



Project Administration Memorandum

Loan 2403-UZB
June 2009

Republic of Uzbekistan: CAREC Regional Road Project

CURRENCY EQUIVALENTS

(as of 30 April 2009)

Currency Unit	–	sum (SUM)
SUM1.00	=	\$0.0006919
\$1.00	=	SUM1,388.51

ABBREVIATIONS

ADB	–	Asian Development Bank
CAREC	–	Central Asia Regional Economic Cooperation
EA	–	executing agency
EIRR	–	economic internal rate of return
EMP	–	environmental management plan
FIDIC	–	Fédération Internationale des Ingénieurs Conseils (International Federation of Consulting Engineers)
FIRR	–	financial internal rate of return
GDP	–	gross domestic product
HDM-4	–	Highway Development and Management Model 4
ICB	–	international competitive bidding
IEE	–	initial environmental examination
IRI	–	international roughness index
LIBOR	–	London interbank offered rate
MOF	–	Ministry of Finance
NCB	–	national competitive bidding
NPV	–	net present value
O&M	–	operation and maintenance
OCR	–	ordinary capital resources
PIU	–	project implementation unit
PPTA	–	project preparatory technical assistance
REPC	–	road equipment pool company
ROW	–	right-of-way
SIEE	–	summary initial environmental examination
SJSC	–	state joint stock company
SOE	–	statement of expenditures
TA	–	technical assistance
TIR	–	Transports Internationaux Routiers
VOC	–	vehicle operating cost
vpd	–	vehicles per day

NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 31 December. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY 2009 ends on 31 December 2009.
- (ii) In this report, "\$" refers to US dollars unless otherwise stated.

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LOAN PROCESSING HISTORY

Item	Date
a. Fact-finding mission	24 July-6 August 2007
b. Management review meeting	15 October 2007
c. Appraisal Mission	17–27 October 2007
d. Staff review committee	16 November 2007
e. Loan negotiations	23 November 2007
f. Board circulation	28 November 2007
g. Board consideration and approval	19 December 2007
h. Loan agreement signing	14 April 2008
i. Loan effectiveness	02 May 2008

LOAN DATA

1.	Loan Number:	2403-UZB
2.	Loan Amount:	\$75.3 million
3.	Loan Closing Date:	30 June 2012
4.	Loan Allocation:	
	- Civil Works:	\$9.2 million
	- Equipment:	\$55.1 million
	- Consulting Services:	\$3.8 million
	- Recurrent costs:	\$0.5 million
	- Unallocated:	\$6.7 million



07-25713 HR

KEY PERSONS INVOLVED IN THE PROJECT

(As of 15 April 2008)

The Borrower

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Shuhrat Vafoev	Director, Department of External Debt and Foreign Investments, Ministry of Finance	Fax: (998-71) 239-1259

The Executing Agencies

Name	Position	Contact Number
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ADB

Name	Position	Contact Number
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I. PROJECT DESCRIPTION

A. Project Area and Location

1. The Project is part of the A380-highway which is the main route between the northwest and southeast of Uzbekistan and serves as an increasingly important international corridor between Afghanistan (via Termez), Tajikistan, and Turkmenistan, and Kazakhstan and Russian Federation. The project area where the road sections will be improved is located in Kungrad District of the Republic of Karakalpakstan and in Khazarsp District of Khorezm Province and Tortkul District of the Republic of Karakalpakstan (see map).

B. Project Design and Monitoring Framework

2. The Project is designed to produce the following outputs: (i) 131 km of reconstructed highway sections of the A-380: Guzar–Bukhara–Nukus–Dautata (Uzbekistan and Kazakhstan border); and (ii) strengthened road sector institutions and road network management capacity.

3. The Project, if realized in full will support an adequate, efficient, safe, and sustainable road network in Uzbekistan that provides domestic and regional connectivity which will contribute to sustainable economic development and increased domestic and international trade. The Design and Monitoring Framework is in **Appendix 1**.

II. PROJECT IMPLEMENTATION ACTIONS

A. Project Components, Costs and Financing Plan

1. Project Components

4. **Component A: Road Development.** ADB will finance reconstruction of 131 km of the A-380 highway in Kungra, Khazarsp, and Tortkul District to meet two-lane international design standards with a four-lane roadbed within the existing right-of-way. The Project will not involve land acquisition and resettlement nor create significant environmental impacts. The sections of the project road are as follows:

- (i) Section 1: km876–916 (40 km) in Kungrad District of the Republic of Karakalpakstan.
- (ii) Section 2: km490–581 (91 km) in Khazarsp District of Khorezm Province and Tortkul District of the Republic of Karakalpakstan.

5. **Component B: Road Sector Sustainability.** This component will primarily assist the Government to strengthen road sector sustainability in Uzbekistan through improvement of road sector institutions, the introduction of competition in road maintenance leading to further commercialization of enterprises and eventually privatization, road sector planning, and budgeting system; and provision of road equipment to ensure timely and effective road maintenance program. This component will involve the following activities:

- (i) **Institutional support for road sector planning and management system.** This subcomponent will provide advisory support to improve the Government's current road sector planning and road sector financing systems and will focus on the promotion of road user charges and tolling systems, the introduction of a computerized road network data base system and road sector planning and management systems, and the preparation of a time-bound program to roll out these systems for countrywide application. This subcomponent will also provide advisory support to rationalize road sector institutions and road enterprises, and

promote competition in roadworks. It will train dedicated EA staff to build capacity in road sector planning and management. At the end of the Project, a planning unit will have been fully established at the Road Fund.

- (ii) **Provision of road equipment.** The Government will establish the road equipment pool company (REPC) and this subcomponent will assist the Government with the development of the REPC and finance the procurement of road equipment for the REPC.¹ The immediate objective of the REPC will be to provide services using its road equipment to road construction and maintenance enterprises on a full cost recovery basis. Advisory support under this subcomponent will include development of business and marketing plans; an equipment service charge system; and proper administrative, accounting, and financial procedures. The subcomponent will also study the feasibility of privatizing the REPC in the longer term.

2. Cost Estimates and Financing Plan

6. The project investment cost is estimated at \$173.4 million equivalent, including taxes and duties of \$22.2 million. A summary of the project investment plan is in Table 1.

Table 1: Project Investment Plan
(\$ million)

Item	Amounts ^a
A. Base Cost	
1. Road development component	63.81
2. Road sector sustainability component	56.66
3. Taxes and duties	22.20
Subtotal (A)	142.67
B. Recurrent Costs	0.55
C. Contingencies^b	25.10
D. Financing Charges During Implementation^c	5.10
Total (A+B+C+D)	173.42

^a In mid-2007 prices.

^b Physical contingencies computed at 10% for civil works and 5% for road equipment. Price contingencies include provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^c Includes interest and commitment charges. Interest during construction has been computed at the 5-year forward London interbank offered rate plus a spread of 0.6%.

Source: Asian Development Bank estimates.

7. As summarized in Table 2, the ADB financing of \$75.3 million represents 43% of the total project cost. The Government will provide the remaining project costs of \$98.1 million to finance taxes and duties, and part of the civil works and contingencies.

¹ This is in line with the Transport Sector Strategy, which recommended the establishment of an Equipment Management and Utilization Organization providing construction equipment to road companies as a means of enhancing their operational capacity and hence ability to compete on a broader market front.

Table 2: Financing Plan
(\$ million)

Source	Total	%
Asian Development Bank	75.32	43
Government	98.10	57
Total	173.42	100

Source: Asian Development Bank estimates.

8. ADB provided a loan of \$75.3 million from ADB's ordinary capital resources to help finance the Project. The loan will have an amortization period of 24 years, including a grace period of 4 years, an interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, and a commitment charge of 0.35% of the loan per annum.

9. The Government will relend the proceeds of the ADB loan of \$55.1 million for the provision of equipment to the REPC and the advisory support for the development of REPC with an additional spread of maximum 0.2% and on terms and conditions that are otherwise identical to the ADB loan to the Government. The REPC will assume the foreign exchange risk.

10. The cost estimates and financing plan are confirmed by the borrower and EAs as proposed at project appraisal. Any changes to the cost and financing will be reflected in the quarterly progress reports in the form attached in **Appendix 2**.

3. Allocation of Loan Proceeds

11. Table 3 below shows allocation of loan proceeds at the project inception. All disbursements will be made within the allocated loan proceeds. If reallocation of loan proceeds among the cost categories is required, the EA shall request ADB to reallocate the required amount through the Ministry of Finance and provide justification.

Table 3: Allocation and Withdrawal of Loan Proceeds

CATEGORY				ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing		Percentage of ADB Financing from the Loan Account
		Category	Subcategory	
1	Civil Works	9,200,000		15 percent of total expenditure claimed
2	Equipment	55,100,000		100 percent of total expenditure claimed*
3	Consulting Services	3,770,000		100 percent of total expenditure claimed*
3A	Procurement Specialist		240,000	100 percent of total expenditure claimed*
3B	Project Management and Supervision		1,970,000	100 percent of total expenditure claimed*
3C	Road Sector Planning and Management		1,350,000	100 percent of total expenditure claimed*
3D	Development of the REPC		210,000	100 percent of total expenditure claimed*
4	Recurrent costs	550,000		100 percent of total expenditure claimed*
5	Unallocated	6,680,000		
	Total	75,300,000		

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

B. Project Organization and Management

12. The Road Fund that is under and accountable to MOF will be the EA for the Project. It is adequately staffed and its financial management was found to be acceptable. The Project Implementation Unit (PIU) was established under the Road Fund and Head of the PIU was appointed on 12 November 2007. Major staff has worked for PIU since March 2008. The ADB and the Borrower has agreed to replenish an extra account of the Project in commercial bank for actual work time of the PIU staff. The PIU will have overall responsibility for project implementation. A PIU head is a professional qualified in project management, with experience in project management and civil works acceptable to ADB. The Road Fund will ensure that, during the entire period of project implementation, the PIU is adequately staffed with sufficient personnel experienced in engineering, financial, procurement, administrative, and secretarial staff; and provided with appropriate office space, equipment, and facilities. At present the PIU is staffed by the following personnel: Director, Monitoring and Evaluation Expert, Finance Expert, Procurement Expert, Accountant, Lawyer, Translator, Office Manager and Driver. Highway and Road Equipment (HRE) Engineer resigned from the PIU in September 8, 2008. At present the PIU has a part time HRE Engineer from the Yo'l loyiha Engineering Company.

13. The PIU will be responsible for implementation of the overall Project. The head of the Road Fund's Technical Construction Division will be appointed to assist the PIU in implementing the road development component. The head of the Road Fund's Program and Road Construction Development Division has been assigned to assist the PIU in implementing the institutional support for the road sector planning and management system. A staff from the REPC will be assigned to help PIU implement the procurement of road equipment and advisory support for development of the REPC. The proposed organizational structure is in **Appendix 3**.

14. The PIU will oversee all activities under the Project, including project preparation and implementation, as well as monitoring and reporting. The Road Fund will introduce a suitable management information system in the PIU to manage the Project, including REPC-related activities. The proposed arrangements and fund flow for the road development component and procurement and operation of road equipment are in **Appendix 4**.

15. The PIU will prepare progress reports and will submit them to the EA and ADB every quarter. It will also submit other required performance and monitoring reports twice a year. Overall progress and compliance with conditions of the Loan Agreement will be monitored regularly with periodic reports to ADB, consistent with existing project implementation requirements. Reports will include evaluation of issues or problems and will recommend remedial actions.

C. Implementation Schedule

16. The Project will be implemented over 4 years, inclusive of procurement and construction activities, and is expected to be completed by 31 December 2011. The implementation schedule is in **Appendix 5**. This will be updated and submitted to ADB through quarterly progress reports.

D. Procurement

17. Procurement of goods, civil works, and related services financed from the ADB loan will be done in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time). To ensure competition, ICB contract packages will be adopted. Civil works contracts will be procured through ICB procedures among pre-qualified bidders. ICB will be used for civil works over \$2 million; national competitive bidding (NCB) for civil works of \$100,000–\$2 million;

shopping for civil works up to \$100,000; and ICB for goods over \$1 million. The Government agreed to include the relevant sections of ADB's *Anticorruption Policy* (1998, as amended to date) in all bidding and contractual documents.

18. There is no NCB procurement envisaged under this project. However, should there be a need for NCB procurement during project implementation, before commencement of NCB procurement, ADB and the Government will review the Government's procurement procedures to ensure consistency with ADB requirements. Any necessary modifications or clarifications to the Government's procedures will be reflected in the procurement plan.

19. The Project involves four ICB contract packages for road civil works and two ICB packages for goods where contract B1 applied prequalification mode and the contracts will use postqualification mode. The procurement plan for contractors and consultants is in **Appendix 6**.

