



Facility Administration Manual

Project Number: 41121-02
Loan 2503-KAZ
October 2009

Republic of Kazakhstan: Multitranche Financing Facility for the CAREC Transport Corridor I (Zhambyl Oblast Section) [Western Europe–Western People's Republic of China International Transit Corridor] Investment Program – Tranche 1

Important Note: This facility administration manual is an active document. It will be updated and revised progressively as and when necessary during each review mission and following any changes in project investment costs, scope, or implementation arrangements. The contents herein are intended to assist and facilitate project management and implementation. If there is any conflict with any other legal agreement(s) related to this Investment program, the provision(s) in the legal agreement(s) will prevail.

Asian Development Bank

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Main Text

I. Introduction

ADB, with IDB and JICA, is committed to improve the 470-km sections in Zhambyl Oblast (the Investment Program), through the multitranche financing facility (MFF). ADB approved the MFF on 12 November 2008. The Government and ADB signed a Framework Financing Agreement for \$700 million on 13 January 2009.

The Investment Program has three tranches. ADB approved the first tranche for \$340 million on 30 December 2008. Tranche 1 (the Project) consists of (i) reconstructing 125 km of highway sections km 404 - 483 and km 214 – 260 between Taraz and Korday in Zhambyl Oblast; and (ii) providing road operations and maintenance system. The project implementation will end on December 2013.

II. Purpose

This Facility Administration Manual (FAM) focuses on the essentials for implementing the first Project and will be updated as needed. The FAM contains project data and information that allows the Borrower, executing agency (EA), implementing agency (IA), and ADB to monitor project implementation and evaluate project impact.

III. Overview

Annex 1	Project Definition
Annex 2	Project Management
Annex 3	Procurement Plan
Annex 4	Safeguards Plan
Annex 5	Financing Plan
Annex 6	Investment (Cost) Plan
Annex 7	Execution Plan
Annex 8	Performance Monitoring and Evaluation
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IV. Key Persons Involved in the Project

A. ADB Staff

The Transport and Communications Division (CWTC) of the Central and West Asia Department is responsible for implementing the Project.

Office	Name / Position	Contact
CWTC	Mr. Hong Wang Director	Tel. No. +63-2 632 6765 Fax No. +63-2 636 2428 Email: hongwang@adb.org
	Eunkyung Kwon Principal Transport Specialist	Tel. No. +63-2 632 6825 Fax No. +63-2 636 2428 Email: ekwon@adb.org
	Ma. Virginita A. Capulong Senior Operations Officer	Tel. No. +63-2 632 6679 Fax No. +63-2 636 2428 Email: mvcapulong@adb.org
Office of the General Counsel	Ms. Lyailya Nazarbekova Senior Counsel	Tel No. (632) 632 4896 Email: lnazarbekova@adb.org
Loan Administration Division, Controller's Department	Mr. Yoshinobu Tatewaki Financial Control Specialist,	Tel No. (632) 632 4647 Email: ytatewaki@adb.org
Consulting Operations Services Division 1, Central Operations Services Office	Mr. Jeffrey Taylor Procurement Specialist	Tel No. (632) 632 5377 Email: jtaylor@adb.org

B. Executing Agency

Office	Name / Position	Contact
Ministry of Transport and Communications (MOTC)	Serik Akhmetov Minister	Tel. No. (7-7172) 24 00 77 Fax No. (7-7172) 24 14 19
	Dulat Kuterbekov Vice Minister	Tel. No. (7-7172) 29 90 61 Fax No. (7-7172) 24 37 05
Committee of Roads, MOTC	Zamir Saginov Chairman	Tel. No. (7-7172) 24 33 83 Fax No. (7-7172) 29 90 65
	Nurlan Umirbayev Deputy Chairman Project Director	Tel. No. (7-7172) 29 90 42 Fax No. (7-7172) 24 21 08

V. Loan Processing History

Item	Date
a. Fact-finding mission	11-24 June 2008
b. Management review meeting	20 August 2008
c. Appraisal Mission	26 August – 2 September 2008
d. Staff review committee	26 September 2008
e. Loan negotiations	6-10 October 2008
f. Board circulation	22 October 2008
g. Board consideration and approval	12 November 2008
h. Record of Project 1	30 December 2008
i. Loan agreement signing	30 March 2009
j. Legal opinion	31 July 2009
k. Loan effectiveness	31 July 2009

Annex 1: Project Definition

1.1 Sponsors, Stakeholders, and External Agencies

(i) Sponsor

- Ministry of Transport and Communications
- Ministry of Finance
- Ministry of Economy and Budget Planning

(ii) Stakeholders

- Committee of Roads, Ministry of Transport and Communications
- Asian Development Bank
- Affected persons (i.e., those directly affected by the construction of the road through land acquisition, resettlement or business disruption)
- Road Users and Local Communities

(iii) External Agencies

- European Bank for Reconstruction and Development
- Islamic Development Bank
- Japan International Cooperation Agency
- World Bank

1.2 Impact and Outcome

(i) Impact

The Investment Program will increase the country's economic growth and improve regional trade. By 2020, GDP growth will rise to 68% from the 2010 baseline. Exports will expand by 32% and imports by 33%.

(ii) Outcomes

The Project will improve transport system efficiency in Zhambyl Oblast. By 2015, (i) average travel time between Zhambyl Oblast and the southern Kazakhstan border and Otar will decrease by 4 hours, (ii) transport costs for freight will reduce by 5% of the cargo value, and (iii) accident rates will lower by 0.2 fatality/km.

1.3 Outputs

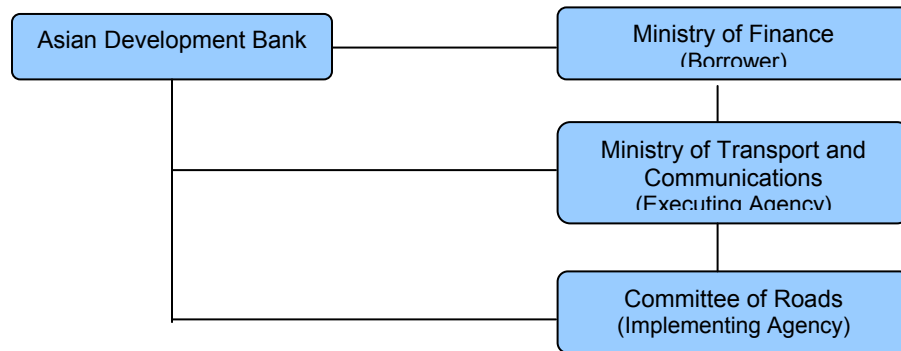
The Project will (i) reconstruct 125 km in road sections km 404 – 483 and km 214 – 260, (ii) develop a sustainable road maintenance and operation system, and (iii) develop an intelligent transport system

Annex 2: Project Management

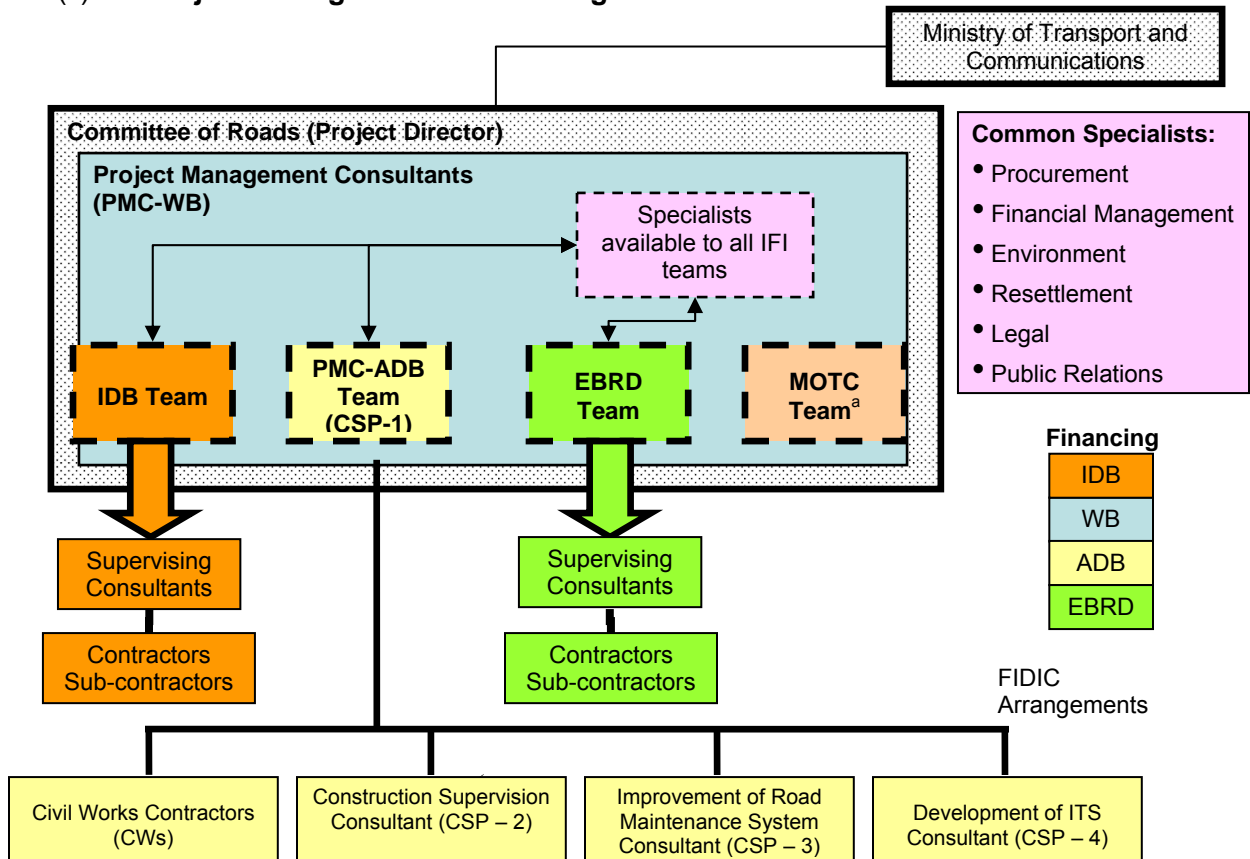
2.1 Project Organization Structure

The organizational setup of the Investment Program applies to the Project.

(i) Project Organization Structure



(ii) Project Management Office – Organization Chart



ADB = Asian Development Bank, CSP = consulting services package, CW = civil works, EBRD = European Bank for Reconstruction and Development, FIDIC = Fédération Internationale des Ingénieurs Conseils, IDB = Islamic Development Bank, IFI = international financing institutions, ITS = intelligent transport system, MOTC = Ministry of Transport and Communications, PMC = Project Management Consultant, WB = World Bank.

^a MOTC staff working for the Investment Program (procurement, finance, construction, legal, and quality control).

Sources: ADB, MOTC, and World Bank

Annex 2: Project Management

2.2 Roles and Responsibilities

(i) Strategic and Management Level

Agency	Responsibility
Ministry of Transport and Communications (MOTC) (Executing Agency)	<ul style="list-style-type: none"> Oversee implementation and performance of the Investment Program; and Liaise with IFIs involved in the sector.

(ii) Operational Level

Agency / Team	Responsibility
Committee of Roads (Implementing Agency) through the Project Management Consultants (PMC) Team	<ul style="list-style-type: none"> Manage and implement the Investment Program and its projects; Resolve issues that would compromise results' quality, costs, or completion time of the investments; and Ensure safeguard compliance, legal conformity, and sound financial management.

