

# Project Administration Manual

Project Number: 46375-002  
Loan No: xxxx-GEO  
Draft 5 March 2017

## Georgia: Secondary Road Improvement Project

## ABBREVIATIONS

ADB	–	Asian Development Bank
DMF	–	design and monitoring framework
EMP	–	environmental management plan
ETCIC	–	Eurasian Transport Corridor Investment Center of MRDI
GRM	–	grievance redress mechanism
ICB	–	International competitive bidding
ICS	–	individual consultants selection
IEE	–	initial environmental examination
LARP	–	land acquisition and resettlement plan
LCS	–	least-cost selection
MOF	–	Ministry of Finance
MRDI	–	Ministry of Regional Development and Infrastructure of Georgia
NCB	–	national competitive bidding
OCR	–	ordinary capital resources
PAM	–	project administration manual
QCBS	–	quality- and cost based selection
RD	–	the state jurisdictional institution under the governance of MRDI – The Roads Department of Georgia
RRP	–	Report and Recommendation of the President to the Board
SOE	–	statement of expenditure
SPS	–	Safeguard Policy Statement
SSEMP	–	site specific environmental management plan
TOR	–	terms of reference

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## **Project Administration Manual Purpose and Process**

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with the policies and procedures of the borrower and Asian Development Bank (ADB). The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Ministry of Regional Development and Infrastructure of Georgia (MRDI) and the Roads Department of Georgia (RD) are wholly responsible for the implementation of ADB-financed projects, as agreed jointly between the borrower and ADB, and in accordance with the policies and procedures of the borrower and ADB. ADB staff is responsible for supporting implementation including compliance by MRDI and the RD of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At loan negotiations, the borrower and ADB shall agree to the PAM and ensure consistency with the loan agreement. Such agreement shall be reflected in the minutes of the loan negotiations. In the event of any discrepancy or contradiction between the PAM and the loan agreement, the provisions of the loan agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to relevant borrower and ADB administrative procedures (including the Project Administration Instructions) and upon such approval, they will be subsequently incorporated in the PAM.



## I. PROJECT DESCRIPTION

1. The proposed project focuses on about 50 kilometers (km) of a secondary road in central Georgia that provides access to about 23,000 people living in the municipality of Kharagauli, and an additional 7,000 people in the 13 villages along the road alignment. The project road connects Kharagauli to the East West highway which is the main international transport corridor that traverses all the major cities of Georgia. The existing East West Highway is subject to occasional closure because of landslides, in which event the project road provides an alternative road for traffic using the highway. In future, the project road could serve as an alternative route, as required by Georgian legislation, in the event that the section of the East-West Highway that parallels the project is to be tolled.

2. The project road has deteriorated considerably and many sections of it are now irreparable and impassable during rain and snow. This clearly suppresses the development of the poor region that the road serves. Villages along the road are not accessible during winter and are suffering from substantial out-migration and lack of employment opportunities. The poor condition of the road also prevents emergency vehicles from accessing the villages during most adverse weather conditions. This area has the highest regional poverty level of any region in the country. The project will help alleviate isolation of rural communities in this area, strengthen domestic trade, and expand opportunities for more inclusive economic growth. Upgrading of the road to an all-weather standard will provide better opportunities of the local population to sell their products and better access to social facilities, such as schools and medical services. The improved road will also facilitate access to the nearby Borjomi–Kharagauli National Park and Nunisi health resort, resulting in new opportunities for tourism development in the region.

3. The proposed project will rehabilitate and upgrade the existing road to two-lane all-weather standard to the extent possible within the existing road formation to minimize land acquisition and resettlement. Because the existing road is located on a narrow bench between a cliff face, a river, and a railway, substantial widening and realignment would be both difficult and expensive. The railway is located in the same corridor for almost entire length of the project road, which provides the opportunity for the road and the railway to act together as a multimodal transport corridor through the project area. The project will also improve connectivity and reliability of the transport network by reviving the road's role as an alternative in the event that the parallel section of the East-West Highway is closed.

4. **Impact and outcome.** The project impact will be aligned with the increased economic activity in the Kharagauli municipality and surrounding regions and national connectivity. The outcome will be increased mobility and accessibility of the residents of the Kharagauli municipality and tourists visiting the project area by reducing vehicle operating costs and providing time savings for the road users.

5. **Outputs.** The project's output will be about 50 km of improved road between Dzirula and Chumateleti, including several short access roads to the nearby national park and to Kharagauli and other railway stations.

## II. IMPLEMENTATION PLANS

### A. Project Readiness Activities

**Table 1: Project Readiness Activities**

Indicative Activities	2016		2017				Responsible Unit
	Q3	Q4	Q1	Q2	Q3	Q4	
Advance contracting actions		√					MRDI, RD, and ADB
Establish project implementation arrangements		√					MRDI, RD, and ADB
Approve and disclose safeguard documents		√					MRDI, RD, and ADB
Approved by ADB Board			√				ADB
Sign the Loan Agreement				√			ADB and Borrower
Provide Borrower legal opinion				√			Borrower
Declare loan effectiveness					√		ADB

ADB = Asian Development Bank, MRDI = Ministry of Regional Development and Infrastructure of Georgia.

Sources: Asian Development Bank estimates.





### III. PROJECT MANAGEMENT ARRANGEMENTS

#### A. Project Implementation Organizations: Roles and Responsibilities

**Table 3: Roles and Responsibilities**

Project Implementation Organizations	Management Roles and Responsibilities
Executing agency: Ministry of Regional Development and Infrastructure of Georgia	<ul style="list-style-type: none"> <li>▪ Oversee overall project progress and performance;</li> <li>▪ Ensure compliance with all loan covenants and ADB's guidelines, procedures, and policies;</li> <li>▪ Coordinate with all ministries and agencies involved in the project as appropriate;</li> <li>▪ Ensure timely provision of counterpart funds for project activities; and</li> <li>▪ Ensure that the Roads Department of Georgia (RD) is adequately staffed and functional during the entire period of project implementation.</li> </ul>
Implementing agency: Roads Department of Georgia	<ul style="list-style-type: none"> <li>▪ Act as focal point for communication with ADB on project related matters;</li> <li>▪ Ensure compliance with all loan covenants and ADB's guidelines, procedures, and policies;</li> <li>▪ Recruit and supervise consultants and contractors, including approval of contract variations, suspension and termination of contracts;</li> <li>▪ Procurement of civil works and construction supervision consulting services with the assistance of detailed design consultant and project management consultants;</li> <li>▪ Evaluate bids and sign contracts;</li> <li>▪ Verify and approve specifications and change orders, payments, etc., requested by the construction supervision consultant (the Engineer), submitting progress reports to ADB, taking over the site at completion of works, preparing the Borrower's project completion report.</li> <li>▪ Monitor and evaluate project activities and outputs, including periodic review and preparation of review reports identifying issues and action plans;</li> <li>▪ Ensure compliance with the project's LARP, IEE, and EMP;</li> <li>▪ Prepare regular periodic progress reports, and the project completion report, and ensure their timely submission to ADB;</li> <li>▪ Administer and manage contracts after signing;</li> <li>▪ Assist ADB project review missions;</li> <li>▪ Provide necessary office space, equipment, and facilities.</li> <li>▪ Involve beneficiaries and civil society representatives in all stages of project design and implementation as appropriate;</li> <li>▪ Regularly post on RD's website the updated project information documents for public disclosure, including safeguards documents, in consultation with ADB; and</li> <li>▪ Ensure project's post-implementation sustainability and report to ADB on the impacts of the project.</li> </ul>
Financial management agency: Eurasian Transport Corridor Investment Center of MRDI	<ul style="list-style-type: none"> <li>▪ Handle financial management, disbursement, and project accounting with the assistance of RD;</li> <li>▪ Establish adequate financial management system and submit timely withdrawal applications to ADB, in coordination with RD;</li> <li>▪ Together with RD, arrange timely financial audits as per agreed timeframe and take recommended actions; and</li> <li>▪ Together with RD, collect and retain all supporting and reporting documents, including annual audit reports and financial statements.</li> </ul>
Ministry of Finance	<ul style="list-style-type: none"> <li>▪ Sign the project loan agreement;</li> <li>▪ Provide documents and other requirements for loan effectiveness as defined by the Loan Agreement;</li> </ul>

Project Implementation Organizations	Management Roles and Responsibilities
	<ul style="list-style-type: none"> <li>▪ Timely allocate and release its respective share of funds;</li> <li>▪ Handle disbursement related financial monitoring of the project and provide appropriate coordination and support;</li> <li>▪ Provide ADB with details of the authorized staff with specimen signatures for withdrawal applications processing;</li> <li>▪ Request extensions of the loan closing date if any; and</li> <li>▪ Process and submit to ADB any request, when required, for reallocating the loan proceeds.</li> </ul>
Asian Development Bank	<ul style="list-style-type: none"> <li>▪ Assist RD in recruiting the construction supervision consultant (CSC);</li> <li>▪ Assist RD and the CSC in providing timely guidance at each stage of implementation in accordance with agreed implementation arrangements;</li> <li>▪ Review all documents that require ADB approval;</li> <li>▪ Conduct an inception mission, periodic loan review missions, a mid-term review, and a project completion mission;</li> <li>▪ Monitor compliance with all loan covenants;</li> <li>▪ Monitor compliance with the project's safeguards requirements;</li> <li>▪ Monitor compliance with financial audit recommendations;</li> <li>▪ Timely process withdrawal applications and release eligible funds;</li> <li>▪ Regularly update ADB's project performance review reports with assistance from RD; and</li> <li>▪ Regularly post on ADB website the updated project information documents for public disclosure, including safeguards documents as per disclosure provision of the ADB Safeguard Policy Statement (2009).</li> </ul>

ADB = Asian Development Bank, CSC = construction supervision consultant; ETCIC = Eurasian Transport Corridor Investment Center of MRDI; MRDI = Ministry of Regional Development and Infrastructure of Georgia; RD = Roads Department of Georgia.

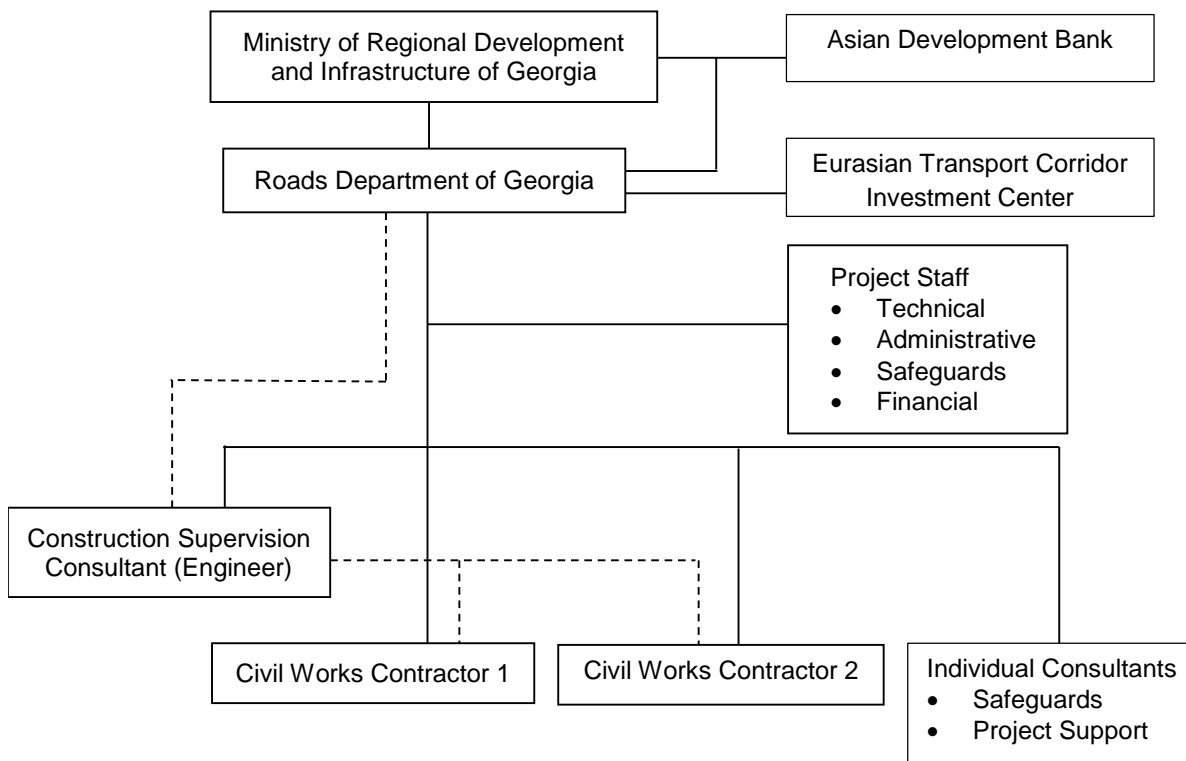
Source: Asian Development Bank.

## B. Key Persons Involved in Implementation

<b>Executing Agency</b>	
Ministry of Regional Development and Infrastructure of Georgia (MRDI)	Mr. Irakli Matkava First Deputy Minister Office Address: 12 Kazbegi Avenue, 0160 Tbilisi, Georgia
Implementing Agency Roads Department of Georgia (RD)	Mr. Zaza Simonia Deputy Chairman (Project Manager) Telephone: +995 32 237 62 16 Email address: <a href="mailto:info@georoad.ge">info@georoad.ge</a> Office Address: 12 Kazbegi Avenue, 0160 Tbilisi, Georgia
<b>Asian Development Bank</b>	
Transport and Communications Division (CWTC), Central and West Asia Department (CWRD)	Xiaohong Yang Director Telephone: +63 2 632 6765 Email address: <a href="mailto:xyang@adb.org">xyang@adb.org</a> Office Address: 6 ADB Avenue, Mandaluyong City, Manila, Philippines
	Ari Kalliokoski Transport Economist (Project Team Leader) Telephone: +63 2 683 1753 Email address: <a href="mailto:akalliokoski@adb.org">akalliokoski@adb.org</a> Office Address: 6 ADB Avenue, Mandaluyong City, Manila, Philippines

### C. Project Organization Structure

7. The project organization structure is as shown in the diagram below.



### IV. COSTS AND FINANCING

8. The project is estimated to cost \$93.8 million. The borrower has requested a regular loan of \$80.0 million from ADB's ordinary capital resources to help finance the project. The loan will have a 24-year term, including a grace period of 13 years; an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per year (the interest and other charges during construction to be capitalized in the loan); and such other terms and conditions set forth in the draft loan agreement. Based on the straight-line, the average maturity is 18.75 years and the maturity premium payable to ADB is 0.20% per year. The borrower will contribute \$13.8 million to cover taxes, land acquisition and resettlement costs. The tentative financing plan is in Table 4.

