



Project Administration Memorandum

Project Number: 33042
Loan Number: 2124
October 2005

TAJ: Irrigation Rehabilitation Project

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

Asian Development Bank

Asian Development Bank

PROJECT ADMINISTRATION MEMORANDUM
(PAM)

IRRIGATION REHABILITATION PROJECT
(LOAN NO. 2124-TAJ(SF))

AGRICULTURE, ENVIRONMENT, AND NATURAL RESOURCES DIVISION
EAST AND CENTRAL ASIA DEPARTMENT

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October 2005

CURRENCY EQUIVALENTS

(as of 31 October 2004)

| | | |
|---------------|---|--------------|
| Currency Unit | – | somoni (TJS) |
| TJS1.00 | = | \$0.3351 |
| \$1.00 | = | TJS2.9839 |

ABBREVIATIONS

| | | |
|-------|---|---------------------------------------------------------|
| ADB | – | Asian Development Bank |
| ARP | – | Agriculture Rehabilitation Project |
| CSP | – | country strategy and program |
| EA | – | executing agency |
| IEE | – | initial environmental examination |
| EIRR | – | economic internal rate of return |
| FAO | – | Food and Agriculture Organization of the United Nations |
| I&D | – | irrigation and drainage |
| GDP | – | gross domestic product |
| IPM | – | integrated pest management |
| LCB | – | local competitive bidding |
| M&E | – | monitoring and evaluation |
| MWRLR | – | Ministry of Water Resources and Land Reclamation |
| NGO | – | nongovernment organization |
| NPV | – | net present value |
| O&M | – | operation and maintenance |
| PMO | – | project management office |
| PRSP | – | Poverty Reduction Strategy Paper |
| RO | – | regional office |
| SDR | – | special drawing rights |
| SCNPF | – | State Committee for Nature Protection and Forestry |
| TA | – | technical assistance |
| WUA | – | water users' association |

WEIGHTS AND MEASURES

| | | |
|----------------|---|--------------|
| ha | – | Hectare |
| mt | – | metric ton |
| m ² | – | square meter |
| m ³ | – | cubic meter |
| t | – | ton |

NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

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| This report was prepared by a team consisting of P. Bozakov (Mission Team Leader) and L. Francisco (Mission Member/Associate Project Analyst). |
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INTRODUCTION

1. This Project Administration Memorandum (PAM) contains project data and information that allows the Borrower, Executing Agency (EA), Implementing Agency (IA), and the Asian Development Bank (ADB) to monitor project implementation and evaluate project impact. To this end, this PAM is aimed to:

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

2. To ensure its usefulness, the PAM should be an active document, progressively updated, and revised as and when necessary, particularly during midterm review and following any changes in project costs, scope, or implementation arrangements. Changes made to PAM should be added to the PAM as an addendum, rather than replacing the earlier portion. This will help in reconciling historical records and in preparing the future project completion report.

Notes: Borrower in this PAM refers to the Republic of Tajikistan and/or the Executing Agency.

LOAN PROCESSING HISTORY

| | |
|----------------------------------------------|----------------|
| Approval of preparatory technical assistance | 14 July 2003 |
| Fact-finding | Jan/Aug 2004 |
| Management review meeting (MRM) | 30 Aug 2004 |
| Appraisal mission | 6-16 Sep 2004 |
| Staff review committee (SRC) | 18 Oct 2004 |
| Loan negotiations | 10-12 Nov 2004 |
| Board circulation | 09 Dec 2004 |
| Board consideration and approval | 10 Dec 2004 |
| Loan agreement signing | 25 May 2005 |
| Loan effectiveness | 6 Sept 2005 |

I. PROJECT DESCRIPTION

A. Area, Location, Objectives and Scope

1. The Project's goal is to improve the living standards of the rural population in the project areas. The purposes of the Project are to increase productivity and income of rural communities in the project areas, and to improve the access of the rural population to potable water supply. The Project will cover the four poorest provinces of the country. In the northern province of Sughd, work will be carried out on the Asht-1 irrigation scheme. In the Central Region of Republican Subordination, irrigation systems in Vahdat district will be targeted. In the southern province of Khatlon, work will be done in both Farkhor and Panj districts. In the remote eastern Gorno-Badakhshan Autonomous Oblast, the irrigation infrastructure in Rushon will be repaired. An estimated 262,000 beneficiaries live in the project areas, of whom 153,000 are poor. During stakeholder meetings at the project sites, three general themes emerged as causes of poverty: lack of reliable irrigation and drinking water supplies, limited opportunities to become independent farmers, and lack of jobs. These causes are addressed in the project design.

B. Components and Outputs

2. To achieve higher crop productivity and income of rural communities, the Project will (i) rehabilitate the selected irrigation infrastructure and support improved water management; (ii) rehabilitate the selected water supply schemes and establish water supply committees for sustained O&M; (iii) provide agricultural support to farmers; and (iv) establish appropriate mechanisms for project management, monitoring, and evaluation.

3. The key outputs of the Project in terms of increasing productivity and rural incomes are (i) rehabilitated I&D systems at the project sites, (ii) improved water management, and (iii) improved agricultural practices and technologies. The key outputs to improving access to safe drinking water are the reconstruction of potable drinking water supply systems and improved participatory management of these facilities. The Project's outputs also include the establishment of a project management office. **Appendix 1** outlines the Project Framework to indicate how these components will be implemented to attain the Project objective. The description of project components is in **Appendix 2**.

C. Policy Reforms in the Project Areas

4. To deepen the ongoing agriculture sector reforms, the Government has agreed to implement specific pilot-based reform actions in the project areas, including (i) improved farm structure, operations, and management based on market-oriented principles; (ii) removal of cotton production quotas, and involvement of local authorities in directing cotton credit; (iii) issuance of tradable land lease certificates that can then be used as collateral; and (iv) introduction of open cotton sales. These actions would help farms reorganize into a proper size, under self-elected farm managers; accelerate land reforms; and substantially improve the profitability, and hence productivity, of cotton, as well as of other crops. To help the Government successfully implement these reforms, an associated TA is proposed to provide technical expertise and resources, including establishment of an open, participatory framework, involving farmers, local authorities and investors, to guide, monitor, and assess the progress of reforms.

D. Special Features

5. Recognizing and promoting the primary beneficiaries' role in O&M of I&D facilities is an important element in improving system performance, water management, and cost recovery, as well as ensuring equitable distribution of irrigation regardless of gender or poverty. The Project supports participatory irrigation management through development of WUAs, in close collaboration with other development partners, including the USAID, which in principle, agreed to support the establishment of WUAs in the Asht-2 irrigation system in Sughd. The progress and impacts of the reform agenda under the Project will have a significant influence on future sector reforms. Therefore, the Government has agreed to review the Project's reform progress at a national-level forum, involving development partners, NGOs, and other stakeholders. To maximize employment and income-generating opportunities at the project sites, government officials have agreed to hire, through project-financed contracts, poor and vulnerable groups for civil works to the maximum extent possible.

II. COST ESTIMATES AND FINANCING PLAN

A. Cost Estimates

6. The total cost of the Project is estimated at \$29.0 million equivalent, comprising \$13.3 million (45.7%) in foreign exchange cost and \$ 15.7 million (54.3%) in local currency cost. The cost estimates include \$4.3 million for taxes and duties, and 5% of base costs for physical contingencies. The Summary cost estimates by components are in Table 1, and details are provided in Appendix 3.

Table 1: Cost Estimates
(\$ Million)

| Item | Foreign Exchange Cost | Local Currency Cost | Total Cost |
|-----------------------------------------|--------------------------|------------------------|---------------|
| A. Base Costs | | | |
| 1. Rehabilitation of I&D Infrastructure | 9.47 | 11.96 | 21.43 |
| 2. Improvement of Water Supply Systems | 1.13 | 1.31 | 2.44 |
| 3. Agricultural Support to Farmers | 0.10 | 0.77 | 0.87 |
| 4. Project Management | 1.83 | 1.47 | 3.30 |
| Subtotal (A) | 12.53 | 15.51 | 28.04 |
| B. Contingencies | | | |
| 1. Physical Contingencies ^a | 0.37 | 0.64 | 1.01 |
| 2. Price Contingencies ^b | (0.32) | (0.41) | (0.73) |
| Subtotal (B) | 12.58 | 15.74 | 28.32 |
| C. Interest Charges^c | 0.69 | 0.00 | 0.69 |
| Total | 13.27 | 15.74 | 29.01 |
| % | 45.74 | 54.26 | 100.00 |

I&D = irrigation and drainage.

^a At 5% for most materials, equipment and civil works.

^b At -1.7% for foreign costs in 2005, -0.8% in 2006, 0% in 2007, -0.9% in 2008, and then at 0.06% per year, based on projections for inflation in US dollar terms; and at 5% per year for local currency costs.

^c Interest during implementation of 1% per annum for Asian Development Fund.

Source: Asian Development Bank estimates.

B. Financing Plan

7. ADB will finance \$22.7 million, representing 78.3% of total project costs, as a loan from the Asian Development Fund (ADF). ADB will finance 100% of the foreign exchange cost of the Project and 60% of the local currency cost. The Borrower will be the Republic of Tajikistan. The Borrower will provide \$6.3 million equivalent, amounting to 21.7% of project costs. The loan from the ADF will have a term of 32 years with a grace period of 8 years. Interest on the ADF loan is 1% during the grace period and 1.5% per annum thereafter. The summary of the project financing plan is shown in Table 2, and the detailed cost estimates and financing plan is in Appendix 4.

Table 1: Financing Plan
(\$ million)

| Item | Foreign | Local | Total | % |
|------------------------|--------------|--------------|--------------|---------------|
| Asian Development Bank | 13.27 | 9.45 | 22.72 | 78.3 |
| Government | 0.0 | 6.29 | 6.29 | 21.7 |
| Total | 13.27 | 15.74 | 29.01 | 100.00 |

Source: Asian Development Bank estimates.

C. Allocation of Loan Proceeds

8. The following are indication of goods and services and other items to be financed out of the proceeds of the Loan disbursement category:

Category 1: Civil Works for Asht, Vahdat, Farkhor, Panj, Rushon

Includes: Rehabilitation, irrigation and drainage infrastructure and improvement of potable water supply systems for (i) Off-farm structures, (ii) minor civil works and buildings, and (iii) water supply and sanitation

Excludes: Rehabilitation, irrigation and drainage infrastructure for (i) water management support, and (ii) Improvement of Potable Support for Agricultural Development

Category 02A: Equipment

Includes: Office equipment and supplies, pumps, motors, and machinery, pipes and other equipment and electrical equipment

Excludes: Equipment for rehabilitation, irrigation and drainage infrastructure for Rushon and office equipment and supplies and pumps, motors and machinery for water management support

Category 02B: Vehicles

Includes: Vehicles for (i) Support for Agricultural Development and (ii) Project Management.

Category 02C: Materials

Includes: Includes Office and Laboratory materials for (i) water supply system and (ii) Project management.

Category 03: Training, Extension and Studies

Includes: Includes irrigation and drainage materials for rehabilitation, irrigation and drainage infrastructure for Vahdat and Panj.

Category 04: Consulting Services

Includes: International and National consultants for Project Management.

Category 05: Office and Staff Costs

Includes: Office operations for (i) office and staff costs for Project Management; and (ii) Project operations for PMO and Regional Office Costs for (i) Agricultural Support and Project Management.

Table 3 shows the different allocations for each categories and percentages of ADB financing.

| Table 3: ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS | | | | | |
|------------------------------------------------------------|-------------------------------------|-----------------------------|--------------------|------------------------------------|---------------------------------------------------------------------|
| (Irrigation Rehabilitation Project) | | | | | |
| CATEGORY | | | | PERCENTAGE OF ADB FINANCING | |
| Number | Item | Amount Allocated SDR | | Percentage | Basis for Withdrawal From the Loan Account |
| | | Category | Subcategory | | |
| 1 | Civil Works | 2,437,000 | | 60 | percent of total expenditure (15% for foreign and 45% for local) |
| 2 | Equipment | 9,382,000 | | | |
| 2A | Equipment | | 9,126,000 | 100 | percent of foreign expenditure |
| | | | | 51 | percent of local expenditure ^b |
| 2B | Vehicles | | 50,000 | 100 | percent of foreign expenditure |
| 2C | Materials | | 206,000 | 100 | percent of foreign expenditure |
| | | | | 61 | percent of local expenditure ^b |
| 3 | Training, Extension and Studies | 783,000 | | 100 | percent of local expenditure ^b |
| 4 | Consulting Services | 1,424,000 | | 100 | percent of local expenditure |
| 5 | Office and Staff Costs ^a | 164,000 | | 100 | percent of local expenditure |
| 6 | Interest Charge | 457,000 | | 100 | percent of amounts due |
| 7 | Unallocated | 499,000 | | | |
| | Total | 15,146,000 | | | |

No withdrawals from the Loan Account shall be made in respect of any local taxes.

9. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

10. Notwithstanding paragraph 5 of Schedule 3 of Loan Agreement, any contract awarded to a local supplier after effective international competitive bidding or international shopping pursuant to the relevant provisions of Schedule 4 to this Loan Agreement shall be financed out of the proceeds of the Loan on the following basis:

- (a) where the goods procured from a local supplier are manufactured locally, 100 percent of the ex-factory price of the goods supplied (exclusive of any taxes); and
- (b) where the goods procured from a local supplier have been entirely imported, 100 percent of the foreign-currency component of the contract price.

2. **Local Expenditure**

11. Loan proceeds up to the amount equivalent to SDR6,292,000 may be withdrawn from the Loan Account in foreign currency for the purposes of financing local expenditure.

12. Except as provided in this paragraph or as ADB may otherwise agree, no withdrawals from the Loan Account shall be made in respect of any local expenditure on the Project.

3. **Interest Charge**

13. The amount allocated to Category 6 is for financing the interest charge on the Loan during the implementation period of the Project.

4. **Reallocation**

14. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table and subject to paragraph 5 of this Schedule,

- (a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, in consultation with the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and
- (b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, in consultation with the Borrower, reallocate such excess amount to any other Category.

5. Imprest Account; Statement of Expenditure

15. Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at a bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and ADB. The initial amount to be deposited into the imprest account for the first year of Project implementation shall not exceed the equivalent of \$100,000 and thereafter shall not exceed the equivalent of six months' estimated expenditures for the Project or 10% of the total Loan amount, whichever is lower.

16. The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures under the Project and to liquidate advances provided into the imprest account, in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$100,000.

6. Retroactive Financing

17. Withdrawals from the Loan Account may be made for reimbursement of reasonable expenditures incurred under the Project before the Effective Date, but not earlier than 1 October 2004 in connection with PMO and PIU staff, facilities and equipment, subject to a maximum equivalent to \$100,000.

III. IMPLEMENTATION ARRANGEMENTS

A. Project Management, Monitoring, and Evaluation

18. The project management structure will take into account the experience gained during implementation of ADB's projects executed by MWRLR,¹ the project EA.² A high-level steering committee established during project preparation will continue to provide policy guidance and facilitate interministerial coordination.³ The minister of MWRLR will be the project director with overall responsibility for project implementation. A PMO will be established within MWRLR to manage project activities and to liaise with ADB and with other coordinating bodies. Five ROs will be established, the one for Vahdat operating out of the PMO in Dushanbe and the others based in their subproject area. ROs will be responsible for project implementation in their areas, and for maintaining liaison with local administrations, and beneficiary organizations. The PMO will be led by a full-time manager and the ROs by regional managers. The PMO manager will be nominated by the Government and endorsed by ADB. The regional managers and other key staff will be selected by a panel of experts appointed by the Government. The Organization Chart for Project implementation is shown in **Appendix 5**.

¹ ADB. 2002. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Republic of Tajikistan for the Agricultural Rehabilitation Project*. Manila.

² EA has been assessed by TA 4052-TAJ, and TA recommendations are incorporated in the project design.

³ The project steering committee is chaired by the Deputy Prime Minister in charge of agriculture, water, land, and of environment protection. The members of the committee include the Minister of MWRLR, Minister of Agriculture, Deputy Minister of Nature Protection and Forestry, Chairman of State Committee for Land Management, Deputy Minister of Finance, Deputy Minister of Economy and Trade, and Deputy Minister of Health.

IV. IMPLEMENTATION SCHEDULE

19. The Project will be implemented over 6 years, starting in July 2005. Project activities during the first year will concentrate on selecting and fielding consultants, procuring equipment, developing operational systems for the PMO/ROs, and training their staff. Field surveys, investigations, preparation of designs and bidding documents, and agricultural support activities in the five project districts will also commence in the first year. The Project civil works will be implemented in separate packages with construction starting in the second half of year 2. The project implementation schedule is shown in **Appendix 6A**.

20. PMO will monitor and keep track of the Project's implementation schedule. Also, to facilitate ADB's monitoring, the form in **Appendix 6-B** should be prepared and updated regularly for inclusion in the Project's Quarterly Progress Report, indicating the reasons that contributed to the achievement or non-achievement of the targets during the report period, and proposed actions in case of the latter.

21. The Borrower, EA or ADB may propose changes in implementation arrangements to respond to unexpected changes in circumstances during project implementation. Such changes will be assessed in detail and approved by the concerned authority of the Government and ADB, with the view to achieving the project objectives. Each of the changes should be recorded in the form provided in **Appendix 6-C**.

V. CONSULTANT RECRUITMENT

22. The Project will provide a total of 684 person-months of consulting services, comprising 78 person-months of international consultants and 606 person-months of domestic consultants to supplement MWRLR's project management capacity. To minimize the over reliance on consultants and the burden of consulting services costs, input of international consultants has been kept to a minimum, restricted to areas for which technical capacity is limited in government agencies; institutional capacity-building programs have also been incorporated in the project design. The consultants will assist MWRLR in (i) design, procurement, and construction supervision; (ii) agricultural support services; and (iii) project management, monitoring, and evaluation. These services will be provided by an international consulting firm(s) in association with domestic consulting firm(s) to be engaged by MWRLR in accordance with ADB's *Guidelines on the Use of Consultants Jan 2005* and other arrangements satisfactory to ADB for the engagement of domestic consultants.⁴ The consulting services requirements of the Project is given in Table 4 below. The detailed terms of reference for consultants is in **Appendix 7-A** and the general guidelines on recruiting of consultants, and recruiting of consulting firms for loan projects is in **Appendix 7-B**.

Table 4: Consulting Services Requirements of the Project

| Expertise | Person-Months | |
|-----------------------------------------------|---------------|----------|
| | International | Domestic |
| Team Leadership and Project Management | | |
| Team Leader and Irrigation Engineer | 24 | |
| Deputy Team Leader and Irrigation Engineer | | 45 |
| M & E and MIS Specialist | 1.5 | 18 |

⁴ ADB's quality- and cost-based selection method will be used.

| Expertise | Person-Months | |
|-------------------------------------------------------------------------------------------------------------------|---------------|----------|
| | International | Domestic |
| Environmental Monitoring Specialist | 1.5 | 6 |
| Fisheries Specialist | 1 | |
| Social Impact Assessment Expert | 2 | 8 |
| Gender and Social Development Expert | | 3 |
| Support for Agricultural Development | | |
| Irrigation Agronomist | | 10 |
| Integrated Pest Management Specialist | | 10 |
| Seed Specialist | | 8 |
| Rehabilitation of Irrigation and Drainage Infrastructure | | |
| Project Management Unit-Dushanbe | | |
| Procurement / Contract Specialist | 12 | 36 |
| Construction Management Specialist | | 32 |
| Structural Engineering Specialist | | 10 |
| Hydraulic Engineer/Design Team Leader | 9 | 40 |
| River Morphologist | 1 | 4 |
| Land Surveyor | 2 | 9 |
| Geotechnical and Embankment Specialist | 2 | 12 |
| Mechanical Engineer (gates) | 1 | 24 |
| Mechanical Engineer (irrigation pumps) | 2 | 24 |
| Electrical Engineer (irrigation pump systems) | 2 | 24 |
| Project Implementation Unit - Vahdat District | | |
| Construction Supervision Advisor | | 27 |
| Project Implementation Unit – Asht | | |
| Construction Supervision Advisor | | 30 |
| Project Implementation Unit –Farkhor | | |
| Construction Supervision Advisor | | 30 |
| Project Implementation Unit – Panj | | |
| Construction Supervision Advisor | | 27 |
| Project Implementation Unit – Rushon | | |
| Construction Supervision Advisor | | 24 |
| Support to Water Resources Management Agencies, Organization and Training of Water Users' Associations | | |
| Financial Database Management Expert | 2 | 12 |
| Legal Expert | | 6 |
| Irrigation Water Management Consultant | 3 | 30 |
| WUA/ Institutional Development Consultant (senior) | 3 | 24 |
| WUA/ Institutional Development Consultant | | 20 |
| Public participation/publicity specialist | | 5 |
| Improvement of Potable Water Supply Systems | | |
| Community Water Supply Engineer (design) | 9 | |
| Water Supply Engineer (design) | | 26 |

| Expertise | Person-Months | |
|------------------------------------|---------------|------------|
| | International | Domestic |
| Community Participation Specialist | | 16 |
| Groundwater Hydrogeologist | | 6 |
| Total | | |
| Grand Total | 78 | 606 |

VI. PROCUREMENT

A. Procurement Under the Project

23. Machinery, equipment, civil works, and services; vehicles; office equipment; and materials required for project implementation will be procured following ADB's *Guidelines for Procurement*. To the extent possible, the Project will procure similar items in groups to optimize volume discounts. Equipment supply and installation contracts estimated at \$500,000 or more will be awarded on the basis of international competitive bidding. Contracts costing less than \$500,000 will be awarded on the basis of international shopping procedures acceptable to ADB.

24. Each civil works contract estimated to cost the equivalent of \$1.0 million or more will be awarded on the basis of international competitive bidding among prequalified contractors as described in ADB's *Guidelines for Procurement*. Civil works packages costing less than \$1.0 million will be carried out on the basis of local competitive bidding procedures acceptable to ADB. For works whose size, nature, and location make them unsuitable for competitive bidding, and if MWRLR has the facilities and capacity to implement these works expeditiously and at a reasonable cost, ADB may agree to force account procedures. The works to be implemented through force account will be determined during implementation. The upper limit for a force account works package will be \$50,000. An indicative list of procurement of contract packages is in **Appendix 8**. The salient features and flow chart of procedures on procurement, international competitive bidding, local competitive bidding and other forms of procurement are explained in **Appendix 9**.

25. To procure goods and services with the loan proceeds, the Borrower will need to demonstrate that the local procurement procedures adopted are transparent and efficient, and conform with ADB's anticorruption policy. The EA will certify to ADB that the goods and services financed by the loan are procured from ADB member countries. Where the value of goods financed by the loan exceeds \$1,000,000, a preshipment inspection certificate from an agency, acceptable to ADB, will be required. The award of contracts will be subject to approval by ADB.

B. Advance Procurement Action and Retroactive Financing

26. At the Government's request, ADB has approved retroactive financing of PMO and Regional Offices (ROs) staff, facilities, and equipment to facilitate timely establishment of these management offices and accelerate project implementation. The retroactive financing will be provided to finance eligible expenditures under contracts approved only on or after appraisal date, and will be subject to a ceiling of \$100,000 equivalent covering the expenses incurred in the period from 16 September 2004 to effectiveness of the Loan Agreement. The Government has been informed that (i) advance action for the procurement of items other than those covered under the retroactive financing will cover actions up to, but not including, contract signing; and

(ii) approval of advance action and retroactive financing does not commit ADB to finance the Project.

VII. DISBURSEMENT ARRANGEMENTS

27. An imprest account will be established at a bank acceptable to ADB, to facilitate the timely release of loan funds for payments in local currency. During the first year of implementation, the ceiling of the imprest account will be set at \$100,000. Subsequently, the imprest account ceiling should be 6 months' estimated expenditures or 10% of the loan amount, whichever is lower. The imprest account will be established and managed in accordance with ADB's *Loan Disbursement Handbook*. ADB's statement of expenditures procedures will be used to reimburse expenditures and liquidate the imprest account for payments not exceeding \$100,000 equivalent per payment. The Disbursement Modalities including procedure for establishing of imprest account are explained in **Appendix 10**.

VIII. PROJECT PERFORMANCE MONITORING AND EVALUATION

A. Project Performance Monitoring and Evaluation

28. To monitor the progress of physical works, the Project provides for a comprehensive system of performance monitoring and evaluation. A Monitoring and Evaluation (M&E) unit will be established to monitor project performance, including environmental, poverty, gender, and social impacts as specified in the summary initial environmental examination and the poverty and social assessment, and the progress of various reform measures introduced under the Project, according to the specific monitoring indicators described in the project framework (Appendix 1). The TA accompanying the loan will monitor progress of policy reforms in the project areas, and their impact on farm productivity/profitability, financial gains, farmers' incentives, etc.

29. A Project Performance Report (PPR) will be initially prepared by ADB. The report is to be periodically updated by the PMO and subsequently reviewed by the Government and ADB. The Project's quarterly progress and status will be fed into the PPR (**Appendix 11**). The report will contain data to monitor project inputs, activities, outputs and objective indicators as provided in the project framework.

B. Project Review

30. The Project will be reviewed regularly by ADB missions. During the third year of project implementation, the Government and ADB will carry out a midterm review to assess the achievement of project objectives. Project objectives will be measured against the performance criteria listed in Appendix 1. The parameters for assessing the implementation milestones will include (i) implementation status, (ii) design and construction standards, (iii) physical progress and disbursements in relation to the implementation schedule, (iv) performance of the consultants and contractors, (v) status of compliance with loan covenants, and (vi) status of achievement of the Project's development objectives. The information pertaining to items (i) to (v) should be completed and included as an attachment to the quarterly progress reports.

IX. REPORTING REQUIREMENTS

A. Progress Reports

31. MWRLR, through the PMO, will submit quarterly and annual reports to ADB within (30) calendar days after the end of the quarter and end of the year. However, a brief or summary report of all the components should be sent to ADB by fax at least eight working days after the end of the quarter and end of the year to update Management of ADB. The detailed reports will indicate progress made and problems encountered during the period under review, steps taken to remedy the problems, the proposed program of activities, and expected progress during the remaining implementation period. MWRLR will also provide such other reports and information relating to the Project as ADB may reasonably request, including the Project's environmental impacts, dialogue with beneficiaries, and any social issues relating to the Project. The Guidelines for the preparation of quarterly progress report and calculating project progress are in **Appendix 12**.

B. Project Completion Report

32. Within 3 months after physical completion of the Project, MWRLR will submit to ADB a project completion report detailing information on project implementation, use of the loan proceeds, and the extent to which the objectives of the Project have been accomplished. The activities in the Project framework should be used in monitoring the Project's progress.

C. Contract Awards and Disbursements

33. Annual preparation of contract awards and disbursement projections and comparing these with actual performance will be one of the monitoring tools for project implementation. This could be in identifying impediments to implementation progress and remedial measures to enable on-schedule implementation of the Project. Accurate disbursement projection also helps ADB improve its overall liquidity, cash flow, and portfolio management. For the purpose, the PMO and participating financial institutions (PFIs) will prepare and submit to ADB not later than 15 December of each year, annual contract/commitment and disbursement projections for their respective components/category of the Project. **Appendix 13** shows the sample worksheet and instructions for filling up the projected form.

34. The following reports are required to be submitted to ADB:

| Report | Responsibility Entity | Frequency of Submission |
|---------------------------------------------|-----------------------|-----------------------------------------------------------------|
| Quarterly Progress Report | PMO | Quarterly within one month after the end of each quarter. |
| Project Completion Report (PCR) | PMO | 3 months after completion of the Project |
| Audited Project Accounts | PMO | 6 months after the end of fiscal year (Due on or before 30 Jun) |
| Contract Awards and Disbursement Projection | PMO | Annually, not later than 15 Dec 2005 |

X. AUDITING REQUIREMENTS

A. ADB Audit Requirements

35. ADB requires the borrower and the project EA to have the required financial statements for each year audited by an independent auditor acceptable to ADB, and in accordance with standards on auditing that also are acceptable to ADB. An audit of such financial statements includes: (i) an assessment of the adequacy of accounting and internal control systems with respect to project expenditures and other financial transactions, and to ensure safe custody of project financed assets; (ii) a determination as to whether the borrower and project implementing entities have maintained adequate documentation on all relevant transactions; (iii) confirmation that expenditures submitted to ADB are eligible for financing and identification of any ineligible expenditures; and (iv) compliance with loan covenants and ADB's requirements for project management.

36. ADB recognizes ISAs, promulgated by IFAC and the auditing standards of the International Organization of Supreme Audit Institutions (INTOSAI). ISAs are widely adopted by the international accounting profession and many national professions. They form the benchmark for standards on auditing acceptable to ADB for audits in the public and private sector. Many Auditors-General and their equivalents use INTOSAI auditing standards.

37. ADB prefers that auditors conform to ISAs, but recognizes that in some countries auditors are expected to apply generally accepted auditing standards which may not conform to these Guidelines but that have been prescribed by a country's law, or that have been adopted by public accountants or associations of public accountants in the country concerned

B. Audit Requirements Under the Project

38. MWRLR will keep separate accounts and financial statements for the Project, which will be audited annually by independent auditors acceptable to ADB. Loan proceeds will be used for engaging auditors acceptable to ADB. Certified copies of the audited financial statements will be submitted to ADB within 6 months after the end of the fiscal year to which they relate. A separate opinion on the use of imprest account and statement of expenditures procedures will be included in the audit report. The Government was informed of ADB's policy on submission of audited accounts, which covers failure in submitting audited accounts and financial statements within the due date. A formal warning will be issued for accounts more than 6 months overdue and disbursements will be suspended for accounts that are more than 12 months overdue. A sample of the Audit Letter is given in **Appendix 14**.

XI. MAJOR LOAN COVENANTS

39. The major and project specific covenants are shown in **Appendix 15**. These will be closely monitored and their compliance status will be submitted to ADB with the quarterly progress reports. In addition, the indicators in the Project Framework in Appendix 1 are to be monitored regularly as well.

XII. IMPLEMENTATION OF THE ACCOMPANYING TECHNICAL ASSISTANCE

40. The objectives of the TA Support for Monitoring Policy Reforms and Improving Farm and Water Management are to (i) monitor progress in implementing policy in the project areas; (ii) promote competitive providers of farm inputs, technical advice, credit, and marketing of produce in the project areas; and (iii) assist the Government in establishing a WUA support unit within MWRLR. The TA will provide comprehensive monitoring, evaluation, and reporting on progress being made by the Government toward its commitments to accelerate land reform, farm privatization, and farm debt resolution, based on feedback from community and nongovernment organizations and elected representatives. The TA component for the alternative business providers will focus on (i) analyzing the strengths and limitations of existing business providers beyond the services offered by traditional investors, and (ii) providing capacity building for selected providers to expand their services to farmers in the project areas. The TA assistance for the WUA support unit will focus on (i) defining the support unit's mandate, organizational structure, functions, staffing pattern, and legal status; and (ii) providing institutional strengthening and technical advice to ensure that the support unit can properly operate in a sustainable manner. A grant of \$500,000 equivalent⁵ financed by ADB's TA funding program will provide the services of 12 person-months of international and 37 person-months of domestic consultants.⁶ MWRLR will be the EA for the TA, which will be implemented over a period of 24 months, starting in 2006. The implementation will be divided into two phases — preparation and capacity building. Details of the TA are shown in **Appendix 16**.

XIII. KEY PERSONS INVOLVED IN THE PROJECT

41. **Appendix 17** lists the key persons from ADB, Borrower, EA, and implementing agencies involved in the Project.

XIV. ANTICORRUPTION

42. ADB requires that borrowers, including sub-borrowers of ADB loans, as well as consultants, bidders, suppliers, and contractors under ADB-financed contracts observe the highest standards of ethics during the selection process and procurement of goods and services, and in executing contracts. If ADB determines that representatives of a borrower or of a beneficiary engaged in corrupt or fraudulent practices during consultant selection, procurement of goods and services, or the execution of a contract, ADB may take any of the steps listed in the *Guidelines on the Use of Consultants by ADB and its Borrowers* and *Guidelines for Procurement under ADB Loans*.

43. ADB defines corruption as the abuse of public or private office for personal gain. This means any behavior in which people in the public or private sectors improperly and unlawfully enrich themselves or those close to them, or induce others to do so, by misusing their position. The purpose of ADB's Anticorruption Policy, approved in July 1998, is to reduce the burden corruption exacts from the governments and economies of the region. The policy has three objectives:

⁵ The total cost of the TA is estimated at \$625,000 equivalent. The Government, through in-kind contributions, will finance \$125,000 equivalent.

⁶ International consultants will be selected in accordance with ADB's *Guidelines on the Use of Consultants*. Arrangements satisfactory to ADB will be used for the engagement of domestic consultants. Simplified technical proposals and ADB's quality- and cost-based selection system will be used.

- support competitive markets and effective public administration,
- support explicit anticorruption efforts, and
- ensure ADB-financed projects and its staff adhere to the highest ethical standards.

44. ADB's integrity is one of its strongest assets. ADB affirms a zero tolerance policy when credible evidence of fraud and corruption exists among ADB-financed projects or its staff. ADB's Anticorruption Policy covers all firms and individuals associated with ADB-financed projects, including all ADB staff. It covers proposed, ongoing, and completed projects in all ADB public and private sector operations. Anyone coming across evidence of corruption associated with the project must contact the ADB's Office of the General Auditor, which will investigate such allegations.

