



PROCEEDINGS

Southeast Asia Regional Forum on Successful Project Design and Implementation

30 July-1 August 2019 Phnom Penh, Cambodia

ADB

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ABBREVIATIONS

ADB	Asian Development Bank
ADF	Asian Development Fund
ALB	abnormally low bid
APA	alternative procurement arrangement
AWPB	annual work plan and budget
BTP	biodata technical proposal
CPS	country partnership strategy
CSRN	Consultant Services Recruitment Notice
DBO	design-build-operate
DDR	due diligence report
DMC	developing member country
DMF	design and monitoring framework
DP	displaced person
EOI	expression of interest
e-Ops	e-Operations
EA	executing agency
EGM	effective gender mainstreaming
EMP	environmental management plan
FGD	focus group discussion
FIRR	financial internal rate of return
FTP	full technical proposal
GAP	gender action plan
GEN	gender equity
GEST	governance, economic, sustainability, and technology
GEWE	gender equality and women's empowerment
HCMC	Ho Chi Minh City
HH	household
HLT	high-level technology
IA	implementing agency
IED	Independent Evaluation Department
IEER	internal rate of return
IP	indigenous people
IPSA	initial poverty and social analysis
IR	involuntary resettlement
IRI	international roughness index

LAR	land acquisition and resettlement
M&E	monitoring and evaluation
MDG	millennium development goal
MfDR	managing for development results
MMR	maternal mortality ratio
MTR	midterm review
MWSS	Metropolitan Waterworks and Sewerage System Authority
NGE	no gender elements
NGO	nongovernment organization
O&M	operation and maintenance
OCB	open competitive bidding
OCR	ordinary capital resources
OECD-DAC	Organisation for Economic Co-operation and Development-Development Assistance Committee
OM	operations manual
OP	operational policy
PAM	project administration manual
PBL	policy-based loan
PCR	project completion report
PDR	People's Democratic Republic, Lao
PIC	project implementation consultant
PIPOL	Public Investment Project Online
PIU	project implementation unit
PLN	Perusahaan Listrik Negara
PMU	project implementation unit
PPFD	Procurement, Portfolio and Financial Management Department
PPME	project performance monitoring and evaluation
PPMS	project performance management system
PPR	project performance report
PPTA	project preparatory technical assistance
PRC	People's Republic of China
RAMP	risk assessment and risk management plan
RBL	results-based lending
RD	regional department
RM	resident mission
RRP	report and recommendation of the President

SDG	sustainable development goal
SGE	some gender elements
SPP	strategic procurement plan
SPRSS	summary poverty reduction and social strategy
STP	simplified technical proposal
SWOT	strengths, weaknesses, opportunities, threats
TA	technical assistance
TOR	terms of reference
TPR	technical assistance performance report
TRTA	transaction technical assistance
TVET	technical and vocational education and training

INTRODUCTION

1. The Southeast Asia Regional Forum on Successful Project Design and Implementation was a gathering of more than 100 key officials and project implementers from seven developing member countries. Representatives from the governments of Cambodia, Indonesia, Lao PDR, Myanmar, Philippines, Thailand, and Vietnam took part in the three-day knowledge event and networking from July 30 to August 1 in Phnom Penh, Cambodia.

2. The event set out to provide a platform where development practitioners could share good practices in project design and implementation and find out the success factors that contribute to the impact of projects in improving the lives of people.

3. Through a combination of talks and interactive workshops, the forum helped participants articulate and share their operational and technical knowledge and experience. While the issues were global, the solutions that came out of the forum were incubated and applied in the local context.

4. Organized by ADB, the forum responded to Strategy 2030 by responding to the demand of member countries for strengthening their capacity on the policies and systems for improving the quality of ADB-supported projects. Member countries also used the forum to connect with their counterparts in other countries, and to dialogue with ADB staff.

5. This publication summarizes the key learnings and highlights of the forum. It is intended to be a quick reference for partners in member countries as well as ADB staff on the elements that make up successful project design and implementation. These are a guiding strategy, project readiness, environmental and social safeguards, gender mainstreaming, design and monitoring framework, procurement, financial management, and project evaluation. The publication also captures lessons from the field in agriculture, water, energy, transport, and education. Finally, the publication synthesizes the policy and institutional directions that can guide ADB and member countries in expanding the reach and quality of development impact through better project design and implementation.



ADB POLICIES AND PROCEDURES

I. WELCOME REMARKS

Rehan Kausar, Director, Portfolio Management Division; Procurement, Portfolio and Financial Management Department



6. **ADB is most grateful to the Government of Cambodia for welcoming the delegation to the country.** The forum in Cambodia gathers the countries of Southeast Asia. It is the second such regional event. The first was in Bangladesh for the South Asia region. ADB is planning to hold

succeeding forums for Central Asia, East Asia, and the Pacific.

7. **The forum responds to the growing challenges in project design and implementation.** In particular, it responds to Strategy 2030 on the need to strengthen the policies, institutions, infrastructure, and human resource capacities of executing agencies and implementing agencies in developing member countries.

8. **Institution and capacity building is most critical at this time of rapid economic growth in Asia,** which is projected to generate 50 percent of global GDP by 2050. With this growth, ADB's current portfolio of \$85 billion is expected to expand as countries in Asia increase their economic investments. Hence, developing member countries expect to implement more projects, making project design and implementation pivotal in achieving their development goals.

II. KEYNOTE ADDRESS

H.E. Vandy Hem, Undersecretary of State, Ministry of Economy and Finance, Cambodia

9. **Countries face three challenges: lack of institutional capacity, delays in loan approval, and slow procurement.** These challenges are related to multiple and complex upfront requirements, including in safeguards and big contracts. As a result, and in the case of Cambodia, the country portfolio performance shows mixed results, sending a clear message that it needs to improve its operations.

10. **Unless these challenges are addressed and loans and grants are disbursed on time, development will be compromised.** The success of the country portfolio in delivering positive outcomes depends on the effectiveness and efficiency of design and implementation. Countries need to accelerate project implementation without compromising the objectives of social and environmental safeguards. They need to increase disbursements without compromising open and competitive procurement. They need to prioritize sound project design, timely implementation, and effective coordination of projects, including those funded by development partners.

11. **Countries must take the lead as executing agencies and implementing agencies focus on upstream project design and project readiness.** Governments are accountable to their taxpayers for what they borrow and how they utilize scarce resources.

12. **At the same time, countries look to multilateral development partners such as the ADB in dealing with global challenges.** Countries need practical solutions that are relevant to the region in tackling globalization, demographic issues,



rising inequality, rapid urbanization, climate change and disasters, and environmental problems.

13. **ADB, in particular, has a significant impact on the socioeconomic development of Cambodia, as it does in other Southeast Asian countries.** From 1992, it has provided a total of about \$2.7 billion in loans and \$490 million in grants. Add to this the funds from other development partners and the private sector.

14. **This regional forum compels participants to ask the hard questions, challenge interventions, and share in the collective responsibility to answer them all.** ADB's regional approach to capacity building, which gathers multiple countries, represents an excellent opportunity to share and exchange experiences and learn from good practices in project design and implementation. Rigorous, intensive, constructive, and respectful dialogues and discussions such as this forum can lead to better development results for countries and their people.

III. STRATEGY 2030

Rehan Kausar, Director, Portfolio Management Division; Procurement, Portfolio and Financial Management Department

15. Key messages:

- In Strategy 2030, ADB strengthens its country-focused approach, promotes the use of innovative technologies, and delivers integrated interventions that combine expertise across a range of sectors and themes and through a mix of public and private sector operations.
- Central to the strategy are the developing member countries steering their own development and whom ADB is mandated to support.
- Strengthening governance and institutional capacity is one of ADB's operational priorities, a focus that is most pronounced in the current strategy.
- Aside from governance and institutions, ADB's operational priorities include poverty reduction, gender, climate, urbanization, rural development, and regional cooperation

a. ADB's Vision

16. Strategy 2030 is a ten-year strategy that outlines ADB's vision and guiding principles to take the institution over to the next ten years of engagement in the Asia-Pacific Region. ADB developed the strategy, and it was formalized and approved by the ADB president and the Board of Directors in July 2018. ADB is right now at the beginning of the strategy.

17. The goal is to achieve a prosperous Asia where income distribution is enjoyed by all sectors of society: where nations are inclusive and even the most marginalized sectors enjoy the benefits of development; where communities are more resilient to climate change shocks and external economic shocks; and where actions are environmentally sustainable to ensure that development impact will be there for many years to come.

b. ADB as a Development Partner

18. There are three pillars in ADB's value-addition in development. It is a regional development bank across 68 countries, 41 of which are eligible for borrowing. It is a financier and catalyzer of funds. Not only does ADB provide its own lending through concessional loans or grants, but it also catalyzes finance by bringing in more players from the private sector and bilateral partners. These partners collaborate with ADB on some development projects.

19. ADB is a knowledge provider. Having been in the region for more than 50 years, it has accumulated many lessons, implemented big projects and small projects. It has a stock of experience that it can share as it works together with developing member countries (DMCs).

20. Finally, ADB is a convener of partnerships. Partnership is not just working with the governments, bilateral and multilateral partners. It is working also with other stakeholders, such as nongovernment organizations, civil society, and other partners involved in crafting the development agenda in DMCs.

c. Guiding Principles

21. Strategy 2030 recognizes that the ambitious global development agenda must be tailored to specific local circumstances. ADB will strengthen its country-focused approach, promote the use of innovative technologies, and deliver integrated interventions that combine expertise across a range of sectors and themes and through a mix of public and private sector operations.

d. Differentiated Approaches

22. ADB will continue to prioritize support for the region's poorest and most vulnerable countries. It will apply differentiated approaches to meet the diverse needs of various groups of countries: fragile and conflict-affected situations, small island developing states, low-income and lower middle-income countries, and upper middle-income countries. Across these country groups, ADB will also prioritize support for lagging areas and pockets of poverty and fragility.



e. Operational Priorities

23. Infrastructure investments—particularly those that are green, sustainable, inclusive, and resilient—will remain a key priority. At the same time, ADB will expand operations in social sectors, such as education, health, and social protection.

24. ADB's support will focus on seven operational priorities: (i) addressing remaining poverty and reducing inequalities; (ii) accelerating progress in gender equality; (iii) tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; (iv) making cities more livable; (v) promoting rural development and food security; (vi) strengthening governance and institutional capacity; and (vii) fostering regional cooperation and integration.

25. At least 75% of the number of ADB's committed operations (on a 3-year rolling average, including sovereign and nonsovereign operations) will promote gender equality by 2030. ADB will ensure that 75% of the number of its committed

operations will support climate change mitigation and adaptation by 2030. Climate finance from ADB's own resources will reach \$80 billion for the period 2019 to 2030. A new corporate results framework—expected to be ready in 2019—will include more targets for ADB's other operational priorities.

f. Strengthening Governance and Institutional Capacity

26. ADB will support public management reforms to help DMCs improve governance and create an enabling environment for sustainable growth. It will help countries build resilience and respond to economic shocks, strengthen service delivery, and improve capacity and standards. ADB will uphold environmental and social safeguards, adhere to fiduciary standards, and implement anti-corruption measures in all its projects and programs.

g. What's New in Strategy 2030

- Expanded vision statement
- Differentiated approaches across country groups
- Enhanced country focused approach
- Integrated solutions
- Innovative technology

h. Key Approaches

27. To support the seven operational priorities under Strategy 2030, ADB will expand and diversify its private sector operations to reach one-third of ADB operations in number by 2024.

28. ADB's private sector operations will help improve environmental, social, and governance standards; provide financing that is not available from the market at reasonable terms; improve project design and development outcomes; and mitigate perceived risks. In addition to innovative infrastructure, they will increase support for agribusiness, and support social sectors such as health and education through private ventures.

29. ADB will continue to be a reliable financier and catalyzer of finance. ADB targets a substantial increase in long-term cofinancing by 2030, with every \$1 in financing for its private sector operations matched by \$2.50 in long-term cofinancing.

30. The institution will also work closely with its developing member countries to produce the most relevant knowledge products and services. It will proactively engage in research, provide high-quality policy advice, strengthen countries' institutional capacity, and expand knowledge partnerships.

i. **Stronger, Better, Faster ADB**

31. As it strives to be stronger, better, and faster, ADB will pursue a dramatic modernization of its business processes by taking advantage of available technology. It will expand its products and instruments, strengthen human resources, and

accelerate its digital transformation. ADB is committed to diversity in the workforce, including promoting gender balance and a respectful work environment for all. ADB will institute a "One ADB" approach, bringing together knowledge and expertise across the organization. It will collaborate with civil society organizations in designing, implementing, and monitoring projects.

j. **Resources**

- **Strategy 2030**
<https://www.adb.org/documents/strategy-2030-prosperous-inclusive-resilient-sustainable-asia-pacific>

IV. PROJECT READINESS

Rehan Kausar, Director, Portfolio Management Division; Procurement, Portfolio and Financial Management Department

32. Key messages:

- Project readiness is the capacity to execute a project and deliver commitments on time. This means that prior to loan approval, design and procurement prerequisites have been completed.
- Project readiness addresses the problem of slow project startup with very slow disbursements in the initial years of a project.
- There are two types: Design readiness means that before project approval, detailed engineering designs have been completed. Procurement readiness means that before project approval, bid documents have been advertised for major construction or goods contracts.
- Project readiness results in faster and efficient delivery of services to the people.

a. Purpose of Project Readiness

33. Readiness means that the project is ready to go and to be implemented on time. The advance measures that are done as part of project readiness can help shave off 7–10 months from the average project startup time, reduce the risk of cost overruns attributed to startup and implementation delays, and ensure on-time and full project benefits for target communities.

b. Corporate Targets

34. In the Corporate Results Framework, ADB is looking at a portfolio where at least 80% of all projects for Board approval have met project readiness criteria, and for procurement readiness at least 60%. Hence, ADB is actually holding itself accountable in its development results for effectiveness indicators.

c. Design Readiness and Procurement Readiness

35. There are two types: design readiness and procurement readiness. Design readiness means that before project approval, detailed engineering designs have been completed. These designs should be suitable for preparing and launching bidding documents for a major construction or goods contract. Procurement readiness means that before project approval, bid documents have been advertised for major construction or goods contracts. Traditionally these were done after project approval. With project readiness, these activities are done upfront.

d. Project Readiness in the Project Cycle

36. Project readiness is part of the project cycle. It supports project preparation and design activities in a faster and more responsive manner. It helps get projects ready for fast rollout through feasibility studies, surveys, engineering designs, preparation of bidding documents, and procurement plans.

37. Project readiness and procurement readiness should be discussed and mainstreamed at concept phase and not at design phase. The day the project is conceived, readiness efforts should commence.

38. With readiness, DMCs do things *a priori*, well before project approval. ADB works together with executing agencies (EA) and implementing agencies (IA) to start work on the procurement angles and engineering angles so that when the project comes to approval, much of the leg work that can cause delays have already been addressed. Once the project is approved by the Board, it is essentially ready to start contracting the works or the purchase of goods and services and start implementation very quickly.

e. Policy Environment

39. There may be countries where project readiness may not be legislatively possible because of ministerial legislation, or a law in place, that prescribes that no work can begin until such time that the final approvals have been sought by the government. But more countries now, with persistence and dialogue with government, are able to reach their development outcomes earlier, through project readiness.

f. Improving Capacity

40. To enhance more readiness across developing member countries, ADB has to relentlessly support DMCs in enhancing the capacity of agencies to undertake procurement readiness and project readiness. This means continuously addressing capacity building and training needs and sharing best practice and lessons. This forum is one platform where countries can learn from each other in advancing readiness. As ADB supports capacity building, it also ensures that it allocates the technical resources and grants for upscaling readiness.

g. Role of Partners

41. ADB's Procurement, Portfolio and Financial Management Department (PPFD) intends to maintain its oversight role in ensuring a level playing field and an environment that is transparent and competitive. It also aims to uphold good governance and integrity in all transactions.

42. Project readiness is done at the project level. The regional departments are responsible for ensuring readiness. PPFD monitors across all departments and works with sectors and units such as Strategy and Planning in monitoring target completion.

43. ADB is ready to support EAs as they proceed with post-review following a no-objection from ADB. ADB notes that many agencies prefer to work closely with ADB at every step of the project cycle to ensure that guidelines are observed. This is so that issues are not overlooked, for example, in procurement.

V. ENVIRONMENTAL SAFEGUARDS

Genevieve Mary O'Farrell, Senior Environment Specialist (Safeguards), Cambodia Resident Mission

44. Key messages:

- Early and effective screening and assessment can address problems that would be expensive to solve later.
- Early and regular coordination and planning across teams and stakeholders to develop integrated solutions help avoid delays.
- Projects are not procurement-ready unless safeguards requirements are fulfilled.
- Compliance with environmental safeguards helps achieve more sustainable investments and protects the environment. We all need clean air, clean water and the opportunity to live and work safely.

a. Purpose of Safeguards

45. ADB's Strategy 2030 reaffirms ADB's commitment to uphold environmental and social safeguards so that investments are inclusive, resilient and sustainable.

46. The **ADB Safeguard Policy Statement (2009)** or SPS sets out ADB's safeguards policies for environment, involuntary resettlement and indigenous peoples. It outlines the safeguards policy delivery process and the responsibilities and roles of ADB and its borrowers/clients. The policy is available in English and ADB developing member country languages. Download it from the ADB website. An Operations Manual (OM) sets out ADB internal procedures to deliver SPS during each stage of the project cycle.

47. Development projects are supposed to benefit people. If not well managed, infrastructure projects can have severe economic, social, and environmental risks. Poor and vulnerable groups can be affected disproportionately. The causes and

consequences of poor project planning and impact planning can cause major reputational risk in addition to economic, human, and environmental losses.

48. Most of the countries that ADB works with have well-developed national policies, regulations and guidelines that safeguard people and the environment. SPS helps to enhance the predictability, transparency and accountability of actions and decision-making, helps borrowers manage environmental and social impacts and risks and promote long-term sustainability of investments. ADB requires that all projects are implemented in line with ADB SPS and national regulations. ADB will not finance projects that are not in line with SPS or the host country's social and environmental regulations.

49. The **goal of the SPS** is to promote the sustainability of project outcomes by protecting the environment and people from the projects' potential adverse impacts.

50. The **objectives of ADB's safeguards** are to:

- (i) avoid adverse impacts of projects on the environment and affected people, where possible;
- (ii) minimize, mitigate, and/or compensate for adverse project impacts on the environment and affected people when avoidance is not possible; and
- (iii) help borrowers/clients strengthen their safeguard systems and develop their capacity to manage environmental and social risks.



b. Project Identification

51. During project identification stage, ADB safeguards teams screen and classify each proposed project to (i) identify potential environmental impacts and risks associated with a project proposal; (ii) identify the level of assessment and resources required to address environmental issues; and (iii) determine the information disclosure and consultation requirements. A rapid environmental assessment screening checklist is prepared proposing an initial classification. This classification is confirmed during project preparation.

52. **Category A** – Major Infrastructure projects that are likely to cause significant and irreversible impacts are classified as Category A. Examples: dams, highways, power plants

53. **Category B** – Minor infrastructure with less significant impacts that can be effectively mitigated are classified as Category B. Examples: road/irrigation network rehabilitation and improvement, and infrastructure that may have overall long-term environmental benefits during operation such as water supply and sewage treatment projects

54. **Category C** – Projects that do not involve civil works, or only involve very minor civil works within existing developed sites and rights of way are classified as Category C. Examples: school classroom rehabilitation, road maintenance, community toilets

55. Note of caution: screening is only effective if it is site-specific. For example, some projects that seem low risk, low impact are located in highly sensitive or vulnerable areas such as watersheds or habitats of globally threatened animal, hence making the projects high risk and high impact. ADB SPS does not allow funding of projects that would have an impact on areas that support habitats of globally threatened species. The Greater Mekong Subregion (GMS) has a high level of biodiversity.

c. Project Preparation

56. SPS requires that each project prepare an environmental assessment to identify impacts and risks to the environment. Category A and B projects require an environmental management plan (EMP) to set out measures to avoid, minimize, or mitigate identified impacts and avoid causing harm.

- **Category A:** Prepare an environmental impact assessment (EIA) and EMP
- **Category B:** Prepare an initial environmental examination (IEE) and EMP

- **Category C:** Review environmental implications. As good practice, if minor impacts are identified, include an Environmental Code of Conduct for contractors in the bid or contract documents. This is a simplified version of EMP setting out good construction practices.

57. For **sector projects and multitranche financing facility (MFF) projects**, an Environmental Framework is needed to set out the procedures for screening and assessment of projects that will be identified during implementation.

58. For projects with **financial intermediaries and existing facilities**, existing arrangements for environmental and social management need to be reviewed.

d. Preparation Readiness

59. It is important to ensure readiness during the preparation stage. Early environmental screening is key in determining whether proposed projects are feasible. Late discoveries are costly in terms of time and money, requiring additional resources and sometimes additional years of work to fully assess impacts and redesign the project.

60. A good practice example in Cambodia is the EDC Cambodia National Solar Park Project, which undertook a pre-feasibility of seven site options before the consultant preparation team was mobilized. Another is Cambodia's Integrated Road Network.

Cambodia's Integrated Road Network

ADB is supporting Cambodia's Ministry of Public Works and Transport in preparing a 130 km integrated road network project, which includes a bypass for the Angkor World Heritage Site. The Ministry and ADB did a pre-feasibility assessment of road options and alignments. During the site visit and consultations, stakeholders identified alternative alignments that would minimize impact. The Ministry is completing its option analyses using drone surveys. All these actions are happening before the consultant team is mobilized for project preparation, hence contributing to project preparation readiness.

e. Environmental Safeguard Plans

61. The main activity during implementation is environmental assessment and development of safeguard plans.

- (i) The EIA/IEE involves **field assessments and consultations** with stakeholders, beneficiaries and affected persons to assess potential impacts and risks to the environment and to ensure that key considerations are addressed in the design and the EMP.
- (ii) Environment covers a **broad range of topics** – physical environment, biological environment, socio-economic environment, climate change and health and safety of communities and workers.
- (iii) Plans are developed in compliance with **ADB/Environment Regulator** requirements and they adopt **international good practice**, where applicable.
- (iv) The Environment team coordinates with client/designers and other specialists to agree on measures to avoid or reduce the severity of identified impacts during design, construction, and operation.
- (v) The EMP sets out mitigation, monitoring, institutional arrangements, capacity building, training, reporting requirements, and budget for implementation. It is a key document that guides environmental safeguards during implementation.

62. **At the end of the preparation period**, at the fact-finding missions, the draft safeguard plans are presented, setting out key EA/IA commitments for implementation, consulting, training and capacity development support, and draft environmental covenants. It is important that the EA/IA have a good understanding of the requirements and ownership of these documents.

63. Following the fact-finding mission, the EA is required to submit a letter to ADB endorsing the safeguard documents, confirming that it will implement all requirements and confirming that the documents can be disclosed in the ADB website.

64. The procurement plan is prepared as part of the Project Administration Manual for the project. It is important that the procurement plan takes account of the time needed to complete and update safeguard assessments and plans prior to bidding and contract awards.

f. Legal Agreements

65. The project team ensures that legal agreements include adequate covenants to address the implementation of SPS and safeguard plans. The legal agreement also includes clauses on the obligation of the borrower/client to incorporate safeguard requirements in bidding documents and civil work contracts.

