

## ATTACHED TECHNICAL ASSISTANCE

### A. Introduction

1. The Armenia Infrastructure Sustainability Support Program aims to improve the sustainability of infrastructure investments and related service provision in the road and water sectors through results-based management. Policy and advisory technical assistance (PATA) helped prepare the program,<sup>1</sup> and supported the Government of Armenia's (government) implementation of program tranche 1 actions as follows: (i) sector assessments with gap analyses were completed and capacity development activities were initiated, with on-the-job training and sector-thematic workshops;<sup>2</sup> (ii) bilateral working groups, i.e., a group of road sector and finance ministry representatives, and a group of water sector and finance ministry representatives, were formed to identify, agree on and use common key performance indicators (KPIs) for the road and water sectors; these KPIs were then incorporated into the 2014–2016 medium-term expenditure framework (MTEF) and the 2014 budget; (iii) streamlined user feedback and grievance redress systems were prepared and adopted by Ministry of Transport and Communication (MOTC), Public Services Regulatory Commission (PSRC) and State Committee on Water Economy (SCWE); (iv) a water sector financial reporting framework was prepared and adopted; and (v) a geo-referenced video inventory of 1,619 kilometers of maintained and rehabilitated interstate, republican roads was completed with equipment provided under the PATA. A consultative process was diligently used throughout the PATA implementation and loan design phases. Civil society, user organizations, academia, public and private service providers, and development partners were regularly informed of PATA findings, and consulted regarding the importance, relevance, and achievability of the proposed reforms. Their feedback was incorporated into the program design.

### B. Outputs and Key Activities

2. The objective of the Technical Assistance for Strengthening Sector Management Capacity in Road and Water Sectors (TA) is to support the government in effective and timely implementation of program tranche 2 policy actions. The TA will support the government in producing the following outputs: (i) a consolidated drinking water supply sector strategy with a financing plan for Armenia;<sup>3</sup> (ii) draft amendments to align relevant legislation with the drinking water supply sector strategy; and (iii) a financing strategy for road maintenance. The TA will also provide training and technical advice to the Ministry of Finance (MOF), MOTC, PSRC, and SCWE to (i) implement results-based budgeting in the water and road sectors, including development and analysis of KPIs; (ii) disseminate and implement public information plans for road and water users; (iii) develop and manage the water asset register; and (iv) prepare risk-based audit plans and conduct performance audits in both sectors.

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<sup>1</sup> Asian Development Bank. 2012. *Technical Assistance to Armenia for the Infrastructure Sustainability Support Program*. Manila (TA 8249-ARM was approved in December 2012 for \$500,000).

<sup>2</sup> The initial institutional and staff capacity development required to set up and implement the new systems have been supported by TA 8249 and the capacity development will continue through co-sourcing arrangements under the TA attached to the program. The capacity development has been undertaken within country systems and does not require new staff to be recruited. They are expected to be sustainable without generating substantial recurrent costs over and above the planned budgetary allocations for the counterpart agencies.

<sup>3</sup> SCWE is currently developing studies on specific water management issues: tariff structures, non-commercial losses, settlements outside the coverage of the five water utilities, and wastewater management. The TA will support consolidation of various assessments, findings and recommendations into one water sector strategy.

### C. Cost and Financing

3. The TA is estimated to cost \$1 million, of which \$900,000 will be financed on a grant basis by the Asian Development Bank (ADB) Technical Assistance Special Fund (TASF-other sources). The government will provide counterpart support in the form of counterpart staff, office accommodation, office supplies, administrative assistance, logistical arrangements, interpretation, and other in-kind contributions. Disbursements under the TA will be made in accordance with the *Technical Assistance Disbursement Handbook* (May 2010, as amended from time to time).

**Table 1: Technical Assistance Cost Estimates**

Item	Total Cost (\$'000)
<b>Asian Development Bank<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (16 person-months)	349.8
ii. National consultants (34 person-months)	264.2
b. International and local travel	88.0
c. Reports and communications <sup>b</sup>	21.0
2. Training, seminars, and conferences <sup>c</sup>	50.0
3. Miscellaneous administration and support costs <sup>b</sup>	40.0
4. Contingencies	87.0
<b>Total</b>	<b>900.0</b>

Note: The total cost of the TA is equivalent of \$1 million, of which contributions from the Asian Development Bank (ADB) are presented in the table above. The government will provide in-kind counterpart support in the form of counterpart staff, office accommodation and supplies, and administrative and logistical assistance. The value of the government contribution is estimated to account for 10% of the total TA cost.

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

<sup>b</sup> Includes translation, printing, report preparation, national and international communications costs.

