



# Facility Administration Memorandum

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Project Number: 42489  
September 2009

## Proposed Multitranche Financing Facility Republic of Uzbekistan: Water Supply and Sanitation Services Investment Program

Asian Development Bank

Version 3  
Last updated by: Charie Romasanta  
14/09/2009

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## OVERVIEW

### I. Introduction

1. This Facility Administration Memorandum (FAM) contains project data and information that allows the Recipient, Executing Agency (EA), Program Preparation and Management Unit (PPMU), Project Implementation Units (PIUs), other stakeholders, and the Asian Development Bank (ADB) to monitor project implementation and evaluate project impact.

2. This Facility Administration Memorandum:

- (i) Provides concise and accurate detail, including maps and diagrams, on major aspects of project implementation;
- (ii) Specifies roles and responsibilities of the EA, implementing agency, consultants, and ADB for various actions required for satisfactory project implementation;
- (iii) Assists project administration staff of the EA, Implementing Agency, and ADB to anticipate problems and initiate timely remedial actions or recommendations;
- (iv) Contains a logical framework, including subsequent revisions that confirm the goal, purpose, outputs, activities, inputs, targets, indicators, key assumptions, and risks;
- (v) Provides a framework and checklist for monitoring progress to allow remedial actions and midstream modifications to meet project objectives;
- (vi) Promotes systematic monitoring and evaluation of project objectives, and assessment of impacts on project beneficiaries through surveys, studies, and periodic and midterm reviews;
- (vii) Provides the format and instructions for the EA and Implementing Agency to periodically update the Project Performance Report in its current revised format; and
- (viii) References ADB's Anticorruption Policy, indicating how ADB may be contacted about allegations of corruption and fraud.

3. This FAM provides for overall monitoring of external assistance programs, and to facilitate government intervention in project implementation issues, should the need arise. It should be read along with the Report and Recommendation of the President (RRP), and Loan and Project Agreements between the Republic of Uzbekistan and the ADB. In case of discrepancies between the FAM and the Loan Agreement, the Loan Agreement will always prevail.

#### IV. Key Persons Involved in the Project

##### Asian Development Bank (ADB)

Website Address: <http://www.adb.org>

##### Headquarters

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Republic of Uzbekistan  
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E-mail: [adburm@adb.org](mailto:adburm@adb.org)  
Website: [www.adb.org/urm](http://www.adb.org/urm)

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##### Executing Agencies:

- Uzbekistan Communal Services Agency (UCSA)**  
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 Facsimile: +998 71 235 2678

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Director, PPMU			
Ms. Galina Kultasova Engineer, PPMU	+998 71 2340559	+998 71 2352678	<a href="mailto:kultasovag@rambler.ru">kultasovag@rambler.ru</a>

## V. Loan Processing History

Fact Finding Mission	25 May 2009 – 3 July 2009
Appraisal Mission	31 July 2009 – 14 August 2009
Loan Negotiations	26 – 27 August 2009
Board Circulation	8 September 2009
Board Consideration and Approval	29 September 2009
Loan Agreement Signing	
Loan Effectiveness	

## VI. ADB Publications, Handbooks, Guidelines, and Policies

- To see more ADB publications, visit <http://www.adb.org/Publications/>

Category	Title/Website	Publication Year
Project Documents	<ul style="list-style-type: none"> <li>➤ Report and Recommendation of the President to the Board of Directors (RRP)</li> <li>➤ Loan Agreement</li> <li>➤ Project Agreement</li> </ul>	September 2009
Procurement	<ul style="list-style-type: none"> <li>➤ Procurement Guidelines</li> <li>➤ <a href="http://www.adb.org/Documents/Guidelines/Procurement/default.asp">http://www.adb.org/Documents/Guidelines/Procurement/default.asp</a></li> <li>➤ User's Guides <ul style="list-style-type: none"> <li>• Prequalification of Bidders</li> <li>• Procurement of Goods (Standard Bidding Document)</li> <li>• Procurement of Works (Small Contracts)</li> <li>• Procurement of Works (Standard Bidding Document)</li> </ul> </li> <li>➤ Guide on Bid Evaluation</li> </ul>	February 2007  October 2006 October 2006 October 2006 October 2006  May 2006
Consultant Selection	<ul style="list-style-type: none"> <li>➤ Guidelines on the Use of Consultants by ADB and Its Borrowers</li> <li>➤ <a href="http://www.adb.org/documents/guidelines/consulting/default.asp?p=cnslnng">http://www.adb.org/documents/guidelines/consulting/default.asp?p=cnslnng</a></li> </ul>	April 2006
Disbursement	<ul style="list-style-type: none"> <li>➤ Loan Disbursement Handbook</li> <li>➤ <a href="http://www.adb.org/documents/handbooks/loan_disbursement/default.asp">http://www.adb.org/documents/handbooks/loan_disbursement/default.asp</a></li> </ul>	January 2007
Policies and Strategies	<ul style="list-style-type: none"> <li>➤ Website: <a href="http://www.adb.org/Development/policies.asp">http://www.adb.org/Development/policies.asp</a></li> <li>➤ Safeguards website: <a href="http://www.adb.org/Safeguards/default.asp">http://www.adb.org/Safeguards/default.asp</a></li> <li>➤ Anticorruption and Integrity</li> <li>➤ Public Communications Policy (Disclosure and Exchange of Information)</li> </ul>	December 2007  2007 (2 <sup>nd</sup> Edition)
Operations and Project Administration	<ul style="list-style-type: none"> <li>➤ <a href="http://www.adb.org/Documents/Manuals/Operations/default.asp?p=policies">Operations Manual (OM)</a> – The OM collects ADB's operational policies known as Bank Policies (BPs) which are short, focused statements that follow from the Agreement Establishing the Asian Development Bank (the Charter), the Regulations of the Asian Development Fund, the Regulations of Ordinary and Special Operations, and operational policies adopted by the Board of Directors. The OM also includes Operational Procedures (OPs) that spell out procedural requirements and guidance on the implementation of policies.</li> </ul> <p style="text-align: center;"><a href="http://www.adb.org/Documents/Manuals/Operations/default.asp?p=policies">http://www.adb.org/Documents/Manuals/Operations/default.asp?p=policies</a></p>	

- [E-handbook on Project Implementation](#) – useful and practical guide for implementing ADB-financed projects

<http://www.adb.org/Documents/Handbooks/Project-Implementation/>

- [The Project Administration Instructions \(PAIs\)](#) outline the policies and procedures to be followed by ADB staff involved in the administration of ADB-financed loan and technical assistance (TA) projects. The PAIs are used in conjunction with operational documents including the Loan Regulations, Operations Manual (OM), Guidelines for Procurement Under Asian Development Bank Loans (Guidelines for Procurement), Guidelines on the Use of Consultants by the Asian Development Bank and its Borrowers (Guidelines for Use of Consultants), and the Loan Disbursement Handbook.

<http://www.adb.org/Documents/Manuals/PAI/default.asp>

## **ANNEX 1. PROGRAM DEFINITION**

### **Sec 1.01 Sponsors, Stakeholders and External Agencies**

#### **(i) Sponsors**

- Ministry of Finance (MOF) of Uzbekistan
- Uzbekistan Communal Services Agency (UCSA)
- Participating Provincial Government (SPG)
- Asian Development Bank (ADB)

#### **(ii) Stakeholders**

- Central government
- Provincial and municipal governments
- City and district vodokanals
- Program beneficiaries
- Private operators in the sector

### **Sec 1.02 Impact and Outcome**

#### **(i) Impact**

- Improved living standards, environment, and public health in project cities and towns

#### **(ii) Outcome**

- Safe, reliable, and sustainable water supply and sanitation services and improved hygiene in project cities and towns

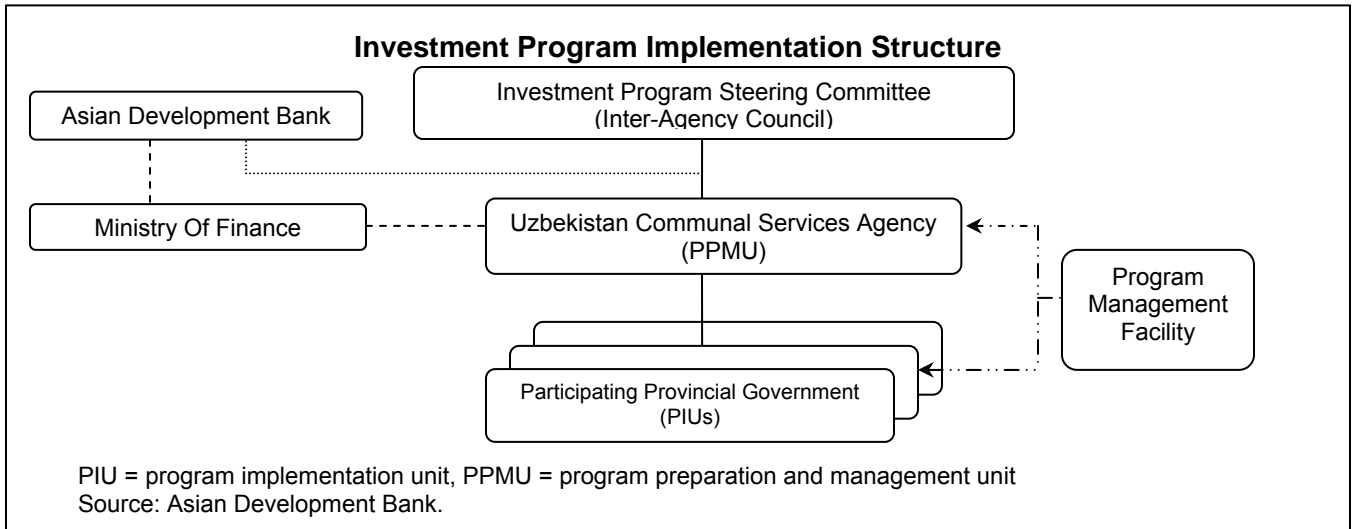
### **Sec 1.03 Outputs**

- Water supply and sanitation systems rehabilitated and improved
- Management structure and capacity for water supply and sanitation operation improved

