

TACIS - TRACECA PROGRAMME
PORT NETWORK PLAN AND IMPROVEMENT PROGRAMME
SUPPLEMENTARY CONSULTANCY SERVICES FOR
RENOVATION OF THE FERRY TERMINALS OF BAKU AND TURKMENBASHI
AND THE DRY CARGO TERMINAL OF TURKMENBASHI
TERMS OF REFERENCE

1. INTRODUCTION AND BACKGROUND

1.1 General

Detailed studies and design of renovation of the ferry terminals of Baku and Turkmenbashi are being executed under the TACIS-TRACECA programme, by a consulting consortium headed by RAMBØLL, Denmark.

An institutional development, technical assistance and staff training project at the dry cargo terminal of the port of Baku is being executed by HPTI, Germany, also financed by TACIS.

With respect to the dry cargo terminal at Turkmenbashi, a feasibility study and conceptual design of rehabilitation of the facilities is being executed by Louis Berger, USA, financed by American Aid and being administered by EBRD.

The EBRD is considering to finance the renovation of the Port of Turkmenbashi and Port of Baku. The renovation should comprise:

- Renovation of the ferry terminals.
- Renovation of general cargo facilities - first phase of works and equipment.

TACIS-TRACECA is considering to finance the technical assistance as required by the EBRD. The needs of the EBRD are expressed in the TOR for the feasibility study and development of contract procurement of the dry cargo terminals of the port of Turkmenbashi. As mentioned above, phase 1, 2 and 3 have been awarded to Louis Berger US. For phase 4, EBRD or American aid funds are not available.

Part of the output of technical assistance needed by the Bank's staff is the input for the following documents:

- The Concept Clearance Memorandum
- The Initial Review Memorandum
- The Final Review Memorandum

A condition for TACIS-TRACECA to finance is that the consultancy work is executed by a European firm.

The overall planning of the master plan study of Turkmenbashi foresees the following milestones:

Master plan and financial analysis - August-September 1996
Approval of Master plan and financial analysis - October-November 1996
Concept of design, institutional plan and business plan - January-February 1997

For the renovation of the ferry terminals, the planning foresees the following milestones:

Determination of design criteria - July-August 1996
Detailed design - November-December 1996
Economic and financial evaluation - January-February 1997
Tender documents - April 1997

A big part of the needs of the EBRD are incorporated in the above-mentioned TACIS-studies and in the Louis Berger study under execution.

A contract for supplementary services covering the dry cargo terminal of Baku port has been awarded to HPTI.

These Terms of Reference cover supplementary consultancy services for the two ferry terminals and for the dry cargo terminal of Turkmenbashi, executed in harmony with the conditions of contract of the present contracts.

The full extent of consultancy services for the two ports shall produce the following output:

1. A complete set of tender documents for both ports by April-May 1997. These documents include as well the renovation of both ferry terminals as the first phase of the general cargo facilities in both ports.
2. Production of the intermediate key documents, similar to those planned for Turkmenbashi general cargo facilities and for the ferry terminals. These documents should be available at the planned milestone dates of the ongoing studies.
3. Consultancy services for prequalification of contractors for execution of the projects, for tendering of the works, tender evaluation and contracting of the complete projects.
4. Respect the request of all TRACECA TOR by producing all documents in Russian and in English.

The proposal for supplementary services should be in harmony with the TACIS-TRACECA conditions of financing technical assistance.

1.2 Ferry Terminals of Baku and Turkmenbashi, Background Information

The Port of Baku is the main sea-port of Azerbaijan. It occupies a key strategic commercial position on the Caspian Sea. The port has excellent rail and road connections for passengers and cargo into and out of the countries of the Caucasus region. The port of Turkmenbashi in the vicinity of the town of Turkmenbashi, is the main commercial port of Turkmenistan on the Caspian Sea. It is linked to its Central Asian hinterland by the major road and rail systems of the region. The link between both Caspian ports ensures the connection between the Caucasus countries and the coun-

tries of Central Asia. The majority of the cargo shipped in both ports uses that link. It is a key element in the TRACECA corridor (Transport corridor Europe-Caucasus-Asia).

For yet unknown reasons the water level in the Caspian Sea is rising at an average rate of some 25 cm during the last years. This phenomenon commenced in 1975. The alarming rise in the Caspian Sea level creates major difficulties in operating the ferry service. The ferry terminals in both ports will be out of service within some 3 years if the sea level continues to rise. Parts of the ferry terminals are in a bad condition and need major rehabilitation.

The Baku-Turkmenbashi link is a typical short sea link. Hence it is advantageous, as present practice, to use facilities that do not need transshipment. First priority should be given to the rail ferry link, for this reason. This ferry link can transport both trains and trucks. The other port facilities in both ports also need rehabilitation. However, their reconstruction should be planned within an overall master plan, taking into account future needs. When the present transition period, following independence, is stabilised, and when the transport facilities again take increasing amounts of cargo, it is anticipated that the ports will generate sufficient income to finance these extra renovation works. Thus their debt level will be kept within reasonable limits. The growth of the petroleum industry allows optimism.

The majority of the cargo between the Caucasus region and Central Asia used and still uses today the ferry service between Baku (Azerbaijan) and Turkmenbashi (Turkmenistan). There is an ongoing shift from 100% rail transport to shared rail and road transport. The rail ferry takes trucks and wagons.

