

PROJECT PREPARATORY TECHNICAL ASSISTANCE

A. Justification

1. The project preparatory technical assistance (TA) is needed to undertake sector preparatory work and define the scope of the ensuing program. These outline terms of reference have been prepared using an output-based contract approach.

B. Major Outputs and Activities

2. The project preparatory TA has been structured into three separate components:
- (i) Component 1, supporting output 1, will focus on the preparation of a policy, governance, and institutional assessment, as well as detailed actions required to support the policy-based loan. These will include all of the program-level assessments required by the Asian Development Bank (ADB) as per the latest ADB guidelines and templates for policy-based loans.¹
 - (ii) Component 2, supporting output 4, will develop and deliver a sample capacity development initiative for implementation in four districts under batch 1 subprojects, and a training program at the national and subnational levels, for implementation under the program. This capacity building initiative would supply both the policy-based loan and the investment loan.
 - (iii) Component 3, supporting outputs 2 and 3, will (a) conduct a background assessment of the rural water supply and sanitation (RWSS) sector in the six target provinces, and (b) develop feasibility studies (including all relevant assessments per the latest ADB guidelines and templates) for batch 1 subprojects as well as the overall procurement plan. Under component 3 (a), the consultant will assess the potential for new approaches for how the investment loan will deliver water supply and sanitation interventions, including the possible use of service delivery contracts and/or output-based subsidies; pro-poor mechanisms for better targeting; household-level financing solutions; and review, design and testing of a microfinance model for household sanitation. These will inform recommendations for updating the sector investment plan for RWSS, and also the design of feasibility studies under component 3 (b).

C. Cost Estimate and Financing Plan

3. The project preparatory TA is estimated to cost \$1,100,000 equivalent, of which \$1,000,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V).² The government will provide counterpart support in the form of counterpart staff; office space; surveys, engineering, and other studies previously conducted; and other in-kind contributions.³ The government was advised that approval of the project preparatory TA does not commit ADB to finance any ensuing program. Indicative cost estimates, for budgeting purposes, are presented in Table A3.1.

¹ These will be provided and discussed upon commencement of the assignment.

² Additional sources of financing, including disaster risk reduction financing under the 11th replenishment of the Asian Development Fund, are being explored.

³ Contributions are expected to amount to 9% of the total cost of the TA.

Table A3.1: Cost Estimates and Financing Plan
(\$'000)

Item	Total Cost
A. Asian Development Bank ^a	
1. Consultants	
a. Remuneration and per diem	666.0
b. International and local travel	31.5
c. Reports and communications	10.0
2. Equipment (computer, printer, etc.) ^b	14.0
3. Workshops, training, seminars, and conferences ^c	
a. Facilitators	5.0
b. Workshops and training	45.0
4. Vehicles ^d	12.0
5. Surveys and investigations ^e	90.0
6. Miscellaneous administration and support costs	10.0
7. Contingencies ^f	116.5
Total	1,000.0

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

^b Technical assistance (TA) supervising units need to report equipment purchased under the TA budget to the Asset Management and Commercial Services Unit of the Office of Administrative Services in compliance with AO 4.02, Appendix 2, paragraphs 1.5 and 1.6. All equipment procured under the project preparatory TA will be turned over to the executing agency upon completion of the project preparatory TA, including the following:

Type	Quantity	Cost
Desktop and laptop computers with software, 1 color laser printer, 1 black and white laser printer, 1 photocopy machine, and office furniture	1 set	\$14,000

^c Workshops, training, seminars, and conferences will be prepared and conducted by the TA consultants.

Purpose	Venue
Inception, interim, and final workshops	Government offices or hotel

^d Vehicle (vehicle lease to supplement government vehicles, where available)

	Expected length of use
Vehicle lease for consultants to use for fieldwork (multiple locations)	12 vehicle-months

^e Includes microfinance model testing.

^f Contingencies may be used to engage additional consultants to assist the executing agency advance actions, Asian Development Bank procedures and documentation, and recruitment of the project implementation assistance consultant; and to provide other support as needed.

Source: Asian Development Bank estimates.

D. Consulting Services

4. A firm (or consortium of firms) with multisector experience will be engaged to undertake the necessary studies for this project preparatory TA. The consulting firm(s) will be engaged following the quality- and cost-based selection method, with a quality–cost ratio of 90:10, using full technical proposal procedures. Procurement of all consultancy services used under the project preparatory TA will be carried out in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).⁴

5. All international consultants will have experience in working in similar assignments in developing countries. Experience in the region, preferably in Cambodia, and experience in processing and implementing projects financed by international financing institutions, will be considered. All national consultants will have experience in similar assignments and working on international development projects.

6. The firm will deliver outputs organized as three components, as per paras. 7–11.

⁴ Output-based and/or lump sum contracts are being considered in the engagement of consulting services to reduce administrative burden and improve economy, efficiency, and value for money.

7. Under component 1, the consultant will (i) conduct policy, governance, and institutional assessments; (ii) evaluate the results of the rural water supply operation and maintenance (O&M) and rural sanitation transfer pilot for the subnational administration; (iii) evaluate the level of completion of actions outlined under the National Rural Water Supply, Sanitation and Hygiene Strategy, 2014–2025; the National Action Plan for Rural Water Supply, Sanitation and Hygiene, 2014–2018; and other documents; (v) draft sub-decrees, guidelines, and manuals in support of pending actions; (vi) prepare a policy matrix for policy-based lending; and (vii) conduct all program level assessments required by ADB as per the latest ADB guidelines and templates for policy-based loans. Key areas of expertise for this component will include institutions and governance, policy, decentralization, and relevant technical areas (including RWSS).

