

Facility Administration Manual

MFF Number: 42401-014
Project Number: 42401-015; Loan XXXX (Tranche 1)
May 2016

Proposed Multitranche Financing Facility
Azerishiq Open Joint-Stock Company
Power Distribution Enhancement Investment
Program (Guaranteed by the Republic of Azerbaijan)

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Facility Administration Manual Purpose and Process

1. The facility administration manual (FAM) describes the essential administrative and management requirements to implement the investment program on time, within budget, and in accordance with the Government and Asian Development Bank (ADB) policies and procedures. The FAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the FAM.
2. The Government of the Republic of Azerbaijan (Government) and Azerishiq Open-Joint Stock Company (Azerishiq) are wholly responsible for the implementation of ADB-financed projects under the Investment Program, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by Azerishiq of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.
3. At Loan Negotiations the borrower and ADB shall agree to the FAM and ensure consistency with the Framework Financing Agreement (FFA) and the Loan Agreement. Such agreement shall be reflected in the minutes of the FFA and Loan Negotiations. In the event of any discrepancy or contradiction between the FAM and the Loan Agreement, the provisions of the Loan Agreement shall prevail.
4. After ADB Board approval of the investment program's report and recommendations of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the FAM.

Abbreviations

ADB	=	Asian Development Bank
AFS	=	audited financial statements
CWEN/CWRD	=	Energy Division, Central and West Asia Department
DMF	=	design and monitoring framework
EA	=	executing agency
EARF	=	environmental assessment and review framework
EIA	=	environmental impact assessment
EMP	=	environmental management plan
FAM	=	facility administration manual
FS	=	financial statements
GDP	=	gross domestic product
ICB	=	international competitive bidding
IEE	=	initial environmental examination
LAR	=	land acquisition and resettlement
LIBOR	=	London interbank offered rate
MBD	=	master bidding document
NCB	=	national competitive bidding
NGOs	=	nongovernment organizations
PAI	=	project administration instructions
PMU	=	project management unit
QCBS	=	quality- and cost-based selection
RRP	=	report and recommendation of the President to the Board
SBD	=	standard bidding documents
SPS	=	Safeguard Policy Statement
SPRSS	=	summary poverty reduction and social strategy
TOR	=	terms of reference

I. PROGRAM AND PROJECT DESCRIPTION

A. Rationale, Location, and Beneficiaries

1. Investment Program

1. The Power Distribution Enhancement Investment Program aims to improve efficiency of the power distribution subsector in Azerbaijan through rehabilitation and augmentation of the aged power distribution network. The investment program will (i) improve power supply reliability, (ii) reduce distribution network losses, (iii) improve customer service, (iv) improve operational and financial performance of Azerishiq, and (v) promote commercialization, and institutional strengthening of Azerishiq. To be implemented through three tranches in all seven regional distribution networks (Aran, Baku, Canub, Garb, Markazi Aran, Shimal, and Shimal Garb, and such other networks as ADB may otherwise agree), all three tranches will have identical structure with different geographic areas.

B. Objective

2. The Government of Azerbaijan and Azerishiq are committed to improve power infrastructure and services in the country. The proposed Power Distribution Enhancement Investment Program aims to improve efficiency of the power distribution subsector in Azerbaijan through rehabilitation and expansion of an aged power distribution network. The investment program will (i) improve power supply reliability, (ii) reduce distribution network losses, (iii) improve customer service efficiency and quality, and (iv) improve operational and financial performance and institutional development,

C. Impact and Outcome

3. The investment program's impact will benefit all domestic consumers through increased availability and reliability of electricity supply. The outcome will be improved efficiency and reliability of the power distribution networks.

D. Outputs

4. The investment program comprises three components, which is expected to be implemented through three tranches in all seven regional distribution networks. All three tranches will have similar features but covering different geographic areas within the areas covered by the seven regional distribution networks.

(i) **Rehabilitation of Distribution Networks.** Rehabilitation and augmentation of aging medium- and low-voltage distribution networks including 110 kilovolt (kV) substations (15 units), 35 kV substations (52 units), 6–10 kV transformer stations (4,004 units); 110 kV distribution lines (150 kilometers [km]), 35 kV distribution lines (400 km), and 6–10 kV distribution lines (2,600 km).

(ii) **Rehabilitation of Customer Service Lines and Installation of Smart Meters.**¹ Replacement of 0.4 kV customer service lines (10,154 km) including installation of new smart meters (about 300,000). The existing 0.4 kV bare overhead conductors will be completely replaced with new self-supporting aerial bundled cables, and the existing poles will be completely replaced. The new cables will prevent illegal access to distribution lines and energy theft.

¹ The specific model will be further evaluated and selected during the implementation stage.

- (iii) **Support for Institutional Strengthening:** including (i) capacity building and training for financial management, accounting and auditing, project management, procurement, monitoring and evaluation, and social and environmental safeguards; (ii) public information campaign for energy efficiency improvement and tariff reform; and (iii) improvement of operation and maintenance facilities in the Azerishiq regional distribution networks, including construction of new administration centers. Operator and maintenance personnel will receive training from suppliers and consultants to be able to operate and manage the networks effectively. The investment program will help Azerishiq to expand its core business and enhance its corporate governance through establishing sound corporate business plan, financial management system, and performance targets.

2. Tranche 1

5. Tranche 1 will have the same outputs as the investment program in general, with specific performance indicators as outlined in the design and monitoring framework. The first tranche will finance the first slice of the investment program, and will cover all the seven regional networks.

II. IMPLEMENTATION PLANS FOR THE PROGRAM AND TRANCHE 1

6. The investment program will be implemented over 7 years, i.e., from July 2016 to December 2022. Three tranches are envisaged, and implementation of each tranche is expected to take 3 years. Azerishiq is expected to submit the last PFR to ADB not later than 31 December 2018.

A. Program and Project Readiness Activities

7. Table 1 details the readiness activities.

Table 1: Processing Schedule

Indicative Activities	2015		2016												Responsibility	
	11	12	1	2	3	4	5	6	7	8	9	10	11	12		
Advance action for recruitment of project supervision and management consultants, and advance contracting		X	X	X	X	X	X	X								Azerishiq-PMU
Procurement of turnkey contracts		X	X	X	X	X	X	X	X	X	X	X	X	X		Azerishiq -PMU
FFA and PFR1 signing						X										ADB-ROA-Azerishiq
Loan negotiations						X										ADB-ROA-Azerishiq
ADB Board approval of MFF and Management approval of Tranche 1							X									ADB
Loan and guarantee signing for Tranche 1							X									ADB-ROA-Azerishiq
Legal opinions provided								X								ROA- Azerishiq
Loan effectiveness								X								ADB

ADB = Asian Development Bank; FFA = framework financing agreement; MFF = multitranche financing facility; PFR1 = periodic financing request 1; PMU = program management unit; ROA= Republic of Azerbaijan;

III. PROGRAM AND PROJECT MANAGEMENT ARRANGEMENTS

A. Program and Project Implementation Organizations – Roles and Responsibilities

Organizations	Management Roles and Responsibilities
<ul style="list-style-type: none"> • Office of the Deputy Prime Minister 	<ul style="list-style-type: none"> • Overall coordination of inter-government agencies
<ul style="list-style-type: none"> • Ministry of Finance (MOF) on behalf of the Republic of Azerbaijan 	<ul style="list-style-type: none"> ➤ Representative of Sovereign Guarantor ➤ Ensuring allocation and timely release of counterpart funding including Program-related taxes and duties
<ul style="list-style-type: none"> • Azerishiq Open-Joint Stock Company (OJSC) 	<p>Borrower and Executing Agency</p> <ul style="list-style-type: none"> ➤ Program execution including consultants recruitment and procurement of all contracts ➤ Ensuring loan proceeds are used in accordance with the Loan Agreement ➤ Preparing and submitting periodic financing request for all tranches ➤ Funding balance of project cost and project management unit (PMU) recurrent costs ➤ Project progress reporting to ADB ➤ Submit Withdrawal Applications to ADB
<ul style="list-style-type: none"> • Asian Development Bank (ADB) 	<p>Lender</p> <ul style="list-style-type: none"> ➤ Main Program financier ➤ Monitor and review overall implementation of the project in consultation with executing agency including: the project implementation schedule, actions required in terms of poverty reduction, environmental impacts, and resettlement plans (RPs), as applicable; timeliness of budgetary allocations and counterpart funding; project expenditures; progress with procurement and disbursement; statement of expenditure when applicable; compliance with particular loan covenants; and the likelihood of attaining the project's immediate development objectives.

B. Key Persons Involved in Implementation

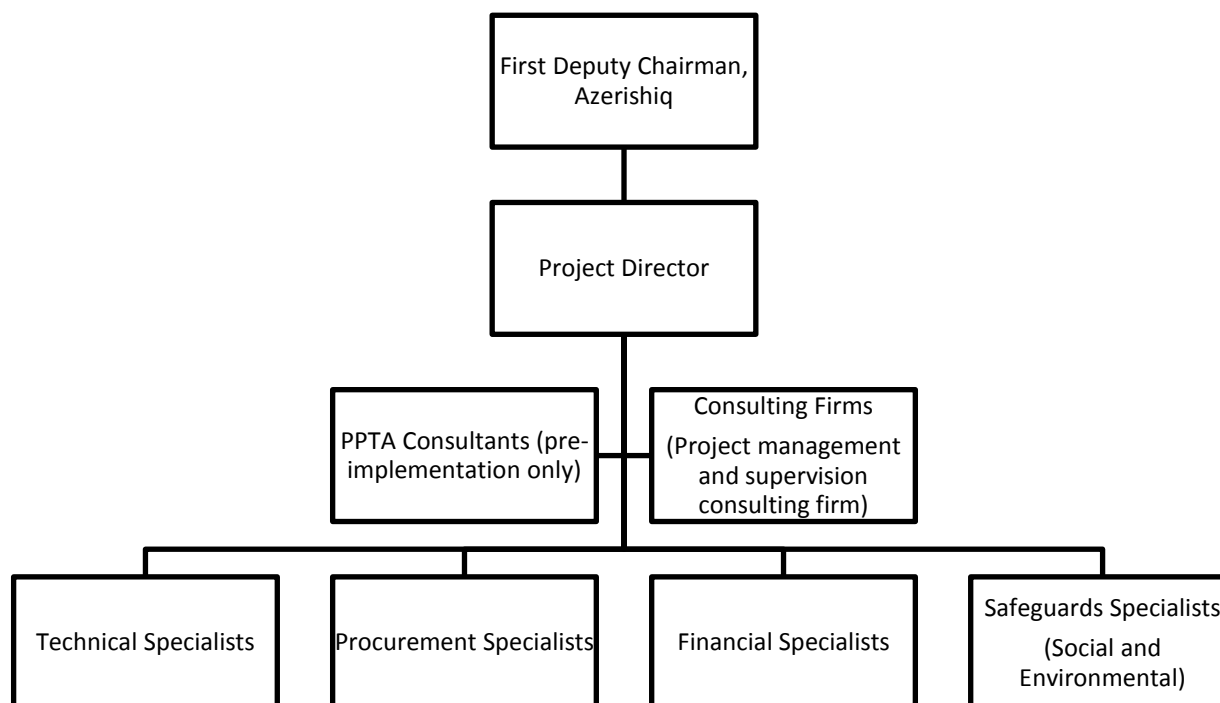
Executing Agency

Azerishiq OJSC	Officer's Name	Sadiq Sadigov
	Position	First Deputy Chairman
	Telephone	
	Email address	
	Office Address	13, A. Bakikhanov street, Baku, AZ 1065

ADB		
Division Director	Staff Name Position	F. Cleo Kawawaki Director, Energy Division, Central and West Asia Department (CWRD/CWEN)
	Telephone No. Email address	+63-2-632-6113/5950 cwen@adb.org ; fkawawaki@adb.org
Mission Leader	Staff Name Position	Tianhua Luo Senior Energy Specialist, CWEN
	Telephone No. Email address	+63-2-632-6388/5391 tluo@adb.org
Country Director	Staff Name Position	Nariman Mannapbekov Country Director
	Telephone No. Email address	+994437 6600 nmannapbekov@adb.org
Resident Mission Focal	Staff Name Position	Yagut Ertenliche Project Officer, AZRM
	Telephone Email address	+994437 3477 vertenliche@adb.org

C. Program and Project Organization Structure

9. Azerishiq has established a dedicated program management unit (PMU) for implementation of the investment program. The PMU will be headed by a project director reporting directly to the First Deputy Chairman of Azerishiq, and will comprise of highly-qualified and experienced staff on procurement, technical, financial, and safeguards matter. The indicative structure of the PMU is shown below.



10. Azerishiq will engage supervision consultants to assist the PMU in program implementation. The supervision consultants will undertake three roles: (i) providing onsite management of contractors; measurement; verification and certification of physical progress, (ii) supporting the PMU on procurement, contract management, safeguard monitoring (environmental and social), and financial management, such as project accounting, financial reporting, loan disbursements, and arrangements for external audits, and (iii) Azerishiq shall ensure that the relevant staff will attend the training related to the operation of the distribution networks and metering system provided by the contractors. The supervision consultants will have a dual reporting responsibility to both Azerishiq and ADB. The indicative outline terms of reference for the supervision consultants is included in the attachment.

11. The PMU project director will have appropriate academic qualifications with experience of working on large investment project implementation and/or operations. The PMU will comprise of (i) a dedicated project director, (ii) procurement specialists, (ii) technical specialists, (iii) financial management specialists, (iv) social and environmental specialists, and (v) interpreters.