The ferry terminals of both Baku and Krasnovodsk have been designed by the "Kaspmorniiproekt" institute in Baku. This institute has designed many port facilities in the F.S.U. (in the Black Sea, the Baltic Sea, the Pacific Ocean, the Caspian Sea). Since the dissolution of the Soviet Union and the creation of the new independent states, the institute has suffered considerably by losing the major part of its customers and work load. However, the institute still possesses important historical data. Kaspmorniiproekt prepared in 1988 an overall plan for the reconstruction of Baku port. As the sea level is still rising, this project needs to be reviewed.

Against this background the Governments of Azerbaijan and Turkmenistan obtained technical assistance from the European Commission under the TACIS-TRACECA programme for a survey of the Caspian Sea water level rise and its influence on the operating conditions of both ports. The project included a survey of infrastructure in both ports and an attempt to forecast the future traffic flows. This technical assistance was carried out by the group of consulting engineers Sofremer, HPC and Deti. The final report was issued in July 1995. The study confirmed the urgent need to rebuild the ferry terminals in both ports.

The European Commission committed itself under the TACIS-TRACECA programme to prepare the redesign of the ferry terminals in both ports and to prepare the international tender documents for their reconstruction. The present terms of reference deal with a continuation of this study.

Since the dissolution of the Soviet Union, all ports of the New Independent States have to work in a new, free market oriented environment. The new environment has forced and still forces the ports to adapt to new policies and work methods, and to think commercially. The Caspian Sea crossing part of the TRACECA route has now to compete with other land traffic routes.

The TACIS-TRACECA programme includes a project of technical assistance and training for the port of Baku as mentioned above, aiming to strengthen the port's management in tackling the new challenges.

The project beneficiaries are the owners of the terminals, i.e. Baku Port Authority for the Baku terminal, and Turkmenbashi Port Authority for the Turkmenbashi terminal.

The ongoing services, being executed for TACIS by the RAMBØLL group since April 1996, cover the following activities:

- **First phase:** Definition of the design parameters.
- **Second phase:** Design of the ferry terminals.
- **Third phase:** Economic and financial evaluation.
- **Fourth phase:** Preparation of international tender documents.

The supplementary services required according to the present TOR are briefly mentioned above in section 1.1 and defined in the subsequent sections: 2. Objectives, and 3. Scope of Work.

1.3 Dry Cargo Terminal of Turkmenbashi

Rehabilitation of the dry cargo terminal of Turkmenbashi Port is being considered, as mentioned above. The aim of the project would be to help land-locked Turkmenistan diversify and improve its access to international markets in order to make best use of its resources. In addition to its rich natural gas reserves and cotton production, it has significant scope for the export of oil products, salt and other minerals. Turkmenistan may well also attract substantial volumes of transit cargo from the other land-locked neighbouring countries in Central Asia, such as Uzbekistan, as a vital transit gateway offering competitive and fast services.

The subject technical co-operation project will involve the preparation of a feasibility study of the Turkmenbashi Port Development Project.

Turkmenistan has presently limited and inadequate access to world markets through the territory of other countries, mainly Russia. Turkmenbashi port (formerly Krasnovodsk) on the Caspian Sea is the country's only sea-borne link to the western world. Significant savings in transport time and costs could be achieved by utilising Turkmenbashi Port as an alternative to rail shipment through the Eurasian Railroad or mid-Asia Railroad.

The port, situated in one of the most sheltered areas of the Caspian Sea, is managed and operated by Turkmen Sea Administration (TSA) which is fully state owned. The port currently offers water shipping for 7-8 months of the year, across the Caspian and through the Volga/Don canal system to the Black Sea ports. However, it could potentially provide an uninterrupted service all year round through various inter-modal transport routes. Another, alternative transport corridor is proposed following a protocol signed in June 1994 with Iran to use the port of Enzeli in Iran from which truck transport could be used to Black Sea ports in Turkey. The rail/truck/passenger ferry link from Turkmenbashi to Baku and the westbound trans-Caucasus rail link to the Black Sea ports of Batumi and Poti, part of the TRACECA-corridor, as mentioned in the preceding sub-section, is another