Key Personnel	Responsibility
Project Director ^a	<ul style="list-style-type: none"> Head the PMC team in implementing the Investment Program and all project activities including project preparation, implementation, monitoring, and reporting. Prepare and submit quarterly progress reports to ADB within 2 weeks from the end of the related quarter. Submit to ADB other required performance and monitoring reports twice a year.
MOTC staff	<ul style="list-style-type: none"> Assist the Project Director with engineering, finance, legal, and procurement matters.
PMC – ADB	<ul style="list-style-type: none"> Manage the Investment Program and subsequent projects; Coordinate procurement of civil works, goods, and consultants; and ensure compliance with ADB procedures; Take charge of financial matters, controls and auditing, and administrative work; Evaluate, monitor, and report the progress for implementing the Investment Program and its projects; Develop a project performance monitoring system; and Ensure due-diligence for new projects covering all standard areas—technical, commercial, legal, economic, social safeguards, governance, fiduciary oversight, management, and institutional matters.
Construction Supervision Consultant	<ul style="list-style-type: none"> Administer the construction contracts; Ensure compliance of the contractual clauses for both quality and specifications of work ; and Ensure safeguard compliance of civil works.

^a A staff member of the Committee of Roads to be assisted by MOTC, PMC-ADB, and Construction Supervision Consultant.

Annex 3: Procurement Plan

3.1 Process Thresholds and Reviews

Procurement Thresholds

Methods	Threshold
International Competitive Bidding (works)	> \$3,000,000
Quality- and Cost-Based Selection (QCBS)	> \$1,000,000 by Full Technical Proposal ≤ 1,000,000 by Simplified Technical Proposal ≤ \$600,000 by Biodata Technical Proposal

Procurement Reviews

Ref	Contract Description	Estimated Costs (\$ million) ^a	Procurement Methods	Date of Advertisement	Prior Review Y/N	Comments
1.	Civil Works	350	ICB	9 September 2008	Y	Financed by ADB and Government of KAZ
2.	Consulting Services	14	QCBS	19 September 2008	Y	Financed by ADB

ADB = Asian Development Bank, ICB = international competitive bidding, N = no, QCBS = quality- and cost-based selection, KAZ = Kazakhstan, Y = yes.

^a Cost estimates include taxes and duties and physical contingencies.

Sources: Ministry of Transport and Communications and ADB estimates.

Annex 3: Procurement Plan

3.2 Detailed Contract Packaging

Ref	Contract Description	Unit	Estimated Costs (\$ million) ^a	Mode of Procurement	Duration (months)	Contract Starting	Contract Completion	Responsible Agency
A.	Civil Works	Length (km)						
1	CW3-1: Km 404 to 443	39	137	ICB	36	November 2009	December 2012	MOTC
2	CW3-2: Km 443 to 483	40	139	ICB	36	November 2009	December 2012	MOTC
3	CW6-1: Km 214 to 260	46	74	ICB	36	November 2009	December 2012	MOTC
	Total Civil Works	125	350					
B.	Consulting Services	Person-month (total)						
1	CSP-1: Project Management Consultant	150	3.0	QCBS	42	October 2009	December 2012	MOTC
2	CSP-2: Construction Supervision	598	9.0	QCBS	42	October 2009	December 2012	MOTC
3	CSP-3: Development of ITS Consultant	24	1.0	QCBS	6	January 2010	June 2010	MOTC
4	CSP-4: Improvement of Road Maintenance Consultant	42	1.0	QCBS	9	November 2009	February 2010	MOTC
	Total Consulting Services	814	14					

ADB = Asian Development Bank, CSP = consulting service package, CWP = civil works package, ICB = international competitive bidding, ITS = intelligent transport system, km = kilometer, MOTC = Ministry of Transport and Communications, QCBS = quality- and cost-based selection.

^a Cost estimates for civil works include taxes and physical contingencies.

Source: MOTC and ADB estimates.

3.3 Advance Contracting and Retroactive Financing

ADB approved the advance action for procuring ADB-funded civil works. ADB advised the EA that the approval of advance contracting does not commit ADB to finance the Investment Program or the Project. There will be no retroactive financing.

Annex 4: Safeguards Plan

4.1 Environment

(i) Reports

The EA prepared the Environmental Assessment and Review Framework (EARF)¹ to guide preparation of safeguards documents for subsequent projects.

The EA, with the TA consultants,² prepared the Initial Environmental Examination (IEE)³ for the Project, The IEE includes the Environmental Management Plan (EMP).

(ii) Environmental Classification

ADB classified the Project as environmental Category B.

(iii) Key Responsibilities of the IA

- Pay attention standard construction impacts during construction;
- Implement the environmental standard operating procedures and mitigation measures recommended in the EMP to avoid or minimize adverse impacts;
- Implement immediate remediation for any non-compliance with the EMP;
- Ensure that bidding documents and contracts include the required mitigation measures during construction. Ensure that contractors take full responsibility for implementing the EMP;
- Ensure adequate public consultations with affected groups (APs) and local NGOs;
- Make all environmental documents available to public; and
- Submit report on environmental compliance and implementing EMP.

(iv) Key Responsibilities of ADB

- Review the environmental reports, and publicly disclose the SIEE and SEIA in ADB website.
- Monitor the implementation of the EMP.

¹ The [EARF](#) was posted on ADB website in August 2008.

² TA 7071-KAZ *Small-Scale TA for Preparing the CAREC Transport Corridor I (Zhambyl Oblast Section) Project*. \$150,000. Approved on 28 Mar 2008. Supplementary TA of \$150,00 approved on 09 Jul 2008. The EIA covered the 99km sections from Kulan to Blagovshchenka including the 20km Kulan bypass.

³ The SIEE was posted on ADB website in August 2008.

Annex 4: Safeguards Plan

4.2 Involuntary Resettlement (IR)

(i) Reports

The EA prepared the Land Acquisition and Resettlement Framework (LARF)⁴ to guide preparation of safeguards documents for subsequent projects.

The EA, with the TA consultants,⁵ prepared the Land Acquisition and Resettlement Plan (LARP)⁶ for the Project, following the LARF, ADB policies, Kazakhstan laws and regulations; and using the detailed design, local government statistics, interviews with local officials, and consultations with APs and NGOs.⁷

(ii) IR Classification

ADB reclassified the Project as IR Category A. The civil works for the km404–km483 section require adding of 109.9 hectares of land, and resettling or compensating of 62 affected households, or 700 affected groups (APs). The preliminary estimate for implementing the LARP is \$2.06 million.

(iii) Key Responsibilities of the IA

Project Director

- Take overall responsibility for LAR preparation, implementation, and financing, with the assistance of PMC-ADB;
- Ensure that ADB approves the LARP;
- Complete relocating or reconstructing the affected structures/businesses before civil works start, and paying appropriate compensation before displacing APs;
- Ensure that contractors take full responsibility for implementing the LARP; and
- Implement immediate remediation for any non-compliance with the LARP.

LAR Unit (at Zhambyl Oblast Committee of Roads)

- Implement the LARP, daily monitor, and report the progress of all LAR activities;
- Maintain database on APs;
- Prepare documents and process payments to APs;
- Coordinate with the Land Resources Agency, Justice Department, and *raion* governments that have jurisdiction over land administration/valuation;
- Organize regular public consultations with APs and local NGOs;

⁴ The [LARE](#) was posted on ADB website in July 2008.

⁵ TA 7254-KAZ *Capacity Development for Due-diligence Assessments of Projects*. \$250,000. Approved on 24 March 2009. The EIA covered the 99km sections from Kulan to Blagovshchenka including the 20km Kulan bypass.

⁶ The LARP was posted on ADB website in September 2009, and its Russian version on MOTC's website in 19 September 2009.

⁷ During the preparation of the detailed design, the APs for the project were identified.

Annex 4: Safeguards Plan

- Assist in receiving, recording, resolving and reporting of grievances on land acquisition process and other aspects of the Project and coordinate with the Grievance Focal Points at the raion Akimats and at the PMC-ADB; and
- Make all LAR documents available to public.

Construction Supervision Consultant at PMC-ADB

- Monitor implementation progress of the LARP activities and prepare internal resettlement monitoring reports every three months indicating bottlenecks, and identifying items for management action;
- Guide contractors and monitor contractors' compliance with stipulated measures to mitigate, enhance or compensate for social impacts, including actions related to temporary land acquisition;
- Provide advise to the Zhambyl LAR Unit in the conduct of LARP activities;
- Serve as the over-all Grievance Focal Point for the Project; and
- Facilitate the engagement of External Resettlement Monitors and supervise their work.

(iv) Key Responsibilities of ADB

- Review the LARF/LARP reports, and publicly disclose them in ADB website; and
- Monitor the implementation of the LARP.

(v) Monitoring and Evaluation

a. Internal Monitoring

The Construction Supervision Consultant will monitor the progress for implementing the LARP, and submit a quarterly report to ADB, which includes

- information campaign and consultation with APs;
- status of land acquisition and payments on land compensation;
- compensation for affected structures and other assets;
- relocation of APs;
- payments for loss of income;
- selection and distribution of replacement land areas; and
- income restoration activities

b. External Monitoring

The EA through the Construction Supervision Consultant will hire an external monitoring agency to

- monitor compliance to the LARP provisions during implementation,
- assess AP's socio-economic situation in the post-resettlement period, and
- determine any unplanned or unexpected consequences of the resettlement.

Annex 4: Safeguards Plan

c. Monitoring Indicators

- Disbursement of compensation,
- Changes in socio-economic conditions of the APs in the post-resettlement period;
- Satisfaction level of APs in the post resettlement period;
- Rehabilitation of squatters, severely affected people, and vulnerable groups;
- Valuation of property; and
- Number of complaints, and grievance procedures.

4.3 Indigenous People (IP)

The Project is classified IP category C, as it has no impact on indigenous peoples.

4.4 Other Safeguards

Other safeguard concerns for the Project are:

- Non-discrimination against gender during construction
- Protection of sexually transmitted diseases
- Preserving suitable working condition and protecting child labor
- Mitigating the risk of human trafficking

Annex 5: Financing Plan

5.1 Financing Plan

(i) Financing Plan^a

Source	Total (\$ million)	Percent (%)
Asian Development Bank	340	85
Government	60	15
Total	400	100

^a In mid-2008 prices. Taxes and duties are included. Interest during construction and commitment charges are excluded.

Sources: Ministry of Transport and Communications and ADB estimates.

