

## PROJECT PREPARATORY TECHNICAL ASSISTANCE

### A. Justification

1. To prepare phase 2 of the Infrastructure Sustainability Support Program (ISSP 2), a project preparatory technical assistance (TA) is required. Through this TA, Asian Development Bank (ADB) will flexibly provide strategic policy advice to the government in preparing the program and meeting the conditions to process the loan. As the policy conditions for the loan must be in place at time of approval, this PPTA serves to provide the needed technical assistance for the government to meet the conditions at the time of loan approval. A policy and advisory TA will be processed in 2016 in conjunction with the program loan to help the government meet the conditions for receipt of the second tranche of the program loan.

### B. Major Outputs and Activities

2. **Assessing the impact of phase 1 of the Infrastructure Sustainability Support Program (ISSP), and devising a program which entrenches the gains made to date and where further reform is required.** ISSP 1 supported the government in its efforts to improve road and water service provision through results-based public management and financing reforms. ISSP 1 supported the government in implementing a number of reforms in the road transport and water sectors, including: piloting program budgeting initiatives, preparing financing strategies, improving internal audit practices, aligning disparate agencies in the sectors, improving asset management and improving financing prioritization processes. These changes have made tangible impacts in terms of policies and practices. However, to embed the changes within the Ministry of Transport and Communication (MOTC) and the State Committee for Water Economy (SCWE), further support is required to build capacity of staff in these agencies and ensure weaknesses in internal controls and practices do not interfere with day-to-day operations. In addition, a method to entrench these gains is to continue the reform process along the path of the successes to date. Fiduciary assessment will be reviewed, and additional activities will be assessed to determine the next steps in public financial management reforms in these two sectors and choosing the best approaches to implement them.

3. **Developing a program and policy actions for ISSP 2 based on international best practice.** To continue the reform efforts in the road transport and water sectors, the ADB team and TA consultants will examine the current situation in the roads and water sectors in Armenia and determine what are the key constraints to ensure technical and financial sustainability in these sectors. Based on this analysis and a review of international best-practice in water and road transport, a draft policy matrix will be developed with policy actions which will put Armenia on a path to improved water delivery and road transport services. Once the draft policy matrix is developed, the ADB team and TA consultants will undertake some preliminary discussions with government on the design of the program.

4. **Supporting the government in implementing the ISSP 2 policy actions.** The government will be responsible for meeting the policy actions, however, some of the policy actions will require technical skills and expertise which may not be readily and presently available within the relevant government agencies at this time. Further, international experience and alternative perspectives can help the government agencies to find optimal solutions and overcome any issues which may inhibit progress. Finally, implementing the policy conditions builds capacity within these government agencies and support can help entrench the reforms.

5. The major activities are summarized in Table A3.1.

**Table A3.1: Summary of Major Activities**

<b>Activities</b>	<b>Expected Completion Date</b>
Assess the impact of ISSP 1, the current situation in the road transport and water supply sectors in Armenia to get an understanding of the technical and financial constraints to sustainable service delivery in these sectors.	Jan 2015
Review international best practice in road transport maintenance and water delivery to understand the gap between that and the Armenian context.	Jan 2015
Based on above analysis, develop a draft policy matrix as a basis for initial discussions with the government.	Jan 2015 – Jan 2016
Finalize the policy matrix with ADB and the government.	Feb 2016
Work with the above government agencies to support implementing the policy actions necessary for tranche 1.	Feb 2016 – June 2016
Build institutional and individual capacity in relevant government agencies to ensure that policy actions will continue after the program has finished.	Feb 2016 – June 2016
Report to ADB on progress of each of the above activities	August 2016

ADB = Asian Development Bank, ISSP 1 = Infrastructure Sustainability Support Program – phase 1, MOF = Ministry of Finance, MOTC = Ministry of Transport and Communication, PSRC = Public Sector Regulatory Commission, SCWE = State Committee for Water Economy.  
Source: Asian Development Bank

### C. Cost Estimate and Proposed Financing Arrangement

6. The TA is estimated to cost \$550,000 equivalent, of which \$500,000 equivalent will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-Others). External financing is difficult to secure for public financial reforms, through a program loan, in Armenia. The government will provide counterpart support in the form of counterpart staff, domestic transportation, provision of office space, communication facilities for consultants, and other in-kind contributions. The detailed cost estimate is presented in Table A3.2.

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

<b>Item</b>	<b>Total Cost</b>
<b>Asian Development Bank<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (14 person-months)	270.7
ii. National consultants (27 person-months)	134.1
b. International and local travel	41.8
c. Reports and communications	1.0
2. Workshops, training, seminars, and conferences	2.0
3. Contingencies	50.4
<b>Total<sup>b</sup></b>	<b>500.0</b>

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-Others).

<sup>b</sup> Government contribution will be in-kind and is estimated to account for 10% of the total cost.

Source: Asian Development Bank estimates

### D. Consulting Services

7. A team of 12 specialists are required to meet the outputs and activities of the program. Individual consultants will be selected—6 international experts (for a total of 14 months) and 6 national experts (for a total of 27 person-months). Consultants will be considered for engagement on output-based (lump sum) contracts in line 2.9.2 and 2.10.2 from the Midterm Review Action Plan. All consultants will be required to assess the impacts of ISSP 1 within their area of expertise, assess the current arrangements in the sector relevant to them and compare

this with international best practice to help develop a policy matrix for consultations with the government. After the policy matrix has been agreed, the consultants will support the government in implementing the program.