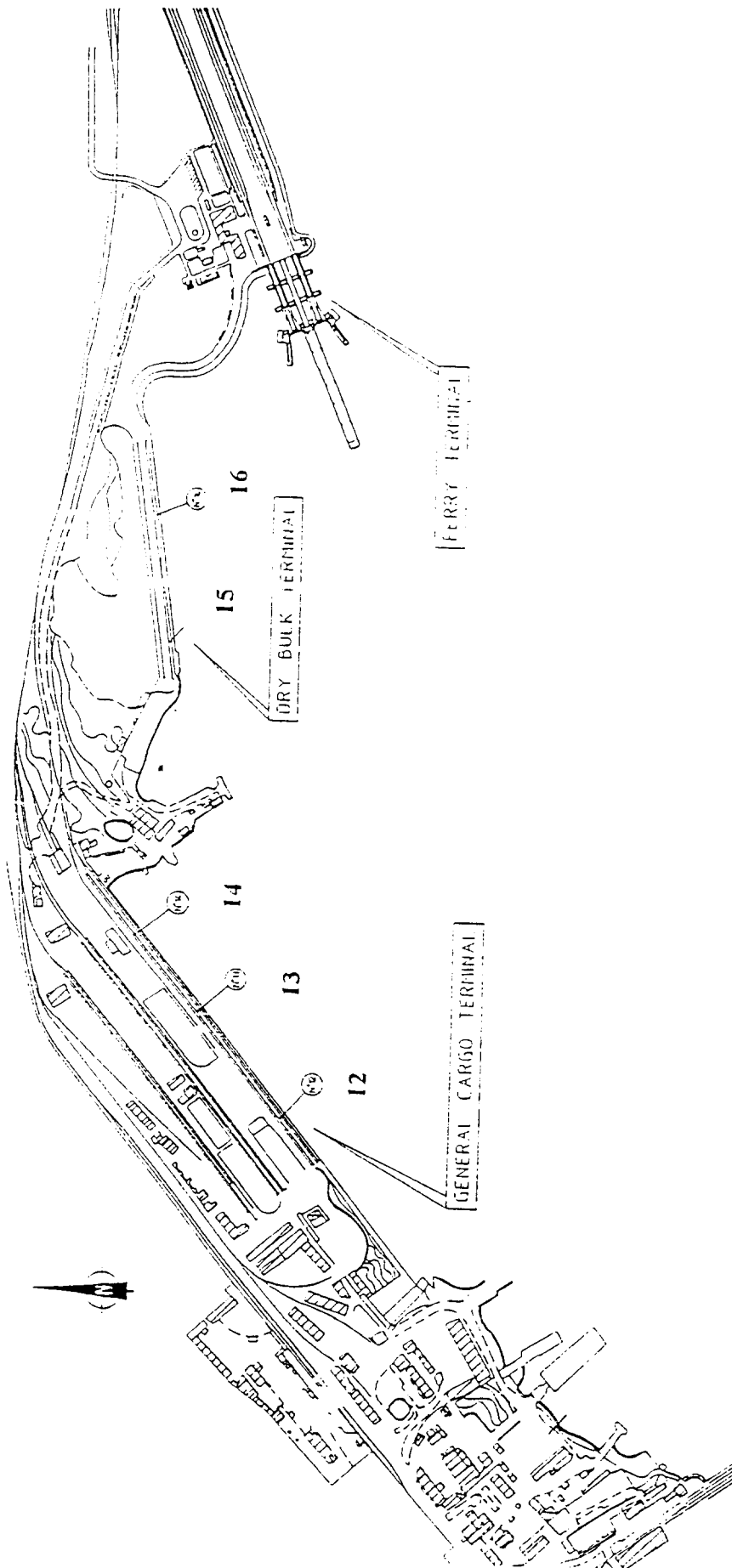


Figure 1: Layout of Turkmenbashi Port

Scale - 1/50000

Source: International Maritime Bureau

transport possibility. This would reduce the 3,000 km water route along the Volga/Don to a 700 km rail connection. Also the completion of the Trans-Asian Rail system could make Turkmenbashi an important gateway for cargo movements between southern Russia, eastern Europe and Iran, Afghanistan and the south central Asian countries.

The port location and approximate layout are shown at the plan attached. The water depths alongside are said to be 5.5 m - 6 m and the approach is via a dredged channel. There are three general cargo berths (12, 13 and 14) which handle baled cotton, break-bulk general cargo and some containers. Two dry bulk berths (15 and 16) handle salt and crushed stone. The ferry terminal is also shown at the plan. Some 5 km east of the main port described above there are two oil jetties operated by the refinery organisation. The TSA does not have jurisdiction over these jetties but is responsible for maintaining the approach channel.

The port is presently in a very poor condition and can barely cope with the current low traffic volumes. Almost all of the infrastructure and equipment is very old and port maintenance has been of a crisis management nature only. Some port facilities may be flooded within a few years because of the rising water level of the Caspian Sea.

The ongoing services, being executed for US-Aid and EBRD by Louis Berger Int. since spring 1996 cover the following activities:

- **Phase 1:** Definition of the principal type and volume of traffic for which the port is to be developed, derivation of acceptable through port handling cost, outline review of the present port facilities and operations, and preliminary data collection for the environmental assessment.
- **Phase 2:** Definition of the functional requirements of the developed port, preparation of a physical master plan for the port with a phased development plan, environmental assessment, recommendations for improvements in management structure, economic and financial analyses of the recommended development, and review of possible entry of private investment in port infrastructure development.
- **Phase 3:** Preliminary engineering designs and outline specifications for the principal components of the first phase of the recommended development, and assessment of TSA's credit worthiness for a possible Bank loan and of possible other project finance arrangements.

The supplementary services required according to the present TOR are briefly mentioned above in section 1.1 and defined in the subsequent sections: 2. Objectives, and 3. Scope of Work.

2. OBJECTIVES

The objectives of the services covered by these Terms of Reference are:

Part 1

Additional consultancy services for the ferry terminals of Baku and Turkmenbashi covering:

- Pre-qualification of contractors for execution of the works, tendering, tender evaluation, contract negotiations and preparation of contracts.

- All necessary input to the EBRD project documents needed during the project preparation including environmental assessment and monitoring according to EBRD procedures.
- Planning activities with respect to co-ordination of activities between the ferry terminals and dry cargo terminals of the ports, where relevant.

Part 2

Additional consultancy services for the dry cargo terminal of Turkmenbashi, corresponding to a "Phase 4" of the services for this terminal, covering:

- Preparation of detailed designs and Tender Documents for the construction (and supply, if appropriate) of the planned first phase of development.
- Assistance to Turkmen Sea Administration (TSA) with inviting contracts for the development, selecting contractors and placing contracts.