XV. OTHERS

45. ADB's approval is required prior to substantial variations in the contract based on the existing provision in the loan agreement pertaining to Procurement (Schedule 4) for civil works; and Consultants (Schedule 5).

46. A list of publications and guidelines relevant to the implementation of the Project for your reference is in **Appendix 18**. Please note that ADB's Guidelines are being updated from time to time so it is important to refer to the ADB web site to ensure that the guideline is the updated version.

LOGICAL FRAMEWORK OF THE PROJECT

| Design Summary | Performance Indicators/Targets | Monitoring Mechanism | Assumptions and Risks |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Goal Improved living standards of the rural population in the project areas (Asht, Farkhor-Chubek, Panj, Vahdat, and Rushon). | Within 8 years from the start of loan implementation: <ul style="list-style-type: none"> Incidence of income poverty in the project areas is reduced by 5% Incidence of waterborne diseases in the project areas decreased by 20% | National and regional statistics Project completion report (PCR) and livelihood survey reports | |
| Purpose 1. Increased productivity and incomes of rural communities. 2. Improved access to rural potable water supply systems. | <ul style="list-style-type: none"> Improved agriculture sector policy in terms of agriculture and water sectors financing, farm restructuring and privatization. I&D infrastructure over an area of 47,500 ha rehabilitated Average crop yield in the project areas increased by 19% for cotton and 21% for wheat at project completion. Cropping intensity increased from 100% to 105% in the project areas. Increase in farm household incomes in the project areas by 10%. Safe drinking water made available to an additional 51,000 beneficiaries | Progress reports, project performance reports (PPRs), and PCR Progress reports, monitoring and evaluation (M&E) reports, PPRs, review missions | Assumption: National and local governments to sustain and scale up the policy and institutional reforms initiated in the project areas. |
| Outputs 1. Selected irrigation and drainage systems rehabilitated, with arrangements for improved operation and maintenance (O&M) in place. | <ul style="list-style-type: none"> 250 km of main irrigation canals, 510 km of secondary canals, 425 km of collector drains, 9 pump stations and associated facilities, and 9 headworks will have been rehabilitated. By 31 Dec 2006, a water users' association (WUA) support unit is established within the Ministry of Water Resources and Land Reclamation (MWRLR) with at least 20% staff being female. Within 3 years of loan effectiveness, WUAs established in core demonstration areas and at least one third of all WUA members being female. By 31 Dec 2007, an appropriate O&M cost recovery mechanism is established through a government resolution. | Progress reports, PPRs, PCR | Assumption: Farmers are willing and able to pay for the irrigation services. |

| Design Summary | Performance Indicators/Targets | Monitoring Mechanism | Assumptions and Risks |
|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2. Potable drinking water supply systems made available in the selected project areas, together with improved management system. | <ul style="list-style-type: none"> Water supply schemes servicing population of 57,000 Water supply committees operating in each water supply scheme. At least 30% of committee members are female. Sustainable O&M of water supply schemes has been developed and implemented. | Progress reports, PPRs, PCR | Risk: Water users are not willing to pay. |
| 3. Improved agricultural technologies made available to farmers. | <ul style="list-style-type: none"> About 500 ha of agricultural demonstration plots are developed. Field, water and crop husbandry demonstrations are implemented. More than 2,500 farmers are trained. About 25% of the trainees will be women farmers. | Progress reports, PPRs, PCR | |
| 4. Enabling policy environment conducive to private sector development of the markets for cotton, wheat, and agriculture inputs established. | <p>Key policy actions initiated in the project areas:</p> <ul style="list-style-type: none"> By 31 Dec 2006, the farm-gate prices of cotton in the project areas will be based on world price, with the fixed export price of Tajik cotton to become a minimum rather than a maximum price. By 31 Dec 2006, multiple number of investors will be allowed to operate in the project areas through appropriate government resolution. By 31 Dec 2006, farmers will be allowed to sell raw cotton to gins of their selection within and outside the district boundaries. By 31 Dec 2006, all cotton financing and production contracts will be based on the standard, government-approved format that assures financial disciplines and sound business practices. By 31 Dec 2007, laws will be amended to allow farmers to use their land use right certificate as collateral for bank loans. | <p>Progress reports, PPRs, PCR</p> <p>Progress reports, PPRs, PCR</p> | Risk: Adoption of full policy package is delayed, or not properly implemented Risk: Uncoordinated reforms may aggravate poverty (e.g., investors may stop financing cotton. Investors may take over heavily indebted farms, resulting in asset stripping of farms). Risk: Local authorities may resist the reforms. Assumption: Active participation of major development partners and civil society in the reform process and in monitoring and implementation of reforms. |

| Design Summary | Performance Indicators/Targets | Monitoring Mechanism | Assumptions and Risks |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Project Activities 1.1 Design of irrigation rehabilitation schemes. 1.2 Preparation of environmental/resettlement monitoring system. 1.3 Procurement of goods, civil works, and recruitment of consultants. 1.4 Construction supervision. | 24 months after loan effectiveness. 12 months after loan effectiveness. 24 months after loan effectiveness. 24 months after loan effectiveness. | Progress reports, PPRs, PCR, review missions | Assumption: Sufficient Asian Development Bank (ADB) resources made available to support Executing Agency (EA) recruitment and procurement actions. |
| 2.1 Establishment of five WUAs in core demonstration areas, and training of members 2.2 Establishment of WUA support unit, and training of unit staff | 24 months after loan effectiveness. 18 months after loan effectiveness. | Progress reports, PPRs, PCR, review missions | Assumption: Farmers adopt appropriate land and water management practices. |
| 3.1 Design of rural water supply schemes 3.2 Procurement of civil works contractors. 3.3 Construction supervision 3.4 Establishment of Water Supply Committees, and training of committee members 3.5 Formulation of water supply fees structures | 12 months after loan effectiveness. 18 months after loan effectiveness. 18 months after loan effectiveness. 24 months after loan effectiveness. 24 months after loan effectiveness. | Progress reports, PPRs, PCR, review missions | Assumption: Sufficient ADB resources made available to support EA's recruitment and procurement actions. Risk: Water users are not willing to pay. |
| 4.1 Preparation of integrated pest management, seed improvement, and best water management programs 4.2 Establishment of demonstration plots, and training of farmers | 18 months after loan effectiveness. 12 months after loan effectiveness | Progress reports, PPRs, PCR, review missions | |
| 5.1 Recruitment of consultants | 9 months after loan effectiveness. | Progress reports, PPRs, PCR, review missions | Assumption: Sufficient counterpart fund, including budgetary provision for project |

[illegible]

DETAILED DESCRIPTION OF PROJECT COMPONENTS

The components of the Project are described below:

Component 1: Rehabilitation of Infrastructure and Support for Improved Water Management

1. In Sughd district (Asht-1 irrigation system), the Project will (i) improve the intake and provide sediment removal facilities; (ii) rehabilitate the lowest pumping station (ANS-1), including replacement of pipeline sections, and construct a protective shelterbelt for pipelines; (iii) rehabilitate pumping stations ANS-2 and ANS-3B; (iv) provide gravity irrigation supply to the upper system levels;¹ and (v) renovate canal linings, structures, and restore drain capacities.

2. In Vahdat district (Rohati and Dashtibed irrigation systems), the works include (i) rehabilitation of the headworks and a major siphon of the Rohati canal, (ii) rehabilitation of the headworks of the Dashtibed canal and provision of a weir across the Kofarnihon river, and (iii) repairs to selected structures on both systems.

3. In Farkhor district, the Project will focus on improving sediment and water control and prioritized rehabilitation of the Urtaboz pumping system, including (i) improvement of the Chubek headworks, construction of a new sediment removal facility,² and provision of sediment removal equipment; (ii) repair of canal linings and control structures and restoration of hydraulic performance of key canals/drains; and (iii) priority rehabilitation of the Urtaboz pumping stations.

4. In Panj district, the rehabilitation work comprises (i) improvement of intake, (ii) rehabilitation of sediment removal facilities/provision of sediment removal equipment, (iii) repair of key control structures, (iv) improvement of hydraulic efficiency of canal/drain sections, and (v) priority rehabilitation of the Fayazabadkala pumping stations.³

5. In Rushon district, the works cover repairs to small systems: (i) rehabilitation of intake works and removal of large rocks from canals, (ii) selective repair of control structures and canal linings, and (iii) restoration of main drains capacity.

6. Desilting of canals and drains within the schemes in Farkhor and Panj districts will be carried out by MWRLR. The Government has given an assurance to ADB that adequate budgetary allocations will be made to complete these works⁴ before the award of civil works contracts financed by the Project.

7. **Improved Water Resources Management.** The Project will finance institutional capacity building of the water management agencies and improvement of water management procedures. The Project will also facilitate an increased role for the water users. WUAs will be established in the project areas to ensure sustainable O&M of the rehabilitated systems, and strengthen rural water sector institutions. The goal is to have WUAs operating successfully at

¹ Providing a gravity irrigation supply to an area that at present receives pumped water supplies.

² The location of this facility will be decided during the detailed design phase, in consultation with MWRLR.

³ The scope of replacement of pipelines will be reviewed during the detailed design stage, and corresponding budget realignment within the allocation for rehabilitation of the cascades will be made if necessary.

⁴ These works involve (i) excavation of 440,000 m³ of sediments from drains, 255,000 m³ from canals, and leveling of 475,000 m³ of previously removed material in Farkhor district; and (ii) excavation of 410,000 m³ from drains, 145,000 m³ from canals, and leveling of 180,000 m³ in Panj district.

the project sites. The formation of WUAs will initially focus on the core demonstration areas, to showcase improved land and water management techniques. A key element in the Project's WUA strengthening activities is the establishment of a WUA support unit at MWRLR, which will be supported by the TA accompanying the loan (para. 57). The purpose of this unit will be the institutionalization of WUA support, and its integration in MWRLR's planning activities.

Component 2: Agricultural Support to Farmers

8. There are severe deficiencies in the supply of quality seeds and in pest management in the project areas. The ADB-financed ARP already includes subprograms for seed improvement and pest management, implemented by the Agricultural Academy of Sciences. These programs will be extended in the core demonstration areas, where crop husbandry trials will be introduced to promote increased crop productivity, crop diversification, and intensification, together with improved water management practices. Demonstration plots, with a total area of 500 ha, will be implemented in each of the five project areas and training will be provided to district agricultural staff. An integrated pest management (IPM) program will be implemented in each district, to introduce farmers to the IPM concept. The program will be implemented by the Agricultural Academy of Sciences and supported by local and international research institutes. Upgrading the quality of seed and introducing IPM could increase yields by more than 30%.

Component 3: Improvement of Rural Potable Water Supply Systems

9. The Project will support reconstruction of five rural potable water supply systems within the project areas and will provide drinking water to 57,000 beneficiaries. Villages to benefit from the Project were selected in consultation with local communities and MWRLR. Criteria used in selection of target villages included (i) absence of a safe water source at present, (ii) potential for poverty reduction through provision of an improved water source, and (iii) the priority accorded by local community representatives and MWRLR.

10. The main works include (i) construction of intakes, a reservoir, distribution pipework, and standpipes in Asht; (ii) construction of wells, and repairs to reservoirs and distribution network in Vahdat district; (iii) provision of pumps and generators, repairs to reservoirs and distribution pipework in Farkhor; (iv) construction of wells, reservoirs, pumping stations, pipelines, and provision of generators in Panj; and (v) construction of an intake, storage reservoir, and distribution pipework in Rushon. After construction, community-based water committees will operate the systems. The Project, working with the local administration, will facilitate the formation of water committees for each scheme at an early stage of the Project. Furthermore, the communities will provide assistance during construction, in digging pipeline trenches. Training will be given to the water committees to prepare them to carry out their responsibilities.

Component 4: Project Management, Monitoring, and Evaluation

11. The Project will establish and provide support to a project management office (PMO) in MWRLR, Dushanbe and five regional offices (ROs), the one for Vahdat operating out of the PMO in Dushanbe and the others based in their project areas. ROs will be responsible for project implementation in their areas, and for maintaining liaison with the PMO, local administration, and beneficiary organizations. A monitoring and evaluation (M&E) unit will be established within the PMO to implement the environmental monitoring system recommended in the summary initial environmental examination (Appendix 1) and to monitor the economic, poverty, gender, social and environmental impacts of the Project. Specifically, the M&E unit will be responsible for (i) collecting, collating, and analyzing baseline data relating to the economic,

poverty, social, and environmental conditions disaggregated by gender, income, and farm types within the project areas; (ii) benefit monitoring during project implementation; and (iii) evaluating the Project's economic, poverty, gender, social, and environmental impacts within the selected systems. The M&E unit will have two staff members, who will work with the responsible agencies. For environmental monitoring, they will collect and analyze data relating to the quality of I&D water, soil chemistry, and groundwater depth and quality, and will provide a comparison of the before and after project situations. Project performance monitoring and evaluation will be done in accordance with ADB's guidelines on its project performance management system.

12. To monitor the Project's social impact, during the first year of project implementation, the M&E unit will compile a benchmark database on basic economic and social conditions to provide a socioeconomic profile of the beneficiary communities. Key indicators will be tracked during project implementation and a comparison made between the benchmark and project completion situations. The database will be analyzed to provide an assessment of the Project's impact on different social groups, including women and low-income households.

Components Project Cost Summary

Components Project Cost Summary

| | (Local '000) | | | (\$ '000) | | | % | % Total |
|----------------------------------------------------------------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|------------------|------------|
| | Local | Foreign | Total | Local | Foreign | Total | Foreign Exchange | Base Costs |
| A. Rehabilitation of Irrigation & Drainage Infrastructure | | | | | | | | |
| 1. Asht | 13,162.5 | 15,537.0 | 28,699.6 | 4,387.5 | 5,179.0 | 9,566.5 | 54 | 34 |
| 2. Vahdat | 3,261.2 | 967.7 | 4,228.9 | 1,087.1 | 322.6 | 1,409.6 | 23 | 5 |
| 3. Farkhor | 10,125.5 | 7,026.7 | 17,152.2 | 3,375.2 | 2,342.2 | 5,717.4 | 41 | 20 |
| 4. Panj | 7,253.7 | 4,476.8 | 11,730.5 | 2,417.9 | 1,492.3 | 3,910.2 | 38 | 14 |
| 5. Rushon | 1,884.1 | 330.4 | 2,214.4 | 628.0 | 110.1 | 738.1 | 15 | 3 |
| 6. Water Management Support | 191.7 | 70.9 | 262.6 | 63.9 | 23.6 | 87.5 | 27 | 0.0 |
| Subtotal | 35,878.6 | 28,409.6 | 64,288.2 | 11,959.5 | 9,469.9 | 21,429.4 | 44 | 76 |
| B. Support for Agricultural Development | 2,314.5 | 286.8 | 2,601.3 | 771.5 | 95.6 | 867.1 | 11 | 3 |
| C. Improvement of Potable Water Supply Systems | 3,934.6 | 3,423.2 | 7,357.8 | 1,311.5 | 1,141.1 | 2,452.6 | 47 | 9 |
| D. Project Management | 4,413.1 | 5,471.0 | 9,884.1 | 1,471.0 | 1,823.7 | 3,294.7 | 55 | 12 |
| Total Baseline Costs | 46,540.8 | 37,590.6 | 84,131.4 | 15,513.6 | 12,530.2 | 28,043.8 | 45 | 100 |
| Physical Contingencies | 1,901.1 | 1,141.5 | 3,042.7 | 633.7 | 380.5 | 1,014.2 | 38 | 4 |
| Price Contingencies | 7,034.4 | 5,446.2 | 12,480.6 | (-405.4) | (-323.3) | (-728.8) | 44 | (-3) |
| Total Project Costs | 55,476.4 | 44,178.3 | 99,654.6 | 15,741.9 | 12,587.3 | 28,329.2 | 44 | 101 |
| Interest During Implementation | 0.0 | 2,362.1 | 2,362.1 | 0.0 | 685.2 | 685.2 | 100 | 2 |
| Total Costs to be Financed | 55,476.4 | 46,540.4 | 102,016.8 | 15,741.9 | 13,272.5 | 29,014.4 | 46 | 103 |

Source: Asian Development Bank estimates.

Table A5.3. Expenditure Accounts Project Cost Summary

| Item | (Local '000) | | | (US\$ '000) | | | % Foreign Exchange | % Total Base Costs |
|---------------------------------------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|--------------------|--------------------|
| | Local | Foreign | Total | Local | Foreign | Total | | |
| I. Investment Costs | | | | | | | | |
| A. Civil Works | | | | | | | | |
| Off-farm Structures | 13,381.3 | 2,271.0 | 15,652.3 | 4,460.4 | 757.0 | 5,217.4 | 15 | 19 |
| Minor Civil Works and Buildings | 541.7 | 135.4 | 677.2 | 180.6 | 45.1 | 225.7 | 20 | 1 |
| Water Supply and Sanitation | 1,083.6 | 270.9 | 1,354.6 | 361.2 | 90.3 | 451.5 | 20 | 2 |
| Subtotal | 15,006.7 | 2,677.4 | 17,684.0 | 5,002.2 | 892.5 | 5,894.7 | 15 | 21 |
| B. Equipment | | | | | | | | |
| Office Equipment & Supplies | 192.6 | 192.6 | 385.3 | 64.2 | 64.2 | 128.4 | 50 | 0.0 |
| Pumps, Motors and Machinery | 9,287.3 | 16,510.8 | 25,798.2 | 3,095.8 | 5,503.6 | 8,599.4 | 64 | 31 |
| Pipes and Other Equipment | 10,203.7 | 9,459.4 | 19,663.1 | 3,401.2 | 3,153.1 | 6,554.4 | 48 | 23 |
| Electrical Equipment | 3,674.0 | 3,006.0 | 6,680.1 | 1,224.7 | 1,002.0 | 2,226.7 | 45 | 8 |
| Subtotal | 23,357.8 | 29,168.9 | 52,526.6 | 7,785.9 | 9,723.0 | 17,508.9 | 56 | 62 |
| C. Vehicles | 79.8 | 205.2 | 285.0 | 26.6 | 68.4 | 95.0 | 72 | 0.0 |
| D. Materials | | | | | | | | 0.0 |
| Office and Laboratory Materials | 153.6 | 115.0 | 268.7 | 51.2 | 38.3 | 89.6 | 43 | 0.0 |
| I&D Materials | 543.3 | 362.2 | 905.5 | 181.1 | 120.7 | 301.8 | 40 | 1 |
| Subtotal | 696.9 | 477.2 | 1,174.2 | 232.3 | 159.1 | 391.4 | 41 | 1 |
| E. Training, Extension & Studies | | | | | | | | |
| Training and Extension | 2,510.1 | 0.0 | 2,510.1 | 836.7 | 0.0 | 836.7 | 0.0 | 3 |
| Surveys and Studies | 1,056.0 | 0.0 | 1,056.0 | 352.0 | 0.0 | 352.0 | 0.0 | 1 |
| Water Committees | 33.9 | 0.0 | 33.9 | 11.3 | 0.0 | 11.3 | 0.0 | 0.0 |
| Subtotal | 3,600.0 | 0.0 | 3,600.0 | 1,200.0 | 0.0 | 1,200.0 | 0.0 | 4 |
| F. Consulting Services | | | | | | | | |
| International Consultants | 0.0 | 5,061.9 | 5,061.9 | 0.0 | 1,687.3 | 1,687.3 | 100 | 6 |
| National Consultants | 1,476.9 | 0.0 | 1,476.9 | 492.3 | 0.0 | 492.3 | 0.0 | 2 |
| Subtotal | 1,476.9 | 5,061.9 | 6,538.8 | 492.3 | 1,687.3 | 2,179.6 | 77 | 8 |
| G. Project Operations | | | | | | | | |
| Office and Staff Costs | 754.7 | 0.0 | 754.7 | 251.6 | 0.0 | 251.6 | 0.0 | 1 |
| PMO and RO Costs | 1,568.0 | 0.0 | 1,568.0 | 522.7 | 0.0 | 522.7 | 0.0 | 2 |
| Subtotal | 2,322.7 | 0.0 | 2,322.7 | 774.2 | 0.0 | 774.2 | 0.0 | 3 |
| Total Baseline Costs | 46,540.8 | 37,590.6 | 84,131.4 | 15,513.6 | 12,530.2 | 28,043.8 | 45 | 100 |
| II. Contingencies | | | | | | | | |
| A. Physical Contingencies | 1,901.1 | 1,141.5 | 3,042.7 | 633.7 | 380.5 | 1,014.2 | 38 | 4 |
| B. Price Contingencies | 7,034.4 | 5,446.2 | 12,480.6 | (-405.4) | (-323.38) | (-728.81) | 44 | (-3) |
| Total Project Costs | 55,476.4 | 44,178.3 | 99,654.6 | 15,741.9 | 12,587.3 | 28,329.2 | 44 | 101 |
| Interest During Implementation | - | 2,362.1 | 2,362.1 | 0.0 | 685.2 | 685.2 | 100 | 2 |
| Total Costs to be Financed | 55,476.4 | 46,540.4 | 102,016.8 | 15,741.9 | 13,272.5 | 29,014.4 | 46 | 103 |

I&D = irrigation and rehabilitation, PMO = project management office, RO = regional office

Source: Asian Development Bank estimates.

Table A5.4. Expenditure Accounts by Components, Including Contingencies
(\$'000)

| Investment Costs | Rehabilitation, Irrigation and Drainage Infrastructure | | | | | Improvement of Potable | | | | Total |
|---------------------------------------------------|--------------------------------------------------------|----------------|----------------|----------------|--------------|--------------------------|--------------------------------------|----------------------|--------------------|-----------------|
| | Asht | Vahdat | Farkhor | Panj | Rushon | Water Management Support | Support for Agricultural Development | Water Supply Systems | Project Management | |
| A. Civil Works | | | | | | | | | | |
| Off-farm Structures | 780.0 | 1,046.0 | 1,480.8 | 1,310.4 | 724.4 | 0.0 | 0.0 | 0.0 | 0.0 | 5,341.7 |
| Minor Civil Works and Buildings | 103.8 | 0.0 | 78.5 | 48.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 230.7 |
| Water Supply and Sanitation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 462.0 | 0.0 | 462.0 |
| Subtotal Civil Works | 883.8 | 1,046.0 | 1,559.3 | 1,358.8 | 724.4 | 0.0 | 0.0 | 462.0 | 0.0 | 6,034.5 |
| B. Equipment | | | | | | | | | | |
| Office Equipment and Supplies | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 44.1 | 0.0 | 89.4 | 133.5 |
| Pumps, Motors and Machinery | 5,738.0 | 0.0 | 1,630.9 | 899.0 | 0.0 | 0.0 | 0.0 | 150.1 | 0.0 | 8,418.0 |
| Pipes and Other Equipment | 1,855.6 | 7.7 | 1,630.8 | 1,390.6 | 0.0 | 54.7 | 101.1 | 1,661.3 | 0.0 | 6,701.8 |
| Electrical Equipment | 996.8 | - | 911.3 | 277.9 | 0.0 | 0.0 | 0.0 | 90.2 | 0.0 | 2,276.2 |
| Subtotal Equipment | 8,590.5 | 7.7 | 4,173.0 | 2,567.6 | 0.0 | 54.7 | 145.1 | 1,901.6 | 89.4 | 17,529.6 |
| C. Vehicles | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 5.2 | 0.0 | 93.7 | 98.9 |
| D. Materials | | | | | | | | | | |
| Office and Laboratory Materials | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 18.4 | 73.3 | 91.7 |
| I&D Materials | 0.0 | 297.5 | 0.0 | 11.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 309.0 |
| Subtotal Materials | 0.0 | 297.5 | 0.0 | 11.5 | 0.0 | 0.0 | 0.0 | 18.4 | 73.3 | 400.7 |
| E. Training, Extension and Studies | | | | | | | | | | |
| Training and Extension | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 34.3 | 701.1 | 47.9 | 71.8 | 855.2 |
| Surveys and Studies | 31.2 | 92.2 | 46.8 | 31.2 | 31.2 | 0.0 | 0.0 | 68.8 | 61.5 | 363.1 |
| Water Committees | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 11.6 | 0.0 | 11.6 |
| Subtotal Training, Extension & Studies | 31.2 | 92.2 | 46.8 | 31.2 | 31.2 | 34.3 | 701.1 | 128.3 | 133.4 | 1,229.8 |
| F. Consulting Services | | | | | | | | | | |
| International Consultants | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,737.0 | 1,737.0 |
| National Consultants | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 504.5 | 504.5 |
| Subtotal Consulting Services | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2,241.5 | 2,241.5 |
| G. Project Operations | | | | | | | | | | |
| Office and Staff Costs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 258.8 | 258.8 |
| PMO and RO Costs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 37.5 | 0.0 | 497.9 | 535.4 |
| Subtotal Project Operations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 37.5 | 0.0 | 756.7 | 794.2 |
| Total Project Cost | 9,505.5 | 1,443.5 | 5,779.2 | 3,969.0 | 755.7 | 89.0 | 889.0 | 2,510.3 | 3,388.0 | 28,329.2 |
| Taxes | 1,819.4 | 224.3 | 939.5 | 639.2 | 90.2 | 10.4 | 32.6 | 469.4 | 54.1 | 4,279.2 |
| Foreign Exchange | 5,118.3 | 330.4 | 2,350.7 | 1,506.1 | 112.7 | 24.6 | 98.7 | 1,167.4 | 1,878.5 | 12,587.3 |

I&D = irrigation and rehabilitation, PMO = Project Management Office, RO = Regional Office
Source: Asian Development Bank estimates.

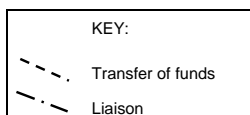
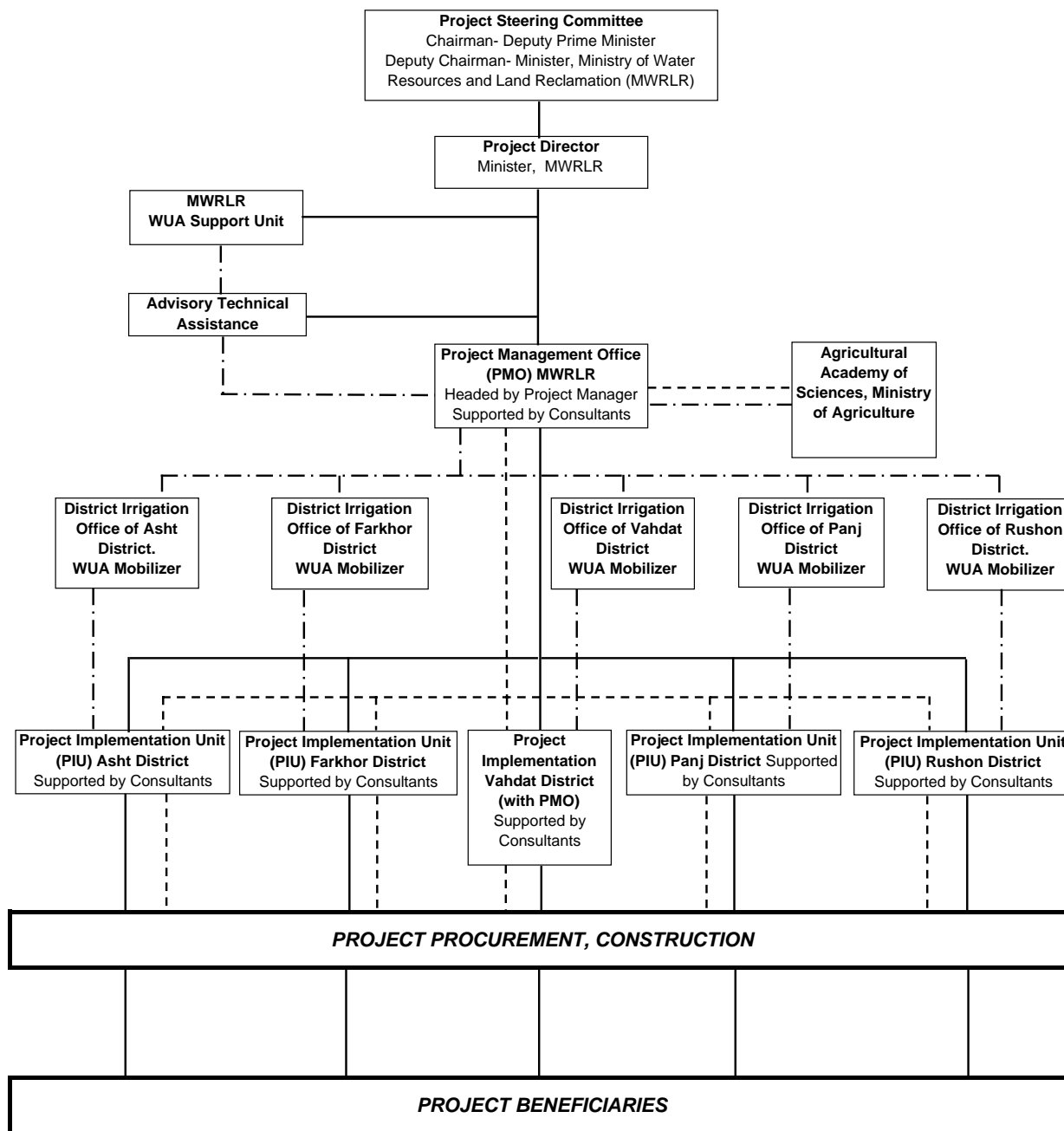
COST ESTIMATES AND FINANCING PLAN

Table A5.1. Project Components by Year, Including Contingencies
(\$'000)

| Item | 2005 | 2006 | Totals Including Contingencies | | | 2010 | Total |
|---------------------------------------------------------------------------|----------------|----------------|--------------------------------|----------------|----------------|--------------|-----------------|
| | | | 2007 | 2008 | 2009 | | |
| A. Rehabilitation of Irrigation & Drainage Infrastructure | | | | | | | |
| 1. Asht | 38.6 | 1,057.7 | 4,035.6 | 3,535.3 | 838.4 | 0.0 | 9,505.5 |
| 2. Vahdat | 145.9 | 268.8 | 687.2 | 341.6 | 0.0 | 0.0 | 1,443.5 |
| 3. Farkhor | 179.3 | 939.1 | 2,056.9 | 2,141.0 | 463.0 | 0.0 | 5,779.2 |
| 4. Panj | 130.5 | 688.4 | 1,637.0 | 1,349.2 | 163.9 | 0.0 | 3,969.0 |
| 5. Rushon | 59.9 | 145.6 | 217.5 | 216.5 | 116.1 | 0.0 | 755.7 |
| 6. Water Management Support | 64.6 | 9.8 | 4.9 | 4.9 | 4.8 | 0.0 | 89.0 |
| Subtotal Rehabilitation of Irrigation & Drainage Infrastructur | 618.7 | 3,109.3 | 8,639.2 | 7,588.4 | 1,586.2 | 0.0 | 21,541.9 |
| B. Support for Agricultural Development | 103.7 | 247.4 | 142.5 | 141.9 | 141.7 | 111.8 | 889.0 |
| C. Improvement of Potable Water Supply Systems | 34.8 | 542.3 | 1,157.5 | 675.4 | 100.2 | 0.0 | 2,510.3 |
| D. Project Management | 824.0 | 1,139.1 | 527.6 | 386.3 | 295.9 | 215.1 | 3,388.0 |
| Total Project Cost | 1,581.2 | 5,038.0 | 10,466.9 | 8,792.1 | 2,124.0 | 326.9 | 28,329.2 |

Sources: Asian Development Bank estimates.

ORGANIZATION CHART FOR PROJECT IMPLEMENTATION



PROJECT IMPLEMENTATION SCHEDULE

[illegible]

COMPARISON OF PLANNED AND ACTUAL IMPLEMENTATION SCHEDULE

CHANGES IN IMPLEMENTATION ARRANGEMENTS

| Nature of Change | Justification | Date Approved by Concerned Authority of EA/ Government | Date Approved by ADB |
|------------------|---------------|-----------------------------------------------------------------|-------------------------|
| | | | |

Note: This table should be updated whenever a change in implementation is approved for the Project

DETAILED TERMS OF REFERENCE FOR CONSULTANTS

1. Introduction

1. The Project will require 78 person-months (p-m) of international and 606 p-m of domestic consulting services to assist the Ministry of Water Resources and Land Reclamation (MWRLR), the executing agency (EA). The consultants will assist the EA in (i) institutional capacity building, (ii) surveys, detailed design, preparation of tender documents, bids evaluation and construction supervision, (iii) organization and training of Water Users' Associations (WUAs), (iv) promotion of water committees (WC) for the rural potable water supply schemes, and (v) project management, monitoring, and evaluation.

2. The consulting services will be provided by international consulting firm(s) in association with domestic consulting firm(s) to be engaged by the MWRLR in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements acceptable to ADB for the engagement of the domestic consultants and using the quality- and cost-based selection method.