12. The PMU will include the positions with the following terms of reference (TOR):

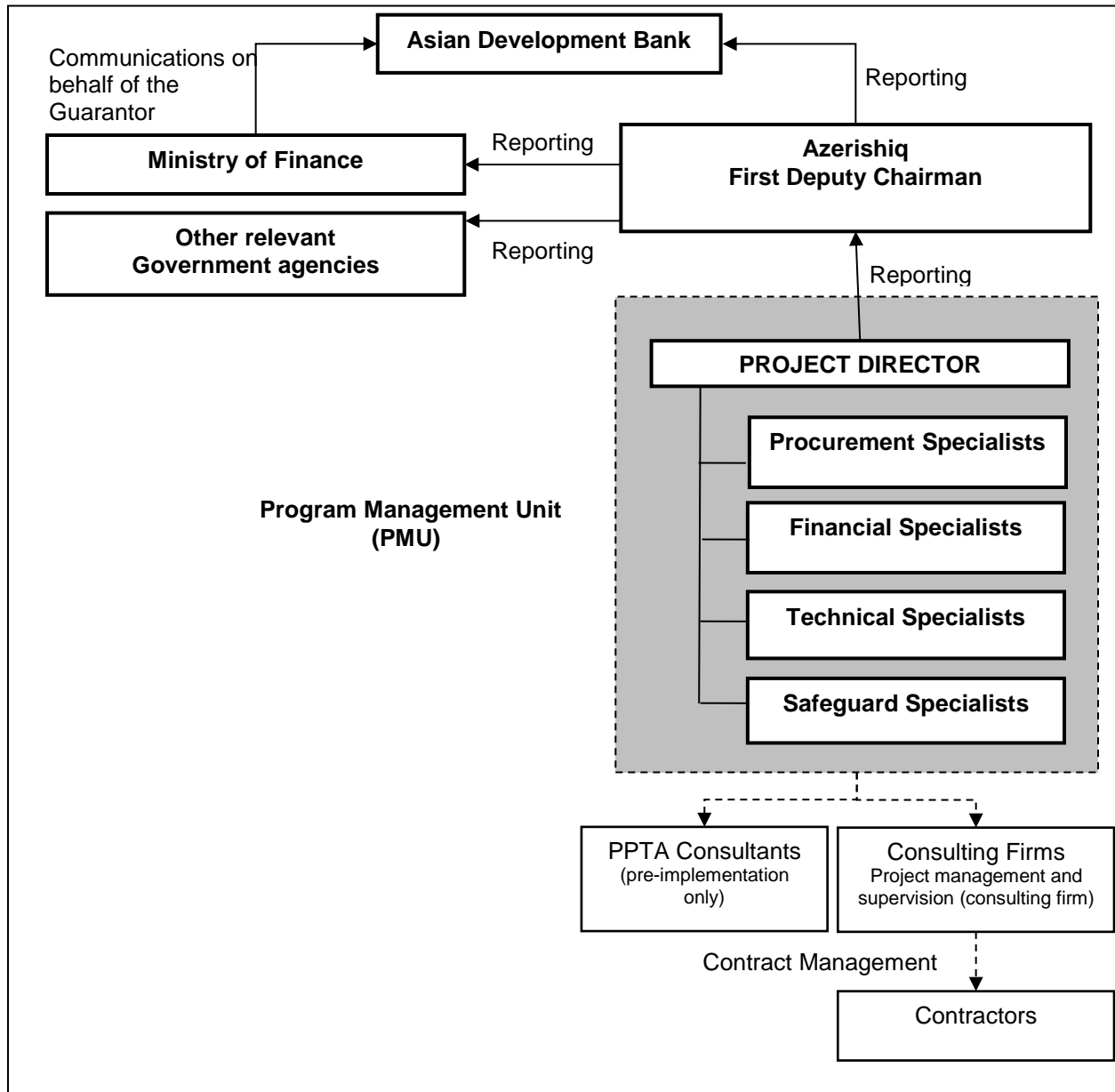
Position	Terms of Reference
First Deputy Chairman, Azerishiq	<ul style="list-style-type: none"> • Provide overall direction and management of PMU • Ensure project is delivered on schedule to budget and specification • Ensure relationships with financiers, consultants, and contractors • Ensure appropriate reporting to financiers • Coordinate with relevant government offices and agencies • Ensure that the PMU regularly submits project progress reports to ADB and other co-financiers • Ensure that data requirements of ADB relating to the project are met and all project information is shared with ADB on a timely basis • Ensure that any policy change affecting the project or financial sustainability of the companies is reported to ADB on a timely basis
Project Director	<ul style="list-style-type: none"> • Manage the project implementation, schedule, budget, and contracts • Manage PMU staff and PMU activities • Manage supervision and project management consultants and contractors • Undertake administrative coordination and liaising with financiers • Prepare project reports and other project documentation • Coordinate with Regional Project Implementation Units in the respective regions • Be responsible for keeping record of all project related correspondence and data • Be responsible for coordinating ADB missions and meetings with stakeholders • Monitor compliance with all loan covenants • Acceptance of works, goods, and services
Procurement Specialists	<ul style="list-style-type: none"> • Lead recruitment of project management and supervision consultant

Position	Terms of Reference
	<ul style="list-style-type: none"> • Lead procurement of goods and works • Provide inputs to identify and resolve issues in the area of specialty • Monitor compliance of consultants and contractors with contract requirements • Assist the project director in contract administration of the consultants and contractors • Prepare overall project progress report • Prepare contract award and disbursement projections • Coordinate with other specialists in the PMU in the respective regions
Technical Specialists	<ul style="list-style-type: none"> • Coordinate with the project director in ensuring efficient project implementation • Prepare technical data and inputs to project reports and other project documentation • Review the contractors' design submissions • Supervise and monitor the project implementation of related works • Monitor progress against plan and • Ensure adherence to project quality assurance plan
Financial Management Specialists/Accountant	<ul style="list-style-type: none"> • Maintain project accounts • Prepare withdrawal applications • Prepare reports on the project disbursement as required by respective financiers and government authorities • Monitor financial loan covenants • Prepare project financial statements and reports • Provide inputs identify and resolve issues in the area of specialty • Assist project director in delivery of his/her duties • Coordinate with other specialists in the PMU in the respective regions • Coordinate with the external auditors
Social Development Specialists	<ul style="list-style-type: none"> • Ensure the implementation of the stakeholder communication activities • Provide inputs identify and resolve issues in the area of specialty • Prepare progress reports • Coordinate with other specialists in the PMU • Assist in resolving grievances • Assist in monitoring IR and IP impacts • Prepare and finalize LARP during implementation • Prepare and finalize IR and IP assessment for subsequent tranche
Environmental Specialists	<ul style="list-style-type: none"> • Ensure EMP included in bidding documentation and contract document • Monitor the implementation of EMP and prepare environmental monitoring reports for quarterly progress reports and semiannual environmental monitoring reports • Work closely with contractor's supervisor (project engineer), monitor and supervise the contractor in implementing EMP • Supervise monitoring plan and EMF measurements in accordance

Position	Terms of Reference
	with EMP requirements <ul style="list-style-type: none"> Coordinate and monitor the implementation of GRM

EMF = environmental management framework, EMP = environmental management plan, GRM = grievance redress mechanism, IR = involuntary resettlement; IP = indigenous peoples; LARP = land acquisition and resettlement plan; PMU = project management unit

13. The PMU organizational structure will be as below:



IV. COSTS AND FINANCING

14. **The Investment Program.** The Republic of Azerbaijan and Azerishiq have requested ADB to support implementation of its distribution investment program through a multitranche financing facility (MFF). The MFF tranches will be provided in sequence or simultaneously, and some may overlap.

15. The investment program is estimated at \$1.0 billion, which will contribute to the government achieving its long-term distribution investment targets. The total amount of the MFF is up to \$750 million from ADB's ordinary capital resources (OCR). The MFF has a maximum utilization period of 7 years from 2016–2022.

16. The MFF is currently structured into 3 tranches, subject to the submission of a related periodic financing request (PFR) by Azerishiq as the Borrower and the Republic of Azerbaijan as the Guarantor and execution of loan and guarantee agreements for each tranche, and fulfillment of terms and conditions and undertakings set forth in the FFA. The tentative financing plan, as shown below, is a combination of funds from the Government, ADB, and other financiers.

Table 4: Tentative Financing Plan (\$ million)

Source	Amount	Share (%)
Investment Program		
ADB	750	75
Government	250	25
Total	1,000	100
Tranche 1		
ADB	250	77
Government	75	23
Total	325	100

Source: Asian Development Bank estimates.

17. Tranche 1 under the investment program comprises the following components:

- (i) **Rehabilitation of Distribution Networks.** Rehabilitation and augmentation of aging medium- and low-voltage distribution networks including 110 kV substations (4 units), 35 kV substations (16 units), 6–10 kV transformer stations (1,157 units); 110 kV distribution lines (54 km), 35 kV distribution lines (124 km), and 6–10 kV distribution lines (1,237 km).
- (ii) **Rehabilitation of Customer Service Lines and Installation of Smart Meters.**² Replacement of 0.4 kV customer service lines (3,900 km) including installation of new smart meters 108,409 units. The existing 0.4 kV bare overhead conductors will be completely replaced with new self-supporting aerial bundled cables, and the existing poles will be replaced. The new cables will prevent energy theft.
- (iii) **Support for Institutional Strengthening:** including (i) capacity building and training for financial management, accounting and auditing, project management, procurement, monitoring and evaluation, and social and environmental safeguards; (ii) public information campaign for energy efficiency improvement and tariff reform; and (iii) improvement of operation and maintenance facilities in the Azerishiq regional distribution networks, including construction of new

² The specific model will be further evaluated and selected during the implementation stage.

administration centers. Operator and maintenance personnel will receive training from suppliers and consultants to be able to operate and manage the networks effectively.

18. **Recurrent costs** of the PMU are not included in the Project cost. Such costs are to be financed entirely by Azerishiq.

A. Detailed Cost Estimates by Expenditure Category, Tranche 1

(\$ million)

Item	Foreign Exchange	Local Currency	Total Cost
A. Base Cost ^a			
1 Turnkey	138.5	70.4	208.9
2 Equipment	5.3	-	5.3
3 Meter installation	-	2.8	2.8
4 Consulting services	3.0	0.8	3.8
Project implementation consultants ^b	2.3	0.6	2.9
Preparation for future tranches	0.7	0.2	0.9
5 Institutional facilities ^c	-	5.1	5.1
6 Taxes and duties	-	69.9	69.9
Subtotal (A) : (1 + 2 + 3 + 4 + 5 + 6)	146.8	149.0	295.8
B. Contingencies ^d			
1 Physical	9.3	4.7	14.0
2 Price	3.4	1.8	5.2
Subtotal (B)	12.7	6.5	19.2
C. Financing Charges During Implementation ^e			
1 Interest	9.4	-	9.4
2 Commitment Charges	0.6	-	0.6
Subtotal (C)	10.0	-	10.0
Total (A+B+C)	169.5	155.5	325.0

^a In mid-2015 prices.

^b Includes capacity development program for Azerishiq and external auditor cost.

^c Includes Azerishiq's administrative buildings, vehicles and information technology equipment.

^d Physical contingencies computed at 4.7% of the base cost. Price contingencies computed at 1.5% on foreign exchange costs and 5.1% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^e Includes interest and commitment charges. Interest during construction for ADB's ordinary capital resources (OCR) loan has been computed at the 5-year forward London interbank offered rate plus a spread of 0.5%. Commitment charges for ADB's OCR loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

B. Allocation and Withdrawal of Loan Proceeds

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS - Loan XXXY-AZE (OCR) (Power Distribution Enhancement Investment Program - Tranche 1)			
CATEGORY			ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing (\$)	Percentage of ADB Financing from the Loan Account
1	Turnkey Contracts, Goods, and Consulting Services	240,000,000	100% of total expenditures claimed*
2	Interest and Commitment Charges	10,000,000	100% of total amount due
	Total	250,000,000	

* Exclusive of taxes and duties imposed within the territory of the Borrower.

C. Detailed Cost Estimates by Financier and by Outputs/Components, Tranche 1

1. Cost Estimates by Financier (\$ million)

Item	ADB		Government		Total Cost (E)
	Amount (A)	% of cost category (A)/(E)	Amount (C)	% of cost category (C)/(E)	
A. Base Cost ^a					
1 Turnkey	208.9	100.0%	-	0.0%	208.9
2 Equipment	5.3	100.0%	-	0.0%	5.3
3 Meter installation	2.8	100.0%	-	0.0%	2.8
4 Consulting services			-		
Project implementation consultants ^b	2.9	100.0%	-	0.0%	2.9
Preparation for future tranches	0.9	100.0%	-	0.0%	0.9
5 Institutional facilities ^c	-	0.0%	5.1	100.0%	5.1
6 Taxes and duties	-	0.0%	69.9	100.0%	69.9
Subtotal (A) : (1 + 2 + 3 + 4 + 5 + 6)	220.8	74.6%	75.0	25.4%	295.8
B. Contingencies ^d					
1 Physical	14.0	100.0%	-	0.0%	14.0
2 Price	5.2	100.0%	-	0.0%	5.2
Subtotal (B)	19.2	100.0%	-	0.0%	19.2
C. Financing Charges During Implementation ^e					
1 Interest	9.4	100.0%	-	0.0%	9.4
2 Commitment Charges	0.6	100.0%	-	0.0%	0.6
Subtotal (C)	10.0	100.0%	-	0.0%	10.0
Total (A+B+C)	250.0	76.9%	75.0	23.1%	325.0

ADB = Asian Development Bank.

