including meters.

Output 2: Improved wastewater and drainage management will (i) construct 27km of sewerage networks, (ii) construct 31km of interceptor networks and a pumping station at Thingazar Creek, (iii) construct a wastewater treatment plant with a capacity of 75,000m³/day, (iv) provide 10 septage collection vehicles, (v) dredge and rehabilitate 60km of main canals, and (vi) increase stormwater pumping capacity from 21,900m³/hour to 65,100m³/hour.

Output 3: Strengthened urban services management capacity will comprise (i) project implementation support in terms of detailed engineering designs, procurement, construction supervision, disbursement, financial management, social and environmental safeguards, and operation and maintenance; (ii) training of MRG and MCDC staff on municipal financing, non-revenue water reduction, cost recovery, and corporatization of water and wastewater operations; (iii) development of urban spatial plan and infrastructure development plans; (iv) pilot community-based solid waste management; and (v) awareness programs on public health and environmental protection.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Indicative Activities	2015												2016			Responsible	
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M		
Preparation of proposed project implementation arrangements		■	■														ADB
Establishment of PMT				■													MCDC, MRG
Upgrade of PMT to PMO													■				MCDC, MRG
Advance contracting for recruiting project implementation support consultant									■	■	■	■	■	■	■		MCDC, ADB
Counterpart funds allocation for the first year										■							MCDC, MRG
Government approval (FAMWC, FAMCC, Parliament)									■								GOM
Loan negotiations										■							GOM, ADB
ADB Board approval											■						ADB
Loan signing												■					GOM, ADB
Government legal opinion														■			GOM
Loan effectiveness															■		GOM, ADB

ADB = Asian Development Bank, FAMCC = Foreign Aid Management Central Committee, FAMWC = Foreign Aid Management Working Committee, GOM = Government of Myanmar, MCDC = Mandalay City Development Committee, MRG = Mandalay Regional Government, PMO = project management office, PMT = project management team,
Source: Asian Development Bank.

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations – Roles and Responsibilities

Project implementation organizations	Management Roles and Responsibilities
<ul style="list-style-type: none"> • Mandalay Regional Government 	<p>Executing Agency:</p> <ul style="list-style-type: none"> ➤ Oversee project activities. ➤ Establish the project implementation and coordination committee (PICC). ➤ Timely provision of agreed counterpart funds for project activities. ➤ Approve long term and annual rolling plans for implementation. ➤ Ensure compliance with loan covenants. ➤ Approve procurement plan. ➤ Ensure that project implementation complies with ADB's safeguard policy and provisions in the EMP included in the IEE.
<ul style="list-style-type: none"> • Mandalay City Development Committee 	<p>Implementing Agency:</p> <ul style="list-style-type: none"> ➤ Establish the project management office (PMO). ➤ Coordinate and monitor project activities of PMO. ➤ Approve detailed engineering designs, procurement documents, bid evaluation, and contract awards. ➤ Establish a strong financial management system and submit timely withdrawal applications to ADB, ensuring financial audits are conducted as per agreed timeframe and taking recommended actions. ➤ Provide ADB with details of the authorized staff with specimen signatures for withdrawal application processing. ➤ Submit disbursement projections, and ensure counterpart fund allocation. ➤ Coordinate in providing capacity development programs for PMO and relevant government units. ➤ Coordinate in providing awareness building programs for communities. ➤ Oversee and support the PMO with implementation of EMP and RP. ➤ Oversee regular reporting by PMO on implementation of EMP and RP to the executing agency. ➤ Undertake quality control inspections of the project facilities. ➤ Manage the handover of project facilities to the agencies responsible for operation and maintenance.
	<p>Project Management Office:</p> <ul style="list-style-type: none"> ➤ Undertake day-to-day management of the project activities. ➤ Recruit (contract negotiations and contract signing)

and supervise the consultant for implementation support, capacity development, and awareness building and contractors for civil works and equipment.

- Monitor the implementation of resettlement activities by respective district governments, provide guidance as needed, and submit monitoring reports to the executing agency and ADB.
- Sign consultants, civil works, and goods contracts.
- Manage and operate imprest accounts.
- Prepare and submit withdrawal applications and retain supporting documents.
- Ensure that environmental protection and mitigation measures in the EMP is incorporated in the detailed design and included in the civil works contracts.
- Ensure implementation of the EMP, submit regular monitoring reports through the implementing agency to the executing agency, and identify corrective actions as necessary.
- Prepare and submit timely quarterly and annual project reports to ADB.
- Submit updated resettlement plan to ADB for concurrence prior to implementation.
- Ensure implementation of the RP, periodic monitoring, and submission of monitoring reports to the executing and implementing agencies.
- Implement the gender equality and social inclusion action plan and the consultation and participation plan.

- ADB

Project financiers

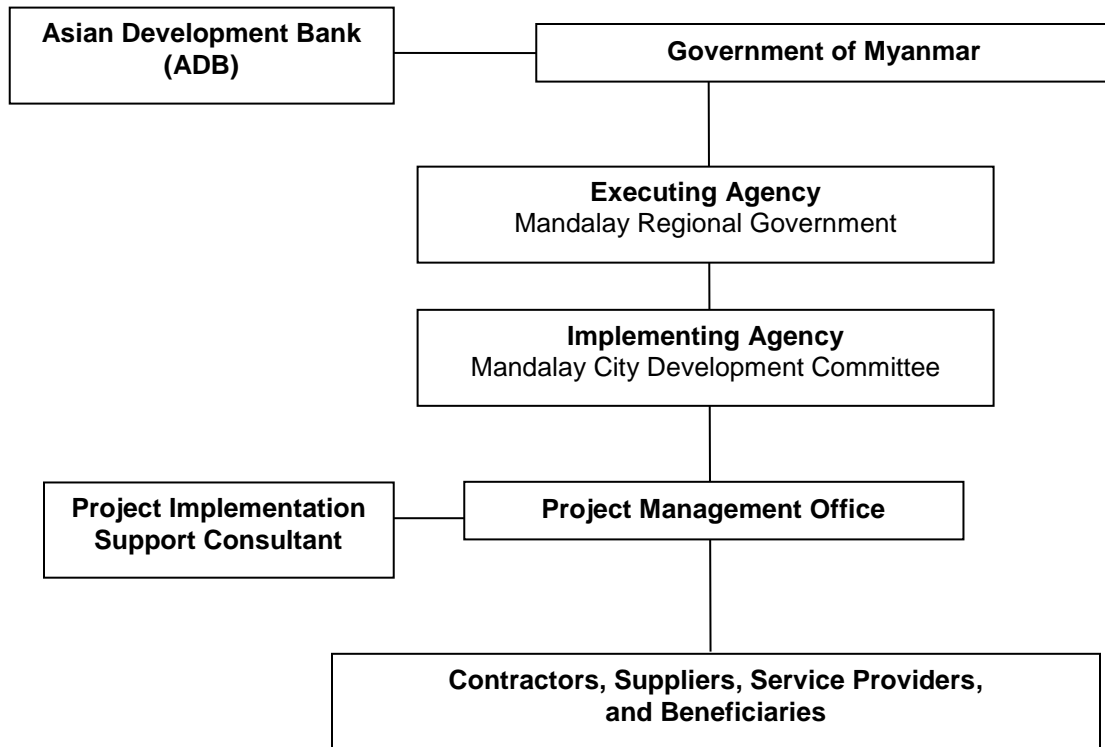
- Review and approve procurement and disbursement documents.
 - Assist PMO in selecting the project implementation support consultant up to proposal evaluation and final ranking.
 - Regularly update the project performance review reports with the assistance of executing agencies.
 - Ensure the compliance of financial audits recommendations.
 - Process withdrawal applications and release payments to contractors, consultants, and others, as appropriate.
 - Coordinate with AFD to ensure project activities administered by ADB and AFD are complementing each other.
 - Regularly post on ADB web the updated project information documents for public disclosure, and also the safeguards documents as per disclosure provision of the ADB safeguards policy statement.
 - Conduct semi-annual reviews to assess: (i) overall project implementation; (ii) land acquisition and resettlement; (iii) environmental management; (iv) project expenditure, disbursements, and counterpart funding; (v) procurement and contract awards; (vi)
-

compliance with the loan covenants; and (vii) progress in attaining the project's outputs and outcome.

- Conduct mid-term review to (i) assess need to restructure or reformulate the project, (ii) update the project's design and monitoring framework, and (iii) examine the need to extend the loan closing date.
 - Conduct project completion review to (i) evaluate the overall performance of project implementation, and (ii) assess whether the project has achieved the outcome anticipated at appraisal.
-

B. Key Persons Involved in Implementation

Executing Agency		
Mandalay Regional Government	Name: Position: Telephone: Email address: Office Address:	U Ye Myint Chief Minister, Mandalay Region +952 24955 mdygovt@gmail.com
Mandalay City Development Committee	Name: Position: Telephone: Email address: Office Address:	U Aung Moug Mayor of Mandalay & Minister for Development Affairs of Mandalay Region +95 2 36158 mayor@mandalaycity.info Corner of 31 st St & 72 nd St, Chan Aye Thar San Township
Asian Development Bank Urban Development and Water Division, Southeast Asia Department	Name: Position: Telephone: Email address: Office Address:	Ms. Tatiana Gallego-Lizon Director +63 2 632 6379/5279 tlizon@adb.org 6 ADB Avenue, Mandaluyong City 1550 Metro Manila Philippines
	Name: Position: Telephone: Email address: Office Address:	Ms. Eri Honda Principal Portfolio Management Specialist +63 2 632 6891/5464 ehonda@adb.org 6 ADB Avenue, Mandaluyong City 1550 Metro Manila Philippines

C. Project Organization Structure

IV. COSTS AND FINANCING

7. The project is estimated to cost \$129.9 million as presented in Table 2.

Table 2: Project Investment Plan

Item	Amount ^a (\$ million)
A. Base Cost^b	
1. Improved water supply systems ^c	43.9
2. Improved wastewater and drainage management	52.3
3. Strengthened institutional capacity	13.5
Subtotal (A)	109.7
B. Contingencies^d	15.9
C. Financing Charges During Implementation^e	4.3
Total (A+B+C)	129.9

^a Includes taxes and duties of \$9.5 million to be financed from the government resources through exemption for the grant portion and cash contribution for the loan portion.

^b In mid-2015 prices.

^c Parallel financing by the Agence Française de Développement (AFD) equivalent to €40.0 million.

^d Physical contingencies computed at 10% for civil works; 15% for land acquisition and resettlement; and 10% for all other categories. Price contingencies computed at 1.3% on foreign exchange costs in 2016 and 1.5% thereafter, and 6.9% on local currency costs in 2016, 6% in 2017 and 5% thereafter; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^e Includes interest. Interest during construction for ADB loan is 1% per year and will be capitalized. There are no commitment charges.

Source: Asian Development Bank.

8. The government has requested a loan in various currencies equivalent to **SDRXXX** from ADB's Special Funds resources to help finance the project. The loan will have a 32-year term, including a grace period of 8 years, an interest rate of 1.0% per annum during the grace period and 1.5% per annum thereafter, and such other terms and conditions set forth in the draft loan, grant, and project agreements.³ The Urban Climate Change Resilience Trust Fund⁴ under the Urban Financing Partnership Facility will provide a grant cofinancing equivalent to \$4.0 million grant administered in parallel by ADB.⁵ Parallel financing is proposed for a loan of €40.0 million loan from AFD and a grant of €5.9 million from the European Union's Asian Investment Facility administered by AFD.

9. The ADB Board paper dated 11 November 2009 establishing the Urban Environmental Infrastructure Fund and Urban Trust Funds did not contain any conditions which would permit the earmarking of funds for project-specific financing. On an exceptional basis, the \$4,000,000,000 grant to be provided by the government of the United Kingdom through the UCCRTF (footnote 1) under the UFPF will be used for the proposed project, with the unutilized balance at the time of the financial completion of the project, if any, being released from the earmarking. Such allocation constitutes an additional condition permitting the earmarking of that grant for the proposed project.

³ The loan will include financing charges during implementation. Local transportation and insurance charges may be financed under the loan and grant.

⁴ Financing partners: the Rockefeller Foundation and the governments of United Kingdom and the United States. For the purpose of the Mandalay Urban Services Improvement Project, only financing from the government of the United Kingdom will be utilized.

⁵ ADB may finance taxes and duties given that the amount financed (i) is within the threshold identified in the Interim Country Partnership Strategy, (ii) does not represent an excessive share of the project investment plan, (iii) applies only to ADB-financed expenditures, and (iv) is material and/or relevant to the success of the project.

10. The financing plan is in Table 3.

Table 3: Tentative Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank ^a	60.0	46.2
Urban Climate Change Resilience Trust Fund ^b under the Urban Financing Partnership Facility	4.0	3.1
Agence Française de Développement ^c	46.0	35.4
European Union ^d	6.8	5.2
Government ^e	13.1	10.1
Total	129.9	100.0

^a To finance output 2 and output 3 (i).

^b To finance outputs 3 (iii)–(v). Financing partners: the Rockefeller Foundation and the governments of the United Kingdom and the United States. For the purpose of the Mandalay Urban Services Improvement Project, only financing from the government of the United Kingdom will be utilized.

^c Parallel financing for output 1 and output 3 (i).

^d Parallel financing administered by AFD for output 3 (ii).

^e To finance land acquisition, financing charges during implementation for AFD loan, and taxes and duties through exemption for the grant portion and cash contribution for the loan portion.

Source: Asian Development Bank.

11. The Borrower will be the Republic of the Union of Myanmar, who will relend the loan proceeds to MCDC. Relending will carry the same terms and conditions as the ADB and AFD loans including the foreign exchange and interest rate variation risks. The grant funds will be transferred as grants.

A. Detailed Cost Estimates by Expenditure Category

Item	In MK Millions			In \$ millions			% of Base Cost
	Foreign Exchange	Local Currency	Total	Foreign Exchange	Local Currency	Total	
A. Investment Costs							
1. Civil works	32,052.4	11,657.2	43,709.6	31.42	11.43	42.85	39.05%
2. Materials	11,443.2	12,708.2	24,151.4	11.22	12.46	23.68	21.58%
3. DBO Contracts	14,650.6	7,082.1	21,732.7	14.36	6.94	21.31	19.42%
4. Equipment	6,104.3	1,030.3	7,134.6	5.98	1.01	6.99	6.37%
5. Vehicles	754.8	117.0	871.8	0.74	0.11	0.85	0.78%
6. Project Management	-	-	-	-	-	-	0.00%
7. Consulting Services	9,441.1	1,268.9	10,710.0	9.26	1.24	10.50	9.57%
8. Financial Intermediation	-	2,040.0	2,040.0	-	2.00	2.00	1.82%
9. Environmental Protection	171.4	73.4	244.8	0.17	0.07	0.24	0.22%
10. Land Acquisition and Resettlement	-	1,341.4	1,341.4	-	1.32	1.32	1.20%
Subtotal	74,617.7	37,318.6	111,936.3	73.15	36.59	109.74	100.00%
B. Contingencies							
Physical Contingency	2,985.1	8,071.6	11,056.7	2.93	7.91	10.84	9.88%
Price Contingency	8,653.2	6,113.8	14,767.0	3.47	1.55	5.01	4.57%
Subtotal	11,638.3	14,185.4	25,823.7	6.40	9.46	15.85	14.45%
C. Financing Charges During Implementation							
	5,321.8	-	5,321.8	4.32	-	4.32	3.94%
Total Project Cost (A+B+C)	91,577.8	51,504.0	143,081.8	83.87	46.05	129.92	118.38%

B. Allocation and Withdrawal of Loan Proceeds

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
(Mandalay Urban Services Improvement Project)			
Number	Item	Total Amount Allocated for ADB Financing (SDR)	Basis for Withdrawal from the Loan Account
	Category		
1	Works**	20,884,000	94.3% of total expenditure claimed
2	PPP Contract**	8,070,000	94.3% of total expenditure claimed
3	Equipment**	4,191,000	86.6% of total expenditure claimed
4	Vehicles**	525,000	86.6% of total expenditure claimed
5	Consulting Services**	1,759,000	95.2% of total expenditure claimed
6	Environmental Protection**	168,000	100% of total expenditure claimed
7	Interest Charge	1,596,000	100% of amounts due
8	Unallocated	5,354,000	
	Total	42,547,000	

** Subject to the condition for withdrawal described in paragraph 6 of Schedule 3.

C. Allocation and Withdrawal of Grant Proceeds

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Mandalay Urban Services Improvement Project)			
Number	Item	Total Amount Allocated for financing under Urban Climate Change Resilience Trust Fund under the Urban Financing Partnership Facility (\$) Category	Basis for Withdrawal from the Grant Account
1	Works**	600,000	100% of total expenditure claimed
2	Equipment**	150,000	100% of total expenditure claimed
3	Consulting Services**	2,770,000	100% of total expenditure claimed
4	Unallocated	480,000	
	Total	4,000,000	

** Subject to the condition for withdrawal described in paragraph 5 of Schedule 1.

D. Detailed Cost Estimates by Financier

Item	ADB		AFD		EU		UCCRTF ^a		MCDC			Central Government				Total Cost	
	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount (Costs)	Amount (Taxes and duties) ^b	Amount (Total)	% of Cost Category	Amount (Costs)	Amount (Taxes and duties) ^c	Amount (Total)		% of Cost Category
A. Investment Costs																	
1. Civil works																	
Civil works (ADB Loan)	29.45	94.3%	-	-	-	-	-	-	-	1.78	1.78	5.7%	-	-	-	31.23	
Civil works (AFD Loan)	-	-	10.36	94.3%	-	-	-	-	-	0.63	0.63	5.7%	-	-	-	10.99	
Civil works (UCCRTF)	-	-	-	-	-	-	0.60	100%	-	-	-	-	-	-	-	0.60	
Civil works (Central Government for UCCRTF)	-	-	-	-	-	-	-	-	-	-	-	-	-	0.04	0.04	100%	0.04
2. Materials																	
Materials (AFD Loan)	-	-	20.54	86.7%	-	-	-	-	-	3.14	3.14	13.3%	-	-	-	23.68	
3. DBO Contracts																	
DBO contracts (ADB Loan)	11.38	94.3%	-	-	-	-	-	-	-	0.68	0.68	5.7%	-	-	-	12.06	
DBO contracts (AFD Loan)	-	-	6.72	94.3%	-	-	-	-	-	0.40	0.40	5.7%	-	-	-	7.12	
DBO contracts (EU)	-	-	-	-	2.00	100%	-	-	-	-	-	-	-	-	-	2.00	
DBO contracts (Central Government for EU)	-	-	-	-	-	-	-	-	-	-	-	-	-	0.12	0.12	100%	0.12
4. Equipment																	
Equipment (ADB Loan)	5.91	86.6%	-	-	-	-	-	-	-	0.91	0.91	13.4%	-	-	-	6.82	
Equipment (UCCRTF)	-	-	-	-	-	-	0.15	100%	-	-	-	-	-	-	-	0.15	
Equipment (Central Government for UCCRTF)	-	-	-	-	-	-	-	-	-	-	-	-	-	0.02	0.02	100%	0.02
5. Vehicles																	
Vehicles (ADB Loan)	0.74	86.6%	-	-	-	-	-	-	-	0.11	0.11	13.4%	-	-	-	0.85	
6. Consulting Services																	
Consulting Services (ADB Loan)	2.48	95.2%	-	-	-	-	-	-	-	0.12	0.12	4.8%	-	-	-	2.60	
Consulting Services (AFD Loan)	-	-	2.70	95.2%	-	-	-	-	-	0.14	0.14	4.8%	-	-	-	2.84	
Consulting Services (EU)	-	-	-	-	2.05	100%	-	-	-	-	-	-	-	-	-	2.05	
Consulting Services (UCCRTF)	-	-	-	-	-	-	2.77	100%	-	-	-	-	-	-	-	2.77	
Consulting Services (Central Government for EU and UCCRTF)	-	-	-	-	-	-	-	-	-	-	-	-	-	0.24	0.24	100%	0.24
7. Financial Intermediation	-	-	-	-	2.00	100%	-	-	-	-	-	-	-	-	-	2.00	
8. Environmental Protection ^d	0.24	100%	-	-	-	-	-	-	-	-	-	-	-	-	-	0.24	
9. Land Acquisition and Resettlement	-	-	-	-	-	-	-	-	1.32	-	1.32	100%	-	-	-	1.32	
Subtotal (A)	50.19	45.7%	40.32	36.7%	6.05	5.5%	3.52	3.2%	1.32	7.92	9.23	7.2%	-	0.42	0.42	0.4%	109.74
B. Contingencies																	
Physical Contingency	5.02	46.3%	4.03	37.2%	0.41	3.7%	0.35	3.2%	0.20	0.79	0.99	7.3%	-	0.04	0.04	0.4%	10.84
Price Contingency	2.53	50.6%	1.65	32.9%	0.32	6.3%	0.13	2.6%	0.01	0.35	0.36	7.0%	-	0.02	0.02	0.4%	5.01
Subtotal (B)	7.55	47.6%	5.68	35.8%	0.72	4.6%	0.48	3.0%	0.21	1.14	1.35	7.2%	-	0.06	0.06	0.4%	15.85
C. Financing Charges During Implementation^e																	
	2.25	52.0%	-	-	-	-	-	-	2.07	-	2.07	48.0%	-	-	-	-	4.32
Total Project Cost (A+B+C+D)	60.00	46.2%	46.00	35.4%	6.77	5.2%	4.00	3.1%	3.59	9.06	12.66	7.0%	0	0.48	0.48	0.4%	129.92

ADB = Asian Development Bank, AFD = Agence Française de Développement, DBO = design-build-operate, EU = European Union, MCDC = Mandalay City Development Committee, UCCRTF = Urban Climate Change Resilience Trust Fund.

^a Financing partners: the Rockefeller Foundation and the governments of United Kingdom and the United States. For the purpose of the Mandalay Urban Services Improvement Project, only financing from the government of the United Kingdom will be utilized. Administered by the Asian Development Bank.

^b Taxes and duties for the loan portion will be financed through cash contribution.

^c Taxes and duties for the grant portion will be exempted.

^d Environmental protection covers costs for engaging external monitoring organization.

^e Financing charges during implementation for AFD loan will be financed by the government.

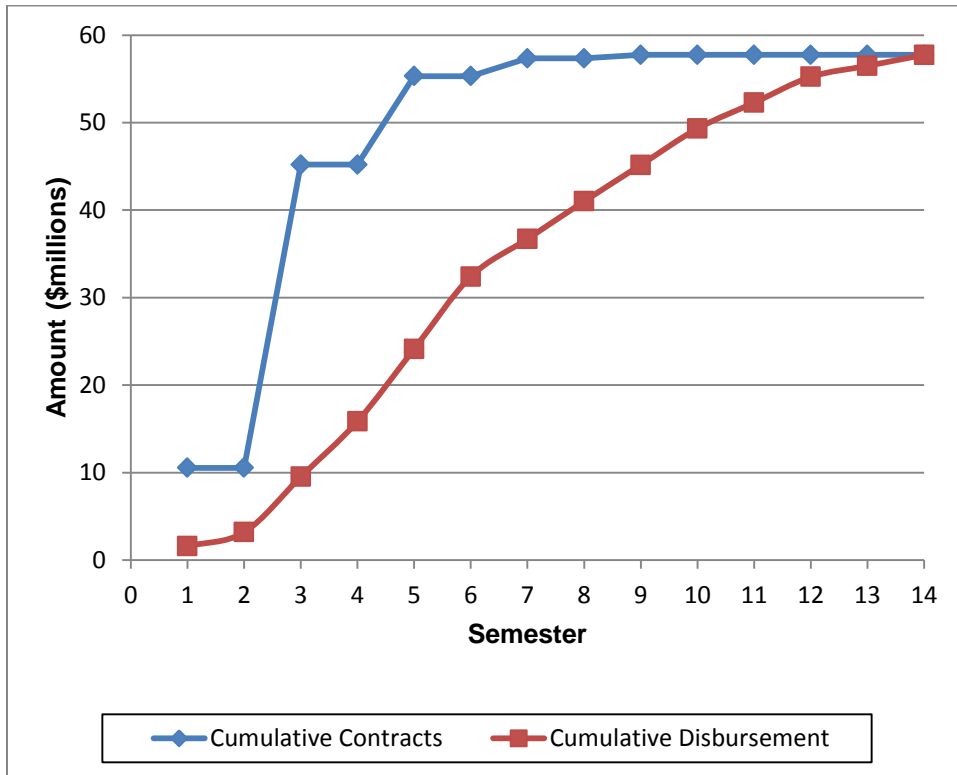
Note: An external auditing firm will be engaged to conduct the annual audit during project implementation. The audit cost estimated at \$70,000 will be financed under the consulting services under the ADB loan.