E. Consulting Services

20. It is estimated that a total of about 360 person-months of consultancy services will be needed (120 person-months international and 240 person-months national). About 57 person-months of international consultancy services and about 175 person-months of national consultancy services will be required for design review, and supervising construction of five civil works packages. A further 5 person-months of international and 14 person-months of national consultancy services will be required for providing support for development of the REPC. About 46 person-months of international and 51 person-months of national consultancy services will be required to assist the Road Fund in developing a road sector planning and management system, and conducting studies on road financing and institutions.

21. Detailed engineering design financed from the Road Fund resources is being undertaken by locally recruited consultants. The Road Fund has also engaged an international procurement specialist with experience in externally funded projects for 12 person-months to help implement the procurement of works, goods, and services. An individual consultant has been engaged in accordance with the *Guidelines on the Use of Consultants* (2007, as amended from time to time) and the procurement plan agreed with ADB.

22. Consulting firms will be selected and engaged using ADB's quality- and cost-based selection procedures in accordance with its *Guidelines on the Use of Consultants* and the procurement plan agreed with ADB. Full technical proposals will be required for project management and construction supervision and the road sector planning and management system; and bio-data technical proposals for the development of the REPC. The outline of terms of reference for consultants to be recruited under the Project is in **Appendix 7**.

F. Advance Contracting and Retroactive Financing

23. The Government has proposed the provision of an international procurement specialist, consulting services for the development of REPC, and recurrent costs to be financed retroactively. Due diligence by ADB has been carried out prior to the recruitment of consulting services.

24. ADB Management has (i) approved advance action for procuring civil works and goods, and (ii) agreed to request Board approval for retroactive financing of up to 20% of the loan amount provided that expenditures are in accordance with agreed procedures and were incurred during the 12 months before the signing of the Loan Agreement. The Road Fund has been informed that approval of advanced contracting and retroactive financing does not commit ADB to finance the Project.

G. Contract Awards and Disbursements

25. The ADB's inception mission and the EA prepared projections for contract awards and disbursements for the ADB-financed components, details of which are in **Appendix 8**. The EA will make best effort to achieve the projected targets and seek will timely guidance from ADB to resolve any potential shortfall.

26. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time). Direct payment procedures will generally be used for large civil works contracts and consulting services. The Road Fund will establish an imprest account at a commercial bank acceptable to ADB, with an initial advance equivalent to estimated eligible project expenditures for the next 6 months which are to be paid through the imprest account or 10% of the loan amount, whichever is less. The imprest account will be established, managed, and liquidated in accordance with ADB's *Loan Disbursement Handbook* and detailed arrangements agreed by the Government and ADB. The statement of expenditures (SOE) procedure will be used to reimburse eligible expenditures and to liquidate and replenish the imprest account for individual payments of \$100,000 and below.

H. Accounting, Auditing, and Reporting

27. The Road Fund shall (i) maintain separate accounts for the Project and the REPC; (ii) have such accounts 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 project accounts and audited financial statements and the report of the auditors relating thereto (including the auditors' separate opinions on the use of the loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for the imprest account and SOEs, 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. The independent auditors will be engaged in accordance with ADB's *Guidelines on the Use of Consultants* and will be financed under the loan. Audited financial statements should be prepared in conformity with sound accounting standards acceptable to ADB. TOR for the auditors is in **Appendix 9**.

I. Project Performance and Monitoring Report

28. The Road Fund, assisted by the consultants for project management and construction supervision, will establish a project performance monitoring system within 6 months from project commencement and collect baseline data for performance monitoring. The key indicators and assumptions outlined at the impact and outcome levels in the Project's design and monitoring framework will be the primary data required for analysis.

J. Project Review

29. The ADB mission will review project implementation, including procurement, civil works, and environmental and social safeguards based on quarterly progress reports (see suggested format and content in **Appendix 10**). It will meet with the Government and the Road Fund semiannually to discuss implementation progress. A midterm review will be carried out 2 years after the loan becomes effective. This will focus on the engineering, environmental, and social safeguards of the Project; compliance with loan covenants; and review of the financial status of the PIU. Representatives of ADB, the Road Fund, and the REPC will take part in the review. The midterm review will evaluate compliance with warranties and representations of the Loan

Agreement and assurances. The review will allow for any necessary midcourse corrections to ensure successful implementation and the achievement of objectives. A project completion report (PCR) will be submitted within 3 months of completion of the Project. Suggested topics for inclusion in the PCR are in **Appendix 11**.

K. Major Loan Covenants

30. Major and project specific covenants and action plans with deadlines according to the loan documents are shown in **Appendix 12**. The EA will ensure compliance and update the status regularly during project implementation.

III. ANTICORRUPTION

31. ADB's *Anticorruption Policy* was explained to and discussed with the Government and the Road Fund. Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Projects. 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 shall include provisions specifying the right of ADB to audit and examine the records and accounts of the PIU, and all contractors, suppliers, consultants, and other service providers as they relate to the Project. ADB's *Anticorruption Policy* is attached as **Appendix 13**.

IV. CONCURRENCE

32. We have reviewed and concur with this PAM.

Shukurov Jamol Mukhtarovich
Director
The Road Fund under the Ministry of Finance
Republic of Uzbekistan

Olly Norojono
Transport Economist/Mission Leader
Asian Development Bank

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Sustainable economic development and increased domestic and international trade growth</p>	<p>By 2018:</p> <ul style="list-style-type: none"> • Increased transport sector share of gross domestic product from about \$900 million (2005 estimate) to \$1.8 billion • Increased external trade with Kazakhstan from about \$700 million (2006) to \$1.5 billion • Increased local trade in the project areas reflected by increased the number of domestic trucks from 1,000 trucks (2007) to 2,000 trucks 	<ul style="list-style-type: none"> • National socioeconomic statistics from Central Statistics Office • Regular classified traffic count 	<p>Assumption</p> <ul style="list-style-type: none"> • Government sustains policies conducive to economic growth and remains committed to enhanced policy reform and regional integration
<p>Outcome</p> <p>Improved regional connectivity and an adequate, efficient, and sustainable road network in Uzbekistan</p>	<p>By 2013:</p> <ul style="list-style-type: none"> • Increased total traffic volume of A-380 in Republic of Karakalpakstan from 360 vpd in 2007 to 800 vpd and in Khorezm from 1,900 vpd to 3,600 vpd • Increased number of cross-border trucks on A-380 (Daudata Custom Post) from 10 trucks/day (2007) to 17 trucks/day • Accident rate reduced by 10% on A-380 highway from 50 accidents per year (2007 estimate) 	<ul style="list-style-type: none"> • National, provincial, and district socioeconomic statistics from Central Statistics Office • ADB's project completion report and project performance evaluation report • Periodic classified traffic counts and accident data system • Freight Forwarder Association statistics 	<p>Assumptions</p> <ul style="list-style-type: none"> • Increased availability and quality of transport services following improvement of the project road • Improved cross-border facilities and procedures at the border point between Uzbekistan and Kazakhstan • The Road Fund continues constructing remaining sections of the A-380 as scheduled at the same quality as the Project <p>Risk</p> <ul style="list-style-type: none"> • Inadequate financial resources for road maintenance

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
	<ul style="list-style-type: none"> • Recommendations for improving road sustainability implemented with road maintenance budget increased from 20% to 30% of the total budget • Road financing plan prepared by the newly developed system • REPC's financial performance maintained at 80:20 debt-equity ratio and 80% operating ratio 	<ul style="list-style-type: none"> • Government resolution • Road Fund annual budget • ADB's project performance evaluation report • ADB's project performance evaluation report • Financial statement • ADB's project performance evaluation report 	<p>Assumption</p> <ul style="list-style-type: none"> • Government commitment to further reform the road sector and adopt good governance and cost recovery principles
<p>Outputs</p> <p>1. Reconstructed road sections of A-380 between Guzar and Dautata border</p> <p>2. Comprehensive road sector planning and management system introduced at the Road Fund office</p>	<p>By 2011:</p> <ul style="list-style-type: none"> • 131 km road reconstructed on time, within budget, and meeting technical specifications • Pavement international roughness index of less than 3 m/km • Road sustainability strategy is prepared • Computerized road sector planning and management system installed • Database system developed and tested. • Database manual developed • The system tested • 30 Road Fund staff trained • Long-term system improvement program developed 	<ul style="list-style-type: none"> • Consultants' progress reports • ADB review missions 	<p>Assumption</p> <ul style="list-style-type: none"> • Timely provision of counterpart resources and support for the Project <p>Risk</p> <ul style="list-style-type: none"> • Road Fund is not familiar with externally funded projects <p>Assumptions</p> <ul style="list-style-type: none"> • Government is committed to further reform the road sector • Road Fund is committed to improving its planning capacity

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
3. REPC operational	<ul style="list-style-type: none"> • Guidance for development of the road equipment company prepared • Business plan prepared • About 300 units of road equipment purchased • 20 staff trained 		Risk <ul style="list-style-type: none"> • Government's willingness to move toward privatization of REPC
Activities with Key Milestones 1.0 Road Development Component 1.1 Recruitment of procurement specialist by end of December 2007 1.2 Recruitment of project management and construction supervision by September 2008 1.3 Award civil works contracts by October 2008 (first package under the Project) 1.4 Completion of civil works by December 2011 2.0 Road Sustainability Enhancement Component 2.1 Recruitment of consultants for road sector planning and management system by March 2009 2.2 Consulting services for Road Sector Planning and Management System completed by March 2010 2.3 REPC set up by the Government by end of June 2008 2.4 Recruit consultants for development of REPC by March 2008 2.5 Procurement of equipment completed by March 2009			Inputs 1. ADB loan of \$75.3 million (OCR) 2. Government counterpart budget of \$98.1 million per Loan Agreement (105.5 million per Decree)

ADB = Asian Development Bank, km = kilometer, OCR = ordinary capital resources, REPC = road equipment pool company, vpd = vehicles per day.

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

	During Appraisal			Actual (to date)			Actual (on project completion)		
	Total Cost	ADB Financing	Gov	Total Cost	ADB Financing	Gov	Total Cost	ADB Financing	Gov
A. Investment Costs									
1. Road Development Component									
a. Civil Works	61.60	9.20	52.4	61.60	9.20	52.4			
b. Consulting Services									
(i) Procurement Specialist	0.24	0.24	0,00	0,24	0,24	0,00			
(ii) Project Management and Supervision	1.97	1.97	0,00	1,68	1,68	0,00			
2. Road Sector Sustainability Component									
a. Procurement of Road Equipment ^a	55.10	55.10	0.00	55.10	55.10	0.00			
b. Consulting Services									
(i) Road Sector Planning and Management System*	1.35	1.35	0,00	1,33	1,33	0,00			
(ii) Development of REPC ^a	0.21	0,21	0,00	0,21	0,21	0,00			
3. Taxes and Duties ^b	22.20	0.00	22.20	22.20	0	0.00			
Subtotal (A)	142.67	68.07	74.60	142.36	67.76	74.60			
B. Recurrent Costs^c	0.55	0.55	0.00	0.55	0.55	0			
Total Base Costs	143.22	68.62	74.60	142.91	68.31	74.60			
C. Contingencies^d	25.10	6.70	18.40	25.10	6.70	18.40			
D. Financing Charges During Implementation^e	5.10	0.00	5.10	5.10	0.00	5.10			
Total Project Costs	173.42	75.32	98.10	173.11	75.01	98.10			

ADB=Asian Development Bank; Gov=Government; REPC = road equipment pool company.

^a Onlending to REPC.

^b 20% taxes for local costs portions of civil works and 20% import duties for equipment.

