



August 2014

Periodic Financing Requests Monthly Report for July 2014

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

PERIODIC FINANCING REQUESTS MONTHLY REPORT FOR JULY 2014¹

1. Attached are submissions of periodic financing requests (PFR) from the Central and West Asia Department and Southeast Asia Department to the Office of the President. The following PFRs were received:

MFF Number and Name	Tranche Number	Date of Request
MFF0059: CAREC Corridor 2 Road Investment Program II	3	11 July 2014
MFF0041: SOE Reform and Corporate Governance Facilitation Program	2	3 July 2014

2. The East Asia Department, Pacific Department and South Asia Department have nothing to report for this period.

3. The President considers periodic financing requests for approval 10 working days after their circulation to the Board.²

¹ This report is for approved multitranches financing facilities only. It excludes reporting of first tranches described in detail in the report and recommendation of the President submitted for Board consideration.

² In preparing any country partnership strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

TRANCHE AT A GLANCE

1. Basic Data		Project Number: 44483-027	
Project Name	CAREC Corridor 2 Road Investment Program II - Tranche 3	Department /Division	CWRD/CWTC
Country Borrower	Uzbekistan Republic of Uzbekistan	Executing Agency	Road Fund
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Transport	Road transport (non-urban)		150.00
		Total	150.00
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
Regional integration (RCI)	Pillar 4: Other regional public goods		
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	No gender elements (NGE)	✓
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas		
Private sector development (PSD)	Public sector goods and services essential for private sector development		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Regional	High
6. Risk Categorization: Low			
7. Safeguard Categorization Environment: B Involuntary Resettlement: B Indigenous Peoples: C			
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		150.00	
Sovereign MFF-Tranche (Loan): Ordinary capital resources		150.00	
Cofinancing		0.00	
None		0.00	
Counterpart		80.00	
Government		80.00	
Total		230.00	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		No	

TRANCHE AT A GLANCE

Date of Receipt by ADB of PFR: 11 July 2014		Tranche Number: 3
10. Country Operations Business Plan		
CPS	http://www.adb.org/documents/uzbekistan-country-partnership-strategy-2012-2016	
COBP	http://www.adb.org/documents/uzbekistan-country-operations-business-plan-2012-2014	
11. Tranche Summary		
<p>The Project 3 will upgrade the existing 2-lane asphalt road to a 4-lane cement concrete road. The total length of the proposed rehabilitation is 87 km of the A-380 highway near Bukhara city (KM 228 to KM 315). In addition, the Project will continue the capacity development efforts that were initiated in the earlier projects funded by ADB under the CAREC Corridor 2 Road Investment Program to improve road sustainability using road asset management systems.</p> <p>Impact and Outcome: The impact will be better connectivity, efficient transport system, and effective management for the Uzbekistan sections of CAREC Corridor 2 Road. The outcome will be improved travel time and efficiency on the reconstructed A380 highway section.</p> <p>Outputs: (i) Km 228-315 road section in A380 highway reconstructed, and (ii) capacity for road asset management improved.</p> <p>Implementation Arrangements: Road Fund will be the executing agency.</p> <p>Project Readiness: The government had completed the detailed design for the civil works component in 2012. Currently, the government is in the process of updating the bills of quantities to reflect the current prices. The bid documents for the component are being developed and will be ready for advertisement by 30 September 2014, before the loan approval. In parallel, the government will advertise for the recruitment of construction supervision consultant.</p>		
12. Significant Developments in the MFF and Previous Tranches		
<p>ADB approved a multitranche financing facility (MFF) for the Second CAREC Corridor 2 Road Investment Program on 23 August 2011 for an aggregate amount not exceeding \$500 million. The MFF aims to reconstruct Uzbekistan sections of the CAREC Corridor 2 on the A373 and A373/4R112 highways in the Fergana region, and A380 highway in the Bukhara region.</p> <p>Tranche 1 amounting to \$130 million (OCR) was approved in September 2011 for rehabilitating 58km of 4-lanes of the A373 highway. The implementation of the civil works contract under Project 1 is currently underway. Implementation progress is 44%. Contract awards are \$111.07 million (86%) and disbursements are \$38.31 million (30%). About 13km 2-lanes of the A373 highway have been completed. Progress had been slow in the earlier stages but has improved since April 2014. Physical completion is expected by December 2014. The loan is scheduled to close in March 2015.</p> <p>A non-physical component had been included under Tranche 1 for road safety. The consultancy contract for road safety was awarded in December 2013 and is currently being implemented.</p> <p>Tranche 2 amounting to \$220 million (OCR) was approved in December 2012. The procurement of the civil works contract and construction supervision contract is at an advanced stage. Contract award is expected in 2014. The procurement was delayed owing to the delayed completion of the detailed design by the government. The Project is 'on-track' and is expected to be completed by the planned completion date.</p> <p>The requirements of the Framework Financing Agreement (FFA) are being complied with: (i) road sector roadmap, policy framework, road investment program, road safety; (ii) design and monitoring framework targets; (iii) implementation framework; (iv) selection criteria and approval process for subsequent tranches; (v) safeguard requirements and social development policies; and (vi) undertakings, as well as the covenants of the loan agreement: procurement, implementation, disbursements, monitoring, reporting, and financial management. The compliance with loan covenants is satisfactory. Under Tranche 1, out of the 18 loan covenants, 1 has been complied, and the remaining 17 covenants are being complied. Under Tranche 2, out of the 21 covenants, 15 are being complied, and the remaining 6 covenants are not yet due.</p>		
13. Milestones		
Modality	Estimated Approval	Estimated Completion ^a
Tranche III	28 November 2014	30 September 2017
14. Linked Documents		
PDS ^b	http://www.adb.org/projects/44483-027/main	