**Table 4: Financing Plan**

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (regular loan)	80.0	85.3
Borrower	13.8	14.7
<b>Total</b>	<b>93.8</b>	<b>100.0</b>

Source: Asian Development Bank estimates.

## A. Cost Estimates Preparation and Revisions

9. The cost estimates were prepared in April 2015 by the project preparatory technical assistance consultants based on market prices for consulting services and civil works. The cost estimates will be updated upon finalization of the detailed design, in November 2017.

## B. Key Assumptions

10. The following assumptions underpin the cost estimates and financing plan:

- (i) Exchange rate: GEL2.2 = \$1.00 (as of June 2016).
- (ii) Price contingencies based on expected cumulative inflation over the implementation period are as follows:

**Table 5: Escalation Rates for Price Contingency Calculation**

Item	2017	2018	2019	2020	2021	Average
Foreign rate of price inflation	1.4%	1.5%	1.5%	1.5%	1.5%	1.5%
Domestic rate of price inflation	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Sources: World Bank estimates (foreign rate); Asian Development Bank estimates (domestic rate).

## C. Detailed Cost Estimates by Expenditure Category

**Table 6: Detailed Cost Estimates by Expenditure Category**

Item	Foreign Exchange (\$ million)	Local Currency (\$ million)	Total Cost (\$ million) <sup>a</sup>	% of Total Base Cost
<b>A. Base Costs<sup>b</sup></b>				
1. Civil works	42.00	28.00	70.00	90.67%
2. Social mitigation <sup>c</sup>	0.00	1.20	1.20	1.55%
3. Consulting services	2.83	2.47	5.30	6.86%
a. construction supervision	2.83	1.90	4.73	6.13%
b. safeguards	0.00	0.11	0.11	0.14%
c. project support	0.00	0.40	0.40	0.52%
d. financial audit	0.00	0.06	0.06	0.08%
<b>Subtotal (A)</b>	<b>44.83</b>	<b>31.67</b>	<b>76.50</b>	<b>99.09%</b>
<b>B. Project management costs</b>	<b>0.70</b>	<b>0.00</b>	<b>0.70</b>	<b>0.91%</b>
<b>Total Base Cost (A+B)</b>	<b>45.53</b>	<b>31.67</b>	<b>77.20</b>	<b>100%</b>
<b>C. Contingencies<sup>d</sup></b>				
1. Physical	4.65	3.10	7.75	10.04%
2. Price	3.93	2.92	6.85	8.87%
<b>Subtotal (C)</b>	<b>8.58</b>	<b>6.02</b>	<b>14.60</b>	<b>18.91%</b>
<b>D. Financing Charges During Implementation</b>	<b>2.00</b>	<b>0.00</b>	<b>2.00</b>	<b>2.59%</b>
<b>Total Project Cost (A+B+C+D)</b>	<b>56.11</b>	<b>37.69</b>	<b>93.80</b>	<b>121.50%</b>

<sup>a</sup> Includes taxes and duties totaling \$12.6 million equivalent to be financed by the Borrower, provided as an exemption for civil works and consulting services contracts.

<sup>b</sup> In June 2016 prices.

<sup>c</sup> The estimated cost is for land acquisition and resettlement.

<sup>d</sup> Physical contingencies computed at 10% of base costs. Price contingencies computed for foreign exchange costs and local currency costs based on projected annual rates of 1.5% for foreign costs and 3.0-4.0% for local costs over the project's implementation period. The price contingencies include provision for the potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

Source: Asian Development Bank estimates.

## D. Allocation and Withdrawal of Loan Proceeds

**Table 7: Allocation and Withdrawal of Loan Proceeds**

Category			ADB Financing
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Loan Account
1	Works and Consulting Services	62,700,000	100% of total expenditure claimed*
2	Project Management Support	704,000	100% of total expenditure claimed*
3	Interest and Commitment Charges	2,000,000	100% of total amount due
4	Unallocated	14,596,000	
	Total	80,000,000	

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

11. Except as ADB may otherwise agree, the items of the civil works and consulting services categories shall be financed out of the proceeds of the loan on the basis of the percentages set forth in Table 6. Except as ADB may otherwise agree, the loan proceeds for financing civil works, consulting services and other items shall be disbursed in accordance with ADB's Loan Disbursement Handbook (2015 as amended from time to time).

12. Notwithstanding the allocation of loan proceeds and the withdrawal percentages set forth in Table 7, (i) if the amount allocated to any category appears to be insufficient to finance all agreed expenditures in that category, ADB may, in consultation with the Borrower, (a) reallocate to such category, to the extent required to meet the estimated shortfall, amounts which have been allocated to another category but, in the opinion of ADB, are not needed to meet other expenditures, and (b) 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 (ii) if the amount then allocated to any category appears to exceed all agreed expenditures in that category, ADB may, by notice to the Borrower, reallocate such excess amount to any other category.

## E. Detailed Cost Estimates by Financier

**Table 8: Detailed Cost Estimates by Financier**

Item	ADB		Borrower		Total Cost
	Amount (\$ million)	% of Cost Category	Amount (\$ million)	% of Cost Category	
<b>A. Investment Costs</b>					
1. Civil works	58.20	83.14%	11.80	16.86%	70.00
2. Social mitigation	0.00	0.00%	1.20	100.00%	1.20
3. Consulting services	4.50	84.91%	0.80	15.09%	5.30
a. construction supervision	4.00	84.57%	0.73	15.43%	4.73
b. safeguards	0.10	87.72%	0.01	12.28%	0.11
c. project support	0.35	87.72%	0.05	12.28%	0.40
d. financial audit	0.05	87.72%	0.01	12.28%	0.06
<b>Subtotal (A)</b>	<b>62.70</b>	<b>81.96%</b>	<b>13.80</b>	<b>18.04%</b>	<b>76.50</b>
<b>B. Project Management Costs</b>	<b>0.70</b>	<b>100.0%</b>	<b>0.00</b>	<b>0.00%</b>	<b>0.70</b>
<b>Total Base Cost (A+B)</b>	<b>63.40</b>	<b>82.13%</b>	<b>13.80</b>	<b>17.87%</b>	<b>77.20</b>
<b>C. Contingencies</b>	<b>14.60</b>	<b>100.00%</b>	<b>0.00</b>	<b>0.00%</b>	<b>14.60</b>
<b>D. Financial Charges During Implementation</b>	<b>2.00</b>	<b>100.00%</b>	<b>0.00</b>	<b>0.00%</b>	<b>2.00</b>
<b>Total Project Cost (A+B+C+D)</b>	<b>80.00</b>	<b>85.29%</b>	<b>13.80</b>	<b>14.71%</b>	<b>93.80</b>
<b>% Total Project Cost</b>		<b>85.29%</b>		<b>14.71%</b>	<b>100%</b>

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

## F. Detailed Cost Estimates by Outputs and/or Components

**Table 9: Detailed Cost Estimates by Outputs and/or Components**

Item	Total Cost (\$ million)	Output/Component 1	
		Amount (\$ million)	% of Cost Category
<b>A. Investment Costs<sup>b</sup></b>			
1. Civil works	70.00	70.00	100.00%
2. Social mitigation	1.20	1.20	100.00%
3. Consulting services	5.30	5.30	100.00%
a. construction supervision	4.73	4.73	100.00%
b. safeguards	0.11	0.11	100.00%
c. project support	0.40	0.40	100.00%
d. financial audit	0.06	0.06	100.00%
<b>Subtotal (A)</b>	<b>76.50</b>	<b>76.50</b>	<b>100.00%</b>
<b>B. Project Management Costs</b>	<b>0.70</b>	<b>0.70</b>	<b>100.00%</b>
<b>Total Base Cost (A+B)</b>	<b>77.20</b>	<b>77.20</b>	<b>100.00%</b>
<b>C. Contingencies</b>			
1. Physical	7.75	7.75	100.00%
2. Price	6.85	6.85	100.00%
<b>Subtotal (C)</b>	<b>14.60</b>	<b>14.60</b>	<b>100.00%</b>
<b>D. Financial Charges During Implementation<sup>e</sup></b>	2.00	2.00	100.00%
<b>Total Project Cost (A+B+C+D)</b>	<b>93.80</b>	<b>93.80</b>	<b>100.00%</b>

Note: Numbers may not sum precisely because of rounding.  
Source: Asian Development Bank estimates.

**G. Detailed Cost Estimates by Year****Table 10: Detailed Cost Estimates by Year**

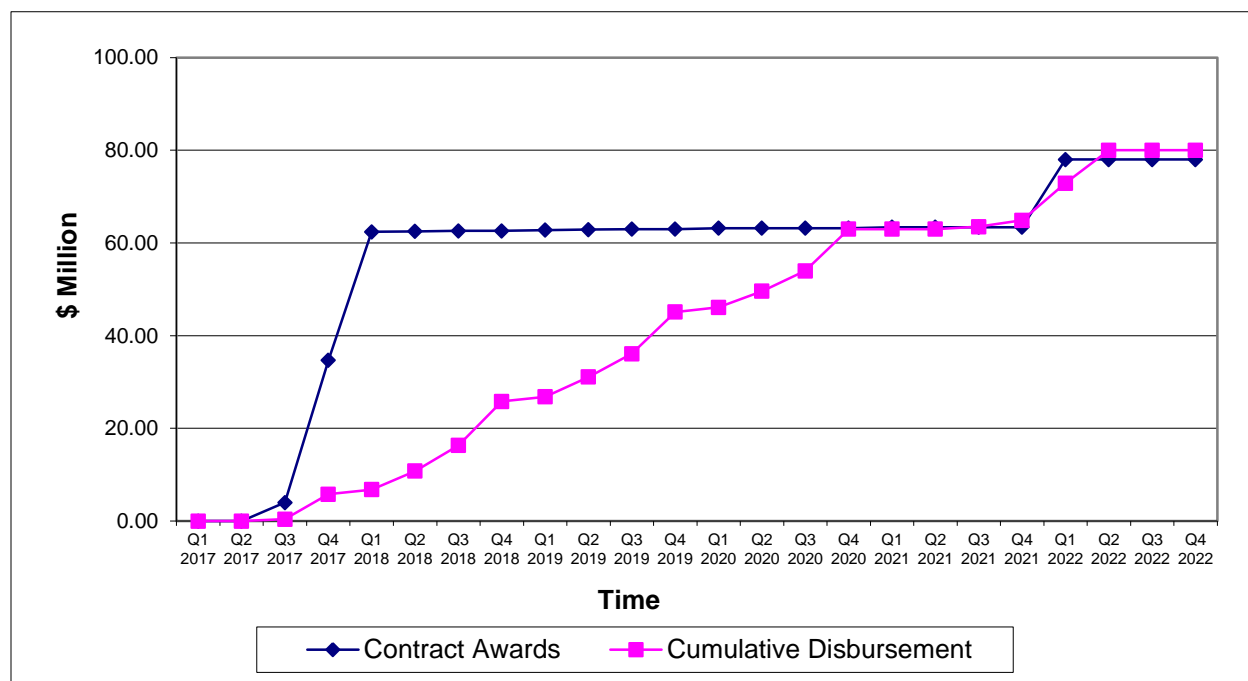
<b>Item</b>	<b>Total Cost (\$ million)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>A. Investment Costs</b>							
1. Civil works	70.00	6.02	22.32	21.29	19.41	0.96	0.00
2. Social mitigation	1.20	1.20	0.00	0.00	0.00	0.00	0.00
3. Consulting services	5.30	0.93	1.34	1.34	1.34	0.32	0.03
a. construction supervision	4.73	0.93	1.20	1.20	1.20	0.20	0.00
b. safeguards	0.11	0.00	0.03	0.03	0.03	0.03	0.00
c. project support	0.40	0.00	0.10	0.10	0.10	0.08	0.02
d. financial audit	0.06	0.00	0.01	0.01	0.01	0.01	0.01
<b>Subtotal (A)</b>	<b>76.50</b>	<b>8.15</b>	<b>23.36</b>	<b>22.63</b>	<b>20.75</b>	<b>1.28</b>	<b>0.03</b>
<b>B. Project Management Costs</b>	<b>0.70</b>	<b>0.00</b>	<b>0.17</b>	<b>0.17</b>	<b>0.17</b>	<b>0.17</b>	<b>0.02</b>
<b>Total Base Cost (A+B)</b>	<b>77.20</b>	<b>8.15</b>	<b>23.83</b>	<b>22.80</b>	<b>20.92</b>	<b>1.45</b>	<b>0.06</b>
<b>C. Contingencies</b>	<b>14.60</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>14.60</b>
<b>D. Financial Charges During Implementation</b>	<b>2.00</b>	<b>0.03</b>	<b>0.16</b>	<b>0.29</b>	<b>0.46</b>	<b>0.67</b>	<b>0.39</b>
<b>Total Project Cost (A+B+C+D)</b>	<b>93.80</b>	<b>8.18</b>	<b>23.99</b>	<b>23.09</b>	<b>21.38</b>	<b>2.12</b>	<b>15.05</b>
<b>% Total Project Cost</b>	<b>100.00%</b>	<b>8.72%</b>	<b>25.58%</b>	<b>24.62%</b>	<b>22.79%</b>	<b>2.26%</b>	<b>16.04%</b>

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.