66. The environmental covenants are found in Schedules 4 and 5 of the legal agreements. The covenants require the borrower or client to:

- Comply with all applicable national laws and regulations on environment, health and safety.
- Comply with ADB safeguards and all measures in environmental safeguard plans and environmental monitoring reports
- Establish a project-specific Grievance Redress Mechanism
- Incorporate provisions of the EMP into the works contract
- Not award works contracts until the EIA/IEE is approved by a national environmental regulator
- Make budget and human resources available to implement environmental safeguards plans
- Submit semi-annual environmental monitoring reports to ADB
- Inform ADB of unanticipated impacts and breach of compliance

67. If there are significant environmental risks associated with a project, additional specific covenants may be added. For example, in irrigation projects, there may be a covenant on monitoring water levels and maintaining environmental flows.

g. Common Implementation Issues

68. **Site and Design Challenges.** Depending on the time between project approval and implementation, there can be changes on the ground, a **site may no longer be suitable or affordable** or for example, in the case of a proposed landfill, the detailed geotechnical survey found that the site sat on a rock, and it would be too expensive to excavate and costs are much more than expected. Flooding and climate change are major issues in most Southeast countries and these need to be addressed in the design.

69. Another example is in implementing projects in a mountainous terrain. In one project, the road was cut into a steep edge of a mountain with a river valley below. The project design and costs did not include adequate budget for spoil management, so much of the spoil is pushed down the slopes into the river.

70. Changes in site/design and mitigation measures have cost implications and require rework, with time and budget implications.

71. **Skills and Capacity Challenges.** In some countries, there is a limited pool of national consultants. In other cases, the right consultants are unavailable and projects experience long delays finding a replacement for poor performing consultants. Contractors may not have experienced environmental, health and safety officers, or their experience in EMP implementation is limited. There may be a lack of technical in-country capacity for specialist services, e.g., laboratory analysis. In some cases, project management units and project implementation units do not have adequate resources and they lack skills and budget for monitoring. Project budgets for environmental management, training and capacity building may not be allocated effectively or included in contracts.

72. **Timing of Key Activities.** Most tasks are interrelated, and progress cannot be made, e.g., procurement/contract award without updated safeguard plans and approvals. There are delayed contract awards in a number of urban and agriculture projects in one country as time needed for national environmental approval was not fully considered in procurement planning, or there were delays in approval because the quality of submissions was not adequate.

73. **Operational Issues.** Some of the most significant environmental risks may arise during operation, e.g., for a controlled landfill, the integrity of the liner needs to be maintained and leachate managed to avoid pollution impacts. Operator training and appropriate operations and maintenance measures are important to ensure the sustainability of the infrastructure.

74. These challenges lead to low quality or delayed progress. Understanding potential risks means government partners can work in collaboration with consultant teams and ADB to find solutions.

h. Environmental Safeguards Indicators

75. Ensuring project readiness is a must. The first stage of implementation for project loans usually involves preparing a detailed engineering design and developing draft bid and contract documents. The bid document package needs to include an updated EMP based on the detailed engineering design.

76. The borrower, with the support of a design and loan implementation consultant, is responsible for monitoring and reporting on the compliance with environmental safeguards.

77. ADB reviews and supervises project performance against the commitments of the borrower, as described in the legal agreements and safeguard plans until project completion. If requirements are not met, a corrective action plan should be developed and implemented.

i. Resources

- **Environmental Safeguards in Project Design and Implementation Slide Presentation**
<https://drive.google.com/file/d/1sXKfRCdHQmQI-QXZWmOlgslniRqwR7yE/view>
- **ADB Safeguard Policy Statement**
<https://www.adb.org/site/safeguards/policy-statement>

VI. SOCIAL SAFEGUARDS

Tran Quy Suu, Social Safeguards, Southeast Asia Regional Department

78. Key messages:

- Social safeguards help avoid, minimize, mitigate, and compensate for the adverse impact of projects through well-designed and appropriately implemented plans for resettlement and indigenous peoples.
- Social safeguards involve giving vulnerable groups the opportunity to participate in making decisions that affect them.

a. Purpose of Social Safeguards

79. Infrastructure development projects are intended to benefit many people. However, if not managed well, they can pose severe economic and social risks to affected communities, vulnerable groups, and the poor.

80. The purpose therefore of social safeguards is to avoid, minimize, mitigate, and compensate for the adverse impact of projects through well-designed and appropriately-implemented plans and programs on resettlement and indigenous peoples.

b. Do No Harm

81. Social safeguards are governed by the principle of Do No Harm. It requires that ADB and developing member countries (DMCs) perform the following:

- Help identify and address adverse impacts
- Reduce and manage project risks
- Provide vulnerable groups with opportunities to participate in making decisions that affect them
- Give attention to issues related to involuntary resettlement and indigenous peoples and take appropriate measures to address them
- Provide a mechanism for consultation and disclosure of information
- Include requirements that help design and implement better projects

c. Roles and Responsibilities of ADB and DMCs

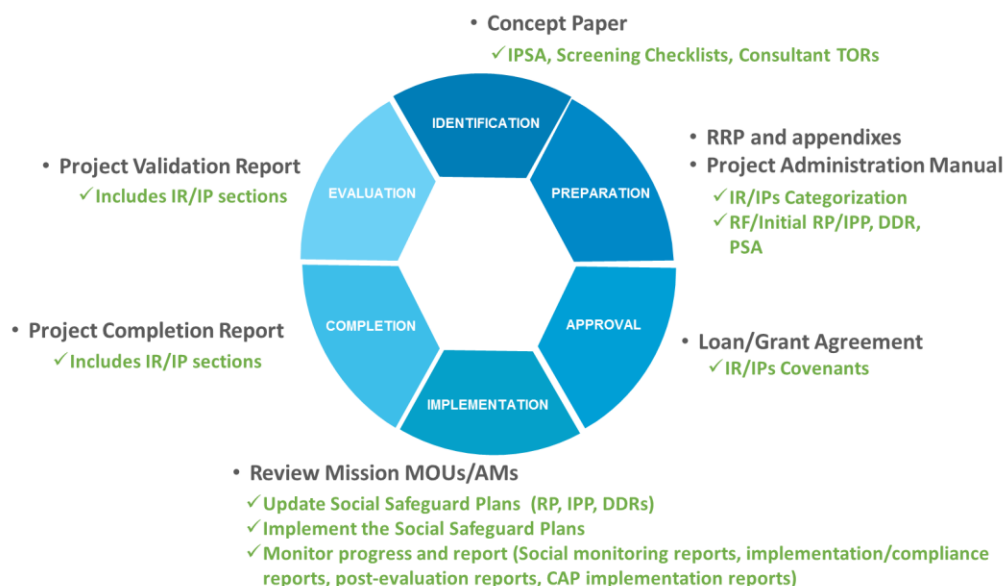
82. The following are ADB's roles and responsibilities in applying social safeguards in projects and operations:

- Screening projects according to ADB's safeguard requirements
- Undertaking due diligence
- Reviewing the DMCs' (borrowers') social assessments and plans
- Helping DMCs in building capacity on social safeguards
- Monitoring and supervising the DMCs' performance
- Disclosing safeguard plans and frameworks, including social assessments and monitoring reports, by posting them in the ADB website

83. The following are the DMCs' roles and responsibilities in applying social safeguards:

- Assessing projects and their social impact
- Preparing social safeguard plans
- Engaging with affected communities through information disclosure, consultation, and informed participation
- Implementing and monitoring the implementation of social safeguard plans and measures agreed with ADB
- Submitting all required information to ADB for review, including assessment reports, safeguard plans, frameworks, and monitoring reports
- Disclosing safeguard plans, frameworks, and monitoring reports by posting them in the websites of executing agencies (EA) and implementing agencies (IA)

Project Cycle: Social Safeguards Documents



d. Impact Screening

84. Good social safeguard planning starts with a comprehensive screening. Early screening and social impact assessment are integral in project feasibility studies.

85. Screening involves the following tasks:

- Identify project boundaries and corridor of impact
- Estimate whether land acquisition is necessary
- Identify relevant social issues and risks
- Estimate whether displacement is required
- Identify landowners or claimants and non-titled landowners
- Identify whether there are any indigenous peoples within or adjacent to the project area who might be potentially affected
- Identify any policy issues that must be considered

Issues that Affect Screening

- Duplicate or inconsistent results because screening social impact issues was not accompanied by topographic surveys
- Insufficient or lack of time allotted for social screening

- Information about affected people is incomplete, legal right-of-way not clear
- Squatters and encroachers who are eligible for assistance not correctly identified
- No design engineer works with the screening team in the field, hence, the team cannot make a comprehensive screening of the impact

e. Preparation and Updating of Safeguard Plans

86. When preparing and updating safeguard plans, note the following:

- Social safeguard plans are required for all operations that entail involuntary resettlement or have a direct or indirect impact on indigenous peoples (Category A and B projects)
- Level of detail and comprehensiveness of the plans is commensurate with the significance of the impact
- Socially disadvantaged and vulnerable groups, as well as gender issues, require attention
- Resettlement plan is required during project appraisal
- Civil works contracts involving involuntary resettlement are not awarded until the final resettlement plan is submitted to ADB and ADB has given clearance for the plan

- Due diligence reports (DDRs) need to be prepared and updated for Category C projects

Issues that Affect the Preparation and Updating of Social Safeguard Documents

- Delays in the finalization of alignment and design
- Delays in involuntary resettlement planning
- EA, IA, and the agency in charge of land acquisition and registration (LAR) are separate entities; there are issues related to the coordination between the agencies for social safeguard planning, such as in sharing the final detailed engineering design, demarcation, inventory of losses, and detailed measurement survey
- Cut-off date is not properly identified and announced
- Only general information about the project is provided to participants during consultations; in some cases, no information is provided
- Impact on businesses and employment is not identified
- Vulnerable groups are not recognized and no assistance is planned for them, there is no serious consideration of the income losses of displaced persons in the informal sector and among illegal occupants
- Some countries do not provide income restoration and rehabilitation assistance
- No guarantee that compensation is at replacement cost for land
- Schedule of rates for buildings are not updated regularly and often do not reflect the prevailing market prices of materials, cost of labor, and transaction costs
- Lack of transparency in the documentation of impact and entitlements
- Two different approaches in addressing project-related impact on indigenous peoples (IP) and displaced persons (DP)
- Capacity and skills of social safeguard implementing agencies are not assessed

f. Implementation

87. When implementing safeguard plans, note the following:

- Implement the agreed and updated social safeguard plans
- Give the compensation payment prior to displacement
- Set up an income restoration program
- Prepare a corrective action plan if there are significant issues related to involuntary resettlement (IR) and indigenous peoples

Issues that Affect the Implementation of Social Safeguard Plans

- Lack of institutional capacity and preparedness; the EA does not lead the implementation of social safeguard plans
- LAR implementing agency does not have the agreed initial or updated social safeguard plans
- Valuation procedures do not ensure compensation at replacement cost
- No grievance redress mechanism or the mechanism is not functional
- No external monitoring
- Lack of budget, payments delayed

g. Monitoring and Evaluation of Safeguard Plans

88. When monitoring and evaluating safeguard plans, note the following:

- Implement and submit monitoring reports as specified in the agreed updated social safeguard plans
- Describe the progress of the implementation of IR and IP activities in monitoring reports; note any compliance issues and commensurate corrective action

Issues that Affect the Monitoring of Social Safeguards Plans

- No computerized data management system; system is inadequate, not standardized, and not updated regularly

- The inventory and socioeconomic data collected by line agencies do not follow a standard format
 - External experts lack the qualifications and experience to monitor and verify the information about projects with significant IR impact and risks (Category A)
 - DPs do not participate in monitoring activities
 - Monitoring reports are not shared with relevant agencies, DPs, and affected communities
- h. **Key Considerations for Successful Social Safeguard Planning and Implementation**
- IR and IP are part of project design, they are not ad hoc issues
 - IR is not just payment of compensation: IR is development, restoration and improvement
 - Consultation and participation are key to project planning, implementation, and monitoring. Disclosure of information is a precondition to consultation
 - Clearly defined cut-off date, which are subsequently announced, helps minimize grievances
- Successful implementation of social safeguards requires linking safeguards to the project's poverty outcomes. Consider the following:
 - Regular consultation and dissemination of information to affected people: Who loses what?
 - Effective coordination: Who does what?
 - Delivery of mitigation measures (entitlements and other assistance) on time and following the agreed policy: Who gets what?
 - Regular monitoring: What do they do with it?
- i. **Resources**
- **ADB Safeguard Policy Statement**
<https://www.adb.org/site/safeguards/policy-statement>

VII. GENDER

Chandy Chea, Senior Social Development Officer (Gender), Cambodia Resident Mission

84. Key messages:

- It we do not capture the talents, human capital and economic potential of half the region’s population—the women and girls—the goal of a region free of poverty will not be realized.
- For better allocation of resources, ensure that the outputs specified in the Design and Monitoring Framework are in the Gender Action Plan.
- Appoint gender focal points from technical departments and build their capacity to lead the GAP implementation.

a. Purpose of Investing in Gender Equality

85. Gender equality is one of the seven operational priorities of Strategy 2030, with operations expected contributing significantly to gender equality results. ADB recognizes that without capturing the talents, human capital and economic potential of half the region’s population, that is, women and girls, the goal of a region free of poverty will not be realized. Gender equality is critical for

better development outcomes in inclusive growth and poverty reduction.

b. Persisting Gender Disparities in Asia and the Pacific

86. Significant improvements have been made in narrowing gender inequalities, along with impressive economic growth in the past 30 years. However, there are persisting gender disparities and women’s disempowerment in Asia and the Pacific.

87. ADB’s Gender Operational Plan identifies gender disparities in five key areas: (i) human development; (ii) labor market; (iii) women’s “time poverty”, which refers to the acute time constraints due to the culturally perceived roles assigned to women to take care of both household matters and economic activities; (iv) women’s vulnerability to risks and shocks, including climate change, economic crisis, food crisis, conflicts and fragile situations; and (v) limited voice at home and at work, and participation in decision-making. Note that (v) lack

Strategy 2030 - Gender as Operational Priority

- Gender equality is **1 of the 7 operational priorities** of Strategy 2030
- Operations to contribute to **5 gender equality result areas**



- Scaling-up targets: **75%** of public and private sector projects designs include proactive gender elements by 2030; **55%** tagged as gender theme or mainstreaming
- Focus on **Sustainable Development Goal (SDG) 5** and other “**transformative**” gender issues (e.g., reproductive rights, violence, unpaid care and domestic work, economic assets building)

of women's voice influences the other four areas of gender inequalities. The five areas of gender disparities, in turn, are influenced by the entrenched cultural and social norms that define the perceptions of the roles and capacity of women.

Human Development

88. Consider the following facts and figures about gender issues in human development:

- Primary: 40% of girls will still not complete primary school
- Secondary: enrollment, retention and completion remain low
- Girl's average years of schooling - 6.4 yrs; boys - 7.8 yrs (2015)
- Gender streaming in tertiary education
- Lower education levels limit women's options for future employment, income and economic opportunities
- High maternal mortality rates - 13 DMCs with maternal mortality ratio (MMR) higher than 200 per 100,000 live births
- Under-nutrition and infant mortality rates remain high in some countries
- Lack of reproductive health services; low contraceptive prevalence rate
- More girls than boys will die before age 5
- More girls than boys will never be born due to pre-natal sex-selection: "missing women"
- In the People's Republic of China (PRC) and India alone, 1.25 million girls missing at birth in 2008

Labor Market and Economic Status

89. Consider the following facts and figures about gender issues in labor and economic status:

- Labor force participation rate: 56% women vs 81% men (2013: 49% women vs. 80% men in developing Asia)
- Share of women in non-agriculture wage employment: only 30%; 50% women in Asia and 60% women in Pacific still work in agriculture
- Women's wages as low as 30%-50% of male wage in some countries; after adjustment, female earns only 75% of male
- Women in low-paid, low-productivity, informal jobs

- Key constraints in the labor market: domestic work/care burden; limited access to resources such as education, training, credit, infra + financial services
- Segregated labor market: men's jobs vs. women's jobs
- Lack of access to and ownership of productive assets such as land, capital, technology, inputs leading to no secure collateral and limited access to credit and limited involvement in decision making over land use, water, agriculture and forestry. (Exception: Bhutan where inheritance law is matrilineal)

Participation in Policy and Decision Making

90. Consider the following facts and figures about gender issues in political participation:

- Women in national parliament: <19% Asia; <15% Pacific; Exceptions: Timor Leste at 38.5% and Nepal, Philippines and Vietnam 27-30%
- 4 Pacific Island countries have no women in national parliaments
- Unable to shape and influence policies and national and local legislation due to their lack of political representation and voice
- Big gender gap in leadership and senior management in government, public management, institutions and the private sector, G20 countries: 48% of overall public sector workforce are women with less than 20% in leadership (Japan 1.8%; India 14.8%; Indonesia: 16.4%) In PRC women hold 51% senior management positions in public and private sectors. In Asia 6% of company board members are women compared to 15% in the US and 17% in Europe; At the Ministerial level, Timor Leste (38.5%), the Philippines and Nepal lead with near 30%, the internationally agreed target of female representation in national parliaments. McKinsey reports show that greater diversity in leadership and management leads to greater profits and better performance.

Violence Against Women

91. Women in Asia/Pacific report experiencing violence from intimate partner: 30% of women in Vietnam; 40% in Bangladesh, Samoa, Timor-Leste; 60% in Kiribati, Solomon Islands, Vanuatu (42% in South Asia; 35% in Pacific and 28% in Southeast Asia (WHO 2013 data) (Other areas: child marriage,

violence against elderly women, domestic violence and trafficking)

Women's "Time Poverty"

92. In low-income countries, 70% of households (HH) have no access to water supply/sanitation; electricity and all-weather roads. Since women spend disproportionately more time on household duties managing their families' water, energy, food and health needs, lack of basic infrastructure significantly adds to their time poverty and domestic and unpaid care burden.

Women's Vulnerability to Risks and Shocks

93. The Asia Pacific region has been one of the most vulnerable regions with climate-driven disasters in the past decade, causing 220,000 deaths, affecting 1.3 billion people with physical damage of \$320 billion in infrastructure, agriculture, and livelihoods. There have been higher female mortality rates particularly in countries where women are socioeconomically disadvantaged: 90% of total deaths in 1991 Bangladesh cyclone, 77% of total deaths in 2004 Indonesia tsunami, and 61% of total deaths in 2008 Myanmar cyclone were women. Women are disproportionately affected by the impacts of climate change such as floods and droughts because of gender norms and discrimination that result in the imbalanced division of labor, lower income, and lesser livelihood opportunities; less access and control over land and other productive assets; fewer legal rights; lesser mobility and lesser political and professional representation. Women are also agents of change at the community level, making valuable contributions to climate change adaptation by investing in climate-smart agriculture and to mitigation efforts as renewable energy producers and entrepreneurs. Economic shocks and conflict-driven environments also have disproportionate impacts on women as they mostly rely on low productivity, low income, insecure agricultural and informal sector jobs, and restricted mobility and resources to seek better alternatives.

c. Gender as an Operational Priority

94. ADB is scaling up its gender equality targets. By 2030, 75% of public and private sector project designs should include proactive gender elements,

and 55% should have a gender theme or involve gender mainstreaming. Gender is also a focus in the Sustainable Development Goals (SDG) and other "transformative" gender issues, namely, reproductive rights, violence, unpaid care and domestic work, and economic assets building.

d. Gender Categories

95. ADB projects are grouped under four categories: gender equity theme; effective gender mainstreaming, some gender elements, and no gender elements. The four-tier categorization system allows ADB to objectively measure, count and report on "at entry" gender mainstreaming in operations against the ADB Results Framework targets (used to be 45% ADB and 55% ADF by 2020)

96. Under Strategy 2030, the new target is at least 75% of ADB's committed operations (on a 3-year rolling average), including sovereign and non-sovereign operations, will promote gender equality (55% will be GEN+EGM or gender mainstreamed projects). The first 2 categories are counted towards ADB's gender project portfolio, and it is monitored and reported to the Board annually.

97. The difference between the first category GEN theme and the effective gender mainstreaming (EGM) is that GEN theme projects place narrowing gender inequality or empowering women as an explicit project outcome in the DMF. The EGM projects capture the opportunities that project provide in offering employment opportunities, access to training, and participation in decision making. IN EGM and GEN Projects, specific gender design features are included in at least 50% of project outputs and components to facilitate women's participation and ensure their access to project benefits. GAP is necessary in both.

98. The MTR of Strategy 2020 recognized that the second category of "effective gender mainstreaming" alone is not sufficient and called for direct investments in women and girls in the areas of education, health, TVET, employment, access to productive assets, finance, and business development training. These are categorized as "Gender Equity Theme". The problem is – in the past

few years, the percentage of Gender Equity Theme has been declining. Therefore, both the Operational Plan and the MTR are aiming to maintain gender mainstreaming while increasing the GEN theme.

99. The intended category needs to be tentatively decided upfront by the project team leader in consultation with the RM/RD gender specialist based on the IPSA at the concept stage. That will inform the amount of gender expertise required for design stage (TRTA, formerly PPTA) consultants, gender specialist, etc.), or whether a gender action plan will need to be developed. A gender analysis should always guide the design process of a project, which will more clearly refine the gender category as needed. The gender category will be verified at the final RRP stage by SDCC TG-GEN Chief.

e. Assigning Gender Mainstreaming Category

100. Use the following criteria when assigning a gender mainstreaming category during design:

(i) Outcome Expectations: What does the project hope to achieve from a gender perspective and to what extent does it directly or indirectly address GEWE?

(ii) Design Criteria: What gender designs and features, including the GAP, are included in the project or program?

101. If the TA or grant-financed component is included in the project to address GEWE, it can make a project GEN or EGM if the TA is an integral part of the project design, recognized in the RRP as a piggy-backed TA or co-financed grant component and in the DMF and project financing

f. Required Gender Provisions in RRP for GEN/EGM Projects

Concept Paper Stage

102. Provide the gender category, DMF, IPSA, problem tree, and TOR of the gender consultant/TRTA.

RRP Stage (TRTA & RRP Preparation)

- **Gender analysis:** collect sex-disaggregated data to use as baseline, results from FGD, proposed GAP in line with project interventions
- **DMF:** gender targets and design features
- **GAP:** based on project gender category, mirrors the outputs in the DMF, targets are clear and realistic based on baseline data, includes all DMF gender indicators, based on gender analysis identified key gender inequalities that the project aims to improve
- **SPRSS:** gender section that summarizes the key findings of gender analysis during project preparation and the gender design features of the project, informed by an analysis of key gender inequalities and key actions
- **PAM:** key gender issues described in Section VIII, including GAP, TOR of PIC's gender consultant, GAP implementation arrangement, monitoring and reporting and lines of accountability
- **Loan/Grant Agreement:** Schedule 5, to support GAP implementation with some of the targets in the DMF/GAP in the covenant; ensures implementation, monitoring and coverage in the PCR
- **Policy Matrix:** Gender policy actions included in the policy matrix
- **RRP:** Explanation of women's involvement in the sector based on an analysis that identifies gender-based constraints and opportunities; and due diligence (poverty and social) describes how women will access and benefit from the project

g. Gender Action Plan

103. The Gender Action Plan or GAP is the key gender mainstreaming tool and mechanism for ensuring the gender-inclusive design and implementation of the project. It gives visibility to and accountability in gender mainstreaming. The GAP includes quota, target, activity, and design features to address gender inequality issues and to facilitate women's participation and tangible benefits. Because it is a roadmap for project implementation, monitoring and reporting, the GAP helps deliver practical benefits to women and facilitates strategic changes in gender relations.

