

## PROGRAM PREPARATORY TECHNICAL ASSISTANCE

### A. Background and Justification

1. The Government of Azerbaijan is endeavoring to transform Azerbaijan Railways (ADY) into a profitable company and to improve railway service delivery. It has requested the Asian Development Bank (ADB) to finance (i) railway sector and corporate reforms and ADY financial restructuring; and (ii) improvements to railway infrastructure, particularly along the north-south railway corridor. This program preparatory technical assistance (PPTA) will prepare (i) a comprehensive policy matrix for the policy-based loan—covering institutional changes at ADY and in the railways sector, financial restructuring at ADY, a sector development plan, and other policy areas as needed—prepared in full consultation with all key railway stakeholders; (ii) a feasibility study for track renewal and a computerized freight operation system; and (iii) ADB loan processing documents, including a sector assessment; technical, economic, and financial appraisals; environmental, social, and poverty impact assessments; procurement preparation and project implementation arrangements. The government and ADY were advised that PPTA approval does not commit ADB to financing any ensuing project.

### B. Major Outputs and Activities

2. The major activities and outputs are summarized in Table A3.1.

**Table A3.1: Summary of Major Activities and Outputs**

Major Activities	Major Outputs	Expected Completion
Sector diagnostic study on key policies and corporate and financial reform directions	<ul style="list-style-type: none"> <li>• Comprehensive policy matrix for the policy-based loan</li> <li>• Time-bound, comprehensive restructuring and reform program</li> <li>• Updated business plan</li> </ul>	Aug 2016– Apr 2017
Due diligence on engineering, environment, resettlement, social, poverty, and gender issues	<ul style="list-style-type: none"> <li>• Sector assessment and sector results framework; technical review report</li> <li>• Initial environmental examination</li> <li>• Land acquisition and resettlement framework and the resettlement plan (in final draft)</li> <li>• Summary poverty reduction and social strategy,</li> <li>• Mitigation plan for adverse impacts on specific groups due to staff retrenchment</li> </ul>	Aug 2016– Feb 2017
Economic and financial analysis and governance assessment	<ul style="list-style-type: none"> <li>• Economic and financial evaluation and analysis of project component</li> <li>• Procurement capacity and financial management assessment, including fiduciary risk assessment of country systems</li> <li>• Risk assessment and management plan</li> </ul>	Oct 2016– Feb 2017
Project implementation preparation	<ul style="list-style-type: none"> <li>• Project procurement plan and turnkey/engineering-procurement-construction bidding documents; assistance to ADY in the recruitment of project implementation consultants (technical and financial evaluation, contract finalization, and mobilization)</li> </ul>	Nov 2016– Dec 2017

### C. Cost Estimate and Proposed Financing Arrangement

3. The PPTA is estimated to cost \$1.05 million, \$1 million of which will be financed through a grant from ADB's Technical Assistance Special Fund (TASF). The government, through ADY, will provide counterpart support in the form of staff, office space and supplies, secretarial assistance, and other in-kind contributions. Table A3.2 lists the detailed cost estimate.

**Table A3.2: Cost Estimates and Financing Plan**

Item	Cost (\$'000)
ADB Financing <sup>a</sup>	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants (32 person-months)	680
ii. Domestic Consultants (27 person-months)	150
b. International and Local Travel	100
c. Reports and Communications	5
2. Surveys	5
3. Miscellaneous Administration and Support Costs	10
4. Contingencies	50
<b>Total</b>	<b>1,000</b>

<sup>a</sup> Financed by ADB's Technical Assistance Special Fund (TASF)

Source: Asian Development Bank estimate

### D. Consulting Services

4. The PPTA will recruit a combination of individual consultants and a firm (quality- and cost-based selection, using biodata technical proposal) in accordance with the Guidelines on the Use of Consultants (2013, as amended from time to time), refer to Table A3.3.