E. Detailed Cost Estimates by Outputs/Components

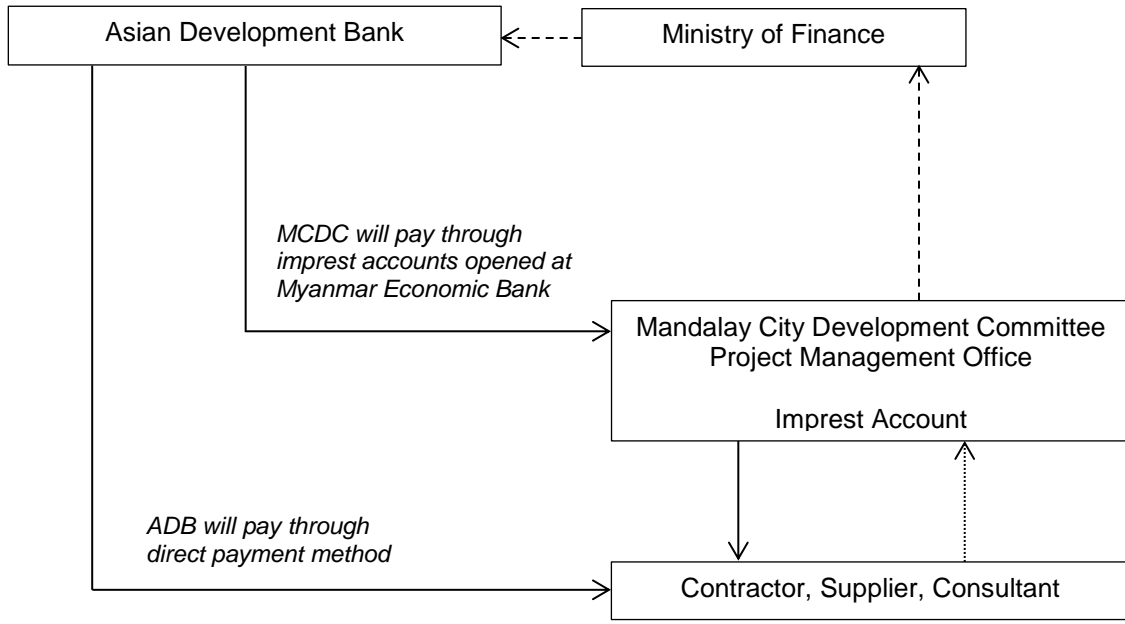
Item	Improved water supply system		Improved wastewater and drainage management		Strengthened Institutional Capacity				
	Total Cost				Project implementation and support		Capacity building		
	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	
A. Investment Costs									
1. Civil works	42.85	10.99	26%	31.23	73%	-	0%	0.64	1%
2. Materials	23.68	23.68	100%	-	0%	-	0%	-	0%
3. DBO Contracts	21.31	9.24	43%	12.07	57%	-	0%	-	0%
4. Equipment	6.99	-	0%	6.82	98%	-	0%	0.17	2%
5. Vehicles	0.85	-	0%	0.85	100%	-	0%	-	0%
6. Project Management	-	-	-	-	-	-	-	-	-
7. Consulting Services	10.50	-	0%	-	0%	6.28	60%	4.22	40%
8. Financial Intermediation	2.00	-	0%	-	0%	2.00	100%	-	0%
9. Environmental Protection	0.24	-	0%	-	0%	0.24	100%	-	0%
10. Land Acquisition and Resettlement	1.32	-	0%	1.32	100%	-	0%	-	0%
Subtotal	109.74	43.91	40%	52.29	48%	8.52	8%	5.03	5%
B. Contingencies									
Physical Contingency	10.84	4.39	41%	5.29	41%	0.65	6%	0.50	5%
Price Contingency	5.01	1.74	35%	2.57	51%	0.44	9%	0.27	5%
Subtotal	15.85	6.13	39%	7.86	50%	1.09	7%	0.77	5%
C. Financing Charges During Implementation									
	4.32	2.07	48%	2.14	49%	-	0%	-	0%
Total Project Cost (A+B+C+D)	129.92	52.11	40%	62.28	48%	9.61	7%	5.80	4%

F. Detailed Cost Estimates by Year

Item	Total Cost	2016	2017	2018	2019	2020	2021	2022
A. Investment Costs								
1. Civil works	42.85	1.37	10.44	13.23	5.99	5.54	4.62	1.67
2. Materials	23.68	1.24	7.47	7.17	6.80	1.00	-	-
3. DBO Contracts	21.31	0.42	8.20	7.51	2.27	2.27	0.32	0.32
4. Equipment	6.99	1.26	1.62	1.61	1.50	1.00	-	-
5. Vehicles	0.85	-	-	0.45	-	0.40	-	-
6. Project Management	-	-	-	-	-	-	-	-
7. Consulting Services	10.50	1.13	1.82	1.63	2.21	1.59	1.50	0.63
8. Financial Intermediation	2.00	0.30	0.30	0.28	0.28	0.28	0.28	0.28
Subtotal	109.74	7.12	29.88	31.90	19.07	12.10	6.75	2.93
B. Contingencies								
Physical Contingency	10.84	0.75	2.96	3.16	1.88	1.18	0.65	0.27
Price Contingency	5.01	0.05	0.69	1.30	1.13	0.94	0.66	0.24
Subtotal	15.85	0.80	3.65	4.46	3.01	2.12	1.30	0.51
C. Financing Charges During Implementation								
	4.32	0.02	0.19	0.49	0.74	0.88	0.98	1.02
Total Project Cost (A+B+C)	129.92	7.94	33.71	36.85	22.82	15.10	9.03	4.46
% Total Project Cost		6%	26%	28%	18%	12%	7%	3%

G. Contract and Disbursement S-curve

H. Fund Flow Diagram



←--- Withdrawal Application ← Payment ←..... Claim

ADB = Asian Development Bank, MCDC = Mandalay City Development Committee
 Source: Asian Development Bank.

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

12. Financial management assessment (FMA) has been undertaken to determine the institutional capacity of each implementing agency, funds flow arrangements, staffing, accounting policies and procedures, internal and external auditing arrangements, reporting and monitoring aspects, and information system. The executing agency is MRG and the implementing agency is MCDC. The project will be based in a single city but will cover a number of sectors under the full control of MCDC. The PMO will be established under MCDC.

13. A Financial Management Assessment Questionnaire (FMAQ), initially proposed and prepared by the ADB, was slightly modified, where appropriate, to adapt to the specific conditions of the subprojects and formed the basis for the assessment. Issues or risks associated with each entity's financial management systems were identified and appropriate risk mitigation measures were recommended for adoption as part of the project design.

14. The results of the FMAQ were analyzed with particular focus on the accounting and auditing procedures and staff expertise. In terms of accounting and auditing procedures, the existing financial information system is far from complete as financial reports are prepared manually with use of spreadsheets only with no specific accounting software. It is recommended that a standalone accounting software is used for the preparation of financial reports. In terms of staff expertise, the PMO has limited experience in infrastructure construction financed by both domestic and international funds, as the last major project was implemented more than 20 years ago (The ADB supported Loan 584-MYA: Mandalay Water Supply Project). Training on ADB procedures and advanced financial management will be necessary to ensure success of implementation of the proposed project.

15. The public financial management systems in Myanmar are relatively weak due to limited exposure to international best practices and to low capacity and computerization. MCDC uses Myanmar Accounting Standards, prescribed by the Ministry of Finance. Separate internal and external auditors will also be used. Physical as well as financial targets are budgeted. MCDC has some albeit limited experience of ADB project procurement and accounting.

16. Overall risk rating for FMA is "High." The major risks are (i) limited capacity of MCDC staff in (a) project financial management, (b) preparing financial management reports, and (c) internal audit; and (ii) weak financial management systems and controls including the current internal audit set-up which does not provide the requisite independence pose significant constraints for development effectiveness in Myanmar. The risk rating is expected to become "Moderate" with the proposed risk mitigation measures including the capacity development through the engagement of international and national accounting and financial management consultants to build project management capacity during project implementation, to (i) provide training including on the job training for the PMO on ADB's disbursement policies and procedures and international best practices, and (ii) establish project budgeting and accounting systems improvements including computerization of the accounting system.

17. The following actions were agreed with the EAs and IAs:

Weakness	Mitigation Action	Responsibility	Timeframe
Limited/no recent experience with ODA-funded projects	<ul style="list-style-type: none"> • Establish funds flow arrangements (including withdrawal application) • Develop an organizational structure of the EA/IA as it relates to the project • Develop work plans with nominated core activities for EA/IA project personnel • MRG will engage the Office of the Auditor's General or an independent external auditor acceptable to ADB to audit the consolidated project accounts annually. MRG will submit to ADB certified copies of audited annual consolidated project accounts as well as the auditor's report in English as well as the Management Letter within 6 months of each financial year-end during implementation 	MRG MCDC	Upon establishment of PMO
Very limited financial management capacity at management and operational levels of MCDC and MRG	<ul style="list-style-type: none"> • Capacity development program will be provided in the area of PFM and ADB's financial management and reporting requirements, including providing training in ADB Financial Management and Disbursement Procedures • Accounting duties to be rotated, where feasible 	MRG MCDC ADB	Before loan effectiveness
Low level of computerization, and outdated accounting and financial reporting systems	<ul style="list-style-type: none"> • Capacity development program will be provided to (i) develop an accounting system for the project that is in line with international standards, including the chart of accounts, incorporating international accounting standards with increased focus on control functions; (ii) develop accounting policies and procedures for the project; and (iii) identify suitable a stand-alone accounting software for the project • Separate accounts to be maintained for all project components financed by ADB and the government, and to be audited by an independent auditor, whose qualifications, experience and terms of reference are acceptable to ADB • Regular backups of all accounting systems and appropriate security measures over backed-up data to be put in place 	MRG MCDC ADB	Upon start of loan implementation
Gaps in controls	<ul style="list-style-type: none"> • Capacity development program will be provided to strengthen the internal audit function and put in place systems to ensure data is safeguarded 	MRG MCDC	Upon start of loan implementation
Strengthen financial management capacity and systems	<ul style="list-style-type: none"> • Regular training on ADB's disbursement policies and regular communication between PMO and ADB to ensure that ADB guidelines are followed • Annual project financial statements and underlying working papers prepared on a timely basis in preparation for the annual financial statement audit 	MRG MCDC ADB	During loan implementation

Weakness	Mitigation Action	Responsibility	Timeframe
	<ul style="list-style-type: none"> Compliance with covenants monitored, including submission of audited annual project financial statements 		

B. Disbursement

18. The loan and grant proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time),⁶ and detailed arrangements agreed upon between the government and ADB. Online training for project staff on disbursement policies and procedures is available at: http://wpqr4.adb.org/disbursement_elearning. Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

19. The PMO will open and maintain separate imprest accounts by financing source for ADB loan and UCCRTF grant funds in US dollar. The imprest accounts are to be used exclusively for ADB's and UCCRTF's share of eligible expenditures. The implementing agency who established the imprest account in its name is accountable and responsible for proper use of advances to the imprest account.⁷

20. The total outstanding advance to any imprest account will not at any time exceed the estimated ADB financed expenditures to be paid from the account for the forthcoming six months. Results for initial and additional advances to the imprest account should be accompanied by an estimate of expenditure sheet⁸ setting out the estimated expenditures for the forthcoming six months of project implementation. For every liquidation and replenishment request of the imprest account, the implementing agency will furnish ADB (i) statement of account (bank statement) where the imprest account is maintained, and (ii) the imprest account reconciliation statement (IARS) reconciling the above mentioned bank statement against the implementing agency's records.⁹

21. Reimbursement and liquidation of individual payments should be supported by full documentation when submitting the withdrawal application to ADB. Use of statement of expenditure (SOE) procedure may be considered at the end of second year of project implementation if it is confirmed that IAs have sufficient capacity to administer SOE procedures.

22. Before the submission of the first withdrawal application, the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is \$100,000 equivalent. Individual payment below this amount should be paid by the executing agency or implementing agency, and subsequently claimed from ADB (i) through reimbursement; or (ii) from the imprest account, unless otherwise accepted by ADB.

23. No withdrawals will be made from the loan and grant accounts until (i) MCDC has entered into a subsidiary loan agreement with the Borrower on terms and conditions satisfactory to ADB and (ii) the PMO has been established with qualified staff.

⁶ Available at: <http://www.adb.org/documents/loan-disbursement-handbook>.

⁷ ADB financing may finance charges.

⁸ Available in Appendix 10B of the *Loan Disbursement Handbook*.

⁹ Follow the format provided in 10C of the *Loan Disbursement Handbook*.

C. Accounting Policies and Procedures

24. The implementing agency will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project. The implementing agency will prepare the detailed consolidated project accounts in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

D. Auditing

25. The implementing agency will cause the detailed consolidated project financial statements to be audited in accordance with International Standards on Auditing and/or in accordance with the government's audit regulations, by an auditor acceptable to ADB.

26. The audited accounts will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the EAs and IAs. The annual audit report for the project accounts will include an audit management letter and audit opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan and grant proceeds were used only for the purposes of the project or not; (iii) the level of compliance for each financial covenant contained in the legal agreements for the project; (iv) use of the imprest fund procedure; and (v) imprest procedures in accordance with ADB's Loan Disbursement Handbook and the project documents

27. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

28. The government, EA, and IAs have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.¹⁰

29. ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

1. 30. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy

¹⁰ ADB approach and procedures regarding delayed submission of audited project financial statements:

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

(2011).¹¹ After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posing them on ADB's website. The Audit Management Letter will not be disclosed.

2.

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting

31. All advance contracting will be undertaken in conformity with ADB's *Guidelines on the Use of Consultants* (2013, as amended from time to time).¹² The issuance of request for expressions of interest under advance contracting will be subject to ADB approval. It is envisaged to complete final ranking of the shortlisted consulting firms for the project implementation support consultant under advance contracting. The borrower, EA, and IAs have been advised that approval of advance contracting does not commit ADB to finance the project.

32. MCDC requested ADB to assist in selecting the project implementation support consultant, provided that the MCDC will negotiate and sign the consulting service contract. ADB has started the advance contracting actions for consultant selection. In addition, the amount of the project preparatory TA was increased by \$300,000 (funded by AFD) to conduct technical surveys and prepare technical specifications for the proposed design-build-operate (DBO) contract for the new wastewater treatment plant. These actions are expected to help MCDC expedite and ensure smooth project start-up.

B. Procurement of Goods, Works and Consulting Services

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

34. Contract packages for goods and related services exceeding \$1.0 million will be awarded on the basis of international competitive bidding (ICB), while those costing between \$100,000 and \$1.0 million may be awarded through national competitive bidding (NCB). Civil works contracts costing more than \$3.0 million will be procured using ICB, while those valued between \$100,000 and \$3.0 million equivalent may be procured using the NCB procedures, in accordance with the President's Office Notification No. 1/2013 dated 5 April 2013: Tender Rules in Granting Permit to Investments and Business Enterprises, subject to clarification to the Law that have been agreed with ADB for the purposes of ADB's *Procurement Guidelines*. The selection of suppliers/contractors and award of contracts will be subject to ADB's approval. The relevant sections of ADB's *Anticorruption Policy* will be included in all procurement documents and contracts.

35. Before the start of any procurement, ADB and the government will review the public procurement laws of the central and regional governments to ensure consistency with ADB's *Procurement Guidelines*. The laws to be followed for national competitive bidding are set forth in the President's Office Notification No. 1/2013. Whenever any procedure in the national procurement laws is inconsistent with the ADB's *Procurement Guidelines*, the ADB Guidelines shall prevail.

¹¹ Available at <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

¹² Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

36. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Section C. During project implementation, this will be reviewed and updated on an annual basis.

37. All consultants will be recruited according to ADB's *Guidelines on the Use of Consultants*.¹³ The terms of reference for all consulting services are detailed in Section D.

38. There will be five consulting services packages under ADB financing: (i), project implementation support (estimated 173 person-months [41 international, 132 national]), (ii) capacity development in climate change resilient urban planning (estimated 92 person-months [32 international, 60 national]), (iii) pilot community-based solid waste management (estimated 231 person-months [11 international, 220 national]), (iv) external monitoring organization (estimated 7 person-month, international), and (v) audit (estimated 126 person months, national). The recruitment of the consultants will be using the quality-and cost-based selection (QCBS) procedures with a standard quality:cost ratio of 90:10.

C. Procurement Plan

Basic Data

Project Name: Mandalay Urban Services Improvement Project	
Project Number:	Approval Number:
Country: Republic of the Union of Myanmar	Executing Agency: Mandalay Regional Government
Project Procurement Classification:	Implementing Agency: Mandalay City Development Committee
Procurement Risk: Moderate	
Project Financing Amount: \$129.9 million ADB Financing: \$60.0 million Cofinancing (ADB Administered): \$4 million Non-ADB Financing: \$52.8 million	Project Closing Date: 31 December 2015
Date of First Procurement Plan	Date of this Procurement Plan:

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

a. Project Procurement Thresholds

39. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works		
Method	Threshold	Comments
International Competitive Bidding (ICB) for Works	\$3,000,000 and above	
International Competitive Bidding for Goods	\$1,000,000 and above	
National Competitive Bidding (NCB) for Works ²	Beneath that stated for ICB, Works	
National Competitive Bidding for Goods ²	Beneath that stated for ICB, Goods	
Shopping for Works	Below \$100,000	
Shopping for Goods	Below \$100,000	

Consulting Services

¹³ Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>

Method	Comments
Quality and Cost Based Selection (QCBS)	90:10
Quality and Cost Based Selection (QCBS)	50:50 for Audit

b. Goods and Works Contracts Estimated to Cost More than \$1 Million

40. The following table lists goods and works contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value (\$ million)	Procurement Method	Review (Prior/Post)	Advertisement Date (quarter/year)	Comments
MYWW/1.0	Works contracts for Sanitation & Drainage Improvement (Thin Ga zar clean up, pumping stations, Shwe Ta Chaung last pipeline)	\$27.31	ICB	Prior	Q4 / 2016	Prequalification of Bidders: Y Bidding Document: Works
MYWW/2.0	Works contracts for Sanitation & Drainage Improvement Sewerage (Shwe Ta Chaung, Nhwe Ta Chaung and pilot sewer zone)	\$16.6	ICB	Prior	Q4 / 2016	Prequalification of Bidders: N Bidding Document: Works
MYWW/3.0	DBO Contract for Waste Water Treatment Plant	\$13.7	ICB	Prior	Q2 / 2017	Prequalification of Bidders: Y Bidding Document: Plant – Design, Supply, and Installation

c. Consulting Services Contracts Estimated to Cost \$100,000 or More

41. The following table lists consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value (\$ million)	Recruitment Method	Review (Prior/Post)	Advertisement Date (quarter/year)	Type of proposal	Comments
MYWW/4 0.0	Project Implementation Consultant	\$3.28	QCBS	Prior	Q1 / 2016	FTP	International Quality-Cost Ratio: 90:10
MYWW/4 1.0	Urban Planning Capacity Building	\$2.00	QCBS	Prior	Q2/2016	FTP	International Quality-Cost Ratio: 90:10
MYWW/4 2.0	Community-Based Solid Waste Management	\$1.42	QCBS	Prior	Q2/2016	FTP	International Quality-Cost Ratio: 90:10

							of Contract Award

ADB = Asian Development Bank.

b. Completed Contracts

Goods and Works								
Package Number	General Description	Estimated Value	Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Date of Completion	Comments

Consulting Services								
Package Number	General Description	Estimated Value	Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Date of Completion	Comments

4. Non-ADB Financing

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

GOODS AND WORKS			
General Description	Estimated Value (cumulative, € million)	Procurement Method	Comments
Increased Production Capacity including <ul style="list-style-type: none"> • WTP8 optimization • Tubewells • regeneration • WTP 9 NRW including <ul style="list-style-type: none"> • NRW Technical Assistance • Provisional Sum for works Network reinforcing and rehab including <ul style="list-style-type: none"> • Overall network reinforcing • Rehab of Mandalay Hill Reservoir • Rehab of BPS1 	€31.31	ICB – Design, Build Management Contract	Prequalification of Bidders: Y Bidding Document: Works Comments: DB Design-Build Contract
Network extensions/rehab including <ul style="list-style-type: none"> • Overall network reinforcing and extensions • Rehab of Mandalay Hill Reservoir • Rehab of BPS1 	€7.95	ICB or divided into several lots for NCB procurement	Prequalification of Bidders: Y Bidding Document: Works

--	--	--	--

CONSULTING SERVICES

General Description	Estimated Value (cumulative, € million)	Recruitment Method	Comments
Project Implementation Consultant	€2.72	QCBS	International Quality-Cost Ratio: 90:10
Tariff Reform & Corporatization Capacity Building	€1.88	QCBS	International Quality-Cost Ratio: 90:10

5. National Competitive Bidding

a. Regulation and Reference Documents

46. The procedures to be followed for national competitive bidding shall be those set forth in ADB's standard bidding documents, with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of ADB's Procurement Guidelines (2015, as amended from time to time).

b. Procurement Procedures

Application

47. Contract packages subject to national competitive bidding procedures will be those identified as such in the project procurement plan. Any changes to the method of procurement from those provided in the procurement plan shall be made through updating of the procurement plan, and only with prior approval of ADB.

Eligibility

48. The eligibility of bidders shall be as defined under section I of the Procurement Guidelines; accordingly, no bidder or potential bidder should be declared ineligible for reasons other than those provided in section I of the Guidelines, as amended from time to time.

Sanctioning

49. Bidders shall not be declared ineligible or prohibited from bidding on the basis of barring procedures or sanction lists, except individuals and firms sanctioned by ADB, without prior approval of ADB.

Advertising

50. The posting of NCB specific notices for contracts valued at less than \$1 million on ADB's website is not required but is highly recommended

Rejection of all Bids and Rebidding

51. Bids shall not be rejected and new bids solicited without ADB's prior concurrence.

c. Bidding Documents

ADB Policy Clauses

52. A provision shall be included in all NCB works and goods contracts financed by ADB requiring suppliers and contractors to permit ADB to inspect their accounts and records and other documents relating to the bid submission and the performance of the contract, and to have them audited by auditors appointed by ADB.

53. A provision shall be included in all bidding documents for NCB works and goods contracts financed by ADB stating that the Borrower shall reject a proposal for award if it determines that the bidder recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for the contract in question.

54. A provision shall be included in all bidding documents for NCB works and goods contracts financed by ADB stating that ADB will declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by ADB, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices or any integrity violation in competing for, or in executing, ADB-financed contract.

D. Outline Terms of Reference

55. The terms of reference for (i) project implementation support consultant, (ii) capacity development in climate change resilient urban planning, (iii) pilot community-based solid waste management, (iv) external financial audit services, and (v) external monitoring for EMP and RP are provided in Appendix 2.

VII. SAFEGUARDS

A. Environment

56. The project is classified as Category B for environment in accordance with the ADB's Safeguard Policy Statement (SPS) (2009). The potential environmental impacts of the proposed components are not expected to cause irreversible adverse environmental impacts. An Initial environmental examination (IEE) has been conducted. Potential impacts of climate change and/or natural hazards on the project were integrated into the IEE with recommendations for consideration during the design stage, in particular with reference to construction standards on climate resilience.

57. Mitigation measures for identified impacts are included in the environmental management plan (EMP). Initial costs for developing and implementing the EMP have been estimated for inputs to project costing. Stakeholder consultations were conducted and grievance redress mechanisms (to facilitate resolution of complaints regarding the performance of the project, in terms of environment and involuntary resettlement) have also been established, and included in the IEE. At the detailed engineering design stage, as IEE including EMP is updated and finalized, the proposed mitigating measures will be reviewed to ensure that environmental receptors are not adversely affected. The final estimated costs for implementing the EMP will be integrated into the project costs. Government approval of the IEE including EMP will be made a condition to loan negotiation. The final EMP, cleared by ADB (Manila), will form part of the contract bidding documents ([Appendix 13](#)). EMP implementation will be ensured by a designated environment officer in MCDC whose roles and responsibilities are detailed in the EMP. Environmental considerations during detailed engineering design and allocation of sufficient budget for operation and maintenance will help mitigate potential adverse impacts during operation. Effective environmental monitoring at all stages of project implementation will be ensured. In compliance with ADB's information disclosure and consultation requirements, the safeguard documents will be posted on ADB's website.

B. Involuntary Resettlement

58. The project is classified as Category B. Land acquisition for the wastewater treatment plant will result in physical and economic displacement of 17 households (58 persons), including 8 land owners, 3 tenants, and 6 seasonal workers. Given the small magnitude of impacts, the project is categorized as B for involuntary in accordance with ADB's SPS.

59. A resettlement plan (RP) has been prepared and integrated into project costs. The draft RP at the appraisal stage and the updated RP at the detailed design stage will be cleared by ADB. The RP includes a review of local laws and regulations, gap analysis and proposed gap-filling measures. The resettlement policy proposed in the project is consistent with the provisions of the ADB's SPS and takes into consideration relevant provisions of local laws and regulations.

60. The cost is estimated to be \$1.54 million, which includes base costs, allowances, contingencies, and income restoration program. Project information has been disclosed to the affected persons through the project preparation during consultations and surveys and a project information booklet will be distributed to all the affected people in by project approval. It will be updated and distributed during detailed measurement survey (DMS). All land acquisition and resettlement costs will be financed from the counterpart funds.

61. Effective monitoring and public consultation with all stakeholders and affected people at all stages of project implementation will be ensured. In compliance with ADB's information disclosure and consultation requirements, the safeguard documents will be posted on ADB's website. Stakeholder consultations will continue through formal and informal focus group discussions. A grievance redress mechanism will help to facilitate resolution of complaints regarding project performance. The RP will be updated and disclosed after detailed engineering design and cleared by ADB prior to contract awards.

C. Indigenous Peoples

62. Indigenous peoples (IP) safeguards are not triggered by both the sub projects and the category is C in accordance with the requirements outlined in OM/F1 and ADB's SPS; hence no separate IP plans are required to be prepared.

VIII. GENDER AND SOCIAL DIMENSIONS

63. This project is categorized as Effective Gender Mainstreaming (EGM). The gender equity and social inclusion action plan (GESIAP) addressed potential gender inequality risks and promotes women as project beneficiaries through (i) provision of targets for female participation in community discussions/consultations on the design and implementation of urban services improvements; (ii) female participation in MCDC capacity development activities; (iii) strengthening capacity and presence of Women's Federation in selected wards through implementation of a pilot public consultation; (iv) employment of females for project related infrastructure; and (v) training on gender awareness and GESIAP implementation for MRG and MCDC management. Women residents will benefit from the project through improved access to water for drinking water supply, improved wastewater treatment systems, improved drainage and enhanced knowledge of environmental protection. The project will implement pro-poor initiatives to assist poor and vulnerable women to access water systems. The project will support female government staff and Women's Federation to build their knowledge of environmental management.

64. **GESIAP implementation arrangements.** Implementation arrangements and estimated costs of the GESIAP have been integrated into the overall arrangements and total project budget. Additional costs have been allocated for affordability support funds and consultant interventions. MCDC will be responsible for ensuring that the social and gender related design measures and targets are properly resourced, monitored, and implemented as designed. A national social and gender specialist will be appointed to coordinate the GESIAP implementation and monitoring supported by an international social and gender specialist (intermittent). Sex-disaggregated baseline data will be collected and used to monitor GESIAP implementation and impact, and reported during quarterly and mid-term reviews using the ADB GESIAP reporting template. An international gender specialist (3 person-months) and national gender expert (12 person-months), together with other consultants, will support (i) gender and development training needs assessments, (ii) gender plan development for focal groups in each city, (iii) development of appropriate training materials, (iv) development of guidelines for subsidies and lifeline tariff to support water connections, (v) establishment of sex-disaggregated indicators for project performance monitoring and evaluation, and (vi) promotion of gender equality in future hiring practices and promotion initiatives. The PMO will incorporate GESIAP monitoring in their progress reports to the government and ADB.