3. SCOPE OF WORK

3.1 Part 1: Additional Services for the Ferry Terminals of Baku and Turkmenbashi

3.1.1 Assistance to Pre-qualification of Contractors, Contract Procurement and Start-up of Works

These consultancy services, carried out as assistance to Baku Port Authority (BPA) and to Turkmen Sea Administration (TSA), shall cover the necessary activities between the completion of Tender Documents and the stage where the execution/supply contract(s) are effective and the works are starting up, including, but not being limited to the following:

- (i) Advising on the drawing up a procurement programme.
- (ii) Preparing and issuing Pre-qualification Documents to interested contractors responding to the Bank's Procurement Notices.
- (iii) Evaluating the Pre-qualification submissions and making recommendations to BPA and to TSA on the suitability of contractors for tender listing.
- (iv) Preparing and engineer's disbursement schedule for the contract works.
- (v) Issuing tender documents to selected bidders.
- (vi) Arranging tender visits and answering tenderer's enquiries on behalf of BPA and of TSA.
- (vii) Evaluating tenders and making recommendations to BPA and to TSA on the selection of contractors.
- (viii) Advising BPA and TSA on formal contract notices and procedures that may be necessary prior to commencement of the works.

The schedule for contract procurement shall be as follows:

Pre-qualification of contractors initiated by January 1997 and finalized by April 1997 for issue of Tender Documents by April - May 1997. Other activities carried out through the remaining part of 1997 for establishment of execution contracts at the beginning of 1998.

3.1.2 Input to the EBRD Project Documents needed during the Project Cycle, including Environmental follow-up.

During preparation of the project financing, establishment of credits and initiation of loan disbursements, a range of documents are needed for the EBRD-administration, according to the normal "Project Cycle".

The activities of the Project Cycle are:

- Initiation
- Concept clearance
- Initial review
- Final review
- Executive committee processing
- Board approval
- Signing of loan agreement
- Disbursements
- Repayments (sale of Equity)
- Final maturity
- Final repayment

The consultancy services requested cover assistance to EBRD concerning documents and back-up information needed for the part of the cycle from the initiation to the stage where the loan is established and the disbursements can start.

Main documents and activities and their contents are summarized as follows. Further descriptions are given in the detailed documents appended at the end of TOR (Appendix 3a through 3d).

• Concept Clearance memorandum:

Information included:

- Who is the client ?
- What is the project ?
- Who are the partners ?
- Anticipated role for the bank
- Total project cost, financing plan, issues
- Next steps/time table

The document will be:

- Approved by Team Leader and First Vice President
- Circulated to all bank departments
- Triggers formation of project team; “The clock starts ticking”.

Further information is given in Appendix 3a.

- **Initial Review Memorandum**

Information included:

- Client: Legal status, business overview, financial situation.
- Project: Description, cost.
- Financing plan and bank’s role: Financing plan, summary terms of bank’s investment.
- Key issues: Strategic, credit, procurement, environmental, legal, co-financing.
- Operations data sheet.
- Environmental screening memorandum.

Further information is given in Appendix 3b.

- **Interim Steps**

- Term sheet preparation/negotiation.
- Due diligence.
- Environmental due diligence
- Office of the chief economist
- Co-financing.

- **Final Review Memorandum**

Information included:

- Response to issues raised at initial review.
- Executive summary.
- Client, project, financing plan, implementation.
- Detailed financial analysis.
- Negotiated/signed term sheet.
- Environmental review memorandum.

The document will be:

- Approved by team leader, country/sector leader, all of Banking.
- Approved by operations committee.
- Submitted to secretary general’s office and board of directors 13 days in advance of board meeting.

Further information is given in Appendix 3c.

- **Legal Documents, Signing and Options**

Information included:

- Legal documents drafted on basis of term sheet.
- Signing
- Legal opinions by outside counsel: legality and enforceability of legal documents under relevant jurisdictions, legal status of the company that bank is lending to/investing in.

- **Conditions for Disbursement**

- All of project agreements/legal documents in form satisfactory to bank.
- All licences in place.
- Insurance in place.
- Legal opinions received.
- Company and sponsors/partners invested their money.

- **Conducting Environmental due Diligence**

Throughout the project cycle, each sequence of activities shall be subject to environmental monitoring and corrective measures according to the manual on “Environmental Procedures”, issued by EBRD.

Further information is given in Appendix 3d.

3.1.3 Coordination of Activities between the Ferry Terminals and Dry Cargo Terminals

In connection with the rehabilitation projects for the ferry terminals at the two ports and the dry cargo terminals at the same ports, possible coordination of activities and use of common facilities shall be analysed and incorporated in the projects.

This could include activities as:

- Vehicle access routes and marshalling areas.
- Container stacking and handling facilities.
- Container freight station.

3.2 Part 2: Additional Consultancy Services for the Dry Cargo Terminal of Turkmenbashi

3.2.1 Preparation of Detailed Design and Tender Documents

On the basis of the Preliminary Design Report prepared from the Feasibility Studies, the Consultant shall carry out detailed designs for all components of the first phase of development and prepare tender documents for international competitive bidding for the civil construction works and the supply of any equipment to be included in the development, either as one or several contracts as may be

recommended in the Design Report or agreed with the Bank and the Turkmen Sea Administration (TSA). The documents shall be prepared in accordance with the Bank's Procurement Rules and Policies and the construction contract will normally be based on FIDIC standard documents unless otherwise agreed in discussion with the Bank and TSA.