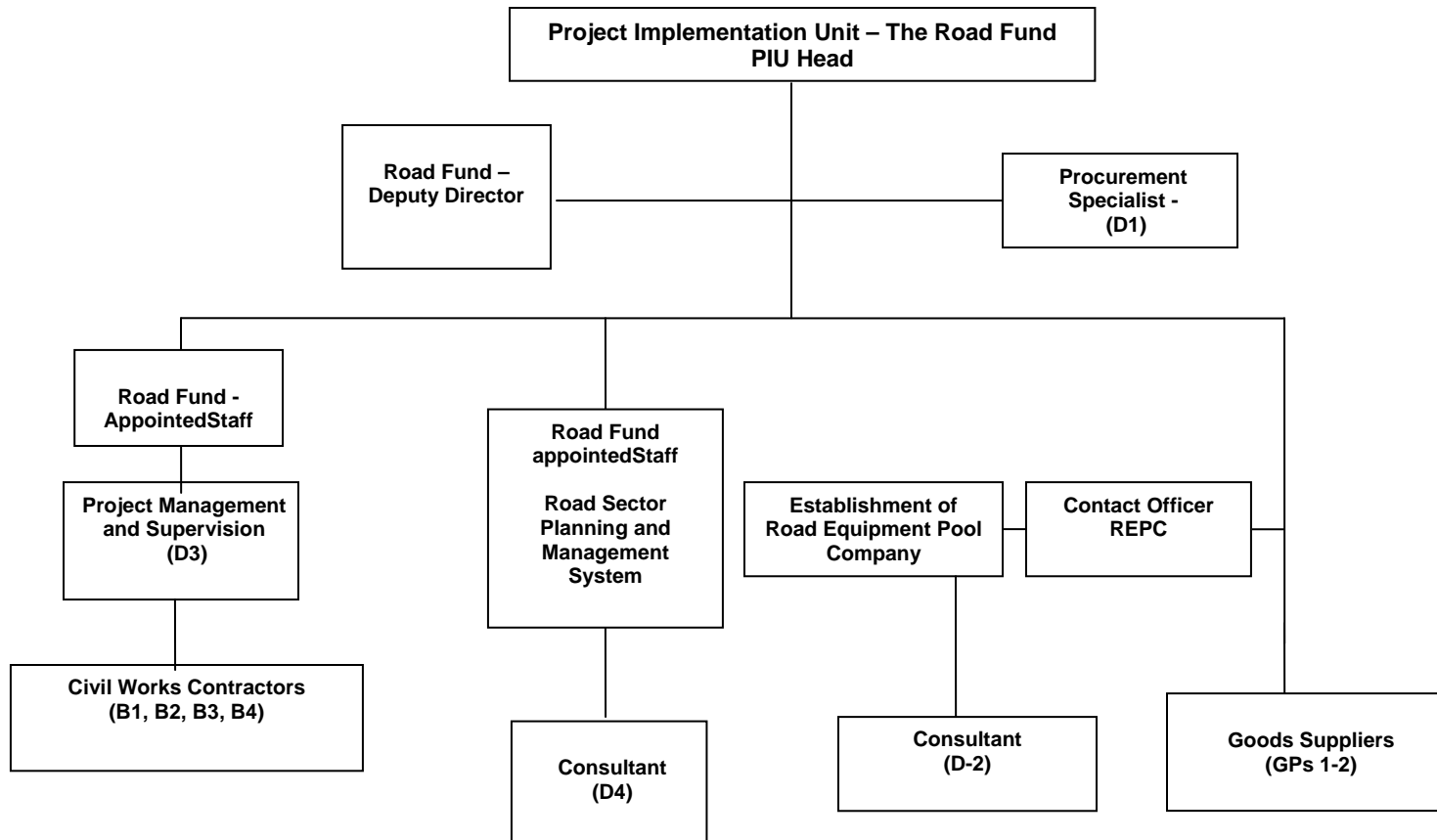
^c Recurrent costs include project implementation unit-related expenses and auditors.

^c 10% contingency for civil works, 5% for equipment, and price contingencies.

^b Interest during construction and commitment charges.

*both US Dollar and Euro to be paid for the Consultant

PROJECT MANAGEMENT ORGANIZATION



CSP = consulting services package, CWP = civil works package, GP = goods package, INV = individual consultant, PIU = project implementation unit, REPC = road equipment pool company.
 Source: The Road Fund.

FUND FLOW

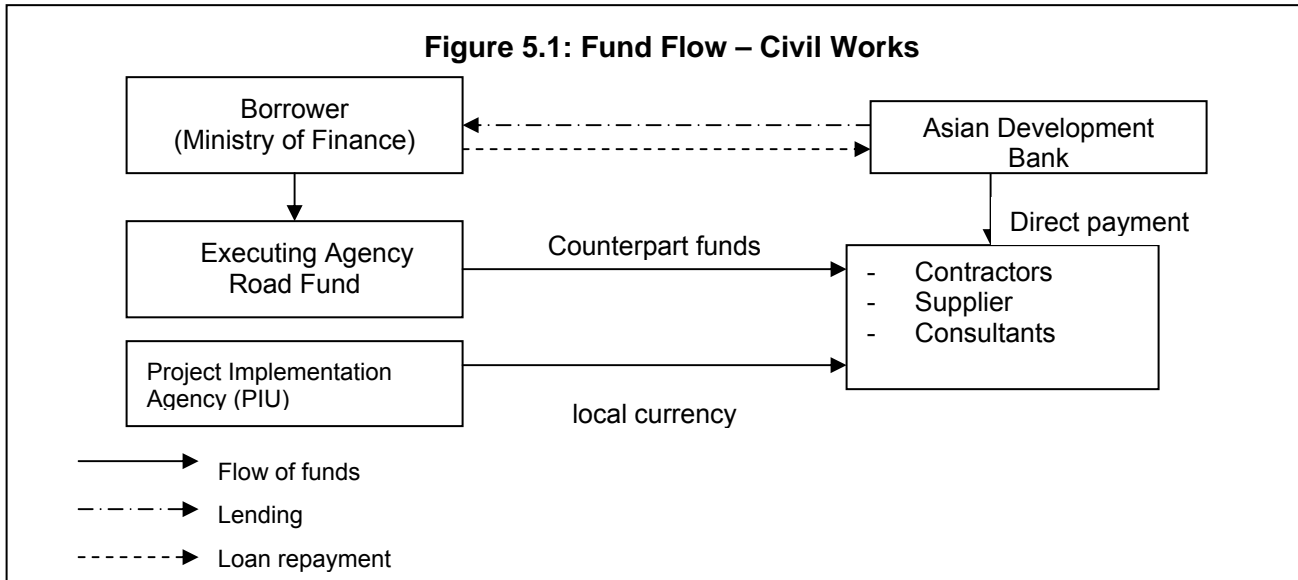
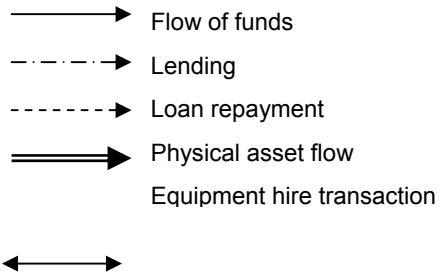
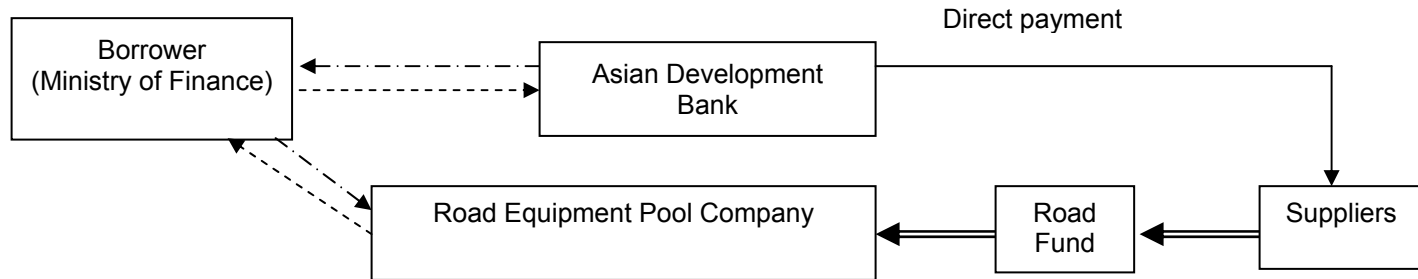


Figure 5.2: Fund Flow – Road Equipment



PROJECT IMPLEMENTATION SCHEDULE

Activity	2007				2008				2009				2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Preparatory Works																				
Setup of PIU				■																
Website Development and Uploading				■																
Recruitment of Procurement Specialist (D1)					■			■												
Preparatory Works for Procurement								■	■	■	■	■	■	■	■	■	■	■	■	■
Recruitment of Detailed Engineering Design Consultant				■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Engineering Design								■	■	■	■	■	■	■	■	■	■	■	■	■
Civil Works																				
Recruitment of Project Management and Supervision Consultant																				
Project Management and Supervision Works																				
Procurement Civil Works-B1																				
Civil Works B-1																				
Procurement B2																				
Procurement B3 and B4																				
Civil WorksB2, B3 and B4																				
Road Equipment																				
Procurement of Equipment GP-1																				
Delivery of Equipment GP-1																				
Procurement of Equipment GP-2																				
Delivery of Equipment GP-2																				
Advisory Support																				
Recruitment of Consultants for Advisory for Development of REPC (D2)																				
Advisory Services for Development of REPC																				
Recruitment of Consultants for Road Sector Planning and Management System (D3)																				
Recruitment of Road Sector Planning and Management System (D4)																				
Recruitment of Audit Service (D5)																				

CWP = civil works package, GP = goods package, PIU = project implementation unit, REPC = road equipment pool company.
Source: Asian Development Bank estimates.

PROCUREMENT PLAN AND TENTATIVE CONTRACT PACKAGES

Project Information

Country	Republic of Uzbekistan
Name of Borrower	Ministry of Finance
Project Name	CAREC Regional Road Project
Loan Reference	TBD
Date of Effectiveness	TBD
Project Cost Amount (\$ million)	\$173.5 million
Of which ADB Loan Amount (\$ million)	\$75.3 million
Executing Agency	The Road Fund
Approval Date of Original Procurement Plan	TBD
Approval of Most Recent Procurement Plan	TBD
Publication for Local Advertisement	TBD
Period Covered by this Plan	TBD

CAREC = Central Asia Regional Economic Cooperation, TBD = to be determined.

^a The plan will be updated annually, on rolling 18-month basis, on the anniversary of the date of loan effectiveness.

Procurement Thresholds, Goods and Related Services, Works and Supply & Install

Methods	Threshold
International Competitive Bidding (works)	> \$2,000,000
International Competitive Bidding (goods)	> \$1,000,000
National Competitive Bidding (works)	</= \$2,000,000
National Competitive Bidding (goods)	</= \$1,000,000
Shopping (works)	</= \$100,000
Shopping (goods)	</= \$100,000
Exceptional Methods	

Procurement Thresholds, Consultants Services

Methods	Threshold
Quality- and Cost-Based Selection (QCBS)	> \$1,000,000 by Full Technical Proposal </= 1,000,000 by Simplified Technical Proposal </= \$600,000 by Biodata Technical Proposal
Consultants Qualifications Selection (CQS)	</= \$200,000 (example: external auditors)
Least-Cost Selection (LCS)	</= \$100,000 (example: external auditors)
Individual Consultant Recruitment	Individual consultant (International Procurement Specialist). Justification: A Procurement Specialist is required to help the Road Fund undertake advance actions for procurement of contractors and consultants

Table A7.1: List of Contract Packages in Excess of \$100,000 Goods, Works, and Consulting Services

Ref	Contract Description	Estimated Costs (\$ million) ^a	Procurement Methods	Date of Advertisement	Prior Review Y/N	Comments
1.	Civil Works	61.6	ICB	August 2008	Y	Financed by ADB and Government of UZB
2.	Goods	55.1	ICB	July 2008	Y	Financed by ADB
3.	Consulting Services	3.55	QCBS/LCS	August 2008	Y	Financed by ADB

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

^a Base cost only.

Source: The Road Fund.

Table A7.2: Proposed Detailed Contract Packaging (as proposed by Road Fund on 26 May 2009)

Ref	Contract Description	Unit	Estimated Costs (\$ million)	Mode of Procurement	Duration (months)	Contract Starting	Contract Completion	Responsible Agency
A.	Civil Works	Length (km)						
1.	CWP-1: Km 876-916 (B1)	40	14.0 ^a	ICB	12	Jul 09	Jun 10	Road Fund
2.	CWP-2: Km 490-520 (B2)	30	15.6	ICB (postqualification)	11	Jan 10	Dec 10	Road Fund
3.	CWP-3: Km 520-553 (B3)	33	17.4	ICB (postqualification)	11	Jan 10	Dec 10	Road Fund
4.	CWP-4: Km 553-581 (B4)	28	14.6	ICB (postqualification)	10	Dec 09	Oct 10	Road Fund
	Total Civil Works	131	61.6					
B.	Goods	Set						
1.	GP-1	283	46.1	ICB	6	Jan-Mar 09	Jul/Aug 09	RF/REPC
2.	GP-2	36	9.0	ICB	6	Feb-May 09	Sep 09	RF/REPC
	Total Goods	319	55.1					
C.	Consulting Services	Person-month (total)						
1.	INV: Procurement Specialist	12	0.24	SSS	12	May/Oct 08	Sep 09	Road Fund
2.	CSP-1: Project management and construction Supervision	216	1.68	QCBS	34*	Jun 09*	Apr 11*	Road Fund
3.	CSP-2: Development of REPC	19	0.21	QCBS	6	Nov 08	April 09	Road Fund
4.	CSP-3: Road Sector Planning and Management	77	1.33	QCBS	10	Jun 09	Mar 10	Road Fund
5.	Audit	2	0.09	LCS	4.5	Jun 09	Jun 11	PIU
	Total Consulting Services	336	3.55					
	Total Contract		120.25					

Ref	Contract Description	Unit	Estimated Costs (\$ million)	Mode of Procurement	Duration (months)	Contract Starting	Contract Completion	Responsible Agency
Packages								

CSP = consulting service package, CWP = civil works package, GP = goods package, INV = individual consultant, ICB = international competitive bidding, km = kilometer, QCBS = quality- and cost-based selection.

