

# Project Administration Manual

Project Number 42439  
Loan Number:  
October 2013

Republic of Palau: Koror–Airai Sanitation Project

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### **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 Ministry of Finance (MOF) as the project executing agency and the Palau Public Utilities Corporation (PPUC) Water and Wastewater Operations as the implementing agency 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 MOF and PPUC of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

In the event of any discrepancy or contradiction between the PAM and the Loan Agreement, the provisions of the Loan Agreement shall prevail.

After ADB Board approval of the project's report and recommendation 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
AFS	=	audited financial statements
CQS	=	consultant qualification selection
DMF	=	design and monitoring framework
EARF	=	environmental assessment and review framework
EIA	=	environmental impact assessment
EMP	=	environmental management plan
ESMS	=	environmental and social management system
EQPB	=	Environmental Quality Protection Board
GACAP	=	governance and anticorruption action plan
GAP	=	Gender action plan
GDP	=	gross domestic product
ICB	=	international competitive bidding
IEE	=	initial environmental examination
IMF	=	International Monetary Fund
IPP	=	indigenous people plan
IPPF	=	indigenous people planning framework
KASMP	=	Koror- Airai Sanitation Master Plan
LAR	=	land acquisition and resettlement
LIBOR	=	London interbank offered rate
MOF	=	Ministry of Finance
MPIIC	=	Ministry of Public Infrastructure, Industries & Commerce
NCB	=	national competitive bidding
NGOs	=	nongovernment organizations
PAI	=	project administration instructions
PAM	=	project administration manual
PCR	=	project completion review
PFTAC	=	Pacific Financial and Technical Assistance Center
PIA	=	project implementation assistance
PMU	=	project management unit
PPMS	=	project performance management system
PPUC	=	Palau Public Utility Corporation
PSC	=	project steering committee
PPUC	=	Palau Public Utilities Corporation
QBS	=	quality based selection
QCBS	=	quality and cost based selection
RRP	=	report and recommendation of the President to the Board
SBD	=	standard bidding documents
SOE	=	statement of expenditure
SPS	=	Safeguard Policy Statement
SPRSS	=	summary poverty reduction and social strategy
STP	=	Sewage treatment plant
TOR	=	terms of reference
WSIP	=	Water Sector Improvement Program

## I. PROJECT DESCRIPTION

1. The project will provide high priority sanitation infrastructure identified in the Koror – Airai Sanitation Master Plan (KASMP).<sup>1</sup> The project will be complemented by activities currently being implemented under the Water Sector Improvement Program (WSIP).

2. **Impact and Outcome.** The impact of the project is improved environmental and public health in Koror and Airai. The outcome of the project will be improved delivery of sanitation services by Palau Public Utilities Corporation (PPUC).

3. **Outputs:** Project outputs include:

- (i) **Output 1: Effective, efficient, and sustainable sewage collection systems in Koror and Airai.** The sewerage network in Koror will be rehabilitated and augmented to (a) minimize the frequency and severity of uncontrolled sewage overflows; (b) reduce the energy requirements to operate the network; (c) improve the operation of the network through real-time monitoring of sewage collection system parameters at key locations within the network; and (d) enable rapid response to disruptions to sewerage services resulting from system failures. A sewerage network will be constructed at Kesebelau (Airai).
- (ii) **Output 2: Sewage treatment and disposal meets Palau’s environmental standards.** Sewage collected in the Koror and Airai sewerage networks will be treated to tertiary standards at new sewage treatment plants (STPs) to be constructed at Malakal (Koror) and at Kesebelau (Airai). Effluent from the new STPs will meet Palau’s environmental discharge quality standards for the current and projected 2036 sewer loads.
- (iii) **Output 3: Safe and hygienic public toilet facilities in Koror are available.** Three gender sensitive public toilets will be rehabilitated and connected to the sewer system while an additional three toilets will be built in key locations in the tourist precincts of Koror.
- (iv) **Output 4: Effective project management.** The project management unit (PMU), supported by project implementation assistance (PIA) consultants will provide project design and supervision, monitoring, reporting, quality and cost control, screening, contract administration services and monitoring of the gender action plan, and environmental action plan.

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<sup>1</sup> KASMP was prepared under TA-7382 (PAL): Preparing the Sanitation Sector Development Project and provides an urban infrastructure investment plan for Palau for the period 2011 to 2036.

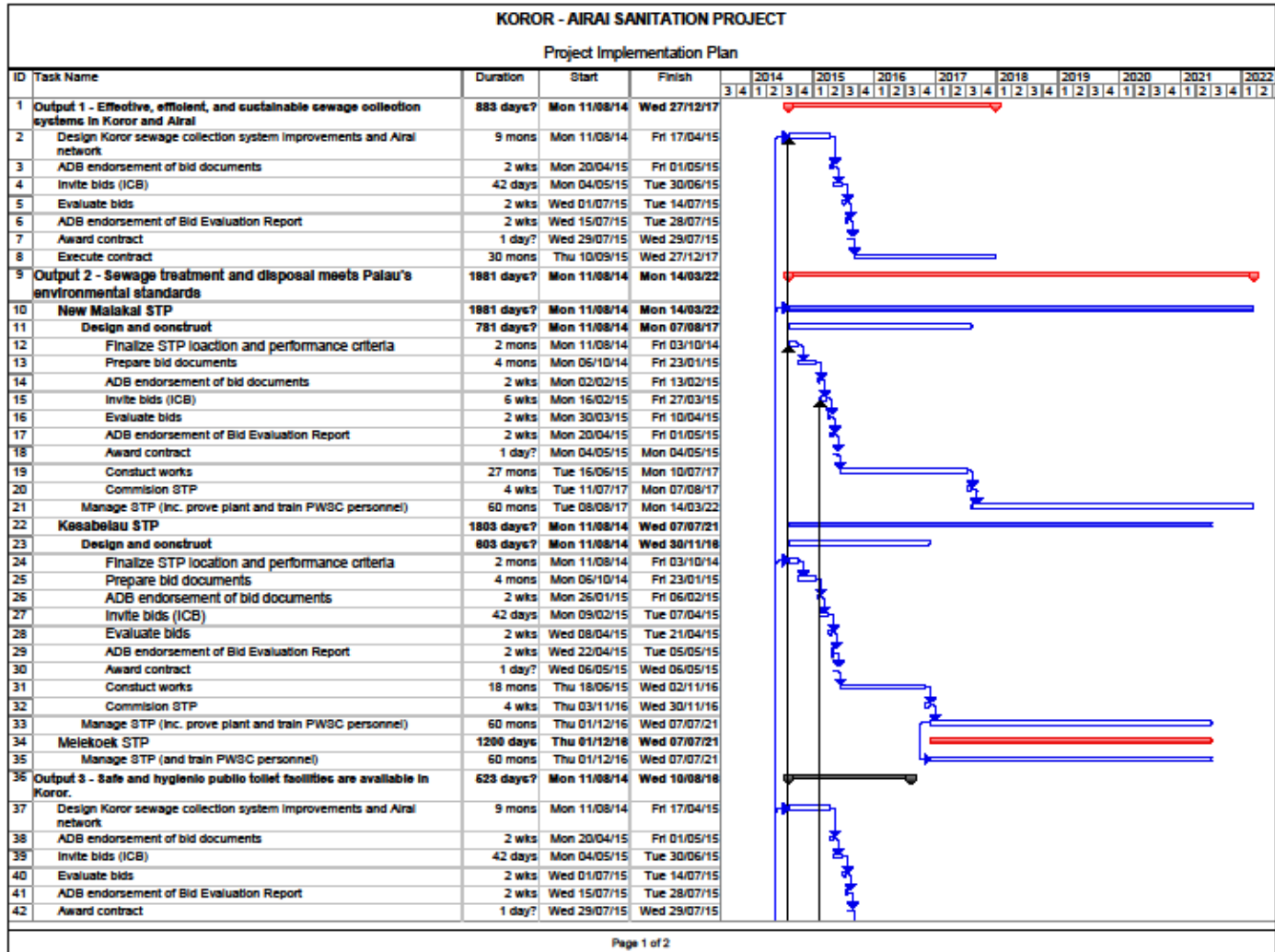
## II. IMPLEMENTATION PLANS

### A. Project Readiness Activities

Indicative Activities	Months					Who responsible
	Nov 2013	Dec 2013	Jan 2014	Feb 2014	Mar 2014	
Advance contracting actions						ADB, MOF, PPUC
Establish project implementation arrangements						MOF, PPUC
ADB Board approval						ADB
Loan signing						ADB, MOF
Government legal opinion provided						OAG
Government budget inclusion						MOF
Loan effectiveness						ADB

ADB = Asian Development Bank, MOF = Ministry of Finance, OAG = Office of the Attorney General, PPUC = Palau Public Utilities Corporation.

## B. Overall Project Implementation Plan



KOROR - AIRAI SANITATION PROJECT						2014												2015												2016												2017												2018												2019												2020												2021												2022											
Project Implementation Plan																																																																																																																	
ID	Task Name	Duration	Start	Finish																																																																																																													
43	Execute contract	12 mos	Thu 10/09/15	Wed 10/08/16																																																																																																													
44	<b>Output 4 - Effective project management</b>	1780 days?	Mon 02/12/13	Fri 28/08/20																																																																																																													
45	Project management unit formed and functioning	1818 days?	Mon 02/12/13	Thu 13/02/20																																																																																																													
46	Project manager appointed and PMU formed.	1 day?	Mon 02/12/13	Mon 02/12/13																																																																																																													
47	PMU manages the project.	80.9 mos	Tue 03/12/13	Thu 13/02/20																																																																																																													
48	<b>Project Implementation Assistance</b>	1780 days	Mon 02/12/13	Fri 28/08/20																																																																																																													
49	Recruit PIA Consultants	116 days	Mon 02/12/13	Fri 08/06/14																																																																																																													
50	Prepare RFP	30 days	Mon 02/12/13	Fri 10/01/14																																																																																																													
51	Invite EOIs	23 days	Mon 13/01/14	Wed 12/02/14																																																																																																													
52	Review EOIs and Shortlist consulting firms	5 days	Thu 20/02/14	Wed 26/02/14																																																																																																													
53	Invite proposals from shortlisted firms	6 wks	Thu 27/02/14	Wed 08/04/14																																																																																																													
54	Review proposals	10 days	Thu 10/04/14	Wed 23/04/14																																																																																																													
55	Contract negotiations	2 days	Thu 08/05/14	Fri 09/05/14																																																																																																													
56	Sign contract	0 days	Fri 09/05/14	Fri 09/05/14																																																																																																													
57	Field consultants	80.5 mos	Mon 30/05/14	Fri 28/08/20																																																																																																													
58	Gender Action Plan	700 days	Mon 22/08/14	Fri 28/06/17																																																																																																													
59	Implement GAP	35 mos	Mon 22/09/14	Fri 26/05/17																																																																																																													



### III. PROJECT MANAGEMENT ARRANGEMENTS

#### A. Project Implementation Organizations – Roles and Responsibilities

4. **Project executing and implementing agencies.** The Ministry of Finance (MOF) is the executing agency (EA) and the Palau Public Utilities Corporation (PPUC) is the implementing agency (IA).

