



Technical Assistance Report

Project Number: 56242-001
Transaction Technical Assistance (F-TRTA)
October 2022

Developing Public-Private Partnership Projects in Digital Transformation

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
DMC	–	developing member country
OPPP	–	Office of Public-Private Partnership
PPP	–	public-private partnership
TA	–	technical assistance
TAS	–	transaction advisory services
TRTA	–	transaction technical assistance

NOTE

In this report, “\$” refers to United States dollars.

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TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 56242-001
Project Name	Developing Public-Private Partnership Projects in Digital Transformation	Department/Division OPPP/OPOH
Nature of Activity	Project Preparation	Executing Agency Asian Development Bank
Modality	Facility	
Country	Regional	
2. Sector	Subsector(s)	ADB Financing (\$ million)
✓ Information and communication technology	ICT industries and ICT-enabled services	2.950
		Total 2.950
3. Operational Priorities		Climate Change Information
✓ OP1: Addressing remaining poverty and reducing inequalities		GHG Reductions (tons per annum) 0
✓ OP2: Accelerating progress in gender equality		Climate Change impact on the Project Low
✓ OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		ADB Financing
✓ OP4: Making cities more livable		Adaptation (\$ million) 0.300
✓ OP6: Strengthening governance and institutional capacity		Mitigation (\$ million) 0.300
		Cofinancing
		Adaptation (\$ million) 0.000
		Mitigation (\$ million) 0.000
Sustainable Development Goals		Gender Equity and Mainstreaming
SDG 1.a		Some gender elements (SGE) ✓
SDG 5.b		
SDG 8.2		
SDG 10.2		
SDG 12.a		
SDG 13.a		Poverty Targeting
		Geographic Targeting ✓
4. Risk Categorization Low		
5. Safeguard Categorization Safeguard Policy Statement does not apply		
6. Financing		
Modality and Sources		Amount (\$ million)
ADB		2.950
Transaction technical assistance: Technical Assistance Special Fund		2.950
Cofinancing		0.000
None		0.000
Counterpart		0.000
None		0.000
Total		2.950
Currency of ADB Financing: US Dollar		

I. THE TECHNICAL ASSISTANCE FACILITY

A. Justification

1. The transaction TA facility will support the development of digital transformations, i.e., the process of using digital technologies to create new or enhance existing business processes, culture, and customer experiences to accommodate evolving business and market requirements.¹ This TA is intended to catalyze increased digital transformations in infrastructure across ADB's developing member countries (DMCs) through private sector's involvement in delivering sustainable infrastructure and services. Digital transformation inherently requires private sector participation for increased efficiency and ability to respond quickly to changing digital needs and to innovate. Digital transformation could be applied across multiple sectors such as transport, energy, education, urban and wastewater, health, and social sector. Some examples of digital technology-based projects and services are information-communication technology infrastructure, automated fare collection systems across integrated multi-modal urban transportation, automated vehicle locations (e.g., in bus rapid transit), smart traffic management, e-government services, healthcare screening and e-health platforms, digital identification technologies, digital payments etc.

2. For the new areas in which increased private sector participation is anticipated and encouraged, OPSP is well positioned to conduct the upstream work to prepare and originate the related projects by collaborating with regional departments, resident missions, and Private Sector Operations Department (PSOD) in creating a cross-disciplinary expertise One ADB Team and act as One ADB Advisor to the DMC clients. The TRTA will enable OPSP to provide capacity building and transaction advisory services (TAS) to DMC clients. The TAS will be supported by international and national subject matter experts in areas such as digital technology, technical, commercial, legal, and PPP procurement. The scope of OPSP's work will cover pipeline identification, ideation and project definition, project preparation and structuring, procurement and negotiations leading to commercial and/or financial closure. Since digital transformation is an irreversible trend and the demand for related projects is likely to increase, the outputs will focus on support needed by the DMCs to develop bankable and sustainable digital transformation PPP projects with proven technologies that have high potential for scalability and replicability.

3. **Pandemic impact.** The COVID-19 pandemic has prompted governments and businesses around the globe to rapidly adopt digital transformation to navigate challenges such as mass closures of workplaces and education facilities, lockdowns and mobility restrictions, and supply chain disruptions, etc. The pandemic has increased the usage of Government-to-Citizen (G2C) reach for financial/subsidy relief, senior citizens benefits, and vaccination drives. At the same time, consumers have expressed interest in receiving goods and services with minimal human contact, increasing the demand for contactless and cashless transactions.