^a This package comprises surface layer work, road furniture, road signing and marking.

Source: The Road Fund.

*duration under the Consultant contract is subject to be updated by EA on June/July 2009

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Procurement Specialist

1. Introduction

1. A procurement specialist will be required to assist the Road Fund, the Project's Executing Agency (EA), in procurement of civil works for reconstruction of 131 kilometers (km) of the A-380 Guzar–Bukhara–Nukus–Dautata, procurement of road reconstruction and maintenance equipment, and recruitment of consulting services for the Project (Table A8.1).

Table A8.1: Proposed Contract Packages

Package	Number of Package	Procurement Mode
Civil works package	4	ICB
Equipment	2 (9 Lots)	ICB
Consulting services	4	QCBS/LCS

ICB = international competitive bidding, QCBS = quality- and cost-based selection, LCS=Least Cost Selection
Source: The Road Fund.

2. Scope of Services

2. The procurement specialist will be responsible for overall coordination of procurement activities carried out under the Project, as well as procurement on project level and shared activities, and ensuring that procurement is carried out in compliance with the procedures agreed with the Asian Development Bank (ADB).

3. The tasks of the procurement specialist will include but not be limited to the following:

- (i) Undertake procurement activity in accordance with the draft procurement plan, which provides the estimated costs and basis for the procurement methods for each procurement item under the Project.
- (ii) Prepare technical specifications for procurement of good and services together with the EA.
- (iii) Prepare bidding documents.
- (iv) Prepare tender notices and invitations for bids.
- (v) Receive, open, and assist in evaluation of bids; and finalize contracts.
- (vi) Administer contracts to ensure compliance with the contract conditions, payment terms, variations, dispute resolution, and monitoring, etc.
- (vii) Maintain all records relating to procurement.
- (viii) Maintain a separate record relating to complaints and their redressing.
- (ix) Periodically update the procurement plan in agreement with the EA to reflect the actual project implementation needs and improvements in institutional capacity.
- (x) Prepare procurement implementation reports in accordance with the reporting requirement acceptable to ADB.
- (xi) Assist the EA in its procurement activities and help it in develop reports in the agreed format.
- (xii) Obtain all necessary clearances within the Government and ADB.
- (xiii) Keep all procurement records in proper order, acceptable to the EA and ADB.
- (xiv) Assist the ADB staff during procurement post-review missions.
- (xv) Contribute to the preparation of project documents, studies, and materials for ADB and the EA.

- (xvi) Provide partial backup, be familiar, and participate in the activities of the project implementation unit (PIU) financial management officer in all areas, including preparation of financial and status reports, maintaining financial management system, preparation of document for payment, book and records keeping, etc.
- (xvii) Train EA staff on procurement.

4. If so required by the employer, the procurement specialist will provide any of the following as additional services: (i) prepare reports, additional contract documentation, and/or review and comment on the contractor's proposals, as may be required for the successful completion of the Project; and (ii) provide any other specialist services as may be required from time to time.

5. The employer will authorize all additional services, other than minor extras that do not materially affect the scope of the procurement work, at the rates mutually agreed upon when the services require the use of specialists not listed in the contract.

3. Input

6. The services will be carried out by an individual international consultant, to be selected by the Road Fund in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). A total of 12 person-months of international consultant inputs are estimated for the procurement activities. He/she should be a procurement specialist, preferably with experience of ADB guidelines on procurement of civil works, goods, and services. The services will be implemented over a 12-month period.

4. Deliverables

7. The consultant will submit the reports listed in Table A8.2.

Table A8.2: Required Reports

Type of Report	Recipient	
	Road Fund	ADB
Inception Report (month 1)	6	2
Progress report (monthly)	6	2
Draft Procurement Report	6	2
Final Procurement Report	6	2

ADB = Asian Development Bank.
Source: The Road Fund.

B. Development of Road Equipment Pool Company

1. Introduction

8. A team of consultants is required to help the road equipment pool company (REPC) start operating the unit. The assistance will be provided to ensure the viability and sustainability of the REPC in developing an efficient equipment management mechanism; introducing proper administrative, accounting, and financial procedures; establishing an equipment costing system; and providing on-the-job training for operators and workshop personnel.

2. Scope of Services

9. The scope of services will include the following:

- (i) Draft or review the company's charter.
- (ii) Prepare business management plan and human resources strategy.
- (iii) Prepare financial projection and financial management plan.
- (iv) Prepare marketing strategy and plan.
- (v) Provide management assistance for the development of hiring and cost control systems (including the calculation of rentals), maintenance systems, and equipment replacement strategies and processes.
- (vi) Prepare model contracts.
- (vii) Procure suitable computer software for management system, together with any necessary computers and associated hardware.
- (viii) Provide training in business development, financial, legal, and marketing.
- (ix) Prepare business cycle manual in English and Russian.

3. Input

10. The services will be carried out by consulting firms to be engaged in accordance with ADB's *Guidelines on the Use of Consultants*. They will require a total of about 5 person-months of international consultants and 14 person-months of national consultants. The services will be implemented over a 6-month period. The international consultants will have expertise in the fields of management and marketing, and finance. The national consultants will have expertise in the fields of marketing, financial analysis, legal specialist, and mechanical engineering.

4. Deliverables

11. The Consultant will submit the reports listed in Table A8.3.

Table A8.3: Required Reports

Type of Report	Recipient	
	Road Fund and REPC	ADB
Inception Report (month 1)	6	2
Progress Report (monthly)	6	2
Draft Final Report	6	2
Final Report	6	2

ADB = Asian Development Bank, REPC = road equipment pool company.

Source: The Road Fund.

C. Project Management and Construction Supervision

1. Introduction

1. The Republic of Uzbekistan has received a Loan from the Asian Development Bank (ADB) for the CAREC Regional Road Project in the amount of US\$ 75,3 million. The Loan was approved on 19 December 2007, **signed on 14 April 2008, declared effective on 2 May 2008** and is expected for completion on 30 June 2012.
2. The Project involves the reconstruction of two sections of the A380 road, totalling 131km, in the following locations (Attachment).
 - Section 1: 40km in Kungrad District, Karakalpakstan. (km 876-916)
 - Section 2: 91km in Tortkul District, Karakalpakstan and Khazarsp District, Khorezm Province. (km 490-581)
3. The Executing Agency (EA) for the Project is the Road Fund under the Ministry of Finance. A Project Implementation Unit (PIU) has been created within the Road Fund to implement the project in accordance with the ADB's Guidelines.

Objectives

4. The Project will involve reconstruction of the following sections of the A380 road. The work will be carried out under a maximum of four contracts. The reconstruction includes earthworks, drainage structures, road base, 7,5m asphalt pavement and the widening of existing bridges to 15m.

Contract	km	Estimated Cost (\$Million)	Earthworks (m ³)	Bridges
B1: Km 876–916	40	14,0		2
B2: Km 490–520	30	15,6		1
B3: Km 520–553	33	17,4		-
B4: Km 553–581	28	14,6		4

5. Civil works will be carried out based on the International Federation of Consulting Engineers (FIDIC) contract MDB Version 2006. A consultant team (the Consultant) will be engaged under Contract D2 to act as the Engineer. The Consultant will administer the construction contracts and ensure that the contractual clauses for both quality and specifications of work are complied with, and the works are constructed in accordance with the provisions of the construction contracts, The Engineer's Representative will be a full-time professional resident engineer in the project area under each package, in accordance with the provisions of the construction contracts.
6. The Consultant, while supervising construction works, will make all necessary arrangements for quality control and implementation of the works. The Consultant in consultation with the Road Fund will make all engineering decisions required for the successful and timely completion of the construction contracts, and will have all the powers defined as those of the Engineer.
7. The Consultant will carry out a critical review of the detailed design prior to the commencement of works. This review will be carried out immediately after the services commence. Upon completion of the review, the Consultant will prepare a report, setting out all findings and recommendations for correcting any defects or omissions identified. Notwithstanding these, the Consultant will immediately inform the employer of any defect or omissions that may have a substantial impact on the Project at the time the defect or omission is uncovered.
8. A licensed English version of Microsoft Project will be supplied by the Consultant to the ADB PIU. The Consultant shall also use this package in the administration of the construction contracts.

Scope of Services

9. Three major scopes are described below.
10. **Project Management.** The Consultant will be responsible for the management of the Project with the following scope of works:
- (i) Maintain records and advise and assist PIU with the day-to-day coordination and supervision of the Project and its components, including the preparation of regular progress reports.
 - (ii) Coordinate and review updated designs and cost estimates prepared by the design consultants.

- (iii) Coordinate and supervise the work of field teams in supervising and certifying construction in accordance with contract conditions.
- (iv) Review justifications provided for any variation orders proposed and submitted by the Contractors.
- (v) Monitor contractors' conformity with environmental and social impact controls required under the Project.
- (vi) Develop impact and outcome indicators; collect baseline data; and measure the indicators over time during the assignment period. Undertake project performance monitoring and evaluation in accordance with the project framework and ADB's *Project Performance Management System Handbook*, including the baseline data survey and the following annual survey and reporting up to project completion.
- (vii) Ensure project financial management procedures are in place and are strictly followed, specifically relating to payments, financial accounting, financial reporting and record keeping.
- (viii) Assist PIU to prepare a project completion report at the end of the Project.

12. **Construction Supervision.** The tasks of the consultant will include but not be limited to the following:

- (i) Ensure that the construction methods proposed by the contractors for carrying out the works are satisfactory.
- (ii) Inspection of contractor's construction equipment, results of material and soil tests, safety of the works, property and personnel.
- (iii) Inspect and test all materials and works to ensure compliance with specifications and giving immediate notice to the contractor in the event that such materials and works fail to comply with the specifications.
- (iv) Ensure that road safety design requirements are implemented in accordance with the contract.
- (v) Establish efficient procedures for verifying contractor performance and reporting progress and problems in a timely manner, including quality control reports, quantity survey records, requests for variation or change orders, requests for time extension, and contractor's claims and invoices.
- (vi) Ensure that the contractor does not involve child labor in the execution of the civil works contracts in accordance with the provisions of the contract agreement.
- (vii) Undertake supervision works; and prepare and issue the following reports, whose format and content should be acceptable to the employer: an inception report, a brief monthly progress report, a detailed quarterly report, and a detailed project completion report.
- (viii) Review and verify any proposed change orders to be generated by the contractors and make recommendations to the EA.
- (ix) Check that "as built" drawing is prepared by the contractors for all works as construction processes.
- (x) Carry out the following duties related to environmental mitigation, with particular reference to the technical requirements of sound environmental standards on the basis of ADB's *Environmental Guidelines for Selected Infrastructure development Projects (Highways and Roads)* during construction: (a) ensure that all the environmental mitigation measures required to be implemented are incorporated in the contract documents; (b) supervise and monitor the implementation of environmental mitigation measures required; and (c) in the event of occurrence of any unexpected environmental impacts, coordinate with the PIU to provide necessary mitigation measures for submission to the Road Fund and ADB.
- (xi) Monitor contractors' compliance with and performance of required actions regarding HIV/AIDS, human trafficking, and labor core standards in accordance

with the contract documents, such as awareness and education of laborers and workers.

- (xii) Prepare draft project completion report at 90% physical completion.
- (xiii) Prepare final project completion report after physical completion of the Project.
- (xiv) Certify work volume and process interim and final payments of the contractors.
- (xv) Recommend PIU of the rates for any unscheduled items of work that may arise.

13. If so required by Project Director, the Consultant will provide any of the following as additional services: (i) prepare reports, including technical appraisals, additional contract documentation, and/or review and comment on the contractor's proposals, as may be required for the successful completion of the Project; and (ii) provide any other specialist services as may be required from time to time.

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

Input

15. The services will be carried out by international firms in association with national consultants, to be selected by the EA in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). A total of 50 person-months of international consultant inputs and 166 person-months of national consultants will be required.

16. Consulting services are expected to take place over 34 months. The team leader will be a senior civil engineer with sufficient experience in road construction. The other experts should also have relevant qualifications and experience. All experts, international and national, must be proficient in both written and spoken English.

Proposed Key Staffing					
Position	No.	Person-Month	Position	No.	Person-Month
Chief Resident Engineer	1	34	Assistant Resident Engineer	1	34
Material Engineer	1	10	Material engineer	1	34
Highway Engineer	1	6	Highway Engineer/Site Inspector	1	34
			Bridge/Structure Engineer	1	12
			Road Design Engineer	1	12
			Safeguard Specialist	1	6
			Quantity Surveyor	1	34
International Consultants	3	50	National Consultants	7	166

17. The Consultant is requested to propose assignment of experts in accordance with the scope and expected deliverables.

18. The consultants will maintain a central office in Tashkent, for the duration of the Project. The consultant's staff will be based in Project Sites (Karakalpakstan and Khorezm) but will be expected to travel to Tashkent when required.