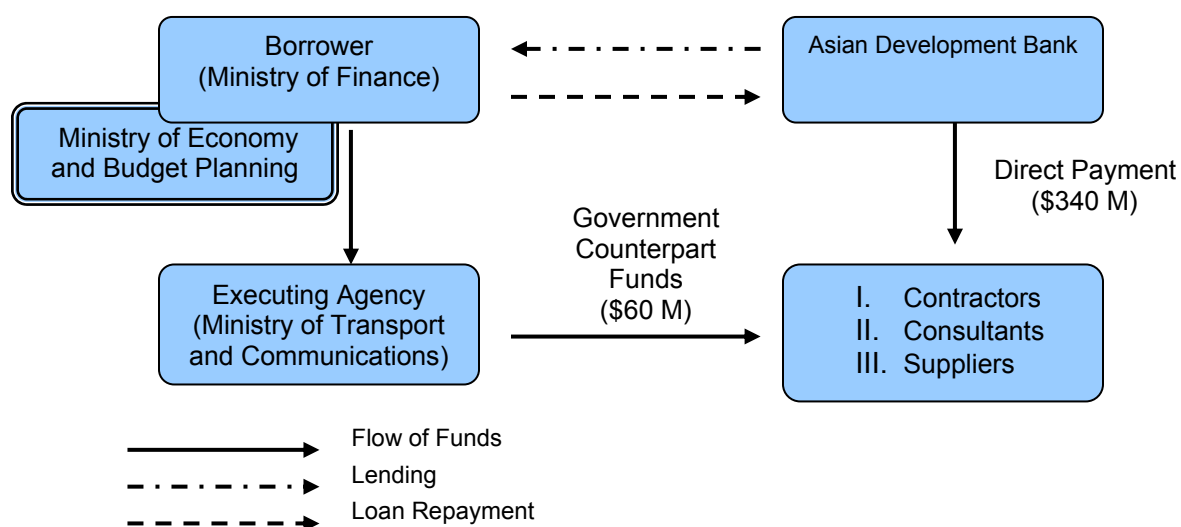
(ii) Government Financing

MOTC will finance the following

- Civil works: \$59 million (equivalent)
- In-kind contribution: \$1 million (equivalent)

The Government will cover all local taxes and duties.

5.2 Fund Flow



Annex 5: Financing Plan

5.3 Allocation Table

Category		ADB Financing Basis	
Number	Item	Total Amount Allocated for ADB Financing (\$)	Percentage of ADB Financing from the Loan Account
1	Civil Works	297,000,000	85 percent of total expenditure claimed
2	Consulting Services	14,000,000	100 percent of total expenditure claimed ^a
3	Unallocated	29,000,000	
	Total	340,000,000	

^a Exclusive of local taxes and duties imposed within the territory of the Borrower.

5.4 Disbursement Arrangements

The ADB's *Loan Disbursement Handbook* (2007) will guide the disbursement of loan proceeds for the Project. The contracts for civil works and consulting services will use direct payment procedures. No imprest account will be required.

There will be no withdrawals from the Project loan account until the Government certified that the PMC-ADB team is ready to implement the Investment Program.

Annex 6: Investment (Cost) Plan

6.1 Detailed Cost Estimate^a

Item	ADB		Government		Total (\$ million)
	Amount (\$ million)	%	Amount (\$ million)	%	
A. Road Development Component^b					
1. Civil Works					
CW3-1: Taraz – Kulan	116	85	21	15	137
CW3-2: Taraz – Kulan	118	85	21	15	139
CW6-1: Blagoveschenka – Korday	63	85	11	15	74
Subtotal (A1)	297		53		350
2. Construction Supervision Consultant	9	100	0	0	9
3. Project Management Consultant	3	100	0	0	3
Subtotal (A)	309		53		362
B. Road Operation and Maintenance Component					
1. Improvement of Road Maintenance System	1	100	0	0	1
2. Development of Intelligent Transport System	1	100	0	0	1
Subtotal (B)	2		0		2
C. Recurrent Costs^c	0	0	1	100	1
Total Baseline Costs	311		54		365
Contingencies ^d	29		6		35
Total Costs	340		60		400

^a Taxes and duties are included. Interest and commitment charges are excluded.

^b Road development component includes physical contingencies.

^c Government expenses related to the Investment Program.

^d Price contingencies include provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

Sources: Ministry of Transport and Communications and Asian Development Bank estimates.

Annex 6: Investment (Cost) Plan

6.2 Annual Forecast

No.	Item	Financier	Total Cost	Contract award				Disbursement				
				2009	2010	2011	2012	2009	2010	2011	2012	2013
1.	Civil Works											
	CW3-1	ADB	116	116				11	31	31	32	11
		MOTC	21	21				2	6	5	5	3
	CW3-2	ADB	118	118				12	31	32	32	11
		MOTC	21	21				2	6	5	5	3
	CW6-1	ADB	63	63				6	17	17	17	6
		MOTC	11	11				1	3	3	3	1
2.	Construction Supervision											
	Project Management Consultant	ADB	9	9				1	2	2	2	2
	Construction Supervision	ADB	3	3				0.3	0.7	0.7	0.7	0.6
	Road Maintenance	ADB	1	1				0.1	0.9			
	Development of ITS	ADB	1	0	1				0.1	0.9		
3.	Recurrent Costs	MOTC	1	0.25	0.25	0.25	0.25	0.2	0.2	0.2	0.2	0.2
4.	Contingencies	ADB	29				29				15	14
		MOTC	6				11				6	5
Total Project 1 Costs			400	363.25	1.25	0.25	40.25	35.6	97.9	96.8	117.9	56.8

ADB = Asian Development Bank, CW = civil works, ITS = intelligent transport system, MOTC = Ministry of Transport and Communications

6.3 Quarterly Forecast for 2009

No.	Item	Financier	Total Cost	Contract award				Disbursement				
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
1.	Civil Works											
	CW3-1	ADB	116				116					11
		MOTC	21				21					2
	CW3-2	ADB	118				118					12
		MOTC	21				21					2
	CW6-1	ADB	63				63					6
		MOTC	11				11					1
2.	Construction Supervision											
	Project Management	ADB	9			9					1	
	Construction Supervision	ADB	3			3					0.3	
	Road Maintenance	ADB	1			1					0.1	
	Development of ITS	ADB	1									
3.	Recurrent Costs	MOTC	1				0.25					0.2
4.	Contingencies	ADB	29									
		MOTC	6									
Total Project 1 Costs			400	0	0	13	350.25	0	0	1.4	34.2	

ADB = Asian Development Bank, CW = civil works, ITS = intelligent transport system, MOTC = Ministry of Transport and Communications, Q = quarter

Annex 7: Execution Plan

7.1 Work Breakdown Structure and Responsibility Allocation

Level 1	Level 2	ADB	MOTC	COR	Reference
1. Pre-startup					
	1.1 Board Approval	✓			
	1.2 Loan Signing	✓			
	1.3 Loan Effectiveness	✓			
2. Project Management					
	2.1 Setup Organization		✓		
	2.2 Appoint Project Director and Team		✓		
	2.3 Install Management Information System			✓	
3. Safeguards					
	3.1 Prepare EMP			✓	
	3.2 Prepare LARP			✓	
	3.3 Implement EMP			✓	
	3.4 Implement LARP			✓	
4. Road Development					
	4.1 Prepare Detailed Design			✓	
	4.2 Procure Civil Works			✓	
	4.3 Award Contracts to Contractors			✓	
	4.4 Recruit PM and CS Consultants			✓	
	4.5 Award Contract to Consultants			✓	
	4.6 Manage and Supervise Construction			✓	
5. Road Operations and Maintenance					
	5.1 Recruit Consultants for Road Maintenance		✓		
	5.2 Recruit Consultant for Development of ITS		✓		
	5.3 Award Contracts to Consultants		✓		
	5.4 Supervise Consultants		✓		
6. Progress Review					
	6.1 Semi-annual Review	✓		✓	
	6.2 Annual Review	✓		✓	
	6.3 Mid-term Review	✓		✓	
	6.4 Project Completion Review	✓		✓	

ADB = Asian Development Bank, COR = Committee of Roads, CS = Construction Supervision, ITS = Intelligent Transport System, MOTC = Ministry of Transport and Communications, PM = Project Management.

Annex 8: Performance Monitoring and Evaluation

8.1 Deliverables

- 125 km road reconstructed
- Road maintenance and operation system
- Intelligent Transport System (ITS) strategy
- ITS investment plan
- Various reports (see Section 8.3, item ii)

8.2 Performance Indicators

(i) Outcome Indicators

- Increased average traffic volume from 4,000 vpd in 2007 to 7,000 vpd
- Reduced average travel time between Zhambyl Oblast and the southern Kazakhstan border and Otar from 10 hours to 6 hours
- Reduced transport cost for freight from 10% to 5% of the cargo value
- Reduced accident rate from 0.3 fatality/km in 2006 to 0.1 fatality/km

(ii) Output Indicators

Physical

- 125 km road reconstructed on time, within budget, and meeting technical specifications with IRI of less than 3 m/km

Non-physical

- Sustainable road maintenance and operation system prepared and pilot projects formulated
- ITS strategy developed
- Investment plan for ITS agreed for implementation under the subsequent projects

8.3 Monitoring, Reporting, and Evaluating Performance

(i) Project Performance Monitoring System (PPMS)

The PMC-ADB is responsible for daily monitoring, reporting, and evaluating the progress for implementing the Project (see Section 2.2). It will develop a PPMS. The key indicators and assumptions outlined at the impact and outcome levels in the Project design and monitoring framework will be the primary data required for analysis.

Annex 8: Performance Monitoring and Evaluation

(ii) Progress Reports

The IA will submit the following required reports to ADB:

- (a) Quarterly report (deadlines: 31 April, 31 July, 31 October, 31 January)
 - Physical progress
 - Procurement status and progress
 - Contract awards and disbursements
 - Status of payment to contractors and consultants
 - Environmental monitoring
 - Land acquisition and resettlement internal monitoring
- (b) Semi-annual report (deadlines: 31 July and 31 January)
 - Physical progress
 - Procurement status and progress
 - Contract awards and disbursements
 - Status of payment to contractors and consultants
 - Status of loan covenants
 - Status and availability of counterpart funding
 - Environmental monitoring
 - Land acquisition and resettlement internal monitoring
 - Land acquisition and resettlement external monitoring
- (c) Midterm Review Report (it covers above)
- (d) Project Completion Report (it covers above)
- (e) Financial Audit Reports (deadline: 30 June of the following year)
 - Audited Project Accounts
 - Agency Financial Statements

(iii) Review Mission

Review missions comprising representatives of ADB, Borrower, MOTC and the Committee of Roads, will assess the progress of implementing the Project, including procurement, civil works, financing status, and environmental and social safeguards based on quarterly progress reports.

A mid-term review mission, 2 years after the loan becomes effective, will focus on the engineering, environmental and social safeguards of the Project, compliance with loan covenants and the undertakings set out in the FFA. The review will allow for any necessary mid-course corrections to achieve Project objectives.

Annex 9: Major Covenants

9.1 Legal Covenants

Covenants	FFA/LA
The Borrower shall ensure that (a) the road sector policy framework which identifies the development actions as set out in Table 1 of Schedule 1 of the FFA (including good governance and accountability, sustainable financing, policy and regulatory framework, institutional reform and capacity development, road safety, road sector sustainability, and road transport operations and management) is implemented; (b) ADB is kept informed in a timely manner of any changes in the sector that may affect the Project and its financing plan and the progress in implementing the Project; and (c) ADB is consulted in a policy dialogue affecting any of the these elements.	LA, Schedule 5, para. 14

FFA = facility financing agreement, LA = loan agreement.

