

FRAMEWORK FINANCING AGREEMENT

(UZB: CAREC CORRIDOR 2 ROAD INVESTMENT PROGRAM)

Parties	This Framework Financing Agreement ("FFA") dated 18 March 2010 is between the Republic of Uzbekistan ("Uzbekistan") and the Asian Development Bank ("ADB").
MFF Investment Program	<p>Uzbekistan regards as a high priority and will develop the A380 highway which includes the CAREC Corridor 2 Road Investment Program ("Investment Program"). The Investment Program is an integral part of the program for construction and reconstruction of sections of the road in the national highway in Uzbekistan for 2009–2014, as approved by the resolution of the President of the Republic of Uzbekistan PP-1103 dated 22 April 2009 ("National Road Development Program"), which sets out a roadmap for the entire road development plan (the "Roadmap"). Uzbekistan is committed to and will implement the Roadmap and the Investment Program. Both the Roadmap and the Investment Program are described in Schedule 1 hereto.</p> <p>The total cost of the Investment Program over the period 2010 to 2016 is expected to be \$738 million equivalent. The total cost of the Roadmap over the period 2009 to 2014 is estimated at \$2.6 billion equivalent.</p>
Multitranche Financing Facility	<p>The Multitranche Financing Facility ("Facility") is intended to finance projects under the Investment Program, provided that the selection criteria and approval procedure set out in Schedule 4 hereto, and that the understandings set out in this FFA, are complied with.</p> <p>The Investment Program will cover about 222 km of A380 highway in the Republic of Karakalpakstan, and the Khorezm and Bukhara provinces of Uzbekistan. It is anticipated the Facility will comprise 3 tranches to finance projects under the Investment Program. The Investment Program comprises 3 components: (a) the road development component; (b) the transport logistics component; and (c) the road sector sustainability component. Specifically:</p> <ul style="list-style-type: none">(i) Project 1 will comprise: (a) the road development component for reconstruction of about 50 km of the Uzbekistan section of CAREC Corridor 2 Road (between Km 440 and 490 of the A380 highway); and (b) the road sector sustainability component.(ii) Project 2 will comprise: (a) the road development component targeting reconstruction of about 85 km of the Uzbekistan section of CAREC Corridor 2 Road (between Km 355 and 440 of A380 highway); and (b) the road sector sustainability component for procurement of road construction and maintenance equipment.(iii) Project 3 will comprise: (a) the road development component for reconstruction of about 87 km of the Uzbekistan section of CAREC Corridor 2 Road (between Km 315 and 355 and Km 581 and 628 of the A380 highway); (b) the transport logistics component for procurement of cross-border facility at the border between



	Uzbekistan and Kazakhstan, and (c) the road sector sustainability component for further improvement of road sector sustainability.																							
Financing Framework Agreement	<p>This FFA does not constitute a legal obligation on the part of ADB to commit any financing. At its sole discretion, exercised reasonably, ADB has the right to deny any financing request made by Uzbekistan, cancel the uncommitted portion of the Facility, and withdraw Uzbekistan's right to request any financing tranche under the Facility. Financing tranches may be made available by ADB provided matters continue to be in accordance with the general understandings and expectations on which the Facility is based and which are laid out in this FFA.</p> <p>This FFA does not constitute a legal obligation on the part of Uzbekistan to request any financing. Uzbekistan has the right not to request any financing under the Facility. Uzbekistan also has the right at any time to cancel any uncommitted portion of the Facility.</p> <p>Uzbekistan and ADB may exercise their respective rights to cancel the Facility or any uncommitted portion thereof, and ADB may exercise its right to refuse a financing request, by giving written notice to such effect to the other party. The written notice will provide an explanation for the cancellation or refusal and, in the case of a cancellation, specify the date on which the cancellation takes effect.</p>																							
Financing Plan	<p>The Investment Program is part of the reconstruction of the A380 highway included in the National Road Development Program to be completed by the end of 2014. Out of \$1.6 billion investment need for the A380 highway, ADB has provided \$10 million for civil works under Loan 2403 and will provide \$600 million under the MFF. The Government is financing the balance of \$990 million. The Government has approved the National Road Development Program to be executed by the Road Fund.</p> <p>The financing plan for the Investment Program is summarized below.</p> <table><tr><th rowspan="2">Financier</th><th colspan="3">MFF (\$ million)</th><th rowspan="2">Total</th></tr><tr><th>Tranche 1</th><th>Tranche 2</th><th>Tranche 3</th></tr><tr><td>Asian Development Bank</td><td>115</td><td>240</td><td>245</td><td>600</td></tr><tr><td>Government</td><td>31</td><td>49</td><td>58</td><td>138</td></tr><tr><td>Total</td><td>146</td><td>289</td><td>303</td><td>738</td></tr></table> <p>MFF = multitranche financing facility. Source: Asian Development Bank estimates.</p>	Financier	MFF (\$ million)			Total	Tranche 1	Tranche 2	Tranche 3	Asian Development Bank	115	240	245	600	Government	31	49	58	138	Total	146	289	303	738
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Asian Development Bank	115	240	245	600																				
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Financing Terms	<p>ADB will provide loans to finance projects under the Investment Program, as and when the projects are ready for financing, provided, Uzbekistan is in compliance with the understandings hereunder, and the projects are in line with those same understandings. Each loan will constitute a tranche.</p> <p>Each tranche may be financed under terms different from the financing terms of previous or subsequent tranches. The choice of financing terms will depend on the project, capital market conditions, and ADB's financing policies, all prevailing at the time the tranche is documented in a loan</p>																							

	agreement.
	<p>Tranches may be provided in sequence or simultaneously, and some may overlap in time with each other. There is no maximum or minimum size for a tranche.</p> <p>Commitment charges are not payable on the Facility. They are payable only on financing actually committed by ADB as a loan. ADB rules on commitment charges, which are in effect when a tranche is provided, will apply with respect to such ADB-financed tranche.</p> <p>Amount</p> <p>The maximum financing amount available under the Facility is \$600 million equivalent, comprising \$240 million from ADB's ordinary capital resources (OCR) and \$360 million equivalent from ADB's Special Funds resources (i.e. from the Asian Development Fund (ADF)). Financing will be provided in individual tranches.</p> <p>In the event that OCR financing under the Facility increases up to a ceiling of \$300 million, any additional OCR financing will be accompanied by a corresponding reduction in the ADF financing, such that the total available amount under the MFF will not exceed \$600 million equivalent.</p> <p>Availability Period</p> <p>The last date on which any disbursement under any tranche may be made will be 30 April 2016. The last financing tranche is expected to be executed (approved and signed) no later than 1 March 2012.</p> <p>Terms and Conditions</p> <p>Uzbekistan will cause the proceeds of each tranche to be applied to the financing of expenditures of the projects under the Investment Program, in accordance with conditions set forth in this FFA and the loan agreements for each tranche.</p>
Execution	The Executing Agency for the Investment Program will be the Republican Road Fund ("Road Fund") under the Ministry of Finance. The Road Fund will implement the Investment Program in accordance with the principles set forth in Schedule 1 to this Agreement, and as supplemented in the loan agreements for each tranche.
Periodic Financing Request	Uzbekistan may request, and ADB may agree, to provide loans under the Facility to finance the Investment Program and its related projects upon the submission of a Periodic Financing Request (PFR). Each PFR should be submitted by Uzbekistan. Uzbekistan will make available to the Road Fund, the proceeds of the tranche in accordance with the related PFR, and the loan agreements for the tranche. ADB will review the PFRs and, if found satisfactory, prepare the related loan agreements.