Assistance with Contracts

The Consultant's advice and assistance to TSA in contract procurement shall include but not be limited to the following:

- (i) Advising and drawing up a procurement programme.
- (ii) Preparing and issuing Prequalification Documents to interested contractors responding to the Bank's Procurement Notices.
- (iii) Evaluating the Prequalification submissions and making recommendations to TSA on the suitability of contractors for tender listing.
- (iv) Preparing an Engineer's estimate and disbursement schedule for the contract works.
- (v) Preparing and issuing tender documents to selected bidders.
- (vi) Arranging tender visits and answering tenderer's enquiries on behalf of TSA.
- (vii) Evaluating tenders and making recommendations to TSA on the selection of contractors.
- (viii) Advising TSA on formal contract notices and procedures that may be necessary prior to commencement of the works.

3.2.2 Project Schedule

Draft tender documents for Turkmenbashi Dry Cargo Terminal shall be produced 4 months after contract signing. Subsequent activities such as prequalification and finalizing of the tender documents after receipt of comments from the Bank and TSA will proceed in accordance with the agreed procurement schedule.

3.2.3 Reporting Requirements

All reports and documents required under section 3 above shall be submitted in 2 English copies to the Bank and TSA and 4 Russian copies to TSA.

3.2.4 Implementation Arrangements

The work described above for Turkmenbashi Dry Cargo Terminal is estimated to require 20 staff months of professional time.

CONCEPT CLEARANCE MEMORANDUM

Purpose	<ul style="list-style-type: none"> · to ensure that the operation outline fits with the policies of the Bank and is consistent with prevailing country strategy and sector operations policy · to assess the attractiveness of an operation · to determine and authorise initial resource requirements.
Content	<p>A document of 2-3 pages describing:</p> <ul style="list-style-type: none"> · concept of the operation · brief information on the sponsor · order of magnitude of financing required · anticipated role of the Bank · likely resource requirements (operation team and consultants) · timetable for next steps · discussion of issues on which guidance is needed. · Operation Data Sheet
Prepared by	Banker
Comment prior to distribution	Relevant CTL and STL (The CCM must be signed-off by the relevant CTL/STL before it can be sent to the DVP)
Distribution	DVP copied to VP
Approved by	DVP who deals with the Lead team on the operation
Distribution after approval	Ops Com Secretariat, Chief Economist's Office, Environmental Appraisal Unit, Office of the General Counsel, Credit and Commercial Cofinancing

Within the guidelines on content above, staff have discretion on the format to be used. A "Best Practice" example of a CCM is included in Annex A, Best Practice.

3.9.4 WRITING THE INITIAL REVIEW MEMORANDUM

The IRM should be short and well focused on the important aspects of the operation. Typically the IRM should not exceed five pages and should cover the following areas in the sequence described:

1. **Client**
 - name
 - legal status and ownership
 - industry/sector
 - financial situation

2. **Project**
 - description
 - cost

3. **Financing plan and the Bank's involvement**
 - financing plan
 - Bank loan/equity
 - amount and currency denomination
 - summary of structure and preliminary terms and conditions

4. **Key issues**
 - Bank strategic issues
 - credit issues
 - economic issues
 - procurement issues
 - technical cooperation
 - environmental issues
 - legal issues
 - external financing issues
 - implementation and monitoring

The responsibility for clearing OpsCom submissions prepared by OLs rests with relevant TLs. Before signing project documents for Initial Review, Team Leaders must, in particular, satisfy themselves before the Ops Com presentation, either through their own detailed review of the document or through delegation to an experienced and trusted deputy, that the project document clearly states and (if possible) resolves the full range of issues identified by the project team or raised during Concept Clearance. Team Leaders should also ensure that the document clearly describes the proposed structure of the project and otherwise complies with EBRD policies, team business plan objectives and standard operating procedures for investment projects. Clarity and completeness are the standards of disclosure, not prolixity. A maximum of ten pages should be sufficient for Initial Review documents. Finally, Team Leaders must be able to assist Operation Leaders to explain project issues and their proposed resolution during Ops Com presentations. The Team

Leader's signature at the top of the cover page of the project document signifies to the Ops Com that the TL has carried out these responsibilities.

The cleared IRP is sent to the OpsCom Secretariat for distribution to OpsCom members.

3.2.1 PURPOSE OF ECONOMIC ANALYSIS

All operations proposed for Bank financing are supported by analysis demonstrating the economic justification of the operation. As explained in more detail in Chapter 14, an important distinction between credit/equity analysis and economic analysis is that economic analysis assesses the worth and viability of an operation from the perspective of the national economy of the country of operation involved.

In the case of Sovereign Operations, economic analysis is the main analytical tool for determining whether the operation serves best the long-term interests of the national economy of the country of operation. For Non-Sovereign Operations, credit and equity considerations are the prime drivers of the structure of the financing proposal. Economic analysis is undertaken to demonstrate that the project provides a net positive contribution to the national economy of the country of operation or to modify the design to meet economic viability requirements. While the depth and approach to analysis differs between Sovereign and Non-Sovereign Operations, the underlying aims and principles of economic analysis are the same in both cases.

Since the benefits of detailed economic analysis tend to depend on the scale of the operation and on the presence of distortions in the economy, the thoroughness of the economic analysis required increases with the size of the operation and to the extent to which there are major distortions present in the economy.