Key Steps in GAP Preparation

- Baseline data collection and setting target
- Undertake quality social and gender analysis (access to and control of resource, decision-making power, needs and priorities, and institutional capacity)
- Identify clear, realistic targets linked to outcomes and outputs
- GAP must be fully owned and understood by the EAs and IAs
- Include gender capacity building in the GAP
- Provide adequate skills and resources (budget and specialist) for GAP implementation
- Revisit GAP and gender design strategies at inception to develop a detailed GAP
- Monitor and follow up gender-related targets and activities
- Use tranche release conditions and loan covenants

h. Gender Design Examples

- **Human development:** access to services, training, scholarships
- **Economic empowerment:** access to productive resources, e.g., finance, land, employment, and income opportunities, skills development
- **Voice and participation:** decision-making forums, water user group executive committee, local government councils
- **Women's time poverty:** facilitated access to water & energy, time-reducing and drudgery-reducing technology and infrastructure
- **Resilience to external shocks:** women's access to green jobs, participation in climate-related decision-making; access to climate-smart technologies
- **Gender-sensitive physical infrastructure:** e.g., separate toilets, women's dormitories, women's corner in the market, bus terminals, private space for women in flood refuge centers, women-only compartments in public transport, light-weight dumpsters for solid waste collection, streetlights for women's safety, clean cookstoves
- **Policy, legal, and institutional reforms for gender equality:** particularly those on land and property ownership and titling, violence against women, reproductive health, public expenditure

management, employment (recruitment, retention, promotion), pension

- **Expertise:** gender specialists; where relevant, NGOs to mobilize local women
- **Gender capacity development:** for EA, IA, service delivery agents; involvement of government agency for women's affairs in the project steering committee

Project Review Missions

104. Reporting on gender equality and women's empowerment results enhances ADB's development effectiveness and accountability. Moreover, GAP implementation poses many challenges that have to be resolved in a timely manner.

105. The *basic criteria for the GAP implementation* will need to be complied within the first 12 months after the inception mission, namely (i) gender focal points assigned for EAs and IAs; (ii) PIC gender consultant is recruited and adequate inputs are allocated; (iii) sex-disaggregated data are collected and integrated in the PPMS; (iv) orientation on the GAP implementation and its requirements provided to EAs and IAs; (v) GAP implementation planned, activities included in the project's AWPB; (vi) GAP is translated into local language; (vii) gender mainstreaming training is provided to all project staff at EAs and IAs; (viii) ensure gender expertise and provision in all bid documents and contract awards of service providers and civil works contractors; (ix) GAP monitoring table/progress report is prepared and included in the project's progress report; and (x) baseline data are collected and included in the GAP, if they are not included or collected during project processing.

Key Roles in GAP Implementation

Main Roles

- EAs & IAs are responsible for the GAP's implementation, monitoring and reporting
- Gender specialists in the PMU/PIU guides the overall GAP implementation
- Gender focal points assist in GAP implementation
- Steering Committee provides oversight in GAP implementation

Support Roles

- Resident mission gender specialists provide ongoing gender technical advice and guidance and assistance on GAP implementation
- Engage in gender policy dialogue with EAs & IAs
- Share lessons learned and effective strategies that can be replicated across sectors and programs

Reporting Requirements

- Reporting template: GAP monitoring table
- Sex-disaggregated data quality in GAP progress report:
 - Report against each action and each numeric target
 - Provide quantitative and qualitative data
 - Collect case studies
 - Report against the overall project implementation schedule
 - Report progress on empowerment outcomes (strategic benefits and practical benefits)
 - Issues, challenges and recommendation
- DFM: gender indicators
- Loan covenant: gender

Good Practice in GAP Implementation

- Appointment of gender focal points from technical departments at all levels of project implementation
- Build capacity of gender focal points who will take ownership of GAP implementation
- Early involvement of gender consultant
- Collect quantitative and qualitative data
- Sensitize PMU and core project staffs on GAP and gender equality
- Routine collection of sex-disaggregated data and include in the project monitoring system at early stage of implementation
- Identify bottlenecks in GAP implementation and suggest practical solutions (e.g., capacity, key terms in the GAP)
- Continued dialogue and guidance from ADB
- Standardization of project GAP reporting
- Management support to GAP implementation

Quantitative and Qualitative Indicators

- Qualitative and quantitative data help compare the data and cross-check results
- They help analyze results and reduce the possibility of biased findings and conclusions
- Positive practices: more consistency in data collection – women’s participation, access to credit and inputs, women’s increased participation in livelihood activities

i. Role of Project Gender Specialist

Planning

- Develop sector-wide gender policy, program, and procedures
- Review and refine gender targets and activities
- Prepare a detailed GAP implementation plan
- Prepare an annual plan and budget to be included in the project AWPB
- Develop a gender capacity building plan

Implementation

- Facilitate the implementation of gender features in all relevant project outputs
- Conduct an orientation on GAP implementation
- Provide social and gender inputs in training
- Assist in implementing the GAP
- Provide oversight of GAP implementation, identify constraints and prepare strategies to overcome them

Monitoring and Reporting

- Consult regularly with women beneficiaries
- Assist in developing a sex-disaggregated project monitoring and evaluation system
- Identify baseline data needs
- Ensure the collection of sex-disaggregated data
- Monitor GAP implementation progress
- Conduct field monitoring
- Prepare a quarterly GAP progress report

j. Preventing Delays in GAP Implementation

Challenges

- Limited knowledge and understanding of gender equality and women’s empowerment

- Lack of incentives to achieve gender-based objectives and commitment
- Gender specialist has an intermittent engagement, limited capacity to address sector-based gender issues, limited understanding of the GAP, language issue
- Reluctance to allocate and insufficient allocation of resources for GAP implementation
- Inadequate implementation of GAP activities and achievement of targets
- Limited gender expertise and monitoring mechanisms for GAP implementation, leading to limited reporting of GAP implementation and results

Solutions

- Build commitment
- Increase understanding of how GAP implementation contributes to meeting overall project objectives
- Training, peer exchange, and learning seminars
- Regularly visit sample project sites with the expert to observe how GAP is implemented
- Building the capacity of the gender specialist through day-to-day consultations, technical advice, guidance, project-based training

- Understand how GAP “mirrors” the DMF and why this is important in resource allocation
- Prepare a GAP implementation plan with the EA/IA at an early stage
- Incorporate sex-disaggregated data indicators in the PPMS
- Ensure that the GAP implementation is updated, and the quarterly report is part of the project progress report

k. Resources

- **ADB Policy on Gender and Development**
<https://www.adb.org/documents/policy-gender-and-development>
- **Gender Equality and Women's Empowerment Operational Plan, 2013-2020**
<https://www.adb.org/documents/gender-equality-and-womens-empowerment-operational-plan-2013-2020>
- **Introduction to ADB's Strategy and Guidelines for Gender Mainstreaming (8 eLearning modules)**
<https://elearn.development.asia/>

VIII. DESIGN AND MONITORING FRAMEWORK

Lindsay Renaud, Results Management Specialist; Strategy, Policy and Partnerships Department

106. Key messages:

- The design and monitoring framework or DMF is a tool for selecting, designing, and implementing a cohesive set of interventions that are best suited for achieving country development objectives.
- A good DMF is informed by stakeholder consultations, and has a proper results chain, with outputs and outcome, and SMART indicators.
- The DMF should be actively used as a project management tool.

a. Purpose of the Design and Monitoring Framework

107. The design and monitoring framework or DMF is a tool for selecting, designing, and implementing a cohesive set of interventions that are best suited for achieving country development objectives. It helps ensure that a project is sustainable and linked to broader development goals, specifically to country priorities, the sustainable development goals (SDGs), and the ADB Strategy 2030.

108. DMF helps answer the questions: How do we bring about effective development? How do we know that we are achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, as we committed to do in ADB Strategy 2030? By doing the right things: selecting and designing a cohesive set of interventions that are best suited for achieving country development objectives. By doing things right: designing and implementing interventions so that they meet their development objectives.

b. Managing for Development Results

109. DMF is anchored on an approach called managing for development results (MfDR), which is rooted in the millennium development goals (MDGs). When the international community agreed to focus on addressing specific aspects of poverty, the inevitable question arose: How will we know we have succeeded? We have sector strategies, corporate strategies. How are we delivering on these objectives? This line of questioning continues today with the SDGs. In today's context, stakeholders call on governments and donor agencies to demonstrate results, i.e., their development effectiveness. In turn, donors and recipients enjoin each other to demonstrate that they are meeting their commitments and promises. Hence, in MfDR, we ask: What do you want to achieve with your project or program? It's not just building a road or a school. That is a means to an end. The other question is: How do we know when the project has been successful?

110. MfDR is a management strategy that embodies generally accepted tenets of good governance and sound strategic management. The focus is on the results achieved in the project cycle, in a way that it answers the "why". It helps ADB and developing member countries (DMCs) do more of what works well and do less of what doesn't work well. Hence, it is a cycle of continuous learning, adaptation, and improvement, as well as transparency to stakeholders. The MfDR cycle consists of Plan/Revise, Implement Activities/Target Results, Measure Results (Monitor), Analyse/Learn (Evaluate).

c. DMF and the Results Chain

111. The MfDR is embodied in the DMF. The framework helps define the outcomes and outputs or results to be achieved; the indicators with baselines and targets that help measure performance; the external factors that support results achievement as well as the risks that will constrain achievement; data sources and reporting; and the required activities and inputs.

112. A central concept in the DMF is the results chain, which should be able to distinguish the output or the outcome. An outcome is a meaningful result. For example, a road may be of good quality, it passes engineering standards, but if no one uses it, it is not beneficial at all. It does not have a good outcome.

113. There are levels of results. DMF shows the broader development results, that is, the impact, which is the high-level development objective that a project outcome is aligned to. This could be the country strategy. Then there is the project results chain, which is composed of the outcome and output. Outcome is the immediate and direct benefit of using the output. Each project should have an outcome. Output refers to goods, services, or products delivered by the project to direct beneficiaries. Several outputs, put together, should be sufficient to achieve the outcome, given risks and assumptions.

114. Here are more examples of the results chain:

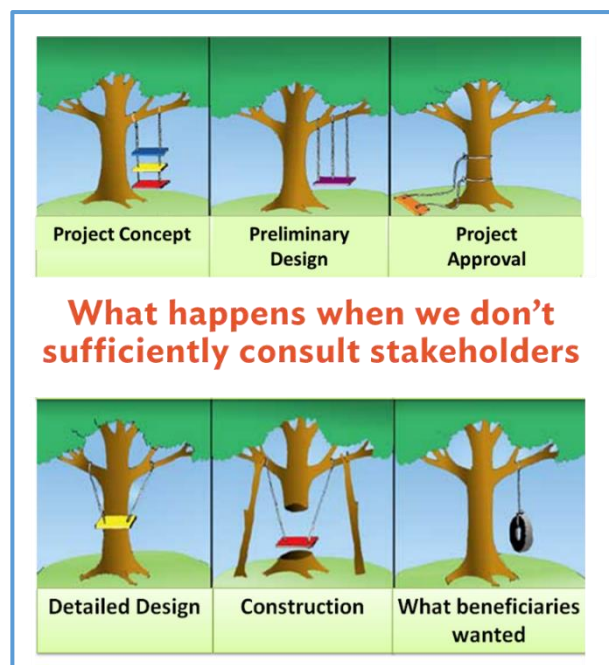
- Impact - longer term change such as an increase in income, improvement in health, or higher education attainment
- Outcome - immediate benefits of use, such as improvement in mobility, increase in the number of households using clean water, or increase in the number of households using electricity
- Output - specific deliverables, such as roads constructed, water network built, or power distribution capacity expanded

d. Stakeholder Consultation

115. A good DMF depends on the process it was developed. Consultation with stakeholders is crucial

in making a good DMF that can guide project management in working for ambitious yet realistic development results, and which are based on relevant outputs. As such, the DMF can be used as a monitoring and evaluation tool. Without consultation, DMCs end up spending time and money developing complex designs, when in fact, the intended beneficiaries wanted something completely different, possibly simpler. Listen to stakeholders and co-design a solution.

116. Stakeholders are agencies, organizations, groups, or individuals who have a direct or indirect interest in the project. They include those who may affect, be affected by, or perceive to be affected by a project decision, activity, or result. Be sure to include stakeholders who will only be involved, or will be more involved, post-project completion. Involving these stakeholders in the design is critical in ensuring the sustainability of the project's results. Also involve those individuals or organizations that can potentially "derail" the project. Getting them involved in project design is important to ensure that their concerns are heard and considered early on. This makes them more likely to "buy-in" to the project and subsequently support it.



How to Conduct Consultations

- i. Organize workshops or focus groups with representatives of stakeholder groups.
- ii. Confirm the issue or broad development problem with them (e.g., rural road transport).
- iii. Ask them about their interests regarding the issue; their perception of the problems; resources put forward for, or in opposition to, the issue.
- iv. Document the consultation.

e. Stakeholder Analysis

117. Stakeholder analysis is a continuous process that happens during (i) problem identification when key stakeholders are identified and involved in problem analysis; (ii) project formulation when stakeholder input is solicited to make design decisions and risk analysis; (iii) project implementation when stakeholders continue to be involved, they are informed, their changing circumstances or interests are tracked, and their possible involvement in monitoring and evaluation is planned.

118. A stakeholder analysis identifies the key stakeholders, their interests regarding the problem, their perception of the problem, and their resources

(supportive or in opposition; financial and nonfinancial).

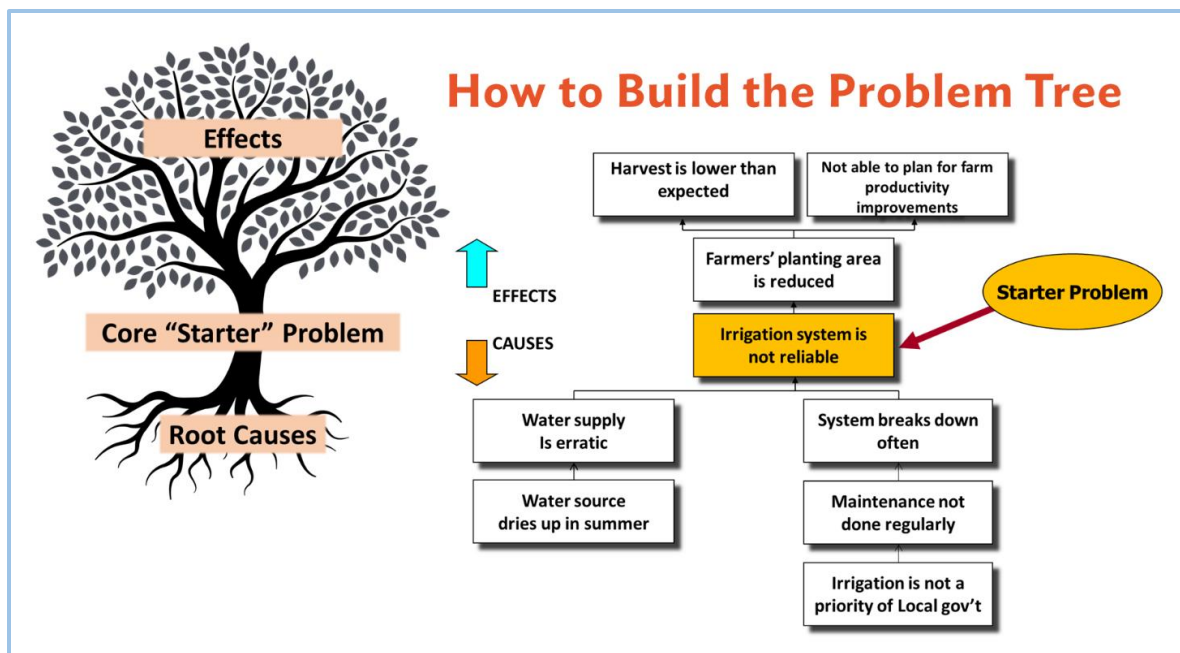
119. Experience shows the value of involving people in identifying and understanding the problem. DMCs can go a step further by undertaking a human-centered design approach where the beneficiaries are part of designing, testing, and refining the approach. For example, DMCs can work with village councils to identify a solution or get feedback.

120. A stakeholder communication strategy is developed during the design phase. The strategy outlines the messages to be communicated to each stakeholder group, the timing, means of communicating, tasks, and resources.

f. Problem Tree Analysis

121. ADB uses the problem tree diagram to understand a problem. It works on the rationale that explaining the effects of a problem is a good way to justify the project.

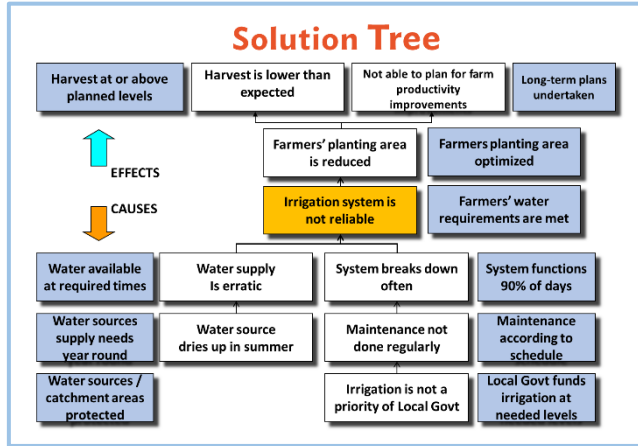
- i. Place the core “starter” problem at the center.
- ii. Identify the direct cause of the core problem and the secondary cause, thereby



creating a hierarchy of problem causes and effects (“roots”).

- iii. Identify problems that are the direct effects or symptoms of the core problem. Put them above (“branches”).

122. A solution tree can be made based on the problem tree by converting the problem tree statements to results.



g. Performance Indicators and Targets

123. An indicator is a measurement device that shows whether an expected result has been achieved. It helps clarify what the expected results are. It rates the project’s success.

124. Performance indicators are critical in an effective DMF. The performance indicators subsequently guide project performance monitoring and evaluation (PPME) through data collection and analysis, and PPM reporting. Ensuring the measurability of indicators and reliability of data sources are therefore essential.

SMART Indicators

- Specific – defines the result statement (who, where, when, quality, quantity, cost, etc.) Who includes: sex [m/f]; location [urban/rural], socioeconomic status, ethnicity, age, and any other relevant qualities
- Measurable – stated in quantifiable terms; lends itself to the collection of data
- Achievable – realistic in what is to be attained

- Relevant – appropriate to the result statement; useful for management information purposes
- Time-bound – specifies the target and baseline, both indicate the appropriate date

125. To decide whether an indicator is appropriate to include or not, the answer to at least one of the following questions should be “yes”: Is it a meaningful or useful measure either (i) for providing fund management with useful information to guide decisions and actions; or (ii) of the fund’s performance that is of value to key stakeholders.

126. Performance indicator is a measurement device that (i) shows what success looks like; (ii) measures whether an expected result has been achieved. Example: the outcome indicator for a road project could be: average bus passenger travel time from town A to town B decreased to 50 minutes by 2021 (2018 Baseline: 120 minutes)

h. Data Sources and Reporting

127. Data may be available from secondary sources. If not, then primary information is collected. Data sources include samples or full surveys, project records, participatory or rapid rural appraisal methods, focus group discussions, field observations, and balanced scorecards.

i. Activities and Inputs

128. List the key activities for each output. Show the completion date and milestone per activity. Include project management activity: procuring goods, hiring consultants, reporting, monitoring, accounting, auditing.

129. Inputs are a summary of main resources. Group inputs by financier.

j. Risks

130. Risks are external factors beyond the control of a project, but which can prevent the achievement of target results. Risks are uncertainties.

Examples of Risks

- Outcome: Mobility from A to B increased
Risk: Sudden surge in crime limits travel

- Output: Roads built
Risk: Bilateral issues lead to border closure, hence delaying equipment imports

131. Risks are analyzed in the risk assessment and risk management plan (RAMP), a mandatory document used in the report and recommendation of the President (RRP). The Operations Manual OM C4/OP states that the risk assessment and risk management plan should address the public financial management, procurement, and corruption risks based on a preliminary assessment in the project concept paper. The RAMP lists all major risks to the project and rates them as high, substantial, moderate, or low.

k. Results-Focused Project Monitoring and Reporting

132. Why is monitoring outcomes so important? One project provided bed nets treated with mosquito repellent. But instead of using them at home, beneficiaries used them for fishing. Unintended use has been observed in many countries. Some communities used the nets for making soccer balls, keeping animals out of the garden, and wedding veils. This example illustrates the beneficiaries' **uptake** of the project (how many people use the net); **utilization** (how well people use it – hang/tuck it in); and **regularity of use**.

133. Include quality results-based monitoring in the design. This should include the budget for the required monitoring and evaluation (M&E). Be sure to specify the responsibilities, data collection methodologies, and reporting requirements in the project administration manual (PAM) and the terms of reference (TOR) for an independent M&E consultant.

134. As explained in the ADB Project Performance Monitoring System Policy and Operations Manual, the project design should establish whether implementing agencies and executing agencies have the capacity and resources to monitor and evaluate ADB-financed projects. If needed, a loan or an Asian Development Fund (ADF) grant or technical assistance may be used to strengthen the agency's capacity to monitor and evaluate the project.

135. The PAM describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with the countries' and ADB's policies and procedures. The requirements are agreed upon during loan negotiations. During project processing, the borrower, executing agency, and ADB agree on the content, format, and timing of submitting progress reports. These reports are used to update the project performance report (PPR).

136. The ADB, executing agency (EA), and implementing agency (IA) in ADB financed projects have a joint agreement on and commitment toward the attainment of project objectives. The EA and IA, with ADB support, assess the performance vis-à-vis the DMF output and outcome targets, adjust plans as needed to address any issues, and communicate and discuss project performance and progress with stakeholders. Reporting includes quarterly/bi-annual progress reports from the EA and IA; twice a year monitoring missions (a good practice); and an in-depth mid-term review.

Requisites of a Results-Based Supervision System

- Continuing awareness of the project's operating environment and the project management strategies and challenges of IAs, in order to anticipate and address any issues before they affect project progress.
- Staff guidance to IAs on the application of ADB's general and specific policies and procedures, especially those related to the legal, disbursement, procurement, and fiduciary management provisions of the project
- Ongoing monitoring of project outputs and outcomes through attention to the results framework of the project, periodic review of performance indicators vis-à-vis the objectives and targets set at appraisal, and validation and verification of the information provided by the implementing agency or client
- Timely and accurate reporting and updating of project information by ADB staff in the PPR, e-Operations portal, and other reports

- Ongoing compliance tracking of contractual clauses, and key social, environmental and other provisions of the project
- Relevant, prompt and flexible corrective action, and ongoing risk management, including restructuring, reformulating or canceling loans, and flagging significant issues for management decisions as needed
- Timely inspection, project and portfolio review missions, and specific follow up, time-bound action with assigned roles and responsibilities
- Ongoing tracking and comparison of project costs, budgets and milestones vis-à-vis original projections and schedules
- Frequent communication and discussions of project performance and progress with beneficiaries and stakeholders, as well as close collaboration with implementing agencies, partners, clients, and co-financiers or sponsors to foster the attainment of project results

137. In summary, results-focused project monitoring involves regularly asking the following questions throughout project implementation: Was implementation as planned? Within time and budget? What worked? What didn't work? What were the unplanned factors?