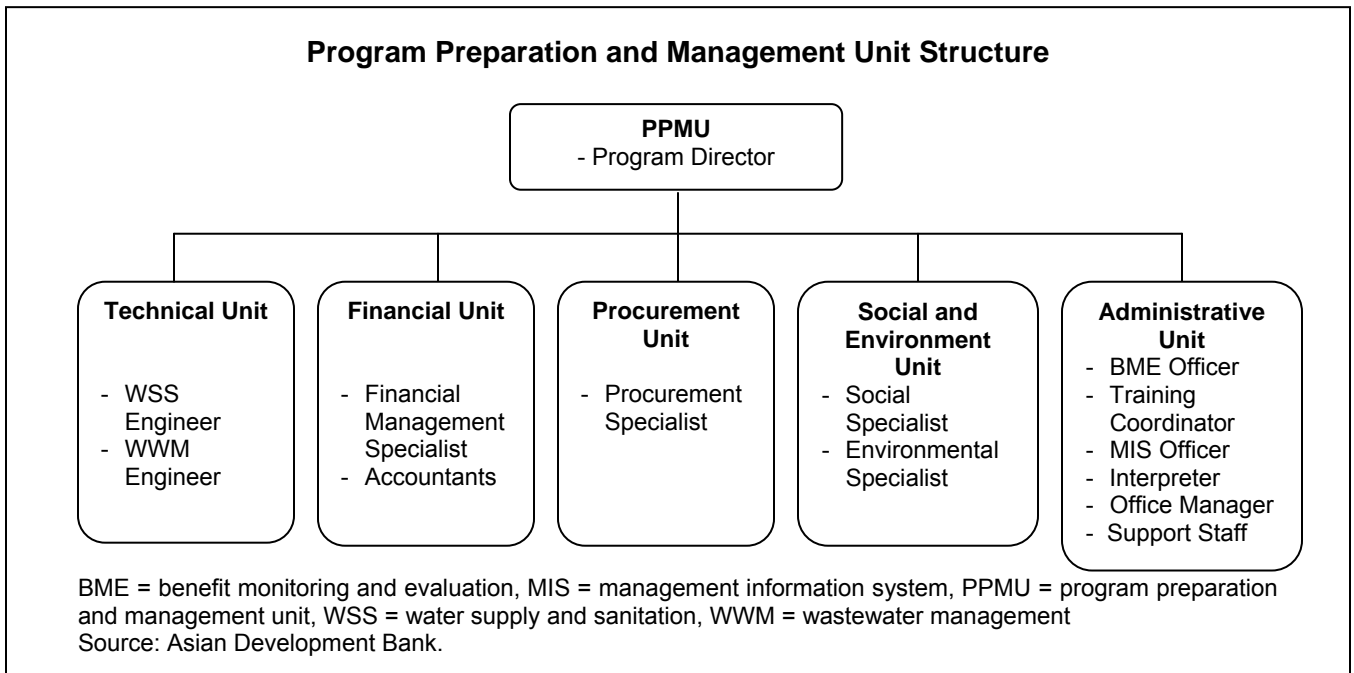
## ANNEX 2. PROGRAM MANAGEMENT

### Sec 2.01

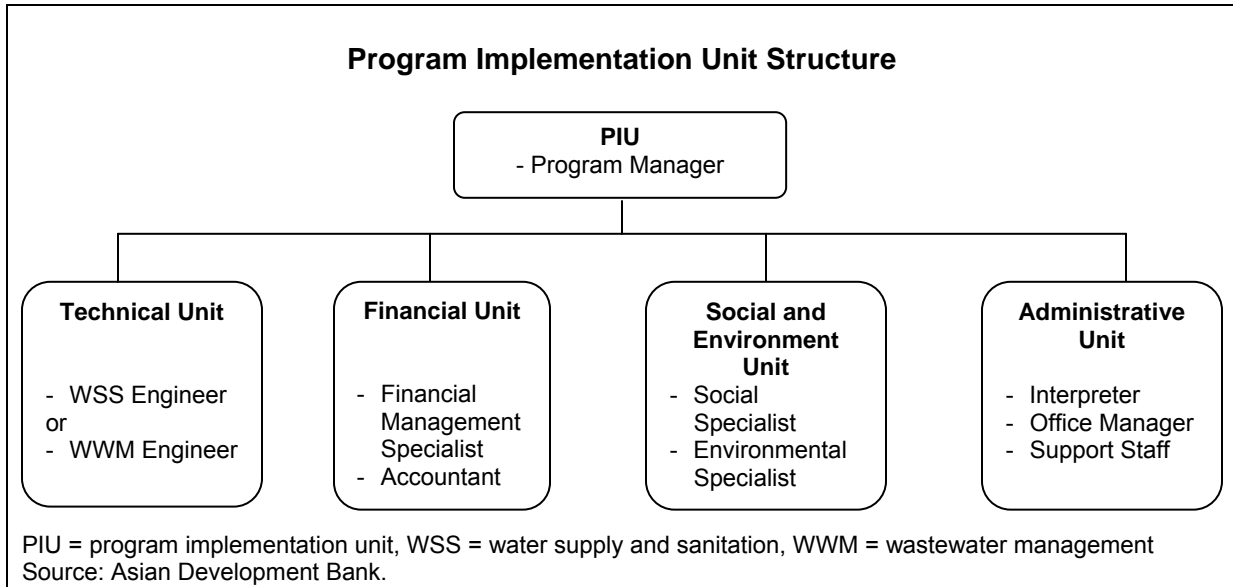
#### (i) Program Organization Structure



#### (ii) Program Preparation and Management Unit – Organization Chart



### (iii) Project Implementation Unit – Organization Chart



## Sec 2.02 Roles and Responsibilities

### (i) Strategic and Management Level

The inter-agency council for cooperation with international financial institutions, organizations and donor countries, implementation of large and strategically important projects, established in accordance with Resolution N-229 dated 12 August 2009 of the Cabinet of Ministers (Inter-Agency Council) shall be responsible for overall policy direction and guidance for the Investment Program. The Inter-Agency Council shall meet at least on a semi-annual basis to review implementation of, and decide on all major issues relating to, the Investment Program. Specifically, it shall:

- (i) provide strategic guidance on, and oversee the implementation of, the Investment Program, including related legislative, regulatory and institutional reforms;
- (ii) facilitate the endorsement of the subprojects and PFRs;
- (iii) approve the creation of posts in the PPMU and the recruitment of key PPMU staff (including the program director, the financial management specialist and the procurement specialist); and
- (iv) ensure compliance with environment and social safeguards and related requirements.

### (ii) Operational Level – Program Preparation and Management Unit (PPMU)

PPMU will be responsible for:

- (i) selecting and appraising Investment Program subprojects;
- (ii) undertaking feasibility studies;
- (iii) preparing and submitting periodic financing requests (PFR);
- (iv) supervising detailed designs;
- (v) procuring the goods and services;

- (vi) directing construction supervision;
- (vii) overseeing the implementation of the institutional strengthening and capacity development action plan,
- (viii) implementing the hygiene and sanitation promoting activities;
- (ix) monitoring and evaluating the implementation progress and impact;
- (x) checking and guiding safeguards compliance;
- (xi) coordinating among government agencies; and
- (xii) consolidating and preparing required reports for the Investment Program.

**(iii) Operational Level – Program Implementation Unit (PIU)**

PIUs will be responsible for:

- (i) participating in subprojects planning, detailed design, and bid evaluation;
- (ii) coordinating the activities of consultants and contractors in the province;
- (iii) overseeing construction activities;
- (iv) coordinating resettlement and hygiene and sanitation promoting activities in the province;
- (v) monitoring the social and gender and environmental impact of the subproject activities;
- (vi) supervising local institutional reform and capacity development activities; and
- (vii) preparing and consolidating subproject accounting, auditing, and monitoring reports for submission to the PPMU. Support will be provided from the PMF to assist PIUs in fulfilling its responsibilities.

### ANNEX 3. PROGRAM EXECUTION PLAN – TRANCHE 1

#### Sec 3.01 Work Breakdown Structure (WBS)

Task Id	Activity	Reference	PMU	CON	CNT	ADB
<b>1</b>	<b>Project Preparatory</b>					
1.1	Board Approval	-	-	-	-	√
1.2	Loan Signing	-	√*	-	-	√
1.3	Loan Effectiveness	LA	√*	-	-	-
1.4	Imprest Account	LA	√*	-	-	√
1.5	Consulting Services / Consultant Selection	RRP	√*	-	-	√
<b>2</b>	<b>Part I: Water Supply and Sanitation (WSS) System Rehabilitation and Improvement</b>					
2.1	Detailed Design completed by month 21 Rehabilitation and new facilities constructed, commissioned, and made operational between month 21 and month 45	RRP	√*	√	-	√
2.2	Machinery and equipment procured and delivered by month 36	RRP,SAP	√*	√	√	√
2.3	Hygiene promotion implementation plan prepared by month 8 and carried out regularly in all schools between month 18 and month 48 with equal participation by boys and girls	RRP, SAP	√*	√	√	√
2.4		RRP	√*	√	-	√
<b>3</b>	<b>Part II - 1: Capacity Development</b>					
3.1	Due diligence work for structured management contract pilot completed by month 18, structuring completed by month 20, negotiations completed by month 22, and operation started from month 24	RRP	√*	√	-	√
3.2	Due diligence work for lease contract pilot completed by month 36, bidding documents prepared by month 38, bidding and negotiation completed by month 45, and operation started from month 46	RRP	√*	√	-	√
3.3	Training plan developed by month 18 and training conducted between month 18 and month 55, at least 30% of the training participants will be women	RRP	√*	√	-	√
3.4	Customer care units established by month 55	RRP	√*	√	-	√
3.5	Sex-disaggregated consumer databases developed by month 55	RRP	√*	√	-	√
3.6	Computerized financial management systems adopted by month 55	RRP	√*	√	-	√
3.7	O&M manual developed and adopted by month 36	RRP	√*	√	-	√
3.8	Performance benchmarking systems developed and implemented between month 24 and month 55	RRP	√*	√	-	√
<b>4</b>	<b>Part II – 2: Program Management Facility (PMF)</b>					
4.1	PMF established and consultants recruited by month 8	RRP	√*	√	-	√
4.2	Support provided the Program development, implementation and management for the whole duration of the Program	RRP	√*	√	-	√
4.3	Construction Supervision	RRP	√*	√*	-	√
4.4	Project Performance Monitoring		√*	√	-	√
4.5	Accounting and Auditing		√*	√	-	√
4.6	Covenant Compliance		√	-	-	√
4.7	Midterm Review		√*	-	-	√*
4.8	Project Completion		√*	-	-	√
4.9	Loan Account Closing		-	-	-	√

Task Id	Activity	Reference	PMU	CON	CNT	ADB
<b>5</b>	<b>Environmental Safeguards</b>					
5.1	Implementation of Environmental Assessment and Review Framework		√*	√	-	√
5.2	Preparation of Initial Environmental Examinations for Each project		√*	√	-	√
5.3	Implementation of Environmental Mitigation Plan		√*	-	√*	√
5.4	Ensure Environmental Safeguard Compliance		√*	√	-	√
<b>6</b>	<b>Social Safeguards and Gender</b>					
6.1	Implementation of Land Acquisition and Resettlement Framework		√*	√	-	√
6.2	Implementation of Ethnic Minority Development Framework		√*	√	-	√
6.3	Preparation of Land Acquisition and Resettlement Plan and other social due diligence reports as appropriate		√*	√	-	√
6.4	Preparation of Ethnic Minority Development Plan as appropriate		√*	√	-	√
6.5	Preparation of Gender Action Plan for each Tranche		√*	√	-	√
6.6	Implementation of Land Acquisition and Resettlement Plans and Ethnic Minority Development Plans		√*	-	-	√
6.7	Implementation of Gender Action Plan		√*	-	-	√
6.8	Ensure Social Safeguard Compliance		√*	-	-	√
6.9	Sex-disaggregated baseline survey conducted by month 6, and follow-up surveys continued until month 66		√*	√	-	√

ADB = Asian Development Bank; CON = Consultants; CNT = Contractors; LA = Loan Agreement; RRP = Report and Recommendation of the President; SAP = Subproject Appraisal Report

\* With key responsibility.

### Sec 3.02 Project Activity and Implementation Schedule

- Refer to Appendix 2

## ANNEX 4. SAFEGUARDS PLAN

### Sec 4.01 Environment

Initial environmental examinations (IEEs) were undertaken for four sample Tranche 1 subprojects. An environmental assessment and review framework (EARF) has also been prepared to guide environmental assessment of other subprojects during implementation and for the remaining tranches.

- all subproject facilities shall be designed, constructed, operated, maintained and monitored in compliance with applicable laws and regulations in Uzbekistan, ADB's *Environment Policy* and the EARF;
- for each subproject, an IEE shall be prepared [including an Environment Management Plan (EMP) with a budget for the cost of implementation and with public consultation] in accordance with the EARF and such IEEs shall be submitted for ADB's review and approval;
- all mitigation and monitoring measures identified in the IEE and the related EMP for each subproject shall be incorporated in the detailed design (such EMP shall be updated and made site-specific as appropriate), carried out during construction, operations and maintenance, and be disclosed to stakeholders. These mitigating and monitoring measures shall also be incorporated in the bidding documents and civil works contracts;
- all environmental clearances required by applicable laws and regulations in Uzbekistan shall be obtained by UCSA prior to commencement of civil works for the relevant subproject. If a subproject is expected to have adverse environmental impact, no civil works contract shall be awarded for such subproject until the Government and ADB have approved the environmental assessment for such subproject in accordance with their requirements;
- contract-level environmental management plans shall be incorporated in bidding and contract documents. Contractors shall be supervised and subprojects' environmental performance monitored and reported in accordance with the EARF;
- progress reports on implementation of mitigation and monitoring measures for subprojects shall be submitted to ADB on a semiannual basis;
- refer to Supplementary Appendix J of the RRP for the EARF;
- refer to the subproject appraisal report for IEE of each subproject;
- refer to Schedule 5 of the Framework Financing Agreement;
- refer to Schedule 5 of the Loan Agreement.

### Sec 4.02 Land Acquisition and Resettlement

A short resettlement plan conforming to ADB's *Involuntary Resettlement Policy* (1995) has been prepared for the Galaasiya subproject. A resettlement framework has been prepared to guide UCSA and the PPMU in preparing social due diligence reports and land acquisition and resettlement plans and in updating

them following detailed design. The framework outlines, among other things, the objectives, policy, principles, and procedures for land acquisition and contains guidelines for preparing resettlement plans. A full or short social safeguard due diligence report or resettlement plan will be prepared for each subproject, depending on the significance of its involuntary resettlement impacts, and will form an essential component of the subproject appraisal report. UCSA will screen subprojects before subproject implementation and ensure, if needed, that the resettlement plan is updated before the award of the civil works contracts in accordance with ADB's resettlement policy. Resettlement implementation will be monitored internally by PPMU's social and environmental subunit and externally by an independent external monitor agency. Upon the effectiveness of ADB's *Safeguard Policy Statement* in January 2010, safeguards requirements under that policy will apply in place of ADB's *Involuntary Resettlement Policy, Policy on Indigenous Peoples, and Environment Policy* (2002).<sup>1</sup>

- refer to Supplementary Appendix F of the RRP for the Resettlement Framework;
- refer to the subproject appraisal report for social due diligence report or land acquisition and resettlement plan of each subproject;
- refer to Schedule 5 of the Framework Financing Agreement;
- refer to Schedule 5 of the Loan Agreement.