3. The consultants will act as an advisor to the EA, and work closely with the staff of Project Management Office (PMO) based in Dushanbe and the Project Implementation Units (PIUs) in the respective regions/districts. The consultants will interact frequently with the project beneficiaries, particularly on the interventions proposed for on-farm improvements. The consultants may be required to perform tasks other than those specified here, determined as necessary by the PMO to comply with the prevailing requirements of the Asian Development Bank (ADB) and the Government. Specific terms of reference for various fields of specializations are given below. Consultants input are given in brackets. Details on consulting services inputs are given in Table 1.

4. The project will be implemented over a period of six years.

5. The Government of Tajikistan will provide the following facilities to the Consultants:

- office space;
- assistance with co-ordination with other Government offices and Departments, including provision of data;
- assistance in co-ordination for visits to site.

2. Project Management Office, Dushanbe (International 30, Domestic 80)

6. The team leadership and monitoring group will be stationed in Dushanbe, at the PMO and comprises the Team Leader, Deputy Team Leader, M&E/ MIS Specialist, Environmental Monitoring Specialist and Social Impact Assessment Expert. The group will provide technical support to the PMO.

Project Management and Team Leadership

7. The Team Leadership main tasks will be as follows:

- (i) Coordinate with all agencies involved for on-the-job-training of PMO, PIU, MWRLR and other local staff, and coordinate closely with the project beneficiaries at all stages of project implementation;

- (ii) Advise and support the PMO Manager in coordinating all matters related to project implementation with relevant ministries of the Government of Tajikistan (MWRLR, Ministry of Finance, Ministry of Agriculture, Commission for Nature Protection and Forestry and others), PIUs, design institutes, the consultants hired under the technical assistance associated with the Project, the local administration, ADB, and any other organization that may be associated with project implementation;
- (iii) Provide EA staff with on-the-job training in implementing the ADB guidelines and procedures, efficient project management, and scheduling techniques;
- (iv) Advise and support the PMO in programming project activities, estimating the financial requirements for these activities, and facilitating the release of the required funds in adequate amounts and on time;
- (v) Advise and support the PMO in coordinating with PIU and other agencies to ensure that the tendering procedures for procurement of works, services, equipment, and materials are in line with ADB procedures, and that all steps are taken expeditiously and in a transparent manner;
- (vi) Advise and support the PMO to ensure that the accounting standards for the Project meet ADB requirements and that the withdrawal applications sent to ADB are complete and are sent on time; and assist the PMO to ensure that all periodic reports are prepared systematically and submitted on time, and
- (vii) Reflect the real picture of project implementation; that major issues relating to project implementation are brought to the attention of the concerned parties; and that necessary remedial measures are implemented.
- (viii) Prepare Inception, Design Review and Final reports for the ADB.
- (ix) Assist the PMO to select appropriate areas for the Core Demonstration Areas in each project area.

1. Environmental Assessment and Monitoring

8. The consultants will provide further assessment of environmental impacts of project components, evaluate environmental monitoring requirements, and prepare an environmental monitoring program for the Project. The environmental assessment will supplement the initial environmental examination particularly as subprojects are defined. The assessment will also provide further quantification on the impacts of the irrigation and drainage practices for cropping systems and agriculture uses, including the impact of changes in water table depth and soil salinity on crop productivity and sustainability. The consultants will ensure that Government regulations are followed particularly with reference to environmental approvals. The following specific issues will be addressed as part of the final stages of project preparation and subsequent implementation:

- (i) Government environmental clearance procedures;
- (ii) Mitigation measures for the proposed weir;
- (iii) Provision of fish excluders from pump intakes;
- (iv) Impacts of catastrophic flooding and earthquakes; and
- (v) Non-structural erosion control measures, and afforestation.

9. The environmental monitoring program will have two components: environmental compliance monitoring focusing on ensuring that physical investments are carried out in accordance with relevant clauses in contract documents and Government regulations; and

environmental performance monitoring focusing on irrigation water quality, drainage water quality, groundwater levels, and drinking water quality. The Environmental Monitoring consultants will:

- (i) Clarify the organizational structure, roles, and responsibilities for compliance monitoring focusing on environmental clearance for project activities, and environmental management on-site during construction;
- (ii) Review and ensure appropriate and enforceable clauses on environmental management, occupational health and safety and labor welfare in contract documents;
- (iii) Provide guidance to supervisory and quality control personnel on the implication of contract clauses;
- (iv) Undertake inspection of physical work in progress;
- (v) Provide training on environmental monitoring for regional and district staff;
- (vi) Collect all necessary data for the baseline survey in the first six months of the implementation period; and
- (vii) Establish and maintain a database on environmental monitoring.

2. Social Impact Assessment

10. The social impact assessment experts will provide the framework and design as well as undertake a pre-test of the social impact component in the monitoring and evaluation (M&E) system. The social impact component in the M&E system will serve as a gauge for assessing the project's social development outcomes in terms of improving the living standards of the poor and vulnerable groups in the project sites. The experts will likewise develop a feedback mechanism of the evaluation findings on the social development outcomes of the project and the policy reforms. Particular attention will be given to impact assessment of the extremely poor and women. The specific tasks of the Social Impact Assessment experts will include:

- (i) Identifying the set of social and economic indicators that will serve as the benchmark for assessing the income and non income poverty outcomes as well as the direct and indirect social effects of the project on gender, rural institutions, and on the different categories of poor and vulnerable groups in the project areas;
- (ii) Developing the appropriate analytical methodology for the social impact assessment;
- (iii) Undertaking the initial social impact assessment using the M&E system and improving the M&E component on social impact based on the initial run of the M&E system;
- (iv) Providing the social and economic indicators for assessing the impact of the policy reforms on poverty;
- (v) Involving stakeholders and nongovernmental organizations (NGOs) in the design and implementation of the social impact component of the M&E system as well in the communication and reporting of the findings; and
- (vi) Ensuring capacity build-up on social impact assessment by the local staff and other NGOs that may be involved in the M&E process.

3. Project Monitoring and Evaluation

11. The monitoring and evaluation specialists will regularly update the project implementation progress (physical and financial) through a management information system, compare it with the schedules and provide feed back to the management on lapses, if any. The specialists will also work closely with various groups involved in project implementation in preparing catch-up plans. The specialists will regularly warn the concerned groups on the critical activities and inform them of the implications of the critical delays.

3. Rehabilitation of Irrigation and Drainage Infrastructure and Related Institutional Support (International 31, Domestic 353)

12. The Consultant's team will, under guidance from the PMO, prepare designs and tender documents for the rehabilitation of irrigation and drainage infrastructure for the PMO. This work will include a detailed review of the work done to date to confirm technical feasibility of proposed interventions, and identifying any scope for improving the effectiveness or efficiency of the proposed investment. The design team will be based at Dushanbe and coordinate all design work with the PMO. The construction supervision advisors will be site-based, working with the PIU. The detailed activities for various work component will be as follows:

4. Irrigation and Drainage Infrastructure

13. The works comprise construction and improvement of intake structures, rehabilitation and construction of sediment settling basins including provision of sediment handling equipment, prioritized rehabilitation of pumping stations including partial replacement of pumps, motors, auxiliary equipment and pipelines, repair of canal lining and key control structures, de-silting of canals and drains, and river bank protection. The detail of Consultants' work relating to the design of the I&D infrastructure rehabilitation will be as follows:

- (i) Prepare a Design Review Report confirming the project interventions, or proposing changes where these are found to be justified.
- (ii) Carry out detailed design for agreed project interventions, including technical investigations and surveys to provide information needed for detailed design. Where such surveys are to be contracted out, the Consultant will prepare suitable terms of reference/bidding documents for the PMO to commission the work, shall assist the PMO in supervising the work. Specific areas for further study include:

Undertake a hydraulic review of Asht-1 pump irrigation systems' main system infrastructure between the ANS-1 pump station below the intake structure on the Sirdarya and the ANS-5 pump station at the end of cascade to establish a regime for the rational operation of the irrigation network;

Review available data on the discharge of the Pangaz-Say stream and assess the seasonal water availability for supply of irrigation water to pumping stages ANS-5 and ANS-4 of Asht-1 cascade, identify an appropriate site for the construction of a headworks structure on the Pangaz-Say stream and oversee the necessary design work for construction of such works including a conveyance canal between the headworks and the existing water distribution works at pumping stages ANS-5 and ANS-4.

For the Farkhor-Chubek and the Halqoyar irrigation systems examine the sediment load in the intake water at the locations proposed for sediment exclusion devices (site observations plus review of data giving information of

seasonal changes in sediment load), the sediment deposited in the existing settling basins and in the canals to propose the most suitable and least O&M cost type of sediment exclusion device, and suggest arrangements for both hydraulic and mechanical removal of settled materials.

Investigate the underlying causes for instability of the siphon on Rohati Main Canal and suggest the most appropriate remedial actions to be undertaken, including methods to stabilize the existing gully head, initiate and oversee the preparation of necessary design documents and recommend construction procedures which limit suspension of canal operations to a minimum during execution of works;

- (iii) From the detailed designs for the selected alternatives, prepare tender drawings, technical specifications, bills of quantities and other documents needed for the appropriate methods of procuring construction.
- (iv) Provide continuing advice to the PMO during construction on any issues relating to scheme design that arise.
- (v) Prepare a schedule for O&M of the irrigation and drainage facilities reconstructed/improved under the Project and prepare an operational manual.

5. Procurement and Contracting

14. The Consultants will advise the PMO on procurement and contracting procedures, administration, and management; and provide on-the-job training to the EA staff in appropriate methods of contract management and construction supervision. The procurement and contracting tasks include the following:

- (i) Familiarize the project staff with the procurement requirements of the Project, including specific ADB's *Guidelines for Procurement*; develop the contracting capacity of the EA, by providing on-the-job training to transfer knowledge;
- (ii) Based on the procurement requirements of the project components, prepare detailed procurement plans and packages, and determine realistic time-bound schedules for procurement, including parallel and sequential steps for completing procurement activities from initial planning to delivery of goods and services;
- (iii) Advise and assist project staff in organizing and managing procurement activities, review the appropriateness of various procurement packages with respect to their methods of procurement, ensure that procurement can be undertaken in the most efficient and cost-effective manner in accordance with ADB guidelines applicable to the Project;
- (iv) Assist the PMO in establishing appropriate pre-qualification procedures for bidders where these are required;
- (v) Assist in preparing bidding documents, including (a) invitation to bid, (b) instructions to bidders, (c) form of bid, (d) form of contract, (e) conditions of contract both special and general, (f) specifications and drawings, (g) list of goods or bill of quantities, (h) delivery time or schedule of completion; and (i) all the necessary appendixes and formats;
- (vi) Advise PMO on the preparation of documents for procurement of equipment, and the procedures to be followed related to bidding, contract award, taking delivery and making payments;

- (vii) Advise PMO on the application of procedures and requirements related to bid opening, evaluation, and award of contracts, with particular attention to the time allowance for preparation of bids, bid opening procedures, circumstances related to clarifications or alterations of bids, confidentiality, examination of bids, evaluation and comparison of bids, and applicable domestic preferences;
- (viii) Provide an interpretation contract provisions and (where appropriate) assist mediation between contracting parties should any dispute arise between them;
- (ix) Establish a procurement monitoring system at the PMO to allow collection and recording of procurement data for the purpose of (a) timely information exchange, submission, and approval of terms of reference, shortlists, and other requirements; (b) tracking all necessary and critical procurement actions and activities including advertising, bidding, contract award, and completion time for individual contracts; (c) prompt reporting of contract award information by the EA to ADB; and (d) preparation of quarterly reports to ADB; and
- (x) Develop a contract management system to ensure that records and data are stored systematically, and cross-referenced with the financial accounts of the Project. The system must allow safekeeping of procurement documentation for easy retrieval and referencing, with adequate paper trails in accordance with generally accepted standards, and must be designed to also support loan disbursement, reporting, and accounting requirements of the Project. Familiarize PMO staff with the documentation requirements of loan disbursement applications, as well as the necessary records that the Project must keep to support these loan disbursement applications.

6. Construction Management, and Supervision

15. The consultants will assist the PIUs in construction management and supervision,. The construction management and supervision group will have the following tasks:

- (i) Assist the PMO in ensuring strict adherence to ADB's *Guidelines for Procurement*, services, equipment, and materials; expeditious and timely preparation of tender documents; and evaluation for award of contracts and honouring various claims for payments;
- (ii) Assist the PMO in supervising and monitoring the implementation of civil works, including the preparation of regular progress reports and the maintenance of records related to contracts, and including giving detailed technical advice where needed;
- (iii) Assist the PMO in monitoring the fieldworks under implementation, issue early warnings as soon as target dates are deemed to be missed, and coordinate with the concerned staff for remedial measures;
- (iv) Assist the PMO to prepare instructions to contractors for replacement of substandard works and equipment and rectifying deviations;
- (v) Assist the PMO in developing procedures for review of Contractor's invoices, and making appropriate payment to the Contractor within the agreed timescale, including appropriate procedures for review and settlement of Contractor's claims for additional payment;

- (vi) Provide overall guidance to the EA staff and contractors in respect of quality control procedures, conformity of the works with contract provisions, and technical specifications.

D. Support to Water Management (International 8 and Domestic 97)

16. The Consultant will provide technical support to the PMO to develop improved water management in the Project areas through development of Water User Associations (WUAs). This will involve working with the WUA Support Unit in the MWRLR (to be established with support from a separate Technical Assistance consultancy) and helping establish Field Support Units of the WUASU in the project areas. The Consultant will facilitate the formation of WUAs in the project areas, provide technical support for these WUAs to improve their functioning, and develop strong links between the WUAs and the *Raivodkhoz* units responsible for providing bulk irrigation and drainage services in order to improve water management practices. The Consultant will have the following responsibilities:

- (i) Liaise with the TA Consultants to identify appropriate administrative structures for WUAs in the Project Areas, and for the Field Units of the WUASU. Assist the PMO and WUASU to establish the Field Units in each project area.
- (ii) Identify training, financial and technical support needed for Field Units of WUASU to make them fully functional, and arrange for it to be provided.
- (iii) Working with Field Units, prepare a strategy for mobilisation of support to form WUAs in the Core Demonstration Areas, and the rest of the Project area. Assist the Field Unit in implementing strategy to facilitate WUA registration and effective working in the Core Demonstration Areas, and the rest of the Project area. Develop stakeholder consultation concerning the formation of a “canal council” to play a role in the management of bulk irrigation water supplies, and facilitate the formation of such a users group in the core demonstration areas.
- (iv) Identify training needs for the WUAs, and determine an overall training program. Provide appropriate training of trainers to develop appropriate management and financial skills within the WUAs.
- (v) Undertake a detailed review of O&M needs for the irrigation and drainage system below the primary irrigation supply system, and undertake an institutional review of how the O&M needs should be met, with a particular focus on the role of WUAs in this process.
- (vi) Undertake a review of the costs of provision of I&D services, and in consultation with stakeholders develop recommended charge rates for the water fee to cover provision of these services. Provide technical support (including review of relevant legislation) to the PMO to implement a sustainable fee rate structure that provides funding to meet the true cost of provision of irrigation and drainage services.
- (vii) Undertake a review of the systems of irrigation water management, and the farmers irrigation water needs. Develop appropriate water management procedures for both the *Raivodkhoz* and the WUAs to optimise irrigation water use provision.
- (viii) Provide technical support to the WUAs to improve irrigation water management, O&M practices, and fee collection. This activity to initially focus on the Core Demonstration Areas.

- (ix) Propose steps and assist the PMO in ensuring that extremely poor and women are actively involved in WUAs and given proper opportunity to participate at all levels.
- (x) Develop information and public awareness materials to promote the benefits of WUAs, farmer's rights and responsibilities, and other issues of relevance to achieving the Project goal. In consultation with the PMO, use appropriate methods to make this material accessible to the project beneficiaries, and the wider farming community.

E. Support for Agricultural Development (International 0, Domestic 28)

17. The support for agricultural development will focus on extending the activities developed under the ongoing Agricultural Rehabilitation Project (ARP) to the area of the Project and support services will include:

- (i) Review the existing agronomic practices in the area, and extend the agriculture support services program for pilot test farms developed by ARP to the core demonstration areas in each district;
- (ii) Prepare and facilitate implementation of soil survey and testing program on core demonstration areas and determine the appropriateness of the pilot areas soil for various crops, types and amount of fertilizer to be applied, soil amendments if any required, and treatments and management of waterlogged and saline soils;
- (iii) Assist in promoting the use of improved seeds, fertilizers, integrated pest management, and appropriate cultural practices;
- (iv) Arrange farm demonstrations for improved production technologies for a range of crops including, cotton, wheat, oilseeds, and legumes. Particular attention will be paid to re-introduction and intensification of crop rotations and diversification of crops;
- (v) Design and assist in implementation of seed multiplication, grading and certification at seed farms.

F. Improvement of Potable Water Supply Systems (International 9, Domestic 48)

18. The Consultant's team will, under guidance from the PMO, prepare designs and tender documents for the rehabilitation of irrigation and drainage infrastructure for the PMO. This work will include a detailed review of the work done to date to confirm technical feasibility of proposed interventions, and identifying any scope for improving the effectiveness or efficiency of the proposed investment. The design team will be based at Dushanbe and coordinate all design work with the PMO. The rural water supply component shall be carried out in conjunction with Tajikselkhozvodoprovodstroy (TCBX) in order to familiarize its staff with the approach of working closely with local communities in planning and implementation of water supply schemes that is to be adopted. The detailed activities for various work components will be as follows:

Scheme Planning and Design

19. Each water supply scheme will be carried out as a community project and the Consultant shall work with the PMO and PIUs to ensure that the communities' reasonable wishes are

incorporated to the greatest extent possible. The consultants will have the following responsibilities:

- (i) Review the existing community and water management structures and ensure that a representative community body will be formed in each scheme with the involvement of as many as possible of existing community leaders at Mahalla, Jamoat and Hukumat levels;
- (ii) In conjunction with the M&E unit of the PMO the consultant shall assist with the design and organization of a household survey; review the design criteria proposed in the PPTA final report and use his adopted criteria as the starting point for negotiating the level of service with the water committee.
- (iii) The consultant shall estimate the water demand based on the number of people to be supplied for a 2015 design horizon plus any additional demand from other significant users such as schools and clinics and allowing for uninterrupted 24 hours supply should the source be unavailable.
- (iv) The consultant shall advise on monitoring the variation in flow from the spring sources between seasons and assist with analysis of the results to provide an assessment of safe yield.
- (v) The consultant shall advise the PMO on the appointment of suitable organizations to carry out hydrogeological investigations prior to drilling boreholes for the Somoni and Simiganj schemes. The consultant shall be responsible for writing the terms of reference for the hydrogeological investigation, including the requirement for geophysical exploration. The consultant shall assist in the supervision of the investigation contractor and review of the factual and interpretative reports produced.
- (vi) For all of the schemes a water quality analysis will be required to ensure that the supply is of suitable quality for public consumption. The Consultant shall interpret and advise on the results of water quality analysis.
- (vii) For each scheme a topographic survey is required as the basis for detailed design of the water supply system. The Consultant shall prepare the terms of reference for the surveying organization, and shall assist in the supervision and quality control of the survey contracts.
- (viii) Advise the PMO on carrying out detailed engineering surveys for each scheme to quantify and to design the work required to refurbish existing facilities. The consultant shall ensure that the PMO keeps the water committees informed of progress and includes them in the decision making process throughout the design period. Assistance shall be provided to the PMO on the formulation of suitable construction agreements with the water committees.
- (ix) A detailed design report, including the pre-tender cost estimate, shall be prepared by the consultant for each scheme prior to inviting tenders for the works contracts. The design report shall include a section describing any particular environmental issues and the steps to be taken to reduce the risk of environmental damage during construction and operation. Mitigation measures for the construction period shall be included in the tender documents.

Procurement and Contracting

20. The consultants will advise on procurement and contracting procedures, administration, and management; and provide on-the-job training to the EA staff. The procurement and contracting tasks include the following: consultant shall provide advice and support to the PMO in accordance with ADB procedures.

- (i) The consultant shall assist and support the PMO to formulate, establish and implement their anti-corruption strategy.
- (ii) Where prequalification is deemed necessary the Consultant shall be responsible for preparing the prequalification criteria and designing the assessment system and that these are clearly explained in the invitation to prequalify. The consultant shall assist the PMO to prepare prequalification procedures and selection criteria for ADB approval prior to issue of the invitation to prequalify.
- (iii) For each contract package a complete set of tender documents will be compiled by the PMO with advice and support from the Consultant. The Consultant shall check each scheme-specific document, including conditions of contract, specification, construction drawings, schedules and bill of quantities, and shall record the fact that it has been checked and approved by a qualified reviewer who is independent of the original compiler.
- (iv) The Consultant shall compile particular clauses for inclusion in the specification which describe the obligation of the contractor to work closely with the water committee and other community leaders through the medium of project supervisory staff. For those contracts which make use of community labor contributions particular clauses will be required which define precisely what assistance the contractor can expect from the community.
- (v) Particular clauses shall be written by the Consultant to ensure that the contractor complies with the safety and environmental requirements identified in the detailed design report.
- (vi) The Consultant shall assist the PMO in the evaluation of all contract tenders and applications for prequalification received by the PMO. Technical evaluation will be made on the basis of information included in the tender submission and only minor clarifications may be sought or accepted. Tender evaluation shall be on the basis of the criteria stated in the bid documents only, no other criteria may be introduced after tenders have been submitted. Each evaluation exercise will culminate in a bid evaluation report containing a clear recommendation by the PMO on which bid to accept. If the lowest tender is not recommended for acceptance then the report must give a full explanation of why it is deemed to be non-responsive.

Construction Management and Supervision

21. All contracts will be administered by the PMO. The role of the Consultant shall be to monitor and guide the PMO in their administration tasks to ensure that the contracts can be executed with a minimum of disruption.

- (i) The Consultant shall assist the PMO to ensure that the construction work for the rural water supply schemes takes place in a spirit of collaboration with the community. The Water Committee shall be encouraged to take an active

interest in the construction program and shall be kept informed of contract developments, particularly if these disrupt the day to day life of the community.

- (ii) The Consultant shall support the PMO to ensure that adequate quality control procedures are established and clearly understood by the contractors and supervisory staff at PIU level. Procedures shall also be established for cross-checking of site quality control by PMO staff and for identifying suitably qualified engineers to attend particular site and factory acceptance tests.
- (iii) The Consultant shall be responsible for formulating suitable training courses for the Water Committee members and work with the PMO staff to deliver the training. At the end of the training the Water Committee shall be fully prepared to take on their responsibilities including financial management, legal requirements, problem resolution, accountability to the community and planning.
- (iv) Under the Project the Sanitary Epidemiological Service (SES) in each district will be provided with a portable "Delaqua" test kit (or equivalent). The Consultant shall ensure that the SES staff in each district receives adequate training in the correct use of the kit and when and how water samples should be taken.

Continuing Support to Water Committees

22. The PMO will provide continuing support to the Water Committees after completion where required and the Consultant shall be accessible by the PMO for support and advice as required.

- (i) In particular the Consultant shall provide support and guidance, via PMO staff, on the process of setting water user fees.
- (ii) The Consultant shall provide input to the design of follow up surveys carried out by the Monitoring and Evaluation Unit of the PMO, it is anticipated that two follow up surveys will be conducted, one soon after completion of each scheme and one just before the end of the project period. The Consultant shall review and provide an analysis of the survey results.

Reporting

23. The Consultants shall prepare the following reports:

- (i) an Inception Report within 3 months of starting services;
- (ii) a Preliminary Design Review Report within 4 months of starting services, providing a review of project interventions, with recommended changes
- (iii) a Final Design Review Report within 9 months of starting services, providing detail designs of project interventions
- (iv) annual progress reports
- (v) an Operation and Maintenance Report
- (vi) a Final Report

GENERAL GUIDELINES ON THE USE OF CONSULTING SERVICES

GENERAL GUIDELINES ON THE USE OF CONSULTING SERVICES

- Ensure maximum efficiency and economy in the preparation, construction, and operation of ADB-financed projects.
- Ensure that consultants are technically qualified to perform the required services. This is the most important criterion in the selection of consultants.
- Ensure that consultants used by ADB and its borrowers represent the Bank's member countries in a reasonably balanced way.
- Encourage the use of consultants from DMCs and domestic consultants where such consultants are found to be qualified to perform the work.
- Promote the development of domestic consulting profession.

ADB's POLICIES AND REQUIREMENTS

- The consultant must be a national of an ADB member country in order to be eligible for an ADB-financed project. Consultants to be financed by ADB from its ordinary capital resources (OCR) must be engaged from any of ADB's member countries. Consultants to be financed by ADB from its Special Funds (SF) must be engaged from any of the eligible source countries specified by ADB from time to time.
- After conclusion of the engagement, the same consultants may be required to abstain from any subsequent work on the same project, if so decided by ADB.
- Consultants who are associated with, or are affiliates of contractors or manufacturers must limit their role to that of consulting engineers and must disqualify themselves, their associates and their affiliates from work in any other capacity on the same project (including bidding on any part of the project).
- Specifications to be prepared by firms of consultants who are affiliates of manufacturers, or manufacturing firms with departments or design offices offering services as consultants will be impartial and can meet the requirements of competitive bidding, whether international or local as the case may be.
- If a firm has carried out the detailed engineering for a project, it is desirable that the same firm carry out project implementation.
- Section 1, para 1.05 details the provisions of the ADB's anticorruption policy

- Section VI, para 6.01, states that the ADB's preferred method for selecting consulting firms for TA and ADB-financed loans is the quality and cost-based (QCBS) selection method.

USE OF DOMESTIC CONSULTANTS AND CONSULTANTS FROM DMCs

It is the Bank's policy to encourage the use of domestic consultants, i.e., consultants from the member country of the Bank in which the work is to be carried out, and consultants from other developing member countries, where such consultants are found to be qualified to perform the work, in other words, subject to the required technical qualifications and standard are being met.

- Upon deciding which part of the services would need local expertise, the Government and ADB will have to be satisfied that suitable domestic consultants exist. If this is the case, it is normal practice for the Government to provide the Bank with a list of the suitable domestic consultants. This listing will be provided to any foreign consultant invited to submit a proposal. However, the foreign consultant has no obligation to associate with any of the listed domestic consultants. It is free to select a firm of its choice.
- Consulting firms from developed member countries who have been invited to submit proposals for a particular assignment are encouraged to collaborate with domestic consultants or consultants from other DMCs who are capable of providing part of the services required.
- In cases involving a collaboration arrangement between a consulting firm from a developed member country and domestic consultants or consultants from another DMC, the services to be provided by the domestic consultants or the consultants from the other DMC should be clearly defined and set forth in the TOR as well as in the proposals and in the contract.
- In cases where all other factors in the evaluation are rated equal, preference will be given in the evaluation to firms which have proposed such collaboration or association arrangements. This preference also extends to domestic consultants and consultants from DMCs who have submitted proposals on their own behalf.
- Although the involvement of domestic consultants or consultants from other DMCs is encouraged, such involvement can only be given preference if all other factors affecting the evaluation of the technical proposal are rated equal.

This preference must not be confused with the preference allowed for locally produced goods which are to be supplied in conformity with detailed specifications and where price is the main yardstick. In the case of consulting services, we are dealing with the subjects of technical expertise and experience of people. Hence, the measure of competence and ability can only be the content of the technical proposal.

RECRUITING CONSULTING FIRMS FOR LOAN PROJECTS

A. Introduction

1. This PAI provides guidelines that borrowers must follow to recruit consulting firms for ADB-financed loan projects. It should be read in conjunction with PAI 2.01, which provides general guidelines on recruiting consultants, and the other PAIs on recruiting consultants.

B. Principles

2. Borrowers recruiting consultants for ADB-financed loan projects should comply with ADB's requirements and follow ADB's procedures. The procedures are similar to the procedures used by ADB to recruit consulting firms for TA projects (PAI 2.02) and are outlined in the appendixes. The concerned ADB staff should explain ADB's procedures to borrowers.

3. In some cases, when ADB and the borrower agree that the executing agency (EA) has limited capacity, ADB provides staff to help in or to take responsibility for selecting the consulting firm. This participation in consultant selection is mentioned in the loan agreement and the report and recommendation of the President (RRP), and is approved by the Board. In these cases, although ADB takes responsibility for selecting the consultant, the borrower is still responsible for negotiating a contract with the consultant. When a government formally requests ADB to take responsibility for selecting a consulting firm after the loan has been approved, the concerned division consults the Consulting Services Division (COCS) and the Office of the General Counsel (OGC), and submits the request to the head of the concerned department for approval. The Project Coordination and Procurement Division (COPP) informs the Board of the change in the implementation arrangements in the quarterly portfolio update.

C. Anticorruption Policy

4. As stated in PAI 2.01, ADB requires that borrowers and consultants under ADB-financed contracts observe the highest ethical standards when selecting consultants and executing contracts. If ADB determines that representatives of a borrower or a beneficiary engaged in corrupt or fraudulent practices during consultant selection or the execution of a contract, ADB may take any of the steps set out in the *Guidelines on the Use of Consultants*, para. 1.05. Allegations of corrupt, fraudulent, collusive or coercive practices should be referred to the Office of the General Auditor.

D. Explaining ADB's Procedures

5. Mission leaders and other appropriate staff should explain the procedures to borrowers during appraisal, loan negotiations, and inception mission. The operations coordination divisions and regional and resident missions should also remind borrowers of ADB's requirements from time to time. The loan agreement states the roles and responsibilities of the parties involved and the procedures they will follow.

6. Missions should also

- assess the need for consultants;
- agree on the scope of services required;
- help the borrower prepare the terms of reference (TOR);
- assess the EA's capacity to recruit the consultants in a timely manner (if not done during fact-finding) and any strengthening or remedial actions that may be required;
- agree on the procedures the EA will use to recruit the consultants, including the selection method, the type of technical proposal, and practical arrangements to implement advance action; and

- give the EA copies of COCS checklists and standard forms, and encourage the EA to use them.

These preparations for recruiting consulting firms are usually completed by appraisal missions. PAIs 2.11 and 2.12 provide additional information on the responsibilities of appraisal missions.

E. Advance Recruitment Action

7. Borrowers must engage consultants for ADB-financed loan projects in a timely manner. Advance recruitment action means that the borrower selects a consulting firm (that is, evaluates the firms' proposals but does not negotiate and sign a contract) before the loan is approved. ADB missions must advise borrowers that advance recruitment action is the normal procedure, unless delaying the recruitment is justified, and that ADB's support of advance recruitment action does not commit ADB to approve the project or to finance the recruitment costs. If advance recruitment action is not planned, the mission must provide justification in the management review meeting issues paper.

8. Borrowers should be prepared to start contract negotiations with the selected firm as soon as ADB approves the loan. The borrower should not sign the contract until the loan is approved and becomes effective.

F. Selection Methods

9. Borrowers use three methods to select consulting firms:

- Quality- and cost-based selection (QCBS) is the preferred selection method. When QCBS will be used, the TOR must be detailed and specific. The procedures for recruiting consultants for loan projects using QCBS are described in paras. 11–33 and outlined in Appendix 1.
- Quality-based selection (QBS) is used in special cases when appropriate. The procedures for selecting consultants for loan projects using QBS are described in paras. 35–40 and outlined in Appendix 2.
- Direct selection is used in exceptional cases when not using a competitive selection method is justified. The procedures for directly selecting consultants for loan projects are described in paras. 41–43.

The ADB mission states the proposed selection method in the loan agreement and the RRP. If QBS or direct selection will be used, the mission states the justification for it in the RRP. The procedure for obtaining approval of a change in the selection method after a loan has been approved is described in PAI 2.04, para. 4. PAI 2.04 provides more information on the three selection methods.

G. Types of Technical Proposals

10. Borrowers use three types of technical proposals to select consultants:

- Full technical proposals (FTPs) are one of the default types for contract budgets over \$1,000,000. They may also be used for smaller contracts when it is not possible to write detailed specific TOR.
- Simplified technical proposals (STPs) are the default type when the contract budget is more than \$500,000 and equal to or less than \$1,000,000, and are the other default type when the contract budget is more than \$1,000,000. STPs are shorter than FTPs and require detailed, specific TOR.

- Biodata technical proposals (BTPs) are the default type when the contract budget is \$500,000 or less or when the consulting firm is directly selected. BTPs are shorter than STPs and also require detailed, specific TOR.

The ADB mission identifies the type of technical proposal to be used in the RRP. When the mission proposes to use a type of proposal other than the default, it explains why. PAI 2.05 provides more information on the three types of proposals.

H. First Submission

11. When borrowers use QCBS to select consulting firms, the TOR must be detailed and specific. The scope of work must be defined and all the factors affecting the project cost, including all the required inputs, must be stated.

12. Project divisions list all loan projects requiring consulting services in *ADB Business Opportunities (ADBBO)* on ADB's web site before shortlisting. The minimum listing time required for each package depends on the type of technical proposal that will be used to select the consultants (para. 10 and PAI 2.05). When FTPs or STPs will be used, the loan is listed in *ADBBO* for at least 90 days before the planned date of shortlisting; when BTPs will be used, the loan is listed for at least 60 days before shortlisting. Recommendations to waive or reduce the *ADBBO* listing requirement are submitted to the President for approval, either in the RRP or in a separate submission.

