

PROJECT PREPARATORY TECHNICAL ASSISTANCE

A. Justification

1. The Government of Kazakhstan requested ADB assistance for introducing performance based road maintenance in the country. The existing road maintenance management system does not provide for systematic process of measurement of the conditions of the road infrastructure, its diagnosis and forecasting future expenditures associated with its maintenance on the long-term basis. The executing agency (EA) has no previous experience in preparation and implementation of performance-based road maintenance contracts. A project preparatory technical assistance (PPTA) is recommended to prepare the project and assist the EA with the bidding process up to the award of the contract.

B. Major Outputs and Activities

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

Table A3.1: Summary of Major Activities and Outputs

Major Activities	Major Outputs	Expected Completion Date
Technical due diligence for periodic maintenance	Technical report including confirmation of the suitability of the road assets for the Project and evaluation of their condition, preparation of output specifications, assessment of existing road maintenance capacity, recommendation on performance risk-based components and associated risk allocation, preparation of benchmark cost estimates, market sounding and stakeholder consultations.	June 2017
Governance assessment	Institutional assessment of Kazavtozhol as Borrower in terms of borrowing capacity and as Executing Agency in terms of implementation capacity.	June 2017
Environmental and social safeguards surveys and analysis, validation of indigenous people existence and analysis; poverty analysis.	(i) IEE report incorporating environmental monitoring and management plan; (ii) assessment and/or due diligence work of land acquisition and resettlement impacts, social safeguard frameworks (involuntary resettlement and indigenous peoples), including LARP (if needed) and/or indigenous people plan; (iii) poverty and social analysis; and (iv) summary poverty reduction and social strategy.	March 2017
Economic and financial analysis	Cost-benefit ratio, economic internal rate of return, financial internal rate of return, financial management assessment and fiduciary systems assessment. Value for money analysis of the PBM concept, least cost and alternative analysis, fiscal impact analysis, sustainability analysis, and distribution analysis.	June 2017
Project implementation preparation	Draft bidding documentation and bid evaluation reports	August 2017

IEE = Initial Environment Examination; LARP = land acquisition and resettlement plan
Source: Asian Development Bank's estimates.

C. Cost Estimate and Proposed Financing Arrangement

3. The TA is estimated to cost \$1,220,000 equivalent, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The government will reimburse ADB 51% of the TA cost with the deposit of \$620,000 into the TASF account. The use of TASF is required to expedite loan processing and to meet the schedule of the government's development plan. The government, through Kazavtozhol, will provide support in the form of counterpart staff, office space and supplies, secretarial assistance, communication

facilities for consultants, training and workshop venues for the TA activities, and other in-kind contributions. The detailed cost estimate is in Table A3.2.

Table A3.2: Cost Estimates and Financing Plan

Item	Cost (\$)
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (20 person-months)	448,285
ii. National consultants (18 person-months)	113,300
b. International and local travel	76,100
c. Reports and communications	2,400
2. Workshops ^b	5,000
3. Surveys	500,000
4. Miscellaneous administration and support costs	10,000
5. Contingencies	64,915
Total	1,220,000

^a Financed by ADB's TASF - Others.

^b Workshops to be organized in Kazakhstan for providing training on performance based road maintenance
Source: Asian Development Bank's estimates.

D. Consulting Services

4. The PPTA will require 20 person-months (PMs) individual international consultants and 18 PMs of individual national consultants. For project due diligence where feasibility study is under preparation by EA following government internal requirements, hiring individual consultants with short duration is more appropriate for quick mobilization of consulting service and cost-effective than firms to perform the assignment. Detailed technical surveys will be carried out by a consulting firm. The individual experts will be engaged by ADB in accordance with the Guidelines on the Use of Consultants (2013, as amended from time to time).

Table A3.3: Summary of Consulting Services Requirement

Consultants	International (PM)	National (PM)
Team Leader / PBM Specialist	5.0	5.0
Highway Maintenance Engineer	4.0	4.0
Procurement Specialist	2.0	...
Legal expert	...	3.0
Transport Economist	2.0	2.0
Financial Specialist	2.0	...
Institutional Specialist	2.0	2.0
Environment Specialist	1.0	1.0
Climate Change Specialist	1.0	...
Resettlement Specialist	1.0	1.0
Total	20.0	18.0

Source: Asian Development Bank's estimates.

E. Outline Terms of Reference for PPTA consultants (Individual Consultants)

5. **Team Leader/PBM Expert** will lead the team of consultants and undertake the following tasks: (i) coordinate all activities within the team and with stakeholders; (ii) supervise the review of road condition surveys; (iii) prepare performance indicators in consultation with all stakeholders; (iv) supervise the preparation of draft PBM contract and draft bidding documents; (v) conduct consultations with all stakeholders; (vi) carry out the capacity development activities

to create awareness about PBM; (v) provide the market analysis of the potential contractors of road maintenance and the possibility of private contractor's participation; (vi) analyze the interest of international contractors under the designed PBM contract.

