



Concept Paper

Project Number: 47364-002
October 2014

Proposed Loan and Administration of Grant TIM: Urban Services Improvement Sector Project

CURRENCY EQUIVALENTS

The currency unit of Timor-Leste is the United States dollar.

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
DDA	–	Dill District Administration
DNSA	–	National Directorate for Basic Sanitation
DNSB	–	National Directorate for Water Services
DUWSSP	–	Dill Urban Water Supply Sector Project
MOP	–	Ministry of Public Works
PPP	–	public-private partnership arrangements
TA	–	technical assistance

NOTE

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

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PROJECT AT A GLANCE

1. Basic Data			Project Number: 47364-002	
Project Name	Urban Services Improvement Sector Project	Department /Division	PARD/PAUS	
Country Borrower	Timor-Leste, The Democratic Republic of The Democratic Republic of Timor-Leste	Executing Agency	Ministry of Finance	
2. Sector		Subsector(s)	ADB Financing (\$ million)	
✓ Water and other urban infrastructure and services	Urban solid waste management		17.00	
	Urban water supply		10.00	
		Total	27.00	
3. Strategic Agenda		Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive		Adaptation (\$ million)	3.00
Environmentally sustainable growth (ESG)	Global and regional transboundary environmental concerns		Mitigation (\$ million)	7.00
	Urban environmental improvement		CO ₂ reduction (tons per annum)	7,520
			Climate Change impact on the Project	Medium
4. Drivers of Change		Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Client relations, network, and partnership development to partnership driver of change		Some gender elements (SGE)	✓
Partnerships (PAR)	Official cofinancing			
	Regional organizations			
Private sector development (PSD)	Public sector goods and services essential for private sector development			
5. Poverty Targeting			Location Impact	
Project directly targets poverty	No		Urban	High
6. Risk Categorization:		Low		
7. Safeguard Categorization		Environment: B Involuntary Resettlement: B Indigenous Peoples: C		
8. Financing				
Modality and Sources		Amount (\$ million)		
ADB		27.00		
Sovereign Sector loan: Asian Development Fund		17.00		
Sovereign Sector loan: Ordinary capital resources		10.00		
Cofinancing		3.00		
Global Environment Facility		3.00		
Counterpart		10.00		
Government		10.00		
Total		40.00		
9. Effective Development Cooperation				
Use of country procurement systems		Yes		
Use of country public financial management systems		Yes		

I. THE PROJECT

A. Rationale

1. The Urban Services Improvement Sector Project is expected to contribute to the enhanced health of Dili's population by improving sustained access to safe, 24-hour drinking water supply and improved management of municipal solid waste. Timor-Leste's urban population is growing rapidly. Dili, the capital city and main commercial center, has a population of around 227,000. The city is growing at an annual average rate of 4.2%, well above the national population growth rate of 2.4%.
2. **The water supply situation.** The Dili Urban Water Supply Sector Project (DUWSSP) has supported the upgrading of 20% of the tertiary water supply distribution network in line with the government's 2008-2012 sector investment program. While 18,000 people in target areas of Dili now benefit from a safe, 24-hour water supply, a significant proportion of residents living outside of these areas either do not have access to a piped water supply connection, or receive an intermittent supply or 6 hours of less daily. This situation has contributed to high rates of water borne disease. In 2013, it was estimated that \$75-100 million was required over 5 years to extend improved water supply services to the entire population of Dili.¹
3. **The solid waste situation.** Around 30% of solid waste in Dili is illegally dumped or burned. Dili's dumpsite is uncovered and lacks engineered environmental protections systems, resulting in air and groundwater pollution. Formal recycling systems are not well-developed, and only a few private operators recycle cardboard, scrap metals and aluminum cans. An estimated 70 waste pickers, including women and children, work in hazardous conditions at the dumpsite to informally recover recyclable materials. A preliminary sector investment analysis, prepared in August 2014, estimated that around \$12.95 million over the next 5 years is required to address the existing situation.²
4. **Other urban investments.** The government is implementing a \$550 million sanitation and drainage investment program in Dili over the period 2013-2025.³ Upgrading of water supply and solid waste management services will assist in fully realizing the benefits of these investments, to achieve improvements in public health and environmental quality, and reduce flood risks.
5. **Institutional arrangements.** The National Directorate for Water Services (DNSA) within the Ministry of Public Works (MOP) is responsible for water sector policy, regulation, investment planning and service delivery. ADB is providing on-going support to strengthen DNSA's capacity to carry out its functions more effectively.⁴ Responsibility for solid waste management in Dili is split between: (i) the National Directorate of Basic Sanitation (DNSB) under MOP, which is responsible for solid waste policy, regulation, investment planning and disposal services, and (ii)

¹ ADB. 2013. *Dili Water Supply System PPP Technical Analysis*. Report prepared under ADB. 2013. *Technical Assistance to Timor-Leste for Strengthening Water Sector Management and Service Delivery*. Manila.

