



Technical Assistance Report

Project Number: 49029
Project Preparatory Technical Assistance (PPTA)
July 2015

People's Republic of China: Preparing the Xinjiang Changji Integrated Urban-Rural Infrastructure Demonstration Project (Cofinanced by the Multi-Donor Trust Fund under the Water Financing Partnership Facility)

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 23 June 2015)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$0.1610
\$1.00	=	CNY6.2105

ABBREVIATIONS

ADB	–	Asian Development Bank
O&M	–	operation and maintenance
PIU	–	project implementing unit
PMO	–	project management office
PPTA	–	project preparatory technical assistance

NOTE

In this report, "\$" refers to US dollars.

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PROJECT PREPARATORY TECHNICAL ASSISTANCE

Justification

1. The project preparatory technical assistance (PPTA) is necessary to define the scope of the project to optimize the development potential of Fukang City, and Hutubi and Qitai counties in Changji Hui Autonomous Prefecture (Changji), Xinjiang Uygur Autonomous Region (Xinjiang). The objectives of the PPTA are to (i) ensure the project design is suitable for Asian Development Bank (ADB) financing by identifying the most appropriate project components and providing innovative ideas, concepts, management approaches, and technology to enhance project impacts; (ii) review proposed project components based on detailed due diligence assessment of technical, economic and financial, governance, safeguards and poverty and social, and project risk and mitigation measures; (iii) provide trainings to increase institutional capacity on effective project development and implementation procedures; and (iv) formulate measures to ensure the long-term sustainability of the project facilities, by improving the management and governance capacity of the executing agency, implementing agencies, project management offices (PMOs), and project implementing units (PIUs).

Major Outputs and Activities

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

Table A3.1: Summary of Major Outputs and Activities

Major Activities	Expected Completion Date	Major Outputs	Expected Completion Date
Mobilize individual consultants	Sep 2015	Inception report	Sep 2015
Conduct analysis of regional and urban master plans, economic and industrial development plans regional cooperation plans, etc., and prepare recommendations	Sep–Dec 2015	Final Report	Dec 2015
Mobilize consulting firm	Dec 2015	Inception report	Dec 2015
Conduct sector and subsector analysis; assess project components and likely impacts on environment, involuntary resettlement, indigenous peoples, poverty, social and gender; assess technical, financial, economic, environmental, social, resettlement, and institutional feasibility; and conduct socioeconomic surveys	Dec 2015–Mar 2016	Interim report	Mar 2016
Assist executing and implementing agencies to prepare DMF, PPMS, procurement plan, disbursement, resettlement plans, EMDP, SDAP, GAP, initial environment examination, and EMP	Mar–May 2016		
Prepare detailed costs, financing plan, procurement plan, capacity development plan; refine technical, financial, economic, social, resettlement, environmental, and institutional assessment and complete relevant loan processing documents; and conduct public consultation workshops on initial environment examination/EMP, resettlement plans, and EMDP	Mar–May 2016		
Prepare master bidding documents for works under different procurement modes, and terms of references for the implementation consultants	Mar–May 2016		
Draft final report workshop and loan fact-finding	Jul 2016	Draft final report	Jun 2016
Refine loan processing documents after the loan fact-finding, final report	Jul–Dec 2016	Final report	Dec 2016
Respond to ADB's inquiries until loan approval and prepare a knowledge product	Jan 2017	Knowledge product	Sep 2016

DMF = design and monitoring framework, EMDP = ethnic minority development plan, EMP = environmental management plan, GAP = gender action plan, PPMS = project performance monitoring system, SDAP = social development action plan.

Source: Asian Development Bank.

Cost Estimate and Proposed Financing Arrangement

3. The PPTA is estimated to cost \$780,000 equivalent, of which \$650,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources) and \$130,000 from the Multidonor Trust Fund under the Water Financing Partnership Facility¹ and administered by ADB. The government will provide counterpart support in the form of counterpart accommodation and transport, remuneration and per diem of counterpart staff, surveys and investigations, and other in-kind miscellaneous administration and support contributions, such as data and information relevant to the project. The detailed cost estimate is presented in Table A3.2.

