

# Activity Administration Manual

Facility Number: 52256-003  
Activity Subgrant Number: {XXXXXX}  
August 2019

Kyrgyz Republic: Small Expenditure Financing  
Facility and Osh-Plotina Water Treatment Plant  
Chlorine Neutralization Unit

## ABBREVIATIONS

AAM	–	activity administration manual
ADB	–	Asian Development Bank
DDWSSD	–	Department of Drinking Water Supply and Sewerage Development
EA	–	executing agency
EMP	–	environmental management plan
IA	–	implementing agency
IEE	–	initial environmental examination
PMO	–	project management office
SAWR	–	State Agency for Water Resources under the Government of the Kyrgyz Republic
SEFF	–	small expenditure financing facility
SEMP	–	site-specific environmental management plan
SPS	–	Safeguard Policy Statement
WSS	–	water supply and sanitation

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### **Activity Administration Manual Purpose and Process**

The activity administration manual (AAM) for an activity subgrant under a small expenditure financing facility (SEFF) is an abridged version of the regular AAM of the Asian Development Bank (ADB) and describes the essential administrative and management requirements to implement the SEFF Activity on time, within budget, and in accordance with the policies and procedures of the government and ADB. The AAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the AAM.

The Ministry of Finance as the borrower/recipient and the Department of Drinking Water Supply and Sewerage Development (DDWSSD) under the State Agency for Water Resources under the Government of the Kyrgyz Republic as the activity executing agency are wholly responsible for the activity subgrant, as agreed jointly between the borrower and ADB, and in accordance with the policies and procedures of the government and ADB. ADB staff is responsible for supporting implementation including compliance by the Ministry of Finance and DDWSSD of their obligations and responsibilities for SEFF Activity implementation in accordance with ADB's policies and procedures.

The borrower and ADB shall agree to the AAM and ensure consistency with the short form legal agreement. In the event of any discrepancy or contradiction between the AAM and the grant agreement, the provisions of the grant agreement shall prevail.

After ADB's management approval of the activity subgrant summary report, changes in implementation arrangements are subject to agreement and approval pursuant to relevant government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval, they will be subsequently incorporated in the AAM.



## I. IMPLEMENTATION PLANS

1. The key implementation activities, including monthly or quarterly small expenditure financing facility (SEFF) implementation activities, are updated annually and submitted to the Asian Development Bank (ADB) with updated contract and disbursement projections for the following year. The implementation schedule is prepared per subgrant activity (Table 1).

**Table 1: Implementation Schedule**

Indicative Activities	2019				2020				2021				2022				2023				2024				2025			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
<b>A. Design and Monitoring Framework</b>																												
<b>Output 3 – Project Sustainability Enhanced</b>																												
<b>1. Chlorine Neutralization Unit at Osh-Plotina Water Treatment Plant</b>																												
Construction																												
Commissioning																												
<b>B. Management Activities</b>																												
<b>1. Procurement of Civil Works</b>																												
Detailed-design bid document preparation and approval																												
Invitation to bid and bid period																												
Issue invitation to bid to first civil works																												
Bid evaluation and ADB/Government approvals																												
Contract negotiation and award																												
Construction works																												
Commissioning																												
Operation and maintenance																												
<b>C. Other Implementation Plans</b>																												
Submission of quarterly progress report																												
Submission of annual audit report																												
Annual/Midterm Reviews																												
Submission of PCR																												

ADB = Asian Development Bank, PCR = project completion report.

Source: Asian Development Bank.