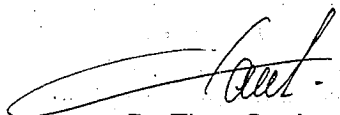

	<p>The projects for which financing is requested under the PFR will be subject to the selection criteria and approval process set out in Schedule 4 hereto, satisfactory due diligence, and preparation of relevant safeguards and fiduciary frameworks and other documents.</p> <p>Until notice is otherwise given by Uzbekistan, the Ministry of Finance will be Uzbekistan's authorized representative for purposes of executing PFRs.</p>
General Implementation Framework	<p>The Facility will be implemented in accordance with the general framework set out in Schedule 3 hereto. ADB and Uzbekistan will agree on a Facility Administration Manual (FAM) during loan negotiations for the first tranche. The schedules for initiating projects under the Investment Program will be agreed between ADB and Uzbekistan prior to the effective date of the respective loan agreements.</p>
Procedures	<p>Tranches to be provided under the Facility will be subject to the following procedures and undertakings:</p> <ul style="list-style-type: none"> (i) Uzbekistan will have notified ADB of a forthcoming PFR at least 15 days in advance of the submission of the PFR. (ii) Uzbekistan will have submitted a PFR in the format agreed with ADB. (iii) ADB may, at its sole discretion, decline to authorize the negotiation and execution of any loan agreement for a tranche. (iv) If ADB confirms acceptance of the PFR, the loan agreements will be negotiated and executed by the parties.
PFR Information	<p>The PFR will substantially be in the form attached hereto, and will contain the following details:</p> <ul style="list-style-type: none"> (i) Loan amount; (ii) Description of the project to be financed; (iii) Cost estimates and financing plan; (iv) Implementation arrangements specific to the project; (v) Confirmation of the continuing validity of and adherence to the understanding in this FFA; (vi) Confirmation of compliance with the provisions under previous loan agreement(s), as appropriate; and (vii) Other information as may be required under the Facility Administration Manual, or reasonably requested by ADB.
Safeguards	<p>Attached as Schedule 5 are references to the safeguards frameworks that will be complied with during the implementation of the Facility.</p> <p>ADB safeguard policies in effect at the time ADB approves the provision of a financing tranche will be applied with respect to the project financed under such tranche.</p>
Procurement	<p>All goods and services to be financed under the Facility will be procured in</p>



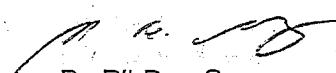

	accordance with ADB's Procurement Guidelines (2007, as amended from time to time).
Consulting Services	All consulting services to be financed under the Facility will be procured in accordance with the Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers (2007, as amended from time to time).
Advance Contracting and Retroactive Financing	Under each tranche, ADB may, subject to its policies and procedures, allow on request (a) advance contracting and (b) retroactive financing of eligible expenditures for up to 20% of the proposed individual loan, incurred prior to loan effectiveness but not earlier than 12 months before the date of signing of the related legal agreement. Uzbekistan acknowledges that any approval of advance contracting and/or retroactive financing will not constitute a commitment by ADB to finance the related project.
Disbursements	Disbursements will be made in accordance with ADB's Loan Disbursement Handbook (2007, as amended from time to time).
Monitoring, Evaluation and Reporting Arrangements	The Road Fund will carry out benefit monitoring and evaluation of the Investment Program. It will establish a project performance monitoring system within 6 months from the project commencement and collect baseline data for performance monitoring. The key indicators and assumptions are outlined in the design and monitoring framework for the Facility set out in Schedule 2 hereto, against which the implementation effectiveness will be evaluated.
Undertakings	Attached as Schedule 6 are the undertakings provided by Uzbekistan.

THE REPUBLIC OF UZBEKISTAN

ASIAN DEVELOPMENT BANK



By Elyor Ganiev
Deputy Prime Minister,
Minister for Foreign Economic Relations,
Investment and Trade



By Pil-Bae Song
Officer-in-Charge
Central and West Asia Department

SCHEDULE 1

ROADMAP, STRATEGIC CONTEXT, POLICY FRAMEWORK, AND INVESTMENT PROGRAM

A. Road Sector Roadmap

1. Strategic Objective

1. The strategic objective of the Uzbekistan's road development plan for 2010–2014 is to foster economic growth through ensuring the sustainability of the road sector and through increasing the competitiveness of the economy as a result of improved transport and trade logistics. These goals cannot be achieved by improvements in physical infrastructure alone. Efficient infrastructure and coherent policy and institutional measures must be combined to provide an enabling environment for continued social and economic development.

2. Continued development requires a dependable transport system. The Investment Program is aimed at strengthening the fundamentals of a sustainable system, which are sound asset management and efficient resource allocation. Under the Investment Program, capacity building will be provided to (i) create an enabling environment for more objective decisions with respect to maintenance and investment regimes; and (ii) determine sources of financing that will be better aligned with the cost incidence in the road sector and that will expand and sustain the financial space for road construction and maintenance.

2. Reform Progress

3. The road sector reforms have progressed significantly since 2003. The road sector has been restructured into more functional and rational areas of competence and responsibilities. The reform steps included (i) sector unbundling by separating road transport operation and road construction; (ii) creating the Road Fund as a quasi-independent organization under the auspices of the Minister of Finance, and (iii) promotion of competitive bidding for road construction works. In 2003, the Government started restructuring Uzavtoyul and converted it to a state joint stock company.¹ Law on Automobile Road enacted in 2007 provides a broad basis for private sector participations in the financing and construction of highways. With support from ADB, the step was taken to create a level-playing field for the fledgling private contracting industry by establishing a state-owned road equipment pool company. The Government has succeeded in ensuring a steady flow of maintenance funds by establishing the Road Fund. However, the road maintenance budget for primary roads needs to be increased to sustain the roads. The Government has made a coordinated effort for improving road safety. A Road Safety Commission has been set up under the Cabinet of Ministers. A road safety plan is being implemented, including a safety awareness program and education for students. Support for the road sector is justified based on reform progress and fits with ADB's strategy of promoting regional cooperation.

3. Key Problems and Challenges

4. The Uzbekistan road transport sector, since 2003, has undergone significant changes. Yet the sector is still in a state of transition. Reform gains are related to the improvement in road

¹ Decree of the President of the Republic of Uzbekistan UP-3292 dated 19 August 2003 on improvement of the management system for construction and operation of common use roads.



sector governance – the separation of the Republican Road Fund from Uzavtoyul, the concomitant avoidance of conflict of interest, and the institutional development of the Road Fund to become a corporate entity with an appropriate organizational structure. The Road Fund has attained a quasi-autonomous status, which may be the first stage towards the evolution of a full-fledged road asset management system. An additional requirement would be to provide the Road Fund with a sustainable source of income that is isolated from the fiscal system. Once this is achieved, the Road Fund could become fully independent. The introduction of a road asset management will call for a decision as to which agency is to become the asset manager.

5. To augment the financial space for the Road Fund, the Government has yet to tap the potential of public private partnerships (PPPs). The first steps to introduce PPPs would be to create an enabling environment consisting of regulatory and legislative reforms that would lead to the enactment of a PPP law. The flow of resources to the Road Fund should also be allowed to automatically adjust to traffic and reflect better pricing principles.

6. Despite significant improvements in recent years, trade facilitation and the cross-border regime remain complex and time-consuming. Transit traffic is constrained by poorly maintained infrastructure and traffic security concerns. The transit traffic issue will be addressed in an international transport law and a cargo transit law under preparation by the Government.

7. The road contracting industry is still in its infancy. Contracts for routine maintenance of common roads are a captive market for Uzavtoyul, a state joint stock company, and its subsidiaries. Recently, however, some private contractors were awarded construction and repair works by the Road Fund based on competitive procedures.

8. Road safety has become a growing concern with the rapid increase in the fleet of motorized vehicles. From 2004 to 2008, the number of road accidents was on average about 11,000 per year and caused an average number of 2,145 fatalities per year. Road accidents are a leading cause of death in Uzbekistan. In terms of fatalities, traffic accidents averaged two fatalities for every ten accidents. Uzbekistan has recorded 1,430 fatalities per million vehicles, which is an alarming result by international standards.²

4. National Road Development Program

9. The length of the network by type of road and by category is in Table 1. Common use roads or primary roads have been funded by the Road Fund maintained by Uzavtoyul enterprises. Responsibility for other roads is split between regional and city authorities, and state and other enterprises.