The task descriptions of each expert are as follows:

Chief Resident Engineer [international]:

He/she shall primarily undertake tasks described under para. 10 (i) and 10 (xi). Specifically he/she will take into account and coordinate and supervise the road construction works in the field. The chief resident engineer will (i) Maintain records and advise and assist PIU with the day-to-day coordination and supervision of the Project and its components, including the preparation of regular progress reports, (ii) Coordinate and review updated designs and cost estimates prepared by the design consultants, (iii) Coordinate and supervise the work of field teams in supervising and certifying construction in accordance with contract conditions.

Material Engineer [international]:

He/she shall primarily undertake tasks described under para. 12 (i) and 12 (iv). Specifically he/she will take into account and coordinate and supervise the road construction works in the field. The material engineer will (i) Maintain records and advise and assist PIU with the day-to-day coordination and supervision of the Project and its components, including the preparation of regular progress reports, (ii) Coordinate and review updated designs and cost estimates prepared by the design consultants, (iii) Coordinate and supervise the work of field teams in supervising and certifying construction in accordance with contract conditions.

Highway Engineer [International]:

He/she shall primarily undertake tasks described under para. 10, Para 11, Para 12 (iv), (v), (vii), (ix), and (xv). Specifically he/she will take into account and input on supervising the road construction works in the field. The highway engineer will (i) supervising National Highway Engineer/Site Inspector, coordinate and review updated designs and cost estimates prepared by the design consultants. (ii) services PIU including technical specifications reviewing, (iii) ensure that road safety design requirements are implemented in accordance with procurement plan (iv) undertake supervision works, establish efficient procedures for verifying contractor performance and check As-built drawing prepared by the contractors.

Assistant Resident Engineer [National]:

He/she shall primarily undertake tasks described under para. 10 (i) and 10 (xi). Specifically he/she will take into account and assist to International Chief Resident Engineer on coordination and supervision the road construction works in the field.

Material engineer [National]:

He/she shall primarily undertake tasks described under para. 12 (i) and 12 (iv). Specifically he/she will take into account and coordinate and supervise the road construction works in the field. The material engineer will (i) Maintain records and advise and assist PIU with the day-to-day coordination and supervision of the Project and its components, including the preparation of regular progress reports, (ii) Coordinate and review updated designs and cost estimates prepared by the design consultants, (iii) Coordinate and supervise the work of field teams in supervising and certifying construction in accordance with contract conditions.

Highway Engineer/Site Inspector [National]:

He/she shall primarily undertake tasks described under para. 12 (v) and 12 (xv). Specifically he/she will take into account and coordinate and supervise the road construction works in the field. The highway engineer/site inspector will (i) Maintain records and advise and assist PIU with the day-to-day coordination and supervision of the Project and its components, including

the preparation of regular progress reports, (ii) Coordinate and review updated designs and cost estimates prepared by the design consultants, (iii) Coordinate and supervise the work of field teams in supervising and certifying construction in accordance with contract conditions.

Bridge/Structure Engineer [National]:

He/she shall primarily undertake tasks described under para. 12 (i) and 12 (xv). Specifically he/she will take into account and coordinate and supervise the bridge construction works in the field. The bridge engineer will (i) Maintain records and advise and assist PIU with the day-to-day coordination and supervision of the Project and its components, including the preparation of regular progress reports, (ii) Coordinate and review updated designs and cost estimates prepared by the design consultants, (iii) Coordinate and supervise the work of field teams in supervising and certifying construction in accordance with contract conditions.

Road Design Engineer [National]:

He/she shall primarily undertake tasks described under para. 12 (i) and 12 (xv). Specifically he/she will take into account and coordinate and supervise the road construction works in the field. The road design engineer will (i) Maintain records and advise and assist PIU with the day-to-day coordination and supervision of the Project and its components, including the preparation of regular progress reports, (ii) Coordinate and review updated designs and cost estimates prepared by the design consultants, (iii) Coordinate and supervise the work of field teams in supervising and certifying construction in accordance with contract conditions.

Safeguard Specialist [National]:

He/she shall primarily undertake tasks described under para. 12(x) and 12(xi). Specifically he/she will take into account and promote among all project stakeholders the environmental and social safeguards issues laid out in the project documents, such as initial environmental examination (IEE), and management plans (EMP) as well as monitoring plans for individual sections and contracts. The safeguard specialist will (i) review all documents and reports regarding the integration of environmental and social issues, (ii) supervise the compliance of the proposed measures with environmental and social provisions agreed for the project, and (iii) document monitoring reports that will be included in the PIU Quarterly Progress Reports.

Quantity Surveyor [National]:

He/she shall primarily undertake tasks described under para. 12 (i) and 12 (iv). Specifically he/she will take into account and coordinate and supervise the road construction works in the field. The quantity surveyor will support and assist to site inspector to undertake his/her assignment in inspection of road construction works.

D. Deliverables

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

Time Schedule and Reports

20. The preliminary time schedule for the Project is given in the attached Master Program. The anticipated construction periods for the works are shown, including a three-month mobilisation.

21. The Consultant will submit the reports listed.

Type of Report	Recipient	
	Road Fund	ADB
Inception Report & Review (1 month)	6	2
Progress Report (monthly)	6	2
Draft Final Report	6	2
Final Report	6	2

Financial

22. The remuneration of the Consultant will be adjusted after each twelve-month period of services. A provisional sum will be included in the contract to cover the estimated cost of the application of the price variation provisions included in the Special Conditions of Contract.

Facilities Provided by the Client

23. The Client will provide the following services and facilities for the Consultant, either directly or through the construction contracts :

- (i) Furnished air-conditioned office spaces in the field sites and Tashkent office for carrying out the services.
- (ii) Office equipment, office consumables and computer consumables in Tashkent office.
- (iii) International telephone, fax and email facilities in Tashkent office.
- (iv) Visa supporting letters and registrations in Immigration Office
- (v) Furnished air-conditioned accommodation in both sites.

D. Road Sector Planning and Management System

Background

24. The Republic of Uzbekistan has received a Loan from the Asian Development Bank (ADB) for the CAREC Regional Road Project in the amount of US\$ 75,3 million. The Loan was approved on 19 November 2007 and is expected for completion on 30 June 2012. The Loan Agreement was signed on 14 April 2008.

25. The Executing Agency (EA) for the Project is the Road Fund under the Ministry of Finance. A Project Implementation Unit (PIU) has been created within the Road Fund to implement the project in accordance with the ADB's Guidelines.

26. The Road Fund has identified its limitations regarding road and highway planning in general, and prioritization of maintenance works in the face of budgetary constraints in particular. Since becoming operational in March 2006, the Road Fund has been primarily concerned with the procurement of roads works contracts. The programming of works is carried out based on ad hoc surveys, and does not reflect road traffic and road condition throughout the network adequately. Road Fund staff has been introduced to the asset management approach

based on the Highway Development and Management Model 4 (HDM-4) widely utilized in the developing world, so it is now considered appropriate to install modern transport planning and highway engineering approaches.

Objectives

27. A team of consultants is required to help strengthen the Road Fund's capacity in road sector planning and management, and prepare it to adopt a modern asset management approach to one of Uzbekistan's most valuable capital assets. The Road Fund will establish a roadworks planning unit after completion of this support component.

28. The objective of the technical assistance is to enable the Road Fund to raise the general standards of condition and capacity of the network through utilization of: (i) systematic road traffic censuses, and transport planning and highway techniques; (ii) scientifically-based monitoring of road surface condition (roughness) and roadbed conditions (structural number) on a regular basis so that the status of the entire network is known with a reasonable degree of certainty on a continuous basis; (iii) prioritization of road periodic maintenance and construction works utilizing HDM-4, in light of current and projected available financial resources to be carried out every 3 years on a rolling basis; and (iv) appropriately designed and maintained databases to support the above activities.

Scope of Services

29. The major scopes are described below. The consultants will carry out the following tasks:

- (i) Review the existing road networks, current road sector planning and financing system.
- (ii) Assess the Road Fund financing system and study the impact of possible application of road user charges, tolling system, and asset management systems including, in the longer term, public-private partnerships.
- (iii) Assess institutional framework of the road sector and prepare an institutional development strategy focusing on (a) the need for a road agency, and (b) ways of introducing private sector competition in the provision and maintenance of roads.
- (iv) Introduce computerized road sector planning and management based on HDM-4.
- (v) Develop database systems to support (iii) and (iv) above.
- (vi) Develop manual for database systems application.
- (vii) Purchase, set up and running the systems.
- (viii) Undertake a pilot data collection exercise, including appraisal utilizing HDM-4 and the transport model for selected road links.
- (ix) Provide staff training and study tours to transport planning and highway engineering centers of excellence.
- (x) Prepare long-term program for countrywide application of road condition and road link flow databases.
- (xi) Formalize transport planning and highway engineering and planning through the establishment of a Road Planning Unit.

Input

30. The services will be carried out by consulting firms to be engaged in accordance with ADB's Guidelines on the Use of Consultants. The services will require a total of about 35 person-months of international consultants and 62 person-months of national consultants. They will be implemented over a 10-month period. The international and national consultants will have expertise in the fields of (i) highway engineering, (ii) transport planning, (iii) transport

economics, (iv) road maintenance, (v) road financing, (vi) road institutions, (vii) HDM-4, and (viii) database system and management.

31. Consulting services are expected to take place over 10 months. The team leader will be a road planning expert with sufficient experience in similar projects. The other experts should also have relevant qualifications and experience. All experts, international and national, must be proficient in both written and spoken English.

Proposed Staffing

Position	No.	Person-Month	Position	No.	Person-Month
Team Leader - Transport Planning Specialist	1	9	Assistant of TL -Transport Planning Specialist on Transport Economics	1	10
Specialist on Transport Economics	1	4	Road Maintenance Specialist	1	8
Road Maintenance Specialist	1	5	Road Institutions Specialist	1	8
Road Institutions	1	5	Finance Specialist	1	6
Finance Specialist	1	4	IT Specialist on Data Base	1	6
Specialist on HDM-IV	1	4		1	8
International Consultants	6	31	National Consultants	6	46

Output

32. The following will be the consultant's outputs:

- (i) Transport planning and HDM-4 capacity installed in the Road Fund;
- (ii) Trained Road Fund staff capable of running HDM-4;
- (iii) A development plan, including both condition and capacity oriented elements for selected highways;
- (iv) Installed databases supporting (iii) above and a plan to expand the database to include the entire common use network;
- (v) Road sector institutional strategy and plan;
- (vi) Road maintenance and funding strategy and plan;
- (vi) Proposals for adequately funding the identified needs of the road sector.

33. The following scope of works will be performed by the consultant:

- (i) Procurement of HDM-IV (about \$10,000 for 4 licenses – for Uzbekistan);
- (ii) Procurement of computers and printers;
- (iii) Training HDM-IV for Road Fund Staff;
- (iv) Procurement of Roughometer from Australian Road Research Board;
- (v) Field surveys including traffic and roughness surveys.

34. The task descriptions of each expert are as follows:

Team Leader – Transport Planning Specialist [international]:

He/she shall primarily undertake tasks described under para. 6(i) - 6(iii), 6(vii) - 6(xi) para. 9, para. 10. The position requires a transport planner preferably with more than 20 years experience. Specifically, he/she will take into account and coordinate and review the existing road networks, current road sector planning and financing system. The Transport planning specialist will (i) assess institutional framework of the road sector and prepare an institutional development strategy focusing on (a) the need for a road agency, and (b) ways of introducing private sector competition in the provision and maintenance of roads, (ii) introduce and develop computerized road sector planning and management based on HDM-4, (iii) develop road maintenance and funding strategy and plan.

Specialist on Transport Economics [international]:

He/she shall primarily undertake tasks described under para. 6 (i), 6(x), 6(xi) Para 9(v), 9(vi). The person should preferably have an transport planning/economy academic background preferably with about 15 years experience. The specialist will (i) assess and analyses of road sector sustainability, and (ii) existing road networks, current road sector planning and management system.

Road Maintenance Specialist [international]:

He/she shall primarily undertake tasks described under para 6.(i), 6.(iii), 6.(iv), 6.(i), 6.(x), 6.(xi), 9.(iii), 9.(iii) 9.(vi) and 9.(vii). The position requires a civil/highway engineer preferably with about 15 years experience on road maintenance planner and construction, road management software like HDM4, preferably experience with GIS applications, preparation of multi-year rolling maintenance plans, preparation of guidelines and training materials and conducting training, and monitoring of pavements and road structures.

Road Institutions Specialist [international]:

He/she shall primarily undertake tasks described under para 6.(i), 6(ii), 6.(iii), 6(xi) 9.(iii), 9.(v) 9.(vi) and 9.(vii). The position also requires at least experience in regards with general economic basis view. Preferably with about 15 years experience on organisation development and public sector reform, private sector advisory, output & performance based road contract formulation, and a good understanding of road institutions.

