



Project Administration Memorandum

Project Number: 38236
Loan Number: 2196
May 2009

TAJ: Dushanbe–Kyrgyz Border Road Rehabilitation Project (Phase II)

The project administration memorandum is an active document, progressively updated and revised as necessary, particularly following any changes in project or program costs, scope, or implementation arrangements. This document, however, may not reflect the latest project or program changes.

Asian Development Bank

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SUPPLEMENTARY APPENDIX

Copy of ADB's Anticorruption Policy

ADDENDUM

Project Administration Memorandum for Supplementary Grant

ORIGINAL LOAN PROCESSING HISTORY
Loan 2196-TAJ

a.	Approval of Project Preparatory TA	31 August 2004
b.	Completion of Feasibility Study	05 October 2005
c.	Loan Fact-Finding	29 June–10 July 2005
d.	Management Review Meeting	18 August 2005
e.	Loan Appraisal	23–31 August 2005
f.	Staff Review Committee Meeting	21 September 2005
g.	Loan Negotiations	05–08 October 2005
h.	Board Circulation	21 October 2005
i.	Board Approval	17 November 2005
j.	Signing of Loan Agreement	14 February 2006
k.	Loan Effectiveness	13 March 2006

SUPPLEMENTARY LOAN PROCESSING HISTORY
Loan ___-TAJ

a	Grant Fact-Finding	20 – 23 March 2009
b	Management Review Meeting	29 April 2009
c	Grant Appraisal	waived
d	Staff Review Committee Meeting	waived
e	Grant Negotiations	04 June 2009
f	Grant Effectiveness	
g	Signing of Grant Agreement	

KEY PERSONS INVOLVED IN THE PROJECT

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DESIGN AND MONITORING FRAMEWORK
Loan 2196-TAJ

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact Trade in the region and economic growth in the project area increase.</p>	<p>Tajikistan–People’s Republic of China (PRC) trade increases from 75,000 tons in 2003 to 2,200,000 in 2015 (the PRC’s share of Tajikistan’s total trade increases from 1.9% to 20%).</p> <p>Tajikistan–Kyrgyz Republic trade increases from 50,000 tons in 2003 to 160,000 in 2015.</p> <p>PRC–Afghanistan trade increases from 2,500 tons in 2003 to 2,000,000 in 2015 (the PRC’s share of Afghanistan’s total trade increases from 0.04% to 10%).</p> <p>Production of fruit and potatoes in the project area increases from 71,000 tons in 2004 to 96,000 in 2015.</p> <p>Poverty rate in the project area decreases from 67% in 2005 to 50% in 2015.</p> <p>Number of children in the project area attending secondary school increases by 20% in 2015.</p> <p>Percentages of babies in the project area delivered in hospitals increase from 30% in 2005 to 45% in 2015.</p> <p>Average number of per capita annual trips on project road increases from three trips in 2005 to five trips in 2015.</p>	<p>From the Government of Tajikistan and international organizations</p> <p>Government statistics reports, household surveys by consultants</p> <p>Household surveys by consultants</p> <p>Household surveys by consultants</p> <p>Household surveys by consultants</p> <p>Household surveys by consultants</p>	<p>Assumption</p> <ul style="list-style-type: none"> • Continued commitment by regional governments to facilitate trade and improve border-crossing procedures <p>Risk</p> <ul style="list-style-type: none"> • Significant adverse weather or environmental conditions could affect production. <p>Assumptions</p> <ul style="list-style-type: none"> • Remittances from residents working in the Russian Federation continue at least at current level. • There is no deterioration in the availability and quality of secondary education in the project area. • There is no deterioration in the availability and quality of health care in the project area. • Availability of transport services continues at present level.
<p>Outcome Transport on the regional and national road networks becomes more efficient</p>	<p>International traffic increases from 21 vehicles per day in 2005 to 1,020 in 2015.</p> <p>Domestic traffic increases from 560 vehicles per day on the section south of Garm in 2005 to 1,106 in</p>	<p>Ministry of Transport (MOTC) surveys</p> <p>MOTC surveys</p>	<p>Assumption</p> <ul style="list-style-type: none"> • Other road improvement projects on the network are implemented as planned. <p>Risk</p> <ul style="list-style-type: none"> • Forecast of international generated traffic may not be realized.

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
	<p>2015.</p> <p>Traffic accident growth rate on project road sections kept to 5.8–7.9% during 2005–2015 (half growth rate of total traffic)</p> <p>Travel time for kilometer (km) 140–km 217 decreases from 1.5 to 1.0 hours by 2010.</p> <p>Road is kept open continuously except for required maintenance operations.</p> <p>Annual road maintenance plans are prepared and fully implemented.</p>	<p>MOTC statistics</p> <p>MOTC surveys</p> <p>MOTC statistics</p> <p>Project administration missions (PAMs) and progress reports (PRs)</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • The Ministry of Internal Affairs (traffic police) works in cooperation with MOTC • There is continued MOTC emphasis on improving road safety. • The project road is maintained adequately. <p>Risks</p> <ul style="list-style-type: none"> • Extraordinary environmental incidents occur, e.g., landslides. • Departure of trained staff from MOTC
<p>Outputs</p> <p>1. Dushanbe–Kyrgyz border road and associated rural roads are improved.</p> <p>2. Conditions necessary for the sustainability of the road network in Tajikistan are improved.</p>	<p>77 km of the central section and 12 km of the border section of Dushanbe–Kyrgyz border road, as well as 60 km of rural roads are improved.</p> <p>Potential impact of HIV and other infectious diseases, and other social and environmental risks are mitigated. Ten households are compensated for resettlement effects.</p> <p>Financing of road maintenance increases at same rate as national budget during 2008–2009.</p> <p>Financing of \$90,000 per year is provided for maintenance of the project road.</p> <p>Vehicle-weighing systems are installed and operational on road projects rehabilitated by Asian Development Bank (ADB) by project completion.</p> <p>Road maintenance equipment is procured and operating.</p> <p>Pilot cases of tendering out road maintenance completed by 31 December 2008.</p>	<p>Project completion report (PCR), PAMs, short resettlement plan, monitoring reports, and PRs.</p> <p>PAMs, PRs</p>	<p>Risk</p> <ul style="list-style-type: none"> • Environmental occurrences, e.g., landslides, could damage and/or delay civil works. <p>Assumption</p> <ul style="list-style-type: none"> • Continued commitment of the Ministry of Health to HIV prevention <p>Risk</p> <ul style="list-style-type: none"> • Other government expenditure categories are given higher priority.

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks																												
<p>3. MOTC's institutional capacity is strengthened</p> <p>4. Governance in MOTC improved</p> <p>5. Road safety improved</p>	<p>MOTC's Road Planning and Assessment Unit and Economic Policy Division are fully operational, with four and five staff, adequate office space, and three and four computers, respectively.</p> <p>MOTC reaches agreement on a training program with the Tajikistan Transport Institute by 31 December 2006.</p> <p>Financial management capacity of MOTC is improved by providing training in accounting and internal auditing.</p> <p>The Transport Safety and Security Unit is strengthened with 5 staff and given adequate office space and four computers by 31 December 2006.</p> <p>Road safety audits are incorporated in the design stage of all projects by 31 December 2006.</p>	<p>PAMs, PRs</p> <p>PCR, PAMs</p> <p>PCR, PAMs</p>	<p>Assumption</p> <ul style="list-style-type: none"> Trained staff do not leave MOTC for other employment. <p>Assumption</p> <ul style="list-style-type: none"> The Ministry of Internal Affairs (traffic police) works in cooperation with MOTC. 																												
<p>Activities with Milestones</p> <p>1. Implementation of Civil Works</p> <p>2. Procurement of Equipment</p> <p>3. Project Supervision Consulting Services</p> <p>4. Improvement of MOTC Accounting System</p> <p>5. Implementation of HIV/AIDS^a Program</p> <p>6. Strengthening of Institutional Capacity</p>	<p>Civil works contracts are awarded by February 2007 and completed by May 2009.</p> <p>Equipment is procured by November 2008.</p> <p>Consultants are recruited by December 2006 and services are completed by June 2009.</p> <p>Procurement of computers and implementation of training program for accounting department are completed by July 2008.</p> <p>Program is begun by 31 March 2007 and completed by 31 May 2009.</p> <p>MOTC institutional strengthening program is completed by December 2006.</p>		<p>Inputs</p> <ul style="list-style-type: none"> ADB \$30.0 million (29.5 loan, 0.5 grant) <table data-bbox="1154 1220 1430 1409"> <tr><td>Civil Works</td><td>22.2</td></tr> <tr><td>Equipment</td><td>1.0</td></tr> <tr><td>Supervision</td><td></td></tr> <tr><td> Consultant</td><td>1.1</td></tr> <tr><td> Accounting</td><td>0.2</td></tr> <tr><td> HIV/Migration</td><td>0.5</td></tr> <tr><td> Other</td><td>5.0</td></tr> </table> Government \$9.5 million <table data-bbox="1154 1457 1430 1646"> <tr><td>Civil Works</td><td>6.3</td></tr> <tr><td>Equipment</td><td>0.0</td></tr> <tr><td>Supervision</td><td></td></tr> <tr><td> Consultant</td><td>0.8</td></tr> <tr><td> Accounting</td><td>0.0</td></tr> <tr><td> HIV/Migration</td><td>0.1</td></tr> <tr><td> Other</td><td>2.3</td></tr> </table> 	Civil Works	22.2	Equipment	1.0	Supervision		Consultant	1.1	Accounting	0.2	HIV/Migration	0.5	Other	5.0	Civil Works	6.3	Equipment	0.0	Supervision		Consultant	0.8	Accounting	0.0	HIV/Migration	0.1	Other	2.3
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Other	2.3																														

^a Human immunodeficiency virus/acquired immunodeficiency syndrome.

Note See relevant sections of the attached PPR for update on performance targets.

I. PROJECT DESCRIPTION

A. Project Area and Location

1. The road sections to be improved under the original Project form an integral part of a regional road network in Central Asia that directly links Kazakhstan, the Kyrgyz Republic, the People's Republic of China (PRC), Tajikistan, Afghanistan, and Uzbekistan. More broadly, this network is part of a larger network providing links to the ocean ports of Pakistan and Iran to the south, and to the Russian Federation to the north.

2. The supplementary grant is a Government priority and aims to rehabilitate the road transport corridor between Dushanbe and the border to the Kyrgyz Republic. The supplementary grant will reinforce the development impact, outcome, and outputs of the original Project. It will complete the entire Dushanbe-Kyrgyz border road (project road). The target road forms part of the Transport Corridor 3, identified by the Central Asian Regional Economic Cooperation (CAREC) Transport and Trade Facilitation Strategy. It is a flagship road in Tajikistan. It connects Kazakhstan, Kyrgyz Republic, the People's Republic of China (PRC), Afghanistan, and Uzbekistan.

B. Impact and Outcome

1. Original Loan

3. The project impact will be increased regional trade and increased economic growth in the immediate project area. The project outcome will be improved and sustainable regional and national road networks. The broader region served by the road network encompassing the project road stretches from Kazakhstan to Afghanistan, with links to the Russian Federation to the north, the PRC to the east, and Pakistan and Iran to the south. The immediate project area encompassing the road sections to be rehabilitated is in the Rasht Valley northeast of Dushanbe, was the scene of heavy fighting during the civil conflict in the 1990s. Before independence, the project area was a major producer of fruit, which was marketed throughout the FSU.