GENDER EQUITY AND SOCIAL INCLUSION ACTION PLAN (GESIAP)

Activities	Indicators and Targets	Responsibility	Time
Outcome: Improved Access to Sustainable Urban Services			
Public health condition improved Women's "time poverty" reduced	Incidence of water-borne and vector-borne diseases (malaria, diarrhea, tuberculosis, dysentery, and hepatitis) in the project townships reduced by 30% from 2.76 per 1,000 persons to 1.94 per 1,000 persons Qualitative and quantitative analysis conducted through focus group discussions on reduced time poverty i.e., release from the drudgery of managing water and flooding	<ul style="list-style-type: none"> PMO supported by project implementation support consultant 	Project completion
Output 1: Improved Water Supply Systems			
1.1 Include women, poor and vulnerable ^a in the orientation and consultation sessions including: potential implementation and resettlement issues, connection charges, tariffs, subsidies for poor households, employment opportunities and benefits (including skill training), and livelihood enhancement	<ul style="list-style-type: none"> Women and vulnerable [Target: 30% of total for women and 20% of total for vulnerable] participate in project orientation and consultations in each ward and focused group discussions [Target: one per township] Women-only project orientation seminars conducted [Target: one per town, with participation of 50 women from all walks session] 	<ul style="list-style-type: none"> PMO supported by project implementation support consultant 	Years 1–2
1.2 Conduct public awareness campaigns on water, sanitation, and hygiene; environmental management; gender and social inclusion issues; and women's empowerment including livelihood enhancement (on small enterprise, micro financing, etc.) and leadership	<ul style="list-style-type: none"> At least 600 beneficiary households of new water supply connections covered under public awareness campaigns [Target: at least 80% poor, female-headed, and vulnerable households] Livelihood enhancement and leadership training provided to 300 targeted households [Target: at least 50% of the participants are women] Campaigns designed and implemented through TV, radio, mobile phone applications Awareness education developed and implemented in partnership with Women's Federation 	<ul style="list-style-type: none"> PMO supported by project implementation support consultant 	Years 3–5
1.3 Provide subsidized piped water connections for poor, female-headed households, and vulnerable households	<ul style="list-style-type: none"> Subsidized water connection charge introduced for poor, female-headed, and vulnerable households Lifeline water tariff introduced for poor, female-headed, and vulnerable households 	<ul style="list-style-type: none"> MCDC and MRG PMO supported by project implementation support consultant 	Years 3–7

Activities	Indicators and Targets	Responsibility	Time
Outcome: Improved Access to Sustainable Urban Services			
1.4 Ensure contractors to employ poor women, vulnerable, and affected persons for skilled and unskilled work; and enforce core labor standards including equal pay for work of equal value and ensuring occupational health and safety, water supply, segregated shelter, and sanitation facilities for all workers	<ul style="list-style-type: none"> • Orientation conducted to all contractors including laborers on labor standards, gender equality in wages, safety and hygiene such as to toilet and safe drinking water in work site, and disaggregated record of labor • Sex disaggregated record of labor and wages received, maintained by contractors, and verified by PMO • At least 30% of total workers are women employed by contractors in total • Relevant clauses on employing women labor and core labor standards including disincentives for non-achievement are included in contracts, and enforcement of these clauses included in the terms of reference of PMO 	<ul style="list-style-type: none"> • PMO supported by project implementation support consultant • Contractors 	Years 2–7
Output 2: Improved Wastewater and Drainage Management			
2.1 Ensure contractors to employ poor women, vulnerable, and affected persons for skilled and unskilled work; and enforce core labor standards including equal pay for work of equal value and ensuring occupational health and safety, water supply, segregated shelter, and sanitation facilities for all workers	<ul style="list-style-type: none"> • Orientation conducted to all contractors including laborers on labor standards, gender equality in wages, safety and hygiene such as to toilet and safe drinking water in work site, and disaggregated record of labor • Sex disaggregated record of labor and wages received, maintained by contractors, and verified by PMO • At least 30% of total workers are women employed by contractors in total • Relevant clauses on employing women labor and core labor standards including disincentives for non-achievement are included in contracts, and enforcement of these clauses included in the terms of reference of PMO 	<ul style="list-style-type: none"> • PMO supported by project implementation support consultant • Contractors 	Years 2–7
Output 3: Strengthened Institutional Capacity			
3.1 Conduct GESIAP training of trainers for selected CBO members, leadership training for all female Women Federation executive committee members, and GESIAP training for all PMO staff, project implementation support consultant, and project contractors	<ul style="list-style-type: none"> • Master trainers (two in each township) on GESIAP selected from Women Federation, trained, and mobilized • All female executives of Women Federation trained in leadership, livelihood enhancement, and utility management • PMO and contractors oriented on GESIAP [Target: all towns (at least 10 events)] • MCDC staff oriented on gender equity and social inclusion [Target: at least 80% of staff in all concerned offices of MCDC] 	<ul style="list-style-type: none"> • PMO supported by project implementation support consultant • Contractors 	Years 1–3
3.2 Monitor and report progress on GESIAP implementation during project implementation	<ul style="list-style-type: none"> • Project information format developed, with GESIAP items covering resettlement, compensation, core labor standards, women's participation and benefits, as part of regular project reporting • PPMS developed with GESIAP indicators and regularly updated with sex-disaggregated data 	<ul style="list-style-type: none"> • MCDC • PMO supported by project implementation support consultant 	Years 2–7
3.3 Community mobilization unit at PMO oversees implementation, enforcement, and monitoring of GESIAP implementation	<ul style="list-style-type: none"> • GESIAP Guidelines approved • GESIAP analytical reports and policy briefs prepared and published annually • Community mobilization unit engaged in GESIAP monitoring in review missions • Fact sheets on women and vulnerable produced, and updated yearly with indicators on representation and participation by women and vulnerable 	<ul style="list-style-type: none"> • MCDC • PMO supported by project implementation support consultant 	Years 1–7

Activities	Indicators and Targets	Responsibility	Time
Outcome: Improved Access to Sustainable Urban Services			
3.4 Develop, test, and implement comprehensive and participatory social audit guidelines	<ul style="list-style-type: none"> Participatory annual social audits conducted in project towns [Target: 30% participation of women and vulnerable groups], using social audit guidelines 	<ul style="list-style-type: none"> PMO supported by project implementation support consultant 	Years 2-7
3.5 Train MRG and MCDC staff on municipal financing, non-revenue water reduction, cost recovery, and corporatization of water and wastewater operations	<ul style="list-style-type: none"> At least 30% of participants are women 	<ul style="list-style-type: none"> PMO supported by project implementation support consultant 	Years 2-7
3.6 Design and implement pilot community-based solid waste management	<ul style="list-style-type: none"> Training on pilot project implementation participated by women and men equally 	<ul style="list-style-type: none"> PMO supported by project implementation support consultant 	Years 1-5

CBO = community based organization, GESIAP = gender equity and social inclusion action plan, MCDC = Mandalay City Development Committee, MRG= Mandalay Regional Government, PMO= project management office, PPMS=project performance monitoring system.

Source: Asian Development Bank

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

Impacts the project is aligned with:			
Urban environment and public health in Mandalay is improved (Framework for Economic and Social Reforms*)			
Project Results Chain	Performance Indicators with Targets and Baselines	Data Sources or Reporting Mechanisms	Risks
Outcome Access to sustainable urban services in Mandalay improved	By 2023 a. Households with access water supply without interruption increased to 124,000 (2014 baseline: 19,000) b. Nonrevenue water reduced to 25% (2014 baseline: 52%) c. Direct discharge of wastewater to receiving waters reduced to 25,000 m ³ /day (2014 baseline: 85,000 m ³ /day) d. Households living in wards affected by seasonal flooding reduced to 18,000 (2014 baseline: 92,000) with frequency of flooding raised to 1 in 2 years (2014 baseline: more than 1 in 6 months) e. Budgets for water supply and sanitation operations ring fenced.	a. Mandalay City annual report, end of project survey b. Mandalay City annual report, end of project survey c. Mandalay City annual report, end of project survey d. Mandalay City annual report, end of project survey e. Mandalay City annual report, end of project survey	MCDC revenue is insufficient to cover operation and maintenance of project facilities and repay loans Inadequate subsidies are provided during the period of shortfall in water supply and wastewater revenues
Outputs 1. Water supply systems improved	By 2022 1a. Water production capacity increased to 183,000 m ³ /day (2014 baseline: 97,000 m ³ /day) by rehabilitating existing treatment plant and reservoirs, and constructing a new treatment plant 1b. 19 km of main transmission lines and 116km of distribution systems constructed (2014 baseline: NA) 1c. 18km of existing network rehabilitated and new network extended (2014 baseline: NA) 1d. 20,000 connections including meters replaced (2014 baseline: NA) 1e. At least 30% of unskilled labor	1a–e. Quarterly construction report	PMO staff do not have sufficient knowledge and experience in implementation of externally funded projects

Project Results Chain	Performance Indicators with Targets and Baselines	Data Sources or Reporting Mechanisms	Risks
	force in civil works are women (2014 baseline: NA)		
2. Wastewater and drainage management improved	<p>By 2022</p> <p>2a. 27km of sewerage networks constructed (2014 baseline: 0)</p> <p>2b. 31km of interceptor networks and a pumping station constructed at Thingazar Creek (2014 baseline: 0)</p> <p>2c. A wastewater treatment plant with a capacity of 75,000 m³/day constructed (2014 baseline: 0)</p> <p>2d. pilot wastewater connections in densely populated city center implemented (2014 baseline: 0)</p> <p>2e. 10 septage collection vehicles provided (2014 baseline: 6 operational)</p> <p>2f. 60 km of main canals dredged and rehabilitated (2014 baseline: NA)</p> <p>2g. Stormwater pumping capacity increased to 65,100 m³/hour (2014 baseline: 21,900 m³/hour)</p> <p>2h. At least 30% of unskilled labor force in civil works are women (2014 baseline: NA)</p>	2a–g. Quarterly construction report	PMO staff do not have sufficient knowledge and experience in implementation of externally funded projects
3. Urban service management capacity strengthened	<p>By 2022</p> <p>3a. Project implementation support provided in terms of detailed engineering designs, procurement, construction supervision, disbursement, financial management, social and environmental safeguards, and operation and maintenance</p> <p>3b. At least 50 MRG and MCDC staff trained on municipal financing, non-revenue water reduction, cost recovery, and corporatization of water and wastewater operations (at least 30% of participants are women)</p> <p>3c. Urban spatial plan and infrastructure development plans developed, endorsed, and implemented</p>	<p>3a–b. Attendance sheets, end of training survey</p> <p>3c. MCDC annual report</p>	PMO staff assigned by MCDC are frequently rotated

Project Results Chain	Performance Indicators with Targets and Baselines	Data Sources or Reporting Mechanisms	Risks
	3d. Pilot community-based solid waste management designed and implemented 3e. Programs to raise awareness on public health and environmental protection conducted (with equitable proportion of male/female participants)	3d. PMO quarterly report 3e. program materials, attendance sheets	

Key Activities with Milestones

Output 1. Water supply systems improved

- 1.1 Complete detailed designs and update EMP by 2016
- 1.2 Complete procurement of works and goods by 2017
- 1.3 Complete civil works and equipment installation by 2021

Output 2. Wastewater and drainage management improved

- 2.1 Complete detailed designs and update EMP and RP by 2016
- 2.2 Complete land acquisition and resettlement activities by 2017
- 2.3 Complete procurement of works and goods by 2018
- 2.4 Complete civil works and equipment installation by 2022

Output 3. Urban service management capacity strengthened

- 3.1 Establish PMO with qualified staff by 2015
- 3.2 Recruit and mobilize consultants by 2016
- 3.3 Review and assess existing organization, staffing, and administration systems; and identify institutional bottlenecks and capacity development needs by 2017
- 3.4 Prepare guidelines and manuals, and develop training programs by 2018
- 3.5 Conduct training for MRG and MCDC by 2022
- 3.6 Develop public health and environmental protection awareness programs and materials for beneficiaries by 2019
- 3.7 Conduct awareness programs by 2022

Inputs

ADB Loan:	\$60,000,000
UCCRTF Grant:	\$ 4,000,000
Government:	\$13,100,000

Assumptions for Partner Financing

AFD Loan:	\$46,000,000 (€40,000,000) for entire output 1 and part of output 3a
EU Grant:	\$ 6,800,000 (€5,900,000) for output 3b and part of output 3e

ADB = Asian Development Bank, AFD = Agence Francaise de Developpement, BOD = biochemical oxygen demand, EMP = environmental management plan, EU = European Union, km = kilometer, m³ = cubic meter, MCDC = Mandalay City Development Committee, MRG = Mandalay Regional Government, NA = not applicable, PMO = project management office, RP = resettlement plan, UCCRTF = Urban Climate Change Resilience Trust Fund.

B. Monitoring

1. Project performance monitoring

67. To monitor the progress of the project in achieving the planned outcome and outputs, the PMO will establish and maintain a project performance management system (PPMS), which will be designed to permit adequate flexibility to adopt remedial action regarding project design, schedules, activities, and development impacts. The PPMS will adopt the following agreed indicators (i) physical progress of project implementation, (ii) results of capacity development program, (iii) household connections to the water systems, (iv) improvements in non-revenue water, (v) amount of wastewater treated, (vi) risk reduction in flooding, and (vii) social and poverty development. At project inception, the PMO, in consultation with the implementing agency, will develop comprehensive PPMS procedures to systematically generate data on inputs and outputs of the project activities, and the socioeconomic, health, and environmental indicators to measure project impacts.

68. PMO will refine the PPMS framework, confirm achievable targets, firm up monitoring and recording arrangements, and establish systems and procedures no later than six months after project implementation begins. Baseline and progress data will be reported at the requisite time intervals by PMO to the implementing agency, including annual reporting on the environmental management plan. PMO will be responsible for analysing and consolidating the reported data through its management information system (which will be proposed), and for reporting the outcome to ADB through the quarterly progress reports.

2. Compliance monitoring

69. ADB will undertake regular review missions to assess the status of compliance of the project and the executing and implementing agencies with the loan and grant covenants related to policy, legal, economic, financial, environmental, and institutional elements. Non-compliance issues identified during the ADB review missions will be specified in the quarterly progress reports together with the recommended courses of action.

3. Safeguards monitoring

70. **Involuntary resettlement.** The PMO with support from the project implementation support consultant will be responsible for internal monitoring of the RP implementation. The PMO will supervise and manage the monitoring of resettlement activities and implementation arrangements. Quarterly resettlement monitoring reports will be prepared by the project implementation support consultant for submission to the executing and implementing agencies and ADB. The report will include progress on the status of the RP implementation, information on location and number of people affected, and assistance provided to displaced people. The ADB review missions will monitor and assess the resettlement activities during the project implementation period. Submission of the first internal and external monitoring reports are expected in Q1 2016 and Q2 2016 respectively.

71. Internal monitoring will be carried out by PMO through township administration. These agencies will conduct internal monitoring by (i) regular meetings with the representatives of the affected people; (ii) holding group discussions with all or representatives of severely affected households; and (iii) meeting with marginally affected households.

72. The focus of internal monitoring will be as follows:

- (i) confirmation on the number of severely affected households due to the entire loss of agricultural land;
- (ii) impact on vulnerable household;
- (iii) contracting of independent appraiser (valuation expert) and external monitoring agency as per the schedule specified in the RP;
- (iv) endorsement of resettlement cost survey report and compensation rates by MCDC in a timely manner;
- (v) reaching agreement with the affected households on compensation rates and issuance of summary compensation forms;
- (vi) documentation of affected people preference on rehabilitation measures;
- (vii) provision of budget by MCDC to cover resettlement costs;
- (viii) progress in the disbursement of compensation and other assistance in accordance with the implementation schedule;
- (ix) issuance of notice to harvest the crops and vacate the land as per schedule;
- (x) information dissemination and public participation: (a) the number of public consultation meetings held during the preparation of the detailed compensation plan, (b) the number of affected households that participated, and (c) comments, suggestions, and concerns of the affected households and how these were addressed;
- (xi) progress in the implementation of the RP: progress in planning and implementation of income rehabilitation measures including skill training;
- (xii) smooth transition period between the payment of compensation and assistance to affected people and clearing of area prior to start of civil works;
- (xiii) grievance redress: the number of affected people with complaints, nature of the complaints, status of the resolution of the complaints, assessment of efficiency of the grievance redress mechanism (GRM); and
- (xiv) gender concerns: participation of women in meetings and in the implementation of resettlement, concerns of women in connection with their resettlement and resolution of their grievances.

73. During subsequent monitoring periods, the PMO will look into the issues and problems identified in the preceding reports and actions taken to address the problems in a timely manner.

74. External monitoring is recommended as it will be the first project to be undertaken by the MRG and MCDC, and they do not have any prior experience and capacity in addressing social safeguards issues in development projects.

75. General objective of the external monitoring is to provide an independent verification of the Borrower's monitoring information through the conducting of a periodic review and assessment of (i) achievement of resettlement objectives; (ii) changes in living standards and livelihoods; (iii) restoration of the economic and social base of the affected people; (iii) effectiveness, impact, and sustainability of entitlements; and (iv) need for further mitigation measures if any. Based on such reviews and assessments, strategic lessons for future policy formulation and planning will be formulated. Project authorities will contract a competent independent external monitoring agency (EMA), or an independent consultant, to carry out external monitoring of resettlement implementation in the project.

76. Specific objectives of external monitoring include:

- (i) to provide project management with an effective tool for assessing RP implementation at various stages;
- (ii) to examine whether or not the implementation of the RP is carried out as planned and in compliance with the approved RP, and identify the strengths and weaknesses of the present RP;
- (iii) to identify problem areas and recommend immediately remedial measures for efficient implementation of the policy;
- (iv) to provide inputs for future RP formulation and implementation;
- (v) to assess the effectiveness of income restoration and other rehabilitation measures for affected households, and whether the affected people, including vulnerable households, have been able to improve, or at least restore their livelihood and standard of living to pre-project level; and
- (vi) to assess effectiveness of the GRM established for the project, identify specific problems if any, and suggest improvement of the GRM.

77. The monitoring of RP implementation is intended to (i) ensure that the standard of living of affected persons are restored or improved, (ii) determine that the resettlement objectives are being met, (iii) assess that rehabilitation and compensation elements are sufficient, (v) identify problems and risks, and (vi) come up with adequate measures to mitigate resettlement problems.

78. Consequently the range of activities and issues that need to be recorded and verified include: (i) compensation, allowance payments, and delivery of assistance measures; (ii) re-establishment of displaced person settlements and livelihoods; (iii) reaction of displaced persons to resettlement and compensation packages; and (iv) re-establishment of income levels.

79. The principal indicators for monitoring of resettlement activities include:

- (i) timely and complete disbursement of compensation to affected households according to the compensation policy agreed in the RP,
- (ii) timely income restoration and rehabilitation allowances and measures,
- (iii) allocation of replacement land,
- (iv) public information dissemination and consultation procedures,
- (v) adherence to grievance procedures and identification of outstanding issues that require further attention and resolution,
- (vi) attention given to the priorities of affected households regarding the compensation options offered,
- (vii) completion of resettlement activities required by start of civil works,
- (viii) participation of poor and vulnerable households throughout the consultation process, and
- (ix) restoration and improvement of socioeconomic conditions of affected households.

80. **Environment.** The implementing agency shall prepare and submit to the executing agency quarterly reports on the environmental parameters and any other environment issue identified during the course of implementation. The report will cover environment performance based on the implementation of the EMP and the environmental monitoring plan. The executing agency, through the project implementation support consultant, will be responsible for the consolidation and submission of the reports to ADB in accordance to the format and process described in the IEE and EMP.

81. **Gender and social dimensions:** Monitoring of the implementation of the GESIAP will be undertaken by the PMO. Progress in the achievement of the outputs in the GESIAP will be the responsibility of the PMO gender focal. The PMO will develop a PPMS, establishing sex-disaggregated indicators for project performance monitoring and evaluation. The PPMS will include monitoring tools, reporting templates (including use of the ADB GESIAP progress report template), and output indicators, assisted by project implementation support consultant (international gender specialist and national gender expert). The PMO will submit periodic (minimum bi-annual) reports to the executing and implementing agencies and ADB using these tools, templates, and indicators. The GESIAP budget shall include the cost of monitoring and evaluation.

82. Monitoring of the pro-poor and social inclusion design measures, indicated in the SPRSS, consultation and participation plan, will be the responsibility of the PMO. The PMO will be assisted by the project implementation support consultant in devising the monitoring indicators and reporting templates in assessing progress of the social action plans.

C. Evaluation

83. The implementation of the project will be jointly reviewed at least twice a year by the government and ADB. The project review will cover (i) the performance of the executing agency, implementing agency, consultants, and contractors; (ii) physical progress of project components, (iii) effectiveness of the capacity development and awareness programs, (iv) compliance with loan covenants, and (v) assessment of project sustainability in terms of technical and financial aspects.

84. Aside from the regular joint project reviews, the government and ADB will conduct a comprehensive midterm review of project implementation after three years of operation. This is intended to identify key issues and constraints that hinder smooth project implementation and to come up with appropriate remedial courses of action.

85. Within 6 months of physical completion of the project, the executing agency will submit a project completion report to ADB.¹⁴

D. Reporting

86. The executing agency will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system (an outline of the progress report is in Appendix 4); (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) updated procurement plan, and (d) updated implementation plan for next 12 months; and (iii) a project completion report within 6 months of physical completion of the project. To ensure projects continue to be both viable and sustainable, project accounts and the executing agency audited financial statements, together with the associated auditor's report, should be adequately reviewed.

¹⁴ Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

E. Stakeholder Communication Strategy

87. The stakeholder communication strategy (SCS) is based on the principles of transparency, timeliness, meaningful participation, and inclusiveness. The strategy ensures that vulnerable groups, such as the poor and women whose risk being marginalized, are provided with opportunities for communication and feedback during project design and implementation. Key stakeholders, who are essential to engage to achieve project objectives and lessen project specific risks and challenges, have been identified. Stakeholders include (i) government agencies responsible for the design, management, and implementation of the project as well as disaster preparedness and response; (ii) government agencies who provide essential urban infrastructure services and facilities; (iii) civil society organizations who assist with community education activities, provide pro-poor support programs and are involved in disaster response measures; and (iv) private sector entities who provide employment through recycling. The strategy is designed to ensure a regular flow of project activity and timeline information to and from project beneficiaries and project affected persons.

88. The stakeholder and communication strategy is designed to ensure (i) a regular flow of reliable project information and (ii) inclusion of vulnerable groups in benefit distribution in project implementation. The strategy is built on three key elements: (i) capacity development of MRG and MCDC staff with budgets allocated for implementation; (ii) the implementation of the public consultation unit pilot project, creating a conduit for two-way flow of information between MCDC and stakeholders; and (iii) the inclusion of an NGO partner in the pilot project to create a path forward for future involvement of NGOs/CSOs. The following table outlines key project stakeholders and their interests; and identifies key messages, means of communication, and timeline of delivery during the project cycle. The strategy is designed to be inclusive—township and ward personnel and resident groups including the Women’s Federation representatives in the 30 pilot wards will provide information to poor households and to women who are otherwise difficult to reach.

Objective	Key Risks/Challenges	Main Stakeholders	Messages	Means of Communication	Timeline	Responsibility	Resources (Human, \$)
<p>Ensure a regular flow of project activity and timeline information to project beneficiaries and Project Affected Persons (PAPs)</p> <p>Invite Feedback (2 way communication)</p>	<p>Communication timing too late for realistic feedback on activities and proposed timelines</p> <p>Ineffective implementation through badly designed communication products and activities</p> <p>Lack of professional communication support either within agencies or from outside contracted specialists</p> <p>Feedback not addressed</p>	<p>Civil society project beneficiaries</p> <p>PAPs</p> <p>Township/ Ward officials</p> <p>Resident groups</p> <p>CSOs/NGOs</p> <p>Private sector</p> <p>Local government</p> <p>Local media</p>	<p>Project design, key project benefits, implementation arrangements, potential project impacts both positive and negative</p> <p>Planned mitigation measures (including compensation rates, entitlements and grievance redress mechanism)</p> <p>Project progress</p>	<p>Project design workshops, seminars and public meetings in townships/wards. Feedback communicated to PCC.</p> <p>Gender-sensitive audio and visual materials developed</p> <p>Meetings with PAPs</p> <p>Information in Myanmar language through: (i) traditional forms, including information booklets/sheets; (ii) local media and public notices; and (iii) recognized web-sites, including Project web-site.</p> <p>Bimonthly project progress reports delivered at commune/ward level, and feedback communicated to PCC.</p> <p>NGOs/CSOs disseminate information to poor households through their network, and feedback communicated to PCC</p>	<p>Ongoing prior to implementation of activities</p> <p>Project detailed design</p> <p>Ongoing during civil works</p>	EA/IA/PICC CSOs/NGOs	Included in project budget
<p>Build public awareness and change knowledge, behavior, and attitudes about urban services</p>	<p>Public information and awareness raising strategy not developed and disseminated</p> <p>Awareness is not raised sufficiently to change public behavior and</p>	<p>Civil society project beneficiaries</p> <p>PAPs</p> <p>Township and ward personnel</p> <p>Resident groups</p>	<p>Nature of, and plans for, urban improvements</p> <p>Actions from citizenry required to ensure long term sustainability of investments including</p>	<p>Awareness raising campaigns including workshops, meetings with other stakeholders</p> <p>Information in Myanmar language through: (i) information booklets/leaflets; (ii) local media and public notices; and (iii) recognized web-sites including project web-site.</p>	<p>Ongoing from detailed project design to project completion</p>	EA/IA/PICC Townships, wards, and PAPs	Included in project budget

Objective	Key Risks/ Challenges	Main Stakeholders	Messages	Means of Communication	Timeline	Responsibility	Resources (Human, \$)
	<p>attitudes</p> <p>Awareness raising and public information capacity building programs lag behind infrastructure development</p> <p>Awareness raising messages are not gender sensitive and do not reach their target</p> <p>CSOs/NGOs are not included in outreach activities/information and become disenchanted</p>	<p>CSOs/NGOs</p> <p>Private Sector</p> <p>Local Media</p>	<p>changes in behavior</p> <p>Benefits of urban service improvements now and in the future</p>	<p>Community preparation and community-level training for disaster preparedness</p> <p>Public media campaign</p> <p>Project capacity building measures and awareness training</p>			

CSO = civil society organization, EA = executing agency, IA = implementing agency, NGO = nongovernmental organization, PAP = project affected persons, PICC = project implementation and coordination committee

X. ANTICORRUPTION POLICY

89. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.¹⁵ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.¹⁶

XI. ACCOUNTABILITY MECHANISM

90. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.¹⁷

XII. RECORD OF PAM CHANGES

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

¹⁵ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

¹⁶ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

¹⁷ For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

MCDC FINANCIAL MANAGEMENT ASSESSMENT

EXECUTIVE SUMMARY

Overall risk rating for Financial Management Assessment (FMA) is “High”. The public financial management systems in Myanmar are relatively weak due to limited exposure to international best practices and to low capacity and computerization.