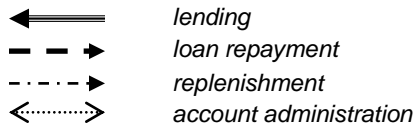
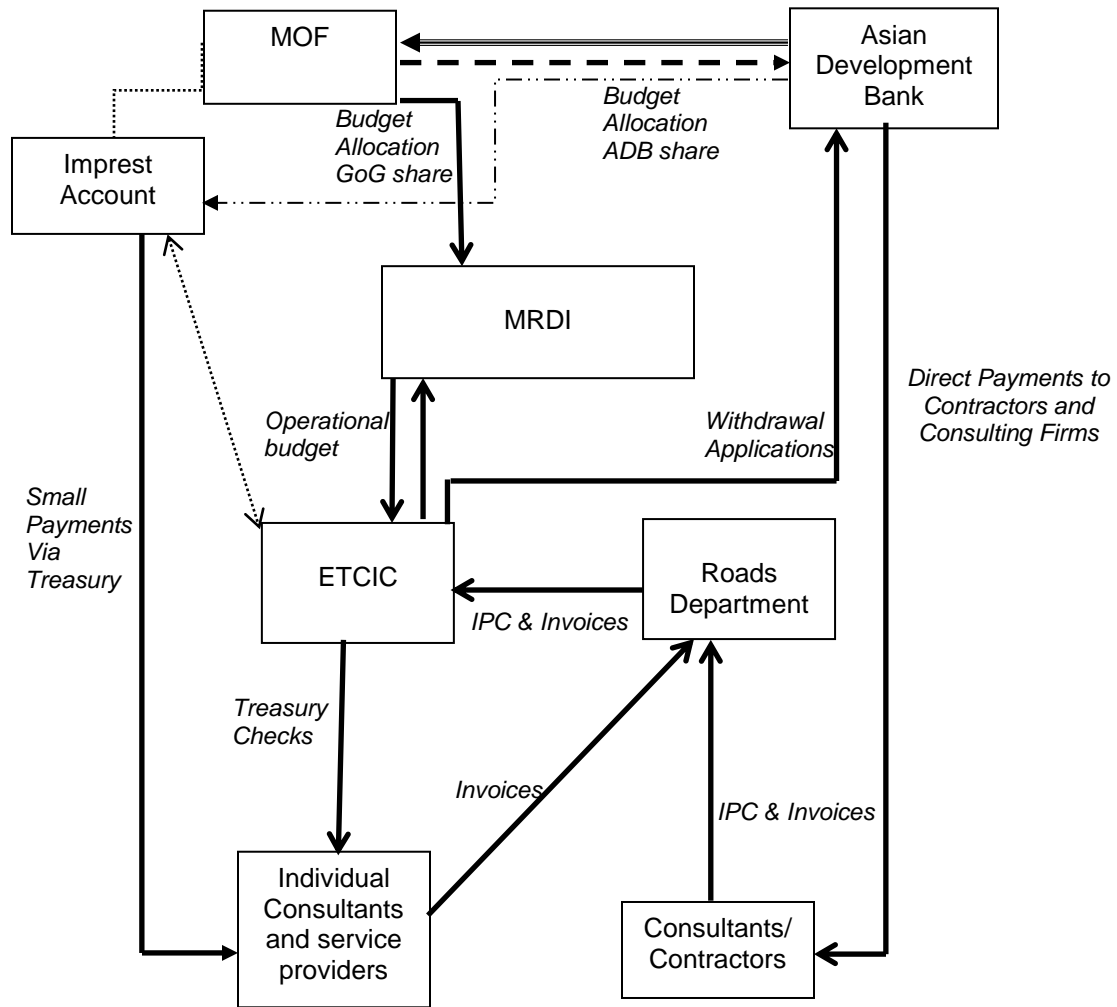
## H. Contract and Disbursement S-Curve



Contract Awards						Disbursements					
Year	Q1	Q2	Q3	Q4	Total	Year	Q1	Q2	Q3	Q4	Total
2017	0.00	0.00	4.00	30.70	34.70	2017	0.00	0.00	0.40	5.40	5.80
2018	27.70	0.10	0.10	0.00	27.90	2018	1.00	4.00	5.50	9.50	20.00
2019	0.20	0.10	0.10	0.00	0.40	2019	1.00	4.30	5.00	9.00	19.30
2020	0.20	0.00	0.00	0.00	0.20	2020	1.00	3.50	4.40	9.00	17.90
2021	0.20	0.00	0.00	0.00	0.20	2021	0.00	0.00	0.50	1.40	1.90
2022	14.60	0.00	0.00	0.00	14.60	2022	8.00	7.10	0.00	0.00	15.10
					<b>Total</b>						<b>Total</b>
					<b>78.00</b>						<b>80.00</b>

Source: Asian Development Bank estimates.

I. Fund Flow Diagram



IPC : interim payment certificate  
 MOF : Ministry of Finance  
 MRDI : Ministry of Regional Development and Infrastructure of Georgia  
 ETCIC : Eurasian Transport Corridor Investment Center of MRDI

## V. FINANCIAL MANAGEMENT

### A. Financial Management Assessment

13. The financial management assessment (FMA) was conducted in October 2016 in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects and the Financial Due Diligence: A Methodology Note. Ministry of Regional Development and Infrastructure of Georgia (MRDI) is the executing agency and the Road Department of Georgia (RD) under the MRDI, supported by the Eurasian Transport Corridor Investment Center of MRDI (ETCIC) for the financial management, is the implementing agency of the project. The FMA considered the capacity of ETCIC, including funds-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements.

14. Originally established as a temporary organization to undertake the financial management of the World Bank's (WB) road project according to presidential decree in 1995, ETCIC is conducting the financial management for the externally funded projects. Including a director, ETCIC comprises six professional staff members trained in financial management and accounting, and five projects' supporting specialists. Although physically located in the MRDI/RD, ETCIC's staff members are not departmental employees, and ETCIC's operating expenses are compensated by the funds from the externally-funded projects, e.g., from WB, ADB, and European Investment Bank (EIB). ETCIC has covered eight closed / six ongoing projects from WB, two ongoing projects from ADB, and two ongoing projects from EIB.

15. Based on the assessment, the key financial management risks identified are (i) ineffective and outdated financial management manual and (ii) actual cost variance from the budget not reported. It was concluded that the overall pre-mitigation financial management risk of ETCIC is moderate, and can be lowered by mitigating measures. ETCIC has agreed to implement an action plan as key measures to address the deficiencies. The financial management action plan is provided in Table 11 below.

**Table 11: Financial Management Action Plan**

<b>Key Risk</b>	<b>Action Plan</b>	<b>Responsibility</b>	<b>Timing</b>
Outdated financial management manual may result in inappropriate disbursement arrangements	ETCIC's financial management manual will be updated to reflect the project specific fund flows, disbursement arrangements, and other relevant sections for the upcoming ADB projects.	ADB, ETCIC	Before project implementation
Actual cost variances from the planned amount are not properly reported	ETCIC will provide the interim unaudited project financial statements including planning, actual, and variance amounts (current and cumulative amounts) upon request by ADB.	ETCIC	During project implementation

ADB = Asian Development Bank, ETCIC = Eurasian Transport Corridor Investment Center of Ministry of Regional Development and Infrastructure of Georgia.

## B. Disbursement

### 1. Disbursement Arrangements for ADB

16. The loan proceeds, will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time),<sup>1</sup> and detailed arrangements agreed upon between the Borrower and ADB.

17. **Imprest fund procedure.** An imprest account will be opened in the Treasury Service of the Ministry of Finance of Georgia as a subaccount to the Treasury FX Account held with National Bank of Georgia. These will be administered by ETCIC. The request for initial advance to the imprest account should be accompanied by an estimate of expenditure sheet<sup>2</sup> setting out the estimated expenditures for the first six (6) months of project implementation. For every liquidation and replenishment request of the imprest account, the borrower through RD/ETCIC will furnish to ADB (a) Statement of Account (Bank Statement) where the imprest account is maintained, and (b) the Imprest Account Reconciliation Statement (IARS) reconciling the above mentioned bank statement against RD's records.<sup>3</sup>

18. The outstanding advance of the imprest account will not at any time exceed the estimated ADB financed expenditures to be paid from the imprest account for the next 6 months.

19. **Statement of expenditure procedure.** The SOE procedure may be used for reimbursement of eligible expenditures or liquidation of advances to the imprest account(s). Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

20. For direct payments, the contractors and consultants will submit their invoices or interim payment certificates as appropriate to the RD/ETCIC who will process them and send with the required withdrawal applications to ADB.

21. Before submitting the first withdrawal application, the Borrower must submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is set in accordance with the *Loan Disbursement Handbook* (2015, as amended from time to time). Individual payments below this amount should be paid (i) by the RD/ETCIC and subsequently claimed from ADB through reimbursement; or (ii) from the imprest account, unless otherwise accepted by ADB.

### 2. Disbursement Arrangements for Counterpart Fund

22. All disbursements under the Borrower portion of financing will be carried out in accordance with regulations of the Government of Georgia (GOG). Annual GOG funds allocation for the project will be confirmed by Budget Law for each fiscal year. Common GEL Account of Treasury Service of Georgia opened at the National Bank of Georgia will be used as

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<sup>1</sup> Available at: [http://www.adb.org/Documents/Handbooks/Loan\\_Disbursement/loan-disbursement-final.pdf](http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf)

<sup>2</sup> Available in Appendix 29 of the *Loan Disbursement Handbook*.

<sup>3</sup> Follow the format provided in Appendix 30 of the *Loan Disbursement Handbook*.

project account and GOG financing funds will be allocated in accordance with quarterly breakdown prepared by RD and ETCIC, approved by MRDI and accepted by MOF. All changes in GOG share budget figures such as requests for reallocation between quarters, request for additional funds and etc. will be jointly prepared by RD and ETCIC. Through MRDI request for changes will be submitted to MOF, after MOF approval the Treasury Service of Georgia will adjust data in on-line eTreasury System. The MOF, MRDI, RD, and ETCIC will be responsible to provide their respective funds in a timely manner.

### **C. Accounting**

23. ETCIC will maintain separate project accounts and records by funding source for all expenditures incurred from the project loan in acceptable for ADB manner (IPSAS cash based with USD as currency of records). ETCIC will prepare project consolidated financial statements in IFR's format (USD as reporting currency) and consolidated project financial statements in accordance with borrower's accounting laws and regulations which are consistent with international accounting principles and practices.

### **D. Auditing and Public Disclosure**

24. RD will ensure that ETCIC causes the detailed project financial statements to be audited in accordance with International Standards on Auditing and with the international audit regulations, by an independent auditor acceptable to ADB. The audited project financial statements will be submitted in the English language to ADB within 6 months of the end of the fiscal year by RD.

25. The annual audit report for the project accounts will include an audit management letter and audit opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan and grant proceeds were used only for the purposes of the project or not; and (iii) the level of compliance for each financial covenant contained in the legal agreements for the project.

26. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

27. The Borrower, including MRDI, RD, and ETCIC have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.<sup>4</sup> ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to

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<sup>4</sup> ADB approach and procedures regarding delayed submission of audited project financial statements:

- When audited project financial statements are not received by the due date, ADB will write to the implementing agency advising that (i) the audit documents are overdue; and (ii) if they are not received within the next six months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- When audited project financial statements have not been received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (i) inform the executing agency of ADB's actions; and (ii) advise that the loan may be suspended if the audit documents are not received within the next six months.
- When audited project financial statements have not been received within 12 months after the due date, ADB may suspend the loan.

be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that ADB's financing share is used in accordance with ADB's policies and procedures.

28. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011).<sup>5</sup> After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 14 calendar days of ADB's confirmation of their acceptability by posting them on ADB's website. The audit management letter will not be disclosed.

## VI. PROCUREMENT AND CONSULTING SERVICES

### A. Advance Contracting and Retroactive Financing

29. All advance contracting and retroactive financing will be undertaken in conformity with ADB Procurement Guidelines (2015, as amended from time to time) and ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The issuance of invitations to bid (IFB) and consulting services recruitment notice (CSRN) under advance contracting and retroactive financing will be subject to ADB approval. The borrower, the MRDI and the RD have been advised that approval of advance contracting does not commit ADB to finance the project.

30. **Advance contracting.** Advance contracting will be undertaken for civil works and consulting services package to facilitate project implementation. The bidding documents and consultants' TOR of these packages will be prepared by RD and reviewed by ADB before web posting. Under advance contracting, RD can complete the consultant selection process entirely and the bidding process up to the contract award.

31. **Retroactive financing.** Retroactive financing is specifically agreed by ADB and the borrower in the loan agreement and only pursuant to the terms of the relevant agreement. The borrower's capacity to carry out related contracting and/or disbursement is adequate. The maximum amount of eligible expenditures for retroactive financing of civil works and consulting services will be up to 20% of the total ADB loan, incurred before loan effectiveness, but not more than 12 months before the signing of the loan agreement. The submission of the audited project financial statements and the audit report will be from the date when expenditures that were approved for retroactive financing were incurred.

### B. Procurement of Goods, Works and Consulting Services<sup>6</sup>

32. Procurement of works will be undertaken in accordance with ADB's Procurement Guidelines (2015, as amended from time to time). To ensure competitive bidding, international competitive bidding (ICB) contract packages will be adopted. All consultants financed from ADB loan will be recruited and engaged according to ADB's Guidelines on the Use of Consultants (2013, as amended from time to time) and the procurement plan for the project. Consulting firms will be selected and engaged using the quality- and cost-based selection (QCBS) method (except the financial auditor which will be selected using the least-cost selection (LCS) method)

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<sup>5</sup> Available from <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

<sup>6</sup> Information on recruitment and contract management can be found in Consulting Services Operations Manual at <http://beta.adb.org/documents/consulting-services-operations-manual>.

with 90:10 ratio and full technical proposals for the construction supervision package will be solicited.<sup>7</sup>

33. A procurement plan indicating threshold and review procedures, goods, works, and consulting service contract is in Section C. The terms of reference for all consulting services are detailed in Section D.

34. International competitive bidding procedures will be used for civil works contracts estimated to cost \$5 million and above. There are only 2 civil works packages (no procurement of goods) expected under the project.