9.2 Financial Covenants

Covenants	FFA/LA
The Borrower shall make available, promptly as needed, the funds, facilities, services, land and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Project facilities.	LA, Article IV, Section 4.02.
Counterpart Funds Without limiting the generality of Section 4.02 of this Loan Agreement, the Borrower shall make available all counterpart funds required for timely and effective implementation of the Project and the RDP through annual budget allocations to MOTC, and shall ensure that necessary resources thus required are released in a timely manner. The Borrower shall cause MOTC to include the updated funding requirements for implementation of the Project and the Investment Program in its annual development programs.	LA, Schedule 5, para. 5
Funding for Road Development and Maintenance The Borrower shall cause MOTC to (a) allocate routine maintenance budget in accordance with the RDP; and (b) ensure that for each fiscal year after 2012, the budget is increased by no less than annual inflation rates, provided that sound fiscal balance is maintained at all times. The Borrower shall have such expenditures audited annually and make the auditor's reports available to ADB upon request.	LA, Schedule 5, para. 6
The Borrower shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than six (6) months after the end of each related fiscal year, unaudited copies of such accounts and financial statements, and not later than six (6) months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof	LA, Article IV, Section 4.05 (a).

as ADB shall from time to time reasonably request.	
(b) The Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Borrower pursuant to Section 4.05(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.	LA, Article IV, Section 4.05 (b).
The Borrower shall cause MOTC to implement the financial management action plan, so that (a) within 6 months of the Effective Date, project financial management functions are assigned to a nominated unit with the MOTC's finance department, with suitably qualified staff to be supervised by the director of MOTC's accounting department; (b) within 9 months of the Effective Date, a manual of financial procedures is developed and approved, training of project financial management staff is carried out, and the automated accounting system is established with capacity to record and report on an annual basis project transactions and generate interim financial reports.	FFA, Schedule 3, para. 7
Financial Management Action Plan The Borrower shall cause MOTC to implement the financial management action plan, so that (a) within six (6) months of the Effective Date, project financial management functions are assigned to a nominated unit within the MOTC's finance department, with suitably qualified staff; (b) within nine (9) months of the Effective Date, a manual of financial procedures is developed and approved; training of project financial management staff is carried out; and the automated accounting system is established with capacity to record and report on an annual basis project transactions and generate interim financial reports.	LA, Schedule 5, para. 16
The Borrower will ensure that each Project account is audited by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB and the audit reports will be submitted to ADB within 6 months of the end of the relevant fiscal years.	FFA, Schedule 6, para. 8
The Borrower will make available all counterpart funds required for timely and effective implementation of the Investment Program through annual budget allocations to MOTC, and will ensure that necessary resources thus required are released in a timely manner. The Borrower will cause MOTC to include the updated funding requirements for implementation of the Investment Project in its annual development program.	FFA, Schedule 6, para. 1

FFA = facility financing agreement, LA = loan agreement.

9.3 Safeguards Covenants

Covenants	FFA/LA
ENVIRONMENT	
The Borrower shall ensure (a) that the design, construction, and operation and maintenance of the Project facilities are carried out in accordance with ADB's Environment Policy (2002), the Borrower's environmental laws and regulations, the EARF, the CEIA, and the IEE; and (b) potential adverse environmental impacts arising from the Project are minimized by implementing all mitigation and monitoring measures as presented in the EMP.	LA, Schedule 5, para. 9
The Borrower shall further ensure that (a) the EMP is updated prior to issuance of any notice to proceed to constructors; (b) sufficient resources are made available to	LA, Schedule 5, para. 10

<p>implement, monitor, and record the implementation of the EMP; (c) semiannual environmental reports are prepared and submitted to ADB by the Project Director, within three (3) months of the end of each period covered; (d) the reports include, inter alia, a review of progress made on the implementation of the EMP, problems encountered and remedial measures taken; (e) the detailed engineering design and civil work contracts under the Project incorporate applicable environmental measures identified in the EMP; and (f) civil works contractors are supervised to ensure compliance with the requirements of the IEE and EMP.</p>	
<p>The Borrower shall ensure that (a) the design, construction, and operation and maintenance of the Project facilities are carried out in accordance with ADB's Environment Policy (2002), the Borrower's environmental laws and regulations, the EARF, the CEIA, and the IEE; and (b) potential adverse environmental impacts arising from the Project are minimized by implementing all mitigation and monitoring measures as presented in the EMP.</p>	<p>FFA, Schedule 5, para. 9</p>
<p>The Borrower shall further ensure that (a) the EMP is updated prior to issuance of any notice to proceed to constructors; (b) sufficient resources are made available to implement, monitor, and record the implementation of the EMP; (c) semi-annual environmental reports are prepared and submitted to ADB by the Project Director, within three months of the end of each period covered; (d) the reports include, inter alia, a review of progress made on the implementation of the EMP, problems encountered and remedial measures taken; (e) the detailed engineering design and civil work contracts under the Project incorporate applicable environmental measures identified in EMP; and (f) civil works contractors are supervised to ensure compliance with the requirements of the IEE and EMP.</p>	<p>FFA, Schedule 5, para. 10</p>
<p>LAND ACQUISITION AND RESTTLEMENT</p>	
<p>The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental and social safeguards, and road maintenance and operational practices.</p>	<p>LA, Article IV, Section 4.01. (a)</p>
<p>The Borrower shall ensure that that to the extent possible the Project does not involve any land acquisition or involuntary resettlement, and all works are carried out within existing rights of way. However, if based on the detail design of the Project, additional land would be required triggering any land acquisition, resettlement or loss of assets, the Borrower shall cause MOTC to ensure that the Project is carried out in accordance with the Borrower's applicable laws and regulations, ADB's Policy on Involuntary Resettlement (1995) and the LARF including, inter alia, the following provisions:</p> <p>(a) LARP shall be prepared in consultation with, and disclosed to, the affected persons in accordance with the provisions of the LARF;</p> <p>(b) the LARP shall be submitted to ADB for review and clearance prior to award of any civil works contract;</p> <p>(c) all land and rights of way required by the Project shall be acquired and made available in a timely manner;</p> <p>(d) all compensation and resettlement assistance shall be provided to affected persons prior to their displacement and dispossession;</p> <p>(e) efficient grievance redressal mechanisms shall be in place in accordance with the LARP to assist affected persons resolve queries and complaints if any, in a timely manner;</p> <p>(f) adequate staff and resources shall be made available under PMCWB to carry out independent monitoring and evaluation of implementation of the LARP and to report the outcomes to ADB on a semi-annual basis. Semi-annual reports shall be submitted to ADB within three (3) months of the end of each period covered. The internal monitoring shall be carried out by the raion administration;</p> <p>(g) if during implementation of the LARP, any changes to the location, land alignment of roads, or additional environmental and/or resettlement impacts are identified, the LARP shall be updated and prior approval by ADB and the relevant government</p>	<p>LA, Schedule 5, para. 11</p>

agencies shall be obtained before further implementation of the LARP.	
<p>Execution of Contracts for Works</p> <p>The Borrower shall ensure that, subsequent to award of contracts, no notice to proceed is issued to contractors for respective sections or parts of the Project Road until the applicable provisions of the LARP (including in particular the timely payment of compensations to affected persons), the IEE, and the EMP have been complied with.</p>	LA, Schedule 5, para. 12
<p>The Borrower will include a specific provision in bidding documents to ensure that civil works contractors (a) comply with applicable core labor standards, labor laws and incorporate applicable workplace occupational safety norms; (b) do not differentiate payment between men and women for work of equal value; (c) do not employ child labor in the construction and maintenance activities; and (d) to the extent possible, maximize employment of local poor and disadvantaged persons for project construction purposes, provided that the requirements for job and efficiency are adequately met. The Borrower will ensure that appropriate entities—for example non-government organizations— disseminate information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of civil works contractors engaged under the Investment Program and to members of the local communities surrounding the Investment Program Road, particularly females.</p>	FFA, Schedule 5, para. 13
<p>The Committee of Roads will ensure that, subsequent to awarding civil works contract no notice to proceed is issued to contractors for respective sections or parts of the Investment Program Road until the applicable provisions of the LARPs (including in particular the timely payment of compensations to affected persons), the IEE or EIAs, and the respective EMPs have been complied with.</p>	FFA, Schedule 3, para. 11
<p>Any changes to the location, land alignment of roads, or environmental impacts on account of detailed designs of related projects will be subject to prior approval by ADB and the relevant government agency in accordance with the approval procedures set forth in the FFA.</p>	FFA, Schedule 3, para. 12
<p>The Borrower will ensure that Project 1 will not involve land acquisition or involuntary resettlement within the meaning of ADB's Involuntary Resettlement Policy (1995), applicable Borrower's law and regulations, and the agreed LARF, and all civil works under Project 1 are carried out within existing rights of way (ROW). However, if based on detail design additional land is required triggering any land acquisition, resettlement (LAR) or loss of assets, MOTC will prepare, disclose, and implement a resettlement plan in accordance with the LARF.</p>	FFA, Schedule 5, para. 7
<p>For the Subsequent Projects that will involve LAR and loss of assets, the Borrower will ensure that no civil works contract is awarded until LARP has been agreed with ADB based on detailed design. The LARP must be prepared and disclosed to the affected people before submission of the second PFR to ADB for review.</p>	FFA, Schedule 5, para. 8

FFA = facility financing agreement, LA = loan agreement.

Annex 10: Appendixes

The FAM includes the following appendixes:

- A. Pro Forma of the Executing Agency's Project Progress Report
 - B. Framework and Guidelines in Calculating Project Progress
 - C. Land Acquisition and Resettlement Framework
 - D. Environmental Assessment and Review Framework
 - E. Terms of Reference (TOR) for Consultants
 - F. TOR for Financial Auditor
-

PRO FORMA OF THE EXECUTING AGENCY'S PROJECT PROGRESS REPORT

A. Introduction and Basic Data

- ADB loan number, project title, borrower, executing agency, implementing agency;
- total estimated project cost and financing plan;
- status of project financing including availability of counterpart funds and cofinancing;
- dates of approval, signing, and effectiveness of ADB loan;
- original and revised (if applicable) ADB loan closing date and elapsed loan period based on original and revised (if applicable) loan closing dates;
- date of last ADB review mission; and
- summary of the progress.

B. Utilization of Funds (ADB Loan, Co financing, and Counterpart Funds)

- cumulative contract awards financed by the ADB loan, cofinancing, and counterpart funds (commitment of funds to date), and comparison with time-bound projections (targets);
- cumulative disbursements from the ADB loan, cofinancing, and counterpart funds (expenditure to date), and comparison with time-bound projections (targets); and
- reestimated costs to completion, need for reallocation within ADB loan categories, and whether an overall project cost overrun is likely.

C. Project Purpose

- status of project scope/implementation arrangements compared with those in the report and recommendation of the President (RRP), and whether major changes have occurred or will need to be made;
- an assessment of the likelihood that the immediate development objectives (project purpose) will be met in part or in full, and whether remedial measures are required based on the current project scope and implementation arrangements;
- an assessment of changes to the key assumptions and risks that affect attainment of the development objectives; and
- other project developments, including monitoring and reporting on environmental and social requirements that might adversely affect the project's viability or accomplishment of immediate objectives.

D. Implementation Progress

- assessment of project implementation arrangements such as establishment, staffing, and funding of the PMO or PIU;
- information relating to other aspects of the EA's internal operations that may impact on the implementation arrangements or project progress;
- progress or achievements in implementation since the last progress report;
- assessment of the progress of each project component, such as,
 - recruitment of consultants and their performance;

- procurement of goods and works (from preparation of detailed designs and bidding documents to contract awards); and
- the performance of suppliers, manufacturers, and contractors for goods and works contracts;
- assessment of progress in implementing the overall project to date in comparison with the original implementation schedule—quantifiable and monitorable target, (include simple charts such as bar or milestone to illustrate progress, a chart showing actual versus planned expenditure, S-curve graph showing the relationship between physical and financial performance, and actual progress in comparison with the original schedules and budgets, the reference framework or guidelines in calculating the project progress including examples are shown in Appendix 2); and
- an assessment of the validity of key assumptions and risks in achieving the quantifiable implementation targets.