I. Revising or Updating the DMF

138. DMF should be adjusted as needed to reflect changing circumstances and project environments. The changes must be agreed between ADB and the EA and IA; and they must be recorded, justified and approved. The documentation of changes is attached to the back-to-office report of the review mission and reflected in a revised DMF and transferred to the PPR and technical assistance performance report (TPR) (ADB PPMS OM).

139. A major change in scope means substantive changes to the project outcome statement or

outcome indicators. It requires Board approval on a no-objection basis. A minor change means substantive changes to project outputs or output indicators.

m. DMF in Project Implementation and Completion

140. During project implementation, the DMF helps measure progress; ensures that activities deliver the outputs; aids in making decisions that are based on facts; and maintains the focus on outcomes.

141. At project completion, the DMF is used as a basis for evaluating performance and documenting learning and lessons for future programming. ADB projects are rated as follows:

- Relevance – Was outcome consistent with country and sector priorities and ADB's strategic objectives? Was project design suitable for addressing identified development constraints?
- Effectiveness – Were outcome and output targets achieved?
- Efficiency – How efficiently were outputs delivered (time, cost, expected rate of return)?
- Sustainability – Is the outcome likely to be sustained over time in an environmentally and socially-sustainable way?

a. Resources

- **Guidelines for Preparing a Design and Monitoring Framework**

<https://www.adb.org/documents/guidelines-preparing-design-and-monitoring-framework>

IX. PROCUREMENT

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142. Key messages:

- Procurement in projects faces many issues that cause undue delays, with most of the problems resulting from weak institutional capacity.
- Capacity building is not just training and institutional arrangements. It has five dimensions: policies, regulations, oversight, institutional arrangements, and training.
- Two reforms are in place, which are now integrated in operations: strategic procurement planning process and risk register.
- Countries can integrate technical assistance for institutional strengthening in project financing to address procurement constraints.

a. Purpose of Procurement

143. Contract awards, disbursements, and timely project outcomes depend on efficient procurement. The contract awards and the time it takes to undertake procurement will determine the efficiency of contracting. Finally, the selection of a qualified and good contractor will define disbursements. As such, procurement is a core function in project implementation, and much importance needs to be given to planning and designing procurement in project operations to achieve the project objectives on time.

144. With the implementation of the new policy and framework, ADB expects to improve project quality and deliver greater value-for-money; reduce the time to deliver procurement outcomes; attract more quality suppliers to bid for projects; reduce transaction costs; strengthen the procurement capacity of developing member countries; and improve the relationship between borrowers and suppliers.

b. Principle-Based Procurement







145. The new procurement framework has been broadened for the following reasons: to address the increase in the lending portfolio; to respond to the needs of developing member countries (DMCs); to harmonize procurement systems with multilateral development banks such as the ADB, World Bank, and African Development Bank; and to improve delivery systems.

146. The red book is the 2015 Procurement Guidelines, and the green book is the 2013 Guidelines on the Use of Consultants by ADB and its Borrowers. Now, there is the 2017 Procurement Policy and Procurement Regulations for ADB Borrowers, also known as the New Procurement Framework. The difference is in the major shift from rules-based procurement to principle-based procurement. The flexibility of the principle-based approach facilitates the design of a fit-for-purpose procurement process and contract forms.

147. Six procurement principles are affirmed in the new framework: fairness, economy, efficiency, transparency, quality, and value for money. The last two are introduced in the new procurement framework so that there is more attention to them as part of the core principles.

148. The principle-based approach of the new framework offers more flexibility. This allows DMCs to focus on following the policy principles rather than responding to thresholds and rules. This means more time to evaluate the nature and complexity of the procurement package, operating environment, market assessment and the risks involved, and then to decide which procurement methods to follow, which procurement procedures to adopt, and whether to do international bidding or national bidding.

Procurement Principles with Expected Outcomes

	Principle	Outcomes
	Fairness	Equal opportunity; equitable distribution; and credible mechanisms for addressing procurement-related complaints.
	Economy	Using price, quality, and any nonprice attributes to deliver viable projects.
	Efficiency	Ensures procurement processes are proportional to value and risks.
	Transparency	Deliver relevant procurement information publicly in a consistent and timely manner; appropriate reporting; and confidentiality.
	Quality	Structured arrangements delivering appropriate outputs in an effective manner to achieve project outcomes and objectives.
	Value for Money	Obtain optimal benefits through effective, efficient, and economic use of resources.

149. It is important to understand that procurement planning decisions are to be based on applying the principles, rather than simply following the process or financial thresholds.

c. Board Approval

150. Any deviations from the red and green books under the old procurement framework must be approved by the Board, a requirement that sometimes caused delays when getting ADB's no-objection or approval for any deviation from the guidelines. With the 2017 framework, only the policy is approved by the Board, but the regulations are not. It is easier to get approvals in case of deviation. In fact, with the flexibility that the new procurement regulations offer, DMCs may not need to seek approval for any deviations.

d. Applicability

151. **New projects.** The framework applies to all projects with concept notes approved on or after 1 July 2017.

152. **Projects under preparation.** Requests from borrowers with quality assurance meetings scheduled on or after 1 October 2017 will be considered for the use of the framework.

153. **Ongoing projects under implementation.** Requests from borrowers for procurement transactions to be initiated after 1 October 2017 will be considered for the use of the framework. Projects can apply to transition from the 2015 procurement guidelines to the new procurement framework through this request.

154. Transitioning from the 2015 guidelines to the 2017 framework requires an amendment to the loan agreement. DMC requests are reviewed on a case-by-case basis and are approved by ADB as appropriate. Amendment of loan agreements takes some time. A quicker way is for DMCs to identify the appropriate clause in the user guides and bidding documents that they want to adopt, and use those clauses in the bid data sheet and general conditions of contract in the procurement.

e. Features and Benefits of the New Procurement Framework

155. The new framework is fit-for-purpose, it is not one-size-fits-all. Procurement requires that DMCs look at the operating environment, market, and risks. Based on this analysis, DMCs design their procurement and choose the method that fits the purpose and best contributes to achieving the desired results.

156. If a standardized approach cannot effectively and efficiently meet project outcomes and development objectives, including in capacity-constrained environments, a customized approach with transaction-specific methods and documentation may be adopted.

157. Following are the features of the new framework:

- **Expanded procurement risk assessments** through the project readiness financing and strategic procurement plan (SPP). Note that the framework was developed using a risk-based approach.
- **Contract management plan** now part of borrower obligations. The preparation starts at the project concept stage. Once bidding is completed and at contract signing stage, the contract management plan should be ready. Now ADB has a fiduciary plan to ensure that the plan is implemented.
- **Strengthened support for the use of e-Procurement** systems. ADB encourages the use of e-Procurement.
- **Formal recognition of additional contracting types**, such as design-build-operate (DBO) and high-level technology (HLT). Standard bidding documents for DBO in water and infrastructure are now available. Other sectors to follow. For DBO, it is best that the contract period be longer, such as 20 years, to account for asset replacement, which is a clause in the contract. It will benefit the employer if the operation period exceeds the asset replacement period.
- **Non-consulting services now a distinct procurement type**. These are explained in the guidance notes.
- **Specific guidance on fragile and conflict-affected situations**. There are guidelines on

how to operate in such situations and what concrete actions to take.

- **More guidance on dealing with complaints through a complaint response mechanism**. ADB has a tracking and monitoring system for procurement complaints, and countries are encouraged to set up a similar system. There is guidance on HLT, public-private partnerships, and other arrangements.
- **Alternative procurement arrangements for DMCs**. For example, in a co-financing project between World Bank and ADB, DMCs can choose which of the two multilateral bank policies to follow. This is made possible through ADB's alternative procurement agreement with World Bank. Agreements with other development partners to follow.
- **Decentralization and delegation of authority**. This is internal to ADB. There are now more procurement specialists in the resident missions so that they are readily available to provide guidance and give a no-objection, as needed. Similarly, there are procurement specialists in regional departments who can support specific sectors. In ADB, the regional department makes decisions on contracts of up to \$20 million, and it is the sector director who approves or provides a no-objection on procurement issues.
- **Focus on end-procurement support**. ADB support used to be during the procurement stage, not at the project planning or contract implementation stage. This was not an efficient process, because unless planning was perfect, transaction and contract implementation issues were bound to happen. Now, ADB procurement specialists work closely with regional departments, resident missions, and with DMCs, throughout the project cycle. At preparation stage, the procurement team is already involved. The purpose is to make strategic planning part of preparation, and to design procurement based on a risk analysis. This way, DMCs minimize issues in procurement, and contract management is made more efficient because qualified and suitable contractors are selected.
- **Strategic procurement planning**. There are specific formats of bidding documents in the SPP. There are also specific guidelines on how to design procurement so that it is well structured, important points are included, and project design requirements are met.

- **Open competitive bidding (OCB).** From international competitive bidding and national competitive bidding, there is now the OCB, which applies also to consulting. There are no more thresholds.
- **Request for quotations.** From shopping, there is now the request for quotations, which has a similar process but with the forms revised to provide more specific information.
- **Pass or fail plus weighted average for quality,** from just pass or fail as qualification and evaluation criteria. This applies even to civil works and goods. The lowest price is no longer necessarily the winning bid.
- **More standardized thresholds,** from just procurement thresholds.
- **Prior review and post-review sampling,** from prior review, post review, and post-review sampling.
- **Non-compliance** instead of misprocurement. Both pertain to not following ADB policies and regulations.
- **No more thresholds in OCB.** The approach is context-specific, with risk-based package selection.
- **OCB (national advertising) bidding documents can be in the national language.** Bid prices and payment can be in the local currency. Bid and performance security is required only from local banks. There is a reduced bid duration.
- **Number of bidders prequalified can be limited.**

f. Abnormally Low Bid

158. There is a new clause in bidding documents called “abnormally low bid” (ALB) for cases where the bids are much lower than the estimated cost. Before this, DMCs’ only recourse was to accept the bid with increased performance security and sign the contract with the bidder. If the contractor finds that he cannot meet his contractual obligations, he can run away and lose his performance security. With the abnormally low bid clause, DMCs can now accept or increase the performance security as a risk mitigation measure or reject the abnormally low bids. Be sure to do due diligence when rejecting bids as abnormally low bids. There are various ways to do that. DMCs can look at the breakdown of unit prices, compare it

with the estimated cost and market prices, and how the bidder captured those rates. If a contractor wants to compromise on his profit percentage, that is not an abnormally low bid. But if he does not comply with the minimum wage law of the country, then there is something wrong with his estimates. ADB’s no-objection is required when rejecting bids on account of ALB.

g. Standstill Period

159. This new provision was introduced at the request of DMCs. Some countries have a waiting period, which is the period after completing the evaluation and selection of a winning bidder. That waiting period or standstill period is the space after the announcement of the winning bidder, when non-winning bidders or other parties can submit complaints or comments about bidding-related issues.

160. The standstill period is an option available in legal documents. If legal regulations do not require a standstill period, then there is no need to have it, and this is the preferred way. The reason is that the standstill period requires time, non-responsive bidders will always have complaints, and addressing their issues will require more time.

h. Alternative Procurement Arrangement

161. Alternative procurement arrangements (APA) can now be used based on ADB’s positive assessment of the procurement policy, regulations and practices of the agency concerned. Note that with this new provision on APA, the eligibility rules on anti-corruption under ADB’s regulations must be adopted. The eligible contractors, suppliers, or source of goods should be from ADB’s member countries.

i. Standard Bidding Documents Sections 1 & 2

162. The following are the major changes in the standard bidding documents:

- **Integrity and conflict of interest clauses** are strengthened and made clearer, as required by ADB’s Office of Anticorruption and Integrity.
- **SWIFT message in the form of MT760 as bid security** is accepted.

- **Bid security in the name of any joint venture partner** is now accepted. The requirement before was to issue the bid security under the names of all joint venture partners, if the joint venture is not formally established, or under the name of the joint venture if it is legally established. Note that it is a practice among banks to issue a bid security only in the name of the joint venture. This was difficult because the bidders did not want to formalize the joint venture before bidding. If they did not win, then their efforts to form the joint venture were wasted. Now, ADB accepts bid security issued in the name of any one of the joint venture partners.
- **Bidders, if permitted, can get specialist subcontractors** to fulfill key activities. The previous practice allowed bidders to subcontract a percentage of the work. However, at the bidding stage, the bidder was required to possess all the qualifications required to perform the contract. When DMCs designed section 3 on evaluation criteria, they had to prescribe all the experience requirements in the activities which the bidder was to perform in that particular contract. Because there was no specific provision for evaluating a subcontractor, it was difficult for DMCs to demand the required quality of outputs from the subcontractor. A winning bidder could easily subcontract a component of the contract to an unqualified contractor. For example, for a project package that involves building an intake well, water treatment plant, and distribution network, it is difficult to find many bidders who have experience in all three areas. Each is a specialized area. It is difficult to get good competition when all three requirements are combined. The choice is limited, very few bidders apply, and DMCs may compromise economy and efficiency because the prices would be very high.

With the provision on specialist subcontractors, DMCs can require contractors to have experience in handling a particular project, with so much cash flow, with experience in water supply works of a certain size and complexity. DMCs can then allow specialist subcontractors to fulfill specific experience requirements, for example in intake works of a specific number of cubic meters per hour or experience in water treatment plant of a specific number of cubic

meters per day or experience in laying pipelines. The bidder can propose a specialist subcontractor and submit the qualifications of said subcontractor. As the employer, DMCs will evaluate the specialist subcontractor's qualifications, and DMCs can decide whether the subcontractor is qualified. DMCs do not reject the bid if the specialist subcontractor does not meet the eligibility requirements. DMCs only tell the bidder that the specialist subcontractor is not qualified and ask for a replacement. In effect, the bidder needs to meet only the applicable qualifications, and the items under the specialist subcontractor's provision can be fulfilled by a subcontractor as proposed by the bidder. This provision is very useful, especially in complex design-build contracts.

- **Abnormally low bids** (see appropriate section in this proceedings)
- **Standstill period** (see appropriate section in this proceedings)
- **Bidding-related complaints** (see the section Features and Benefits of the New Procurement Framework)

j. [Standard Bidding Documents Section 3](#)

163. The following are the major changes in the standard bidding documents:

- **New provision on specialist subcontractor criteria**
- **New provision on non-performing contractors.** Be sure to have documentary evidence that the entity is indeed a non-performing contractor.
- **Other evaluation criteria** allowed aside from those specified in the standard bidding documents.
- **'Similarity' of previous experience** needs to be explained. The previous requirement was for the bidder to have experience in similar works of a specific value. In the evaluation, defining the similarity was always a source of confusion among consultants and procurement experts. To avoid this confusion, bidding documents now ask DMCs to specify what the similarity means. Simply saying "similar nature or complexity" is not sufficient.
- **Evaluation of the quality of goods and works** can now be done through a point-scoring system and the assignment of weight for quality

and cost. This system used to be allowed only in the selection of consulting services.

k. [Standard Bidding Documents Sections 4, 8, 9](#)

164. The following are the major changes in Section 4 of the standard bidding documents:

- **Debarment by ADB, blacklisting, or conviction under country laws** needs to be specified in the letter of bid. This was not required before. All that was required was for DMCs to check whether the bidder was debarred by ADB or under UN regulations. There was no provision on conviction under country laws. Now, ADB debarment, blacklisting, and conviction have to be specified in the letter of bid.
- **Affiliate company guarantee** is now allowed. This has its own risks, and DMCs must use it with caution. DMCs can ask for affiliated company guarantee when the bidder wants to claim the experience of its parent company. The parent company should give a guarantee or commit its financial resources that when there is a cash flow issue, it will provide the necessary financing.

165. The following are the major changes in Section 8 of the standard bidding documents:

- **Respectful workplace** is part of the conditions of the contract. ADB promotes this in its own environment and wants the same in all ADB-financed projects. The contractor should also ensure that this respectful work environment exists in their workplace.
- **Integrity clauses** are strengthened.

166. The following are the major changes in Section 9 of the standard bidding documents:

- **New form on notice of intention to award contracts** to allow for the time required in the standstill period (see the section on standstill period in this proceedings).

l. [Consulting Services](#)

[Rules on Shortlists](#)

- Before, DMCs had to shortlist six firms. Now, there is flexibility. DMCs can shortlist depending on the market and type of assignment. If DMCs want more competition for standardized terms of reference, they can shortlist more than six.

- Before, DMCs could shortlist no more than two consultants per country. Now, DMCs can shortlist more than two consultants per member country, provided that there are no other qualified consultants from other countries for that particular assignment.
- Before, DMCs must shortlist at least one consulting firm from a developing member country. Now, there is no such restriction on account of some specialized assignments where there might not be any consulting firms that can participate.

[Eligibility Criteria for Experts in Eligible Firms](#)

- The previous rule was that consulting firms and the experts within the firms should be from ADB member countries. Now, only the consulting firms need to be from member countries. If a firm wants to include experts from non-member countries, it can do so. The reason is that in some specialized subject areas, the qualified individuals may not be found in ADB member countries. If an expert is available in a non-member country, DMCs can utilize that expert. This provision does not apply when selecting individual consultants. It applies only to a firm that is submitting a proposal.
- The financial thresholds for certain types of technical proposal have been removed. These proposals are full technical proposal (FTP), simplified technical proposal (STP), and biodata technical proposal (BTP). The previous practice was to require one type of proposal for a certain amount. For example, for a contract of up to \$600 thousand, follow BTP; up to \$1 million, STP; above \$1 million, FTP. Now, it is the complexity of the terms of reference that is the basis: what are the functions of these consulting firms, what activities and outputs are expected of them? What qualifications are required to ensure that the right consulting firm is hired? DMCs can then decide whether they will have an FTP or a BTP.

The advantage of this practice is that when shortlisting firms for an FTP, DMCs consider the firms' general qualifications, managerial capacity, and experience. Among the shortlisted firms, DMCs consider the experience again because it is a significant factor in handling a particular consulting service. It is better to evaluate the relative efficiencies of the

shortlisted firms, including their experience. Only in these cases would FTP be useful. In STP, DMCs do not evaluate for the experience, but focus on the approach, methodology, and work plan. In BTP, DMCs consider the work plan, schedule, and other personal information. Hence, DMCs decide based on the type of assignment. If it a straightforward assignment such as supervision that requires qualified manpower, BTP is the best option.

- The number of borrower submissions when seeking a no-objection from ADB used to be five. Now, only three submissions are required. DMCs are no longer required to get a no-objection from ADB when publishing in the Consultant Services Recruitment Notice (CSRN) system. The reason is that during project preparation, the terms of reference would have been discussed with ADB, so there is no need to seek a no-objection again.
- DMCs used to be required to submit a draft negotiated contract and minutes of negotiation to ADB to get a no-objection before signing a contract. That is no longer required.

m. Framework Agreements

167. With framework agreements, DMCs do not need to shortlist consultants for similar consulting assignments. DMCs can simply have a framework agreement, and issue the request for proposal straight to the firms following the framework agreement. This reduces a lot of time in consultant selection.

168. DMCs can also have framework contracts after the selection. Not all features, outputs, and assignments are defined in that contract. But when a similar assignment is needed, DMCs can ask the firm to deliver and they can make the payments as agreed in the framework agreement.

n. Strategic Procurement Planning Process

169. Strategic procurement planning or SPP has five stages. It starts in the project concept note, after the following are defined: the technical requirements, components based on the project development objectives and outputs, infrastructure and technical requirements, consulting services, training, and various other requirements.

170. In SPP, DMCs consider the operating environment, market, and risks, and then formulate options. After analyzing them, DMCs develop a procurement strategy.

Operating Environment

171. Consider the borrower's capacity, capability, and actual experience. Also look at the stakeholder communication strategy and the project support requirements. These can be analyzed using certain tools: SWOT (strengths, weaknesses, opportunities, threats) analysis; external influence analysis; and stakeholder analysis.

Operating Environment - Actions and Tools

Four actions for analysing your Operating Environment

- Borrower capacity and capability assessment
- External influences
- Stakeholders and communication strategy
- Project Support



Tools recommended for analysis:

- SWOT analysis
- External influences analysis (GEST)
- Stakeholder analysis
- Questionnaire

SWOT

172. When doing a SWOT analysis, consider the strengths and weaknesses of the governance enforcement level within the organization, efficiency of internal administration, capability, capacity, financial health, market experience, level of knowledge within the executing agency, and other related experience. Consider also the opportunities and threats in similar activities within the region, market support, political support, access to labor, cash flow, capital investment capacity, and new technologies or existing technologies that can help achieve project objectives.

External Influences Analysis

173. The external influences analysis looks at four factors called GEST: governance, economic, sustainability, and technology. These aspects have an impact on project implementation. Determine whether there are risks in any of them.

Stakeholder Analysis

174. List the stakeholders, their levels of interest, and their influence. Reach out to those who have low interest but have high influence on the project. Those who have high interest in the project and also have high influence become the key stakeholders. Involve them in project planning through completion. Those who have less interest and less influence have minimal, if no role at all. Those who have high interest but less influence, such as nongovernment organizations, need to be informed. Based on this stakeholder analysis, develop a communication strategy that guides what to communicate, when and how. The communication strategy plays a crucial role in the success of the project.

Support Requirements

175. Determine what kind of support is needed to implement the project. DMCs assess their strengths as a borrower, the executing agencies, the knowledge and experience required to implement the project, and the consulting support needed. These need to be analyzed when deciding what resources are needed: will DMCs need funding for

the consulting support or will the support come from within the executing agency.

Market Analysis

176. Use Porter's five forces analysis, supply positioning, and supplier preferencing. Find out how competitive the market is, the supply chain, any substitution available such as alternate technologies, how the organization fits in the market, and the pricing trends.

Porter's Five Forces Analysis

177. Examine the bargaining of players, buyers, risk of new entrants, risk of substitutes, and competitive rivalry.

Supply Positioning

178. Consider the spending and the risks. The contract packages in a project may be grouped into four categories: strategic security, strategic critical, tactical acquisition, and tactical advantage. Each has a different approach to procurement. Group the packages within the project into these four categories. If the contract package value is very high and the risk is also very high, the package becomes a very critical package. Pay attention to the high risk and high spending packages. They are the strategically critical packages and DMCs must invest more effort in designing the procurement for them.

Supply Preferencing

179. DMCs consider their unattractive characteristics, which inhibit contractors from participating in bidding. Find out how to mitigate the situation so that from a market perspective, the DMCs become attractive and preferred employers.

Risk Management

180. Consider the risks: starting from project design, the concept stage, until the project is completed. Consider the risks not just in procurement, but also in contract implementation and contract management, project completion, operation and maintenance. Consider how

sustainable the systems are and the corresponding risks. This information is included in the risk register.

Risk Register

181. Determine the likelihood of each risk developing in the project and the impact of such risk. Some risks may not occur, some are definite to happen. Based on the likelihood and the consequence, make a risk score. Map the scores using the scale: extreme, high, medium, low. Formulate the mitigation measures and assign responsibilities. Identify the risk owner, or the person or entity that is in the best position to manage the risk. Sometimes it is the contractor, in which case, the risk needs to be transferred to the contractor. Sometimes it is the employer, in which case the DMCs absorb the risk. Sometimes it is the ADB, then the risk is transferred to ADB. These are what constitute the risk register.