13. The borrower first prepares a long list, which normally includes 15–20 technically qualified firms with experience in similar projects. The borrower may ask ADB for a list of qualified firms from the DACON. The borrower decides whether to include any of these firms on the long list and may also add other experienced firms to the list.

14. The borrower then prepares a shortlist of five to seven firms, which normally includes no more than one firm from any ADB member country. The borrower may propose to include two firms from one member country on the shortlist in special cases, for example, when not enough firms have the required expertise.

15. The borrower next finalizes the detailed TOR and recruitment schedule, and prepares the request for proposal (RFP) documents, a draft contract, and a format for evaluating the consultant's performance. The RFP states the borrower's budget for the consulting services and that the costs of the financial proposals, after the borrower evaluates them, are expected not to exceed this budget. The borrower then makes its first submission to ADB, in ADB's standard format. When the contract budget is over \$500,000, the consultant selection committee (CSC) reviews and approves

- the shortlisting criteria;
- the shortlist, to ensure that all the firms are technically qualified and reasonably geographically spread;
- the TOR and background information to ensure that they are clear and accord with the provisions in the loan document;
- the RFP to ensure that the documents are clear and provide enough information for the consultants to fully prepare responsive proposals;
- the proposed selection method, to make sure it is reasonable;
- the proposed type of technical proposals that will be requested;
- the proposed criteria for evaluating the technical proposals, including the weights for each criterion and the summary evaluation sheet;
- the proposed recruitment schedule;
- the draft contract to ensure that it complies with ADB procedures, and that the terms and conditions are reasonable; and

- the format for evaluating the consultant's performance.

The CSC's review takes place before the loan negotiations, unless ADB agreed that the borrower would not use advance recruitment action.

16. When the contract budget is \$500,000 or less, the concerned division reviews and approves the borrower's documents. If necessary, the division consults COCS and OGC, and may request a CSC meeting to evaluate the proposals.

17. The concerned division advises the borrower of the CSC's or the division's decision.

I. Second Submission

18. The borrower then sends RFPs to the consultants on the shortlist. The RFPs ask the consultants to submit technical and financial proposals at the same time in separate sealed envelopes. Any proposals received after the stated deadline are rejected.

19. The borrower evaluates the proposals in two stages: first, the quality of the technical proposals, and second, the cost of the financial proposals. The borrower securely stores the unopened financial proposals and opens the technical proposals. The borrower's CSC then evaluates the technical proposals using the evaluation criteria approved in the borrower's first submission.

20. The borrower then makes its second submission to ADB in ADB's standard format. The borrower submits the documents included in its first submission plus a technical evaluation report that includes

- a summary evaluation sheet, highlighting any proposal that scored less than the minimum of 750 points out of 1,000;
- a personnel evaluation sheet for each proposal;
- comments on the strengths and weaknesses of each proposal; and
- minutes of the evaluation meeting(s).

21. When the contract budget is more than \$500,000, the CSC reviews and approves the borrower's technical evaluation report. When the contract budget is \$500,000 or less, the concerned division reviews and approves the technical evaluation report. The division may request a CSC meeting to evaluate the proposals if it wishes. The concerned division advises the borrower of the CSC's or the division's decision.

22. The borrower informs any firms that submitted technical proposals that scored less than 750 points that they were unsuccessful and that the borrower will return their financial proposals unopened at the end of the selection process.

J. Third Submission

23. The borrower then informs the firms whose technical proposals scored 750 points or more of the time and place where the borrower will publicly open their financial proposals. The borrower also advises ADB when and where the opening will take place.

24. At the public opening, the borrower records the names of those attending and reads aloud the technical scores of the firms whose proposals scored at least 750 points. The borrower then opens those firms' financial proposals and reads aloud the total price shown in each proposal. All the other information in the financial proposals is kept confidential. The borrower prepares minutes of the proceedings.

25. The borrower next evaluates the financial proposals. The borrower

- checks that the commercial terms in the proposals comply with the requirements in the RFP,
- corrects any mathematical errors,
- makes sure that the costs of all the items in each firm's technical proposals are included in their financial proposals,
- makes sure that the proposals include the costs of any provisions the firms stated and of the contingency amount specified in the RFP,
- makes sure the proposals exclude any identified local income tax on the international experts, and
- converts any amounts in other currencies to US dollars using the source for the exchange rates that was stated in the RFP.

All the evaluated prices are not expected to exceed the contract budget stated in the RFP.

26. The borrower then calculates the score of each financial proposal by dividing the price of the lowest priced proposal by the price of the proposal being considered and multiplying the result by 1,000.

27. The borrower calculates the total score for each firm by adding 80% of the technical score to 20% of the financial score. The borrower ranks the firms based on their total scores and prepares a financial evaluation report that includes five forms provided by ADB.

28. The borrower then makes its third submission to ADB, in ADB's standard format. The borrower submits the documents included in its first two submissions plus the minutes of the public opening, the financial evaluation report, the ranking, and the minutes of the financial evaluation meeting(s).

29. When the contract budget is more than \$500,000, the CSC reviews and approves the borrower's documents. When the contract budget is \$500,000 or less, the concerned division reviews and approves the documents. The division may request a CSC meeting to review the documents if it wishes. The CSC's or concerned division's approval is final, and ADB does not consider any revised rankings submitted later. If the borrower has not followed the agreed selection procedures, ADB reserves the right not to finance the contract. The concerned division advises the borrower of the CSC's or the division's decision.

K. Fourth Submission

30. The borrower then negotiates a contract with the first-ranked firm. The negotiations include the firm's methodology, work plan, and personnel schedule; the EA's counterpart facilities; and the quantities of cost items in the firm's financial proposal. Any changes made in the TOR requirements are minor because no substantial change may be made in the firm's technical and financial proposals. The borrower and the firm may make minor changes in the quantities of the cost items in the financial proposal, but may not change the firm's proposed rates for remuneration and expenses. When asked by the borrower, COCS provides a staff member to assist with the contract negotiations, if one is available.

31. If the borrower and the firm cannot reach agreement, the borrower may terminate the negotiations with ADB's prior agreement and start negotiations with the next-ranked firm in turn until an agreement is reached.

32. After reaching an agreement with the selected firm, the borrower makes its fourth submission to ADB, in ADB's standard format. The borrower submits the draft negotiated contract and the minutes of the contract negotiations. The concerned division reviews and approves the documents. The division

- makes sure that the negotiated terms and conditions are satisfactory; and
- asks COCS, Controller's Department, and OGC for comments, if necessary.

The division advises the borrower of its decision.

L. Finalizing the Contract

33. After receiving ADB's approval, the borrower signs the contract, obtains the consultant's signature, and submits a copy to ADB for its records. After receiving the signed contract, the concerned division checks that it is substantially the same as the draft negotiated contract approved earlier. The concerned division sends copies of the signed contract to COCS, Controller's Department, and OGC. The concerned division sends copies of all relevant communications to COCS.

34. The borrower returns the unopened financial proposals of the firms whose technical proposals scored less than 750 points.

M. Using QBS to Select Consultants

35. QBS is a method of selecting consulting firms based only on the quality of their technical proposals. QBS is only used in exceptional cases when the TOR are very complex or nonspecific. When the borrower and the ADB mission propose to use QBS, the ADB mission includes the proposed procedures and the justification in the RRP, for approval by the Board.

36. Many of the procedures for selecting a firm using QBS are similar to those described for QCBS (paras. 11–34). A description of the main differences follows.

37. The borrower's RFP asks the shortlisted firms to initially submit only technical proposals.

38. After receiving ADB's approval of its second submission, with a report on its evaluation of the technical proposals, the borrower invites the first-ranked firm to submit a financial proposal before the contract negotiations start. The borrower opens the financial proposal privately rather than publicly, and reviews the proposal but does not evaluate it.

39. During the contract negotiations, the borrower discusses any technical issues with the consultant and may negotiate any of the costs shown in the financial proposal. The borrower asks the consultant to submit documents to support all the costs shown. After reaching agreement with the firm, the borrower normally prepares a cost-plus-fee contract. The borrower submits the draft negotiated contract and the minutes of the negotiations to ADB for approval—this is the borrower's third submission.

40. Borrowers using QBS make only three submissions to ADB, not four, because they don't submit an evaluation of the financial proposal. The documents in the three submissions are similar to those in the first, second, and fourth submissions when the borrower uses QCBS (paras. 15, 20, and 30).

N. Direct Selection

41. Direct selection means that the borrower invites only one firm to submit a technical proposal and does not use a competitive procedure for selecting a consulting firm. ADB approves direct selection in special cases with adequate justification, for example, because a firm was previously involved in a project.

42. When the borrower and the ADB mission propose to use direct selection, the ADB mission includes the proposed procedures and the justification in the RRP, for approval by the Board. Before the contract negotiations, the selected firm submits to the borrower and ADB a biodata technical proposal (para. 10 and PAI 2.05) and a financial proposal. The borrower checks that the technical proposal meets the minimum requirements and then schedules the contract negotiations.

43. When a borrower proposes to use direct selection after the loan is approved (for example, when a current contract with a consultant is terminated), the borrower submits the proposed selection procedures and justification to ADB for approval. The concerned division, COCS, and OGC review the proposal. If the contract budget is \$500,000 or less, the principal director, Central Operations Services Office, approves the selection procedures. If the contract budget exceeds \$500,000 and does not exceed \$5,000,000, the relevant vice-president approves the selection procedures. The Board approves the procedures when the contract budget exceeds \$5,000,000. The Project Coordination and Procurement Division advises the Board of approvals up to \$5,000,000 in the quarterly portfolio update.

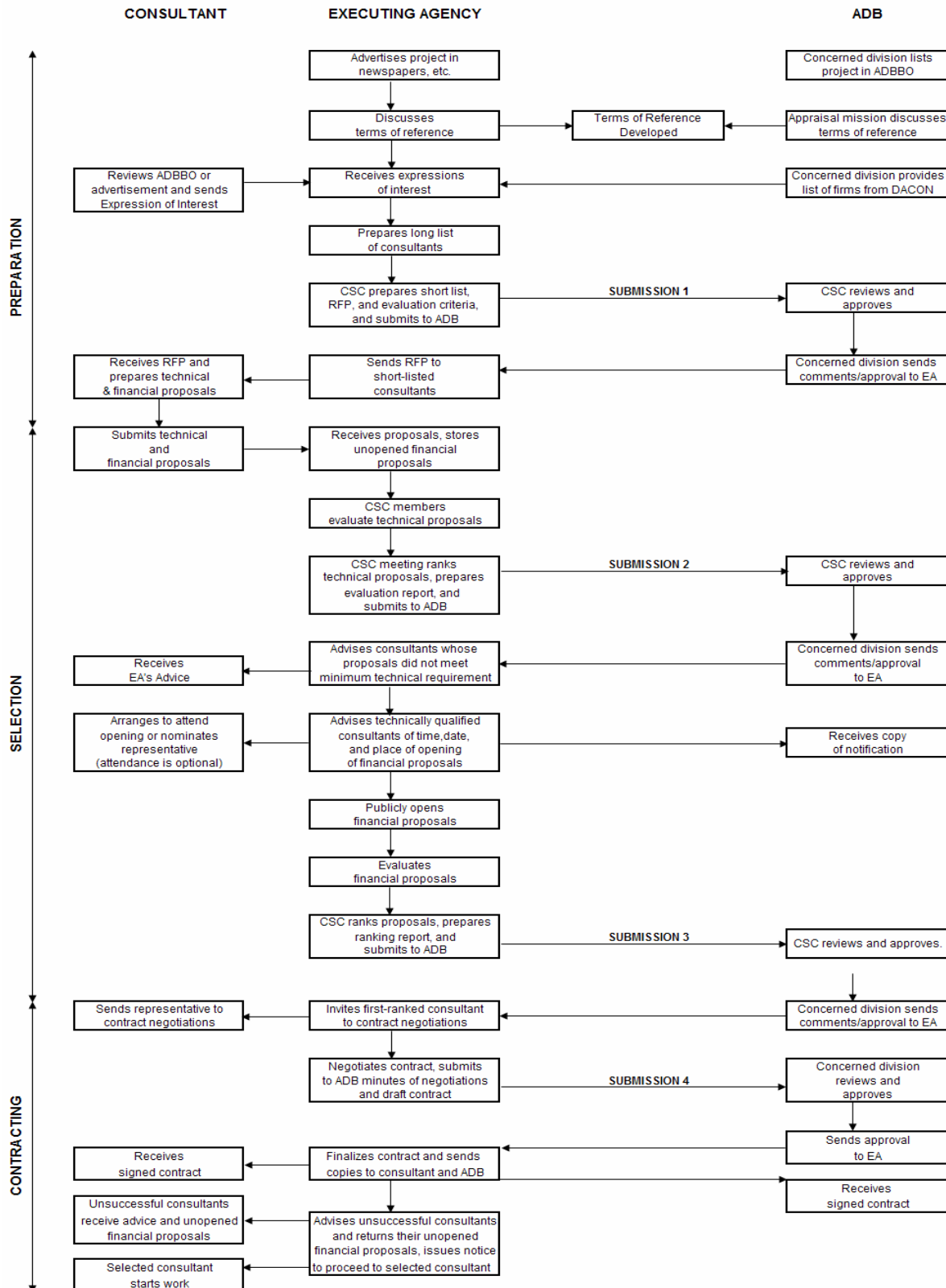
O. Terminating Contracts

44. When a borrower proposes to terminate a current contract with a consulting firm, the borrower submits to ADB for approval

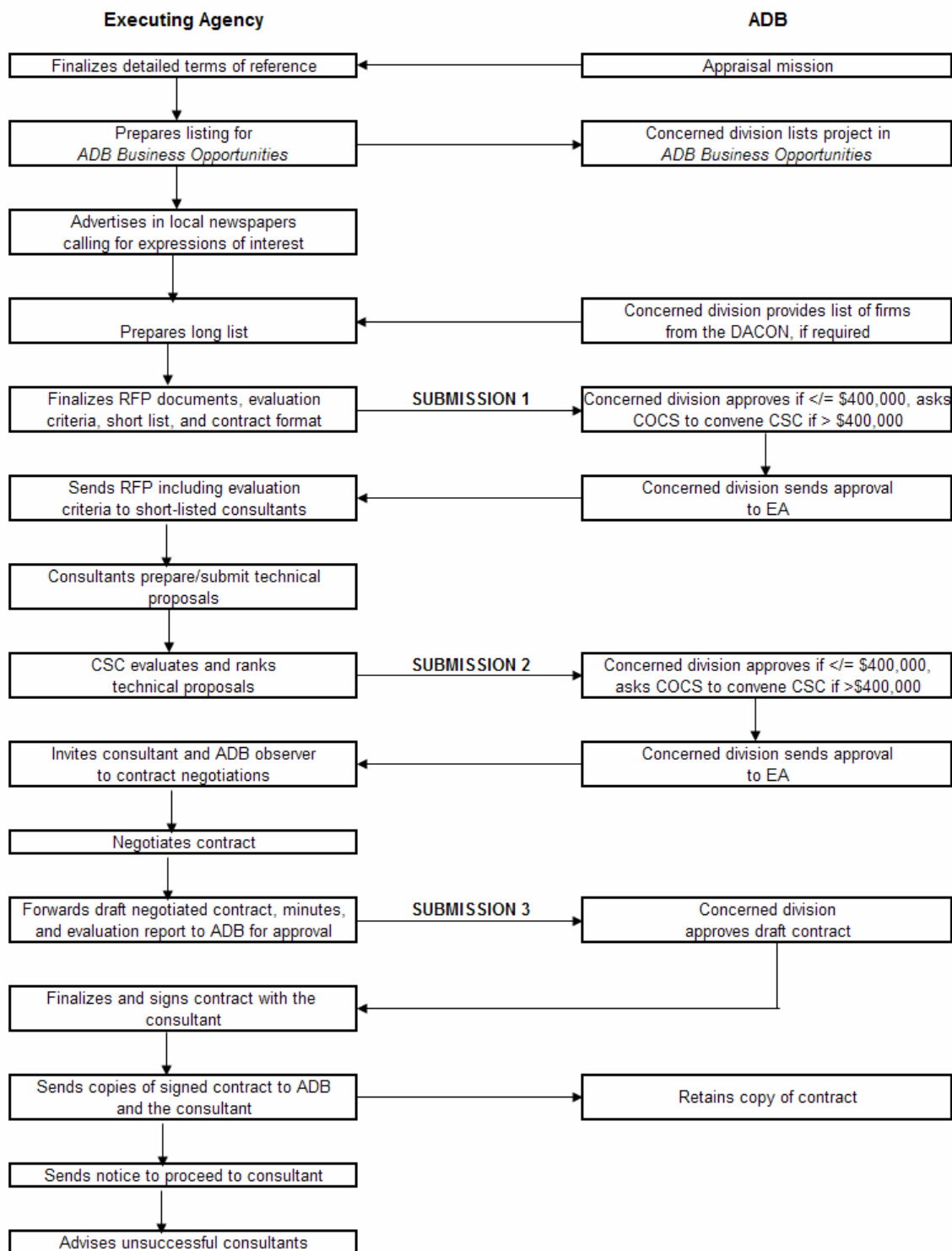
- adequate background information and justification for the proposed termination,
- a summary of the required adjustments or remedial action, and
- a proposal on how the contracted work will be completed.

45. The concerned division in consultation with the borrower obtains the consultant's views and proposals, if possible. Based on the available information, the concerned division then discusses with COCS whether to convene the CSC. If the CSC is convened, it decides if termination is warranted. If the CSC is not convened, the concerned division decides if termination is warranted, in consultation with COCS, OGC, and other relevant departments and offices. The concerned division advises the government, or EA, or both of the decision. The borrower then tells the consultant the decision, in accordance with the provisions in the contract.

Recruiting Consulting Firms for Loan Projects Using QCBS
Contract budget more than \$500,000



Recruiting Consulting Firms for Loan Projects Using QBS



INDICATIVE CONTRACT PACKAGES

| Component/Package | Tentative Value (\$) | Mode of Procurement ^a |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------------------|
| A. Support for Agriculture Development Procurement of Equipment for Seed Production | 108,000 | IS |
| B. Rehabilitation of Irrigation and Drainage Infrastructure | | |
| 1. Rehabilitation of Canal Headworks, and Pumping Stations | | |
| a. Irrigation and Drainage Infrastructure in Asht District | | |
| i. Delivery/Installation/Rehabilitation of ANS-1,2 and 3B Pumping Stations | 5,700,000 | ICB |
| ii. Delivery, Installation and Testing of Pressure Delivery Pipes for ANS-1, 2 and 3B Pumping Stations | 2,000,000 | ICB |
| iii. Intake Channel to ANS-1 Pump Station, Headworks and Forebay | 275,000 | LCB |
| iv. Rehabilitation of Off-Farm Irrigation Infrastructure and Construction of Pangaz-Say Headworks | 5,000,000 | LCB |
| b. Irrigation and Drainage Infrastructure in Farkhor District | | |
| i. Delivery/Installation/Rehabilitation of Urtaboz-1, 3, 4 and 4a Pumping Stations | 2,600,000 | ICB |
| ii. Delivery, Installation and Testing of Pressure Delivery Pipes for Urtaboz-1, 3, 4 and 4A Pumping Stations | 1,600,000 | ICB |
| iii. Construction of a Sedimentation Basin including Structures at Chubek Headworks | 960,000 | ICB |
| iv. Rehabilitation of Off-Farm Irrigation and Drainage Infrastructure | 510,000 | LCB |
| c. Irrigation and Drainage Infrastructure in Panj District | | |
| i. Delivery/Installation/Rehabilitation of Fayzabadqala-0 and 1 Pumping Stations | 1,170,000 | ICB |
| ii. Delivery, Installation and Testing of Pressure Delivery Pipes for Fayzabadqala 0 and 1 Pumping Stations | 1,390,000 | ICB |
| iii. Rehabilitation of Halqoyar Intake Canal and Construction of Sedimentation Basin | 429,000 | LCB |
| iv. Rehabilitation of Off-Farm and Drainage Infrastructure | 880,000 | LCB |
| d. Irrigation and Drainage Infrastructure in Rushon District | | |
| i. Rehabilitation of Off-farm Irrigation Canals and Structures | 530,000 | LCB |
| ii. Minor Work and Sediment Removal | 193,000 | LCB |
| e. Irrigation and Drainage Infrastructure in Vahdat District | | |
| i. Rehabilitation of Rohati Main Canal, Headworks, and Structure Protection | 440,000 | LCB |
| i. Replacement of Siphon on Rohati Main Canal | 696,000 | LCB |
| ii. Rehabilitation of Dashtibed Canal Headworks and Protection Works | 214,000 | LCB |
| 2. Support to Water Management Agencies | | |
| a. Operation and Maintenance Machinery Procurement of O&M Machinery for desilting of sediment basins | 817,000 | ICB |
| b. WUA Support | | |
| i. Equipment for WUA Support Unit (MWRLR, Field Offices) | 129,000 | IS |
| ii. Procurement of Water Management Equipment | 25,000 | DP |
| C. Improvement of Potable Water Supply Systems | | |
| 1. Delivery/Installation of Water Supply Pipes and Rehabilitation of Water Supply (Shaydon Village in Asht District) | 556,000 | LCB |
| 2. Delivery/Installation of Water Supply Equipment and Rehabilitation of Water Supply Supply Infrastructure (Suhan Village in Farkhor District) | 338,000 | LCB |
| 3. Delivery/Installation of Water Supply Pipes, Equipment and Rehabilitation of Water Water Supply Infrastructure (Somon Farm Villages in Panj District) | 907,900 | LCB |
| 4. Delivery/Installation of Water Supply Pipes and Rehabilitation of Water Supply Supply Infrastructure (Rushan Villages in Rushon District) | 273,000 | LCB |
| 5. Drilling of Boreholes, Delivery and Installation of Hand pumps (Simiganj Jamoat in Vahdat District) | 288,000 | LCB |
| D. Support to PMO Procurement of Environment Monitoring Equipment and Furniture | 25,000 | DP |

^a DP = direct purchase, ICB = international competitive bidding, IS = international shopping, LCB = local competitive bidding

Source: Asian Development Bank estimates.

PROCUREMENT OF CIVIL WORKS, GOODS AND SERVICES

A. Basic Principles

The Borrower (Executing Agency) is responsible for all procurement activities. ADB has obligation to review the procurement activities to ensure that the proceeds of its loans are used with due attention to considerations of economy and efficiency. The basic procurement principles are:

- (i) **Source of Procurement:** Goods/works must originate from and be produced in member countries. Performance of contract must take place in member countries and supplier should be a national of a member country. A list of eligible member countries is provided in Appendix 9A,.
- (ii) **Economy and Efficiency:** Borrowers should obtain goods and services through international competitive bidding (ICB), unless other forms of procurement are more suitable.
- (iii) **Adequate, Fair and Equal Opportunity:** Procurement should give ADB member countries an adequate, fair and equal opportunity to supply goods and services financed by ADB.
- (iv) **Transparency:** This is essential to achieve economy and efficiency and to combat fraud and corruption.

B. Guidelines for Procurement Applicability

For contracts not financed by ADB but part of Project, the Borrower may adopt its own procurement procedures. The works/goods should be carried out with due diligence, efficiency and in conformity with sound engineering practices. While for contracts financed by ADB entirely or partly, the ADB Guidelines for Procurement must be followed.

C. Guidelines for Procurement Fraud and Corruption

Corrupt Practice: The offering, receiving, or soliciting, directly or indirectly, of anything of value to influence the action of any party.

Fraudulent Practice: Misrepresentation or omission of facts to influence a procurement process or the execution of a contract.

Collusive Practice: A scheme or arrangement between two or more bidders, with or without the knowledge of the borrower, designed to influence the action of any party.

Coercive Practice: Harming or threatening to harm, directly or indirectly, persons, or their property to influence their participation.

In pursuance of observing the highest standard of ethics during the procurement and execution of contracts, ADB may: (i) reject a proposal to award contract; (ii) cancel the portion of a loan; (iii) declare a firm ineligible either indefinitely or for a stated period of time; and (iv) inspect accounts and records of suppliers and contractors and have

them audited by auditors appointed by ADB if the above fraud and corruption practices were observed.

D. Procurement Procedures

1. International Competitive Bidding (ICB)

International competitive bidding (ICB) is the normally required mode of procurement under ADB loans. This provides the Borrower or executing agency (EA) with a wide range of choices in selecting best bid from competing suppliers and contractors. It gives prospective bidders from eligible source countries adequate, fair and equal opportunity to bid on goods and related services or works that are being procured under ADB loans. The EA must follow ADB's *Guidelines for Procurement* and procedures in preparing prequalification, bidding, and contract documents; advertising bid invitations; and accepting, opening, and evaluating bids. The flow chart in **Appendix 9-A and Appendix 9-B** shows the main steps for procurement under ICB for both ICB with no prequalification and with prequalification, respectively.

a. Price Thresholds for International Competitive Bidding

ICB procedures must be followed for any contract with an estimated value that exceeds \$ 500,000 for goods and \$1,000,000 for civil works. The threshold values are normally stated in the Loan Agreement.

b. Bid Packaging

As in the case for the Project, contract packaging is normally concluded during project processing by agreement between the EA and ADB, and the contract packages and modes of procurement are included in the report and recommendation of the President (RRP). The approach in the preparation of bid packages are: (i) prepare the list of goods to be procured; (ii) group the goods into contracts; (iii) determine scope and number of civil works contracts, and (iv) determine the mode of procurement for each contract.

c. Advertisement and Notification

Disseminating information on procurement contracts subject to ICB is done by advertising invitations for prequalification or bids in an English language newspaper of general circulation in the country of the EA and the ADB Business Opportunities (ADBBO). The EA forwards a report to ADB on advertising the invitation. For a large or specialized contracts, ADB may also require that invitation for prequalification or bids and procurement notices be advertised in well-known technical magazines or trade publications or in widely circulated international newspapers.

ADB advertises procurement opportunities under its loans in ADBBO and United Nations Development Business. Advertisement in UNDB is, however, not mandatory as ADB has no control over its publication. UNDB is published twice a month and carries public procurement notices on projects financed by international organizations. ADBBO is published once a month and carries information only on ADB-financed projects, including procurement notices and contract awards. ADBBO is also on ADB's web site at

<http://www.adb.org>. ADBBO and UNDB contain general procurement notices (GPNs) and specific notices (SNs).

The GPN for a project appears in ADBBO for at least one month, but preferably three months, before the first prequalification (where prequalification is to be carried out) or bidding documents are made available for issue. A sample GPN is shown in **Appendix 9-C** and SNs is in **Appendix 9-D**.

d. **Prequalification of Bidders**

Prequalification of bidders is required for most civil works contracts, turnkey contracts, and contracts, for fabrication of expensive and technically complex equipment, to ensure that only technically and financially capable firms will be invited to submit bids to undertake the work for which bids are to be invited.

Invitations to prequalify shall be advertised and notified. Generally, a minimum period of 60 days shall be allowed for the submission of prequalification applications. There shall be no limits on the number of firms to be prequalified, and all firms found capable of performing the work satisfactorily in accordance with the approved prequalification criteria shall be prequalified and invited to submit bids. Detailed procedures involved, the documents to be prepared, and ADB's requirements for evaluation and approval of prequalification proposal are provided in *Guide on Prequalification of Civil Works Contractors*.

e. **Preparation of Invitation for Bids and Bidding Documents**

The invitation for bids and bidding documents should provide all the information necessary for bidders to prepare responsive bids. They should (i) be comprehensive in scope and clear in content, (ii) describe works to be done, or goods to be procured, including place and period of delivery and installation, (iii) indicate methods, terms and conditions of bid evaluation, and (iv) clearly state the conditions of contract and other requirements that the bidder must comply with. Bidding documents should be in English language and should contain a reference to ADB for contracts wholly or partially financed by ADB.

Borrowers should use the appropriate Standard Bidding Document (SBDs) issued by ADB, which can be downloaded from the ADB's web site.

Any particular modification or departure from the SBD to address country-specific or project-specific issues should be minimal. All such modifications or departures shall be introduced only through Instructions to Bidders and Special Conditions to Contract/Conditions or Particular Application. Where no relevant SBDs have been prepared by ADB, the borrower shall use other internationally-recognized bidding documents acceptable to ADB, and conforming to the extent possible to ADB's SDBs.

Three copies of the invitation for bids and all related bidding documents for ICB (including instructions to bidders, conditions of contract, specifications, and bid forms) must be submitted to ADB for approval and reach ADB at least 42 days prior to the proposed date for issuing bidding documents. This allows a specific notice to be published in the ADB Business Opportunities (ADBBO). EAs must use ADB's

appropriate standard bidding documents (SBDs). Modifying or departing from the SBDs for country specific or project specific conditions must be

- (i) minimal and consistent with the Guidelines for Procurement
- (ii) subject to ADB approval; and
- (iii) introduced only through bid data sheets, and the special conditions of contract and conditions of particular application.

f. Bid Opening, Evaluation and Award of Contract

Time Interval Between Bid Invitation and Bid Submission

The time allowed for preparation and submission of bids will depend to a large extent upon the magnitude and complexity of the contract. The particular circumstances of the project shall also be taken into account. Generally, a minimum period of 60 days for supply contracts and 90 days for civil works and turnkey, including design-build contracts, shall be allowed. When strictly local competition is allowed shorter periods may be provided. The deadline for submission of bids may be extended where an extension would result in greater competition. When the bidding period is extended, all those who have been sent or provided with invitations to bid shall be advised.

g. Bid Opening Procedures

The date, hour and place for the latest delivery of bids and of the bid opening shall be stated in the invitation to bid. The time for the bid opening shall be the same as for the deadline for delivery of bids or promptly thereafter.⁵ The borrower shall open all bids received at the stipulated time and place. Bids shall be opened in public; that is, bidders and their representatives shall be allowed to be present. Bids delivered after the time stipulated shall be returned unopened. The name of each bidder and the total amount of its bid, including alternative bids, if any, together with any discounts offered, shall be read aloud and recorded, and a copy of this record shall be promptly sent to the Bank.

h. Extension of Bid Validity

Every effort shall be made to complete bid evaluation before the expiration of bid validity and the validity of bids shall not be extended, except in exceptional circumstances and with the prior approval of the Bank. When an extension is considered necessary, all those who submitted bids shall be asked to extend their bids. Bidders who are willing to extend the validity of their bids shall neither be required nor permitted to modify the substance of their bids. The bid securities of bidders who are not willing to extend the validity of their bids shall be returned to them.

i. Clarification or Alteration of Bids

No bidder shall be permitted to alter its bid after the bids have been opened, but clarifications not changing the substance of the bid may be accepted. The borrower may ask any bidder for a clarification of its bid but shall not ask any bidder to change the substance of its bid.

j. Confidentiality of Procedures

No information relating to the examination, clarification, and evaluation of bids and recommendations concerning awards shall be communicated after the public opening of bids to any person not officially concerned with these procedures before the announcement of the award of a contract to the successful bidder.

k. Examination of Bids

Following the opening, it shall be ascertained whether material errors in computation have been made in the bids; whether the bids are substantially responsive to the bidding documents; whether the required securities have been provided; whether the documents have been properly signed; and whether the bids are otherwise generally in order. If a bid is not substantially responsive to the bidding documents or contains inadmissible reservations, it shall be rejected. A technical analysis shall then be made to evaluate responsive bids and to enable bids to be compared.

l. Evaluation and Comparison of Bids

Bids which conform to the technical specifications and are substantially responsive to the bidding documents shall be compared on the basis of their evaluated costs and the bid with the lowest evaluated cost, which may not necessarily be the lowest priced bid, shall be selected for award.

Bid evaluation must be consistent with the method, terms and conditions set forth in the bidding documents. Apart from price, other relevant factors such as the efficiency of the equipment, including its operating costs, the time of completion of construction or delivery, and the availability of after-sales service and spare parts, shall be taken into account in determining the lowest evaluated bid to the extent and in the manner specified in the bidding documents. These factors shall, whenever possible, be expressed in monetary terms in the evaluation provisions of the bidding documents. Bids shall be compared on the basis of base price without taking into account the provisions for price adjustments. Likewise, customs duties and import taxes on goods to be imported shall be excluded in comparing bids for the supply of goods.

At the request of the borrowing country and under conditions to be agreed with the Bank and set forth in the bidding documents, a margin of preference may be granted under international competitive bidding to bids for:

- i. goods to be manufactured in the borrowing country, when comparing them with bids for imported goods
- ii. civil works to be carried out by eligible contractors from the borrowing country when comparing such bids with bids from foreign contractors.

Where preference for domestic goods or domestic contractors is allowed in accordance with the provisions of the Loan Agreement, the methods and stages set forth in the Loan Agreement for the evaluation and comparison of bids shall be indicated in the bidding documents.

For contracts for which prequalification is not required, information concerning the bidder's experience (sales record), financial position, technical staff, and network of after-sales service, if needed, shall be required in the bidding documents. Normally, the information will be considered during the initial examination of bids and the bid of any bidder who does not satisfactorily meet these requirements will not be considered for evaluation. In any case, the borrower shall always ensure that the bidder whose bid has been evaluated as the lowest has the technical and financial capability to perform the contract satisfactorily and, if the bidder does not meet these requirements, its bid shall be rejected.

m. Rejection of All Bids and Rebidding

Bidding documents usually provide that the borrower may reject all bids. Such rejection is justified when the bids submitted are not substantially responsive, or where there is evidence of lack of competition, or where all bid prices substantially exceed the cost estimate.