#### **Sec 4.03 Ethnic Minority Groups**

An ethnic minority development framework has been developed for the Investment Program to guide the preparation of future subprojects that may have positive or adverse impacts on ethnic minorities. If any impact on ethnic minority is identified during the planning, design or implementation of a subproject, UCSA shall ensure that: (a) an ethnic minority development plan is prepared; or (b) specific actions relating to the ethnic minority are integrated in the resettlement plan, in accordance with ADB's *Policy on Indigenous People*, and the ethnic minority development framework.

- refer to Supplementary Appendix I of the RRP for the Ethnic Minority Development Framework;
- refer to the subproject appraisal report for ethnic minority development plan or resettlement plan of each subproject, if any;
- refer to Schedule 5 of the Framework Financing Agreement;
- refer to Schedule 5 of the Loan Agreement.

#### **Sec 4.04 Other Safeguards**

- refer to RRP, Appendix 13 for the Summary Poverty Reduction and Social Strategy;
- refer to RRP, Appendix 14 for the Gender Action Plan;
- refer to Schedule 5 of the Framework Financing Agreement;
- refer to Schedule 5 of the Loan Agreement.

<sup>1</sup> ADB. 2009. *Safeguard Policy Statement*. Manila (para. 81).

## ANNEX 5. FINANCING PLAN

### Sec 5.01 Project and Program Financing, and Disbursement Arrangements

#### (i) Summary Project Financing

**Table 5-1: Financing Plan**  
(\$ million)

Source	Investment Program	Project 1	Subsequent Projects	Overall Share (%) of Investment Program
Asian Development Bank (ADF)	300.0	60.0	240.0	80.0
Government	75.0	15.0	60.0	20.0
<b>Total</b>	<b>375.0</b>	<b>75.0</b>	<b>300.0</b>	<b>100.0</b>

ADF = Asian Development Fund.

#### (ii) Investment Program and Financing

**Table 5-2: Investment Program Cost Estimates**  
(\$ million)

Item	Project 1	Subsequent Projects	Total
A. Part I: Water Supply and Sanitation Infrastructure Improvement			
1. Water Supply Development	46.9	200.2	247.1
2. Wastewater Management	21.9	92.1	114.0
3. Sanitation and Hygiene	0.6	2.1	2.7
B. Part II: Capacity Development and Investment Program Management			
1. Institutional Strengthening and Capacity Development			
a. Institutional Strengthening	1.3	0.6	1.9
b. Capacity Development	0.5	0.1	0.6
2. Program Management Facility			
a. Incremental Administration	1.0	2.9	3.9
b. Program Management Support	2.9	1.9	4.8
<b>Total</b>	<b>75.0</b>	<b>300.0</b>	<b>375.0</b>

Note: In June 2009 prices, includes taxes and duties.

#### (iii) Retroactive Financing

For each tranche of the facility, advance contracting of civil works, equipment, materials, and recruitment of consulting services may be requested, subject to their eligibility under the agreed procedures and guidelines.

- Retroactive financing up to 20% of the proposed individual loans may also be requested for eligible expenditures incurred before effectiveness of each loan but not earlier than 12 months before the related loan agreement is signed.
- ADB's approval of advance contracting and retroactive financing does not commit ADB to finance the relevant subprojects under the facility.

**(iv) Disbursement Arrangements**

Except as ADB may otherwise agree, the Loan proceeds for financing Goods, Works, and consulting services shall be disbursed in accordance with ADB's *Loan Disbursement Handbook* dated January 2001, as amended from time to time. Refer to Schedule 3 of the Loan Agreement. Withdrawal applications and other loan disbursement information are available at ADB Controller's Department's website, <http://lfis.adb.org>

**(v) Imprest Account** (Refer to LA Schedule 3 para.6)

- PPMU will establish and maintain an imprest account for each loan immediately after the loan takes effect in accordance with ADB's *Loan Disbursement Handbook* and will be responsible for the use, management, replenishment, and liquidation of these imprest accounts, under the supervision of the Ministry of Finance.
- initial amount to be deposited shall not exceed the estimated expenditure to be funded from the imprest account in the first 6 months or 10% of the amount of the corresponding loan, whichever is less.

**(vi) Statement of Expenditures** (Refer to LA Schedule3 para. 6)

- the statement of expenditures (SOE) procedure will be used for reimbursement of eligible expenditures and to liquidate advances provided into the Imprest Account;
- SOE procedures will be adopted in accordance with ADB's *Loan Disbursement Handbook* and as agreed between the Government and ADB;
- any individual payment that may be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$100,000.

**(vii) Periodic Financing Request (PFR)**

- Upon submission of a PFR (sample is found in Schedule 6, FFA), Uzbekistan may request, and ADM may agree, to provide loans, under the Facility to finance the Investment Program and its related projects. Each PFR should be submitted by Uzbekistan. Uzbekistan will make available to UCSA the proceeds of the loan in accordance with the related PRF and the legal agreements for the loan.
- Each individual tranche will be for an amount of no less than US\$40 million, or its equivalent. ADB will review the PFRs, and if found satisfactory, will prepare the related legal agreements.
- Subprojects for which financing is requested under the PFR will be subject to the selection criteria and approval process set out in Schedule 4 of the Framework Financing Agreement (FFA), hereto, satisfactory due diligence, and preparation of relevant safeguards, fiduciary requirements, and other documents. Uzbekistan and ADB will agree on a Facility Administration Memorandum (FAM) and a schedule to initiate these activities as soon as possible after the date of this Agreement, but prior to the effective date of the legal agreements for the first loan.

**(viii) Framework Financing Agreement (FFA)**

- Does not constitute a legal obligation on the part of ADB to commit any financing
- Does not constitute a legal obligation on the part of Uzbekistan to request any financing

- Uzbekistan has the right not to request any financing under the Facility and has the right to cancel any uncommitted portion of the Facility
- Uzbekistan and ADB may exercise their respective rights to cancel the Facility or any uncommitted portion thereof
- ADB may exercise its right to refuse a financing request, by giving written notice to such effect to the other party

## Sec 5.02 Allocation Tables

**Table 5-2a: Allocation and Withdrawal of Loan Proceeds – Tranche 1**

	Category			
Number	Item	Amount (SDR)	Percentage of ADB Financing	Basis for Withdrawal from Loan Account
1	Works	21,981,000	92	total expenditure exclusive of taxes and duties
2	Equipment	10,543,000	100	total expenditure exclusive of taxes and duties
3	Land Acquisition and Resettlement	447,000	100	total expenditure exclusive of taxes and duties
4	Training and Capacity Building	128,000	100	total expenditure exclusive of taxes and duties
5	Consulting Services	2,300,000	100	total expenditure exclusive of taxes and duties
6	Incremental Administration	447,000	100	total expenditure exclusive of taxes and duties
7	Interest Charge	2,492,000	100	total amount due
	<b>Total</b>	<b>38,338,000</b>		

## Sec 5.03 Fund Flow

### (i) ADB Fund Flow

- the initial advance equivalent of \$1.5 million will be transferred from the Loan Accounts to the Project Imprest Accounts based on the Withdrawal Application (WA) for Initial Advance;
- PMUs incur expenditures from the Imprest Account and submits a WA to ADB containing a statement of expenditures (SOE) for replenishing and liquidating the Imprest Account;
- the SOE is based on payments made to contractors, consultants and suppliers;
- the WA is signed by authorized signatories representatives of the MOF;
- ADB replenishes the Imprest Account based on accountable expenditures in the WA.

### (ii) Government Financing

- the Government financing is required for co-financing the civil works contracts under the Investment Program;
- PPMU informs MOF and participating provincial governments about requisite co-financing;
- MOF and participating provincial governments transfer the co-financing amount to the Project co-financing account managed by the PPMU;
- the government financing contribution will be matched with ADB disbursement;
- PPMU pays contractors based on invoices and accountable expenditures from the Project co-financing account.

## ANNEX 6. INVESTMENT (COST) PLAN

### Sec 6.01 Detailed Cost Estimate

**Table A6.1: Cost Estimates and Financing Plan – Investment Program**  
(\$ million)

Category	Total Costs <sup>a</sup>	ADB		Government		Taxes and Duties
		Amount	Financing (%)	Amount	Financing (%)	
A. Part I: Water Supply and Sanitation Infrastructure Improvement						
1. Civil Works	236.8	181.8	77	55.1	23	41.2
2. Mechanical and Equipment	104.0	85.9	83	18.1	17	18.1
3. Land and Resettlement	3.6	3.6	100	—	—	—
<b>Subtotal (A)</b>	<b>344.5</b>	<b>271.3</b>	<b>79</b>	<b>73.2</b>	<b>21</b>	<b>59.4</b>
B. Part II: Capacity Development and Investment Program Management						
1. Consultants	6.8	5.7	83	1.1	17	1.1
2. Training	0.4	0.4	100	—	—	—
3. Incremental Administration <sup>b</sup>	3.5	2.8	82	0.7	18	0.7
<b>Subtotal (A)</b>	<b>10.7</b>	<b>8.9</b>	<b>83</b>	<b>1.8</b>	<b>17</b>	<b>1.8</b>
C. Interest During Implementation	19.8	19.8	100	—	—	—
<b>Total</b>	<b>375.0</b>	<b>300.0</b>	<b>80</b>	<b>75.0</b>	<b>20</b>	<b>61.2</b>

— = not available, ADB = Asian Development Bank.

<sup>a</sup> Includes taxes and duties.

<sup>b</sup> Includes possible bank charges.

**Table A6.2: Cost Estimates and Financing Plan – Project 1**  
(\$ million)

Category	Total Costs <sup>a</sup>	ADB		Government		Taxes and Duties
		Amount	Financing (%)	Amount	Financing (%)	
A. Part I: Water Supply and Sanitation Infrastructure Improvement						
1. Civil Works	45.1	34.4	76	10.7	24	7.8
2. Mechanical and Equipment	19.9	16.5	83	3.4	17	3.4
3. Land and Resettlement	0.7	0.7	100	—	—	—
<b>Subtotal (A)</b>	<b>65.7</b>	<b>51.6</b>	<b>79</b>	<b>14.1</b>	<b>21</b>	<b>11.2</b>
B. Part II: Capacity Development and Investment Program Management						
1. Consultants	4.4	3.6	83	0.7	17	0.7
2. Training	0.2	0.2	100	—	—	—
3. Incremental Administration <sup>b</sup>	0.8	0.7	81	0.2	19	0.2
<b>Subtotal (B)</b>	<b>5.4</b>	<b>4.5</b>	<b>83</b>	<b>0.9</b>	<b>17</b>	<b>0.9</b>
C. Interest During Implementation	3.9	3.9	100	—	—	—
<b>Total</b>	<b>75.0</b>	<b>60.0</b>	<b>80</b>	<b>15.0</b>	<b>20</b>	<b>12.1</b>

— = not available, ADB = Asian Development Bank.

<sup>a</sup> Includes taxes and duties.

<sup>b</sup> Includes possible bank charges.

## ANNEX 7. PROCUREMENT PLAN

<b>Project Name:</b> Water Supply and Sanitation Services Investment Program	<b>Loan (grant) Number:</b> _____
<b>Loan Amount:</b> \$60 million	<b>Executing Agency:</b> Uzbekistan Agency "Uzkommunhizmat"
<b>Date of first Procurement Plan:</b> 26 June 2009	<b>Date of this Procurement Plan:</b> 14 August 2009

### Sec 7.01 Process Thresholds and Reviews

#### (i) Thresholds

**Table 7-1: Procurement of Goods and Works**

Procurement Method	Threshold
International Competitive Bidding (ICB) for Works	>= \$2,000,000
ICB for Goods	>= \$500,000
National Competitive Bidding (NCB) for Works	Beneath that stated for ICB, Works
NCB for Goods	Beneath that stated for ICB, Goods
Shopping for Works	Below \$100,000
Shopping for Goods	Below \$100,000

#### (ii) Reviews

**Table 7-2: Recruitment of Consulting Firms and Individuals**

Procurement Method	Prior or Post	Comments
Quality- and Cost-Based Selection (QCBS)	Prior	Quality- and cost-based selection based on 80:20 quality–cost weighting. Applied in accordance with <i>Guidelines on the Use of Consultants</i> (2007, as amended from time to time)
Other selection methods: Consultants	Prior	
Qualifications System (CQS)		
Individual Consultants	Prior	Applied in accordance with Section 2.34 <i>Guidelines on the Use of Consultants</i> (2007, as amended from time to time)

**Table 7-3: Review of Goods and Works**

Procurement Method	Prior or Post	Comments
ICB Works	Prior	All documents will be based on ADB standard bidding documents. Prior review applies to the first NCB and shopping contracts. If the first contract is procured satisfactorily, thereafter, post review.
ICB Goods	Prior	
NCB Works	Prior/Post	
NCB Goods	Prior/Post	
Shopping for Works	Prior/Post	
Shopping for Goods	Prior/Post	

ICB = international competitive bidding, NCB = national competitive bidding.