3.2.3 DEPTH OF ANALYSIS

Based on the discussion of the economics of the project with OCE, the operation team identifies the key economic issues to be taken up in the Initial Review Memorandum. These should include factors that could introduce a significant negative divergence between the financial and the economic returns to the project (discussed in more detail in Chapter 14), as well as others that point to a favourable impact of the project on the process of economic transition due to benefits not reflected in the financial analysis.

The discussion of the project with OCE also makes it possible to take a decision on the degree of quantitative economic analysis that is appropriate once the project has passed the Initial Review stage. In many cases, detailed quantitative analysis are not required. This includes instances where:

- an operation is not amenable to such full quantitative economic analysis in the current state of the art;
- - the analysis is of such limited importance or the operation is of such limited scale that the cost of such analysis would be disproportionate to the potential benefits; or
- in the case of Non- Sovereign Operations, no negative divergence can be identified between financial and economic criteria in case the operation is financially acceptable. Major negative factors or divergence are (a) subsidies provided by the domestic government; (b) protection; (c) major negative environmental impact; (d) restrictions on competition; (e) an overvalued local currency combined with a net outflow of foreign currency or an undervalued local currency together with a net inflow of foreign currency; (f) net debt and equity service to foreign participants; and (g) in case of a depletion project, the value of the non-extracted, non-renewable natural resource in the "without-project" scenario.

B. SOVEREIGN INFRASTRUCTURE PROJECT

INTRODUCTION

If deemed useful, a brief introduction may be provided to put the project in context and explain the background for the Bank's involvement.

I. THE CLIENT

- | | |
|---|---|
| <p>1.1 Sector Overview</p> <p style="margin-left: 20px;">- 1.1.1 Background</p> <p style="margin-left: 20px;">1.1.2 Sector Organisation</p> <p style="margin-left: 20px;">1.1.3 Sector Finance</p> <p style="margin-left: 20px;">1.1.4 Main Issues</p> | <p><i>Indicate the importance of the sector in the overall country strategy. Briefly describe the current physical condition of the sector and its future needs. Discuss the sector's institutional framework, the major sources of financing and their adequacy in relation to need, and the main issues in the sector. Main issues may typically include: role of the Government; private sector participation; legal framework; cost recovery; future demand; investment priorities; environmental policies.</i></p> |
| <p>1.2 Client's Organisation</p> <p style="margin-left: 20px;">1.2.1 Current</p> <p style="margin-left: 20px;">1.2.2 Proposed</p> | <p><i>Describe the agency or company in charge of implementing the Project. Include details of the legal form of ownership and the effective control both in the existing circumstances and after the Project.</i></p> |
| <p>1.3 Operational Performance</p> | <p><i>Describe the quality of the service provided by the client to the public in terms of demand satisfaction, customer orientation, and cost effectiveness. Analyse the Client's particular strengths and weaknesses to operate both currently and in the future, based on the most relevant factors.</i></p> |
| <p>1.4 Financial Performance</p> | <p><i>For revenue-earning entities, review the Client's recent financial performance and the conclusions of any audit reports. Discuss adequacy of level and structure of tariffs. For non revenue-earning entities, discuss expenditures, and evaluate whether financing from government resources and cost recovery from users are adequate for investment and maintenance operations.</i></p> |
| <p>1.5 Strategy and Development Programme</p> | <p><i>Briefly indicate the Client's strategic objectives and the policy efforts which are being effected to achieve them. Describe the Client's investment and maintenance programmes. Discuss the Client's approach to investment planning and programming.</i></p> |
| <p>1.6 Other International Organisations</p> | <p><i>If relevant, mention the activities and coordination which is occurring with other IFIs and/or other external organisations, including bilaterals.</i></p> |

II. THE PROJECT

(In the case of investments in Funds or other collective investment vehicles, this Chapter should be entitled "The Fund" and deal with (a) the purpose of the Fund; (b) the Fund's sponsors; (c) the Fund's managers; and (d) the Fund's investors)

2.1 Description

Briefly describe the Project, including a technical assessment of its merit

2.2 Objectives and Benefits

Briefly indicate the overall objectives and benefits of the Project. Although these are linked, objectives should cover what the project seeks to achieve (e.g. local production of power plant equipment; support local production of goods for export; assist in the privatisation of a state-owned company; improve environmental performance, etc.) whereas benefits explain why these goals are important and what are the favourable results of achieving the objectives (e.g. balance of payments improvement, lower costs to the power industry, local employment in the private sector, improved local skill base, improved health conditions, etc.)

2.3 Cost Estimates

Provide the capital cost estimates, including the valuation of assets. Include physical and price contingencies and interest during construction, if appropriate. In case of "in kind" contribution, give a summary of the evaluation of these contributions. The basis for the estimated costs should be stated. The project costs should be presented in a table which separates local and foreign exchange costs for each project component.

2.4 Technical Cooperation

Describe any related technical cooperation which is being provided by the Bank (or by others) and its relevance for the operation's success. Technical cooperation may include management support, training, institution building, project preparation/implementation assistance, policy/market studies, etc.

2.5 Employment Impact

Describe the expected impact of the project on employment.

2.6 Environmental Impact

Indicate the environmental category assigned to the Project. Discuss past and current environmental issues, if relevant. Describe the environmental issues associated with the project. Provide a summary of the environmental assessment and/or audit, together with a summary of the Environmental Action Plan, if appropriate. Where environmental issues are significant and extensive, an environmental annex should be included.

