



Technical Assistance Subproject Proposal

Project Number: 51063-001
Transaction Technical Assistance Cluster (C-TRTA)
December 2017

Timor-Leste: Policy and Planning Development for Public Investments, Subproject 1

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Asian Development Bank

CURRENCY EQUIVALENTS

The unit of currency in Timor-Leste is the US dollar

ABBREVIATIONS

ADB	–	Asian Development Bank
COL	–	concessional ordinary capital resources
OCR	–	ordinary capital resources
TA	–	technical assistance
TRTA	–	transaction related technical assistance

NOTE

In this report, "\$" refers to United States dollars.

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I. THE ONGOING AND ENSUING PROJECTS

1. This technical assistance subproject will support several ongoing projects in the transport and water and urban services sub-sectors and ensuing projects in the education, energy, transport, and water and urban services subsectors. Further details on the ongoing and ensuing projects are provided below.

2. The District Capitals Water Supply project was designed to address the root causes of poor health outcomes by providing clean drinking water to households in two of Timor-Leste's district capitals. Approved in 2011 and projected to close in 2019, the original project design featured five outputs, including water supply system upgrades and the design and implementation of a private sector led model for operations and maintenance of the upgraded systems. The project was financed with an \$11 million Asian Development Fund grant. As of June 2017, more than 90% of grant funds had been contracted and 76.4% had been disbursed. Physical works under the project have almost been completed and project activities are now focused on sustainable operations and maintenance. In the transport sector, ADB has three ongoing projects to support inclusive growth and improved connectivity by rehabilitating and upgrading the national road network. The initial funding commitments for these projects comprised \$70.85 million ordinary capital resources (OCR) and \$67.36 million of concessional ordinary capital resources (COL). Additional financing for two of the projects added a further \$64.78 million of OCR, and \$22.93 million of COL. Including the additional financing, ADB's funding commitment for the three projects is \$135.63 million of OCR and \$90.28 million of COL. These projects encompass the rehabilitation, widening, and climate proofing of 378.6 kilometers of national roads, road safety campaigns, the implementation of performance based maintenance for upgrade roads, and preparation of future projects. The expected completion dates for the initial projects and additional financing range from 2017 to 2022. As of June 2017, 58% of the total funds were contracted, and 22.7% had been disbursed.

3. The subproject will also support several ensuing projects that are listed in ADB's country operations and business plan 2017-2019. These projects with potential loan financing of \$135 million of OCR and \$58 million of COL. In the water and urban services sector, the District Capital Water Supply Project is expected to support upgrading of water supply systems in district capitals, and could cover the systems for Baucau, Viqueque, Los Palos, and Same, for which ADB helped to prepare high level masterplans through the ongoing water sector project. The Urban Water Supply Project (Phase I and II) are expected to staged upgrading of water supply systems in the capital, Dili, although the final scope of the project is subject to further discussion and confirmation with the Government of Timor-Leste. These ensuing projects in water and urban services have indicative loan financing of \$45 million of OCR and \$39 million of COL. In the energy sector, the Electricity System Strengthening and Sustainability Program would support a package of investments and reforms to improve the performance and efficiency of the existing system, while the Renewable Energy project would support development of new renewable energy sources to reduce the operational costs and environmental impacts of the sector. The indicative combined loan financing for these projects is \$50 million of OCR and \$5 million of COL. In the transport sector, the Sustainable Road Transport Project has indicative loan financing of \$40 million of OCR and will build on ADB's ongoing transport projects by addressing key remaining gaps in the national road network and ensuring the sustainability of the ongoing and recently completed road improvements. Finally, the workforce and skills development project is expected to operationalize some of the key recommendations from ongoing technical assistance to the Ministry of Education on pathways for developing technical

and vocational streams within the secondary education system. This project has indicative ADB loan financing of \$14 million of COL.

II. THE TECHNICAL ASSISTANCE SUBPROJECT

A. Overall Progress of the Technical Assistance Cluster

4. The TRTA cluster was approved on 27 November 2017. This is the first subproject to be prepared under the cluster.

B. Subproject Scope

5. The subproject will build government capacity for public investment management (PIM), and strengthen sector policy and planning. Subproject activities will support successful implementation of ADB's portfolio of ongoing projects and preparation of a pipeline of new investment projects.

6. The support for public investment management incorporates three work streams. Strengthening project appraisal and selection (subproject activities 1.1 – 1.2) will help to build a robust pipeline of projects that could be considered for ADB financing. Support for more comprehensive and efficient environmental management and licensing (subproject activities 1.3 – 1.4) will facilitate implementation of ADB's ongoing and future projects. The third stream addressing other selected issues in public investment management (subproject activity 1.5) will enable ADB to respond rapidly and flexibly to emerging issues in PIM systems that are impacting on implementation of ongoing projects or are a bottleneck to preparation of new projects.

7. The support for sector policy and planning also incorporates three work streams. The development of policies and plans to support the achievement of Sustainable Development Goal 6 (subproject activity 2.1) will help to ensure the sustainability of the ongoing District Capital Water Supply Project and clarify the scope of the proposed Urban Water Supply Sector Project (Phase I and II). Policy advice and capacity development support in response to selected issues in transport, water and urban services, energy, and education (subproject activity 2.2) can help to the sustainability of ADB's ongoing projects in these sectors and the development of strong sector plans that integrate proposed ADB's investments in the sectors. The third work stream, (sub project activity 2.3) is completion of pre-feasibility assessments for projects with potential for ADB financing. This activity is firmly focused on future investments.