## II. PROJECT MANAGEMENT ARRANGEMENTS

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

**Table 2: Project Implementation Roles and Responsibilities**

Project Implementation Organizations	Management Roles and Responsibilities
<b>Recipient</b> Ministry of Finance	<ul style="list-style-type: none"> <li>• Ensure overall oversight of the facility and SEFF Activity subgrant projects</li> <li>• Approve and request subsequent SEFF Activity subgrant projects</li> <li>• Facilitate interagency coordination</li> </ul>
<b>Implementing agency<sup>a</sup></b> Department of Drinking Water Supply and Sewerage Development under the State Agency for Water Resources under the Government of the Kyrgyz Republic	<ul style="list-style-type: none"> <li>• Appoint competent staff for the SEFF Activity subgrant project (Osh-Plotina chlorine neutralization unit)</li> <li>• Ensure good coordination with Ministry of Finance for adequate allocation of annual budget for the project</li> <li>• Provide office space for the project</li> <li>• Provide project management, technical and institutional support for the SEFF Activity subgrant project</li> <li>• Conduct reviews, and approve detailed engineering designs and estimates for the output-based contract</li> <li>• Responsible and accountable for financial management and use of the funds for Advance Account and SOE procedure</li> <li>• Carry out periodic construction supervision and quality audit of the civil works contracts</li> <li>• Guide, support, and monitor Project Management Office in implementing SEFF Activity subprojects</li> <li>• Prepare withdrawal applications for the SEFF Activity subgrant project</li> </ul>
<b>Project Management Office</b> Project Manager Financial Manager Procurement Specialist Environment Specialist, as needed Social Safeguards Specialist, as needed	<ul style="list-style-type: none"> <li>• Manage the day-to-day project implementation activities</li> <li>• Act as focal point for communications with ADB on project related matters</li> <li>• Liaise with different division of DDWSSD on project implementation</li> <li>• Procure works and goods and administer works and goods contracts</li> <li>• Make payments for eligible activities performed under the scope of the SEFF Activity subgrant project</li> <li>• Monitor and promptly address complaints and ensure their effective and adequate resolution</li> <li>• Establish adequate financial management system and submit timely withdrawal applications to ADB</li> <li>• Responsible and accountable for financial management and use of the funds for Advance Account and SOE procedure</li> <li>• Prepare periodic progress reports identifying issues and action plans and ensure their timely submission to ADB</li> <li>• Submit quarterly reports to ADB in agreed format</li> <li>• Implement, monitor, and prepare reports on gender action plan, initial environment examination, environmental management plan, and land acquisition and resettlement plan</li> <li>• Prepare and submit progress reports to ADB, as outlined in the activity administration manual</li> </ul>
ADB	<ul style="list-style-type: none"> <li>• Conduct field review missions, special project administration mission (if required), midterm review mission, and project completion review missions to assess project implementation progress and compliance of grant covenants</li> </ul>



Project Implementation Organizations	Management Roles and Responsibilities
	<ul style="list-style-type: none"> <li>• Review implementing agency's submissions for procurement of goods, civil works, and services and provide comments and no objection on the submissions</li> <li>• Check statement of expenditure and disburse the grant funds as agreed in grant agreement and activity administration manual</li> </ul>

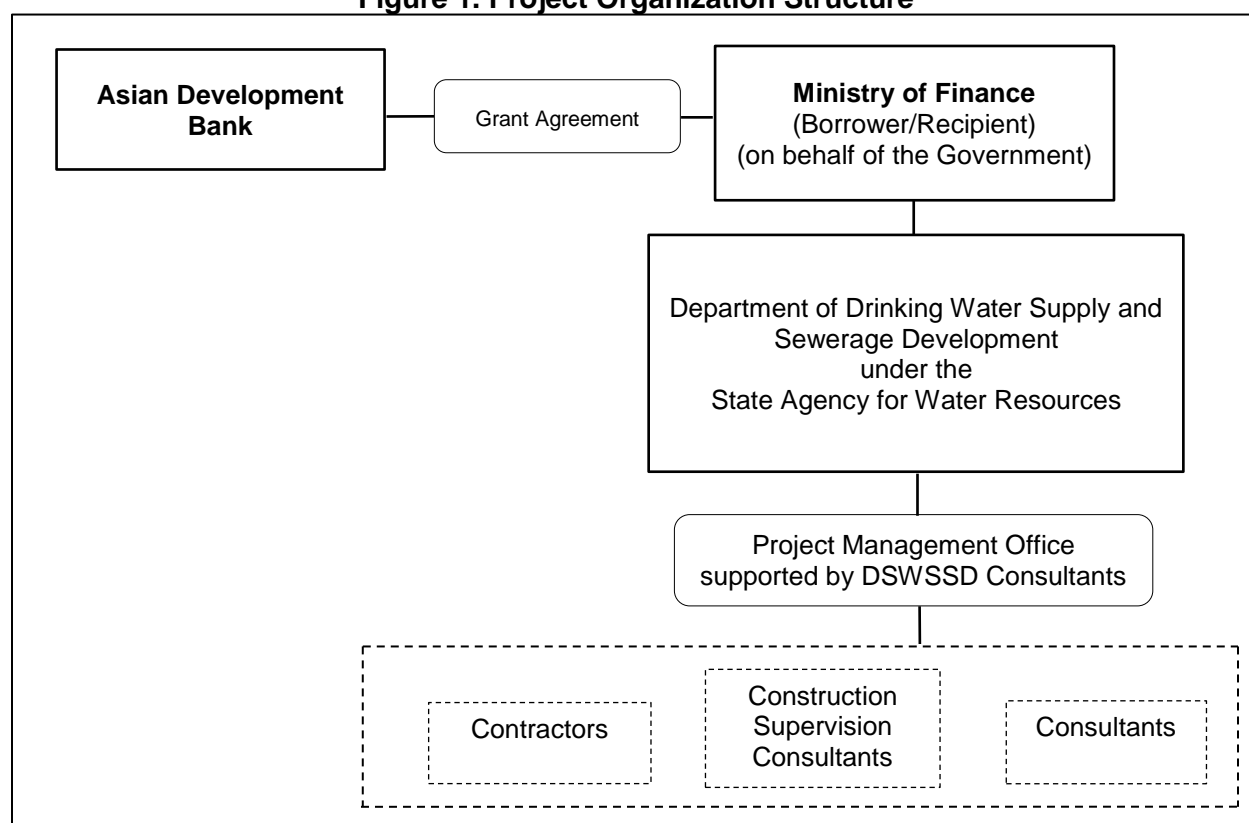
ADB = Asian Development Bank, DDWSSD = Department of Drinking Water Supply and Sewerage Development, SEFF = small expenditure financing facility, SOE = statement of expenditure.