2. Supplementary Grant

4. The supplementary grant will expand the scope of the original Project. This will reduce transport costs, foster regional trade and cooperation. It will improve access to markets and social services

C. Project Components

1. Original Loan

5. The project components include (i) improvement of 89 km of the central and border sections of the Dushanbe–Kyrgyz border road and 60 km of rural roads; (ii) improved sustainability of the road network through increased financing of road maintenance, procurement of road maintenance equipment, installation of vehicle weighing systems, and implementation of pilot cases of tendering road maintenance; (iii) strengthened institutional capacity of MOTC by making its Road Planning and Assessment Unit and Economic Policy Division fully operational, and reaching an agreement with the Tajikistan Transport Institute on a training program for MOTC staff; (iv) improved governance in MOTC through institutional strengthening of MOTC's Accounting Department and internal auditing function, and provision of computers; and (v) improved road safety through strengthening of the TSSU. The primary inputs

include (i) implementation of civil works; (ii) consulting services for project supervision, mitigation of impact related to HIV/AIDS¹ and sexually transmitted infections (STI), and strengthening MOTC's accounting and auditing functions; and (iii) procurement of equipment for road maintenance and vehicle weighing, computers to strengthen financial management in MOTC, and supplies for the HIV/AIDS and migration component.

6. The two sections of the Dushanbe–Kyrgyz border road to be improved are located in the center and at the border. Both sections are two-lane roads, although reduced to one lane at some points. The central section covers 77 km (km 140–217), and continues from the end of the section that is being improved under phase I. The road passes along riverbanks throughout this section, which has some severe geological conditions. Originally sealed with bituminous surfacing for its entire length, the road has varied conditions. Some sections have only surface deterioration, while others are no longer paved. In some areas, the road is barely a track. The civil works on km 140–150 will consist of minor pavement repairs and drainage improvements. The civil works on km 150–200 will vary and include pavement overlay or reconstruction; reinforcement of embankment; slope rehabilitation and protection measures; and installation of drainage systems, safety facilities, and measures to prevent major rock falls and landslides. The existing 800-meter (m) section through Garm will be improved, including straightening the alignment on about 150 m to improve road safety. The civil works on km 200–217 will include pavement, drainage, structural, and road-safety improvements, but no major earthworks. The Project will replace about 11 seriously deteriorated bridges, repair one bridge, and build three new ones. All the civil works have been designed to comply with the highway design standards developed under ADB's TA on road design standards in the CARs.² The Project will improve the severely deteriorating 12-km section of the road adjacent to the border. It is closed throughout the winter and periodically during the rest of the year. A major landslide in the middle of this section requires frequent maintenance. The works on this section include measures to mitigate the landslide and construct a gravel surface. The Project will improve 60 km of rural roads which are being selected based on socioeconomic criteria and conditions.

7. Road maintenance equipment will be procured under the Project and used to maintain the improved central and border sections of the project road. The equipment will allow MOTC to keep the road open continuously. The Project addresses the issue of the financial resources for road maintenance (para. 22). Static vehicle weighing systems will be procured for use on roads being rehabilitated under ongoing ADB-financed projects, including the Dushanbe–Kulyab road and the first phase of the Dushanbe–Kyrgyz border road. A TA attached to the first phase loan (footnote 2) will help MOTC establish policies and regulations to ensure the effective operation of the vehicle weighing systems.

8. To strengthen financial management in MOTC and support the Government's anticorruption efforts, the Project includes a component for the institutional strengthening of MOTC's Accounting Department and internal auditing function. This component will (i) develop a high-level competency framework for the accounting function and develop job descriptions based on the existing organization structure; (ii) document core business processes to assess the nature and extent of financial transactions processed by MOTC; (iii) review existing financial accounting and reporting processes; (iv) determine the need for financial accounting and reporting manuals; (v) complete a training needs assessment; (vi) develop typical audit work programs focusing on both substantive and compliance procedures; (vii) develop performance auditing guidelines; and (viii) design, develop, and conduct training and/or identify training opportunities in Tajikistan or externally, focusing on generally accepted accounting principles

¹ Human immunodeficiency virus/acquired immunodeficiency syndrome.

² ADB. 1997. *Technical Assistance for a Review of Road Design and Construction Standards*. Manila.

and international standards on accounting and auditing. In addition, computers will be procured to ensure more efficient accounting operations in MOTC's headquarters and regional offices.

2. Supplementary Grant

9. The supplementary grant will expand the scope of the original Project. The supplementary grant outputs are (i) rehabilitating the existing road section from Obigarm to Nurobod (km 95–km 140), (ii) repairing the emergency bypass road at km 110–km 112, (iii) improving the central section from Nurobod to Nimich (km 140–km 217), and (iv) upgrading the border section at Karamik. The new financing will improve 127 kilometers (km) of the project corridor and 7 km of the bypass road.

10. The supplementary grant will expand the original project scope as follows:

- (i) **Ancillary works.** These entail scaled up works beyond the original Project. The 77 km central section (km 140–km 217) and the 9 km³ border section at Karamik (km 337–km 346) will be upgraded.
 - (a) **Central section.** Three major additional activities are (i) pavement upgrading of the km 140–km 150 section; (ii) additional earthworks on the km 177–km 180 section; and (iii) additional quantities to cover widened technical gaps of the initial designs for pavement, drainage, structural, and road safety on various project road sections. Excess traffic growth has triggered premature deterioration and consequent additional quantities and pavement upgrade.
 - (b) **Border section.** The ancillary works involve upgrading the pavement design. This section is a geologically hazardous landslide area, and the original Project covered landslide mitigation works. Intensified cross-border and transit traffic now calls for improved surface treatment.
- (ii) **New road sections.** These are the 41 km⁴ from Obigarm to Nurobad (km 95–km 140) and the 7 km emergency bypass road (km 110–km 112). These sections were not included in the original project scope, but they were part of the earlier Phase 1. ADB's social and environmental safeguards requirements were fully met under Phase 1.
 - (a) **Km 95–Km 140 section.** Works required are upgrading of pavement, drainage, and road safety. A potential hydropower development project limited the Phase 1 work scope (minor repair) for the section, which assumed completion of the hydropower plant by 2010. This is now less relevant (para.14), while the current traffic volume demands pavement upgrading. If not, this section will continue to be a missing link along the corridor.
 - (b) **Emergency bypass road.** These works are improvement of drainage, earthworks, and road safety. The km 110–km 112 section of the project road is highly prone to rock fall and landslide. The bypass road warrants alternative access for emergencies, e.g., major blockages. This road underwent minor repairs (pothole patching and cleaning) under Phase 1. However, steep grades and deficient drainage remain major safety concerns.

³ The length of the border section has been revised to 9 km from the original estimate of 12 km.

⁴ Of this, 4 km is good condition with asphalt pavement.

D. Special Features

1. Improving Road Maintenance

11. With the assistance of ADB-financed projects and the associated policy dialogue, the Government has made substantial progress in improving road maintenance, particularly financing. As required by the loan covenants, financing has been increasing substantially (para. 22). Under ADB TA, a road maintenance manual for national roads was prepared, recommendations for strengthening MOTC's capacity to plan road maintenance were developed, and training in road subsector planning was provided. Procurement of road maintenance equipment under ongoing ADB-financed projects is improving road maintenance by replacing old equipment that is beyond its operating life and has become expensive to operate. However, given the size of the road network, the difficult mountainous terrain, and continued budget constraints relative to the demand, further work is needed to improve road maintenance.

12. ADB continues to address this issue through loan covenants and components under the Project, which will ensure that the trend of increased financing continues, and that maintenance equipment and vehicle weighing systems are procured to prevent the excessive deterioration of the roads. The issue is also addressed through TA to ensure that the funds are used efficiently. Implementation of the TA for Strengthening Implementation of Road Maintenance, attached to the loan for the first phase (footnote 2), is scheduled to begin shortly. This TA will help the Government develop a new strategy to maintain the road network along with short- and medium-term programs to implement the strategy. The new strategy and programs will focus on optimizing the use of the funds available for maintenance, for example, by re-categorizing the network. The TA will develop a manual for the maintenance of secondary roads and will provide training in road maintenance management and practices. ADB is also providing assistance to develop new means of maintaining roads, which will reduce dependency on the national budget. The 9078-TAJ: Community-Based Rural Roads Maintenance Project, financed by the Japan Fund for Poverty Reduction (JFPR),⁵ will develop and implement community-based maintenance practices for local roads to ensure that maintenance is done with the necessary frequency, and to enable local communities to carry out the maintenance without relying on the national budget.

2. Rural Roads

13. The Project will improve 60 km of rural roads in the project area. Rural roads to be improved are selected in a consultative process that has included MOTC, ADB, and the project preparatory technical assistance (PPTA) consultants. The process began with lists of potential roads to be improved arising from discussions with local jamoat (community) leaders and rayon (district) officials. The consultants had extensive discussions with rayon leaders about the condition of the rural roads and the potential socioeconomic impacts from improving them, and the roads are prioritized based on these factors. The condition of the rural roads varies, and the works will include grading and profiling of gravel roads; and repairing of potholes, patching, and, where justified, resurfacing or surface dressing of asphalt roads. Selected rural roads are listed in Appendix 1.

3. Stakeholder Consultations

14. During the feasibility study, environmental impact assessment (EIA), and resettlement planning, consultations were carried out with government agencies, international and local NGOs, villagers and other stakeholders likely to be affected by the Project, and local groups

⁵ On 18 October 2005, the President recommended this project for Board approval on 4 November 2005.

(Appendix 2). Environmental concerns, land acquisition and resettlement issues, and economic development potential were discussed. Village investigations and surveys were conducted in the project area to assess the potential benefits and adverse impacts of the Project. Over 2,300 people were interviewed in the public opinion surveys, social assessment, environmental assessment, and resettlement planning. For the short resettlement plan (SRP) (para. 62), consultation meetings were held with the affected townships and villages. The Project is well-known among the rural people, and public support for it is high. Local officials explained the policies and regulations for compensation for potential land acquisition and demolition of structures to those who may be adversely affected. These concerns were considered in (i) determining the alignment to reduce adverse social, resettlement, and environmental impacts; (ii) designing pedestrian access; and (iii) completing a detailed SRP. The consultation process was expanded to finalize the design and formulate compensation standards and rehabilitation measures for people affected by the demolition of structures in the right-of-way. Villagers participated in the discussions and decisions on potential land acquisition and demolition of structures in the right-of-way.

4. Road Safety

15. Improvement of road safety is a key area of the policy dialogue conducted under the Project (para. 26). Strengthening MOTC's TSSU will result in substantial improvements in road safety nationwide. The rehabilitation works will substantially improve project road safety by improving the road surface (where extensive deterioration results in unsafe driving conditions), and replacing deteriorating and narrow bridges. The installation and maintenance of proper signage and lane markings to highlight changes in alignment and other safety hazards will be emphasized. The Project also includes several other measures to improve road safety. Where the road passes through settlements, road safety measures such as speed limits, speed reduction measures, pedestrian crossings, walkways, railings, and lighting will be provided. The supervision consultants will prepare an inventory of slopes subject to rock falls and landslides, and draw up slope mitigation measures to be included in the Project's civil works. Equipment to improve road safety during the winter, e.g., through removal of snow, will be procured. The supervision consultants will examine the possibility of establishing rest areas. Consulting services include an international road safety expert, who will review the detailed design and drawings for compliance with road safety requirements, conduct a road safety audit, and advise MOTC on enforcement measures to improve road safety.

II. ORIGINAL COST ESTIMATES AND FINANCING PLAN

A. Detailed Cost Estimates

16. The project costs are estimated at \$39.5 million, as shown in Table 1, with a foreign exchange cost of \$26.5 million and a local currency cost of \$13.0 million. Detailed cost estimates are in Appendix 3.