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

Item	Total Cost
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (18 person-months)	414.0
ii. National consultants (33 person-months)	214.5
b. International and local travel	50.2
c. Reports and communications ^b	5.0
2. Equipment (computer, printer, etc.) ^c	8.5
3. Workshops, training, seminars, and conferences ^d	6.0
4. Surveys ^e	30.0
5. Miscellaneous administration and support costs ^f	6.0
6. Representative for contract negotiations	5.0
7. Contingencies	40.8
TOTAL	780.0

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources) and Multidonor Trust Fund under the Water Financing Partnership Facility and administered by ADB.

^b Includes office communications, printing and binding of reports, and translation of inception, interim, draft final, and final project preparatory technical assistance (PPTA) reports and other PPTA output documents into Chinese.

^c Equipment will be turned over to the executing agency upon completion of PPTA activities.

Type	Quantity	Cost
Computer	4	\$5,200
Scanner/printer/photocopier/facsimile (all-in-one machine)	1	\$3,300

^d Workshops, training, seminars, and conferences

Purpose	Venue
ADB financing and procurement	Changji
ADB inception, interim, and loan fact-finding workshops	Changji
Regional and urban planning workshop and others	Changji

^e Surveys include a contingent valuation survey for project economic analysis, a socioeconomic baseline survey of selected components including affordability analysis for social, financial, and safeguards due diligence analysis.

^f Includes office supplies, secretariat and technical support, and interpreting services.

Source: Asian Development Bank estimates.

Consulting Services

4. In accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time), a consulting firm will be engaged using the quality- and cost-based selection method with full technical proposal and a quality-cost ratio of 90:10. Individual consultants will also be engaged using ADB guidelines. The outline terms of reference for the PPTA consultants are described in paragraphs 5–8.

¹ Financing partners: the governments of Australia, Austria, Norway, Spain, and Switzerland.

Table A3.3: Summary of Consulting Services Requirement

International Positions	Person-months Required	National Positions	Person-months Required
Team leader/municipal engineer, institutional coordination	5.5	Deputy team leader/water and wastewater engineer, institutional coordination	8.0
Regional and urban planner	2.0	Regional and urban planner	2.0
Environment specialist	2.0	Environment specialist	3.0
Resettlement specialist	2.0	Resettlement specialist	3.0
Social development specialist	2.0	Social development specialist	3.0
Financial specialist	1.5	Financial specialist	2.0
Economist	1.5	Economist	2.0
Regional economist/industry specialist	1.5	Solid waste engineer	3.0
		Road engineer	2.0
		District heating engineer	1.0
		Technical and vocational training specialist	2.0
		Procurement specialist	2.0
Total	18.0	Total	33.0

Source: Asian Development Bank estimates.

5. **Technical.** Seven experts (total of 23.5 person-months) will (i) review the regional master plans for Urumqi-Changji region, transport plans in North Tianshan Mountain region, and urban master plans and sector plans for Fukang, Hutubi, and Qitai; (ii) review existing and projected population of the project city and counties in relation with wider regional trends and growth; (iii) review the existing situation, problems and constraints, demands, and forecasts of urban roads, water supply, wastewater management, solid waste management, and other services in project city and counties; (iv) undertake a technical review of the design and feasibility analyses and ensure that technical alternatives are carefully assessed and prepare a technical analysis for all subcomponents in project city and counties; (v) review and take into account national and international good practices, applicable standards, codes, design, and construction guidelines; (vi) identify ways to optimize the designs and propose alternative designs or technologies and assess the final selection; (vii) update cost estimates; (viii) identify priority investments suitable for ADB project support; (ix) prepare baseline and performance indicators for project outputs; and (x) make recommendations and support the Changji PMO to establish suitable institutional arrangements for project implementation and operation and maintenance (O&M) in project city and counties (including identifying responsibilities and funding sources).