5. **Project steering committee (PSC).** The government has appointed a PSC. The PSC shall meet quarterly and provide strategic direction, guidance, and oversight of the project. The PSC chair is Minister of Finance. Other members of the PSC include the PPUC Board, a representative from the Ministry of Public Infrastructure, Industries and Commerce (MPIIC) and a representative from the Office of the President. The composition of the PSC may, during the implementation of the project, be amended or expanded to include representatives from civil society organizations, women's associations, and other government agencies and public enterprises.

6. **Project management unit (PMU).** The government will establish the PMU by 1 November 2013. The PMU will be responsible for the overall implementation of the project including the day-to-day project activities, compliance with the provisions of the loan and project agreements and government policies and guidelines, project administration, preparation of loan withdrawal applications, and maintenance of records. The PMU will also (i) serve as the Secretariat for the PSC; (ii) provide project management, administration, and interagency coordination at the executive level; (iii) maintain project accounts; (iv) oversee project procurement; (v) prepare reports as required during the implementation of the project including progress reports (at least quarterly) for the government and Asian Development Bank (ADB); and (vi) prepare the project completion report to the government and ADB.

7. The PMU will comprise the following personnel:

- (i) *PMU project manager.* The PPUC water and wastewater operations manager will also be the PMU project manager. The PMU project manager will report to the PPUC chief executive officer and will be responsible for the delivery and the day-to-day management of the project.
- (ii) *Finance officer.* The finance officer will be responsible for financial monitoring of the project, including establishing and maintaining the project accounts and arranging for independent audits of the project accounts. The finance officer will also be responsible for the preparation of loan withdrawal applications and the submission of such withdrawal applications (once signed by authorized signatories) to ADB. The finance officer will report to the PMU project manager.
- (iii) *Contracts manager.* The contracts manager will be responsible for administering contracts and ensuring contractor and PPUC compliance with contractual obligations for contracts procured for the project including supervision of the works, preparation of payment certificates, change orders, and site instructions. The contracts manager will also be the project manager / engineer for the project's civil works contracts. The PPUC operations manager has been designated as the contracts manager and will report to the PMU project manager.

- (iv) *Procurement officer.* The procurement officer of the PPUC will be responsible for project procurement. The procurement officer will report to the PMU project manager.
- (v) *Wastewater manager.* The wastewater manager will report to the PMU project manager and will be responsible for delivery of the design and bid documents for project's sewerage works and sewage treatment plants. The wastewater manager will also assist (a) the contracts manager in supervision of the project's civil works contracts and contract administration; and, (b) the procurement officer to address bidder queries. The wastewater manager will be a full-time employee of PPUC.
- (vi) *Safeguards manager.* The safeguards manager will be the Director of the Environmental Quality Protection Board (or delegate) and will be responsible to ensure compliance the project's environmental, resettlement, and gender requirements as outlined in this and other project documents. The safeguards manager will report to the PMU Project Manager.
- (vii) *Project engineer.* The project engineer will be a PPUC water and wastewater operations technical staff member and will assist: (a) the contracts manager in the supervision and administration of the project's civil works contracts; and (b) the wastewater engineer in the design and documentation of the project's wastewater components. The project engineer will report to the contracts manager.

8. **Project implementation assistance (PIA) consultants.** The PMU will be supported by PIA consultants. The PIA consultants will report to the PMU project manager and will assist in delivering the project outputs and effectively manage the project. The consultants will assist the PMU to: (i) confirm the project scope; (ii) prepare bid documents (including design) and supervision of project activities; (iii) monitor and report project progress; (iv) facilitate the timely delivery of the project in compliance with standards acceptable to the government and ADB and within the project budget (quality and cost control); (v) administer contracts awarded under the project; (vi) facilitate and monitor the implementation of the gender action plan (GAP); and (vii) provide other services to the project manager and PMU as necessary to deliver the project.

9. The recruitment of the PIA consultants will be the first project procurement activity and is expected to be completed before or soon after the project becomes effective.

10. The management roles and responsibilities of the various stakeholders are shown in the table below.

<b>Project implementation organizations</b>	<b>Management Roles and Responsibilities</b>
<ul style="list-style-type: none"> <li>• <b>Executing agency</b> Ministry of Finance</li> </ul>	<ul style="list-style-type: none"> <li>➤ Coordinate with the IA in the preparation of withdrawal applications and submission to ADB.</li> <li>➤ Maintain separate project accounts, have all project accounts audited annually and sent to ADB.</li> <li>➤ Ensure the compilation and presentation of all reporting requirements under the project.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Project management unit (PMU)</b></li> </ul>	<ul style="list-style-type: none"> <li>➤ Responsible for the overall implementation of the project including the day-to-day project activities.</li> <li>➤ Ensure compliance with the provisions of the Loan and Project Agreements and government policies and</li> </ul>

- guidelines.
    - Administer the project.
    - Prepare loan withdrawal applications.
    - Maintain project accounts and records.
    - Serve as the secretariat for the PSC.
    - Ensure interagency coordination
    - Oversee project procurement.
    - Prepare reports as required during the implementation of the project including progress reports (at least quarterly) for the government and ADB.
    - Prepare the project completion report to the government and ADB.
  - **Project Steering Committee**
    - Oversee and monitor all aspects of project implementation.
    - Advise government on any issues raised or concerns and propose remedial actions.
  - **Implementing agency**  
Palau Public Utilities Corporation
    - Responsible for day-to-day implementation of the project.
    - Prepare overall project implementation plan and consolidated annual work plan.
    - Prepare bid documents to comply with ADB requirements, evaluate bids, and award works, administer contracts, and supervision.
    - Measure works carried out by contractors and certifying payments.
    - Carry out environmental assessments and project performance management system (PPMS).
    - Implement and monitor the Gender Action Plan (GAP).
    - Ensure compliance with loan covenants.
    - Prepare monthly reports.
    - Carry out socio-economic monitoring surveys to assess project impact.
    - Procure equipment and services for sanitation infrastructure and engage the community public awareness activities.
    - Ensure compliance with safeguards requirements
  - **Asian Development Bank**
    - Monitor and review overall implementation in consultation with the EA and IA including: project implementation schedule; actions required with reference to the summary poverty reduction & social strategy, gender action plan and environment management plan; timeliness of budgetary allocations and counterpart funding; project expenditures progress with procurement and disbursement, statement of expenditures when applicable; compliance with loan covenants; and likelihood of attaining project outputs and outcome.
    - Participate in annual work plan discussions.
-

**B. Key Persons Involved in Implementation****Executing Agency**

Ministry of Finance

Officer's Name: Hon Elbuchel Sadang  
Position: Minister of Finance  
Telephone: (680) 488-4411  
Email address: esadang@gmail.com  
Office Address: 3rd Floor, Executive Building,  
Ngerulmud, Palau 96939

**ADB**

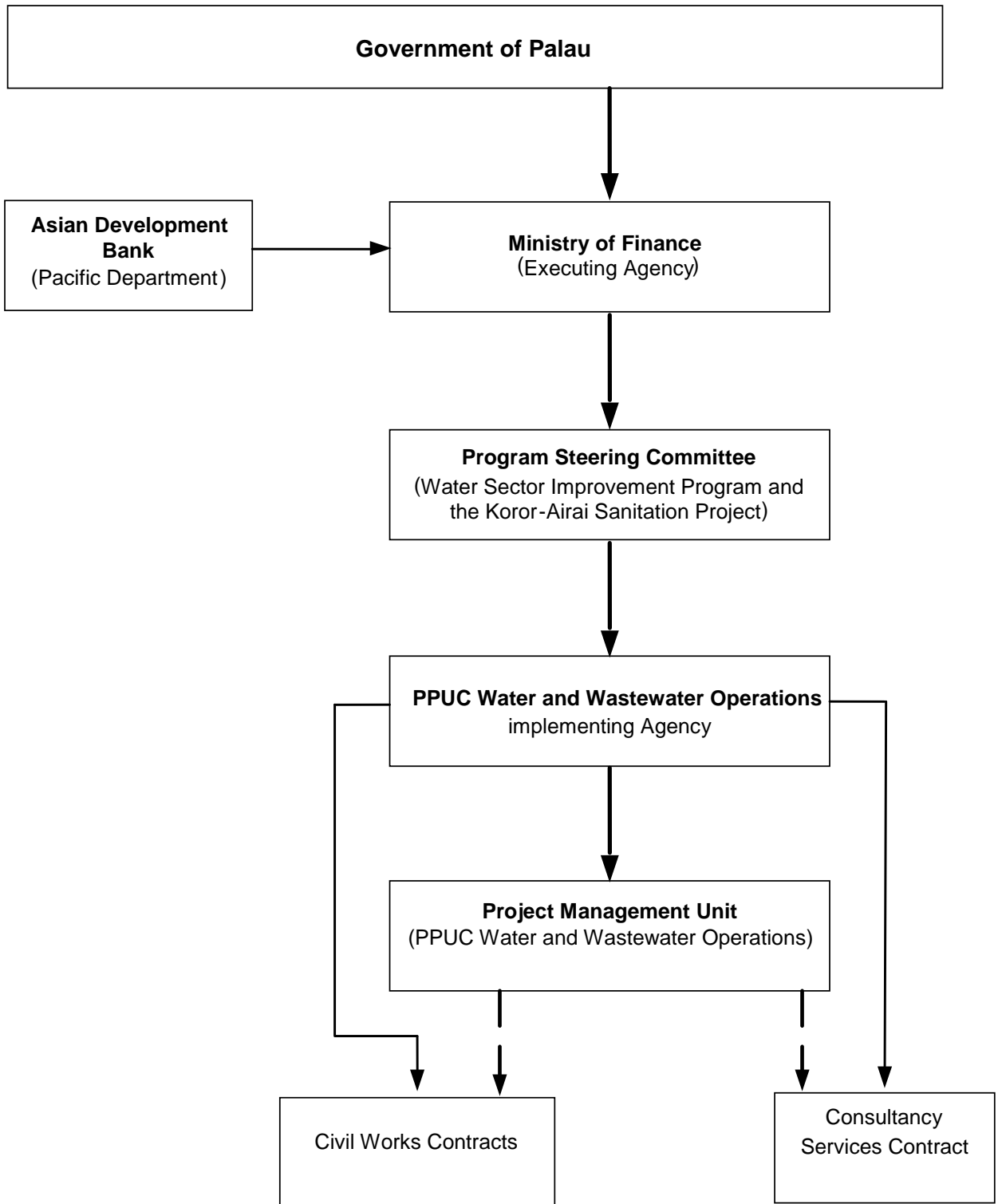
PAUS

Staff Name: Ikuko Matsumoto  
Position: Director  
Telephone No.: (632) 632 6853  
Email address: imatsumoto@adb.org

Mission Leader

Staff Name: Stephen Blaik  
Position: Senior Urban Development Specialist  
Telephone No.: (632) 632 6127  
Email address: sblaik@adb.org

C. Project Organization Structure



—————> Direct responsibility  
- - - - -> Technical advice

C.

