

## PROJECT PREPARATORY TECHNICAL ASSISTANCE

### A. Justification

1. The project preparatory technical assistance (PPTA) and due diligence are necessary on the following grounds:

- (i) The investment program is urgently needed as Southern Gas Corridor Closed Joint-Stock Company (SGC) has already committed to finance its portion of the expansion of Shah Deniz Stage II.
- (ii) While the government has a plan to invest in the program, the feasibility study to process the investment plan and partial credit guarantee (PCG) and/or loan for tranche 1 is required.
- (iii) Expertise of competent international and national consultants is needed to prepare the investment plan considering its technical complexity and scale.

### B. Major Outputs and Activities

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

Major Activities	Major Outputs	Expected Completion Date
Financed by ADB		
Safeguards		
<ul style="list-style-type: none"> <li>– Environment and Social Compliance Audit of the ongoing works at SD II will be updated to identify gaps and proposed mitigation measure</li> <li>– Environmental and Social Impact Assessment will be updated as and if needed and required by the audit</li> <li>– Prepare the safeguard frameworks for the MFF</li> <li>– Conduct poverty and social assessment, including gender</li> <li>– Verify compliance with the land acquisition and resettlement plan, which will be updated if required</li> </ul>	<ul style="list-style-type: none"> <li>– Updated environmental and social compliance audit</li> <li>– Updated Environmental and Social Impact Assessment (if required)</li> <li>– Verify resettlement plan, (and update if required)</li> <li>– Safeguard frameworks</li> <li>– Summary of poverty reduction and social assessment</li> </ul>	June 2016
Financial and Economic		
<ul style="list-style-type: none"> <li>– Conduct economic and financial analyses including sensitivity analysis</li> <li>– Conduct assessment on the financial sustainability of the investment plan</li> <li>– Undertake financial management assessment and credit risk assessment of SGC</li> <li>– Conduct governance due diligence</li> <li>– project risk assessment and risk mitigation plans</li> </ul>	<ul style="list-style-type: none"> <li>– Financial and economic analysis</li> <li>– Financial due diligence report</li> <li>– Financial management and credit risk assessment</li> <li>– project risk assessment and risk mitigation plans</li> </ul>	June 2016
MFF		
<ul style="list-style-type: none"> <li>– Review and update of the MFF roadmap, strategic context, policy framework, investment plan and interventions, financing plan, undertakings, reporting requirements and monitoring, evaluating, and measuring results.</li> </ul>	<ul style="list-style-type: none"> <li>– MFF strategic update</li> </ul>	June 2016

ADB = Asian Development Bank, MFF = multitranche financing facility, SGC = Southern Gas Corridor Closed Joint-Stock Company, EU = European Union.

### C. Cost Estimate and Proposed Financing Arrangement

2. The PPTA is estimated to cost \$1,000,000 equivalent, will be financed on a grant basis by the Asian Development Bank (ADB) Technical Assistance Special Fund (TASF-Others). The government through SGC will provide counterpart support in the forms of counterpart staff. SGC

will also fund the update to due diligence on the technical, legal, market and financial due diligence (as required by ADB, commercial banking lenders and project cofinanciers).

**Table A3.2: Cost Estimates and Financing Plan**  
(\$'000)

Item	Total Cost
<b>Asian Development Bank<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (15 person-months)	530.0
ii. National consultants (15 person-months)	220.0
b. International and local travel	70.0
c. Reports and communications	50.0
2. Miscellaneous administration and support costs	30.0
3. Contingencies	100.0

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-Others).  
Sources: Asian Development Bank, Southern Gas Corridor Closed Joint-Stock Company.

#### D. Consulting Services

3. The recruitment of individual consultants funded by ADB under the PPTA will be in line with ADB Guidelines on the Use of Consultants (2013, as amended).

**Table A3.3: Summary of Consulting Services Requirement**  
(in person-months)

International	Pm	National	Pm
<b>Individual</b>			
Finance	3	Finance	3
Economic	2	Economic	3
Procurement	1		
Gas Policy expert (MFF)	3	Azerbaijan Gas policy Expert	3
<b>Total</b>	<b>9</b>		<b>9</b>

MFF = multitranches financing facility, pm = person-month.  
Source: Asian Development Bank estimates.

4. Under the proposed PPTA, the individual consultants will undertake the following tasks:
- (i) **Finance.** Conduct financial analyses including sensitivity analysis, assess the financial sustainability of the investment plan, undertake financial management assessment of SGC, and conduct governance due diligence (executing agency's capacity for financial management, anticorruption, compliance with ADB procurement guidelines) to complete or contribute to the finance outputs identified in table A3.3 above.
  - (ii) **Economic.** Conduct economic analyses including sensitivity analysis of the investment plan, to complete or contribute to the economic outputs identified in table A3.3 above.
  - (iii) **Procurement.** Review compliance with ADB procurement guidelines, and contribute to the project risk assessment and risk mitigation plans.
  - (iv) **MFF.** Review and update of the MFF roadmap, strategic context, policy framework, investment plan and interventions, financing plan, undertakings, reporting requirements and monitoring, evaluating, and measuring results.

## **E. Implementation Arrangements**

5. The SGC will be executing agency for the PPTA. The SGC will assist the consultants in data gathering, preliminary analysis, and report writing. The SGC will provide all necessary assistance to the consultants in liaising with other government ministries and agencies. The PPTA will be administered by the Energy Division, Central and West Asia Department. Disbursements under the PPTA will be done in accordance with the ADB's TA Disbursement Handbook (2010, as amended from time to time). All disbursements under the PPTA will be made in accordance with the Technical Assistance Disbursement Handbook (2015, as amended).