² ADB. 2014. *Dili Solid Waste Management Sector*. Final Report. Manila.

³ As outlined in: Yarra Valley Water, Melbourne Water and Sinclair Knight Merz. 2012. *Final Sanitation Master Plan*. Report prepared for the Government of Timor-Leste.

⁴ ADB. 2011. *Strengthening Water Sector Management and Service Delivery*. Manila (TA 7981-TIM); and ADB. 2012. *Infrastructure Management*. Manila (TA 8278-TIM).

the Dili District Administration (DDA) under the Ministry of State Administration (Estatal), which is responsible for the planning and delivery of solid waste collection services.

6. **Sector reforms.** In 2013, a pre-feasibility study supported by ADB concluded that public-private partnership (PPP) arrangements had the potential to improve water services delivery in Dili.⁵ The government is financing a full PPP feasibility study, expected to be completed in April 2015, with advisory support from ADB. While the private sector offers much-needed technical and managerial expertise to effectively operate and maintain the water supply system, it is likely that capital investments to upgrade publically-owned water supply assets will continue to be financed by the public sector for the foreseeable future.

7. **Government and ADB Strategy.** Expanding access to safe and reliable 24-hour water supply is a key objective of the government's Strategic Development Plan 2011-2030. The draft 2012 National Water Supply Policy provides the overall guidance to the sector, and sets out objectives and institutional approaches for achieving sustainable improvements in water supply services.⁶ The 2012 National Basic Sanitation Policy outlines the overall vision for a clean and hygienic environment, and calls for strategies to support the reduction, reuse and recycling of solid waste.⁷ The Timor-Leste Country Partnership Strategy 2011-2015 identifies improved water supply services in urban centers as a priority area for ADB support.⁸

8. **Financing modality.** The proposed project will continue to use the sector lending modality, adopted under the DUWSSP, to support Timor-Leste's urban sector, provided that sector lending eligibility criteria continue to be met. This approach will allow the flexible implementation of high priority investments in Dili, and support continued sector-wide policy dialogue to implement needed reforms. PPTA assistance will support the updating of existing sector investment plans, identification and appraisal of sample subprojects, and development of subproject eligibility criteria to select candidate subprojects during project implementation.

B. Impact, Outcome, and Outputs

9. The impact of the project will be the improved health of Dili's urban population. The outcome of the project will be the sustained improvement in water supply and solid waste management services in Dili. The outputs of the project will be:

- (i) **Output 1: Expanded and rehabilitated water supply systems.** Subproject investments will focus on establishing district metered areas to reduce physical losses and improve management of the distribution network. Low-income areas will be targeted to ensure equitable access to improved water supply services. Climate-proofing measures identified during project design will build resilience of water supply services in Dili.⁹

⁵ ADB. 2009. *Technical Assistance for Pacific Private Sector Development Initiative Phase II*. Manila (TA 7430-REG).

⁶ Government of Timor-Leste. 2012. *Draft National Water Supply Policy* (unpublished 4th draft, January 2012). The draft policy will be finalized for approval in 2015, once existing institutional arrangements for water supply services has been reviewed.

⁷ Government of Timor-Leste. 2012. *National Basic Sanitation Policy*. (approved by the Council of Ministers of 12 January 2012). Dili.

⁸ ADB. 2011. *Timor-Leste: Country Partnership Strategy 2011-2015*. Manila.

⁹ Climate proofing measures may include the installation of additional boreholes to diversify source supply and appropriate siting of water supply infrastructure to reduce flood risks.

- (ii) **Output 2: Enhanced solid waste management systems.** Subprojects will support the upgrading of municipal solid waste storage and collection systems, and the introduction of formal recycling systems. Informal materials recovery activities will be integrated into the formal solid waste management system. The dumpsite will be covered and graded, monitoring wells, leachate collection and gas control systems added, and a leachate treatment plant installed.
- (iii) **Output 3: Public awareness and engagement.** DNSA's existing community caretaker system will be strengthened to improve performance monitoring and bottom-up accountability in the delivery of water supply services. To support the adoption of an integrated solid waste approach for Dili, assistance will be provided to Estatal to implement an extensive public awareness program to promote the reduction, reuse and recycling of waste, as well as initiatives to improve cost recovery in the delivery of urban services.
- (iv) **Output 4: Efficient and effective project implementation.** The project will support DNSA, DNSB, the Directorate General for Corporate Services and DDA to build their capacity to effectively and efficiently manage project activities, including the selection and appraisal of candidate subprojects to be financed under the project. Project management support will also include capacity development activities for Estatal and MOP to design and manage performance-based contracts.