182. In ADB's business process, the regional department performs the first risk assessment at project concept stage. During project preparation, the DMCs do the risk assessment with the support of a transaction technical assistant assigned by ADB. It is at this stage that DMCs prepare the risk register.

183. The risk register is a dynamic document. It needs to be updated as risks are encountered during project implementation. The project director needs to monitor the risk register every month and determine whether the mitigation measures are implemented. Some risks may occur during the preparation of bidding documents, some at procurement, during evaluation, or contract implementation. Identify them and have risk mitigation measures for them.

Options Analysis

184. The preceding analyses become the bases for formulating procurement options. Which procurement method should be used: open competitive bidding, limited competitive bidding? There are various contract options: performance-based contract, design-build, design-build-operate, lump sum. In terms of consulting services, consider time-based or output-based. Analyze these options for each procurement package. Choose the

evaluation methods: cost, quality, or a combination of the two. Consider domestic preference. Note that most countries in Southeast Asia do not qualify for domestic preference in civil works, only for goods. The reason is that for civil works, ADB follows the World Bank GNI thresholds for domestic preference in civil works.



185. Choose the strategic option from the available options. Look at the options' suitability, feasibility, acceptability in the market and by ADB. Score them and get the overall rating to arrive at the most preferred option.

Packaging

186. It is important to do the right packaging for the right size, the right market, and the right bidding methods.

o. e-Procurement

187. ADB's policy and regulations support the establishment of e-Procurement in developing member countries. e-Procurement has many benefits. It increases efficiency, reduces procurement lead times, and reduces risks during bid submission, evaluation, and contract award. It improves transparency and fairness in procurement. Finally, it delivers value for money.

188. ADB has two regional technical assistance to support e-Procurement: RETA 8520 – Asia Pacific Public Electronic Procurement Network (2013-2019) and RETA 9680 – Strengthening Asia Pacific Public

Electronic Procurement Network (2018-2022). In the country operations business plan, DMCs can include a specific TA, loan, ADB co-financing, or grant financing to develop the e-Procurement system.

189. ADB can help DMCs evaluate their current e-Procurement system, provide consulting services, and recommend ways to improve it. For DMCs that want to establish a new e-Procurement system, ADB can provide consultants who will evaluate the environment and propose a system, and ADB can also help set up the system. DMCs may want at this point to determine whether e-Procurement is suitable for their country's procurement laws and regulations and their operating environment. DMCs can discuss e-Procurement during the country partnership strategy formulation; or with ADB and the DMCs' ministry of finance.

190. Consider the capacity building needs of the country's procurement regulatory body, especially an independent agency that has the knowledge, systems, and institutional capacity for procurement regulation. Find out how the country can set up a procurement accreditation system where only qualified professionals can do procurement evaluations. Evaluate also the infrastructure and the need for a centralized procurement database.

p. Communication and Learning

191. ADB has several communication materials available in the ADB procurement website: newsletters, brochures, guidelines, and videos explaining the new procurement framework.

192. There are 10 eLearning modules (20 to 40 minutes per module). These are basic modules. The procurement staff of executing agencies and implementing agencies should take the eLearning course. Access the modules in <https://elearn.adb.org/enrol/index.php?id=295>

- Module 1: Overview of the Procurement Framework
- Module 2: Strategic Procurement Planning
- Module 3: Risk Management
- Module 4: Analysis
- Module 5: Procurement Strategy Development
- Module 6: Bidding Procedures
- Module 7: Consulting Services
- Module 8: Bid Evaluation
- Module 9: Contract Management
- Module 10: Fragile and Conflict-Affected Situations (FCAS)

193. ADB also provides a detailed three-day in-person training on SPP for executing agencies. SPP is fairly new and many consultants have yet to get training. At project preparation, and based on DMC request, ADB provides this three-day training. ADB procurement specialists, the experts on SPP, will work closely with DMCs and the consultants to develop the SPP process. During the training, DMCs can already develop their SPP process and procurement plan. The best time to do this is before or during the fact-finding mission.

q. Resources

- **Procurement Policy**
<https://www.adb.org/documents/adb-procurement-policy>
- **Procurement Regulations**
<https://www.adb.org/documents/procurement-regulations-ADB-borrowers>
- **Guidance Notes (24 documents)**
<https://www.adb.org/documents/guidance-notes-on-procurement>
- **Standard Bidding Documents (8 documents) and User Guides (9 documents)**
<https://www.adb.org/site/business-opportunities/operational-procurement/goods-services/documents>

X. FINANCIAL MANAGEMENT AND SUSTAINABILITY

Srinivasan Janardanam, Principal Financial Management Specialist, Financial Management Division;
Procurement, Portfolio and Financial Management Department

194. Key messages:

- Financial management means planning, organizing, directing, and controlling financial activities and managing resources.
- Weak financial management may lead to loss of project assets.
- Part of financial management is the fiduciary responsibility or obligation to manage fiduciary risks.
- Fiduciary responsibility includes financial due diligence or the exercise of an appropriate degree of care (or diligence) in preparing and appraising projects.
- For a project to be economically viable, it must also be financially viable and financially sustainable.

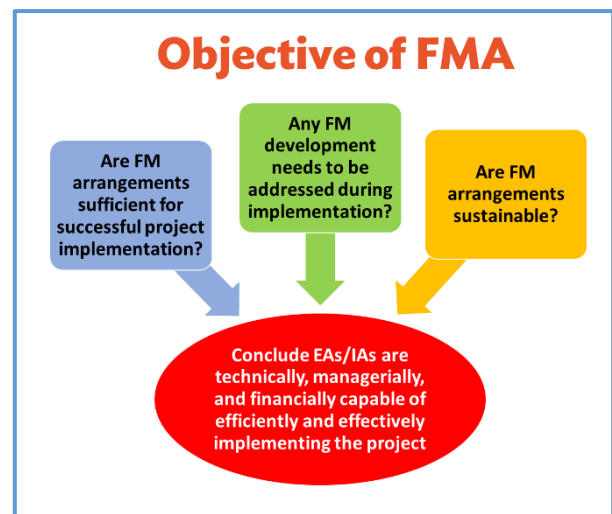
a. Purpose of Financial Management

195. Financial management is a continuous process, done before and after a project. It is part of project design and operation. Strong financial management systems are essential for successful project design, implementation, and achievement of project outcomes and impact. The better the financial management, the greater the impact on the financial management capacity of developing member countries (DMCs).

196. ADB strengthens the financial management of the project itself, as well as the DMCs' financial management capacity. By strengthening the quality of financial management at the project level, ADB contributes to strengthening the financial management of the DMCs.

197. Good governance is another core objective of financial management. Strengthening governance and sustainability is one of the operational priorities of ADB Strategy 2030. Financial management is at

the heart of procurement and anti-corruption. These three constitute the pillars of good governance. ADB's charter mandates that DMCs meet all obligations under the legal agreement. These obligations are not just financial. The loans must be used for the intended purpose, and the expenditures are used with attention to economy and efficiency.



Sound Banking Principles

198. ADB is a bank, and as such, is guided by sound banking principles. As a bank, it is also internationally rated. It borrows money and then lends to DMCs. If ADB does not maintain a high credit rating, the following are likely to happen: (i) The cost at which ADB borrows increases, and that means higher cost for DMCs; (ii) The period for which ADB can get the money and the amount that it can get from the market decrease. If ADB's asset quality goes down, then its headroom to lend to DMCs decreases. That means that the total amount of money that ADB can lend is reduced.

b. Sustainability

199. Part of financial management is designing sustainable projects—projects that can stand on their own and do not drain the public budget.

200. ADB's Independent Evaluation Department (IED) reviews all projects that were implemented and closed over a certain period. IED assesses whether the projects are likely to be sustainable in the long term. ADB's corporate objective is that at least 80% of the portfolio should be rated as likely sustainable or better. Based on the 2018 assessment, the rate is only 68%. At the sector level, water investment is at 50%. There is one in every two projects that is not likely to be sustainable. Energy overall has 72%, agriculture has 60%. This means that by sector, there is room to improve results. ADB wants to bring the rating to 80% likely sustainable or higher across the portfolio in all sectors

c. Resource Management and Resource Allocation

201. Financial management has two components: resource management and resource allocation. Resource management requires that as trustees of public funds, ADB and DMCs must exercise financial management capacity and accountability. The money that ADB and DMCs use is tax money or borrowed money that must be repaid. Financial reports that follow standards and audit reports that are of acceptable quality must be prepared.

202. Resource allocation has three elements: cost estimates, viability, and sustainability. Procurement is about economy and efficiency. It shows what the total cost of implementing a project is, what the options are, and which is the least expensive and most effective option. The result is a cost estimation. Financial management considers whether the project itself is financially viable. Will it earn enough revenue on its own without a budget subsidy, or will the project require support from an external budget?

203. Regarding the entity that operates or implements the project, will it remain sustainable

beyond the project duration of, for example, 3-5 years? The typical economic life is 25 years. Will that entity remain operationally sustainable throughout that economic life?

d. Financial Management in the Project Cycle

Country Partnership Strategy

204. Financial management is embedded in the project cycle. The initial stage of financial management is in the ADB country partnership strategy and the country operational business plan. At this stage, ADB performs a high-level assessment of the public financial management of the DMCs, the financial management requirements, and the major sectors and agencies that are involved in the country partnership strategy. For example, in a country partnership strategy that focuses on energy, agriculture, and health in the next 3-5 years, ADB assesses the DMCs' agencies in these sectors, their plans, and programs.

Project Design and Processing

205. In project design and processing, the project is analyzed for financial management and financial resource requirements. That analysis becomes the basis of ADB's report and recommendations about the project's financial sustainability and financial viability, risks associated with the project, and how those risks can be mitigated.

Project Implementation

206. Risks cannot be prevented; they can only be managed. During implementation, financial management requires that the risks that were assessed during the design stage be monitored. This is to find out whether they are mitigated as planned.

207. Part of financial management is to check the timeliness of the audited financial statements, the auditor's opinion about accountability in the project, and the utilization of expenditures for their intended purpose. Another financial management task is to determine the action to take on ineligible expenditures.

Project Completion

208. The project is re-evaluated or re-assessed to compare it with the assumptions about outcomes and impact during the appraisal stage. This stage also includes assessing financial management and capacity, financial management performance, financial viability and sustainability of the project. Because of changes in the environment and market conditions, the assessment may be quite different from what was proposed during the appraisal stage.

209. IED validates the project completion report prepared by the Operations Department. Project financial sustainability, viability, and management are also assessed. There may be a divergence between the IED's rating of projects on sustainability and the self-evaluation in the project completion report. This independent evaluation is very useful because it provides an external view of ADB operations.

e. Due Diligence

210. When buying a car, buyers usually look for four or five different brands, compare the prices and features, consider the reliability and credibility of the brands, and determine the most economical price. Financial due diligence does the same thing. It involves assessing financial management capacity, sustainability, and viability.

211. ADB's due diligence has many components, financial management is one of them. As a bank and a development institution, ADB ensures not just repayment of loans but also the sustainability of projects, specifically, that the projects do not become a drain on the DMCs' public budget.

212. What is the use of a road that deteriorates in 10 years when its life should have been 25 years? It is not economically viable. It is also a loss to taxpayers. A sustainable project does not mean that it has to earn revenues that will be used to pay back the ADB loan. Supposing it is a public access road. There will be no cash contribution, and the project will earn no revenues. What if the road gives access to the market through transit from one border to the other, and it promotes international trade? The road helps reduce operating costs. All of these contribute

to economic growth and through economic growth, the government has enough incremental growth on its domestic product, from which it can pay back its loan. Therefore, the project is not a drain to public funds.

f. Scope of Financial Due Diligence

213. Financial due diligence has five elements. Financial management assessment and cost estimates and financing plan constitute the resource management aspect. They answer the questions: How will the money flow from ADB, the government, and the co-financiers in the project? How will they be accounted for and how will they be audited and reported? The other three: financial analysis; financial evaluation; funds flow, accounting and audit arrangements, are part of the resource allocation function. They help DMCs decide whether the cost estimate is appropriate, whether the financing plan fully funds the estimated cost, and whether the project itself is financially viable or the executing or implementing agency is financially sustainable.

g. Financial Management Assessment

214. When funds are not used for their intended purpose, the value for money is not achieved or the property cannot be accounted for. The objective of financial management assessment is to ensure that the executing agencies or implementing agencies are technically, managerially, and financially capable of efficiently and effectively implementing the project. Hence, ADB asks many questions that some may find intrusive but are actually meant to establish accountability. Are the internal control mechanisms sound and sufficient? What can be done to improve them?

215. DMCs hire consultants to provide financial management support during implementation. When the ADB loan account is closed, those consultants will also not be there. There has to be capacity within the executing agency (EA) to sustain the project even after the consultants are gone. DMCs should, therefore, ensure that when projects are implemented, the right people are there to do the job. They should also plan long-term, for the next 25 years, for example, especially in projects that are expected to earn cash revenues. These projects

require personnel who will collect the cash, account for it, and make sure it is used for the intended purpose of the project. In financial management, DMCs should consider current capability, development needs, and sustainability.

h. Sound Financial Management

216. Financial management is a process that involves planning, organizing, directing, and controlling the financial activities of the institution. The objective is to manage resources efficiently.

217. Planning and budgeting are essential because an agency cannot just jump into a project, commit to pay back \$500 million over a certain number of years, and not account for where the money is to come from and how it will be spent. All of those have to be planned carefully, budgeted, and allocated. Accounting and financial reporting have to be done using generally accepted accounting principles and international standards so that the accounting reports are credible. The reports must be produced on time, in a form and quality that can be used by various stakeholders, including high-level government bodies; or, in the case of corporate entities, listed in the stock exchange and used by stockholders.

218. DMCs should also have good control of their assets. What is the applicable treasury management law? There can be situations where ADB provides funds on time, but due to system deficiencies in the country or the sector or the company, the money does not get to the project on time. For example, ADB provided funds for a project to a DMC. However, the DMC, for some reason, did not include an allocation for the project for that particular year. That means that under the constitution of that country, no money can be used for the project because there is no approval by the parliament. This causes a delay in project implementation.

219. Internal control and internal audit are at the heart of financial management and DMCs have to make sure, for good governance and accountability, that there is adequate internal control over their transactions. For instance, the same person should not be responsible for ordering goods, receiving the

goods, inspecting their quality, making payments, reconciling the bank account, and maintaining the accounts. There is no check and balance in this arrangement. With internal control, there should be more than one person doing different aspects of the job in order to prevent collusion.

220. Internal audit is another layer of internal control. The internal auditor who is a professional practitioner reviews the risks. Some areas are low risk, some are high risk. That internal auditor considers the high-risk areas and performs an audit of the systems, to check whether they operate as intended.

221. An external audit provides an independent third-party assurance that the work has been performed appropriately and the financial reports are acceptable.

i. Risk Assessment

222. Risk assessment and risk monitoring are essential in financial management. The risk is assessed based on the likelihood of occurrence and impact. If the risk is likely to occur, and its impact is significant, then the risk is considered high. If the risk has very high impact but not very likely to occur, then it is substantial. If the risk is low impact but likely to occur, then it is moderate. If it is low impact and not likely to occur, then the risk is low. The risk assessment and risk management plan outline how DMCs are to mitigate or avoid higher risks and monitor moderate risks.

j. Financial Reporting and Performance Management

223. Every financial year, DMCs produce audited project financial statements and submit them to ADB no more than six months from the end of the financial year. The reports are subjected to an external audit. Both the financial statements and the audit opinion are publicly disclosed.

224. The external auditor produces a management letter. It is a list of internal control weaknesses that came to the attention of the auditor during the audit but did not really affect the audit opinion. For example, the project director is authorized to sign contracts of up to \$500,000 only.

Yet he signed contracts of up to \$5 million. He was bypassing the chain of command. Instead of going up to the next level of authority that can approve \$5 million contracts, he awarded contracts himself. This is a problem in internal control. If, during the period of review, this did not actually surface as a problem, the auditor will mention this in his opinion. However, he found that there is a risk in bypassing the contract awarding authority, then he reports it in the management letter.

225. Note that corporations also need to submit financial statements.

k. Financial Covenants

226. Many projects in ADB have financial covenants. The auditor needs to provide an opinion regarding compliance with those covenants. Financial covenants are usually warning signals. Non-compliance with the covenants may result in problems, for example, with sustainability. When such problems occur, ADB holds a dialogue with DMCs and the executing agency to see how the issues can be addressed.

l. External Auditor

227. The external auditor provides an impartial professional third-party assurance that the financial statements are of acceptable quality. The core requirement for the auditor (a firm) is that it should not have excessive dependence on the DMCs' auditor. Even the ADB has its own auditor. To protect its independence, the external auditor cannot earn revenue from ADB more than or equal to the auditor's annual fees. Suppose the auditor's fee is 100. The total consulting services that the auditor can provide should not exceed 100. That ensures that the auditor is independent from ADB.

228. The executing agency or the borrower prepares the financial statements. The auditor audits those financial statements and provides an audit opinion. Be sure that the auditor is not the same entity that prepared the financial statements, as otherwise there is a conflict of interest. That is the code of ethics for all independent auditors.

m. Common Problems in Financial Reporting

229. A common problem in auditing and compliance is incomplete project financial statements. ADB requires submission of entity financial statements within one month from approval by the government authority. Some DMCs do not submit on time. Some do not follow international standards, financial reporting standards, or international public accounting standards. Sometimes the auditor fails to provide an opinion on the use of loan proceeds or compliance with financial covenants.

n. Cost Estimates

230. A cost estimate is the foundation of an investment project. DMCs need to know what the cost is and determine how much money is needed to implement the project. The money could be partly a loan from ADB, some grants from ADB, and government counterpart financing. The cost estimate is equal to the financing plan.

231. At the concept stage, cost estimates are tentative. However, during design and implementation, there is a project appraisal that culminates in a fact-finding mission where ADB and DMCs make a better assessment of the cost estimate. Moreover, as DMCs go through the design stage, and during implementation, contracts are awarded, and this allows DMCs to update the costs. Remember to collect and compare the cost estimates during appraisal using the chart of accounts.

232. Taxes and duties are common cost items. Some DMCs put taxes and duties as a separate line item in the project cost tables. Note that only the bureau of internal revenue or its equivalent puts taxes and duties as a separate line item. DMCs should record them as part of the cost of every contract, so they will be accounted for together with the rest of the contract. DMCs cannot have a separate cost category for taxes and duties in the cost estimate appraisal and expect to have a figure for the line item during implementation. Taxes and duties are always part of the total cost. So be sure that the cost estimate follows the chart of accounts

based on which DMCs prepare the financial statements.

233. Include government staff salaries, rental of office space, travel expenses, telephone costs, electricity, and other similar items in the cost estimate. Typically, these items are budgeted by the government from the revenue budget. They are not part of the project cost. Therefore, they are accounted for through the revenue budget. During implementation, DMCs will find these costs as zero if they were paid for using government revenue budget. Another example is exempted taxes. Since there was never any tax paid, the value of exempted taxes is zero. In the appraisal, DMCs can indicate that the government exempts 10% or 20% of the project cost, representing the taxes. Do not include exempted taxes in the cost estimate because doing so creates accounting difficulties.

234. It is not the job of ADB's financial consultants to prepare cost estimates. DMCs have to make the cost estimates. DMCs must own them and budget for the costs.

When making cost estimates, make the Excel files available to both the executing agency and the ADB staff implementing the project. Users should be able to read, edit, and update the files themselves. Do not use proprietary software.

Use the country currency, not US dollars, in the cost estimates.

235. There is no point in producing dollar-based estimates. For example, a DMC incurred expenditures in Uzbekistani *so'm*. If the IA awards a contract in Uzbek *so'm* and spends in Uzbek *so'm*, its cost estimate should also be in Uzbek *som*. When the parliament makes the budget allocation, they should be able to correlate it with the costs. If the IA puts a number in dollars, and the exchange rate when it started the project was 94,000 *so'm*, and then the currency devalued by a hundred percent, then the 94,000 becomes 188,000 *som*. The dollar cost is still the same but with the *so'm*, the DMC has to spend twice as much. This may not be true—the actual cost may be more correct in *so'm* than in dollar. Therefore, it is better to keep the cost estimates in

the currency in which the expenditures will be incurred.

236. Some cost estimates are prepared one to two years ahead. By the time DMCs go to procurement, the estimates are out of date. If the proposed new price is different from the cost estimates, DMCs may find it difficult to justify the substantial difference between the two.

237. Project cost estimates have three parts: (i) base cost, including taxes; (ii) contingencies, including physical contingencies and price contingencies; (iii) financial charges during implementation. Borrowing money incurs interest. It is standard accounting practice to include interest costs incurred during the construction phase of a project in the capital cost.

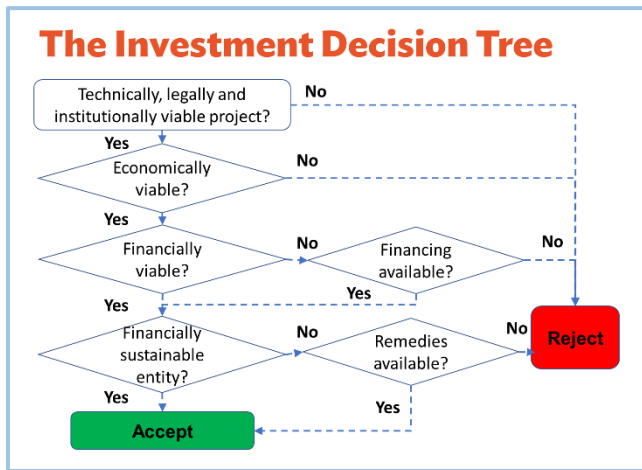
238. ADB used to have a project preparatory technical assistance (PPTA) grant. PPTA cannot be used for a detailed engineering design (DED), despite its high cost of anywhere between 3-7% of the capital cost of the project. Some DMCs are unable to fund the DED. As a result, there are a number of projects that are not procurement-ready or design-ready. ADB has thus come up with the Project Readiness Facility, which is a loan facility or a grant facility, depending on what the country is eligible to receive. This project readiness facility fund can be used for DED.

o. Sustainability

239. A project is not financially sustainable if it does not earn enough revenues on its own to pay for its operation. An example is public access rural roads. Anyone can use the roads; people do not need to pay a user fee. DMCs must find a credible solution to fund the operation and maintenance (O&M) of the project facilities during their economic life so that they can deliver the design objectives. DMCs must also find a way for the borrower to pay back the ADB loan. In some countries, ADB provides the grant but most of ADB operations are by way of loan.

240. If the project is not viable, alternative arrangements should be made so that the project can continue and deliver the objectives for the project design and the country can pay back the loan.

241. If the project itself earns enough revenue, but the organization that manages the project cannot survive, the project cannot survive either. Hence, DMCs must make sure that the entity that operates the project remains sustainable for the next 25-40 years during which the project is to be operational.



p. Financial Analysis

242. There are two types of financial analysis: one is for the general government sector such as ministries and departments where the focus is on their ability to finance the incremental recurrent cost. They are not responsible for debt service. The other type is for public or private corporations and nongovernment organizations that are the subject of the financial statement analysis.