Table 1: Project Costs
(\$ million)

Cost Item	Total Cost
A. Base Costs^a	
1. Road Improvement	30.4
2. Road Network Sustainability	1.0
3. HIV/AIDS and Migration Component	0.6
4. Strengthening Accounting Department	0.2

5. Project Management	0.3
Subtotal (A)	32.5
B. Contingencies	
1. Physical ^b	3.2
2. Price ^c	3.2
Subtotal (B)	6.4
C. Financing Charges During Implementation	0.6
Total	39.5

B. Financing Plan

17. The Government has requested ADB to provide a loan equivalent to \$29.5 million to help finance the Project (with an additional grant of \$0.5 million for the HIV/AIDS and migration component). The proposed loan and grant will finance \$26.5 million (100%) of the foreign exchange cost and \$3.5 million equivalent (26.9%) of the local currency cost, or 75.9% of the total project cost. The proposed ADB loan will have a term of 32 years including a grace period of 8 years, with an interest charge at the rate of 1.0% per annum during the grace period and 1.5% per annum thereafter. The Government will provide counterpart financing of \$9.5 million, including \$5.3 million for value-added tax. Government financing of the value-added tax may take the form of a tax exemption or payment. Loan proceeds will not be used to finance taxes. The project loan is included in the Government's Public Investment Program. The financing plan for the Project is shown in Table 2.

Table 2: Financing Plan
(\$ million)

Source	Total	Percentage of Project Cost
ADB	30.0	75.9
Government	9.5	24.1
Total	39.5	100.0

C. Allocation of Loan Proceeds

18. The current allocation of loan proceeds by category and related percentages of ADB financing are given in Table 3.

Table 3: Allocation and Withdrawal of Loan Proceeds (SDR)

Category	Item	Amount Allocated	Percent	Basis for Withdrawal From the Loan Account
1A	Main road improvement (km 140–217)	16,419,422	92.5	Percent of total expenditure*
1B	Landslide mitigation and Kyrgyz Border road section improvement (Karamik, 12 km)	690,000	63	Percent of total expenditure*
1C	Rural roads improvement	414,000	60	Percent of total expenditure*
2	Maintenance and vehicle weighing equipment	690,000	100	Percent of total expenditure*
3A	Project supervision	690,000	62	Percent of total expenditure*
3B	Auditing services	69,000	100	Percent of total expenditure*
3C	Strengthening of MOTC accounting department	138,000	100	Percent of total expenditure*
4	Interest charge	414,000	100	Percent of amount
8	Unallocated	828,578		

Total **20,353,000**

* The total expenditures include value-added tax and customs duties, where applicable, the ADB, however, will not finance such value-added tax and customs duties.

19. The allocation of grant proceeds by category and related percentages of ADB financing are given in Table 4.

Table 4: Allocation and Withdrawal of Grant Proceeds (US\$)

No.	Item	Allocated Amount	Percent	Basis for Withdrawal From the Grant Account
1	Consulting services	347,000	100	Percent of total expenditure*
2	Equipment, goods, and materials	73,000	100	Percent of total expenditure*
3	Workshops, seminars, training, and campaigns	30,000	100	Percent of total expenditure*
4	Surveys and administrative support	22,000	100	Percent of total expenditure*
5	Contingencies	28,000		
	Total	500,000		

* The total expenditures include value-added tax and customs duties, where applicable, the ADB, however, will not finance such value-added tax and customs duties.

III. REVISED COSTS AND NEW FINANCING PLAN

20. The new investments for the supplementary grant will cost \$25 million, including taxes and duties, and physical and price contingencies. The revised total project cost is \$64.5 million. Details of the revised cost estimates are in Annex 6 of the Addendum.

Table 5: Revised Costs
(\$ million)

Item	Base	Additional	Total
Civil Works	23.6	16.0	39.6
Project Management and Consulting Services	3.0	0.8	3.8
Taxes and duties	5.9	4.0	9.9
Subtotal (A)	32.5	20.8	53.3
Contingencies (B)	6.4	4.2	10.6
Interest During Construction (C)	0.6	0.0	0.6
Total Project Cost (A)+(B)+(C)	39.5	25.0	64.5

Source: Asian Development Bank staff estimates.

21. ADB will add a grant of \$20 million from its Special Funds resources to help finance additional works under the Project. The Government will add \$5 million.

Table 6: New Financing Plan
(\$ million)

Source	Amounts			
	Base	Additional	Total	%
Asian Development Bank	30.0	20.0	50.0	77.5
Government of Tajikistan	9.5	5.0	14.5	22.5
Total	39.5	25.0	64.5	100.0

Source: Asian Development Bank Staff estimates.

22. The corresponding allocation of grant proceeds is in Annex 5 of the Addendum.

IV. IMPLEMENTATION ARRANGEMENTS

A. Executing Agency and Project Management

23. MOTC, the Executing Agency (EA), through its PIU, has carried out the following functions (i) monitor day-to-day project implementation, (ii) prepare withdrawal applications, (iii) prepare project progress reports, and (iv) maintain project accounts and complete loan financial records for auditing the Project. The PIU for the ongoing ADB-financed road rehabilitation projects has also been responsible for implementing the Project. The head of the PIU has adequate experience in project management, and is responsible for the day-to-day supervision of implementation activities. He is supported by professional and clerical staff with expertise and experience in financial accounting, road engineering, construction supervision, contract administration, and monitoring of environmental, social, and resettlement issues. The PIU has 16 staff, including the PIU head, implementing the Project and the ongoing Dushanbe–Kyrgyz Border Road Rehabilitation Project (Phase I) [Loan 2062-TAJ]. Two staff members have been added to the current level of 14, who are implementing these two projects. The additional staff members were appointed to the PIU before the awarding of the civil works contracts. They are assisting in implementing the Project together with the existing PIU staff. One of the additional PIU staff members was designated to monitor environmental, social, and resettlement issues. ADB has been working closely with MOTC and the PIU for several years on other road rehabilitation projects. The Ministry of Health's National HIV/AIDS Center is responsible for implementing the component on HIV/AIDS and migration. The project organization chart is shown in Appendix 4.

V. IMPLEMENTATION SCHEDULE

24. The Project is scheduled to be implemented within 30 months. The loan was approved in November 2005 and became effective on 13 March 2006 with original closing date of 31 December 2009. The main civil works contract (rehabilitation of Km 140–Km 217) was awarded to Sinohydro Corporation in January 2007. As the Karamyk border section is co-financed and directly administered by OFID, it was split into two—package 1 with value of \$1.8 million and with 63%-37% cost-sharing arrangement between ADB and the Government in accordance with Loan Agreement provisions, and package 2 with the balance value of \$3.5 million to be entirely financed by OFID. The ADB-funded portion was awarded to China Roads and Bridges in August 2008. Two NCB contracts (No. 4 and No. 5) were awarded to Rohsoz-7 and Somon-7 in April 2008. The main consulting contract was awarded to Finnroad Ltd. in December 2006; the external audit contract was awarded to Corporate Solutions in December 2008. Contract for the HIV/AIDS and Migration component was awarded in December 2008. This component is being administered by TJRM. Draft bidding documents for the procurement of equipment had been reviewed by ADB in late May 2009. It is planned that three static vehicle weighing stations will be procured if budget allows. The updated implementation schedule is in Appendix 5.

VI. COST ESTIMATES AND FINANCING PLAN DURING IMPLEMENTATION

25. MOTC and the Government of Tajikistan will prepare detailed project cost estimates for all major project components. A detailed financing plan for the project, with estimated financing requirements each year for the major project components, will also be prepared in the format shown in Appendix 6. This table will be revised and updated annually or more often if necessary, based on progress with contract awards and actual implementation of the project, and attached to the quarterly progress reports to ADB. MOTC will also prepare contract awards

and disbursements projection under the project, on a quarterly basis in the format shown in Appendix 7. This will be submitted to ADB by 15 December each year.

VII. CONSULTANT RECRUITMENT

26. International consulting services for 50 person-months is being provided by Finnroad Ltd., for construction supervision, project impact monitoring and evaluation, implementation of measures to improve road safety, and project management. The international consultants provide on-the-job training for the counterpart staff and domestic consultants. In association with the international consultants, 307 person-months of domestic consulting services provide for construction supervision, contract management, and other technical advisory assistance, as well as help the international consultants monitor the social and poverty impact of the Project through household surveys and data analysis. Terms of reference for the project supervision consulting services are in Appendix 8. Consulting services for 14.47 international person-months and 104.8 domestic person-months to implement the HIV/AIDS and migration component has also been procured. Corporate Solutions (UK) was engaged for 6 international person-months to provide training to MOTC's staff in accounting and auditing functions. Under a block audit arrangement for all ADB-financed projects in Tajikistan, Marka Audit Bishkek was engaged as external auditor for auditing of project accounts. For all consulting services, consultants were recruited through an international firm in association with domestic firms through quality- and cost-based selection, in accordance with ADB's *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers* and other arrangements satisfactory for the engagement of domestic consultants.

VIII. PROCUREMENT

27. All procurement financed under the ADB loan were carried out in accordance with ADB's *Guidelines for Procurement*. Contracts valued in excess of \$0.5 million for goods and \$1.0 million for civil works were procured through international competitive bidding (ICB). Supply contracts for the equipment and supplies have been packaged into four contracts, one of which will be financed following ICB procedures. Two supply contracts not exceeding \$500,000 will be procured through international shopping. One contract for equipment and supplies for the HIV/AIDS and migration component, not exceeding \$100,000, was procured through direct purchase or international shopping. Civil works have been packaged into four contracts. The main civil works and the Karamyk border section contracts were financed following ICB procedures while two rural road contracts were financed following local competitive bidding procedures. Status of all contract packages is shown in Appendix 9.

IX. DISBURSEMENT PROCEDURES

28. All loan disbursements will be carried out in accordance with ADB's *Loan Disbursement Handbook* (2001). The disbursement procedures include (i) imprest account, (ii) direct payment, (iii) commitment, or (iv) reimbursement. The Government has requested that an imprest account be established, after loan effectiveness, at a commercial bank acceptable to ADB to expedite disbursement of the loan proceeds. The initial advance of the imprest account will be up to \$500,000. It will be established in accordance with ADB's *Loan Disbursement Handbook* (2001) and other procedures to be agreed on by the Government and ADB. The Government may withdraw funds from the imprest account to finance PIU expenditures; training, seminars, and studies; procurement of locally available materials in an amount not exceeding \$50,000 equivalent per contract; and civil works contracts awarded under local competitive bidding with a value not exceeding the equivalent of \$50,000. ADB's statement of expenditure procedures will

be used to reimburse expenditures and liquidate the imprest account for payment not exceeding \$50,000 equivalent per payment. However, the EA has not availed of this facility so far.