When all bids have been rejected, a rebidding may be called, and the borrower shall request for new bids from all who were supplied with bidding documents in the first instance. However, if there has been a sufficient number of bids in the initial bidding, the borrower may consider inviting bids only from those who have previously submitted bids. If all bids have been rejected because of lack of competition or failure to meet the specifications, the borrower shall examine the causes for rejection and consider, before calling for new bids, revision of the specifications or bidding conditions. Where all bid prices substantially exceed the cost estimates, the borrower may, instead of calling for new bids, and after consultation with the Bank, negotiate with the lowest evaluated bidder for a reduction of the bid price. If no satisfactory contract can be concluded and a rebidding is called, modification of the scope of the contract shall be considered.

n. Award of Contract

The award of contract shall be made to the bidder whose bid has been determined to be the lowest evaluated substantially responsive bid and who meets the appropriate standards of capability and financial responsibility. Such bidder shall not be required, as a condition of award, to undertake responsibilities or work not stipulated in the specifications or to modify its bid.

2. Local Competitive Bidding (LCB)

a. Criteria for Allocating Contract Packages for LCB

LCB may be considered only if ADB is satisfied with four items:

- foreign contractors and suppliers are not likely to be interested in bidding;
- local production or construction facilities are available at reasonable cost and are adequate for prompt delivery;
- domestic procurement procedures are satisfactory to ADB; and
- the borrower requested use of LCB.

Moreover, LCB may be considered for contracts comprising the following conditions:

- small value;
- consist of a series of small-value works;
- located in several areas that may be far apart in the borrowing DMC; and
- to be executed at different times.

Where LCB is proposed as a mode of procurement, ADB's processing missions are to satisfy themselves that an adequate number of domestic producers or contractors are capable of providing the required quantity and quality of goods and related services or works at reasonable costs and within the required time frame. The ICB threshold for LCB is between \$1.0 million and \$10 million for works contracts, or between \$0.5 million and \$1.0 million for supply of goods, depending on the size of the borrowing country. Where the threshold is set above the lowest value in the range, it is determined on a country-by-country basis, in consultation with COPP.

b. Role of Project Processing Missions

ADB's processing missions formulate procurement packages with the executing agency (EA). Every effort must be made to formulate packages for ICB; LCB may only be used if the EA has complied with all conditions stated in paras. 2–3. The Project Coordination and Procurement Division (COPP) and, if necessary, the Office of the General Counsel (OGC) are to be consulted when finalizing the use of LCB. Approval is to be secured at the management review meeting or through the back to office report of the processing missions. Prior to, and if necessary, during loan negotiations, ADB and the borrower are to agree upon

- the list of contract packages¹ for which LCB is to be adopted;
- the LCB procedures to be used to ensure acceptability to ADB; and
- the threshold for LCB and the requirements for ADB approval that are to be reflected in the loan agreement.

c. Evaluating LCB Procedures

Project processing missions² review LCB procedures normally used by the proposed EA under the laws and regulations of the borrowing DMC and verify their acceptability to ADB. While local procedures need not be identical to ADB's ICB procedures, they must provide adequate competition to ensure reasonable prices and must not conflict with the basic principles underlying ADB's *Guidelines for Procurement*. Evaluating bids and contract awards must be fair, and evaluation criteria must be made known to all bidders. Factors to be considered when evaluating LCB procedures of an EA are briefly described in Appendix 2.

¹ The type or category of contracts envisaged for LCB should be specified in the loan agreement, even if when the contracts cannot be listed because of the nature of the project and timing of processing missions.

² Any OGC or COPP representative in the mission is to be involved in this.

d. Treatment of Foreign Bidders under LCB

Contractors from all member countries are entitled to apply for prequalification or to bid for contracts under LCB. ADB requires the borrowing DMC to permit such participation, but foreign bidders must adhere to local procedures acceptable to ADB, including using the local language and paying in local currency, if required by the bidding documents. Under LCB, the delivered cost of materials including import duties and other taxes may be used when comparing bids. ADB's domestic preference policy does not apply to LCB.

e. International Advertising of LCB

Bidding of LCB contracts estimated at \$500,000 or more for goods and related services or \$1,000,000 or more for civil works is advertised concurrently with the general procurement notices in the Business Opportunities section of adb.org. Prequalification, if used for LCB contracts, is similarly advertised.

f. Using Standard Bidding Documents for LCB

Borrowers are to be encouraged to use ADB-approved standard bidding documents for LCB. This will help ensure high quality and consistency in the documents and will hasten ADB's review. The documents must reflect local procurement requirements and be acceptable to ADB by not contravening the basic principles underlying the *Guidelines for Procurement*. If standard bidding documents acceptable to ADB are not yet available in borrowing DMCs, COPP may provide assistance to help develop them. Once prepared and approved, the use of standard bidding documents will be mandatory for all ADB-financed LCB contracts in the DMC (as for ADB-funded ICB contracts).

g. ADB Review of LCB Bidding Documents

For each project, the first draft English language version of the bidding documents should be submitted for ADB prior review and approval regardless of the estimated contract amount. The documents will be reviewed by the sector division, COPP, and OGC. Thereafter, the approved LCB bidding documents should be used as a model for the same project. Prior review will not be required for subsequent LCB procurement on the same project, where the contract value is estimated at less than \$10 million.

h. Approval of Bid Evaluation Report and Contract Award for LCB

ADB will review the bid evaluation report (BER) and award of contract on a post-facto basis. The EA must submit copies of the BER and signed contract in English to the concerned sector division or resident mission for post review as soon as possible following contract award. The EA should be advised that ADB reserves the right to refuse financing for the contract if it is found during post review that the procurement has not been conducted in accordance with the *Guidelines*, or other provisions specified in the loan agreement. The concerned sector division may, however, agree with the EA to conduct prior review of the BER and to give prior approval for contract award. This would depend on the borrower's procurement capacity and should be described in the project

documentation. Notwithstanding the above, if the procurement requires consideration of the procurement committee, in accordance with PAI 3.11, the EA must be advised not to award contract prior to the committee's deliberations and subsequent ADB approval.

i. ADB Financing of LCB Contracts

Under ADB's uniform financing policy, when a local bidder wins a contract under ICB, ADB financing covers the ex-factory price of locally manufactured products (excluding taxes and duties on the finished product, but including import duties on raw materials and components). Similarly, ADB financing of LCB excludes taxes and duties imposed on civil works contractors. The flow chart for the LCB procedure is in **Appendix 9-E**.

3. International Shopping

International shopping (IS) is employed where the estimated contract amount is not large enough to interest foreign suppliers and contractors through the ICB process. A flow chart showing the main steps for procurement under IS is provided in Appendix 1. Normally, IS is permitted for contracts estimated at up to a maximum value of \$1,000,000. For IS procurement, the executing agency (EA)

- advertises the notice inviting bids in a local English language newspaper, if practicable, with a bidding period of 30 days;
- issues written invitations to bid, providing clear technical specifications for the required goods and related services or works, and the terms and conditions of purchase, to at least three bidders representing more than one member country of ADB (member country for this purpose refers to the country of origin of the goods and not to the bidder's nationality; therefore, quotations may be solicited from authorized local agents of foreign manufacturers);
- adopts the procedures for public bid opening; and
- evaluates the bids in the same way as for ICB.

Unless otherwise indicated in the loan agreement, ADB's review will generally occur after the award of the contract (but before authorizing disbursement) when the EA sends

- the withdrawal application;
- copies of the signed contract;
- the bidding documents;
- details of bid opening procedures, including minutes of bid opening;
- the bid evaluation report;
- the results of the evaluation; and
- a certificate of eligibility of the contract where required by ADB.

These steps ensure fairness and transparency. ADB reserves the right to refuse to finance the contract in case of misprocurement. ADB, therefore, discourages the system of prior award of contract by the EA and after the fact approval by ADB unless the EA has sufficient funds to finance the contract if ADB declares misprocurement.

In special cases, project processing missions may recommend higher ceilings for IS, appropriate to the competence and experience of the EA, as well as the size and

nature of the goods and related services or works to be procured. Justification for proposing higher ceilings of IS rather than using ICB procedures are to be included in the issues identified for management review meeting (MRM) and, if approved by the MRM, in the report and recommendation of the President (RRP) under the procurement section. If IS is employed for contracts higher than \$1,000,000, ADB prior approval of bidding documents and contract awards is necessary as in the case of ICB.

IS may also be appropriate if items needed are available only from a limited number of suppliers, or early delivery is of paramount importance for certain works under the project. Here, by the MRM, adopting IS (regardless of the amount involved) may be authorized, if it is fully justified and the requirements are identified during project processing. The flow chart for IS is shown in **Appendix 9-F**.

4. Direct Purchase, Negotiation, or Single Bid

Direct purchase, negotiation, or single bid involving particular manufacturers, suppliers, or contractors is allowed by ADB in any of the following circumstances:

- when buying small or off-the-shelf items valued at less than \$100,000;
- when standardization is important, and equipment and spare parts needed to expand or repair existing equipment must be procured from the original supplier or from a supplier of identical goods;
- when the equipment or goods is proprietary and obtainable only from one supplier;
- when critical items are to be procured from specialist suppliers; and
- when the civil works are a natural extension of an earlier or ongoing job, or when engaging the same contractor is shown to be more economical and ensures compatibility of work quality.

In all these cases, ADB must be satisfied that the prices to be paid are reasonable and that competitive bidding offers no advantage. As such, proposals are to be justified at the MRM and, if approved, included in the RRP.

Direct purchase for standardization is justifiable if the original equipment is suitable and outweighs the possible advantages of having another make of equipment and an alternative supplier. Similarly, in direct negotiation for extension of civil works, the following must be shown:

- the original contract was awarded following ICB, IS, or LCB procedures acceptable to ADB;
- the unit rates of the earlier contract, were updated in accordance with the provisions in the original contract to reflect any increase or decrease in the cost of construction, and were valid and reasonable;
- the contractor's performance has been satisfactory; and
- the additional work would be unlikely to result in lower prices if subjected to bidding.

If a number of distributors stock the same parts and are free to compete for their supply, then proprietary parts must be purchased through competitive bidding.

5. Force Account

Execution of works by force account (departmental workforces) means undertaking works using the resources of a public agency of the EA's government without competitive bidding or negotiated contracts. Use of force account is on an exceptional basis and must be fully justified at the MRM and, if approved, in the RRP.

Force account is employed when the size of the works and its location make it unsuitable to adopt competitive bidding (this may include work such as village wells and village access roads, minor irrigation works, and other small and remote scattered works). Force account may also be used in other special cases where local contractors do not express interest in undertaking the works or where force account can be demonstrated to be the most efficient and effective method of implementation.

In agreeing to the use of force account, ADB must be satisfied that the construction facilities are efficient and the EA is capable (with advisers' or consultants' assistance) of undertaking the works quickly and to the required quality, at reasonable cost.

6. Limited Bidding or Repeat Order

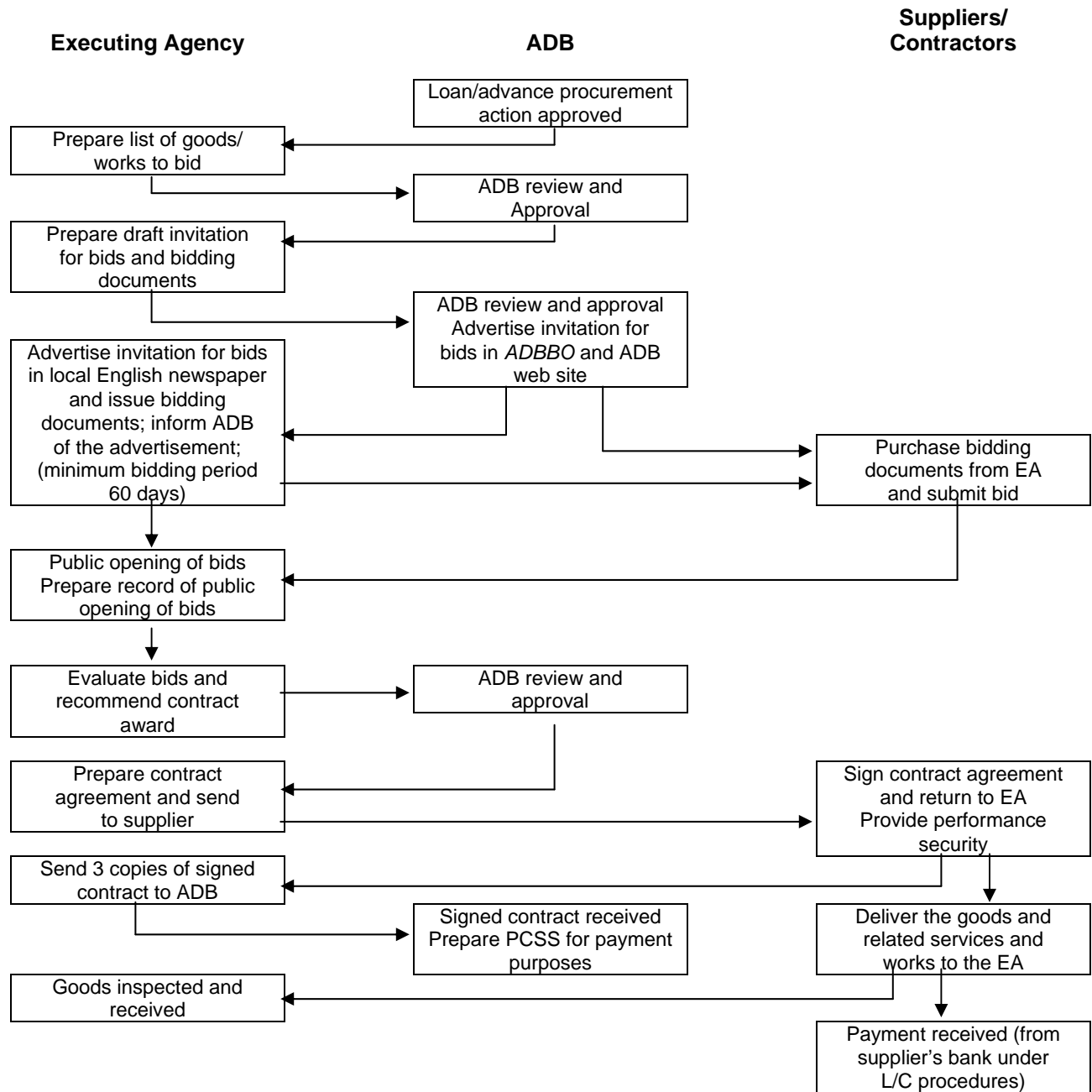
Additional items may be procured through limited bidding when more of the same items procured earlier through ICB are urgently needed, loan funds are available, and no advantage can be gained through competitive bidding. Under this procedure, bids may be invited only from those who submitted responsive bids for the earlier advertisement, or if many bidders originally responded, from the five original lowest responsive bidders, with a bidding period of 30 days.

In exceptional cases, when few bidders originally responded and the lowest evaluated bid was superior (in price, reliability of equipment, availability of spare parts and after-sales service, and delivery period) the additional items required may be procured by a repeat order with that bidder. This is if

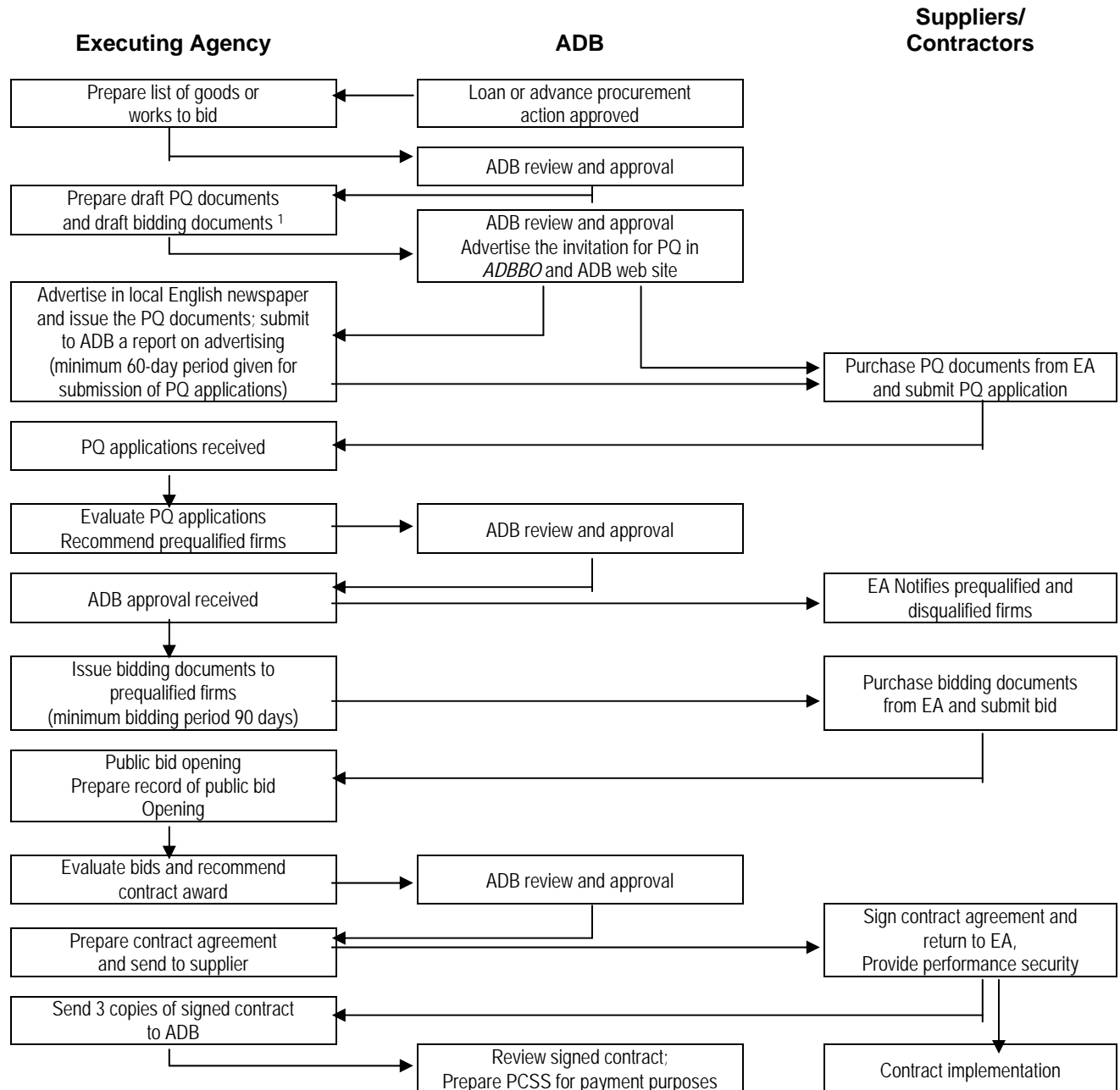
- the repeat order follows shortly after the earlier order,
- no better offer is likely, and
- the unit price for the repeat order is not more than the original unit price.

The repeat order is to follow within 18 months of the earlier order, and the additional quantities are not to exceed 30 percent of the original quantities. A repeat order may also be made when the EA, with ADB's agreement, provides an option to order additional items in the original contract documents.

Procurement under International Competitive Bidding
(with no prequalification)



Procurement under International Competitive Bidding
(with Prequalification)



¹ The draft bidding documents can be prepared at a later stage provided that ADB approval is obtained before issuance of bidding documents to prequalified firms.

Example Of General Procurement Notice
(to be published in *ADBBO* and *UNDB*)

LOAN XXXX
Environmental Improvement For Industrial Pollution Abatement

The xxxxxxxxxxxx has received a loan from ADB to help finance the cost of the xxxxxxxxxxxx Project.

The Project will support environmental improvements and institutional reforms to correct degradation of the lake basin. An effective and sustainable environmental management program for the basin will be formulated, capacity building will be provided for the agencies involved, and polluting industrial enterprises will be assisted to convert to non polluting methods. The Project will substantially reduce wastewater, hazardous air emissions, and release of untreated solid waste in xxxx and xxxx, and promote enterprise reform.

The proceeds of the loan are intended to be used for the procurement of the following:

- (i) through international competitive bidding,
 - limestone crushing system;
 - sandstone crushing system;
 - limestone preblending system;
 - sandstone, iron cinder, and coal preblending system;
 - raw material grinding system;
 - clinker burning system;
 - raw meal homogenizing and kiln feeding;
 - clinker cooler;
 - coal grinding system and main exhaust fan;
 - pulverized coal weighfeed system;
 - conditioning tower and electrostatic precipitator;
 - mechanical conveying loading and unloading equipment;
 - transport vehicles;
 - excavation equipment;
 - lifting equipment;
 - loading and unloading equipment;
 - computer control system;
 - automatic control instrument;
 - high tension and low tension electrical equipment;
 - cable, cable bridge, and accessories;
 - cement grinding and packing;
 - refractory; and
- (ii) though local competitive bidding procedures,
 - civil works associated with lake basin (5 packages); and
 - dredging works (2 packages).

The first batch of bidding documents for the above items is expected to be available on or about dd/mm/yy, subject to a nominal charge.

Interested bidders from ADB's member countries who wish to obtain additional information may contact

Name and Address of Agency Concerned

Mailing Address : _____

Telephone Number : _____

Fax Number : _____

Telex Number : _____

Publishing Procurement Notices in ADBBO and UNDB
(sample of specific notice)

Invitation For Bids

[Date]

[Loan No. and Title]

[Contract No. and Title]

1. This invitation for bids follows the general procurement notice for this Project that appeared in the *ADB Business Opportunities*, issue no. **[insert number]** of **[insert date]**.¹
2. The **[insert name of borrower]** **[has received/has applied for/intends to apply for]** a loan from the Asian Development Bank (ADB) toward the cost of **[insert name of Project]**, and it intends to apply part of the proceeds of this loan to payments under the contract for **[insert name/no. of contract]**.²
3. The **[insert name of purchaser]** now invites sealed bids from eligible bidders for **[insert description of goods and related services to be procured]**.^{3, 4}
4. International competitive bidding will be conducted in accordance with ADB's **[insert appropriate bidding procedure]**⁵ procedure and is open to all bidders from eligible source countries.⁶
5. Interested eligible bidders may obtain additional information from **[insert name of purchaser]** and inspect the bidding document at the address given below, **[insert address at end of document]** from **[insert office hours]**.⁷
6. The bidding document, in English, may be purchased by interested bidders on the submission of a written application to the address below **[state address at the end of document]** and upon payment of a nonrefundable fee⁸ **[insert amount in local currency]** or in **[insert amount in specified convertible currency]**. The method of payment will be **[insert method of payment]**.⁹ The document will be sent by **[insert delivery procedure]**.¹⁰ No liability will be accepted for loss or late delivery.
7. Bids must be delivered to the address below **[state address at the end of document]** at or before **[insert time and date]**. All bids must be accompanied by a bid security of **[insert amount in local currency or an equivalent amount in a freely convertible currency]**.¹¹ Late bids will be rejected. Bids will be opened in the presence of the bidders' representatives who choose to attend at the address below **[state address at end of document]** at **[insert time and date]**.¹²
8. The **[insert name of purchaser]** will not be responsible for any costs or expenses incurred by the bidders in connection with the preparation or delivery of bids.
9. To compare the bids, ADB's domestic preference scheme will be applied in accordance with the provisions stipulated in the instructions to bidders.¹³

[Insert name of office]

[Insert name of officer]

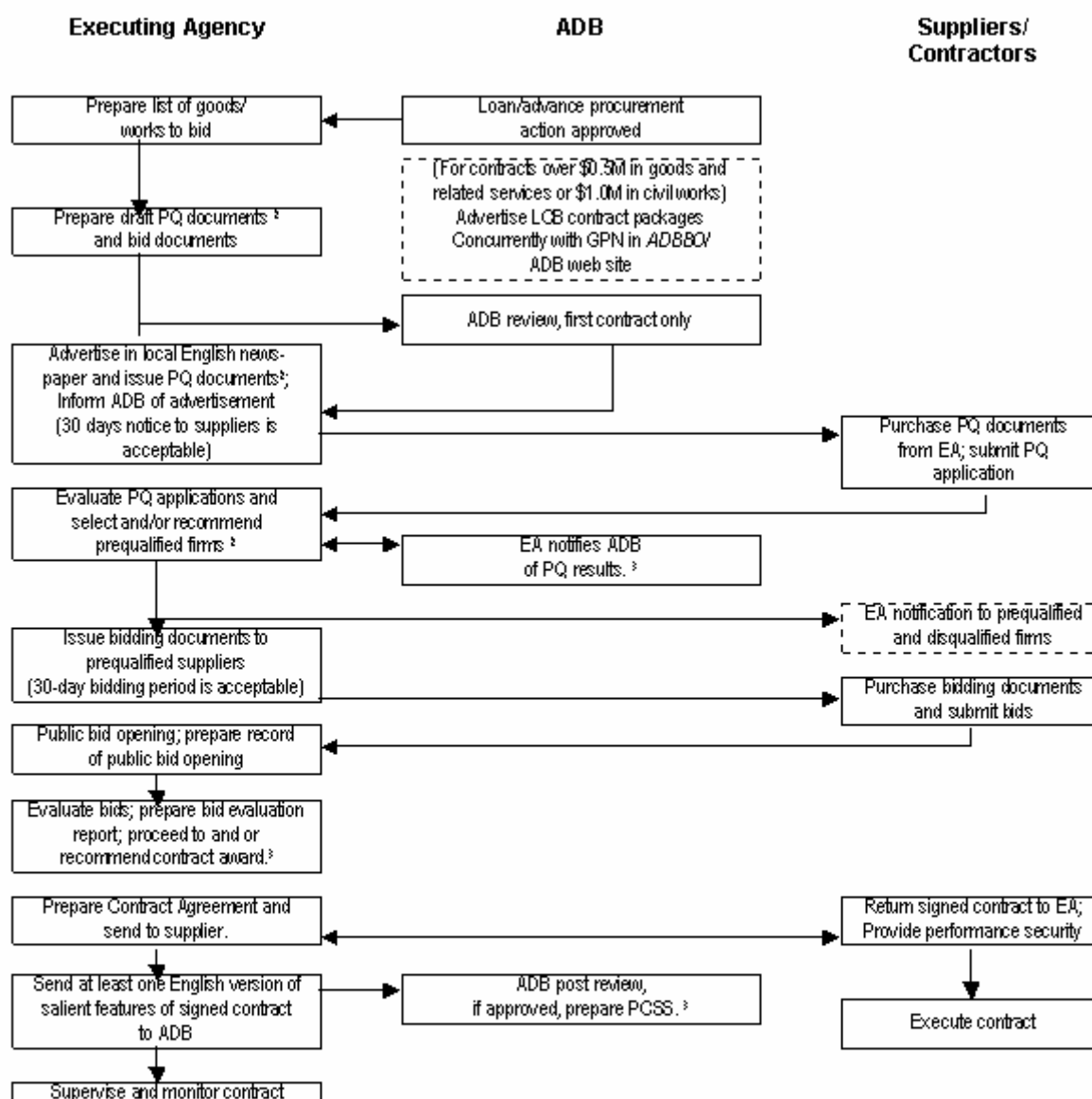
[Insert postal address] and/or **[Insert street address]**

[Insert telephone number, indicate country and city code]

[Insert facsimile or telex number]

Notes:

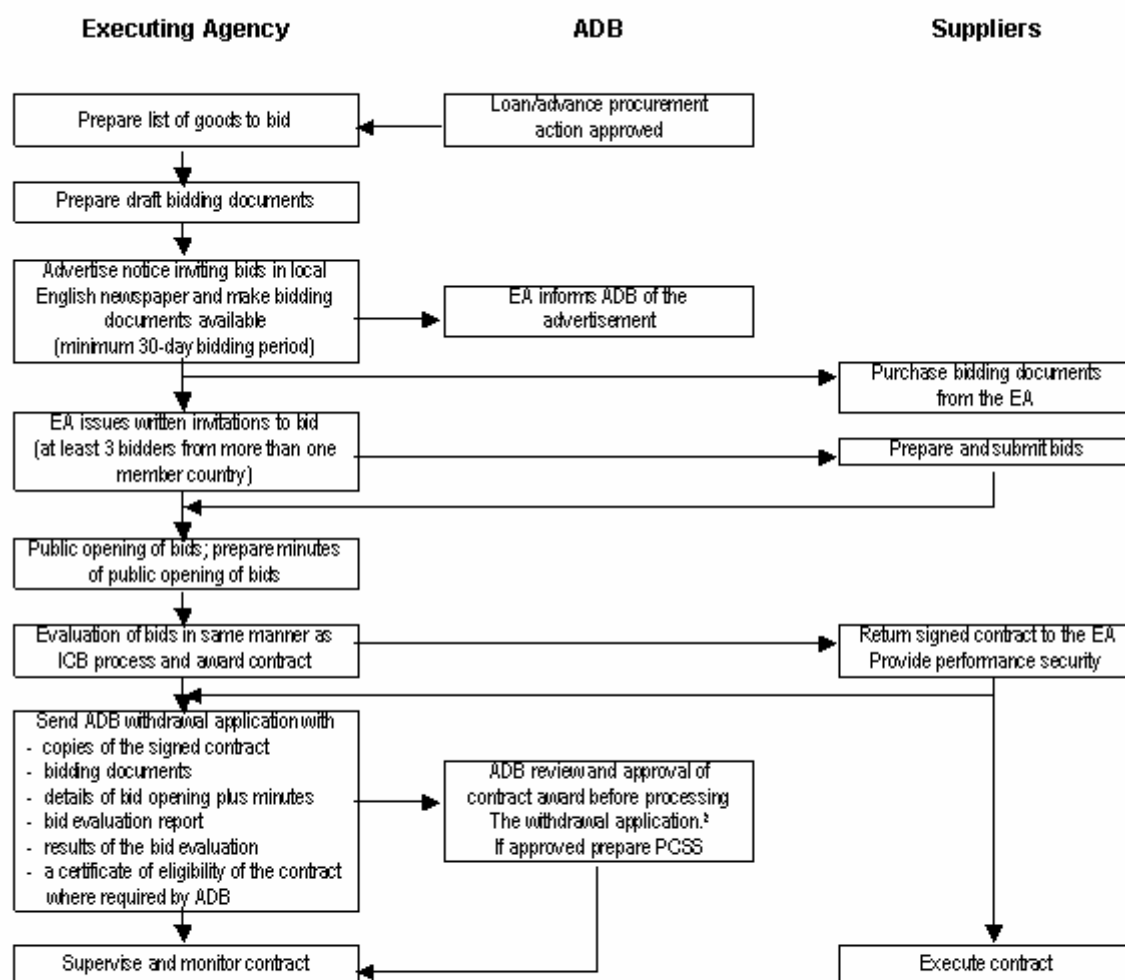
- 1 Day, month, year; for example, 31 January 2001.
- 2 Insert if applicable: "This contract will be jointly financed by [insert name of cofinancing agency]. The eligibility rules and procedures of ADB will govern the bidding process."
3. A brief description of the type of goods and related services should be provided, including quantities, location of project, and other information necessary to enable potential bidders to decide whether to respond to the invitation. A bidding document may require bidders to have specific experience or capabilities; such restrictions should also be included in this paragraph.
- 4 [Insert if applicable]. The delivery/completion period is [insert no. of days/months/years or dates].
5. Insert one of the bidding procedures adopted by ADB, which are single-stage, one-envelope; single-stage, two-envelope; two-stage, two-envelope; and two-stage.
6. Occasionally contracts may be financed from special funds that would restrict eligibility to a particular group of member countries. When this is the case, mention this in this paragraph. Also indicate any margin of preference that may be granted as specified in the loan agreement and set forth in the bidding document.
7. For example: 09:00 to 12:00 hours.
8. The fee, to defray printing and mailing/shipping costs, should be nominal.
9. For example, cashier's check, direct deposit to specified account, etc.
10. The delivery procedure is usually airmail for international delivery, and surface mail or courier for local delivery. If urgency or security dictates, courier services may be required for international delivery.
11. The amount of bid security should be stated preferably as a fixed amount, or as a minimum percentage (approximately 2 percent) of the bid price. Alternatively, if a bid security is not required (often the case in small value purchases), the paragraph should state this.
12. The place for bid opening may not necessarily be the same as that for issuance of documents or for bid submission. If they differ, each address must appear at the end of para. 7 and be numbered; as, for example, (i), (ii), and (iii). The text in the paragraph would then refer to address (i), (ii), etc. Only one place and its address may be specified for submission, and it should be near the place where bids will be opened.
13. Include only if domestic preference is provided in the loan agreement and is included in the instructions to bidders.

Procurement under Local Competitive Bidding¹

¹ While LCB procedures are not required to be identical with ADB's ICB procedures, they must reflect the underlying principles and not contravene ADB's *Guidelines for Procurement*.

² Prequalification is discouraged for LCB. DMCs may have a register of suppliers. The processing mission should ensure that the registration system is acceptable to ADB (e.g., it reflects the underlying principles of ADB's *Guidelines on Procurement*); and where acceptable, a PQ may not be required.