<sup>c</sup> Includes rent of facilities, food and beverages, materials and other related costs.

Source: Asian Development Bank.

### D. Implementation Arrangements

4. MOF will be the executing agency, and MOTC, SCWE, and PSRC will be the implementing agencies. ADB will recruit and coordinate the consultants and supervise their outputs, in consultation with the government. ADB and the implementing agencies will ensure the timeliness and quality of the consultant outputs. The consultants will work with counterpart government staff in the relevant implementing agency offices to ensure responsiveness to client needs and to enable them to support program deliverables. The TA will be implemented from TA effectiveness, expected to be in November 2014, to September 2015. Public Management, Financial Sector and Trade division (CWPF) will work closely with Transport and Communications (CWTC) and Urban Development and Water (CWUW) divisions of the Central and West Asia Department during implementation for best oversight. The consultants will prepare regular progress reports, and will report to the executing and implementing agencies and ADB. Deliverables will be made available in Armenian and English.

5. The TA will require 16 person months of international and 34 person-months of national consulting services, for technical, advisory, and capacity development support through short-term and co-sourcing arrangements.<sup>4</sup> A multi-disciplinary team of consultants will be engaged

<sup>4</sup> Co-sourcing involves combining services from within and outside a business to achieve the same goal. In this case, it refers to technical experts working with experts in counterpart agencies to deliver certain outputs and expedite the capacity transfer process.

consisting of (i) international and national public financial management specialists, (ii) international road transport and water supply economists, (iii) an international public utilities regulatory affairs specialist, (iv) international and national water sector engineers, (v) international and national roads engineers, (vi) a national data and system management specialist, (vii) national audit specialists, and (viii) a national legal expert. Consulting services details are in Table 2.

**Table 2: Indicative Consulting Services Inputs**

<b>Position</b>	<b>Person-months</b>
<b>International Consultants</b>	
1. Public financial management specialist	3.0
2. Water economist	3.0
3. Road transport economist	3.0
4. Public utilities regulatory affairs specialist	3.0
5. Water sector engineer	2.0
6. Road engineer	2.0
<b>Subtotal International Consultants</b>	<b>16.0</b>
<b>National Consultants</b>	
7. Public finance management specialist	6.0
8. Water sector engineer	4.0
9. Transport engineer	4.0
10. Data and systems management specialist	4.0
11. Audit specialists	12.0
12. Legal expert	4.0
<b>Subtotal National Consultants</b>	<b>34.0</b>
<b>Total Inputs</b>	<b>50.0</b>

Source: Asian Development Bank.

6. ADB will engage the services of a consulting firm to provide the international consultants. The firm will be recruited in accordance with quality- and cost-based selection using simplified technical proposals and a quality-cost ratio of 80:20. The internal audit specialists will be recruited through an audit firm using least-cost selection to be able to draw from the pool of experienced specialists and expertise that a firm may offer. The remaining national consultants will be engaged on an individual basis because the required skills mix and qualifications are diverse and difficult to source through an international consulting firm. National and international consultants will work closely as a team and with the head of the program steering committee, who will oversee the consultants' deliverables consistent with the DMF. The consulting firms, individual consultants and resource persons will be recruited in accordance with ADB's *Guidelines on the Use of Consultants* (March 2013, as amended from time to time).

## **E. Summary Terms of Reference for Consultants**

7. Following are summary terms of reference; detailed terms of reference will be used during the recruitment process. Consultants will help track progress on program conditions and documentary evidence in their respective fields. The consultants will submit (i) inception reports 2 weeks after their services start, (ii) interim progress reports at appropriate stages of TA implementation, (iii) draft final reports before the conclusion of the contract, and (iv) final reports 2 weeks after incorporating feedback from the executing agency and ADB.

### **1. International Consultants**

8. **Public financial management specialist** (international, 3 person-months, intermittent). The specialist will have a postgraduate degree in economics, public policy, or a related field,

and at least 10 years of relevant sector experience. He or she should be a qualified public finance accountant, have financial modeling skills, and experience in developing PFM policy, with regional (and preferably in-country) experience. The consultant will:

- (i) assist in the implementation of the co-sourcing arrangements between the selected audit firm and the MOTC and SCWE;
- (ii) support preparation of the financing plans for the drinking water supply sector strategy and for road maintenance;
- (iii) guide the national PFM specialist in developing the capacity of government officials for results-based budgeting in the water and road sectors; and other related tasks.