² The indicator for other Asian countries is as follows: Philippines 215, Malaysia 373, Singapore 250, Indonesia 261, Thailand 488, and Vietnam 558.




Table 1: Road Network

Road Classification	Length (km)	Proportion (%)
A. Common Use		
International	3,626	2.0
National	16,909	9.1
Regional	21,995	12.0
Subtotal (A)	42,530	23.1
B. Rural and Urban Roads		
Rural streets and others	64,723	35.2
Urban roads	17,819	9.7
Farm roads	58,651	31.9
Subtotal (B)	141,194	76.9
Total	183,724	

km = kilometer.

Note: Numbers may not sum precisely because of rounding.

Source: The Road Fund.

10. The National Road Development Program focuses on the development of the strategic corridors (Table 2). Such are also CAREC corridors and are important for international trade and regional connectivity. A total of 1,501 km of these corridors will be reconstructed and improved. The total cost of the National Road Development Program is estimated at \$2.6 billion of which \$1.6 billion will be invested on the A380 highway reconstruction.

Table 2: Summary National Road Development Program

Road Sections	Length (km)	Total Costs (\$ million)
Beynau-Kungrad-Bukhara-Navoi-Samarkand- Tashkent-Andijan	1,139	1,936
Bukhara-Alai	15	26
Bukhara-Karshi-Guzar-Termez	195	331
Samarkand-Guzar	152	258
Total	1,501	2,551

Source: President of Uzbekistan Resolution PP 1103 (22 April 2009).

B. Strategic Context

11. Due to Uzbekistan's strategic geographic location in the Central Asian region, the country is a key link in the growing trade between Asia and Europe and is expected to capture a significant volume of transit traffic. The improvement of the corridor will enable a smooth flow of traffic and help facilitate regional integration and enhance regional economic cooperation between Uzbekistan, Kazakhstan, the Russian Federation, and the rest of Europe. The Central Asia Regional Economic Cooperation (CAREC) Program is aimed at providing safe, dependable, effective, efficient, and fully integrated transport operations and infrastructure so as to support social and economic development in the CAREC region. These goals are to be achieved by improving levels of service; minimizing costs; and improving infrastructure, management, and technology in a manner which is both economically and environmentally sustainable.³

12. The Investment Program will reconstruct the A380 highway sections between Bukhara and Urgenz and improve transport logistics and the road sector sustainability in Uzbekistan. The A380 highway is designated CAREC 2 and 6 Corridors and also part of Asian and European

³ ADB. 2007. *CAREC Transport and Trade Facilitation Strategy*. Endorsed by the Sixth Ministerial Conference on Central Asia Regional Economic Cooperation. 3 November 2007. Dushanbe, Tajikistan.

Highways. CAREC Corridor 2 connects Europe and East Asian countries through Caspian Sea and links Azerbaijan, Kazakhstan, Uzbekistan, and Turkmenistan. In Uzbekistan, it also overlaps with CAREC Corridor 6 linking Afghanistan and Central Asian countries.

13. To ensure that the road sector of Uzbekistan will sustain economic growth and raise the level of welfare, the country has to overcome selected institutional and physical constraints. These problems translate into higher transport costs. They also hamper regional cooperation and integration opportunities, and ultimately the country's competitiveness. While the road infrastructure is adequate for the current level of economic activity, the anticipated continued traffic growth will require rehabilitation and upgrading to higher standards for both, pavement and geometric standards. In terms of policies and institutions, market-oriented policies need to be advanced, new responsibilities defined and the roles of the private and the public sectors clarified. The overall rationale of the Investment Program is set against this background.

14. The total length of Uzbekistan's road network is about 183,000 km comprising 43,000 km primary roads, and about 140,000 km urban, rural, and other roads. The Government gives high priority to the improvement of A380 highway with the total length of 1200 km running from Guzar to Dautata for completion by 2014. The adjoining 85 km CAREC Corridor 2 Road in Kazakhstan between Beyneu and Aktau is included in the Kazakhstan's road sector program that ADB is considering for financing in 2010.

15. The Investment Program is relevant with the ADB Strategy 2020, the Country Strategy and Program 2006–2010, the Country Operations and Business Plan (2009–2011), the principles of the Uzbekistan Transport Sector Strategy (2006–2020), and the National Road Development Program. It is also part of the CAREC Transport Strategy and Action Plan aiming at completing six strategic corridors by 2018.¹⁷ The Investment Program will continue ADB's assistance under the ongoing loan⁴ and support the Government's effort to improve the road sector.

C. Policy Framework

16. The Government's transport sector reform actions and plan are summarized in Table 3. The Investment Program will support selected key actions to ensure sustainability of the road sector.

Table 3: Road Sector Policy Framework

Reform	Action	Status	Planned
Good governance and accountability	Streamline gradually the main functions of road sector management to delineate road ownership, road administration, and commercial contracting industry	<ul style="list-style-type: none"> • Management of roads shared by Road Fund and Uzavtoyul • Responsibility for managing local primary roads falls under district or regional hokimiyats (governments) • Uzavtoyul and 13 provincially-based core subsidiaries have government-like functions, such as road data collection and programming, • Seven international and national roads subsidiaries and 161 provincially-based ancillary subsidiaries mainly operate as business entities 	Gradual road sector institutional restructuring. Government has established a committee under the Cabinet of Ministers to review the road sector institutions structure and recommend further reforms in the road sector.

⁴ ADB. 2007. *Loan to the Republic of Uzbekistan for CAREC Regional Road Project*. Manila (Loan 2403-UZB, approved on 19 December, for \$75.3 million).

Reform	Action	Status	Planned
	Improve outsourcing and competition in road works and transport service provision	<ul style="list-style-type: none"> • Outsourcing for reconstruction and repair works through competition • The Road Fund was exposed to international competitive bidding (ICB) with prequalification under Loan 2403-UZB • Routine maintenance carried out by Uzavtoyul enterprises through performance-based contracts. • Making road equipment available under Loan 2403 can pave the way for strengthening the private sector and road construction enterprises. 	<p>Further improve bidding process to ensure fair competition</p> <p>ICB for very large contracts with post-qualification will be adopted for the MFF</p> <p>Improve routine road maintenance contracts to ensure accountability and sustainability of financing</p>
	<p>Adopt quality control procedure in road works</p> <p>Enhance accountability with respect to road sector programming</p>	<ul style="list-style-type: none"> • A mechanism for quality control and acceptance of road works was adopted. • An independent quality control for civil works piloted. • National Road Development Program for common use roads was adopted. • Introduction of computerized road asset management system • Development of road database 	<p>Improve the independent quality control for civil works system.</p> <ul style="list-style-type: none"> • Institutionalized computer technologies to enable better decisions to be made on investment and maintenance. • Systematic condition survey and life cycle cost assessments and develop road data base
Sustainable road sector	<p>Develop a stable, secure, and sustainable source of financing for the road network</p> <p>Introduce better financing system for road funding to improve economic efficiency and equity between different categories of road users.</p>	<p>The road fund as a depository of road user revenues and financial manager.</p> <p>The present sources of Road Fund revenues are unrelated to the use of the roads.</p>	<p>Adopt rational maintenance and management strategies that seek to minimize costs over the life cycle of a road.</p> <p>Select sources of financing suitable for generating income consistent with the development of traffic.</p> <p>Develop private sector in the road construction, operation, and maintenance framework</p>
Road safety	Reduce accident and fatality rates by expanding the use of intelligent transport system for traffic surveillance	<ul style="list-style-type: none"> • Law on Road Traffic Safety was enacted in 1999. • A Road Safety Commission has been set up under the Cabinet of Ministers. • Accident data is collected and analyzed but is not publicly disclosed. • The State Traffic Police is implementing a road safety plan including a safety awareness program. 	Expand the use of intelligent transport system for traffic surveillance

Reform	Action	Status	Planned
		<ul style="list-style-type: none"> Intelligent transport system was piloted in selected areas, especially urban. 	
Seamless transport logistics	Develop a seamless, intermodal network to ensure high-quality, efficient logistics chains and unimpeded flows of goods and people.	<ul style="list-style-type: none"> Improvement of main road corridors is ongoing Law on transit of cargoes through Uzbekistan is under approval by the Parliament Preparatory works toward joining the agreement on transportation of hazardous cargoes convention are ongoing. 	<p>Improve cross-border facilities Introduction of a single transport document to facilitate multimodal transport.</p> <p>Eliminate transit fees. While foreign vehicles should pay for the use of the roads, transit fees can stifle trade</p>

D. Corridor Development and Financing Plan

17. The Road Fund has estimated \$1.6 billion for the A380 reconstruction during 2009–2014. ADB has been requested to contribute to the financing through a multitranche financing facility. The ADB's investment will be \$600 million. Table 4 summarizes the financing plan for the overall A380 reconstruction and Table 5 for the Investment Program.