Finance Specialist [international]:

He/she shall primarily undertake tasks described under para 6.(i), 6(ii), 6.(iii), 6(xi) 9.(iii), 9.(v) 9.(vi) and 9.(vii). The position requires an economist/finance specialist preferably with about 15 years experience on life-cycle analysis and financial feasibility studies of road and bridge projects, output & performance based road contract formulation, and a good understanding of public finance and current trends regarding sector-wide approaches.

Specialist on HDM-IV [international]:

He/she shall primarily undertake tasks described under para 6.(iv), 6.(v) 6.(vi) 6.(vii) 6.(viii) 6.(ix), 9.(i), 9.(ii) 10(i) 10.(iii). The person should preferably have a relevant academic background and about 10 years experience on developing database systems, computerized road sector planning, management based on HDM-4, HDM-4 capacity installed including transport model for selected road links, developing guideline and manual.

Deputy Team Leader – Transport Planning Specialist [National]:

He/she shall primarily undertake tasks described under para. 6(i) - 6(iii), para. 9, para. 10. Specifically he/she will take into account and coordinate and review the existing road networks, current road sector planning and financing system. The Transport planning specialist will develop road maintenance and funding strategy and plan, assess institutional framework, prepare an institutional development strategy for a road agency, and assess the possibility of private sectors to be involved in road maintenance program.

Specialist on Transport Economics [National]:

He/she shall primarily undertake tasks described under para. 6(i) 6(x), 6(xi) Para 9(v), 9(vi). The person should preferably have an transport planning/economy academic background preferably with about 10 years experience. The specialist will (i) assess and analyses of road sector sustainability, and (ii) existing road networks, current road sector planning and management system.

Road Maintenance Specialist [National]:

He/she shall primarily undertake tasks described under para 6.(i), 6.(iii), 6.(iv), 6.(i), 6.(x), 6.(xi), 9.(iii), 9.(iii) 9.(vi) and 9.(vii). The position requires a civil/highway engineer preferably with about 10 years experience on road maintenance planner and construction, road management software like HDM4, preparation of multi-year rolling maintenance plans, preparation of guidelines and training materials, and monitoring of pavements and road structures.

Road Institutions Specialist [National]:

He/she shall primarily undertake tasks described under para 6.(i), 6(ii), 6.(iii), 6(xi) 9.(iii), 9.(v) 9.(vi) and 9.(vii). The position requires about 10 years experience on organization development and public sector reform, private sector advisory.

Finance Specialist [National]:

He/she shall primarily undertake tasks described under para 6.(i), 6(ii), 6.(iii), 6(xi) 9.(iii), 9.(v) 9.(vi) and 9.(vii). The position requires an economist/finance specialist preferably with about 10 years experience on life-cycle analysis and financial feasibility studies of road and bridge projects, output & performance based road contract formulation.

IT Specialist on Data Base [National]:

He/she shall primarily undertake tasks described under para 6.(iv), 6.(v) 6.(vi) 6.(vii) 6.(viii) and 6.(ix). The person should preferably have a relevant academic background and about 8 years experience on developing database systems, management and computerized road sector planning, developing guideline and manual.

Deliverables

35. The Consultant will prepare monthly reports on the Project progress in a format and level of detail agreed with PIU and ADB. Inception Report and Review shall be detailed the existing condition, work plan and job description. Interim Report shall be involved all outputs during 5 months, analysis and next step for developing the system. Draft Final Report shall be submitted on time, project requirement output shall be proposed including recommendations and the original data.

Time Schedule and Reports

36. The Consultant will submit the reports listed in hardcopy and CD.

Type of Report	Recipient			Date for Report submission
	Road Fund		ADB	
	English	Russian		
Inception Report & Review	1	3	2	After 1 Month
Progress Report	1	3	2	Every month
Interim Report	1	3	2	After 4 Month
Draft Final Report	1	3	2	After 9 Month
Final Report	1	3	2	Within 1 Months after Final Completion

Facilities Provided by the EA

37. The EA will provide the following services and facilities for the Consultant, either directly or through the construction contracts:

- (i) Furnished air-conditioned office space in the field for carrying out the services
- (ii) Counterpart in-charge.
- (iii) Data, maps, arrangement meetings with the line ministries
- (iv) Communication including telephone/fax line and internet facilities.

Hand-over equipments

38. The Consultant shall hand-over all the equipments and software the EA in useable condition after completion the TA.

CONTRACT AWARDS PROJECTIONS BY YEARS

All amounts in \$ million

Ref.	Description	Estimated Cost	Year					2009	2010	2011	2012
			2008				Total				
			Q1	Q2	Q3	Q4					
A. Civil Works											
1.	CWP-1: Km 876-916	14.0					14				
2.	CWP-2: Km 490-520	15.6						15.6			
3.	CWP-3: Km 520-553	17.4						17.4			
4.	CWP-4: Km 553-581	14.6					14.6				
	Total Civil Works	61.6					0.00	28.6	33.0		
B. Goods											
1.	GP-1	46.0					46.0				
2.	GP-2	9.0					9.0				
	Total Goods	55.1					0.00	55.1			
C. Consulting Services											
1.	INV: Procurement Specialist	0.24		0.24							
2.	CSP-1: Project management and construction supervision	1.68					1.68				
3.	CSP-2: Development of REPC	0.21			0.21						
4.	CSP-3: Road Sector Planning and Management	1.33					1.33				
5.	Audit	0.09					0.09				
	Total Consulting Services	3.55		0.24		0.21	0.45	3.1			
	GRAND TOTAL	120.15		0.24		0.21	0.45	86.8	33.0		

DISBURSEMENT PROJECTIONS BY YEARS

All amounts in \$ million

Ref.	Description	Estimated Cost	Year								
			2008				Total	2009	2010	2011	2012
			Q1	Q2	Q3	Q4					
A. Civil Works											
1.	CWP-1: Km 876-916	14.0						0.5	1.6		
2.	CWP-2: Km 490-520	15.6							1.5	0.8	
3.	CWP-3: Km 520-553	17.4							1.8	0.8	
4.	CWP-4: Km 553-581	14.6							1.8	0.4	
	Total Civil Works	61.6					0.00	0.5	6.7	2.0	
B. Goods											
1.	GP-1	46.0						46.0			
2.	GP-2	9.0						9.0			
	Total Goods	55.0					0.00	55.0	0.00		
C. Consulting Services											
1.	INV: Procurement Specialist	0.24		0.06		0.06	0.12	0.12			
2.	CSP-1: Project management and construction services	1.68						0.48	0.95	0.25	
3.	CSP-2: Development of REPC	0.21				0.15	0.15	0.06			
4.	CSP-3: Road Sector Planning and Management	1.35						1.01	0.34		
5.	Audit	0.09						0.03	0.03	0.03	
	Total Consulting Services	3.57		0.06	0.00	0.21	0.27	1.70	1.32	0.28	
	GRAND TOTAL	120.47		0.06	0.00	0.21	0.27	57.2	8.02	2.28	

Appendix 9

TERMS OF REFERENCE FOR AUDITORS

AUDITOR TERMS OF REFERENCE
Loan No. 2403-UZB CAREC REGIONAL ROAD PROJECT
Contract D5 – Audit of Project Accounts

A. Introduction

1. The management of CAREC Regional Road Project requires an auditor to carry out the following audit services for the 2008, 2009, and 2010: An audit of the Annual Project Accounts (APA) for the **Loan No. 2403- UZB CAREC Regional Road Project** is given below.

B. General Background

2. In the purpose of developing and improving highway networks by the Decree №804 dated February 28, 2008 of the President of Uzbekistan was approved the attraction of ADB loan for implementation of the project CAREC Regional Road Project in the amount of USD 75.3 millions for the period of 24 years including 4 years' grace period (2008 - 2011). The share of the Republic of Uzbekistan for the project implementation was determined as USD 105.5 millions including USD 21.5 millions as exemption from taxes, customs duties and obligatory deductions to the state fund-in-trusts.

3. According to the abovementioned decree:

- (i) Republican Road Fund at the Ministry of Finance of Uzbekistan is determined as the Executing agency of CAREC Regional Road Project which is responsible for purpose and effective using of loan funds and implementation of the project;
- (ii) Project Implementation Unit, incorporated at the Road Fund is determined as functioning body for this project;
- (iii) For the coordination of the project implementation processes is established the coordinating committee.

4. Within the CAREC Regional Road Project implementation is provided:

- (i) Civil works comprising reconstruction of 131 km of the Guzar-Bukhara-Nukus-Beyneu (A-380) highway; (a) section 1: km 876-916 (40 km) in the Republic of Karakalpakstan and (b) Section 2: km 490-581 (91km) in Khazarasp District of Khorezm Province and Tortkul District of the Republic of Karakalpakstan.
- (ii) Goods: procurement of the road construction equipment for the amount of USD 55.1 million. The road equipment to be managed by a Road Equipment Pool Company, which will be established within the Project.
- (iii) Advisory services support for (a) procurement, (b) project management and construction supervision, (c) road sector planning and management system, and (d) establishment of REPC.

5. The auditor must understand the "purpose for which the funds are intended" in the context of the broad project objectives as well as in terms of the specific project budget.

C. Employment Authority

6. The audit services will be contracted by the Project Implementation Unit of the CAREC Regional Road Project.

29, Istiklol Street
 Tashkent, Uzbekistan
 Attn.: Alisher Tashmatov – Director PIU
 Tel/fax: (998 71) 239-49-08
 E-mail: info@piu-rf-adb.org

D. Delivery of Opinions and Reports

7. The auditor will provide the following opinions and reports to management (with copies to ADB), in accordance with the following timeframes: Audit Opinion on the Annual Project Accounts with Management Letter on the following project of ADB **Loan No. 2403-UZB: CAREC Regional Road Project** for the fiscal year ended in 2008, 2009, and 2010.

8. Each Audit Reports (project accounts, financial statements, imprest funds as applicable), should be submitted to ADB not more than 6 months following the end of the fiscal year as specified in the Loan Agreement of the project between ADB and the Government.

9. All reports must be provided in three copies in the English and Russian languages.

E. Objectives

10. The objective of the APA audit (see terms and definitions) is to enable the auditor to express an opinion on the financial position of the project implementation (see terms and definitions), for the fiscal year years ending 31 December 2008, 31 December 2009, 31 December 2010, on the funds received and expenditures made within audit years.

11. Separate opinions on the eligibility of claims made in Statements of Expenditure (SOE) and on the Imprest Account Statement are also required.

F. Scope Audit Services

12. The auditor's examination should include an evaluation of the systems and operating procedures for accounting, custody of assets, control of environment and internal financial control, financial reporting, and related systems. An analysis of explanations submitted to the auditor and all information necessary to support the auditor's opinion and to construct the report of the auditor, will be provided by the PIU, RF MF.

13. The auditor should obtain an understanding of the project and the PIU, RF MF, including the contents of the RRP, legal agreements and the ADB's guidelines, i.e. Financial Management and Analysis of Project, 2005, Loan Disbursement Handbook, Procurement Handbook, etc.

a) Auditing Standards and Program. The audit will be carried out in accordance with the agreed auditing standards as specified in the Loan Agreement, including professional or general standards, standards of fieldwork, and reporting standards. The audit program will consider the risk of material misstatements resulting from fraud or error. It should include procedures that are designed to provide reasonable assurance that material misstatements (if any) are detected.

b) Accounting Policies and Changes. The auditor should comment on the project's accounting policies, and confirm the extent to which the agreed project accounting policies have been applied. In particular, the auditor should note the impact on the APA arising from any material deviations from the agreed accounting standards. The auditor should also comment on any accounting policy changes, either during a financial year, or from one year to another.

c) Imprest Account (or Special Account). The Imprest Account reflects: (i) deposits and replenishment received from financiers, (ii) payments substantiated by withdrawal applications, and (iii) the remaining balance at financial year-end. The auditor will examine whether the Imprest Account has been maintained in accordance with the provisions of the relevant financing agreements.

