



## Administration of Cofinancing

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July 2009

### Kyrgyz Republic and Republic of Tajikistan: Regional Customs Modernization and Infrastructure Development Project

(Cofinanced by the Government of the United States)

Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
US	–	United States

## NOTE

In this report, "\$" refers to US dollars.

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## I. INTRODUCTION

1. The Board of Directors of the Asian Development Bank (ADB) approved the Regional Customs Modernization and Infrastructure Development Project in November 2004, which provided a loan of \$7.50 million equivalent to the Kyrgyz Republic and a loan of \$10.70 million equivalent to Tajikistan<sup>1</sup> from ADB's Special Fund (Asian Development Fund) resources. The total project cost, which includes the ADB's loan and Government's contribution, was estimated as \$9.37 million equivalent for the Kyrgyz Republic, and \$13.38 million equivalent for Tajikistan. The project supports the Central Asia Regional Economic Cooperation Program and reinforces investments in transport infrastructure. Implementation progress has been satisfactory. The closing date for the loans is 10 June 2010.

2. Improving border security and customs facilities are priorities for the Kyrgyz Republic and Tajikistan, as well as for other countries and development partners, including the United States (US). The US has an ongoing Border Facilities Reconstruction Project in Tajikistan, which is being implemented by the Tajikistan Ministry of State Revenues and Duties through its border guard service. One component of the US project is the construction of security and other border facilities at two busy crossing points: (i) Kulma—border with the People's Republic of China; and (ii) Kizilart—border with the Kyrgyz Republic. The intention is to establish a one-stop point for transiting people and cargo.

3. The ADB project covers these border areas, but it does not provide for the more extensive facilities envisaged in the US project. Given that there is potential scope for cooperation, the Tajikistan and US authorities requested ADB to incorporate additional activities from the US project into the ADB project and to administer a grant of \$1.60 million from the US Government for these activities (as cofinancing for the ADB project). This paper seeks approval of the ADB Board of Directors for ADB to administer the proposed cofinancing from the US Government.

## II. THE PROPOSED CHANGES

4. The ADB project comprises two components each for the Kyrgyz Republic and Tajikistan. The first component supports the development of a unified automated information system. The second supports the construction of customs border post infrastructure. The new activities to be cofinanced by the US are for customs border post infrastructure in Tajikistan, including construction of (i) administration and working area facilities for border guards and customs staff, (ii) checkpoint posts, (iii) staff living quarters, (iv) vehicle and pedestrian lanes, and (v) provision of basic furniture and equipment for the posts. These activities complement those originally contemplated under the infrastructure component of the ADB project.

5. With the additional \$1.60 million US cofinancing, the total project cost for the components in Tajikistan amounts to \$14.98 million, including ADB's loan (\$10.70 million) and Government's contribution (\$2.68 million). Table 1 shows the proposed revised cost estimate and financing.

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<sup>1</sup> ADB. 2004. *Report and Recommendation of the President to the Board of Directors on Proposed Loans and Technical Assistance Grants to the Kyrgyz Republic and the Republic of Tajikistan for the Regional Customs Modernization and Infrastructure Development Project*. Manila.

**Table 1: Proposed Revision of Cost Estimate and Financing for the Components in Tajikistan**  
(\$million)

Item	Amount				
	ADB	Tajik Gov.	Sub Total	US Gov.	Total
<b>A. Investment Cost</b>					
<b>Component 1: Development of the Unified Automated Information System</b>					
1. Development of Core Application Systems	2.94	0.31	3.25		3.25
2. Development of Communication Infrastructure	0.66	0.10	0.76		0.76
3. Human Resource Development and Public Awareness Campaign	0.66	0.10	0.76		0.76
<b>Component 2: Border-Post Infrastructure Development</b>					
1. Improvement of Customs Border Posts and Facilities	3.96	0.37	4.33	0.80	5.13
2. Provision of Customs Operations and Anti-Smuggling Equipment	0.54	0.14	0.68	0.80	1.48
3. Capacity Building and Border Interagency Cooperation	0.45	0.11	0.56		0.56
<b>Taxes and Duties</b>		1.55	1.55		1.55
<b>Subtotal (A)</b>	<b>9.21</b>	<b>2.68</b>	<b>11.89</b>	<b>1.60</b>	<b>13.49</b>
<b>B. Contingencies</b>					
1. Physical Contingencies	0.46		0.46		0.46
2. Price Contingencies	0.68		0.68		0.68
<b>Subtotal (B)</b>	<b>1.14</b>		<b>1.14</b>		<b>1.14</b>
<b>C. Interest Charges</b>					
	<b>0.35</b>		<b>0.35</b>		<b>0.35</b>
<b>Total</b>	<b>10.70</b>	<b>2.68</b>	<b>13.38</b>	<b>1.60</b>	<b>14.98</b>

Source: Asian Development Bank estimates.

6. The grant from the United States Government will finance the items listed in paragraph 4 above as well as 2% service charges for the administration of the grant. As confirmed with the ADB Regional and Sustainable Development Department, the new activities will not raise any safeguard issues with regard to their impact on indigenous peoples or involuntary resettlement. The existing category C for environmental impact is also retained.

7. The administration of these two new activities can be done by the current ADB project's project management unit. However, in implementing the new activities to be financed under the US cofinancing, it is anticipated that the closing date for the loan to Tajikistan may be moved from 10 June 2010 to a later appropriate date. All other project activities remain unchanged. For consulting services, consultants will be recruited in accordance with ADB's *Guidelines on the Use of Consultants*. (2007, as amended from time to time). All procurement financed under the project will be carried out in accordance with ADB's *Procurement Guidelines*. (2007, as amended from time to time).

### III. ASSESSMENT

8. The additional activities to be financed under the US cofinancing will (i) expand the coverage and quality of cross-border and trade facilitation work; (ii) improve security, and

interagency collaboration and information; and (iii) establish better facilities for the border and customs staff. The activities are consistent with the project's priorities for regional cooperation and are supported by the Government of Tajikistan.

#### **IV. THE PRESIDENT'S RECOMMENDATION**

9. The President recommends that the Board approve, on a no objection basis, ADB administering a grant not exceeding the equivalent of \$1,600,000 to the Government of Tajikistan to be financed by the Government of the United States for the Regional Customs Modernization and Infrastructure Development Project.