Table 4: Summary Financing Plan for the A380 Highway

Source	Total (\$ million)	%
Asian Development Bank		
Loan 2403	10	1
Multitranchise Financing Facility	600	37
Government	990	62
Total	1,600	100

Source: Asian Development Bank estimates.

Table 5: Summary Financing Plan of the Investment Program
(\$ million)

Financier	Tranche 1	Tranche 2	Tranche 3	Total
Asian Development Bank	115	240	245	600
Government	31	49	58	138
Total	146	289	303	738

Source of ADB financing: Tranche 1: ADF, Tranche 2: OCR, Tranche 3: ADF

Source: Asian Development Bank estimates.

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SCHEDULE 2

DESIGN AND MONITORING FRAMEWORK FOR THE INVESTMENT PROGRAM

Design Summary Impact	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
Sustainable economic development	<p>By 2020:</p> <ul style="list-style-type: none"> Increased gross domestic product in Khorezm from about \$800 million (2008 estimate) to \$1.6 billion, Bukhara from \$1.3 billion (2008 estimate) to \$2.7 billion, and Karakalpakstan from \$635 million (2008 estimate) to \$1.3 billion Increased external trade with Kazakhstan from about \$900 million (2008) to \$1.6 billion 	<ul style="list-style-type: none"> Statistical Review of Uzbekistan (annual publication by Central Statistics Office) 	<p>Assumption</p> <ul style="list-style-type: none"> Government sustains policies conducive to economic growth and remains committed to enhanced policy reforms and regional integration
Outcome Better connectivity and an efficient transport system along the Uzbekistan section of CAREC Corridor 2 Road	<p>By 2016:</p> <ul style="list-style-type: none"> Increased average total long-haul traffic volume from 1,000 vpd in 2009 to 2,000 vpd Increased cross-border traffic at Daudata Border Post from 25 trucks/day (2008) to 50 trucks/day Reduced travel time from Dautata to Bukhara from 13 to 10 hours Reduced cross-border time from 2 hours to 20 minutes per truck Accident rate on A380 reduced from 150 accidents per year (2008 estimate) to 75 accidents Roads with cracks more than 10% and 10 potholes per kilometer reduced from 60% (2008) to 50% Road beneficiaries: 4.5 million population; 5,000 women 	<ul style="list-style-type: none"> Statistical Review of Uzbekistan (annual publication by Central Statistics Office) ADB's project completion report and project performance evaluation report Periodic classified traffic counts (collected by Uzavtoyul) and accident data system (collected by Traffic Police) Periodic road condition survey by Uzavtoyul 	<p>Assumptions</p> <ul style="list-style-type: none"> Increased availability and quality of transport services following improvement of the Investment Program roads Improved cross-border procedures at the border point between Uzbekistan and Kazakhstan The Road Fund continues constructing the remaining sections of the A-380 as scheduled at the same quality as the Investment Program <p>Risk</p> <ul style="list-style-type: none"> Inadequate financial resources for road maintenance
Outputs 1. The Uzbekistan section of CAREC Corridor 2 road constructed	<p>By 2015:</p> <ul style="list-style-type: none"> 222 km road sections constructed with pavement international roughness index of less than 4m/km 	<ul style="list-style-type: none"> Consultants' progress reports ADB review missions 	<p>Assumptions</p> <ul style="list-style-type: none"> Timely provision of counterpart resources and support for the MFF Contractors procured through ICB perform in accordance with the contract provisions

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>2. Cross-border facility operational</p> <p>3. Road sector sustainability strategy and plans adopted by the Road Fund</p>	<ul style="list-style-type: none"> Scanner with the scanning capacity of 15-20 minutes per truck installed <p>Sector-wide</p> <ul style="list-style-type: none"> The independent quality control for road works is improved Public private partnership framework in place <p>Pilot on CAREC Corridor 2 Road Section</p> <ul style="list-style-type: none"> Road asset management system implemented for programming Improved routine maintenance contract piloted Community and gender sensitive capacity building on highway utilization of communities planned and initiated. <p>1 set of road equipment purchased</p>		<p>Assumptions</p> <ul style="list-style-type: none"> Government is committed to further reform the road sector Road Fund is committed to continue improving its planning capacity
<p>Activities executed by the Road Fund with Key Milestones</p> <p>Tranche 1:</p> <p>1.0 Road Development Component</p> <p>1.1 Recruitment of construction supervision consultants by September 2010</p> <p>1.2 Award civil works contracts by September 2010</p> <p>1.3 Project physical completion by 30 September 2012</p> <p>1.4 Due-diligence for Tranche 3 completed by June 2011</p> <p>2.0 Road Sustainability Component</p> <p>2.1 Recruitment of consultants by 1 January 2011</p> <p>2.2 Consulting services completed by 30 September 2012</p> <p>Tranche 2:</p> <p>1.1 Award civil works and procurement of goods contracts by July 2011</p> <p>1.2 Completion of civil works and procurement of goods by 31 December 2014</p> <p>Tranche 3:</p> <p>1.1 Award civil works and procurement of goods contracts by April 2012</p> <p>1.2 Completion of civil works and procurement of goods by 31 December 2014</p> <p>1.3 Recruitment of consultants by 1 July 2012</p> <p>1.4 Consulting services completed by 31 December 2014</p>			<p>Inputs</p> <p>1. ADB MFF not exceeding \$600 million comprising \$360 million ADF and \$240 OCR</p> <p>2. Government counterpart budget of \$138 million</p>

ADB = Asian Development Bank, ADF = Asian Development Fund, CAREC = Central Asia Regional Economic Cooperation, ICB = international competitive bidding, km = kilometer, OCR = ordinary capital resources, MFF = multitranchise financing facility, UZB = Uzbekistan, vpd = vehicles per day.

135

SCHEDULE 3

IMPLEMENTATION FRAMEWORK

Management of the Investment Program

1. The Road Fund will be the executing agency for the Investment Program.
2. The Road Fund has established a Program Management Unit (PMU) to implement the MFF. It has also appointed the PMU director and four key staffs (for procurement, engineering, financial management, and accounting). The PMU will recruit additional staff for program monitoring and evaluation, legal and administrative support. The Road Fund will ensure that the PMU is adequately staffed and the environmental safeguard and social safeguard consultants will be engaged for the entire period of Investment Program implementation and that the PMU will be equipped with the necessary office space, equipment, and facilities.
3. Under the road sustainability component in Project 2 of the Investment Program, the Road Fund will procure road equipment to be used by the state-owned road equipment company ("Transyqurlish"). Transyqurlish will provide the Road Fund with the technical specifications of the equipment and be part of the bidding evaluation committee for the procurement of the road equipment.
4. Under the transport logistics component in Project 3 of the Investment Program, the Road Fund will procure cross-border facility equipment to be used by the Custom Committee. The Customs Committee will provide the Road Fund with the technical specifications of the equipment and be part of the bidding evaluation committee for the procurement of the cross-border facility equipment.
5. The Road Fund will ensure that the Investment Program is implemented in accordance with the detailed arrangements set forth in the Facility Administration Manual (FAM). Any update to the FAM will become effective only after approval of such change by Uzbekistan and ADB. In the event of any discrepancy between the FAM and the FFA and the loan agreements, the provisions of the FFA and the loan agreements will prevail.

