

PROJECT PREPARATORY TECHNICAL ASSISTANCE

A. Justification

1. The proposed Qingdao Smart Low-Carbon District Energy Project was discussed in the country programming mission held in Manila on October 2013 as firm 2015. At that time, Asian Development Bank (ADB) received only a brief project description which does not contain sufficient information to conduct the project appraisal immediately. A project preparatory technical assistance (PPTA) is required to (i) conduct the due diligence on several aspects of the proposed loan (para. 9, main text), (ii) familiarize the implementing agency with ADB's procurement procedure, disbursement procedure, and environment and social safeguards requirement, and (iii) facilitate learning opportunities in emerging district energy technologies and business practices. The project team and consultants supported by the implementing agency will work up-front with the local design institute to synchronize ADB's safeguard requirements into the domestic requirements.

B. Major Outputs and Activities

2. The major outputs and activities are summarized in Table A5.1.

Table A5.1: Summary of Major Outputs and Activities

Major Activities	Expected Completion Date	Major Outputs	Expected Completion Date
Part 1 (February–March 2014)			
• Technical review of project design	March 2014	Improved project design	March 2014
• Safeguards due diligence	March 2014	Sufficient information gathered to confirm safeguards categorization and subsequent requirements	March 2014
Part 2 (April 2014–April 2016)			
• Conduct due diligence on technical, economical, financial, environment, poverty and social analysis, governance, sector policy, and procurement capacity aspects of the project	April 2014–February 2015	Appraisal report	February 2015
• Capacity building on procurement, disbursement, and safeguard requirements	April 2014–February 2016	Training provided at least 4 times	February 2016
• Hold project progress monitoring workshops and knowledge sharing events	April 2014–February 2016	Agreed on project processing status and shared best practices in district energy	February 2016

Source: Asian Development Bank estimates

C. Cost Estimate and Proposed Financing Arrangement

3. The TA is estimated to cost \$700,000 equivalent, of which \$600,000 equivalent will be financed on a grant basis from ADB's Technical Assistance Special Fund (TA special fund-other

sources). The Government will provide the balance for local costs to cover in-kind counterpart costs and services including counterpart staff, office space, furniture, administrative support services, and local city transport and logistics costs. The detailed cost estimate is in Table A5.2. The government was advised that approval of the TA does not commit ADB to financing any ensuing project.

Table A5.2: Cost Estimates and Financing Plan

(\$'000)

Item	Total Cost
Asian Development Bank ^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (38 person-months)	195
ii. National consultants (107 person-months)	148
b. International and local travel	37
c. Reports, translations, and communications	10
2. Equipment (computer, printer, etc.) ^b	6
3. Workshops, training, seminars, and conferences ^c	100
4. Surveys	14
5. Representative for contract negotiations	30
6. Miscellaneous administration and support costs ^d	10
7. Contingencies	50
Total	600

^a Proposed for financing by Asian Development Bank's Technical Assistance funding program (TA Special Fund-other sources).

^b Equipment (The equipment procured under the TA will be turned over to the executing agency upon TA completion).

Type	Quantity	Cost
Laptop computer	2	\$3,000
Other office equipment	3	\$3,000

^c Workshops, training, seminars, and conferences (administrated by the consultants)

Purpose	Venue
Inception workshop	Qingdao
Midterm workshop	Qingdao
Draft final workshop	Qingdao
Final workshop	Qingdao
Knowledge sharing conferences (two times)	Qingdao
Project implementation trainings (four times)	Qingdao

^d This includes media for public awareness campaign.

Purpose	Destination
Acquire advance technologies in district energy	To be determined. Activity will be carried out in ADB member counties only.

ADB = Asian Development Bank, TA = technical assistance.

Source: Asian Development Bank estimates.

D. Consulting Services

4. The TA will take a two stage approach to use consulting services efficiently. Part 1 (data gathering and preliminary assessment) will require a total of 7.5 person-months of one international and three individual national consultants while Part 2 (detailed assessment) will require a total of 6 person-months of international and 15 person-months of national consulting services through a consulting firm. Part 1 will be implemented while the selection of consulting services of Part 2 is underway. Hiring a small number of individual consultants is more appropriate for the quick mobilization of consulting service and cost-effective than firms to perform the assignment of Part 1. The information collected by the consultants of Part 1 will be carried over to the consultants of Part 2. The expected benefit of this approach may advance the loan processing schedule. The required positions and person-months are indicated in Table A5.3. As for Part 1, the three individual national consultants will be engaged by ADB in accordance with the Guidelines on the Use of Consultants (2013, as amended from time to time). As for Part 2, a consulting firm will be recruited by ADB in accordance with ADB's Guidelines on the Use of Consultants through quality- and cost-based selection method (with a quality-cost ratio of 90:10 due to importance of technical aspects) using simplified technical proposal. The procurement of equipment by consultants, under the TA, will follow ADB's Procurement Guidelines (2013, as amended from time to time). The proceeds of the TA will be disbursed in line with ADB's Technical Assistance Disbursement Handbook (2010, as amended from time to time). The equipment procured under the TA will be turned over to the executing agency upon TA completion.

Table A5.3: Summary of Consulting Services Requirements

International Name of Positions	Person- months	National Name of Positions	Person-months
Part 1.			
1. Social analysis and safeguards specialist	1.5	1. District energy specialist	2
		2. Environmental impact assessment specialist	2
		3. Social analysis and safeguards specialist	2
Part 2.			
1. District energy specialist / team leader	3	1. District energy specialist / deputy team leader	5
2. Environmental impact assessment specialist	3	2. Environmental impact assessment specialist	5
		3. Economic analyst	2
		4. Financial analyst	3
Subtotal (B)	7.5	Subtotal (B)	21

Source: Asian Development Bank estimates.

5. The outline terms of reference for the TA consultants are described in Appendix 6.