C. Investment and Financing Plans

10. The indicative project cost is estimated at \$40 million. ADB will finance \$17.0 million from the Special Fund resources, and \$10 million from ordinary capital resources. Co-financing of \$3 million is proposed through the Global Environment Facility to finance climate-proofing investments, which will be further investigated and confirmed during project processing.¹⁰ The government will provide \$10 million in counterpart support. The tentative financing plan is provided in Table 1.

Table 1: Tentative Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (loan)	10	25.0
Special Funds resources (loan)	17	42.5
Global Environment Facility ^a	3	7.5
Government	10	25.0
Total	40.0	100.0

^a Administered by the Asian Development Bank. Co-financing to be confirmed during processing. Project expenditures will be financed on a parallel basis by different funding sources
Source: Asian Development Bank.

D. Indicative Implementation Arrangements

11. The executing agency will be the Ministry of Finance and the implementing agencies will be MOP and Estatal. All procurement and consultant recruitment under the project, to be

¹⁰ Financing proposed from the Least Developed Countries Fund (LDCF). The LDCF was established to address the special needs of the Least Developed Countries under the Climate Convention. The LDCF focuses on reducing the vulnerability of those sectors and resources that are central to development and livelihoods including water and infrastructure.

identified during project preparation, will be in accordance with ADB's *Procurement Guidelines* (2013, as amended from time to time), and *Guidelines on the Use of Consultants by ADB and Its Borrowers* (2013, as amended from time to time). The project will be implemented over a period of 5 years, from 2016 until 2021.

II. DUE DILIGENCE REQUIRED

12. The lessons learned from previous and on-going ADB-supported urban water supply projects will be assessed and incorporated into the project design. The project preparatory technical assistance (PPTA) will support the preparation of technical, economic, financial, governance, poverty, social and safeguards due diligence assessments for sample subprojects.

III. PROCESSING PLAN

A. Risk Categorization

13. The project is categorized as low risk as: (i) the loan amount will not exceed \$200 million; (ii) ADB has on-going urban sector investments in Timor-Leste, being administered by MOP; and (iii) the initial safeguards categorization is Category B for environment and involuntary resettlement, and Category C for indigenous peoples.

B. Resource Requirements

14. In addition to the PPTA resources outlined in Appendix 4, the following ADB staff inputs are envisioned: Mission leader/urban development specialist, 24 weeks; counsel, 4 weeks; environment specialist, 2 weeks; social safeguards specialist, 2 weeks; social development/gender specialist, 2 weeks; water and sanitation engineer, 1 week; procurement specialist, 3 weeks; project analyst, 4 weeks; and operations assistant, 8 weeks.

C. Processing Schedule

15. The major milestones up to loan effectiveness are listed in Table 2.

Table 2: Proposed Processing Schedule

Milestones	Expected Completion Date
PPTA inception	February 2015
Loan fact finding	July 2015
Staff review meeting	August 2015
Loan negotiations	September 2015
Board consideration	November 2015
Loan effectiveness	December 2015