8. Under component 2, the consultants will assess staff strength, skills, and responsibilities at the national, provincial, and district levels, and develop a carefully designed capacity building initiative for district administration in response to functional assignment transfer for RWSS under the batch 1 subprojects. In addition, the consultants will review existing manuals and guidelines and propose relevant updates in areas such as community management, O&M, user charges, community collection and administration, groundwater protection and conservation, water conservation, behavior change communication, and environmental and hygiene education and awareness programs and campaigns. Key areas of expertise for this component will include institutions, governance and capacity development.

9. Under Component 3 (a), for the six Tonle Sap provinces, the consultant will conduct a background assessment that will encompass the following tasks: (i) assess the total financial envelope available for the sector; (ii) describe, map, and quantify the condition of basic RWSS amenities and services; (iii) assess managerial and administrative arrangements; (iv) conduct an inventory and critically review all relevant initiatives for infrastructure development, studies, plans, and programs, and public and private sector proposals in selected districts for sector implementation; (v) describe existing relevant O&M procedures, tariffs, and status of billing and collection for the selected subsectors; (vi) prepare a financing and budgeting strategy for safe RWSS, focusing on poor and vulnerable households, and reviewing the proportion of contribution that should be made by communities in each province and district (including through socio-economic and willingness to pay surveys to set criteria and setting of local rates); (vii) propose new approaches for how the investment loan will deliver RWSS interventions, including the possible use of service delivery contracts and/or output-based subsidies, pro-poor mechanisms for better targeting, household-level financing solutions, and access to financing for poor households; and (viii) make recommendations for updating the sector investment plan for RWSS.

10. Under component 3 (b), the consultant will develop feasibility studies for batch 1 subprojects based largely on the approach taken under the Second Rural Water Supply and Sanitation Sector Project but also incorporating new approaches as per the findings under the outputs of components 1, 2, and 3 (a). Development of the feasibility studies will encompass the following: (i) prepare a preliminary engineering design for subprojects for four districts under batch 1, and undertake detailed subproject preparation activities, including an analysis of suitable technical options that incorporate climate change adaptation and disaster risk reduction measures; (ii) estimate all program costs at market rates; (iii) present an overall procurement plan with procurement contract packages for all batches, clearly indicating the packages to be financed in line with ADB's Procurement Guidelines (2015, as amended from time to time), and prepare master bidding documents for batch 1 subprojects; (iv) prepare detailed financing and disbursement plans; (v) conduct assessments focusing on governance, poverty and social

aspects, involuntary resettlement, indigenous peoples, and environmental impacts (including rapid assessment of climate risks); (vi) conduct program economic and financial analyses, in accordance with ADB's guidelines for economic analysis and financial management and analysis of projects, for the sector and sample subprojects;⁵ (vii) review, design, and test mechanisms for access to finance for household sanitation to ensure viability during implementation, and thoroughly assess institutions for delivery during upscaling; (viii) through a socioeconomic survey and other tools, assess the program's social impact, preparing poverty and social assessment and a gender action plan; (ix) confirm the safeguards categorizations, preparing indigenous peoples, resettlement, and environmental frameworks, and planning documents for batch 1 subprojects; and (x) develop standard contracts for O&M.

11. Key areas of expertise for component 3 will include relevant technical expertise (including rural water supply, rural sanitation, water and engineering), economics, financial management, microfinance, safeguards (environment and climate change, social development, gender and social safeguards) and monitoring and evaluation.

E. Implementation Arrangements

12. The Ministry of Rural Development will be the executing agency for the project preparatory TA. The project preparatory TA consultants will be partly based in Phnom Penh (no more than 50% of the time) and partly based in selected district administrations (at least 50% of the time). The Ministry of Rural Development and district administrations will provide office space to the consultants. The government will provide qualified counterpart staff, office administrative support services (where available) and logistics, and necessary data and reports. The executing agencies and ADB will be responsible for supervision of the quality of the project preparatory TA work. Disbursements under the project preparatory TA will be done in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). The consultants may procure equipment through shopping in accordance with ADB's Procurement Guidelines. The equipment procured will be transferred to the executing agency upon completion of the project preparatory TA. A project coordination unit within the Department of Rural Water Supply will be used for project management and coordination.

13. The proposed project preparatory TA processing and implementation schedule is listed in Table A3.2. The project preparatory TA is expected to commence on 15 March 2017 and conclude by 30 September 2018.

Table A3.2: Technical Assistance Processing and Implementation Schedule

Major Milestones	Expected Completion Date
Commencement	March 2017
Inception report	April 2017
Component 1 report	June 2017
Component 2 report	July 2017
Component 3 report	January 2018
Delivery of full capacity development initiative	June 2018
Financial closure (including loan start-up activities)	September 2018

Source: Asian Development Bank

⁵ ADB. 1997. *Guidelines for the Economic Analysis of Projects*. Manila; ADB. 2005. *Guidelines on the Financial Management and Analysis of Projects*. Manila. The economic analysis will broadly cover 10 elements as per ADB. 2003. *Economic Analysis of Projects. Operations Manual*. OM G1/OP. Manila (para. 2). The quantitative distribution analysis and determination of poverty impact ratios are particularly relevant.