<sup>a</sup> Referred as Activity Executing Agency under the Activity Sub-Grant Agreement.

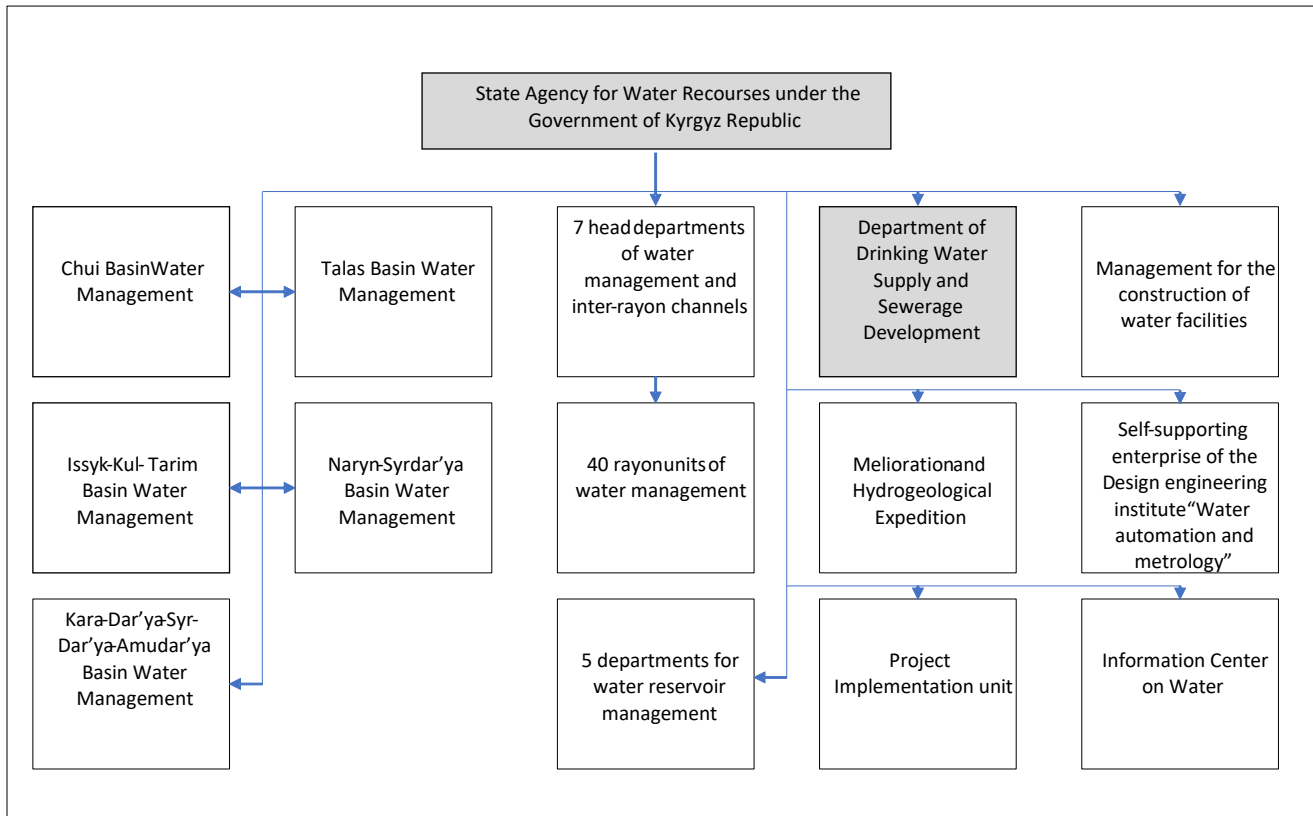
Source: Asian Development Bank.