## Sec 7.02 Project Procurement Plan

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

**Table 7-4: Major Goods and Works Contracts Estimated to Cost More than \$1 million**

General Description	Contract Value <sup>a</sup>	Procurement Method	Prequalification of Bidders (Yes/No)	Advertisement Date (quarter/year)	Comments
Major Repair Equipment, i.e., crane, excavator	TBD	ICB	No	Q3 2011	
Water Production Equipment—Damkhoja	TBD	ICB	No	Q1 2011	
Water Production Civil Works—Damkhoja	TBD	ICB/NCB	No	Q1 2011	
Water Production Facilities and Distribution Networks—Bukhara Subprojects	TBD	ICB/NCB	No	Q1 2011	
Water Production Facilities and Distribution Networks—Bukhara Subprojects	TBD	ICB/NCB	No	Q4 2011	
Water Production Facilities and Distribution Networks—Navoi Subprojects	TBD	ICB/NCB	No	Q1 2011	
Water Production Facilities and Distribution Networks—Navoi Subprojects	TBD	ICB/NCB	No	Q4 2011	
Wastewater Treatment Plant—Termez	TBD	ICB	Yes	Q4 2011	
Sewerage Network—Termez	TBD	ICB	No	Q4 2011	

ICB = international competitive bidding, NCB = national competitive bidding, TBD = to be determined.

<sup>a</sup> The contract value will be estimated after feasibility studies for all subprojects are completed, which is expected by end of October 2009. Immediately after completion of the feasibility studies, this procurement plan will be updated to reflect contract values for the respective goods and works contracts.

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

**Table 7-5: Major Consulting Service Contracts Estimated to Cost More than \$100,000**

General Description	Contract Value	Recruitment Method	Advertisement Date (quarter/year)	International or National Assignment	Comments
Program Preparation and Management	\$2,857,000	QCBS (80:20)	Q3 2009		Through a firm
Institutional Strengthening and Capacity Development	\$1,253,000	QCBS (80:20)	Q3 2009		Through a firm
Detailed Design	TBD	QCBS (80:20)	Q4 2009		Through a firm
Construction Supervision	TBD	QCBS/CQS/ICS	Q2–Q4 2011		Through a firm or individual consultants

CQS = consultants' qualification selection, ICS = individual consultant selection, QCBS = quality- and cost-based selection, TBD = to be determined.

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

**Table 7-6: Smaller-value Goods, Works Estimated to Cost Less than \$1 million and Consulting Services Contracts Estimated to Cost Less than \$100,000**

<b>General Description</b>	<b>Value of Contracts (cumulative)</b>	<b>Number of Contracts</b>	<b>Procurement / Recruitment Method</b>	<b>Comments</b>
Mobile Workshop, Compressors, tools, Vehicles, and Office Equipment	TBD	3	NCB/Shopping	
Financial Auditing	TBD	1	LCS	National assignment

LCS = least-cost selection, NCB = national competitive bidding, TBD = to be determined.

### **Sec 7.03 Contract Awards and Disbursement**

- **Appendix 3** is a graph for contract awards and disbursement projections until Loan closing for Tranche 1 investment (to be prepared during Inception Mission)

### **Sec 7.04 National Competitive Bidding (NCB)**

- The NCB Annex for Uzbekistan has been posted in the ADB website: <http://coso.asiandevbank.org/modules/tinycontent4/index.php?id=10>.
- ADB's Guidelines for Procurement require the use of appropriate Standard Bidding Document (SBD) issued by ADB for the procurement of ADB-financed civil works, goods and related services. These SBDs and other procurement documents are posted in the internet <http://www.adb.org/Procurement/prequalification-bid-documents.asp>.

## ANNEX 8. ANTICORRUPTION, ACCOUNTING AND AUDITING

### Sec 8.01 Anticorruption

Uzbekistan Communal Services Agency (UCSA) and Program Preparation and Management Unit (PPMU) shall:

- comply with ADB's *Anticorruption Policy* (1998, as amended to date);
- cooperate with any such investigation and extend all necessary assistance, including access to all relevant books and records, and for engagement of independent experts who may be needed for satisfactory completion of such investigation;
- ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

### Sec 8.02 Accounting and Auditing (Refer to RRP, paras. 68 and 69)

In addition to Project financial assurances and covenants, UCSA and PPMU shall ensure to:

- oversee financial management of the Project
- institute a system of controls to ensure that all cash and banking transactions undergo four levels of checks
- submit monthly and quarterly financial reports to the MOF and ADB to confirm compliance with accounting standards and fund utilization
- submit all withdrawal applications for replenishment to the MOF and ADB with detailed information on current expenditures for the related period and that all supporting documents are confirmed by EA
- have the Project accounts audited annually by an independent auditing firm (recruited on a competitive basis) and that audit recommendation are promptly complied with.

#### √ **Table 8-1: Deadline for submission of audited project accounts (APA)**

→FY 2009 = 30 June 2010	→FY 2015 = 30 June 2016
→FY 2010 = 30 June 2011	→FY 2016 = 30 June 2017
→FY 2012 = 30 June 2013	→FY 2017 = 30 June 2018
→FY 2013 = 30 June 2014	→FY 2018 = 30 June 2019
→FY 2014 = 30 June 2015	→FY 2019 = 30 June 2020

#### √ **Table 8-2: Deadline for submission of agency financial statements (AFS)**

→FY 2009 = 30 June 2010	→FY 2015 = 30 June 2016
→FY 2010 = 30 June 2011	→FY 2016 = 30 June 2017
→FY 2012 = 30 June 2013	→FY 2017 = 30 June 2018
→FY 2013 = 30 June 2014	→FY 2018 = 30 June 2019
→FY 2014 = 30 June 2015	→FY 2019 = 30 June 2020

## ANNEX 9. PERFORMANCE MONITORING AND EVALUATION

### Sec 9.01 Deliverables

Table 9-1

	Reports	Submission Due Date	Reference
1	Quarterly Progress Report	Within 30 days from the end of each quarter	Sample Report is in Appendix 6
2	Project Implementation Schedule with Activity and Weights	To be attached to the quarterly progress report	Sample Chart is in Appendix 7
3	Audit Report	Within 6 months after the end of each financial year	Refer to Table 8-1 and 8-2, page 23 of the FAM
4	Annual Operational Plan	Every November of the preceding year	This will comprise updated Gantt Chart, subproject implementation plan, contract and disbursement plan and procurement plan
5	Project Completion Report	Within 3 months of physical completion of the subprojects financed under each loan	Format in Preparing the Report is in Appendix 9
6	Facility Completion Report	Within 3 months of physical completion of all support activities and subprojects under the facility	Sample Report to be finalized during the Inception Mission

### Sec 9.02 Performance Indicators

#### (i) Service Improvement Targets

Table 9-1: Service Improvement Targets

Indicator	Current Level	Project Target
System coverage	76%	>95%
Service duration	2–10 hours	>20 hours
Physical losses	>60%	<30%
Sewerage coverage	10-40%	>70%

#### (ii) Project Performance Targets and Indicators

Table 9-2: Key Performance Targets and Indicators

Design Summary	Performance Targets/Indicators
<b>Impact</b> Improved living standards, environment, and public health in urban centers of Uzbekistan	100% of urban population provided with safe and reliable water supply 24 hours a day by 2020  Waterborne infections reduced by 40% by 2020
<b>Outcome</b> Safe, reliable, and sustainable water supply	Safe, reliable water provided to 3 million people by 2018

Design Summary	Performance Targets/Indicators
<p>and sanitation services and improved hygiene in project towns</p>	<p>Water supply available at least 20 hours a day by 2018</p> <p>System leakage reduced to less than 30% by 2018</p> <p>Water quality complies with national drinking water standards from 2018 onward</p> <p>More than 70% of wastewater in project towns collected and treated by 2018</p> <p>(x) number of rural population near the subproject towns receive bulk water supply</p> <p>Vodokanals cover O&amp;M and depreciation costs for water supply and at least O&amp;M costs for wastewater treatment from 2018 onward</p> <p>Collection rate of water supply and sanitation charges increased to 90% by 2018</p> <p>Public satisfaction with quality of water supply and sanitation increased from xx% to yy% (to be quantified when baseline is established through a social survey and program inception)</p> <p>All schoolchildren wash their hands with soap by 2018</p>
<p><b>Outputs</b> Water supply and sanitation systems rehabilitated and improved</p> <p>Management structure and capacity for WSS operation improved</p>	<p>(a) reservoirs, (b) boreholes, (c) pumping stations, (d) km of trunk mains, and (e) km of distribution networks rehabilitated (to be quantified for each tranche when engineering design is completed and summarized when engineering designs for all tranches are completed)</p> <p>(f) reservoirs, (g) boreholes, (h) pumping stations, (i) km of trunk mains, and (j) km of distribution networks constructed (to be quantified for each tranche when engineering design is completed and summarized when engineering designs for all tranches are completed)</p> <p>Water meters installed to all bulk customers and consumers in project towns</p> <p>(k) km of sewerage networks and (l) wastewater treatment plants (with total treatment capacity of (m) m<sup>3</sup>/day) rehabilitated (to be quantified for each tranche when engineering design is completed and summarized when engineering designs for all tranches are completed)</p> <p>(n) km of sewerage networks and (o) wastewater treatment plants (with total treatment capacity of (p) m<sup>3</sup>/day) constructed (to be quantified for each tranche when engineering design is completed and summarized when engineering designs for all tranches are completed)</p> <p>At least (q) schools provided with improved latrine facilities; all schools in project areas provided with piped water supply</p> <p>Hygiene promotion activities carried out in all schools in the project areas; at least five women trained in each <i>makhalla</i><sup>a</sup> in project areas</p> <p>All WSS operators in project towns selected on a competitive basis by 2018</p> <p>All technical and financial management training available to WSS operators with equal access for men and women in project towns by 2018</p> <p>A customer care unit established by WSS operator in each project town by 2018</p>

Design Summary	Performance Targets/Indicators
Effective support provided to program implementation	<p>Sex-disaggregated consumer databases developed and all consumers registered by 2018</p> <p>Computerized financial management systems adopted by 2018</p> <p>O&amp;M manual developed by each WSS operator and adopted by 2018</p> <p>Performance benchmarking systems developed and adopted by WSS operators by 2018</p> <p>All investment tranches under the multitranche financing facility developed, implemented, and managed in timely manner</p>

km = kilometer, m<sup>3</sup> = cubic meter, O&M = operation and maintenance, WSS = water supply and sanitation.

<sup>a</sup> A *makhalla* is the smallest administrative group in a community.

Note: the key performance indicators shall be updated right after the feasibility studies for the tranche 1 subprojects are completed in October 2009.

## ANNEX 10. MAJOR COVENANTS

### Sec 10.01 Sector Covenants

		Status of Compliance
1	<p><u>Policy and Institutional Reforms</u> The Borrower shall ensure that the policies and institutional reforms required to make the vodokanals more autonomous and efficient are implemented. Such reforms include: (a) regular revision and adjustment of WSS tariffs to reflect actual cost of O&amp;M and capital depreciation; and (b) ensuring that USCA and the participating provincial governments: (i) review and adjust the responsibilities of the vodokanals to provide them with more autonomy; (ii) introduce performance-based management for the vodokanals; and (iii) establish modern accrual-based accounting systems in the vodokanals.</p>	
2	<p><u>Maintenance Plan</u> The Borrower shall cause UCSA to ensure that for cranes, excavators and major repair equipment to be shared by the vodokanals within a participating province, the participating provincial government shall prepare, in consultation with the vodokanals, a maintenance plan for these machinery and equipment, including the standards, procedures and other arrangements for their maintenance and usage. UCSA shall send the draft maintenance plan to ADB by the date to be agreed for the Project.</p>	
3	<p><u>Consultation and Participation</u> The Borrower shall cause UCSA to ensure implementation of the consultation and participation plan of the Investment Program in the Project. The consultative process shall involve households, institutions such as schools, clinics and businesses, the vodokanals and other stakeholders from government agencies and the private sector. UCSA shall engage NGOs where appropriate to implement the hygiene program.</p>	
4	<p><u>Hygiene Awareness and Promotion</u> The Borrower shall cause UCSA to ensure that the implementation arrangements and plans for the hygiene promotion activities to be carried out in all schools in the Project areas are prepared, and that the hygiene baseline surveys and follow-up surveys are carried out according to the target years to be agreed for the Project.</p>	