C. Subproject Outputs and Activities

8. The major outputs and activities are summarized in Table 1.

Table 1: Summary of Major Outputs and Activities

Major Outputs	Delivery Dates	Key Activities with Milestones
1. Output 1: Improved capacity for public investment management	1.1 Q2 2018	1.1 Updating guidelines for project appraisal and project selection.
	1.2 Q3 2018 - Q4 2020	1.2 Supporting implementation of revised project appraisal guidelines.

	1.3 Q2 2018	1.3 Review of ELL and preparation of amendments and implementing regulations.
	1.4 Q3 2018.	1.4 Capacity development support for licensing activities of NDPCEI.
	1.5 Q2 2018 - Q4 2020.	1.5 Policy advice and capacity development in response to selected issues in public investment management.
2. Output 2: Improved sector policy and planning.	2.1 Q4 2018	2.1 Development of sector policies and plans for achievement of SDG 6.
	2.2. Q1 2018 - Q4 2020	2.2 Policy advice and capacity development support in response to selected issues in transport, water and urban services, energy, and education.
	2.3 Q4 2020	2.3 Pre-feasibility assessments completed for at least two candidate investment projects.

ELL = environmental licensing law, SDG = sustainable development goal, NDPCEI = national directorate for pollution control and environmental licensing.

Source: ADB staff estimates

D. Subproject Cost and Financing

9. The TA subproject is estimated to cost \$1.25 million of which \$1.2 million will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 6). The key expenditure items are listed in Appendix 1. The government will provide counterpart support in the form of counterpart staff, office accommodation, and other in-kind contributions. The government was informed that approval of the subproject does not commit ADB to finance any ensuing project.

E. Subproject Implementation Arrangements

10. ADB will administer the subproject. ADB's Timor-Leste Resident Mission will select, supervise and evaluate consultants, with support from ADB's Pacific Transport, Energy and Natural Resources Division and Pacific Urban, Social Development, and Public Management Division. Consulting services will comprise both national and international consultants. Consultants will be recruited using individual consultant selection in order to ensure flexibility during TA implementation. TLRM will be the principal administering division with responsibility for signing of TA claims and approval of other TA administration matters.

Table 2: Subproject Implementation Arrangements

Aspects	Arrangements
Indicative implementation period	January 2018 – December 2020
Executing agency	Ministry of Finance
Implementing agency	Asian Development Bank, Pacific Department
Consultants	To be selected and engaged by ADB

Aspects	Arrangements		
	Individual (Individual selection)	International Expertise 32 person-months	\$858.2 thousand
	Individual (Individual selection)	National Expertise 48 person-months	\$271.2 thousand
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		

Source: Asian Development Bank estimates.

11. **Consulting services.** The consultants will be engaged in accordance with the ADB Procurement Policy (2017, as amended from time to time) and the associated project administration instructions and/or TA staff instructions.¹ Output-based/lump sum contracts will be considered in the engagement of consultancy services in line with MTR Action Plan Nos. 2.9.2 and 2.10.2

12. **Other services.** Any procurement of non-consulting services will follow the ADB Procurement Policy (2017, as amended from time to time) and the Procurement Regulations for ADB Borrowers (2017, as amended from time to time)

13. Appendix 2 lists the ensuing and ongoing projects to be supported under the TA subproject, and the allocation of consultant inputs to each project.

¹ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 2).

SUBPROJECT COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
A. Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	698.2
ii. National consultants	264.0
b. Out-of-pocket expenditures	
i. International and local travel	105.0
ii. Training, seminars, and conferences	40.0
iii. Reports and communications	22.2
2. Contingencies	70.6
Total	1,200.0

Note: The technical assistance (TA) is estimated to cost \$1.25 million of which contributions from the Asian Development Bank are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office accommodation, and other in-kind contributions. The value of government contribution is estimated to account for 4% of the total TA cost.

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

Source: Asian Development Bank estimates.

SUMMARY OF CORRESPONDING ENSUING AND ONGOING PROJECTS

Project Title	Categorization	Loan Amount	Consultant Inputs Under Subproject (months)
District Capitals Water Supply Project	Low risk	\$11.00 million	3
Road Network Upgrading Project, additional financing	Low risk	\$11.78 million	2
Road Network Upgrading Sector Project, additional financing	Low risk	\$76.06 million	1
Dili to Baucau Highway Project	Low risk	\$49.65 million	2
Baucau-Viqueque Road Project	Low risk	\$50.00 million	1
District Capital Water Supply Project	Low risk	\$25.00 million	14
Urban Water Supply Project;	Low risk	\$20.00 million	12
Workforce and Skills Development Project	Low risk	\$14.00 million	10
Electricity System Strengthening and Sustainability Project	Low risk	\$50.00 million	7
Renewable Energy	Low risk	\$20.00 million	9
Sustainable Road Transport Project	Low risk	\$40.00 million	10
Urban Water Supply Sector Project, Phase II	Low risk	\$39.00 million	9

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=51063-002-TAReport>

1. Terms of Reference for Consultants
2. Approved Report and Recommendation of the President
 - a. District Capitals Water Supply Project
 - b. Road Network Upgrading Project
 - c. Road Network Upgrading Project, additional financing
 - d. Road Network Upgrading Sector Project
 - e. Road Network Upgrading Sector Project, additional financing
 - f. Dili to Baucau Highway Project