## B. Project Organization Structure

**Figure 1. Project Organization Structure**



**Figure 2. Implementing Agency Structure**



### C. Key Persons Involved in Implementation

#### Recipient for Facility

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### III. COSTS AND FINANCING

#### A. Cost Estimates Preparation and Revisions

2. The cost estimates have been prepared in July 2019 based on market prices for civil works. The cost estimates will be updated upon finalization of the detailed engineering design of the chlorine neutralization unit at Osh-Plotina water treatment plant (WTP) civil works package in October 2019.

#### B. Key Assumptions

3. The following key assumptions underpin the cost estimates and financing plan:
- (i) Price contingencies used an average of 1.6% on foreign exchange costs and 4.4% on local currency costs and include provisions for potential exchange rate fluctuations under the assumption of a purchasing power parity exchange rate. The exchange rate used as of 13 August 2019 is Som69.8367= \$1.00.
  - (ii) Price contingencies and exchange rates based on expected cumulative inflation over the implementation period are as follows:

**Table 3: Escalation and Exchange Rates for Price Contingency Calculation**

Item	2019	2020	2021	2022	2023	2024	Average
<b>Escalation Rates (%)</b>							
Foreign rate of price inflation	1.5%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%
Domestic rate of price inflation	3.0%	3.5%	5.0%	5.0%	5.0%	5.0%	4.4%
<b>Exchange Rates (Som)</b>							
Rates actually used	69.3	71.5	74.0	76.4	79.0	81.6	75.3

Source: Asian Development Bank.

### C. Allocation and Withdrawal of Grant Proceeds

**Table 4: Allocation and Withdrawal of Grant Proceeds for First Activity**

Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Grant Account
1	Civil works, equipment and consulting services	500,000	100.00% of total expenditure claimed*
<b>Total</b>		<b>500,000</b>	

\* Exclusive of taxes and duties for all items imposed within the territory of the recipient.

Source: Asian Development Bank.

#### D. Detailed Cost Estimates by Expenditure Category

**Table 5: Detailed Cost Estimates by Financier (Chlorine Neutralization Unit at Osh-Plotina Water Treatment Plant)**

Item	ADB Grant		Government		Total Cost	
	Amount	% of Cost Category	Amount	% of Cost Category	Amount	Taxes and Duties
<b>A. Consulting Services</b>						
1. Consultants	0.04	80.00	0.01	20.00	0.05	0.01
2. Surveys	0.00	0.00	0.00	0.00	0.00	0.00
3. Equipment	0.00	0.00	0.00	0.00	0.00	0.00
<b>Subtotal (A)</b>	<b>0.04</b>	<b>80.00</b>	<b>0.01</b>	<b>20.00</b>	<b>0.05</b>	<b>0.01</b>
<b>B. Recurrent Costs (Post-implementation)</b>	0.00	0.00	0.00	0.00	0.00	0.00
1. Salaries	0.00	0.00	0.00	0.00	0.00	0.00
2. Accommodation	0.00	0.00	0.00	0.00	0.00	0.00
<b>Subtotal (B)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>C. Works and Goods (Post Implementation)</b>						
1. Civil works	0.36	80.00	0.09	20.00	0.45	0.09
2. Goods	0.00	0.00	0.00	0.00	0.00	0.00
3. Equipment	0.00	0.00	0.00	0.00	0.00	0.00
<b>Subtotal (C)</b>	<b>0.36</b>	<b>80.00</b>	<b>0.09</b>	<b>20.00</b>	<b>0.45</b>	<b>0.09</b>
<b>Total Base Cost</b>	<b>0.40</b>	<b>80.00</b>	<b>0.10</b>	<b>20.00</b>	<b>0.50</b>	<b>0.10</b>
<b>D. Contingencies</b>	<b>0.10</b>	<b>20.00</b>	<b>0.025</b>	<b>20.00</b>	<b>0.125</b>	<b>0.025</b>
<b>E. Financial Charges During Implementation</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Sub-Project Cost</b>	<b>0.50</b>	<b>80.00</b>	<b>0.125</b>	<b>20.00</b>	<b>0.625</b>	<b>0.125</b>