The major risks are (i) limited capacity of MCDC staff in (a) project financial management, (b) preparing financial management reports, and (c) internal audit; and (ii) weak financial management systems and controls including the current internal audit set-up which does not provide the requisite independence pose significant constraints for development effectiveness in Myanmar.

The proposed risk mitigation measures include the capacity development through the engagement of international and national accounting and financial management consultants to build project management capacity during project implementation, to (i) provide training including on the job training for the PMO on ADB’s policies and procedures and international best practices, and (ii) establish project budgeting and accounting systems improvements including computerization of the accounting system.

I. Introduction

The executing agency (EA) is the Mandalay Regional Government (MRG). The Ministry of Finance (MOF) will directly on-lend the loan proceeds to Mandalay City Development Committee (MCDC), the implementing agency (IA). A project management office (PMO) has been established in MCDC, for the purpose of the project implementation.

The purpose of this Financial Management Assessment (FMA) was to determine the robustness of the accounting, financial controls and internal audit arrangements, and the capability of the EA and IA to meet all the fiduciary requirements which will be set out in the loan agreement, and other project documents. In accordance with ADB’s Guidelines for the Financial Management and Analysis of Projects, the FMA assessed the financial arrangements of the project, and as the funds will be directly on-lent to MCDC, the IA, the IA’s financial responsibilities and perceived financial risks and risk management. This FMA also provides guidance to the IA for mitigation measures to ensure the effective project performance, following country laws and regulations as well as ADB’s requirements. The FMA incorporates the Financial Management Internal Control and Risk Management Assessment required by the guidelines. The FMA relied in part on the diagnostic report on public financial management for Myanmar.¹⁸

A Financial Management Assessment Questionnaire (FMAQ) was completed in May 2014 for the proposed Grant Assistance Pro-Poor Community Infrastructure and Basic Services funded by a JFPR grant which is partly implemented in Mandalay. The FMAQ was tailored to the community approach of the JFPR grant-funded project. That FMAQ was submitted to MCDC in

¹⁸ World Bank. Public Financial Management Performance Report. May 2013.

May 2014 but adapted to reflect that under the project, MCDC will take the lead in implementing loan-funded initiatives to improve urban services as water supply and sanitation, which are the direct responsibility of MCDC for the city.

MCDC's current budget and internal accounting and financial procedures need to be strengthened. It is proposed that for the implementation of the project, specific project-specific budgeting and accounting rules to be defined in a Project Administration Manual will have to be established and applied by the PMO, including the preparation of specific reports to be prepared by the PMO on project implementation (technical and financial). These will likely be different from MCDC's current accounting and budgeting procedures and the capacity development program will provide support to ensure proper reporting for the project and for government reports. The PMO will be supported and trained by a technical assistance grant to provide capacity development and strengthening financial management policies and systems.

II. Brief Project Description

The project's impact will be improved urban environment and public health in Mandalay. The outcome will be improved access to sustainable urban services in Mandalay.

The outputs will include (i) improved water supply systems, (ii) improved wastewater and drainage management, and (iii) strengthened urban services management capacity. The details are summarized below.

The project will be financed through a loan from ADB and AFD (respectively \$60 million and \$46 million), an ADB grant (\$4.0 million) and an EU grant (\$6.8 million), and counterpart from MCDC (\$3.6 million) and from Union Government (\$9.5 million for taxes and duties). MOF will directly on-lend the loan proceeds to MCDC, the IA. The total project cost is \$129.8 million. The project will be implemented from April 2016 to March 2023.

Table 1: Project Investment Plan

Item	Amount ^a (\$ million)
A. Base Cost^b	
1. Improved water supply systems ^c	43.9
2. Improved wastewater and drainage management	52.3
3. Strengthened institutional capacity	13.5
Subtotal (A)	109.7
B. Contingencies^d	15.9
C. Financing Charges During Implementation^e	4.3
Total (A+B+C)	129.9

^a Includes taxes and duties of \$9.5 million to be financed from the government resources through exemption.

^b In mid-2015 prices.

^c Parallel financing by the Agence Française de Développement (AFD) equivalent to €40.0 million.

^d Physical contingencies computed at 10% for civil works; 15% for land acquisition and resettlement; and 10% for all other categories. Price contingencies computed at 1.3% on foreign exchange costs in 2016 and 1.5% thereafter, and 6.9% on local currency costs in 2016, 6% in 2017 and 5% thereafter; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^e Includes interest. Interest during construction for ADB loan is 1% per year and will be capitalized. There are no commitment charges.

Source: Asian Development Bank.

Table 2 : Detailed Cost Estimates by Financier

Item	ADB		AFD		EU		UCCRTF ^a		MCDC		Central Government				Total Cost	
	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount (Costs)	Amount (Taxes and duties)	Amount (Total)	% of Cost Category		
A. Investment Costs																
1. Civil works																
Civil works (ADB Loan)	29.45	69%	-	0%	-	0%	-	0%	-	0%	-	-	-	-	29.45	
Civil works (AFD Loan)	-	0%	10.36	24%	-	0%	-	0%	-	0%	-	-	-	-	10.36	
Civil works (UCCRTF)	-	0%	-	0%	-	0%	0.6	1%	-	0%	-	-	-	-	0.60	
Civil works (Central Government)												2.44	2.44	6%	2.44	
2. Materials	-	0%	20.54	87%	-	0%	-	0%	-	0%	-	-	3.14	3.14	13%	23.68
3. DBO Contracts																
DBO contracts (ADB Loan)	11.38	53%	-	0%	-	0%	-	0%	-	0%	-	-	-	-	11.38	
DBO contracts (AFD Loan)	-	0%	6.72	32%	-	0%	-	0%	-	0%	-	-	-	-	6.72	
DBO contracts (EU)	-	0%	-	0%	2	9%	-	0%	-	0%	-	-	-	-	2.00	
DBO contracts (Central Government)												1.21	1.21	6%	1.21	
4. Equipment																
Equipment (ADB Loan)	5.91	84%	-	0%	-	0%	-	0%	-	0%	-	-	-	-	5.91	
Equipment (UCCRTF)	-	0%	-	0%	-	0%	0.15	2%	-	0%	-	-	-	-	0.15	
Equipment (Central Government)												0.94	0.94	13%	0.94	
5. Vehicles	0.74	87%	-	0%	-	0%	-	0%	-	0%	-	-	0.11	0.11	13%	0.85
6. Consulting Services																
Consulting Services (ADB Loan)	2.48	24%	-	0%	-	0%	-	0%	0	0%	-	-	-	-	2.48	
Consulting Services (AFD Loan)	-	0%	2.70	26%	-	0%	-	0%	0	0%	-	-	-	-	2.70	
Consulting Services (EU)	-	0%	-	0%	2.05	20%	-	0%	0	0%	-	-	-	-	2.05	
Consulting Services (UCCRTF)	-	0%	-	0%	-	0%	2.77	26%	0	0%	-	-	-	-	2.77	
Consulting Services (Central Government)												0.50	0.50	5%	0.50	
7. Financial Intermediation	-	0%	-	0%	2.00	100%	-	0%	0	0%	-	-	0.00	0.00	0%	2.00
8. Environmental Protection ^b	0.24	100%	-	0%	-	0%	-	0%	0	0%	-	-	0.00	0.00	0%	0.24
9. Land Acquisition and Resettlement	-	0%	-	0%	-	0%	-	0%	1.32	100%	-	-	0.00	0.00	0%	1.32
Subtotal (A)	50.19	46%	40.32	37%	6.05	6%	3.52	3%	1.32	1%	-	-	8.34	8.34	8%	109.74
B. Contingencies																
Physical Contingency	5.02	46%	4.03	37%	0.41	4%	0.35	3%	0.20	2%	-	-	0.83	0.83	8%	10.84
Price Contingency	2.53	51%	1.65	33%	0.32	6%	0.13	3%	0.01	0%	-	-	0.37	0.37	7%	5.01
Subtotal (B)	7.55	48%	5.68	36%	0.72	5%	0.48	3%	0.21	1%	-	-	1.21	1.21	8%	15.85
C. Financing Charges During Implementation^c	2.25	52%	-	0%	-	0%	-	0%	2.07	48%	-	-	0.00	0.00	0%	4.32
Total Project Cost (A+B+C+D)	60.00	46%	46.00	35%	6.77	5%	4.00	3%	3.59	3%	0	-	9.54	9.54	7%	129.92
% Total Project Cost																

ADB = Asian Development Bank, AFD = Agence Française de Développement, DBO = design-build-operate, EU = European Union, MCDC = Mandalay City Development Committee, UCCRTF = Urban Climate Change Resilience Trust Fund.

^a Financing partners: The Rockefeller Foundation and the governments of United Kingdom and the United States. Administered by the Asian Development Bank.

^b Environmental protection covers costs for engaging external monitoring organization.

^c Financing charges during implementation for AFD loan will be financed by the government.

Note: An external auditing firm will be engaged to conduct the annual audit during project implementation. The audit cost estimated at \$70,000 will be financed under the consulting services under the ADB loan.

III. Country and Sector Financial Management Issues

Country issues that potentially impact the financial management of the project include a weak public financial management (PFM) environment and management and skills capacity issues.

Public financial management environment. The first comprehensive review of Myanmar's PFM was undertaken by the World Bank using the Public Expenditure Financial Accountability (PEFA) Performance Measurement Framework; a report was published in May 2013. The assessment suggested that Myanmar's fiscal system is facing significant risk. Public fiscal information in Myanmar is also quite limited. The central PFM environment is highly informal, relatively weak and lacks a strategic approach. There is lack of foundational legal underpinnings and it is not fully clear which regulations are legally in force. Significant changes in PFM practices are being made without updating the governing rules and regulations. Significant leeway has been given to agencies to determine policy implementation. This has made the current PFM system under-regulated and largely practice-based. Central oversight is narrow and underdeveloped, focusing more on low value processes than on the analysis of results and the impact of spending. Weak controls combined with limited budget comprehensiveness and transparency, suggest a system open to fiduciary risk.

Management and skills capacity. Like many DMCs, Myanmar has a shortage of skills in general management, financial management, financial analysis, and management accounting. In particular, few accounting staff possess practical skills beyond basic bookkeeping. The accounting and financial reporting system is still largely manual and paper-based, which delays the production of final reports. However, reconciliation processes are mostly well-documented, appear adequate, and applied with sufficient rigor to provide some confidence in the accuracy of reports.

ADB country portfolio. ADB reengaged with Myanmar in 2012. The first project loan was approved in December 2013, and became effective in March 2014. This was followed by 3 JFPR grant projects in the health and energy sectors, and in pro-poor community infrastructure and basic services (partly implemented in Mandalay). ADB's Myanmar portfolio performance is still to be assessed in 2015-16.

IV. Project financial management system

A. Overview

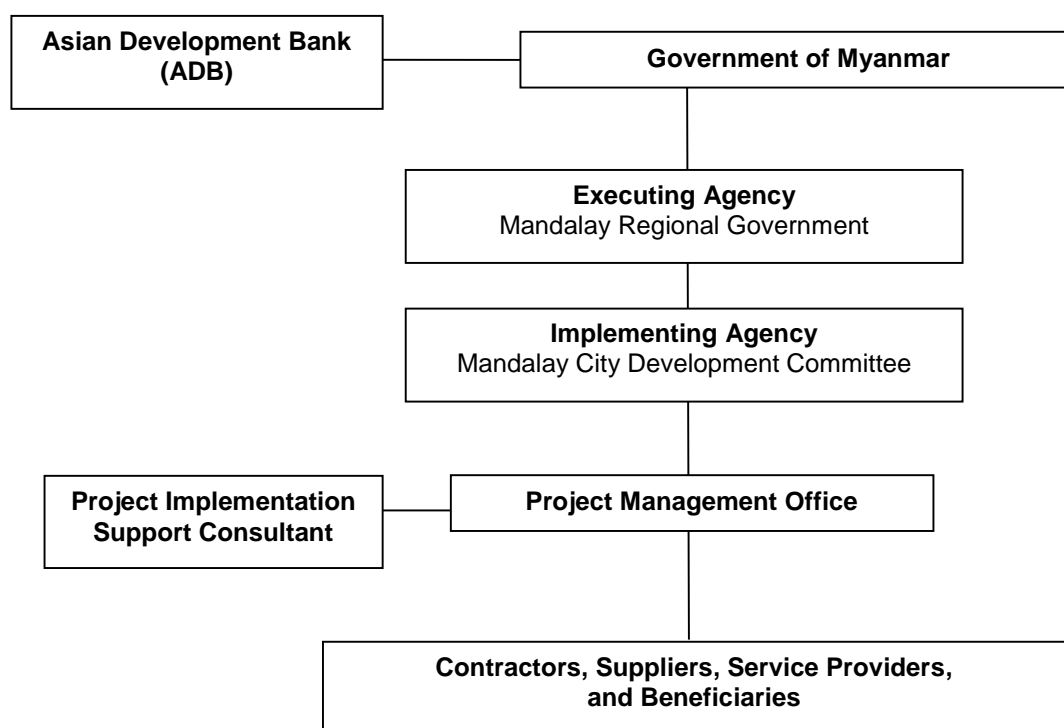
The EA/IA. MRG will be the EA; MCDC will implement the project as IA. MCDC will set up a PMO to deliver project activities as designed within the project description. The PMO will be responsible for overall project management, financial management consolidation, procurement, and coordination with concerned departments and offices and liaison with ADB. It will also provide support in implementing all three components of the project. Consultants will be engaged under the capacity development program to support the PMO, as part of the facilities to be built under the project will be managed through a performance-based contract.

The PMO. The PMO's main tasks will be:

- (i) to develop an integrated procurement plan for the project and to review and update it every six months;

- (ii) to manage procurement activities directly linked to the components (bidding process, recruitment, contracting, project accounting and administration management);
- (iii) to monitor the application of funds covenant on a regular basis;
- (iv) to receive, review and clear invoices for payment.
- (v) to prepare withdrawal applications, as necessary, in accordance with agreed procedures and following ADB/AFD disbursement guidelines;
- (vi) to arrange all accounts in the project for independent auditing, and to provide quarterly financial reports to ADB and AFD;
- (vii) to support the Water Supply and Sanitation Department (WSSD)'s corporatization process as agreed in the project agreements; and
- (viii) to ensure specific attention to monitoring the environmental management plan.

Figure 1: Project Organization Structure



B. Strengths and Weaknesses

Strengths. Strengths of the EA and IA include:

- (i) MCDC is relatively well-structured and existing staff for water and sanitation utilities management has a fair knowledge of the context, and
- (ii) The PMO will be part of MCDC and will benefit of staff already involved in the project preparation process.

Weaknesses. Various weaknesses were identified in terms of management skills and fiduciary procedures:

- (i) senior government officials and management and operational staff of MCDC have limited knowledge of ADB policies and procedures on project financial management, as contained in the *Operations Manual, Project Administration Instructions, Disbursement Guidelines and Handbook*;
- (ii) the level of computerization is low or even non-existent, with direct impact on quality of the management regarding accounting, control, but also assets management, commercial management and billing effectiveness or statistics; and
- (iii) MCDC's internal audit arrangements do not seem to provide sufficient independence as the Internal Audit Office reports to the same Director of the Finance Division who is responsible for financial reporting. It would be preferable for the Internal Audit Office to report to MCDC's highest level of management, which is the established best practice to ensure independence.

C. Personnel, Accounting Policies and Procedures, Internal and External Audit

Personnel. The PMO will be staffed by MCDC employees from various departments including a dedicated accounting clerk (counterpart staff from MCDC). The PMO will be supported by the capacity development program, and if necessary, the project may also provide an experienced national consultant with an accounting background. The PMO will be required to adhere to sound financial management requirements during project implementation including maintaining separate project records and accounts to identify (i) the financing resources received, and (ii) expenditures incurred on each component of the project. At the end of each financial year, the PMO will prepare the financial management reports which shall be audited by an independent auditor acceptable to ADB. The FMA determined that MCDC needs skills strengthening as (i) staff has no experience with ADB's financial management policies and implementation procedures, and (ii) the accounting system they are familiar with, needs to be aligned with international standards. Prior to the PMO's start-up, personnel should receive training on ADB's policies and procedures.

Accounting policies and procedures. MCDC's financial statements are prepared in accordance with regulations applicable to Myanmar's government agencies, and mainly use a cash accounting system based on practices and accounting manuals from the 1960s. It will take some time and coordination to update the government's accounting policies and procedures to fully align these with international best practices. A financial management system will be established for the project by the international financial management specialist with a particular focus on internal control functions.

Accounting/financial information system. MCDC has a very low level of computerization with only a few computers used for spreadsheet analysis and reporting. Its accounting system is entirely paper-based. It is recommended that the project's financial management system use stand-alone office accounting software. The PMO staff will be supported by on-the-job and formal training.

Internal audit. MCDC has an Internal Audit Office, though its capacity and experience is modest by international standards. The organizational arrangement, however, raises concerns with regard to independence as the Internal Audit Office reports to the same Director of the Finance Division who is responsible for financial reporting. It would be preferable for the Internal Audit Office to report to MCDC's highest level of management, which is the established best practice to ensure independence.

External audit. MCDC's accounts are audited by MRG's Inspection Department, rather than the Office of the Auditor General (OAG) which audits Union Government accounts. The PMO will prepare and submit the project's financial statements to MRG. The project's financial statements will be audited by an independent auditor whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards on auditing or the national equivalent acceptable to ADB.

D. Financial Reporting Systems, including Use of Information Technology

Internal control system. The structure of MCDC's Finance Department and its internal control system generally provide job and authorization segregation with regard to financial management, with separate sections authorizing, executing and recording transactions. The project's internal control will follow the controls that will be put in place by the international financial management Specialist.

Budgeting and variance management. MCDC has formal budgeting formulation processes. MRG provides guidance on the overall budget envelope, and then MCDC prepares initial work programs and associated budgets. These are then reviewed by MRG and upon approval, submitted as part of a consolidated budget for the region to the Ministry of Finance, for submission to parliament through the President's Office for approval. Rudimentary budget statements are prepared monthly with simplistic variance analyses. The low level of computerization and the absence of modern management practices make monitoring of budgets and producing meaningful financial reports difficult. Implementation of the new Budget Law issued in 2013 is expected to help improve overall budgeting and financial management processes.

Safeguards over assets. MCDC doesn't have fixed assets inventories. It also doesn't have insurance coverage for its assets.

E. Disbursement Arrangements and Funds Flow Mechanism

Detailed implementation arrangements on the funds flow, replenishment, and administrative procedures, will be detailed in the Project Administration Manual (PAM) as agreed by ADB and the government. Loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time)¹⁹ and detailed arrangements agreed upon between the government and ADB. Pursuant to ADB's *Safeguard Policy Statement* (2009) (SPS)²⁰ ADB funds may not be applied to the activities included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Payments for goods and consulting services should be certified by the IA based on the payment terms in the contracts and will be disbursed by ADB through commitment and direct payment procedures as applicable. Direct payment procedures (where ADB pays a designated beneficiary directly) will generally be used for civil works, equipment contracts and consulting service contracts. The PMO will maintain an imprest account in US dollars at the Myanmar Economic Bank to process payments for eligible local expenditures. The imprest account's initial balance will be equivalent to 6 months of disbursements. Total outstanding advances to the imprest account shall not exceed 10% of the loan amount.

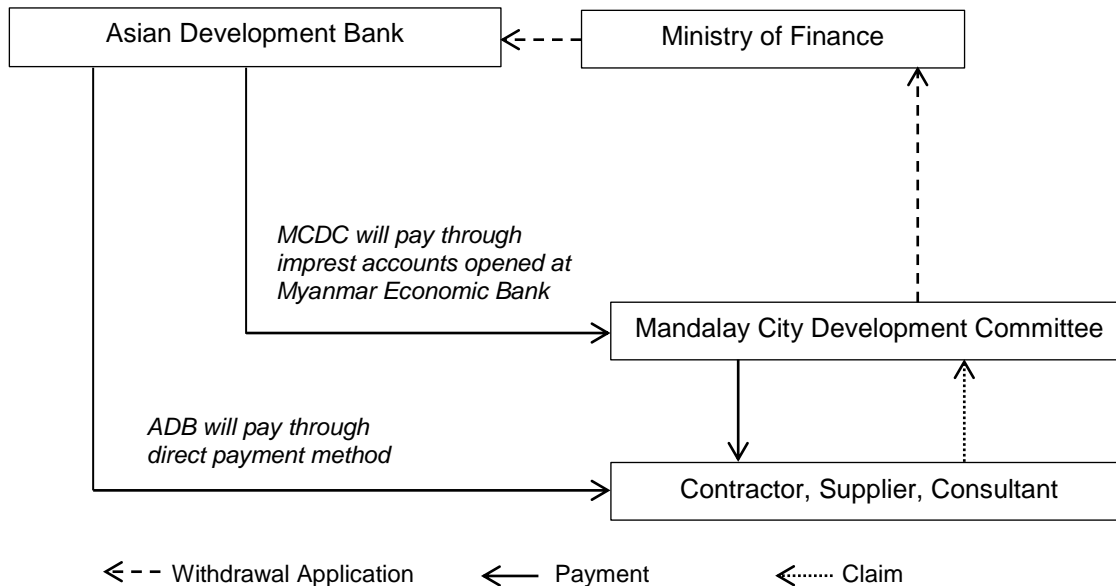
¹⁹ Available at: <http://www.adb.org/sites/default/files/loan-disbursement-handbook.pdf>

²⁰ Available at: <http://www.adb.org/sites/default/files/pub/2009/Safeguard-Policy-Statement-June2009.pdf>

The statement of expenditures procedure will be used for all payments and transactions not exceeding \$10,000 per individual payment (or a lower ceiling amount which will be set up during the Program Administration Manual preparation). MCDC will retain the supporting documents of project expenditures for ADB's review mission and external audit.

Loan proceeds and debt service obligations will be included in MCDC's budget as it is the borrower under the subsidiary loan agreement and has to make debt repayments to the Union Government (MOF).

Figure 2: Funds Flow Arrangements



ADB = Asian Development Bank, MCDC = Mandalay City Development Committee
Source: Asian Development Bank.

F. Risk Description and Rating

A financial management internal control and risk assessment was conducted. The risk-assessment approach is based largely on International Standard on Auditing 400: Risk Assessment and Internal Control. The following risk assessments are based on existing circumstances, staffing and procedures, and include recommendations for risk mitigation measures.

No ADB projects were implemented in Myanmar for over a decade as ADB only resumed operations in 2013 when Myanmar started to reengage with the international community. Senior Myanmar government officials and management and operational level staff of MCDC have very limited knowledge of ADB policies and procedures on project financial management, as contained in the *Operations Manual, Project Administration Instructions, Disbursement Guidelines and Handbook*. Inherent risk has consequently been assessed as "High" in large part due to country, entity, and project-specific risks. Control risk was rated as "Substantial" due to entity-level risks and the absence of recent experience with ADB projects. Most concerning are the accounting and financial reporting system, the capacity of the accounting staff and the internal audit framework.

The proposed disbursement arrangements for the project help mitigate overall risk. Loan proceeds will be disbursed in accordance with ADB procedures. Direct payment procedures will generally be used for civil works, equipment contracts and consulting service contracts. An imprest fund will be established to be managed at the MCDC/PMO for sundry payments.

Table 3: Inherent Risk

Risk Description	Risk Assessment	Mitigation Measures
1. Country-Specific Risks		
<ul style="list-style-type: none"> • PFM system still under-regulated at national and local level, and largely practice-based • Weak management skills and capacity at national and local level • Budgetary and fiscal information highly limited • Internal controls relatively weak • Accounting standards fall short of international standards • Accounting and financial reporting system still largely manual and paper-based • Coordination between Union Government and regional government is at nascent stage 	High	<ul style="list-style-type: none"> • Various ADB capacity development programs are in place (additional grants) to provide capacity building to strengthen PFM arrangements, including raising public accounting and auditing to international standards • Other development partners are also supporting reforms in budgeting, public expenditure and PFM systems • A coordination arrangement acceptable to MOF, MOC and Mandalay Regional Government (MRG) will be put in place for efficient delivery of the project •
2. Entity-Specific Risks		
<ul style="list-style-type: none"> • Institutional and staff capacity to implement and monitor donor-funded projects is very limited • Weak project management capacity 	Substantial	<ul style="list-style-type: none"> • Recruitment of consultants to support MCDC/PMO in management and implementation the project
3. Project-Specific Risks		
<ul style="list-style-type: none"> • Fiduciary risks, particularly for MCDC • Delays in implementation with capacity development programs to familiarize PMO staff with ADB financial management and reporting requirements 	High	<ul style="list-style-type: none"> • Control of the procurement process and supervision of the quality of the work or services delivered will take place through the use of capacity development programs as an intermediary to channel project funds • Training will be provided to strengthen capacity of community development committees • Training on ADB processes and procedures will be provided.
<ul style="list-style-type: none"> • Monitoring and audit. 	Substantial	<ul style="list-style-type: none"> • An independent monitoring consultant will be recruited and will conduct inspection annually; ADB will manage the recruitment process for the independent monitoring consultant • External audit will be conducted by an independent auditor acceptable to ADB
Overall Inherent Risk	High	

Table 4: Control Risk

Risk type	Risk Assessment	Risk Mitigation Measures
1. Implementing Agency <ul style="list-style-type: none"> Financial management and reporting systems and capacity need to be strengthened 	Substantial	<ul style="list-style-type: none"> A project accounting system policies and procedures incorporating international accounting standards with increased focus on control functions will be established at MCDC/PMO by the international FM Specialist Stand-alone accounting software is recommended, to be implemented with support from a national consultant with solid accounting expertise The international FM specialist will provide hands-on training and supervision
2. Funds Flow <ul style="list-style-type: none"> Complex funds flows because of the need for coordination between Union Government and Regional Government Delay in funds flow due to poor familiarization with ADB guidelines Fiduciary risk 	Substantial	<ul style="list-style-type: none"> The arrangement will be finalized in close consultation with MOF, MRG and MCDC before the imprest account and sub-accounts are set up Consultants will provide regular training on ADB's disbursement policies to EA/IA/PMO; regular monitoring and feedback will help ensure that ADB guidelines are followed Separate financial accounts will be maintained, which are to be audited by a qualified external auditor, acceptable to ADB Proposed procurement and disbursement arrangements for the project will help mitigate risk
3. Staffing <ul style="list-style-type: none"> Few MCDC staff have financial management skills 	Substantial	<ul style="list-style-type: none"> PMO will be supported and trained by (i) a dedicated accountant (counterpart staff assigned by MCDC); (ii) an experienced national accounting consultant who will be contracted initially for one year (extendable, if needed), and (iii) an international FM consultant focused on financial reporting, formulating project accounting policies and procedures and a project accounting system, and training for the PMO on ADB procurement, FM and disbursement processes
4. Accounting Policies and Procedures <ul style="list-style-type: none"> Myanmar's government accounting system needs upgrading to reflect international best practice 	Moderate	<ul style="list-style-type: none"> A project accounting system, with sufficient internal controls, will be developed by the international FM specialist The Myanmar Government may explore possible technical assistance to strengthening its accounting system
5. Internal Audit <ul style="list-style-type: none"> Weak internal audit set-up 	High	<ul style="list-style-type: none"> The internal audit function must be strengthened possibly through technical assistance

6. External Audit		
<ul style="list-style-type: none"> External audit need to be independent 	Moderate	<ul style="list-style-type: none"> Project financial statements will be audited annually by an independent auditor whose qualifications, experience and terms of reference are acceptable to ADB
7. Reporting and Monitoring		
<ul style="list-style-type: none"> Financial reports are produced manually and are occasionally delayed. They should be prepared with accuracy and should be reliable Reporting is not suitable for user needs 	Substantial	<ul style="list-style-type: none"> Separate project records and accounts shall be maintained based on guidelines to be established by the international FM specialist A stand-alone accounting software is recommended which will be complemented by recruiting a national consultant with good accounting background Training and guidance on recording and preparation of financial reports shall be provided by the FM specialist Compliance with grant covenants, including submission of audited annual project financial statements shall be monitored
8. Information Systems		
<ul style="list-style-type: none"> Report preparation is manually done and financial data security could be a concern 	Substantial	<ul style="list-style-type: none"> A stand-alone accounting software is recommended, and regular backups of all files and records and appropriate security measures over backed-up data will need to be put in place
Overall Control Risk	Substantial	

V. Proposed action plan

The proposed action plan is based on two pillars: (i) capacity development programs and (ii) isk mitigation actions.