### Sec 10.02 Financial Covenants

		Status of Compliance
5	<p><u>Counterpart Funds</u> Without limiting the generality of Section 6.06 of the Loan Regulations, the Borrower shall make adequate annual budget allocations for, and have them released in a timely manner, the counterpart funds and other resources, in addition to the proceeds of the Loan, for the successful implementation of the Project.</p>	
6	<p><u>Household Connections</u> The Borrower shall cause UCSA to ensure that the costs of</p>	

	household connections for water supply shall be included under the Project and that such costs shall be charged to these households on an installment basis over a 3-year period.	
7	<p><u>Collection Efficiency and Tariffs</u></p> <p>The Borrower shall cause: (a) UCSA, the participating provincial governments and related vodokanals to take necessary measures for improving collection efficiency to achieve a collection rate of 90% for each vodokanal by such target year to be agreed for the Project; (b) UCSA and the participating provincial governments to review semiannually and adjust as necessary the level and structure of water tariffs to ensure that by completion of physical investments for the Project, the vodokanals shall have: (i) incorporated full O&amp;M costs in the tariffs; and (ii) serviced their debts, including proceeds of the Loan onlent to the vodokanals by the provincial governments. Results of the reviews and adjustments shall be reported by UCSA to ADB within 3 months of each review; and (c) UCSA and the participating provincial governments to: (i) take appropriate measures, including financial incentives and penalties, to reduce the level of payment arrears for water bills; and (ii) protect their water resources and facilities through the vigorous prosecution of violations such as water meter tampering and water theft.</p>	

**Sec 10.03 Safeguards Covenants**

**Environmental:**

		<b>Status of Compliance</b>
8	<p>The Borrower shall cause UCSA to ensure that:</p> <p>(a) all subproject facilities are designed, constructed, operated, maintained and monitored in compliance with applicable laws and regulations in Uzbekistan, ADB's Environment Policy (2002) and the EARF. Subprojects encroaching on national parks or other environmentally protected areas shall not be financed under the Project; however, subprojects close to environmentally sensitive areas may be included provided that UCSA has obtained all statutory clearances and that the requirements set forth in this Loan Agreement have been adhered to;</p> <p>(b) only category B subprojects (based on categorization under ADB's Environment Policy (2002)) shall be financed under the Project;</p> <p>(c) for each subproject, an IEE shall be prepared (including an EMP with a budget for the cost of implementation and with public consultation) in accordance with the EARF and such IEEs shall be submitted for ADB's review and approval;</p> <p>(d) all mitigation and monitoring measures identified in the IEE and the related EMP for each subproject shall be incorporated in the detailed design (such EMP shall be updated and made site-specific as appropriate), carried out during construction, operations and maintenance, and be disclosed to stakeholders. These mitigating and monitoring measures shall also be incorporated in the bidding documents and civil works contracts;</p> <p>(e) if there are any changes after completion of the IEE in</p>	

	<p>specific locations or alignments of any subproject facilities, or changes in detailed design that has an environmental impact previously unidentified, an additional environmental assessment shall be carried out in accordance with the ADB's Environment Policy (2002) and the EARF, and approved by the ADB before further implementation of that subproject;</p> <p>(f) all environmental clearances required by applicable laws and regulations in Uzbekistan shall be obtained by UCSA prior to commencement of civil works for the relevant subproject. If a subproject is expected have adverse environmental impact, no civil works contract shall be awarded for such subproject until the Borrower and ADB have approved the environmental assessment for such subproject in accordance with their requirements; and</p> <p>(g) progress reports on implementation of mitigation and monitoring measures for subprojects shall be submitted to ADB on a semi-annual basis.</p>	
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**Social:**

		<b>Status of Compliance</b>
9	<p><u>Involuntary Resettlement</u></p> <p>The Borrower shall cause UCSA to ensure that land acquisition for the Galasiya subproject shall be implemented in accordance with the approved land acquisition and resettlement plan for the Galasiya subproject. If during detailed design and implementation, there are modifications requiring additional land acquisition or changes in involuntary resettlement impacts, the land acquisition and resettlement plan shall be updated and submitted to ADB for approval. If any land acquisition and/or resettlement activity arise in any other subproject, the Borrower shall cause UCSA to ensure that such activity shall be carried out in accordance with applicable laws and regulations in Uzbekistan, ADB's <i>Involuntary Resettlement Policy</i> (1995) and the LARF.</p> <p>No impact on ethnic minority is expected for the Project. However, if any such impact is identified during the planning, design or implementation of a subproject, the Borrower shall cause UCSA to ensure that: (a) an ethnic minority development plan is prepared; or (b) specific actions relating to the ethnic minority are integrated in the resettlement plan, in accordance with ADB's <i>Policy on Indigenous People</i> (1998) and the EMDF.</p>	
10	<p><u>Gender and Labor</u></p> <p>The Borrower shall cause UCSA to: (a) prepare a gender action plan for the Project using Project-specific targets and in accordance with the gender action plan for the Investment Program; (b) ensure that the gender action plan for the Project is implemented in a timely manner (including ensuring that adequate resources are allocated); and (c) monitor implementation of the gender action plan for the Project and report its progress in the quarterly reports submitted to ADB.</p> <p>The Borrower shall cause UCSA to ensure that civil works contracts under the Project shall follow all applicable laws and regulations in Uzbekistan, and that civil works contractors: (a) to the extent possible, employ women and local people, including disadvantaged people, living in the vicinity of the relevant subproject; (b) provide equal pay to men and women for work of</p>	

	<p>equal type; (c) provide safe working conditions for male and female workers; (d) abstain from child labor; and (e) carry out HIV/AIDS awareness programs for laborer and disseminate information at worksites on risks of sexually transmitted diseases and HIV/AIDS for construction workers, as part of the health and safety program at campsites during the construction period. Compliance shall be monitored by UCSA during Project implementation and breaches by contractors can result in termination of contracts.</p>	
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#### Sec 10.04 Other Covenants

		Status of Compliance
11	<p><u>Project Management and Implementation</u> The Borrower shall designate UCSA as the Project Executing Agency with responsibility for overall Project coordination and implementation and for liaison with ADB and relevant government agencies. Each participating provincial government shall be the implementing agency for Project activities in their provinces.</p>	
12	<p><u>Program Preparation and Management Unit</u> The Borrower shall cause UCSA to ensure that the PPMU is responsible for managing, executing and monitoring Project implementation. The PPMU shall be headed by a full-time program director and comprise of technical, financial, procurement, social and environment, and administrative units. Each of these units shall have adequate staff with relevant expertise. Such staff shall include: (a) a WSS engineer; (b) a financial management specialist; (c) an accountant; (d) a procurement specialist; (e) an environment specialist; (f) a social safeguards specialist; (g) a monitoring and evaluation specialist; (h) an interpreter; (i) a training officer; and (j) a management information system specialists. UCSA shall ensure that the social and environment unit of the PPMU is staffed with the environment specialist and the social safeguards specialist within 3 months of the Effective Date. The PPMU shall be responsible for: (a) selecting and appraising subprojects; (b) undertaking feasibility studies; (c) preparing and submitting PFRs; (d) supervising detailed designs; (e) procurement; (f) directing construction supervision; (g) overseeing implementation of the institutional strengthening and capacity development action plan; (h) monitoring and evaluating the implementation progress and impact; (i) ensuring compliance with safeguards requirements; (j) coordinating among government agencies; and (k) consolidating and preparing periodic reports. The PPMU shall be supported by consultants under the PMF.</p>	
13	<p><u>Project Implementation Unit</u> The Borrower shall cause UCSA to ensure that a PIU shall be established by the participating provincial governments in each of their respective provinces. The PIUs shall be responsible for day-to-day implementation of the Project activities in their provinces. Each PIU shall be headed by a full-time project manager and comprise of a technical, financial, social and environment, and administrative units. Each PIU shall include: (a) a WSS engineer or a waste water management engineer; (b) a financial management specialist; (c) an accountant; (d) an environment</p>	

	<p>specialist; (e) a social safeguards specialist; (f) an interpreter; and (g) an officer manager.</p> <p>The PIUs shall be responsible for: (a) participating in subprojects planning, detailed design and bid evaluation; (b) coordinating the activities of consultants and contractors; (c) overseeing construction activities; (d) coordinating resettlement activities; (e) monitoring the environmental, social and gender impact of Project activities; (f) supervising local institutional reform and capacity development activities; and (g) preparing and consolidating accounts and monitoring reports for submission to the PPMU. The PIUs shall be supported by consultants under the PMF.</p>	
14	<p><u>Program Coordination</u></p> <p>The Inter-Agency Council shall be responsible for overall policy direction and guidance for the Investment Program. The Inter-Agency Council shall meet at least on a semi-annual basis to review implementation of, and decide on all major issues relating to, the Investment Program. Specifically, it shall: (a) provide strategic guidance on, and oversee the implementation of, the Investment Program, including related legislative, regulatory and institutional reforms; (b) facilitate the endorsement of the subprojects and PFRs; (c) approve the creation of posts in the PPMU and the recruitment of key PPMU staff (including the program director, the financial management specialist and the procurement specialist); and (d) ensure compliance with environment and social safeguards and related requirements.</p>	
15	<p><u>Subproject Selection and Approval</u></p> <p>The Borrower shall cause UCSA to ensure that all candidate subprojects are selected and approved in accordance with the eligibility criteria and procedures agreed between the Borrower and ADB and as set out in Schedule 4 to the FFA.</p>	
16	<p><u>Good Governance and Anti-Corruption</u></p> <p>The Borrower and UCSA acknowledge that ADB, consistent with its commitment to good governance, accountability, and transparency, reserves the right to investigate directly, or through its agents, any possible corrupt, fraudulent, collusive, or coercive practices relating to the investment program. In support of these efforts and pursuant to ADB's Anti-Corruption Policy (1998, as amended to date), the Borrower shall cause UCSA to ensure that (a) the bidding documents for the Project, and all contracts financed by ADB in connection with Project, include provisions specifying the right of ADB to audit and examine the records and accounts of UCSA (PPMU), PIUs and subproject vodokanals, and all contractors, suppliers, consultants, and other service providers as they relate to the Investment Program; (b) periodic inspections of the contractor's activities relating to fund withdrawals and settlements are carried out by the PPMU; and (c) the auditors, appointed by UCSA, have the right to conduct random or spot audits of contract implementation activities under the Project. All costs related to such investigations shall be borne under the Investment Program.</p>	
17	<p><u>Information Dissemination</u></p> <p>The Borrower shall cause UCSA to maintain and update in UCSA's website information on the Project. Such information shall include the subproject selection criteria and approval procedures, water tariff review procedures, results of annual reviews and adjustments, collection efficiency, details on the</p>	

	adopted bidding procedures, amounts of the contracts awarded and a list of goods and services purchased (and their intended and actual utilization).	
18	<p><u>Project Performance Monitoring System</u></p> <p>The Borrower shall cause UCSA to ensure that implementation of the Project, operation of the Project facilities and the benefits derived from the Project are monitored and evaluated annually by the PPMU. This includes establishing a PPMS within 6 months of the Effective Date and providing results for incorporation in the Project progress and completion reports.</p>	
19	<p><u>Project Reviews</u></p> <p>The Borrower shall cause UCSA to submit to ADB quarterly Project progress reports. Following review of such reports, ADB shall carry out review missions to discuss with the Borrower and UCSA progress of the Project, including any changes in the implementation arrangements, or remedial measures that are needed, to achieve Project objectives. Relevant PIUs shall participate in the review missions.</p> <p>The Borrower, UCSA and ADB shall carry out a midterm review for the Project. Such midterm review shall evaluate the Project activities, implementation arrangements, environment and social safeguard issues, achievement of scheduled targets, contract management and such other issues as appropriate.</p>	