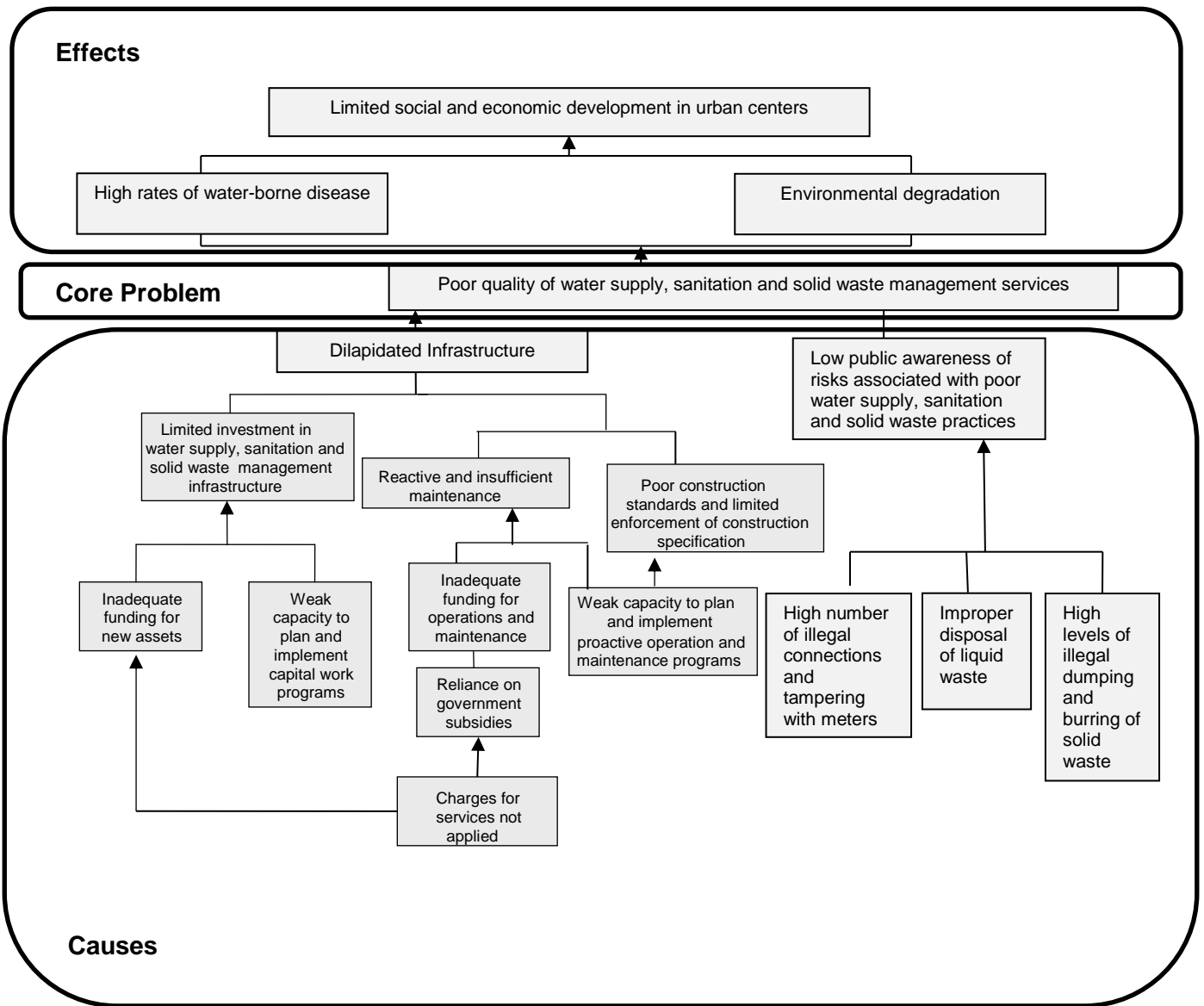
PPTA = project preparatory technical assistance.

Source: Asian Development Bank estimates.

IV. KEY ISSUES

16. Key issues in the project are: (i) continued government support for PPP arrangements to promote sustainable management of Dili water supply services; (ii) ensuring that project investments are inclusive by targeting low-income households in Dili for urban service improvements, and (iii) effectively engaging with communities to support improvements in water supply and solid waste management.

PROBLEM TREE



DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
Impact Improved health of Dili's urban population	By 2030 Contributes to a X% reduction in the incidence of diarrhea in children under five years (Baseline in 2009: 16%) Contributes to a X% reduction in the number of dengue fever cases (Baseline in 2012: 928)	Demographic health surveys WHO statistics	Assumptions Improvements in urban infrastructure support economic growth outside of petroleum sector Complementary public investments in sanitation and hygiene implemented
Outcome Sustained improvement in water supply and solid waste management services in Dili	By 2022 Proportion of Dili population with 24-hour water supply increases to X% (Baseline: 8% in 2013) Proportion of households that properly dispose of waste increases to X% (Baseline: 69% in 2014)	DNSA quarterly KPI monitoring sheets MSA monitoring reports	Risks Urbanization outpaces infrastructure investments Lack of institutional reform to sustain services Inadequate operations and maintenance
Outputs 1. Expanded and rehabilitated water supply systems	By 2020 Household connections installed increases by X% (Baseline in 2013: 11,170) Unaccounted-for water is reduced to X% (Baseline: 91% in 2014)	DNSA quarterly KPI monitoring sheets DNSA quarterly KPI monitoring sheets	Assumptions Upgrading works are designed and constructed to a high standard
2. Enhanced solid waste management systems	By 2020 Number of required annual collection vehicle trips to transport generated solid waste to dumpsite reduced to 18,302 (Baseline 2014: 47,866) At least X% of leachate at Tibar disposal facility is collected and treated (Baseline: 0% in 2014)	Project progress reports Project progress reports	
3. Public awareness and engagement	By 2020 Proportion of customers billed that pay tariffs increase to X% (Baseline 2014:50%)	DNSA quarterly KPI monitoring sheets Project monitoring reports	Assumptions Public awareness and community engagement activities are effective in promoting behavior change