#### IV. COSTS AND FINANCING

11. The project is estimated to cost \$30.0 million (Table 1) including taxes and duties of \$1.2 million equivalent.

12. The government has requested a loan not exceeding \$1.9 million from ADB's Special Funds resources and a loan of \$26.9 million from ADB's Ordinary Capital Resources to help finance the project. The Government of Palau will provide \$1.2 million to finance taxes and duties. Detailed cost and financing tables are presented below.

##### A. Project Financing Plan

**Table 1. Financing Plan**

<b>Source</b>	<b>Total (millions)</b>	<b>%</b>
Asian Development Bank		
Asian Development Fund	1.9	6.33%
Ordinary Capital Resources	26.9	89.67%
Government of Palau	1.2	4.00%
<b>Total</b>	<b>30.0</b>	<b>100.0%</b>

Source: Asian Development Bank estimates.

## B. Detailed Cost Estimates by Expenditure Category

Item	\$'000		Total Cost	% of Total Base Cost
	Foreign Exchange	Local Currency		
<b>A. Investment Costs <sup>a</sup></b>				
1. Civil Works	3,769	3,769	7,538	31.2%
2. Equipment and materials	8,554	3,667	12,221	50.6%
3. Land Acquisition	-	-	-	0.0%
4. Consultancy Services	1,884	1,305	3,188	13.2%
5. Taxes and Duties	743	457	1,200	5.0%
<b>Subtotal (A)</b>	<b>14,949</b>	<b>9,198</b>	<b>24,147</b>	<b>100.0%</b>
<b>B. Contingencies <sup>b</sup></b>				
1. Physical	2,242	1,683	3,926	16.3%
2. Price	159	511	670	2.8%
<b>Subtotal (B)</b>	<b>2,402</b>	<b>2,194</b>	<b>4,596</b>	<b>19.0%</b>
<b>C. Financing Charges During Implementation <sup>c</sup></b>				
1. Interest During Implementation	1,159	-	1,159	4.8%
2. Commitment Charges	98	-	98	0.4%
<b>Subtotal (C)</b>	<b>1,257</b>	<b>-</b>	<b>1,257</b>	<b>5.2%</b>
<b>Total Project Cost (A+B+C)</b>	<b>18,608</b>	<b>11,392</b>	<b>30,000</b>	<b>124.2%</b>

<sup>a</sup> In mid-2012 prices.

<sup>b</sup> Physical contingencies computed at 15%. Price contingencies computed at an average of 2.7% for local currency costs and 0.5% for foreign costs over the project implementation period (using ADB price escalation factors).

<sup>c</sup> Includes interest and commitment charges. Interest during construction has been computed for 2012-2020 at the five-year forward London interbank-offered rate plus a spread of 0.5% inclusive of a maturity premium of 0.1%. Annual commitment charges are estimated at 0.15% on undisbursed loan balances. ADB has waived front-end fees.

Source: Asian Development Bank.

### C. Allocation and Withdrawal of Loan Proceeds

#### OCR LOAN

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Koror-Airai Sanitation Project)				
Number	Item	Total Amount Allocated for ADB Financing (\$)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	7,538,000		
1A	Sewage collection systems		3,248,000	100% of total expenditure claimed <sup>a</sup>
1B	Sewage treatment systems		4,290,000	100% of total expenditure claimed <sup>a</sup>
2	Equipment	12,221,000		
2A	Sewage collection systems		4,868,000	100 % of total expenditure claimed <sup>a</sup>
2B	Sewage treatment systems		7,353,000	100% of total expenditure claimed <sup>a</sup>
3	Consulting Services	1,742,000		54.6% of total expenditure claimed <sup>a</sup>
4	Interest and Commitment Charges	1,153,000		100% of amount due
5	Unallocated	4,246,000		
	Total	26,900,000		

<sup>a</sup> Exclusive of taxes and duties imposed within the territory of the Borrower.

Source: Asian Development Bank.

#### ADF LOAN

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Koror-Airai Sanitation Project)				
Number	Item	Total Amount Allocated for ADB Financing (SDR)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Consultancy Services		957,000	45.4% of total expenditure claimed <sup>a</sup>
2	Financing Charges during implementation		69,000	100% of amount due
3	Unallocated		232,000	
	Total		1,258,000	

<sup>a</sup> Exclusive of taxes and duties imposed within the territory of the Borrower.

Source: Asian Development Bank.



Detailed Cost Estimates by Financing Source

Item	Total Cost	ADB OCR		ADB ADF		GOP	
	\$'000	\$'000	% of Cost Category	\$'000	% of Cost Category	\$'000	% of Cost Category
<b>A. Investment Costs<sup>a</sup></b>							
1. Civil Works	7,538	7,538	100.0%	-	0.0%	-	0.0%
Comprising:							
1a. Sewage collection systems	3,248	3,248	100.0%	-	0.0%	-	0.0%
1b. Sewage treatment systems	4,290	4,290	100.0%	-	0.0%	-	0.0%
2. Equipment	12,221	12,221	100.0%	-	0.0%	-	0.0%
Comprising:							
2a. Sewage collection systems	4,868	4,868	100.0%	-	0.0%	-	0.0%
2b. Sewage treatment systems	7,353	7,353	100.0%	-	0.0%	-	0.0%
3. Land Acquisition	-	-	0.0%	-	0.0%	-	0.0%
4. Consultancy Services	3,188	1,742	54.6%	1,446	45.4%	-	0.0%
5. Taxes and Duties	1,200	-	0.0%	-	0.0%	1,200	100.0%
<b>Subtotal (A): Total Base Cost</b>	<b>24,147</b>	<b>21,501</b>	<b>89.0%</b>	<b>1,446</b>	<b>6.0%</b>	<b>1,200</b>	<b>5.0%</b>
<b>B. Contingencies<sup>b</sup></b>							
1. Physical	3,926	3,626	0.0%	300	0.0%	-	0.0%
2. Price	670	620	0.0%	50	0.0%	-	0.0%
<b>Subtotal (B)</b>	<b>4,596</b>	<b>4,246</b>	<b>0.0%</b>	<b>350</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>
<b>C. Financing Charges During Implementation<sup>c</sup></b>							
1. Interest During Implementation	1,159	1,055	91.0%	104	9.0%	-	0.0%
2. Commitment Charges	98	98	100.0%	-	0.0%	-	0.0%
<b>Subtotal (C)</b>	<b>1,257</b>	<b>1,153</b>	<b>91.7%</b>	<b>104</b>	<b>8.3%</b>	<b>-</b>	<b>0.0%</b>
<b>Total Project Cost (A+B+C)</b>	<b>30,000</b>	<b>26,900</b>		<b>1,900</b>		<b>1,200</b>	
<b>% of Total Project Costs</b>	<b>100.0%</b>		<b>89.7%</b>		<b>6.3%</b>		<b>4.0%</b>

<sup>a</sup> In mid-2012 prices.

<sup>b</sup> Physical contingencies computed at 15%. Price contingencies computed at an average of 2.7% for local currency costs and 0.5% for foreign costs over the project implementation period (using ADB price escalation factors).

<sup>c</sup> Includes interest and commitment charges. Interest during construction has been computed for 2012-2020 at the five-year forward London interbank-offered rate plus a spread of 0.5% inclusive of a maturity premium of 0.1%. Annual commitment charges are estimated at 0.15% on undisbursed loan balances.

Source: Asian Development Bank.

**D. Detailed Cost Estimates by Outputs <sup>a</sup>**

Item	\$ million
<b>A. Base Cost<sup>b</sup></b>	
Output 1 Effective, efficient, and sustainable sewage collection.	8.443
Output 2 Sewage treatment and disposal meets environmental standards.	12.896
Output 3 Safe and hygienic public toilet facilities are available.	0.098
Output 4 Effective project management.	2.710
<b>Subtotal (A)</b>	<b>24.147</b>
<b>B. Contingencies<sup>c</sup></b>	<b>4.634</b>
<b>C. Financing Charges During Implementation<sup>d</sup></b>	<b>1.219</b>
<b>Total Project Cost (A+B)</b>	<b>30.000</b>

<sup>a</sup> Including taxes and duties of US\$1.2 million.

<sup>b</sup> In mid-2012 prices.

<sup>c</sup> Physical contingencies computed at 15%. Price contingencies computed at an average of 2.7% for local currency costs and 0.5% for foreign costs over the project implementation period (using ADB price escalation factors).

<sup>d</sup> Includes interest and commitment charges. Interest during construction has been computed for 2012-2020 at the five-year forward London interbank-offered rate plus a spread of 0.5% inclusive of a maturity premium of 0.1%. Annual commitment charges are estimated at 0.15% on undisbursed loan balances.

Source: Asian Development Bank.

## E. Detailed Cost Estimates by Year

Item	Total Cost	2013	2014	2015	2016	2017	2018	2019	2020
<b>A. Investment Costs<sup>a</sup></b>									
1. Civil Works comprising	7,538	-	1,475	1,819	2,828	1,157	86	86	86
1a. Sewage collection systems	3,248	-	642	642	1,283	642	-	-	-
1b. Sewage treatment systems	4,290	-	815	1,158	1,544	515	86	86	86
2. Equipment comprising	12,221	-	2,388	2,976	4,573	1,845	147	147	147
2a. Sewage collection systems	4,868	-	963	963	1,925	963	-	-	-
2b. Sewage treatment systems	7,353	-	1,397	1,986	2,648	883	147	147	147
3. Land Acquisition	-	-	-	-	-	-	-	-	-
4. Consultancy Services	3,188	773	889	681	736	74	12	12	12
5. Taxes and Duties	1,200	40	249	286	426	161	13	13	13
<b>Subtotal (A): Total Base Cost</b>	<b>24,147</b>	<b>813</b>	<b>5,001</b>	<b>5,762</b>	<b>8,562</b>	<b>3,236</b>	<b>258</b>	<b>258</b>	<b>258</b>
<b>B. Contingencies</b>	<b>4,596</b>	<b>155</b>	<b>952</b>	<b>1,097</b>	<b>1,630</b>	<b>616</b>	<b>49</b>	<b>49</b>	<b>49</b>
<b>C. Financing Charges During Implementation</b>	<b>1,257</b>	<b>54</b>	<b>134</b>	<b>226</b>	<b>363</b>	<b>420</b>	<b>20</b>	<b>20</b>	<b>19</b>
<b>Total Project Cost (A+B+C)</b>	<b>30,000</b>	<b>1,023</b>	<b>6,087</b>	<b>7,084</b>	<b>10,555</b>	<b>4,272</b>	<b>327</b>	<b>327</b>	<b>327</b>
Annual Disbursements (% of total)		3.4%	20.3%	23.6%	35.2%	14.2%	1.1%	1.1%	1.1%
Cumulative Disbursements (% of total)		3.4%	23.7%	47.3%	82.4%	96.7%	97.8%	98.9%	100.0%

<sup>a</sup> Exclusive of taxes and duties.