**Table A3.3: Summary of Consulting Services Requirement**

International	Person months	National	Person months
<b>Part A (Consulting Firm)</b>			
Railway Engineer (Civil Engineering)	5	Railway Coordinator/Engineer	6
Railway Transport Economist	3	Social Development Expert	4
Procurement and Contract Specialist	3	Resettlement Expert	3
Environmental Expert	2		
<b>Total</b>	<b>13</b>		<b>13</b>
<b>Part B (Individual)</b>			
Railway Reform Expert and Coordinator	5	Policy Reform Coordination Expert	5
Financial-Corporate Restructuring Expert	4	Legal Expert (Corporate and Labor)	4
Railways Business Development Expert	3	Financial Management Expert	5
Labor Restructuring Expert	3		
Railway Asset Management Specialist	3		
Resource Persons	1		
<b>Total</b>	<b>19</b>		<b>14</b>

Source: Asian Development Bank estimates.

5. The program will have five outputs. The policy-based loan supports outputs 1–4, which cover (i) enhanced management autonomy of ADY and transport sector governance, (ii) effective financial restructuring of ADY's liabilities, (iii) enhanced financial and management control, efficiency and reporting at ADY, and (iv) business development and corporate restructuring of ADY. The project loan supports Output 5, which includes rehabilitation of 441

km of single-track rail between Baku and Yalama, on the Russian border, and development of a computerized freight operation system. Outline terms of reference are listed in Table A3.4.

**Table A3.4: Outline Terms of Reference for PPTA Consultants**

<b>Expert</b>	<b>Required Background and Main Deliverables</b>
International Railways Reform Expert and Coordinator	The consultant will have at least 10 years of experience in railway sector reforms at the policy implementation level, preferably with academic work on transport policy and development issues. The consultant will have exposure to working in developing countries. The consultant will work primarily on outputs 1, 3 and 4 and provide overall coordination.
National Policy Reforms Coordination Expert	The consultant will have at least 5 years of experience in working in projects financed by international financial institutions, performing complex functions with considerable autonomy. The consultant will have worked in corporate management functions in the Azerbaijan private sector and has good written communication skills. A formal degree in management will be a crucial asset. The consultant will provide overall coordination and assist international counterparts.
International Financial and Corporate Restructuring Expert	The consultant will have a university degree in accounting, finance, business or related field, a professional certification in accounting and finance (chartered accountant, chartered professional accountant, or chartered financial analyst) and at least 10 years of experience in corporate restructuring. Financial accounting and auditing experience will be crucial. The consultant will work primarily on outputs 2–5.
National Financial Management Expert	The consultant will have worked in financial audit and accounting firms in Azerbaijan for at least 5 years, and possess good written communication skills. A formal certification as a chartered professional accountant will be crucial. The consultant will work primarily on outputs 2 and 3.
International Railways Business Development Expert	The consultant will have extensive experience in railway sector reforms at a corporate management level, and preferably has corporate management experience in the transport sector. The expert will have had exposure to working in developing countries. The consultant will work primarily on output 4.
International Labor Restructuring Expert	The consultant will have extensive experience in labor restructuring reforms in both developing and developed countries, with concrete first-hand experience in designing labor retrenchment initiatives. The consultant will work primarily on output 4.
National Legal Expert (Corporate and Labor)	The consultant will have practiced corporate law in Azerbaijan for more than 15 years, and have concrete experience with corporate restructuring. Experience in labor issues and asset valuation will be crucial. The consultant will work primarily on output 4.
International Railway Transport Economist	The consultant will have a Bachelor's degree in economics (or equivalent) with at least 10 years of work experience. The consultant will have proven analytical skills and working experience in ADB developing member countries; Azerbaijan experience would be preferred. The consultant will (among other things) (i) gather in-depth information to update the traffic forecast; (ii) review macroeconomic and sector contexts, conduct demand analysis, and identify project alternatives; (iii) identify and compare project costs and benefits (including additional environmental benefits from electrification), assess project sustainability, conduct sensitivity and risk analyses, and identify indicators to monitor project performance; and (iv) coordinate with other experts to produce a cohesive joint report for processing the project for ADB financing. <sup>10</sup>

<sup>10</sup> Detailed terms of reference will be explicit on the required main areas of economic analysis (including 'Distribution Analysis') as included in: ADB. 2013. *Key Areas of Economic Analysis of Investment Projects – An Overview*. Manila.