E. Compliance with Covenants

- the borrower's compliance with policy loan covenants such as sector reform initiatives and EA reforms, and the reasons for any noncompliance or delay in compliance;
- the borrower's and EA's compliance with financial loan covenants including the EA's financial management, and the provision of audited project accounts or audited agency financial statements; and
- the borrower's and EA's compliance with project-specific loan covenants associated with implementation, environment, and social dimensions.

F. Major Project Issues and Problems

Summarize the major problems and issues affecting or likely to affect implementation progress, compliance with covenants, and achievement of immediate development objectives. Recommend actions to overcome these problems and issues (e.g., changes in scope, changes in implementation arrangements, and reallocation of loan proceeds).

FRAMEWORK AND GUIDELINES IN CALCULATING PROJECT PROGRESS

A. Introduction

1. The term "physical completion" in the PPR has been changed to "project progress" to ensure that all implementation activities are reflected in measuring implementation progress against the project implementation schedule.
2. Physical and precommencement activities are considered in calculating project implementation progress. These activities, which may include recruitment of consultants, capacity building, detailed design, preparation of bid and prequalification documents, etc., could constitute a significant proportion of overall implementation and therefore should be counted.
3. Each activity in the implementation schedule will be weighted according to its overall contribution (using time as a reference) to progress of project implementation. These weights will then be used to calculate the percentage of project progress along the entire time span of the project. This is to provide a holistic view of the pace of implementation.

B. Framework for Compiling Activity List and Assigning Weights

4. As implementation activities and their corresponding weights will vary according to the type of project, sector, and country, sector divisions or RMs will be responsible for determining and including them in the project administration memorandum. The actual project implementation progress of these activities should be reported regularly through the EA's quarterly project progress report. To ensure ADB-wide consistency, the following framework has been established; its application will be monitored through the PPR.

1. Compilation of Activity List

5. Sector divisions or RMs concerned should identify major implementation activities and include them in the implementation schedule, which is attached as an appendix in the report and recommendation of the President (RRP). The implementation schedule should follow the critical path of the project's major activities in project implementation taking account of various country, sector, and project constraints.

2. Assignment of Weights

6. Corresponding weights for each activity should be assigned to ensure that "project progress" measures the percentage of achievement (nonfinancial except when the project has credit components) for all events during the entire duration of the implementation schedule. To avoid disproportionate assignment of weights, to the extent possible these should be evenly distributed along the implementation schedule. When activities are concurrent, avoid "double counting."

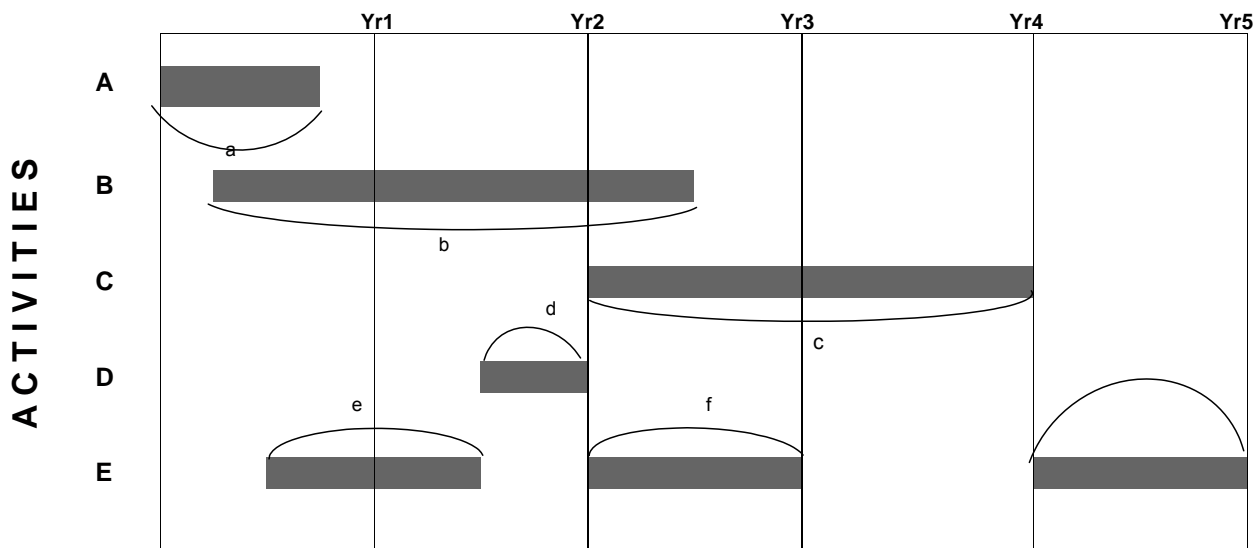
3. Computation of Project Progress

7. Once all activities are identified and corresponding weights assigned, project progress should be calculated using the following steps:

- (i) Determine the actual percentage progress (nonfinancial) of each activity.
- (ii) Multiply these percentages by the assigned weight of each activity to arrive at the weighted progress.
- (iii) Add up the resulting weighted progress of all activities to determine the project progress.

Page 3 of this Appendix provides an illustration of this calculation using a generic sample implementation schedule and this Appendix, page 4 a specific example in the education sector.

Implementation Schedule with Activities and Weights



1. Sum of all weights should equal 100 percent ($a+b+c+d+e+f+g = 100\%$)
2. When calculating the percentage of "project progress," all completed activities should be counted as accomplished, regardless of when they were scheduled to be completed. For example, when calculating the percentage of "project progress" after year 3, if activity D is completed in year 3 rather than in year 2, it should still be included in the computation.
3. Total weight of each activity is as follows: Activity A— a ; Activity B— b ; Activity C— c ; Activity D— d ; and Activity E— $e + f + g$
4. Project progress of a project is the summation of the actual percentage of progress for each activity multiplied by the total weight of each activity.

Sample Implementation Schedule

Activities	Year 1	Year 2	Year 3	Year 4	(a) Assigned Weight	(b) Actual Progress	(a) x (b) Weighted Progress
Establish PIU	■				5%	100%	6%
Establish Accreditation Board, etc.		■			5%	0%	0%
Appoint Staff and Budget	■				4%	75%	3%
Adopt Architecture Plans		■			2%	100%	2%
Shortlist Consulting Firms	■				6%	100%	6%
Prepare Fellowship Program		■			6%	76%	4%
Prepare Civil Works Tendering		■			30%	0%	0%
Civil Works: Classrooms, Dorms, etc.			■		6%	0%	0%
Procurement of Furniture and Equipment				■	16%	10%	2%
Field Work of Consultants		■			7%	0%	0%
Provide Fellowships				■	6%	0%	0%
Conduct Study Tours			■		6%	0%	0%
Provide Curriculum Standards				■	6%	0%	0%
				Total Weight	100%		
				Imp. Progress			24%

(a) Assigned weight for each activity

(b) Actual progress of each activity

(a) x (b) weighted progress for each activity

Project progress = sum of all weighted progress for each activity

LAND ACQUISITION AND RESETTLEMENT FRAMEWORK

PLEASE GO THE FOLLOWING WEBLINK:

http://www.adb.org/Documents/Resettlement_Plans/KAZ/41121/41121-KAZ-RF.pdf

**Central Asia Regional Economic Cooperation (CAREC) Transport Corridor I
(Zhambyl Oblast Section)**

**Land Acquisition and Resettlement Framework
Asian Development Bank
(ADB)**

July 2008

Republic of Kazakhstan

**Ministry of Transport and Communications
Committee for Roads**

ENVIRONMENTAL ASSESSMENT AND REVIEW FRAMEWORK

PLEASE GO THE FOLLOWING LINK:

<http://www.adb.org/Documents/Environment/KAZ/41121/41121-KAZ-EARF.pdf>

**Republic of Kazakhstan
Ministry of Transport and Communications
Committee for Roads**

**Central Asia Regional Economic Cooperation (CAREC) Corridors 1, 3, 6
Western China-Western Europe International Corridor**

**Reconstruction of the International Corridor
from Khorgos to Aktobe Oblast: Kazakhstan**

Environmental Assessment Review Framework (EARF)

Cooperating International Financial Institutions:

**Asian Development Bank
(Zhambyl Oblast)**

**European Bank for Reconstruction and Development,
(Aktobe Oblast)**

**Islamic Development Bank
(Zhambyl Oblast)**

**World Bank, South-West Corridor Road Project
(South Kazakhstan, Kzyl Orda Oblasts)**

5 August 2008

Appendix E**OUTLINE TERMS OF REFERENCE FOR CONSULTANTS****A. Project Management Consultant****1. Introduction**

1. A Project Management Consultant (PMC-ADB) will be required to assist the Executing Agency (EA), Ministry of Transport and Communications (MOTC) and the Project Director (PD) in overall project management of the Investment Program and procurement of civil works and goods, and recruitment of consultants. Three major scopes are described below.

2. Scope of Services

2. **Project Management.** The PMC-ADB will be responsible for the management of the Investment Program with the following scope of works:

- (i) Maintain records and advise and assist MOTC with the day-to-day coordination and supervision of the Investment Program and its components, including the preparation of regular progress reports.
- (ii) Coordinate and review updated designs and cost estimates prepared by the design consultants.
- (iii) Advise MOTC/PD on the preparation, evaluation, and award of tenders for civil works construction.
- (iv) Coordinate and supervise the work of field teams in supervising and certifying construction in accordance with contract conditions.
- (v) Review justifications provided for any variation orders proposed and submitted by the Contractors.
- (vi) Monitor contractors' conformity with environmental and social impact controls required under the Project.
- (vii) Develop impact and outcome indicators; collect baseline data; and measure the indicators over time during the assignment period.
- (viii) Ensure project financial management procedures are in place and are strictly followed, specifically relating to payments, financial accounting, financial reporting and record keeping.
- (ix) Assist MOTC to prepare a project completion report at the end of each tranche loan.

3. **Procurement Activities.** The PMC-ADB will be responsible for coordination of procurement of civil works, goods, and consultants under the Investment Program and ensuring that procurement is carried out in compliance with the procedures agreed with the Asian Development Bank (ADB). The tasks of the procurement activities will include but not be limited to the following:

- (i) Undertake procurement activity in accordance with the draft procurement plan, which provides the estimated costs and basis for the procurement methods for each procurement item under the Project.
- (ii) Review technical specifications as developed for procurement of good and services together with MOTC.

- (iii) Prepare bidding documents (for the Subsequent Projects) with the inputs provided by the detailed design consultant.
- (iv) Prepare tender notices and invitations for bids (for the Subsequent Projects).
- (v) Receive and open tenders, coordinate the evaluation process, validate findings, and prepare the Evaluation Report.
- (vi) Administer contracts to ensure compliance with the contract conditions, payment terms, variations, dispute resolution, and monitoring, etc.
- (vii) Maintain all records relating to procurement.
- (viii) Maintain a separate record relating to complaints and their redressing.
- (ix) Periodically update the procurement plan in agreement with the EA to reflect the actual project implementation needs and improvements in institutional capacity.
- (x) Prepare procurement implementation reports in accordance with the reporting requirement acceptable to ADB.
- (xi) Assist the MOTC in its procurement activities and help it in develop reports in the agreed format.
- (xii) Obtain all necessary clearances within the Government and ADB.
- (xiii) Keep all procurement records in proper order, acceptable to MOTC and ADB.
- (xiv) Assist the ADB staff during procurement prior -reviews.
- (xv) Train MOTC staff on procurement.