243. Recurrent cost analysis focuses on the recurrent cost in operation, what revenue sources can help pay for O&M, what the gap is, and how the gap will be funded. Often, filling the recurrent cost gap is done through government subsidy. In which case, the government's fiscal capacity should be assessed.

q. Financial Evaluation

244. Full cost recovery means the project can recover not only the recurrent cost but also the money needed to pay off the debt and dividends on capital. If the project is designed this way, then the project's financial internal rate of return (FIRR) must be computed to determine whether the FIRR is more than the weighted average cost of capital. If the project cannot recover its full cost, then an incremental recurrent cost analysis is done. A FIRR is not used in this case because the result will be negative, or below the weighted average cost of capital.

245. For example, a water supply project has user charges. Those user charges may not be adequate to pay for debt service. There is no point in preparing a FIRR versus a weighted average cost of capital. It is the incremental recurrent cost financing capability that must be used. In contrast, most electricity supply projects are self-financed. The company that supplies the electricity has to finance the cost of operation and maintenance as well as debt service through the revenue it generates.

246. The difference between financial evaluation and financial analysis is that in financial evaluation, the focus is the capacity of the project to generate revenues that will be used for debt service. In financial analysis, the focus is the capacity of the entity that will operate and maintain the project to generate funds for O&M and whether there is a need to look to the government for subsidies to fill any gap.

r. Project Financial Evaluation

247. Project financial evaluation is composed of six processes: cost estimates, incremental cash flow, weighted average cost of capital, internal rate of return, sensitivity analysis, and financial sustainability.

s. Resources

- **Financial Management**
<https://www.adb.org/site/public-sector-financing/operations/financial-management-resources>

XI. PROJECT EVALUATION

Simona Somma, Evaluation Specialist, Sector and Project Division, Independent Evaluation Department

248. Key messages:

- Project evaluation is an assessment of results done at project completion. It is summarized in a document called project completion report.
- Evaluation is embedded at various stages of the project cycle, from design through implementation.
- Self-evaluation and independent evaluation are complementary.
- ADB projects use a methodology that has two sets of evaluation criteria: core criteria and noncore criteria, and a rating system for the core criteria that uses a qualitative description and a four-point scale.

a. Purpose of Evaluation

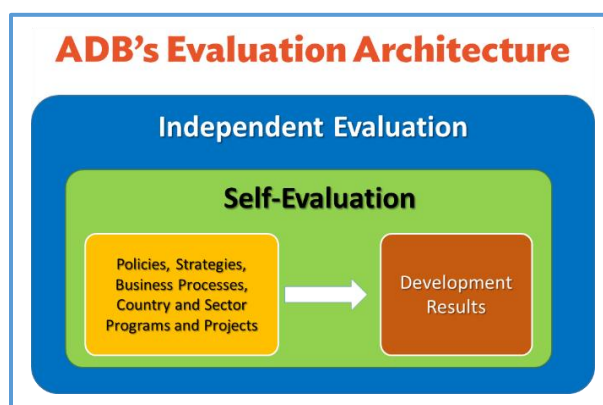
249. Evaluation is a process of assessment that is summarized in an evaluation report and conducted at different levels of the project cycle.

250. Evaluation is important for two reasons: accountability and learning. The size of the project does not matter. What is essential is that the evaluation shows how ADB and developing member countries (DMCs) used their financial resources and whether the interventions or actions delivered the things that they promised. Learning is also crucial because evaluation shows what works, what can be replicated, and what can be learned from the successes and failures. Evaluation is an instrument for this learning.

b. Evaluation Functions at ADB

251. Project evaluation is of two types: self-evaluation and independent evaluation. The two are complementary. ADB has several levels of evaluation, each with a corresponding report. Project-level evaluation, which is conducted at project completion, is captured in a project completion report (PCR).

252. The PCR is, therefore, a self-evaluation product that is validated by the Independent Evaluation Department (IED) of ADB. IED validates all projects in the portfolio. From a sample of these projects, IED conducts a project performance evaluation. While the validation is a desk review, the project performance evaluation is a more in-depth evaluation exercise that involves data collection in the field to produce a detailed performance evaluation report.



c. Methodology

253. The evaluation methodologies for self-evaluation and independent evaluation follow the same evaluation criteria and both are governed by ADB policies. These policies are consistent with international standards set by the Organisation for Economic Co-operation and Development-Development Assistance Committee (OECD-DAC).

254. The methodology for sovereign operations is comprised of the evaluation criteria and the rating system. The core evaluation criteria are relevance, effectiveness, efficiency, and sustainability. The non-core evaluation criteria are development impact, co-financier's performance, and executing

agency's performance. It is important that both the core and non-core criteria are assessed. Note that this same methodology is used in policy-based loans (PBL).

d. Core Evaluation Criteria and Rating System

255. The core criteria use a rating system with a qualitative description and a four-point scale system.

256. **Relevance** is a measure of how the objectives respond to country needs and how the project design reflects development priorities. Relevance uses the design and monitoring framework, logical framework, or results chain to see the link between the objectives, activities, outputs, and outcomes. Relevance is important as it tends to change during implementation. Thus, evaluation looks at relevance at design stage, during implementation, and at the end of the project to check whether that project objectives remain responsive and relevant to government priorities and the beneficiaries.

257. Relevance uses the qualitative rating scale highly relevant, relevant, less than relevant, and irrelevant. An example of a highly relevant project intervention is an outcome that is fully aligned with country development priorities, ADB country strategies, and ADB corporate strategies; whose design is innovative; and which has replication potential in other projects. An irrelevant project is one where the design is not aligned with priorities and strategies and whose design is not technically sound. These weaknesses can be attributed to delays in implementation that make the interventions less relevant than was originally planned.

258. **Effectiveness** is a measure of how DMCs delivered the expected outputs and how they achieved intended outcomes. In the project completion report, this criterion assesses the implementation of safeguards and gender mainstreaming. Effectiveness uses the rating highly effective, effective, less than effective, and ineffective.

259. Making a qualitative rating of project effectiveness is challenging. When a project meets its outputs and outcomes or exceeds them, a rating

of 80% would be highly effective. However, a project sometimes gets a less effective rating when its logical framework is ambitious, particularly in setting outcomes. In capacity building projects, outcomes refer to the use of knowledge and its adaptation. Such high-level outcome evaluations are challenging due to the lack of a definitive date or adequate information.

260. **Efficiency** is a measure of how resources, such as financial resources, were used economically to achieve results. Efficiency has several indicators, such as the internal rate of return (IEER), cost-effectiveness, and process efficiency. It uses the rating highly efficient, efficient, less than efficient, and inefficient. In qualitative rating, a project is highly efficient when the IEER is higher than 20%. IEER is taken from the PCR.

261. **Sustainability** is a measure of the likelihood that project results and their importance will continue over time, and that project benefits will not be lost to certain risks. Sustainability looks at country ownership, and how the country continues to benefit from the ADB project. It uses the rating most likely sustainable, likely sustainable, less than likely sustainable, and unlikely sustainable.

e. Quantitative Assessment

262. Qualitative assessment is accompanied by quantitative assessment. The core criteria's four-point scale has a number equivalent: 0-3, and this scale is used in all four criteria: relevance, effectiveness, efficiency, and sustainability. Each criterion has a weight equivalent of 25% and is assessed independently, but all criteria are interrelated. For example, an output rated as relevant may not be sustainable. The overall assessment rating is calculated by averaging the rating value of each criterion.

Overall Assessment Rating			
Highly Successful	Successful	Less than Successful	Unsuccessful
Overall weighted average is greater than or equal to 2.5	Overall weighted average is greater than 1.5 and less than 2.5	Overall weighted average is greater than or equal to 0.75 and less than or equal to 1.5	Overall weighted average is less than 0.75

f. Non-Core Criteria

263. The non-core criteria are used in assessing overall intervention, not specific intervention.

264. **Development Impact assessment points.** This refers to long-term changes to which the development intervention contributes. Hence, it is linked to ADB's corporate goals and strategies. Development impact is important, but due to difficulties in assessing it, it is not included in the core criteria.

265. **ADB and Co-financier Performance assessment points.** This refers to the quality of work of ADB and partners, the availability of resources, timing, and quality of implementation.

266. **Executing Agency's Performance assessment points.** This refers to the ownership and level of support of the executing agency's government in implementing the project, including timeliness, counterpart funding, and similar action. This is important because the executing agency's performance is key to a successful development project.

g. Logical Framework

267. There is a debate on whether the evaluation should use the logical framework as designed or its modification. Adaptive program management is fundamental. A project has to be able to adjust to its context. However, if the modifications are made after the midpoint, using the new logical framework as reference becomes difficult.

h. Efficiency Indicators

268. There are several proxy indicators for efficiency, with the EIRR one of them. ADB's 12% of EIRR as an indicator of efficiency is quite high. In fact, other interventions are likely to be rated as efficient as well. However, when other indicators are considered, the result may be different. Indicators such as cost-effectiveness and process efficiency (or how long it takes to complete a project) give a different nuance to the assessment of efficiency. The disbursement rate, for example, considers the timely availability of resources. Note that financial

IIRR is different and is related to sustainability, not efficiency.

269. Do not calculate EIRR for a non-revenue generating project because EIRR is for a revenue-generating project. A project can have a negative EIRR but still be economically acceptable if the government can support the project. EIRR is also related to interest rates in the country. If interest rates are high, then the EIRR is high as well.

i. Project Completion and Project Performance

270. The evaluation criteria follow international standards and are not determined by IED. Project completion reports should be produced using these criteria. The value of the evaluation is not just in having a report in place. It is having that evaluation—published on the website—available to other evaluators to learn from.

271. The Independent Evaluation Department validates the PCR via a desk review. This is an accountability measure that provides credibility to the findings. The PCR is a great learning tool, it tells what worked and what did not. Project performance evaluations done by IED go a step further and demonstrate a more in-depth assessment because the independent evaluation team goes to the field to collect data and information. Note that the ADB PCR is different from the government-prepared PCR.

j. Data Collection

272. Qualitative and quantitative assessments are fundamental and complementary. It is important to start data collection early so that there is sufficient time to complete the work. A survey is not the only way to collect data. It can complement and triangulate with other instruments.

k. Selection of Countries for Evaluation

273. The countries to be included in the country strategy evaluation are selected based on the country partnership strategy (CPS) cycles. The IED has an annual work plan, which includes the types of evaluation to be conducted and the countries to be evaluated. The ADB board approves the plan. Before board review and approval, the plan is discussed with ADB management.

I. Timeliness of Evaluation

274. When country programs reach their final stage, IED conducts an evaluation so that the findings can inform the new country strategies. To be useful and to facilitate transformative changes, the evaluation needs to be timely. However, some countries do not get reports on time. This is a point well taken and is an issue that needs to be addressed.

m. Revision of Guidelines

275. There are some discrepancies in the percentage assigned to EIRR. World Bank assigns 10% to EIRR. ADB lowers the EIRR from 12% to 9% in rural road projects where the impact is more social than economic.

276. The variations will be aligned in the revised evaluation guidelines, which will be published by ADB. The revision will address the recent changes in the way ADB designs projects, including the use of the design and monitoring framework.

n. Other Evaluation Methodologies

277. ADB has separate guidelines for non-sovereign operations. It is also preparing the

guidelines for the validation of technical assistance reports. There are different guidelines for country-level evaluations, although the assessment of the core criteria still applies. Assessment at the country level is complex because it involves different sectors at different levels, and it includes the sovereign and the private sector. For sovereign operations, the methodology as discussed is used. The core criteria remain the same.

278. Private sector operations are assessed using a different set of guidelines and evaluation criteria. The guidelines are found in the IED website. Assessment of private sector operations follows the methodological approach of the Evaluation Cooperation Group, which is the recognized international standard. Some of the evaluation criteria for private sector operations include profitability, business success, and development results.

o. Resources

- Evaluation **Guidelines**
<https://www.adb.org/documents/guidelines-preparing-performance-evaluation-reports-public-sector-operations>

PROJECT SUCCESSES AND CHALLENGES

XII. AGRICULTURE AND RURAL WATER

Facilitators:

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a. Funds for Project Preparation

279. From the project design perspective, look at the project preparation resources: are they adequate? Project design depends to a large extent on the availability of resources, which in turn depends on how relevant the project is. Some projects tend to attract many resources for project preparation. Some projects have \$500-600 thousand for project preparation, and others may have up to \$2 million.

280. Project designs can attract more resources if the project team leader is persistent in mobilizing resources. The stakeholder analysis and problem analysis are also important in project preparation.

b. Advance Action

281. Cambodia's upland irrigation and water resources sector project is a good example of an advance action. Before the loan signing, it prepared various kinds of procurement package. Cambodia advertised the need for consultants following ADB guidelines and processes. It also reviewed the expressions of interest (EOI) and the shortlist. Cambodia followed every procedure. The civil works packages were also ready before the loan signing. When the loan was signed, Cambodia waited for the legal opinion from the Justice Ministry, after which the project was ready to start civil works. After the fact-finding mission, Cambodia knew from the memorandum of understanding what the key activities were going to be, what projects were

needed. Based on the results of the mission, Cambodia selected the project and estimated the cost to be around \$10 million. It then prepared the procurement documents for hiring a project management implementation consultant.

282. Advance action starts when the government and the ADB agree on the procurement plan. They endorse the agreed procurement plan, the executing agency (EA) takes action based on that plan, and the EA waits for the loan to be signed.

283. Note that advance action requires support, especially in procurement. Be sure that the transaction technical assistance (TRTA) consultants or individual consultants perform these advance actions.

Advantages and Disadvantages

284. The advantage of advance action is that DMCs can procure the activities for some important equipment and key consultants for the project before the loan takes effect. Waiting for loan approval before doing the procurement may take months. With advance action, DMCs can get the equipment, including a vehicle, and the consultants early, thus enabling them to implement the project on time.

285. Until the last few years, ADB-financed projects were delayed by one to two years after loan effectiveness. No activity could be implemented on the ground. The delay sometimes causes tensions in

the project, especially between ADB and the executing agency. With advance action, when the loan becomes effective, the project can be implemented immediately. It is because of these advantages of advance action that ADB introduced the project readiness filter.

286. The disadvantage of advance action is when the loan negotiation fails, DMCs will need to cancel all procurement and recruitment actions and explain to the bidders. Some resources may be lost such as for advertisement and staff time.

c. Individual Consultants

287. In Cambodia, ADB may recruit consulting firms or individual consultants to help design the projects and prepare relevant documents. Project preparation moves fast when the consultants have the appropriate experience.

288. For some specialized work, individual consultants play a very important role in project administration and implementation. To recruit individual consultants, Cambodia follows the ADB procedures. Instead of just reviewing their CVs, interview the top three individual consultants to better assess their skills.

289. Individual consultants are useful to some extent, but not for all the services, especially those that require people to work in teams. In which case, those services can be delivered by a firm. There is a high turnover rate among individual consultants, and it takes time and resources to recruit replacements. In some cases, consultants request for a salary increase after a year on the job. This affects the budget.

290. While they bring many benefits, consultants can also cause delays in the project. This happens when the consultant does not perform well. For this reason, consultants should be supervised well by the EA or the implementing agency (IA). A replacement should be hired when consultants do not perform up to standards.

291. Sometimes the EA or IA expects too much from consultants and depends too much on them. There are cases where some agencies refuse to share

information with consultants, making it difficult for the consultants to perform their tasks.

d. Contract and Financial Management

292. Consider the audit arrangements. In one project, there were seven audit reports from one EA and six IAs. It was a huge administrative burden for ADB staff. The audit reports had to be reviewed, a management letter and an audit review checklist had to be prepared. Although done only once a year, it was still a lot of work.

293. Entering contracts in the system takes a lot of time. If there are 30 consultants, each of their records and contracts has to be created in the system, and the documentation is quite voluminous.

e. Retroactive Financing

294. In retroactive financing, the government can sign a contract before loan effectiveness and use its own budget to cover the cost. The amount will be reimbursed after loan effectiveness. There was one project (not an ADB project) where the government spent a lot of money on retroactive financing and after loan effectiveness, there were audit issues and the government was not reimbursed by the lender.

f. Country Ownership

295. Government ownership is very important. Some government officials tend to think that ADB is making things complicated. But member countries own ADB, the members are the owners. What ADB is doing is to ensure that the agreements entered between ADB and recipient countries are implemented.

296. In project design, the government should involve the ministries concerned and form a team. The team should update its management, as well as the ADB team leader. Sometimes, ADB demands a little too much. In one project, ADB wanted to include an activity as part of the deliverables, but the EA did not have the resources to implement it. EA should be sure of what they can do and say no if they do not have the resources or the capacity to implement. The reason is, after the loan and the accompanying documents are approved by the ADB

board of directors, DMCs are held accountable for what they promised to deliver.

297. During implementation, the EA should train their key staff on procurement, financial management, safeguards, and gender mainstreaming. Make it part of the consultant's job to train government staff.

g. Environmental Impact

298. In its ADB-supported project, Cambodia harvested water and deposited it in a reservoir. As the catchment areas were on the upper part of the area, the IA conveyed the water from upstream to the reservoir, then channeled the water from the reservoir to downstream for irrigation. Cambodia did not destroy any watersheds; it kept the watersheds as catchment areas.

Cambodia's Upland Irrigation and Water Resources Management Sector Project

Outputs: Enhanced efficiency and climate resilience of irrigation systems in the project areas; Improved water resource management

Outcome: Enhanced water and agricultural productivity in an increased crop area, with better irrigation scheduling, resulting in increased agricultural production from 1.65 t/crop to 4.25 t/crop

Impact: Inclusive economic growth through agriculture and irrigation in line with the governments' rectangular strategy of growth, employment, equity and efficiency for the period 2014-2018

Implementing Agency: Ministry of Water Resources and Meteorology

Project Success

- The procurement and implementation of the rehabilitation of the main irrigation systems were timely because the procurement was initiated before loan effectiveness when the costs were lower than originally estimated; the infrastructure was also of good construction quality.
- The secondary and tertiary irrigation and drainage systems were designed during the implementation of the project after the required topographical-and soil surveys were made, and local communities were consulted.
- The total area to be rehabilitated and modernized was larger than the DMF target

Challenges

- Delay in the approval of subprojects because of the need for clearer guidelines on safeguards
- Issue of statistically acceptable assessment of increased yields needs to be addressed
- Not enough time for project preparation, with the design of irrigation works done in two phases, thus resulting in some topographic mismatches
- Some implementation facilities, such as collection of irrigation service fees and modernization of canal operations, were not included in project design
- Counterpart funding for O&M of the main canals is insufficient

Lessons

- Need for better guidelines on the approval of social safety of irrigation schemes
- Allocate sufficient time for project preparatory technical assistance of 1–1.5 years based on topographic data of the entire scheme
- Use participatory project design
- Procure for the main technical assistance (TA) package and the first main civil works packages before loan signing
- Limit the number of TA packages to avoid communication and timing issues
- Use an underground canal about 600 meters to avoid the complication of resettlement

Cambodia's Climate-Resilient Rice Commercialization Sector Development Program

Outcome: Increased net incomes of stakeholders along the rice value chain; Enhanced production of quality rice in Cambodia while preserving the natural resource base

Outputs: Conducive legal and regulatory environment to facilitate climate-resilient rice commercialization; Improved agricultural land-use zoning; Climate-resilient rice value chain infrastructure; Enhanced rice value chain support services to improve the quality of Cambodian rice; Pilot weather-indexed crop insurance; Efficient project management and implementation

Impact: Increased net incomes of stakeholders along the rice value chain

Executing Agency: Ministry of Economy and Finance

Challenges

- Challenges and issues related to (1) Implementation of agricultural activities such as rice seed production; (2) Awareness of standard operating procedures and ADB procedures on contract management; (3) Monitoring and follow up of service providers for timely and quality outputs

Lessons

- Close monitoring and follow up with service providers to get required outputs on time and of good quality
- Awareness of guidelines on standard operating procedures and ADB procedures for easier and faster planning and implementation; Realistic plan, timely and quality implementation bring desired results
- Training and engagement of national, provincial, and district officials add value to the project
- Deliberation among IAs with similar activities fosters better collaboration
- Simple management structure, small team of individual implementation consultants for effective, efficient and timely implementation
- Simple monitoring framework with measurable indicators to capture project benefits
- Engagement with local communities in the implementation, supervision, and monitoring of activities with technical support from the line ministries for sustainability and ownership of created assets
- Innovation is needed to reorient the project to adapt to the prevailing situation, people's needs, and country context

XIII. EDUCATION

Facilitator: Sophea Mar, Senior Social Sector Officer, Cambodia Resident Mission

a. Clear National Policy

299. An investment project, a policy-based lending, and any government program that requires development assistance should be underpinned by a clear national priority, policy and sector strategy. The project is owned and led by the government's executing agency (EA) and implementing agency (IA), and is driven by country context. Guided by a clear national priority, policy, sector strategy, and implementation arrangements, the EA/IA implements an approved project upon its effectivity.

b. Consultant Qualifications

300. Whether to hire individuals or firms as consultants is a matter where countries have mixed experience on. There are some high performing individual consultants as well as firms, and there are some who do not deliver. What is clear is that the country should be involved in the process. In fact, ADB confers with the EA/IA before hiring consultants. This is the good practice.

301. There are some international consultants who have extensive experience in other countries, but have none in the local context. Some consultants have impressive resume, but when they get deployed in the country, the EA/IA ends up mentoring them. They have insufficient background about the country context, practical work experience, or communication and interpersonal skills to work effectively with the EA/IA officials and end-beneficiaries. Some do not want to go on field work for security and other reasons. As a result, the project gets delayed or is unable to deliver the intended outcomes and outputs. When such is the case, some countries hire national consultants or renown regional institutes instead or get new consultants. Quite often, the new consultants have to work double-time to clear the backlogs and catch up with the schedule.

302. There are also cases when firms—after winning a bid—replace the qualified consultants with individuals who are less qualified and were recruited with lower salary rates.

303. Risks cannot be eliminated, but they can be managed. Once hired, the EA/IA must monitor the performance and the deliverables of consultants. Some EAs/IAs issue a warning letter. Others have a roster of prequalified consultants, which help accelerate the consulting services procurement process.

c. Working in Teams

304. Some consultants, who were hired as individuals and not part of a firm, do not work well with others in the team. There are dynamics involved, often attributed to professional rivalries. Here is where hiring a firm instead of an individual consultant works. Consultants hired by firms listen and follow their employer, i.e., the firms, and hence, are likely to work together more smoothly.

d. Transaction Technical Assistance

305. The transaction technical assistance (TRTA) period is generally less than one year, which is too short to complete the environment and social safeguards, including gender analysis, procurement market assessment, and other requirements. The TRTA team needs to go to the field to collect first-hand data and conduct consultations with end-beneficiaries. However, access to the areas is not possible in some cases, such as during the rainy season or when the roads are not passable. As a result, consultants get secondary data from local authorities or villagers. These data may not reflect the actual situation. When this happens, the consultants have to go to the field a second time and repeat their data collection and consultation. This causes project processing delays. It also fails to respond directly to the needs of schools, teachers,

students, local communities and parents. Hence, ADB should reconsider the TRTA period.

e. Financing Modality

306. ADB is introducing a new instrument called Multitranche Financing Facility or MFF. This adds to other lending instruments available to member countries, such as results-based lending, policy-based loan, and investment loan. Countries would like to have more information and a deeper understanding of this modality and how it can support their development objectives.

The Multitranche Financing Facility (MFF) is a financing modality that supports a client's medium to long-term investment program or plan. ADB's Board of Directors approves a maximum amount for an MFF, and the conditions under which financing will be provided. On the basis of the Board's approval, and at the client's request, ADB Management converts portions of the facility amount into a series of tranches to finance eligible investments.