X. ASSURANCE

A. Specific Assurances

29. In addition to the standard assurances, the Government and MOTC have given the specific assurances, which are incorporated in the legal documents. Following specific assurances were discussed in detail during the project inception mission and action plans agreed:

(i)	Road Maintenance Tenders. The Government will ensure that two pilot cases of conducting maintenance of completed sections of the Dushanbe–Kulyab road rehabilitated under the Road Rehabilitation Project (footnote 13) are carried out by 31 December 2007 and 31 December 2008 (in succession) using a competitive tendering process open to public and private sector entities in Tajikistan.
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Agreed action plan

Action	Target	Responsibility	Remarks
Formulation of regulatory framework and internal procedures within MOTC	Submitted to ADB for review and comments in September 2006	Department of Transport Planning, MOTC	used input from TA 4294-TAJ
Assessment of local contracting industry as well as MOTC's own technical, financial and organizational capacity, identification of institutional strengthening requirements	Submitted to ADB for review and comments in December 2006	Department of Transport Planning, MOTC	used input from TA 4294-TAJ
Implement necessary strengthening and training within MOTC as well as provide training and seminars to local contracting industry	Completed in January – March 2007	MOTC together with Transport Institute	used input from TA 4294, 8 workshops completed
Establish/assign responsible division for procurements and contracting within MOTC	Submitted to ADB for review and comments by April 2007	Minister, MOTC	Department of Planning and Evaluation of Highways (DPEH) established in 2005
Set performance targets for works to be procured, prepare technical specifications and bids	Submitted to ADB for review and comments in September 2007	DPEH	standards developed under TA 4294-TAJ were followed
Bidding Process for Dushanbe – Kulyab Road (Phase I)	tbd	Division responsible for Procurements	government's internal requirements for contracting to be followed
Award contracts	tbd	Division responsible for Procurements	introduce simplified FIDIC type of contract for small works
Bidding process for Dushanbe – Kulyab Road (Phase II)	tbd	Division responsible for Procurements	follow Phase I contracting and improve if necessary
Award contracts	tbd	Division responsible for Procurements	follow Phase I contracting and improve if necessary

(ii) Vehicle Weighing	
(a)	Prior to 31 December 2006, the Government will approve new legislation and/or issue decrees regarding regulations and procedures for vehicle weighing, in particular, specifying the maximum permissible vehicle axle loads, and requiring offloading of excess weight from vehicles exceeding the specified limits.
(b)	MOTC will install and make fully operational static vehicle weighing systems, according to legislation and national standards, for the sections of the national highway rehabilitated under (1) the Road Rehabilitation Project (footnote 13) by 30 June 2007; (2) the Dushanbe–Kyrgyz Border Road Rehabilitation Project (Phase I) (footnote 2) by the time of the handover of the road by the contractor; and (3) the Project by the time of the handover of the road by the contractor.

Agreed action plan

Action	Target	Responsibility	Remarks

(iii) MOTC Institutional Development	
(a)	MOTC will make (1) the Road Planning and Assessment Unit under the Road Department, and (2) the Economic Policy Division, fully operational by 31 December 2006, including staffing of all authorized positions and providing adequate office facilities and sufficient number of computers.
(b)	MOTC will reach an agreement with the Tajikistan Transport Institute by 31 December 2006 on a plan for implementing training programs for MOTC staff.

Agreed action plan

Action	Target	Responsibility	Remarks
Strengthen Road Planning and Assessment Unit and Economic Policy Division	Complied		
Identify training requirements and themes	Complied by September 2006	Department of Transport Planning, MOTC	use input from TA 4294-TAJ
Prepare curriculum and identify resource requirements	Complied by November 2006	Transport Institute	Use input from TA 4294-TAJ, advise ADB
Agree curriculum and training schedule with MOTC	Complied by December 2006	MOTC and Transport Institute	Phase 2 training completed in February 2008 in Finland

(iv) Road Safety
(a) MOTC will ensure adequate safety measures during and after the Project, such as pavement markings, warning signs, traffic signs and signals, communications facilities, hazard barriers, and traffic monitoring facilities.
(b) MOTC will strengthen the existing TSSU, through incorporating RSA in the design stage of all road projects, staffing all authorized positions, and providing adequate office facilities and sufficient number of computers by 31 December 2006.

Agreed action plan

Action	Target	Responsibility	Remarks
Strengthen TSSU			Former TSSU has been reorganized to cover all transport modes
Provide sufficient staff and define responsibilities	August-September 2006	Minister, MOTC	Complied
Provide office space and computers	August-October 2006	Minister, MOTC	Complied
Review the functional responsibility of TSSU to include road safety audit during project design	by December 2006	TSSU, MOTC	Phase 2 report completed in September 2007

B. Condition for Disbursement

30. The Government has adequately staffed the PIU prior to disbursements under the Project.

XI. PROJECT MONITORING AND EVALUATION

A. Project Performance Monitoring and Evaluation

31. ADB and MOTC agreed on a preliminary set of indicators for monitoring and evaluating project performance in relation to its goals and purposes, with an emphasis on poverty reduction. Representative indicators are included in the design and monitoring framework. Monitoring indicators are measured, with the necessary frequency, during project implementation. Comments and findings regarding these project indicators are incorporated in every other quarterly report to ADB. In addition to indicators for implementation monitoring, indicators for project evaluation will be measured at project completion, 1 year later, and 3 years after completion. Where relevant, indicators will be disaggregated by gender. Participatory surveys will take place, and results will be compared with the baseline. A final report will evaluate changes in the preceding 3 years. MOTC has developed its monitoring capability for the ongoing projects, and has the capacity to monitor the Project as well. An international consultant was recruited to help establish the monitoring and evaluation system and to monitor and evaluate all relevant socioeconomic and environmental impacts of the Project.

B. Project Review

32. ADB and the Government carried out a midterm review of project implementation in December 2008. The review focused on project impacts, particularly those relating to institutional, administrative, organizational, technical, environmental, and social aspects and poverty reduction. The Project's economic viability, and other aspects that may have an impact on project performance, were assessed. The review likewise examined the implementation progress of policy reforms and compliance with assurances specified in the Loan Agreement.

XII. REPORTING REQUIREMENTS

33. MOTC, together with the PIU, prepares and submits to ADB quarterly and annual progress reports on project implementation, the form and content of which ADB has not been in agreement in many instances. Timely reminders have been sent to the EA in this regard, the last one in August 2008. A periodic Progress Report template was provided to the EA by the 2008 mid-term review mission. Reporting requirements, as per Annex 8 of the Project Administration Memorandum for the Supplementary Grant will be required. To facilitate evaluation of the Project, the Government has agreed to provide a project completion report (PCR) to ADB within 3 months of physical completion of the Project. Suggested topics for inclusion in the PCR are in Appendix 10.

XIII. AUDITING REQUIREMENTS

34. MOTC maintains separate accounts for all project components financed by ADB and the Government. An independent auditor that has adequate knowledge of and experience with international accounting practices conducts an audit of these accounts. The audited project accounts and the auditor's reports should be acceptable to ADB and submitted within 6 months after the end of each financial year. The Government has been informed of ADB's requirement for the timely submission of audited project accounts and financial statements, including the suspension of disbursements in case of noncompliance. The financial reports and auditing requirements of ADB are provided in Appendix 11.

XIV. MAJOR LOAN COVENANTS

35. The major loan covenants to be complied with which have been agreed among the Government, the Executing Agency and Implementing Agencies and ADB are in Appendix 12.

XV. IMPLEMENTATION OF THE ASIAN DEVELOPMENT FUND IX GRANT COMPONENT ON HIV/AIDS AND MIGRATION

36. Tajikistan is at an early stage of an HIV/AIDS epidemic. The number of officially registered HIV cases remains low, with 385 cases as of May 2005, but the data may not be accurate. Diagnostic capacity is low, and some estimates consider the real number of HIV infections to be 10–20 times higher. The rapid rise in cross-border seasonal migration (involving 10% of the population) to the Russian Federation, the high percentage of households headed by females (including war widows), conservative religious beliefs and associated gender practices, limited knowledge of contraception and use of condoms, and increasing drug trafficking and consumption patterns, all result in women's vulnerability to HIV/AIDS infection. The increased connectivity and mobility during construction and after project completion may increase local communities' exposure to HIV/AIDS and other STI.

37. The Project includes an HIV/AIDS and migration component, to be implemented by the Ministry of Health's National HIV/AIDS Center, to develop an integrated, community-based, gender-responsive approach to HIV/AIDS and STI prevention in the contractor's campsites and in the corridor of influence. Subcomponents will include (i) capacity development for local government agencies and nongovernment organizations (NGOs), providing training to implement the Government's policies, strategies, and regulations in HIV and other STI prevention, anti-trafficking measures, and regulation of migration; (ii) behavior change and communication for local communities and high-risk groups, to reduce the level of risk along the road corridor and encourage safe sexual practices among seasonal migrants, women, intravenous drug users, sex workers, and transport and construction operators; and (iii) clinical support, by providing HIV testing kits and STI treatment packages to health clinics, to help them meet incremental needs of mobile populations and local communities. Monitoring and evaluation of the grant's effectiveness will be integrated into the overall project performance monitoring. The component will have separate progress reports. The critical financial needs for the rehabilitation of the transport network, limited access to external financing, and lack of any significant community-based HIV/AIDS prevention program in the project area (other than HIV testing and surveillance) justify the use of Asian Development Fund IX grant resources. The grant aims to support a selective and focused range of activities, and creates an ideal opportunity for close ADB collaboration with a wider range of stakeholders and beneficiaries in areas that would not be feasible for loan financing. The component has been designed in consultation with the Government, UNAIDS,⁶ and the Global Fund to Fight AIDS, Tuberculosis and Malaria to ensure consistency with the Government's priority directions on HIV/AIDS prevention. Administration of this component has been delegated to TJRM.

XVI. ANTICORRUPTION

38. The Government is making a significant effort to reduce corruption. The principal anticorruption measures are outlined in the New Anticorruption Law, which was approved by the Parliament in June 2005. The law defines the legal and organizational basis to prevent corruption. In April 2005, the President assigned responsibility to the relevant Government agencies to improve accountability and reporting within their ministries. The President's office has also issued a decree requiring all parts of the Government to convert to international accounting standards.⁷ MOTC is undertaking measures to implement the Government's anticorruption program. In January 2005, it established the Economic Policy Division with responsibilities for internal auditing. The Project will strengthen MOTC's anticorruption efforts by training MOTC's Accounting Department and by strengthening MOTC's Economic Policy Division, which has responsibility for internal audits. ADB's anticorruption policy⁸ was explained to, and discussed with, the Government and EA. Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corruption, fraudulent, collusive, or coercive practices relating to the Project. To support these efforts, relevant provisions of ADB's anticorruption policy are included in the Loan Regulations and the bidding documents for the Project. In particular, all contracts financed by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine the records and accounts of the EA and all contractors, suppliers, consultants, and other service providers as they relate to the Project. The Government is committed to creating and sustaining a corruption-free environment, and has agreed to abide by the relevant provisions of ADB's anticorruption policy in preparing all documents and contracts during the bidding process and project implementation. ADB's Anticorruption Policy can be

⁶ Joint United Nations Programme on HIV/AIDS.

⁷ The decree did not indicate the specific international accounting standards to be adopted.

⁸ ADB. 1998. *Anticorruption*. Manila.

accessed on ADB website at
<http://wbptdp1.asiandevbank.org/toolkit2005/docs/anticorruption.pdf>

XVII. PROJECT ADMINISTRATION MEMORANDUM FOR SUPPLEMENTARY GRANT

39. Attached as an Addendum is the Project Administration Memorandum for the Supplementary Grant.

XVIII. CONCURRENCE

We have reviewed and concur with this PAM.