2.7 Past Experience

Indicate, where relevant, previous experience and lessons learned for the type of project by the Bank and/or other IFIs and how this project has taken into account previous experience.

III. FINANCING PLAN AND THE BANK'S INVOLVEMENT

3.1 Financing Plan

The financing plan should not only describe the funding of the operation, but should provide information on all financial needs and sources of financing for the Project. If the Client is a corporate entity, the financing plan should describe the long term capitalization of the entity as well as the financing plan for the Project described in the previous section. Discuss the contributions and terms of other participants, as well as the status of co-financiers' contributions. If confidential, be prepared to make available this information upon request by a Director.

3.2 Bank's Role

Describe the proposed contribution by the Bank and how it relates to the overall financing plan. Discuss any policy issues, such as negative pledge, preferred creditor status, Bank immunities, etc.

3.3 Principal Terms and Conditions

3.3.1 Use of Proceeds and Drawdowns

Describe the use of proceeds and, where applicable, the components of the project for which the Bank will provide financing and the basis on which disbursements will be made. Refer to the procurement arrangements under which the operation will be carried out.

3.3.2 Terms and Conditions

Describe the Bank investment in terms of the amount and currency, the ECU equivalent, whether it is senior or subordinated, etc., and specify any special features (eg. revolving facility, convertibility, options, etc.). In the case of equity investment, describe the number of shares to be acquired or subscribed by the Bank, the par value of shares in local currency, their class and any rights attached, aggregate price (with ECU equivalent), and any special features, including pre-emptive rights and exit mechanisms. Interest margins (except for non-sovereign operations), fees and commissions must be described as well as the repayment arrangements.

3.3.3 Key Covenants

Briefly describe the principal covenants and other legal aspects of the investment agreement, including information reports to which the Client is committed.

3.3.4 Security Arrangements

For non-sovereign operations, outline the security package, including pledges, assignments, etc.

3.3.5 Guarantees and Third Party Support

Describe the sovereign and/or other guarantees and discuss any other critical credit support from third parties (e.g. completion guarantees, guaranteed off-take arrangements, etc.).

3.3.6 Other Material Agreements

Indicate the nature of the documentation which is required to effect the Bank's commitment to the operation. List the main legal agreements (in addition to the loan, guarantee or participation agreement) describing briefly the main features of these agreements to the extent not covered in 3.3.5 above.

3.3.7 Exit Strategy (when relevant)	<i>Describe the exit strategy (where appropriate) and clearly explain the terms agreed between the Bank, the Client and the Client's shareholders.</i>
3.4 Rationale for Bank's Involvement	<i>Explain the rationale for the Bank's involvement, discussing how the Bank contributes to realisation of the benefits described in 2.2 (material already discussed in 2.2 should be covered by cross-reference not repetition). Explain the additionality of the Bank's financing (e.g. complementing and catalysing other sources). Provide specific references to the relevant parts of Country Strategy and Sector Operations Policy documents.</i>
3.5 Contribution to Transition Process	<i>Indicate the importance of the project in the reform process and in promoting the development of the private sector and a market-oriented economy.</i>
3.6 Country/Sector/Client Exposure	<i>Indicate the incremental effect that this operation, if approved, will have upon the Bank's exposure limits. For example this should start with a sentence on the following lines: 'The proposed commitment of ECU x million will lead to a total level of Board approved commitments for country y of ECU z million (x million signed to date).' The comment on sector exposure should comment on where the operation fits within the Bank's exposure in the sector either at the country or portfolio level. This section should always note in addition any other exposure which we already have to the client through existing operations.</i>
3.7 Portfolio Ratio	<i>Provide the rationale for the operation's classification as either a sovereign, utility concession or private operation. Classification is determined according to policy paper BDS92-101.</i>

IV. FINANCIAL AND ECONOMIC ANALYSIS

4.1 Financial Analysis, including sensitivity analysis	<i>Present the cash flow analysis. Provide a brief description of the hypotheses used in the financial projections and calculation of the IRR. Show results in standard format table. Highlight key results of sensitivity analysis.</i>
4.2 Economic Analysis, including sensitivity analysis	<i>Explain any substantial differences between the ERR and IRR. Comment on the variables used and results obtained in the sensitivity analysis.</i>
4.3 Risks and Risk Mitigation Measures	<i>Identify the key risks. Risks should differentiate, where appropriate, between those pertaining to the project (i.e. what the Client intends to do) and those concerning the operation (i.e. what the Bank is contributing as well as its credit risk). Comment on the implications of the main risks for the financial and/or economic rates of return. Indicate the measures which will be taken to mitigate the risks.</i>

V. IMPLEMENTATION

Every Operation Report should have an implementation chapter, although the degree of detail will vary. The overall content is to give a clear picture of the steps involved to realise the project and of how the project will be monitored. This section of the Operation Report sets out the plans for implementing and monitoring the project. In sovereign operations, these plans are prepared in considerable detail and precision. In non-sovereign operations, at the time of submission to the Board they may only apply to a more limited degree, if at all. Judgement is needed in completing this section of the Operation Report to ensure the information is relevant and meaningful.

5.1 Implementation Arrangements

Summarise project implementation arrangements including names and responsibilities of agencies charged with implementing individual components. Assess capability of executing agencies to implement the project and specify measures to compensate for deficiencies. Provide information on timing and details of the implementation plan. An implementation schedule should be attached as an annex.