^a In mid-2015 prices.

^b Includes capacity development program for Azerishiq and external auditor cost.

^c Includes Azerishiq's administrative buildings, vehicles and information technology equipment.

^d Physical contingencies computed at 4.7% of the base cost. Price contingencies computed at 1.5% on foreign exchange costs and 5.1% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^e Includes interest and commitment charges. Interest during construction for ADB's ordinary capital resources (OCR) loan has been computed at the 5-year forward London interbank offered rate plus a spread of 0.5%. Commitment charges for ADB's OCR loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

2. Cost Estimates by Outputs/Components (\$ million)

Item	Total	Rehabilitation of distribution networks		Rehabilitation of customer service lines and meters		Support for institutional development, capacity building and project	
		Amount	% of cost category	Amount	% of cost category	Amount	% of cost category
A. Base Cost ^a							
1 Turnkey	208.9	161.3	77.2%	47.6	22.8%	-	0.0%
2 Equipment	5.3	-	0.0%	5.3	100.0%	-	0.0%
3 Meter installation	2.8	-	0.0%	2.8	100.0%	-	0.0%
4 Consulting services ^b							
5 Institutional facilities ^c	5.1	-	0.0%	-	0.0%	5.1	100.0%
6 Taxes and duties	69.9	49.1	70.3%	17.3	24.7%	3.5	5.0%
Subtotal (A) : (1 + 2 + 3 + 4 + 5 + 6)	295.8	210.4	71.1%	73.0	24.7%	12.4	4.2%
B. Contingencies ^d							
1 Physical	14.0	10.5	75.3%	3.1	22.2%	0.4	2.5%
2 Price	5.2	3.9	75.3%	1.1	22.2%	0.2	2.5%
Subtotal (B)	19.2	14.4	75.3%	4.2	21.9%	0.6	2.5%
C. Financing Charges During Implementation ^e							
1 Interest	9.4	7.1	76.1%	2.1	22.5%	0.2	1.4%
2 Commitment Charges	0.6	0.3	76.1%	0.2	22.5%	0.1	1.4%
Subtotal (C)	10.0	7.4	74.0%	2.3	23.2%	0.3	1.4%
Total (A+B+C)	325.0	232.2	71.4%	79.5	24.5%	13.3	4.1%

^a In mid-2015 prices.

^b Includes capacity development program for Azerishiq and external auditor cost.

^c Includes Azerishiq's administrative buildings, vehicles and information technology equipment.

^d Physical contingencies computed at 4.7% of the base cost. Price contingencies computed at 1.5% on foreign exchange costs and 5.1% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^e Includes interest and commitment charges. Interest during construction for ADB's ordinary capital resources (OCR) loan has been computed at the 5-year forward London interbank offered rate plus a spread of 0.5%. Commitment charges for ADB's OCR loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

D. Detailed Cost Estimates by Year (\$ million), Tranche 1

Item	Total Cost	Year 1	Year 2	Year 3	Year 4
		2016	2017	2018	2019
A. Base Cost^a					
1 Turnkey	208.9	37.6	80.2	91.1	-
2 Equipment	5.3	-	2.7	2.6	-
3 Meter installation	2.8	-	1.4	1.4	-
4 Consulting services ^b					-
5 Institutional facilities ^c	5.1	2.0	3.1	-	-
6 Taxes and duties	69.9	12.6	26.8	30.5	-
Subtotal (A) : (1 + 2 + 3 + 4 + 5 + 6)	295.8	53.6	115.7	126.5	-
B. Contingencies^d					
1 Physical	14.0	-	-	-	14.0
2 Price	5.2	-	-	-	5.2
Subtotal (B)	19.2	-	-	-	19.2
C. Financing Charges During Implementation^e					
1 Interest	9.4	0.4	1.7	3.7	3.6
2 Commitment Charges	0.6	0.3	0.2	0.1	-
Subtotal (C)	10.0	0.7	1.9	3.8	3.6
Total (A+B+C)	325.0	54.3	117.6	130.3	22.8

^a In mid-2015 prices.

^b Includes capacity development program for Azerishiq and external auditor cost.

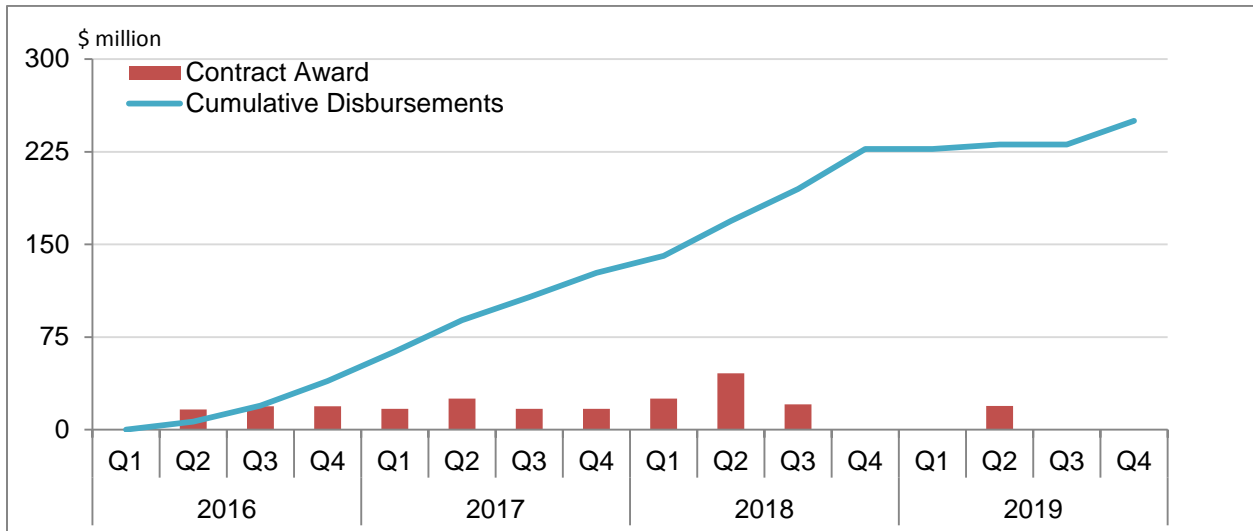
^c Includes Azerishiq's administrative buildings, vehicles and information technology equipment.

^d Physical contingencies computed at 4.7% of the base cost. Price contingencies computed at 1.5% on foreign exchange costs and 5.1% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^e Includes interest and commitment charges. Interest during construction for ADB's ordinary capital resources (OCR) loan has been computed at the 5-year forward London interbank offered rate plus a spread of 0.5%. Commitment charges for ADB's OCR loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

E. Contract and Disbursement S-curve



Contract Awards

	Q1	Q2	Q3	Q4	Total
2016	0.0	16.4	18.8	18.8	54.0
2017	16.8	25.2	16.8	16.8	75.6
2018	25.2	45.6	20.4	0.0	91.2
2019	0.0	19.2	0.0	0.0	19.2

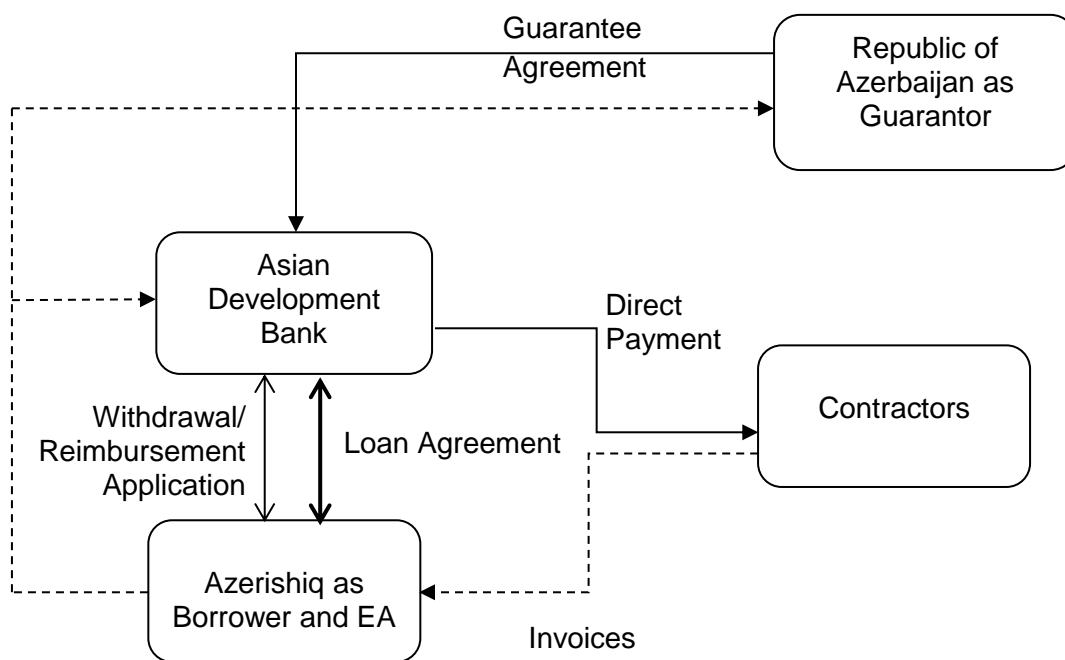
Total: 240.0

Disbursements

	Q1	Q2	Q3	Q4	Total
2016	0.0	6.5	12.9	20.0	39.4
2017	23.7	25.5	18.7	19.6	87.5
2018	13.7	28.2	26.1	32.3	100.3
2019	0.0	3.6	0.0	19.2	22.8

Total: 250.0

F. Fund Flow Diagram



Source: Asian Development Bank

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

19. In general, Azerishiq's financial management is reasonably advanced. The company has well-documented financial management processes and systems, uses an integrated enterprise resource planning solution across its finance and accounting functions, prepares financial statements in accordance with International Financial Reporting Standards (IFRS), and has been externally audited by a recognized international auditor. Azerishiq appears to be well staffed with highly-qualified and competent professional staff, produces management and financial reports in a timely manner, and manages cash flow competently. The financial management arrangements of Azerishiq are considered adequate for implementation of this MFF.

20. Azerishiq faces two main financial management challenges. The first challenge is to successfully integrate the new assets, customer base and employees from Azerenerji's regional distribution networks. The regional distribution networks appear to be far less sophisticated from a financial management perspective, and will have their own systems and processes that will need to be aligned with Azerishiq's. Azerishiq, formerly Baku Electric Company (*Bakielektrikshebeke*), was able to operate in a highly centralized way, taking advantage of its geographically small supply area. The same level of centralization will not be possible for the expanded Azerishiq, so a balance will need to be found between retention of control and practical considerations imposed by distance. The second major challenge for Azerishiq is managing its cash flow if the Tariff Council does not approve a tariff increase. In the past, the solution to Azerishiq's cash squeeze has been to withhold payments to Azerenerji for electricity purchases and to the Azerbaijan tax authority for VAT collected on electricity sales. Azerenerji has been able to manage this situation because it has received cash flow from retail electricity sales in the regions. This will no longer be possible; Azerenerji's only source of cash other than Azerishiq will now be from direct sales to three large electricity consumers, budgetary support from the government and from international electricity sales. Azerishiq, Azerenerji and the government will collectively need to find a solution to this issue.

21. Internal audit is currently a major weakness within Azerishiq. The internal audit department is relatively new. It did not exist within Azerishiq's predecessor company Bakielektrikshebeke and currently consists of a total staff of three, although a request to increase staff numbers by up to three has been submitted to Azerishiq's Chairman. There are currently no internal audit staff in regional offices and no plans to add them. Reporting is annually to the company's annual shareholder meeting, and there is currently no system in place to monitor or follow-up on internal audit recommendations. The department is not mandated to conduct pre-audits of transactions, and instead has an apparent focus on tracking and reporting on the execution of job functions. Significant internal audit capacity building will be required, along with recruitment or internal transfer of suitably-qualified staff.

22. Based on this assessment, Table 5 summarizes an action plan to improve Azerishiq's identified financial management weaknesses.

Table 5: Risk Action Plan

Action	Responsibility	Resources	Timing
Training of PMU Finance staff in ADB disbursement procedures.	ADB, consultants, Azerishiq PMU	No resource requirement.	Within 3 months from loan signing.
Engagement of external consultants to advise on strengthening of IA function.	Azerishiq PMU	Azerishiq	Within 6 months from loan signing.
Engagement of external auditors for project account audits.	Azerishiq PMU	Azerishiq	Within 6 months from loan signing.

ADB = Asian Development Bank; IA = internal audit, PMU = project management unit.

B. Disbursement

23. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time),³ and detailed arrangements agreed upon between Azerishiq and ADB. Each tranche will result in a separate loan agreement which will describe the detailed disbursement arrangements agreed on by Azerishiq and ADB. Training for PMU staff on disbursement policies and procedures is available online.⁴ PMU staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

24. The PMU will be responsible for (i) preparing disbursement projections; (ii) requesting budgetary allocations and counterpart funds; (iii) collecting supporting documents; and (iv) preparing withdrawal applications to ADB in accordance with the Loan Disbursement Handbook.

25. Before the submission of the first withdrawal application, Azerishiq should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is US\$100,000 equivalent. Individual payments below this amount should be paid by Azerishiq and subsequently claimed to ADB through reimbursement unless otherwise accepted by ADB.