4. **Project Preparatory for the Subsequent Projects.** The MOTC has completed Feasibility Study while Detailed Design for the Subsequent Projects is yet to be completed. Preliminary environmental impact assessment and basic surveys for land acquisition and resettlement plans were completed by MOTC consultants in 2008. Economic analysis was prepared by ADB staff consultant in 2008. This advisory service therefore, will (i) complete due diligence reviews including technical and economic appraisal, environmental, social, and poverty impacts assessment, and (ii) prepare project implementation and financing plan for ADB financing.

5. Task 1: The consultant, based upon the above tasks, will carry out due diligence for the key parameters for the Subsequent Projects (i) traffic forecasts, (ii) review road and support facilities preliminary design and cost estimates, (iii) review detailed design, technical, economic, environmental and social feasibility studies for the Subsequent Projects. (iv) financing plan, and (v) implementation arrangements and schedule. The consultant's diligence review will include road safety and environmental mitigation measures review.

6. Task 2: Review and update the capital cost estimates: The consultant will prepare an up to date cost estimate based upon the proposed road development, amended to take account of current prices, the most appropriate exchange rate and any amendment to facility design and phasing.

7. Task 3: Update the economic analysis: The economic analysis for the Subsequent Projects was completed. The consultant will review the latest traffic data, the latest economic data and all other relevant data and information which will allow updating of the traffic forecasts as necessary. Based on the revised capital costs and phasing the consultant will update the economic analysis of the project. The consultant should carefully appraise the methodology used and identify any need to refine the methodology.

8. Task 4: The consultant shall review the environmental impact assessment (EIA) already prepared by the Committee of Roads. Ascertain their conformity with ADB's Environmental Policy (2002) and related Environmental Assessment Guidelines (2003), and verify any gaps,

such as public consultations, environmental management plan, and/or cost estimate of environmental monitoring and mitigation in the reports. The consultant shall endeavor to fill the gaps identified and work with the executing agency to generate required additional work if any, to complete the analysis. The consultant should verify its validity based on the Government's environmental assessment regulations. The consultant shall complete the EIA and its summary EIA (SEIA).

9. Task 5: Review of social and poverty analyses: The consultant should review the methodology and conclusions of the social and poverty analyses to verify that they were undertaken in accordance with the ADB Guidelines. The consultant should verify gaps if any in the analyses and propose additional work to be carried out by the consultant.

10. Task 6: Conduct additional desk/field investigations, if required, for the Poverty and Social Analysis (PSA) and prepare a PSA report meeting the requirements of *the ADB Handbook on Poverty and Social Analysis*. The PSA will also identify (i) poverty issues related to livelihood, trade, and transport patterns in project areas; and (ii) complementary physical/non-physical interventions that may, if included in the Project, add to its poverty reduction potential. Lastly, the PSA will provide a social assessment.

11. Task 7: Review the Land Acquisition and Resettlement Plans (LARPs) prepared during detailed design works. If not available, in conjunction with the Detailed Design, determine any possible need for temporary and permanent land acquisition and compensation/resettlement arrangements; prepare LARPs as required, according to the format and scope required by the ADB. Resettlement documents should be prepared in accordance with, and reflect, existing local land transfer mechanisms and locally relevant grievance redress mechanisms, as well as ADB's Involuntary Resettlement Policy. The consultant may use the Handbook on Resettlement: A Guide to Good Practice (1998) as a guide. Attention will have to be put in carrying out effective social assessment for the project and if necessary the appropriate modifications to standard LARP approaches will have to be made in case the local land property systems are based on collective ownership principles.

12. Task 8: Prepare contract package, procurement plan, and a detailed implementation schedule for the Subsequent Projects.

13. Task 9: Assist the EA preparing Periodic Financing Request (PFR) for the Subsequent Projects in accordance with a format agreed with ADB.

3. Input

14. The services will be carried out by international firm in association with national consultants, to be selected by the EA in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). A total of 52 person-months of international consultant inputs and 98 person-months of national consultants will be required.

15. Consulting services are expected to take place over 42 months. The team leader will be a senior civil engineer with sufficient experience in road construction. The other experts should also have relevant qualifications and experience. All experts, international and national, must be proficient in both written and spoken English. It is desirable for international consultants to have basic knowledge of Russian.

Table 1: Staffing

Item	No.	Person-Month	Item	No.	Person-Month
Team Leader/Project Management	1	42	Deputy Team Leader/Project Management	1	42
Procurement Specialist	1	6	Procurement Specialist	1	10
			Financial Management Specialist	1	42
Highway engineer	1	1	Highway engineer	1	1
Transport economist	1	1	Transport economist	1	1
Environment specialist	1	1	Environment specialist	1	1
Social Development Specialist	1	1	Social Development Specialist	1	1
International Consultants	6	52	National Consultants	7	98

Source: MOTC and ADB Staff estimates.

16. The Consultants will maintain a central office in Astana for the duration of the Investment Program. The consultant's staff will be expected to travel to project sites when required.

4. Deliverables

17. The consultant will prepare monthly reports on the Investment Program's progress in a format and level of detail agreed with MOTC and ADB.

18. The consultant will maintain records documenting information supplied by the field teams, decisions made at meetings, progress on civil works, certified achievements and milestones, financial records, and any deviations from or changes to the contract plans. The consultant will assist the MOTC in preparing quarterly project progress reports, a project completion report, and monitoring and evaluation reports as required under the Loan Agreement.

19. For Project Preparatory, the consultant will submit to MOTC and ADB (i) Draft Final Report, and (ii) Final Report and the Summary for the overall study including PSA; SEIA, LARP, and PFR.

20. The overall findings of the study including the Summary will be presented in the Final Report to be submitted by the end of the study. The consultant will submit 5 copies of each report to MOTC and ADB. In addition, the consultant should translate the Summary into Russian to be submitted to MOTC.

B. Construction Supervision

5. Introduction

21. Civil works will be carried out based on the International Federation of Consulting Engineers (FIDIC) contract. A consultant team will be engaged for the Investment Program to perform as the Engineer. The consultant will administer the construction contracts and ensure that the contractual clauses for both quality and specifications of work are complied with, and the works are constructed in accordance with the provisions of the construction contracts. The Engineer's representative will be a full-time professional resident engineer in the project area in accordance with the provisions of the construction contracts.

6. Scope of Services

22. The tasks of the consultant will include but not be limited to the following:
- (i) Ensure that the construction methods proposed by the contractor for carrying out the works are satisfactory.
 - (ii) Inspection of contractor's construction equipment, results of material and soil tests, safety of the works, property and personnel.
 - (iii) Ensure that road safety design requirements are implemented in accordance with the contract.
 - (iv) Establish efficient procedures for verifying contractor performance and reporting progress and problems in a timely manner, including quality control reports, quantity survey records, requests for variation or change orders, and contractor's claims and invoices.
 - (v) Undertake project performance monitoring and evaluation in accordance with the project framework and ADB's *Project Performance Management System Handbook*, including the baseline data survey and the following annual survey and reporting up to project completion.
 - (vi) Ensure that the contractor does not involve child labor in the execution of the civil works contracts in accordance with the provisions of the contract agreement.
 - (vii) Undertake supervision works; and prepare and issue the following reports, whose format and content should be acceptable to the employer: an inception report, a brief monthly progress report, a detailed quarterly report, and a detailed project completion report.
 - (viii) Review and verify any proposed change orders to be generated by the contractors and make recommendations to the EA.
 - (ix) Check that "as built" drawing is prepared by the contractors for all works as construction processes.
 - (x) Carry out the following duties related to environmental mitigation, with particular reference to the technical requirements of sound environmental standards on the basis of ADB's *Environmental Guidelines for Selected Infrastructure development Projects (Highways and Roads)* during construction: (a) ensure that all the environmental mitigation measures required to be implemented are incorporated in the contract documents; (b) supervise and monitor the implementation of environmental mitigation measures required; and (c) in the event of occurrence of any unexpected environmental impacts, coordinate with the EA/PD to provide necessary mitigation measures for submission to the Committee of Roads and ADB.
 - (xi) Monitor contractors' compliance with and performance of required actions regarding HIV/AIDS, human trafficking, and labor core standards in accordance with the contract documents, such as awareness and education of laborers and workers.
 - (xii) Prepare draft project completion report at 90% physical completion.
 - (xiii) Prepare final project completion report 2 months after physical completion of the Project, or on an alternative date as agreed with the Committee of Roads.
 - (xiv) Process interim and final payments of the contractors.
 - (xv) Any other tasks assigned by the committee of Roads consistent with the above scope.
23. If so required by Project Director, the supervision consultant will provide any of the following as additional services: (i) prepare reports, including technical appraisals, additional

contract documentation, and/or review and comment on the contractor's proposals, as may be required for the successful completion of the Project; and (ii) provide any other specialist services as may be required from time to time.

24. Project Director will authorize all additional services, other than minor extras that do not materially affect the scope of the supervision work, at the rates established in the construction supervision contract, or at the rates mutually agreed upon when the services require the use of specialists not listed in the contract.

7. Input

25. The services will be carried out by international firms in association with national consultants, to be selected by the EA in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). A total of 94 person-months of international consultant inputs and 504 person-months of national consultants will be required.

26. Consulting services are expected to take place over 42 months. The team leader will be a senior civil engineer with sufficient experience in road construction. The other experts should also have relevant qualifications and experience. All experts, international and national, must be proficient in both written and spoken English. It is desirable for international consultants to have basic knowledge of Russian.

Table 2: Staffing for Project 1

Position	No.	Person-Month	Position	No.	Person-Month
Resident engineer	1	42	Assistant resident engineer	3	126
Quality and material engineer	1	42	Quality and material engineer	3	126
Short-term Specialists (pavement engineer- 2 pm, contract specialist-2 pm, social development specialist-2 pm, environmental specialist-2 pm, road safety- 1 pm and bridge engineer- 1 pm)	6	10	Quantity Surveyor	3	126
			Site inspector	3	126
International Consultants	8	94	National Consultants	12	504

Source: MOTC and ADB Staff estimates.

27. The consultants will maintain a central office in Taraz, Zhambyl Oblast Capital, for the duration of the Project 1. The consultant's staff will be based in Taraz but will be expected to travel to Astana when required.

8. Deliverables

28. The consultant will prepare monthly reports on the Project progress in a format and level of detail agreed with MOTC and ADB. The consultant will maintain records documenting information supplied by the field teams, decisions made at meetings, progress on civil works, certified achievements and milestones, financial records, and any deviations from or changes to the contract plans. The consultant will assist MOTC in preparing quarterly project progress reports, a project completion report, and monitoring and evaluation reports as required under the Loan Agreement.

C. Development of Intelligent Transport System

9. Introduction

29. As a result of the economic development in Kazakhstan and the expected growth in traffic along key corridors some of which pass through remote areas there is a need to ensure a safe road environment and acceptable level of access in all seasons. MOTC is therefore seeking to engage consulting services to examine the potential for implementing intelligent transport system (ITS) on key corridors, identifying the services that should be included and also the development of a strategy for implementing ITS, taking account of the size of the country, the existing communication network and systems and the needs of stakeholders. This initiative will be funded through the Investment Program.

10. Scope of Services

30. The assignment is to identify the potential for establishing ITS, the form it might take, the ITS features and services that should be considered and also developing criteria for establishing the ITS in its various forms. It should also develop a strategy for progressively establishing ITS on existing and recently improved roads. This will mean identification of key stake holders and involving them in the development of the strategy plan.