Table 5: Time-Bound Action Plan

Weakness	Mitigation Action	Responsibility	Timeframe
Limited/no recent experience with ODA-funded projects	<ul style="list-style-type: none"> Establish funds flow arrangements (including withdrawal application) Develop an organizational structure of the EA/IA as it relates to the project Develop work plans with nominated core activities for EA/IA project personnel MRG will engage the Office of the Auditor's General or an independent external auditor acceptable to ADB to audit the consolidated project accounts annually. MRG will submit to ADB certified copies of audited annual consolidated project accounts as well as the auditor's report in English as well as the Management Letter within 6 months of each financial year-end during implementation 	MRG MCDC	Upon establishment of PMO
Very limited financial management capacity at management and operational levels of MCDC and MRG	<ul style="list-style-type: none"> Capacity development program will be provided in the area of PFM and ADB's financial management and reporting requirements, including providing training in ADB Financial Management and Disbursement Procedures Accounting duties to be rotated, where feasible 	MRG MCDC ADB	Upon start of loan implementation
Low level of computerization, and outdated accounting and financial reporting systems	<ul style="list-style-type: none"> Capacity development program will be provided to (i) develop an accounting system for the project that is in line with international standards, including the chart of accounts, incorporating international accounting standards with increased focus on control functions; (ii) develop accounting policies and procedures for the project; and (iii) identify suitable a stand-alone accounting software for the project Separate accounts to be maintained for all project components financed by ADB and the government, and to be audited by an independent auditor, whose qualifications, experience and terms of reference are acceptable to ADB Regular backups of all accounting systems and appropriate security measures over backed-up data to be put in place 	MRG MCDC ADB	Upon start of loan implementation
Gaps in controls	<ul style="list-style-type: none"> Capacity development program will be provided to strengthen the internal audit function and put in place systems to ensure data is safeguarded 	MRG MCDC	Upon start of loan implementation
Strengthen financial management capacity and systems	<ul style="list-style-type: none"> Regular training on ADB's disbursement policies and regular communication between PMO and ADB to ensure that ADB guidelines are followed Annual project financial statements and underlying working papers prepared on a timely basis in preparation for the annual 	MRG MCDC ADB	During loan implementation

	financial statement audit • Compliance with covenants monitored, including submission of audited annual project financial statements		
--	---	--	--

VI. Suggested Covenants

Within one year of the Effective Date, the Borrower shall ensure that MRG and MCDC review the current water tariff level and structure for the city of Mandalay and start to implement a tariff roadmap which aims to gradually ensure cost recovery, including recovery of operations and maintenance costs, and interest expense under the Subsidiary Loan Agreement. The roadmap shall incorporate measures to reduce non-revenue water levels and to increase metered usage to encourage consumers to use water wisely. The roadmap shall also take into account the affordability of the tariffs to households belonging to low-income groups and in particular, shall include initiatives to provide low-income households with affordable access to piped, metered water supply such as (amongst others) socialized fee schemes or lifeline tariffs, flexible installment payment options, waiving of connection fees. The Borrower shall ensure that MRG and MCDC consult with ADB on the preparation of the tariff roadmap and provide ADB with a final copy of such roadmap.

Within one year of the Effective Date, the Borrower shall ensure that MRG and MCDC prepare and start to implement a wastewater tariff roadmap which aims to gradually ensure recovery of operating expenditures for wastewater treatment at least. The roadmap shall take into account the affordability of the tariffs to households belonging to low-income groups and in particular, shall include initiatives to provide low-income households with affordable access to wastewater services such as (amongst others) socialized fee schemes or lifeline tariffs and flexible installment payment options. The Borrower shall ensure that MRG and MCDC provide ADB with a copy of the wastewater tariff roadmap.

The Borrower, through MRG and MCDC, shall ensure that water tariffs and wastewater tariffs are reviewed annually and adjusted in a timely manner to enable MCDC to maintain financial sustainability and ensure cost recovery (as described in the water and wastewater tariff roadmaps). MRG and MCDC shall provide ADB with documents providing details of the revised water tariffs and wastewater tariffs.

If, in any given period, the income generated from water supply and wastewater tariff revenues received by MCDC is insufficient to satisfy all costs and expenditures arising from MCDC's water supply and wastewater operations, MRG and MCDC shall consult with each other to ensure that MCDC secures a subsidy, fiscal transfer or any other financial support from MRG or the Borrower to cover the shortfall.

The Borrower shall ensure: (i) the timely preparation and implementation of the respective annual budgets of MRG and MCDC; and (ii) that the Project's costs, including debt service, operations and maintenance costs and any other counterpart funds required during Project implementation (including for land acquisition and resettlement activities and recurrent costs) are included in such annual budgets for each fiscal year during the term of the Loan. Such costs shall be financed through a combination of tariff revenues and fiscal revenues.

VII. Conclusion

Overall risk rating for Financial Management Assessment (FMA) is “High” and is expected to become “Moderate” with mitigating measures. The public financial management systems in Myanmar are relatively weak due to limited exposure to international best practices and to low capacity and computerization. The major risks are (i) limited capacity of MCDC staff in (a) project financial management, (b) preparing financial management reports, and (c) internal audit; and (ii) weak financial management systems and controls including the current internal audit set-up which does not provide the requisite independence pose significant constraints for development effectiveness in Myanmar. The proposed Technical Assistance and procurement measures are expected to significantly mitigate risks. Significant training is required to ensure the PMO understands and complies with ADB’s policies and procedures and international best practices for the project, and over time this will contribute to strengthening the government’s budgeting and accounting systems.

APPENDIX: FMA QUESTIONNAIRE

1. Name of the Organization	Mandalay City Development Committee (MCDC)
2. Executing or Implementing Agency	MCDC is the IA
3. Project Component that the Institution is Responsible for	MCDC will be responsible for the implementation of the three components: (i) Improved water supply systems, (ii) Improved wastewater and drainage management, (iii) Strengthened institutional capacity.
4. Name of the Individual/s Completing this Questionnaire	Daw Naing Naing Win, Deputy Director (Head of Department, Finance Department. Tel 02-36165

Topic	Response	Remarks
1. Implementing Agency		
1.1 What is the entity's legal status / registration?	MCDC is the administrative body of Mandalay (formerly the Mandalay Municipality) Refer to the City of Mandalay Development Law updated in early 2015.	
1.2 Has the entity implemented an externally-financed project in the past (if so, please provide details)?	More than 20 years ago (the ADB-funded Mandalay water supply project (Loan n° 584-MYA (SF) – Refer to the Project Completion Report, October 23, 1991 – completion period: 1983-1990)	
1.3 What are the statutory reporting requirements for the entity?	MCDC prepares budgets and financial statements for submission to the Chief Minister of the Mandalay Regional Government (MRG)	
1.4 Is the governing body for the project independent?	MCDC operates under its own name, with application of the continuity principle (see Chapter II of the 2002 law). It has especially the power to implement development works, to determine and raise taxes, and to lease land and other assets. However, it acts under the tight control of the MRG.	

Topic	Response	Remarks
1.5 Is the organizational structure appropriate for the needs of the project?	Yes. The organizational chart of MCDC covers all the functions requested by the project at the technical and financial point of view. However, it will be necessary to set up a PMO for the implementation of the project.	For the durability of the project outcomes, it is highly recommended to engage in a new process of corporatization of the WSSD.
2. Funds Flow Arrangements		
2.1 Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers.	Conventional funds flow arrangements are proposed with direct payments and use of imprest account <i>at the MCDC level</i> .	See Figure above for the proposed funds flow.
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	The proceeds of the grants from ADB will either be a direct payment or transferred to the Imprest Account to be managed by MCDC.	
2.3 What have been the major problems in the past in receipt of funds by the entity?	MCDC has not faced any major problems in receiving funds to meet its obligations	Under Budget Law issued in 2013, funds would need to be included in MCDC's budget, as the repayment flows (interest and principal).
2.4 In which bank will the Imprest Account be opened?	The PMO account will be held in the Myanmar Economic Bank (MEB)	
2.5 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	Only one person, member of the MCDC	
2.7 Does the entity have/need a capacity to manage foreign exchange risks?	None. There is no foreign-currency hedging instruments	Pressure should be done on MoF to set up such instrument
2.8 How are the counterpart funds accessed?	Counterpart funds from MCDC and from the government will be in cash or in tax exemptions.	
2.9 How are payments made from the counterpart funds?	Counterpart fund will be managed by MCDC for resettlement.	
2.10 If part of the project is implemented by communities or NGOs, does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	NA	

Topic	Response	Remarks
2.11 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	No	
3. Staffing		
3.1 What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	The existing organization structure of the Finance Department is attached above.	
3.2 Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	There is 53 staff within the MCDC Finance Department (for most of them, non-executive). Some staff has bachelor degrees in accounting.	
3.3 Is the project finance and accounting function staffed adequately?	No. But new organizational chart (126 permanent staff requested) to be implemented in 2016.	MCDC will provide counterpart staff to PMO.
3.4 Is the finance and accounts staff adequately qualified and experienced?	No.	The counterpart staff to be assigned by MCDC will be trained in accounting and/or completed by new recruitment.
3.5 Is the project accounts and finance staff trained in ADB procedures?	No.	They will be trained in ADB procedures to be able to support the project.
3.6 What is the duration of the contract with the finance and accounts staff?	All finance and accounting staff have long-term appointments.	
3.7 Indicate key positions not contracted yet, and the estimated date of appointment.	All key positions are filled.	Based on a restrictive definition of the functions to be assumed by a Finance Department of the City of more than 1 million inhabitants.
3.10 Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?		The Project Administration Manual will present written position descriptions that clearly define roles, duties and responsibilities, lines of supervision, and limits of authority.

Topic	Response	Remarks
3.11 At what frequency are personnel transferred?	Low frequency, only if necessary.	
3.12 What is training policy for the finance and accounting staff?	The staff are trained in current accounting and finance practices.	The PMO staff assigned to the project will be trained by the International FM Specialist under the capacity development program.
4. Accounting Policies and Procedures		
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	MCDC maintains the accounts in accordance with the Government Accounting Procedure prescribed by the Ministry of Finance.	The project will use the IC's accounting system. The PMO will also have an accounting system that will be installed by the International FM Specialist aligned with the IC's system.
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes	The PMO's project accounting system will be designed to ensure that adequate controls are in place.
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes, adequate for MCDC	The capacity development program, for use by the PMO, will establish a chart of accounts, appropriate to the project.
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes	Cost allocation will follow the proposed allocations as indicated in the cost estimate and in the Project Administration Manual.
4.5 Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes	The two books must be reconciled and exactly in balance.
4.6 Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes	The project's proposed accounting system will ensure to have a good record of the documents for easy access.

Topic	Response	Remarks
Segregation of Duties		
4.7 Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	Yes	Separate persons will authorize, execute and record transactions. This will also be outlined in the Project Administration Manual.
4.8 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes	The project will have these functions segregated. This will also be outlined in the Project Administration Manual.
4.9 Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes, preparation and payment are done by different persons. Approval for payments requires signature of project manager.	Bank reconciliation and payments will be made by different persons in PMO.
Budgeting System		
4.10 Do budgets include physical and financial targets?	Yes. MCDC Operating and development budgets are prepared, based on physical targets.	Financial budgets match to physical deliveries.
4.11 Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes	The accounting rules of the project will be designed to provide information on components to aid management (refer to the Project Administration Manual).
4.12 Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Yes. MCDC revises its budget two to three times a year, and prepare detailed financial statements.	A report on budget utilization will be provided, which will also be indicated in the Project Administration Manual.

Topic	Response	Remarks
4.13 Are approvals for variations from the budget required in advance or after the fact?	Approvals for variations from the budget are done in advance.	Follow-up of budget implementation is fairly accurate if we consider it is done without any computerization. Improvements have to be done regarding arrears and payment terms.
4.14 Who is responsible for preparation and approval of budgets?	The Finance Department prepares the MCDC Budget based on the requests of the different technical departments and the expected revenues, and submits it to the Joint-Secretary, to the City Committee and mayor, and through channels up to the Mandalay Regional Government.	
4.15 Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Not yet	The project implementation support consultant will help develop detailed procedures at the beginning of the project implementation.
4.16 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes	Plans and budgets have been initially prepared during project preparation but this will be finalized during the preparation of the Project Administration Manual.
Payments		
4.17 Do invoice-processing procedures provide for: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations?	Yes	

Topic	Response	Remarks
4.18 Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes	
4.19 Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes	
<i>Policies And Procedures</i>		
4.20 What is the basis of accounting (e.g., cash, accrual)?	Accounting is on cash basis, with opening and closing balance.	
4.21 What accounting standards are followed?	Myanmar Accounting Standard	Accounts are maintained in accordance with the government Accounting procedure as prescribed by the MoF.
4.22 Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	MCDC has policies and procedures for its current system.	The project will have policies and procedures for its use that meet ADB requirements. This will be incorporated in the Project Administration Manual.
4.23 Is the accounting policy and procedure manual updated for the project activities?	Yes	The accounting policies and procedures will be updated whenever needed.
4.24 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity?	Yes.	The MoF can issue revisions in accounting policies and procedures.
4.25 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes	Specific policies and procedures will be prepared for the project and included in the project administration manual.
4.26 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes	These will be clearly set out in the Manual.

Topic	Response	Remarks
4.27 Are manuals distributed to appropriate personnel?	Yes	Guiding documents issued by relevant authorities are distributed to appropriate personnel.
Cash and Bank		
4.28 Indicate names and positions of authorized signatories in the bank accounts.	Joint Secretary (U Thet Naing Tun) Head of Finance Department (Daw Naing Naing Win)	
4.29 Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes (Financial meeting once a week)	
4.30 Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes	
4.31 Are bank and cash reconciled on a monthly basis?	Yes	
4.32 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes	
4.33 Are all receipts deposited on a timely basis?	Yes	
Safeguard over Assets		
4.34 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Yes..	This follows MRG's existing regulations
4.35 Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	No, not systematically.	Would need to be re set up.
4.36 Are there periodic physical inventories of fixed assets and stocks?	No	
4.37 Are assets sufficiently covered by insurance policies?	No	
Other Offices and Implementing Entities		
4.38 Are there any other regional offices or executing entities participating in implementation?	Yes, MRG as EA.	
4.39 Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?	Yes	The arrangements will be finalized in the Project Administration Manual.
4.40 Does information among the different offices/implementing agencies flow in an accurate and timely fashion?	NA	
4.41 Are periodic reconciliations performed among the different offices/implementing agencies?	NA	

Topic	Response	Remarks
Other		
4.42 Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	An interim PMO is established.	PMO staff will be advised.
5. Internal Audit		
5.1 Is there an internal audit department in the entity?	Yes, the Inspection department within MCDC flow chart produces monthly reports.	
5.2 What are the qualifications and experience of audit department staff?	Mostly have Business Commerce degrees and other fields related to accounting	
5.3 To whom does the internal auditor report?	Executive Committee of MCDC	
5.4 Will the internal audit department include the project in its work program?	The Internal Audit Unit could include it in its work program	
5.5 Are actions taken on the internal audit findings?	Yes	
6. External Audit		
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	It is undertaken by Mandalay Regional Auditor's General Office	
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	Audit report is submitted within 1 week after completion of audit.	
6.3 Is the audit of the entity conducted according to the International Standards on Auditing?	Yes, according to instruction by OAG.	
6.4 Were there any major accountability issues brought out in the audit report of the past three years?	Minor comments	
6.5 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Mandalay Regional Auditor General may conduct the audit of the MCDC project account.	The consolidated financial report shall be audited by OAG or private auditors with approval by OAG.
6.6 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	Yes	<i>Further investigations have to be conducted on this point.</i>
6.7 Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?	See 6.5	

Topic	Response	Remarks
6.8 Has the project prepared acceptable terms of reference for an annual project audit?	The TOR for the audit of the consolidated statements shall be prepared and will be part of the Project Administration Manual.	
7. Reporting and Monitoring		
7.1 Are financial statements prepared for the entity? In accordance with which accounting standards?	Same as in 4.21	
7.2 Are financial statements prepared for the implementing unit?	Not yet	The PMO will be preparing the projects financial statements.
7.3 What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	Annually, semi-annually, quarterly and monthly.	
7.4 Does the reporting system need to be adapted to report on the project components?	Yes	The project reporting will establish a reporting system which will be outlined in the Project Administration Manual.
7.5 Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes, approval of the Executive Committee and of the MRG is required through Finance and Planning Departments.	The project's financial information should be linked with the physical progress
7.6 Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	Yes	The project will establish a reporting system which will be outlined in the Project Administration Manual.
7.7 Are financial management reports used by management?	Yes	
7.8 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes	
7.9 Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	MCDC uses only spreadsheets.	

Topic	Response	Remarks
8. Information Systems		
8.1 Is the financial management system computerized?	Financial reports are prepared manually with use of spreadsheets. No network connection in MCDC.	It is recommended that the PMO employs a stand-alone accounting software for efficient processing and preparation of financial report
8.2 Can the system produce the necessary project financial reports?		The software should be able to do that.
8.3 Is the staff adequately trained to maintain the system?	Need training.	Counterpart staff from MCDC shall be trained on the accounting system to be established. Hands-on training will be provided to facilitate learning on the use of the software.
8.4 Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	Not totally.	Improved data safeguarding and confidentiality will be implemented in the proposed accounting system for the project.

TERMS OF REFERENCE

I. PROJECT IMPLEMENTATION SUPPORT CONSULTANT

A. Objective

1. The consultant will support the executing agency, implementing agency, and project management organization (PMO) in project implementation and administration. The consultant will assist in (i) overall project implementation, and (ii) detailed engineering design, construction supervision, and contract management. The scope of service is summarized as follows.

B. Scope of Work

2. **Overall project implementation support.** The consultant will:

- (i) support the Madalay Regional Government (MRG), Mandalay City Development Committee (MCDC), and PMO to ensure that project implementation will fully comply with government's and ADB's policies and operational requirements in terms of detailed designs, procurement, construction supervision, disbursement, financial management, monitoring and evaluation, social and environmental safeguards policy; climate change adaptation and climate proofing guidance; poverty reduction, gender and development, social inclusion, and civil society participation policies;
- (ii) provide trainings for the MCDC and PMO on project implementation management to ensure that the project will be implemented in compliance with ADB and government policies and procedures; and
- (iii) assist MCDC and PMO in closely coordinate with (a) the capacity development component financed by the Urban Climate Change Resilience Trust Fund (UCCRTF); (b) the project components cofinanced in parallel by a loan from the Agence Française de Développement (AFD) and a grant from the European Union (EU); (c) other ADB financed projects in Mandalay including JFPR grant for Pro-Poor Community Infrastructure and Basic Services, Water Operators Partnership Program, and capacity development technical assistance (TA) for Transformation of Urban Management; and (d) other externally funded projects including AFD grant for water supply in Amarapura township, Japan International Cooperation Agency (JICA) grant for water supply in Py Gyi Dagon township, and public private partnership (PPP) for industrial wastewater management and waste to energy.

3. **Detailed engineering design, construction supervision and contract management.**

The consultant will fulfill all related tasks and duties, covering technical, administrative, financial, contractual, and legal aspects, from the preparation of relevant tender documentation up to the handover of the works, goods, and operation in compliance with contractual guaranties. Specifically the consultant will:

- (i) help PMO procure and supervise the civil works packages MYWW/1.0 and MYWW/2.0, the design-build-operate (DBO) works package MYWW/3.0, and the goods package MYWW/20.0. In this regard, the consultant will (a) review the

- feasibility study, procurement plan, preliminary designs, and the DBO master bidding documents prepared under the project preparatory TA; (b) identify and discuss any significant aspects that require amendment, if any; and (c) assist PMO in making such amendments;
- (ii) perform all field surveys deemed necessary prior to carrying out the relevant detailed engineering designs including (a) conventional topographical and geotechnical surveys, and (b) if needed, complementary wastewater quality analysis, and (c) households surveys in the pilot wastewater connection area as needed;
 - (iii) establish an efficient mechanism to manage all correspondence with the project stakeholders, technical documents (such as revision of the various drawings) as well as contractual, financial, administrative, and legal documents. Such a mechanism will be supported by appropriate software, relevant procedures, and clear manual;
 - (iv) provide specific caution to the DBO works package for the wastewater treatment plant that is new in Myanmar. In particular, the consultant will monitor precisely the risk of claims during the construction, compliance of the facility with the contractual performances, operation stage, and setting up and implementation of a power purchase agreement on the use of the gas from the sludge for electricity production;
 - (v) provide specific caution to the pilot wastewater connection with regard to general methodology, geographical delineation of the pilot area, costs of household connections and financing mechanism, and public awareness and community campaigns; and
 - (vi) support the PMO in managing the technical, administrative, and legal aspects of any claim that might be presented by contractor, supplier, service provider, or third party in connection with the project.

C. Detailed Tasks

4. The consultants will be based at PMO established in the MCDC. The consultants will work closely with the capacity development consultant engaged under the UCCRTF grant and the project implementation support consultant for the AFD loan and EU grant.

5. The team leader will (i) assist in the overall organization of the TA; (ii) guide, supervise, and coordinate the work of all team members; and (iii) take overall responsibility for preparing reports and consolidating reports prepared by all team members. The deputy team leader will assist the team leader to accomplish tasks. All consultants will report directly to the team leader or in the team leader's absence to the deputy team leader, and will work closely with other consultants.

6. **Overall management and project implementation.** The consultant will:

- (i) establish the consultant's office, and coordinate and manage the overall consulting services inputs;
- (ii) develop strong working relationship with MRG, MCDC, and PMO; and ensure smooth coordination among them;
- (iii) establish a mechanism to coordinate day-to-day activities with the consultant teams engaged under the UCCRTF grant, AFD loan, and EU grant;

- (iv) ensure that a multidisciplinary team is formed within the MRG, MCDC, and PMO necessary for project implementation in particular considering lack of their capacity in externally financed projects;
- (v) confirm commitments to project implementation from all stakeholders;
- (vi) develop detailed time bound implementation schedule;
- (vii) help oversee project overall financial management and accounting;
- (viii) ensure proper and timely submission of regular progress reports to MRG, MCDC, PMO, and ADB, particularly the progress against target indicators;
- (ix) initiate actions in the event of any adverse variances against the original plan; and
- (x) participate as a member of an ADB's project completion review, responsible for overall project implementation.

7. Detailed engineering design. The consultant will:

- (i) review the preliminary designs in the final report of the project preparatory TA, and other available secondary data and reports;
- (ii) identify requirements of surveys and studies, and prepare a description including detailed survey works, timeframe, survey equipment, and material testing;
- (iii) carry out engineering surveys on topography, geological and hydrological conditions, conditions of existing facilities, construction material, and water and wastewater quality;
- (iv) evaluate site information based on the engineering survey results and determine modifications to the preliminary design;
- (v) establish the design parameters, design standards, and design criteria for preparation of the detailed engineering design;
- (vi) prepare detailed engineering designs including drawings, technical specifications, bill of quantities, and cost estimates; and
- (vii) prepare bidding documents in according with ADB's procurement guidelines and standard bidding document.

8. Construction supervision. The consultant will:

- (i) ensure quality control over detailed designs, cost estimates, bidding documents, construction, goods delivery, including the adoption of climate proofing urban infrastructure design;
- (ii) review and finalize the detailed designs, cost estimates, and bidding documents for the engineering components;
- (iii) help ensure all resettlement and environmental impact mitigation measures are fully implemented, ensure associated reporting is completed, and minimize adverse environmental and social impacts during construction;
- (iv) provide site management guidance in relation to the construction;
- (v) help conduct project planning, scheduling, and reporting of project activities under the civil construction components;
- (vi) help ensure the quality of the construction components;
- (vii) help prepare a detailed procurement for the first 18 months, and revise and update it in the subsequent years;
- (viii) help prepare bidding documents for civil works and goods, detailed monitoring and evaluation surveys; and
- (ix) provide overall support for selection of contractors and suppliers, contract management, and quality control and inspection.