**ANNEX 11. APPENDIXES**

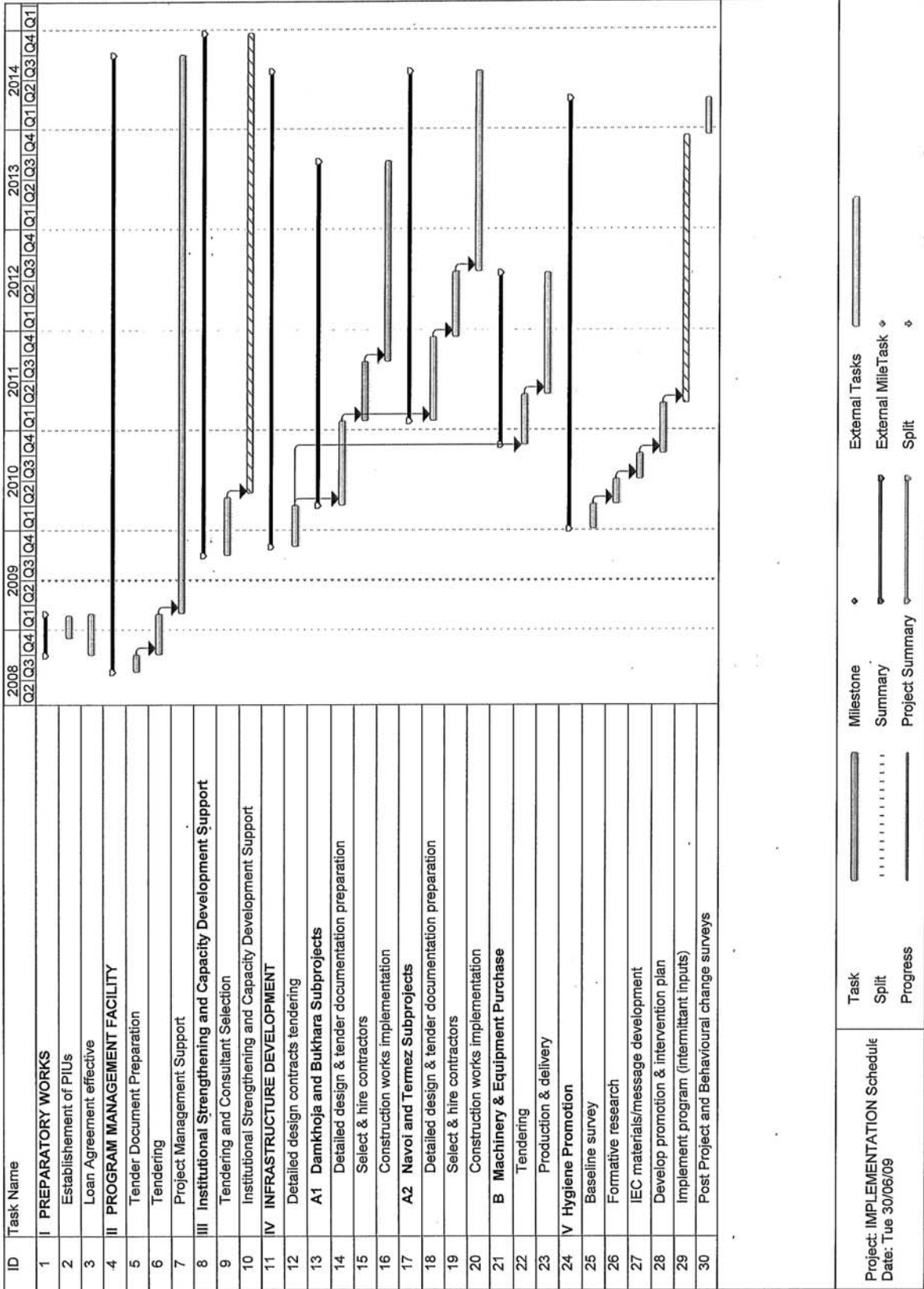
Appendix 1	Program Design and Monitoring Framework
Appendix 2	Project Implementation Schedule
Appendix 3	Contract Awards and Disbursement Graph
Appendix 4	Procurement Plan Monitoring Sheet
Appendix 5	Disbursement Monitoring Information Sheet
Appendix 6	Quarterly Progress Report Format
Appendix 7	Project Implementation Schedule with Activity and Weights
Appendix 8	Audit Requirements and Report Format
Appendix 9	Format in Preparing Project Completion Report

### Program Design and Monitoring Framework

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanism	Assumptions and Risks
<b>Impact</b> <ul style="list-style-type: none"> <li>Improved living standards, environment, and public health in urban centers of Uzbekistan</li> </ul>	<ul style="list-style-type: none"> <li>100% of urban population is provided with safe and reliable water supply 24 hours a day by 2020</li> <li>Waterborne infections are reduced by 40% by 2020</li> </ul>	<ul style="list-style-type: none"> <li>National statistics</li> <li>Reports of multilateral and bilateral agencies</li> <li>Sex-disaggregated baseline and follow-up socioeconomic surveys</li> </ul>	<b>Assumptions</b> <ul style="list-style-type: none"> <li>Clear and coherent government sector development vision and strategy</li> <li>Continued government commitment to sector development and reforms</li> </ul> <b>Risks</b> <ul style="list-style-type: none"> <li>Political and economic instability</li> </ul>
<b>Outcome</b> <ul style="list-style-type: none"> <li>Safe, reliable, and sustainable water supply and sanitation services in project towns</li> </ul>	<ul style="list-style-type: none"> <li>Safe, reliable water is provided to 3 million people by 2018</li> <li>Water supply is available at least 20 hrs a day by 2018</li> <li>System leakage is reduced to less than 30% by 2018</li> <li>Water quality complies with national drinking water standards from 2018 onward</li> <li>more than 70% of the wastewater in the project towns is collected and treated by 2018</li> <li>(x) number of rural population near the subproject towns received bulk water supply.</li> <li>Vodokanals cover O&amp;M and depreciation costs for water supply and at least O&amp;M costs for waste water treatment from 2018 onward</li> <li>Collection rate of water supply and sanitation charges increases to 90% by 2018</li> <li>Public satisfaction with the quality of water supply and sanitation increases from xx% to yy% (to be quantified when baseline is established through a social survey and program inception)</li> </ul>	<ul style="list-style-type: none"> <li>Project performance report</li> <li>Vodokanal records, financial reports, and performance benchmarking reports</li> <li>Annual socioeconomic surveys</li> <li>Review missions</li> <li>Back to office report</li> <li>Project completion report</li> </ul>	<b>Assumptions</b> <ul style="list-style-type: none"> <li>Government commitment to the institutional and financial reforms made by the Project</li> <li>Increasing awareness in communities of relationship between health, hygiene and sanitation, and clean water use</li> <li>Adequate capacity and motivation of vodokanal staff to manage, operate, and maintain the new system properly</li> </ul>
<b>Output</b> 1.1 Water Supply and Sanitation Systems Rehabilitated and	<ul style="list-style-type: none"> <li>(a) reservoirs, (b) boreholes, (c) pumping stations, (d) km of trunk mains, and (e) km distribution</li> </ul>	<ul style="list-style-type: none"> <li>Government document or resolution</li> </ul>	<b>Assumptions</b> <ul style="list-style-type: none"> <li>Active participation by all stakeholders in strategy</li> </ul>

<b>Design Summary</b>	<b>Performance Targets/Indicators</b>	<b>Data Sources/ Reporting Mechanism</b>	<b>Assumptions and Risks</b>
<p>improved</p> <p>1.2 Management structure and capacity for water supply operation improved.</p>	<p>networks are rehabilitated (to be quantified for each tranche when engineering design is completed and summarized when the engineering designs for all tranches are completed)</p> <ul style="list-style-type: none"> <li>• (f) reservoirs, (g) boreholes, (h) pumping stations, (i) km of trunk mains, and (j) km distribution networks are constructed (to be quantified for each tranche when engineering design is completed and summarized when the engineering designs for all tranches are completed)</li> <li>• Water meters are installed to all bulk and consumers in project towns</li> <li>• (k) km of sewerage networks and (l) wastewater treatment plants (with a total treatment capacity of (m) m<sup>3</sup>/day) are rehabilitated (to be quantified for each tranche when engineering design is completed and summarized when the engineering designs for all tranches are completed)</li> <li>• (n) km of sewerage networks and (o) wastewater treatment plants (with a total treatment capacity of (p) m<sup>3</sup>/day) are constructed (to be quantified for each tranche when engineering design is completed and summarized when the engineering designs for all tranches are completed)</li> <li>• All WSS operators in project towns will be selected on a competitive basis by 2018.</li> <li>• All technical and financial management trainings are available to WSS operators with equal access by men and women in project towns by 2018</li> <li>• A customer care unit is established by WSS operator in each project town by 2018</li> <li>• Sex-disaggregated consumer databases are developed and all consumers are registered by 2018</li> <li>• Computerized financial management</li> </ul>	<ul style="list-style-type: none"> <li>• Project performance report</li> <li>• Project progress reports</li> <li>• PPMS</li> <li>• Review missions</li> <li>• Back to office report</li> <li>• Project completion report</li> <li>• Sex-disaggregated baseline and follow-up hygiene surveys</li> <li>• Training evaluation reports</li> </ul>	<p>development</p> <ul style="list-style-type: none"> <li>• Competent consultants and contractors are engaged.</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Delays in internal approval procedures of the Government</li> <li>• Inadequate counterpart financing</li> </ul>

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanism	Assumptions and Risks
<p>1.3 Effective support provided to program development, implementation and management</p>	<p>systems are adopted by 2018</p> <ul style="list-style-type: none"> <li>• An O&amp;M manual is developed by each WSS operator and adopted by 2018</li> <li>• Performance benchmarking systems are developed and adopted by WSS operators by 2018</li> <li>• All investment tranches under the MFF program are timely developed, implemented and managed.</li> </ul>		
<p><b>Activities with Milestones For Tranche I:</b></p> <p><b>1. Water Supply and Sanitation System Rehabilitation and Improvement</b> Tranche 1:</p> <ul style="list-style-type: none"> <li>• Detailed design completed by month 21</li> <li>• Rehabilitation and new facilities constructed, commissioned, and made operational between month 21 and month 45</li> <li>• Machinery and equipment procured and delivered by month 36</li> </ul> <p><b>2. Management Improvement and Capacity Development</b></p> <ul style="list-style-type: none"> <li>• Due diligence work for structured management contract pilot completed by month 35, structuring completed by month 37, negotiations completed by month 41, and operation started from month 42</li> <li>• Due diligence work for lease contract pilot completed by month 36, bidding documents prepared by month 38, bidding and negotiation completed by month 45, and operation started from month 46</li> <li>• Training plan developed by month 18 and training conducted between month 18 and month 55, at least 30% of the training participants will be women</li> <li>• Customer care units established by month 55</li> <li>• Sex-disaggregated consumer databases developed by month 55</li> <li>• Computerized financial management systems adopted by month 55</li> <li>• O&amp;M manual developed and adopted by month 36</li> <li>• Performance benchmarking systems developed and implemented between month 24 and month 55</li> <li>• Hygiene promotion implementation plan prepared by month 8 and carried out regularly in all schools between month 18 and month 48 with equal participation by boys and girls</li> <li>• Sex-disaggregated baseline survey conducted by month 6, and follow-up surveys continued until month 66</li> </ul> <p><b>3. Program Management Facility</b></p> <ul style="list-style-type: none"> <li>• PMF established and consultants recruited by month 8</li> <li>• Support provided the Program development, implementation and management for the whole duration of the Program.</li> </ul> <p><b>Tranche II: to be approved by end of 2010</b>  <b>Tranche III: to be approved by end of 2011</b>  <b>Tranche IV: to be approved by end of 2012</b></p>			<p><b>Inputs</b></p> <ul style="list-style-type: none"> <li>• ADB ADF loan: \$300 million</li> <li>• Government: \$75 million</li> </ul>

















**Loan No. \_\_\_\_\_-UZB: M Water Supply and Sanitation Project  
Quarterly Progress Report  
For the Period \_\_\_\_\_**

**A. Overall Status**

**Project Management**

1. Provide comment on present project management structure as compared in the original plan. Any addition or deletion of staff should be mentioned here. Please mention any deviation from original plan.

**Implementation Period**

2. Provide current status, mention any deviation from original plan.

**Consultant Recruitment**

3. Same as 2 above

**Procurement**

4. Same as 2 above

**Disbursement**

5. Same as 2 above

**Reporting requirements (QPR, PPMS, Financial Statements)**

6. Provide status of submission, reasons for not submitting within agreed timeframe

**B. Technical Part**

Performance Targets/Indicators	Progress/Status
<b>1.1 Water Supply and Sanitation Systems Rehabilitated and improved</b>	
1. (a) reservoirs, (b) boreholes, (c) pumping stations, (d) km of trunk mains, and (e) km distribution networks are rehabilitated (to be quantified for each tranche when engineering design is completed and summarized when the engineering designs for all tranches are completed)	
2. (f) reservoirs, (g) boreholes, (h) pumping stations, (i) km of trunk mains, and (j) km distribution networks are constructed (to be quantified for each tranche when engineering design is completed and summarized when the engineering designs for all tranches are completed)	
3. Water meters are installed to all bulk and consumers in project towns	

4. (k) km of sewerage networks and (l) wastewater treatment plants (with a total treatment capacity of (m) m <sup>3</sup> /day) are rehabilitated (to be quantified for each tranche when engineering design is completed and summarized when the engineering designs for all tranches are completed)	
5. (n) km of sewerage networks and (o) wastewater treatment plants (with a total treatment capacity of (p) m <sup>3</sup> /day) are constructed (to be quantified for each tranche when engineering design is completed and summarized when the engineering designs for all tranches are completed)	
<b>1.2 Management structure and capacity for water supply operation improved.</b>	
7. All WSS operators in project towns will be selected on a competitive basis by 2018.	
8. All technical and financial management trainings are available to WSS operators with equal access by men and women in project towns by 2018	
9. A customer care unit is established by WSS operator in each project town by 2018	
10. Sex-disaggregated consumer databases are developed and all consumers are registered by 2018	
11. Computerized financial management systems are adopted by 2018	
12. Consumer databases are developed and all consumers are registered by 2014	
13. Computerized financial management systems are adopted,	
14. An O&M manual is developed by each WSS operator and adopted by 2018	
15. Performance benchmarking systems are developed and adopted by WSS operators by 2018	
<b>1.3 Effective support provided to program development, implementation and management</b>	
16. All investment tranches under the MFF program are timely developed, implemented and managed.	