C. Accounting

26. Azerishiq will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project following accrual-based International Financial Reporting Standards (IFRS). Azerishiq will prepare consolidated project financial statements in accordance with IFRS. These shall be prepared to ensure maximum alignment to international accounting standards. Financial statements for individual tranches may be consolidated with a separate table prepared for each loan.

³ Available at: http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf

⁴ Available at: <http://wpqr4.adb.org/disbursementelearning>

D. Auditing

27. Azerishiq will cause the detailed consolidated project financial statements to be audited in accordance with International Standards on Auditing, by an independent auditor whose qualifications, experience and terms of reference are acceptable to ADB. For each financial year commencing from the date of effectiveness until each loan is closed, Azerishiq shall submit the audited project financial statements together with the auditors' opinion in the English language to ADB within six months of the end of each fiscal year.

28. Azerishiq will also cause the entity-level financial statements to be audited in accordance with International Standards on Auditing, by an independent auditor acceptable to ADB. The audited entity-level financial statements, together with the auditors' report and management letter, will be submitted in the English language to ADB within one month after their approval by the competent authority.

29. The annual audit report for the project accounts will include an audit management letter and audit opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan proceeds were used only for the purposes of the project or not; and (iii) the level of compliance for each financial covenant contained in the legal agreements for the project.

30. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

31. The government and Azerishiq have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.⁵ ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

32. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011).⁶ After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 14 days of the date of their receipt by posting

⁵ ADB approach and procedures regarding delayed submission of audited project financial statements.

- When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (i) the audit documents are overdue; and (ii) if they are not received within the next six months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- When audited project financial statements have not been received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (i) inform the executing agency of ADB's actions; and (ii) advise that the loan may be suspended if the audit documents are not received within the next six months.
- When audited project financial statements have not been received within 12 months after the due date, ADB may suspend the loan.

⁶ Available from <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

them on ADB's website. The Audit Management Letter will not be disclosed.

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting and Retroactive Financing

33. All advance contracting will be undertaken in conformity with ADB's Procurement Guidelines (April 2015, as amended from time to time)⁷ and ADB's Guidelines on the Use of Consultants (March 2013, as amended from time to time).⁸ The issuance of invitations to bid under advance contracting will be subject to ADB approval. The government and Azerishiq have been advised that approval of advance contracting and retroactive financing does not commit ADB to finance the Investment Program. Retroactive financing will be considered for all tranches. For each tranche, ADB management may permit retroactive financing of eligible expenditures incurred for goods, works, and consulting services no earlier than 12 months before the loan signing date and not exceeding 20% of the loan amount.

34. **Advance contracting.** To expedite implementation, Azerishiq requested ADB's approval to carry out advance actions for procurement of works, goods, and related services; and recruitment of consultants. The advance procurement action is intended to be used in all tranches of the MFF. Consultants engaged under ADB project preparatory technical assistance, will assist PMU in bidding documents preparation for the contractors. PMU will undertake recruitment of supervision consultants.

B. Procurement of Works and Goods, and Consulting Services

35. Azerishiq agreed to inform ADB should any of its shareholdings be transferred to a private corporate or legal person, and to disclose the ultimate beneficial owner of those shares. Azerishiq agreed to include the relevant sections of ADB's Anticorruption Policy (1998) in all bidding and contractual documents.

36. All procurement to be financed under the Investment Program will be undertaken in accordance with ADB's *Procurement Guidelines (April 2015, as amended from time to time)*.

37. International Competitive Bidding (ICB) procedures will be used for Works/Plant contracts estimated to cost \$10,000,000 or more, and Goods contracts estimated to cost \$2,000,000 or more. ADB's standard bidding documents will be used.

38. For Tranche 1, Azerishiq will select turnkey/supply contractors through ICB/NCB using ADB's single-stage, one-envelope bidding procedure. For turnkey contracts, contractors will be responsible for designs, procurement, and construction and installation of all required equipment.

39. Master bidding documents developed based on ADB's standard bidding documents (SBD), as agreed between ADB and Azerishiq, will be used for all procurements of the applicable contracts under the relevant tranche. Notwithstanding the MBD for 35/10 kV substations and complete transformer substations (CTS) allows bid evaluation based on the total cost at destination including all taxes and duties, to ensure open competition in compliance with the Procurement Guidelines, ADB will, after consultation with Azerishiq, require Azerishiq to amend or modify MBDs when it is applicable. Should revisions be needed to the MBDs due to a

⁷ Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

⁸ Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

change in detailed design, Employer's Requirements, change in scope or change in procurement arrangements, ADB must approve the revisions prior to use.

40. All ICB contracts and NCB contracts for 35 /10 KV substations and CTS are subject to prior review. Prior review and approval by ADB of the procurement documents (bidding, contract) is required. Post review for distribution lines/wires packages are indicated in the first procurement plan, as applicable, ADB may require to change to prior review. Under normal post review, ADB review is undertaken after the evaluation stage and upon submission by Azerishiq of all documents including copies of the advertisement posted, the bidding document, Bid Evaluation Report in English and at least one English version of salient features of signed contracts. The submission shall be as soon as possible following award of NCB contracts. ADB reserves the right to refuse or discontinue financing for the contract if it is found during post review that NCB procurement was not conducted in accordance with the guidelines or other provisions specified in the financing agreement.

41. At time of posting for NCB contracts, bidding documents in English will be made available to foreign bidders. All NCB contracts shall be advertised on ADB's website. NCB Annex attached in the procurement plan shall be followed. ADB prior/post reviews will specifically assess any complaints received by firms regarding their ability to participate in ADB financed NCB opportunities.

42. An 18-month procurement plan indicating threshold and review procedures, goods, works/plant, and consulting service contract packages and national competitive bidding guidelines is in Section C.

43. All consultants will be recruited according to ADB's *Guidelines on the Use of Consultants*.⁹ The outline terms of reference for all consulting services are detailed in Section D.

44. The Project will provide funding for about 76 person-months of international and 168 person-months of national consulting services to support Azerishiq in project implementation and management. In total, three consulting firms will be engaged for (i) project supervision and management, (ii) Tranche 2 and 3 preparation consulting services, and (iii) project audit. These consulting firms will be recruited using quality- and cost-based selection (QCBS) mode with a quality-cost ratio weightage of 90:10, except project audit consultant who will be recruited using consultant qualification selection (CQS).

⁹ Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>

C. Procurement Plan for Tranche 1

Basic Data

Project Name: Power Distribution Enhancement Investment Program, Tranche 1	
Project Number: 42401-015	Approval Number: TBD
Country: Azerbaijan	Executing Agency: Azerishiq Open Joint Stock Company
Project Procurement Classification: A	Implementing Agency: Azerishiq Open Joint Stock Company
Procurement Risk: Substantial	
Project Financing Amount: \$ 325 million ADB Financing: \$ 250 million Cofinancing (ADB Administered): 0 Non-ADB Financing: \$75 million	Project Closing Date: 30 June 2019
Date of First Procurement Plan: August 2015	Date of this Procurement Plan: 1 April 2016

a. Methods, Thresholds, Review and 18-Month Procurement Plan

1. Procurement and Consulting Methods and Thresholds

45. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works		
Method	Threshold	Comments
International Competitive Bidding (ICB) for Works/Plant	\$10,000,000	
International Competitive Bidding for Goods	\$2,000,000	
National Competitive Bidding (NCB) for Works/Plant	Beneath that stated for ICB for Works/Plant	

Consulting Services	
Method	Comments
Quality and Cost Based Selection (QCBS)	Quality : Cost ratio 90:10
Consultant Qualification Selection (CQS)	For audits

2. Goods and Works Contracts Estimated to Cost \$1 million or more

46. The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value* (\$ million)	Procurement Method	Review	Bidding Procedure	Advertisement Date (quarter/year)	Comments
1. Procurement of Plant - 110/35/10 KV substations (turnkey contracts)							
AI/ADB-1 Markazi Aran RESSD	Lot 1: "Dalimammadli" s/s	9.60	ICB	Prior	1S1E	Q1/2016	
Garb RESSD	Lot 2: "Mashingayirma" s/s	9.83					
AI/ADB-2 Shimal -Garb RESSD	Lot 1: "Gakh" s/s	9.20	ICB	Prior	1S1E	Q2/2016	
Janub RESSD	Lot 2: "Neftchala" s/s	9.80					
2. Procurement of Plant - 35/10 kV substations (turnkey contracts)							
AI/ADB-3 Markazi Aran /Shimal RESSD	Lot 1: a) "Mingachevir" s/s b) "Siyazan" s/s	5.40	NCB	Prior	1S1E	Q1/2016	
Garb RESSD	Lot 2: a) "Vaghzalyani" s/s b) "Ganja" s/s c) "Shamkir 2" s/s	8.10					
AI/ADB-4 Shimal -Garb RESSD	Lot 1: a) "Ilisu" s/s b) "Shamakhi" s/s c) "Oghuz" s/s	8.10	NCB	Prior	1S1E	Q2/2016	
Janub RESSD	Lot 2: a) "Alvadi" s/s b) "Sapnakaran" s/s c) "Pirsaat" s/s	8.10					
AI/ADB-5 Baku RESSD	Lot 1: a) "Khirdalan" s/s b) "Alyat Baghlar" s/s	5.40	NCB	Prior	1S1E	Q3/2016	
Aran RESSD	Lot 2: a) "Rasullu" s/s b) "Zardab" s/s c) "Saatli" s/s	8.10					

3. Procurement of Plant - 110 kV and 35 kV distribution lines (turnkey contracts)							
AI/ADB-6	Lot 1: a) 110 kV wire branching line from 1 st , 2 nd Ganja line (2x2.0km) b) 35 kV wire from 110 kV "Udjar" SS (2x30.0km) c) 35 kV cable from 110 kV "Shahar" SS (2x4.2km)	6.14	NCB	Post	1S1E	Q3/2016	
Markazi Aran RESSD		5.94					
Baku RESSD	Lot2: a) 35 kV cable from 110 kV "A.Vahid" SS (2x6.0km) b) 35 kV cable from 110 kV "Alyat" SS (2x10.0km) c) 35 kV wire from 110 kV "Imishli" SS (2x6.0km) d) 35 kV wire from 110 kV "Saatli-Darti" SS (2x11.0km)						
Aran RESSD							
AI/ADB-7	a) 110 kV wire from 110 kV "Ganja-2" SS (2x2km) b) 35 kV wire from 110 kV "Ganja-3" SS (2x1.5km) c) 35 kV cable from 110 kV "Mashingayirma" SS (2x2.0km) d) 35 kV cable (2x2.0km) and 35 kV wire (2x8.1km) from 110 kV "Dallara-Darti" SS e) 35 kV wire from 110 kV "Siyazan" SS (2x3.5km) f) 110 kV wire branching from 1 st , 2 nd Zaqatala line (2x12.8km) g) 35 kV wire from 110 kV "Gakh" SS (2x12.8km) h) 35 kV wire from 110 kV "Shamakhi-3" SS (2x3.0km) i) 35 kV wire from 110 kV "Azersu" SS (2x3.0km)	<u>9.09</u>	NCB	Post	1S1E	Q4/2016	
Garb RESSD							
Shimal RESSD							
Shimal-Garb RESSD							

AI/ADB-8 Janub RESSD	Lot 1: a) 110 kV wire from 110 kV "Nefthala" SS (2x37.0km) Lot 2: a) 35 kV wire from 35 kV "Alvadi" SS (2x5.35km) b) 35 kV wire from 35 kV "Sapnakaran" SS (2x1.2km) c) 35 kV wire from 35 kV "Pirsaat" SS (2x14.6km)	7.95 2.96	NCB	Post	1S1E	Q4/2016	
4. Procurement of Plant - 10 kV distribution lines and 0.4 kV self-supporting insulated wire (SIW) (turnkey contracts)							
AI/ADB-9 Baku RESSD	Lot 1: 10 kV cable (48.4km) Lot 2: 0.4 kV SIW (600.49km)	9.99 9.01	NCB	Post	1S1E	Q2/2018	
AI/ADB-10 Markazi Aran RESSD	Lot 1: 10 kV wire (201.17km) Lot 2: 0.4 kV SIW (510.89km)	9.66 7.66	NCB	Post	1S1E	Q1/2017	
AI/ADB-11 Aran RESSD	Lot 1: 10 kV cable (201.17km) Lot 2: 0.4 kV SIW (500.7km)	9.66 7.51	NCB	Post	1S1E	Q3/2017	
AI/ADB-12 Garb RESSD	Lot 1: 10 kV cable (193km) Lot 2: 0.4 kV SIW (591.8km)	9.26 8.88	NCB	Post	1S1E	Q2/2017	
AI/ADB-13 Shimal-Garb RESSD	Lot 1: 10 kV cable (188.4km) Lot 2: 0.4 kV SIW (590.11km)	9.04 8.85	NCB	Post	1S1E	Q2/2017	
AI/ADB-14 Janub RESSD	Lot 1: 10 kV cable (203.17km) Lot 2: 0.4 kV SIW (587.58km)	9.75 8.81	NCB	Post	1S1E	Q3/2017	
AI/ADB-15 Shimal RESSD	Lot 1: 10 kV cable (201.18km) Lot 2: 0.4 kV SIW	9.66 7.68	NCB	Post	1S1E	Q4/2017	

	(511.88km)						
5. Procurement of Plant - complete transformer substations (CTS) turnkey contracts							
AI/ADB-16 Baku RESSD	Lot 1: Supply and installation of 154 units of CTS Lot 2: Supply and installation of 154 units of CTS	7.70	NCB	Prior	1S1E	Q4/2018	
Shimal RESSD		7.70					
AI/ADB-17 Markazi Aran RESSD	Lot 1: Supply and installation of 168 units of CTS Lot 2: Supply and installation of 165 units of CTS	8.40	NCB	Prior	1S1E	Q2/2018	
Aran RESSD		8.25					
AI/ADB-18 Garb RESSD	Lot 1: Supply and installation of 182 units of CTS Lot 2: Supply and installation of 160 units of CTS	9.10	NCB	Prior	1S1E	Q3/2018	
Shimal-Garb RESSD		8.00					
AI/ADB-19 Canub RESSD	Lot 1: Supply and installation of 174 units of CTS	8.70	NCB	Prior	1S1E	Q3/2018	
6. Procurement of meters							
AI/ADB-20 Covers all RESSD	Supply of 108409 units meters	8.67	ICB	Prior	1S1E	Q1/2018	
AI/ADB-21 Covers all RESSD	Installation of 108409 units meters	3.25	Force account	N/A	N/A	As required.	