4. **Creating smart cities.** Smart cities use digital technology to maintain and improve public welfare and safety, promote energy efficiency and sustainability, and improve overall quality of life. This TRTA Facility can support DMCs' aspirations to adopt smart city applications in areas such as: (i) developing a robust property tax system through computer-assisted appraisal systems and law-based valuation assessment criteria; (ii) enhancing disaster management through the use of spatial technologies; (iii) developing smart traffic management including distance-based road tolling systems; (iv) improving public services through the computerization of a digital ID; (v)

¹ This transaction TA facility has received endorsement from the relevant Country Directors in line with Staff Instruction on Business Processes for TRTA (Sovereign) para. 19.

improving efficiency and security through the promotion of digital payments; and (vi) digitalizing the healthcare system.

5. **Gender elements.** Across Asia and the Pacific, where gender inequality remains high, digital technologies can be a powerful driver of gender equality, giving women and girls access to information, finance, resources, knowledge, and healthcare services. This TRTA Facility seeks to promote gender elements by encouraging gender-sensitive practices and policies among the private sector operators, as they align with the DMC's statutory requirements.

B. Outputs and Activities

6. The major outputs and activities are summarized in Table 1.

Table 1: Summary of Major Outputs and Activities

Major Outputs	Delivery Dates	Key Activities with Milestones
1. Output 1: project identification ² <i>BAN: Distance Based Tolling System</i> <i>TIM: Unique Identification (ID) System</i> <i>PHI: Automated Fare Collection System</i> <i>KAZ pipeline</i>	By Q1 2023 for the ensuing project	1.1. Identification of digital transformation projects in targeted DMCs
2. Output 2: Financial viability assessment of PPP and transaction structure prepared.	By Q3 2024 for the ensuing project	2.1. Conduct of due diligence; 2.2. Assess financial viability; 2.3. Develop financial model; 2.4. Conduct of market sounding to gather initial feedback from the private sector on the project's bankability; and 2.5. Develop the transaction structure.
3. Output 3: Project marketing support provided.	By [Q3 2024] for the ensuing project	3.1. Develop marketing documents such as Project Brief; 3.2. Organize bidder conference / market consultation and other events; and 3.3. Retain providers of transaction support services, as may be required, such as but not limited to Procurement Agency.

² Projects and countries may change depending on DMC needs.

Major Outputs	Delivery Dates	Key Activities with Milestones
4. Output 4: Bidding documents prepared	By [Q2 2026] for the ensuing project	4.1. Prepare the Implementation Plan; 4.2. Prepare Pre-qualification documents and recommendations on criteria; 4.3. Develop Request for proposal (RFP) and recommendations on criteria; 4.4. Draft concession agreement, including Key Performance Indicators; and 4.5. Support the Client in negotiations with preferred bidder leading to commercial closure.

ADB = Asian Development Bank, DMC = developing member country, RFP = request for proposal, Q= quarter, TA = technical assistance.

Implementation Plan is typically required by many DMCs prior to project launch.

C. Cost and Financing

7. The TA facility is estimated to cost \$2.95 million, of which \$1.25 million will be financed from TASF-7 (donor contribution) and \$1.70 million will be financed from TASF-Others (income transfer).³ The key expenditure items are listed in Appendix 1. The TA facility may be provided on a grant basis unless cost recovery is sought as per ADB's Staff Instruction on Business Processes for Transaction Technical Assistance.⁴ Specific terms of reimbursement, if applicable, will be negotiated for each project separately.

8. The government may provide counterpart support in the form of counterpart staff, office space, and other support, as articulated in the TAS agreement or other relevant agreement between ADB and the relevant government agency. The government will be informed that approval of the TA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

9. ADB will be the executing and implementing agency of the TA. ADB will select, administer, and evaluate consultants, as well as supervise the consultants' output to be delivered. The TA will finance consulting services, workshop and training events, including study visits and resource persons, preparation of reports as well as communication, miscellaneous administration, and support costs. ADB will engage the consultants and procure non-consulting services following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions. The expected implementation arrangements for the projects are summarized in Table 2 which may change depending on client requirements and market conditions.