31. The consultant is to develop a comprehensive “roadmap” setting the direction and pace of ITS investments over the next 10 years in a coordinated and focused manner. A study and strategy plan should addresses the growing transportation needs through the staged implementation of ITS network designed to meet the requirements of road users, especially during winter. The plan should list viable, cost-effective projects that could be implemented to achieve ITS short, medium and long term goals. The plan should also take account of development in adjoining countries to ensure consistency, where possible.

32. The Consultant is to prepare a short-term investment plan including project selection and prioritization process, implementation criteria for specific roads or ITS applications and the identification of the projected benefits and costs of an ITS program to Kazakhstan and its transport system users. The planning process must also create a framework that allows partnerships to form around strategic ITS initiatives to help implement the plan.

33. The development of the strategic plan for the deployment of ITS technologies will require a well balanced approach based on consensus building. The Consultant shall recognize the needs of all participants, identify specific benefits, and generate a long term strategy that lends itself to a staged implementation program. The Consultant shall focus on addressing local user needs rather than simply looking for opportunities to utilize new technologies. Key steps include:

- (i) Identifying stakeholders and working with them to identify their area and extent of interest in the rolling out of an ITS program and the ITS user applications that could be provided.
- (ii) Needs assessment and the development of goals and measurable objectives, development of a vision for ITS, identifying applicable user services (traffic control, early warning, GPS, etc), their costs and extent of need, developing appropriate criteria for providing the service and assessing benefits.

- (iii) Opportunity assessment namely the identification of institutional barriers, state of support services, technological and communication limitations and funding sources.
- (iv) Defining the ITS program by developing the functional requirements for the provision of the identified user services, and identifying the technical enabling environment and required technologies and the criteria for their use based on road standard, traffic levels, commercial traffic levels and environmental conditions.
- (v) Defining the deployment program and plan for the road network and/or for specific roads.

11. Input

34. The services will be carried out by international firm in association with national consultants, to be selected by the EA in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). A total of 12 person-months of international consultant inputs and 12 person-months of national consultants will be required.

35. Consulting services are expected to take place over 6 months. The international consultants will be a road/transport ITS and communication specialists with sufficient experience with needs evaluation and ITS system design and strategy development. The national consultants would include a roads engineer who is familiar with MOTC transport and traffic systems, and a communications specialist with knowledge of the communication setup in Kazakhstan and some knowledge of ITS systems. All experts, international and national, must be proficient in both written and spoken English. It is desirable for international consultants to have basic knowledge of Russian.

Table 3: Staffing

Position	No.	Person-Month	Position	No.	Person-Month
Team leader/Highway Engineer	1	6	Highway engineer	1	6
ITS Specialist	1	6	ITS Specialist	1	6
International Consultants	2	12	National Consultants	2	12

Source: MOTC and ADB Staff estimates.

36. The consultant's staff will be based in Astana for the duration of the services but will be expected to travel to project sites when required.

12. Deliverables

37. The following documents and reports shall be submitted by the Consultants to ADB and MOTC.

- (i) Report of the existing situation and opportunities and indicative costs at the end of month 2;
- (ii) Submit Draft Final Report containing ITS strategy and implementation plan with recommendations at the end of month 5; and
- (iii) Submit Final Report after incorporating stakeholders' comments and suggestions at the beginning of month 6, but no later than three weeks from the completion of the services.

D. Improvement of Road Maintenance System

13. Introduction

38. The Investment Program is to include a component designed to improve routine maintenance system in Kazakhstan. An advisory service will be recruited to recommend a suitable routine road maintenance system for Kazakhstan. It ultimately aims at developing road maintenance works performance standards, outsourcing system, and improving the efficiency of Kazakhavtodor.

14. Scope of Works

39. The consultant is to review the existing studies and documents:

- (i) Review studies on the road maintenance subject completed recently, relevant government policies and rules on road sector, and relevant technical papers;
- (ii) Review the existing situation of the tendering process of road construction / rehabilitation / periodic maintenance contracts and outline any improvements, if any, necessary to align it with best international practice;
- (iii) Identify the key findings regarding maintenance requirements for different categories of roads, Oblasts, weather conditions and pavement material (asphalt, concrete, etc.);
- (iv) Review available information on present network inventories and road condition indicators; describe existing road maintenance standards, with specific reference to their legal basis in Kazakhstan, and propose revisions where appropriate, taking into account Kazakh legal requirements; review unit costs currently established by Kazakh maintenance standards, and compare them with the actual estimated resource costs; provide relevant international comparisons of unit costs;
- (v) Examine the existing working arrangements between the Committee of Roads, Oblast road administrations, Kazakhavtodor and contractors; advise on separation of functions and improvements necessary to effect proper 'client-supplier' relationship;
- (vi) Assess the construction industry in Kazakhstan and its potential (including capability and willingness) to perform road maintenance works;
- (vii) Review budget allocations at the Central and Oblasts levels during the last three years and the budget planned under the RDP;
- (viii) Acquire information and account of labour, equipment and resources at the disposal of Kazhvtador for road maintenance operations, identifying the equipment supplied by MOTC and costs involved for maintenance and upkeep.
- (ix) Road fund and private sector involvement in road operations.

40. The consultant is to conduct the following analysis:

- (i) Study the best practices in outsourcing of road maintenance in the world under similar climatic conditions as in Kazakhstan including means, methods and unit costs of routine maintenance; Based on the best practice case studies, lessons learnt, including market based systems used in different countries and suggest

- pros and cons of various systems vis-à-vis the routine road maintenance practices/ requirements of Kazakhstan;
- (ii) Analyze the reasons for unsuccessful efforts previously launched to involve private sector in the routine maintenance operations for the Republican roads as well Oblast and Rayon roads;
- (iii) A workable relationship for outsourcing of road maintenance between MOTC and Kazakhavtodor and/or the contractors to perform the routine maintenance operations on various roads and Oblasts;
- (iv) Examine all maintenance operations (existing and planned) ongoing, on the main roads (category I and II) and the percentage roads where no routine maintenance has been performed within the recent years;
- (v) Estimate the road maintenance requirements of each Oblast Republic roads and identify the road maintenance funding gap between the budget and the requirements;
- (vi) Assess the construction industry in Kazakhstan and its potential to perform road maintenance works; and
- (vii) Review the legislation and documentation for the establishment and structure of Kazakhavtodor and assess the capability and capacity of the Kazakhavtodor organization at all levels, including: skilled labor, technicians and skilled/ unskilled human resources required vis-à-vis available in key Oblasts.
- (viii) Possible introduction of road fund and involvement of private sector in the Investment Program roads.

41. The consultant is expected to produce the following outputs:

- (i) Measurable performance indicators for different types of pavements (concrete, asphalt) and road categories and standard unit cost for routine maintenance;
- (ii) Profile of resource deficiencies to overcome the existing huge backlog in the network and future requirements for the road maintenance;
- (iii) A workable relationship for outsourcing of road maintenance between MOTC and the contractors to perform the routine maintenance operations on various roads and Oblasts;
- (iv) A procedure by which the employer can engage contractors work on monthly, quarterly or as needed basis. This may entail defining the size of work, road length that may be attractive to the private operators;
- (v) Road maintenance works performance standards; tolerances (e.g., international roughness index, rutting, depressions, drainage, and pothole size); and minimum acceptable criteria to MOTC for a performance based road maintenance plan for different categories, types, classification and weather conditions of road network in the country;
- (vi) Standard performance based contract defining terms and conditions, defining contractors' responsibilities over and above the Government's minimum defined routine maintenance criteria to maintain given road sections at all times and be accountable for its performance throughout the contract period. It may be termed as "Defect-less maintenance of roads" or "Service Level Agreements", which are likely to function, at least at initial stages, as a contract between the oblast divisions of the Committee for Roads (the client) and local divisions of Kazakhavtodor (the supplier);

- (vii) Profile and potential capacity and resources of the private sector in Kazakhstan and in the region that could be tapped for involvement utilized in routine road maintenance;
- (viii) Possible road maintenance systems and procedures for Kazakhstan with pros and cons, market conditions with recommendations for application through either domestic or international organization, sole sourced or through competitive procedures for the road network in Kazakhstan. The output will clearly spell out the conditions for success or failure of each proposed system (such as either due to lack of equipment, skilled labor or funding constraints);
- (ix) Develop proposals for the establishment of a skills development and training program; and
- (x) A strategy and plan for Kazakhavtodor and its role in future road maintenance or suggest if another such organization could be given the responsibility wholly or partly. Prepare indicative strategies that the Government could consider for the future evolution of Kazakhavtodor.
- (xi) Strategy for road maintenance funding and private sector involvement in the operation of the Investment Program road if feasible. Outline options, recommendations and timing to extend the role of the private sector into routine road maintenance over a medium term (five year) period.
- (xii) Advise on the pre-requisites necessary to introduce a system of performance based maintenance (“PBM”) contracts, including a preparation of a realistic action plan and timetable to move to the use of PBM in Kazakhstan. Particular attention should be paid to the current situation in Kazakhstan and ability and willingness of the private sector to get involved in routine maintenance as well as capabilities of the Road Committee to introduce PBM contracts.
- (xiii) Identify pilot projects to be agreed with MOTC for immediate implementation.

42. Training needs for MOTC, Committee for Roads, Kazakhavtodor

A major task for the Consultant will be to assist all parties to understand the concept of ‘client’ and ‘suppliers’, and this will require training through seminars and other means. The Consultant will identify these impacts and provide assistance in addressing any issues that arise as a result of the reorganisation of routine maintenance. Training needs should be identified for key staff in all parts of the Committee for Roads and its oblast divisions as well as Kazakhavtodor. A training program should then be implemented by the Consultant.

15. Input

43. The services will be carried out over a period of 9 months by international firm in association with national consultants, to be selected by the EA in accordance with ADB’s *Guidelines on the Use of Consultants* (2007, as amended from time to time). A total of 21 person-months of international consultant inputs and 21 person-months of national consultants will be required.

44. The team leader will be a senior civil engineer with sufficient experience in road construction and maintenance in developing countries. The other experts should also be graduate engineers with relevant qualifications and experience. All experts, international and national, must be proficient in both written and spoken English. It is desirable for international consultants to have basic knowledge of Russian.

Table 4: Staffing

Position	No.	Person-Month	Position	No.	Person-Month
Team leader/Highway Engineer	1	9	Team leader/Highway Engineer	1	9
Road Maintenance Specialist	1	6	Road Maintenance Specialist	1	6
Road Financing Specialist	1	6	Road Financing Specialist	1	6
International Consultants	3	21	National Consultants	3	21

Source: MOTC and ADB estimates.

45. While the Consultant will be based in Astana to carry out the tasks, the Consultant will be required to visit other Oblasts to inspect maintenance operations or lack thereof, organizational structure, management procedures, facilities and equipment available. It is equally important that the consultant see a representative length of the road network and observe maintenance operations in progress.

16. Deliverables

46. The consultant is to submit Inception, Interim, Draft Final, and Final Reports comprising above described outputs for submission to ADB and MOTC in the agreed format and list of contents. Three copies of the Final Report to be submitted-in two languages: English, and Russian. All reports should be provided to MOTC, ADB and EBRD in MS Word, or similar electronic format, and also in hard copy as follows: 6 copies in English (2 for MOTC, 2 for ADB and 2 for EBRD) and 5 copies in Russian (1 for ADB, 1 for EBRD and 3 for MOTC).