Financial Accounting and Auditing

6. The Road Fund will (i) maintain separate accounts for each of the projects under the Investment Program; (ii) have such accounts audited annually, in accordance with appropriate auditing standards consistently applied by independent auditors whose qualifications, experience, and terms of reference are acceptable to ADB; (iii) furnish to ADB as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited project accounts and the report of the auditors relating thereto (including the auditors' separate opinions on the use of the loan proceeds and compliance with the financial covenants of the loan agreement; and (iv) furnish to ADB such other information concerning such accounts and the audit thereof as ADB shall from time to time reasonably request. The independent auditors will be engaged and financed under the MFF.

Project Reporting and Review

7. The PMU will prepare quarterly progress reports and will submit them to ADB within 2 weeks from the end of the related quarter. Overall progress and compliance with conditions of



the loan agreement will be monitored regularly and reviewed by ADB, consistent with existing project implementation requirements. Reports will include evaluation of issues and will recommend remedial actions.

8. The PMU will establish a project performance monitoring system within 6 months from loan effectiveness and collect baseline data for performance monitoring. The key indicators and assumptions outlined at the impact and outcome levels in the Investment Program's design and monitoring framework will be the primary data required for analysis.

9. ADB will field an inception mission within 3 months after signing of the FFA and the loan agreement for Project 1. Review missions will be carried out on a semiannual basis jointly by representatives of ADB, Borrower, and the Road Fund. The review missions will assess the status of the project implementation including procurement, civil works, financing, compliance to environmental and social safeguards, and the road sector sustainability. Site visit will be conducted during review missions to verify the social and environmental safeguard compliance. A mid-term review mission will be carried out 2 years after each loan becomes effective. Each mid-term review will evaluate compliance with the terms, conditions, and undertakings set out in the FFA, (including the environmental and social safeguards requirements), and loan covenants set out in the loan agreements. The review will allow for any necessary midcourse corrections to ensure successful implementation and the achievement of the project objectives. A project completion report will be submitted by the Road Fund within 3 months of the completion of each project.



SCHEDULE 4

SELECTION CRITERIA AND APPROVAL PROCESS FOR PROJECTS

A. Selection Criteria

1. The following are the requirements for each road section under the Investment Program:
 - (i) The projects will be technically sound and a feasibility study and preliminary design will have been prepared. The Road Fund will ensure that the detailed design reports of the respective packages are prepared within the overall time frame agreed for the Investment Program.
 - (ii) The projects will be economically feasible and financially sustainable, and their estimated economic internal rate of return equal to or higher than 12%, based on the economic analysis to be conducted in accordance with ADB's *Guidelines for the Economic Analysis of Projects* (1997).
 - (iii) The projects will also be environmentally and socially sound and include measures to mitigate any possible environment and social impacts in accordance with the safeguards frameworks prepared. For each project, a poverty and social analysis will be conducted in accordance with ADB's guidelines on poverty and social assessment.
 - (iv) All necessary government approval will be obtained.
 - (v) Sufficient government counterpart funding will be allocated to implement the projects.

B. Approval Process

2. Each periodic financing request will be prepared and processed in accordance the following procedures:
 - (i) Detailed design for projects will be conducted by consultants engaged and financed by the Road Fund. The Road Fund with the assistance of the project appraisal team will fill out checklists for initial poverty and social assessment, involuntary resettlement, and environmental screening. These documents will be sent for review to ADB, which may require revisions.
 - (ii) Upon completion of the detailed design, the Road Fund will prepare and submit to ADB a summary appraisal report for each project, together with the required attachments, including land acquisition and resettlement plans (LARPs), ethnic minority development plans (EMDPs) (if required), environmental assessment, and summary poverty reduction and social analysis.
 - (iii) If required, LARPs and EMDPs for each civil works package will be prepared in accordance with ADB's *Safeguard Policy Statement* (SPS) (2009), the land acquisition and resettlement framework (LARF), and the ethnic minority planning framework (EMPF).



- (iv) The Road Fund will translate into the local language each project LARP and EMDP and disclose them to the affected people before submitting them to ADB. The Road Fund will revise the LARP and EMDP if required, based on comments from the affected people and ADB.
- (v) Environmental screening in accordance with the SPS and ADB's *Environmental Assessment Guidelines*⁵ will be conducted for all civil work packages. For each tranche, an initial environmental examination or environment impact assessment (EIA) report will be prepared, including an environmental management plan, in accordance with the environmental assessment and review framework. Public consultation on environmental assessment will be undertaken and environmental safeguard documents will be available in the local language.
- (vi) If an EIA is required, the Road Fund will disclose the EIA report to the public 120 days before submitting it to ADB.
- (vii) The Road Fund will appraise the projects, while ADB will advise the Road Fund on compliance with the selection criteria and approval process and applicable ADB policies. The Road Fund will review and examine all technical reports, including feasibility studies, preliminary design reports, environmental assessment reports, LARPs, EMDPs, and detailed design reports, to ensure that government and ADB requirements are fully met.
- (viii) ADB will review the summary appraisal reports, together with the required attachments. If it finds that the project does not satisfy the selection criteria and approval process, or does not comply with ADB's policies, ADB may advise the Road Fund to modify the projects. The Road Fund will prepare and submit the periodic financing request along with the appraisal reports to ADB.
- (ix) Based on ADB's approval, and subject to any modification and remedial measures required by ADB, the Road Fund will implement the projects. The Road Fund will ensure that ADB has access to all documents related to the project proposals and approval process. These documents should be kept for 5 years after approval.

⁵ ADB. 2003. *Environmental Assessment Guidelines*. Manila.



SCHEDULE 5

SAFEGUARDS REQUIREMENTS
AND SOCIAL DEVELOPMENT POLICIES

1. Uzbekistan will ensure that all the requirements prescribed in this Schedule, and the following frameworks that have been prepared with respect to the Facility (and of which ADB has been provided full copies and are deemed incorporated herein by reference), are complied with during the processing and implementation of the Investment Program:

- (i) environmental assessment and review framework ("EARF") dated 3 March 2010,
- (ii) land acquisition and resettlement framework ("LARF") dated 3 March 2010, and
- (iii) ethnic minority planning framework ("EMPF") dated 3 March 2010.

2. The safeguard frameworks cover the Facility specific information and requirements in accordance with ADB's Safeguard Policies (2009) (SPS): (i) the general anticipated impacts of the projects likely to be financed under the Facility on the environment, involuntary resettlement, and indigenous peoples; (ii) the safeguard criteria that are to be used in selecting projects; (iii) the requirements and procedure that will be followed for screening and categorization, impact assessments, development of management plans, public consultation and information disclosure (including the 120-day disclosure rule, if required), and monitoring and reporting; (iv) the institutional arrangements (including budget and capacity requirements) and Uzbekistan's and ADB's responsibilities and authorities for the preparation, review and clearance of safeguard documents.

3. Prior to the preparation of each PFR, the applicability and relevance of each safeguard framework for environmental assessment, involuntary resettlement, and ethnic minority will be reviewed and updated by the Road Fund to ensure relevance and consistency with applicable laws and regulations in Uzbekistan and ADB's safeguard policies, as amended from time to time. In the event that there is a discrepancy between the laws and regulations of Uzbekistan and ADB safeguard policies, the ADB safeguard policies will prevail. The entitlement standards set in the original LARF as well as standards stipulated in other frameworks cannot be lowered during updates.