³ All DMCs are eligible for TASF (income transfer/others). Only group A and group B DMCs with access to concessional resources are eligible for TASF (donor contribution). Group C DMCs and India, which are regular OCR-only countries, only have access to TASF (income transfer/others). Country groupings are based on ADB. [Public Sector \(Sovereign\) Financing: Lending Policies and Rates](#).

⁴ Manila. 2022. *Staff Instruction on Business Processes for Transaction Technical Assistance*. In terms of project preparation, full cost recovery is strongly encouraged if commercial close is achieved for group C2, C3 and C4 DMCs during 2022-2024. Full cost recovery will be mandatory for group C2, C3, and C4 DMCs beginning 2025, whether commercial close is achieved or not. ADB also seeks cost recovery if it is mutually agreed by ADB and the government or if the TA is provided to a graduated DMC.

Table 2: Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	October 2022-October 2027		
Executing agency	ADB		
Implementing agency	ADB		
Consultants	Firms will be selected and engaged by ADB as needed by the Project.		
	Selection method	Selection title	Amount
	QCBS/FBS – firms (3-5 contracts)	Technical advisory support (40 person-months)	\$ 1,215,000
	OGC process ^a (3-5 contracts)	Legal advisory support (72 person-months)	\$ 1,475,000
Non-consulting services	Training and workshop events, study visits, translation, printing		\$ 260,000
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		
Asset turnover or disposal arrangement upon TA completion	Not applicable.		

ADB = Asian Development Bank, BAN = Bangladesh, FBS = fixed budget selection, OGC = Office of the General Counsel, QCBS = quality- and cost-based selection, TIM = Timor-Leste.

^a Legal counsel will be procured by OGC. "OGC process" refers to "Customized procurement arrangements for the engagement of legal consultants for transaction advisory services and related capacity building initiatives" as approved by PPF on 31 July 2017.

II. THE PRESIDENT'S DECISION

10. The President acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$2.95 million on a grant basis for the Transaction Advisory Services for the Preparation of Digital Transformation Public–Private Partnership Projects in Asia.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	2,560
b. Out-of-pocket expenditures ^b	130
2. Non-consulting services	
a. Training, seminars, and conferences ^c	70
b. Miscellaneous administration and support costs ^d	40
c. Contingencies	150
Total	2,950

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 7 and TASF-Others).

^b This category includes international and local travel costs for consultants and resource persons. This may also include O365 licenses for individual consultants, if applicable.

^c Includes study visits not to exceed \$15,000.

^d The budget includes expenses for printing, translation and communication

Source: Asian Development Bank estimates.

PROJECTS UNDER TECHNICAL ASSISTANCE FACILITY

Indicative Consultants' Input Allocation (person-month)

Item	Total	BAN	TIM	KAZ	PHI	PHI
Technical Advisor(s)	40	12	4	8	8	8
Legal Advisor(s)	72	22	8	14	14	14

Pipeline of Ensuing Projects ^a

DMC	Sector(s)	Project Name
Kazakhstan ^b	Energy	Almaty Electric Vehicle Charging Project Water and Heat Metering Project
Philippines	Information and Communication Technology	PhilSys National ID—Use Case Development Project National Broadband Project (NBP) Automated Fare Collection System (AFCS)
Bangladesh ^c	Transport	Distance Based Tolling System
Timor-Leste	Information and Communication Technology	Unique Identification (ID) System

^a The Projects and countries may change depending on DMC needs.

^b OPPP is exploring transaction advisory support for the development of heat and water meters, and electric vehicle charging facilities in Kazakhstan cities.

^c OPPP is in discussions to develop digital payment system and smart health applications in times of national disasters and/or emergencies.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. A range of consultancy inputs could be obtained to support this technical assistance (TA) and the Asian Development Bank (ADB) Office of Public–Private Partnership’s transaction advisory services mandates. The following types of consultants are most likely to be hired, although others could be hired as well on a project-specific basis.⁵ The terms of reference are indicative and will be updated and modified as required for each project for which the Office of Public–Private Partnership receives a transaction advisory services mandate. Estimates of person-months are indicated for the following experts, to be funded by this TA. The selection of consultants is contemplated to be on Fixed Based Selection or Quality and Cost Based Selection, subject to further deliberation by the project team.