307. Some consider policy-based lending difficult to implement, especially when there are numerous triggers and agencies involved. In one country, there were eight policy triggers, with each of the implementing agencies required to comply with its own policy trigger.

308. Some countries prefer the MFF because it is long term, it is results-based, and it guarantees a specific amount for the EA/IA. With PBL, this specific amount cannot be guaranteed because it is the ministry of finance that determines the allocation across a number of government agencies.

309. Whatever the lending instrument, the important consideration is that the country has a long-term sector plan and clear roadmap before availing of any loan. In fact, for some countries, it is too early to discuss the funding modality. What they need is the support for reforms at school level or learning outcomes of students and teachers.

f. Coordination Among Development Partners

310. There is now better coordination among development partners so that the policy triggers used by ADB is also accepted by other partners and vice versa. Countries do not need to create a separate set of policy action to comply with the requirements of each development partner. Now, the partners support the same set of national policies.

g. Advance Action

311. Advance action, especially in procurement-related work or policy action formulation, is helpful and can accelerate the process. However, it must be predicated by careful planning and consultation, with the design and monitoring framework considered a useful tool. Moreover, advance action should be applied in selected cases only, and the decision should be based on an understanding of project needs and local context.

312. Advance procurement is useful when agencies can hire consultants to prepare bidding documents, advertise for other goods and services and then do the actual procurement once the loan agreement takes effect.

313. When doing advance action, EAs/IAs need to understand the landscape very well. In one country, the agency performed soil testing during advance action. However, they missed the fact that there were debris underground, which prevented the access of drilling truck during the rainy season to conduct proper soil investigation. Funds were needed to remove the debris and refill the sand or soil. This was not in the scope.

314. In another project, advance action could not be done for procurement of textbooks, because the textbooks needed to be revised first. However, the revision was to happen during implementation, not prior.

315. Still, in another project for civil works, there were 60 sites of similar architectural and engineering design for bill of quantities. It was not feasible for the consultants to draw architectural designs for all 60 sites at the advance action stage. What the EA/IA did was to do the standard design first based on the data from selected sites. Those selected sites, some 10 of them, were then made part of the advance action.

h. Cost Estimation

316. As in advance action, the design and monitoring framework is a useful tool for referencing cost estimation. In cases of shortfall, the EA/IA can use the contingency fund, but this should always be a last resort. The government can provide the additional funds or can help find other sources of financing.

317. The key lesson is be guided by the design and monitoring framework (DMF). Do not compromise by revising cost estimates, do not sacrifice quality by hiring consultants at lower rate just to save costs, do not compromise DMF outputs and outcomes.

318. There are other options where additional financing can be obtained. There is a project management committee or unit that can decide whether the project can go to the government for additional counterpart contribution. Apart from ADB, there are other development partners that can also provide funding under an additional financing arrangement. Finally, there is the midterm review where additional ADB funding can be requested.

Cambodia's Upper Secondary Education Sector Development Project

Outputs: Improved access to secondary education; Improved quality and relevance of upper secondary education; Strengthened institutional capacity for planning, management, and delivery of education services

Outcome: Improved effectiveness of upper secondary education system

Impact: Increased high-quality human resources for the implementation of the Industrial Development Policy 2015-2025

Executing Agency: Ministry of Education, Youth and Sports

Scope: Policy-Based Lending \$15 million and Investment Project \$30 million; \$3 million government counterpart funding. Investment project from 2016-2021. Examples of interventions: scholarships for science and math students; hardship allowance for teachers; aligning curriculum with international standards; improving planning, management, and delivery of education services

Challenges

- Some new staff and resignation of start-up consultants affected the project in the

beginning; turnover rate among national project implementation consultants was high; national consultants for safeguards and M&E were deployed very late

- Competent officers are extremely busy, counterpart staff have capacity and time constraints
- Collection of information, data related to DMF, GAP, safeguards has been challenging

Lessons

- Involvement of key officials of executing agency and implementing agency starting at the design stage and clear understanding of their tasks and the support systems are critical to the success of the project
- Adequate and timely TA support for key policy reforms is crucial
- A good start-up team, including recruitment of TAs under advanced action, and experienced procurement and finance staff of EA are vital to speed up the procurement and finance at the beginning of the project
- Project implementation consultants (PIC) had to be deployed soon after project effectiveness; and the work of PIC was closely supervised for both quality and timeliness

XIV. ENERGY AND TRANSPORT

Facilitator: Steven Schipani, Unit Head, Project Administration, Vietnam Resident Mission, Southeast Asia Department

a. Lending Instruments

319. The Ho Chi Minh City - Long Thanh - Dau Giay Expressway Construction Project in Vietnam uses an investment project modality. The government of Vietnam borrowed from ADB, designed the project, completed the procurement, and then implemented the project.

320. Indonesia's Electricity Grid Strengthening—Sumatra Program uses a results-based lending (RBL) modality. There are less than 20 projects in ADB that use RBL.

321. Indonesia has considerable achievements in the RBL. Results-based lending is much more than an ADB loan. It is a government program. ADB lent Indonesia \$600 million. Indonesia put in more. In RBL, consider the total program expenditure and determine whether it achieved the outcome rather than just the ADB loan drawdown. RBL uses country systems for procurement, safeguards, and other systems when the country demonstrates that these systems are sound.

b. Advance Action

322. There are several approaches to advance procurement. Some countries can legally recruit consultants prior to loan approval. In some, the government requires that the project be part of the medium-term investment plan and that it have a secure source of financing before any procurement can be done.

323. Retroactive financing is available in results-based lending, and this allows the implementing agency to hire consultants subject to reimbursement by ADB.

324. In the preparation of detailed engineering designs, or land acquisition and compensation,

countries can use counterpart financing, or tap funds from other sources, such as from other development partners or donors. One good practice is to use government funds to purchase land in areas that will be utilized for projects in the pipeline.

325. Whichever way the borrower chooses to finance advance action, there is a cost involved and this cost is often borne by the borrower itself.

c. Cost Estimation

326. Executing agencies and implementing agencies should work for robust cost estimation, which is backed by market research during project preparation, realistic targets that consider inflation and cost contingencies, proper assessment of land and cost of resettlement and compensation, and various other predictable costs. Underestimating or overestimating costs affects the amount of ADB's commitment charges, which are not viewed positively by many.

327. Using cost savings to finance project expansion is not good financial management practice. Adding components to a project does not contribute to sustainability.

d. Operation and Maintenance

328. The Vietnam expressway project is of high quality. At project completion, Vietnam tested the IRI or international roughness index of the asphalt surface, and it met the project requirements. Now, at four-and-a-half years of operation, very little amount is required for maintenance. Each year, Vietnam pays less than \$1 million for maintenance work. For operation, the VCE company collects fees for operating the project three shifts a day, with around 400 staff working in operations.

329. What worked in Vietnam's expressway was good engineering. It was robust and built to good

standards. Good engineering helped reduce the maintenance cost. Another is proper staffing, with 400 staff responsible for operation and maintenance (O&M). The expressway has high traffic volume, so Vietnam can charge fees that redound to a financial flow for road maintenance.

330. However, O&M cost is expected to increase as the volume of traffic in the expressway increases. There is routine maintenance and large periodic maintenance work. Vietnam has about \$5 million allocated for O&M. It is expected that income from the project will cover other maintenance costs.

331. Most projects do not include cost for O&M. When the road project is revenue generating, such as those that operate tollways, the O&M can be funded by project earnings. However, in rural road projects that provide farm-to-market access and basic services delivery, O&M is jeopardized. One option is to include both construction and maintenance in the loan package.

e. Procurement

332. ADB's New Procurement Framework of 2017 applies to all projects for which the concept paper was approved on 1 July 2017 or thereafter. For some years to come, both the 2015 policy and the framework of 2017 will apply to ADB-financed projects.

333. Countries that require training on the Strategic Procurement Process should make a request through their respective resident missions.

f. Project Closing

334. How can developing member countries (DMCs) get the accounts closed on time? In Vietnam, it took almost two years before they could do the financial closing. When closing projects, ADB can pay contractors directly, or executing agencies can use an advance account and statement of expenses, with the latter used more often in small projects with a number of expenditures. When using statement of expenses, be sure to have substantiating documents available.

g. Role of ADB Staff

335. While ADB staff may have the international experience and technical expertise, they need support in navigating the local context and linking with a network of contacts in the country. This need is fulfilled by the executing agency and implementing agency. Hence, it is important that project teams and the ADB project officer work well together and early in project development. The officer needs guidance in navigating the bureaucracy, understanding local laws and policies that affect the project.

h. Project Documents

336. ADB, as part of its operations, makes a report and recommendation to the President. There are also other project documents. All these are posted in the ADB website. There is an evaluation of the project when it is finished, called a project completion report. Vietnam completed its report this year, 2019.

Indonesia's Electricity Grid Strengthening—Sumatra Program

Output: Build, strengthen, and expand more transmission and distribution networks for better reliability and service

Outcome: More reliable and quality electricity networks for more people and better profit for PLN

Impact: An investment fund that has big impact in implementing the construction of distribution networks.

Executing Agency: Perusahaan Listrik Negara (PLN)

Challenges

- Setting disbursement-linked targets is challenging; the targets should not be very ambitious nor should they be too low.

- Making the program action plans is equally difficult, involving several units and divisions.
- Monitoring is a challenge; it needs to show accurate numbers for ADB and also to an independent verification agent

Lessons

- Use of country system speeds up the process
- Disbursement is based on results, it is fair
- Repayment basis, so PLN uses its money first and ADB reimburses
- Flexibility in making adjustments in distribution programs

Vietnam's Ho Chi Minh City - Long Thanh - Dau Giay Expressway Construction Project

Output: HLD expressway is operating, connecting Ho Chi Minh City (HCMC) District 9 to Dau Giay-Dong Nai as a four-lane, high-speed, limited-access, toll highway; The concession for O&M is effective and operating after project completion; Project management system reports are generated

Outcome: Transport users in HCMC and Dong Nai province can travel from District 9 of HCMC to Dau Giay, with lower transport costs and less time on the project expressway

Impact: Business-led, pro-poor, and sustainable economic growth in HCMC and neighboring provinces

Executing Agency: VEC

Challenges

- Limited experience in planning and management of large-scale projects
- Need to strengthen institutions, which often have overlapping mandates and responsibilities
- Delays in the liquidation of ADB loan advance

- Adjustments required in land acquisition and resettlement cost estimates so that they are not too high
- Issues with the performance of some contractors
- Implementation delays
- Challenges arising from changes in the staff assigned as ADB's mission leaders

Lessons

- Successful cofinancing arrangement
- Land acquisition and resettlement implementation improved
- ADB's continued support to the executing agencies and implementing agencies is essential to project success
- Technical assistance project provided to VEC was critical
- Clear implementation arrangements were designed and implemented

XV. URBAN AND WATER

Facilitator: Vijay Padmanabhan, Director, Urban Development and Water Division, Southeast Asia Regional Department

a. Water Project Cycle

337. Understanding the project cycle for water is critical. It should be considered in reverse or backwards, starting with operation and maintenance (O&M). In most cases, projects are regarded from a construction perspective, as in building a facility. In water, there is a product flow where O&M is critical. It is important to look at the long-term service delivery as a starting point for designing a project.

Policy Dialogue

338. The typical starting point for policy dialogue is the country partnership strategy. At the project level, there is a space for policy dialogue as well. In case of the project presented by Lao, that dialogue was not a single instance, it was a series. In the case of the project presented by the Philippines, there were feasibility studies done way ahead, and which became the basis for planning a series of investments. For example, financing partners, including the ADB, discussed how they could support different parts of the project. Policy dialogue, therefore, is important, and executing agencies (EA) and implementing agencies (IA) need to have a long-term view for the sector to be able to identify specific needs and investments.

Pre-Concept Stage

339. A pre-concept of the project helps EAs and IAs understand what the project really looks like. Developing member countries (DMCs) cannot jump into a project and proceed right away to design unless the project has been discussed with the government agency and the financing partner.

340. A pre-concept can be a sector assessment of what the sector needs. What is critical at this stage is the level of engagement with development partners. For example, the government may want to indicate to development partners, such as ADB and World Bank, the five critical areas that it wants the

partners to focus on. It may then decide to use government financing for the other areas. For example, the government may want ADB to finance sanitation, and it may opt to take care of water supply.

341. This is a strategic approach where the government asserts that it has the budget for certain investments. In areas that may difficult to venture, the government may request multilateral banks to provide knowledge and expertise, for example, on specific technologies.

Concept Stage

342. At this stage, EAs/IAs discuss the design, procurement strategies, and options for new technologies. They look at capacity needs even before the loan is approved. This requires extensive engagement between ADB and the executing agency to determine how the system needs to function. In fact, at this stage, EAs and IAs should already do capacity building, work closely with beneficiaries or recipients, and design the loan with them. For example, if EAs/IAs want to understand how water utilities are organized, they should get someone who has experience in water utilities, someone who can provide comments, assess the current condition of the beneficiary utility, and then develop a water program. This is a better option than just preparing a design for a water program and then getting a loan. EAs/IAs must understand the sector. Otherwise, they may be building a huge infrastructure that is beyond the agency's capacity to absorb.

Preparation Stage

343. At this stage, the design team and the capacity building team should be involved in designing the project at the same time that capacity is being built. It is critical that knowledge of project implementation and safeguards be included in the

preparation stage. They should not be an afterthought, as otherwise it would be too late to address a lack thereof later in the project cycle.

344. In many projects, financing is insufficient to undertake detailed engineering design. But a preliminary investigation is needed, which should be the basis of contractors' proposals. Implementation therefore needs to be considered during preparation stage, as otherwise, the project will be half-cooked or even uncooked.

345. Lao's Small Towns Water Supply and Sanitation took nine years to complete, while the Philippines' Angat Water Transmission Improvement Project was much shorter. Each was prepared well, with the risks captured, including an assessment of how long it would take to be completed. Projects tend to be designed based on a loan period of five years, but this is not required. Loans can be designed for periods as long as it takes to design and deliver.

346. If enough time is spent in design engineering during preparation stage, there is no need to do consultant recruitment and design during implementation. EAs and IAs can then focus on actual construction during implementation rather than at post-loan approval.

347. If delays are encountered or it takes time to disburse a loan, commitment charges increase. The government actually loses money for not disbursing the loan. This is the case with Indonesia and the Philippines, which have ordinary capital resources (OCR). Lao, Myanmar, and Cambodia are not affected because they have concessional loans. Thus, it is important to address design and implementation issues at the preparation phase, and not wait for the loan to get approved.

Implementation

348. ADB has a facility for piloting new ideas for a current project. It is considering funding a high-level technology for converting solar energy and humidity into water for a climate project. This pilot can be implemented during implementation stage.

349. Consider operation and maintenance at implementation stage. What typically happens is that a project is constructed, then handed over to recipients. But who will maintain it? Who will maintain Lao's water treatment plant, for example? For bulk water transmission lines, the capacity of the executing agency and the recipient needs to be considered. Can they maintain the transmission lines? Technology sometimes can be driven from a maintenance perspective. In the Angat water project, contractors used the latest technology to set up an efficient maintenance system in the tunnel. Who will maintain it?

Maintenance

350. Look at alternative procurement modalities such as design-build-operate so that contractors or operators have a long-term responsibility for maintenance. The maintenance of water supply, sanitation, and flood risk management are critical in the design of all infrastructure projects.

351. Keep this in mind when discussing new loans with ADB project officers. Start with maintenance, then work backwards. How will the project be implemented? Is there a pilot, or a proof of concept? As early as pre-concept, concept, and preparation, already consider operation and maintenance.

352. This is called reverse clock or going backwards, starting with how to maintain and operate a project. Maintenance is critical in the design of an infrastructure project.

b. Understanding the Local Context

353. ADB must understand the local context. There can be no one-size fits-all approach. Not understanding local conditions can be counterproductive to the project. Include local context when designing and implementing a project. In Laos, ADB and the government discussed how to consider local context in the procurement and performance evaluation criteria.

c. Cross-Sectoral Teams

354. Indonesia was hit by a strong earthquake in 2018. This caused soil liquefaction and resulted in

landslides. ADB deployed multisectoral teams that specialized in transport, water resources, and water supply to determine how to improve the water system after the earthquake. The water supply team and water resources team worked together to find ways of extracting water from the river basins, supply water to the cities, and improving water systems such as pipelines. The two teams worked together to provide a single solution. This is a way to have teams work together in providing a comprehensive solution to beneficiaries, instead of looking at one sector alone.

d. Consultants

355. The more that EAs and IAs break down consultancy packages or the more they cap consultancy costs, the less their chances of getting good quality consultants. Consultants need profit in order to deliver. Bringing down the consultancy cost causes the firm to still keep its margin and provide its client with a consultant who has low capacity or low competency and who cannot deliver. This is standard practice in the consulting industry. EAs and IAs then waste time working with this consultant for the duration of the project, the project is not be able to deliver, and then EAs/IAs hope that by extending the contract, the consultant will eventually deliver. They end up spending twice the amount of money than initially planned.

356. Ninety percent of the cost in infrastructure projects is usually based on a 5-10% of consultancy. The minute that 5-10% is compromised, EAs/IAs lose the 90%. Be very careful when getting consultants. Look at the quality of the consulting staff, but more importantly, look at the firm that will be accountable for staff performance. The only way that the firm will deploy high quality staff is when the profit margin is slightly higher.

In Cambodia, the implementing agency needs to provide justification for the consulting cost. The government is flexible as long as the rationale is solid. In some cases, it approved capacity building at 20% of bidding cost. In Cambodia, the consulting cost is not fixed.

357. Note that the percentage changes depending on the size of the project. When calculating the consulting requirement for a \$200 million project, the percentage dollar amount is lower. If it is an \$80 million project, the percentage dollar amount is higher.

358. Limiting the total financing cost for consulting services is not a good idea. It is not the percentage but the value of the project that should be considered. 1) Look at the operating environment, what support requirements are needed, what capacity does the organization have, and what external support—which could be in the form of consulting services—are needed. 2) Build the case so that the ministry of finance or planning can appreciate the need. Do not reduce cost estimates, because that will have a negative impact on finding qualified consultants. Limiting cost estimates, especially if the request for proposals indicates that the amount is the maximum budget for the particular assignment, may discourage qualified consultants to participate. Another reason for not restricting the estimated cost and putting a maximum budget for consulting is that if the consultant submits a cost that is higher than the estimate, then the IAs will have difficulty getting the approval from the ministry of planning or finance. Another issue is transferring the budget from the current year to the following year for multiyear contracts. In any case, IAs need to convince the ministry of planning or finance that if the project needs, for example, 15%, then the ministry has to approve. This has to be made on a case-by-case basis, and IAs need to build the case. The best way to do this is through a strategic procurement plan.

359. Select consultants in different professions and retain the high performers. Keep the qualified ones engaged, especially because there are very few of them in the market.

e. Procurement

360. The Philippines' Angat project used the design-build-deliver option. This modality is used frequently these days, such as in water treatment where operators deliver water over a period of time. In many cases, projects operate on a performance-

based contract or output-based contract and service providers are made accountable for specific targets.

361. ADB has a menu of contract options available to DMCs and is working on standard bidding documents for different procurement options. Consider these options when working in reverse, starting with O&M, and discuss the procurement options with ADB project officers.

362. The current New Procurement Framework opts for least life cycle cost and not the lowest cost. This means that in terms of the best performing life of the asset, the reasonable period is 15–20 years. Consider this period in the service delivery options.

363. Consider too the different procurement options for bringing in operators. Be mindful of using creative forms of contracting. Work closely with the procurement team when using creative contracting. The team can advise what the market looks like or and what options are available.

f. Procurement Expert

364. The number of consulting services required depends on the project requirements. EAs/IAs that do not have experience or capacity in contract management, and which do not have a good contract management expert, face problems during implementation. In one project, a team leader took on procurement tasks, because the team had no procurement specialist and this affected the process and resulted in rebidding.

g. Strategic Procurement Plan

365. When determining the consulting cost, consider these factors: what are the consulting requirements, how will the terms of reference be

written, what positions will be specified in the terms of reference, and how much will they cost.

366. The strategic procurement plan's (SPP) market assessment, operating environment analysis, and risk analysis at the time of project design help establish a strong business case. SPP is a structured way of approaching procurement.

h. Knowledge Partnership

367. ADB has a Water Operators Partnership Program that sets up a twinning arrangement for knowledge transfer between water utilities. The Philippines' Maynilad concessionaire in Manila provided support and knowledge transfer on fecal sludge management to the city of Hai Phong in Vietnam. Hai Phong in turn transferred that knowledge through a partnership with small towns in Nepal. Myanmar's city of Mandalay had a twinning partnership with a city in the Netherlands; Yangon with a city in Australia.

368. These are partnerships that draw out knowledge from well-performing utilities. This is a way of tapping the operational efficiency of entities that operate the system, deliver the service, and therefore understand the whole life cycle of delivery from design and construction to maintenance.

369. Discuss prospective knowledge partnerships with ADB project officers and how DMCs can take advantage of these partnerships.

370. ADB is quite happy to take feedback on its performance and delivery. Sharing experiences about project performance and mechanisms is important. Networks such as this forum is one way to connect. ADB can be a conduit in sharing information in terms of lessons learned.

Laos' Small Towns Water Supply and Sanitation Sector Project

Output: Household water bills were to be no more than 5% of household income, and achieved household water bills at about 3% of household incomes; Total of 935 poor households in 9 subproject small towns received free water supply connection, as well as free materials for the construction of their sanitation facilities

Outcome: Achieved targets for the following: improved water supply service; population targets and number of connections; increased access to piped water and sanitation; 24-hour safe piped water supply

Impact: Service coverage of urban areas in 2016 was about 65%. In 2018, it increased to about 71%

Executing Agency: Department of Water Supply

Challenges

- Long approval period in procurement (ADB & government)
- Limited skills of staff on financial management
- Long approval period in safeguards

Lessons

- Continuing training and refresher training on financial management
- More effort needed to address issues in procurement and safeguards
- Competent supervision team helped in contract management
- The project's M&E considered to be a best practice system by ADB
- Sector reform benefitted investments, especially tariffs
- Design should be more descriptive rather than prescriptive
- Design should not be too complex and detailed; resources should match output
- Set realistic goals for less developed countries
- Have fewer outputs; recognize limited absorptive capacity of the government and the country in general
- Listen to the executing agency and have a more collaborative approach to design

Philippines' Angat Water Transmission Improvement Project

Output: New tunnel, capacity = 1900 million liters per day (1900 mld)

Outcome: Capacity of the raw water system increased

Impact: Long-term security and efficiency of raw water

Implementing Agency: Metropolitan Waterworks and Sewerage System Authority (MWSS)

Challenges

- During project processing, the implementing agency (MWSS) had to ascertain the readiness, and justify the importance and urgent need to implement the project
- Design and construction modality minimized the implementation period, compared to the previous scheme of detailed design first under one contract, and followed by a construction contract after completion of design
- Procurement process for the project consultant was delayed for almost two 2 years, thus the

Project Management Office (MWSS personnel) acted as engineer in the review of the design and supervision in the initial stage of construction, resulting to savings in the loan

- Contractor's request for variation order re slope stabilization in the intake area was not approved by the PMU but for a win-win solution and in order not to disrupt the progress of contract works and to avoid legal process, MWSS sought the assistance of concessionaires

Lessons

- Development partner must review and streamline its approval process
- Performance review including the alert mechanism helped MWSS put the project on track
- Close coordination, supervision and good working relationship with the contractor is a key element in the successful implementation of the project

Laos' Pakse Urban Environmental Improvement Project

Project Components

- City-wide environmental improvements
- Drainage & stormwater management
- Riverbank erosion protection
- Solid waste management
- Community environmental improvements
- Institutional strengthening and capacity development
- Project management & implementation support

Strategic Issues

Urban Development

- Clear strategy needed for the whole area
- Expansion to the east and secondary areas
- Long east-west urban form is very inefficient
- Other options for bypass

Drainage, Flood Prevention, Sewerage

- Need drainage master plan
- Need topographical map with contours at 1 m
- Comprehensive sewerage system likely to be unaffordable

Solid Waste Management

- Improve and extend to whole urban area
- Hazardous waste to be disposed of properly
- Stop burning of waste
- Recycling expanded and managed
- Upgrade dumpsite to sanitary landfill

Green Infrastructure

- Protection measures to be enforced
- Better planning
- Better public access
- Public awareness of benefits of a good environment

Institutional Framework

- Better application and enforcement of regulations
- Better maintenance of infrastructure
- Clear direction for urban administration and a more collaborative approach to design

Myanmar's: Third Greater Mekong Subregion (GMS) Corridor Town Dev Project and Pro Poor Community Infrastructure and Basic Services Project

Challenges

Need for better cooperation. In the JFPR, the ministry of construction is the executing agency, with the cities of Yangon and Mandalay as implementing agencies. In the GMS, the executing agency is the ministry of construction, while the regional government is the implementing agency. There is a need to strengthen the cooperation between these agencies.