35. An estimated 547 person-months of consulting services (101 international and 446 national) are required for construction supervision. Consulting firm will be engaged using the quality- and cost-based selection method with a standard quality–cost ratio of 90:10. Individual consultants, including project management and safeguards consultants, to augment the RD will be engaged using the individual consultant selection method. An output based contract will be used for project audit services under LCS method for recruitment.

### **C. Procurement Plan**

36. The draft procurement plan is in Appendix 1.

### **D. Consultants' Terms of Reference**

37. The draft terms of reference for the construction supervision consultant, financial auditor and resettlement specialist are presented in Appendix 2.

### **E. Contract Variations**

38. Before agreeing to any modification or waiver of the terms and conditions of a Goods, Services<sup>8</sup> and/or Works contract, including change orders, time extensions, payment schedules, the RD will seek ADB's no objection through a formal letter signed by a key person of the borrower or an authorized representative. This applies in particular to (a) any extension of the stipulated time for completion of a contract for Works; (b) any modification or waiver of the conditions of a contract for Works, including any change order that falls under (c) or (d) below; (c) any change order under a contract for Works that will in aggregate increase the original contract price; or (d) any change order under a contract for Works that will affect more than 15% of the original contract price (either through increases or decreases), even if the net effect of such change order will not in aggregate increase the original contract price. Such aggregate shall take into account any previous or simultaneous change order or orders under such contract.

## **VII. SAFEGUARDS**

### **A. Environment**

39. The project is not anticipated to cause significant adverse environmental impacts and has been classified as environment category B in accordance with ADB's SPS (2009). An initial

<sup>7</sup> A 90:10 QCBS method is needed to focus on quality of consultants.

<sup>8</sup> <http://www.adb.org/Documents/Manuals/PAI/PAI-2.06-18Oct2010.pdf>

environmental examination (IEE) has been prepared to meet the requirements of the SPS, and this includes an environmental management plan (EMP). The recommended environmental mitigation measures and monitoring activities set out in the EMP cover the pre-construction, construction, and operation stages of the project. The RD has a division of resettlement and environmental protection, managed by a division Head. The division has two units: one for environmental and the other for resettlement. Both units are well staffed with several specialists for various ongoing donor-funded projects. The environment unit has one specialist dedicated to ADB projects. The RD will be assisted by the supervision consultant's environmental specialists during project implementation. The EMP, which also defines the institutional arrangements and responsibilities for its implementation, will be included in the bidding documents, and in the ensuing contracts.

40. Civil works will only be able to commence once the site specific environmental management plan (SSEMP) is prepared by the contractor, approved by the construction supervision consultant, and submitted to RD.

41. The RD shall ensure that the design, construction, operation and maintenance of road to be financed under the project are carried out in accordance with Asian Development Bank's (ADB) Safeguard Policy Statement (SPS, 2009), the applicable laws and regulations in Georgia, and the initial environmental examination (IEE) and its environmental management plan (EMP). RD shall ensure that potential adverse environmental impacts arising from the project are minimized by implementing all the mitigation and monitoring measures in the EMP. RD shall ensure that:

- (i) The EMP is to be updated based on surveys of the alignment once the detailed design is available and prior to the implementation of civil works;
- (ii) RD with the environmental specialist of the construction supervision consultant will have sufficient resources to implement and record the implementation of the EMP;
- (iii) The contractor prepares and submits to RD and ADB a SSEMP prior to commencing any construction works. The SSEMP will be tailored to the environmental impacts of the site and the specific project activities as planned by the contractor;
- (iv) The contractor is responsible for the day to day implementation of the SSEMP with RD's division of resettlement and environmental protection staff with assistance of the construction supervision consultant will regularly monitor implementation;
- (v) RD, with the help of the construction supervision consultant, will submit to ADB semi-annual environmental reports for the project within 1 month of the close of each half of the calendar year during project implementation, and the reports will include a review of the progress on environmental measures in the IEE and EMP, monitoring of such measures, problems encountered and remedial measures taken;
- (vi) The detailed engineering design and civil works and other contracts for the project incorporate applicable environmental measures identified in the IEE and the EMP; and
- (vii) The project grievance redress mechanism (GRM) will be implemented, and all environmental related complaints will be recorded in the complaints register on site and will be addressed through the procedures set up in the GRM.



42. Should any change in scope take place the RD will inform ADB and undertake due diligence on environment, with the assistance of the supervision consultant's environment specialist. Should any additional study be required it will be conducted, and the IEE updated as required by SPS 2009. If there are any unanticipated environmental impacts, they would be reviewed and a corrective action plan will be prepared by the contractor for implementation under the supervision of the division of resettlement and environmental protection with assistance, as required by the supervision consultant.

## **B. Land Acquisition and Resettlement**

43. The project is category B for involuntary resettlement safeguards. A draft land acquisition and resettlement plan (LARP) has been prepared in 2015. Given that civil works will be implemented in two separate contracts, two final LARPs, one for each contract, will be prepared based on the draft LARP and on the detailed design of the project. During project preparation stage, community consultations have been conducted and all the requirements of the ADB's Safeguard Policy Statement (2009) were followed, and all requirements shall be met during LARP implementation. A grievance redress mechanism (GRM) will be established once the first final updated LARP is available following the completion of the detailed design process. During the LARP update, consultation and disclosure activities will continue to be undertaken with the affected households and concerned groups. Professional valuation shall be carried out to determine the current market value of land and non-land assets. The final LARPs shall be disclosed to affected persons and households and will be submitted to ADB for review and concurrence. LARP implementation activities shall not commence until the final "implementation ready" resettlement plan has been agreed between ADB and RD.

44. Civil works contract will be awarded once at least 50% of all land acquisition and resettlement required for that contract based on land area as set out in the project's approved LARP, have been completed, and all project-affected people in this part of the LARP have been compensated in accordance with the provisions of the LARP. This requirement will be stipulated in the civil works bidding and contract documents. The compliance report prepared by RD will be used by ADB to issue no objection for starting civil works.

45. RD must ensure that the updated LARPs and any future updates are in accordance with the applicable Georgian laws and regulations, and ADB's SPS (2009), and:

- (i) the updated and final LARPs are disclosed to displaced persons;
- (ii) the final LARPs are submitted to ADB for review and clearance prior to award of any civil works contract;
- (iii) all land and rights of way required for the project are acquired and made available in a timely manner;
- (iv) all compensation and resettlement assistance are provided to displaced persons prior and the compensation program of the LARP is fully implemented prior to issuing any notice to proceed;
- (v) efficient grievance redress mechanisms is in place to assist displaced persons resolve queries and complaints in a timely manner;
- (vi) adequate staff and resources are made available for supervising and monitoring the implementation of the LARPs, and reports are submitted to ADB at the completion of the LARP implementation process; and
- (vii) if during implementation of the LARPs, any changes to the location, land alignment of roads, or additional environmental and/or resettlement impacts are identified, the LARPs are updated and prior approval by ADB and the relevant

borrower's agencies is obtained before further implementation of the LARPs.

### **C. Indigenous Peoples**

46. The project area is inhabited by an overwhelming Georgian majority. No indigenous people per the definition of ADB's SPS (2009) exist within the project area. The inhabitants have full and equal access to institutions and economic opportunities as the rest of the population. The project is classified as category C for indigenous people.

### **D. Execution of Contracts for Works**

47. RD will ensure that, subsequent to award of a works contract, no notice to proceed is issued to the contractor until the applicable provisions of the LARP (including timely payment of compensations to affected persons), the updated IEE report and EMP have been complied with. RD will ensure that any unanticipated impact during civil works will be addressed by the contractor in accordance with ADB's SPS (2009).

48. It is a condition for the award of the project's civil works contracts that ADB has received certification from the borrower through RD that unencumbered land and rights of way required for Project implementation have been obtained.

## **VIII. GENDER AND SOCIAL DIMENSIONS**

49. The project is categorized as *some gender elements*. Direct social impacts will be decreased travel times from about 4 hours to 2 hours for the 50 km route, and increase of motorable days (the area suffers from heavy snow and rain) from 270 to 330 days per year. For approximately 200 students at the 3 schools along the route, that is 2 months extra utilizing school bus services rather than walking through snow, and potentially life-saving access to medical facilities for those suffering catastrophic health events, including complicated childbirth, accidents and emergencies, potentially especially advantageous to females. Access to markets for the producers of agricultural goods will be enhanced, as will access to the nearby Borjomi-Kharagauli National Park (1-7 day hiking trails, mountain biking, horse riding) and health resort of Nunisi (mineral springs, hotel and camp site) by tourists, bringing future service sector job opportunities. Additionally, the road will serve as an alternate route to the main E-60 highway in case of landslide or avalanche. Road designs will include road improvement to all weather standard including paved road and shoulders which offer time savings especially to time-burdened women. Gender designs will include: i) At least 2 focus group discussions (each with at least 8 women) towards the project end to assess whether the improved roads have reduced women's time, poverty and/or improved the quality of their lives; ii) Entrepreneurship training for 100 persons, of whom 50% are women, will be provided to encourage women to stay in the area and establish and manage their own businesses or livelihoods especially related to tourism related activities; iii) Road safety awareness campaigns in Kharagauli town and communities in the vicinity of schools with 50% of women and girls participating, concentrating road safety awareness on school trips. In addition, women along the route are supportive, have expressed interest in construction related work and hope to benefit from any resulting localized economic growth. The other aspects of social and gender impact to be monitored are included in the LARP and EMP, which include consultation and fair compensation for project affected households, traffic management and safety for local transport during construction, and protection of local water resources.

## IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

### A. Project Design and Monitoring Framework

<b>Impact: the Project is aligned with</b> Increased economic activity in the Kharagauli municipality and surrounding regions and national connectivity (Socioeconomic Development Strategy of Georgia [Georgia 2020]). <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting</b>	<b>Risks</b>
<b>Outcome</b> Improved efficiency and increased mobility and accessibility of the residents of the Kharagauli municipality and tourists visiting the project area	By 2022: a. Number of visitors to the Borjomi–Kharagauli National Park from the Kharagauli entrance increased by 30% (2014 baseline 2500 visitors)  b. Average journey time by road between Dzirula and Chumateleti reduced to at most 2 hours (2014 baseline: 4 hours)  c. Traffic using the project road increased to 46,000 average daily vehicle-km (2014 baseline: 19,000 average daily vehicle-km)	a. Borjomi-Kharagauli National Park visitor statistics  b–c. Roads Department of Georgia statistics and National Statistics Office of Georgia, project performance management system and project completion report	An inadequate road maintenance budget may jeopardize the sustainability of large investments in the road network, and preservation of road assets
<b>Output</b> Dzirula- Chumateleti road section improved and open to traffic	a. 50-km road section between Dzirula and Chumateleti improved to two-lane all-weather standard with IRI less than 6 m/km by 2021 (2014 baseline: 15 m/km)  b. Entrepreneurship training for 100 persons of whom 50% are women provided by 2021 (2014 baseline: 0)  c. Average annual usability of the entire road increased to 330 days by 2022 (2014 baseline: 270 days)	a–b. Executing agency's project completion reports.  c. Executing agency's statistics and National Statistics Office of Georgia, project performance management system and project completion report	Delayed procurement of detailed design may affect timeliness of procurement of civil works  Safeguards complaints may delay progress in project implementation
<b>Key Activities with Milestones</b>			
<b>1. Dzirula-Chumateleti road section improved and open to traffic</b> 1.1. Recruit construction supervision consultant by September 2017 1.2. Complete detailed design by November 2017 1.3. Complete civil works procurement by February 2018 1.4. Complete project road construction, including access to the national park and railway stations and open to traffic by September 2020			
<b>Inputs</b> ADB: \$80.0 million (OCR loan) Borrower: \$13.8 million			
<b>Assumptions for Partner Financing</b> Not Applicable			

ADB = Asian Development Bank, IRI = international roughness index, km = kilometer, OCR = ordinary capital resources.

<sup>a</sup> Government of Georgia. 2014. "Socioeconomic Development Strategy of Georgia (Georgia 2020)". Tbilisi.

Source: Asian Development Bank.

## B. Monitoring

50. **Project performance monitoring.** RD will require the Engineer to (i) collect additional data from relevant agencies, including local governments and statistics bureaus, (ii) to measure the performance indicators at inception, at completion, and 3 years after project completion; and (iii) report key findings quarterly to ADB through the project's quarterly project reports.

51. **Compliance monitoring.** RD will provide an annual report on the project's compliance with legal, financial, economic, environmental, social and other covenants.

52. **Safeguards monitoring.** RD will monitor the implementation of the environment and resettlement action plans. The quarterly report will include the status of these plans. The environmental management plan (EMP) will be monitored and reported to ADB bi-annually with the assistance of supervision consultant team, the performance and results of which (through EMP reports) will be uploaded in ADB website. Construction environmental monitoring is a day to day process, which ensures that departures from the EMP are avoided or quickly rectified, or that any unforeseen impacts are quickly discovered and remedied. Specific actions in the EMP that are to be monitored are included in the environmental impact assessment. These include the preparation of plans for aspects of the work, such as construction camps, borrow pits and quarries, establishing crusher and asphalt facilities, and a site safety plan, which need to be completed and approved during the preconstruction phase. Also included are air, noise, and water quality monitoring parameters as required in the IEE report, and regular monitoring of the condition of the road surface, bridges, culverts, drainage structures and slope protection structures. In addition, information on the locations, type and consequences are included. If there are any unforeseen safeguards impacts or incidents these will be reported to ADB immediately for necessary action. RD will engage individual consultants for periodic inspection and reporting on safeguard matters.

53. **Gender and social dimensions monitoring.** RD, through the supervision consultant, will monitor the impact on gender and social dimensions through regular quarterly reports.

54. Information leaflets prepared and disseminated during previous training sessions to workers and residents in the project area to counter the spread of socially transmitted diseases will be continued and monitored by the RD and the Engineer.

## C. Evaluation

55. Within 6 months of physical completion of the Project, RD will submit a project completion report to ADB.<sup>9</sup>

## D. Reporting

56. RD will provide ADB (i) monthly progress reports (by the 10th of the following month) in the format acceptable to ADB; (ii) consolidated annual reports including (a) physical and financial progress, (b) key implementation issues and solutions; (c) updated procurement plan and (d) updated implementation plan for next 12 months; and (iii) a project completion report within 6 months of physical completion of the Project.