The auditor must form an opinion on whether the Imprest Account was used in compliance with required procedures (e.g., those of ADB), and the fairness of the presentation of Imprest Account activity and the year-end balance. The auditor should examine the eligibility and correctness of financial transactions during the period under review, account balances at the end of the period, the operation and use of the Imprest Account in accordance with the financing agreement, and the adequacy of internal controls for this particular disbursement mechanism.

d) Statements of Expenditures (SOE). The auditor will audit all SOEs used as the basis for the submission of grant withdrawal applications to ADB. These expenditures should be **compared** for project eligibility with the relevant financing agreements (and with reference to the RRP and other project documents for guidance when considered necessary). Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor. The annual audit report should include a separate paragraph commenting on the accuracy and propriety of expenditures withdrawn under SOE procedures, and the extent to which ADB can rely on those SOEs as a basis for grant disbursement. Annexed to the APA should be a schedule listing individual SOE withdrawal applications by specific reference number and amount.

e) Compliance with Financial Covenants. The auditor will confirm compliance with each financial covenant contained in the project legal documents. Where present, the auditor **should** indicate the extent of any noncompliance by comparing required and actual performance measurements for each financial covenant with the financial year concerned.

f) Compliance with Financial Assurances. The auditor will confirm compliance with all financial assurances contained in the project legal documents (see terms and definitions). Where present, the auditor should indicate the extent of any non-compliance by comparing required and actual performance of the Recipient in respect of these ADB requirements for the financial year concerned.

g) Use of Funds for the Purpose Intended. The auditor will confirm, or otherwise, that:

- (i) All external funds have been used in accordance with the relevant financing agreements covering each project, with due attention to economy and efficiency, and only for the purpose for which the financing was provided.
- (ii) Counterpart funds, i.e. Government and/or co-financiers have been provided and used in accordance with the relevant financing arrangements and only for the purpose for which the financing was provided and
- (iii) Goods and services financed have been procured in accordance with the relevant financing agreements.

h) Record Keeping. The auditor will pay particular attention to whether all necessary supporting documents, records, and accounts have been kept in respect of all project activities, with clear linkages between the accounting records and the APA. This will include: (i) computation and recalculation, including checking the mathematical accuracy of estimates, accounts, or records; (ii) reconciliation, including reconciling related accounts to each other, subsidiary records to primary records and internal records to external documents; and (iii) tracing, including tracing journal postings, subsidiary ledger balances, and other details to corresponding general ledger accounts or trial balances.

i) Internal Control Systems. The auditor will assess the adequacy of the project financial management systems, including internal controls, including whether: (i) proper

authorizations are obtained and documented before transactions are entered into; (ii) accuracy and consistency are achieved in recording, classifying, summarizing, and reporting transactions.

G. Management Letters

14. On conclusion of the audit, the auditor will prepare a management letter for the audited project, detailing:

- (i) Any material weaknesses in the accounting and internal control systems that were identified during the audit, including those regarding SOEs and Imprest Accounts (if applicable);
- (ii) Recommendations to rectify identified weaknesses;
- (iii) Status of significant matters raised in previous management letters;
- (iv) Practical recommendations on the steps that could be taken to become materially compliant with the agreed project accounting policies, together with a time frame for making these changes;
- (v) The degree of compliance with each of the financial covenants in the Loan Agreement and recommendations for improvement;
- (vi) Matters that have come to the auditor's attention during the course of the audit which have a significant impact on project implementation;
- (vii) Any other matters that the auditor considers should be brought to the attention of the project's management; and
- (viii) Significant matters that the auditor considers should be brought to ADB's attention.

H. Statement of Access

15. The auditor will have full and complete access, at all reasonable times, to all records and documents including books of account, legal agreements, bank records, invoices, and any other information associated with the project and deemed necessary by the auditor. The auditor will be provided with full cooperation by all employees of RF MF and the PIU, whose activities involve, or may be reflected in, the annual financial statements. The auditor will be assured rights of access to banks and depositories, consultants, contractors, and other persons or firms hired by the employer.

(i) Independence

16. The auditor will be impartial and independent from any aspects of management or financial interest in the entity under audit. In particular, the auditor should be independent of the control of the entity. The auditor should not, during the period covered by the audit, be employed by, or serve as director for, or have any financial or close business relationship with the entity. The auditor should not have any close personal relationships with any senior participant in the management of the entity. The auditor must disclose any issues or relationships that might compromise their independence.

(ii) Auditor and Audit Staff Competence

17. The auditor must be authorized to practice in the country and be capable of applying the agreed auditing standards. The auditor should have adequate staff, with appropriate professional qualifications and suitable experience, including experience in auditing the accounts of entities comparable in nature, size, and complexity with the entity whose audit they are to undertake.

18. To this end, the auditor is required to provide curriculum vitae (CV) of the auditors who will provide the opinions and reports, together with the CVs of managers, supervisors,

and key personnel likely to be involved in the audit work. These CVs should include details of audits carried out by these staff, including ongoing assignments.

(iii) Submission of Proposal and Work Plan

19. You are invited to submit a proposal and a work plan to provide the audit services described in this letter. Proposals should address, among other things:

- (i) The extent (if any) that you would not conform to the agreed auditing standards and indicate any alternative standards to which you may (be required to) conform.
- (ii) Whether the audit would be conducted as a completed audit (i.e., will the auditors carry out their audit after financial year-end, when the books of account are, or are being, closed).
- (iii) Whether an audit carried out after financial year-end would be supplemented by one or more interim audits during a financial year. The principal purpose is to test ongoing systems and internal controls, and to relieve pressure on the staff of the entity and on the auditor at year-end.
- (iv) The manner in which the auditor proposes to address any statutory requirements relating to audit (e.g., certifications relating to shareholders' equity required under the companies' act) or to which they may be implicitly bound by contractual obligations of the employer (e.g., ADB auditing requirements, Statements of Expenditure, Imprest Accounts).
- (v) Procedural requirements for certain verification procedures (e.g., checking of stocks, inventories, assets, etc.).
- (vi) Specific actions required on the part of the employer (e.g., access to computer systems and records, disclosures).
- (vii) Discussions before signing the opinion and report on any matters arising from the audit, and with whom these discussions would be held.
- (viii) The timetable for provision of opinions and reports.

TERMS AND DEFINITIONS

1. This section defines the terms used in this documents:
 - (i) Government: Government of the Republic of Uzbekistan;
 - (ii) Management: Republican Road Fund at the Ministry of Finance, Republic of Uzbekistan;
 - (iii) RRF MF: Republican Road Fund at the Ministry of Finance of the Republic of Uzbekistan;
 - (iv) PIU: Project Implementation Unit;
 - (v) Project: **Loan No. 2403-UZB CAREC REGIONAL ROAD PROJECT**

A. Annual Project Accounts (APA)

2. The Annual Project Accounts (APA) comprise:
 - (i) Statement of Accounting Policies,
 - (ii) Audit Opinion,
 - (iii) Statement of Financial Performance,
 - (iv) Statement of Financial Position (or balance sheet),
 - (v) Statement of Cash Flows,
 - (vi) Notes to the Financial Statements and
 - (vii) Other information including,
 - (a) Statement of PIU
 - (b) Statement of loan withdrawals
 - (c) Statement of project resources
 - (d) Statement of the implementation of investment per construction and construction work item
 - (e) Compliance with the covenants contained in Loan Agreement
 - (f) Report on Project's implementation progress
 - (g) Report on Project's disbursement progress

TOTAL ACTUAL WITHDRAWN AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

Category	Loan	GOU	Total
Equipment and facilities for PIU office			
Consulting services			
Project Management			
Interest and Commitment Charge			
Total			

TOTAL ACTUAL WITHDRAWN AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2009

Project Management			
Interest and Commitment Charge			
Category	Loan	GOU	Total
Purchasing Goods			
Civil Works			
Consulting services			

(Various Currencies)

3. The actual withdrawn amounts for year 2009 will be submitted to Auditor on January 2010.

**TOTAL ACTUAL WITHDRAWN AMOUNTS FOR THE YEAR ENDED
DECEMBER 31, 2010
(Various Currencies)**

Category	Loan	GOU	Total
Purchasing Goods			
Civil Works			
Consulting services			
Project Management			
Interest and Commitment Charge			
Total			

4. The actual withdrawn amounts for year 2010 will be submitted to Auditor on January 2011.

B. Agreed Project Accounting Policies

5. "Agreed project accounting policies" with regards to preparation of Annual Project Accounts, means the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) (also known as international accounting standards).

C. Agreed Auditing Standards

6. "Agreed auditing standards" means the International Standards on Auditing (ISA) promulgated by the International Auditing and Assurance Standards Board (IAASB).

Appendix 10

Pro Forma of the Executing Agency's Project Progress Report**A. Introduction and Basic Data**

Provide the following:

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

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

Provide the following:

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

C. Project Purpose

Provide the following:

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

D. Implementation Progress

Provide the following:

- assessment of project implementation arrangements such as establishment, staffing, and funding of the PMO or PIU;

- information relating to other aspects of the EA's internal operations that may impact on the implementation arrangements or project progress;
- progress or achievements in implementation since the last progress report;
- assessment of the progress of each project component, such as,
 - recruitment of consultants and their performance;
 - procurement of goods and works (from preparation of detailed designs and bidding documents to contract awards); and
 - the performance of suppliers, manufacturers, and contractors for goods and works contracts;
- assessment of progress in implementing the overall project to date in comparison with the original implementation schedule—quantifiable and monitorable target, (include simple charts such as bar or milestone to illustrate progress, a chart showing actual versus planned expenditure, S-curve graph showing the relationship between physical and financial performance, and actual progress in comparison with the original schedules and budgets, the reference framework or guidelines in calculating the project progress including examples are shown in Appendix 2); and
- an assessment of the validity of key assumptions and risks in achieving the quantifiable implementation targets.

E. Compliance with Covenants

Provide the following:

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

F. Major Project Issues and Problems

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

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 complied 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.

LOAN COVENANTS

Covenant	Due Date	Status of compliance
Sector		
<p>Road Sector Reform</p> <p>The Borrower shall keep ADB informed about the progress in implementing the road sector reforms included in the Road Development Program so that the objectives and outputs of the Project and the Road Development Program remain fully aligned.</p>	Periodically updated	<p>Ongoing</p> <p>To be informed (most of original documents in Russian)</p>
Road Safety		
<p>The Borrower, through the Road Fund, will ensure that Works contracts will include an obligation on the part of contractors to comply with road safety measures.</p> <p>The Borrower shall cause the accident rate and traffic volume on the road sections rehabilitated under the Road Development Component to be monitored and reported on under the PPMS until 2018.</p>	<p>Incorporated in the Bidding Documents and draft contract of Package B1</p> <p>To be undertaken</p>	<p>Ongoing</p> <p>To be incorporated in the Contractor's Contract</p> <p>To be informed</p>
Environment		
<p>The Borrower, through the Road Fund, shall ensure that potential adverse environmental impacts arising from the Project are minimized by implementing all the mitigation measures presented in the IEE and SIEE.</p> <p>The PIU has access to sufficient resources to implement and record the implementation of the EMP with guidance from the Borrower's State Committee for Environmental Protection or any legal successor.</p> <p>The PIU semi-annually reviews the progress made on environmental measures detailed in the EMP, IEE, and SIEE; environmental monitoring; and problems encountered and remedial measures taken, and that its findings are included in the next quarterly progress report to be submitted to ADB.</p> <p>Detailed engineering designs, Works contracts and other contracts for the Project facilities incorporate applicable environmental measures identified in the EMP, IEE, and SIEE</p> <p>Works contractors are supervised to ensure compliance with the requirements of the EMP, IEE, and SIEE.</p>	<p>Incorporated in the Bidding Documents and draft contract of Package B1</p> <p>Incorporated in the Bidding Documents and draft contract of Package B1</p> <p>EMP, IEE, and SIEE to be reviewed</p> <p>Environmental aspects incorporated in the Detailed engineering designs, bidding documents and works contracts</p> <p>Incorporated in the contract of the Consultant for supervision</p>	<p>The mitigation measures presented in the IEE and SIEE, to be implemented</p> <p>the EMP to be implemented</p> <p>EMP, IEE, and SIEE to be reviewed</p> <p>Continuously implemented</p> <p>To be implemented</p>

Covenant	Due Date	Status of compliance
Social		
<p>Land Acquisition and Resettlement</p> <p>The Borrower shall ensure that the Project involves neither land acquisition nor involuntary resettlement within the meaning of ADB's <i>Involuntary Resettlement Policy</i> (1995).</p>	To be confirmed	To be confirmed
<p>Labor, Gender, Health, and Social Protection</p> <p>The Borrower, through the Road Fund, will include a specific provision in bidding documents to ensure that Works contractors (a) comply with applicable core labor standards, labor laws and incorporate applicable workplace occupational safety norms; (b) do not differentiate payment between men and women for work of equal value; (c) do not employ child labor in the construction and maintenance activities; (d) eliminate forced or compulsory labor; (e) eliminate discrimination in respect of employment; (f) allow for freedom of association; and (g) to the extent possible, maximize employment of local poor and disadvantaged persons for construction purposes, provided that the requirements for efficiency are adequately met.</p> <p>The Borrower, through the Road Fund, shall ensure that Works contractors disseminate, or engage appropriate service providers to –disseminate, information on the risks of sexually transmittable diseases, including HIV/AIDS, to the employees of Works contractors engaged under the Project and to members of the local communities surrounding the road sections that will be rehabilitated under the Project, particularly to females.</p>	<p>Incorporated in the work technical specification in each bidding document.</p> <p>Incorporated in the work technical specification in each bidding document.</p>	<p>To be inspected by EA, PIU, and supervision consultant</p> <p>To be inspected by EA, PIU, and supervision consultant</p>
Financial		
<p>Counterpart Funds:</p> <p>The Borrower, through the Road Fund and/or the REPC (as applicable), shall make available all counterpart funds required for timely and effective implementation of the Project, and shall ensure that the resources thus required are made available on an annual basis for each fiscal year. The Borrower shall cause the Road Fund to incorporate updated estimates of the funding requirements for implementation of the Project in its annual development program.</p>	Counterpart funds will be allocated for civil works packages, Audit Service, etc.	For REPC, equity equivalent to 10% or 6,408,353 already transferred to Transyo'lquirilish