1S1E = single stage, single envelope; ICB = international competitive bidding; NCB = national competitive bidding; N/A = not applicable; Q = quarter; RESSD = regional electricity supply system department; SS = substation

3. Consulting Services Contracts Estimated to Cost \$100,000 or More

47. The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value (US\$ million)	Recruitment Method	Review	Advertisement Date (quarter/year)	Type of Proposal	Comments
CS-1	Program supervision and management consultant	3.50	QCBS 90:10	Prior	Q1/2016	FTP	International
CS-2	Consulting service for preparation of Tranche 2 and	<u>1.00</u>	QCBS 90:10	Prior	Q4/2017	FTP	International

	Tranche 3						
CS-3	External audit	0.5	CQS	Prior	Q1/2017	BTP	International

CQS = consultant qualification selection; CS = consulting services; BTP = biodata technical proposal; FTP = full technical proposal; Q = quarter; QCBS = quality- and cost-based selection.

4. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

48. The following table groups smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

Goods and Works								
Package Number	General Description	Estimated Value (US\$ million)	Number of Contracts	Procurement Method	Review	Bidding Procedure	Advertisement Date (quarter/year)	Comments
	None							

b. Indicative List of Packages Required Under the Project

49. The following table provides an indicative list of goods, works and consulting services contracts over the life of the project, other than those mentioned in previous sections (i.e., those expected beyond the current period).

Goods and Works							
Package Number ⁵	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Review	Bidding Procedure	Comments
	As above in sl. no. 2						

Consulting Services							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Review	Type of Proposal	Comments
	As above in sl. nos. 3 & 4						

c. List of Awarded and On-going, and Completed Contracts

50. The following tables list the awarded and on-going contracts, and completed contracts.

1. Awarded and On-going Contracts

Goods and Works							
Package Number	General Description	Estimated Value	Awarded Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Comments
	None						

Consulting Services							
Package Number	General Description	Estimated Value	Awarded Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Comments
	None						

2. Completed Contracts

Goods and Works								
Package Number	General Description	Estimated Value	Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Date of Completion	Comments
	None							

Consulting Services								
Package Number	General Description	Estimated Value	Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Date of Completion	Comments
	None							

d. Non-ADB Financing

51. The following table lists goods, works and consulting services contracts over the life of the project, financed by Non-ADB sources.

Goods and Works				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Comments
AI/ADB-22, Procurement of vehicles and equipment	1.50	1	NCB	
AI/ADB-23, Construction of administrative buildings (7 units)	4.80	7	NCB	
AI/ADB-24, Procurement of IT equipment for RESSD	1.70	1	NCB	

IT = information technology; NCB = national competitive bidding; RESSD = regional electricity supply system department

Consulting Services				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Comments
Not applicable				

e. National Competitive Bidding

1. General

52. The procedures to be followed for national competitive bidding shall be those set forth in the Public Procurement Law of December 27, 2001 with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the ADB Procurement Guidelines (“Guidelines”).

2. Eligibility

53. The eligibility of bidders shall be as defined under Section I of the Guidelines accordingly, no bidder or potential bidder should be declared ineligible for reasons other than those stated in Section I of the Guidelines. Bidders must be nationals of member countries of ADB, and offered goods, services, and works must be produced in and supplied from member countries of ADB.

3. Prequalification

54. Normally, post-qualification shall be used unless explicitly provided for in the loan agreement/procurement plan. Irrespective of whether post qualification or prequalification is used, eligible bidders (both national and foreign) shall be allowed to participate.

4. Registration and Licensing

- (i) Bidding shall not be restricted to pre-registered/licensed firms.
- (ii) Where registration or licensing is required, bidders (i) shall be allowed a reasonable time to complete the registration or licensing process; and (ii) shall not be denied registration/licensing for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.
- (iii) Foreign bidders shall not be precluded from bidding. If a registration or licensing process is required, a foreign bidder declared the lowest evaluated bidder shall submit the copy of license before the contract award within the reasonable time limits.

5. Bidding Period

55. The minimum bidding period is twenty-eight (28) days prior to the deadline for the submission of bids.

6. Bidding Documents

56. Procuring entities should use standard bidding documents for the procurement of goods, works and services acceptable to ADB.

7. Preferences

57. No domestic preference shall be given for domestic bidders and for domestically manufactured goods.

8. Advertising

58. Invitations to bid shall be advertised in at least one widely circulated national daily newspaper or freely accessible, nationally-known website allowing a minimum of twenty-eight (28) days for the preparation and submission of bids.

59. Bidding of NCB contracts estimated at US\$500,000 equivalent or more for goods and related services or US\$1,000,000 equivalent or more for civil works shall be advertised on ADB's website via the posting of the Procurement Plan.

9. Bid Security

60. Where required, bid security shall be in the form of a bank guarantee from a reputable bank.

10. Bid Opening, Bid Evaluation, and Award of Contract

- (i) Bids shall be opened in public.
- (ii) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated bidder.
- (iii) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.
- (iv) No bidder shall be rejected on the basis of a comparison with the employer's estimate and budget ceiling without ADB's prior concurrence.
- (v) A contract shall be awarded to the technically responsive bidder that offers the lowest evaluated price, and meets the qualifying requirements. Negotiations shall not be permitted.
- (vi) Splitting of award, of a single contract, among two or more bidders shall not be permitted.
- (vii) Price verification shall not be applied.

11. Rejection of All Bids and Rebidding

61. Bids shall not be rejected and new bids solicited without ADB's prior concurrence.

12. Disclosure of Decision on Contract Awards

62. At the same time that notification on award of contract is given to the successful bidder, the results of bid evaluation shall be published in a local newspaper or a well-known freely accessible website identifying the bid and lot numbers and providing information on (i) name of each Bidder who submitted a Bid, (ii) bid prices as read out at bid opening, (iii) name of bidders whose bids were rejected and the reasons for their rejection, and (iv) name of the winning Bidder, and the price it offered, as well as the duration and summary scope of the contract awarded. The executing agency/implementing agency/contracting authority shall respond in writing to unsuccessful bidders who seek explanations on the grounds on which their bids are not selected.

13. Participation by Government-owned enterprises

63. Government-owned enterprises in the Republic of Azerbaijan shall be eligible to participate as bidders only if they can establish that they are legally and financially autonomous,

operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

14. Right to Inspect/Audit

64. A provision shall be included in all NCB works and goods contracts financed by the Bank (ADB) requiring suppliers and contractors to permit ADB to inspect their accounts and records and other documents relating to the bid submission and the performance of the contract, and to have them audited by auditors appointed by ADB.

15. Fraud and corruption

- (i) The Borrower shall reject a proposal for award if it determines that the bidder recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for the contract in question.
- (ii) ADB will declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by ADB, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for, or in executing, ADB-financed contract.

D. Terms of Reference of Project Supervision and Management Consultants

65. The terms and reference (TOR) of the consultants are presented in Appendix 1.

VII. SAFEGUARDS

66. **Environmental Assessment:** An environmental assessment and review framework (EARF) was prepared for the MFF program in accordance with ADB's Safeguard Policy Statement 2009 (SPS) that provides the environmental management procedures to be adopted for future tranches. Tranche 1 project is classified as Environment Category B as impacts are mostly concentrated during the construction phase and can be addressed through proper focused mitigation measures. An initial environmental examination (IEE) has been conducted for the project. The IEE provides environmental management plans for each type of project activity and covers all the likely impacts, the IEE concluded that the project is not likely to cause any significant adverse environmental impacts. Public consultations were conducted in January 2015 as part of the IEE process; the IEE and EARF were disclosed in the ADB website. The IEE including the environmental management plan (EMP) are considered sufficient to meet the environmental assessment requirements of ADB and Government of Azerbaijan. Azerishiq is a new implementing agency and will hire an environment specialist to oversee implementation of the IEE and EMPs. The environment consultant, based in the Azerbaijan Resident Mission, under regional TA 8663¹⁰ will help build the environmental management capacity of this new agency.

67. All construction and operation activities will be monitored and reported by the PIU environment specialist in accordance with the requirements of the EMP prepared for the various subproject groups and included in the IEE. The supervision consultants—national and

¹⁰ TA 8663-REG: Sustainable Environmental Management of Projects in Central and West Asia.

international environment specialists—will monitor and review the implementation of the EMP and will assist Azerishiq in achieving compliance with ADB safeguard requirements. Provided the EMPs are properly implemented, there will be no unacceptable impacts arising from the project. Azerishiq shall ensure that the design, construction, operation and maintenance of all projects to be financed under the MFF are carried out in accordance with SPS (2009), the applicable laws and regulations in Azerbaijan, and the IEE and its EMP. Azerishiq shall ensure that potential adverse environmental impacts arising from the project are minimized by implementing all the mitigation and monitoring measures in the EMP. Azerishiq shall ensure that:

- (i) The EMP is to be updated based on the requirements of the detailed design prior to the implementation of civil works.
- (ii) Azerishiq has sufficient resources to implement and record the implementation of the EMP.
- (iii) The contractor prepares and submits to Azerishiq and ADB a site specific environmental management plan (SSEMP) prior to commencing any construction works. The SSEMP will be tailored to the environmental impacts of the site and the specific project activities as planned by the contractor.
- (iv) The contractor is responsible for the day to day implementation of the SSEMP with the environment specialist at PIU Azerishiq visiting regularly to confirm implementation.
- (v) Azerishiq, with the help of a construction supervision consultant, will submit to ADB semi-annual environmental reports for the project within two weeks of the close of each half of the calendar year during project implementation. The reports will include a review of the progress on environmental measures in the IEE and EMP, monitoring of such measures, problems encountered, and remedial measures taken.
- (vi) The detailed engineering design and civil works and other contracts for the project incorporate applicable environmental measures identified in the IEE and the EMP.
- (vii) The project's grievance redress mechanism (GRM) will be implemented. All environmental related complaints will be recorded in the complaints register on site and will be addressed through the procedures set up in the GRM.
- (viii) Should any change in scope take place, the EA will inform ADB and a due diligence on environment will be carried out. Any additional study required will be conducted, or the EIA updated as required by SPS (2009). If there are any unanticipated environmental impacts, they would be reviewed and a corrective action plan will be prepared by the contractor for implementation under the supervision of environment specialist PIU with assistance, as required by the supervision consultant.

68. Pursuant to SPS (2009), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS.

69. **Involuntary Resettlement.** The resettlement due diligence carried out for Tranche 1 project suggests no involuntary resettlement impacts therefore the tranche is categorized C for IR impacts in accordance with the ADB's Safeguard Policy Statement. However, a land acquisition and resettlement framework (LARF) has been prepared to guide the preparation of subsequent tranches and the implementation of tranche 1.

70. Complete details of entitlements for loss of assets and land are provided in the LARF. Additional support provisions for displaced persons belonging to vulnerable groups are also included. If during detailed design and implementation of tranche 1 any modification or additional land requirement or involuntary resettlement impacts are identified a land acquisition and resettlement plan (LARP) should be prepared/ modified in accordance with the applicable laws and SPS (2009) referred to in the LARF. Prior approval of ADB obtained before any further implementation.

71. Azerishiq will recruit a full-time resettlement expert and ensure that efficient GRM is in place, in accordance with the LARF, to assist affected persons to resolve grievances and complaints if any in a timely manner. Azerishiq will submit biannual monitoring reports to ADB for review and disclosure.

72. **Indigenous peoples.** The tranche 1 is categorized as category C for indigenous peoples. There are no indigenous people in the project vicinity in accordance with the ADB's SPS 2009.

VIII. GENDER AND SOCIAL DIMENSIONS

73. **Gender.** Men, as heads of households, make decisions on sources and types of energy, even though women are the primary users of energy in the home. Women will benefit more from the project in terms of reduction of drudgery or manual tasks through use of household electrical appliances. The investment program is not expected to have any adverse impact on women. Improvement in the quality and availability of the power supply is expected to enhance their income-generating capacity, and quality of community services.