	Waste segregation for recycling at collection points increases by X% (Baseline in 2014: 0%)		
4. Efficient and effective project implementation	By 2020 PIU meets all annual contract award and disbursement projections	eOps records	Assumptions Competent staff are appointed to the PIU Ministry of Public Works provides adequate oversight of PIU
Activities with Milestones		Inputs	
<p>1. Expanded and rehabilitated water supply systems</p> <p>1.1 Prepare surveys and detailed engineering design for core subprojects by Q2 2016</p> <p>1.2 Update IEE and RP for core subprojects by Q2 2016</p> <p>1.3 Prepare civil works bidding documents for core subprojects by Q3 2016</p> <p>1.4 Conduct bidding for core subprojects by Q1 2017</p> <p>1.5 Undertake civil works for core subprojects between Q2 2017 and Q2 2019</p> <p>1.6 Finalize selection and appraisal of candidate subprojects by Q4 2016</p> <p>1.7 Prepare surveys and detailed engineering design for candidate subprojects by Q2 2017</p> <p>1.8 Update IEE and RP for candidate subprojects by Q2 2017</p> <p>1.9 Prepare bidding documents for candidate subprojects by Q3 2017</p> <p>1.10 Conduct bidding for candidate subprojects by Q1 2018</p> <p>1.11 Undertake civil works for candidate subprojects between Q2 2018 and Q2 2020</p> <p>1.12 Defects liability period from Q2 2020 to Q2 2021</p> <p>2. Enhanced solid waste management systems</p> <p>2.1 Prepare surveys and detailed engineering design for core subprojects by Q2 2016</p> <p>2.2 Update IEE and RP for core subprojects by Q2 2016</p> <p>2.3 Prepare civil works bidding documents for core subprojects by Q3 2016</p> <p>2.4 Conduct bidding for core civil works subprojects by Q1 2017</p> <p>2.5 Undertake civil works for core subprojects between Q2 2017 and Q2 2019</p> <p>2.6 Finalize performance based collections and recycling contracts by Q2 2017</p> <p>2.7 Conduct bidding for performance based contracts by Q4 2017</p> <p>2.8 Oversee implementation of collections and recycling contracts between Q1 2018 and Q1 2020</p> <p>2.9 Defects liability period from Q2 2019 to Q2 2020</p>		<p>ADB: \$17 million (ADF loan) and \$10 million (OCR loan)</p> <p>Government: \$10 million</p> <p>Global Environmental Facility (tbc): \$3 million (grant)</p> <p>Total: \$40 million</p>	

<p>3. Public Awareness and Engagement</p> <p>3.1 Non-government organization is recruited to implement a public awareness program by</p> <p>3.2 Caretakers are recruited and trained to oversee additional water supply zones by</p> <p>3.3 Dili solid waste management public awareness program is implemented from</p> <p>4. Efficient and effective project implementation</p> <p>4.1 Establish PIU with qualified staff by</p> <p>4.2 Recruit and mobilize consultants by</p> <p>4.3 Prepare guidelines/manuals for PIU staff by</p> <p>4.4 Contract management capacity building and training activities for implementing agencies carried out by</p>	
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ADF= Asian Development Fund, EA= executing agency, IA= implementing agency, DNSA= National Directorate of Water Services, DNSB= National Directorate for Basic Sanitation, MSA= Ministry of State Administration, IEE= initial environmental examination, OCR= ordinary capital resources, PIU= project implementation unit, RP= resettlement plan, SWM= solid waste management, UNICEF= United Nations Children’s Fund, WHO= World Health Organization. Source: Asian Development Bank.

PROJECT PREPARATORY TECHNICAL ASSISTANCE

A. Justification

1. The Government of the Democratic Republic of Timor-Leste has requested the Asian Development Bank (ADB) for a project preparatory technical assistance (TA) to prepare the Urban Services Improvement Sector Project. The TA is required to: (i) assist the National Directorate for Water Services (DNSA) to plan and prioritize investments to improve water supply services in Dili, (ii) assist the National Directorate for Basic Sanitation (DNSB) and Dili District Administration (DDA) to identify and prioritize investments to improve solid waste management in Dili, (iii) assess technical suitability, economic, financial and social viability, capacity and institutional issues, and environmental and social soundness of the project, and (iv) identify measures to strengthen project implementation capacity of DNSA, DNSB and DDA.

B. Major Outputs and Activities

2. The major outputs and activities are summarized in Table A4.1.

Table A3.1 Summary of Major Outputs and Activities

Major Activities	Major Outputs	Expected Completion Date
1. Preparatory activities	Inception report	February 2015
1.1. Conduct stakeholder consultations		
1.2. Establish TA methodology and work program		
1.3 Carry out procurement and financial management capacity assessment		
2. Water supply sector analysis	Interim report	April 2015
2.1 Review existing water supply master plans and upgrading strategies for Dili		
2.2 Prepare investment strategy for Dili water supply service improvements		
2.3 Identify priority project investment components		
2.4. Analyze design alternatives and identify least-cost technically feasible and socially acceptable option		
3. Solid waste sector analysis	Interim report	April 2015
3.1 Carry out assessment of existing systems for the storage, collection and disposal of solid waste		
3.2 Carry out an assessment of existing recycling operations in Dili		
3.3 Review Dili solid waste audit results to estimate volume and composition of urban solid waste in Dili		
3.4 Identify means of integrating informal waste recovery activities into the formal solid waste management system		
3.5 Identify priority programs and investments for promoting strengthened integrated solid waste management in Dili		
3.6 Analyze solid waste management alternatives to identify least-cost options		
4. Feasibility and due diligence assessment	Draft final report	June 2015
4.1. Prepare preliminary engineering designs for sample subprojects	Final report	July 2015
4.2. Prepare cost estimates and financing plan		
4.3. Assess economic viability of proposed sample subprojects		
4.4 Carry out financial analysis and evaluation of proposed sample subprojects		
4.5. Conduct environmental and social investigations to prepare EARF, IEEs, RF and RPs		