Source: Asian Development Bank.

## F. Contract and Disbursement S-curve

### Contract Awards

Year	Projected Contract awards (\$million)	% of total Contract awards	$\Sigma$ % of total Contract awards
2013	2.865	10.0%	10.0%
2014	22.389	77.9%	87.9%
2015	1.097	3.8%	91.7%
2016	1.630	5.7%	97.3%
2017	0.614	2.1%	99.5%
2018	0.050	0.2%	99.7%
2019	0.050	0.2%	99.8%
2020	0.050	0.2%	100.0%

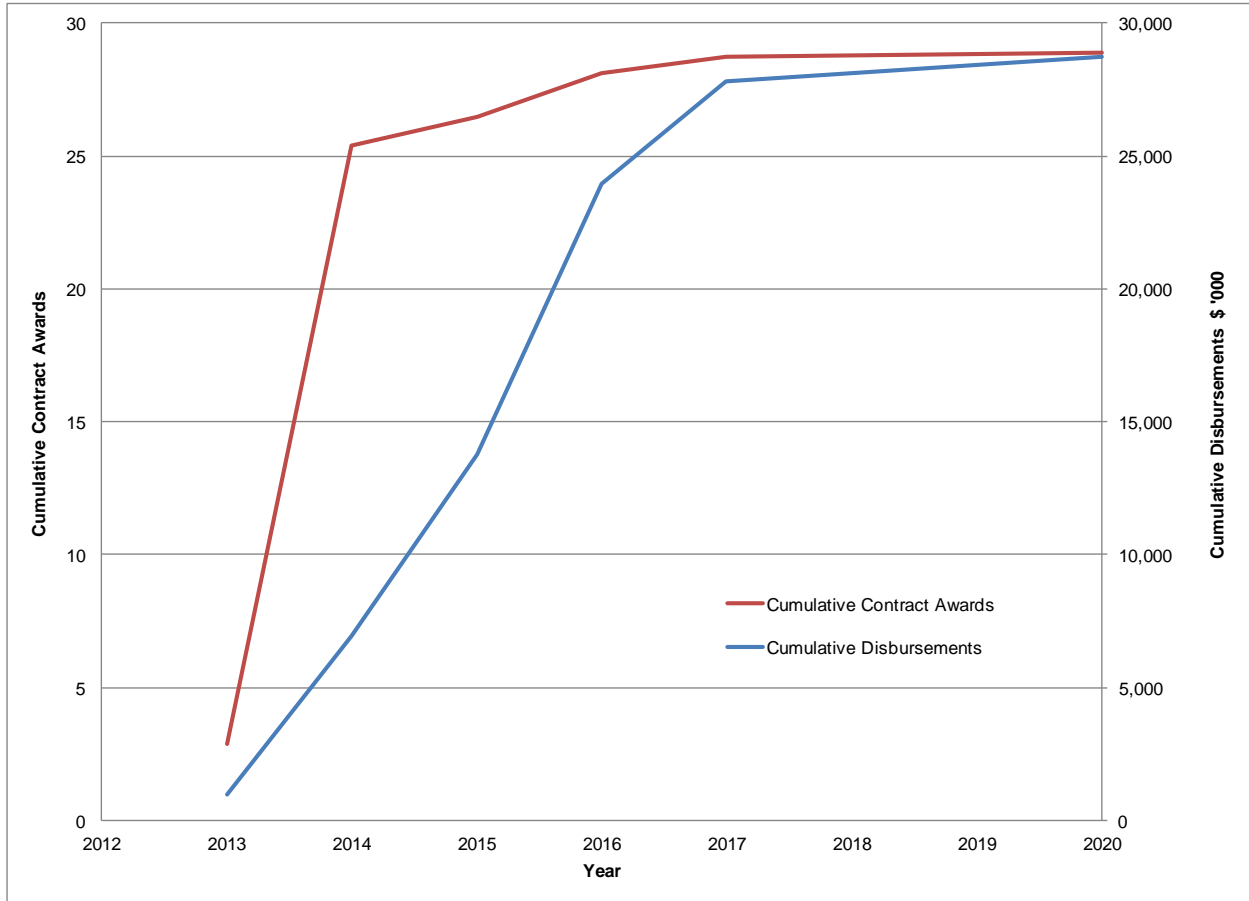
Source: Asian Development Bank.

### Disbursements

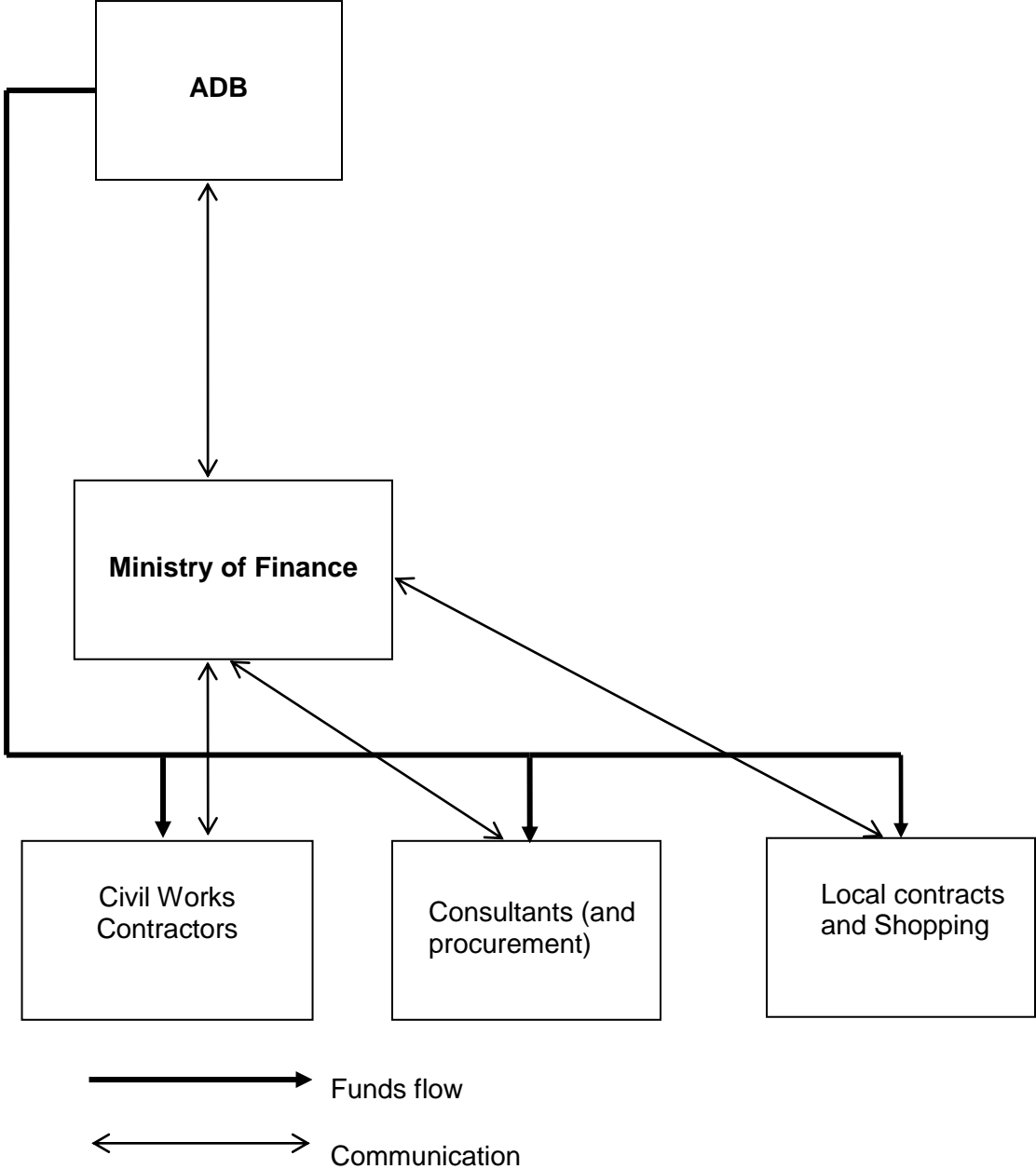
Year	Projected Disbursements (\$ million)	% of total disbursements	$\Sigma$ % of total disbursements
2013	1.0	3.47%	3.4%
2014	5.9	20.49%	23.7%
2015	6.9	23.96%	47.3%
2016	10.2	35.42%	82.4%
2017	3.9	13.54%	96.7%
2018	0.3	1.04%	97.8%
2019	0.3	1.04%	98.9%
2020	0.3	1.04%	100.0%

Source: Asian Development Bank.

**Graph 1 Contract Awards and Disbursements**



G. Fund Flow Diagram



## V. FINANCIAL MANAGEMENT

### A. Financial Management Assessment

13. **Public Financial Management.** The ADB undertook a governance assessment<sup>2</sup> in 2009 and this has been followed up by financial management performance recommendations by the International Monetary Fund (IMF).<sup>3</sup> The application of budget processes is not consistently applied and the quality of budget preparation and analysis prior to submission of annual budgets needs improvement.<sup>4</sup> Cash planning and performance management systems are ineffective, hampering service delivery but improvements are being supported through the Pacific Financial and Technical Assistance Centre. All government audits in Palau are conducted by the Public Auditor or are contracted to private firms. There are rarely significant audit findings and mechanisms existing to follow-up on these. There is no significant internal audit function in place in line ministries, and this needs to be addressed.