ADB = Asian Development Bank.

Note: Numbers may not sum precisely because of rounding.

## E. Detailed Cost Estimates by Year

**Table 6: Detailed Cost Estimates by Year**  
(\$ million)

<b>Item</b>	<b>Total Cost</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>A. Consulting Services</b>						
1. Consultants	0.04	0.04	0.00	0.00	0.00	0.00
2. Surveys	0.00	0.00	0.00	0.00	0.00	0.00
3. Equipment	0.00	0.00	0.00	0.00	0.00	0.00
<b>Subtotal (A)</b>	<b>0.04</b>	<b>0.04</b>	0.00	<b>0.00</b>	0.00	<b>0.00</b>
<b>B. Good, Works and Services (Post-Implementation)</b>						
1. Civil works	0.00	0.00	0.00	0.00	0.00	0.00
2. Goods	0.00	0.00	0.00	0.00	0.00	0.00
3. Equipment						
<b>Subtotal (B)</b>	<b>0.00</b>	<b>0.00</b>	0.00	<b>0.00</b>	0.00	<b>0.00</b>
<b>C. Recurrent Costs (Post-Implementation)</b>						
1. Salaries	0.00	0.00	0.00	0.00	0.00	0.00
2. Accommodation	0.00	0.00	0.00	0.00	0.00	0.00
<b>Subtotal (C)</b>	<b>0.00</b>	<b>0.00</b>	0.00	<b>0.00</b>	0.00	<b>0.00</b>
<b>D. Pilot-testing (Post-Implementation)</b>						
1. Civil Works	0.36	0.36	0.00	0.00	0.00	0.00
2. Goods	0.00	0.00	0.00	0.00	0.00	0.00
3. Equipment	0.00	0.00	0.00	0.00	0.00	0.00
<b>Subtotal (D)</b>	<b>0.36</b>	<b>0.36</b>	0.00	<b>0.00</b>	0.00	<b>0.00</b>
<b>Total Base Cost</b>	<b>0.40</b>	<b>0.40</b>	0.00	<b>0.00</b>	0.00	<b>0.00</b>
<b>E. Contingencies</b>	<b>0.10</b>	<b>0.10</b>	0.00	<b>0.00</b>	0.00	<b>0.00</b>
<b>F. Financial Charges During Implementation</b>	<b>0.00</b>	<b>0.00</b>	0.00	<b>0.00</b>	0.00	<b>0.00</b>
<b>Total Project Cost (A+B+C+D+E)</b>	<b>0.50</b>	<b>0.50</b>	0.00	<b>0.00</b>	0.00	<b>0.00</b>

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank.

## F. Contract and Disbursement S-Curve

4. Table 7 and Figure 3 show quarterly contract awards and disbursement projections over the life of the project.

**Table 7: Contract Award and Disbursement Projections for Chlorine Neutralization Unit at Osh-Plotina Water Treatment Plant**