4. In all cases, for each new PFR preparation, Uzbekistan will review ongoing projects to check on the status of compliance with the safeguards plans and frameworks, and submit the review reports to ADB, together with other required safeguard documents relevant to the project included in the tranche being processed. In any case, if major noncompliance is discovered in the course of the review of ongoing projects, a corrective action plan will be prepared and submitted to ADB.

5. Safeguards assurances for projects under individual tranches of the Facility include the following as will be incorporated into related loan agreements:

Environment

6. Uzbekistan will ensure that the design, construction, and operation and maintenance of the facilities under Investment Program are carried out in accordance with ADB's Safeguard Policy Statement (2009) (SPS), applicable laws and regulations in Uzbekistan, the EARF, and respective IEEs or EIAs. Uzbekistan through the Road Fund will ensure that potential adverse environmental impacts arising from the Investment Program are minimized by implementing all



mitigation and monitoring measures as presented in the environment management plan (EMP) included in the IEEs or EIAs. Uzbekistan through the Road Fund will ensure that:

- (i) EMPs are updated prior to implementation of civil works.
- (ii) The Road Fund has sufficient resources to implement and record the implementation of the EMPs prepared for the Investment Program.
- (iii) Starting from project commencement, the PMU will submit semi-annual environmental reports to ADB, within 3 months of the close of each half of the calendar year during implementation of each individual project under the Investment Program. The report will include, among other things, a review of progress made on environmental measures detailed in the IEEs or EIAs and EMPs, and monitoring thereof; and problems encountered and remedial measures taken.
- (iv) Detailed engineering designs, civil works and other contracts for the Investment Program facilities incorporate applicable environmental measures identified in the IEEs or EIAs and EMPs.
- (v) Civil works contractors are supervised to ensure compliance with the requirements of the IEEs or EIAs and EMPs.
- (vi) If an EIA is required, it has to be disclosed to the public 120 days before the approval of the associated tranche by ADB Management.

Land Acquisition and Resettlement, and Ethnic Minority

7. Uzbekistan will ensure that Project 1 will neither involve land acquisition involuntary resettlement or impact on ethnic minority within the meaning of the SPS. However, if based on detailed design additional land is required triggering any land acquisition, resettlement (LAR) and/or impact on ethnic minority, the Road Fund will prepare, disclose, and implement a land acquisition and resettlement plan (LARP) and/or an ethnic minority development plan (EMDP) in accordance with SPS, the LARF, and the EMDF.

8. For the subsequent projects of the Investment Program that will involve LAR and/or ethnic minorities, the Government will ensure that no civil works contract is awarded until a LARP, and when required an (EMDP), has been agreed with ADB. The LARP and EMDP must be prepared and disclosed to the affected people before submission of the relevant PFRs to ADB for review and approval.

9. Uzbekistan will ensure that: (i) land and rights of way required by the Investment Program are made available in a timely manner; (ii) land acquisition occurs only after the relevant LARPs and EMDPs have been fully implemented; (iii) contractors' activities are in compliance with requirements of the LARPs and EMDPs, and (iv) an independent monitoring specialist acceptable to ADB is engaged to carry out monitoring and evaluation and to report to ADB on the requirements of the LARPs and EMDPs. Uzbekistan will also ensure that the safeguards specialists (as referred to in para. 2 of Schedule 3 to the FFA) will be engaged to work with the PMU throughout the Investment Program period.

Execution of Civil Works Contracts

10. Uzbekistan will ensure that, subsequent to award of civil works contract, no road section or part of the road section for any project will be handed over to the contractor until the applicable provisions of the EARF, EMPs, LARF, LARPs, EMPF, and EMDPs (particularly, the timely delivery of compensation to affected families) have been complied with.




11. Any changes to the location, alignment of roads, or environmental impacts arising from the detailed designs of any project will be subject to prior approval by ADB and the relevant government bodies of Uzbekistan in accordance with the approval procedures set forth in the FFA.

Labor, Gender, Health, and Social Protection

12. Uzbekistan will include a specific provision in the bidding documents to ensure that civil works contractors: (i) comply with core labor standards, applicable laws and regulations in Uzbekistan and incorporate applicable workplace occupational safety norms; (ii) do not differentiate payment between men and women for work of equal value; (iii) do not employ child labor in the construction and maintenance activities; (iv) eliminate forced or compulsory labor; (v) eliminate employment discrimination; (vi) allow for freedom of association; and (vii) to the extent possible, maximize employment of local people for project construction purposes, provided that the requirements for job and efficiency are adequately met. Uzbekistan will ensure that appropriate entities (such as nongovernment organizations) disseminate information on the risks of sexually transmitted infections, including HIV/AIDS, to the employees of civil works contractors engaged under the Investment Program and to members of the local communities surrounding the sections of the A380 highway under the Investment Program, particularly females.

13. Uzbekistan will implement the Community and Gender Action Plan of the Investment Program.



SCHEDULE 6

UNDERTAKINGS

1. Uzbekistan will, through the Road Fund will ensure: (i) timely implementation of the Investment Program, including executing the implementation arrangement set out in Schedule 3 to this FFA and monitoring and evaluating implementation based on the Design and Monitoring Framework set out in Schedule 2 to this FFA; (ii) that all projects financed under the Facility are selected and approved in accordance with the criteria and procedure set out in Schedule 4 to this FFA; (iii) that all projects financed under the Facility are developed, implemented and maintained in accordance with the safeguards requirements set out in Schedule 5 to this FFA;

Counterpart Funds and Budget Allocations

2. Uzbekistan, through the Road Fund, will make available all counterpart funds required for timely and effective implementation of the Investment Program through providing annual budget allocations to the Road Fund and releasing applicable funds in a timely manner. Uzbekistan will, through the Road Fund, include the updated funding requirements for implementation of the Investment Program in its annual development program.

3. Uzbekistan will, through the Road Fund, allocate routine maintenance budget in accordance with the National Road Development Program. For each fiscal year after 2014, such budget will be increased by no less than annual inflation rates. For implementation of the National Road Development Program, Uzbekistan will allocate and make available, on a timely basis, sufficient funds and ensure that the road sections covered by the National Road Development Program are maintained in accordance with applicable standards and best international practices. Uzbekistan will have such expenditures audited annually and make them available to ADB upon request.

Policy Framework and Dialogue

4. Uzbekistan will, through the Road Fund, (i) ensure compliance with the Roadmap which identifies the institutional development actions as set out in the Table 1 of Schedule 1 to this FFA; (ii) use the loan proceeds from Facility effectively and efficiently to implement the Investment Program and achieve its objectives; and (iii) implement the financing plan agreed for the Investment Program.

5. Uzbekistan will, through the Road Fund, keep ADB informed in a timely manner of any changes to and progress in implementing the Roadmap, the Investment Program and the financing plan. Uzbekistan will, through the Road Fund, consult with ADB and other donors involved in road sector in a policy dialogue affecting any of these elements and keep them regularly informed of the progress in implementing the road sector reforms.

6. Uzbekistan plans to establish the Dautata border between Kazakhstan and Uzbekistan as an international cross-border check point (i.e. enabling cross-border movement of people, goods and vehicles from countries other than Kazakhstan and Uzbekistan) and will keep ADB informed on the progress.

7. Uzbekistan will, through the Road Fund, allocate sufficient resources to implement the road asset management system by 30 June 2016.



Construction Quality

8. Uzbekistan will, through the Road Fund, ensure that the Investment Program is carried out in accordance with the agreed technical specifications and design for the construction supervision, quality control, and project management of the Investment Program..

Road Safety

9. Uzbekistan will, through the Road Fund, ensure that civil works contracts will include the contractors' obligation to comply with road safety measures. The Road Fund will provide to ADB the accident rate and traffic volume during the implementation of the Investment Program Road.