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<sup>9</sup> Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

## **E. Stakeholder Communication Strategy**

57. Extensive consultations were conducted at various stages of social and resettlement project preparation including feasibility study, initial environmental examination, cadastral survey of affected lands, land census survey, socioeconomic survey, and targeted consultation meetings with affected people and local stakeholder organizations and individuals. Community consultations were held through focus group discussions at various locations. The consultations will continue throughout the project cycle. A resettlement information leaflet containing information on compensation, entitlement, and resettlement management adopted for the project will be made available in the local language (Georgian) and distributed to affected persons. Each affected person will be provided information regarding specific entitlements. Information sharing on LARP entitlement will be shared at the village level through consultation and through formal public consultation during the public hearing. The summary LARP will be translated into the local language and disclosed to affected persons at the local level. A copy of the LARP will be available at RD. The same will be available for the affected persons as and when asked for.

## **X. ANTICORRUPTION POLICY**

58. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.<sup>10</sup> All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all project contractors, suppliers, consultants, and other service providers. Individuals and/or entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.<sup>11</sup>

59. To support these efforts, relevant provisions are included in the loan agreement and the bidding documents for the project.

## **XI. ACCOUNTABILITY MECHANISM**

60. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make an effort in good faith to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.<sup>12</sup>

## **XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL**

61. {All revisions and/or updates during the course of implementation should be retained in this section to provide a chronological history of changes to implemented arrangements recorded in the PAM, including revision to contract awards and disbursement s-curves.}

<sup>10</sup> Anticorruption Policy: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

<sup>11</sup> ADB's Integrity Office web site: <http://www.adb.org/integrity/unit.asp>

<sup>12</sup> Accountability Mechanism. <http://www.adb.org/Accountability-Mechanism/default.asp>.

## PROCUREMENT PLAN

### Basic Data

<b>Project Name:</b> Secondary Road Improvement Project	
<b>Project Number:</b> 46375-002	<b>Approval Number:</b>
<b>Country:</b> Georgia	<b>Executing Agency:</b> Ministry of Regional Development and Infrastructure of Georgia
<b>Project Procurement Classification:</b> Category B	<b>Implementing Agency:</b> Road Department-Ministry of Regional Development and Infrastructure
<b>Project Procurement Risk:</b> High	<b>Project Closing Date:</b> 28 February 2022
<b>Project Financing Amount:</b> US\$ 93,800,000 <b>ADB Financing:</b> US\$ 80,000,000 <b>Cofinancing (ADB Administered):</b> <b>Non-ADB Financing:</b> US\$ 13,800,000	
<b>Date of First Procurement Plan:</b> 1 March 2017	<b>Date of this Procurement Plan:</b> 1 March 2017

### A. Methods, Thresholds, Review and 18-Month Procurement Plan

#### 1. Procurement and Consulting Methods and Thresholds

Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works		
Method	Threshold	Comments
International Competitive Bidding for Works	US\$ 5,000,000 and Above	

Consulting Services	
Method	Comments
Least-Cost Selection for Consulting Firm	
Quality- and Cost-Based Selection for Consulting Firm	
Individual Consultants Selection for Individual Consultant	

#### 2. Goods and Works Contracts Estimated to Cost \$1 Million or More

The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value	Procurement Method	Review (Prior/Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments
SRP-CW1	Road Rehabilitation km 30-50	37,000,000.00	ICB	Prior	1S1E	Q3 / 2017	Prequalification of Bidders: N  Domestic Preference Applicable: N  Advance Contracting: Y  Bidding Document:

Package Number	General Description	Estimated Value	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments
							Large Works
SRP-CW2	Road Rehabilitation km 0-30	33,000,000.00	ICB	Prior	1S1E	Q4 / 2017	Prequalification of Bidders: N  Domestic Preference Applicable: N  Advance Contracting: Y  Bidding Document: Large Works

### 3. Consulting Services Contracts Estimated to Cost \$100,000 or More

The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value	Recruitment Method	Review (Prior/ Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
SRP-CS1	Construction Supervision Consultant	4,000,000.00	QCBS	Prior	Q1 / 2017	FTP	Assignment: International  Quality-Cost Ratio: 90:10  Advance Contracting: Y

### 4. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

The following table lists smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

Goods and Works								
Package Number	General Description	Estimated Value	Number of Contracts	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments
None								

Consulting Services								
Package Number	General Description	Estimated Value	Number of Contracts	Recruitment Method	Review (Prior/ Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
SRP-Audit	Financial Auditor	50,000.00	1	LCS	Prior	Q4 / 2017	BTP	Assignment: National  Advance Contracting: N

Consulting Services								
Package Number	General Description	Estimated Value	Number of Contracts	Recruitment Method	Review (Prior/Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
SRP-Project Management	Project Management Consultants	350,000.00	5	ICS	Prior	Q3 / 2017		Assignment: International  Expertise: various  Advance Contracting: N  Comments: International and/or National (expertise and number of contracts to be determined)
SRP-Safeguards	Safeguards Consultants	100,000.00	4	ICS	Prior	Q3 / 2017		Assignment: National  Expertise: various  Advance Contracting: N  Comments: Expertise and number of contracts to be determined

## B. Indicative List of Packages Required Under the Project

The following table provides an indicative list of goods, works and consulting services contracts over the life of the project, other than those mentioned in previous sections (i.e., those expected beyond the current period).

Goods and Works							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Review (Prior/Post)	Bidding Procedure	Comments
None							

Consulting Services							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Review (Prior/Post)	Type of Proposal	Comments
None							



## **DRAFT TERMS OF REFERENCE OF CONSULTANTS**

### **CONSTRUCTION SUPERVISION CONSULTANT**

#### **I. Background**

1. The project's civil works will be implemented through two civil works contracts. The contracts will be procured in accordance with ADB's Procurement Guidelines (2015, as amended from time to time), and will be signed when the ADB loan for the project has been declared effective. The contract is based on the FIDIC Conditions of Contract Multilateral Bank Harmonized Edition June 2010.

2. An association of qualified international and national consultants (the Consultant) will be recruited to provide the services and assist the Roads Department of Georgia (RD), the Employer for the contracts, with project implementation. The Consultant will be recruited following ADB's quality- and cost-based selection (QCBS) method with a quality: cost ratio of 90:10 and submission of full technical proposals, in accordance with ADB's Guidelines on The Use of Consultants (2013, as amended from time to time).

#### **II. Objective of the Assignment**

3. The primary objectives of the consulting services are to:

- (i) Construction supervision: function as the Engineer in administering the civil works contract in accordance with the Conditions of Contract and advise the Employer on all matters concerning implementation of the contract including quality control, work progress, and dispute resolution; and
- (ii) Project management: provide support to the Employer for environment and resettlement monitoring, road safety audits, financial management, and advance procurement activities for the proposed subsequent project.

#### **III. Scope of Work**

4. As Engineer for the contract, the Consultant will undertake all of the duties required of the Engineer to ensure that the contracts are constructed and completed in accordance with their provisions. The main tasks of the Consultant will include but are not limited to the following:

- (i) reviewing the project's detailed designs to identify any significant aspects that require amendment before construction commences, and inform the Employer of these for its decision as to whether changes to the designs are to be made;
- (ii) on the basis of this review, and the Employer's decisions, accepting the designs as suitable for construction;
- (iii) ensuring that the contractors' topographical survey and cross sections to be used for working drawings, as-built drawings and measurement purposes comply with the requirements of the specifications;
- (iv) checking and approving the contractors' road and bridge construction methods and program for both temporary and permanent structures;
- (v) developing a comprehensive system of inspection checking and recording to ensure compliance of all works with the specifications;
- (vi) developing interim and final measurement and payment systems; establishing a monitoring system for costs to date, and costs to completion; providing a system

- for the preparation of interim and final payment certificates; providing advice on the evaluation of claims and extensions of time; providing advice on the preparation of variation orders, and for monitoring variation orders; establishing a claims monitoring, evaluation and reporting system; and assisting and advising the Employer on all matters pertaining to the contracts and to disputes;
- (vii) providing day-to-day supervision and inspection of works on site; maintaining by the supervision staff of a site diary covering all contractors' activities, and recording site conditions;
  - (viii) prior to commencement of works, approving of the contractors' construction plans including traffic management and traffic control arrangements, proposed public and private haul and access routes, together with the contractors' arrangements for maintenance and reinstatement of the same, borrow locations, working areas, materials stockpile areas, materials mixing, and processing areas, etc.;
  - (ix) reviewing, commenting upon, and accepting the contractors' quality assurance plans and procedures; assisting the contractors with establishing on-site and laboratory based quality control, testing, and reporting procedures for all construction, workmanship, and materials; supervising the contractors in implementation of the quality assurance plans;
  - (x) together with the , the contractors, and public utility agencies, identify all utility services (electricity, telecommunication, and water), if any, within the right-of-way that are to be protected and marked to avoid damage, or relocated, as required by the works;
  - (xi) assisting the RD in implementing and monitoring the project's land acquisition and resettlement plan;
  - (xii) receiving, commenting on and ultimately approving the contractors' environmental management plan;
  - (xiii) monitoring the contractors' programs and costs to completion and providing advice to the Employer on procedures necessary to complete the works within the time and cost stated in the works contract;
  - (xiv) preparing reports and providing assistance, as necessary and as required, to the Disputes Board and during any subsequent arbitration procedures;
  - (xv) conducting on-site workshops and providing comprehensive technical guidelines to staff of the RD, and to the national consultants, in contract administration, measurement and certification, construction supervision, quality control, in-situ and laboratory testing and reporting, monitoring and appliance of environmental and social safeguards; monitoring and implementation of the resettlement plan, and other activities as required;
  - (xvi) conducting monthly Contract Site Meetings, to be attended by representatives of the Employer and the contractor; attending and making presentations at progress coordination meetings and similar progress reviews;
  - (xvii) providing the Employer with complete records and assisting the contractor with providing "As Built" drawings for the contracts; certifying completion and taking over of part or all of the works; and
  - (xviii) preparing Final Payment Certificates, Taking Over Certificates, and Performance Certificates, to the timing of, and as required by, the contract, and advising the Employer on the release of all contractors' securities and retentions.

5. In addition to the above tasks on construction supervision, the consultant will also undertake additional tasks, including but not limited to the following:

- (i) conducting road safety audits at pre-construction, in-construction and post-construction stages; and on the basis of those audits, direct the contractor to implement such additional works as may be necessary to ensure the completed road meets appropriate internationally-accepted road safety standards;;
- (ii) preparing progress reporting as required and as defined in Section V of these TOR;
- (iii) assist the Employer as required with preparing withdrawal applications for disbursements from the ADB loans for the project; and
- (iv) providing on-the-job training for the Employer's counterpart staff.

#### IV. Team Composition and Qualification Requirements for Key Experts

6. The consultant will provide approximately 547 person-months of consulting services: 101 person-months of international inputs and 446 person-months of national inputs (**Table 1**). All key experts marked with an asterisk in **Table 2** will be evaluated individually. The services will be provided over a period of 42 months, commencing tentatively in Q2 2017.

**Table 1: Team Composition and Personnel Inputs**

<b>International positions</b>	<b>Key expert</b>	<b>Person-months</b>	<b>National positions</b>	<b>Key expert</b>	<b>Person-months</b>
Team Leader/Project Management Specialist/ Highway Engineer	Yes	38	Deputy Team Leader/Highway Engineer	Yes	38
Senior Resident Engineer	Yes	36	Site Engineer/Bridge Inspector	Yes	36
Senior Bridge Engineer	Yes	3	Materials Engineer	Yes	36
Road Safety Specialist	Yes	6	Site Engineer/Road Inspector (2 positions)	Yes	72
Senior Materials Engineer/ Quality Assurance Engineer	Yes	6	Highway Design Engineer/ Pavement Design Engineer	Yes	6
Senior Geotechnical Engineer	Yes	3	Geotechnical Engineer	Yes	6
Social Safeguards Specialist	Yes	3	Social Safeguards Specialist	Yes	12
Environmental Specialist	Yes	3	Environmental Specialist	Yes	36
<b>Subtotal A (international key experts)</b>		<b>98</b>	<b>Subtotal A (national key experts)</b>		<b>242</b>
Head office support	No	3	CAD Specialist	No	24
			Surveyors	No	36
			Laboratory Technician (2 positions)	No	72
			Translator/Interpreter (2 positions)	No	72
<b>Subtotal B (international non-key experts)</b>		<b>3</b>	<b>Subtotal B (national non-key experts)</b>		<b>204</b>
<b>Total international consultants (A+B)</b>		<b>101</b>	<b>Total national consultants (A+B)</b>		<b>446</b>