74. In line with ADB's Guidelines for Gender Mainstreaming Categories of ADB projects, the recommended gender category for this project is category C – Some Gender Elements. Women will be encouraged in availing jobs in project implementation and there will be no wage discrimination between men and women with proper safeguards for health and safety. The women-headed households are considered and included as vulnerable category in the program's LARF, in which provision for additional assistance has been made under the entitlement matrix for any negative impacts due to the project caused to them. Information on the program's GRM and Azerishiq hotline will be widely disseminated to enable both men and women customers to provide feedback and seek information on the project. The specific gender development measures suggested under the investment program includes:

- (i) To empower the women with more skill, Azerishiq will train at least 20% women staff in key aspects of distribution network management.
- (ii) Introduction of smart metering system and systematic management of distribution network may require more customer care staffs under the program. Azerishiq will ensure that the newly recruited customer care jobs under the program will include at least 80% women staffs, which will help in reducing the gender gap within Azerishiq.
- (iii) Since the rehabilitation work may result in temporary power disruption, which in turns affect women who manages the household job, to aware and effectively deal with such problem, Azerishiq will ensure dissemination of construction schedule by involving at least 50% women in consultation process during the project implementation period. Involving women in consultation process include: (a) informing rehabilitation work schedule in advance to the women, being the primary users of energy at home, to avoid and reduce inconvenience during temporary

interruption in power supply; (b) educating on use of energy efficient appliances and lighting equipment at household level targeting women as the main power consumers; (c) educating on benefit in terms of reduction of drudgery or manual tasks through use of household electrical appliances; and (d) informing and educating on safety measures to be taken by women and children during the rehabilitation work period.

75. **Poverty.** Azerbaijan has made significant progress in reducing poverty. Poverty incidence has fallen from 49.67% in 2001 to 5% in 2013. Economic growth can be regarded as partly inclusive because of substantial poverty reduction, decline in regional poverty disparities, the rise in rural employment rates, and broad-based impact on household consumption in urban and rural areas. The program is focused on improving the energy efficiency and reliability of distribution system, which is part of energy system that takes generated power, steps down the voltage and delivers it to households and industries. The program will also improve revenue collection systems; reduce commercial losses and the load management capability of the system; hence, improving the accessibility of all segments of population to a quality power supply. The investment program will increase the reliability of power supply to residential, agricultural, commercial, and industrial customers including poor in the country.

76. **Health.** No any major health issue or risk has been identified in terms of proposed program intervention. However, it is recommended that, Azerishiq will disseminate, or engage appropriate service providers to disseminate information on the risks of sexually-transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the MFF and to members of the local communities surrounding the project area, particularly women.

77. **Labor.** The investment program is expected to create significant employment opportunities. Employment will be available for both men and women who shall receive equal wage for similar works performed. All local labor regulations will apply and be enforced, with adherence regularly monitored by the Supervision Consultant and the PMU. Contractors will be required to report on its labor recruitment and conditions of works.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework – Multitranche Financing Facility

Impacts the Project is Aligned With: Increased availability of reliable electricity supply to all domestic consumers (Azerbaijan 2020: Look Into the Future, the Government of Azerbaijan, 2012) ^a			
Project Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome Improved efficiency and reliability of the power distribution networks	By 2022 a. Average annual unserved energy due to outages reduced to less than 1% of energy sales (baseline: 7% in 2014) b. Nationwide distribution network losses reduced to 8% (baseline: 16% in 2014) c. Revenue collection in the national distribution companies increased to 95% (baseline: 70% in 2014)	a–c. Azerishiq OJSC annual report, audited financial statements, and project accounts	Other energy sector investment projects funded by the government and other agencies are not completed as planned.
Outputs 1. Distribution network including distribution lines and substations rehabilitated, augmented, and functional	By 2022 1a. Rehabilitation of 110 kV substations (15 units), 35 kV substations (52 units), 6–10 kV transformer stations (4,004 units) 1b. Rehabilitation of 110 kV distribution lines (150 km), 35 kV distribution lines (400 km), 6–10 kV distribution lines (2,600 km)	1a–b. Commissioning certificate by Azerishiq OJSC	Procurement delay by Azerishiq OJSC due to lack of adequate experience with ADB's procurement guidelines and procedures Unexpected delays in construction due to inexperience of the turnkey (engineering, procurement, and construction) contractors
2. Customer services lines rehabilitated and smart meters installed and operational	By 2022 2a. Replacement of 0.4 kV customer service lines (10,154 km) 2b. Installation of about 300,000 new smart meters	2a. Azerishiq OJSC quarterly project progress report 2b. Commissioning certificates for new electricity meters	Insufficient tariff increase causing Azerishiq OJSC's financial position to further deteriorate
3. Institutional capacity improved and corporate reform achieved	By 2022 3a. At least 250 staff (at least 20% of whom are women) from Azerishiq OJSC are trained in key aspects of distribution network management 3b. Azerishiq OJSC corporate business plan and performance	3a–b. Azerishiq OJSC quarterly project progress report	

	targets developed by 2016 and updated yearly thereafter		
Key Activities with Milestones			
Output 1: Distribution network including distribution lines and substations rehabilitated, augmented, and functional			
1.1 Procure turnkey contracts (April 2016–June 2021)			
1.2 Mobilize project management and supervision consultant (July 2016)			
1.3 Implement and complete turnkey contracts (June 2016–December 2022)			
Output 2: Customer services lines rehabilitated and smart meters installed and operational			
2.1 Procure equipment (January 2017–March 2022)			
2.2 Install equipment (June 2017–December 2022)			
2.3 Rehabilitate and improve electricity bill collection facilities (September 2017–December 2022)			
Output 3: Institutional capacity improved and corporate reform achieved			
3.1 Conduct needs assessment for specific skills and knowledge areas by consultants (September 2016)			
3.2 Conduct public information campaign for energy efficiency improvement and tariff reform (September 2016–December 2018)			
3.3 Develop and update Azerishiq OJSC corporate business plan and performance targets (December 2016–June 2022)			
3.4 Deliver and evaluate training courses for 250 staff (20% female) in procurement, project management, safeguards, and financial management (December 2016–December 2022)			
3.5 Construct new administration centers in regional networks and improve operation and maintenance facilities (June 2017–December 2022)			
Project Management Activities			
Recruit project management, supervision, and design consultant (June 2016)			
Prepare tranche 2 and tranche 3 projects (September 2016–September 2018)			
Inputs			
ADB (OCR): \$750,000,000			
Government: \$250,000,000			
Assumptions for Partner Financing			
Not applicable.			

ADB = Asian Development Bank, DMF = design and monitoring framework, km = kilometer, kV = kilovolt, OCR = ordinary capital resources, OJSC = Open Joint-Stock Company.

^a Government of Azerbaijan. 2012. *Azerbaijan 2020: Look Into the Future*. Baku.

http://www.president.az/files/future_en.pdf

Source: Asian Development Bank estimates.

DESIGN AND MONITORING FRAMEWORK FOR TRANCHE 1

Impacts the Project is aligned with:				
Increased availability of reliable electricity supply to all domestic consumers (<i>Azerbaijan 2020: Look Into the Future</i> , the Government of Azerbaijan, 2012 ^a)				
Project Chain	Results	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome Improved efficiency and reliability of the power distribution networks		By 2019 a. Average annual unserved energy due to outages reduced to below 5% of energy sales (baseline: 7% in 2014) b. Nationwide distribution network losses reduced to 13%. (baseline: 16% in 2014) c. Revenue collection in the national distribution companies increased to 80% (baseline: 70% in 2014)	a-c. Azerishiq OJSC annual report, audited financial statement and project account.	Other power sector investment projects funded by the government and other agencies are not completed as planned
Outputs 1. Distribution network including distribution lines and substations rehabilitated, augmented, and functional		By 2019 1a. Rehabilitation of 110 kV substations 4 units, 35 kV substations 16 units, 6-10 kV transformer stations 1,157 units (2014 baseline: 0) 1b. Rehabilitation of 110 kV distribution lines 54 km, 35 kV distribution lines 124 km, 6-10 kV distribution lines 1,237 km (2014 baseline: 0)	1a-b. Commissioning certificate by Azerishiq OJSC	Procurement delay by Azerishiq OJSC due to lack of adequate experience with ADB's procurement guidelines and procedures Unexpected delays in construction due to inexperience of the turnkey (engineering, procurement, and construction) contractors
2. Customer services lines rehabilitated and smart meters installed and operational		By 2019 2a. Replacement of 0.4 kV customer service lines 3,900 km including installation of about 108,409 smart meters (2014 baseline: 0%) 2b. Household electricity bill collection efficiencies increased to 80% (2014 baseline: 70%)	2a-b. Azerishiq OJSC quarterly project progress report	Insufficient tariff increase causing Azerishiq OJSC's financial position to further deteriorate
3. Institutional capacity improved and corporate reform achieved		By 2019 3a. At least 80 staff (where at least 20% staff are women) from Azerishiq are trained in key aspects of distribution network management (2014 baseline: 0) 3b. Azerishiq corporate business plan, financial management system,	3a-b. Azerishiq OJSC quarterly project progress report	

Project Chain	Results	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
		and performance targets developed by end of 2016 and updated yearly thereafter (2014 baseline: 0)		
<p>Key Activities with Milestones</p> <p>Output 1: Distribution network including distribution lines and substations rehabilitated, augmented, and functional</p> <p>1.1 Recruit project management, supervision, and design consultant (June 2016). 1.2 Procure turnkey contracts (Apr 2016–Jun2017). 1.3 Mobilize project management and supervision consultant (Jul 2016). 1.4 Implement and complete turnkey contracts (Jun 2016–Dec 2018).</p> <p>Outputs 2: Customer services lines rehabilitated and smart meters installed and operational</p> <p>2.1 Procure equipment (Jan 2017– Mar2018). 2.2 Installation equipment (Jun 2017 – Dec 2018). 2.3 Rehabilitate and improve electricity bill collection facilities (Sep 2017–Dec2018).</p> <p>Outputs 3: Institutional capacity improved and corporate reform achieved.</p> <p>3.1 Conduct needs assessment for specific skills and knowledge areas by consultants. (Sep 2016). 3.2 Conduct public information campaign for energy efficiency improvement and tariff reform (Sep 2016-Dec 2017). 3.3 Develop and update Azerishiq corporate business plan, financial management system, and performance targets. (Dec 2016). 3.4 Deliver and evaluate training courses for 80 staff (20% female) in procurement, project management, safeguards, and financial management. (Dec 2016–Dec 2018). 3.5 Prepare Tranche 2 and Tranche 3 projects (Sept 2016–Dec 2018). 3.6 Construction of new administration centers in regional networks and improvement of operation and maintenance facilities (Jun 2017–Dec 2018).</p>				
<p>Inputs</p> <p>ADB (OCR): \$250,000,000 Government: \$75,000,000</p>				

ADB = Asian Development Bank, km = kilometer kV = kilovolt, OCR = ordinary capital resources.

^a *Azerbaijan 2020: Look Into the Future*, the Government of Azerbaijan, adopted in 2012.

http://www.president.az/files/future_en.pdf

Source: Asian Development Bank estimates.

B. Program and Tranche Monitoring

79. **Project performance monitoring.** The PMU will establish a performance monitoring system for the MFF and for each project. The performance reports for each project will be compiled for preparation of the MFF performance reporting. Project completion reports will be prepared for each tranche and the facility within 3 months of physical completion and submitted to ADB. The PMU will prepare quarterly progress reports and submit these to ADB within 30 days of the end of each quarter. These reports will include: (i) a narrative description of progress made during the period; (ii) changes in the implementation schedule; (iii) problems or difficulties encountered; (iv) work to be carried out during the next period; (v) progress on environmental and social compliance; (vi) a report on implementation of EMPs for all environment category A projects; and (vii) compliance with covenants of the individual loan and project agreements. The progress reports will include project expenditures during the period and total expenditures to date. Performance will be evaluated on the basis of indicators and targets stipulated in the design and monitoring framework. The ADB project team will prepare periodic and annual reports to inform ADB's board of directors of overall progress, and supplemental progress reports prior to management approval of individual tranches.

80. The following indicators will be updated in the quarterly progress reports and at the time of semi-annual reviews, and the midterm review expected within two years from the date of loan effectiveness. The financial indicators will be monitored annually at the time of submission of annual financial report.

- (i) Project performance indicators
 - a. National level system losses by region by customer category by technical/non-technical losses
 - b. National level system outages
 - c. National level distribution network coverage in lengths per each voltage level
 - d. National level installed transformer capacity
 - e. Distribution losses by region, by customer category
 - f. Number of prepayment meters installed by region
 - g. Number of customers by region, by customer category
 - h. Collection rate by region, by customer category
 - i. Number of Azerishiq personnel trained
- (ii) Financial indicators
 - a. Net income after tax - annually
 - b. Debt service coverage ratio of Azerishiq (the ratio of cash flow from operations to annual debt service obligations)—annually
 - c. Debt to equity ratio—annually
 - d. Current ratio—annually

81. **Compliance monitoring.** The EA will ensure that the projects under the MFF are undertaken, and that all project facilities are designed, implemented, operated, and maintained, in accordance with the applicable laws and regulations of the Government of Azerbaijan and the EARF. For each tranche, the EA will prepare and implement the necessary IEE or EIA in accordance with EARF. The environmental categorization and assessment procedures defined in the EARF will be followed.

82. Loan covenants — policy, legal, financial, economic, environmental, and others — will be monitored through semi-annual project reviews and the midterm review.

83. **Safeguards monitoring** will be performed by the Project Supervision Consultants and PMU. The monitoring results will be included in the quarterly progress reports, and semi-annual environmental reports will be prepared separately for environment and social safeguards and submitted to ADB for disclosure.

84. **Gender and social dimensions.** Implementation of the social and gender-specific measures prescribed in the SPRSS will be monitored and reported on in the quarterly progress reports.

C. Evaluation

85. **Inception Mission.** ADB will field an inception mission after loan signing to (i) establish a working relationship between ADB, government and Azerishiq; and (ii) to ensure that the government and Azerishiq understand ADB's procedures.

86. **Review Missions.** ADB will field semiannual review missions to review overall implementation of the project and update project implementation schedule based on mission findings.