N. Hakimov
Executive Director, PIU

Hee Young Hong
Mission Leader

LIST OF RURAL ROADS

No	Name of the Rural Road	Length (km)	Road Surface	% of Damage
	Nurabad Region			
1	Highway Mujiharf-Hulozi	12	Bituminous Pavement	90%
2	Access to Nurobod-Airport	3.2	Bituminous Pavement	40%
3	Highway Hakimi-Hasandara	8.4	Soil-Bituminous Pavement	80%
4	State road to Humdon	1.2	Bituminous Pavement	20%
5	Access to Sebak-Degai	4.5	Gravel Surface	90%
	Sub-total	29.3		
	Rasht Region			
1	Access to Kadara	2	Bituminous Pavement	20%
2	Access to Navdi	2	Bituminous Pavement	60%
3	Access to Kalanak	0.6	Bituminous Pavement	90%
4	Access to Djafr	1	Bituminous Pavement	80%
5	Access to Kaznok	0.8	Bituminous Pavement	20%
6	Access to Navabad-Khilmoni-Porvog	8	Soil-Bituminous Pavement	40%
7	Access to Sangi Maliki-Shulmak	8	Bituminous Pavement	60%
8	Access to Bedak	2	Bituminous Pavement	40%
9	Access to Kochon	2.9	Bituminous Pavement	80%
10	Access to Kal'ai Shekh	1	Gravel Surface	50%
11	Access to Kullo	1.5	Gravel Surface	90%
12	Access to Khalkarf	4	Bituminous Pavement	70%
	Sub-total	33.8		
	Total	63.1		

CONSULTATION WITH STAKEHOLDERS^a

Date	Location	Purpose(s)	Participants	Number of Participants	Main Issues Discussed/Concerns
10–11 Mar 2005	Dushanbe	IEE requirements and collection of secondary data	Consultant, Committee on Environmental Protection and Agency on Hydro-meteorology	12	<ul style="list-style-type: none"> Environmental impact and approval requirements Environmental assessment for the whole section of the road Impacts on physical and ecological environment Existing concrete hardstands for material stockpile Hydrometeorological data for cross-drainage design Environmental monitoring requirements
18 Mar 2005	Jafr, Navdi, and Nimich	Consultation with affected people	Consultant and affected population	15	<ul style="list-style-type: none"> Landslide, rock fall, drainage, and critical side slope Economic development and local road rehabilitation Employment of local labor and fast implementation
11–30 Apr 2005	Rasht Rayon	Introduction of ADB project and consultation	Rasht Government and its 14 Jamoats, 210 HHs, 40 drivers, and 164 passengers	45	<ul style="list-style-type: none"> People's perception of the proposed rehabilitation Socioeconomic and poverty situations in project area Rural road development Development needs and potentials Impacts of the project road on local economy Land acquisition needs and temporary disturbances Ways of enhancing the impacts of the project road
	Nurobod, Rasht, and Tajikabad	Socio-economic survey		2,051	
22 Apr 2005	Dushanbe	Status of HIV/AIDS and prevention measures	Consultant and Center for HIV/AIDS Prevention and Control	2	<ul style="list-style-type: none"> The incidence of HIV/AIDS in Tajikistan and in the corridor, and status of public awareness Project impact on HIV/AIDS and prevention measures Government strategy on HIV/AIDS prevention HIV/AIDS awareness materials (brochures)
25–29 Apr 2005	Garm Town	Introduction of ADB project, understanding overall situation, development programs, and LAR	Rasht Govt., MSDSP, Central Hospital, and Secondary School No.1	8	<ul style="list-style-type: none"> Land acquisition and resettlement issues Impacts of the Project HIV/AIDS issues Migration to the Russian Federation and its impacts Participation of local population in project construction Participation of women, especially those from households headed by women Gender issues with special emphasis on women's participation in project work within religious limitations
29 Apr –2 May 2005	Rasht Rayon		Affected people and local govt.	30	
3–5 May 2005	Nurobod, Rasht, Kalanakh, and Tajikabad	Consultation with regional governments	Three regional and one settlement governments	17	<ul style="list-style-type: none"> Traffic congestion, traffic safety, noise, and smoke during construction Environmental training Inclusion of rural roads in Tajikabad Rayon Fast implementation of the road improvement
3–5 May 2005	Garm and Kalaisurkh	Consultation with civic society and community leaders	MSDSP, three settlements, and nine villages	33	<ul style="list-style-type: none"> Participation of women in labor-intensive construction Road and bridge construction considering local hydrogeology, soil and mountain ecology Regional economic development and vehicle operating costs
4 May 2005	Tajikabad, School 13	Introduction of ADB project	War veterans and school children	100	<ul style="list-style-type: none"> Inclusion of rural roads in Tajikabad Role of national road for cross-border trade flows
5 May 2005	Nurobod Rayon Market	Introduction of ADB project	Shoppers, affected people	27	<ul style="list-style-type: none"> Road design considering geology and soil Poor condition of road and proper maintenance Coordination among the agencies
2 Jun 2005	Dushanbe	Resettlement impact	National Land Administration Committee	2	<ul style="list-style-type: none"> Land acquisition policies and procedures Resettlement issues related to illegal structures on the road's right-of-way
Total				2,342	

ADB=Asian Development Bank, Govt=government, HHs=households, HIV/AIDS=human immunodeficiency virus/acquired immunodeficiency syndrome, IEE=initial environmental examination, jamoat=community, LAR=land acquisition and resettlements, MOTC=Ministry of Transport, MSDSP=Mountain Society Development Support Program NGO=nongovernment organization, PSA=Poverty and Social Assessment.

^a Stakeholder consultation during IEE and PSA study conducted by the consultant.

Source: Technical assistance consultants.

DETAILED ORIGINAL COST ESTIMATES AND FINANCING PLAN
(\$ million)

Item	Total Cost	ADB Financing
A. Base Cost^a		
1. Civil Works		
a. Central Section	25.9	20.6
b. Border Section	1.6	1.0
c. Rural Roads	1.0	0.6
2. Road Maintenance Equipment	1.0	1.0
3. Consulting Services		
a. Project Supervision, Monitoring, and Evaluation	1.8	1.0
b. Auditing Services	0.1	0.1
4. Project Management	0.3	0.0
5. Strengthening MOTC's Accounting Department	0.2	0.2
6. HIV/AIDS and Migration Component ^b	0.6	0.5
Subtotal (A)	32.5	25.0
B. Contingencies		
1. Physical Contingency ^c	3.2	2.5
2. Price Contingency ^d	3.2	1.9
Subtotal (B)	6.4	4.4
C. Interest During Construction	0.6	0.6
Total	39.5	30.0

ADB=Asian Development Bank, HIV/AIDS=human immunodeficiency virus/acquired immunodeficiency syndrome, MOTC=Ministry of Transport, VAT=value-added tax.

^a Base costs are in 2005 market prices and include VAT and customs duties. VAT is included in the Government's contribution, and is estimated to be \$5.3 million.

^b HIV/AIDS component will be financed using ADB grant funds.

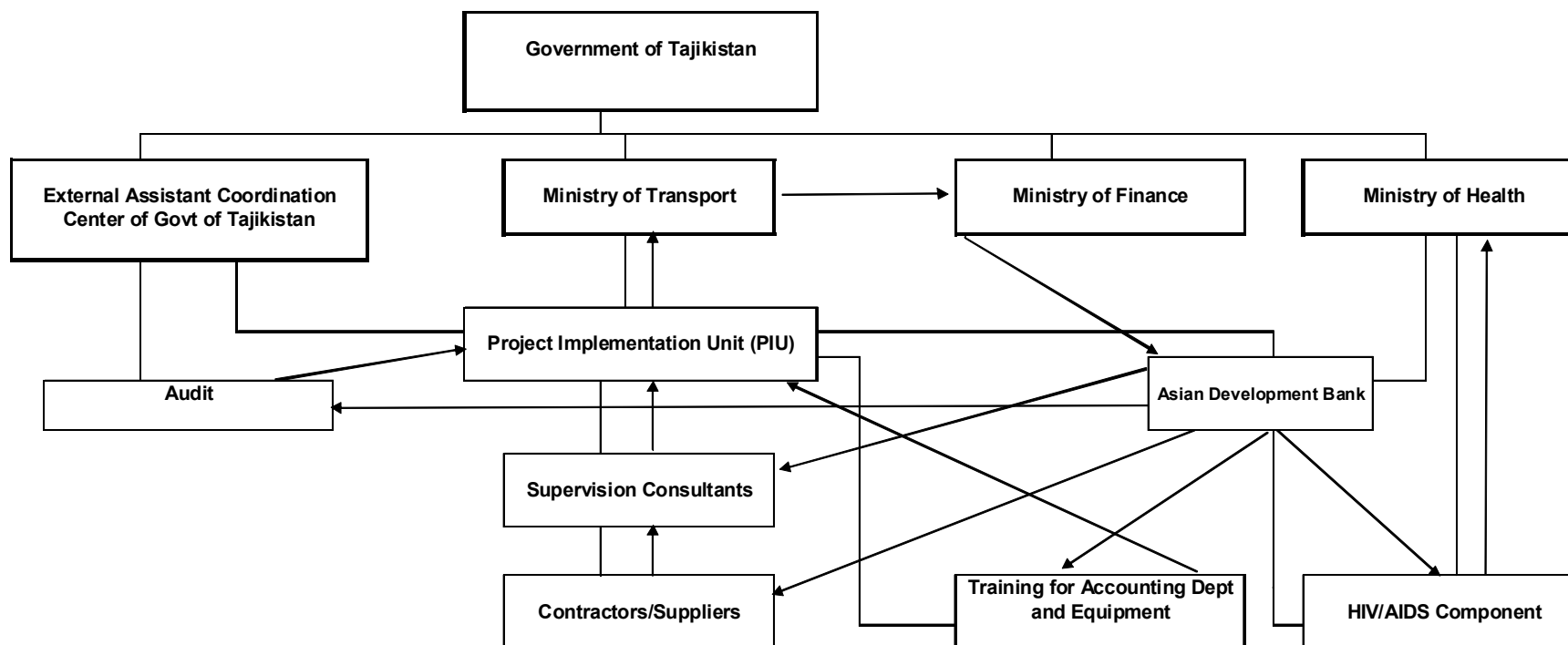
^c Physical contingency is 10% of base costs.

^d Price escalation is based on projected international cost escalation factors of 2.8% for 2006 and 1.9% for succeeding years and a domestic cost escalation factor of 5.0% for all years.

Source: ADB estimates.

PROJECT ORGANIZATION CHART

Loan 2196-TAJ(SF): Dushanbe-Kyrgyz Border Road Rehabilitation Project
Project Organization Chart

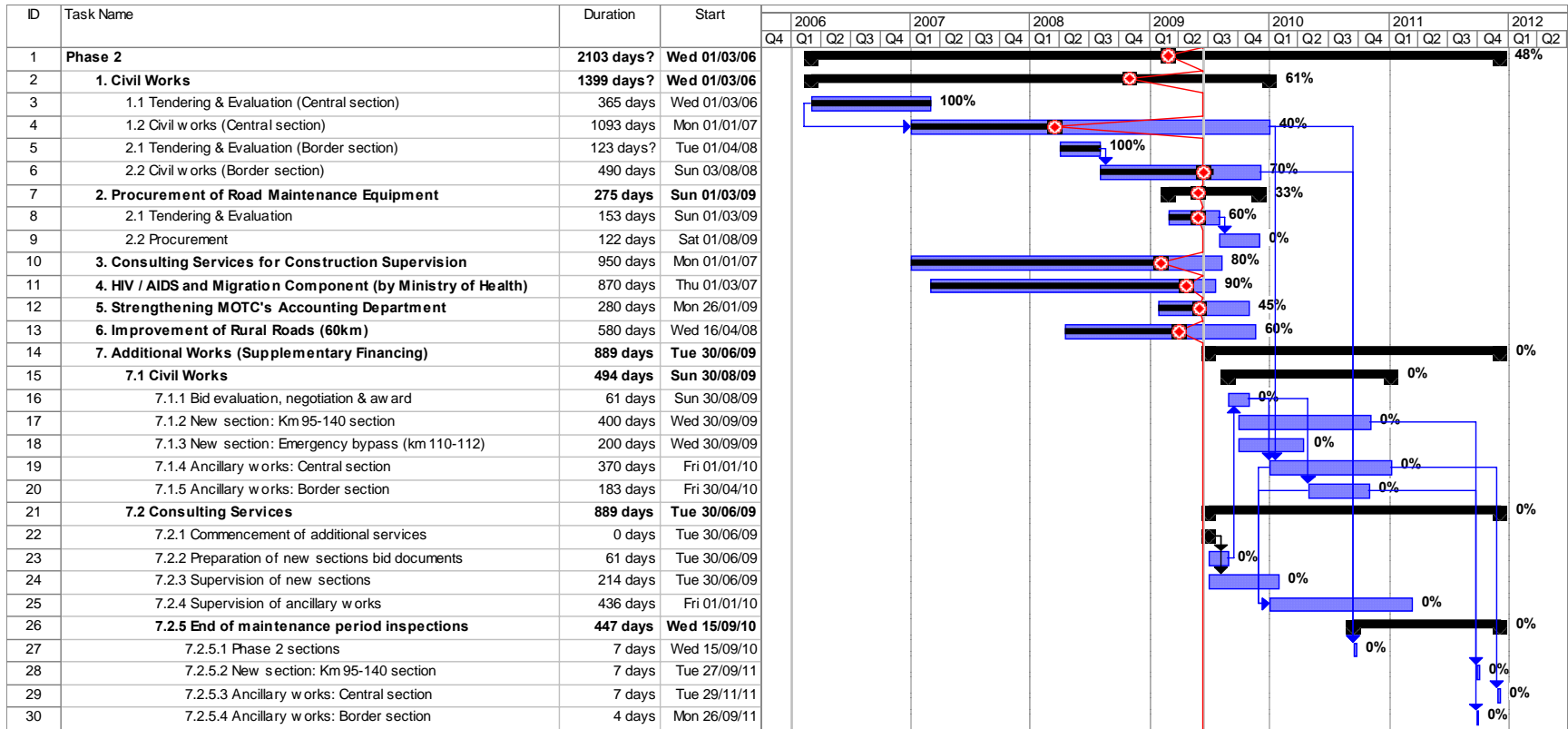


Legend:

→ Project finance (Disbursements cash flow)

— Project management (Coordination, monitoring, supervision, procurement, etc.)