4.6. Prepare SPRSS and gender action plan		
4.7 Identify project risks and mitigating measures		
5. Project Implementation Arrangements	Draft final report	June 2015
5.2 Develop detailed project implementation schedule and project management arrangements	Final report	July 2015

EARF= environmental assessment and review framework, IEE = initial environmental examination, O&M= operations and maintenance, PAM = project administration manual, PIU= project implementation unit, SPRSS= summary poverty reduction and social strategy; RF= resettlement framework, RP = resettlement plan, TA = project preparatory technical assistance
Source: ADB

C. Cost Estimate and Proposed Financing Arrangement

3. The TA is estimated to cost \$980,000 equivalent, of which \$800,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V), and the remaining \$180,000 by the Urban Environmental Infrastructure Fund¹¹ under the Urban Financing Partnership Facility and administered by ADB. The government will provide counterpart support in the form of counterpart staff, provision of office space with furniture, communication facilities for consultants, data, reports and other in-kind contributions. The detailed cost estimate is presented in Table A4.2.

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

Item	Total Cost
A. Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	438
ii. National consultants	60
b. International and local travel	115
c. Reports and communications	10
2. Workshops, training, seminars, and conferences ^b	10
3. Translation	10
4. Surveys	45
5. Office Operations	20
6. Contingencies	92
Sub-Total (A)	800.0
B. Urban Environmental Infrastructure Fund under the Urban Financing Partnership Facility^c	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	150
ii. National consultants	30
Sub-Total (B)	180.0
Total (A+B)	980.0

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

^b Workshops, training, seminars, and conferences

Purpose	Venue
Inception workshop	TBD
Community consultations	TBD
Project design workshop	TBD

¹¹ Financing partner: the Government of Sweden

^c Financing partner: the Government of Sweden. Administered by the Asian Development Bank on a front-loaded basis.

TBD= to be determined.

Source: Asian Development Bank.

D. Consulting Services

4. An international water supply specialist, international project implementation specialist, and a national water supply specialist will be engaged as individual consultants. The remaining consultants will be recruited through a firm using the quality- and cost-based selection method. A quality-cost ratio of 80:20 will be applied, and simplified technical proposal procedures will be followed to engage the firm. ADB will select and engage consultants in accordance with ADB's *Guidelines on Use of Consultants* (2013, as amended from time to time).

Table A3.3: Summary of Consulting Services Requirement

Positions	Inputs (months)	Outline of Tasks
International Team	25.0	
Leader/Solid Waste Management Specialist	4.0	Develop costed and prioritized integrated solid waste management program for Dili covering solid waste disposal, collections, and recycling. Develop specifications and costs for equipment and vehicles for improving solid waste collection and disposal systems. Take overall responsibility for ensure quality of TA outputs are produced by other consultants.
Solid Waste Design Engineer	2.0	Prepare preliminary engineering designs and specifications for dumpsite upgrading investments, and other required facilities, such as a transfer station or waste segregation center.
Water Supply Engineer	4.0	Develop demand projections for water supply services in Dili over the next 20 years. Prepare investment strategy for Dili water supply, and identify high priority investments. Prepare preliminary designs and specifications for sample water supply subprojects.
Urban Sector Economist	1.5	Undertake least-cost analysis for proposed water supply and solid waste management investments, an economic analysis in line with ADB's <i>Key Areas of Economic Analysis of Investment Projects</i> (2013) including sensitivity analysis on key variables, and poverty distribution analysis.
Financial Management Specialist	2.0	Carry out financial due diligence on proposed sample subprojects, including financial analysis and evaluation. Undertake a financial management capacity assessment of the executing and implementing agencies, design disbursement arrangements and funds flow mechanism for the project. Prepare detailed project cost estimates for all project activities.
Environment Specialist	2.0	Prepare an environmental assessment and review framework for the project, as well as the initial environmental examinations for sample subprojects in line with ADB's <i>Safeguards Policy Statement 2009</i> , based on an audit of existing facilities, and identification of corrective measures where required.
Social Development Gender, and Social Safeguards Specialist	4.0	Carry out social, gender and poverty assessments to identify the impact, and special features to be considered in project design to maximize project benefits flowing to target groups such as low-income households and women. Preparation of summary poverty reduction and social strategy and gender action plan. Develop the project resettlement framework, and resettlement plans for sample subprojects in accordance with ADB's <i>Safeguards Policy Statement</i> (2009).