International Procurement and Contract Specialist	The consultant will have a relevant Bachelor's degree with preferably 10 or more years' work experience in international bidding and procurement processes. The consultant will have excellent analytical skills and working experience in ADB developing member countries; prior experience with ADB projects is preferred. The consultant will (among other things) (i) conduct the Executing Agency's procurement capacity assessment and propose actions as needed to minimize procurement and financial management risks; (ii) prepare master bidding documents and requests for proposals in line with ADB's guidelines on procurement and consultant recruitment; and (iii) train EA staff on ADB procurement requirements and on turnkey/engineering-procurement-construction (EPC) contract management.
International Railway Asset Management Specialist	The consultant will have good understanding of railways structure, functions, operations and standards. At least 5 years of experience with similar type of assignments—experience in European Union (EU) or Commonwealth of Independent States (CIS) railway systems, or in large railway organizations under restructuring—is preferred. The consultant will (among other things) (i) conduct an in-depth assessment of current operations of ADY, and (ii) define the scope and technical specification for computerization of freight operations and asset management system that will be incorporated with current/existing system platform.
International Environmental Expert	The consultant will have the relevant education background to undertake environmental impact assessment works and significant experience with preparing environmental impact assessment for similar projects. The consultant will be familiar with implementation of Azerbaijan's environmental protection law and preferably have at least 5 years' experience in work related with environmental impact assessment. Familiarity with the ADB Safeguards Policy Statement (SPS) 2009 is an advantage. The consultant will (among other things) (i) prepare an Initial Environmental Examination (IEE) Report—and the Environmental Impact Assessment (EIA) Report, if warranted—in accordance with the ADB's Safeguard Policy Statement 2009, together with an environmental management and monitoring plan; (ii) assess the government's capacity to address environmental problems and recommend institutional arrangements and capacity measures needed to address the project's environmental concerns; (iii) reconfirm the project's proposed environmental classification; and (iv) undertake an environmental audit, if existing facilities will be rehabilitated or reconstructed as part of the Project.
National Social Development Expert	The consultant will have the relevant education and at least 5 years' related experience in preparing poverty and social impact assessment. The consultant will be familiar with ADB's policy on social impacts, especially gender and poverty. The consultant will (among other things): (i) conduct a social impact assessment as described in ADB guidelines for social impact assessment (especially poverty assessment, gender assessment, participatory assessment, labor impacts and other social impacts); (ii) conduct a socioeconomic survey to prepare Poverty and Social Impact Assessment in compliance with ADB guideline for social impact assessment; (iii) propose a gender classification for the project and prepare measures to comply with such classification, including a gender action plan if it is warranted; and (iv) prepare a summary poverty reduction and social strategy.
National Resettlement Expert	The consultant will have the relevant education background to undertake a resettlement survey, conduct consultations as part of Resettlement Plan preparation and prepare a Resettlement Plan with full understanding of (i) Azerbaijan law and regulation on land acquisition and (ii) the ADB SPS 2009. The consultant will have at least 5 years' related work experience. The consultant will (among other things): (i) reconfirm the project classification for involuntary resettlement and indigenous peoples, as described in the ADB SPS 2009; (ii) prepare the resettlement plan in line with the ADB SPS 2009 and relevant government law and regulations; (iii) survey 100% survey of affected people for

	socioeconomic conditions, and conduct meaningful consultations with them; (iv) describe the institutional arrangements for addressing the project's social impacts/risks; (v) develop a grievance redress mechanism, and any other effective arrangements to implement the resettlement plan; and (vi) prepare estimated budget for implementing Resettlement Plan.
Resource Persons	Consultants will provide expertise on (i) recent technology development in railway operation and maintenance; (ii) improvement of the technical and cost side of ADY's feasibility study; and (iii) other railway technical and institutional aspects, as appropriate.

## **F. Schedule and Reporting Requirements**

The consulting services will be implemented over a period of 18 months, beginning 1 September 2016 and ending 1 March 2018. Technical assistance funds will be disbursed in accordance with ADB's Technical Assistance Disbursement Handbook (2015, as amended from time to time). The PPTA will be financially closed by 1 June 2018. The consultants will report directly to the project officer, unless responsibility for their supervision is delegated to ADY. The consultants will submit to ADY and ADB (i) an inception report 4 weeks after commencement of services; (ii) an interim report; and (iii) a final report 3 weeks after receipt of review comments from ADY and ADB. All reports will be written in English and translated into Azeri. Soft copies (.pdf and Word) of the inception, interim, and draft final reports (in English) will be submitted to ADB. One hard copy and one soft copy (.pdf) of each report (in both Azeri and English) will be submitted to ADY.