Governance and Anti-Corruption

10. Uzbekistan will, through the Road Fund, ensure that updated information on the RDP will be provided in the Road Fund webpage within the MOF website. Such information will reflect the performance of the RDP (with clear performance indicators), Uzbekistan's policy on roads construction and reconstruction, a 5-year investment plan, business opportunities, bidding process and guidelines, outcome of biddings, and summary progress reports of the ongoing projects.

11. Uzbekistan, through the Road Fund: (a) acknowledges that ADB consistent with its commitment to good governance, accountability and transparency under the ADB *Anti-Corruption Policy* (1998, as amended to date), reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Investment Program; and (b) agrees to cooperate fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, for the satisfactory completion of any such investigation. In addition, Uzbekistan, through the Road Fund, will (a) conduct periodic inspections of the contractor's activities relating to fund withdrawals and settlements; (b) ensure that all contracts financed by ADB in connection with the Investment Program include provisions specifying the right of ADB to audit and examine the records and accounts of all contractors, suppliers, consultants, and other service providers as they relate to the Investment Program; and (c) the construction supervision consultant will unify the contractor's invoices in accordance with working drawings and contract specifications.



PERIODIC FINANCING REQUEST

Date: 18 March 2010

To: Asian Development Bank
6 ADB Avenue
Mandaluyong City, Metro Manila

ATTENTION: Director General
Central and West Asia Department
Fax No. +632 636 6318

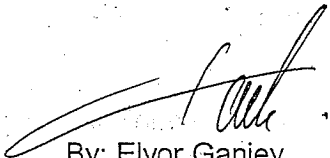
Sir:

RE: UZB: CAREC Corridor 2 Road Investment Program: Periodic Financing Request #1

Please refer to the Framework Financing Agreement (FFA) for CAREC Corridor 2 Road Investment Program dated 18 March 2010 between Asian Development Bank (ADB) and the Republic of Uzbekistan. Expressions defined in the FFA shall have the same meanings herein.

Pursuant to the provisions of the FFA, the Republic of Uzbekistan requests ADB to process this Periodic Financing Request (PFR) for a tranche, in the form of a loan from its Special Funds resources (i.e., the Asian Development Fund). The proposed financing amounts, terms, conditions, and financing plan are specified in Attachment A hereto. Descriptions of the project for which financing is hereby requested are set out in Attachments B to D.

By: REPUBLIC OF UZBEKISTAN



By: Elyor Ganiev
Deputy Prime Minister,
Minister for Foreign Economic Relations, Investment, and Trade



**Project
Description**

Under the CAREC Corridor 2 Road Investment Program (Investment Program), the following activities are proposed for financing under this periodic financing request:

Road Development Component. This component will comprise civil works of about 50 km of the Uzbekistan Section of CAREC Corridor 2 Road (between Km 440 and 490 of A380 highway). Civil works for this component will not involve land acquisition or involuntary resettlement, or create significant environmental impacts. Such civil works are to achieve the four-lane international design standard within the existing right-of-way. In addition to the physical investments, this component will support implementation of Project 1 (and the Investment Program) through providing consulting services on: (i) procurement and environment and social safeguards; (ii) construction supervision; and (iii) project appraisal for subsequent tranches.

Road Sector Sustainability Component. This component will support consulting services and support pilot and capacity building activities to improve general road sector sustainability. This will also contribute to the Government's road sector policy framework.

- (i) Road asset management system. This subcomponent will expand a road asset management system introduced under Loan 2403-UZB. It will support the implementation of the system, including procurement of necessary support facilities such as computer, software, automatic traffic counting device, and a related training program. It will also support establishing an independent quality control system for road works, developing road maintenance contracts, reforming the road financing system, establishing a road maintenance system for cement concrete road, and creating an enabling framework for public-private partnerships (PPP) in the road sector and pilot a PPP project if feasible.
- (ii) Community development program. This subcomponent will minimize road externalities on gender and local community and targeting them as beneficiaries of the road development. Consulting services under this subcomponent will support capacity development for the Road Fund and the local communities living along the Investment Program road. It will also conduct needs assessment for developing the social and healthcare infrastructure and execute the corresponding actions.

**Cost Estimates
and Financing
Plan**

The total cost of Project 1, including taxes, duties, physical and price contingencies, interest and other charges, is estimated at \$146 million equivalent. The summary of the investment plan for Project 1 is in Table 1. The proposed financing plan for Project 1 is summarized in Table 2. The detailed cost estimates by financiers and financing plan for Project 1 are in Attachment C.



Table 1: Summary Investment Plan for Project 1^a
(\$ million)

Item	Total
Road Development	
Civil Works	91.6
Consulting Services	7.8
Road Sustainability	
Road Asset Management Support	1.8
Community Development Program	0.2
Recurrent costs ^b	0.5
Taxes and duties	22.1
Total Base Cost	124.0
Physical and price contingencies ^c	19.9
Financing charges during implementation ^d	2.1
Total	146.0

^a In mid-2009 prices.

^b Program Management Unit (PMU) expenses related to the Investment Program including: PMU staff salary, operational expenses, travel, training, and other eligible expenditures; excluding single social payment.

^c Physical is estimated at about 10% of the total base cost. Price contingencies estimated at about 5% include provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Includes interest (assuming tranche 1 is funded by ADF).

Source: Asian Development Bank estimates.

Table 2: Summary Financing Plan for Project 1
(\$ million)

Financier	Amount
Asian Development Bank	115
Government	31
Total	146

Source: Asian Development Bank estimates.

Loan Amount and Terms

The request is for a loan of \$115 million equivalent from ADB's Special Funds resources (i.e. the Asian Development Fund (ADF)), with a term of 32 years, including a grace period of 8 years, an interest of 1.0% per annum during the grace period and 1.5% per annum thereafter, and such other terms and conditions as agreed in the FFA, and further supplemented under the loan agreement.

Period of Loan/Utilization

The physical implementation of Project 1 is expected to be completed by 30 September 2012 and the loan is expected to be closed on 30 September 2013.

Retroactive Financing

Retroactive financing is requested for PMU establishment including hiring of PMU director and all PMU staff, for procurement, engineering, financial management and accounting, not exceeding \$100,000 (less than 20% of the loan amount), incurred before loan effectiveness but not earlier than 12 months before the signing of the loan agreement.

Implementation Arrangements

The Republican Road Fund ("Road Fund") under the Ministry of Finance (MOF) will be the executing agency for the Project.

The Road Fund has established a Program Management Unit (PMU) to implement the Project. It has also appointed the PMU director and four key staff (for procurement, engineering, financial management and accounting). The Road Fund will recruit additional PMU staff for program monitoring and evaluation, legal matters and administrative support by the signing of the loan agreement. In addition, procurement, environmental safeguard and social safeguard consultants will be engaged to support the work of the Road Fund by the signing of loan agreement for the Project. The Road Fund will ensure that the PMU is adequately staffed and the environmental safeguard and social safeguard consultants will be engaged for the entire period of project implementation and that the PMU will be equipped with the necessary office space, equipment, and facilities.

**Procurement
and Consulting
Services**

All goods and services to be financed under Tranche 1 will be procured in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time). All consulting services to be financed under the Tranche 1 will be procured in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). The procurement plan (including civil works, goods and services) is in Attachment D.

**Confirmation of
Continuing
Validity of and
Adherence to
Provisions of
FFA, Previous
Agreements,
and the Design
and Monitoring
Framework**

The Government of Uzbekistan confirms that the understandings set out in the FFA have been adhered.

**Readiness of
the Project for
Implementation**

- PMU already set up and operational.
- Preparatory works, including advance actions for procurement of civil works and recruitment of consultants, are ongoing.
- The detailed design for Project 1 was completed.
- Counterpart funding is available.

Safeguards

The environmental assessment and review framework, the land acquisition and resettlement framework and the ethnic minority planning framework are incorporated by reference in the FFA.