Covenant	Due Date	Status of compliance
<p>Funding for Reconstruction, Repair and Routine Maintenance:</p> <p>The Borrower, through the Road Fund, (i) shall allocate and make available, on a timely basis, the funds budgeted for the reconstruction and repair of roads in accordance with the Road Development Program; and (ii) shall ensure that the road sections covered by the Road Development Program are maintained in accordance with applicable standards and best international practices.</p> <p>The Borrower, through the Road Fund, (i) shall allocate and make available, on a timely basis, the funds budgeted for routine maintenance of roads in accordance with the Road Development Program; and (ii) shall ensure that, in each fiscal year after 2010, the budget for routine maintenance is increased by no less than annual inflation rates, provided always that sound fiscal balance is maintained.</p>	<p>After 2009</p> <p>Prepared to be implemented (Decree 804)</p> <p>Allocation will be follow up by EA under Decree 804 and related Decrees/Regulations</p> <p>As specified in the Aid Memoir of ADB Mission Feb 2009</p>	<p>To be implemented</p> <p>To be implemented</p>
<p>Establishment and Operation of REPC:</p> <p>No later than 30 June 2008, the Borrower shall establish the REPC as a state-owned corporate entity in a legal form.</p> <p>The Borrower shall ensure (i) that the REPC has the capacity to own, operate, manage and rent out equipment for road construction, rehabilitation and/or maintenance works in Uzbekistan, (ii) that the REPC has equity in an amount that will be sufficient to maintain a ratio of debt to equity no greater than 90 to 10 upon the incurrence of debt in the amount of fifty-five million three hundred ten thousand Dollars (\$55,310,000), (iii) that this equity takes the form of assets acceptable to ADB appraised in accordance with methods acceptable to ADB, and, without limiting the generality of the foregoing, (iv) that the REPC is sufficiently equipped with office space, facilities and motivated personnel with sufficient expertise and experience in areas relevant to the REPC's proposed business operations (including, without limitation, business management, road equipment operation and maintenance, financial management and accounting, and marketing).</p> <p>The Borrower shall ensure that the REPC conducts its operations in a transparent manner by offering its services upon terms and conditions that it makes publicly available and that are the same for all its potential customers, whether state-owned or privately owned and whether foreign or national.</p>	<p>REPC was established on time</p> <p>Borrower continuously monitoring REPC</p> <p>Borrower continuously monitoring REPC in regards with transparently of operations</p>	<p>The REPC has already been organized and registered by government agencies and bank account was opened under its name.</p> <p>(i)N/A (ii) Equity already made available equivalent to 10% per the Loan Agreement (iii)N/A (iv) REPC has sufficiently equipped with office space, facilities and administration staff for initial operating</p> <p>To be continuously monitoring</p>

	Covenant	Due Date	Status of compliance
	<p>Fee levels</p> <p>The Borrower shall ensure that the REPC sets its equipment hire and service charges at a level that is sufficient for its financial viability in accordance with the business and financial models developed under the Project.</p>	<p>Confirmed through the report proposed by the Consultant for Development of REPC</p>	<p>To be continuously monitoring</p>
	<p>Operating Ratio</p> <p>Except as ADB shall otherwise agree, the Borrower shall ensure that the REPC maintains, for each of its fiscal years after its fiscal year ending on 31 December 2009, a ratio of total operating expenses to total operating revenue not higher than 80% (eighty percent).</p> <p>The Borrower shall ensure that, in the third quarterly progress report in each of its fiscal years, the REPC reports to the Road Fund, on the basis of a forecast prepared by the REPC, whether the REPC would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year. If any such review shows that the REPC would not meet the requirements for the fiscal years covered by such review, the Borrower shall ensure that the REPC promptly takes all necessary measures (including without limitation, adjustments of the structure or levels of its prices) in order to meet such requirements</p>	<p>To be confirmed, the ratio of total operating expenses to total operating revenue</p> <p>To be updated</p>	<p>To be updated</p> <p>To be updated</p>
	<p>Debt-Equity Ratio</p> <p>Except as ADB shall otherwise agree, the Borrower shall ensure that as of 31 December 2009, the REPC shall have a ratio of debt to equity that is no greater than 80 to 20.</p>	<p>To be updated</p>	<p>To be updated</p>
	<p>Others</p>		
	<p>Change in ownership:</p> <p>Implementation of plans for (a) any change in the ownership of the Project facilities or the REPC, and/or (b) any material change in the organizational structure of the Road Fund or the REPC that may affect the Borrower's ability to perform its obligations under this Loan Agreement or the REPC's ability to perform its obligations under the Subsidiary Loan Agreement, shall require ADB's prior approval. In the event that any such change is approved by ADB, the Borrower shall ensure that the change is carried out in a lawful and transparent manner. Depending on the nature of the approved change, ADB shall have the right to require changes to the terms of this Loan Agreement and/or the Subsidiary Loan Agreement.</p>	<p>N/A</p>	<p>N/A</p>

Covenant	Due Date	Status of compliance
<p>Construction Quality:</p> <p>The Borrower, through the Road Fund, shall ensure that the Road Development Component is carried out in accordance with the applicable technical specifications and design, and that the construction supervision, quality control and management of the Project are performed in accordance with applicable standards and best international practices.</p> <p>In the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable to ADB, to be employed to an extent and upon terms and conditions satisfactory to the Borrower and ADB.</p> <p>The Borrower shall (i) maintain, or cause to be maintained, separate accounts for the REPC and for the Project as a whole; (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 compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for the imprest account and the 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>	<p>GOST technical standard is applied for technical specification. Equivalent international standard for each item of field civil works, material, and testing method are incorporated in the bidding documents. Bidding documents, RFP and Procurement process fully based on ADB guideline and technical specification acceptable by ADB.</p> <p>(i) Bank account was opened under REPC's name (ii) N/A (iii) N/A (iv) PIU expenses reported periodically through</p>	<p>To be monitoring in construction stage</p> <p>Contract execution will be continuously monitoring by Borrower</p> <p>Continuously carried out as per the Loan Agreement</p>
<p>Project Management</p> <p>The Borrower shall designate the Road Fund as the Project Executing Agency with overall responsibility for carrying out the Project. The Borrower shall establish within the Road Fund a Project Implementation Unit (PIU) for the day-to-day implementation, administration and coordination of the Project.</p>	<p>Project Implementation Unit (PIU) established on 12 Nov 2007.</p>	<p>Road Fund as the Project Executing Agency</p>

Covenant	Due Date	Status of compliance
<p>The Borrower shall appoint a qualified professional in project management with relevant road works experience, acceptable to ADB, as head of the PIU. The Borrower shall ensure that during the entire period of Project implementation, the PIU is adequately staffed with sufficient expertise and experience in engineering, financial, procurement, administrative, and secretarial staff; and equipped with the necessary office space, equipment, facilities and management information systems.</p> <p>The Borrower shall cause (i) the TCD Head to ensure that the PIU receives any assistance it reasonably requires for successful implementation of the Road Development Component; (ii) the PRCDD Head to ensure that the PIU receives any assistance it reasonably requires for the development and implementation of the Road Sector Planning and Management System Subcomponent; and (iii) the managing director of the REPC to ensure that the PIU receives any assistance it reasonably requires for the development and implementation of the Provision of Road Equipment Subcomponent.</p>	<p>Mr. Alisher Tashmatov is head of the PIU located inside the office of Road Fund, full equipped and staffing.</p> <p>(i) N/A (ii) PRCDD representative of Road Fund are engaged for assistance in preparation of Bidding Documents for Civil Works, evaluation of Bids etc. (iii) Director of REPC periodically meeting with PIU.</p>	<p>Satisfactory compliance</p> <p>Work under PIU is ongoing and daily basis carrying out the project management</p> <p>Satisfactory compliance</p> <p>PIU is continuously receiving technical assistance</p>
<p>Incentive Payments</p> <p>The Borrower may consider using a portion from the amount allocated to Category 4 (as defined in Schedule 3 to this Loan Agreement) for incentive payments but shall ensure that that portion does not exceed the equivalent of thirty thousand Dollars (\$30,000). The Borrower shall ensure that the incentive payments are (i) awarded only to staff of the Road Fund directly involved in implementation of the Project, (ii) determined in accordance with performance-based standards and methods agreed with ADB, and (iii) fully accounted for in the Project accounts.</p>	<p>Incentive payment has been made for PRCDD for 2 months</p>	<p>Implemented as stated in the Loan Agreement</p>
<p>Project monitoring and reporting</p> <p>Within six months from the Effective Date, the Borrower, through the Road Fund, shall finalize and adopt a comprehensive project performance monitoring system (PPMS) acceptable to ADB, based upon the PPMS indicators agreed upon between the Borrower and ADB. The Borrower, through the Road Fund, shall collect base line data for performance monitoring.</p>	<p>PPMS is not available to date</p>	<p>PPMS to be provided by Project Management and Construction Supervision Consultant</p>

Covenant	Due Date	Status of compliance
<p>The Borrower, through the Road Fund, shall submit to ADB quarterly progress reports in form and substance satisfactory to ADB. The quarterly reports shall include, without limitation, a description of (i) the progress in implementation of each component and subcomponent of the Project during the relevant quarter; (ii) difficulties and delays encountered in implementation of the Project, and remedial actions suggested; (iii) the overall progress of the Project as monitored against the PPMS indicators, and (iv) activities for the next quarter. Unless specific issues have arisen earlier, the progress reports will report on the items set forth in paragraph 16.(b) of this Schedule semi-annually. The Borrower shall submit a project completion report within three months of completion of the Project.</p>	<p>Quarterly reports prepared and submitted to ADB</p>	<p>Quarterly reports prepared by PIU and submitted to ADB</p>
<p>Anti-corruption</p> <p>The Borrower shall comply with, and shall ensure that the Road Fund and the REPC comply with, ADB's <i>Anticorruption Policy</i> (1998, as amended to date). The Borrower, consistent with its commitment to good governance, accountability and transparency, agrees (a) that ADB has the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project and (b) to cooperate fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation. In addition, the Borrower shall (a) conduct periodic inspections on the contractors' activities related to fund withdrawals and settlements; (b) ensure that 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 all contractors, suppliers, consultants, and other service providers as they relate to the Project; and (c) the construction supervision consultant shall verify the contractors' invoices in accordance with working drawings and contract specifications. The Road Fund shall announce the Project and business opportunities associated with the Project on its website, which is currently part of the website of the Ministry of Finance of the Borrower.</p>	<p>Incorporated in bidding documents, RFP, contracts, negotiation minutes, and regularly remaining verbally in each meeting</p>	<p>Satisfactory compliance</p> <p>Continuously applied all the ADB's Anticorruption Policy</p>

	Covenant	Due Date	Status of compliance
	<p>Mid-term review</p> <p>Two years from the Effective Date, the Borrower, the Road Fund, the REPC and ADB shall jointly undertake a comprehensive mid-term review of the Project. The midterm review shall assess the Project's achievements and progress in implementing the Project against the PPMS indicators and the project implementation schedule in order to identify any difficulties or constraints encountered in implementing the Project and to make adjustments, if necessary, for the remaining project implementation period. In particular, the mid-term review shall, among others, evaluate the Project scope, costs, overall implementation progress, and status of compliance with loan covenants.</p>	information available	<p>Will continue to update</p> <p>Comprehensive mid-term review of the Project will be undertaken</p>
	<p>Project audit</p> <p>The Borrower shall ensure that the annual performance audit for the Project referred to in Section 4.05 of this Loan Agreement is conducted by independent auditors recruited in accordance with the Consulting Guidelines. All costs incurred in connection with such performance audits shall be Recurrent costs under Category 4 (as defined in Schedule 3 to this Loan Agreement).</p>	Recruitment of Consultant firm for Audit is in progress for 3 fiscal years service including longlist and shortlist criteria	Finalizing RFP as per ADB's procedure

ADB's Anticorruption Policy

ADB's Anticorruption Policy requires borrowers (including beneficiaries of ADB-financed activity), as well as bidders, suppliers, and contractors under ADB-financed contracts, observe the highest standard of ethics during the procurement and execution of such contracts. In pursuance of this policy, the ADB:

- (a) defines, for the purposes of this provision, the terms set forth below as follows:
 - (i) "corrupt practice" means the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party;
 - (ii) "fraudulent practice" means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
 - (iii) "coercive practices" means impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;
 - (iv) "collusive practices" means an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party;
- (b) will reject a proposal for award if it determines that the bidder recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for the Contract; and
- (c) will sanction a party or its successor, including declaring ineligible, either indefinitely or for a stated period of time, to participate in ADB-financed activities if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for, or in executing, an ADB-financed contract.