Social Marketing Specialist	1.5	Identify target community members to assess current behavior, knowledge, beliefs on solid waste management and water supply, and barriers to behavior change. Develop marketing strategies and public awareness campaigns to promote behavior change.
Project Implementation Specialist	2.5	Design project implementation arrangements within MOP and Estatal. Prepare the project administration manual, and identify start-up activities including advance action for consultant recruitment. Assess required training and capacity building measures for staff involved in project implementation.
Procurement Specialist	1.5	Carry out procurement capacity assessments for MOP and Estatal, including required capacity support. Structure contract packages and prepare the project procurement plan. Prepare performance-based contract templates for solid waste collections services and management of the Tibar dumpsite
National	18.0	
Solid Waste Management Specialist/ Deputy Team Leader	6.0	Support development of a solid waste management program for Dili. Assist with all consultations and investigations to identify, assess and prioritize measures for improving solid waste management.
Water Supply Design Engineer	6.0	Support the development of demand projections and preparation of preliminary designs and drawings for priority engineering works.
Social development specialist	6.0	Support the international expert to carry out social, poverty and gender analysis, and develop measures to ensure that project benefits flow to target groups, including poor households and women. Assist with the preparation of the resettlement framework and resettlement plans for sample subprojects.

Source: Asian Development Bank.

E. Implementation Arrangements

18. The executing agency will be the Ministry of Finance and the implementing agencies will be MOP and Estatal. Disbursements under the TA will be done in accordance with the ADB's *Technical Assistance Disbursement Handbook* (July 2012, amended from time to time).

19. The proposed TA processing and implementation schedule is listed in Table A4.4.

Table A3.4: TA Processing and Implementation Schedule

Major Milestones	Expected Completion Date
TA commencement	January 2015
Inception report	February 2015
Interim report	April 2015
Draft final report	June 2015
Final report	July 2015

TA= project preparatory technical assistance
Source: Asian Development Bank.

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Timor-Leste	Project Title:	Urban Services Improvement Sector Project
Lending/Financing Modality:	Sector	Department/ Division:	PARD/PAUS

I. POVERTY IMPACT AND SOCIAL DIMENSIONS
<p>A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy</p> <p>Timor-Leste Country Partnership Strategy 2011–2015 identified infrastructure development and management, particularly water supply as a focus area which is aligned with the Timor-Leste Strategic National Development Plan for 2011–2030.¹ This national plan lists the following as two of the six goals achievable by 2030 including: (i) reducing child mortality due to inadequate water supply, malnutrition or lack of health care; and (ii) eradication of extreme poverty through universal access to public services and ample job opportunities in all regions.</p> <p>The project will reduce economic and social exclusion of poor and vulnerable groups by improving access to safe and reliable water supply and solid waste services in currently underserved parts of Dili, where rates of poverty are high. The project will also identify measures such as lifeline tariffs for water supply that can be implemented to ensure that those households with limited ability to pay, can access water supplies to meet their basic needs.</p>
<p>B. Poverty Targeting</p> <p><input checked="" type="checkbox"/> General Intervention <input type="checkbox"/> Individual or Household (TI-H) <input type="checkbox"/> Geographic (TI-G) <input type="checkbox"/> Non-Income MDGs (TI-M1, M2, etc.)</p> <p>The project will support a reduction in child mortality and environmental quality improvements, which have been the focus of Millennium Development Goals. However, project benefits are not expected to be realized until after 2015, which is beyond the timeframe for achieving MDG goals.</p>
<p>C. Poverty and Social Analysis</p> <p>1. Key issues and potential beneficiaries.</p> <p>The primary beneficiaries are communities in Dili, particularly women and children, who will benefit from improved access to safe and reliable water supply and solid waste management services. Lack of access to safe and reliable water supplies is a leading cause of infant mortality and water-borne and water-related disease in urban communities. Inadequate solid waste management contributes to public health risks. In particular, scavengers which earn their livelihoods through waste picking at the Tibar dumpsite are exposed to a number of safety and health hazards. Women will benefit from improved water supply, which will reduce the burden of collecting water from other sources such as rivers and wells, and treating it through boiling, in order to render water safe for drinking. Also, as primary caregivers, women's productivity can be expected to increase if there are reduced incidences of sickness and disease among household members as a result of improved water supply, since less time will be dedicated to caring for sick family members. Children can be expected to benefit through reduced rates of infant mortality. Also, human capital development among children can be expected to improve if reduced cases of water-borne illness result in better school attendance and improved concentration in school.</p> <p>2. Impact channels and expected systemic changes.</p> <p>The proposed project will undertake priority water supply and solid waste management investments in order to increase service coverage, particularly among low-income households. Poor and socially excluded groups will directly benefit from the project since currently these groups are likely to be most affected by contamination of surface or groundwater resources, since they are less likely to be able to afford bottled water or fuel to boil water before consuming it. In addition, reduced disease and water-borne illness such as dysentery and diarrhea will reduce the burden of healthcare costs on households such as travel and waiting times incurred to consult healthcare professionals and spending on drugs to treat illness. The project will also support viable alternative livelihood strategies for waste pickers which currently earn a living from scavenging recyclables from the dumpsite, such as through integration into the formal solid waste management system. To ensure that low-income households are able to access basic services, pro-poor tariffs will be designed to ensure access to water supplies to meet basic household needs.</p>