9. **Contract management.** The consultant will:
- (i) review the procurement plan and bidding documents;
 - (ii) train staff of the MRG, MCDC, and PMO on ADB procurement guidelines;
 - (iii) help prepare remaining bidding documents for civil works and goods, and detailed monitoring and evaluation surveys;
 - (iv) ensure that the updated environmental management plan (EMP) are included in the contract and bidding documents;
 - (v) provide overall support for selection of contractors and suppliers, contract management, and quality control and inspection;
 - (vi) assist with harmonization of the government's and ADB's procurement requirements;
 - (vii) advise on the preparation of bidding documents, including selection criteria;
 - (viii) recommend procedures to cover alternative procurement options, including international and national competitive bidding and shopping for low value inputs;
 - (ix) assist in drafting bidding documents for detailed monitoring and evaluation surveys, including selection criteria;
 - (x) advise on the selection of shortlisted firms to undertake contracted work, and on the selection of the preferred bidder;
 - (xi) ensure systems are in place for inspecting materials, equipment, and machinery used by contractors in the delivery of agreed services;
 - (xii) advise on the introduction of any quality control and inspection systems to be introduced as part of the overall contracting process;
 - (xiii) assist with the preparation of reports for the MMRG, MCDC, and ADB on procurement progress and action plans, and any associated action that may be required; and
 - (xiv) provide additional training or mentoring on procurement issues as requested.
10. **Project management training.** The consultant will:
- (i) provide initial training in project management and oversight for staff of the MRG, MCDC, and PMO;
 - (ii) include specific awareness building on climate change adaptation measures and climate proofing;
 - (iii) help ensure compliance with the relevant ADB policies and guidelines; and
 - (iv) help arrange for smooth handover of the project facilities to the agencies responsible for operation and maintenance.
11. **Financial management.** The consultant will:
- (i) plan and organize financial management training for the PMO accounting staff and key staffs of the MRG and MCDC which will cover loan disbursement procedures, and repayment requirements, and financial management practices for ADB financed projects;
 - (ii) incorporate good practices and knowledge for project accounting by providing on-the-job training;
 - (iii) identify any issues in the financial management system for project implementation in the MCDC and PMO, and recommend measures to address the issues identified;
 - (iv) advise the MCDC and PMO on organizational arrangements for effective financial management for project implementation;

- (v) assist the MCDC and PMO to develop procedures for financial accounting, reporting and auditing, and loan disbursement for the project;
- (vi) assist the MRG and MCDC to develop a plan to repay the loan fully and timely in line with the agreed onlending conditions from the Ministry of Finance to the MCDC;
- (vii) coordinate with the consultants engaged under the AFD loan and EU grant to assist the MCDC in increasing the water supply tariff and introducing the wastewater tariff for cost recovery and the loan payment of the project;
- (viii) guide and assist the MCDC and PMO to process ADB loan withdrawal applications in accordance with ADB's procedures;
- (ix) assist the MCDC to coordinate with the PMO and communicate with ADB in relation to financial management and loan withdrawal matters;
- (x) support the MRG, MCDC, and PMO to prepare documents for loan withdrawal including certificates and reporting formats for efficient and effective flow of funds between ADB, government, MCDC, PMO, and contractors;
- (xi) assist the MRG, MCDC, and PMO to prepare and update continuously financial records, projections, and reports of the project in accordance with procedural requirements of ADB and the government;
- (xii) review current budgeting, accounting, and financial reporting in the MRG, MCDC, and PMO; and recommend changes to improve the efficiency and accuracy of budgeting, accounting, and financial reporting systems;
- (xiii) review internal control systems in the MCDC and PMO, and recommend improvements for internal control systems; and
- (xiv) participate as a member of an ADB's project completion review responsible for financial management and economic analysis.

12. **Environmental management and monitoring.** The consultants will:

- (i) ensure implementation of the EMP;
- (ii) ensure integration of environment impacts in the IEE and the EMP;
- (iii) update the IEE and the EMP with any changes for climate proofing specific to the project designs and construction standards;
- (iv) review and update the EMP as may be necessary especially if there are changes in the project components;
- (v) ensure and conduct sampling and monitoring of environmental quality data related to the project as prescribed in the EMP;
- (vi) conduct independent monitoring of EMP implementation status and additional environmental monitoring if necessary, to verify that issues reported in the internal environmental monitoring report, quarterly progress report, and semi-annual environmental progress report are in compliance with ADB's safeguard and other relevant policies;
- (vii) make recommendations to resolve any issues and/or problems in implementing the EMPs;
- (viii) conduct detailed review on project impacts on environment, their environmental impact mitigation measures, and enhancement measures; and
- (ix) prepare the external environmental monitoring verification report with quality acceptable to ADB semi-annually basis during project implementation period in English and Myanmar language, and submit them to the MRG, MCDC, and ADB.

13. **Resettlement management and monitoring.** The consultant will:

- (i) work closely with PMO and local authorities at all levels on all resettlement-related activities;
- (ii) assist in the conduct of the information campaigns, public consultation and community participation;
- (iii) assist in the verification of census, inventory of losses and detailed measurement survey activities;
- (iv) check the accuracy of the affected households database prepared and provide improvements if necessary;
- (v) prepare the updated resettlement plan (RP);
- (vi) assist and improve, if necessary, procedures for the coordination of resettlement and compensation activities;
- (viii) ensure that grievances are addressed promptly and properly and that grievance redress mechanism is functioning well;
- (ix) provide necessary training on grievance if needed;
- (x) establish and implement liaison mechanisms to ensure proper technical and logistical support to the MCDC, PMO, and concerned government departments;
- (xi) establish and implement procedures for ongoing internal monitoring and assist in preparing monitoring reports; and
- (xii) design and deliver capacity development activities for all relevant agencies on ADB resettlement policy; participation and communication; and gender and development.

14. **Social and gender development.** The consultant will:

- (i) review and revise the gender equity and social inclusion action plan (GESIAP) and Stakeholder Communication Strategy (SCS), if necessary to align plan activities with project outputs;
- (ii) build support for the GESIAP and SCS implementation through targeted meetings, presentations, and workshops with the MCDC, PMO, and other project stakeholders;
- (iii) work with the Women's Federation to develop guidelines for project supported revolving funds to assist poor households to access project benefits;
- (iv) establish the institutional mechanisms to track progress of the GESIAP and SCS implementation;
- (v) maintain oversight of the GESIAP and SCS implementation, identify challenges and weaknesses in implementation, and develop strategies to overcome them; and
- (vi) prepare reports as required utilizing the GESIAP progress report template for monitoring of the GESIAP.

D. Qualifications and Experience Preferred

Expertise	Inputs	Minimum Requirements
International	41 pm	
Team leader / Civil engineer	20 pm	15 years of experience in implementing externally funded urban infrastructure projects
Mechanical / electrical engineer	4 pm	10 years of experience in urban wastewater development projects
Financial management specialists	6 pm	10 years of experience in municipal finance, financial management, and accounting
Environmental monitoring specialists	4 pm	10 years of experience in environmental management assessment / monitoring

Resettlement specialists	4 pm	10 years of experience in implementation and monitoring of social safeguard
Social and gender specialist	3 pm	10 years of experience in social analysis and gender development with urban communities
National	132 pm	
Deputy team leader / Hydraulic engineer	35 pm	10 years of experience in civil engineering
Mechanical / electrical engineer	10 pm	8 years of experience in urban planning / development / management
Financial management specialists	25 pm	8 years of experience in municipal finance / financial management / accounting
Contract management expert	20pm	8 years of experience in procurement and contract management of externally funded projects
Environmental monitoring specialists	15pm	8 years of experience in environmental management assessment / monitoring
Resettlement specialists	15 pm	8 years of experience in implementation and monitoring of social safeguard
Social and gender specialist	12 pm	8 years of experience in social analysis / gender development with urban communities

E. Deliverables

15. The consultant will:

- (i) prepare and submit an inception report within six weeks of mobilization detailing the work program and highlighting administrative and procedural issues,
- (ii) help PMO prepare quarterly progress reports and consolidated annual reports, and
- (iii) help PMO prepare a project completion report within 6 months of physical completion of the project.

II. CAPACITY DEVELOPMENT IN CLIMATE CHANGE RESILIENT URBAN PLANNING

A. Objective

1. The project aims to develop capacity of the Mandalay City Development Committee (MCDC) in climate change resilient urban planning and management. Training programs will be developed and conducted for MCDC staff, an urban management database will be established, and various city development plans will be developed.

B. Scope of Work

2. The project will prepare and conduct training programs for MCDC staff in urban planning and management covering the areas of (i) socioeconomic development framework and strategic urban planning; (ii) climate change consideration in spatial planning, infrastructure designs, and building standards; (iii) participatory process in urban planning and efficient organizational structure; and (iv) effective implementation, enforcement, and monitoring of city development plans and strategies. An urban management database will be established using GIS technologies in a standardized and integrated format. At the end of the project, various plans will be prepared, endorsed, and implemented including (i) strategic city development plan, (ii) land use and spatial plan, and (iii) infrastructure development plans in (a) water supply, (b)

wastewater and sanitation, (c) solid waste management, (d) urban drainage and flood protection, and (e) urban transport. The project will support the government's approval and implementation process to ensure that these plans will facilitate and coordinate future investments in urban infrastructure by development partners and private sector.

C. Detailed Tasks

3. Needs assessment. The consultant will:

- (i) review the existing organizational structure, responsibilities, approval process, budget allocation of MCDC in relation with urban service provision;
- (ii) review national and local regulations, guidelines, and standards;
- (iii) assess managerial, technical, and administrative capacity of MCDC and identify areas that need to be strengthened;
- (iv) assess climate change impacts on buildings and infrastructure;
- (v) review planned and ongoing externally financed urban development projects for Mandalay;
- (vi) review existing training programs, in particular the training programs developed for Mandalay under ADB financed capacity development technical assistance (TA) 8456-MYA: Transformation of Urban Management, and identify gaps; and
- (vii) identify needs to develop capacities in managerial, technical, and administrative capacity.

4. Preparation of capacity development programs. The consultant will:

- (i) design a capacity development roadmap for MCDC in climate change resilient urban planning and management;
- (ii) develop training materials and relevant case studies in the form of comprehensive modules;
- (iii) integrate climate change considerations in the training programs on spatial planning, infrastructure designs, and building standards; and
- (iv) establish training schedule in coordination of the loan project implementation schedule.

5. Implementation of capacity strengthening programs. The consultant will:

- (i) select appropriate number of qualified participants to each training course;
- (ii) conduct the capacity strengthening programs for the selected MCDC staff;
- (iii) modify the training contents and materials based on the participants' feedback;
- (iv) ensure that the training are conducted in a participatory manner rather than classroom type lectures;
- (v) produce tangible outputs at the end of each course such as (a) improvement of existing regulations, guidelines, and standards; (b) streamlining approval process and budgeting system; (c) organizational reform of MCDC to enable effective urban planning and management; (d) financial management and financing of urban infrastructure investments and operation; and (e) effective enforcement of spatial plan and environmental protection.

6. Establishment of an urban management database. The consultant will:

- (i) review existing data sets on urban infrastructure and land management, and assess the IT environment for GIS;
- (ii) define a methodology for establishing an urban management database and identify hardware and software required;
- (iii) formulate a roadmap for long-term development and short-term priority areas of the urban management database;
- (iv) establish the urban management database and prepare an operational manual; and
- (v) develop and conduct training to ensure sustainable utilization and updating of the urban management database.

7. **Development of various plans.** The consultant will help MCDC develop the following plans in the form of on-the-job training:

- (i) strategic city development plan that will present a long-term vision to develop Clean and Green Mandalay, and guide the city growth and expansion;
- (ii) land use and spatial plan that will identify land use for different activities to maximize economic efficiency, improve living conditions, and protect environment and natural resources. Measures for enforcement will also be developed such as issuance for development permission and application of building codes that aim to minimize natural disaster damages and to increase energy efficiency;
- (iii) infrastructure development plans that will cover (a) water supply, (b) wastewater and sanitation, (c) solid waste management, (d) urban drainage and flood protection, and (e) urban transport. These plans will not be limited to engineering aspects but also cover the cost estimates and financing, implementation arrangements, environment and social safeguards, as well as climate change proof design measures; and
- (iv) consolidate the findings and lessons learned from implementation of this component for inputting in various laws and regulations for urban planning, construction, infrastructure development, and urban service standards being developed by the Ministry of Construction.

D. Qualifications and Experience Preferred

Expertise	Inputs	Minimum Requirements
International	32 pm	
Urban planner / Team leader	15.0 pm	15 years of professional experience in urban planning, management, and institution
Capacity development specialist / Training facilitator	5.0 pm	10 years of professional experience in capacity development and training
GIS/ IT specialist	4.0 pm	10 years of professional experience in GIS
Water supply specialist	1.0 pm	10 years of professional experience in urban water supply
Wastewater and sanitation specialist	1.0 pm	10 years of professional experience in urban wastewater and sanitation
Solid waste management specialist	1.0 pm	10 years of professional experience in solid waste management
Urban drainage and flood protection specialist	1.0 pm	10 years of professional experience in urban drainage and flood protection
Urban transport specialist	1.0 pm	10 years of professional experience in urban transport
Resource persons	3.0 pm	10 years of professional experience in the relevant area

National	60pm	
Civil engineer / Deputy team leader	20.0 pm	5 years of professional experience in civil engineering
Capacity development specialist / Training facilitator	10.0 pm	5 years of professional experience in capacity development and training
GIS/ IT specialist	10.0pm	5 years of professional experience in GIS
Water supply specialist	3.0 pm	5 years of professional experience in urban water supply
Wastewater and sanitation specialist	3.0 pm	5 years of professional experience in urban wastewater and sanitation
Solid waste management specialist	3.0 pm	5 years of professional experience in solid waste management
Urban drainage and flood protection specialist	3.0 pm	5 years of professional experience in urban drainage and flood protection
Urban transport specialist	3.0 pm	5 years of professional experience in urban transport
Resource persons	5.0 pm	5 years of professional experience in the relevant area

E. Deliverables

8. The consultant will deliver the following reports:

- (i) an inception report within six weeks of mobilization detailing the work program and highlighting administrative and procedural issues;
- (ii) a progress report bi-annually detailing the progress achieved, key implementation issues and solutions, implementation plan for the next 6 months; and
- (iii) a final report at the end of the assignment consolidating all findings and outputs during the project.

III. PILOT COMMUNITY-BASED SOLID WASTE MANAGEMENT

A. Objective of Assignment

1. The project will develop community-based solid waste management that contribute to better living conditions in the communities and disaster preparedness to deal with the more frequent occurrences of heavier (higher intensity) rain events, which may be expected as climate change consequences. The project will complement the wastewater and drainage management component of the Mandalay Urban Services Improvement Project (MUSIP) with a focus on the areas along Thingazar Creek by increased solid waste collection to avoid the wastes dumped in the creek. The project will also contribute to livelihood improvement of the residents through recycling the wastes.

B. Scope of Works

2. The project will (i) establish a ward development committee (WDC) in the project wards, (ii) conduct community mobilization and awareness raising, (iii) improve primary solid waste collection points, (iv) purchase trolleys and waste bins, and (v) establish waste segregation and recycling mechanism. A community-based disaster resilience actions will also be prepared for integration in the overall flood management plan. Establishment of a fund for operation and maintenance of solid waste collection may be considered as needed and appropriate. Such a fund may be managed by the WDC.

D. Detailed Tasks

3. **Establishment of baseline conditions.** The baseline conditions will be established at inception and evaluated at a mid-term review 24 months after project inception, and the final impact assessment two months prior to completion of the project. The consultant will:

- (i) select poverty, social and gender indicators that will be used to measure poverty reduction impacts and social benefits over the life of the project;
- (ii) conduct three separate household surveys of 250 households (direct beneficiaries = 150 Control = 100) at baseline, midterm and project completion to evaluate the impact of project assisted beneficiaries; and
- (iii) for the communities selected, provide individual case studies for each to quantify the impact of project support services.

4. **Community mobilization and awareness raising.** The consultant will:

- (i) set up lines of communication and coordination, hold advocacy meetings with MCDC to organize the respective communities to take an active part in realizing the improvement of community solid waste management services within their immediate environment;
- (ii) establish the ward development committees (WDCs) that will act in the first instance as the “primary groups,” consisting of at least 20 households from a traditional neighborhood block, as a base unit for all subsequent participatory outreach processes. Equal representative of men and women from the community will be elected and appointed to constitute a WDC;
- (iii) support the community mobilization processes and awareness creation on health and solid waste management; and
- (iv) select “agents for change” for health and hygiene education, and train them on peer education techniques and health promotion topics.

5. **Construction and/or improvement of solid waste management facilities.** The consultant will:

- (i) select the location of new solid waste collection points which have easy access for the trolleys and the MCDC dump trucks,
- (ii) train beneficiary households on the improved waste disposal system,
- (iii) construct new solid waste collection points and improve the existing solid waste collection points, and
- (iv) purchase trolleys and waste bins for beneficiary households.

6. **Solid waste recycling.** The consultant will:

- (i) assess the volumes and composition of the wastes generated in the project wards,
- (ii) establish categories for household waste segregation,
- (iii) train households on waste segregation, and
- (iv) establish a mechanism for solid waste recycling.

7. **Community-based disaster resilience actions.** The consultant will work closely with the project implementation support consultant engaged under ADB loan to integrate community-based disaster resilience actions will be integrated in the overall flood management plan, in

particular in assessing risks and level of vulnerability of the project wards against flood, and ensuring community involvement in disaster communication and evacuation process.

8. **Fund for operation and maintenance.** The consultant will:

- (i) assist the WDCs to establish a fund, as a basis to pay for waste collectors engaged to transfer solid waste from households to the collecting points, and to repair or replace the trolleys and bins as needed; and
- (ii) train the EDCs in bookkeeping and simple recording to ensure proper management of the funds.

9. **Implementation support and monitoring.** The consultant will assist the project management office (PMO) in the implementation and monitoring of the project. At the time of the midterm evaluation, the consultant will suggest improvements to expedite the outcome and output levels of the project for the remaining period of implementation. During the mid-term evaluation and at project completion, the consultant will:

- (i) highlight the challenges and successes experienced by the project team and beneficiaries;
- (ii) assess the project's effectiveness in terms of facilitating community interaction, mobilization, participation, and changes in social capital and the degree of beneficiary ownership of interventions provided by the project;
- (iii) assess the extent to which knowledge and skills acquired by direct beneficiaries through the project has been shared with others in their communities; and
- (iv) assess the effectiveness of the project's community-based approach to project support and development. At project completion, the consultant will document the constraints, challenges, and opportunities to replicate the approach throughout the country.

D. Qualifications and Experience Preferred

Expertise	Inputs	Minimum Requirements
International	11pm	
Social development specialist / Team leader	8.0 pm	15 years of professional experience in social development and planning and implementation of community-based activities
Solid waste management specialist	3.0 pm	10 years of professional experience in solid waste management
National	220pm	
Community mobilizers (10 positions)	200.0 pm	5 years of professional experience in community-based activities
Solid waste management specialist	20.0 pm	5 years of professional experience in solid waste management

E. Deliverables

10. The consultant will deliver the following reports:

- (i) an inception report within six weeks of mobilization detailing the work program and highlighting administrative and procedural issues;
- (ii) a progress report bi-annually detailing the progress achieved, key implementation issues and solutions, implementation plan for the next 6 months; and
- (iii) a final report at the end of the assignment consolidating all findings and outputs during the project.

IV. EXTERNAL MONITORING ORGANIZATION

A. Objective of the Assignment

1. The objective of is to assess relevance, efficiency, effectiveness and impact of the resettlement plan (RP) implementation processes, and to suggest any corrective measures, if necessary. The external monitoring organization (EMO) will monitor and verify (i) compliance of RPs implementation with the approved RP; (ii) achievement of resettlement goals, including livelihood restoration; and (iii) compliance with the EMP and progress toward the expected outcomes. If EMO identifies any non-compliance issues with the approved RPs and environmental management plan (EMP), relevant recommendations should be made to lead the development of a corrective action plan by the project management office (PMO).

B. Scope of Services

2. The scope of services is to conduct (i) a baseline survey to establish a baseline data of affected persons before land acquisition and resettlement; and (ii) periodical monitoring missions to verify that resettlement plans and environment management plans have been implemented in an effective and timely manner and in compliance with approved plans, and guidelines and regulations related to land acquisition and resettlement and environment issued by the government and ADB. External specialists shall prepare and submit semi-annual monitoring reports including recommendations for courses of actions and corrective measures to the executing agency and ADB. The EMO could mobilize surveyors for conducting baseline survey and sample surveys.

3. Specific tasks of the team shall include but not limited to the followings:

For baseline survey

- (i) collecting all related secondary data of affected households, including allocated land area;
- (ii) conducting a socio-economic survey of affected households to collect current household data of demography and socio-economic information;
- (iii) establish a database of affected households to be used for monitoring and evaluation;

For resettlement monitoring

- (i) verify the process of the detailed measurement survey and determine whether activities are carried out in a participatory and transparent manner;
- (ii) determine the level of participation of affected people in the updating and implementation of RP;
- (iii) determine whether payment of compensation and allowances are made in a timely manner to all affected people as approved in the RP;
- (iv) determine whether public consultations and awareness programs have been conducted as approved in the RP;

- (v) verify whether the implementation of resettlement activities is well coordinated with the implementation schedule of the project;
- (vi) verify the land acquisition and land transfer procedures;
- (vii) verify the level of satisfaction of affected people with the provisions of compensation and allowances and implementation of the RP;
- (viii) assess the adequacy and implementation of the grievance redress mechanism (documentation, process, resolution and satisfactory);
- (ix) determine the effectiveness, impact, and sustainability of entitlements and income restoration programs and the need for further improvement and mitigation measures;
- (x) assess the capacity of affected people to restore livelihoods and living standards with special attention to be given to severely affected people and vulnerable groups including female headed households and ethnic minorities;
- (xi) assess whether there are any impacts on the host communities with regards to gender, HIV/AIDS, other infectious diseases, and human trafficking;
- (xii) assess whether any resettlement impacts are incurred during construction activities and compensation for them;
- (xiii) assess if corrective plans are prepared for non-compliance, and follow up the implementation of these plans;
- (xiv) prepare and submit detailed monitoring reports on a semi-annual basis. The reports will describe in detail the findings, including
 - progress of RP implementation, including any deviations from the provisions in the RP
 - identification of issues and recommended solutions for improvement and resolving issues
 - identification of specific issues related to gender, ethnic minorities, and other vulnerable groups
 - reporting on progress of resolving issues and problems identified in previous reports
 - reporting on good practices;
- (xv) conduct a post-resettlement evaluation and prepare and submit a detailed resettlement monitoring completion report within 6 months of completion of all resettlement activities;

For environment monitoring

- (i) assess the existing environmental conditions at the project sites/sub-projects, and provide independent periodic assessment of environmental safeguard compliance in project implementation by conducting compliance monitoring and impact monitoring;
- (ii) assess relevant environmental issues such as biodiversity, terrestrial and aquatic habitat alteration, physical and cultural resources, impacts from noise, dust, emission, and hazardous materials, and occupational and community health and safety;
- (iii) assess and use the monitoring assessment system, and the recommendations in the initial environmental evaluation (IEE) and EMP prepared for the project for safeguard requirements in design, bill of quantity items, and contract agreement clauses, and make recommendations on mitigating measures;
- (iv) assess if corrective plans are prepared for non-compliance, and follow up the implementation of these plans;
- (v) assess safeguard compliance capacity of project staff, contractors, and capacity development trainings provided to these actors;

- (vi) identify possible areas of biodiversity conservation and environmentally sensitive areas, and provide measures to avoid and protect them;
- (vii) assist the implementing agency in conducting public consultations with affected people and other concerned stakeholders, and document the consultation outputs in periodical monitoring reports;
- (viii) verify institutional arrangements for coordination between safeguard and technical team during project implementation, and make recommendations for improvements;
- (ix) prepare and submit detailed environment monitoring reports on a semi-annual basis, in a format and with content compliant with ADB's Safeguard Policy Statement (2009) (SPS), including mitigating measures applicable to the environmental issues identified;
- (x) prepare and submit a detailed environment monitoring completion report within 6 months of completion of the project; and
- (xi) perform additional tasks related to the environment safeguards of the project as and when required.

C. Methodology and Procedure

4. The EMO shall employ the following methods and tools for baseline survey and monitoring:

For baseline survey

5. The EMO will collect data of affected households at commune level and conduct a socioeconomic survey by questionnaire and organize group discussions and in depth interview.

For monitoring

6. **Desk review.** The EMO shall collect and review all the related documentations set by PMO, including the internal monitoring reports and compensation plans. The desk review needs to verify whether all entitlements of affected persons have been included in the compensation plans based on replacement cost.

7. **Sample survey.** A sample survey with 100% of severely affected households and 20% of marginal affected households will be conducted for each monitoring mission to assess the implementation of compensation and resettlement of the subproject. Gender and vulnerable group should be integrated in the sample. A questionnaire using for survey needs to be prepared by the EMO based on the above monitoring indicators. The post-resettlement evaluation should be conducted with the same sample to assess whether living standard, income and livelihoods of APs have been restored or improved comparing to pre-project.

8. **Group discussion and in-depth interview.** Besides sample survey, the monitoring team will organize group discussions with targeted groups such as poor and vulnerable, and conduct in-depth interviews with key persons to get their opinion and assessment on resettlement implementation. Guidelines for group discussion and in-depth interview should be prepared by the EMO.

9. **Observation.** The consultant will conduct site visits to the project sites and resettlement sites to identify if the construction implemented within the scope of land acquisition and if the

resettlement sites constructed with full infrastructure. For environmental safeguard, the IEE, EMP, and test results of environmental samples at sub-project sites are used as baseline data.

10. **Impact assessment.** For social safeguard, a post-resettlement evaluation shall be carried out to find out if the objectives of the project resettlement have been attained or not. The post-resettlement evaluation will assess:

- (i) the effectiveness of delivering entitlements (compensations and rehabilitation measures) and their impact on affected persons livelihood. The assessment will look into potential differential impact or benefit those men and women affected persons experienced from the resettlement activities;
- (ii) affected persons satisfaction on the valuation of assets and entitlements, timing of payments, grievance redress, fund availability and disbursements; and
- (iii) the efficiency of the resettlement implementation to draw lessons for future resettlement planning and implementation.

11. For environmental safeguard, a post-construction or post-completion of sub-projects review shall be conducted to assess the effectiveness and efficiency of environmental protection and recommend improvement solutions.

D. Implementation Arrangements

12. The assignment is implemented on an intermittent basis following the progress of land acquisition and resettlement implementation and construction of the project. Duration of the assignment implementation is 27 months, starting from the fourth quarter of 2015 until the end of 2018.

E. Reporting Requirements

13. The EMO shall prepare semi-annual reports and a post-resettlement and environment evaluation report to submit to the executing agency for review before submitted by the executing agency to ADB for review and uploading on the ADB website. The EMO is also expected to prepare and submit to the executing agency the following deliverables: (i) inception report and work plan, (ii) baseline survey report, (iii) quarterly monitoring reports, (iv) impact assessment reports, and (v) final/evaluation report.

14. The EMO shall submit the deliverables in English and Vietnamese languages in soft and hard copies along with a cover letter. A set of monitoring reporting guidelines are included in the attachment.

F. Consultant Qualifications and Team Composition

15. Prior experience in conducting land acquisition and resettlement and EMP external monitoring for development projects, including ADB-funded projects and familiarity with SPS and relevant laws, regulations, and guidelines is an advantage.