REVISED IMPLEMENTATION SCHEDULE



DETAILED COST ESTIMATES AND FINANCING PLAN DURING IMPLEMENTATION
(\$ million)

	During Appraisal		Actual (to date)		Actual (on project completion)	
	Total Cost	ADB Financing	Total Cost	ADB Financing	Total Cost	ADB Financing
A. Base Cost^a						
1. Civil Works						
a. Central Section	25.9	20.6				
b. Border Section	1.6	1.0				
c. Rural Roads	1.0	0.6				
2. Road Maintenance Equipment	1.0	1.0				
3. Consulting Services						
a. Project Supervision, Monitoring, and Evaluation	1.8	1.0				
b. Auditing Services	0.1	0.1				
4. Project Management	0.3	0.0				
5. Strengthening MOTC's Accounting Department	0.2	0.2				
6. HIV/AIDS and Migration Component ^b	0.6	0.5				
Subtotal (A)	32.5	25.0				
B. Contingencies						
1. Physical Contingency ^c	3.2	2.5				
2. Price Contingency ^d	3.2	1.9				
Subtotal (B)	6.4	4.4				
C. Interest During Construction	0.6	0.6				
Total	39.5	30.0				

ADB=Asian Development Bank, HIV/AIDS=human immunodeficiency virus/acquired immunodeficiency syndrome, MOTC=Ministry of Transport, VAT=value-added tax.

^a Base costs are in 2005 market prices and include VAT and customs duties. VAT is included in the Government's contribution, and is estimated to be \$5.3 million.

^b HIV/AIDS component will be financed using ADB grant funds.

Source: ADB estimates.

QUARTERLY AND YEARLY CONTRACT AWARDS AND DISBURSEMENTS

Worksheet for Quarterly & Yearly Contract Awards/Commitments & Disbursement Projections (\$ Million)

Asian Development Bank

(Important: Before completing this form, please read carefully the instructions printed at the back of this form. Refer to PAI Nos. 5.02. Issued in December 2001.)

PROJECT: _____ LOAN/GRANT NO. _____ SEGMENT NO. _____ FUNDS (OCR, SF, ADF-IX, ATF^{2/}) _____ COUNTRY (Acronym) _____ PROJECTIONS MADE IN: _____ (Month)

Ref. Line No.	Category ^{1/}	CONTRACT/COMMITMENT ITEM ^{1/}	Contracts Awarded on Previous Year(s)		QUARTER 1 Jan, Feb, Mar 20____			QUARTER 2 Apr, May, Jun 20____			QUARTER 3 Jul, Aug, Sep 20____			QUARTER 4 Oct, Nov, Dec 20____			TOTAL PF FOR THE YP)=Q Contract Value/ Commitment (9)=(1+3+5+7)
			Month, Year Contract Awarded	OP	OA	Disbursement Amount Related to the Contract/ Commitment (2)	OP	OA	Disbursement Amount Related to the Contract/ Commitment (4)	OP	OA	Disbursement Amount Related to the Contract/ Commitment (6)	OP	OA	Disbursement Amount Related to the Contract/ Commitment (8)		
				Month Awarded/ Committed or To be Awarded/ Committed	Month Awarded/ Committed or To be Awarded/ Committed		Month Awarded/ Committed or To be Awarded/ Committed	Month Awarded/ Committed or To be Awarded/ Committed		Month Awarded/ Committed or To be Awarded/ Committed	Month Awarded/ Committed or To be Awarded/ Committed		Month Awarded/ Committed or To be Awarded/ Committed				
TOTAL (Carried Forward) FROM PREVIOUS PAGE ___ OF ___ PAGES																	
1																	
2																	
3																	
4																	
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6																	
7																	
8																	
9																	
10																	
TOTAL OF THIS PAGE ___ OF ___ PAGES (To be carried on next page)																	
GRAND TOTAL (LAST PAGE)																	

^{1/} In accordance with the allocation of loan proceeds as defined in the loan documents, or any other detailed breakdown if found useful.

^{2/} ATF = Asian Tsunami Fund; Projections should be for the ADB-ATF financed component only.

QA = Quarterly Actual (already awarded/committed/disbursed, when projections are prepared).

QP = Quarterly Projected (to be awarded/committed/disbursed, when projections are prepared).

NOTES AND REMARKS:

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**TERMS OF REFERENCE FOR
CONSULTING SERVICES FOR CONSTRUCTION SUPERVISION
AND MONITORING AND EVALUATION**

A. Scope of Consulting Services

1. The consulting services will be carried out over a period of about 30 months, and will require about 46 person-months of international and about 400 person-months of domestic input. International input will include: (i) construction supervision (42 person-months); and (ii) monitoring and evaluation using the criteria of the project performance management system (PPMS), focusing on social, environmental and poverty impact monitoring (4 person-months). Under each service, the consultants will provide on-the-job training to their counterpart staff and domestic consultants and also to the selected students from Transport Institute under the Ministry of Transport. Domestic consulting services will be provided for construction supervision, contract management, other technical assistance (385 person-months), and benefit monitoring and evaluation (15 person-months).

B. Implementation Arrangements

2. The Ministry of Transport (MOTC) will be the Executing Agency responsible for implementing the work. The project implementation unit established by the MOTC will serve as the liaison between MOTC and the contractor, and be responsible for overall project management with assistance from the construction supervision consultant.

C. Detailed Terms of Reference

1. Construction Supervision

3. Consultants will be recruited through an international firm in association with domestic firms by quality and cost-based selection (QCBS) using full technical proposals, in accordance with ADB's *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers* and other arrangements satisfactory for the engagement of domestic consultants.

4. The consultant's team will include the following experts:

Construction Supervision and Benefits Monitoring

(i) International (46 person-months):

- (a) senior resident engineer/ highway engineer (26 person-months),¹
- (b) geotechnical engineer (6 person-months),
- (c) structural/bridge engineer (3 person-months),
- (d) quality control specialist (5 person-months),
- (e) social/environmental specialist (4 person-months),
- (f) road safety specialist (2 person-months), and

(ii) Domestic (400 person-months):

- (a) deputy resident engineer/highway engineers (25 x 2 person-months),
- (b) structural/bridge engineer (12 person-months),

¹ For entire construction period and construction preparation period and one month following completion of construction, except for one-month construction suspension periods each year during winter.

- (c) pavement engineer (5 x 2 person-months),
- (d) geotechnical/materials engineer (8 person-months),
- (e) hydraulics and drainage engineer (5 person-months),
- (f) quality control specialist (25 x 2 person-months),
- (g) environmental specialist (3 person-months)
- (h) social sector specialist (12 person-months),² and
- (i) laboratory and field technicians (250 person-months).

5. The international consultants will help MOTC with overall project management, provide training to the MOTC staff, and guide the domestic consultants in performing their duties. The highway/senior resident engineer must have broad experience in supervision and administration of major road rehabilitation, contract administration, and benefit monitoring and evaluation. The geotechnical engineer must have wide-ranging experience in road construction in difficult mountainous terrain with unstable soil conditions, while the bridge engineer must have experience in low-cost replacement and rehabilitation of highway bridges and culverts. The road safety specialist must have experience in road safety facility planning and safety audits. The consultants must also have experience in vehicle overloading. The domestic consultants and specialists should be experienced and qualified in highway, geotechnical, bridge, and materials engineering, and road safety.

6. The selected firm will be required to

- (i) assist MOTC in reviewing and approving contractors' design documents and any variations from the original design documents during implementation, and instruct the contractors to ensure that all data are provided for setting out the works;
- (ii) identify slopes on the project road where erosion and landslides are likely to occur and where there is a possibility of collapse; draft a roadside slope inventory; and propose mitigation measures;
- (iii) assist MOTC with all procurement processes under the Project, as necessary, including procurement of maintenance equipment;
- (iv) assist MOTC in processing contractors' applications for subcontracting parts of the works, adjusting ambiguities and discrepancies in contract documents, and settling disputes with contractors;
- (v) assist MOTC in reviewing and approving the contractors' superintendents, key personnel, construction programs, supply of materials, and sources of materials;
- (vi) monitor the progress of the works against the program targets and advise MOTC on measures to be taken to improve progress and quality; and help MOTC review contractors' proposals for contract variations, evaluate such variations, determine rates of works, order day-works and quality, and decide on alternatives;
- (vii) assist MOTC in preparing and issuing payment certificates and certify completion of works in part or as a whole upon completion of the rehabilitation works;

² For entire construction period and construction preparation period and one month following completion of construction, except for one-month construction suspension periods each year during winter.

- (viii) assist MOTC in supervising the execution and quality of the rehabilitation works, including the rural roads, with regard to workmanship and compliance with specifications; supervise and perform tests on materials and/or works, and advise on approval or disapproval of the contractors' plant and equipment; and propose, if required, the uncovering of completed rehabilitation or maintenance works, and the removal and substitution of inferior materials and/or works; and
- (ix) help MOTC examine the contractors' accounts, invoices, claims, and other statements for errors and compliance with the contract, and if required, suggest and make corrections.
- (x) Carry out environmental management, monitoring and training activities, in accordance with the project Initial Environmental Examination (IEE) Report.

2. Benefit Monitoring and Evaluation

7. International and domestic consultants will be recruited, to assist MOTC in monitoring and evaluating project performance and its impacts on social, environmental and economic development and environmental impact in the project area using ADB's PPMS. Four person-months of international consulting and 15 person-months of domestic consulting services will be recruited.

8. The international consultants will help MOTC and the implementing agencies build up and use a PPMS that focuses on assessing the socioeconomic and environmental impacts of the Project. Within the framework, the consultants will assist and advise MOTC in

- (i) developing performance indicators and project targets, in close cooperation with the regional and district governments;
- (ii) establishing a set of baseline data, against which the project impacts will be reassessed at project completion, and after 1 and 2 years of operation;
- (iii) assessing the socioeconomic impacts of the Project on potential beneficiaries through selective household surveys and participatory research methods;
- (iv) assessing environmental sustainability of the Project; and
- (v) conducting training in operational social research methods and building MOTC capacity on performing management and impact assessment.

9. The domestic consultants will assist the international consultants in the household surveys and participatory research. Three surveys will be carried out (baseline survey at the start of the Project, and two follow-up surveys closer to ADB's mid-term review and at the end of the Project). The final survey will be carried out after project completion. Survey results will be documented in quarterly progress reports.