87. **Tranche 1 Midterm Review Mission.** ADB will field a midterm review mission within two years of loan effectiveness to assess whether attainment of the Project's immediate objective (purpose in terms of the design and monitoring framework) is still likely to be achieved.

88. **Facility Midterm Review Mission.** ADB will field a midterm review mission within four years of tranche 1 effectiveness to assess whether attainment of the facility's immediate objective (purpose in terms of the design and monitoring framework) is still likely to be achieved

89. **Project Completion Review Mission.** ADB will field a project completion review mission upon physical completion of the Project to commence preparation of ADB's project completion report. Azerishiq will submit a project completion report to ADB within 3 months of physical completion of the Project.¹¹

D. Reporting

90. Azerishiq will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) biannual environmental monitoring reports (format attached as Appendix 2); (iii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) updated procurement plan and (d) updated implementation plan for next 12 months, and (iv) a project completion report within 3 months of physical completion of the Project. To ensure projects continue to be both viable and sustainable, audited project financial statements and the executing agency's audited financial statements, together with the associated auditor's report, should be adequately reviewed

¹¹ Project completion report format available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

E. Stakeholder Communication Strategy

91. Azerishiq has consulted with stakeholders, including affected communities, during the project design stage. During the preparatory stages of each tranche under the MFF, meaningful consultations will be carried out with various stakeholders and government officials concerned. Local communities will be consulted as part of the social and resettlement study to gather their views on the proposed projects under the MFF. All affected people will be consulted on one-to-one basis through questionnaire surveys. Additionally, focus group discussions will be conducted within the project influence areas. Consultations will continue during the entire project cycle according to a stakeholder participation plan.

X. ANTICORRUPTION POLICY

92. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.¹² All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.¹³

93. To support these efforts, relevant provisions are included in the loan agreement/regulations and the bidding documents for the project. Procurement will follow ADB's Procurement Guidelines (April 2015, as amended from time to time), consultant selection will adopt ADB's Guidelines on the Use of Consultants (March 2013, as amended from time to time), and disbursement will be made in accordance with ADB's disbursement policies, guidelines, practices, and procedures.

94. Azerishiq shall provide on its website updated information on Tranche 1 and ensure that the website and relevant section thereof is accessible by the public at all times. Such information shall reflect the performance of Tranche 1, business opportunities, bidding process and guidelines, the list of participating bidders, name of the winning bidder, amount of contract awarded, and summary progress reports of the Project. The website shall also provide a link¹⁴ to ADB's Integrity Unit for reporting to ADB any grievances or allegations of corrupt practices arising out of the Tranche 1 Project and Project activities.

95. ADB's Anticorruption Policy designates the Office of Anticorruption and Integrity (OAI) as the point of contact to report allegations of fraud or corruption among ADB-financed projects or its staff. OAI is responsible for all matters related to allegations of fraud and corruption. For a more detailed explanation refer to the Anticorruption Policy and Procedures. Anyone coming across evidence of corruption associated with the project may contact the Anticorruption Unit by telephone, facsimile, mail or email at the following numbers/addresses:

by email at integrity@adb.org or anticorruption@adb.org
 by phone at +632 632 5005
 by fax to +632 636 2152
 by mail at the following address (Please mark correspondence "Strictly Confidential")

¹² Available at: <http://www.adb.org/documents/anticorruption-policy>.

¹³ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>.

¹⁴ <http://www.adb.org/Integrity/complaint.asp>

Office of Anticorruption and Integrity
 Asian Development Bank
 6 ADB Avenue, Mandaluyong City
 1550 Metro Manila, Philippines

XI. ACCOUNTABILITY MECHANISM

96. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.¹⁵

97. Grievance redress mechanism will be established throughout the Investment Program. Grievance redress committees will be in place to receive and resolve complaints, as well as to act upon stakeholders' reports of irregularities on project-related matters, including grievances concerning land donation procedures. Azerishiq will widely publicize the existence of this mechanism to ensure that stakeholders are aware that a venue is available address concerns or grievances relating to fraud, corruption, abuse, and any other aspects of project implementation.

XII. RECORD OF FAM CHANGES

98. All revisions/updates during course of implementation are retained in this Section to provide a chronological history of changes to implementation arrangements recorded in the FAM.

Date	Changes made to the Facility Administration Manual

¹⁵ For further information see: <http://www.adb.org/site/accountability-mechanism/main>.

Appendix 1**AZE: Multitranches Financing Facility (MFF) Power Distribution Enhancement Investment Program, Tranche 1****Terms of Reference for Project Supervision and Management Consultants****A. Introduction**

1. The Government of Azerbaijan (GOA) has applied for a multitranches financing facility (MFF) from the Asian Development Bank (ADB) for the purposes of financing the Power Distribution Enhancement Investment Program (the Program). Azerishiq OJSC (Azerishiq) is the executing agency of the Program.

2. The Program's objective is to improve energy efficiency of power distribution subsector in Azerbaijan through rehabilitation and expansion of aged power distribution network. The investment Program will: (i) improve power supply reliability in the regions (rayons); (ii) reduce distribution losses; (iii) improve customer service efficiency and quality; (iv) improve operational and financial performance of the regional distribution companies; and (v) promote corporate reform and capacity development in the distribution subsector.

3. The total program investment cost is estimated at US\$1,000 million including the physical and non-physical components. The program includes 3 subsequent tranche projects.

4. Tranche 1 Project (the Project) under the MFF comprises the following components:

- (i) rehabilitation and expansion of aging medium- and low-voltage distribution lines including approximately 54 km of 110 kV overhead lines, 110 km of 35 kV overhead lines, and 1,190 km 10 kV overhead lines, 15 km of 35 kV underground cables, and 49 km of 10 kV underground cables in the Project Area;
- (ii) rehabilitation and expansion of aging medium- and low-voltage substations including 4 substations at 110 kV, 16 substations at 35 kV, and 1,157 complete transformer substations (CTS) in the Project Area;
- (iii) replacement of aging customer service lines with self supporting insulated wires of approximately 3,900 km, and installation of digital electric meters of approximately 108,410 units in place of inaccurate induction type meters in the Project Area; and
- (iv) project implementation support comprising project management and supervision, safeguards compliance, institutional development and capacity building for Azerishiq.

5. "Project Area" means the regions of Aran, Baki, Canub, Garb, Markazi Aran, Shimal, Shimal Garb, which are under administration and operation by Azerishiq regional operating company.

6. Tranche 1 is estimated at \$325 million. Physical completion of the project is expected by 31 December 2018.

B. Objectives of the Assignment

7. Azerishiq intends to recruit a consulting firm for the project supervision and management consultants (the Firm) to assist the existing project management unit (PMU) in assuring that the Project is constructed according to the specified standard, completed on schedule and within the project cost frames, monitored and controlled, i.e., all works are carried out in accordance with contracts in terms of quality, times schedule, and cost.

8. An international consulting firm with international and national experts experienced in power distribution projects is required. The assistance on project management and supervision shall include review and audit of the detailed engineering design, procurement, construction, erection, testing and commissioning, environmental and social safeguards monitoring, issue of necessary progress reports, and improve the Azerishiq's project management capacity. The Consultant will also be responsible for the financial management of Project-related activities including establishing a project performance monitoring system (PPMS) for the entire MFF and each individual tranche, assistance in accounting, and issuance of payments certificates to Azerishiq, etc.

C. Scope of Services, Tasks (Components) and Expected Deliverables

9. The Firm will assist Azerishiq in implementing the Tranche 1 Project. The Firm will prepare necessary project plans, progress reports, payment certificates, provisional and final take over certificates, claims evaluation reports, project final report and any other project management documents as required in accordance with good practice and Azerishiq and ADB requirements.

10. The Consultant's services and responsibilities during the period of assignment will include but are not limited to the following:

- (i) Assist Azerishiq for general project management. Assistance to the PMU in preparing and implementing a project performance monitoring system (PPMS) to evaluate project effectiveness. The PPMS will measure project performance against the parameters as set out in the design and monitoring framework (DMF) of the ADB's Report and Recommendation of the President. The PPMS will establish baseline data and benchmarks, collect necessary information, monitor progress, identify benefits and evaluate social impact.
- (ii) Preparation and submission of a project inception report.
- (iii) Organizing of monthly progress meetings chaired by the project manager or a member of the PMU or the consultant's team for all major contracts and providing minutes of monthly progress meetings.
- (iv) Assist in preparing and issuing of bidding documents, organizing site visits, assisting pre-bid meetings, responding to requests for clarification on bidding documents.
- (v) Assist in the evaluation of bids and prepare draft bid evaluation reports.
- (vi) Review, audit and acceptance/approval of the detailed designs (drawings and design documents) provided by the contractors of the different project components. However, taking any action in the role of an Engineer shall require client's prior approval.
- (vii) Supervision of the works of the contractors for construction of the project facilities and provide guidance to the contractors to conform to specifications.

- (viii) Assist in resolving contractual issues including review, evaluation and confirmation of contractors' claims for cost increase or time extension, and contract variation orders.
- (ix) Assist in developing and implementation of a construction quality assurance program.
- (x) Review and approve the contractors' factory acceptance test reports for compliance with manufacturers' requirements and design criteria.
- (xi) Inspect equipment and materials' deliveries to ensure compliance with specification.
- (xii) Monitor implementation progress and identify any expected delays and reasons for such delays, and propose measures to resolve potential negative impact on project implementation from the delays.
- (xiii) Monitor and verify contractors' work and assist the PMU in issuance of related certificates.
- (xiv) Supervise and monitor the timely performance and analyze the causes of delays, if any.
- (xv) Witness commissioning, guarantee, and acceptance tests, and assist Azerishiq in taking over the completed facilities. Review commissioning reports, prepared by the contractors to be included in monthly reports and the project completion report.
- (xvi) Review and supervise compilation of the "as-built" drawings and review the operation and maintenance manuals provided by the contractors for accuracy and adequacy.
- (xvii) Issuance of necessary progress reports, such as quarterly progress reports and brief monthly summaries of the monthly progress reports prepared by the Contractors for all major contracts.
- (xviii) Financial management of Project-related activities, including establishing a management information system, assistance in accounting and preparation of financial statements, as well as the review of all costs and contractor(s) invoices and making recommendations to the PMU for payment based on contract(s) and progress of works; and issuance of payments certificates.
- (xix) Review observation of environmental protection regulations by contractor(s). Assist Azershiq in overall implementation of the environmental management plan (EMP) and monitoring contractors' implementation of environmental mitigation measures as outlined in the EMP.
- (xx) Assist in the planning and implementation of social safeguard issues and measures for Tranche-1.
- (xxi) Assist in preparing semi-annual environmental monitoring reports and semi-annual social safeguard monitoring reports and to provide early warning and reporting of any potential safeguard risks with detailed description of the event and proposed corrective actions.
- (xxii) Review progress and result of training programs to be provided by contractor(s).
- (xxiii) Review contractors' commissioning programs and make recommendations to the PMU.
- (xxix) Witness all commissioning tests for new equipment before connecting to the power system.
- (xxv) Assist the Azerishiq with the creation of an operation and maintenance plan; and
- (xxvi) Prepare the project completion report.

11. In all the above tasks under the word "assist", it is understood that the consultant shall share the responsibility for the respective task, which doesn't exclude the authority given to Azerishiq by local Applicable Law.

Downstream work may be required based on good performance. Training is not a specific component of the assignment.

D. Team Composition & Qualification Requirements for the Firm and the Key Experts

(a) Qualification of the Firm:

12. The consulting firm is expected to be engaged by 31 May 2016 under the overall direction of the Project Director of the PMU. The overall service is expected to be completed by December 2018.

13. The Consultant shall be a consulting firm with relevant project management experience and in supervisory work on power distribution projects (includes 110 kV, 35 kV, 10 kV, and 6 kV system, and household connections), preferably of 10 years. The firm shall have international engineering specialists with expertise in design and construction of power distribution facilities, and project management and implementation. The firm should have experience in developing countries and in the region, preferably in the Central and West Asia countries.

(b) Team Composition:

14. The consultant's team will include, but not necessarily restricted to:

Key International Experts

	Team Member	Number of Positions	Person-months
1	Team Leader/Distribution Engineer	1	20
2	Electrical Engineer	1	8
3	Procurement Expert	2	24
4	Financial Management Expert	1	12
5	Environmental Expert	1	6
6	Social Safeguard Expert	1	6
	Total	7	76

Key National Experts

	Team Member	Number of Positions	Person-months
1	Electrical Engineer	3	72
2	Civil Engineer	3	72
3	Environmental Expert	1	12
4	Social Safeguard Expert	1	12
	Total	8	168

(c). Qualifications and Detailed Tasks of Key Experts:

A. Key International Experts (7)

15. **Team Leader / Distribution Engineer (1 position, 20 person-months)** will be the person responsible for the Consulting Supervision and Management Activities having appropriate experience and qualifications, including proactive team leading capacities. The team leader shall have the following qualifications: (i) Bachelor or higher degree (electrical engineering or equivalent); (ii) at least 10 years of relevant experience in design and implementation of distribution projects (includes 110 kV, 35 kV, 10 kV, and 6 kV system, and household connections); (iii) at least 5 years of experience in management and implementation of the same / similar projects; (iv) good communication and management skills and capacity to negotiate and develop good relations at works, at highest level, fluent in English; (v) The Engineer should have previous experience in procurement, engineering, business administration; knowledge of international organizations/agencies; previous work experience in projects financed by international financial organization, preferably associated knowledge of ADB financed project, disbursement and monitoring procedures. Previous experience in developing countries in the region is desirable, and knowledge of local language is added advantage. The Team Leader/Distribution Engineer will undertake the following:

- Coordinate with other team members to develop a detailed work plan and implementation schedule;
- Ensure reports are delivered to required quality and schedule;
- Review and confirm the proposed technical design and configuration of the distribution facilities and ensure contractor's designs and works are executed following project requirement;
- Supervise and monitor the project implementation;
- Develop and maintain a project quality assurance plan and ensure compliance with plan;
- Certify As-Built drawings and progress payments;
- Prepare quarterly payment reports and analyze causes of delay, if any, and propose remedial measures as necessary. He will be fully informed of and acquainted with the project activities, both within the consulting services and works at site. He will attend the key tests and the commissioning and will be responsible for:
 - quality control of the consulting services;
 - supervision of project reporting to PMU (monthly, quarterly and final project completion report).