14. The financial management risk has been identified as moderate. Key financial control risks include (i) a lack of experience in implementing ADB loans; (ii) limited capacity of MOF to manage ADB projects; (iii) delay in completion of project accounts for external audit; and (iv) the government's account structure provides limited information on sector expense but once the PPUC water and wastewater operations financial structures are complete this will improve. The project will include international specialists to assist the PMU with the procurement, management and supervision, including preparation of financial documentation required under the project. Under the Water Sector Improvement Program (WSIP),<sup>5</sup> an international finance specialist is assisting PPUC water and wastewater operations to establish its financial operations which will also mitigate the financial control risks.

### B. Disbursement

15. The loan proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2012, as amended from time to time),<sup>6</sup> and detailed arrangements agreed upon between the government and ADB. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS.<sup>7</sup> All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list (Appendix 5) to subprojects financed by ADB.

16. Direct payment and reimbursement procedures will be used for civil works, consulting services, and equipment. The IA will (i) prepare disbursement projections; (ii) request budgetary allocations for counterpart funds; and (iii) collect supporting documents. The EA will prepare and send the withdrawal applications to ADB.

<sup>2</sup> ADB. 2009. *Governance Assessment, Palau: Country Partnership Strategy (2009-2013)*. Manila.

<sup>3</sup> IMF. 2012. *Republic of Palau: 2012 Article IV Consultation-Staff Report; and Public Information Notice on the Executive Board Discussion for the Republic of Palau*. IMF Country Report No. 12/54, February.

<sup>4</sup> This being addressed through an ADB technical assistance to develop a medium term budget framework, the first application of which will go to Congress for the 2012-13 budget. The support is through ADB, 2009, *Technical Assistance to Palau for Implementing a Medium Term Budget Framework*. Manila.

<sup>5</sup> ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Palau for the Water Sector Improvement Program*. Manila.

<sup>6</sup> Available at: [http://www.adb.org/Documents/Handbooks/Loan\\_Disbursement/loan-disbursement-final.pdf](http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf).

<sup>7</sup> Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>.

17. Before the submission of the first withdrawal application, MOF 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 US\$100,000 unless otherwise approved by ADB. The MOF is to consolidate claims to meet this limit for reimbursement claims. Withdrawal applications and supporting documents will demonstrate, among other things that the goods, and/or services were produced in or from ADB members, and are eligible for ADB financing.

### **C. Accounting**

18. The MOF will maintain separate project accounts and records by funding source for all expenditures incurred on the project. Project financial statements will follow accounting principles and practices prescribed by the government's accounting laws and regulations.<sup>8</sup>

### **D. Auditing**

19. The MOF will ensure the auditing of detailed project financial statements in accordance with International Standards on Auditing by an auditor acceptable to ADB. The audited project financial statements will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the EA. The government and the MOF have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited accounts. The ADB reserves the right to verify the project's financial statements to confirm that the share of ADB's financing is used in accordance with policies and procedures. The ADB also requires audited financial statements (AFS) for the WOO.

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<sup>8</sup> The governments financial management is undertaken in accordance with the US Government Accounting Standards Board.



## **VI. PROCUREMENT AND CONSULTING SERVICES**

### **A. Advance Contracting**

20. All advance contracting will be undertaken in conformity with ADB's Procurement Guidelines (March 2013, as amended from time to time) and ADB's Guidelines on the Use of Consultants (March 2013, as amended from time to time).<sup>9</sup> The government, the MOF, and PPUC have been advised that approval of advance contracting does not commit ADB to finance the project. Advanced contracting will be limited to recruitment of the project implementation assistance (PIA) consultants. The government has requested ADB assistance in recruiting the PIA consultants; specifically with the process of advertisement, evaluation of expressions of interest and proposals for the project management and implementation consultants using quality- and cost-based selection (QCBS) under advance action to facilitate the timely commencement of the project. The ADB may assist the government in negotiations with the first-ranked consulting firm. However, the government will be responsible for engaging the PIA consultants and for administration and monitoring of their contracts.

### **B. Procurement of Goods, Works and Consulting Services**

21. All procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines. The ADB's standard bid documents will be used for all procurement involving international competitive bidding (ICB) for works, national competitive bidding (NCB) for works, and ICB for goods.

22. The ICB procedures will be used for civil works contracts estimated to cost \$1,000,000 or greater, and NCB for civil works contracts estimated to cost less than \$1,000,000. Shopping will be used for contracts for procurement of works and equipment worth less than \$100,000.

23. Before the start of any procurement, ADB and the government will review the public procurement laws of the central and state governments to ensure consistency with ADB's Procurement Guidelines.

24. 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.

25. An estimated 250 person-months (46 international, 204 national) of consulting services are required to facilitate project management and implementation, and strengthen the institutional and operational capacity of PPUC in infrastructure design and international large scale project procurement. Consulting firms will be engaged using the QCBS method with a standard quality cost ratio of 80:20 in accordance with ADB's Guidelines on the Use of Consultants (2010, as amended from time to time). The PMU will follow national labor regulations and is expected to offer equal opportunities to women. Terms of reference for all consulting services are detailed in Section D.

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<sup>9</sup> Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

## C. Procurement Plan

### Basic Data

Project Name: Koror – Airai Sanitation Project	
<b>Country:</b> Republic of Palau	<b>Executing Agency:</b> Ministry of Finance
<b>Loan Amount:</b> \$28.8 million	<b>Loan Number:</b>
<b>Date of First Procurement Plan:</b> 1 June 2012	<b>Date of this Procurement Plan:</b> 13 September 2013

### 1. Process Thresholds, Review, and 18-Month Procurement Plan

#### a. Project Procurement Thresholds

26. Except as the ADB may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works	
Method	Threshold
International competitive bidding (ICB) for works	Greater than or equal to \$1,000,000,
National competitive bidding (NCB) for works	Less than \$1,000,000,
ICB for goods	Greater than or equal to \$100,000
Shopping for works	Below \$100,000
Shopping for goods	Below \$100,000

#### b. ADB Prior or Post Review

27. Except as ADB may otherwise agree, the following prior or post review requirements apply to the various procurement and consultant recruitment methods used for the project.

Procurement Method	Prior or Post	Comments
<b>Procurement of Goods and Works</b>		
ICB Works	Prior	
ICB Goods	Prior	
Shopping for Works	Post	
Shopping for Goods	Post	
Community participation	Post	
<b>Recruitment of Consulting Firms</b>		
Quality- and Cost-Based Selection (QCBS)	Prior	80:20
<b>Recruitment of Individual Consultants</b>		
Individual Consultants	Prior	(national and international)

#### c. Goods and Works Contracts Estimated to Cost More Than \$1 Million

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

<b>General Description</b>	<b>Contract Value</b>	<b>Procurement Method</b>	<b>Prequalification of Bidders (y/n)</b>	<b>Advertisement Date (quarter/year)</b>	<b>Comments</b>
Sewer network rehabilitation and expansion	\$9.14million	ICB	N	Q2 2015	
Malakal and Kesebelau Sewage Treatment Plants – design, supply, install, and manage.	\$13.10 million	ICB	N	Q3 2014	

**d. Consulting Services Contracts Estimated to Cost More Than \$100,000**

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

<b>General Description</b>	<b>Contract Value</b>	<b>Recruitment Method<sup>1</sup></b>	<b>Advertisement Date (quarter/year)</b>	<b>International or National Assignment</b>	<b>Comments</b>
Project implementation assistance consultants	\$2.77 million	QCBS	Q4 2013	Both	Full technical proposal

**e. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less Than \$100,000**

30. The following table groups smaller-value goods, works and consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

<b>General Description</b>	<b>Value of Contracts (cumulative)</b>	<b>Number of Contracts</b>	<b>Procurement / Recruitment Method<sup>1</sup></b>	<b>Comments</b>
Nil				

31. All procurement activities are expected to be completed within 18 months of project effectiveness.

**D. Procurement Packages**

32. The project works and services will be procured through 3 procurement packages comprising 2 civil works contracts - (i) sewer network rehabilitation and expansion, and (ii) Malakal and Kesebelau Sewage Treatment Plants - and a consulting services contract for project implementation assistance (PIA). The scope and nature of the civil works contracts is outlined in Section E. The terms of reference for the PIA consultant contract is provided in Section F.

## E. Scope and Nature of Civil Works Contracts

### a. Sewer network rehabilitation and expansion

33. The Sewer network rehabilitation and expansion civil works package will be procured as a supply and install contract. The design and documentation of the works will be undertaken by the PIA consultants. The PIA consultants will also prepare bidding documents following ADB's standard bidding documents for *Procurement of Works – Small Contracts*. The scope of the works will include:

- (i) Construction of new inceptor gravity sewer comprising:
  - (a) Directionally drilled 525mm (21 inch) nominal bore (NB) high density poly ethylene (HDPE) sewer. Length – 1,500m (4,920 feet). Average depth - 4.5m;
  - (b) Directionally drilled 450mm NB (18 inch) HDPE sewer. Length – 850m (2,790 feet). Average depth 4.5m (15ft);
  - (c) Directionally drilled 375mm NB (15 inch) HDPE sewer. Length – 350m (1,150 feet). Average depth 4.5m (15ft); and
  - (d) Directionally drilled 300mm NB (12 inch) HDPE sewers to connect new inceptor sewer with existing collector sewers (at 6 locations). Length – 150m (490 feet). Average depth 4.5m (15ft); and
- (ii) Construction of new 450mm NB (18 inch) HDPE pressure main including; trench works, backfill, bridge crossings, site restoration, and traffic control. Length – 2,050m (6,730 feet).
- (iii) Construction of new 200mm NB (8 inch) HDPE pressure main including; trench works, traffic control, backfill and site restoration. Length – 500m (1,640 feet);
- (iv) Extension of an existing 250mm NB (10 inch) HDPE pressure main including; trench works, traffic control, backfill and site restoration.
- (v) Construction of new 150mm NB (6 inch) gravity sewers deep including; trenching, bedding, pipelaying, backfilling, installing house connections, decommissioning septic systems, and site restoration. Length – 6,000m (6,730 feet). Depth - 1.5m to 2.5m (5 to 9 feet).
- (vi) Construction of 2 new major pump stations inclusive of excavation (including sheet piling & ground water control), civil works including steel works and covers, pumps and pipework, electrical control building, electrical control panels and power supply, overflow treatment facility, and siteworks including fencing and restoration.
- (vii) Construction of 2 new minor pump stations inclusive of excavation (including sheet piling & ground water control), civil works including steel works and covers, pumps and pipework, electrical control building, electrical control panels and power supply, overflow treatment facility, and siteworks including fencing and restoration.
- (viii) Major pump station (1 No.) improvements including upgrading of pumps, pipework, and fencing.
- (ix) Minor pump station (35 No.) improvements including upgrading of overflow arrangements, pump station covers, and fencing; and electrical control panels and power supply.
- (x) Supply and installation telemetry system on all existing minor pump stations including; central monitoring computer system and software.
- (xi) Construction of new public toilet facilities (3 No.).
- (xii) Rehabilitation of exiting public toilet facilities (3 No.).