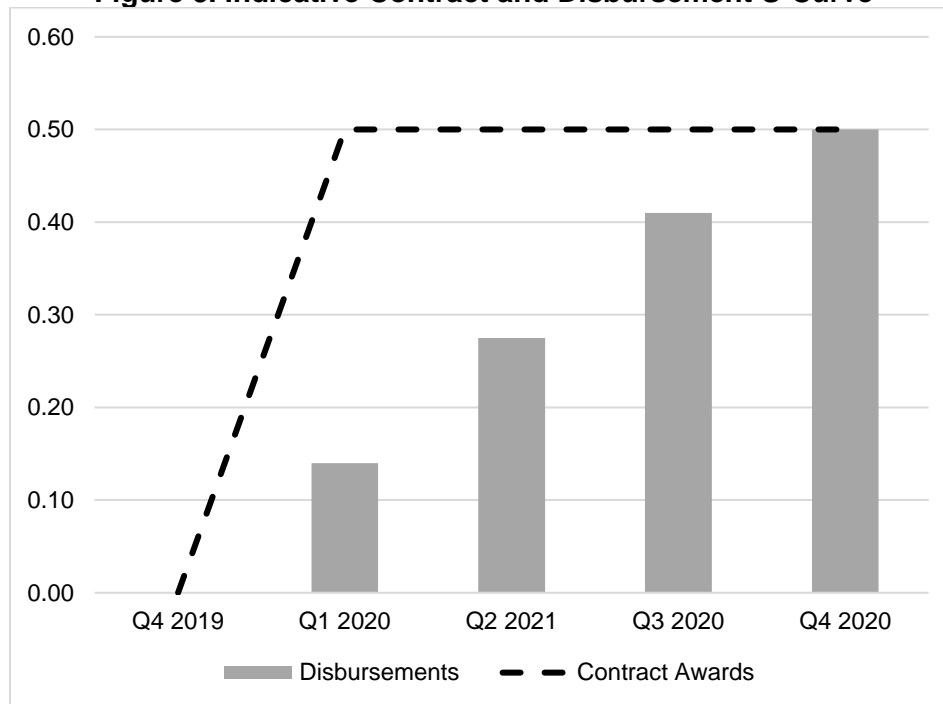
Contract Awards (\$ million)					
Year	Q1	Q2	Q3	Q4	Total
2020	0.500	0.000	0.000	0.000	0.500
<b>Total</b>					<b>0.500</b>

Source: Asian Development Bank.

Disbursements (\$ million)					
Year	Q1	Q2	Q3	Q4	Total
2020	0.140	0.135	0.135	0.090	0.500
<b>Total</b>					<b>0.500</b>

Source: Asian Development Bank.

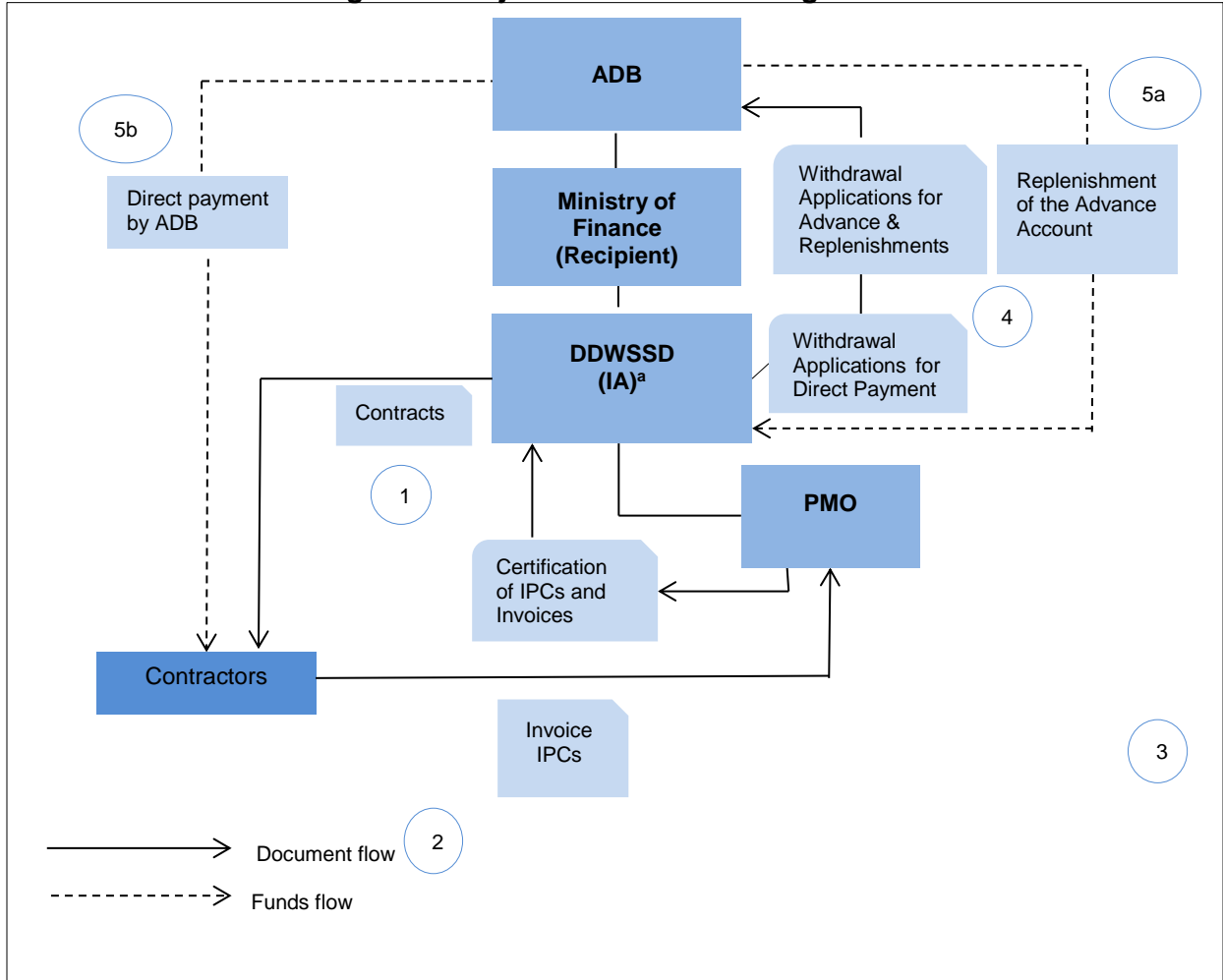
**Figure 3. Indicative Contract and Disbursement S-Curve**