D. Reporting

10. The international consultants will provide all required services to enable MOTC to comply with obligations under the Loan Agreement, including

- (i) preparing and/or helping MOTC prepare quarterly progress reports and financial status reports, and a final report on the Project;
- (ii) preparing interim and final payment certificates;
- (iii) providing MOTC with technical and engineering assistance required;
- (iv) keeping accurate and detailed records of all works done in the construction phase of the Project and reporting such in the required progress reports;
- (v) keeping records of all payments approved and reporting such in the regular progress reports;
- (vi) ensuring that progress reports contain complete information on (a) description of implementation activities, (b) progress charts, and (c) expenditure records; and
- (vii) assisting MOTC prepare reports on the monitoring of project performance and socioeconomic and environmental impacts as required by the terms of reference.

11. The progress reports of the consulting services will be compared with the work program and progress schedule as originally agreed. The progress reports and the final report will be signed by the team leader and submitted to MOTC (5 copies) and ADB (2 copies).

E. Counterpart Facilities

12. The following assistance will be made available to the international consultants by MOTC, either directly or through the contractor: (i) administrative assistance in obtaining visas, customs clearances, and any other administrative formalities and permits required by the international consultants to perform their duties; (ii) all relevant reports and studies relating to the assignment; (iii) appropriate and qualified counterpart staff; and (iv) suitable office accommodation on site and in Dushanbe.

PROCUREMENT PLAN

PROJECT NAME: Loan 2196-TAJ: Dushanbe - Kyrgyz Border Road Rehabilitation Project (Phase II)

NOTE: The Procurement Plan will be updated annually beginning one year after loan approval

Contract Description	Estimated Cost (US\$)	Procurement Method	Submission of Draft Bid Docs/RFP & SPN	No Objection by ADB to Draft Bid Docs/RFP & SPN	Submission of Bids/ Proposals/ Quotations	Bid/Proposal Opening & Submission of Minutes to ADB	Evaluation & Compilation of Report	Submission to ADB	Review & Approval by ADB	Issuance of Letter of Acceptance	Duly Signed Form of Contract
CIVIL WORKS											
Package 1: Rehabilitation of Central Section (km 140-217)	25,900,000.00	ICB	06/07/2006	14/07/2006	05/09/2006	27/09/2006	27/09/2006	05/10/2006	17/01/2007	24/01/07	24/01/2007
Package 2: Border Section(12km)	1,600,000.00	ICB	21/11/2007	05/12/2007	02/07/2008	09/07/2008	03/08/2008	05/08/2008	13/11/2008	NA	10/11/2008
Package 3: Rural Roads (60 km) (Contract 4 & 5)	1,000,000.00	NCB	26/09/2007	05/12/2007	20/02/2008	20/02/2008	28/03/2008	28/03/2008	16/05/2008	NA	30/05/2008
EQUIPMENT											
Road Maintenance Equipment	900,000.00	ICB	01/03/2008	15/03/2008						NA	
Static Vehicle Weighing Systems	100,000.00	ICB	01/03/2008	15/03/2008						NA	
CONSULTING SERVICES											
Consulting Services for ^a Construction Supervision	1,800,000.00	QCBS	07/04/2006	30/05/2006	19/07/2006	19/07/2006	18/08/2006	28/08/2006	04/10/2006	NA	29/12/2006
Software and Training for Accounting Department and Auditing Function	200,000.00	QCBS	25/07/2008	28/08/2006	26/09/2008	26/09/2008	27/10/2008	27/10/2008	29/10/2008	NA	25/12/2008
HIV/AIDS and Migration Component including Equipment	500,000.00	QCBS	16/07/2007	18/07/2007	31/08/2007	16/10/2007	30/10/2007	30/10/2007	01/11/2008	NA	04/03/2008

NA - not applicable

CONTRACT PACKAGES

Contract and Description	Number of Contracts	Estimated Aggregated Contract Value (\$ million)	Procurement Method
A. Civil Works			
1. Rehabilitation (km 140–217)	1	25.9	ICB
2. Landslide mitigation and road improvement at the border section (12 km)	2	1.6	LCB
3. Rural roads (60 km)	2	1.0	LCB
B. Equipment			
1. Equipment for routine and winter maintenance of the Dushanbe–Kyrgyz border road	1	0.9	ICB
2. Static vehicle weighing systems	1	0.1	IS
3. Computer systems for MOTC's accounting department	1	0.1	IS
4. HIV testing kits, STI treatment packages, office equipment, and education materials for HIV/AIDS and migration component	1	0.1	IS/DP
C. Consulting Services			
1. Consulting services for construction supervision and monitoring and evaluation	1	1.8	QCBS
2. Auditing services	1	0.1	QCBS
3. Training for accounting department and auditing function	1	0.1	QCBS
4. HIV/AIDS and migration component	1	0.5	QCBS

DP=direct purchase, HIV/AIDS=human immunodeficiency virus/acquired immunodeficiency syndrome, ICB=international competitive bidding, IS=international shopping, km=kilometer, LCB=local competitive bidding, MOTC=Ministry of Transport, QCBS=quality- and cost-based selection, STI=sexually-transmitted infections.

Source: Asian Development Bank estimates.

SUGGESTED TOPICS FOR BORROWER'S PROJECT COMPLETION REPORT

I. Project Description

- A. Objectives
- B. Components
- C. Implementation methods
- D. Describe and justify changes in components or implementation methods

II. Project Implementation

- A. Compare original and actual implementation schedules. Indicate areas of delay, length of delay, causes of delay, and remedial action taken.
- B. Compare cost estimates made during appraisal and actual costs (foreign and local). Local currency costs incurred, appropriate exchange rates for their conversion into US dollar, and the foreign currency costs financed by cofinanciers must be compiled correctly with reference to audited project accounts. Factors that contributed to any significant overruns or underruns should be indicated.
- C. State problems or difficulties in the recruitment of consultants, with reference to the procedures prescribed by ADB. Assess the consultant's work and the working relationship between the EA and the consultant. Use of a logical framework is strongly recommended.
- D. State problems or difficulties encountered in the procurement of goods and services (including civil works) with reference to ADB's procedures and requirements. Assess the supplier's or contractor's performance vis-à-vis the terms of the contract.
- E. Give the extent of compliance of the Borrower and EA with loan covenants, with reasons for noncompliance or delays in compliance and the remedial actions taken.
- F. State reasons for any delays in loan utilization. Evaluate the appropriateness of the disbursement methods used. Justify the reallocation of loan proceeds.

III. Initial Operations

- A. Describe initial operations of the project and transitional problems encountered from the completion of project to initial operations.
- B. Describe measures taken to ensure continued smooth operation of the project relative to management, staffing, funding, and maintenance of project facilities.
- C. Analyze the prospects of the project benefits being realized.

IV. Evaluation of ADB's Performance

- A. Assess ADB's performance in supervising the implementation of the Project. Include comments on the adequacy of the terms of references of consultants and appropriateness of specifications in tender documents. Evaluate the effectiveness and timeliness of assistance extended by ADB to solve problems encountered during implementation.
- B. Comment on problems encountered with ADB's guidelines, procedures, and requirements. Note the measures taken to resolve these problems and suggest changes in such procedures and requirements.

FINANCIAL REPORTING AND AUDITING REQUIREMENTS

I. ADB's Requirements

1. The Asian Development Bank (ADB) requires that the proceeds of any loan are used only for the purposes for which the loan was granted with due attention to considerations of economy and efficiency. The ADB therefore requires accurate and timely information from the Borrower to be assured that the expenditures incurred on the Project were in fact for the purposes stated in the Loan Agreement.

2. For the loan for the Dushanbe-Kyrgyz Border Road Rehabilitation Project, the requirements pertaining to the maintenance of project accounts and records are stipulated in the Loan Agreement.

II. Action By the Executing Agency

3. Compliance with the stipulated requirement of maintenance of project accounts and records must be ensured not only in terms of timeliness but also in terms of the quality of financial information as required by ADB.¹ The salient points pertaining to these requirements are summarized below:

- a. The Executing Agency (EA) should maintain separate project accounts and records exclusively for the Project, to ensure that the loan funds were used only for the objectives set out in the Loan Agreement. The project accounts comprise the following:
 - (i) Balance Sheet (showing the accumulated expenditures and financing activities at the close of the fiscal year ended)
 - (ii) Cashflow Statement (showing sources and application of funds for the implementation of the Project for the fiscal year ended)
- b. The EA shall also submit the financial statements of operation of the project facility in order to monitor the entity's overall financial performance in comparison with appraisal estimates. The financial statements should comprise the following:
 - (i) Income Statement (showing revenues, expenses, provisions for depreciation, interest expenses, profit and loss, payment of taxes, distribution of profit generated from the EA for the fiscal year ended)
 - (ii) Balance Sheet (showing the financial status of the EA at the close of the fiscal year ended)
 - (iii) Cashflow Statement (including sources and application of funds showing changes in financial resources, cash or working capital, as a result of operating, investing and financing activities for the fiscal year ended)

4. The submission period is six months after the end of the fiscal year.

¹ Financial Reporting and Auditing of Projects Financed by the ADB provides guidance in this regard.

- c. The accounts and records pertaining to the Project and the financial statements of the EA must be consistently maintained according to sound accounting principles. The auditor should be advised also to express an opinion whether the financial report has been prepared using international accounting standards or local generally accepted accounting standards and policies, which have been consistently applied. To the extent possible, ADB prefers that project accounts are maintained according to *international accounting standards* prescribed by the International Standards Committee. The auditor should also comment on the impact of deviations, if any, of the accounting standards applied from the international accounting standards.
- d. The project accounts and the financial statements of the EA should be audited according to appropriate auditing standards consistent applied by the auditor. The auditor should specify in the auditor's report the auditing standards followed by them in conducting their audits. The auditor may be requested to expand the scope paragraph in the Auditor's Report by disclosing, at least, the key audit procedures followed in the audit. If there are any supplementary financial statements to the Project's main financial statement, the auditor should also make a statement whether the same audit procedures have been followed for the supplementary financial statements as for the Project's main financial statements.
- e. To the extent possible, ADB prefers that auditors conform to *international auditing standards* issued by the International Federation of Accountants. In cases where other auditing standards are used, the auditor may be requested to indicate in the auditor's report the extent of differences, if any, and the impact on the audit, of the use of such auditing standards compared with that of the international auditing standards.
- f. Apart from expressing an opinion on the financial condition of the Project, the auditor should also express an opinion as to whether:
 - (i) the proceeds of ADB's loan have been utilized only for the project according to the Loan Agreement;
 - (ii) the financial information contains data specifically agreed upon between the Borrower/EA and ADB as being necessary for inclusion in the financial statements;
 - (iii) the financial information complies with relevant regulations and statutory requirements; and
 - (iv) all the financial covenants of the Loan Agreement have been complied with.
- g. When a qualified opinion, adverse opinion, or a disclaimer opinion is given, the auditor's report should state in a clear and informative manner all the reasons therefore.
- h. Actions on deficiencies disclosed by the auditor in its report should be resolved by the Borrower/EA effectively and within a reasonable time. The

auditor should review and comment upon the adequacy of the corrective measures taken by the Borrower/EA in the subsequent Auditor's Report.

5. Compliance with these ADB requirements will be monitored by ADB's project review missions in the course of the normal discharge of project supervision responsibilities. Follow ups will be done regularly with all concerned, including the auditor.