47. It is expected that MOTC, ADB and EBRD will provide their comments to the respective interim and draft reports within a 2 week period after their receipt. All reports should then be finalized and re-submitted within two weeks after the receipt of comments.

Appendix F**TERMS OF REFERENCE FOR AUDITORS**

1. The following terms of reference are not meant to be either prescriptive nor applicable to all circumstances. The obligation remains on the auditor to determine the nature and extent of audit evidence required in order to form an audit opinion. For audits to be conducted in accordance with International Standards on Auditing, evidenciary requirements are as stipulated in the standards. Detailed terms of reference, including specific audit procedures to be followed, should clearly indicate that the audit “should include but not be limited to” the prescribed procedures. Furthermore, the detailed terms of reference should be limited to those cases where the ADB and/or EA has concerns with respect to audit capacity.

Summary of Contents

- Name of employing authority or entity,
- Delivery of opinion and report,
- Clear description of the entity for which the service is to be provided,
- Clear description of the material and data to be provided for the audit and timing of provision,
- Scope and detail of the audit required,
- Management Letter,
- Statement of access available to the auditor,
- Independence requirements,

Detailed Contents of Terms of Reference

2. The name and address of the proposed contractors of the auditor's services, Email address, facsimile and telephone number(s) should be given. If the employer is acting on behalf of, or is a constituent part of, a larger authority or entity, this should be disclosed, to assist prospective auditors in determining their independence.

3. The auditor should be invited to submit a proposal for the delivery of an opinion and report based on the scope and detail of the audit as set out in.6. The proposal should be in respect of the annual financial statements specified in 5 of the entity described in 4. A management letter containing an opinion of the auditor on the financial management accounting and internal control systems of the entity, with recommendations for any changes needed to improve performance within (specify) ___ (days) (weeks) (months) after the provision of the annual financial statements to the auditor will also be provided. This section should specify whether the engagement is for one or more fiscal years (or for a specific period). It is preferable that the period be fixed to give the auditor an opportunity for a medium-term contract. This will enable them to become familiar with the entity (e.g., 3-4 years), while the contract can still be terminated at a fixed date to enable the employer to consider alternative auditors. Also, the contract should allow for termination on grounds of inadequate performance, but not on grounds of a qualified report or disclaimer.

4. A detailed description—both legal and generally informative—should be provided to enable the auditor to understand fully the nature, location and objective of the entity under audit. Any widespread geographic characteristics should be revealed, together with: (i) Organization charts; (ii) Names of senior managers; (iii) Name and qualification of the person(s) responsible

for financial management, accounting, and internal audit; (iv) Name and address of any existing external auditor; (v) Computing or other data processing facilities in use; (vi) A copy of the latest published financial statements; and (vii) Internal facilities (if any) available to an external auditor (e.g., office accommodation, calculators, computers).

5. The exact form of the annual financial statements and supporting documentation that will be supplied to the auditor on which they are to give an opinion and a report will be specified. The estimated time of the provision of these documents to the auditor should be given (e.g., 3 months after the close of the fiscal year). The annual financial statements must consist of a balance sheet, income statement and cash flow statement for a revenue-earning entity accompanied by supplementary statements or schedules supporting the basic statement (e.g., inventories, schedule of assets, outstanding loans, aging of receivables, etc.). In a nonrevenue-earning entity, or for the audit of project accounts, the annual financial statement may consist of the Statement of Receipts and Payments only on project transactions. Other schedules of value or cumulative work-in-progress, assets and inventories and a summarized reconciled bank statement are to be attached.

6. The scope and detail of the audit should be given in sufficient detail to enable an auditor to understand particularly if there are any requirements beyond those of a "normal" or routine audit. Typical requirements could be:³⁶

- The audit should be carried out in accordance with generally accepted auditing standards, which include professional or general standards, standards of fieldwork and reporting. The auditor should indicate the extent (if any) that an auditor would not conform to those standards and indicate any alternative standards to which they may (be required to) conform.
- The auditor should comment on the accounting principles adopted by the entity under audit, particularly to confirm the extent that generally accepted accounting principles have been and are being consistently applied. The adoption of other principles and their effect on the annual financial statements should be indicated. In particular, the auditor should show the impact on the financial statements arising from deviations from international accounting standards issued by the International Accounting Standards Committee. They should be required to comment on the basis of accounting changes, either during a fiscal year, or from one year to another.
- The auditor should provide a confirmation, or otherwise, of the borrower's compliance with covenants in the loan agreement and with ADB's specific requirements with respect to the financial management of the EA.
- The auditors should be required to plan and conduct their work on the basis of a sufficient audit program that will cover the entity's activities and enable them to express an opinion and furnish the reports they are tasked to provide.
- In devising the audit program, the auditor should be required to take into consideration not only the nature and scale of the expenditure and income operations, but also the scale, effectiveness and reliability of the accounting and administrative procedures. Also, the financial and administrative internal controls and checks should be considered. Systems of internal controls and checks, including internal audit, should be reviewed and evaluated. This process will determine the degree of reliance that can be placed upon the existing arrangements, and the extent of testing that needs to be performed by the auditor.

- The auditor's activities should include dialogue with independent board members. Among other things, the dialogue should cover the adequacy of bad-debt provisions, contingent liabilities, related-party transactions, internal control systems, management and board reporting, and management systems, integrity and capability.
- The auditor should be required to appraise the procedures for:
 - Safeguarding assets between operating, custodial, accounting and internal audit duties, and assurance that such duties and responsibilities are clearly defined and that sufficient staff are available to perform the function accurately and efficiently.
 - Ensuring that assets and resources are used in accordance with instructions or regulations in the most effective and economical manner.
 - Ensuring that all transactions are accounted for accurately and properly.
 - Compilation and certification of Statements of Expenditures (where used for loan disbursements).
 - Any other matter required by ADB to assure satisfactory financial management of the project (and EA).
- The auditors should satisfy themselves as to the fairness and accuracy of the financial statements and the supplementary statements provided by obtaining sufficient supporting evidence through the examination of accounting records and supporting corroborative material, direct physical inspection, general observation, inquiry and confirmations, including:
 - A verification to ascertain that all assets and liabilities are properly recorded, and that holdings, in particular, inventory and stock accounts, have been verified by physical inspections and counts, when feasible.
 - Ensuring that expenditures are in accord with budgetary provision, and that the appropriate regulations and directives have been observed.
 - Tests of calculations, e.g. payrolls; check of disbursement percentages in claims for withdrawals of ADB loans.
 - Verification of systems of commitments and payments to confirm entitlements and actual discharges by creditors, and/or receipts to ascertain that all dues have been received, or amounts receivable properly brought to account; these verifications should include obtaining certificates or other forms of confirmation from debtors and creditors.
 - A verification of securities and moneys recorded in the books as being on deposit through certificates issued by the depositories, including appropriate reconciliations.
 - Verification of efficacy of data processing.
 - The verification of the financial statements against the entries in the main books of account, supplemented by tests of the latter with subsidiary books, records and vouchers, contracts, purchase orders and other original documents.
 - The auditor should be required to verify Statements of Expenditure (SOE) or copies thereof, where these are used, against the records of prime entry (e.g., operating expenses accounts, inventories records and job cards), supplemented by tests against both initial documentation (e.g., invoices, salary sheets with receipts) and physical inspection of work done, or goods and services acquired;
- To the extent not addressed in a Management Letter, the auditor should be required to conduct a review and provide a report on the following:
 - Efficiency and economy in the use of resources.

- Determination of whether planned results of a project are being achieved.
- Compliance, or otherwise, with financial and other performance covenants and other obligations of the borrower and the EA as specified by ADB and the extent of actual compliance or noncompliance of each covenant and obligation by reference to performance criteria agreed with ADB.
- Defined areas of systems (e.g., improvements in accounting and data processing operations which may be under development) on which the auditor's comments are necessary to ensure accuracy, efficiency and provision of adequate audit trails.
- Any other activities on which an auditor may usefully report.
- The foregoing list is not exhaustive, nor should all matters be addressed in every project. The scope and detail of an audit are likely to be unique for each project or project entity.

7. **A Management Letter.** The Auditor should be required as standards terms of reference from ADB to provide ADB with a Management Letter. This letter must include the assessment of the auditors as to the state of the internal controls and operating procedures of the entity, covering all aspects included during the normal course of the audit.

8. **A Representation Letter.** While ADB does not require to see a representation letter from the EA/entity to its auditors, it should be made clear to the auditors that they should gain comfort during the audit on representations from management of the entity. The auditor should be informed in a clearly worded statement that they have full and complete access at any time to all records and documents, including books of account, legal agreements, bank records, and invoices. Also the auditor will be provided with full cooperation by all employees of the entity whose activities involve, or may be reflected in, the annual financial statements. The auditor should be advised on their rights of access to banks and depositories, consultants, contractors and other persons or firms hired by the employer. In the event that an auditor may not have unrestricted access to any person or location during the course of an audit, this restriction should be defined in the terms of reference.

9. The auditors should be informed of the need for their impartiality and independence from any aspects of management or financial interest in the entity under audit. In particular, the auditor should be independent of the control of entity. The auditor should not, during the period covered by the audit, be employed by, or serve as director for, or have any financial or close business relationship with the entity, except as an independent professional adviser. The auditor should not have any close personal relationship with any senior participant in the management of the entity. It may be appropriate to remind an auditor of any existing statutory requirements relating to independence and to require auditors to disclose any relationship likely to compromise their independence.

10. The auditor should be authorized to practice in the country and be capable of using procedures and methods that conform to generally accepted auditing practices of the country. The auditor should have adequate staff, with appropriate professional qualifications and suitable experience, including experience in auditing the accounts of entities comparable in nature, size and complexity to the entity whose audit they are to undertake.

- Curriculum vitae (CVs) should be provided to the client by the principals of the firm of auditors who would be responsible for providing the opinions and reports,

together with the CVs of managers, supervisors and key personnel likely to be involved in the audit work.

- It may be appropriate to indicate desirable minimum professional qualifications considered necessary for the higher levels of auditors to be responsible for the work (e.g. certified public accountant).
- CVs should include details on audits carried out by these staff, including ongoing assignments. The principal objective of the foregoing is to satisfy the employer that an auditor has the capability and capacity to execute the audit.
- The auditor may have not only a contractual obligation but also a statutory obligation to conduct a satisfactory audit, and it may not be necessary to insist on the employer being notified every time the auditor substitutes a staff member. Nevertheless, this precaution may be invoked.

11. The auditor should be asked to provide a proposal and a work plan that among other things, should address:

- Whether the audit would be conducted as a completed audit (i.e., will the auditors carry out their audit after the close of the fiscal year, when the books of account are, or are being, closed).
- Whether an audit carried out after the close of a fiscal year would be supplemented by one or more interim audits during a fiscal year. The principal purpose is to test ongoing systems and internal controls, and to relieve pressure on the staff of the entity and on the auditor at year-end.
- The manner in which the auditor proposes to address any statutory requirements relating to audit (e.g., certifications relating to shareholders' equity required under the companies' act) or to which they may be implicitly bound by contractual obligations of the employer (e.g., ADB auditing requirements, Statements of Expenditure, Imprest Accounts).
- Procedural requirements for certain verification procedures (e.g., checking of stocks, inventories, assets, etc.).
- Specific actions required on the part of the employer (e.g., access to EDP, disclosures).
- Discussions before signing the opinion and report on any matters arising from the audit, and with whom these discussions would be held.
- Special audits (e.g., review of portfolio and securities).
- Timetable for provision of opinions and reports.