16. A professional team consisting of competent experts to implement the assignment includes two key experts:

- (i) Social safeguard specialist / Team leader (intermittent, 5 person-months): a bachelor degree in social science, economics, or related fields with preferably 8 years of relevant experience. The consultant will be mainly responsible for the

- tasks related with land acquisition and resettlement and overall report preparation; and
- (ii) Environment safeguard specialist (intermittent, 2 person-months): a bachelor degree in environmental science, environmental management or related fields with preferably 8 years of relevant experience. The consultant will be mainly responsible for the tasks related with environment.

ATTACHMENT: A SET OF MONITORING REPORTING GUIDELINES

The level of detail and comprehensiveness of a monitoring report is commensurate with the complexity and significance of social and environmental impacts. A safeguard monitoring report may include the following elements:

- Background/context of the monitoring report (adequate information on the project, including physical progress of project activities, scope of monitoring report, reporting period, and the monitoring requirements including frequency of submission as agreed upon)
- Changes in project scope and adjusted safeguard measures, if applicable
- Qualitative and quantitative monitoring data
- Monitoring parameters/indicators and methods based on the monitoring plan/program previously agreed upon with ADB
- Monitoring results compared against previously established benchmarks and compliance status (e.g., compensation rates and timeliness of payments, adequacy and timeliness of IR rehabilitation measures including serviced housing sites, house reconstruction, livelihood support measures, and training; budget for implementing RP, timeliness and adequacy of capacity building, etc.)
- Monitoring results compared against the objectives of safeguards or desired outcomes documented (e.g. impacts of involuntary resettlement avoided or minimized, livelihood restored or enhanced, etc.)
- If noncompliance or any major gaps identified, include a corrective action plan
- Records on disclosure of monitoring information to affected communities
- Identification of key issues, or complaints from affected people, or recommendations for improvement
- Monitoring adjustment measures recommended based on monitoring experience and trends, and stakeholders response
- Information about actual institutional arrangement for implementing the monitoring program/plan provided or adjusted, as may be required
- Proposed items of focus for the next report and due date

V. TEMPLATE FOR STANDARDIZED TERMS OF REFERENCE FOR EXTERNAL FINANCIAL AUDIT SERVICES (AUDITOR) OF ANNUAL PROJECT FINANCIAL STATEMENTS (APFS)

A. Background of the Project:

1. Please refer to Annex 1 (attached to this TOR), the following information:
 - a. The background of project
 - b. Project Description

c. The Executing- and the Implementing Agencies (EA/IAs)

B. Accounting and Financial Management

2. If the project has a financial management manual, mention it here, please include as Annex 2, attached to this TOR for the content of the Financial Management Manual.

C. Objective

3. The objective of audit assignment is to ensure that ADB, on an annual basis, is provided with the following reliable, comprehensive, and timely information: (i) Audited Project Financial Statements (APFS); (ii) Specific additional audit opinions; and (iii). Management Letter. ADB requires these documents to be provided in English.

D. Scope of Work

D.1. APFSs: Financial Statement to be audited:

4. The EAs/IAs are responsible for preparation and consolidation of APFSs. The Auditor is to express an opinion on the accompanying statements based on the audit. The accounting standard adopted should be specified in the annual audited financial statements. The content of the financial statements is expected to include, as a minimum (refer to: Annex 4-part B, attached to this TOR for a sample list of requested document.):

- a. A Summary of all sources of funds, as well as expenditures against a classification system that is responsive to the project's objectives both for the current fiscal year and cumulative to date, showing ADB funds and counterpart fund and funding from other sources separately;
- b. A Summary of Expenditures shown under the main project components and by main categories of expenditures, both for the current fiscal year and accumulated to date;
- c. A Balance Sheet showing Accumulated Funds of the Project, bank balances, other assets of the project, and liabilities, if any;
- d. Supporting schedules to the financial statements which at least include: (i) a reconciliation of the amounts shown as "received by the project from the ADB" with those shown as being disbursed by ADB; and (ii) Statement of Expenditures (SOE) procedure (if applicable) listing individual SOE withdrawal applications by specific reference number and amount.

5. In addition to the audit of the project financial statements, the Auditor is required to audit all SOEs as the basis for the submission of the Withdrawal Applications to ADB. The Auditor should apply such tests and controls as the Auditor considers necessary under the circumstances. These expenditures should be carefully compared for project eligibility with the relevant loan agreement for guidance when considered necessary. Where ineligible expenditures are identified as having been included in Withdrawal Applications and reimbursed against, these should be separately noted by the Auditor. A note to the Project Financial Statements should be a schedule listing individual SOE withdrawal applications by specific reference number and amount. The total withdrawals under the SOE procedure should be part of the overall reconciliation of ADB disbursements described above.

6. Imprest Account/Sub Account statement showing movement and reconciliation with the bank statements. The Auditor is also required to audit the activities of the Imprest Accounts/Sub Accounts associated with the Project that usually comprise of:

- a. Deposits and replenishments received from ADB;
- b. Payments substantiated by withdrawal applications;
- c. Interest that may be earned from the balances and which belong to the Borrower
- d. The remaining balances at the end of each fiscal year.

7. The Auditor must form an opinion as to the degree of compliance with ADB's procedures and the balance of the EAs at year-end. The audit should examine the eligibility and correctness of financial transactions during the period under review and fund balances at the end of such a period, the operation and use of the IAs in accordance with the financing agreement, and the adequacy of internal controls for this type of disbursement mechanism.

8. The Accounting Policies adopted and Explanatory notes. A Management Assertion that ADB funds have been expended in accordance with the intended purposes. Request for form of Annual Project Financial Statements (extracted from PAI 5.07 revised on Jun.2012) including, but not limited to:

- a. Annual project financial statements should normally be presented in the local currency, with the basis for conversion of any foreign exchange transactions or commitments explicitly stated.
- b. The annual project financial statements should be presented in the English language and should reflect the operations supported by ADB financing, including ADB-administered funds.
- c. The project expenditures should be presented following the expenditure categories contained in the legal agreement and/or the PAM, and revisions thereto.
- d. The annual project financial statements should include comparative figures for the preceding reporting year and cumulative figures from the loan effectiveness date to the end of the current reporting year. For projects that receive funding from other sources, the annual project financial statements should include all sources of funds (both ADB-provided and otherwise).
- e. The accompanying Notes to Financial Statements should provide sufficient explanation and information on the financials in narrative form or appropriate supporting schedules, including description of key financial reporting policies.
- f. For projects where separate and distinct components are being administered by the EA and/or several implementing agencies (IAs) each agency should prepare separate project financial statements reporting on the funds they are administering.
- g. Financial statements should be prepared in accordance with accrual based financial reporting standards.
- h. The agreed financial reporting and auditing arrangements will be set forth in the legal agreement and detailed in the PAM.

D.2. Specific additional audit opinions:

9. The auditors are engaged to provide an independent and objective opinion on whether the financial statements present a true and fair view, in all material respects, in accordance with the applicable financial reporting framework. The auditors should also form an opinion from the audit evidence obtained, and clearly express that opinion through a written report. The auditor's opinion is necessary to establish the credibility of the project financial statements. The objective

of the audit of the annual project financial statements (APFS) is to enable the auditor to provide opinion(s) covering:

- a. Use of loan proceeds - to confirm whether the borrower or EA has utilized all proceeds of ADB's loan or grant only for purposes of the project;
- b. Compliance with financial covenants: (Please refer to: Annex 3 attached to this TOR, where applicable) - to confirm or otherwise, that the borrower or EA was in compliance with the financial covenants of the loan or grant agreement.
- c. Compliance with the imprest fund procedure which includes imprest account(s) and sub-account(s) (where applicable) - to confirm or otherwise, whether the imprest account (and sub-accounts) gives a true and fair view of the receipts collected and payments made and supports imprest and sub-account- liquidations and replenishments during the year.
- d. Compliance with the Statement of Expenditure (SOE) procedures (where applicable) - to confirm or otherwise, whether adequate supporting documentation has been maintained to support claims to ADB for reimbursement of expenditures incurred and that the expenditures are eligible for financing under the loan or grant agreement.

D.3. Management Letter

10. ADB requires the EA/IAs to provide a copy to provide a copy of the auditor's Management Letter, together with the APFS/AFS. At the minimum, this should include:

- a. a general overview of the internal control systems of the project and the EA, or an opinion on the management systems;
- b. an identification of material deficiencies or weaknesses in the project or EA/IAs' internal controls over financial reporting or on the overall system of internal control;
- c. the auditor's recommendations for improvements or for rectification of identified weaknesses;
- d. the client's comments on the findings and recommendations; and
- e. follow-up action/s or status to previously identified issues and findings, if any.

11. In cases where a management letter is not received for the entity as a whole, then a management letter covering internal controls and procedures associated with the preparation of the project financial statements is required and should be submitted together with the APFS. When significant weaknesses come to attention of the auditor during the course of audit that are not reflected in the audit opinion, they should be reported in a management letter as follows;

- a. A description of specific internal control weaknesses noted in the financial management and recommendations to resolve/eliminate the internal control weaknesses;
- b. Inappropriate accounting policies and practices and effectiveness of the accounting
- c. records system in providing useful and timely information for proper management of the program/and project;
- d. Issues regarding general compliance with broad covenants on each financing agreement and give comments, if any, on internal and external matters affecting such compliance;

- e. Report significant matters raised in previous reports which have not been dealt with effectively
- f. Any other matters that the auditor considers should be brought to the attention of the borrower.
- g. A time bound actions plan that have been agreed with the management to address each of the individual issue, including date of completion, and person(s) responsible for implementation of the action plan.

E. Locations to be audited:

12. ADB funded projects in Viet Nam often include central level, provincial and even lower levels. The auditors may have to travel to all lower levels to do the audit. If it is the case, the TOR should specify the provinces where Auditors must visit.

F. Phasing of the Audit:

13. The TORs must specify in the following table when the report will be submitted in draft and in final format:

Month of fiscal year (FY) and report submission

Period	FY start	FY End	Report Submission	Remarks
1				
2				

14. Although the auditing firm will be contracted for the mentioned audit phases (maximum three years per contract), it must submit the financial proposal in US\$ in a format indicating the amount for each financial year independently: (i) If performance is not satisfactory in one year then the client will not be bound for subsequent year's audits; and (ii) If the performance is satisfactory, the auditor may participate in bidding process for the next fiscal years, but the total assignment should be up to 6 years for one project.

G. Auditing Requirements:

15. The audit will be carried out in accordance with International Standards of Auditing including:
- a. planning and conducting the audit in accordance with a risk based framework with a detailed audit work program which is sufficiently extensive in its coverage of the project's FS to support the opinion given.
 - b. the auditor will gather evidence and prepare working papers to properly documents the evidence seen in support of the opinion given, sufficient audit evidence will be gathered to substantiate in all material respects the accuracy of the information contained in supporting schedules attached to the FS.
 - c. the auditor will review and evaluate the system of internal controls in effect, including internal audit procedures, to determine the degree of reliance that may be placed upon them and to determine the extent of testing of actual transactions needed to assure the auditor of the accuracy of the accounting records,

- d. the audit coverage will consider the risk of material misstatement(s) as a result of fraud or error. The audit program should include procedures that are designed to provide reasonable assurance that material misstatements (if any) are detected.
- e. the auditor must obtain an understanding of the design and operation of internal control over compliance with requirements that could have a direct and material financial effect on the funding agreements. The auditor's work in this area is in addition to the consideration of internal control over financial reporting that is part of the FS audit. Specifically, the auditor must obtain an understanding of the internal control over compliance that is sufficient to plan the audit to support a low assessment level of control risk for donor program. The auditor needs to test the internal control unless the internal control is likely to be ineffective in preventing or detecting noncompliance.

16. The auditor will need also to review the following:

- a. ADB financing (and expand to all external financing where ADB is not the only financier) shall be used in accordance with the conditions of the relevant financing agreement, with due attention to economy and efficiency, and only for the purposes for which the financing was provided, as detailed in the supporting documents
- b. Counterpart funds shall be provided and used in accordance with the relevant loan agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided;
- c. Goods, works and services financed shall be procured in accordance with the relevant financing agreements including specific provisions of the ADB Procurement Policies and Procedures and relevant laws of Borrower. However, in case there are conflicts between ADB policies and procedures with Borrower's relevant laws, ADB policies and procedures will prevail. Fixed assets procured by all financiers shall be reviewed;
- d. The expenditures submitted to ADB shall be eligible for financing and all necessary supporting documents, records, and accounts in support of credit withdrawals have been adequately maintained with clear linkages between the books of account and reports presented to ADB;
- e. Funds disbursed through SOEs shall be utilized for the purposed defined in the funding agreements. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor;
- f. Imprest Accounts and sub-accounts, (if used) shall be maintained in accordance with the provisions of the relevant financing agreements and funds disbursed out of the account were used only for the purpose intended in the financing agreement and other supporting documents.

H. Accounting Policies and Changes.

17. The auditor should comment on the project's accounting policies, and confirm the extent to which the agreed project accounting policies have been applied. In particular, the auditor should note the impact on the APFS arising from any material deviations from the agreed accounting standards. The auditor should also comment on any accounting policy changes, either during a financial year, or from one year to another.

I. Compliance with laws, regulations and funding agreements:

18. The auditor should be aware of the unique characteristics of the compliance auditing environment. Governments and not-for-profit organizations differ from commercial enterprises in that they may be subject to diverse compliance requirements including its compliance with financial covenants and financial assurances.

19. Management is responsible for ensuring compliance with relevant laws, regulation and funding agreements. That responsibility encompasses the identification of applicable laws, regulations and funding agreements and the establishment of internal control designed to provide reasonable assurance that the auditee complies with those laws, regulations and funding agreements.

20. In addition to the opinion on the FSs, the auditor should provide an opinion on whether the auditee complied with laws, regulations and provision of contracts and funding agreements that have a direct and material financial effect on the project financial statements. The auditor should prepare a report with separate schedule of findings and questioned costs. The scope of the audit should also refer to compliance with the Procurement procedures as set out in the funding agreements.

J. Responsibility to Consider Fraud in an Audit:

21. The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and with management. It is important that management, with the oversight of those charged with governance, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. It is the responsibility of those charged with governance of the entity to ensure, through oversight of management, that the entity establishes and maintains internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws, regulations and funding agreements. To do that, management is responsible for establishing a control environment and maintains policies and procedures to assist in achieving the objectives of ensuring the orderly and efficient conduct of the entity's operation.

22. Therefore, in order to ensure that those assertions are addressed in the audit of the entity, it is important that auditors must follow International Standards of Auditing (ISA 240) "The Auditor's Responsibility to consider Fraud in an Audit of Financial Statements.

K. Audit Report

23. The auditor should become familiar with the following documents: Guideline for the financial governance and management of investment projects financed by the Asian Development Bank; and the Loan Disbursement Handbook. The Auditor's reports on the projects financial statements should be prepared in 08 copies (04 in English and 04 in Vietnamese) and mentions the following matters:

- a. A title identifying the person or persons to whom the report is addressed;
- b. An introductory paragraph identifying the financial statements audited;
- c. Separate sections, appropriately headed dealing with respective responsibilities of directors (or equivalent persons),
- d. The basis of the Auditor's opinion,

- e. The Auditor's opinion on the financial statements, SOEs and IAs/SAs;
- f. The manuscript or printed signature of the Auditor; and
- g. The date of the Auditor's report.

24. The audit report is required to include separate audit opinions on the Financial Statements (as described in part D. the Scope). This would include at least the following:

- a. the audit report will state the purpose of the report and its intended use,
- b. the audit report will state which/whose generally accepted accounting standards have been applied and indicate the effect of any deviations from those standards,
- c. the audit report will state that the audit was conducted in accordance with ISAs,
- d. the audit opinion will cover the current period,
- e. the audit opinion will state whether or not the financial statements presents fairly in accordance with the adopted accounting policies for the project and that the funds were utilized for the purposes defined by the funding agreements,
- f. the audit opinion will cover in all material respects the supporting schedules,
- g. the auditor should provide an opinion on whether the Project complied with applicable laws, regulations and the Procurement procedures and other provisions of the funding agreements that have a direct and material financial effect on the Project's financial report,
- h. the auditor should provide an opinion on the effectiveness of internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as internal control over financial reporting.

L. Available Information and Services to be Provided to the Auditor:

25. Please refer to: Annex 4 attached to this TOR for a sample list of requested documents by Auditor. These include:

- a. The auditor should have access to all legal documents, correspondences, and any other information associated with the project and deemed necessary by the auditor. The auditor will also obtain confirmation of amounts disbursed and outstanding at ADB. Available information should include copies of the relevant: project appraisal document; financing agreement; financial management assessment reports; supervision mission reports and implementation status reports.
- b. The Auditor shall have the right of access to banks and depositories, consultants, contractors and other persons or firms engaged by the project. In case access has been restricted, the auditor must note this in the management letter.
- c. ADB can request access to the auditors unedited audit working papers. If necessary, the auditing company can be requested, free of charge, to participate in a wrap-up session for the Ministry of Finance (MOF), the EA/IAs and ADB to share common findings across projects being audited and provide recommendations for addressing bottlenecks in preparation for the next audit.

M. Services to be Provided to the Auditor:

26. The following services will be provided by the EA/IAs without cost to the Auditor. The PCU should coordinate with the EA/IAs and the Auditor to ensure the following services are adequately and timely provided to the Auditor:

- a. Data: Provide the Auditor with access to all available data, information, legal documents, correspondence and any other information considered necessary by the Auditor and shall be returned at the completion of the assignment or earlier, or as may be requested by the EA/IAs.
- b. Access: The PCU and the EA will arrange for access by the Auditor to the sites which the Auditor deems necessary to visit and conduct investigations in connection with performing their duties. Access to the key officials in the Government, the project provinces and agencies concerned with subjects related to the assignment will also be arranged by the EA/IAs, as appropriate.

N. Auditor Qualification

27. Please refer to: “Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers” - Part 1: Introduction and Policies for further instruction on general consultant qualification. The following are the requirements on the qualification of auditing firms for auditing ADB funded projects in Viet Nam. It must be authorized to practice in Viet Nam and be capable of applying the agreed auditing standards. The detailed requirements on the qualification of auditing company are:

- a. Be a legal entity with business license granted by the competent authority, as requested by Vietnamese law;
- b. Must be impartial and independent from all aspects of management or financial interests in the EA/IA being audited.
- c. Be included in the most updated list of authorized auditing companies and auditors which is approved by Ministry of Finance and published on website: www.mof.gov.vn;
- d. Have adequate staff, with appropriate professional qualifications and suitable experience in finance/financial management in Official Development Assistance (ODA) funded projects or Government projects/ programs, including experience in auditing the Enterprise Financial system (EFS) comparable in nature, size and complexity to the entity whose audit they are to undertake;
- e. Notify and get written endorsement of the EA every time a staff member is substituted; and
- f. Subcontracting of audit services is not permitted.

28. The following are the requirements on the qualification of Individual auditor for each proposed position in the firm. The TOR must indicate clearly how many international and national experts the assignment will include. General requirements on the Qualification of Individuals are as follows: Auditors shall hold relevant professional qualifications with in-depth experience in conducting audits of project FSs. Auditors should hold a fair opinion on, and be independent of, control of the submitting entity and the employer by whom they were appointed. The auditor should follow procedures and methodology that conform to International Standards on Auditing (ISA). The following are the outline TOR of each position:

N.1. Audit Managers (AM): (one national, six person-months)

The Manager will be responsible for:

- a. Receive the instructional directives from Directors and give detailed guidance to all team members;
- b. Monitor the audit fieldwork of engagement team, reviews staff work and ensure that it meet professional standards and the internal audit department's guidelines;
- c. Take responsibility for the quality of the audit before submitting to Director;
- d. To be the contact point with Client's Management and Chief Accountant regarding key issues identified, audit adjustments; and
- e. Monitor the progress of the audit and monitor the adherence to the deadline committed with Client.

Minimum Qualifications/Experience:

- a. A university graduate (preferably with a post-graduate degree) in Accounting, finance, Certified auditor certificate by the MOF or international certificate (ACCA or other recognized international accounting/ auditing certificate),
- b. Preferably with 10 years or above experience working in auditing services; Audit seniors who are the team leader shall have 5 years' experience in their profession;
- c. Audit experience for ADB/World Bank funded projects in Vietnam would be an advantage;
- d. Ability to work within budgetary and time constraints while providing a high-level of client satisfaction;
- e. Certified auditor certificate by the MOF or international certificate (ACCA or other recognized international accounting/ auditing certificate).

N.2. Auditors: (two national, 24 person-months)

The Auditors will be responsible for:

- a. Implementing professional work, auditing assigned sections in the agencies, be responsible for the data and issues related to the auditing activities.
- b. Supporting to release the official report; draft minute of audit; report to the Team leader of the rising issues related to the audit in the agencies.

Minimum Qualifications/Experience:

- a. A university graduate (preferably in recognized university in the fields of Commerce, Economics, Accounting and Auditing or equivalent);
- b. Preferably with 3 years or above experience working in auditing services Preferably to whom holding Certified auditor certificate by the MOF or international certificate (ACCA or other recognized international accounting/ auditing certificate);
- c. Should have worked as Auditor for audit contracts on ADB's, the World Bank's on other international donors' funded projects would be preferable).
- d. English proficiency would be preferable.

O. Involvement of Technical Experts:

29. Depending on the complexity of procurement activities, the auditor may consider involving technical experts during the audit engagement. In cases where such experts are

involved, the auditor is expected to comply with provisions of International Standard on Auditing 620: Using the Work of an Expert. Consideration to use of the work of experts should be brought to the early attention of the borrower and the ADB for mutual agreement and appropriate guidance.

P. Reporting Relationships:

30. The audit services will be contracted by EAs/IAs or project management units. The Auditor shall report to: the Project manager and Chief Accountant. The Auditor should maintain and file the work papers and provide them to ADB and/or the Government when required.

Q. Contract and Procurement Mode

31. Please refer to: Annex 5 attached to this TOR.

Appendix 3

OUTLINE OF RP/IPP MONITORING/IMPLEMENTATION REPORT

1. Following requirements of the ADB Safeguard Policy Statement (2009) and the Operations Manual section on safeguard policy (OM F1), borrowers/clients are required to establish and maintain procedures to monitor the status of implementation of safeguard plans and ensure progress is made toward the desired outcomes. For projects categorized as A or B in Involuntary Resettlement and/or Indigenous People, the Borrowers/clients are required to submit semiannual monitoring reports for ADB review. The level of detail and comprehensiveness of a monitoring report is commensurate with the complexity and significance of social safeguards impacts (IR and IP) and with the current status of project implementation phase.

This outline can be used for:

- i) Periodic monitoring report (semiannual) and/or
- ii) RP/IPP completion report to start the civil works on the impacted areas.

2. A safeguard monitoring report may include the following elements:

A. Executive Summary *This section provides a concise statement of project scope and impacts, key findings and recommended actions (as applicable).*

B. Background of the Report and Project Description *This section provides a general description of the project, including:*

- Background/context of the monitoring report which includes the information on the project, project components, safeguards categorizations and general scope of the social safeguards impacts.
- Information on the implementation progress of the project activities, scope of monitoring report and requirements, reporting period,
- Changes in project scope, if any,
- Summary table of identified impacts and the mitigation actions.

C. Scope of Impacts *This section outlines the detail of:*

- Scale and scopes of the project impacts on involuntary resettlements or indigenous people as identified in the approved RP/IPP,
- Adjusted safeguard measures due to changes in project scope, if applicable,
- Vulnerability status of the affected people/communities,
- Entitlements matrix and other rehabilitation measures, as applicable, as described in the approved final RP(s) /IPP(s).

D. Status of RP/IPP Implementation

a. Institutional Arrangement and Capacity

3. This section describes the actual implementation or any adjustment made to the institutional arrangement for implementing and managing the social safeguards issues in the projects. This may include the establishment of safeguards unit/ team and appointment of staff in

the EA/IA; implementation of the GRM and its committee; supervision and coordination between institutions involved in the management and monitoring of safeguards issues, the roles of NGO and women's groups in the monitoring and implementation of the plan, if any; budget/fund availability for implementing the GRM, RP/IPP; adequacy of EA/IA capacity to manage safeguards issues; updated RP/IPP implementation schedule, etc.

b. Compensation and Rehabilitation

i) Depending on the status of the final detail design during the submission of the report these activities might not yet started. In this situation provide the information on the project's readiness for the RP/IPP implementation and management (i.e. LAR fund availability, RP finalization, assets inventory and mapping, ID cards distribution, etc.) and the updated schedule of the compensation and rehabilitation activities, as applicable.

ii) Specific for the FI projects, external agency may be required to conduct an audit of the project ESMS.

4. This section describes the process and progress of the implementation of the land acquisition and resettlement (LAR) and/or indigenous people (IP) impacts mitigation activities as determined in the RP/IPP. This includes payment of the affected assets compensation, allowances, loss of incomes, etc. to the entitled persons; provisions of other types of entitlement as described in the matrix and implementation of livelihood rehabilitation activities as determined in the plan. Quantitative as well as qualitative results of the monitoring parameters, as agreed in the plan, should be provided. (e.g., adequacy of IR compensation rates and timeliness of payments, adequacy and timeliness of IR rehabilitation measures including preparation of the replacement housing sites, house reconstruction, livelihood support measures, and training, etc.)

c. Disclosure and public consultation

5. This section describes public disclosure and consultations activities during the project's implementation as agreed in the plan. This includes final consultations with APs during RP finalization after the completion of detail design; the numbers of activities conducted; issues raised during consultations and responses provided by the project team, implementing NGOs, project supervision consultants, contractors, etc.

d. Grievance Redress Mechanism (GRM)

6. This section described the implementation of project GRM as design in the approved RP/IPP. The monitoring and evaluation include its readiness, effectiveness, procedures, complaints receive, timeliness to resolve issues/ complaints and adequacy of resources provided to solve the complaints. Special attentions should be given if there are complaints received from the affected people or communities.

e. Monitoring Results - Findings

7. This section describes the summary and key findings of the monitoring activities. The results are compared against previously established benchmarks and compliance status. It also compared against the objectives of safeguards or desired outcomes documented (e.g. IR impacts avoided or minimized; livelihood restored or enhanced; IP's identity, human right, livelihood systems and cultural uniqueness fully respected; IP not suffer adverse impacts, other social impacts avoided or minimized, etc.). For FI projects this includes the effectiveness of the

Environmental and Social Management System (ESMS) managed by the FI and its participating institutions². If noncompliance or any major gaps identified, include the recommendation of corrective action plan.

f. Compliance Status

8. This section will summarize the compliance status of the project activities with the loan covenants, ADB SPS (2009) on SR 2, the approved final RP(s) and the Project Administration Manual (PAM).

g. Follow up Actions, Recommendation and Disclosure

9. This section describes recommendations and further actions or items to focus on for the remaining monitoring period. It also includes lesson learned for improvement for future safeguards monitoring activities. Disclosure dates of the monitoring report to the affected communities should also be included and, as needed, a time-bound summary table for required actions.