^a For Tranches, this refers to the financial closing date.

^b Safeguard documents can be viewed by clicking the Document's hyperlink in the Project Data Sheet (PDS) page.

TRANCHE AT A GLANCE

1. Basic Data		Project Number: 39538-035	
Project Name	SOE Reform and Corporate Governance Facilitation Program - Tranche 2	Department /Division	SERD/SEPF
Country Borrower	Viet Nam, Socialist Republic of Socialist Republic of Viet Nam	Executing Agency	Ministry of Finance
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Public sector management	Reforms of state owned enterprises		320.00
		Total	320.00
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Public financial governance	No gender elements (NGE)	✓
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Urban	High
6. Risk Categorization: Low			
7. Safeguard Categorization Environment: C Involuntary Resettlement: C Indigenous Peoples: C			
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		320.00	
Sovereign MFF-Tranche (Loan): Asian Development Fund		10.00	
Sovereign MFF-Tranche (Loan): Ordinary capital resources		310.00	
Cofinancing		0.00	
None		0.00	
Counterpart		15.00	
Government		15.00	
Total		335.00	
9. Effective Development Cooperation			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	

TRANCHE AT A GLANCE

Date of Receipt by ADB of PFR: 3 July 2014		Tranche Number: 2
10. Country Operations Business Plan		
CPS	http://www.adb.org/documents/viet-nam-country-partnership-strategy-2012-2015	
COBP	http://www.adb.org/documents/viet-nam-country-operations-business-plan-2014-2016	
11. Tranche Summary		
<p>This is Periodic Financing Request 2 (PFR2) of the multitranche financing facility (MFF) which was approved in December 2009. The overall MFF amount is \$630 million, of which \$600 million is OCR and \$30 million is ADF. The MFF supports the corporate, operational, and financial restructuring of selected state-owned enterprises (SOEs) on a pilot basis with a view to developing a general approach to guide the reform and restructuring of Viet Nam's remaining large SOEs. The pilot programme is expected to successfully transform the selected SOEs and thereby strengthen the government's resolve to push ahead with further SOE restructuring. PFR2 is now proposed to be extended to three SOEs - Construction Corporation No. 1 Company Limited, Song Da Corporation (SDC), and Vietnam National Textile and Garment Corporation. The total cost of the proposed PFR2 is estimated at \$320 million equivalent, comprising a \$310 million lending facility from OCR loans to the government to on-lend to the participating SOEs, and \$10 million from ADF.</p> <p>Impact and Outcome: The impact will be improved profitability and transparency of equitized and restructured SOEs, including large general corporations and their subsidiaries. The outcome will be participating general corporations are transformed into focused, efficient businesses with strong balance sheets and improved corporate governance.</p> <p>Outputs: (i) Debt restructuring implemented, combining financial and corporate restructuring, and (ii) increased operational efficiency and improved corporate governance of general corporations and other SOEs.</p> <p>Implementation Arrangements: Ministry of Finance will be the executing agency.</p> <p>Project Readiness: Three SOEs have been selected for participation under PFR2 on the basis of the findings of the due diligence, together with the technical discussions conducted over several review missions undertaken by ADB with Ministry of Finance (MOF) staff. Each participating SOE has undertaken a corporate audit of its environmental and social management measures, prepared its own gender action plan, and completed the questionnaires for the procurement assessment and financial management assessment. Project readiness activities are included in the PAM. Advance contracting is now envisaged under PFR2 to expedite consultant selection. MOF, through the project management unit, will continue to address inter-agency issues.</p>		