6. **Financial and economic.** Four experts (total of 7.0 person-months) will (i) review the economic rationale and investment priorities taking into account not only the city and county level but wider regional perspectives, and analyze project economic impacts based on improved accessibility to urban services and economic opportunities; (ii) analyze financial information relevant to the project and review policy and practice relating to financing and O&M of urban infrastructure services; (iii) analyze alternative options for each component and ensure that the least-cost option is identified; (iv) analyze water, wastewater, and solid waste management tariffs and their financial sustainability; (v) undertake financial and economic analyses according to ADB guidelines, including appropriate internal rates of return of project components; (vi) analyze historical financial statements and financial performance of the implementing agencies and PIUs to evaluate their financial capacity regarding counterpart funding availability, cost recovery, borrowing capacity, and subsidies; (vii) review detailed cost tables, annual fund requirement, and review and identify the project financing plan; (viii) conduct financial management assessment on Fukang, Hutubi, and Qitai; (iv) recommend an appropriate funds flow mechanism and disbursement procedures for project implementation; and (x) develop appropriate design and monitoring indicators of the project.

7. **Safeguards and social development.** Six experts (total of 15.0 person-months) will (i) orient on ADB's Safeguard Policy Statement (2009) and social analysis requirements, and

provide analysis to bridge any gaps between ADB and policies of the People's Republic of China; (ii) recommend measures necessary to avoid adverse environment, social safeguards, and cultural impacts or, if unavoidable, identify measures to minimize, mitigate, and compensate for such impacts; (iii) conduct socioeconomic survey of affected persons and project beneficiaries; (iv) based on meaningful consultation with the affected ethnic minority communities, assess potential adverse and positive effects of the project; (v) conduct a gender-sensitive assessment on the affected ethnic minorities' project perception and its impact on their social, economic, and cultural status; (vi) conduct safeguard due diligence for project associated facilities; (vii) review and assist the executing and implementing agencies to (a) prepare the project ethnic minority development plan, environmental management plan, gender action plan, initial environment examination, resettlement plans, and social development action plan in accordance with ADB's Safeguard Policy Statement (2009); and (b) undertake public consultation with regard to resettlement compensation, relocation choices and entitlements, initial environment examination, and establish a project-level grievance redress mechanism for safeguards; (viii) assess the implementation and monitoring capacity of the executing and implementing agencies for all plans and recommend capacity building measures, and (ix) prepare a consultation and participation plan for project implementation.

8. **Governance.** Three experts (total of 5.5 person-months) will (i) conduct procurement capacity assessment and governance risk assessment; (ii) conduct enterprise surveys at local industrial zones and surveys among target groups; (iii) identify training equipment, books, and learning materials; and upgrade information management system to meet the skills needs of enterprises and target groups; (iv) assess institutional capacity of the implementing agencies and PIUs to supervise construction, O&M, and manage project facilities; (v) propose necessary O&M equipment needed under the project and prepare institutional capacity development programs for each PIU and facility operator to ensure sustainability of the project; (vi) closely collaborate with the other team members to analyze policy recommendation on water tariff reform; (vii) propose efficient and operationally sound organizational framework of the executing and implementing agencies, and PIUs for implementation and operational phases of the project; (viii) prepare project's capacity building program and formulate appropriate indicators to monitor the outcomes; and (ix) design and conduct training workshops on ADB policies and requirements.

Implementation Arrangements

9. The Changji Prefecture Housing and Urban-Rural Construction Bureau will be the executing agency. In-kind contributions from the government will include (i) office accommodation and transport; (ii) local support staff; and (iii) draft feasibility reports, domestic environmental reports, resettlement plans, and other data and information relevant to the project. PPTA funds will be disbursed in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). The proposed PPTA implementation schedule is in Table A3.4.

Table A3.4: Technical Assistance Processing and Implementation Schedule

Major Milestones	Expected Date
Commencement of project preparatory technical assistance (PPTA)	1 July 2015
Mobilization of PPTA consultants (individuals)	1 Sep 2015
Mobilization of PPTA consultants (firm)	1 Dec 2015
Inception report submission	31 Dec 2015
Interim report submission	Mar 2016
Draft final report submission	Jun 2016
Loan fact-finding mission	Jul 2016
Final report submission	Dec 2016
Physical completion of the PPTA	31 Mar 2017
Financial closure of the PPTA	31 Jun 2017

Source: Asian Development Bank estimates.