5.2 Start-up and Completion

Describe critical start-up events and the agreed definition of completion for the operation. Indicate the date for last disbursement from the loan proceeds.

5.3 Procurement

Indicate and justify the proposed methods for buying the equipment, goods and services to be financed by the Bank. State the nature of the contracts (eg. turnkey, etc.) This is required for all operations, both sovereign and non-sovereign, and should reflect the Bank's guidelines on Procurement (Chapter 18). Justify in particular, departures from open tendering (in some cases, non-sovereign industry operations may be subject to public procurement rules). The procurement plan should be attached as an annex for sovereign operations.

5.4 Disbursements

Indicate the basis on which disbursements will be made. Indicate and justify disbursement conditions, retroactive financing, if relevant. A disbursement schedule showing the expected quarterly and cumulative disbursements from the loan should be attached as an annex. In sovereign operations, indicate categories of items to be financed from the proceeds of the loan, the allocation of the amounts of the loan to each category, and the percentage of expenditures for items to be financed in each category.

5.5 Accounting and Auditing

Assess the adequacy of project and client accounting and auditing arrangements for the required analysis of financial performance. Planned improvements or an action programme to address any deficiencies should also be described.

5.6 Project Monitoring and Reporting

Describe the performance measures and monitoring arrangements, including reporting requirements, which will be used to assess the operation during loan drawdown, at completion and during the repayment period.

5.6.1 - Physical Performance Indicators

What physical milestones of the operation will be monitored both during loan drawdown and at completion? A reference should be included to any physical indicators relevant to whether the project achieves a successful transition impact (an issue to be considered when monitoring) as well as those relevant to the narrower issue of, say, a completion test (of course the two categories usually overlap).

5.6.2 - Financial Performance Indicators

What financial indicators will be monitored to judge success?

5.6.3 - Reporting Requirements

Define the Client's contribution to monitoring and the schedule of data and reports to be submitted to the Bank.

4.1 FINALISING THE CREDIT ANALYSIS

After Initial Review, the OL, taking into account comments made at Initial Review:

- refines the methodology and performs sensitivity analysis
- performs a detailed credit/equity analysis to reflect new information
- reviews assumptions and conclusions

See Chapter 13 for more detailed information on how to conduct the credit/equity analysis.

4.2 FINALISING THE ECONOMIC ANALYSIS

The OL is responsible for ensuring that the economic analysis carried out before Initial Review (see Section 3.2) is updated and refined to take into account any pertinent issues raised by OpsCom and any new information that significantly affects the projected economic performance of the operation that has come to light since Initial Review.

The FRP should include (a) in the Executive Summary (P.4.2) of the Operation Report (OR) (P.4.10.3) an estimate of the Economic Net Present Value (ENPV) calculated for the operation, and if applicable, the Economic Internal Rate of Return (EIRR) or a brief explanation why the EIRR has not been calculated; and (b) in the section on Economic and Financial Analysis (i) an estimate of the ENPV and, if applicable, the EIRR, with a short discussion or how the ENPV and the EIRR have been calculated or why they have not been calculated; and (ii) a qualitative discussion of key issues in the economic analysis.

See Chapter 14 for more detailed information on how to conduct economic analysis.

ANNEXES

(all annexes should be numbered and listed in the order that they appear in the text)

- Detailed Cost Estimates (for infrastructure projects and other projects with complex capital expenditure programmes or sensitive issues affecting the use of the Bank's funds)
- Detailed Base Case Financial Projections (if not confidential) - list assumptions used and show projections and results in standard format as discussed in Chapter 13
- Detailed Economic Analysis (for projects for which detailed quantitative analysis is necessary)
- Detailed Sensitivity Analysis (for non-confidential projects) - detailed table showing impact on key performance indicators and ratios of variations in main assumptions. Description of sensitivity cases and comments on results
- Detailed Implementation and Disbursement Schedules (for all sovereign operations and for non-sovereign operations when disbursements are tied to specific expenditures)
- Procurement Plan (for all sovereign operations)
- Other relevant annexes, as needed e.g. environmental.

4.3 CONDUCTING ENVIRONMENTAL DUE DILIGENCE

The information gathered through environmental due diligence should indicate the potential environmental effects of the operation so that they can be taken into account in structuring the terms of the operation. This ensures that the Environmental Policy of the Bank is adhered to (Volume III, Part One, Section 1.4).

See Chapter 15 for more detailed information on how to conduct environmental due diligence.

The type of information required to satisfy environmental due diligence requirements would have been identified in the Environmental Screening Memorandum (ESM) (Proforma P.3.4.3). The OL consults with the client to ensure that the environmental investigations have been or are being carried out.

The OL informs the client of the relevant environmental investigations to be undertaken immediately after Initial Review. There must be regular contact with the environmental specialist to determine what level of detail of information is required. The environmental specialist may require further clarification or information prior to Environmental Review. Any change in the physical description of the operation as provided at Initial Review must immediately be notified to the environmental specialist. In particular, the environmental specialist needs to know what action the client will take as a result of findings or recommendations of an audit or assessment. The OL may decide that the environmental specialist should assist with the Terms of Reference for environmental consultancy, the choice of consultant, scoping procedures, site visits, etc.

The OL passes all environmental information provided by the client to the environmental specialist upon receipt. All environmental information should be submitted to the Environmental Assessment Unit (EAU) at least two weeks prior to Final Review.