9. **Water economist** (international, 3 person-months, intermittent). The consultant should have a postgraduate degree in economics or public policy, extensive understanding of the economics of water supply, and at least 10 years of experience in developing water sector strategies. The consultant will lead the preparation of the drinking water supply sector strategy (with a financing plan). The consultant will:

- (i) support SCWE in developing a consolidated water sector strategy, with a financing plan;
- (ii) identify key management actions required to implement the strategy;
- (iii) support drafting of legal amendments to improve water sector legislation; and
- (iv) draft a policy statement on water sector subsidy objectives for the MTEF.

10. **Road transport economist** (international, 3 person-months, intermittent). The consultant should have a postgraduate degree in economics or public policy, extensive understanding of the economics of transportation, and at least 10 years of experience in developing road sector strategies. The consultant will lead the preparation of the financing strategy for road maintenance, assessing the economic implications of road taxation.

11. **Public utilities regulatory affairs specialist** (international, 3 person-months, intermittent). The consultant will have a postgraduate degree in economics, public policy or law, with at least 10 years of experience in regulating natural monopolies and utilities. The specialist will (i) support SCWE and MOF in managing the government's shareholder responsibilities; (ii) support dissemination and implementation of public information plans and grievance redressal mechanisms for road and water users, to be developed by MOTC and PSRC; (iii) recommend and help develop policy measures to increase independence of the sector regulators, with consolidation of regulatory activities and remedial actions.

12. **Water sector engineer** (international, 2 person-months, intermittent). The consultant will have a postgraduate degree in civil engineering or a related field, and at least 10 years of relevant water sector experience. The consultant will:

- (i) support the preparation of the drinking water supply sector strategy financing plan; and
- (ii) help develop SCWE capacity for management of the water assets register.

13. **Road Engineer** (international, 2 person-months, intermittent). The consultant will have a postgraduate degree in civil engineering or a related field, and at least 10 years of relevant roads sector experience. The consultant will:

- (i) support the preparation of the financing strategy for road maintenance; and
- (ii) support implementation of the road asset management system.

## 2. National Consultants

14. **Public financial management specialist** (national, 6 person-months, intermittent). The specialist will have a postgraduate degree in economics and at least 10 years of relevant sector experience. The specialist will develop recommendations for the Armenia context, in close coordination with the government and the other consultants. He will develop results-based budgeting and KPI monitoring capacity of water and roads sector government agencies.

15. **Water engineer** (national, 4 person-months, intermittent). The consultant should be a civil engineer with qualifications in surveying and at least 4 years of experience in surveying infrastructure assets. He will help SCWE prepare an updated and computerized asset register of water supply assets under the five state-regulated water supply operators, by:

- (i) designing the asset register protocol, and supporting verification of asset details;
- (ii) assessing the software, hardware, and skill requirements for the register; and
- (iii) helping prepare an operation and user manual for maintenance of the computerized asset register.

16. **Transport engineer** (national, 4 person-months, intermittent). The specialist will have a degree in civil engineering or a related field and at least 5 years of relevant sector experience. The consultant will:

- (i) support the preparation of the financing strategy for road maintenance; and
- (ii) monitor implementation of the road asset management system.

17. **Legal expert** (national, 4 person-months, intermittent). The expert will have a law degree and at least 5 years of experience with legal and regulatory frameworks for infrastructure, preferably in the road and water sectors, in Armenia. The consultant will support drafting of the amendments to the 2002 Water Code based on the new water sector strategy, and support other program-related legal tasks.

18. **Data and systems management specialist** (national, 4 person-months, intermittent). The consultant will have a degree in computer applications and 4 years of experience in database and information systems management. In coordination with the water and road sector specialists, the consultant will (i) help with data reconciliation, and (ii) data entry of asset records in the fixed asset registers.

19. **Audit specialists** (two national consultants, 12 person-months total, intermittent). The internal audit specialists will have internationally recognized accounting or audit qualifications, a minimum of 5 years professional audit experience, and will be recruited from an audit firm. Through a co-sourcing arrangement, they will support and train the internal audit unit staff in MOTC and SCWE on audit supervision, performance auditing and quality assurance of assignments.

20. The audit specialists will plan, conduct and report on audits to allow transfer of field audit skills and experience from the co-source partner to the internal audit unit staff in MOTC and SCWE. They will:

- (i) develop an annual risk-based audit work plan and co-lead the audit assignments;
- (ii) compile audit programs in accordance with the Government of Armenia Internal Audit Manual, and recognized standards of internal audit practice; and
- (iii) prepare and submit audit reports for each assignment in the annual plan to the head of the organization with copies provided to the organization's Audit Committee, the Central Harmonization Unit of MOF, and ADB.