¹ Government of Timor-Leste. 2012. On the Road to Peace and Prosperity. Timor-Leste Strategy Summary 2011-2030. Dili.

3. Focus of (and resources allocated in) the PPTA or due diligence). Social and gender analysis will be undertaken through the PPTA to develop participation and gender mainstreaming plans. Particular attention will be given to identifying and addressing the potential constraints faced by women and low-income groups in accessing project benefits, such as affordability of service. Given significant health risks associated with waste picking at Tibar dumpsite, alternative livelihood strategies will also be investigated.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? As primary caregivers, productivity of women may be adversely affected by time taken away from productive activities such as paid employment, to collect and treat water from rivers and wells, and care for sick family members affected by water-borne diseases resulting from inadequate water supply services. Similarly, the lack of access to a safe and reliable piped water supply adversely affects girls, since the collection of water takes time away from school and study. Similarly, women and children of families who scavenge waste from the dumpsite may be exposed to hazardous conditions earning a living recovering recyclable wastes; children may be taken out of school to earn income from waste scavenging activities.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?

Yes No Please explain.

Opportunities will be explored to engage women in project activities to promote women's empowerment. For example, the project will identify opportunities for women to work as water supply zone caretakers, and to train women involved in waste picking so that they are able to engage in better and safer livelihood activities. The project will also seek to involve women's groups in public awareness activities implemented under the project.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No Please explain

4. Indicate the intended gender mainstreaming category:

GEN (gender equity) EGM (effective gender mainstreaming)

SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.

The main stakeholders are: (i) Dili communities, (ii) waste pickers at Tibar dumpsite, (iii) government agencies involved in water supply and solid waste, and (iv) private sector operators involved in the delivery of water supply and solid waste management services.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded?

An initial stakeholder analysis to identify interest groups will be carried out as part of project preparatory PPTA activities. Stakeholder consultations will be carried out during all stages of project design and implementation to ensure that needs and priorities of various interest groups are reflected in project design, and supported through the delivery of project outputs.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?

M Information generation and sharing M Consultation L Collaboration L Partnership

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? Yes No

During project design issues such as affordability of water supply and solid waste services will be explored through focus groups and surveys. Similarly, consultations through focus groups will be held with waste pickers to better determine opportunities for promoting alternative livelihood strategies.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No Preliminary assessment indicates that upgrading of the Tibar dumpsite is likely to involve restrictions on the estimated 70 waste scavengers that are involved in materials recovery activities at the site. This is expected to result in economic displacement by preventing scavengers from entering the dumpsite to recover recyclable wastes. A survey and census of waste scavengers will be prepared, consultations on entitlements

such as improved/restored livelihoods undertaken, and grievance redress mechanisms developed to ensure that affected persons are involved in the planning and implementation of income and livelihood restoration activities. A resettlement framework will be prepared for the project, and resettlement plans developed for each subproject.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?

- Resettlement plan Resettlement framework Social impact matrix
 Environmental and social management system arrangement None

B. Indigenous Peoples Category A B C FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No

3. Will the project require broad community support of affected indigenous communities? Yes No

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?

- Indigenous peoples plan Indigenous peoples planning framework Social Impact matrix
 Environmental and social management system arrangement None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

M Creating decent jobs and employment M Adhering to core labor standards Labor retrenchment

- Spread of communicable diseases, including HIV/AIDS Increase in human trafficking M Affordability
 Increase in unplanned migration Increase in vulnerability to natural disasters Creating political instability
 Creating internal social conflicts Others, please specify _____

2. How are these additional social issues and risks going to be addressed in the project design? Alternative livelihood strategies will be identified for waste pickers, pro-poor tariffs will be designed, and the bid documents will require contractors to adhere to core labor standards and carry out HIV/AIDS awareness training for workers.

VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified?

- Yes No

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the PPTA or due diligence? The PPTA team includes an international social, poverty, gender and social safeguards specialist (4.0 person-months, intermittent), and national social, poverty, and gender specialist (6 person-months, full-time). The PPTA includes a budget of \$10,000 for workshops, training and consultations, and \$45,000 for surveys, including social, poverty and gender analysis.