**Table 2: Qualifications Requirements for Experts**

<b>International Consultants</b>		<b>Person-months</b>
Team Leader/Project Management Specialist/ Highway Engineer*	Civil engineering degree, preferably with post graduate qualifications, with preferably 15 years of relevant experience in the management of multi-disciplinary projects, highway design and the administration of large	38 full-time

	civil works contracts under FIDIC-type conditions.	
Senior Resident Engineer*	Civil engineering degree, with preferably 15 years of relevant experience in the site management of large road projects, and the administration of large civil works contracts under FIDIC-type conditions.	36 full-time
Senior Bridge Engineer*	Civil engineering degree, preferably with post graduate qualifications, with preferably 15 years of relevant experience in bridge design and construction.	3 intermittent
Road Safety Specialist*	Civil engineering or other relevant degree, preferably with post graduate qualifications, with preferably 10 years of relevant experience in road safety audit, designing road safety remedial works, and road safety policy development and implementation.	6 intermittent
Senior Materials Engineer/Quality Assurance Engineer*	Civil engineering degree, preferably with post graduate qualifications, with preferably 15 years of relevant experience in road and bridge design and construction, including 8 years in quality assurance.	6 intermittent
Senior Geotechnical Engineer*	Geotechnical engineering degree or other relevant degree, preferably with post graduate qualifications, with preferably 15 years of relevant experience in geotechnical works for road projects similar to those that will be encountered on the project road, including pavement design.	3 intermittent
Social Safeguards Specialist*	University degree (Bachelors or above) in social sciences or social science related areas with preferably 8 years of relevant experience in preparation and implementation of land acquisition and resettlement and other social safeguards delivery for large infrastructure projects, including experience with ADB's Safeguard Policy Statement (2009).	3 intermittent
Environmental Specialist*	University degree (Bachelors or above) in environment or environment related areas with preferably 8 years of relevant experience in environmental impact assessment and monitoring for large infrastructure projects, including experience with ADB's Safeguard Policy Statement (2009).	3 intermittent
Head office support	Appropriate resources and expertise, to include river training and similar works.	3 Intermittent
<b>National Consultants</b>		<b>Person-months</b>
Deputy Team Leader/Highway Engineer*	Civil engineering degree, preferably with post graduate qualifications, with preferably 10 years of relevant experience in highway design and construction.	38 full-time
Site Engineer/Bridge Inspector*	Civil engineering degree or above, with preferably 8 years of related experience in bridge construction.	36 full-time
Materials Engineer*	Civil engineering degree or above or other relevant degree, with preferably 10 years of relevant experience in material investigation and testing for road and bridge construction.	36 full-time
Site Engineer/Road Inspector (2 positions)*	Civil engineering degree or above, with preferably 8 years of relevant experience in road construction.	72 full-time
Highway Design Engineer/Pavement Design Engineer*	Civil engineering degree or above, with preferably 10 years of relevant experience in highway design, including with computer-based highway design software packages.	6 intermittent
Geotechnical Engineer*	Geotechnical engineering degree or above or other relevant degree, with preferably 10 years of related experience in the design of slope stabilization works, road and bridge design and construction.	6 intermittent
Social Safeguards	Degree in social sciences or social science related areas	12

Specialist*	with preferably 8 years of related experience in land acquisition and resettlement and social safeguards, and familiar with relevant national laws and regulations.	intermittent
Environmental Specialist*	Degree in environmental engineering or environment related areas with preferably 8 years of relevant experience in environmental monitoring of road works, and familiar with relevant national laws and regulations.	36 full-time
CAD Specialist	Relevant degree or diploma with preferably 8 years of relevant experience in road and bridge design using computer-based road design software.	24 full-time
Surveyors	Engineering degree equivalent or above, with at preferably 8 years of relevant experience in highway-related survey work.	36 full-time
Laboratory Technician (2 positions)	Technical college diploma or above, with preferably 8 years of relevant experience in road and bridge construction.	72 full-time
Translators (2 positions)	Relevant qualifications with 5 years of experience in English/Georgian translation of technical documentation.	72 full-time

7. The position-based TOR including main tasks and duties are outlined below for each key expert. The national consultants will assist and perform tasks as detailed by the counterpart international consultants and the Team Leader and report to them respectively.

#### A. International Consultants

##### a. Team Leader/Project Management Specialist/ Highway Engineer (38 person-months, full-time)

8. The scope of duties of the Team Leader/Project Management Specialist/ Highway Engineer shall include, but will not be limited to the following:

- (i) coordinate all consultants' inputs including design review and approvals, management of all civil works contracts, preparation of typical designs and bidding documents, resettlement and environmental monitoring, and nonphysical components implementation monitoring which covers coordination and facilitation of project activities, and timely reporting and provision of related project information;
- (ii) review, check and approve the designs and construction drawings prepared by contractors; advise the Employer on the suitability of the designs and consider the Employer's comments before approving the designs;
- (iii) appoint various members of the Engineer's construction supervision team as the engineer's assistants and notify the contractor and the Employer, and approve the contractor's representative;
- (iv) verify whether the performance securities comply with the contract requirements, whether they are in the correct amounts and currencies, and notify the Employer accordingly;
- (v) advise the Employer whether to accept the performance securities;
- (vi) request contractors to increase the amount of the performance security if the contract price increases and monitor the validity of the performance security until the issue of the performance certificate;
- (vii) verify whether the bank guarantee for advance payment is in the form specified in the contracts and in the amount and currencies stated in the particular conditions of the contract;

- (viii) verify whether the bank guarantee for advance payment has been issued by entities acceptable to the Employer and that the guarantee is valid until the entire advance payment has been recovered;
- (ix) interpret the specific provisions of the contract related to the Employer's obligation to give possession of the site, and the contractors' work programs, assess the contractual consequences of any specific land acquisition issue and advise the employer on the appropriate mitigation measures;
- (x) obtain the parties' confirmation that all conditions in Sub-Clause 8.1 of the FIDIC Conditions of Contract are fulfilled;
- (xi) issue instructions to contractors to commence the works and record the parties' agreement according to Sub-Clause 8.1 of the FIDIC Conditions of Contract;
- (xii) verify whether the form and substance of the evidence of the contractors' insurances is satisfactory, whether insurance premiums have been paid and the required insurances are effective on the dates required by the contract;
- (xiii) verify that the terms of the contractors' insurance policies fully comply with the requirements of the contract including:
  - a. whether both the employer and the contractor are adequately covered as insured principals;
  - b. amounts insured and currencies of payment, validity of the insurance policies, special conditions;
  - c. limits of insurance per event and in aggregate, deductibles, excess, conditions related to locations; and
  - d. whether and which subcontractors are covered by the insurances, and whether additional insurances will be required if a contractor engages a new subcontractor.
- (xiv) monitor whether the contractors maintain adequate insurance in the course of performance of the contract, particularly if they provided initial insurances for a fixed period which is shorter than the period required under the contract;
- (xv) advise the employer on the appropriate action and contractual remedies in case that any contractor does not perform its insurance obligations in accordance with contract;
- (xvi) review contractors' work programs;
- (xvii) monitor the works progress against the work program and the cash flow estimate and request revisions, if required;
- (xviii) report in the consultant's monthly report the work progress against contractors' work programs and cash flow estimates;
- (xix) verify whether the progress charts in the contractors' quarterly progress reports reflect the actual progress and correspond to the latest revision of the work programs and cash flow estimates, and instruct the contractors to correct the reports, if required;
- (xx) if required, determine contractors' entitlements to time extensions in accordance with the contract;
- (xxi) determine the employer's entitlement to delay damages and advise the employer of the relevant contractual remedies if a contractor's progress is behind schedule;
- (xxii) verify contractors' quarterly progress reports and notify the contractors of any incorrect or inconsistent information;
- (xxiii) conduct regular weekly site meetings and monthly progress meetings, record and distribute the minutes;

- (xxiv) issue regular notices to contractors of intended field measurements, measure the works, compute the quantities for payment, and determine the amounts due to contractors within the period specified in the contract;
- (xxv) establish and maintain throughout the time for completion of all works contracts a structured system of measurement records, supporting documents and calculations for the payment of all works items, that is transparent for auditing purposes;
- (xxvi) provide all necessary assistance to the employer and external auditors for conducting regular audits of the measurement records, supporting documents and calculations for the payment of all BoQ items;
- (xxvii) verify the sources of indices or prices for price adjustment, determine a provisional value of an index/reference price until it is published, but, if the index is not published in certain period(s), apply the last available published value;
- (xxviii) establish a standard format for contractors' statements and interim payment certificates;
- (xxix) prepare and maintain the estimates of cost of works to completion continuously, update the estimates after each variation instruction or a variation order issue and after each interim payment certificate, and present the latest estimate in the engineer's monthly and semi-annual progress reports;
- (xxx) initiate and process variations promptly;
- (xxxi) request contractors' technical and cost proposals for variations, as required;
- (xxxii) value variations, obtain the employer's approval of any variation that is outside the Engineer's authority to approve, issue variations under the contract, keep record of all variations issued under the contract and report the summary of the variations in the consultant's monthly progress reports;
- (xxxiii) when the works are completed in accordance with the contract, issue taking over certificates to contractors;
- (xxxiv) undertake an inspection of the works at completion, and certify contractors' final accounts;
- (xxxv) obtain the employer's specific approval before taking any action for determination of extension of time, additional costs and contractors' claims for additional time or costs, for all events for which the employer's express approval is required under the conditions of contract;
- (xxxvi) prepare standard daily diary forms and ensure that all supervision staff maintain daily diaries of contractors' and their own activities;
- (xxxvii) maintain an events log from the commencement of the contract;
- (xxxviii) assist the Employer and the contract with establishing the dispute board, if required,;
- (xxxix) establish and maintain an effective electronic documents management system,
- (xl) carry out detailed inspections of the works during the defects notification period and prepare detailed inspection and recommendation reports for the employer after each inspection;
- (xli) ensure that the contractors provide a safe workplace for their workforce, supervisory personnel and for members of the public requiring access through the sites in full conformity with health and safety regulations;
- (xlii) ensure that the contractors comply fully with the requirements of the contract – specific environmental management plans and provide all reports and obtain all permits and permissions required in relation to spoil areas, borrow areas quarries and the like;

- (xlili) keep and maintain daily records of labor, equipment and weather conditions on the site together with records of activity, progress and other events happening on the site and having relevance to the works;
- (xliv) assist the Employer with preparing and submitting to MOT withdrawal applications at the end of each month certifying value the work accomplished in accordance with the contract;
- (xlv) ensure project's compliance with ADB's Safeguard Policy Statement (SPS, 2009) on involuntary resettlement and monitor and report on resettlement plan implementation according to ADB's policy and guidelines;
- (xlvi) ensure that the contractors do not use child labor, and do not differentiate wages between men and women for work of equal value in accordance with all applicable labor laws; and
- (xlvii) ensure that the road safety provisions of the contract are implemented.

**b. Senior Resident Engineer** (36 person-months, full-time)

9. The scope of duties of the Senior Resident Engineer will include, but will not be limited to the following:

- (i) Responsible to the Team Leader for all aspects of contract implementation;
- (ii) Acting as the Team Leader in the Team Leader's absence;
- (iii) Overseeing the activities of all national members of the consultant's team;
- (iv) Providing to the national members of the team, and to RD staff if they require this, formal and onsite training in supervising civil works contracts executed under the FIDIC Conditions of Contract;
- (v) Overseeing all site survey and measurement activities, for setting out the works, controlling their compliance with specification requirements, and for measuring them for payment;
- (vi) Overseeing the operations of the contractor's quality control activities, including its onsite and, as appropriate, offsite laboratories and other materials control facilities; and
- (vii) Ensuring that the contractor complies with all aspects of the project's EMP, and the contractor's site specific EMP.

**c. Senior Bridge Engineer** (3 person-months, intermittent)

10. The scope of duties of the Senior Bridge Engineer shall include, but will not be limited to the following:

- (i) review, evaluate and recommend approval or rejection of contractors' detailed designs and shop drawings of bridges, culverts and all ancillary structures, and propose improvements;
- (ii) review and evaluate hydrological and geotechnical reports and data and make appropriate technical recommendations;
- (iii) provide support to the site engineer/bridge inspector to supervise all structural works on a day-to-day basis;
- (iv) check and sign off all requests for inspection for structural works, including survey records; and
- (v) assist the Team Leader, as required, in all matters related to project implementation, monitoring and reporting.



**d. Senior Materials Engineer/Quality Assurance Engineer** (6 person-months, intermittent)

11. The scope of duties of the Senior Materials Engineer/Quality Assurance Engineer shall include, but will not be limited to the following:

- (i) take samples and test the works and materials to ensure that the works are constructed to the specified standards;
- (ii) conduct at least 10% of all compliance testing with the Engineer's own staff, notwithstanding the contractors' quality assurance systems;
- (iii) inspect all works before they are covered by subsequent work;
- (iv) ensure that the contractors establish and maintain quality assurance systems according to the specified contract requirements;
- (v) recommend approval/rejection of contractors' quality assurance personnel and ensure that only approved personnel are engaged in the contractors' quality assurance teams;
- (vi) audit the contractors' quality assurance systems bi-monthly; and
- (vii) assist the Team Leader, as required, in all matters related to project implementation, monitoring and reporting.

**e. Senior Geotechnical Engineer** (3 person-months, intermittent)

12. The scope of duties of the Senior Geotechnical Engineer shall include, but will not be limited to the following:

- (i) provide clear recommendation on all issues related to subsoil and foundation engineering for bridges, culverts and earth retaining structures, stability of slopes and settlement, and pavement;
- (ii) review contractors' geotechnical reports and materials test reports and recommend approval/rejection;
- (iii) review geotechnical aspects of contractors' designs and recommend approval/rejection;
- (iv) investigate sites and determine the stability of slopes; ensure that all part of the works that involve critical geotechnical conditions, such as embankments, excavations, are analyzed carefully, and that designs for these are appropriate; and
- (v) assist the Team Leader, as required, in all matters related to project implementation, monitoring and reporting.

**f. Road Safety Specialist** (6 person-months, intermittent)

13. The scope of duties of the Road Safety Specialist shall include, but will not be limited to the following:

- (i) prepare guidelines and training material on safe arterial roads design to be piloted where practicable on the project road;
- (ii) conduct road safety reviews and audits at pre-construction, in-construction and post-construction stages to ensure the completed project road meets appropriate internationally-accepted road safety standards, and provide appropriate reports for each of these audits;

- (iii) review the detailed design documents to ensure that the results of the road safety audit have been duly incorporated;
- (iv) monitor the contractor's method statements for each part of the works to ensure that road safety concerns and remedial measures have been incorporated;
- (v) ensure that the contractor complies with contract requirements for traffic management, including road signing;
- (vi) assist MOT in unifying and standardizing traffic and road signs for its road networks;
- (vii) prepare training workshops and public campaigns for the people in the project area (including schools and communities) on traffic regulations and road safety issues; and
- (viii) assist the Team Leader, as required, in all matters related to project implementation, monitoring and reporting.