12. Significant Developments in the MFF and Previous Tranches		
<p>PFR1, approved in December 2009, is comprised of: (i) an OCR loan of \$120 million to support corporate and financial restructuring of two pilot SOEs and (ii) an ADF loan of \$10 million to support operational restructuring and corporate governance of the two SOEs and Debt and Asset Trading Corporation (DATC). Contract awards and disbursements are on track. As of second quarter of 2014, contracts awarded is \$105.259 million. The OCR loan of \$120 million has been fully disbursed while under ADF loan, \$2.685 million of the \$10 million has been disbursed. There was initial delay in declaring loan effectiveness and also start up delays in project implementation relating to unfamiliarity of both the SOEs and the MOF with ADB procurement procedures. PFR1 implementation, overall, at present shows steady progress. The two SOEs have made good progress in the implementation of the corporate and financial restructuring plans, and each is committed to: transform into a holding company; divest non-core business; and focus on core business activities. DATC, whose mandate is to restructure non-performing loans and small-sized SOEs, having withdrawn from PFR1, is also continuing to strengthen its capacity through internal resources as well as through technical assistance from external partners.</p> <p>There has been good progress in the implementation capacity of SDC and Southern Waterborne Transport Corporation for undertaking holistic restructuring, as envisaged under PFR1. Financial management, corporate restructuring, organization and management processes and corporate governance measures for the two SOEs continue to be strengthened. The ADF support is expected to significantly support and help implement measures to strengthen corporate governance, financial management, internal control and risk management.</p> <p>Compliance of undertakings under the FFA, loan agreements (LA) and project agreement (PA) for PFR1 has been satisfactory and on track in respect of safeguards, procurement, consulting services, retroactive financing and disbursements. Under the FFA applicable for all the three PFRs, compliance with all 10 undertakings are ongoing. PFR1 is under implementation until 2017 - compliance with 7 covenants under the OCR LA, 19 covenants under the ADF LA, and 25 covenants under the PA are ongoing and progress are regularly reviewed and monitored under MOF oversight and also reviewed by ADB project team. The Government and MOF have kept ADB informed on progress in policies and reforms relating to SOEs. MOF has finalized the SOE road map, and has developed a monitoring and evaluation framework scheduled for implementation in 2014. A legal framework for resolution of bad debts is being developed by DATC.</p>		
13. Milestones		
Modality	Estimated Approval	Estimated Completion ^a
Tranche II	13 November 2014	31 December 2017
14. Linked Documents		
PDS ^b	Not posted yet	

^a For Tranches, this refers to the financial closing date.

^b Safeguard documents can be viewed by clicking the Document's hyperlink in the Project Data Sheet (PDS) page.