Need to improve agency capacity. Myanmar has limited experience in implementing an international project. Implementation is a big responsibility for the government, especially with the GMS, which is a loan.

Need to improve consultant capacity. It is difficult to get qualified consultants. In one case, the consulting firm did not understand ADB guidelines and social safeguards. This resulted in project delays.

Need to align ADB safeguards and national safeguard policies. ADB's social safeguards are Myanmar's safeguards are different. Hence there were difficulties in settling the right of way and compensation of affected households in one community.

Procurement delays. Rebidding causes delays in the project, particularly in cases where large projects are combined.

Utilization of the project budget. The annual plan needs to be formulated, with information showing how much of the loan is to be used in a given year.

POLICY AND INSTITUTIONAL DIRECTIONS

XVI. DEFINING COUNTRY NEEDS AND OPPORTUNITIES

Cambodia

371. **Key takeaways.** Financial management is important for the proper utilization of funds and to avoid breaching the loan agreement. Exchange of learnings and lessons of experience among countries, even during tea breaks, was useful. It was reassuring and insightful to learn of the challenges in loan administration and project implementation encountered by other countries. Cambodia unites in solidarity with these countries as it deals with similar challenges. In Cambodia, there is good collaboration between the ADB resident mission, the finance ministry, and other agencies.

372. **Challenges, opportunities, risks.** In many sectors, such as roads, water, and rural development, there are major resettlement issues that trigger social safeguards. The issues, along with procurement and disbursement, cause significant delays. The previous ADB team that handled the project was expeditious in its response, but the succeeding team understood the situation differently, thus causing further delays. The team had issues with sufficient data and adequate background on Cambodia's laws on land, water, as well as the local context. It dealt with the problem as a sector concern rather than in a holistic way.

373. **Way forward.** ADB should review the implementation of its safeguards in the countries in the context of national and local laws. Teams should also ensure the smooth transition, coordination and collaboration between ADB, the ministry of finance, and the executing and implementing agencies. Scheduling meetings alone is a cause of delay. Those who are required to attend must have a full grasp of the issues to be discussed.

374. ADB is not always right, neither is the country. Each needs to listen to each other. More important is the need to acknowledge that it is the country that owns the project. ADB monitors, countries borrow funds and implement the projects. Consultants should not take the lead or tell countries what to do. DMCs adhere to the memorandum of understanding between the government and the ADB, and DMCs follow country procedures.

375. Some sectors and ministries do not have long-term strategies and investment plans. In the absence of a roadmap, DMCs follow ADB's strategy. However, in cases where there is a strategy, as with the water sector, DMCs will pursue the water roadmap. ADB should work within the framework of such existing strategies.

Indonesia

376. **Key takeaways.** Planning is critical to project success, with project readiness and the design and monitoring framework as major factors contributing to the success. The framework is a prerequisite, as it helps DMCs determine what needs to be done. Cost estimation also needs to be done to optimize the use of the loan, as otherwise, valuable resources may be lost. Indonesia has done both stakeholder analysis and risk mitigation, and in fact

updated its plan during project preparation and implementation.

377. **Challenges, opportunities, risks.** Indonesia faces issues with land acquisition and compensation and has to deal with land disputes involving large tracts of land and plantations. Another issue is road encroachment. The project team allocates considerable time, usually six months,

to consult with project-affected people, negotiate with the local government, and calculate compensation.

378. Indonesia's e-Procurement, the PLN Electricity Project's procurement procedures, and ADB's procurement policy need to be harmonized. While this is a challenge, it is also an opportunity to improve procurement procedures and shorten transaction time. Indonesia's list of ineligible firms and individuals also needs to be compared with ADB's blacklist. On gender mainstreaming, women are part of project implementation and decision making. However, among workers who are predominantly male, gender mainstreaming needs to be reviewed. Indonesia acknowledges the advice of ADB experts as regards country systems.

Lao PDR

381. **Key Takeaways.** All the learnings shared in this forum are valuable to implementing agencies. Among them are the need for complementation in strategies, the design and monitoring framework, and country ownership of processes.

382. **Challenges, opportunities, risks.** Myanmar's challenges are similar to Cambodia's and most other countries in the region. There are delays related resettlement and issues with safeguards. Cost estimates are either too low or too high. Preparing the project design takes time, but there is too little allowance to examine the design. With e-Procurement, there is a lack of capacity among agencies to implement it nationwide. A major challenge is climate change, which has caused severe droughts and floods, thereby increasing risks and uncertainties in projects.

379. Advance land acquisition and advance contracting pose risks for the implementing agency, which bears the cost when there are delays in the project, or worse, if the loan does not push through. Another risk is compliance with the agreements in debt covenants, which could be jeopardized by project delays.

380. **Way forward.** For successful project design and implementation, DMCs need to consult with stakeholders and develop a comprehensive risk assessment and mitigation plan. With mitigation, levels of risks can be brought down from extreme to low, with extreme risks requiring more time to manage. Finally, in working toward project readiness, there should be synergy between local project guidelines and ADB guidelines. Teams must be equipped with the right knowledge and skills about the sector.

383. There is complementation in the broad directions spelled out in ADB's Strategy 2030 and Lao PDR's national vision. Lao also has a socioeconomic development plan and each subsector has its own strategy.

384. **Way forward.** DMCs need to work closely with development partners and country stakeholders to integrate readiness in project design, specifically safeguards. During implementation, the design and monitoring framework becomes a useful tool for monitoring progress. DMCs need to apply good practice in financial management and procurement in order to use resources efficiently, use public funds well, and get good contractors. It is important that DMCs choose the methodology and approach that best respond to the needs and realities of sectors.

Myanmar

385. **Key takeaways.** Strategy 2030 stands out because it complements Myanmar's national strategy and sector development plans. Timely implementation is a product of good project design, and the design and monitoring framework compels DMCs to invest more time in project preparation. Cambodia's experience is a good example of timely implementation because specific procurement requirements were complied with prior to loan effectiveness. Country ownership is important, and this should be promoted even as DMCs receive technical and financial support and follow policies on safeguards, procurement, and financial management.

386. **Challenges, opportunities, risks.** Myanmar's portfolio has increased from 4 lending and non-lending projects in 2012 to 19 in 2019. EAs and IAs learn the processes along the way but are hampered by complicated internal procedures. In one project, preparation of the project administration manual and financial management

document took two years. In another project, recruiting a procurement expert took four years. Another bottleneck is working within the national budget cycle and the budget year, plus converting to *kyat*, the Myanmar currency. Budget documents have to be submitted to the national agencies in charge of budget finance, and economic planning. Staffing is also an issue. Fulltime staff are needed in project teams, and they should not be current staff who perform project functions in addition to their regular work.

387. **Way forward.** There is huge potential in Myanmar where almost every sector needs development support. The country needs to strengthen the collaboration between development partners, including ADB, line agencies, and the focal agency. Previously, the focal agency was the ministry for economic planning. Now there is the ministry for investment and foreign relations, which is the entry point for all development partners.

Philippines

388. **Key takeaways.** To attain project sustainability and ensure the wise use of investment, teams need to address issues related to gender, safeguards, and procurement. Operation and maintenance considerations, in particular, need to be built into the project design.

389. **Challenges, opportunities, risks.** The Philippines shares the same challenges in resettlement and site acquisition as most other countries. In addition, there are challenges in operationalizing advance procurement and other ADB policies and procedures. ADB's technical assistance and advice would help in capacity building in these areas. Conflict in the budget cycle is another issue, where agencies encounter difficulties in working within ADB's budget programming and the Philippines' budget year.

390. Advance procurement short of award can be done within the country's cash-based budget allocation. In addition to the Philippines' existing gender and development guidelines, the country also has accessibility policies for persons with disabilities. There is a mechanism for coordination between ADB and government during the project cycle. Add to that the government's pipeline of approved projects that development partners can use to inform their country partnership framework. There are uncertainties in loan signing and concerns regarding their impact on contract awards. Moreover, there is high turnover rate in the pool of qualified technical staff. The country's cash-based budgeting system also has an impact on projects, because agencies lose the fund allocated to them if they are unable to use it within a year.

391. **Way forward.** To be pursued in project design and implementation are project readiness, gender, and safeguards. Coordination among stakeholders will also be improved. The project

management unit will need to be established early in the cycle. Priority will be given to adopting the key changes in ADB's procurement framework and

embedding strong financial management in the project cycle.

Thailand

392. **Key takeaways.** The forum was useful in gaining a better understanding of ADB's vision and its guidelines. Because Thailand's project portfolio is small compared to other countries, hearing the experience of other countries helped Thailand learn from their obstacles and how they handled the problems. The project design and monitoring framework is a useful tool, and Thailand will consider adapting it in operations.

393. **Challenges, opportunities, risks.** Thailand's economy and politics are changing. ADB's funding is readily available, and its resident mission in

Thailand is accessible. There are risks brought about by the global and regional economic crises, as well as inherent risks whenever there are changes in policies.

394. **Way forward.** Thailand's executing agency does not have extensive experience in ADB project operations. Therefore, it needs to invest in the capacity building of project personnel. Technical assistance and training are appropriate. Forums such as this is a good knowledge platform for learning from each other. Target areas for reform are infrastructure, human resources, environment and social safeguards.

Vietnam

395. **Key takeaways.** The forum gave country representatives the opportunity to learn from each other. It is good to discuss as well ADB's long-term strategy and priorities, procurement policies, and the design and monitoring framework.

396. **Challenges, opportunities, risks.** In infrastructure investment, Vietnam has a big demand for projects, but the budget is limited. Hence, the country needs to borrow from development partners. It is a challenge to navigate the government bureaucracy that requires coordination with several agencies at various levels before the project documents reach the president. This process causes delays in disbursements and implementation. In some cases, preparation takes five years. Climate change also increases uncertainties. Not many in government speak English, and this makes project-related communication difficult.

397. Vietnam can borrow from development partners and tap the private sector for public-private partnerships, build-operate-transfer arrangements,

and other modalities. It is also a country rich in human resources.

398. The country has to tackle risks related to resettlement and land acquisition, where policies differ across regions and provinces. Vietnam's policies on safeguards and procurement are also different from ADB's. While there is demand for capital infusion in the public sector, Vietnam maintains a debt cap of 65 percent. Therefore, the government cannot readily increase its official development assistance.

399. **Way forward.** Vietnam requests that ADB allow loans to be used for resettlement and land acquisition. Agencies want to address issues related to safeguards early in the project cycle and involve stakeholders in project preparation. Vietnam also wants more frequent ADB missions for better and faster resolution of issues. Changing the designated ADB team leader should also be minimized to allow for the team lead's integration and deeper appreciation of community issues. As a next step, Vietnam will review its procurement and project evaluation processes.

XVII. POLICY NEEDS AND OPPORTUNITIES IN THE REGION

Panelists:

H.E. Vanndy Hem, Undersecretary of State, Ministry of Economy and Finance, Cambodia

Sunniya Durrani-Jamal, Country Director, Cambodia Resident Mission

Violeta Corpuz, Director for Monitoring and Evaluation, National Economic and Development Authority, Philippines

Facilitator:

Rehan Kausar, Director, Portfolio Management Division; Procurement, Portfolio and Financial Management Department

400. Country lessons point to various opportunities for policy and institutional reforms to strengthen project design and implementation as well as portfolio management. In some cases, the policies and structures are in place, but gaps remain

in the proper implementation of transactional processes, including the enabling information technology infrastructure that can make the processes such as procurement faster, more efficient, and more transparent.

Cambodia's Public Institutions and National Strategy

401. **A national policy and strategy must guide the development agenda.** Cambodia's many agenda should converge in this national policy and strategy, which should guide agencies in planning and prioritizing.

402. **A sector policy and roadmap should complement the national policy.** This sector policy should emanate from a comprehensive study of the sector. It defines the investment program for the sector, which agencies can use to prioritize projects, identify those that are feasible and financially viable, and choose the right financing mix.

403. **Policies must be supported by strong and capable public institutions.** The government bureaucracy, its functions and offices, must have the capacity to translate the policies to better projects, from selection to design. This capacity encompasses human resources, financial resources, information technology, and budget.

404. **A credible and comprehensive public debt management strategy must guide policy implementation.** It should govern commercial, local and foreign borrowings and ensure that risks are managed, and cost objectives are achieved.

405. Cambodia has one commander-in-chief, the prime minister. It has one chief of staff, the minister of economy and finance. Budgets follow an annual ceiling, and are submitted to the parliament only for review, not approval.

406. **The oversight agency for finance must effectively manage the country's borrowings.** This “gatekeeper” is usually the ministry of finance. The agency should have a full grasp of the country's economic history, pursue the current national agenda, and “control” borrowings among agencies.

When room and rule are present, there is opportunity for development assistance. Cambodia has the absorptive capacity for financing and project execution because it is backed by good macroeconomic performance and its GDP proves that it has the fiscal space for external financing. Moreover, there is demand for investments in infrastructure and development and that opportunity is expected in the next five years. Finally, Cambodia can borrow at concessional rates, making development assistance feasible.

407. **With more opportunities for development assistance comes the imperative to be more selective and strategic in financing.** Development partners must coordinate their efforts and support sectors where they have a comparative advantage. One option is cofinancing among donors. ADB, for example, is in a cofinancing arrangement with other development partners, where it finances skills development in Cambodia while other partners focus in other sectors. Leveraging financing and expertise among donors is good practice. In all these, it is the country that must own and manage the process.

408. Resource allocation is determined by the implementing agency's performance, not the need. Some sectors are weak and need donor support, but Cambodia maintains that it is performance that determines how this moral hazard issue is tackled. If agencies do not perform according to standards and do not meet objectives, they will not get funding allocation. They are to be assessed based on performance indicators, not on a per project basis. Note that in many cases, the failure of agencies to perform can be traced not to project design but to people.

The Philippines' Technical Review and Knowledge Pool

409. All proposed projects and programs are evaluated through an institutionalized mechanism of robust technical review at two levels: technical level and cabinet level. To be included in the country's project pipeline, proposed projects must demonstrate that they can contribute to achieving the objectives of the Philippine Development Plan. Once in the pipeline, projects undergo a second level of screening that considers the projects' relevance, economic internal rate of return, socioeconomic acceptability, environmental and local government clearances, risks, mitigation measures, and cost estimates.

410. Standardizing the project approval process and documentation of pipeline projects facilitates the matching of projects with the required financing. The technical review happens prior to identifying a loan source. The list of reviewed projects in the

pipeline helps the government decide which fund source to tap. The government does this by evaluating the complementation between the project requirements and the development partners' country partnership framework and comparative advantage.

411. The pool of highly skilled technical professionals that undertakes the review is trained continuously even as it changes constantly. The professionals include engineers and economists; and experts in various fields such as education, health, and infrastructure. The government invests in training them, despite the high turnover, especially because some of them move on to other agencies of government, in which case, the government continues to benefit from their expertise.

The government's Build Build Build Program creates a huge demand for more experts in transport and infrastructure who will prepare engineering designs and other technical requirements. A capacity building program to train these professionals will help address the needs of the sector.

412. **Some projects fail because they do not have clear objectives, hence, it is important to invest time in developing the project concept.** There is a broad menu of approaches and tools that teams can adapt to their requirements, including stakeholder consultations, a solid link to the country's medium-term development plan, and tools such as the design and monitoring framework.

413. The oversight agency monitors project implementation at national and subnational levels. There are standardized mechanisms for monitoring the implementation of projects, including quarterly meetings with heads of implementing agencies to resolve issues; an alert system for at-risk projects; and a referral system to regional offices for issues that require intervention at subnational level.

414. **Performance of implementing agencies is assessed and used in deciding budget allocations.** Agencies are not penalized for non-performance on the first year, and interventions such as capacity building and hiring of consultants are introduced to help the agencies. The budget process has also

evolved in parallel, from input-based to output-based, and now outcome-based. This budgeting approach becomes an impetus for agencies to deliver better results.

415. Laws and country processes create an enabling environment for better project design and implementation. The Philippines uses a logframe or logistical framework, which is a results framework similar to ADB's design and monitoring framework, and an environment clearance certificate that fulfills its safeguards requirements. Further, the Philippines has laws that are invoked in project design and implementation, such as on right of way, resettlement, and land use. Finally, it has an official development assistance act that mandates the economic planning agency to report the state of project development to congress, including those that will require national budget allocation. Note that the annual national budget act is passed by congress.

416. **To ensure that knowledge is captured, processes are written in manuals and uploaded online.** There are knowledge products on project proposal preparation and reports about official development assistance. With the high turnover of staff, the manuals and the current pool of experts help in the knowledge transfer. Even the pipeline projects are available online in a database called Public Investment Project Online (PIPOL), which agencies can update periodically.

ADB as a Financial Institution and Knowledge Partner

417. **ADB's support to countries is anchored on the country partnership strategies,** which are developed through a multi-stakeholder consultation process. In these strategies, ADB defines its support for macroeconomic management, policy and technical analyses, market development, and policy dialogue.

418. **Flagship projects are indicators of government priorities.** In assessing the macroeconomic situation, ADB considers several factors: the country's debt levels, its big investments

which are indicators of its long-term priorities, and its regular projects. The flagship projects show how countries vary. For example, the Philippines focuses on infrastructure, while Cambodia focuses on human capital and information and communication technology.

419. **Robust economic, social, and financial analyses aid in choosing the best option to finance the countries' development priorities.** ADB conducts these analyses and offer them as input in project design where financing can be

identified. Financial analysis is critical. There are some cases where there were technically sound projects, even integrating technology in the design, but those projects were not pursued because of issues in financial sustainability.

420. **Countries can benefit from technical support in market development.** ADB has expertise and international experience in developing capital markets, convening development partners, private sector development, and procurement.

421. **Policy dialogues should continue to develop better ways of supporting successful project design and implementation.** ADB works with governments to improve social and environmental safeguards, procurement, and other aspects of project development. The policies that ADB develops, including its various financing instruments, are all intended to support country systems.

422. **Decentralization makes ADB more accessible and its expertise more country-focused.** Having staff in country offices allows ADB to deploy local staff who have a fuller grasp of the

country context. It facilitates ADB's integration and participation in country policy dialogues. Most important, it makes communication faster, more efficient, and real-time. Even ADB's knowledge expertise becomes readily accessible to countries.

423. **ADB continues to play a leadership role in knowledge building in the region, and is well positioned to help address specific capacity needs in countries.** Its workshops and conferences on project design and implementation, the global and regional expertise that it contributes to discussions, and its trainings are invaluable to countries. ADB should also take advantage of digital technology in making its capacity building programs available, via online learning courses, on-demand knowledge repositories, and interactive platforms where countries can share good practice. A recurring issue in project implementation is the need to improve technical skills such as project management, financial administration, and procurement. While there are inception workshops and administration manuals that give guidance on these technical areas, an induction training in these areas is seen as more appropriate.

XVIII. RESPONSE FROM THE HOST COUNTRY

Closing Remarks – Cambodia Resident Mission

Sunniya Durrani-Jamal, Country Director, Cambodia Resident Mission

424. **ADB's Strategy 2030 commits to a better, stronger, and faster institution.** This commitment permeates ADB work, in procurement, financial management, and all other areas. It is hoped that the public can hold ADB accountable to this commitment.

425. **ADB is introducing new financing modalities to assist developing member countries.** These include the small expenditure financing facility, project readiness facility, and other ways to enhance project design.

426. **As ADB pursues procurement reforms, it is also finding ways to improve its processes, including market development.** These reforms should contribute to the achievement of Sustainable Development Goals not just in infrastructure but as well in water, maternal mortality, and all other

sectors. These targets require different procurement modalities.

427. **Climate-proofing and gender are two key targets that are well articulated in Strategy 2030.** Climate-proofing applies not just to infrastructure, but also other interventions that are affected by the changing climate. These include energy, water management, river basin management, and disaster risk reduction and management. Gender considerations will also be integrated more fully in the design and implementation of projects, such as in labor, infrastructure, health, and education.

428. **Vertical and horizontal decentralization will continue as authority and responsibilities are shared within and across ADB.** This decentralization requires more coordination and collaboration between and among ADB and developing member countries in order to deliver better outcomes.

Closing Remarks – Government of Cambodia

H.E. Vandy Hem, Undersecretary of State, Ministry of Economy and Finance, Cambodia

429. **The forum is an excellent opportunity for strengthening the collaboration between developing member countries (DMCs) and ADB** on the design, implementation, and monitoring of projects to ensure high development impact.

430. **Implementing projects with meaningful development impact requires strong institutional capacity and good governance.** ADB, through country dialogues and forums such as this, should continue to help DMCs strengthen capacity standards to plan, design, finance, and implement ADB-supported projects.

431. **The demands of Southeast Asian countries are becoming more sophisticated and they span different sectors and themes.** DMCs will continue to rely on ADB as a comprehensive provider of finance, knowledge, partnerships, and project development. The strong partnership with ADB is critical in meeting the development needs of the region.

432. **DMCs must continuously scale up efforts to improve speed and efficiency in project**

delivery. This includes streamlining internal procedures to reduce red tape and speeding up internal approvals where feasible. Project readiness was emphasized during the discussions and this is critical. DMCs must also incorporate climate change mitigation and adaptation, disaster risk, and environmental considerations in project design, implementation, and monitoring across all projects. Robust financial management throughout the project cycle can lead to efficient project delivery and accountability and sustainability. The same can be said about procurement. DMCs should also continue to involve women as key project stakeholders and work on their empowerment.

433. **Cambodia thanks ADB for its timely development assistance to Cambodia over the last two decades.** ADB has played a key role in helping Cambodia's progress and in achieving its economic development plans. It must be quite similar with other ADB member countries in the region. ADB has provided continuous assistance to Cambodia in furthering the nation's goal of becoming an upper middle-income country in the medium term.