³ If the prequalification or procurement requires consideration of the procurement committee, in accordance with PAI 3.11, the EA must be advised not to notify prequalified firms or award contract prior to the committee's deliberations and subsequent ADB approval.

Procurement under International Shopping¹

¹ The IS mechanism is only for procurement not large enough for effective ICB, or where criteria for IS in ADB's *Guidelines for Procurement* have been met. Normally, the IS threshold is \$1.0M.

² ADB prior approval is strongly recommended in the case of an inexperienced EA, or where the EA cannot demonstrate sufficient funds to finance the contract, in case of ADB's refusal to approve the contract award.

DISBURSEMENT MODALITIES

A. Actions to be taken by the Borrower

1. As soon as the Loan has become effective, the borrower should do the following to expedite the disbursement process.

- recruit qualified accountants and establishes sound internal control and accounting systems in executing and implementing agencies;
- review Schedule 3 of the Loan Agreement. The schedule provides details of ADB financing such as amount, percentages, items of financing and applicable conditions of financing;
- maintain records for all signed contracts in a contract ledger for reference;
- forward to ADB (Projects division or resident mission concerned) two copies of each signed contract with a value of more than US\$100,000. For contracts below US\$100,000 or less, forward copies of the signed contract to ADB only as requested.

B. Basic Requirements for Disbursements

2. For the first withdrawal from the Loan Account, the following are required:

- the Loan Agreement must have been declared effective by ADB;
- sufficient evidence of the authority of the person(s) who will sign withdrawal applications on behalf of the borrower together with the authenticated specimen signature of each authorized person must have been submitted by the borrower to ADB; (Any subsequent change in the list of authorized representatives must be reported without delay. Authenticated specimen signatures of new representatives must also be provided.); and
- any disbursement conditions as specified in the Loan Agreements must be met.

C. Withdrawal Application

3. For all withdrawals, ADB must receive a withdrawal application in the prescribed form. A withdrawal application is a written request to ADB by the borrower to pay funds against the borrower's Loan Account. The application must reach ADB before the Loan closing date.

4. A withdrawal application consists of:

- the application itself, in letter form, in two copies;
- summary sheet(s) for each category claimed; and
- supporting documents, if required.

5. The instructions for accomplishing withdrawal application and summary sheet together with sample formats are given on pages 4 - 5 of this Appendix.

D. Eligible and Ineligible Expenditures

6. No withdrawals from the Loan Account shall be made in respect of any local taxes.

7. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table of Schedule 3 shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

8. Notwithstanding paragraph 5 of Schedule 3 of the Loan Agreement, any contract awarded to a local supplier after effective international competitive bidding or international shopping pursuant to the relevant provisions of Schedule 4 shall be financed out of the proceeds of the Loan on the following basis:

- where the goods procured from a local supplier are manufactured locally, 100 percent of the ex-factory price of the goods supplied (exclusive of any taxes); and
- where the goods procured from a local supplier have been entirely imported, 100 percent of the foreign-currency component of the contract price.

9. On or promptly after the Effective Date, ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the interest charge referred to in Section 2.03 of the Loan Agreement.

10. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of interest charge on the Loan during the implementation period of the Project, subject to a maximum amount of SDR457,000.

11. Except as ADB may otherwise agree, the Borrower shall establish, immediately after the Effective Date, an imprest account at a commercial bank acceptable to ADB for expenditures under the Project. The imprest accounts shall be established, managed, replenished and liquidated in accordance with the ADB's *Loan Disbursement Handbook* dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and ADB. The ceiling of the imprest account will be estimated expenditures for the next six months or 10 percent of the Loan amount, whichever is lower.

12. The statement of expenditures (SOE) procedures may be used for reimbursement of eligible expenditures and for liquidation of advances provided into the imprest account in accordance with the *Loan Disbursement Handbook* and detailed arrangements agreed upon between the Borrower and ADB. Except as ADB may otherwise agree, any individual payment that may be reimbursed or liquidated under the SOE procedure shall not exceed \$100,000.

13. Withdrawals from the Loan Account may be made for reimbursement of reasonable expenditures incurred under the Project before the Effective Date, but not earlier than 1 October 2004, in connection with PMO and PIU staff, facilities and equipment, subject to a maximum amount of equivalent to \$100,000.

Instructions For Accomplishing The Withdrawal Application

1. Submit a separate application for each currency requested.
2. For ease of reference and identification by the computer system, number withdrawal applications consecutively. The withdrawal application number should not exceed five (5) digits or characters, such as 00001 or A0001, etc.
3. If the project has more than one EA, the project coordinator must assign an alpha identification for each EA. Each EA should be identified by an alpha coding and the withdrawal applications are numbered in a continuous consecutive series such as A0001 to A9999; B0001 to B9999; C0001 to C9999, etc.
4. Consolidate all claims for "reimbursement" and "imprest Fund" replenishment/liquidation until the amount being withdrawn is at least US\$100,000, or unless otherwise agreed to by ADB.
5. Indicate the payee's complete name.
6. Indicate the complete name and address of the designated payee's bank, including the name of a branch office, where applicable, and the payee's account number.
7. Be sure to indicate the complete name and address of the payee bank's correspondent bank in the country of the currency of payment where applicable, and the account number of the payee's bank.
8. Specimen signature of authorized signatories are submitted prior to or together with the first application.

Instructions For Accomplishing The Summary Sheet

1. For each withdrawal application, number summary sheets consecutively, beginning with No. 1.
2. Use a separate summary sheet for each Loan category or subcategory.
3. Number items consecutively, beginning with No. 1.
4. Indicate the contract number of the EA.
5. The PCSS number is assigned and provided by ADB. If the number is known, indicate it in the summary sheet.
6. Group payments to the same supplier. Group separately all expenditures arising from contracts \$100,000 and below, and above \$100,000.
7. Show clearly percentages of ADB financing (refer to Schedule 3 of the Loan Agreement for ADB financing.)



**Asian Development Bank
WITHDRAWAL APPLICATION
(Form ADB-DRP/RMP)**

TO: Asian Development Bank
P.O. Box 789
980 Manila, Philippines

Date : _____

ADB Loan No. : _____

Application No. :

Type of Disbursement : Direct Payment

 Reimbursement

Attention: Controller's Department - Disbursement Division (LFIS)

Sir/Madam:

1. In connection with the Loan Agreement dated _____ between the Asian Development Bank (Bank) and the **(Borrower)** _____, please pay from the Loan Account:

(Currency Name)

(Amount to be paid in figures)

The said amount is required for payment or reimbursement of eligible expenditures in the said currency as described in the attached Summary Sheet(s).

2. The undersigned certifies and agrees as follows:

- a. these expenditures were/are/will be made for the purposes specified in the Loan Agreement and the undersigned has not previously withdrawn from the Loan Account nor obtained or will obtain any other loan, credit, or grant for the purpose of fully or partially meeting these expenditures.
- b. the goods or services have been procured in accordance with the Loan Agreement and the cost and terms of the purchase thereof are reasonable and in accordance with the relevant contract(s).
- c. the goods or services were or will be produced in and supplied by a member country of the Bank as specified in the attached Summary Sheet(s).
- d. for expenditures claimed on the basis of a Statement of Expenditures (SOE), all authenticating documents have been retained in the location shown on the individual SOE Summary Sheets and will be made available for review by auditors and Bank representatives upon request.
- e. as of the date of this application, there is no existing default under the Loan Agreement, the Project Agreement or the Guarantee Agreement, if any.
- f. if any funds withdrawn pursuant to this application are returned, the current value of such funds will be applied as credit to the Loan Account or, if the amount is small, applied to the next loan service payment due.

3. PAYMENT INSTRUCTIONS

a. Payee's Name and Address

- Payee's Name : _____
- Payee's Address : _____

b. Name and Address of Payee's Bank and Account Number

- Payee's Name : _____
- Payee's Address : _____
- Payee's Account No. : _____
- SWIFT Code : _____

c. Correspondent Bank (If Payee's Bank is not located in the Country whose currency is claimed, enter the name and address of their bank's correspondent in the country whose currency is to be paid.)

- Bank Name : _____
- Bank Address : _____
- SWIFT Code : _____

d. Special payment Instructions and Other References

4. This application consists of (number) page(s) including (number) pages of Summary Sheet(s):

By: _____
Signature(s) of Authorized Representative(s)

Name of Borrower

Print Name & Title of Authorized Representative(s)

☐ Liquidation
(ADB-IFP-SS)

1 Indicate against each item, whether the payment is a down payment, or an installment payment (if so, the number of installment).
2 In case this was sent earlier, indicate the reference of the earlier letter in the footnote using (*).
3 In case of civil works contract.
4 Ensure that amount in last page of Summary Sheet agrees with the sum indicated in the application

Appendix 10, page 5

PROCEDURE FOR ESTABLISHING/OPENING OF IMPREST ACCOUNT

A. Imprest Account for Loan Proceeds

1. The Executing Agency (EA) shall cause the establishment of an imprest account immediately after effectiveness of the Loan at a commercial bank/s acceptable to ADB. The four imprest accounts shall be managed, replenished and liquidated in accordance with ADB's *Loan Disbursement Handbook dated January 2001*, as amended from time to time, the Loan Agreement and detailed arrangements agreed upon between the EA, MOF, and ADB.

A. Initial Advance and Ceiling

2. After the loan effectiveness, the four Project provinces may request an initial amount into the imprest account for the first year of Project implementation shall not exceed the equivalent of \$100,000 and thereafter shall not exceed the equivalent of the estimated expenditures for the first six months of the project or 10 percent of the total loan amount allocation, whichever is lower. The initial advance and subsequent advances are not to exceed the approved ceiling of advances. All advances are deposited in the imprest account. The EA must obtain prior ADB approval for any upward changes in the approved ceiling.

B. Currency of Domination

3. The imprest account shall be dominated in US Dollar.

C. Comfort Letter

4. If the imprest account is maintained in a commercial bank, a comfort letter is required to protect the interest of both the EA and ADB. The letter confirms that the commercial bank shall not assert any claim to set off, seize, or attach amounts on deposit to the Account to satisfy amounts due to the commercial bank by the EA.

E. ADB Requirements to Transfer Initial Deposit to the Imprest Account

5. ADB requires the following documents to process transfer of initial deposit to the imprest account:

- (i) two copies of a withdrawal application for imprest fund (see page 11 on the instructions for preparing withdrawal application, and page 12 for sample withdrawal application form).
- (ii) estimate of expenditure sheet using form ADB-IFP-EES (see page 13).
- (iii) list of authorized representative(s) with their specimen signature(s) from each Project province to withdraw fund from the imprest account (see page 14).
- (iv) copy of the comfort letter from the commercial bank where the imprest account was established/opened (see page 15).

F. Liquidation and Replenishment

6. When applying for replenishment of the imprest accounts, the EAs shall prepare and submit to ADB a withdrawal application form (page 12), imprest account reconciliation statement (page 16), copy of the most recent bank statement, and (i) full supporting documents in case of exceeding SOE ceiling.

G. Statement of Expenditures (SOE)

7. The SOE procedure is a procedure requiring no submission of supporting documents. The SOE procedure will be used for liquidation of advances provided into the imprest account. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of US\$ 100,000. ADB will require full documentation of individual expenditure exceeding this amount.

H. Account and Records

8. The EA shall ensure that all amounts received for or in connection with the Imprest Account and amounts withdraw wherefrom are recorded in a separate account in accordance with consistently sound accounting principle. The EA/IA shall retain until one year after Closing Date for withdrawals from the Loan Account or such other date as ADB may agree, all accounts and records including orders, invoices, bills, receipts and other original documents evidencing the expenditures paid out of the Imprest Account, and shall enable ADB's representatives to examine such accounts and records during disbursements and review missions.

I. Closing of the Imprest Account

9. When ADB shall have determined that the project components to be financed with payments from the Imprest Account are near completion, ADB may reduce the amount of any replenishment, as ADB may deem appropriate with a view towards gradually closing the Imprest Account.

10. In the event that (i) ADB determines that the amount outstanding in the imprest account will not be required to cover eligible expenditures, or (ii) any amount remains outstanding in the imprest account after the closing date specified in the Loan Agreement, the EAs/IAs shall, promptly upon notice from ADB, and unless otherwise agreed by ADB, refund to ADB such amount then outstanding in the imprest account.

J. Eligible and Ineligible Expenditures

11. Payments out of the Imprest Account shall be made exclusively for eligible expenditures in respect of the reasonable cost of goods and services required for the project and to be financed out of the proceeds of the Loan to meet expenditures for the purpose of the project.

12. Conversely, where any withdrawal or payment from the Imprest Account is determined by ADB (i) to have been utilized for any purposes not eligible, or (ii) not justified by the evidence furnished, the EAs shall promptly upon notice from ADB and unless otherwise agreed by ADB, prior to any further replenishments, deposit into the Imprest Account an amount equal to the amount of such payment to the portion thereof not so eligible or justified, in the same currency as that in which the amount was withdrawn from the Loan. Alternatively, ADB may offset the unjustified payment against new withdrawal application for reimbursement.

K. Other Matters

13. For matters not covered in this Appendix, ADB's *Guidelines on Imprest Fund and Statement of Expenditures Procedures* shall apply.

**INSTRUCTIONS FOR PREPARING WITHDRAWAL APPLICATION
FOR IMPREST FUND
(Form ADB-IFP)**

A. General Instructions

1. Submit withdrawal application (W/A) to the ADB in duplicate.
2. Number W/As consecutively, not exceeding 5 digits or characters.
3. When the application is completed, verify completeness of supporting documentation and accuracy of details before passing the Authorized Representative(s) for signature. Mistakes and omissions result in delayed payment.

B. Withdrawal References

1. Date: Enter the date the W/A is signed by Authorized Representative(s), not the date it was prepared.
2. Loan Number: Show Loan number clearly.
3. Application Number: Number W/As consecutively.
4. Type of Disbursement: Indicate in the appropriate box the type of W/A claim, whether for Initial Advance/Increase in Ceiling, or Replenishment.

C. Estimate of Expenditures Sheet

For Initial Advance:

1. Provide all details as required in form ADB-IFP-EES. Estimated expenditures should normally be based on the amount of contract awarded and to be awarded. Estimated expenditures should not exceed the contract amounts.
2. For expenditures related to operational costs, the amount should be linked to the project's annual budget provision.
3. No supporting documents are required.

For Replenishment:

1. In addition to 1 and 2 above, before submitting the W/A, submit contracts and procurement documents to the Bank Project Division concerned (contracts exceeding \$100,000).
2. Where SOE is not allowed, submit all evidences of payment invoices, bills of lading, or work certificates. The requirements are the same for reimbursement procedure.
3. In all cases, attach bank statement from the bank maintaining the Imprest Fund and the bank reconciliation of the Imprest Fund Account.

D. Payment Instructions

1. Name and Address of Payee's Bank and Account No.: Indicate full name and address of the payee's bank, which was include a banker/branch designation. Account number is important. Give SWIFT code if Payee's bank is a member of SWIFT.
2. Payee's Name and Address: Indicate full name and address of Payee for identification of payment.
3. Correspondent Bank: Where payment is to be made to a bank not located in the country of the currency to be paid, indicate its full name and address. Provide SWIFT code if the bank is a member of SWIFT.
4. Special Payment Instructions: Indicate any particulars, special instructions or references to facilitate payment or identification of payment.
5. Name of Executing Agency: Fill in name as it appears in the Letter Agreement.
6. Authorized Representative(s): Pass this application only to Authorized Representative(s) for signature. Verify if the list of Authorized Representative(s) has been changed.



Asian Development Bank
WITHDRAWAL APPLICATION FOR IMPREST FUND
(Form ADB-IFP)

Date : _____
Loan No. : _____

Application No. :

| | | | | |
|--|--|--|--|--|
| | | | | |
|--|--|--|--|--|

TO: Asian Development Bank
P.O. Box 789
980 Manila, Philippines

Type of Disbursement :

| |
|--|
| |
| |
| |

 Initial Advance
Increase in Ceiling
Replenishment

Attention: Controller's Department - Disbursement Division (LFIS)

Sir/Madam:

1. In connection with the Loan Agreement dated _____ between the Asian Development Bank (Bank), and the undersigned (Borrower) please pay from the Loan Account for the purpose of establishing/replenishing the Imprest Fund.

(Currency Name)

(Amount to be paid in figures)

2. The undersigned certifies and agrees as follows:
- the said amount is required for payment or reimbursement of eligible expenditures as described in the attached Estimate of Expenditures Sheet(s) from (date/month/year) to (date/month/year).
 - any advances by ADB to the Imprest Fund may be limited to a sum smaller than the amount requested for advances or replenishment, allowing the Fund to be gradually reduced and fully documented prior to Project closing date.
 - the undersigned has not previously withdrawn or applied for withdrawal of any amounts from said Loan Account nor obtained or will obtain any loan, credit, or grant for the purpose of fully or partially meeting the expenditures described in the Estimate of Expenditures Sheet(s) or Summary Sheets(s);
 - the expenditures described in the attached Estimate of Expenditures/Summary Sheet are to be made for the purposes specified in the Loan Agreement and in accordance with its terms and conditions;
 - promptly within 6 months after the payment(s), the undersigned will furnish proof satisfactory to ADB to liquidate and document the advance;
 - for expenditures to be liquidated on the basis of a Statement of Expenditures (SOE), all authenticating documents will be retained in the location shown on the individual SOE Summary Sheet(s) and will be made available for review by auditors and ADB representatives upon request; and
 - if any funds withdrawn pursuant to this application are returned, the current value of such funds will be applied as credit to the Loan Account.

3. **PAYMENT INSTRUCTIONS**

a. **Name and Address of Payee's Bank and Account Number**

- Payee's Name : _____
- Payee's Address : _____
- Payee's Account No. : _____
- SWIFT Code : _____

b. **Payee's Name and Address**

- Payee's Name : _____
- Payee's Address : _____

c. **Correspondent Bank** (If Payee's Bank is not located in the Country whose currency is claimed, enter the name and address of their bank's correspondent in the country whose currency is to be paid.)

- Bank Name : _____
- Bank Address : _____
- SWIFT Code : _____

d. **Special payment Instructions and Other References**

4. This application consists of (number) page(s) including (number) pages of Summary Sheet(s):

By _____

Signature(s) of Authorized Representative(s)

Name of Borrower

Print Name & Title of
Authorized Representative(s)

- 1 A separate Estimate of Expenditure Sheet should be used for each category.
- 2 Refer to terms of payment for each contract and indicate the amount needed in the currency of expenditure.

The amount in this column should not exceed the corresponding amount in the column "Contract Amount"

Authorized Representatives

MINISTRY OF FINANCE'S LETTER HEAD

Date

Disbursement Operations Division
The Controller's Department
ASIAN DEVELOPMENT BANK
No. 6 ADB Avenue
0401 Mandaluyong City, Philippines

Dear Sir/Madam:

The following person(s) is/are designated as the authorized representative(s) of the *(name of Executing Agency[ies])* to withdraw funds from the Imprest Account. The authenticated specimen signature(s) of the authorized representative(s) is/are as shown below:

Mr. ABC
Project Manager/Director
XXX Division

OR

Ms. XYZ
Project Manager/Director
XXX Division

EXAMPLE OF COMFORT LETTER FOR AN IMPREST ACCOUNT
(Letter head of Commercial Bank Issuing the Comfort Letter)

Date

Disbursement Operations Division
The Controller's Department
ASIAN DEVELOPMENT BANK
No. 6 ADB Avenue
0401 Mandaluyong City, Philippines

Dear Sir/Madam:

We refer to the procedure of the Asian Development Bank (ADB) for disbursement of loans for ADB investment projects through advances to special deposit or imprest accounts opened by ADB Borrowers or other beneficiaries of such loans.

It is our understanding, that, in furtherance of the provision in the ADB's Articles of Agreement designed to ensure that the proceeds of any grant are used only for the purposes for which the loan was granted, ADB provides in its Loan Agreement and supplementary disbursement documents that ADB must approve of the placement of funds in such accounts and of the terms and conditions thereof.

From time to time, *(name of depository bank)* opens accounts, of the nature described above, for or at the request of ADB member Borrowers or their central banks or other Borrower of beneficiary entities. Recognizing that ADB has an interest in safeguarding the use of such funds for the purposes of projects and programs, we are pleased to confirm that *(name of depository bank)* will not assert any claim to projects and programs and will not assert any claim to set off, seize or attach amounts on deposit in such accounts to satisfy amounts due *(name of depository bank)* except and only to the extent necessary to protect its portion in such instances where a third party takes steps to attach such funds. In the event that a third party has attached funds in any such account, *(name of depository bank)* will inform ADB immediately of such attachment and will cooperate, as appropriate, with ADB and its efforts to seek the removal of such attachment(s).

We understand that this representation will be relied upon by ADB in approving future account arrangements and the placement of funds advanced thereto.

Yours sincerely,

Authorized Officer, Head Office
(Name of Depository Bank)

Note: A single letter from the head office of a commercial bank covers Imprest Account opened by any borrower at all branches of that bank.

IMPREST ACCOUNT RECONCILIATION STATEMENT
LOAN NUMBER: xxxx-TAJ

Application Number : _____
 Account Number : _____ With (*Name of Bank*) _____
 Bank Address : _____

1. OUTSTANDING AMOUNT ADVANCED TO
THE IMPREST ACCOUNT NOT YET RECOVERED (=

2. Amount in Imprest Account as of _____
per bank statement (copy attached) _____
3. Add: Amounts of eligible expenditures documented/claimed
in attached application (No. _____) (+

4. Add: Amounts claimed in previous applications not yet
credited at date of bank statement:

| Application No. | Amount |
|-----------------|--------|
| _____ | _____ |
5. Total expenditures withdrawn from Special Account but
not yet claimed for replenishment (indicate details) (+

6. TOTAL ADVANCE ACCOUNTED FOR (=)

Explanation of any discrepancy between total appearing in lines 1 and 6 above (e.g., earned interest credited to the account, etc.)

Date: _____ Signature: _____
 (Authorized Representative)

Title: _____

PROJECT PERFORMANCE REPORT

As of 30 Sep 2005

SERIAL NO : 8
 DIVISION : ECAE
 DEPARTMENT : ECRD
 PROJECT NO : 33042
 LOAN STATUS : ACTIVE

(ALL AMOUNTS IN US\$ MILLION)

| A. BASIC DATA | | LAST: | CURR: | Targeting Classification |
|-----------------------------------------|------------------------------|-------|-------|--------------------------|
| NAME | PROJECT AT RISK | : No | No | |
| 2124: IRRIGATION REHABILITATION PROJECT | Development Objectives (DO) | : S | S | Themes |
| | Implementation Progress (IP) | : S | S | |
| | Potential Problem (PP) | : No | No | Subthemes |
| | Override | : No | No | |

| LOAN NO(S) | APPROVAL | SIGNING | EFFECTIVITY | ORIGINAL | CLOSING | PHYSICAL | ELAPSED | PROJECT | REVIEW |
|--------------|-----------|-----------|-------------|-----------|---------|---------------|-------------|----------|------------------|
| 2124-TAJ(SF) | 10 Dec 04 | 25 May 05 | 06 Sep 05 | 30 Jun 11 | REVISED | COMPLETION | LOAN PERIOD | PROGRESS | MISSIONS: |
| | | | | | ACTUAL | ORIG : Dec 10 | ORIG. 12% | 0% | LAST: |
| | | | | | | REV : | REV. 0% | | ACTUAL DAYS: 0 |
| | | | | | | | | | (last 12 months) |
| | | | | | | | | | NEXT: |
| | | | | | | | | | PLANNED DAYS: 0 |

EXECUTING AGENCIES: Ministry of Water Resources and Land Reclamation

B. FINANCING PLAN

| PROJECT COST | FOREX | LOCAL | TOTAL | COUNTERPART FUNDS ADEQUATE | CURRENT VALUE OF BANK LOAN: | BALANCE AVAILABLE FOR COMMITMENT: |
|--------------|-------|-------|--------|----------------------------|-----------------------------|-----------------------------------|
| ADB | 13.27 | 15.74 | 29.010 | Yes | APPROVED : 21.954 | 21.954 |
| Government | 0 | 6.29 | 6.290 | | NET :- | |

C. LOAN UTILIZATION

| CUMULATIVE CONTRACT AWARDS | | | | 2005 CONTRACT AWARDS | | | | | |
|----------------------------|-------|--------|-------------------|----------------------|-------|-------|-------|-------|-------|
| | ADB | OTHERS | CUMULATIVE | | 1Q | 2Q | 3Q | 4Q | TOTAL |
| Dec 04 | 0.000 | 0.000 | CONTRACTS TO | PROJ | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 30 Sep 05 | 0.000 | 0.000 | NET BANK LOAN(S): | ACTUAL | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Proj 05 | 0.000 | | 0% | | | | | | |
| CUMULATIVE DISBURSEMENTS | | | | 2005 DISBURSEMENTS | | | | | |
| | ADB | OTHERS | CUMULATIVE | | 1Q | 2Q | 3Q | 4Q | TOTAL |
| Dec 04 | 0.000 | 0.000 | DISBURSEMENTS | PROJ | 0.000 | 0.000 | 0.000 | 0.500 | 0.500 |
| 30 Sep 05 | 0.000 | 0.000 | TO NET BANK | ACTUAL | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Proj 05 | 0.500 | | LOAN(S): 0% | | | | | | |

D. COVENANTS

| COMPLIANCE WITH COVENANTS: | AUDITED PROJECT ACCOUNTS / DELAY | AGENCY FINANCIAL STATEMENTS / DELAY | SECTOR COVENANTS | ENVIRONMENTAL COVENANTS | SOCIAL COVENANTS | FINANCIAL COVENANTS | ECONOMIC COVENANTS |
|----------------------------|----------------------------------|-------------------------------------|------------------|-------------------------|------------------|---------------------|--------------------|
| | S / 0 mos. | NR / - mos. | Not Yet Due | Not Yet Due | Not Yet Due | - | - |

E. MAJOR ISSUES/PROBLEMS (IP, DO, Covenants)

| PROBLEM(S) | ACTION TAKEN/PROPOSED |
|------------|-----------------------|
| | |

Leonisa C. Francisco

Plamen Bozakov

PAU Assistant

PROJECT OFFICER

DEVELOPMENT OBJECTIVES

Long Term Development Objectives

| Description |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The objective of the Project is to increase farm productivity and income of rural communities, and improve rural potable water supply schemes. The Project will also support policy reforms with regard to cost recovery for operation and maintenance (O&M), cotton financing and marketing, farm restructuring, and farm debt resolution. Within 8 years from the start of loan implementation: (i) incidence of income poverty in the project areas is reduced by 5%; (ii) incidence of waterborne diseases in the project areas decreased by 20%. |

Immediate Development Objectives

| Description (with quantifiable / monitorable targets) | Rating (HS,S,PS,U) | Assessment of Current Status |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Increase productivity and incomes of rural communities. (i) Improved agriculture sector policy in terms of agriculture and water sectors financing, farm restructuring and privatization. (ii) I&D infrastructure over an area of 47,500 ha rehabilitated. (iii) Average crop yield in the project areas increased by 19% for cotton and 21% for wheat at project completion. (iv) Cropping intensity increased from 100% to 105% in the project areas. (v) Increase in farm household incomes in the project areas by 10%. (vi) Safe drinking water made available to an additional 51,000 beneficiaries. | S | The immediate development objectives is likely to be achieved. |
| Key Assumptions/Risks | Rating (HS,S,PS,U) | Assessment of Current Status |
| Assumptions: | | |
| 1. National and local governments to sustain and scale up the policy and institutional reforms initiated in the Project areas. | S | The assumption is still valid. |
| Risks: | Mitigated (Y/N) | |
| 1. Adoption of full policy package is delayed, or not properly implemented. | Yes | S |
| Overall Rating | S | NOTE: Overall Rating is based only on Assumptions and Risks until project completion. Thereafter, Immediate DO assessment will be included |
| New DO Rating: Effective Date: Date of Lifting: | | |
| Remarks: | | |

Recent Development (Date:)

| |
|--|
| |
|--|

Problems with DO

| Description | Action Taken/Proposed |
|-------------|-----------------------|
| | |

Project Quality (one time input primarily for COPP)

| Capacity Building Component | Training Component | Participatory Process | Project Manager/Project Office prior to Loan approval | Incorporated Lessons Learned in Sector/Country | Logical Framework |
|-----------------------------|--------------------|-----------------------|-------------------------------------------------------|------------------------------------------------|-------------------|
| Yes | Yes | Yes | Yes | No | Yes |

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IMPLEMENTATION PROGRESS

Project Outputs

Description (with quantifiable/monitorable targets) Assessment of Progress-to-date
 Description (with quantifiable/monitorable targets) Assessment of Progress-to-date
 Description (with quantifiable/monitorable targets) Assessment of Progress-to-date

| Assessment of Progress-to-date Description (with quantifiable/monitorable targets) | Assessment of Progress-to-date |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| 1. Selected irrigation and drainage systems rehabilitated, with arrangements for improved operation and maintenance (O&M) in place: - (i) 250 km of main irrigational canals, (ii) 510 km of secondary canals, 425 km of collector drains, 9 pump stations and associated facilities, and 9 headworks will have been rehabilitated. - WUAs established in core demonstration areas and at least one third of WUA members being female. - Appropriate O&M cost recovery mechanism is established through a government resolution. | Not yet effective. |
| 2. Improved and potable drinking water supply systems made available in the selected project areas, together with improved management system. - Water supply schemes servicing population of 57,000 - Water supply committees operating in each water supply scheme. At least 30% of committee members are female. - Sustainable O&M of water supply schemes has been developed and implemented. | Not yet effective. |
| 3. Improved agricultural technologies made available to farmers. - About 500 ha of agricultural demonstration plots are developed; - Field, water and crop husbandry demonstrations are implemented; - More than 2,500 farmers are trained. About 25% of the trainees will be women farmers. | Not yet effective. |
| 4. Enabling policy environment conducive to private sector development of the markets for cotton, wheat, and agriculture inputs established. | Not yet effective. |

Key Assumptions/Risks (Input-Output) Assessment of Current Status Key Assumptions/Risks (Input-Output)

| Assessment of Current Status Key Assumptions/Risks (Input-Output) | Assessment of Current Status |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| 1. Farmers are willing and able to pay for the irrigation services. (A) | Assumption is still valid. |
| 2. Water users are not willing to pay. (R) | The risk has not materialized. |
| 3. Adoption of full policy package is delayed, or not properly implemented. (R) | The risk has not materialized. |
| 4. Uncoordinated reforms may aggravate poverty (e.g., investors may stop financing cotton, investors may take over heavily indebted farms, resulting in asset stripping of farms). (R) | The risk has not materialized. |
| 5. Local authorities may resist the reforms. (R) | The risk has not materialized. |
| 6. Active participation of major development partners and civil society in the reform process and in monitoring and implementation of reforms. (A) | Assumption is still valid. |

Key Project Inputs

| (Loan Categories from LFIS/Logical Framework) | Remarks |
|-----------------------------------------------|---------|
| Loan Project | |
| Consulting Services | |
| \$2.2 million | |
| Civil Works | |
| 5.9 million | |
| Equipment | |
| 17.6 million | |
| Materials | |

| | |
|------------------------------|--|
| 0.4 million | |
| Training, Extension, Studies | |
| 1.2 million | |
| Project Operations | |
| 0.8 million | |
| Contingencies | |
| 0.3 million | |
| Interest Charge | |
| 0.7 million | |
| Total Project Cost | |
| 29.0 million | |
| Government | |
| 6.3 million | |
| ADB Loan | |
| 22.7 million | |
| Complementary TA | |
| Consultants | |
| 0.255 million | |
| Training, Surveys, | |
| 0.070 million | |
| Equipment, etc. | |
| 0.300 million | |
| Total TA Cost | |
| 0.625 million | |
| Government | |
| ADB | |

Implementation Progress

| Rating Criteria | Rating (HS, S, PS, U) | Remarks |
|----------------------------------------------------------------|--------------------------|---------|
| 1. Project Implementation | HS | |
| 2. Change in Project Scope | S | |
| 3. Change in Implementation Arrangements | S | |
| 4. Project Costs | HS | |
| 5. Counterpart Funding/Cofinancing | HS | |
| 6. Major Covenants (exclude #7 below) | S | |
| 7. Audited Project Accounts and Corporate Financial Statements | S | |
| Overall Rating | S | |

Design Changes

| |
|-------|
| None. |
|-------|

Recent Development (Date: 30-09-2005)

| |
|------------------------------------------|
| The Loan became effective on 6 Sep 2005. |
|------------------------------------------|

Problems with IP

| Description | Action Taken/Proposed |
|-------------|-----------------------|
| None. | None. |

ECAE: 2124-TAJ(SF)

**Rating Criteria for the Assessment of
Implementation Progress**
Date of Change(DD-MM-YYYY): 30-09-2005

Project: 33042 - IRRIGATION REHABILITATION PROJECT

Loan Number: 2124-TAJ(SF)
Approval Date: 10-12-2004
Original Closing Date: 30-06-2011