2. **Technical advisor (approx. 40 person-months).** The technical advisor will be a firm or individual(s) and will have specific technical and subject matter expertise relevant to the project and country needs. The technical advisor will include the following personnel and required minimum qualifications:

- (a) Lead international technical and subject matter advisor – will have demonstrated knowledge and extensive experience, at least 15 years professional experience, of which at least 8 years in social sector management and/or advisory experience across international markets.
- (b) National technical resource – will have at least 10 years professional experience, of which at least 5 years in relevant social sector management and/or advisory experience in the relevant DMC.
- (c) Financial modeler – will have at least 3 years of professional experience in a financial modeling capacity on PPP projects.

3. Working under the overall guidance of ADB, the responsibilities of the technical advisor will include:

- (a) conduct technical and operational due diligence on the project prior to tendering;
- (b) develop feasibility studies and other relevant technical reports;
- (c) identify key technical issues and provide recommendations for resolution;
- (d) assist ADB in progressing the transaction structure;
- (e) provide technical and commercial advice for the project;
- (f) assist in drafting the technical specifications development and calibration of KPIs;
- (g) consider safeguard requirements in relation to project layout, design, or projected operational characteristics;
- (h) advise on all technical questions received from bidders and provide responses to be issued by DMC client or ADB, as appropriate;
- (i) assist DMC client agency as instructed (subject to confirmation by ADB) in conducting discussions and coordinate with the bidder;
- (j) assist ADB and coordinate with the legal advisor in preparing required modifications to project agreements and bid documents;
- (k) provide support, as necessary, during the procurement process and assist during bidder negotiation;

⁵ This TRTA will support social sector projects where OPPI is providing TAS across various DMCs, which require extensive experience and relevant expertise within a specific DMC. It is important for OPPI to maintain flexibility and discretion to consider suitably qualified consultants for every project in a specific DMC. As such, the consulting contracts will be separate as it would not be appropriate nor practical to use a framework agreement/framework contract.

- (l) attend to any other matter of a technical nature relating to the project, as instructed by ADB;
- (m) provide advice on similar technologies or business models used in other DMCs;
- (n) participate and support ADB during missions and meetings with the client, including;
- (o) liaise and coordinate with the legal advisor and domestic PPP expert, to support ADB and ensure seamless delivery of transaction advisory services; and
- (p) assist the team coordinator in submitting TA reports; and attend to all other matters of a technical nature relating to the transaction for which ADB is the mandated advisor.

4. **Legal advisor (approx. 72 person-months).** The legal advisor will be a firm or individual(s) and will have specific legal expertise relevant to the project and country needs, having previous experience in the drafting of sector-specific concession agreements and other related project agreements, including in markets where no precedent for such documentation exists. The legal advisor will include the following personnel and required minimum qualifications:

- (a) International PPP legal expert – demonstrated expertise and extensive experience, at least 20 years professional experience, including 10 years. Advising on PPP transactions internationally, specifically government procurement agencies and having a track record of successfully closed deals, experience in the relevant DMC will be an advantage.
- (b) National Legal expert – at least 3 years professional experience in being a team member advising on PPP transactions in the relevant DMC.

5. Working under the overall guidance of ADB, the responsibilities of the legal advisor will include:

- (a) conduct legal and fiscal due diligence on the project for benefit of the government and/or mandated advisor;
- (b) identify key legal issues and provide recommendations for resolution;
- (c) assist ADB in developing the transaction structure;
- (d) advise and assist the government and ADB in addressing all legal matters that arise during the bid process including negotiations with the bidder(s);
- (e) assist the government and ADB in proposing contractual drafts of the project agreements to reflect the final negotiated and agreed position;
- (f) provide support, as necessary, for the negotiation process;
- (g) provide the necessary assistance for TA reports;
- (h) participate and support ADB during missions and meetings with the client, including; and attend to all other matters of a legal nature relating to the transaction for which ADB is the mandated advisor; and
- (i) liaise and coordinate with the technical advisor, domestic PPP expert, to support ADB and ensure seamless delivery of transaction advisory services.