6. **Highway Engineer** will undertake the following tasks: (i) assist Kazavtozhol and the Committee of Roads to select road assets that shall be suitable for meeting project objectives; (ii) verify conditions of selected road assets and assess the risk associated with the data availability; (iii) prepare an estimate of the additional maintenance equipment and facilities that may be required for satisfactory execution of the project; (iv) estimate the scope of the initial improvement (preventative) works, which may be required for bringing the project road assets into maintainable condition; (v) examine selected road asset users' needs including existing and potential traffic and other relevant data and determine the minimum service quality levels for each selected road asset; (vi) conduct market sounding and stakeholder consultation; (vii) determine performance-based maintenance components, including those relating to local capacity building, recommend appropriate risk allocation/contracting arrangements and prepare activity schedules; (viii) prepare works and service information in accordance with the bidding documents; (ix) specify the data to be submitted by the contractor with its bid; (x) prepare project benefits and benchmark estimates; and (xi) perform other tasks, as may be agreed with the team leader.

7. **Procurement Specialist** will undertake the following tasks: (i) undertake project procurement risk assessment and prepare Project Procurement Risk Assessment and Management Plan (P-RAMP); (ii) based on P-RAMP, suggest the capacity building program to strengthen EA's capacity; (iii) work together with team leader on preparing PBM bidding documents; (iv) support team leader in doing procurement-related assessment; (v) assist EA to receive, open and evaluate proposals and bids, conduct clarification meetings, and finalize contracts.

8. **Legal Expert** will undertake the following tasks: (i) review the existing legislation and regulations for implementing a performance based maintenance (PBM) contract and prepare a summary of all the relevant laws related to the implementation of the contract; (ii) provide clear guidance on drafting the PBM contract in a manner that can be implemented efficiently within the existing legal framework; (iii) highlight any legal or procedural issues that could hamper the implementation of the PBM contract; and (iv) provide overall legal guidance to the team during drafting of the bidding documents and procurement of the PBM contractor.

9. **Transport Economist** will undertake the following tasks: (i) review macroeconomic and sector contexts, conduct demand analysis, identify project rationale and alternatives; and (ii) identify and compare project costs and benefits, assess project sustainability and distribution effects, conduct sensitivity and risk analysis, and identify indicators for project performance monitoring system.

10. **Financial Specialist** will undertake the following tasks: (i) a financial management assessment of the executing and implementing agencies, including (a) assessing previous financial management assessments conducted by ADB or other agencies, (b) assessing capacity for planning and budgeting, management and financial accounting, reporting, auditing, and internal controls, (c) reviewing proposed disbursement and funds-flow arrangements, and (d) identifying and confirming measures for addressing identified deficiencies; (ii) support the preparation and agreement of cost estimates and a financing plan, which are based on verifiable data and are sufficient to support project implementation; (iii) prepare financial projections and conducting financial analyses of the incremental recurrent costs, to determine

financial sustainability; (iv) propose relevant financial performance indicators to be incorporated in financial covenants; (v) review the need for imprest account and statement of expenditure procedures, and if needed prepare financial structure in line with Strategy 2020 Mid-Term Review Action Plan; and (vi) assist in assessment and reaching agreement on financial reporting, auditing and public disclosure arrangements for the project.

11. **Institutional Specialist** will undertake the following tasks: (i) assess the capacity of Kazavtozhol as Borrower and Executing Agency and prepare a detailed report for ADB; (ii) prepare transport sector assessment; (iii) prepare an overview of the construction industry in Kazakhstan, with emphasis on the road maintenance subsector, through a closer look at demand and supply patterns of the industry, the regulatory framework and institutional and human capacity, the construction equipment and materials market; (iv) assess the current status and capacity of Kazavtozhol and identify specific interventions for building its capacity; (v) design the project management unit structure, and recommend institutional capacity improvements; (vi) prepare the Project Administration Manual complying with ADB’s Guidelines; (vii) carry out consultations with the government, civil society organizations and other stakeholders to obtain their views on the proposed project and incorporate their requests, where possible.

12. Environment and resettlement safeguards specialists will (i) assess the potential safeguards impacts; and (ii) prepare all safeguards related reports complying with the Safeguards Policy Statement. The International Climate Change Specialist will carry out a climate change vulnerability assessment.

13. The education qualifications requirements for all specialists are university degree in the related field, a minimum of 7 years of experience in the relevant field of expertise, and experience in the Central Asia region. The team leader should have team leadership experience of at least 5 years. English language fluency is necessary for the national experts.

F. Implementation Arrangements

14. Kazavtozhol will be the Executing Agency (EA). It will provide counterpart staff, office space, office equipment, and project-related data and information for the consultant to carry out the works and deliver the outputs. The consulting services will be implemented during the period between the estimated TA commencement on 1 September 2016 and completion on 30 November 2017. TA funds will be disbursed in accordance with ADB’s *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). The PPTA will be financially closed by 30 November 2017. The consultants will work closely with the EA and other stakeholders and provide all necessary assistance in the preparation of project documents. The consultant will report directly to the ADB Project Officer.

15. The proposed TA processing and implementation schedule is listed in Table A3.4.

Table A3.4: Technical Assistance Processing and Implementation Schedule

Major Milestones	Expected Completion Date
Engagement of consultants	August 2016
Mobilization of consultants	September 2016
Preparation and approval of deliverables	April 2017
PPTA closure	November 2017

Source: Asian Development Bank.