MAJOR LOAN COVENANTS

	Covenant	Due Date	Status
Sector			
1	Tajikistan shall ensure that pilot tenders for maintenance of two completed sections of the Dushanbe-Khulyab road (rehabilitated under Loan 1819-TAJ(SF): Road Rehabilitation Project) are carried out by 31 December 2007 and 31 December 2008 (in succession) using a competitive tendering process open to public- and private-sector entities in Tajikistan.	31 December 2007 and 31 Dec 2008 (in succession) Revised due date: 31Jul09	Due to limited capacity of MOTC, this has not been done. However, under Loan 2359-TAJ, performance-based contracts are being piloted. Individual consultants are being mobilized and contracts are expected to be signed in mid-2009. Revised compliance date is 31 July 2009.
2	Prior to 31 Dec 2006, Tajikistan shall ensure adoption of new legislation and/or issue decrees regarding regulations and procedures for vehicle weighing, in particular, in specifying the maximum permissible vehicle axle loads, and requiring offloading of excess weight from vehicles exceeding the specific limits.	31 Dec 2006	Ongoing. Tajikistan adopted procedures and regulation for axle load control and Department for Supervision of Safety on Transport under MOTC is currently assigned to this task. However, facilities and weighing stations are not yet available.
3	Tajikistan shall cause MOTC to install and make fully operational static vehicle weighing systems, according to legislation and national standards, for the sections of the national highway rehabilitated under (i) Loan 1819-TAJ(SF): Road Rehabilitation Project by 30 June 2007;(ii) Loan 2062-TAJ(SF): Dushanbe-Kyrgyz Border Road Rehabilitation Project (Phase 1) by the time of handover of the road by the contractor; and (iii) the Dushanbe-Kyrgyz Border Road Rehabilitation Project (Phase II) by the time of handover of the road by the contractor	30 Jun 2007 Revised due date: 31Dec 2009	This was not possible because the sites were not identified to receive the weighing stations. Sites have now been identified and the EA confirmed that adequate facilities exist to receive equipment. The EA commenced activities for procurement of weighing stations in May 2009. Revised compliance date is 31 December 2009.
4	Tajikistan shall cause MOTC to have its (i) Road Planning and Assessment Unit under the Road Department, and (ii) Economic Policy Division fully operational by 31 December 2006, including filling of all authorized staff positions (within MOTC's overall authorized staffing level) and provision of adequate office facilities and sufficient number of computers	31 Dec 2006	Complied.
5	Tajikistan shall ensure that by 31 December 2006 MOTC reaches an agreement with the Tajikistan Transport Institute under MOTC on a plan for implementing training programs for MOTC staff	31 Dec 2006	Complied late. Between January-March 2007, eight workshops were completed.
6	Tajikistan shall cause MOTC to strengthen its existing Transport Safety and Security Unit, including adopting procedures for incorporating Road Safety Audits in the design stage of all road projects, filling of all authorized staff positions and providing adequate office facilities and a sufficient number of computers by 31 Dec 2006	31 Dec 2006	Ongoing. Transport Safety and Security Unit has been created. It employs 7 staff members. Together with MOTC's Transport Regulation and Control Unit, an inspection of MOTC administered 18,000 km roads were conducted in March-August 2008. Main findings were insufficient number of road signs and unsafe driving conditions due to road surface. Safety audit of projects at design stage has been included in their mandate in 2007.
	Environmental		
1	Tajikistan shall ensure that the Minister or a Deputy Minister of MOH, or other similarly high ranking officer of MOH acceptable to ADB, shall be responsible for implementation of the HIV/AIDS and Migration Component and its coordination with project activities	31 May 2009	Mr. A. Mirzoev, Deputy Minister of Health, is responsible for implementation of the HIV/AIDS and Migration component and its coordination with project activities.
2	Tajikistan shall also ensure that at all times throughout the project implementation MOH and	31 May 2009	Ongoing compliance. While the Ministry of Health though its National HIV/AIDS

	National HIV/AIDS Center are adequately staffed with professional and clerical personnel with experience and expertise in disease prevention and otherwise have all resources necessary for carrying out the HIV/AIDS and Migration Component		Center is the Executing Agency for HIV/AIDS and Migration component, it was agreed that the PMU for HSRP (Loan 2054-TAJ) would support grant management activities.
3	Tajikistan shall ensure that: <ul style="list-style-type: none"> (a) the Project Road is designed, rehabilitated, maintained and operated in accordance with relevant national and local government environmental laws, regulations, rules and procedures, and in conformity with the ADB Environment Policy (2002); (b) the contractors implement the recommendations made in the Initial Environmental Examination (IEE), and translate the environmental management plan (EMP) in the IEE into a contract-specific EMP; (c) any adverse environmental impacts arising from the Project are minimized by implementing the mitigation measures, environmental monitoring program, and other recommendations presented in the IEE; and (d) MOTC submits to ADB an annual report on environmental performance in form and substance satisfactory to ADB during project implementation 		Several issues of non-compliance were recorded in the Interim Environment Report submitted by the EA. The midterm review mission visited the project site in November 2008 and raised this to the EA and the Contractor. The EA was reminded that further non-compliance will result in suspension of loan disbursements. The consultation mission of April 2009 reviewed the consultant's logs and found all to be in order.
4	Tajikistan shall ensure strict border control to prevent trafficking of humans, wildlife, endangered species, and illegal substances on the Project Road.		No reports of non-compliance were received so far.
	Social		
1	Tajikistan through MOTC shall ensure that land acquisition and resettlement are carried out promptly and efficiently following the short resettlement plan agreed with ADB, in line with applicable laws and the ADB policy on Involuntary Resettlement (1995).		Complied. Affected people totaling 19 families received compensations in April 2008 and in March 2009.
2	Tajikistan shall ensure that (i) the Short Resettlement Plan (SRP) is implemented in accordance with its terms, (ii) all land and rights-of-way required by the Project are made available in a timely manner, (iii) the provisions of the SRP, including compensation and entitlements for affected persons, will be implemented in accordance with all applicable government laws and regulations and the ADB Policy on Involuntary Resettlement, (iv) compensation and resettlement assistance are given to the affected people prior to dispossession and displacement, (v) counterpart funds for land acquisition and resettlement activities are provided in a timely manner, (vi) any obligations in excess of the SRP budget estimate are met, and (vii) the affected persons will be at least as well off as they would have been in the absence of the Project.		Ongoing compliance. SRP is implemented as planned. Complaints raised by NGO were addressed during the midterm review mission. As a result of the complaint, additional due-diligence was carried out and compensations for partial loss of residential plots provided to affected people.
3	MOTC shall also ensure that (i) adequate staff resources are committed to supervising and monitoring the implementation of the SRP and		Ongoing. MOTC, through Project Implementation Unit (PIU) implemented the SRP and provided ADB with the report.

	providing quarterly reports on such implementation to ADB, (ii) an independent agency acceptable to ADB is contracted to carry out investigations to monitor progress semi-annually and to evaluate results through annual survey updates for two years after completion of resettlement, and forward reports to ADB and MOTC simultaneously, (iii) data is disaggregated by gender and monitoring will focus on gender impacts and vulnerable groups, and (iv) a summary of government audits of resettlement disbursements and expenditures is provided to ADB in form and substance satisfactory to ADB.		Summary of Government audit of resettlement disbursements will be provided to ADB in 2009.
4	Tajikistan shall ensure that MOTC updates the SRP, including the local road component, (i) upon completion of detailed design, including rehabilitation plans for seriously affected villages, and prior to commencement of land acquisition; (ii) upon the completion of the detailed measurement survey for the Project Road, as described in the SRP, and prior to the commencement of civil works, submit any modification to ADB for its concurrence prior to award of contracts; and (iii) as necessary to reflect any significant material changes in project scope or other causes, and submit any such changes to ADB for its approval. MOTC shall disclose each updated SRP to affected persons.		Complied. Final SRP was submitted prior to mobilization of works.
5	Tajikistan shall ensure that MOTC monitors the impact of the Project on women throughout project implementation, in consultation with local governments, local women's associations, and nongovernmental organizations. In this respect, MOTC shall: (i) ensure women's participation during all phases of project implementation; (ii) encourage local contractors to increase the employment of women, including disadvantaged women, in road rehabilitation activities; and (iii) require safe working conditions for both male and female workers. Specific provisions to this effect shall be included in bidding documents and civil works contracts.		Ongoing. Specific provisions are included in the civil works contracts. MOTC is monitoring that these women are treated equally. Women participation in infrastructure sector is generally low in Tajikistan owing to local social stigma towards women in heavy industries.
	Financial		
1	Tajikistan shall, on a timely basis, provide all funds and resources necessary to the rehabilitation, operation and maintenance of the entire Dushanbe-Kyrgyz Border road in accordance with the financing plan agreed for the Project. Tajikistan shall cause MOF to take all necessary measures to enable MOTC to implement the Project successfully and operate and maintain the Project Road after completion. Before the end of each year Tajikistan shall furnish ADB a public investment program for the succeeding year demonstrating availability of funds necessary for the Project.		Ongoing compliance. Apart from exemption from taxes and duties, a \$1 million counterpart funding was made available in 2008 to the Project and almost the same amount was budgeted in the Government's investment program for 2009.
2	Tajikistan shall allocate and make available on a timely basis sufficient funds for the rehabilitation and maintenance of the Project Road. Without limiting the generality of the foregoing, Tajikistan shall annually allocate at least the amount equivalent to US\$90,000 (plus inflation since 2005) for maintenance of the rehabilitated sections of the		Due in 2010

	Project Road after the handover of these sections by the contractor.		
3	<p>Tajikistan shall ensure that actual annual expenditures for road maintenance (including emergency maintenance, but excluding rehabilitation and new construction for roads under MOTC jurisdiction will be increased at least at the same rate as increases in the overall national budget during 2008-2009.</p> <p>Tajikistan shall (i) ensure that details of actual road maintenance expenditures are included in every other quarterly progress report to be submitted by MOTC to ADB, (ii) have such expenditures audited annually in accordance with appropriate auditing standards by independent auditors acceptable to ADB, and (iii) furnish such audited statements of expenditures to ADB within nine (9) months from the end of the fiscal year.</p>		Actual expenditures for maintenance during 2008/2009 are not yet available.
4	<p>Tajikistan shall (i) maintain, or cause to be maintained, separate accounts for the Loan and the Grant; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and the Grant proceeds and compliance with the financial covenants of this Financing Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.</p>		Complied for FY2007. Audit Report for FY2008 is due on 30 June 2009.
	Others		
1	Established, Staffed, and Operating PMU/PIU		
	<ol style="list-style-type: none"> 1. Project Executing Agencies <ol style="list-style-type: none"> (a) MOTC, as the Project Executing Agency, shall be responsible for overall execution and coordination of the Project. (b) MOTC shall be the Executing Agency responsible for implementing the HIV/AIDS and Migration Component of the Project. 2. Project Implementation <ol style="list-style-type: none"> (a) Tajikistan shall ensure that the Minister or a Deputy Minister of MOTC, or other similarly high-ranking officer of MOTC acceptable to ADB, shall be responsible for overall project management and supervision; (b) The Executive Director of the existing PIU shall be responsible for day-to-day project management, including (i) monitoring the progress of project implementation, (ii) preparing withdrawal applications and project progress reports, (iii) maintaining project accounts and completing loan financing 		The organization arrangement existing under ongoing Loans (1819-TAJ and 2062-TAJ) will remain effective for the Project. The incumbent PIU staff will be responsible for day-to-day project implementation and related services. While the Ministry of Health through its National HIV/AIDS Center is the Executing Agency for HIV/AIDS and Migration component, it was agreed that the PMU for HSRP (Loan 2054-TAJ) would support grant management activities.

	records for auditing the Project; (c) Tajikistan shall also ensure that at all times throughout the project implementation the PIU shall be adequately staffed with professional and clerical personnel with experience and expertise in financial accounting, road engineering, construction supervision, and contract administration.		
2	Tajikistan shall (i) undertake necessary measures to create and sustain a corruption-free environment, and (ii) ensure that its anticorruption laws and regulations and the ADB Anticorruption Policy (1998), are strictly enforced and are being complied with during project implementation.		Ongoing.