*In the event of "nil" activity for any of the above component during the reporting period, "no progress during the period" should be stated under relevant heading with reasons.*

### **C. Financial Part**

#### Counterpart Funds

Amount requested by the Executing Agency for allocation in the annual budget	-	US\$ _____ Uzb Soum _____
Amount approved by the Government in the annual budget	-	US\$ _____ Uzb Soum _____
Amount of utilization to date	-	US\$ _____

Uzb Soum \_\_\_\_\_

Difficulties in getting the allocated amount released due to budgetary or other procedures -

**D. Loan Covenants**

*Please update Annex 10 (Loan Covenants) of the FAM and attach the revised list of loan covenants in this report.*

**E. Other Matters**

Expected Progress for the next half of the year

*narrative description of the expected progress for the next reporting period*

Problems encountered which significantly affected the implementation of the Project / Action Taken and/or Proposed

Problems: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Actions Taken and/or Proposed: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**F. Implementation Schedule with Activity and Weights**

*Attach here the implementation Schedule with Activity and Weights Chart, Sample is in Appendix 7 of the FAM*

*Please refer to Appendix 7, Annex 1 of the FAM Framework and Guidelines in Calculating Project Progress in preparing the above chart..*

**G. Design Changes (if any)**

Major or minor changes in project scope, design, costs, and implementation arrangements are described in Project Administration Instructions (PAI) 5.04 which can be downloaded from the following website <http://www.adb.org/Documents/Manuals/PAI/default.asp>. The approval date of changes should be recorded in the following matrix.

Description	Date Approved by ADB

#### H. Attachments

##### Project Procurement Plan

Please update Appendix 4 – Project Procurement Plan of the FAM and attach in this report.

##### Disbursement Monitoring Information Sheet

Please update Appendix 5 – Disbursement Monitoring Information Sheet of the FAM and attach in this report











## AUDIT REQUIREMENT

### A. Introduction

1. Article 14 (xi) of ADB's *Articles of Agreement* (the Charter) provides that ADB loan proceeds be used only for the purposes for which the loan/grant was approved with due attention to economy and efficiency. To meet these requirements, executing agencies (EAs) are to submit audited project accounts (APA) regularly during project implementation, and, in some cases, until the loan/grant has been fully repaid. Requirements would be defined by the ADB letter as shown in the attached sample as **Annex 1**.

2. A management letter, by reporting entity, is also required. The management letter is a report on the internal controls and operating procedures of the entity covering all aspects included during the normal course of the audit. For non-revenue generating EAs, that do not submit AFS, a management letter should be provided covering internal controls and procedures associated with the maintenance of project accounts and preparation of APA.

3. ADB's revised audit requirements as defined in the *Guidelines for the Financial Governance and Management of Investment Projects financed by Asian Development Bank* (the Financial Guidelines), are consistent with both the OECD-DAC *Good Practices Paper on Financial Reporting and Auditing (Dec 2002)* and the *Framework for Collaboration Among Participating Multilateral Development Banks on Financial Reporting and Auditing (Feb 2003)*.

### B. Audit Objective and Scope

4. An audit's overall objective is for the auditor to express an opinion as to whether the financial statements present a true and fair view of the project and, where applicable, of the EA, or are similarly presented fairly in all material respects, in conformity with International Audit Standard (IAS) or other ADB-accepted standards, and applied on a basis consistent with that of the preceding year.

5. The auditor's opinion is necessary to establish the credibility, or otherwise, of the financial statements of an EA. The examination should be of such scope and depth to allow the auditor to give an opinion and make a report on the veracity, accuracy and fairness as regards the presentation of the financial statements of an EA.

#### a. ADB Requirement

6. ADB requires the borrower and the EA to have the required financial statements for each year audited by an independent auditor acceptable to ADB, and in accordance with standards on auditing that also are acceptable to ADB (see attached letter). An Audit Checklist (**Annex 2**) has been prepared by ADB to guide the auditor on the items required by ADB in the audit of the project expenditures. Furthermore, an audit of such financial statements include:

- (i) an assessment of the adequacy of accounting and internal control system with respect to project expenditures and other financial

- transactions, and to ensure safe custody of project-financed assets;
- (ii) a determination as to whether the borrower and project implementing entities have maintained adequate documentation on all relevant transactions;
  - (iii) confirmation that expenditures submitted to ADB are eligible for financing and identification of any ineligible expenditures; and
  - (iv) compliance with loan covenants and ADB's requirements for project management.

7. An audit report must include: (i) title of the auditor; (ii) date of the report; (iii) addressee (EA and/or borrower); (iv) identification of the financial information audited; (v) a reference to auditing standards or practices followed; (vi) an expression of opinion, including a qualification; disclaimer or declining of an opinion, on the financial information; (vii) the auditor's signature; (viii) auditor's address; and (ix) date of signing of the report.

#### **b. Audit Procedures**

8. Auditors engaged to audit project expenditures should understand the project and the entity being audited, including the contents of the Report and Recommendation of the President (RRP) and legal agreements.

9. ADB expects audits to include: (i) an examination of assets and liabilities; (ii) an examination of commitments and contingent liabilities; (iii) confirmation of debtors, creditors and inventory; (iv) an audit of statement of expenditure procedures [SOEs (where required)] as part of the overall project audit; and (v) an audit of the imprest accounts (if required). Audited financial statements provided to ADB in accordance with the Grant Agreement should be accompanied by the report of the auditor that contains their opinion on the financial statements. An example of an audit letter is in **Annex 3**.

#### **c. Auditor Selection and Appointment**

10. ADB will ask the borrower to remove unacceptable restrictions, or otherwise arrange for an acceptable audit to be conducted. A borrower is responsible for the selection, appointment and performance of an auditor. ADB wishes to be informed by a borrower of an ongoing or proposed appointment of an auditor, who should meet required standards in terms of independence, experience and competence. More specifically, ADB will indicate the acceptability of an auditor in the form of "no objection".

11. An auditor to be acceptable to ADB must be:

- (i) impartial and independent of the control of the entity to be audited and of the person appointing them. In particular, they should not, during the period covered by the audit – be employed by, serve as directors of, or have family, financial, or close business relationships with the entity, except as auditors, during the period of the audit;
- (ii) well established and reputable, use procedures and methods confirming with international audit standards and employ adequate

staff with appropriate skills and competence required for their responsibilities;

- (iii) experienced in types of assignments they are to undertake for the ADB project; and
- (iv) able to fulfill their terms of reference within the specified timetable.

**C. Monitoring Compliance with Submission of APA**

**a. Three Months before the Due Date**

22. ADB reminds the EA and implementing agency (IA) three months before APA or AFS is due.

**b. On the Due Date**

23. When the APA or AFS is not received by the due date, ADB immediately writes to the EA and IA stating that the APA or AFS is overdue and, if it is not received within six months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.

**c. Six Months after Due Date**

24. When the APA or AFS is not received within six months after the due date, ADB will hold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB informs the EA and IA of ADB's actions and advises that if the situation is not remedied within next six months, the loan may be suspended.

**d. Twelve Months after the Due Date**

25. When the APA or AFS is not received within 12 months after the due dates, ADB determines whether the loan is to be suspended. With joint reference to the Regulations, ADB recommends loan suspension to ADB Management.

Date

Mr. \_\_\_\_\_  
Project Manager

Dear Mr. \_\_\_\_:

### **Financial Reporting and Auditing Requirements**

12. This letter is generally to seek your timely compliance with the grant covenants and the quality of financial information as required by ADB. ADB's *Financial Reporting and Auditing of Projects Financed by ADB* is enclosed to guide you. You will note (para 4 below) that the audit for 2009 will become due by end June 2010.

13. ADB, by its Charter, is required to ensure that the proceeds of any grant made, guaranteed, or participated in by ADB are used for the purposes for which the grant was approved. ADB requires accurate and timely financial information from its borrowers to be assured that expenditure was for the purposes stated in the grant agreement.

14. For this particular grant, the requirements are stipulated in Article III, of the Grant Agreement between ADB and the Kyrgyz Republic.

15. The following are the main requirements:

- ADB requires the EA to maintain separate project accounts and records exclusively for the Project to ensure that the grant funds were used only for the objectives set out in the Grant Agreement. The first set of project accounts to be submitted to ADB covers the fiscal year ending 2009. As stipulated in the Grant Agreement, they are to be submitted on June of each year which is 6 months after the end of the fiscal year. For this Grant, the deadline is by June 2010. A sample report format with explanatory note is attached as Annex A.
- The accounts and records for the Project are to be consistently maintained by using sound accounting principles. Please stipulate that your external auditor is to express an opinion on whether the financial report has been prepared using international or local generally accepted accounting standards and whether they have been applied consistently.

ADB prefers project accounts to use international accounting standards prescribed by the International Accounting Standards Committee.

- Please ensure that your external auditor specifies in the Auditor's Report the appropriate auditing standards they used, and direct them to expand the scope of the paragraph in the Auditor's Report by disclosing the key audit procedures followed. Your external auditor is also to state whether the same audit procedures were followed for all supplementary financial statements submitted.

ADB wishes that auditors conform to the international auditing standards issued by the International Federation of Accountants. In cases where other auditing standards are used, request that your external auditor indicate in the Auditor's Report the extent of any differences and their impact on the audit.

- The external auditor's opinion is also required on whether
  - the proceeds of the ADB's grant have been utilized only for the Project as stated in the Grant Agreement;
  - the financial information contains data specifically agreed upon between the Kyrgyz Republic and ADB to be included in the financial statements;
  - the financial information complies with relevant regulations and statutory requirements; and
  - compliance has been met with all the financial covenants contained in the Grant Agreement.
- The Auditor's Report is to clearly state the reasons for any opinions that are qualified, adverse, or disclaimers.
- Actions on deficiencies disclosed by the external auditor in its report are to be resolved by the Kyrgyz Republic within a reasonable time. The external auditor is to comment in the subsequent Auditor's Report on the adequacy of the corrective measures taken by the Department of Treasury.

16. Compliance with these ADB requirements will be monitored by review missions and during normal Project supervision, and followed up regularly with all concerned, including the external auditor.

Very truly yours,

Country Director  
Uzbekistan Resident Mission

**AUDIT COMPLETION CHECKLIST**  
(To be completed by External Auditor of Non-Revenue Earning EA/Borrower  
and returned with the auditor's report)

**I. CHECKLIST OF ITEMS TO BE REPORTED TO ADB**

**A. Accounting/Auditing Standards**

		YES	NO	N/A	Ref.
1.	Was the audit conducted in accordance with generally accepted auditing standards? For revenue earning EAs/Borrowers, do the financial statements indicate whether generally accepted accounting principles were applied on a basis consistent with that of the preceding year.				

**B. Opinion/Findings**

		YES	NO	N/A	Ref.
2.	Does your audit report include an opinion as required by the Bank on the: <ul style="list-style-type: none"> <li>• utilization of grant funds?</li> <li>• compliance with specific covenants?</li> <li>• use of imprest funds?</li> <li>• statement of expenditure procedures?</li> <li>• conformity with ADB's procurement guidelines? (Splitting of payments to avoid ADB approval thresholds)</li> </ul> In addition, for revenue earning EAs/Borrowers, does your audit report include an opinion covering all the applicable financial statements?				
3.	Are significant findings included in detail, such as: <ul style="list-style-type: none"> <li>• utilization of grant proceeds (e.g. diversion of ADB funds, utilization for aspects where counterpart funds should have been used, etc.)</li> <li>• project implementation (delays, bottlenecks, procedural lapses in procurement to the extent it comes to your attention)</li> <li>• statement of expenditures [also refer to Section IIA5(b) of this checklist].</li> <li>• imprest fund [also refer to Sections IIA1(b) and IIA5(c) of this checklist].</li> <li>• agreed upon matters by the Bank and Borrower that require special audit attention.</li> <li>• for revenue earning EA/Borrower, significant increases/decreases in balances in financial statements between past/present fiscal year, significant bad debts, unrecorded liabilities, etc.</li> </ul>				
4.	Did your audit examine the efficiency of systems of internal control? If so, does your audit report disclose any material deficiencies or weaknesses in the accounting system or overall system of internal control.				

**II. CHECKLIST OF AUDIT PROCEDURES THAT WERE PERFORMED**

**A. ADB Project Funds**

1. Utilization of ADB funds

		YES	NO	N/A
a.	Were ADB funds utilized for the purpose as indicated in the grant agreement?			
b.	Were ADB funds, including withdrawals from imprest account, used against aspects meant to be funded out of counterpart funds?			

## 2. Bank Account

		YES	NO	N/A
a.	Where applicable, were funds received from different sources kept in different cash books and bank accounts (e.g. ADB fund kept separately from counterpart funds)			
b.	Was reconciliation of balances per cash book and per bank account performed regularly, including the imprest account? Was bank balance independently checked by the auditor?			
c.	Is the bank account maintained in the name of the institution and not in a personal name? Is separate bank account maintained in the name of any officials in addition to the above? If so, has any withdrawal been made for credit to the above account?			
d.	Were checks kept in sequential order and were any missing checks reported to the Project Manager/Director? Was action taken on stale checks?			