## **b. Malakal and Kesebelau Sewage Treatment Plants**

34. Malakal and Kesebelau sewage treatment plants civil works package will be procured as a design, supply install, and manage contract. The PIA consultants will prepare bidding documents following ADB's standard bidding documents for *Procurement of Plant – Design Supply, and Install*. The contract will incorporate 2 separable portions (i) design, supply and construction, and commissioning of the Malakal and Kesebelau sewage treatment plants, and (ii) management of the Malakal, Kesebelau, and Melekeok sewage treatment plants.

35. The scope of Separable Portion No.1: *design, supply and construction, and commissioning of the Malakal and Kesebelau sewage treatment plants* will include:

- (i) Construction of a new 24,000 equivalent population (EP) sequencing batch reactor sewage treatment plant at Malakal including; screening system, sludge dewater plant, and UV disinfection; decommissioning and demolition of the existing sewage treatment plant at Malakal, and restoration of works site. The defects liability period for the plant and all associated equipment will be 60 months commencing at the operational acceptance of the plant; and
- (ii) Construction of a new 3,000 EP extended aeration nitrification / denitrification sewage treatment plant at Kesebelau (Airai) including and UV disinfection outfall pipeline to nearby creek and access road. The defects liability period for the plant and all associated equipment will be 60 months commencing at the operational acceptance of the plant.

36. The scope of Separable Portion No.2: management of the Malakal, Kesebelau, and Melekeok sewage treatment plants will cover the management the Malakal, Kesebelau, and Melekeok sewage treatment plants following the commissioning of the Malakal and Kesebelau sewage treatment plants initially on a full-time basis for the first 3 years and then on a part-time basis for the following 2 years. The contractor will provide a plant manager who will be responsible for the day-to-day management of the sewage treatment plants. The Manager will be supported by personnel provided by PPUC for the operation and management of the plants. The contractor will be responsible for training PPUC personnel in operation and management of the sewage treatment plants. PPUC will be responsible for the provision of consumable materials and electricity necessary for the full operation of the plant.

## **F. Consultant's Terms of Reference**

37. A total of 6 international consultants and 8 national consultants will be engaged for a total of 46 person-months of international input and 204 person-months of national input to provide project implementation assistance to the project during the design and construction of project components. The international consultants will include (i) a team leader/ project engineer (24 person-months intermittent inputs for project coordination and delivery of the project); (ii) a sewerage network design engineer (6 person-months intermittent inputs for detailed design and documentation of the sewer network rehabilitation and expansion); (iii) sewage treatment process engineer and sewage treatment plant design specialist (6 person-months intermittent inputs for detailed design and documentation of the Malakal and Kesabelau sewage treatment plants including preparation of performance speciaications for the management of the Malakal, Kesabelau, and Meleleok sewage treatment plants); (iv) structural design engineer (4 person-months intermittent inputs for structural design of project components); (v) sewer hydraulic

modelling specialist (3 person-months intermittent inputs for development of numeric hydraulic models of the existing and proposed sewer systems and training of PPUC personnel in sewer modelling techniques); and (vi) an environmental specialist (3 person-months intermittent inputs to assist establish the project's environmental monitoring procedures and updating of IEEs).

38. The national consultants will include (i) a deputy team leader / project engineer (full-time for 36 person-months who will also be the deputy team leader for the first 24 months of the project and thereafter assume the team leadership role); (ii) sewerage design engineer (9 person-months full-time inputs for the design of the sewerage networks and sewage treatment plants); (iii) construction supervision engineer - networks (24 person-months full-time inputs to monitor and provide construction oversight for the sewerage networks); (iv) construction supervision engineer – treatment plants (24 person-months full-time inputs to monitor and provide construction oversight for the Malakal and Kesabelau sewage treatment plants); (v) two computer-aided design operators (each providing 12 person-months of full-time input to prepare project drawings); (vi) a GIS Specialist (6 months of full-time inputs for the design and construction of a GIS database of existing sewerage assets within the Koror sewer network and training of PPUC personnel to use and update the GIS database); (vii) a social / community / gender / safeguards specialist (36 person-months full-time input); (viii) an environmental specialist (9 person-months intermittent inputs, to support); and (ix) an office assistant (full-time for 36 person-months). A PIA consultant staffing schedule is set out in table below.

<b>Position</b>	<b>Input Basis</b>	<b>Inputs (person-months)</b>
<b>International Consultants</b>		
Team Leader – Project Engineer	Intermittent	24
Sewerage network design Engineer	Intermittent	6
Sewage Treatment Process Engineer	Intermittent	6
Structural Design Engineer	Intermittent	4
Sewer Hydraulic Modeling Specialist	Intermittent	3
Environmental specialist	Intermittent	3
<b>Sub-total A</b>		<b>46</b>
<b>National Consultants</b>		
Deputy Team Leader / Project Engineer	Full-time	36
Sewerage design Engineer	Full-time	9
Construction Supervision Engineer - networks	Full-time	24
Construction Supervision Engineer - treatment	Full-time	24
CAD Operators (x 2)	Full-time	24
GIS Specialist	Intermittent	6
Social/community/gender/safeguards Specialist	Full-time	36
Environmental specialist	Intermittent	9
Office assistant/Accounting officer	Full-time	36
<b>Sub-total B</b>		<b>204</b>

39. All consultants under the project will be recruited using quality- and cost-based selection procedures in accordance with ADB's Guidelines on the Use of Consultants by the Asian Development Bank and its Borrowers (April 2010, as amended from time to time). An international consulting firm will be engaged to provide the PIA consultants. The government has requested ADB assistance to recruit the PIA consultants.

## Scope of Works

40. The PIA consultants will report to the PMU project manager. The PIA consultants will assist the PMU in delivering the project outputs. The recruitment of the PIA consultants will be the first project procurement activity and is expected to be completed before or soon after the project becomes effective. Specific tasks of the PIA consultants will include, but not be limited to:

### a. **Effective, efficient, and sustainable sewerage networks**

- (i) Develop a dynamic numeric model of the existing and proposed sewer networks in Koror and Airai capable of sewers flows and surcharge levels within the networks under a range of sewer loading scenarios. The platform for the model will be selected in consultation with the project executing and implementing agencies. Account for diurnal and season sewer loading patterns. Calibrate the model using measured system flows and surcharge levels. Develop capacity within PPUC to build, calibrate, and refine numeric sewerage models.
- (ii) Assist PPUC to improve the operations management of the Koror and Melekeok sewer networks focusing on optimizing the efficiency of the network and minimizing the frequency and severity of uncontrolled overflows from the network.

### b. **Raise community awareness of sewerage services**

- (i) Prepare the project consultation and participation plan.
- (ii) Design and implement a community awareness and education program covering sewerage services issues including (a) planning and development consents requirements; (b) household responsibilities; (c) public health benefits of an effective sewerage system; and (d) the responsibilities of the community as beneficiaries of sewerage services such as the need to pay for services.
- (iii) Assist PPUC to improve its customer complaints mechanisms in terms of accessibility by the public, accountability, transparency, and average response times to address and resolve complaints.
- (iv) Design and implement a public consultation program seeking the views of the community on sewerage service standards.
- (v) Design and implement a program to seek the views of women and community associations and to encourage their participation in urban planning and design issues.

### c. **Assist the PMU to effectively implement the project**

- (i) Assist the PMU in formulating quality criteria for design and construction of the works, equipment, materials and services and the selection of appropriate design standards.
- (ii) Identify information required and undertake surveys and capture of all data necessary for the preparation of designs and bidding documents including but not limited to (i) topographic and cadastral surveys; (ii) geotechnical investigations; (iii) an inflow and infiltration study to identify unauthorized stormwater connections; and (iv) a flow gauging study to establish the typical sewer loads (magnitude and temporal and seasonal patterns) from residential, small commercial (e.g. small restaurants), large commercial (hotels and resorts), and government customers connected to the existing sewer network.

- (iii) Prepare and complete technical designs, including bills of quantities, provision of detailed cost estimates and scopes of work for Phase I works identified in the Koror – Airai *Sanitation Master Plan Report* (2012).
- (iv) Assist the PMU prepare specifications for the purchase of equipment and materials.
- (v) Prepare bidding documents for subprojects following ADB's procurement procedures and guidelines and using standard bidding documents.
- (vi) Evaluate bids and prepare bid evaluation reports including recommendations for contract awards.
- (vii) Prepare the necessary documentation for contract signing, mobilization, and withdrawal applications.
- (viii) Prepare construction schedules, and provide overall supervision of construction and quality control on works.
- (ix) Assist in observation and testing of materials and equipment.
- (x) Assist in staff training and environmental compliance during project implementation.
- (xi) Ensure that subproject-specific environmental and social mitigation measures are incorporated into contract documents.
- (xii) Provide orientation for PPUC personnel on safeguard measures, including implementation of the Environmental Management Plans (EMP).
- (xiii) Provide training for PPUC staff responsible for designing and implementing safeguard measures.
- (xiv) Update initial environmental examinations (IEEs) for the project components in accordance with ADB's *Safeguard Policy Statement* (2009).
- (xv) Supervise and evaluate the implementation of environmental mitigation and monitoring measures as specified in the EMP. This includes undertaking the environmental monitoring audits as prescribed.
- (xvi) Update the EMP as necessary.
- (xvii) Administer contracts including processing of progress certificates, review of extension of time claims, preparation of change orders and non-conformance notices, subproject implementation progress monitoring, and subproject cost monitoring.
- (xviii) Provide effective and regular supervision of the works. Supervise quality control tests to ensure that the works are executed in accordance with established standards, criteria, specifications, procedures, and approved design and environmental aspects in compliance with the environmental management and monitoring plan and the construction schedule.
- (xix) Review the design and construct contractor's drawings and calculations to check arrangements for optimized operation and maintenance and verify compliance with contract specifications.
- (xx) Review the equipment manufacturers' drawings and calculations to check arrangements for optimized operation and maintenance and verify compliance with contract specifications.
- (xxi) Review the procurement and delivery program for each supply contract financed under the project to ensure compatibility and timely coordination with other contracts and civil works.
- (xxii) Develop and implement applicable procedures required to ensure adequate control of manufacturing, factory tests, delivery, and acceptance of materials and equipment. Assist with the unpacking and



checking of the materials and equipment, follow up on the delivery of delayed components, and make claims.