**g. Social Safeguards Specialist** (3 person-months, intermittent)

14. The scope of duties of the Social Safeguards Specialist shall include, but will not be limited to the following:

- (i) arrange the work program and activities to conform to the project work program, and ensure the availability of the involuntary resettlement (IR) expertise and support during crucial stages of the project, until the project's resettlement plan has been fully implemented;
- (ii) prepare the required safeguard documents for any new IR impacts during project implementation for ADB review and endorsement before implementation. The documents are to be prepared in consultation with affected people;
- (iii) monitor, evaluate and report on the implementation of the updated and finalized RP processes conforming to the Borrower's regulations and ADB's Safeguard Policy Statement (2009), as the project proceeds. Document all grievances dealt with under the process established by the project, and report to borrower, ADB and the Team Leader;
- (iv) audit and review compliance with the updated and finalized Resettlement Plan (RP) and other RP addendums as required, and the fair and equitable settlement of the compensation and rehabilitation of affected persons and structures under the provisions of the Land Acquisition and Resettlement Plan (LARP) and ensure that the impacts conform with those expected and satisfy ADB's Safeguard Policy Statement (2009). The findings, issues and non-compliance, and any variance from the provisions of the LARP are to be reported to the borrower, ADB and the Team Leader;
- (v) provide assistance to the Employer, the borrower and the project in identifying, facilitating and resolving LARP issues;
- (vi) monitor and report the implementation of the project's GRM through complaint cases registered in the GRM committee. Provide any improvement (if any) for the project GRM for better complaint's resolution. Include the GRM implementation status in the project progress reports;
- (vii) contribute to progress reports on RP matters with particular reference to lessons learned;
- (viii) review the RP in the light of the experience of applying the plan with recommendations for LARP processes and approach for similar projects in the future;

- (ix) assess capacity building and on-the-job instruction needs for the national resettlement specialist, the Employer's staff, and district and local government staff involved in resettlement activities. Develop and submit a training and capacity building program to the Team Leader within one month of the commencement of services; and
- (x) provide summary reports of the capacity building and instruction activities at the end of each visit by the specialist to the project to monitor LARP compliance; and
- (xi) assist the Team Leader, as required, in all matters related to project implementation, monitoring and reporting.

**h. Environmental Specialist (3 person-months, intermittent)**

15. The scope of duties of the Environmental Specialist shall include, but will not be limited to the following:

- (i) assist the Employer and the Team Leader in reviewing and approving the contractor's site specific environmental management plan (SSEMP), to be based on the project's Environmental Management Plan;
- (ii) monitor day-to-day compliance with the SSEMP;
- (iii) provide capacity building, training and other support to the Employer and the contractor's staff, including orientation on environmental requirements and the management and monitoring of mitigation provisions before construction commences;
- (iv) incorporate EMP provisions into the inspection documentation prepared for the supervision team;
- (v) provide advice and support to the consultant's national environment expert and staff of the Employer in supervision of works to ensure EMP compliance;
- (vi) periodically review monitoring reports, including the bi-annual EMP compliance report, and identify any adaptations or improvements necessary to ensure that the EMP is being properly implemented;
- (vii) assist with the preparation of progress reports, and develop the competence of the national environmental expert and counterpart staff for the preparation of such reports;
- (viii) in the final stages of construction, review the EMP monitoring provisions and establish the monitoring system for the operational phase of the project; and
- (ix) assist with the production of manuals, booklets, brochures and pamphlets for public awareness related to the project's environmental management; and
- (x) assist the Team Leader, as required, in all matters related to project implementation, monitoring and reporting.

**B. National Consultants**

**a. Deputy Team Leader/Highway Engineer (39 person-months, full-time)**

16. The scope of duties of the Deputy Team Leader/Highway Engineer shall include, but will not be limited to the following:

- (i) assist the Team Leader, as required, in all matters related to project implementation, monitoring and reporting;
- (ii) supervise the operation and construction activities of the contractors on a daily basis;

- (iii) ensure that the construction methods proposed by the contractors are satisfactory and inspect the same during construction;
- (iv) inspect all workmanship before the same is covered up by subsequent work;
- (v) make necessary measurements to ensure that the works are constructed to specified tolerances, lines, and levels;
- (vi) verify contractors' statements and recommend them to the Engineer for certification; and
- (vii) ensure project's compliance with ADB's Safeguard Policy Statement (2009) on involuntary resettlement to avoid or at least minimize involuntary resettlement impacts in collaboration with social safeguard specialists.

**b. Materials Engineer** (36 person-months, full-time)

17. The scope of duties of the Materials Engineer shall include, but will not be limited to the following:

- (i) inspect the borrow areas and aggregate sources identified by contractors;
- (ii) review the adequacy of contractors' laboratory setup, testing procedure, scrutinizing the test reports;
- (iii) review mix designs prepared by contractors;
- (iv) monitor and check the quality of contractors' materials and workmanship on a day-to-day basis;
- (v) maintain material testing data base established by the senior materials engineer/quality assurance engineer;
- (vi) ensure enforcement of quality control and quality assurance procedures and keep his/her own site diary;
- (vii) recommend the Engineer's approval/rejection of contractors' materials and workmanship;
- (viii) review the field and laboratory tests procedures and results of the laboratory and field tests;
- (ix) conduct and manage the Engineer's own testing independently from contractors;
- (x) supervise and management of the engineer's technicians and laboratory labor;
- (xi) prepare monthly and quarterly quality assurance reports; and
- (xii) carrying out any other duty required by the international senior materials engineer; and
- (xiii) assist the Team Leader and Deputy Team Leader, as required, in all matters related to project implementation, monitoring and reporting.

**c. Highway Design Engineer/Pavement Design Engineer** (6 person-months, intermittent)

18. The scope of duties of the Highway Design Engineer/Pavement Design Engineer, working with the International Materials and Geotechnical Engineers will include, but will not be limited to the following:

- (i) based on the assessments done during project preparation, update the road condition survey to reflect subsequent changes, and classify and map pavement defects;
- (ii) guide and supervise material investigations related to the pavement defects;
- (iii) analyze and diagnose causes of pavement defects, and recommend adequate remedial treatments of damaged pavements;

- (iv) estimate the quantities of the pavement remedial works that needs to be carried out before the pavement overlay;
- (v) provide technical advice for asphalt overlay works; and
- (vi) assist the Team Leader and Deputy Team Leader, as required, in all matters related to project implementation, monitoring and reporting.

**d. Geotechnical Engineer** (6 person-months, intermittent)

19. The scope of duties of the Geotechnical Engineer shall include, but will not be limited to the following:

- (i) supervise all field investigations and testing;
- (ii) inspect structural foundations;
- (iii) contribute to the analysis of all issues related to subsoil and foundation engineering for bridges, culverts and earth retaining structures, stability of slopes and settlement, and structures included in the civil works contracts;
- (iv) review geotechnical reports and soil test results for all contracts and recommend approval/rejection of such reports;
- (v) carrying out any other duty required by the international senior geotechnical engineer; and
- (vi) assist the Team Leader and Deputy Team Leader, as required, in all matters related to project implementation, monitoring and reporting.

**e. Site Engineer/Road Inspector** (2 positions, 36 person-months each)

20. The scope of duties of the Site Engineer/Road Inspector shall include, but will not be limited to the following:

- (i) under the direction of the International Resident Engineer, ensuring that all road works under the contract, including earthworks, pavement, traffic facility, and other road-related works are undertaken by the contractor in full compliance with the requirements of the contract;
- (ii) receiving from the contract requests for inspection, and undertake inspections based on those requests;
- (iii) confirming that works completed by the contractor comply with the contract in all respects before permitting the contractor to carry out subsequent works that would conceal, overlay, or otherwise cause to be made inaccessible works that had not been accepted as complying with the contract;
- (iv) coordinating with other consultant's team members, for example survey, materials testing and quality control, quantity survey and payment preparation, environment, and others as appropriate, in undertaking the position's responsibilities;
- (v) ensuring on a day-to-day basis that the contractor complies with the project's EMP and the contractor's site specific EMP;
- (vi) carrying out any other duty required by the international senior resident engineer; and
- (vii) assisting the International Resident Engineer and Deputy Team Leader, as required, in all matters related to project implementation, monitoring and reporting.

**f. Site Engineer/Bridge Inspector** (1 position, 36 person-months)

21. The scope of duties of the Site Engineer/Bridge Inspector shall include, but will not be limited to the following:

- (i) under the direction of the International Resident Engineer and the International Bridge Engineer, ensuring that all bridge works under the contract, including foundations, concrete works, traffic facility, and other bridge-related works are undertaken by the contractor in full compliance with the requirements of the contract;
- (ii) receiving from the contract requests for inspection, and undertake inspections based on those requests;
- (iii) confirming that works completed by the contractor comply with the contract in all respects before permitting the contractor to carry out subsequent works that would conceal, overlay, or otherwise cause to be made inaccessible works that had not been accepted as complying with the contract;
- (iv) coordinating with other consultant's team members, for example survey, materials testing and quality control, quantity survey and payment preparation, environment, and others as appropriate, in undertaking the position's responsibilities;
- (v) ensuring on a day-to-day basis that the contractor complies with the project's EMP and the contractor's site specific EMP;
- (vi) carrying out any other duty required by the international senior resident engineer; and
- (vii) assisting the International Resident Engineer and Deputy Team Leader, as required, in all matters related to project implementation, monitoring and reporting.

**g. Social Safeguards Specialist** (12 person-months, intermittent)

22. The scope of duties of the Social Safeguards Specialist shall include, but will not be limited to the following:

- (i) assist with the preparation of documentation and translation, ensure that the Georgian language translation is correct;
- (ii) visit the project site on a regular basis and assist the supervision team and the MOT on compliance monitoring of the works, in accordance with the LARP, and summary poverty reduction and social strategy;
- (iii) ensure the implementation of Public Communication Policy (2011) through the distribution of safeguards documents (translated resettlement plans, project pamphlet, GRM information, etc.) to the affected people and project area communities;
- (iv) maintain regular and reliable records of all inspections and outcomes, covering any cases of non-compliance, and remedial actions instructed and taken;
- (v) assist with establishing related monitoring procedures for the operation phase of the project;
- (vi) monitor the implementation and processing of the project's GRM and include the monitoring result in the overall safeguards monitoring report in the monthly project progress report; and
- (vii) carrying out any other duty required by the international social safeguards specialist; and

- (viii) assist the Team Leader and Deputy Team Leader, as required, in all matters related to project implementation, monitoring and reporting.

**h. Environmental Specialist** (36 person-months, full-time)

23. The scope of duties of the Environmental Specialist shall include, but will not be limited to the following:

- (i) assist the international environment specialist, in providing initial orientation to MOT's staff roles and responsibilities for EMP implementation, including the preparation of materials and instructions in Georgian;
- (ii) assist with the preparation of documentation and translation, ensuring that the Georgian language translation is correct;
- (iii) visit the project site on a regular basis and assist the supervision team and the MOT on EMP compliance monitoring of the works;
- (iv) maintain regular and reliable records of all inspections and outcomes, covering any cases of non-compliance, and remedial actions instructed and taken; and
- (v) assist with establishing environmental monitoring procedures for the project's operation phase; and
- (vi) carrying out any other duty required by the international environment specialist; and
- (vii) assist the Team Leader and Deputy Team Leader, as required, in all matters related to project implementation, monitoring and reporting.

**V. Reporting Requirements and Time Schedule for Deliverables**

24. The consultant will prepare the reports and other documents listed in **Table 3** below. At the conclusion of the project, all reports prepared during the project are to be submitted to the Employer and ADB in CD or similar format.

**Table 3: Reporting and Document Submission Requirements**

Reports	Contents	Due Date
<b>Monitoring and Progress Reports</b>		
Inception report	<ul style="list-style-type: none"> <li>▪ detailed work program;</li> <li>▪ updated methodology (where appropriate) in line with the TOR;</li> <li>▪ baseline data on project expected outcomes and outputs;</li> <li>▪ identification of major likely issues and problems, and proposition of recommendations.</li> </ul>	Within 5 weeks after commencement of services
Monthly reports	<ul style="list-style-type: none"> <li>▪ format is to be agreed with ADB and the RD.</li> <li>▪ summary in graphical form to the extent possible of project progress (physical, financial, safeguards...), work accomplished and any problems encountered during the month;</li> <li>▪ proposition of work plan for next month with recommendations to achieve the objectives;</li> <li>▪ format is to be agreed with ADB and the RD.</li> </ul>	Within 21 days after the end of each month
Quarterly reports	<ul style="list-style-type: none"> <li>▪ summary of project progress (physical, financial, safeguards...), work accomplished and any problems encountered during the quarter;</li> <li>▪ summary of financial management action plan;</li> <li>▪ proposition of work plan for next quarter with recommendations to achieve the objectives;</li> </ul>	Within 21 days after the end of each quarter

Reports	Contents	Due Date
Annual reports	<ul style="list-style-type: none"> <li>▪ format is to be agreed with ADB and the RD.</li> <li>▪ summary of project progress (physical, financial, safeguards...); work accomplished and any problems encountered during the year;</li> <li>▪ progress achieved by project output measured against the targets of the design and monitoring framework;</li> <li>▪ key implementation issues and solutions;</li> <li>▪ updated procurement plan;</li> <li>▪ updated implementation plan for the next 12 months;</li> <li>▪ format is to be agreed with ADB and the RD.</li> </ul>	Within 21 days after the end of the (fiscal) year from the mobilization date
Mid-term review report	<ul style="list-style-type: none"> <li>▪ comprehensive review of project progress, achievements and problems at mid-term review stage;</li> <li>▪ description of any revisions made or estimated to be made to the project design;</li> <li>▪ format is to be agreed with ADB and the RD.</li> </ul>	At least 21 days prior to the ADB mid-term review mission
Project completion report	<ul style="list-style-type: none"> <li>▪ complete description of project implementation;</li> <li>▪ assessment of project performance;</li> <li>▪ format is to be agreed with ADB and the RD.</li> </ul>	Within 90 days after physical completion of the project
<b>Specific Reports and Deliverables</b>		
Consultant's quality assurance manual	<ul style="list-style-type: none"> <li>▪ procedures and systems for construction supervision and contract administration;</li> <li>▪ format is to be agreed with ADB and the RD.</li> </ul>	90 days after commencement of services
Road safety audit reports	<ul style="list-style-type: none"> <li>▪ detailed findings of the road safety audit;</li> <li>▪ recommendations for making good any defects or omissions identified in the road safety audits;</li> <li>▪ format is to be agreed with ADB and the RD.</li> </ul>	Within 120 days after commencement of services (pre-construction audit) At least 15 days before taking over the works (post-construction audit)
LARP monitoring report	<ul style="list-style-type: none"> <li>▪ Detailed assessment of the LARP implementation process and results;</li> <li>▪ format is to be agreed with ADB and the RD.</li> </ul>	Within 30 days after the completion of the implementation of the LARP
Environmental monitoring reports	<ul style="list-style-type: none"> <li>▪ bi-annual review of implementation of the Contractor's SSEMPs;</li> <li>▪ format is to be agreed with ADB and the RD.</li> </ul>	Each six months after commencement of contract implementation until contract completion
Defects notification period inspection report	<ul style="list-style-type: none"> <li>▪ detailed inspection findings;</li> <li>▪ detailed technical and contractual recommendations;</li> <li>▪ format is to be agreed with ADB and the RD.</li> </ul>	Within 5 months after issuing the taking over certificate

ADB = Asian Development Bank, EMP = environmental management plan, LARP = land acquisition and resettlement plan, RD = Roads Department of Georgia, SSEMP = site specific environmental management plan TOR = terms of reference.