Department: ECRD
Signing Date: 25-05-2005

Division: ECAE
Effectivity Date: 06-09-2005
Loan Status: ACTIVE

PROJECT LOANS

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| 1. Project Implementation: 0 months delay 0.00 % delay | No delay | 3 - Highly Satisfactory |
| 2. Change in Project Scope months pending | <input checked="" type="radio"/> No Major Changes <input type="radio"/> Major Changes Approved <input type="radio"/> Approval pending | 2 - Satisfactory |
| 3. Change in Implementation Arrangements: months pending | <input checked="" type="radio"/> No Major Changes <input type="radio"/> Major Changes Approved <input type="radio"/> Approval pending | 2 - Satisfactory |
| 4. Project Costs 0 % overrun <input type="radio"/> Settled <input type="radio"/> Not Settled | No overrun | 3 - Highly Satisfactory |
| 5. Counterpart Funding/Cofinancing <input type="radio"/> Inadequate Funds % shortfall <input checked="" type="radio"/> Adequate Funds <input type="radio"/> Not applicable <input type="radio"/> Data not Available | No shortfall | 3 - Highly Satisfactory |
| 6. Major Covenants | | 2 - Satisfactory |
| 7. Audited Project Account / Agency Financial Statements: | | 2 - Satisfactory |
| Overall Project Implementation | Rounded: 2 | Satisfactory |

Note: This is for recording purposes only and does not affect in any way the overall IP Rating

Project Progress: 0%

New IP Rating: Effective Date: Date of Lifting:

New IP Rating: Effective Date: Date of Lifting:

Remarks:

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POTENTIAL PROBLEM PROJECT

| Rating Criteria | Flag (Yes/NO) | Actual Rating | Remarks |
|----------------------------------------------------------------------------------|------------------|------------------|----------------|
| 1. Project Implementation Delays | No | HS | |
| 2. Poor Compliance with Covenants | No | S | |
| 3. Established, Staffed, and Operating PMU/PIU | No | No Input | |
| 4. Fielding of Consultants | No | No Input | |
| 5. Shortage of Counterpart Funds/Cofinancing | No | HS | |
| 6. Cost Overrun | No | HS | |
| 7. Poor Compliance with Audited Project Accounts and Agency Financial Statements | No | S | |
| 8. Environmental or Social Problems | No | Not Yet Due | |
| 9. Significant Disbursement Delays | No | | 0.000 / 0.000= |
| 10. In Risk Sector in a Country with History of Past Problems | No | 0% | |
| 11. Project Fielded Missions | Yes | 0 | |
| Overall Rating | No | | < 4 flags |

New PP Rating:

Effective Date:

Date of Lifting:

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COVENANTS

Project and EA Accounts

| EA | FY End | FY | Months Due After FY | Due | Date Received | Months Delayed | Acceptable Y/N | Status of Compliance | Rating |
|----------------------------------------------------------------------|--------|----|---------------------|------------|---------------|----------------|----------------|----------------------|--------|
| Submission of Audited Project Accounts (APA): | | | | | | | | | |
| Ministry of Water Resources and Land Reclamation | Dec | 05 | 6 | 30/06/2006 | - | 0 | - | NYD | S |
| Submission of Agency Financial Statements (AFS): Not Required | | | | | | | | | |
| Overall Compliance and Rating: | | | | | | | | NYD | S |
| Remarks: | | | | | | | | | |

Project Specific Covenants

| Project-specific covenants | Date Due | Date Complied | Delays (mo.) | Status of Compliance | Rating (S,PS,U) | Remarks/Issues |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------|--------------|----------------------|-----------------|----------------|
| Sector | | | | Not Yet Due | | |
| 1. Cotton Financing and Marketing in the Project Area: The Borrower shall ensure that Presidential Decree No. 899 of 23 Sep 2002 be strictly implemented by the regional and district level administrations in the Project area to abolish planning target for cotton production, which sets both the area of farm land for producing cotton and the quantity of fiber to be produced. (LA, Sched. 6, para 20) 30-09-2005 | | | | Not Yet Due | - | |
| 2. Not later than 31 Dec 2006, the Borrower shall, in consultation with ADB, develop and implement mechanism to ensure that (a) the farm-gate prices for raw cotton shall be linked to the world prices for cotton fiber; (b) the fixed export price for cotton fiber shall be changed from a maximum to a minimum price; and (c) these prices shall be published/made available to the public. (LA, Sched. 6, para 21) 31-12-2006 | | | | Not Yet Due | - | |
| 3. Not later than 31 Dec 2006, the Borrower shall ensure that, in compliance with Presidential Decree 899 of 23 Sep 2002 and Resolution 421 of 22 Oct 1999, the regional and district level administrations in the Project area shall (a) permit financing by the multiple cotton investors; (b) ensure that ginning services are not restricted by the administrative boundaries; and (c) permit the movement of raw cotton across the administrative boundaries for ginning and marketing. (LA, Sched. 6, para 22) 31-12-2006 | | | | | | |
| 4. The Borrower shall, with the assistance of the TA for Support to Monitoring Policy Reforms and Improving Farm and Water Management, develop standard cotton financing and production contracts to ensure introduction of financial disciplines and appropriate allocation of rights, benefits, responsibilities and risks among the concerned parties. Not later than 31 Dec 2006, the Borrower shall submit such draft standard contracts for ADB's review and after ADB's approval, implement these contracts in the Project areas. (LA, Sched. 6, para 23) 31-12-2006 | | | | Not Yet Due | - | |
| 5. Agricultural Support Services in the Project Area: With the assistance provided under the Project, the Borrower shall develop, not later than 31 Dec 2006, a farm support service plan and implement measures to improve farm productivity and profitability, through (a) dissemination of market information; (b) provision of farm support services for improved farming technology and crop diversification; and (c) increase crop value crop through improved marketing, processing, and adoption of international standards for cotton grading. The Borrower shall jointly review with ADB on an annual basis the availability and quality of farm support services. (LA, Sched. 6, para 24). 31-12-2006 | | | | Not Yet Due | - | |
| 6. The Borrower shall ensure that the planned and existing farm support services, particularly farm machinery (through its assistance program provided by the Japanese Government) are made available to the private farms in the Project area within one year of Loan effectivity. (LA, Sched. 6, para 25). 30-09-2005 | | | | Not Yet Due | - | |
| 7. Farm Reorganization and Land Reform in the Project Area: The Borrower shall, not later than 31 Dec 2005, develop detailed and transparent procedures acceptable to ADB to implement the Borrower's Resolution No. 522 1996 Procedure of Reorganization of Farms and Agricultural Enterprises, to ensure that, in the Project area: a) Farmers be allowed to choose which reorganized farm they become | | | | | | |

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| <p>members/shareholders of, and able to elect their own farm managers who shall be accountable to the members/shareholders;</p> <p>b) individual farmers/families be issued long term (30 years) certificates of land use rights upon request, and the sub-certificates issue to individual members of a collective dehkan farms shall carry the same legal rights as the certificates;</p> <p>c) transparent process be set up to obtain land use rights for any individual farmer or farer family independent of the collective dehkan farms of which they are members;</p> <p>d) such individual farmers or farmer families be treated equally as other members of the collective dehkan farms in terms of proportion of debt burden associated with the land to be transferred to them, the land quality, geographic location, and access to irrigation services and other elements affecting farming activities. (LA, Sched. 6, para 26)</p> <p>31-12-2005 Not Yet Due -</p> | |
| <p>8. The Borrower shall prepare amendment to the existing land laws to allow the land use rights certificates held by farmers to be used as collateral for obtaining financing and submit the amendment to its Parliament for adoption not later than 31 Dec 2007. (LA, Sched. 6, para 27).</p> <p>31-12-2007 Not Yet Due -</p> | |
| Environmental | Not Yet Due |
| <p>1. Monitor and Evaluation Unit: A monitoring and evaluation (M&E) unit shall be established within the PMO to implement the environmental monitoring system recommended in the Summary Initial Environmental Examination and to monitor, poverty, gender and other social impacts of the Project. (LA, Sched. 6, para 5).</p> <p>13-12-2005 Not Yet Due -</p> | |
| <p>2. Specifically, the M&E unit shall be responsible for (i) collecting, collating, and analyzing baseline data relating to the economic, poverty, social, and environmental conditions disaggregated by gender income, and farm types within the Project area; (ii) benefit monitoring during project implementation, and (iii) evaluating the Project's economic, poverty, gender, social, and environmental impacts within the selected systems. The M&E unit shall particularly monitor (i) income opportunities and other resources provided under the Project to extremely poor communities and women, (ii) reduction in vulnerability of households to waterborne diseases, and (iii) participation of women in community activities. The M&E unit shall have two staff members, who shall work with the responsible agencies. (LA, Sched. 6, para 6).</p> <p>31-01-2006 Not Yet Due -</p> | |
| <p>3. To monitor the Project's social impact, during the first year of Project implementation the M&E unit shall compile a benchmark database on basic economic and social conditions to provide a socioeconomic profile of the beneficiary communities. (LA, Sched. 6, para 7).</p> <p>31-12-2006 Not Yet Due -</p> | |
| <p>4. Environment: the Project shall be carried out, and all facilities constructed, operated, maintained, and monitored, in accordance with the existing laws, regulations, and standards of the Borrower concerning environmental protection and ADB's Environment Policy (2002). The Borrower shall ensure that MWRLR implement the environmental mitigation measures and monitoring requirements as outlined in the Initial Environmental Examination (IEE). (LA, Sched. 6, para 10).</p> <p>31-01-2006 Not Yet Due -</p> | |
| <p>5. The Borrower shall ensure that an appropriate budgetary allocation, including vehicles, materials, equipment, operating expenses and staff, be provided by MWRLR and the Borrower's State Committee of Nature Protection and Forestry to fulfill their responsibilities for implementation of mitigation measures and monitoring requirements as outlined in IEE. (LA, Sched. 6, para 11)</p> <p>31-12-2005 Not Yet Due -</p> | |
| Social | Not Yet Due |
| <p>1. Resettlement: The Borrower shall ensure that involuntary resettlement under the Project, if any, including loss of crops, land, other resources/assets, is undertaken in conformity with a resettlement plan to be prepared by the Borrower in accordance with ADB's Policy on Involuntary Resettlement. The compensation to the persons affected by the resettlement shall make them as well off as they would in the absence of the Project and such compensation and the resettlement assistance shall be provided to the affected persons prior to their displacement and dispossession of land and houses. The RP shall be updated, based on detailed designs, and it shall be disclosed to all affected persons in a form and language that they can understand, and it shall be submitted with EA's endorsement to ADB for review and approval before any civil works contract is awarded. (LA, Sched. 6, para 12).</p> <p>30-06-2006 Not Yet Due -</p> | |
| <p>2. Gender and Development: The Borrower shall start, within one year of Loan effectivity, implementation of the Gender Action Plan outlined in the Summary Poverty Reduction and Social Strategy. The Borrower shall ensure that (i) the female-headed farms in the Project</p> | |

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <p>areas are WUA members and that women are fully represented in project planning and implementation meetings; (ii) women will make up at least 30% of the local water supply committees; and (iii) women will participate in all activities in the core demonstration areas and will be trained in new agricultural practices. (LA, Sched. 6, para 13).</p> <p>31-12-2006 Not Yet Due -</p> | |
| <p>3. Poverty Reduction: To maximize employment and income-generating opportunities in the Project area, the Borrower shall, and cause the contractors to agree to, hire the poor and vulnerable groups from local villages for civil works to the maximum extent possible. Poor communities shall be helped by their involvement in food-for-work program pertaining to simple rehabilitation works. The local communities or other similar local groups shall be tapped to identify the target households. (LA, Sched. 6, para 14)</p> <p>31-07-2006 Not Yet Due -</p> | |
| <p>4. Water User Associations and Water Supply Committees in the Project Area: Within three years of Loan Effectivity the Borrower shall ensure that WUAs and WCs are established in the Project area, not precluding the utilization of other external donor assistance for this purpose. (LA, Sched. 6, para 18).</p> <p>31-07-2007 Not Yet Due -</p> | |
| <p>5. The Borrower shall ensure that the WUAs shall assume the responsibilities to carry out the O&M of the on-farm irrigation and drainage facilities after they are fully organized and trained, but not later than 2 years after rehabilitation of their infrastructure is completed. (LA, Sched. 6, para 19).</p> <p>Not Yet Due -</p> | |
| <p>Financial -</p> | |
| <p>1. Operation and Maintenance Arrangements: The Borrower shall provide adequate budgetary allocation, including that needed to cover the transition period up to full cost recovery and collection of the irrigation service fees. (LA, Sched. 6, para 15).</p> | |
| <p>2. The Borrower shall issue a resolution, not later than 31 Dec 2007, to set differential irrigation service fees for lift and gravity irrigation schemes. These fees shall be increased gradually until they fully cover the cost of O&M of the irrigation facilities by 31 Dec 2010, in line with the Borrower's agreement with the International Bank for Reconstruction and Development. (LA, Sched. 6, para 16).</p> | |
| <p>3. The Borrower shall formulate with assistance of the Project a potable water supply cost recovery and fee structure based on assessment of affordability especially of poor farm households and shall, not later than 31 Dec 2008, implement such policy. (LA, Sched. 6, para 17).</p> | |
| <p>Others S</p> | |
| <p>1. Established, Staffed, and Operating PMU/PIU</p> | |
| <p>2. Fielding of Consultants</p> | |
| <p>3. Steering Committee: A high level steering committee established during the Project preparation stage shall continue to provide policy guidance and facilitate inter-ministerial coordination. (LA, Sched. 6, para 2)</p> | |
| <p>4. Regional Offices: Five Regional Offices (ROs) of PMO shall be established, with the one for Vahdat operating out of the PMO in Dushanbe and the others being based in the respective sub-project areas. ROs shall be responsible for Project implementation in their respective sub-project areas and for maintaining liaison with the PMO, local administration, and beneficiary organizations. (LA, Sched. 6, para 3).</p> | |
| <p>5. Staffing of PMO and ROs: The PMO shall be led by a full-time PMO Manager and the ROs by Regional Managers. The PMO Manager shall be nominated by the Borrower and endorsed by ADB. Regional Managers and other key staff shall be selected on merit by a panel of experts appointed by the Borrower and agreed by ADB. Staff selected by the Panel shall need endorsement by ADB. (LA, Sched. 6, para 5).</p> | |
| <p>6. Mid-Term REview: During the third year of its implementation, the Borrower and ADB shall carry out a midterm review to assess the achievement of project objectives and</p> | |

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|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---|
| implementation milestones. | | |
| 7. Pre-Constructions Works: The Borrower shall ensure that desilting of canals and drains within the Project schemes is carried out, and shall provide budgetary allocation to ensure that these works shall be completed before the award of civil works contracts financed by the Loan. | | |
| 8. Variations to consultancy contract: If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval (LA, Schedule 5, para 4(e). | | |
| Ongoing | | S |
| Overall Rating | | S |

Problems/Remarks/Issues with Covenants

| |
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| |
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PROJECT PROGRESS REPORT

A. Introduction

1. Loan regulations and loan and project agreements require the borrower and executing agency (EA) to provide ADB with reports and information it reasonably requests. These include the EA's periodic progress reports that enable the borrower, EA, and ADB to monitor project progress, become aware of problems during implementation, and assess whether the immediate project objectives will be met.
2. The borrower or EA submits the progress reports quarterly, regardless of progress achieved during the period. When little or no progress is achieved, the progress reports inform ADB of the reasons and problems delaying implementation or that may result in the immediate objectives not being met.

B. Content and Format

3. The content of the progress report includes sufficient information in summary form to be useful to ADB as a funding agency. The purpose of the report is to enable the borrower, EA, and ADB to monitor the latest progress, become aware of current problems, and assess whether the project's immediate objectives will be met. More detailed reports are prepared by consultants or contractors for the project management office (PMO) or project implementation unit (PIU), and by the PMO or PIU for the EA's management. These reports are held at the PMO or PIU and are made available for ADB review, midterm review, and project completion review missions.
4. The progress report sent to ADB is an executive summary of the detailed reports; with format and content permitting ADB staff to readily capture key information for inputting into the project performance report (PPR)¹ as suggested in **Attachment 1**. When ADB requires detailed information (such as background to a particular problem), this is included as an appendix. Simple charts such as a bar or milestone charts to illustrate implementation progress, a chart showing actual versus planned expenditures, and the relationship between physical and financial performance are included. A framework and guidelines for calculating project progress and a sample implementation schedule are shown in **Attachment 2**.

¹ The eventual goal is to automate reporting on project performance by borrowers or EAs; the use of PPR templates and ADB web site are being considered. At present, not all EAs have Internet access and they can only receive PPRs through the Lotus Notes database in the regional or resident missions.

C. Procedure

5. A pro forma progress report with format and content agreed to by the borrower, EA, and ADB is appended to the processing mission's memorandum of understanding. The sector division or the regional or resident mission (RM) responsible for implementing the project provides the borrower or EA with an updated sample report after the loan is approved and before the project inception mission. This reminds the borrower or EA of ADB's progress reporting requirements.
6. The PPR is the main tool for monitoring project implementation performance within ADB. PPRs for "satisfactory" projects are updated at least quarterly as well as after project review missions. PPRs for "unsatisfactory" and "partly satisfactory" projects are updated more frequently. The following procedures apply:
 - The project staff captures key information from the progress report and updates the PPR.
 - The project staff then recommends any proposed actions to the project administration unit (PAU) head.

- If the PAU head approves the recommendations, the sector division or RM responsible for implementing the project conveys ADB's comments or recommendations on the report to the borrower or EA. In so doing, a copy of the updated PPR resulting from the progress report may be incorporated.
- Where necessary, a special project administration mission is sent to resolve serious problems in advance of the next scheduled review mission,
- All departments and offices have access to the updated PPR, and a copy of the progress report is sent only to the concerned parties. For example, in the case of major changes or problems concerning financial matters, submission of the EA's progress report to the Loan Administration Division (CTLA) may help process withdrawal applications when the project involves force account works, or where a significant disparity is observed between progress and disbursement.

7. If a progress report is not received within two weeks of the scheduled date of receipt, the sector division or RM responsible for implementing the project sends a reminder immediately to the borrower or EA. Repeated delays in sending progress reports are recorded in the PPR and discussed with the borrower or EA by the project review mission.

Attachment 1**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; and
- date of last ADB review mission.

B. Utilization of Funds (ADB Loan, Cofinancing, 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).

Attachment 2**Framework and Guidelines in Calculating Project Progress****A. Introduction**

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

B. Framework for Compiling Activity List and Assigning Weights

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

1. Compilation of Activity List

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

2. Assignment of Weights

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

3. Computation of Project Progress

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

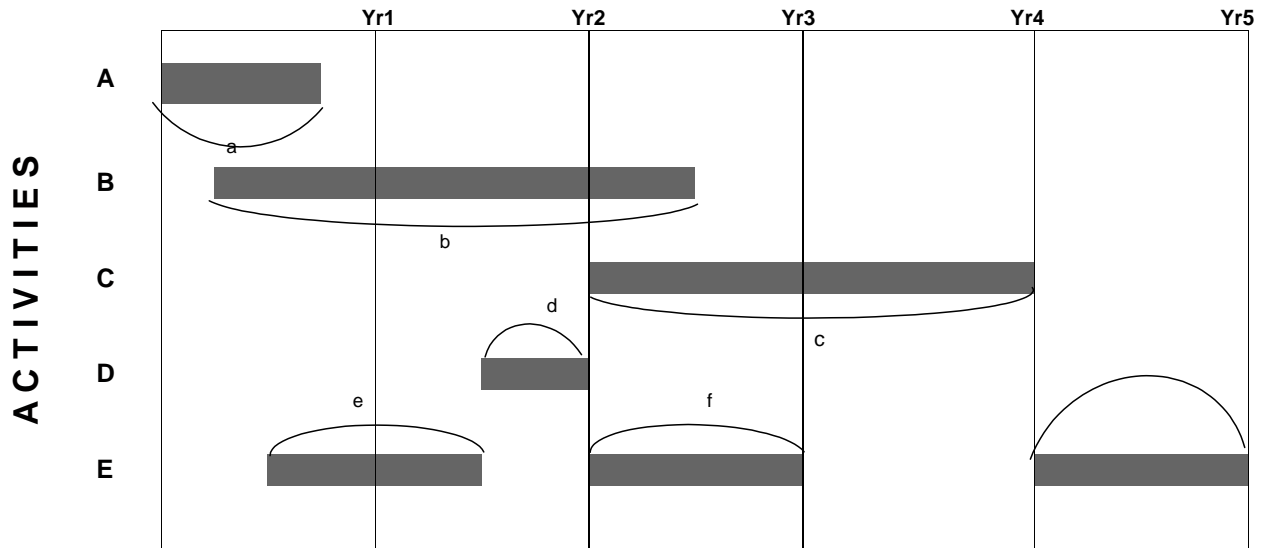
- (i) Determine the actual percentage progress (nonfinancial) of each activity.

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

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











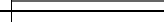

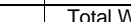
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Attachment 2**

Implementation Schedule with Activities and Weights



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

Attachment 2**Sample Implementation Schedule**

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

(a) Assigned weight for each activity

(b) Actual progress of each activity

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

Project progress = sum of all weighted progress for each activity

ASIAN DEVELOPMENT BANK
WORKSHEET FOR ____ QUARTERLY AND YEARLY CONTRACT AWARDS/COMMITMENTS AND DISBURSEMENT PROJECTIONS (\$ Million)

COMMITMENTS

Ref.: PAI Nos. 4.13. Issued in July 1992 and 6.1. Issued in October 1990

(QP-01/97)

PROJECT: _____

| | | | | | | | | | | | | | | | |
|-------------|--|-------------|--|--------------------|--|----------------------|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | | | | | | | |
| LOAN NO. | | SEG. NO. | | FUNDS (OCR, SF) | | COUNTRY (Acronym) | | | | | | | | | |

PROJECTIONS MADE IN _____
(Month, Year)

| REF. | L I N E | Cate- gory 1/ | CONTRACT/COMMITMENT ITEM 1/ | Contracts Awarded on Previous Year(s) | QUARTER I January, February, March ____ | | | QUARTER II April, May, June ____ | | | QUARTER III July, August, September ____ | | | QUARTER IV October, November, December 1997 | | | TOTAL PROJECTED FOR THE YEAR ____ (YP) = (QA + (QP) | | | | |
|----------------------------------------------------------------|------------------|---------------------|------------------------------------|---------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------------------|----------|----------------------------------------------------------------------|----------|-----------------------------------------------------------------------|---------------------------------------------|----------------------------------------------------------------------|----------|-----------------------------------------------------------------------|----------|----------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------------------|----------|----------------------------------------------------------------------|------------------------------------------------------------------------------------|
| | | | | Month, Year Contract Awarded | QP QA | Month Contract Awarded/Committed or To be Awarded/ Committed | QP QA | Disbursement Amount Related to the Contract/ Commitment (2) | QP QA | Month Contract Awarded/Committed or To be Awarded/ Committed | QP QA | Disbursement Amount Related to the Contract/ Commitment (4) | QP QA | Month Contract Awarded/Committed or To be Awarded/ Committed | QP QA | Disbursement Amount Related to the Contract/ Commitment (6) | QP QA | Month Contract Awarded/Committed or To be Awarded/ Committed | QP QA | Disbursement Amount Related to the Contract/ Commitment (8) | Contract Awards Value/ Commitment (9) = (1+3+5+7) (10) = (2+4+6+8) |
| | | | | Contract Value (Bank Financed) | QP QA | Contract Value/ Commitment (1) | QP QA | Contract Value/ Commitment (3) | QP QA | Contract Value/ Commitment (5) | QP QA | Contract Value/ Commitment (7) | QP QA | | | | | | | | |
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1/ In accordance with the allocation of Loan Proceeds as defined in the Loan Documents, or any other more detailed breakdown, if found useful.

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

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

ADB Form No. 16/04

NOTES & REMARKS: _____

Page ____ of ____ pages

QP-01/97

(Revised September 1994)

SAMPLE AUDIT LETTER

ASIAN DEVELOPMENT BANK

Regional Department

Sector Division / Regional or Resident Mission

[Date]

[The Borrower]

Dear Sir or Madam:

Subject: **[Loan No. and Project Title]**
FINANCIAL REPORTING AND AUDITING REQUIREMENTS

This letter is to ensure your timely compliance with the loan covenants and the quality of financial information as required by ADB. ADB's *Handbook for Borrowers on the Financial Governance and Management of Investment Projects Financed by the ADB* (the Booklet) is enclosed to guide you.

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

For this particular loan, the requirements are stipulated in sections _____ and _____ of the Loan Agreement of _____ between ADB and [the Borrower] and sections _____ and _____ of the Project Agreement of _____ between ADB and [name of the EA]. Copies of the Loan/Project Agreements are enclosed for onward transmission by your office to your EA and the auditor(s), together with a copy of this letter.

The following are the main requirements:

- ADB requires the EA to maintain separate project accounts and records exclusively for the Project to ensure that the loan funds were used only for the objectives set out in the Loan or Project Agreements. The project accounts comprise the following:

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The first set of project accounts to be submitted to ADB covers the fiscal year ending _____. As stipulated in the Loan or Project Agreements, they are to be submitted up to _____ months after the end of the fiscal year. For this loan, the deadline is by _____. A sample report format with explanatory notes, is attached as Annex A.

- The accounts and records for the project are to be consistently maintained by using sound accounting principles. Please stipulate that your external auditor is to express an opinion on whether the financial report has been prepared using international or local generally accepted accounting standards and whether they have been applied consistently.

ADB prefers project accounts to use international accounting standards prescribed by the International Accounting Standards Committee. Please advise your external auditor to comment on the impact of any deviations, by [name of the Executing Agency] from international accounting standards.

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

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

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

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

Yours sincerely,

Director /
Country Director
(Sector Division/
Regional or Resident Mission)

cc: (EA)
(External auditor of the Borrower or EA)

STATUS OF COMPLIANCE WITH MAJOR AND SPECIFIC LOAN COVENANTS

| Covenant | Reference | Status |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|--------|
| <p>Project Executing Agency and PMO MWRLR shall be the Project Executing Agency. The minister of MWRLR shall be the Project Director with overall responsibility for project implementation. A PMO shall be established within MWRLR to manage project activities under the leadership and supervision of MWRLR and to liaise with ADB and other coordinating bodies.</p> | LA, Schedule 6, para. 1 | |
| <p><u>Steering Committee</u> A high-level steering committee established during the Project preparation stage shall continue to provide policy guidance and facilitate inter-ministerial coordination.</p> | LA, Schedule 6, para. 2 | |
| <p><u>ROs</u> Five ROs of PMO shall be established, with the one for Vahdat operating out of the PMO in Dushanbe and the others being based in the respective sub-project areas. ROs shall be responsible for Project implementation in their respective sub-project areas and for maintaining liaison with the PMO, local administration, and beneficiary organizations.</p> | LA, Schedule 6, para. 3 | |
| <p><u>Staffing of PMO and ROs</u> The PMO shall be led by a full-time PMO Manager and the ROs by Regional Managers. The PMO Manager shall be nominated by the Borrower and endorsed by ADB. The Regional Managers and other key staff shall be selected on merit by a panel of experts appointed by the Borrower and agreed by ADB. Staff selected by the Panel shall need endorsement by ADB.</p> | LA, Schedule 6, para. 4 | |
| <p><u>Monitor and Evaluation Unit</u> A monitoring and evaluation (M&E) unit shall be established within the PMO to implement the environmental monitoring system recommended in the Summary Initial Environmental Examination and to monitor the environmental, poverty, gender and other social impacts of the Project.</p> | LA, Schedule 6, para. 5 | |
| <p>Specifically, the M&E unit shall be responsible for (i) collecting, collating, and analyzing baseline data relating to the economic, poverty, social, and environmental conditions disaggregated by gender, income, and farm types within the Project area; (ii) benefit monitoring during project implementation, and (iii) evaluating the Project's economic, poverty, gender, social, and environmental impacts within the selected systems. The M&E unit shall particularly monitor (i) income opportunities and other resources</p> | LA, Schedule 6, para. 6 | |

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| provided under the Project to extremely poor communities and women, (ii) reduction in vulnerability of households to waterborne diseases, and (iii) participation of women in community activities. The M&E unit shall have two staff members, who shall work with the responsible agencies. | | |
| To monitor the Project's social impact, during the first year of Project implementation the M&E unit shall compile a benchmark database on basic economic and social conditions to provide a socioeconomic profile of the beneficiary communities. | LA, Schedule 6, para. 7 | |
| <u>Mid-Term Review</u> During the third year of its implementation, the Borrower and ADB shall carry out a midterm review to assess the achievement of project objectives and implementation milestones. | LA, Schedule 6, para. 8 | |
| <u>Pre-Construction Works</u> The Borrower shall ensure that desilting of canals and drains within the Project schemes is carried out, and shall provide budgetary allocation to ensure that these works shall be completed before the award of civil works contracts financed by the Loan. | LA, Schedule 6, para. 9 | |
| <u>Environment</u> The Project shall be carried out, and all facilities constructed, operated, maintained, and monitored, in accordance with the existing laws, regulations, and standards of the Borrower concerning environmental protection and ADB's Environment Policy (2002). The Borrower shall ensure that MWRLR implement the environmental mitigation measures and monitoring requirements as outlined in the Initial Environmental Examination (IEE). | LA, Schedule 6, para. 10 | |
| The Borrower shall ensure that an appropriate budgetary allocation, including vehicles, materials, equipment, operating expenses and staff, be provided by MWRLR and the Borrower's State Committee of Nature Protection and Forestry to fulfill their responsibilities for implementation of mitigation measures and monitoring requirements as outlined in IEE. | LA, Schedule 6, para. 11 | |
| <u>Resettlement</u> The Borrower shall ensure that involuntary resettlement under the Project, if any, including loss of crops, land, other resources/assets, is undertaken in conformity with a resettlement plan to be prepared by the Borrower in accordance with ADB's <i>Policy on Involuntary Resettlement</i> . The compensation to the persons affected by the resettlement shall make them as well off as they would be in the absence of the | LA, Schedule 6, para. 12 | |

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| Project and such compensation and the resettlement assistance shall be provided to the affected persons prior to their displacement and dispossession of land and houses. The RP shall be updated, based on detailed designs, and it shall be disclosed to all affected persons in a form and language that they can understand, and it shall be submitted with EA's endorsement to ADB for review and approval before any civil works contract is awarded. | | |
| Social and Poverty Aspects Gender and Development The Borrower shall start, within one year of Loan effectivity, implementation of the Gender Action Plan outlined in the Summary Poverty Reduction and Social Strategy. The Borrower shall ensure that (i) the female-headed farms in the Project areas are WUA members and that women are fully represented in project planning and implementation meetings; (ii) women will make up at least 30% of the local water supply committees; and (iii) women will participate in all activities in the core demonstration areas and will be trained in new agricultural practices. | LA, Schedule 6, para 13 | |
| Poverty Reduction To maximize employment and income-generating opportunities in the Project area, the Borrower shall, and cause the contractors to agree to, hire the poor and vulnerable groups from local villages for civil works to the maximum extent possible. Poor communities shall be helped by their involvement in food-for-work program pertaining to simple rehabilitation works. The local communities or other similar local groups shall be tapped to identify the target households. | LA, Schedule 6, para. 14 | |
| Operation and Maintenance Arrangements Operation and Maintenance (O&M), Water Service Fees, and Fee Collection in the Project Area The Borrower shall provide adequate budgetary allocation, including that needed to cover the transition period up to full cost recovery and collection of the irrigation service fees. | LA, Schedule 6, para 15. | |
| The Borrower shall issue a resolution, not later than 31 December 2007, to set differential irrigation service fees for lift and gravity irrigation schemes. These fees shall be increased gradually until they fully cover the cost of O&M of the irrigation facilities by 31 December 2010, in line with the Borrower's agreement with the International Bank for Reconstruction and Development. | LA, Schedule 6, para 16 | |
| The Borrower shall formulate with assistance of the Project a potable water supply cost recovery and fee structure based on assessment of affordability especially of poor farm households and shall, not | LA, Schedule 6, para 17 | |

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| later than 31 December 2008, implement such policy. | | |
| <u>Water User Associations and Water Supply Committees in the Project Area</u> Within three years of Loan Effectivity the Borrower shall ensure that WUAs and WCs are established in the Project area, not precluding the utilization of other external donor assistance for this purpose. | LA, Schedule 6, para 18 | |
| The Borrower shall ensure that the WUAs shall assume the responsibilities to carry out the O&M of the on-farm irrigation and drainage facilities after they are fully organized and trained, but not later than 2 years after rehabilitation of their infrastructure is completed. | LA, Schedule 6, para 19 | |
| Sector Policy and Reform <u>Cotton Financing and Marketing in the Project Area</u> The Borrower shall ensure that Presidential Decree No 899 of 23 September 2002 be strictly implemented by the regional and district level administrations in the Project area to abolish planning target for cotton production, which sets both the area of farm land for producing cotton and the quantity of fiber to be produced. | LA, Schedule 6, para 20 | |
| Not later than 31 December 2006, the Borrower shall, in consultation with ADB, develop and implement mechanism to ensure that (a) the farm-gate prices for raw cotton shall be linked to the world prices for cotton fiber; (b) the fixed export price for cotton fiber shall be changed from a maximum to a minimum price; and (c) these prices shall be published/made available to the public. | LA, Schedule 6, para. 21 | |
| Not later than 31 December 2006, the Borrower shall ensure that, in compliance with Presidential Decree 899 of 23 September 2002 and Resolution No. 421 of 22 October 1999, the regional and district level administrations in the Project area shall (a) permit financing by the multiple cotton investors; (b) ensure that the ginning services are not restricted by the administrative boundaries; and (c) permit the movement of raw cotton across the administrative boundaries for ginning and marketing. | LA, Schedule 6, para, 22 | |
| The Borrower shall, with the assistance of the TA for Support to Monitoring Policy Reforms and Improving Farm and Water Management, develop standard cotton financing and production contracts to ensure introduction of financial disciplines and appropriate allocation of rights, benefits, responsibilities and risks among the concerned parties. Not later than 31 December 2006, the Borrower shall submit such draft standard contracts for ADB's review and after ADB's approval, implement these contracts in the Project areas. | LA, Schedule 6, para 23 | |