- (xxiii) Help review proposals for equipment commissioning tests and trial operation plans.
- (xxiv) Respond to contractor requests for information in all matters related to interpreting contract documents, ground survey controls, quality control testing, and other matters relating to the contract under the project.
- (xxv) Maintain a permanent record of all quantities for payment and test results.
- (xxvi) Identify potential risks to the PPUC and the Government of Palau in the implementation of contracts, including cost over-runs, delays, and non-conformance with project specifications.
- (xxvii) Where necessary, coordinate design changes to achieve to-time and to-budget subproject delivery. Prepare change orders, and assist the project manager to negotiate with the contractor to implement the changes.
- (xxviii) Assist the project manager in the preparation of completion reports for each Phase I component in a manner satisfactory to PPUC, the Government of Palau and ADB, and ensure as-built data, such as as-built drawings, equipment operations and maintenance manual, and guarantees, are collected and collated at the completion of each subproject.
- (xxix) Identify the training needs in relation to contract administration and construction supervision and incorporate on-the-job training for PPUC staff to address the training needs.
- (xxx) Facilitate and monitoring the implementation of the gender action plan.
- (xxxi) Provide other services to the project manager and PMU as necessary to deliver the project.

## VII. SAFEGUARDS

41. The project has been classified as Category B for environment and Category C for involuntary resettlement and indigenous persons. An initial environmental evaluation (IEE) has been prepared for the project.

42. The PPUC, as the IA, will have overall responsibility on the project's compliance with safeguard requirements. The PPUC will also coordinate with relevant government agencies, including the EQPB, as needed. The PMU will be responsible for following the government's environmental assessment procedures and ADB's *Safeguards Policy Statement 2009*, and obtain necessary safeguard clearances prior to start of civil works from ADB and the government.

43. The project manager, supported by the PIA consultants, will manage the day-to-day activities, including safeguard activities. An international environmental specialist and an EQPB officer will be responsible for facilitating and supervising the implementation of the environmental management plan (EMP) which will include: (i) revising the construction section of the EMPs and ensuring its inclusion in the Bid and Contract documents; (ii) reviewing and approving the contractor's EMPs; (iii) training of contractors in implementing the EMPs and monitoring requirements; and (iv) undertaking compliance monitoring of the EMPs.

44. The international specialists supporting the PMU will be responsible for strengthening PPUC and national consultants' capacity in environmental management including undertaking on-the-job training and supporting the national officers so that, during the project, they are able to carry the safeguard programs.

## VIII. GENDER AND SOCIAL DIMENSIONS

45. The project is classified as effective gender mainstreaming. The gender action plan (GAP) was prepared to ensure that women are engaged in project design and implementation processes; women benefit from project outputs as well as during project implementation; and potential negative impacts on women are avoided. The GAP will be implemented by a community development/gender specialist who will be hired by the PMU. The specialist will monitor the progress of activities under the GAP by establishing performance indicators, and report on their progress in regular progress reports.

### GENDER ACTION PLAN

Components and Outputs	Performance Targets and Activities
<b>Output 1. Effective, efficient, and sustainable sewage collection systems in Koror and Airai</b>	
<p>These are through (i) construction of gravity interceptor sewer in Koror and construction of Kesebelau/ Ked sewerage system; (ii) upgrade of major pump stations, major force main, and sewage treatment plant; and (iii) rehabilitation of minor pump stations.</p>	<ul style="list-style-type: none"> <li>• During design and implementation, all community and affected household consultations will have a target of at least 50% female participation.</li> <li>• Provide awareness workshops on the importance of functional drainage systems in relation to hygiene and sanitation and opportunities for community members of all genders to become involved in construction and future maintenance (50% female participation).</li> <li>• Conduct awareness workshops on proper disposal of domestic liquid wastes particularly kitchen wastes for households, restaurants and hotels around Koror area targeting women household members, domestic helpers, and kitchen staff (50% female participation).</li> <li>• Prior to construction, conduct of safety awareness particularly on children playing around the infrastructure (e.g. electrocution and purpose of fencing) in project communities targeting 50% women.</li> <li>• Site maintenance contractors will have increased women participation (target 20% of administration-based workers).</li> <li>• Provide necessary institutional support for female administration-based workers including capacity building on contract management, procurement, stores control, asset management, and bookkeeping skills.</li> <li>• Contractors, whenever culturally appropriate, will be encouraged to provide work for unskilled and semi-skilled labor for local people (50% women).</li> <li>• Low-income households as well as landowners, whenever possible, will be engaged in labor-based construction work.</li> </ul>
<b>Output 2. Sewage treatment and disposal to meets Palau's environmental standards</b>	
<p>This is through (i) installation of a remote monitoring instrument (<i>telemetry</i>) in sewerage pumping stations; (ii) CCTV GPS Survey of Sewer Networks; (iii) Unauthorized Inflow Investigation; (iv) Sewage Flow Gauging.</p>	<ul style="list-style-type: none"> <li>• During design and implementation, all community consultations will have a target of at least 50% female participation.</li> <li>• During installation, conduct community awareness workshops e.g. explaining purpose of telemetry and other planned monitoring activities to address sewer overflows, targeting at least 50% women in affected communities.</li> <li>• During installation, conduct awareness workshops on proper disposal of domestic liquid waste particularly kitchen wastes for households, restaurants and hotels around the area targeting women household members, kitchen staff, and domestic helpers (50% female participation).</li> </ul>

	<ul style="list-style-type: none"> <li>• Site maintenance contractors will have increased women participation (target 20% of administration-based workers).</li> <li>• Provide necessary institutional support for female workers such as capacity building such as monitoring, surveying, using GPS and asset management. Contractors appointed for construction will be informed of the required capacity building requirement before bidding.</li> </ul>
<p><b>Output 3. Safe and hygienic public toilet facilities in Koror are available</b></p>	
<p>Existing public toilets upgraded in KB Bridge, T-Dock and Long Island for male and female amenities.</p> <p>New male and female public toilet facilities at the Koror shopping district, Koror tourist precinct and Malakal recreation area including road side signage.</p>	<ul style="list-style-type: none"> <li>• Prior to construction, public and community consultations to determine sites for new public toilets and those for rehabilitation will include at least 50% female participation.</li> <li>• Strategic locations for new toilets and those for rehabilitation to include at least half near the local markets and recreation areas where women and their families regularly visit.</li> <li>• The maintenance program to be established by PPUC will hire and train at least 50% female maintenance workers.</li> <li>• Conduct a public awareness program on hygiene and sanitation including proper usage and maintenance of public toilets. At least 50% of community mobilizers hired for national awareness-raising campaign to be women.</li> <li>• Ratio of toilet stalls for construction and rehabilitation should be at least 2:1 (with women having twice as many toilets than men).</li> <li>• At least have one stall constructed with children changing station in each of women and men's stalls.</li> </ul>
<p><b>Output 4. Effective project management</b></p>	
<p>Includes (i) preparation of sewer network model and analysis of overall sewer system capacity; (ii) engage and train 3 local plant operators; (iii) provide emergency operational advice; and (iv) implement / manage / supervise / administer works, goods, and services contracts.</p>	<ul style="list-style-type: none"> <li>• Hire/train at least one female staff at PPUC to prepare network model and train on analyzing sewer capacity.</li> <li>• Hire/train at least one female staff out of 3 local plant operators to be hired by PPUC.</li> <li>• Hire/train women managers/supervisors on contract management, asset management, procurement and administration.</li> <li>• Include a community development/ communication and gender specialist/in the project team who will manage implementation of gender action plans, organize awareness activities and maintenance training for unemployed youth in project community (at least 50% members are women).</li> <li>• Provide gender awareness training to all PMU/project staff.</li> <li>• Establish all project performance indicators disaggregated by sex, collect them regularly, and include them in the baseline, progress, monitoring, and evaluation reports.</li> <li>• Develop a project performance system that includes indicators measuring implementation and progress of the gender action plan.</li> <li>• Enhance capacity by PPUC to include gender perspective into its operations through gender awareness training and institutional development assistance e.g. annual/monthly planning and reporting, for PPUC management and interested staff.</li> <li>• Include at least one female member to the project team in-charge of community consultation, information and training activities.</li> <li>• Conduct project briefing of traditional women and men leaders (Koror and Airai States) on the project including gender targets.</li> </ul>

ADB = Asian Development Bank, CCTV = closed-circuit television, GAP = Gender Action Plan, GPS = global positioning system, PMU = project management unit, PPUC = Palau Public Utilities Corporation.

**A. Implementation Arrangements**

46. The project's GAP will be implemented by the PMU which will hire a community development/communication and gender specialist in the project team (see attached TOR). The specialist will be responsible for incorporating the GAP into project planning and program, including awareness workshops, training, and establishment of health and sex-disaggregated indicators for project performance and monitoring. The PMU will include reporting on progress of GAP activities in quarterly progress reports on overall project activities to the ADB and the government.

## IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

### A. Project Design and Monitoring Framework

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b> The environment and public health are improved in Koror and Airai</p>	<p>By 2025 Temporary bans on public swimming in lagoon waters reduced to 0/year (baseline 2 in 2012)</p> <p>Incidence of gastroenteritis per capita decreased by 20% (baseline: 2012: males 1:8, females 1:8).</p>	<p>EQPB data on public notices</p> <p>Annual MOH data to PPUC</p>	<p><b>Assumption</b> Other public health indicators not related to waterborne diseases remain unchanged</p> <p><b>Risks</b> Major environmental catastrophe United States federal funding of health services declines</p>
<p><b>Outcome</b> Improved delivery of sanitation services by PPUC</p>	<p>By 2022 Sewer overflows to the land and sea reported to EQPB reduced by 50% (baseline: 2013 average to be established during early implementation)</p> <p>Treatment system outflow from the discharge pipe in Koror and Airai consistently meets EQPB standards</p>	<p>EQPB reported data</p> <p>EQPB monitoring data</p>	<p><b>Risks</b> KASMP phase 2 infrastructure improvements are needed before funding is available</p>
<p><b>Output 1</b> Effective, efficient, and sustainable sewage collection systems in Koror and Airai</p>	<p>By 2018 Power consumption per equivalent population at pump stations decreased by 10% (baseline to be calculated)</p> <p>Response time to system failure decreased to 2 hours (no baseline available)</p> <p>Emergency calls-outs for pump station overflows decreased by 30% (baseline: 2013 average to be established during early implementation)</p> <p>Site maintenance contractors have increased participation by women (target 20% of administration-based</p>	<p>PPUC performance monitoring information</p> <p>PPUC performance monitoring information</p> <p>PPUC performance monitoring information</p>	<p><b>Assumption</b> Urbanization in Koror does not increase significantly</p> <p><b>Risks</b> Emergency response equipment at PPUC is insufficient and not operating A continuous power supply is not provided for water and sewerage service</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
	workers)		
<p><b>Output 2</b> Sewage treatment and disposal meets Palau's environmental standards</p>	<p>By 2018 Effluent discharge from the Malakal STP meets 20 PPM BOD and 20 PPM SS standards (baseline: 40 BOD PPM and 40 SS PPM)</p> <p>Effluent discharge from the Melekeok STP meets 20 PPM BOD and 20 PPM SS standards (baseline: 40 BOD PPM and 40 SS PPM)</p> <p>Effluent discharge from the Kesebelau STP meets 20 PPM BOD and 20 PPM SS standards (baseline: none, new STP)</p> <p>Solid waste handling from all treatment plants complies with a current EQPB disposal permit</p>	<p>EQPB monitoring data</p> <p>EQPB monitoring data</p> <p>EQPB monitoring data</p> <p>EQPB reporting</p>	<p><b>Assumption</b> Koror solid waste dump used for the disposal of STP sludge remains in operation</p> <p><b>Risks</b> Hotels and resorts do not follow regulations for the disposal of kitchen waste A continuous power supply is not provided for water and sewerage service</p>
<p><b>Output 3</b> Safe and hygienic public toilet facilities in Koror are available</p>	<p>By 2017 Existing gender-sensitive public toilets upgraded in KB Bridge, T-Dock, and Long Island for male and female amenities</p> <p>Three new gender-sensitive public toilet facilities at the Koror shopping district, Koror tourist precinct, and Malakal recreation area including roadside signage</p> <p>Newly constructed or rehabilitated facilities have toilet stalls for women and men in ratio of at least 2:1.</p>	<p>Government certificate of completion</p> <p>Government certificate of completion</p>	<p><b>Risk</b> PPUC does not effectively maintain public toilets to standards expected by the community and/or tourists</p>
<p><b>Output 4</b> Effective project management</p>	<p>Project infrastructure is commissioned by December 2017</p> <p>The project is fully implemented by February 2022 and within budget</p>		<p><b>Risk</b> The current PPUC operations manager resigns and appointment of a replacement is delayed</p>