16. **Electrical Engineers (1 position, 8 PM)** shall have the following qualifications: (i) Bachelor or higher degree in electrical engineering; (ii) Preferably 10 years of relevant experience in applying design and application of electrical systems for distribution network; and (iii) Previous experience in developing countries in the region is desirable. The Engineer will undertake the following:

- Coordinate with other team members and help team leader develop a detailed work plan and implementation schedule
- Supervise and monitor the project implementation with electrical related equipment, focused on automation, control, and protections.
- Monitor progress against plan
- Certify As-Built drawings and progress payments
- Ensure adherence to project quality assurance plan.

17. **Procurement Expert (2 positions, 12 PM each)** shall have a bachelor or higher degree in engineering, law or equivalent, around 10 years of experience in procurement and preferably relevant experience in procurement roles of power projects in the last 8 years. The specialist shall have advance knowledge of international organizations/ agencies and national public procurement regulations and procedures, especially associated knowledge of ADB procurement and FIDIC contracts. The expert should also have previous work experience in procurements and should have work on projects financed by international financial organization, especially ADB- funded projects. Direct experience of public sector procurement (legislation, Institutional framework, systems and training) are added advantages. Previous experience in developing countries in the region is desirable. The specialist will undertake the following:

- Assist Azerishiq in developing procurement capacity;
- Assist Azerishiq for bid evaluation and contract negotiation;
- Assist Azerishiq in monitoring and evaluating procurement progress, procedures compliance;
- Assist Azerishiq in contract management;
- Ensure adherence to project safety plan and quality assurance plan; and
- Update procurement status databases on procurement processes and contract awards.

18. **Financial Management Expert (1 position, 12 PM)** shall have the following qualifications: (i) Bachelor or higher degree in accounting and financing; (ii) Preferably 10 years of relevant experience in project financing management in the power sector; and (iii) Previous experience in developing countries in the region and knowledge of FM requirement under ADB financed project are desirable. The Expert will undertake the following:

- Coordinate with other team members and help team Leader develop a detailed work plan and Implementation schedule; and
- Assist Azerishiq in the financial management of Project-related activities, including establishing a management information system, assistance in accounting and preparation of financial statements, as well as the review of all costs and contractor(s) invoices and making recommendations to the PMU for payment based on contract(s) and progress of works; and issuance of payments certificates.

19. **Environmental Expert: (1 position, 6 PM)** shall have the following qualifications: (i) Bachelor or higher degree in environmental; (ii) Preferably 10 years of relevant experience in projects in power sector; and (iii) Previous experience in international financed projects in the region is desirable. The expert will undertake the following:

- Recommend monitoring plans to address identified significant environmental impacts;
- Monitor safeguards and EMP implementation to ensure the safeguards and EMP are properly implemented;
- Assist Azerishiq with capacity building on environmental safeguard.

20. **Social Safeguard Expert: (1 position, 6 PM)** shall have the following qualifications: (i) Bachelor or higher degree in social management; (ii) Preferably 10 years of relevant experience in projects in power sector; and (iii) Previous experience in international financed projects in the region is desirable. The expert will undertake the following:

- Recommend monitoring plans to address identified significant social Impacts;
- Monitor social safeguards to ensure the social safeguards and Resettlement and Compensation Plan are properly implemented;
- Assist Azerishiq with capacity building on environmental and social safeguard

B. Key National Experts (8)

21. **Electrical Engineers: (3 position, 24 PM each)** shall have the following qualifications: (i) Bachelor or higher degree in engineering; (ii) Preferably 5 years of relevant experience in projects in applying design and application of electrical systems for distribution projects (includes 110 kV, 35 kV, 10 kV, and 6 kV system, and household connections); and (iii) Previous experience in international financed projects in the region is desirable. The Specialist will undertake the following:

- Assist the international electrical engineer to develop a detailed work plan and implementation schedule;
- Assist to supervise and monitor the electrical system works of the Project; and
- Ensure adherence to project safety plan and quality assurance plan.

22. **Civil Engineers: (3 positions, 24 PM each)** shall have the following qualifications: (i) Bachelor or higher degree in civil engineering; (ii) Preferably 5 years of relevant experience in projects in power sector; and (iii) Previous experience in international financed projects in the region is desirable. The experts will undertake the following:

- Assist the international civil engineer to develop a detailed work plan and Implementation schedule;
- Assist to supervise and monitor the civil works of the Project; and
- Ensure adherence to project safety plan and quality assurance plan.

23. **Environmental Expert: (1 position, 12 PM)** shall have the following qualifications: (i) Bachelor or higher degree in environmental; (ii) Preferably 5 years of relevant experience in projects in power sector; and (iii) Previous experience in international financed projects in the region is desirable. The expert will undertake the following:

- Assist the international environmental expert to develop a detailed work plan and Implementation schedule;
- Assist Azerishiq with monitoring safeguards and EMP implementation to ensure the safeguards and EMP are properly implemented;
- Assist Azerishiq with capacity building on environmental safeguard.

24. **Social Safeguard Expert: (1 position, 12 PM)** shall have the following qualifications: (i) Bachelor or higher degree in social management; (ii) Preferably 5 years of relevant experience in projects in power sector; and (iii) Previous experience in international financed projects in the region is desirable. The expert will undertake the following:

- Assist the international social expert to develop a detailed work plan and Implementation schedule;
- Assist Azerishiq with monitoring safeguards to ensure the social safeguards and Resettlement and Compensation Plan are properly implemented;
- Assist Azerishiq with capacity building on environmental and social safeguard.

E. Reporting Requirements and Time Schedule for Deliverables

25. The Consultant shall prepare various reports/documents at the time and with pertinent number of copies for printed versions as indicate below and submit the same to Farruh Heybatov, PMU Director, at 23, Suleyman Rahimov str., 5th floor, PMU office, Baku, Azerbaijan

Report/Document	Number of copies	Deliverable
Brief Monthly Report	2 hard copies duly signed by the Team Leader, and	Every month after the effective date of the Contract, within 10

	electronic version (in PDF format) to PMU team.	working days from the end of the month.
Quarterly Report	2 hard copies duly signed by the Team Leader, and electronic version (in PDF format) to PMU team.	Every three months after the effective date of the contract, within 10 working days from the end of each quarter
Final Project Report	3 hard copies duly signed by the Team Leader, 3 (three) CD ROMs and electronic version (in PDF format) to PMU team	One month after the completion of the Project
Minutes of Progress Meetings	Scanned copy of the Minutes signed by the parties to PMU members	Within 5 working days from each progress meeting

26. The detailed contents of the reports on the status of project implementation will be discussed and agreed with PMU. However, the reports are proposed to contain the following topics:

- Environmental Safeguards** The Consultant shall assist Azerishiq to prepare a bi-annual environmental monitoring report on the implementation of the Environmental Management and Monitoring Plan (EMMP), to ensure that the preparation, design, construction implementation, operation and commissioning of the Project comply with (a) all applicable laws and regulations relating to environment, health and safety; (b) the Environmental Safeguards; (c) all measures and requirements set forth in the IEE, the EMP, and any corrective or preventive actions set forth in a safeguards monitoring report, and (d) any violation of environmental standards under this Project. The bi-annual report shall be submitted within 2 weeks by end of June and December of each year. The monitoring results will also be included in the quarterly progress reports.
- Social Safeguards** The Consultant shall assist Azerishiq to monitor and ensure all land acquisition and resettlement activities, if any, are implemented in compliance with (a) all applicable laws and regulations of the Government relating to land acquisition and involuntary resettlement; (b) the involuntary resettlement safeguards under ADB's Safeguards Policy Statement (2009); and (c) all measures and requirements set forth in the Resettlement Plan, and any corrective or preventive actions set forth in the safeguards monitoring report. The Consultants shall assist Azerishiq to prepare a compliance report on the implementation of the LARP after all land acquisition, compensation, and resettlement activities being completed. The monitoring results will be included in the quarterly progress reports.
- Project Completion Report** The consultants shall assist Azerishiq to prepare a project completion report within 6 month of physical completion of the Project. The project completion report format is available at: <http://adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>.
- Project Performance Monitoring** Specific indicators will be updated in the quarterly progress reports and at the time of semi-annual meetings and the midterm review expected in two years from the date of loan effectiveness.

For Brief Monthly Reports:

- Description of works performed during the reporting period (contractors' monthly progress reports);
- Activities planned for the next month (contractors' monthly progress reports);
- A copy of Minutes of Progress Meeting(s);
- Actual status of deliveries/works in percentages;
- Actual status of implementation of Environmental Management Plan;
- Identification of problematic areas.

For Quarterly Reports:

- Summary of main issues and obstacles, including recommended corrective action;
- Project Description including time schedule and project value;
- Progress and activities of the Contractors;
- Progress of manufacturing;
- Progress of deliveries;
- Progress of construction versus original schedule;
- Actual status of deliveries/works in percentages;
- Planned activities for the next reporting period;
- Changes in the scope of the Project and scope of services, including the list of issued change orders, if any;
- Contractors' site office activities and works accomplished;
- List of invoices issued by the Contractor and their status;
- Progress of contractors' design, preparation of drawings, calculations and documents received by the Consultant and their status of approval;
- Actual status of implementation of Environmental Management Plan;
- Status of physical disbursements of payment to the contractors;
- Annexes (plans, schedules, progress photographs);
- All quarterly reports shall include the status of Project performance against the parameters as set out in the Design and Monitoring Framework (DMF) of the Report and Recommendation of the President, including baseline data, benchmarks and achievements evaluating benefits and social impact.

For Final Project Reports:

- Executive Summary;
- Project description comprising:
 - Objectives;
 - Components of Project and scope with the name and address of individual contractor/sub-contractor;
 - Implementation method;
 - Project history;
 - Changes in scope-change orders issued;
 - Project execution comprising:
 - Comparison of planned and actual time-schedules;
 - Comparison of planned and actual costs;
 - Discrepancies in procurement of material and equipment;
 - Findings during construction;
 - Justification and explanation of changes in time-schedule;
 - Justification and explanation of changes in Project costs;
 - Performance of Contractors';
 - Additional works performed;
 - Experience with shut-down procedures;

- Test protocols/test results;
- Taking over certificates;
- Experience gained during Project Implementation;
- Illustrations with photographs;
- Final Training report.

The Final Project Report shall include the Project performance against the parameters as set out in the Design and Monitoring Framework (DMF) of the Report and Recommendation of the President, including baseline data and benchmarks, to monitor progress. The final content will be defined in agreement with Azerishiq.

All reports developed by the Consultant shall be in two languages, in Azeri and English. In case of discrepancy English shall prevail.

F. Period

27. The assignment will be undertaken on an intermittent basis from the contract effectiveness date.

G. Azerishiq's Input and Counterpart Personnel

28. Azerishiq will provide the consultants with: (i) appropriate office space, with telephone/internet connections; (ii) office equipment, including office communication equipment, excluding consumables, engineers' PCs or notebooks; (iii) access to relevant documents; (iv) access to equipment and facilities at the project site; and (v) necessary counterpart staff to be agreed during the contract negotiations.

Format for the Bi-Annual Environmental Monitoring Report**Bi-annual Environmental Monitoring Report**

Project Number: {XXXXXX}
{Month Year}

{Full Country Name}: {Project Title}
{(Financed by the <source of funding>)}

Prepared by {author(s)}
{Firm name}
{City, country}

For {Executing agency}
{Implementing agency}

This report does not necessarily reflect the views of ADB or the Government concerned, and ADB and the Government cannot be held liable for its contents.

TABLE OF CONTENTS

Part I Introduction

- Construction activities and Project Progress during previous 6 months
- Changes in project organization and Environmental management team
- Relationships with Contractors, owner, lender, etc.

Part II Environmental Monitoring

Environmental monitoring summary – summarize the previous six months monitoring data and provide explanations of any instances where environmental standards or guidelines are exceeded. Typically this will cover:

- Noise and Vibration
- Water Quality
- Air Quality
- Flora and fauna monitoring

Recommendations are required to show how any exceedences will be prevented in the future.

Graphs can be used in this section to show trends, however large tables of data or multiple graphs should be attached as an appendix.

Part III Environmental Management

- EMS, SSEMP and work plans. Report on delivery of documents, required amendments etc.
- Site Inspections and audits – summarize the number and type of site visits
- Non-compliance notices – summarize the details on the number of notices given out and the issues covered. Summarize the ranking of issues.
- Corrective action plans - report on timeliness of preparation and completion
- Consultation and complaints – report on any consultation undertaken and list any complaints received.

Annexes

- Monitoring data
- Photographs
- Implementation report on EIA mitigation requirements

Reference	Requirement	Action to Date	Action Required/Comment