8. **Public financial management specialist** (international, 3 person-months, intermittent). The specialist will be required to work closely with the SCWE and MOTC budget and finance specialists, as well as the MOF water and roads maintenance budget specialists in developing steps to achieve the policy outputs. The specialist will support preparation of the program budgets and key performance indicators for the drinking water supply and road maintenance. The specialist will have a postgraduate degree in economics, public policy, or a related field, and at least 10 years of relevant sector experience.

9. **Transport sector specialist/engineer** (international, 2 person-months intermittent). The specialist will lead the functional organizational analysis of the Armenian Road Directorate in MOTC. The specialist will also focus on various capacity building activities to ensure that the government agencies are able to prioritize expenditure under revised criteria. The specialist will work with the transport engineer (national) in terms of meeting their outputs. The specialist will have degree in engineering or related fields and at least 15 years relevant experience.

10. **Transport economist** (international, 2 person-months, intermittent). The specialist will work with MOTC to analyze the government approved road maintenance financing strategy and develop a formula to calculate road sector expenditure to ensure the road network does not deteriorate. A degree in economics or public policy with at least 10 years' experience of the economics of transport is required.

11. **Water economist** (international, 3 person-months, intermittent). The specialist will work with SCWE to enhance their capability to scrutinize costs of projects and assess their cost-effectiveness to realize greater benefits from the investment plan. The specialist will be required to work with the government's and development partners documentation related to project appraisals, analyzing research related to the costs and benefits of water supply and waste water projects, and advising the government accordingly. A degree in economics or public policy with at least 10 years' experience of the economics of water supply and waste water treatment.

12. **Water engineer** (international, 2 person-months, intermittent). The specialist will provide technical support to water economist in reviewing the costs and benefits of water supply and waste water projects in the investment plan, technical support for the review of the key performance indicators (KPIs), and support work related to reducing non-revenue water losses. The specialist will have a postgraduate degree in engineering or a related field with at least 10 years' experience and knowledge of the water supply sector.

13. **Regulatory expert** (international, 2 person-month, intermittent). The specialist will review the public sector regulatory commission's organizational structure and determine the skills and experience required to meet its objectives. The specialist will have a graduate degree in economics or similar field, with at least 10 years' experience working on regulatory issues.

14. **Public finance management specialist** (national, 8 person-months, intermittent). The specialist will support the PFM Specialist (international) in terms of meeting his or her outputs, with a focus on ensuring that pertinent information on the Armenian context is incorporated where necessary and assist with meeting policy objectives. The specialist will have a postgraduate degree in economics and at least 6 years of relevant experience.

15. **Transport sector specialist/engineer** (national, 5 person-months intermittent). The specialist will support the Roads engineer (international) in terms of meeting their outputs, with a focus on ensuring that the Armenian context is incorporated where necessary. The specialist will support policy objectives so that the reforms remain entrenched. The specialist will have a graduate degree in engineering (or similar) with at least 5 years sector experience.

16. **Water sector specialist/engineers** (2 nationals, 6 person-months and 4 months, respectively, all intermittent). The specialists will support the water economist (international) in his/her activities. The specialists will also lead the work related to restructuring SCWE to better manage the water assets, assist SCWE in their new functions, and research on non-revenue water losses. The specialists will have a degree in engineering (or similar) with knowledge and experience working in the water sector in Armenia.

17. **Legal expert** (national, 2 person-months, intermittent). The legal specialist will support the rest of the experts in their work where detailed analysis is required of legislation, contracts and other legal instruments. The specialist should have a legal degree and a broad understanding of Armenian Law, with a particular focus on commercial legal issues.

18. **Internal audit specialist** (national, 2 person-months, intermittent). The specialist will work with MOTC and SCWE to undertake internal audit activities. The specialist must possess international and/or local auditor/accountant certification and have established work experience of minimum 5 years in external and/or internal audit environments.

**Table A3.3: Summary of Consulting Services Requirement**

<b>Positions</b>	<b>Person-Months Required</b>
<b>International</b>	<b>14</b>
Public financial management expert	3
Transport sector specialist/engineer	2
Transport economist	2
Water economist	3
Water engineer	2
Regulatory expert	2
<b>National</b>	<b>27</b>
Public financial management specialist	8
Transport sector specialist/engineer	5
Water sector specialist/engineer	6
Water sector researcher	4
Legal expert	2
Internal audit specialist	2

Source: Asian Development Bank.

## **E. Implementation Arrangements**

19. The TA is expected to be implemented from 1 January 2016 to 31 December 2016. The MOF will be the executing agency. MOF, MOTC, PSRC and SCWE will be the implementing agencies. All consultants will be engaged in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). All disbursements under the TA will be made in accordance with ADB's *Technical Assistance Handbook* (2010, as amended from time to time).

Project Classification Information Status: Complete

## PROJECT PREPARATORY TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 46220-005	
Project Name	Infrastructure Sustainability Support Program, Phase 2	Department /Division	CWRD/CWPF
Country	Armenia, Republic of	Executing Agency	Ministry of Finance (MOF)
2. Sector		ADB Financing (\$ million)	
✓ Public sector management	Subsector(s) Public expenditure and fiscal management		0.10
Transport	Road transport (non-urban)		0.10
	Transport policies and institutional development		0.10
	Urban roads and traffic management		0.10
Water and other urban infrastructure and services	Urban policy, institutional and capacity development		0.10
Total			0.50
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Subcomponents Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Components Civil society participation	No gender elements (NGE)	✓
Partnerships (PAR)	Institutional development Public financial governance Civil society organizations Implementation		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Nation-wide	High
6. TA Category:		B	
7. Safeguard Categorization Not Applicable			
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.50	
Project preparatory technical assistance: Technical Assistance Special Fund		0.50	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.50	
9. Effective Development Cooperation			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	