DESIGN AND MONITORING FRAMEWORK FOR PROJECT 1

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
Impact Sustainable economic development	By 2020: <ul style="list-style-type: none"> Increased gross domestic product in Khorezm from about \$800 million (2008 estimate) to \$1.6 billion Increased external trade with Kazakhstan from about \$900 million (2008) to \$1.6 billion 	<ul style="list-style-type: none"> Statistical Review of Uzbekistan (annual publication by Central Statistics Office) 	Assumption <ul style="list-style-type: none"> Government sustains policies conducive to economic growth and remains committed to enhanced policy reforms and regional integration
Outcome Better connectivity and an efficient transport system along the Uzbekistan section of CAREC Corridor 2 Road	By 2015: <ul style="list-style-type: none"> Increased average total traffic volume from 1,000 vpd in 2009 to 1,800 vpd Accident rate on A380 reduced from 150 accidents per year (2008 estimate) to 120 Reduced travel time from Dautata to Bukhara from 13 to 12 hours Road beneficiaries: 1.5 million population, 200 women 	<ul style="list-style-type: none"> Statistical Review of Uzbekistan (annual publication by Central Statistics Office) ADB's project completion report and project performance evaluation report Periodic classified traffic counts (collected by Uzavtoyul) and accident data system (collected by Traffic Police) 	Assumptions <ul style="list-style-type: none"> Increased availability and quality of transport services following improvement of the Investment Program roads Improved cross-border facilities and procedures at the border point between Uzbekistan and Kazakhstan The Road Fund continues constructing the remaining sections of the A-380 as scheduled at the same quality as the Investment Program Risk <ul style="list-style-type: none"> Inadequate financial resources for road maintenance
Outputs 1. Uzbekistan section of CAREC Corridor 2 road constructed	By 2013: <ul style="list-style-type: none"> 50 km road sections constructed with pavement international roughness index of less than 4m/km 	<ul style="list-style-type: none"> Consultants' progress reports ADB review missions 	Assumptions <ul style="list-style-type: none"> Timely provision of counterpart resources and support for Project 1 Contractor procured through ICB perform in accordance with the contract provisions

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
2. Road sector sustainability strategy and plans adopted by the Road Fund	<p>Sector-wide</p> <ul style="list-style-type: none"> • The independent quality control system for road works is prepared and tested • Public private partnership framework in place <p>Pilot on CAREC Corridor 2 Road Section</p> <ul style="list-style-type: none"> • Road asset management system implemented for programming • Improved routine maintenance contract piloted • Community and gender sensitive capacity building on highway utilization of communities planned and initiated. 		<p>Assumptions</p> <ul style="list-style-type: none"> • Government is committed to further reform the road sector • Road Fund is committed to continue improving its planning capacity
<p>Activities executed by the Road Fund with Key Milestones</p> <p>1.0 Road Development Component</p> <p>1.1 Recruitment of construction supervision consultants by September 2010</p> <p>1.2 Award civil works contracts by September 2010</p> <p>1.3 Project physical completion by 30 September 2012</p> <p>1.4 Due-diligence for Project 3 completed by June 2011</p> <p>2.0 Road Sustainability Component</p> <p>2.1 Recruitment of consultants by 1 January 2011</p> <p>2.2 Consulting services completed by 30 September 2012</p>			<p>Inputs</p> <p>1. ADF loan of \$115 million</p> <p>2. Government counterpart budget of \$31 million</p>

ADB = Asian Development Bank, ADF = Asian Development Fund, ICB = international competitive bidding, km = kilometer, OCR = ordinary capital resources, MFF = multitranchise financing facility, UZB = Uzbekistan, vpd = vehicles per day

DETAILED COST ESTIMATES BY FINANCIER—Project 1
(\$ million)

Item	ADB	Government	Total
Road Development			
Civil Works	91.6	0.0	91.6
Consulting Services			
Procurement and Safeguard Support	0.4	0.0	0.4
Construction Supervision	2.5	0.0	2.5
Project Appraisal	0.4	0.0	0.4
Detailed Design	0.0	4.5	4.5
Road Sustainability			
Road Asset Management Support	1.8	0.0	1.8
Community Development	0.2	0.0	0.2
Recurrent costs ^b	0.5	0.0	0.5
Taxes and duties	0	22.1	22.1
Total Base Cost	97.4	26.6	124.0
Physical and price contingencies ^c	17.6	2.3	19.9
Financing charges during implementation ^d	0.0	2.1	2.1
Total	115.0	31.0	146.0

^a In mid-2009 prices.

^b Program Management Unit (PMU) expenses related to the Investment Program including: PMU staff salary, operational expenses, travel, training, and other eligible expenditures; excluding single social payment.

^c Physical is estimated at about 10% of the total base cost. Price contingencies estimated at about 5% include provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Includes interest and commitment charges assuming tranche 1 is funded by ADF.

Source: Asian Development Bank estimates

PROCUREMENT PLAN AND TENTATIVE CONTRACT PACKAGES

Project Information

Country	Republic of Uzbekistan
Name of Borrower	Republic of Uzbekistan
Project Name	CAREC Corridor 2 Road Investment Program – Project 1
Loan Reference	TBD
Date of Effectiveness	TBD
Project Cost Amount (\$ million)	\$146 million
Of which ADB Loan Amount (\$ million)	\$115 million
Executing Agency	Road Fund, Ministry of Finance
Approval Date of Original Procurement Plan	18 March 2010
Approval of Most Recent Procurement Plan	TBD
Publication for Local Advertisement	TBD
Period Covered by this Plan	18 March 2010 – 18 September 2011

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

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

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

Method	Threshold
International Competitive Bidding (works)	> \$2,000,000

Procurement Thresholds, Consultants Services

Methods	Threshold
Quality- and Cost-Based Selection (QCBS)	> \$1,000,000 by Full Technical Proposal ≤ 1,000,000 by Simplified Technical Proposal ≤ \$600,000 by Biodata Technical Proposal
Individual consultants	In accordance with ADB's Guidelines on the Use of Consultants with procedures acceptable to ADB.

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

Ref	Contract Description	Estimated Costs (\$ million) ^a	Procurement Methods	Date of Advertisement	Prior Review Y/N	Comments
1.	Civil Works	91.6	ICB	5 January 2010	Y	Financed by ADB
2.	Consulting Services	5.3	QCBS ^a and individual	2 February 2010	Y	Financed by ADB

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

^a Cost estimates do not include taxes and duties, and physical contingencies.

^b A 80:20 weighting will be applied.

Sources: Road Fund and ADB estimates.



Table D.2: Proposed Detailed Contract Packaging

Ref	Contract Description	Unit	Estimated Costs (\$ million) ^a	Mode of Procurement	Duration (months)	ADB No Objection	Contract Starting	Contract Completion	Responsible Agency
A.	Civil Works	Length (km)							
1	CWP 1	50	91.6	ICB	18	3 June 2010	23 Sept. 2010	23 March 2012	Road Fund
	Total Civil Works	50	91.6						
B.	Consulting Services	Person-month (total)							
1	CSP-1: Procurement and safeguard support	22	0.4	Individual	24	23 July 2010	10 Sept. 2010	10 Sept. 2012	Road Fund
2	CSP-2: Project appraisal	24	0.4	QCBS	4	21 Jan 2011	1 April 2011	29 July 2011	Road Fund
3	CSP-3: Construction supervision	270	2.5	QCBS	24	23 July 2010	10 Sept. 2010	10 Sept. 2012	Road Fund
4	CSP-4: Road asset management support	80	1.8	QCBS	18	21 Jan 2011	1 April 2011	28 Sept. 2012	Road Fund
5	CSP-5: Community development program	6	0.2	Individual	12	21 Jan 2011	1 April 2011	1 April 2012	Road Fund
	Total Consulting Services	402	5.3						

ADB = Asian Development Bank, CSP = consulting service package, CWP = civil works package, ICB = international competitive bidding, km = kilometer, QCBS = quality- and cost-based selection.

^a Cost estimates for civil works do not include taxes, physical, and price contingencies.

Source: Road Fund and ADB estimates.