<p><b>Activities with Milestones</b></p> <p><b>1. Effective, efficient, and sustainable sewage collection systems in Koror and Airai</b></p> <p>1.1 Install new gravity inceptor mains and force mains in the Koror sewer network (Dec 2017).</p> <p>1.2 Upgrade and/or refurbish selected pump stations in the Koror sewer network (Dec 2017).</p> <p>1.3 Improve overflow infrastructure at selected pump stations in the Koror sewer network (Dec 2017).</p> <p><b>2. Sewage treatment and disposal meets Palau's environmental standards</b></p> <p>2.1 Construct and commission an STP in Malakal (Jun 2017).</p> <p>2.2 Construct and commission an STP at Kesebelau (May 2017).</p> <p>2.3 Outsource management of the Malakal, Kesebelau, and Melekeok STPs to the STP construct and commission contractor (Apr 2014).</p> <p><b>3. Availability of safe and hygienic public toilet facilities in Koror</b></p> <p>3.1 Refurbish existing public toilets in Koror, Malakal, and Long Island (Sep 2016).</p> <p>3.2 Construct and commission new public toilets in Malakal and Koror (Sep 2016).</p> <p>3.3 Provide roadside and other signage to direct tourists (Sep 2016).</p> <p><b>4. Effective project management</b></p> <p>4.1 Establish a PMU (Nov 2013).</p> <p>4.2 Field consultants (Jun 2014).</p> <p>4.3 Undertake CCTV GPS survey, unauthorized inflow investigation, and sewage flow gauging of the Koror sewer network (Apr 2015).</p> <p>4.4 Design and supervise works (May 2017).</p> <p>4.5 Facilitate the PMU to undertake international competitive bidding and contract management to ADB requirements (May 2017).</p>	<p><b>Inputs</b></p> <p><b>ADB:</b></p> <p>Special Funds resources:</p> <p style="text-align: right;">\$1.9 million</p> <p>Ordinary capital resources:</p> <p style="text-align: right;">\$26.9 million</p> <p><b>Government:</b></p> <p>Taxes and charges:</p> <p style="text-align: right;">\$1.2 million</p>
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ADB = Asian Development Bank; BOD = biological oxygen demand; CCTV = closed circuit television; EQPB = Environmental Quality Protection Board; GPS = global positioning system; KASMP = Koror–Airai Sanitation Master Plan; MOF = Ministry of Finance; MOH = Ministry of Health; PMU = project management unit; PPM = parts per million; PPUC = Palau Public Utilities Corporation ; SS = suspended solids; STP = sewage treatment plant.

Source: Asian Development Bank.



## B. Monitoring

47. **Project performance monitoring.** Within 6 months of the loan effectiveness, the PMU will establish a project performance and monitoring system. The ADB and the government will agree on a set of indicators for monitoring project progress and performance on a quarterly basis. This will include, but not be limited to, the targets and indicators in the design and monitoring framework, contributions to ADB results framework and the implementation schedule. In collaboration with the PPUC, the PMU will also report quarterly on the PPUC performance criteria established under the WSIP and which is a second tranche condition. The PIA consultants will provide hands-on training to PMU and PPUC staff in data collection, monitoring, and evaluation. The PMU shall monitor and evaluate the indicators according to the agreed framework on a quarterly basis to determine the efficiency and effectiveness of the project. Disaggregated baseline data for output and outcome indicators gathered during project processing will be updated and reported quarterly through the MOF quarterly progress reports and after each ADB review mission. These quarterly reports will provide information necessary to update ADB's project performance reporting system.<sup>10</sup> Beneficiaries will be involved in project monitoring and evaluation. In addition, the project steering committee (PSC) will oversee and monitor the overall implementation.

48. **Compliance monitoring.** Compliance monitoring will be provided through regular quarterly progress reports and during regular ADB review missions.

49. **Safeguards monitoring.** The PMU will be responsible for monitoring safeguard activities through the PIA consultants. The MOF will submit semi-annual safeguard monitoring reports to ADB, and the findings will be incorporated into the progress reporting of the PMU. Before commencing work, the contractor will prepare a contractor's EMP which will establish how the contractor will comply with the EMP safeguard requirements. Monitoring of the contractor's work will be undertaken by the resident engineer with assistance of the safeguards officer. Monitoring will also be carried out independently by EQPB. The ADB review missions will also check the progress on implementation of safeguard requirements, if any subproject involved significant safeguard issues.

50. **Gender and social dimensions monitoring.** A gender specialist will provide guidance to the PMU in developing and establishing an effective monitoring and reporting systems and processes. Baseline surveys will be undertaken at the start of project implementation and all indicators in the GAP will be continuously monitored and reported. These will be included in the PMU quarterly reports and project monitoring reports. A mid-term review will be carried out and a project completion report will be undertaken at project end.

## C. Evaluation

51. Soon after the PMU and PIA consultants are mobilized, ADB will field an inception mission to agree with the MOF and PPUC on implementation requirements of the project as well discuss in detail the procedures relating to procurement of works and goods, and disbursements.

52. The ADB and the government will undertake semiannual reviews of the project to consider the (i) scope of the project; (ii) implementation arrangements; (iii) compliance with loan

<sup>10</sup> ADB's project performance reporting system is available at:  
<http://www.adb.org/Documents/Slideshows/PPMS/default.asp?p=evaltool>

covenants; (iv) physical achievements against targets and milestones; and (v) project implementation issues requiring resolution or action. A midterm review will be conducted within 2 years of the loan effectiveness date or sooner if construction activities are ahead of schedule. Prior to the midterm review, the MOF with the assistance of PMU will prepare a position paper outlining any proposals for any changes required under the project which will not adversely affect the project's outcomes. The midterm review will examine in detail the implementation progress and project design (institutional, administrative, organizational, technical, environmental, social, poverty reduction, economic, and financial aspects), and identify courses of action that would improve project performance, viability, and the achievement of targets and project objectives. All the assumptions and risks noted in the design and monitoring framework will be reviewed.

53. ADB will undertake a project completion review (PCR) of the project within 3 months of commissioning the physical infrastructure in 2015.<sup>11</sup> The PCR will be prepared within 3 months of the physical completion of the project in 2020, that is, once the sewerage treatment plant operations contract comes to a close. The PCR will evaluate the processing and design of a project, both by ADB and the borrower, among others, (i) assess and evaluate the performance of the borrower, EA and IA in managing and implementing the project, and in complying with ADB's guidelines, policies, practices, procedures, and loan covenants, and evaluate project costs, disbursements, and institutional improvements; (ii) assess the performance of consultants; (iii) review problems encountered during implementation and the effectiveness of measures to resolve them, by the borrower, EA, IA, and ADB; (iv) assess whether the borrower, EA, IA, and ADB monitored progress effectively in comparison with quantifiable and monitoring targets; (v) reevaluate the financial and economic performance of the project at its initial stage of operation and compare with the qualified indicators in the design and monitoring framework and project performance report; (vi) assess the project's transition to operations, and identify any remedial measures needed; (vii) assess future operation and maintenance schedules to ensure sustainability of the project; (viii) recommend any other steps that the borrower and EA need to take to ensure the project's sustainable operation; (ix) assess the performance of the monitoring and evaluation system established for the project and reexamine the indicators selected for monitoring operations and assessing development impact; (x) assess significant environmental and poverty reduction impacts (include socio-cultural impacts when applicable) of the project, and evaluate the implementation and effectiveness of any environmental control measures, resettlement plans, and poverty reduction measures; and (xi) assess whether the immediate development objective has been met and the likelihood of attaining long-term development goal.

#### **D. Reporting**

54. The MOF will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (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 3 months of physical completion of the project. To ensure projects continue to be both viable and sustainable, project accounts and the EA AFSs, together with the associated auditor's report and the audit report of the PPUC, should be adequately reviewed.

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<sup>11</sup> Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>.

**E. Stakeholder Communication Strategy**

55. Prior to the inception mission, a communication strategy and communications plan will be prepared by PMU that will indicate the types of information, means of communication, who will provide and to whom including at what intervals to the stakeholders about the project as well as its implementation. The strategy and plan shall be integrated with the communications plan for the WSIP and jointly delivered by the PMU and the PPUC. The water conservation and health awareness community consultation plans required under the WSIP will form a part of the overall communications strategy.

## X. ANTICORRUPTION POLICY

56. The ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.<sup>12</sup> All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the EA 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.<sup>13</sup>

57. To support these efforts, relevant provisions are included in the loan agreement/regulations and the bidding documents for the project.

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<sup>12</sup> Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

<sup>13</sup> ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

## **XI. ACCOUNTABILITY MECHANISM**

58. People who are, or may in the future be, adversely affected by the project may address complaints to ADB, or request the review of ADB's compliance under the Accountability Mechanism.<sup>14</sup>

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<sup>14</sup> For further information see: <http://compliance.adb.org/>.

## **XII. RECORD OF PAM CHANGES**

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