## 3. Procurement

		YES	NO	N/A
a.	Was International Competitive Bidding/International Shopping/National Competitive Bidding/Direct Purchase or Single Tender/Limited Tendering or Repeat Order/Force Account followed as per ADB's guidelines?			
b.	Was approval obtained from ADB for various procurement, whenever required?			
c.	Was contract split to avoid prior approval from ADB?			
d.	In regard to supplementary contract(s), was price allowed significantly higher than that in the original/main contract?			

## 4. Payments authorized by EA/Borrower

		YES	NO	N/A
a.	Were expenditures prepared/signed by Project Accountant and authorized by Project Manager/Director or the designated staff? Indicate any finding based on review of propriety of expenditure.			
b.	Where applicable, were payments claimed in running bill reconciled to the measurement book?			
c.	Where applicable, was there any monitoring mechanism for ensuring the full recovery of mobilization advance?			

## 5. Withdrawal Application

		YES	NO	N/A
a.	Were withdrawal applications submitted in anticipation of expenditure?			
b.	In case of claims under SOE, were amounts split to avoid submission of supporting documents.			
c.	Was request for imprest account (replenishment/first request) submitted when the need for funds would arise much later?			

Approved by:

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 External Auditor

## **SAMPLE AUDIT LETTER**

### **IMPREST ACCOUNT**

We have examined the Statement of Imprest Account Loan No. \_\_\_\_-UZB: MFF Water Supply and Sanitation Project for the period \_\_\_\_\_ up to \_\_\_\_\_, pursuant to the Loan Agreement dated \_\_\_\_\_.

Our examination was made in accordance with generally accepted auditing standards emphasizing the adequacy and completeness of the supporting documents of the Imprest Account and other auditing procedures as we considered necessary in the circumstances.

In our opinion, the Statement of Imprest Account and supporting documents and information submitted with them can be fairly relied on to support the applications for reimbursement/payment in accordance with the Asian Development Bank's (ADB) requirements as set out in the Loan Agreement.

### **STATEMENT OF EXPENDITURES**

We have examined the Statement of Expenditures submitted to ADB during the period in support of applications for liquidation of the Imprest Account pursuant to the above mentioned Loan Agreement. Our examination was made in accordance with generally accepted auditing standards and, accordingly included such tests of the accounting records, verification of assets and other such auditing procedures as we considered necessary in the circumstances.

In our opinion, the Statement of Expenditures submitted, together with the internal control and procedures involved in their preparation, can be fairly relied on to support the applications for liquidations in accordance with the requirement of the above mentioned ADB Loan Agreement.

**Format in Preparing  
Project Completion Report<sup>3</sup>  
(project, multiproject, sector, program, sector development program, and  
technical assistance loans)**

<p><sup>3</sup> For all PCRs, limited appendixes to those essential to explain the text. Avoid repetition. In this appendix, the term "project" refers to project, programs, and sector development programs.</p>
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**I. PROJECT DESCRIPTION**

1. Briefly describe the project's objectives, components, and outputs; and the rationale for undertaking the project. Cross-reference the report and recommendation of the President (RRP), and use tables to present information concisely.

**II. EVALUATION OF DESIGN AND IMPLEMENTATION**

2. Deal selectively with the topics discussed in paras.3–20. Cross-reference to the RRP (or and appraisal report). Utilize the results of the project performance management system and project performance report as appropriate. Include a description of remedial actions in response to any "at risk" assessments.

**A. Relevance of Design and Formulation**

3. Discuss the relevance of the project in terms of consistency with ADB's country strategy and program, the country's development objectives, soundness of the design, and adequacy of the formulation process (including the extent of stakeholder participation and level of ownership generated). Assess relevance at appraisal and at completion. Discuss how changes made during implementation, if any, enhanced relevance. Discuss quality of project preparatory technical assistance (TA), if any.

**B. Project Outputs**

4. List the outputs by components as anticipated during appraisal. Assess the extent to which the expected outputs were achieved. Give reasons for any deviations and indicate whether these affected project costs, time schedules, expected benefits, or other measures of efficiency.

**C. Project Costs**

5. Discuss project costs and explain significant overruns or underruns (**in a tabular form, by year, currency, and major components or categories**) and any major shifts between foreign and local costs. State the reasons for cost changes (design inadequacy, external factors, delays, etc.) and their likely effect on the project's economic and financial rates of return.

**D. Disbursements**

6. Assess whether the appraisal disbursement schedule was realistic. Assess any delays and corrective actions taken by the borrower, executing agency (EA), and ADB if disbursements did not follow the schedule made at appraisal. Where imprest fund and/or statement of expenditure dispensation was used, evaluate the impact (negative or positive) of these procedures on implementation and the experience of the EA or ADB.

**E. Project Schedule**

7. Explain the causes of significant delays, referring to discussions in other paragraphs (e.g., those dealing with procurement or performance of contractors).

## **F. Implementation Arrangements**

8. Discuss the project's implementation as designed at appraisal and any major changes in the arrangements caused by changes in the project. Assess the adequacy of implementation arrangements to deliver project outputs and achieve the project purpose.

## **G. Conditions and Covenants**

9. Explain causes of significant delays in meeting the conditions of effectiveness with attention to procedural problems in the borrower's country that may affect other projects.

10. Assess the relevance of covenants. Indicate the status of compliance with all general and special covenants. If covenant compliance was delayed or breached, discuss the reasons and impact, and whether the covenant was realistic. Discuss the impact of partial or noncompliance of covenants on project performance. Recommend actions for achieving compliance.

11. Indicate if any covenant has been modified, suspended, or waived, and the justification for such actions. Where relevant, undertake a financial analysis of the EA and compare the financial ratios to check compliance with financial covenants. Review the borrower's and EA's compliance with reporting requirements. Discuss any relevant changes in amortization between the borrower and EA, and conversion of the loan to equity.

## **H. Related Technical Assistance**

12. A TCR is not required for a project preparatory TA that results in a loan. A project preparatory TA resulting in a loan should be evaluated in the PCR for the loan project.

13. A separate TA completion report (TCR)<sup>4</sup> should be prepared for any advisory TA processed in conjunction with a loan. When preparing the project completion report (PCR), an assessment of the advisory TA performance should be reported and incorporated in the overall assessment of the project.

- (i) If the TCR is prepared and circulated before the PCR, the PCR should discuss the salient features of the TCR, including any variations from appraisal, in its text; note the TA rating; and provide a complete citation for the TCR in a footnote.
- (ii) If the TCR is prepared concurrently with the PCR, the TCR should be appended to the PCR and salient features, including any variations from appraisal, should be noted in the PCR text. When PCR Board circulation is requested, the Office of the Secretary (OSEC) should also be informed that a TCR is appended to the PCR. This will ensure that the TCR is recorded in OSEC's database and that it is noted in OSEC's circulation memo to the Board.

<sup>4</sup> A Template for the preparation of a TCR is available on network drive w:\template\boarddoc\TCR.dot in the ADB Portal (Guidelines and Templates for Board Documents) at URL: [http://eboard.asiandevbank.org/docs\\_refs/index.php](http://eboard.asiandevbank.org/docs_refs/index.php).

## **I. Consultant Recruitment and Procurement**

14. Discuss arrangements for consultant recruitment, any deviations from agreed procedures, and the causes of disagreements between the borrower or EA and ADB on consultant selection (state how the differences were resolved). Describe any significant problems encountered with packaging contracts, preparing tender documents, and evaluating bids. State how they were resolved.

**J. Performance of Consultants, Contractors, and Suppliers**

15. If any of the consultants, contractors, or suppliers used by the borrower or EA failed to perform well, or vice versa, describe these instances and estimate their negative or positive effects on the quality of the project outputs, schedule, or costs.

**K. Performance of the Borrower and the Executing Agency**

16. Summarize the performance of the borrower and EA in meeting the responsibilities assigned in the implementation plan, and discuss any weaknesses in performance. Indicate whether the assessment of the EA's capabilities at appraisal was reasonably accurate.

17. Assess the present institutional capacity and development of the EA, including specific strengths and weaknesses, and whether institutional development measures envisaged at appraisal were adequate or successful. Assess how the project and advisory TA, if any, assisted in improving institutional capacity.

18. Rate the performance of the borrower and EA as highly satisfactory, satisfactory, partly satisfactory, or unsatisfactory.

**L. Performance of the Asian Development Bank**

19. Review ADB's part in project implementation (e.g., approvals, disbursements, and monitoring) to determine whether any ADB failure to act promptly, or disagreements with the borrower or EA on terms of reference, bid documents, awards, or other matters affected the implementation procedures, project costs, or implementation schedule. If the effects are insignificant or do not permit generalized conclusions, note such instances but do not include the analysis.

20. State the type of advisory services (including training) provided by ADB and whether the assistance was adequate and timely.

21. Rate the performance of ADB as highly satisfactory, satisfactory, partly satisfactory, or unsatisfactory.

**III. EVALUATION OF PERFORMANCE**

**A. Relevance**

22. Assess the relevance of design (para. 3) and the impacts of changes made at midterm review or any other point that aimed to improve relevance.

**B. Effectiveness in Achieving Outcome**

23. Assess the extent to which the project achieved its outcome.

**C. Efficiency in Achieving Outcome and Outputs**

24. Assess the efficiency of investment (wherever possible, by financial and economic reevaluation or other cost-effectiveness measures) and efficiency of process. For program loans, efficiency of investment is not usually assessed (see program performance evaluation report guidelines).

**D. Preliminary Assessment of Sustainability**

25. Assess requirements for, and likelihood of, project sustainability. Provide the rationale for recommended follow-up actions to enhance the likelihood of sustainability.

#### **E. Impact**

26. Provide a general assessment of significant poverty, institutional, economic, environmental, social, and other impacts (positive and negative whether intended or not) generated during project implementation. If the project included environmental control and other safeguard measures, evaluate their implementation and effectiveness.

### **IV. OVERALL ASSESSMENT AND RECOMMENDATIONS**

#### **A. Overall Assessment**

28. Describe briefly (in one or two short paragraphs) whether the project was implemented as conceived and, if not, explain the difficulties and remedial measures undertaken. Analyze the design and monitoring framework and the project performance monitoring and evaluation system, and provide an overall project performance rating. The project should be rated as highly successful, successful, partly successful, or unsuccessful, in accordance with the definitions and guidelines provided by the Operations Evaluation Department.

29. The calculations for deriving the ratings and the summary table do not need to be included in the PCR, but should be retained on file for reference during preparation of the PPER.

#### **B. Lessons Learned**

30. Clearly describe all major lessons learned. Support identified lessons learned using the results of the project and provide the basis for drawing such lessons in relevant sections of the PCR.

#### **C. Recommendations**

31. Include project-specific and general recommendations that may affect projects or may be generally applicable to ADB practices. Recommendations should be specific and within the power of the nominated entity and person responsible to carry them out. Include the name of the entity or person responsible for taking action, time frame, and responsibility for monitoring and reporting compliance.

##### **1. Project-Related**

32. Recommendations should include the following:

- **Future monitoring.** Describe aspects of project operation (technical, financial, personnel, management, etc.) that require monitoring, and recommend monitoring tools (specific reports by the borrower or EA, missions, consultants, etc.) and, at least initially, time intervals for project review.
- **Covenants.** Recommend whether the covenants in the loan and project agreements should be maintained in their existing form. Indicate the specific period to maintain such covenants or whether any should be changed or waived, identifying covenants to be changed or waived and the substance or wording of any change recommended.
- **Further action or Follow-up.** Indicate actions that may be needed to complete project implementation (including action needed to complete disbursements and

close the loan account), support its initial operation, achieve project benefits, or ensure its sustainability.

- **Additional assistance.** Indicate any additional assistance under new financing arrangements (TA or loan assistance) required to substantially improve the project's performance and sustainability.
- **Timing of PPER preparation.** Indicate the appropriate timing for preparing the PPER. In exceptional cases (e.g., where some works have still to be completed or where supplemental assistance may be proposed, or to allow some time for operations to settle down), the PPER is not to be undertaken before a certain date. Give reasons for proposing deferment.

## 2. General

33. For project appraisal, the recommendation could focus on

- ensuring the design and monitoring framework is complete and comprehensive;
- assessing the EA's capacity;
- estimating costs, including allowance for contingencies;
- preparing financing plans;
- planning implementation; and
- project scheduling.

34. For project implementation, review

- ADB's identification and discussion of design and monitoring framework performance targets with the EA;
- the borrower's and EA's contracting procedures; and ADB approval of procurement documentation, including shortlists, prequalification documents, contract documents, awards, and contracts;
- disbursement procedures;
- monitoring and reporting; and
- special assistance provided.