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| <p>Agricultural Support Services in the Project Area With the assistance provided under the Project, the Borrower shall develop, not later than 31 December 2006, a farm support service plan and implement measures to improve farm productivity and profitability, through (a) dissemination of market information; (b) provision of farm support services for improved farming technology and crop diversification; and (c) increase of crop value through improved marketing, processing, and adoption of international standards for cotton grading. The Borrower shall jointly review with ADB on an annual basis the availability and quality of farm support services.</p> | LA, Schedule 6, para. 24 | |
| <p>The Borrower shall ensure that the planned and existing farm support services, particularly farm machinery (through its assistance program provided by the Japanese Government) are made available to the private farms in the Project area within one year of Loan effectivity.</p> | LA, Schedule 6, para 25 | |
| <p>The Borrower shall, not later than 31 December 2005, develop detailed and transparent procedures acceptable to ADB to implement the Borrower's Resolution No. 522 1996 <i>Procedure of Reorganization of Farms and Agricultural Enterprises</i>, to ensure that, in the Project area: (a) Farmers be allowed to choose which reorganized farm they become members/shareholders of, and able to elect their own farm managers who shall be accountable to the members/shareholders;</p> | LA, Schedule 6, para. 26(a) | |
| <p>(b) individual farmers/families be issued long term (30 years) certificates of land use rights upon request, and the sub-certificates issued to individual members of a collective dehkan farms shall carry the same legal rights as the certificates; (c) transparent process be set up to obtain land use rights for any individual farmer or farmer family independent of the collective dehkan farms of which they are members;</p> | LA, Schedule 6, para 26(b) LA, Schedule 6, para. 26(c) | |
| <p>(d) such individual farmers or farmer families be treated equally as other members of the collective dehkan farms in terms of proportion of debt burden associated with the land to be transferred to them, the land quality, geographic location, and access to irrigation services and other elements affecting farming activities.</p> | LA, Schedule 6, para. 26(d) | |
| <p>The Borrower shall prepare amendment to the existing land laws to allow the land use rights certificates held by farmers to be used as collateral for obtaining financing and submit the amendment to its Parliament for adoption not later than 31 December 2007.</p> | LA, Schedule 6, para. 27 | |
| <p>Procurement Procurement of goods and services shall be made without any restriction against, or preference for, any particular supplier or contractor or any particular</p> | LA, Schedule 4, para. 3 | |

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| class of suppliers or contractors, except as otherwise provided in paragraphs 6, 7 and 8 below. | | |
| Each civil works contract estimated to cost the equivalent of more than \$1,000,000 and each supply contract for equipment or materials estimated to cost the equivalent of more than \$500,000 shall be awarded on the basis of international competitive bidding as described in Chapter II of the Guidelines for Procurement. Bidders for civil works contracts shall be prequalified before bidding. | LA, Schedule 4, para. 4(a) | |
| For contracts to be awarded on the basis of international competitive bidding, there shall be submitted to ADB, as soon as possible, and in any event not later than 90 days before the issuance of either the first prequalification invitation or the first invitation to bid for the Project, a General Procurement Notice (which ADB will arrange to publish separately) in such form and detail and containing such information as ADB shall reasonably request. ADB shall be provided the necessary information to update such General Procurement Notice annually as long as any goods and works remain to be procured on the basis of international competitive bidding. | LA, Schedule 4, para. 4(b) | |
| For contracts to be awarded on the basis of international competitive bidding, procurement actions shall be subject to review by ADB in accordance with the procedures set forth in Chapter IV of the Guidelines for Procurement. Each draft prequalification invitation and each draft invitation to bid, to be submitted to ADB for approval under such procedures, shall reach ADB at least 42 days before it is issued and shall contain such information as ADB shall reasonably request to enable ADB to arrange for the separate publication of such invitation. | LA, Schedule 4, para. 4(c) | |
| Each supply contract for equipment or materials estimated to cost the equivalent of \$500,000 or less (other than minor items) shall be awarded on the basis of international shopping as described in Chapter III of the Guidelines for Procurement. | LA, Schedule 4, para. 5(a) | |
| Each draft invitation to bid and related bid document shall be submitted to ADB for approval before they are issued. | LA, Schedule 4, para. 5(b) | |
| Notwithstanding paragraph 3.03(b) of the Guidelines for Procurement, any award of contract shall be subject to prior ADB approval. | LA, Schedule 4, para. 5(c) | |
| In comparing bids under international competitive bidding, a margin of preference may be provided, at the option of the Borrower and in accordance with the provisions of the Attachment to this Schedule, for (a) goods manufactured in the territory of the Borrower, provided that the bidder offering such goods shall have established to the satisfaction of the Borrower and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price | LA, Schedule 4, paras. 6 (a) and (b) | |

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| of such goods; and (b) civil works to be carried out by eligible domestic contractors, as defined by ADB. | | |
| <p>Local procurement</p> <p>Each civil works contract estimated to cost less than \$1,000,000 may be awarded on the basis of local competitive bidding among prequalified contractors in accordance with the standard procurement procedures of the Borrower and acceptable to ADB. Prequalification, selection and engagement of contractors shall be subject to the approval of ADB. As soon as the bids received have been evaluated, the proposal for award of contract shall be submitted to ADB for approval. For this purpose, ADB shall be furnished with three copies of (i) an account of the public opening of bids; (ii) a summary and evaluation of the bids; (iii) the proposal for award; and (iv) a draft contract or a draft letter of acceptance. Promptly after each contract is awarded, ADB shall be furnished with three copies of the contract as executed.</p> | LA, Schedule 4, para. 7 | |
| <p>Force account</p> <p>Each of those works, whose size, nature or location makes them unsuitable for competitive bidding, estimated to cost the equivalent of not more than \$50,000, may be carried out by MWRLR on a force account basis.</p> | LA, Schedule 4, para. 8 | |
| <p>Intellectual Property Rights</p> <p>The Borrower shall ensure that all ADB-financed goods and services procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.</p> | LA, Schedule 4, para. 9(a) | |
| <p>The Borrower shall ensure that all ADB-financed contracts for the procurement of goods and services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.</p> | LA, Schedule 4, para.9(b) | |
| <p>Preference for Domestically Manufactured Goods</p> <p>In the procurement of goods through international competitive bidding, goods manufactured in the territory of the Borrower may be granted a margin of preference in accordance with the following provisions, provided that the bidder shall have established to the satisfaction of the Borrower and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods. The 20 percent domestic value added applies to the total ex-factory bid price of the goods and not only to one item in a list.</p> | Schedule 4, Attachment, para. 1(a), page 1 | |

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| <p>(a) For application of domestic preference, all responsive bids shall first be classified into the following three categories:</p> <p><u>Category I</u> -- bids offering goods manufactured in the territory of the Borrower which meet the minimum domestic value added requirement;</p> <p><u>Category II</u> -- bids offering other goods manufactured in the territory of the Borrower; and</p> <p><u>Category III</u> -- bids offering imported goods.</p> | | |
| The lowest evaluated bid of each category shall then be determined by comparing all evaluated bids in each category among themselves, without taking into account customs duties and other import taxes levied in connection with the importation, and sales and similar taxes levied in connection with the sale or delivery, pursuant to the bids, of the goods. | Schedule 4, Attachment, para 1(b), page 1 | |
| Such lowest evaluated bids shall next be compared with each other and if, as a result of this comparison, a bid from Category I or Category II is found to be the lowest, it shall be selected for the award of contract. | Schedule 4, Attachment, para 1(c), page 1 | |
| <p>If, however, as a result of the comparison under subparagraph (c) above, the lowest bid is found to be from Category III, it shall be further compared with the lowest evaluated bid from Category I. For the purpose of this further comparison only, an upward adjustment shall be made to the lowest evaluated bid price of Category III by adding either</p> <p>(i) the amount of customs duties and other import taxes which a nonexempt importer would have to pay for the importation of the goods offered in such Category III bid; or</p> | Schedule 4, Attachment, para. 1(d),(i), page 2 | |
| (ii) 15 percent of the CIF bid price of such goods if the customs duties and import taxes referred to above exceed 15 percent of the CIF bid price. | Schedule 4, Attachment, para 1(d), (ii), page 2 | |
| If, after such further comparison, the Category I bid is determined to be the lowest, it shall be selected for the award of contract; if not, the lowest evaluated bid from Category III shall be selected for the award. | Schedule 4, Attachment, para. 1, page 2 | |
| Bidders applying for the preference shall provide evidence necessary to establish the eligibility of a bid for the preference, including the minimum domestic value added. | Schedule 4, Attachment, para, 2(a), page 2 | |
| The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of a bid for the preference claimed, and the procedures to be followed in the | Schedule 4, Attachment, para. 2(b), page 2 | |

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| comparison of bids, all as set forth above. | | |
| <p><u>Domestic Preference for Turnkey Contracts and Supply-and-Installation Contracts</u></p> <p>In single-responsibility turnkey (including design-build) contracts and supply-and-installation contracts for large and complex packages, procured through international competitive bidding and in which discrete items of goods are grouped into one contract package and where the CIF cost of goods to be used for or in the permanent works under such contracts is estimated, prior to bidding, to equal or exceed 60 percent of the total cost of such works, a margin of preference shall be applied to the domestically manufactured goods in accordance with the following provisions, provided that the bidder shall have established to the satisfaction of the Borrower and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods. The 20 percent domestic value added applies to the total ex-factory bid price of the goods and not only to one item in a list.</p> <p>(a) The margin of preference shall not be applied to the whole package but only to the domestically manufactured goods within the package.</p> <p>(b) Goods offered from outside the territory of the Borrower shall be quoted CIF and goods offered domestically shall be offered ex-factory or ex-works (free of sales and similar taxes).</p> <p>(c) All other cost components, such as design as well as works installation and supervision, shall be quoted separately.</p> <p>(d) In the comparison of bids (which should not be classified into Categories I, II or III as with the domestic preference for goods), only the CIF price in each bid of the goods offered from outside the territory of the Borrower shall be increased by the applicable duty and other taxes payable by a nonexempt importer or by 15 percent, whichever is less.</p> <p>(e) If duties vary from item to item within a package, the appropriate tariff for each item shall apply.</p> <p>(f) No margin of preference shall be applied to any associated services or works included in the package.</p> <p>(g) Bidders will not be permitted or required to modify the mix of domestic and foreign goods after bid</p> | Schedule 4, Attachment, para 3, page 3 | |

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| opening. | | |
| <p>Consultants</p> <p>The services of consultants shall be utilized in the carrying out of the Project, particularly with regard to:</p> <ul style="list-style-type: none"> (a) institutional capacity building; (b) design, preparation of bidding documents, bid evaluation, and construction supervision; (c) agriculture support services; and (d) project management, monitoring, and evaluation. <p>The terms of reference of the consultants shall be as determined by agreement between ADB and the Borrower.</p> | LA, Schedule 5, para. 1 | |
| The selection, engagement and services of the consultants shall be subject to the provisions of this Schedule and the provisions of the "Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers" dated April 2002 (hereinafter called the Guidelines on the Use of Consultants), as amended from time to time, which have been furnished to the Borrower. | LA, Schedule 5, para. 2 | |
| Selection and engagement of the consultants shall be made without any restriction against, or preference for, any particular consultants or any particular class of consultants. | LA, Schedule 5, para. 3 | |
| <p>The consultants shall be selected and engaged as a firm by MWRLR using the quality-and-cost-based selection (QCBS) method in accordance with the following procedures.</p> <p><u>(a) Invitation for technical and financial proposals.</u></p> <p>The invitation to submit technical and financial proposals (hereinafter called the Request for Proposals or RFP) and all related documents shall be approved by ADB before they are issued. For this purpose, three copies of the draft RFP, the names of consultants to be short-listed, the proposed criteria for evaluation of both proposals, a draft consultancy contract, and other related documents shall be submitted to ADB. A period of at least 60 days shall be allowed for submission of both proposals. A copy of the final RFP as issued, together with all related documents, shall be furnished to ADB for information promptly after issuance. The validity period for the technical and financial proposals as provided in the RFP shall usually not exceed three months from the date specified for submission of the technical and</p> | LA, Schedule 5, para 4(a) | |

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| financial proposals. The approval of ADB shall be obtained for any request to extend such validity period. Except as ADB may otherwise agree, the validity period, including any extensions, shall not exceed a maximum total period of six months. If the contract is not signed within the validity period in accordance with the Guidelines on the Use of Consultants, | | |
| (b) <u>Evaluation and scoring of technical proposals.</u> Immediately after the technical proposals have been evaluated and scored, approval of ADB shall be obtained to the evaluation and scoring of the technical proposals. For this purpose, ADB shall be furnished with three copies of the technical proposals. | LA, Schedule 5, para. 4(b) | |
| (c) <u>Public opening of financial proposals.</u> The financial proposals of the firms whose technical proposals meet the minimum qualifying technical score shall be opened publicly after adequate notice is given to such firms or their representatives to attend the opening of the financial proposals. | LA, Schedule 5, para. 4 (c) | |
| (d) <u>Evaluation and scoring of financial proposals and ranking of technical and financial proposals.</u> After the financial proposals have been evaluated and scored, the ranking of the technical and financial proposals shall be made. Before negotiations are started with the first-ranked consultants, approval of ADB shall be obtained to the evaluation and scoring of the financial proposals and the ranking of the technical and financial proposals. For this purpose, ADB shall be provided with three copies of (i) the evaluation and scoring of the financial proposals and (ii) the ranking of the technical and financial proposals. | LA, Schedule 5, para (d) | |
| (e) <u>Execution of contract.</u> After the conclusion of negotiations but before the signing of the contract, ADB shall be furnished with the contract as negotiated for approval. Promptly after the contract is signed, ADB shall be furnished with three copies of the signed contract. If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval. | LA, Schedule 5, para. (e) | |
| The Borrower has requested that the internationally-recruited consultants to be selected pursuant to the provisions of paragraph 4 of this Schedule to collaborate with domestic consultants. ADB has agreed to the request and for this purpose, the specific arrangements relating to the collaboration shall be included in the proposals to be submitted to ADB pursuant to the provisions of paragraph 4 of this Schedule. | LA, Schedule 5, para 5 | |
| In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 6 to this Loan Agreement. | LA, Article IV, Section 4.01 | |

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| <p>In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 6 to this Loan Agreement.</p> <p>The Borrower shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than six (6) months after the end of each related fiscal year, 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 covenants of this Loan Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.</p> | LA, Article IV, Section 4.02(a) | |
| <p>The Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the Borrower's auditors, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.</p> | LA, Article IV, Section 4.02(b) | |
| <p>Without limiting the generality of Section 6.05(a) of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Project and on the operation and management of the Project facilities.</p> | LA, Article IV, Section 4.03 | |
| <p>The Borrower shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents.</p> | LA, Article IV, Section 4.04 | |
| <p>The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: a Resolution on establishing PMO, including appointment of the PMO Manager and provision of offices and facilities therefore, shall have been issued by the Borrower.</p> | LA, Article V, Section 5.01 | |
| <p>A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.</p> | LA, Article V, Section 5.02 | |

TECHNICAL ASSISTANCE FOR SUPPORT FOR MONITORING POLICY REFORMS AND IMPROVING FARM AND WATER MANAGEMENT

A. Objectives and Scope

1. The objectives of the technical assistance (TA) are to (i) monitor progress made by the Government in implementing policy reforms that would create a conducive environment for project implementation; (ii) promote competitive providers of farm inputs, technical advice, credit, and marketing of products in the selected project areas; and (iii) assist the Government in establishing a water users' association (WUA) support unit within the Ministry of Water Resources and Land Reclamation (MWRLR).

2. The TA will provide regular monitoring and reporting on progress being made by the Government toward its commitments to meeting safeguards listed in the Loan Agreement, and also provide an independent monitor of contract award and implementation. The TA for the alternative business providers will focus on (i) analyzing the strengths and limitations of existing business providers beyond the services offered by the traditional investors;¹ and (ii) providing capacity building for selected provider(s) to expand their services to private farmers in the project areas. The TA support for the WUAs support unit will focus on (i) defining the unit's mandate, organizational structure, functions, staffing pattern, and legal status; (ii) the development of guidelines for WUA formation and support within the country; and (iii) providing institutional strengthening to ensure that the support unit can properly operate in a sustainable manner.

3. The TA is divided into two phases: the preparation and the capacity-building phases. The outcome is that the farmers in the project areas will receive better service from providers of irrigation and drainage, and be more able to manage their own farms effectively.

B. Consultants

4. The TA will require a total input of 12 person-months of international and 37 person-months of domestic consultants. The following breakdown of the consultants is indicative and subject to revision at consultant selection stage, allowing one specialist to cater for more than one position (person-months are given in parentheses). The international consultant inputs will include an agricultural economist/team leader (7), an irrigation institutions specialist (3), and a small business development/credit specialist (2). The domestic consultancy inputs will comprise a legal specialist (3), a WUA specialist (6), an irrigation specialist (4), a financial management/credit specialist (6), an agricultural economist (3), a monitoring and evaluation specialist (12), and a public awareness specialist (3).

5. Asian Development Bank (ADB) will engage, through a suitably qualified firm, international consultants with domestic associates, to provide services in accordance with the terms of reference following the *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the engagement of domestic consultants.² The consultants will be required to work closely with MWRLR and other key stakeholders.

¹ Traditional investors are local traders/exporters who provide seasonal credit, mostly in kind, to farmers using farming products, mainly cotton, as collateral.

² Simplified technical proposals and ADB's quality- and cost-based selection system will be used for the selection of consultants.

The other government institutions that might participate in TA implementation include the National Bank of Tajikistan, Ministry of Agriculture, Ministry of Economics and Trade, and Ministry of Justice. The consultants will also interact with the ADB-financed Agricultural Rehabilitation Project, and relevant ongoing projects of other international agencies. Intensive consultations should also be conducted with civil society organizations such as the Cooperative for Assistance and Relief Everywhere (CARE) International, Agence d'Aide à la Coopération Technique et au Développement (ACTED), Aga Khan Foundation, and private sector organizations, such as Tojiksogirot Bank, First Microfinance Bank, farmers, WUAs, and traders.

C. Description of Tasks

1. Phase I: Needs Assessment, Analysis, and Preparatory Activities

a. Selection of Alternative Business Providers

6. The consultants will undertake the following tasks:

- (i) Assess marketing channels and value added chains of key farming inputs and products, and assess the input delivery systems in the project areas;
- (ii) Examine margins gained by each chain and channel between the farm gate in the project areas and the main producers or buyers;
- (iii) Assess the marketing mechanisms for key farming inputs and products, and evaluate the available banking and nonbanking agricultural financial services in the project areas;
- (iv) Assess the impact of legal, administrative, and other factors that might limit development of a free market in provision of farmer support services, and identify how these restrictions might be overcome;
- (v) Examine the current investor services in the project areas such as the provision of credit (farm debts), technical advice, inputs (fertilizers, pesticides, fuel, seeds, etc.) and marketing; assess the strengths and limitations of the potential alternative providers; and identify constraints to the development of competitive business structures in the project areas;
- (vi) Develop ranking and selection criteria and, in consultation with project stakeholders, rank the alternative providers of services to farmers in each area to identify the best project partners for developing agricultural business services in the project areas; and
- (vii) In consultation with farmers and business providers, develop a detailed implementation plan for providing technical support to assist the establishment of alternative marketing structures in the core demonstration areas.

b. Establishment of Water Users' Association Support Unit at Ministry of Water Resources and Land Reclamation

7. The consultants will carry out the following tasks:

- (i) Assess the existing structures within MWRLR that are working with WUAs, and study alternatives for establishing either a new WUA support unit, or for restructuring existing divisions to support WUAs development and operation;

- (ii) Assess the scope, structure, and functions of WUAs established by other projects and financiers, and their linkages to MWRLR;
- (iii) Develop (following consultation with MWRLR, other development partners and projects) appropriate definitions of WUA structure, responsibilities, and methods of operating for adoption throughout Tajikistan;
- (iv) Develop a proposal for organizational arrangements for the WUA support unit including its objectives, legal status, mandate, functions, organizational structure, staffing, job descriptions of key staff, etc.—including arrangements for field units such as those to be supported under Irrigation Rehabilitation Project (IRP)
- (v) Assess capacity-building and training needs and other support required by the WUA support unit to develop viable and sustainable WUAs in Tajikistan;
- (vi) Prepare guidelines, operation manual(s), and a financial plan, and assess the resources required for the day-to-day operation of the support unit;
- (vii) Develop a detailed implementation plan for the establishment of the support unit as a viable part of MWRLR; and
- (viii) Organize a workshop at the end of Phase I to disseminate the TA recommendations and proposed actions to be completed before the commencement of Phase II.

8. The recommendations and proposed plans of action resulting from Phase I will be disseminated to MWRLR, other concerned government agencies, and stakeholders for consideration and action prior to the commencement of Phase II.

2. Phase II: Capacity Building

a. Monitoring of Reforms and Information Dissemination

9. The consultants will carry out the following tasks:

- (i) Establish a system for the monitoring and evaluation of policy reforms in the core demonstration areas that involves participatory consultation with key stakeholders, including civil society and elected representatives, and that can be applied during and after completion of the TA; and examine the potential for responsibility for the monitoring process to be taken over by selected NGOs or other agencies after completion of the TA;
- (ii) Monitor the progress of implementation of policy reforms in the project areas, as agreed by the Government, and their impact on farm productivity and profitability, the cost and availability of inputs, output prices, farmers' incentives, etc. In particular the TA will monitor progress in (a) the termination of the involvement of local authorities in farm operations, management and marketing, and the removal of remaining constraints to the free marketing and ginning of cotton; (b) the implementation of measures to improve conditions for the supply of agricultural services and inputs to farmers by the private sector; (c) the implementation of land reform, the issuance of land certificates and the passing of legislation so that land certificates can be used as collateral; and (d) steps taken to resolve the issue of farm debt;

- (iii) Provide feedback on compliance with other policy reform agreements with various bilateral and multilateral agencies, specifically the World Bank and the International Monetary Fund (IMF);
- (iv) Establish a procedure for gathering feedback from stakeholders regarding any corruption in the award and execution of contracts under the project loan. This feedback will promote transparency in contract award procedures, and will serve as an independent check on the satisfactory implementation of the contracts;
- (v) Carry out awareness campaigns, including development and dissemination materials (e.g., brochures, posters) for the services offered by the WUA support unit and alternative business providers. Disseminate information to farmers in the project areas through consultations, group meetings, and mass media; and
- (vi) Organize a workshop at the end of the Phase II to disseminate the TA recommendations and proposed actions, and assess and analyze implementation of policy reforms in the area.

b. Capacity Building for Selected Business Providers

10. The consultants will carry out the following tasks:

- (i) Provide TA and support to the selected business providers in developing competitive market structures in the project core demonstration areas;
- (ii) Develop sample transparent financial agreements for provision of farm inputs and products;
- (iii) Support the selected business providers to introduce internationally recognized investment and lending practices in the core demonstration areas;
- (iv) Propose appropriate systems for investment monitoring in the core demonstration areas; and
- (v) Formulate recommendations concerning how agricultural business provision could be extended to the project areas.

c. Capacity Building for the Water Users' Association Support

Unit

11. Phase II of the TA will commence after staff have been recruited to the WUA support unit. The consultants will carry out the following tasks:

- (i) Provide support services required to make the unit operational;
- (ii) Train WUA support unit staff as identified during the needs assessment;
- (iii) Develop use of the operational guidelines and practices for the establishment of WUAs prepared in Phase I through forming WUAs in the Irrigation Rehabilitation Project pilot areas. Identify any ways in which the procedures may be improved and develop an effective mechanism for collection of water fees;
- (iv) Develop, in consultation with the key stakeholders and as a result of experience gained in the pilot area, a program for the replication of WUAs within the project areas and the improvement of on-farm water management; and

- (v) Finalize recommendations on the responsibilities and operational procedures of the WUA support unit.

D. Implementation Arrangements

12. The Executing Agency for the TA will be MWRLR. The TA will be guided and monitored by the project steering committee already established under the loan project. MWRLR will provide counterpart staff and facilities to work with the TA consultants.

E. Technical Assistance Schedule and Reporting

13. The TA will be implemented over a period of 24 months, starting in early 2006. The duration of Phase I will be 6 months, and of Phase II 12 months. It is anticipated that there will be a period of up to 6 months between the two phases, to allow sufficient time to MWRLR to recruit staff and prepare legal documents. The consultants will submit to MWRLR and ADB two inception reports: each month after starting work on a phase of the project. The consultants will also submit a final report for Phase I, a midterm report on progress made in month 7 of Phase II, a comprehensive draft final report at the end of the 10th month of Phase II, and a final report by the end of TA implementation. Each report will include a report on the Government's progress toward meeting loan safeguards.

F. Estimated Costs

14. The total cost of the TA is estimated at \$625,000 equivalent, of which \$500,000 equivalent will be financed on a grant basis by ADB's TA funding program. The Government through in-kind contributions will finance the remaining \$125,000 equivalent. The estimated breakdown of the costs is given in Table A8.1. Additional financing/contributions from the selected business providers, farmers, and other stakeholders will be sought during TA implementation.

Table A8.1: Cost Estimates and Financing Plan
(\$ '000)

| Item | Foreign Exchange | Local Currency | Total Cost |
|--------------------------------------------------------|------------------|----------------|----------------|
| A. Asian Development Bank Financing^a | | | |
| 1. Consultants | | | |
| a. Remuneration and Per Diem | | | |
| i. International Consultants | 216,000 | 0 | 216,000 |
| ii. Domestic Consultants | 0 | 37,000 | 37,000 |
| b. International and Local Travel | 25,000 | 5,000 | 30,000 |
| c. Reports and Communications | 6,000 | 4,000 | 10,000 |
| 2. Equipment and Supplies ^b | 25,000 | 45,000 | 70,000 |
| 3. Workshops/Seminars | 15,000 | 35,000 | 50,000 |
| 4. Interpreters and Translators | 12,000 | 0 | 12,000 |
| 5. Land Transport and Administrative Support | 6,000 | 4,000 | 10,000 |
| 6. Representative for Contract Negotiations | 5,000 | 0 | 5,000 |
| 7. Contingencies | 50,000 | 10,000 | 60,000 |
| Subtotal (A) | 360,000 | 140,000 | 500,000 |
| B. Government Financing | | | |
| 1. Office Accommodation | 0 | 12,000 | 12,000 |
| 2. Remuneration of Counterpart Staff | 0 | 60,000 | 60,000 |
| 3. Travel and Per Diem of Counterpart Staff | 0 | 12,000 | 12,000 |
| 4. Survey and Data | 0 | 15,000 | 15,000 |
| 5. Workshops and Seminars | 0 | 6,000 | 6,000 |
| 6. Logistical Support | 0 | 7,500 | 7,500 |
| 7. Contingencies | 0 | 12,500 | 12,500 |
| Subtotal (B) | 0 | 125,000 | 125,000 |
| Total | 360,000 | 265,000 | 625,000 |

^a Financed on a grant basis by ADB's TA funding program.

^b Including computers, printers, office communication equipment, and basic office furniture for the WUA support unit in MWRLR, WUAs in the five core demonstration areas, and TA consultants.

Source: Asian Development Bank estimates.

Table A8.2: Preliminary Technical Assistance Framework

| Design Summary | Performance Targets | Monitoring Mechanisms | Assumptions and Risks |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| 1. Goal Support implementation of conducive policies to support public and private investment in agriculture and agricultural services in Tajikistan | Five years after project completion: Conducive policies are in place, adequately implemented and monitored. Agricultural public and private investment in rural areas have increased by 20%. | Project performance reports (PPRs) National and regional statistics | Stability of political, economic, and security conditions in the country provides a secure environment for investment |

| Design Summary | Performance Targets | Monitoring Mechanisms | Assumptions and Risks |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | |
| <p>2. Purpose</p> <p>Assist the Government in:</p> <ul style="list-style-type: none"> - monitoring the progress of policy reforms - promoting competitive providers of farm inputs, technical advice, credit, and marketing of products in the selected project areas - establishing a water users' association (WUA) support unit within the Ministry of Water Resources and Land Reclamation (MWRLR) | <p>By the end of the Project:</p> <p>A consultative monitoring mechanism for policy reform implementation is in place and applied by the Government</p> <p>Private sector providers of agricultural services identified in each project areas and provided with technical support an training</p> <p>WUA support unit within MWRLR established</p> <p>WUAs established and operating in project pilot areas.</p> | <p>Project monitoring and evaluation report</p> <p>PPR</p> | <p>Policies on water and agriculture promote financially viable farming</p> <p>Government implements policies to remove constraints to private sector participation</p> <p>WUA support unit is adequately financed by the Government</p> |

Note: The TA framework, including outputs, specific activities, and required inputs, will be further developed during implementation of the TA.

XIV. KEY PERSONS INVOLVED IN THE PROJECT

| Name of Agency | Contact Person/Designation | Address | Telephone No./ Facsimile No./ Email Address |
|--------------------------------------------------------------|--------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| Asian Development Bank | Mr. K. Matsunami Director, Agriculture, Environment, and Natural Resources (ECAE) | 6 ADB Ave., Mandaluyong City, 0401 Metro Manila P.O. Voz 789, Manila Philippines | (63 2) 632 6356 (63 2) 636 2301 kmatsunami@adb.org |
| | Mr. B. Tambunan PAU Head, ECAE | - do - | (63 2) 632 6725 (63 2) 636 2301 btambunan@adb.org |
| | Mr. Plamen Bozakov Water Resources Specialist | - do - | (63 2) 632 6805 (63 2) 636 2301 pbozakov@adb.org |
| | Ms. Leonisa C. Francisco Associate Project Analyst | - do - | (63 2) 632 6345 (63 2) 636 2301 lcfrancisco@adb.org |
| Asian Development Bank Tajikistan Resident Mission (TJRM) | Mr. Neeraj Jain Country Director | 107 Nozim Khikman Street Dushanbe, Tajikistan 734001 | (992 372) 235314 (992 372) 244900 njain@adb.org |
| | Mr. Tariq Rahim Anwar Project Implementation Specialist | 107 Nozim Khikman Street Dushanbe, Tajikistan 734001 | (992 372) 85539 + 105 (992 372) 244900 tanwar@adb.org |
| Ministry of Water Resources and Land Reclamation | Mr. A.A. Nazirov Minister | 5/1 Shamci Street Dushanbe, Tajikistan | (992 372) 353 566 (992 372) 212 031 |
| Project Management Office MWRLR | Mr. R.O. Barotov Director, PMO | 5/1 Shamci Street Dushanbe, Tajikistan | (992 372) 351 975 |
| Project Management Office MWRLR | Mrs. Bashotun Mirzobekova Project Senior Accountant | 5/1 Shamci Street Dushanbe, Tajikistan | (992 372) 351 975 Mobile: 917 714 838 |

LIST OF PUBLICATIONS AND GUIDELINES FOR REFERENCE

I. GENERAL

- Report and Recommendation of the President to the Board of Directors (RRP)
- Loan Agreement (LA)
- Supplementary Appendix
- Minutes of Loan Negotiations
- Handbook for Borrowers on the Financial Governance and Management of Investment Projects financed by ADB
- ADB's Policies and Strategies — Anticorruption

II. CONSULTANTS

- Guidelines on the Use of Consultants by ADB and its Borrowers (Jan 2005)
- Selection of Consultants — Standard Request for Proposals (Loans), Sep 2005, Harmonized version
- Vol 1 — Handbook for Users of Consulting Services (Procedures and Practices)
- Vol. II — Handbook for Users of Consulting Services (Recruitment of Consultants under ADB Financing)
- Vol. III — Handbook for Users of Consulting Services (User Guide for Preparing Terms of Reference), Feb 2005
- Vol. IV — Handbook for Users of Consulting Services (Guidelines for Executing Agencies" Submissions, May 2005

III. PROCUREMENT

- Guidelines for Procurement under ADB Loans (Nov 2004)
- User's Guide for Prequalification of Bidders
- User's Guide for Procurement of Works (Large Contracts — Standard Bidding Document, Sep 2005)
- User's Guide for Procurement of Works (Small Contacts — Standard Bidding Document, Sep 2005)
- User's Guide for Procurement of Goods — Standard Bidding Document, (Nov 2004)
- Guide on Bid Evaluation (Aug 2005)
- Handbook on Problems in Procurement for Projects Financed by ADB

IV. Loan Disbursement Handbook