25. The consultant must obtain the Employer's specific approval before taking any following actions:

- (i) Taking any action under a civil works contract designating the consultant as "Engineer", for which action, pursuant to such civil works contract, the written approval of the Client as "Employer" is required;
- (ii) Approval or removal of contractor's personnel from work;
- (iii) Any variation under the contract, other than those that are within the Engineer's authority as defined in the contract; and
- (iv) Suspension of the contract works.

## **VI. Client's Input and Counterpart Personnel**

26. The Employer will provide the following assistance to the consultant:

- (i) provide assistance to obtain the necessary visas, work permits and to comply with any other requirements for the purpose of undertaking the consultancy services;
- (ii) provide liaison with other Borrower's offices and departments as required for facilitating the consultant's work; and
- (iii) furnish all necessary data, documentation and information relevant to the Project.

27. The Borrower will exempt the consultant's personnel from (or the Borrower will bear the cost of) any taxes, duties, fees, levies and other impositions imposed under the laws and regulations in effect or which may be enforced in the future on the consultant and its personnel in respect of: (a) any payments made to the consultant or its personnel other than Georgian nationals in connection with carrying out the services; (b) any equipment, materials and supplies brought into the country for the purpose of carrying out the services and which will subsequently be withdrawn therefrom or transferred to the Employer; and (c) personnel and household effects brought into the country by the consultant's international team members and their dependents for their personal use and which will subsequently be withdrawn therefrom upon departure of such personnel. *This is to be confirmed*

28. Under the terms of the civil works contract the contractor is required to provide the consultant—the Engineer—and its staff with:

- (i) fully furnished, equipped and maintained main site office, located within or close to the project location;
- (ii) fully furnished and maintained residential accommodation for the Engineer's main site office staff,
- (iii) residential accommodation for the Engineer's Satellite Site Office staff including maintenance;
- (iv) a fully equipped Engineer's and Contractor's laboratory on site;
- (v) survey equipment;
- (vi) up to 200 person-months of labor assistants for survey and laboratory testing; and
- (vii) supervision vehicles, including drivers and vehicle maintenance.

29. In addition to the facilities provided on the project site, the Employer will provide to the Consultant a furnished office for three persons at the premises of MRDI in Tbilisi. The furniture and office equipment will be provided by the civil works contractor.

30. After completion of the services the consultant will hand over to the Employer all equipment and furniture provided under the civil works contract.

## FINANCIAL AUDITOR

### A. Introduction

1. This terms of reference is prepared in accordance with provisions of the (i) Loan Agreement XXXX-GEO (Loan Agreement) between Georgia and Asian Development Bank (ADB) dated XX XXX XXXX.

### B. General Background

2. The Secondary Road Improvement Project will rehabilitate the road to 2 lane all-weather standard, to the extent possible within the existing road formation to minimize land acquisition and resettlement, and also because the existing road is typically located on a narrow bench between a cliff face, a river, and a railway, meaning that substantial widening would be both difficult and expensive. The project road connects Kharagauli to the East West highway which is the main international transport corridor that traverses all the major cities of Georgia. The railway is located in the same corridor for almost entire length of the project road, which provides the opportunity for the project road and the railway to act together as a multimodal transport corridor through the project area. The project will also improve national connectivity and reliability of the transport network by reviving the road's role as an alternative in the event that the East–West Highway is closed.

3. The executing agency will be the Ministry of Regional Development and Infrastructure of Georgia (MRDI), which is responsible for preparing and implementing of unified state policy on development, planning, and scientific and technological progress matters of all international and secondary roads network in the country. It is currently the executing agency for the ongoing MFF and has a sound understanding of ADB policies and procedures. The Roads Department of Georgia (RD), an agency under MRDI, will be the implementing agency.

4. The responsibility for the preparation of financial statements including adequate disclosure is that of the management of the Eurasian Transport Corridor Investment Center (ETCIC) of MRDI, or any legal successor thereto. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the entity. As part of the audit process, the auditor will request from Management, written confirmation concerning representations made to the auditor in connection with the audit.

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

### C. Employment Authority

6. The audit services will be contracted by the ETCIC, with the following contact details:

Contact Person:	_____
Designation:	_____
Address:	_____
Telephone:	_____
Facsimile:	_____
E-mail:	_____

## **D. Objectives**

7. The objective of the Audited Project Financial Statements (APFS) audit is to enable the auditor to express an opinion on the financial position of the project implementation for the fiscal years ending 31 December 2017 to 31 December 2021 on the funds received and expenditures made within audit year.

## **E. Audit Scope**

8. The auditor's examination should include evaluation of the systems and operating procedures for accounting, custody of assets, control of environment and internal financial control, financial reporting, and related systems. An analysis of explanations submitted to the auditor and all information necessary to support the auditor's opinion and to construct the report of the auditor, will be provided by the ETCIC, RD, MRDI, and the Ministry of Finance (MOF).

9. The auditor should obtain an understanding of the project and the RD, MRDI, MOF, including the contents of the Report and Recommendation of the President to the Board of Directors (ADB) (RRP), legal agreements and the ADB's guidelines, i.e. Financial Management and Analysis of Project, 2005, Loan Disbursement Handbook, Procurement Handbook, etc.

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

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

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

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

14. Statements of Expenditures (SOEs). The auditor will audit all SOEs used as the basis for the submission of loan withdrawal applications to ADB. These expenditures should be compared for project eligibility with the relevant financing agreements (and with reference to the RRP and other project documents for guidance when considered necessary). Where ineligible

expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor. The annual audit report should include a separate paragraph commenting on the accuracy and propriety of expenditures withdrawn under SOE procedures, and the extent to which ADB can rely on those SOEs as a basis for loan disbursement. Annexed to the APFS should be a schedule listing individual SOE withdrawal applications by specific reference number and amount.

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

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

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

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

18. **Internal Control Systems.** The auditor will assess the adequacy of the project financial management systems, including internal controls, including whether: (i) proper authorizations are obtained and documented before transactions are entered into; (ii) accuracy and consistency are achieved in recording, classifying, summarizing, and reporting transactions.

## **F. Team Composition and Qualification Requirements for the Key Experts**

### **1. Independence**

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

## 2. Auditor and Audit Staff Competence

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

21. To this end, the auditor is required to provide curriculum vitae (CV) of the auditors who will provide the opinions and reports, together with the CVs of managers, supervisors, and key personnel likely to be involved in the audit work. These CVs should include details of audits carried out by these staff, including ongoing assignments.

22. The selection of the auditor will follow ADB Guidelines on the Use of Consultants (2015, as amended from time to time) using the Least-Cost Selection method, with the submission of a Biodata Technical Proposal. The services of the auditor will be carried out by a national firm for XX months.

23. Qualification Requirements. The Consultant is free to commit resources to suit the working plan. However, the professional staff inputs for key experts are estimated as follows:

- (i) Team Leader/Senior Audit Manager (National – 5 Person-Months)
  - A bachelor degree in accounting, finance, or related field. A master degree will be an advantage.
  - Preferably 12 years of work experience including auditing standards analyses, annual project accounting, accounting policies, internal control systems, record keeping methodology.
  - Experience working as a Team Leader in the field of auditing.
  - Experience working in Georgia or in the Central Asia region and working with international organization/international agency.
- (ii) Tax Manager/Assistant Audit Manager (National – 5 Person-Months)
  - A bachelor degree in accounting, finance, or related field. A master degree will be an advantage.
  - Preferably 10 years of work experience including auditing standards analyses, annual project accounting, accounting policies, internal control systems, record keeping methodology.
  - Experience working in Georgia or in the Central Asia region and working with international organization/international agency.
- (iii) Auditor 1, 2 (National – 5 Person-Months)
  - A bachelor degree in accounting, finance, or related field.
  - Preferably 8 years of work experience including auditing standards analyses, annual project accounting, accounting policies, internal control systems, record keeping methodology.
  - Experience working in Georgia or in the Central Asia region and working with international organization/international agency.

## G. Submission of Proposal and Work Plan

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

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

#### **H. Delivery of Opinions and Reports**

25. The auditor will provide the audit opinions on the APFS and management letters to management (with copies to ADB), in accordance with the following timeframes:

<b>Reports</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
Draft Final Report	not later than 1 June 2018	not later than 1 June 2019	not later than 1 June 2020	not later than 1 May 2021	TBD
Final Report	not later than 15 June 2018	not later than 15 June 2019	not later than 15 June 2020	not later than 15 May 2021	TBD

26. All reports must be provided in three copies in the English and Georgian languages.

#### **I. Description of Materials and Timing of Delivery**

27. The annual project accounts and supporting documentation will be provided to the auditor within 5 days after the issuance of "Notice of Contract Effectiveness" for 2017 accounts and every 31 March for the succeeding accounts.

#### **J. Audited Project Financial Statements (APFS)**

28. The APFS comprise:

- (i) Statement of Accounting/Financial Policies
- (ii) Statement of Cash Flows/Cash Receipts and Payments
- (iii) Statement of Uses of Funds by Project Activity
- (iv) Notes to the Financial Statements

## **K. Management Letters**

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

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

## **L. Client's Input and Counterpart Personnel**

30. The Client will provide (i) furnished air conditioned office room in ETCIC/RD office; (ii) relevant project data and reports upon request; and (iii) assist the auditors on coordination for meeting.

## **M. Statement of Access**

31. The auditor will have full and complete access, at all reasonable times, to all records and documents including books of account, legal agreements, bank records, invoices, and any other information associated with the project and deemed necessary by the auditor.

32. The auditor will be provided with full cooperation by all employees of ETCIC, RD, MRDI, and MOF, whose activities involve, or may be reflected in, the annual financial statements. The auditor will be assured to have rights of access to banks and depositories, consultants, contractors, and other persons or firms hired by the employer.

## **N. Agreed Project Accounting Policies**

33. "Agreed project accounting policies" with regards to preparation of Annual Project Financial Statements, means the cash-based International Public Sector Accounting Standard (IPSAS) promulgated by the International Federation of Accountants (IFAC).

## **O. Agreed Auditing Standards**

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



**P. Public Disclosure**

35. Following Article IV Section 4.05 (b) of Loan XXXX-GEO Agreement dated XX XXX XXXX, ADB shall disclose the annual audited financial statements for the project and the opinion of the auditors on the financial statements within 14 calendar days of the date of ADB's confirmation of their acceptability by posting them on ADB's website. The Audit Management Letter will not be disclosed.

## RESETTLEMENT CONSULTANT

### A. Introduction

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### B. Scope and Main Responsibilities

1. The Resettlement Consultant will report to the management of the RD and be tasked to assist RD's social safeguard team in preparing and overseeing the implementation of the LARP for the Dzirula–Kharagauli–Moliti–Pona–Chumateleti Secondary Road. The Resettlement Consultant's specific responsibilities include:

- overseeing the finalization and implementation of the LARP for the project road;
- provision of the advisory assistance to the Affected Persons (APs) on the matters related to regularization of property rights, valuation of the property/business/livelihood, and liaising with the Public Registry and other project implementation partners;
- coordinating the preparation of cadastral drawings of the land plots and providing its electronic versions to the APs;
- overseeing the registration of APs' property rights at the Public Registry and providing necessary support and guidance to ensure a timely regularization of the APs' property rights;
- providing assistance to APs in opening a bank account and preparing other documents required for signing of the contract with the RD as part of the LARP implementation process;
- reviewing documents confirming property rights registration and facilitating the submission of property deeds by APs to the RD for further processing and finalization of contracts for APs;
- overseeing the demarcation of property boundaries between neighbors (between right of way and private property) and inventory of land and affected assets – including the review of the results of the assets inventory and its subsequent submission to the RD;
- supporting the negotiations with APs, registering grievances and facilitating the resolution of such grievances at local and/or project levels.

2. Under the overall guidance of the RD management, the Resettlement Consultant will be asked to perform other tasks associated with preparation, review and execution of the LARPs other ADB-financed projects in Georgia.

### C. Duration of Consultancy Service

3. The duration of the contract will be 1 year, with a possibility of extension, subject to the satisfactory performance of the consultant.

### D. Minimum Qualifications

4. The selection of the Resettlement Consultant will be primarily based on the following requirements:

- A university degree in social sciences, civil engineering, land administration or other related disciplines;
- Prior experience in dealing with the land or property rights registration in urban and rural areas;
- Practical experience in land surveying, cadastral surveys, or impact assessment studies;
- Strong communication and negotiating skills (in Georgian), with various stakeholders, including NGOs and local residents;
- Familiarity with International Financial Institutions' Safeguard Policies;
- Computer skills: proficiency in MS Word, Excel, Internet, GIS, AutoCAD etc.

#### **E. Selection Criteria**

5. The selection of the consultant will be carried out based on the selection method provided in Guidelines on The Use of Consultants by the Asian Development Bank and Its Borrowers (available at <http://www.adb.org/documents/guidelines-use-consultants-asian-development-bank-and-its-borrowers>). The weights of the selection criteria will be distributed as follows:

- (i) 30% General Qualification
- (ii) 70% Assignment-related Experience