Appendix 1

- i. Summary of final/draft RP/IPP with entitlement matrix
- ii. Summary matrix of policy and loan covenants compliance status

Appendix 2

- i. List of Affected Persons and Entitlements
- ii. Copies of AP's certification of payment (signed by the APs)
- iii. Summary of minutes of meetings during public consultations
- iv. Summary of complaints received and solution status

OUTLINE QUARTERLY PROGRESS REPORT FORMAT**A. Introduction and Basic Data**

- ADB loan numbers, project title, borrower, executing agency(ies), implementing agency(ies);
- total estimated project cost and financing plan per loan;
- status of project financing including availability of counterpart funds by loan;
- dates of approval, signing, and effectiveness of ADB loans;
- original and revised (if applicable) ADB loan closing date and elapsed loan period based on original and revised (if applicable) loan closing dates; and
- date of last ADB review mission.

B. Utilization of Funds (ADB Loan and Counterpart Funds)

- cumulative contract awards financed by the ADB loan, and counterpart funds (commitment of funds to date), and comparison with time-bound projections (targets);
- cumulative disbursements from the ADB loan and counterpart funds (expenditure to date), and comparison with time-bound projections (targets); and
- reestimated costs to completion, need for reallocation within ADB loan categories, and whether an overall project cost overrun is likely.

C. Project Outcome and Outputs

- status of project scope/implementation arrangements compared with those in the report and recommendation of the President (RRP), and whether major changes have occurred or will need to be made;
- an assessment of the likelihood that the project outcome and outputs will be met in part or in full, and whether remedial measures are required based on the current project scope and implementation arrangements;
- an assessment of changes to the key assumptions and risks that affect attainment of the project outcome and outputs.

D. Implementation Progress

- for each loan, provide a brief summary assessment of progress or achievements in implementation since the last progress report;
- assessment of the progress of each project output, such as,
 - recruitment of consultants and their performance;
 - procurement of goods and works (from preparation of detailed designs and bidding documents to contract awards); and
 - the performance of suppliers, manufacturers, and contractors for goods and works contracts;
- assessment of progress in implementing the overall project to date in comparison with the original implementation schedule—quantifiable and monitorable target, (include simple charts such as bar or milestone to illustrate progress, a chart showing actual versus planned expenditure, S-curve graph showing the relationship between physical and financial performance, and actual progress in comparison with the original schedules; and
- an assessment of outcome and output achievements versus targets.

E. Major Project Issues and Problems

Summarize the major problems and issues affecting or likely to affect implementation progress, compliance with covenants, and achievement of project outcome and outputs. Recommend actions to overcome these problems and issues (e.g., changes in scope, changes in implementation arrangements, and reallocation of loan proceeds).

F. Compliance with Safeguards and Covenants

- review the borrower's compliance with policy loan covenants, and, where relevant, provide any reasons for any noncompliance or delay in compliance;
- provide a summary assessment of compliance with resettlement and environmental safeguards;
- provide a summary assessment and update on the implementation of the gender action plan (GAP).

APPENDIXES

1. Summary Loan Covenant Review
2. Summary Safeguards Update (Resettlement and Environment)
3. Summary Gender Action Plan Progress
4. Quarterly Environmental Monitoring Report
5. Quarterly Resettlement Monitoring Report

PROCUREMENT CAPACITY ASSESSMENT

Executive Summary

MUSIP 1 is the first urban sector project of the ADB since its re-engagement with Myanmar. It is a multi-sector loan covering the water supply sector, wastewater and drainage sectors and limited solid waste interventions. Project financing is brought by three donors: ADB and AFD in terms of loans and grants and the EU (managed by AFD) in terms of a major grant.

In Myanmar, there is no comprehensive written legal framework for public procurement and the Myanmar's public procurement system has several major weaknesses. Public procurement and contract management is delayed by excessive approval mechanisms. Procurement documentation (tender documents) and practices are generally unacceptable to international donors.

MCDC the proposed implementing agency for MUSIP1, while exhibiting these same weaknesses, has participated in a previous ADB financed project with two key staff responsible for procurement remaining in the PICC²¹/PMO. In addition, the main department benefitting from the project (the WSSD²²) has an existing permanent procurement unit with a number of staff with good English language capabilities.

The P-RAMP concludes that with reinforcement of MCDC's existing capacity through training, provision of model documents, and continued assistance by the Project Start Up and Loan Consultants, the overall procurement risk is Moderate. Nevertheless there remains a significant residual risk of unwieldy approval mechanisms at the central government level related to review/approval of the Attorney General particularly of contract documents.

The proposed procurement plan has been simplified to reduce the total number of contracts to a minimum, whilst also encouraging local contractors to participate. In addition, the weakness of the MCDC WSSD to operate the proposed facilities has been also been commented together with their lack of experience in wastewater management. To mitigate for this the inclusion of operational/training items has been included in the contracts in addition to the normal capacity building exercises.

²¹ PICC = Project Implementation & Coordination Committee

²² Water Supply & Sanitation Department

I. Introduction

This report provides a summary of the assessment undertaken during the project preparation of the Mandalay Urban Services Improvement Project, Phase 1 (MUSIP 1).²³

MUSIP 1 is the first urban sector project of the ADB since its re-engagement with Myanmar. It is a multi-sector loan covering the water supply sector, wastewater and drainage sectors and limited solid waste interventions. Project financing is brought by three donors: ADB and AFD in terms of loans and grants and the EU (managed by AFD) in terms of a major grant. The water supply and wastewater components build upon the existing infrastructure constructed as part of a previous loan from the ADB and the Water and Sanitation Department (WSSD) formed during loan implementation.²⁴ Total project costs were estimated at Loan Fact Finding at \$129.2 million, with \$60 million and €40 million provided by loans from the ADB and AFD respectively; \$4 million and €8million in grants are also envisaged with the remainder provided by government counterpart funds.

The assessment was undertaken in accordance with the Guidelines for Assessing Country, Sector and Project Procurement Risks²⁵. The assessment was carried out from November 2014 to July 2015 and included review of available documentation, ADBs ongoing procurement experience and interviews and discussions with stakeholders. A specific output from this assessment was the Project Procurement Risk Assessment Questionnaire concerning MCDC and more specifically the WSSD attached as annex to this report.

II. Project Procurement Risk Assessment

A. Overview

In Myanmar, there is no comprehensive written legal framework for public procurement. The existing rules include: (i) two Instructions from the Office of President in 2011, one for a change from "closed tender" to "open tender" and another for decentralizing procurement to line Ministries; (ii) a Tender Directive which was issued by the President's Office in April 2013 to address issues in processing open tenders; and (iii) a Tender Directive for procurement of civil works that was prepared by the Ministry of Construction and issued by the Office of President in January 2014.

As stated in the Interim Country Partnership Strategy²⁶, Myanmar's public procurement system has several major weaknesses. It does not effectively promote transparency, accountability, and competition in the procurement of goods and services. Management capabilities in public procurement are also weak. While each EA/IA (ministry and/or local authority) is largely responsible for its own procurement policies and guidelines, there is a document detailing the consensus reached among MOC (lead ministry for public procurement) and other Ministries. There is in addition a working committee at the level of the Myanmar Engineering Society responsible for proposing best practice. As was stated in previous procurement reviews²⁷, There are numerous public procurement practices that are contrary to ADB's procurement

²³ The assessment was undertaken jointly by the Team Leader and Deputy Team Leader of PPTA 8472

²⁴ Project Completion Report: Mandalay Water Supply Project (Myanmar) Loan N° 584-MYA (SF)

²⁵ As described in Guide on Assessing Procurement Risks and Determining Project Procurement Classification, ADB, August 2014

²⁶ Interim Country Partnership Strategy: Myanmar, 2012–2014: RISK ASSESSMENT AND RISK MANAGEMENT PLAN

²⁷ Procurement Capacity Assessment Report and Recommendations: Pro-Poor Community Infrastructure and Basic Services

policies and as such they will not apply to procurement funded by ADB (eg. Establishing minimum and maximum tender estimates below and above which proposals can be rejected, restrictions on foreign competition, limitation of consultants fees, etc.). Conversely, there are few if any practices that could be regarded as best practice in public procurement. In this respect, there is therefore no option other than to require the use of ADB's standard bidding documents, and the procedures described within them, even for National Competitive Bidding.

As it is recognized in the CPS that the strengthening of public procurement and anticorruption mechanisms, may take a long time to achieve, ADB operations will emphasize good governance and capacity development as key drivers of change. ADB will support anticorruption activities and transparency in procurement, including the strengthening of procurement capacities and procedures. In this respect, ADB has put into place different CDTAs notably Transforming Urban Management providing training in ADB procurement and accountability systems.

B. Strengths

MCDC has had previous experience of ADB procurement as part of the previous ADB financed Mandalay Water Supply Project (Loan N° 584-MYA(SF)). Two key members of the previous PMO are now members of the PMO/PICC and have been leading the preparation of MUSIP from the side of MCDC. While the previous project implementation was cut short by imposition of sanctions, a number of observations can be made from the PCR and the quality of the works over twenty years later.

- Generally procurement was delayed by over two years. This was largely attributed to an over complicated procurement plan with a large number of inter-related and separate goods procurement contracts separate from the civil works contract. There were a total of 39 tenders called and 49 contracts were awarded for a total project cost of \$ 73 million (compared to \$33 million at appraisal). Other significant factors included (i) delays in appointing the implementation consultant, (ii) major changes in scope of the project during the design phase and (iii) the long approval process and the lack of autonomy of the PMO.
- The overall project implementation was delayed by over four years. In addition to the above reasons, the construction was complicated by the division of works into supply contracts and civil works construction contracts each handled by different agencies with no construction management support provided by the implementation consultant.
- Nevertheless, the works were implemented with a large respect for quality as testified to the current condition of many of the civil works (which only need minor rehabilitation/upgrading). Indeed the PMO took a decision to change the pipe material during implementation (from Plastic to Ductile Iron) which was most likely more adapted in terms of pipe durability and joints to the climactic and geological environment particular to Mandalay. In addition, major design changes were undertaken during implementation which in hindsight had a positive impact on the sustainability of the project. However, pipe works undertaken since due to budgetary constraints have been poorly implemented.

C. Weaknesses

While the project will benefit from MCDC's past experience, they do not have recent experience in either consultant or goods procurement except for recent BOT-like procurements in the environment sectors. A review of these indicates poorly developed RFP, particularly technical specifications and a lack of transparency in the selection process (amongst other deficiencies). In addition, none of these projects is as of yet effective, testifying to the long approval process previously mentioned.

The practices, processes and weaknesses that are of particular concern include:

- Key equipment can be specified to be supplied only from certain countries with reputations for good quality equipment.
- Foreign bidders are forced to bid through or with local partners, or to establish an office in Myanmar and to be registered with the Myanmar Engineering Society.
- For national bidding, only Myanmar companies are eligible to bid.
- No requirement for bidders' questions to be in writing, or responses to be provided to all those who purchased the bidding document. Therefore all bidders do not have access to the same information.
- Use of 'reverse auction' processes during public bid openings, creating an environment for collusive practices by bidders.
- Bids can be rejected at bid opening due to missing documents.
- Bids can be rejected if they are either below or above a minimum floor and a maximum ceiling value predefined by the bidding committee.
- Evaluation committee may apply a domestic preference at its discretion and without any reference in the bidding document

D. Procurement Risk Assessment & Management Plan (P-RAMP)

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Procurement Department and/or PMU have insufficient qualified staff to efficiently undertake the procurements required to implement the project.	H	Reinforce the existing procurement unit in WSSD/PMO through more staff prior to loan effectiveness. Provide training to WSSD/ PMO staff via Project Start Up Consultants and Loan Consultants Develop specific procurement manuals for the ADB and AFD projects Provide office equipment to WSSD/PMO via Loan Consultants
The Agency uses practices inconsistent with national procurement law or bidding documents unsuitable for ADB-funded procurement.	H	Use ADB and AFD Guidelines and documentation for all procurement Develop model contract documents via Project Start Up Consultants and provide training in its use Loan Consultants will provide assistance and training to WSSD/PMO in the use of these documents
Record-keeping is inadequate to enable internal or external	H	Provide computerized record keeping/MIS Provide record storing and archives unit in

audit of procurement processes.

WSSD.

Train staff in record keeping and auditing

Overall with the proposed mitigation measures the rating is considered as medium

III. Project Specific Procurement Thresholds

While the Project Rating is considered as Medium it is proposed to set the prior review limits at \$5 million. Due to the nature of the procurement plan, this effectively means that all civil works will be subject to prior review.

IV. Procurement Plans

Given these observations, the proposed procurement plan has been simplified to reduce the total number of contracts to a minimum, whilst also encouraging local contractors to participate. In addition, the weakness of the MCDC WSSD to operate the proposed facilities has been also been commented together with their lack of experience in wastewater management. To mitigate for this the inclusion of operational/training items has been included in the contracts in addition to the normal capacity building exercises.

For the both the ADB and AFD financed components, separate project implementation consultants will be contracted. Both ADB and AFD will assist MCDC to procure these consultants by preparing terms of references, issuing the EO/RFP, preparing short lists and evaluating consultant proposals. Consultants and contractors will be largely paid directly by the ADB and AFD. Imprest accounts will be developed at the level of MCDC to facilitate small payments

As stated above all documents will be ICB. Compared to other agencies, MCDC staff have a higher level of English and it will not be generally necessary to translate these documents into Myanmar language. Consideration may be given to translate the simpler works packages (eg the water supply extension contracts) to encourage local contractor participation (although most encountered during informal meetings organized by the PPTA show a high level of English) and to serve as model documents for future projects where EA/IAs have perhaps a lower level of English.

V. Conclusion

The overall procurement capacity of MCDC is considered to be moderately weak (but generally considered higher than comparative central government agencies and other agencies encountered in Myanmar), due mainly to the use of procurement processes that lack transparency, the lack of procurement professionalization beyond certain key staff, and excessive levels of approvals and a lack of autonomy/delegation.

Nevertheless with the proposed mitigation measures outlined in this risk assessment (P-RAMP), the project risk is maintained at Moderate as identified initially at the Concept Paper Stage.

VI. Appendices

SL No	Risk	Impact	Likelihood	Strategy
A6, A7, A9, A16, A17, A23, C1, C2, C14, C22, C23	Procurement Department and/or PMU have insufficient qualified staff to efficiently undertake the procurements required to implement the project.	High	Likely	<p>Reinforce the existing procurement unit in WSSD through more staff.</p> <p>Provide both training, equipment to WSSD and PMO staff</p> <p>Develop specific procurement manuals for the ADB and AFD projects</p>
A19 – A20	The Agency uses practices inconsistent with national procurement law or bidding documents unsuitable for ADB-funded procurement.	High	Likely	<p>Use ADB and AFD Guidelines and documentation for all procurement</p>
B2 –B3	Record-keeping is inadequate to enable internal or external audit of procurement processes.	High	Likely	<p>Provide computerized record keeping/MIS</p> <p>Provide record storing and archives unit in WSSD.</p> <p>Train staff in record keeping and auditing</p>
A25, C4 - C12, C24-C44, C47, D5, E7	Agency does not promote non-discriminatory participation, transparent tender processes (including advertisement, tender documentation, tender evaluation, complaints mechanism)?	High	Unlikely	

C15, E1 – E.6	The Agency has inadequate ethics and anticorruption measures in place.	High	Unlikely	
---------------	--	------	-----------------	--

PROJECT PROCUREMENT RISK ASSESSMENT QUESTIONNAIRE

QUESTION	RESPONSE	RISK ²⁸
A. ORGANIZATIONAL AND STAFF CAPACITY		
PROCUREMENT DEPARTMENT/UNIT		
A.1 Does the agency or Government have a Procurement Committee that is independent from the head of the agency?	For each procurement MCDC sets up a separate ad-hoc committee. The lead is generally the head of the department/committee member concerned by the tender. This committee is separate from the head of MCDC (the Mayor)	
A.2 Does the agency have a procurement department/unit, including a permanent office that performs the function of a Secretariat of the Procurement Committee?	MCDC does not have a separate procurement unit. However the WSSD has a procurement unit.	
A.3 If yes, what type of procurement does it undertake?	Largely procurement of material and equipment such as pipes, pumps, valves, meters,	
A.4 How many years' experience does the head of the procurement department/unit have in a direct procurement role?	Current head has over 10 years experience. Previous head (and head of PMO) has over 25 years experience	
A.5 How many staff in the procurement department/unit are: i. full time ii. part time iii. seconded	In WSSD procurement unit i) 4 ii) 0 iii) 0	
A.6 Do the procurement staff have a high level of English language proficiency (verbal and written)?	For approximately half yes.	*
A.7 Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	Insufficient. There is an estimated need to double the number of staff with procurement proficiency.	*
A.8 Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers etc. to undertake the planned procurement?	No	
A.9 Does the agency have, or have ready access to, a procurement training program?	No	*

²⁸ Questions indicated with * are associated with potentially 'High' or 'Substantial' risks due to the impact being 'High', therefore the strategy for managing those risks should be addressed in the Project Procurement Risk Analysis (Appendix 3).

QUESTION	RESPONSE	RISK ²⁸
A.10 At what level does the department/unit report (to the head of agency, deputy etc.)?	Head of the WSSD	
A.11 Do the procurement positions in the agency have job descriptions, which outline specific roles, minimum technical requirements and career routes?	No	
A.12 Is there a procurement process manual for goods and works?	No except for MOC Guidelines (see summary attached)	
A.13 If there is a manual, is it up to date and does it cover foreign-assisted projects?		
A.14 Is there a procurement process manual for consulting services?	No except for MOC Guidelines (see summary attached)	
A.15 If there is a manual, is it up to date and does it cover foreign-assisted projects?		
PROJECT MANAGEMENT UNIT		
A.16 Is there a fully (or almost fully) staffed PMU for this project currently in place?	No there is a skeleton PMO (named Project Management Team). A full PMO will be formed upon approval of the project by Parliament.	*
A.17 Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	Insufficient at present; but will be sufficient from approval by Parliament	*
A.18 Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers etc. to undertake the planned procurement?	No	
A.19 Are there standard documents in use, such as Standard Procurement Documents/Forms, and have they been approved for use on ADB funded projects?	No	*
A.20 Does the agency follow the national procurement law, procurement processes, guidelines?	Yes	*
A.21 Do ToRs for consulting services follow a standard format such as background, tasks, inputs, objectives and outputs?	Yes as ADB standards will be used throughout	
A.22 Who drafts the procurement specifications?	The Project Implementation Consultant will assist PMO	

QUESTION	RESPONSE	RISK ²⁸
A.23 Who approves the procurement specifications?	PICC will approve	
A.24 Who in the PMU has experience in drafting bidding documents?	Head of PMO and Head of PICC	*
A.25 Are records of the sale of bidding documents immediately available?	Yes	*
A.26 Who identifies the need for consulting services requirements?	ADB	
A.27 Who drafts the Terms of Reference (ToR)	Consultants and ADB/AFD	
A.28 Who prepares the request for proposals (RFPs)	ADB/AFD and in the future PMO with assistance of Consultants	
B. INFORMATION MANAGEMENT		
B.1 Is there a referencing system for procurement files?	No	
B.2 Are there adequate resources allocated to record keeping infrastructure, which includes the record keeping system, space, equipment and personnel to administer the procurement records management functions within the agency?	No	*
B.3 Does the agency adhere to a document retention policy (i.e. for what period are records kept)?	Yes for at least 10 years	*
B.4 Are copies of bids or proposals retained with the evaluation?	Yes	
B.5 Are copies of the original advertisements retained with the pre-contract papers?	Yes	
B.6 Is there a single contract file with a copy of the contract and all subsequent contractual correspondence?	Yes	
B.7 Are copies of invoices included with the contract papers?	Yes	
B.8 Is the agency's record keeping function supported by IT?	No	
C. PROCUREMENT PRACTICES		
Goods and Works		
C.1 Has the agency undertaken procurement of goods or works related to foreign assistance recently (last 12 months or last 36 months)? If	Yes three. All are BOT type concessions. Solid Waste Gas to Energy Industrial Wastewater Treatment Plant	*

QUESTION	RESPONSE	RISK ²⁸
yes, indicate the names of the development partner/s and project/s.	Doktawaddy Water Treatment Plant	
C.2 If the answer is yes, what were the major challenges faced by the agency?	Delays in approval Inadequate tender documentation Lack of clear guidelines	*
C.3 Is there a systematic process to identify procurement requirements (for a period of one year or more)?	Yes	
C.4 Is there a minimum period for the preparation of bids and if yes, how long?	Yes, 2 weeks for small material contracts; 1 month generally	*
C.5 Are all queries from bidders replied to in writing?	No	*
C.6 Does the bidding document state the date and time of bid opening?	Yes	*
C.7 Are bids opened in public?	Yes	*
C.8 Can late bids be accepted?	No	*
C.9 Can bids (except late bids) be rejected at bid opening?	No	*
C.10 Are minutes of the bid opening taken?	Yes	*
C.11 Are bidders provided a copy of the minutes?	Yes	*
C.12 Are the minutes provided free of charge?	Yes	*
C.13 Who undertakes the evaluation of bids (individual(s), permanent committee, ad-hoc committee)?	Ad-hoc committee generally For WSSD permanent unit	
C.14 What are the qualifications of the evaluators with respect to procurement and the goods and/or works under evaluation?	Technical Engineering Degrees	*
C.15 Is the decision of the evaluators final or is the evaluation subject to additional approvals?	No subject to approval by Mayor/MRG	*
C.16 Using the three 'worst-case' examples in the last year, how long from the issuance of the invitation for bids can the contract be awarded?	> 1 year	
C.17 Are there processes in place for the collection and clearance of cargo through ports of entry?	No	
C.18 Are there established goods receiving procedures?	No	

QUESTION	RESPONSE	RISK ²⁸
C.19 Are all goods that are received recorded as assets or inventory in a register?	Yes	
C.20 Is the agency/procurement department familiar with letters of credit?	Yes	
C.21 Does the procurement department register and track warranty and latent defects liability periods?	Yes	
Consulting Services		
C.22 Has the agency undertaken foreign-assisted procurement of consulting services recently (last 12 months, or last 36 months)? (If yes, please indicate the names of the development partner/s and the Project/s.)	No All procurement is currently carried out by development partners. Therefore remainder of this section is not filled in	*
C.23 If the above answer is yes, what were the major challenges?		*
C.24 Are assignments and invitations for expressions of interest (EOIs) advertised?		*
C.25 Is a consultants' selection committee formed with appropriate individuals, and what is its composition (if any)?		
C.26 What criteria is used to evaluate EOIs?		
C.27 Historically, what is the most common method used (QCBS, QBS, etc.) to select consultants?		*
C.28 Do firms have to pay for the RFP document?		*
C.29 Does the proposal evaluation criteria follow a pre-determined structure and is it detailed in the RFP?		*
C.30 Are pre-proposal visits and meetings arranged?		
C.31 Are minutes prepared and circulated after pre-proposal meetings?		*
C.32 To whom are the minutes distributed?		*
C.33 Are all queries from consultants answered/addressed in writing?		*
C.34 Are the technical and financial proposals required to be in separate		*

QUESTION	RESPONSE	RISK ²⁸
envelopes and remain sealed until the technical evaluation is completed?		
C.35 Are proposal securities required?		*
C.36 Are technical proposals opened in public?		*
C.37 Are minutes of the technical opening distributed?		*
C.39 Who determines the final technical ranking and how?		*
C.40 Are the technical scores sent to all firms?		*
C.41 Are the financial proposal opened in public?		*
C.42 Are minutes of the financial opening distributed?		*
C.43 How is the financial evaluation completed?		*
C.44 Are face to face contract negotiations held?		*
C.45 How long after financial evaluation is negotiation held with the selected firm?		
C.46 What is the usual basis for negotiation?		
C.47 Are minutes of negotiation taken and signed?		*
C.48 How long after negotiation is the contract signed, on average?		
C.49 Is there an evaluation system for measuring the outputs of consultants?		
Payments		
C.50 Are advance payments made?	Yes if bank guarantee provided	
C.51 What is the standard period for payment included in contracts?	Within 30 days upon successfully passing inspection/control	
C.52 On average, how long is it between receiving a firm's invoice and making payment?	Within 2 months	
C.53 When late payment is made, are the beneficiaries paid interest?	No	

QUESTION	RESPONSE	RISK ²⁸
D. EFFECTIVENESS		
D.1 Is contractual performance systematically monitored and reported?	Yes	
D.2 Does the agency monitor and track its contractual payment obligations?	No	
D.3 Is a complaints resolution mechanism described in national procurement documents?	No	
D.4 Is there a formal non-judicial mechanism for dealing with complaints?	No	
D.5 Are procurement decisions and disputes supported by written narratives such as minutes of evaluation, minutes of negotiation, notices of default/withheld payment?	Yes	*
E. ACCOUNTABILITY MEASURES		
E.1 Is there a standard statement of ethics and are those involved in procurement required to formally commit to it?	No	*
E.2 Are those involved with procurement required to declare any potential conflict of interest and remove themselves from the procurement process?	Yes	*
E.3 Is the commencement of procurement dependent on external approvals (formal or de-facto) that are outside of the budgeting process?	No	
E.4 Who approves procurement transactions, and do they have procurement experience and qualifications?	The mayor approves	*
E.5 Which of the following actions require approvals outside the procurement unit or the evaluation committee, as the case may be, and who grants the approval?		
a) Bidding document, invitation to pre-qualify or RFP	No	
b) Advertisement of an invitation for bids, pre-qualification or call for	No	

QUESTION	RESPONSE	RISK ²⁸
EOIs		
c) Evaluation reports	No	*
d) Notice of award	Approval of Mayor/MRG	*
e) Invitation to consultants to negotiate	No	
f) Contracts	Approval of Mayor/MRG/Attorney General	*
E.6 Is the same official responsible for: (i) authorizing procurement transactions, procurement invitations, documents, evaluations and contracts; (ii) authorizing payments; (iii) recording procurement transactions and events; and (iv) the custody of assets?	No	*
E.7 Is there a written auditable trail of procurement decisions attributable to individuals and committees?	Yes	*