**G. Fund Flow Diagram**

5. The fund flow diagram can be seen below in Figure 4.

**Figure 4: Project Funds Flow Arrangements**



ADB = Asian Development Bank, DDWSSD = Department of Drinking Water Supply and Sewerage Development, EA = executing agency, IA = implementing agency, IPC = interim payment certificate, PMO = project management office.

<sup>a</sup> Referred as Activity Executing Agency under the Activity Sub-Grant Agreement.



#### IV. FINANCIAL MANAGEMENT FOR ACTIVITY SUBGRANT<sup>1</sup>

6. The DDWSSD within the State Agency for Water Resources under the Government of the Kyrgyz Republic will be the implementing agency (IA). A Project Management Office (PMO) will be established to manage day-to-day project implementation. Reporting directly to the DDWSSD, the PMO's responsibilities will include procurement, contract and financial management, project administration, and safeguards compliance and reporting. The IA will be responsible for project and safeguards compliance coordination.

##### A. Financial Management Assessment for SEFF Activity

7. The project financial management assessment (FMA) was conducted in June 2018 for the Issyk-Kul Wastewater Management Project (50176-002) with same Implementing agency (IA) in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects and the Financial Due Diligence: A Methodology Note. The FMA considered the capacity of DDWSSD, including funds-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, internal and external auditing arrangements, and the use of statement of expenditure (SOE) procedures with the terms described. The financial management risk for the implementing agency for the first activity is *substantial*. Mitigating measures have been incorporated under the approved Issyk-Kul Wastewater Management Project that will ensure that the Department of Drinking Water Supply and Sewerage Development has (i) adequate staff to handle project financial management, although they are unfamiliar with ADB's disbursement guidelines and procedures; (ii) an adequate accounting system that integrates project-specific accounting, budgeting, auditing, and reporting requirements; on top of (iii) the experience as an executing agency for projects financed by other international financial institutions, with responsibilities for grant disbursements and advance account management; and (iv) capacity for internal audit. The financial management action plan (FMAP) set on the June 2018 financial management assessment, is in progress, consultants are being recruited, and by the time the SEFF becomes effective, capacity is expected to be in place and short-term initial action to be implemented.

8. The key identified financial management risks are in the areas of (i) staffing, (ii) internal audit, (iii) external audit, and (iv) reporting and monitoring. The FMAP discussed with the EA and the IA and its PMO addresses these risk areas is in Table 8.

**Table 8: Financial Management Action Plan**

Risk Description	Risk Rating	Action	Period	Responsible Agency
<b>Implementing Entity</b>				
Failure to report or delays in reporting suspected fraud, waste or misuse of project resources or assets	Substantial	Prepare and submit monitoring reports on suspected fraud, waste or misuse of project resources or assets	Quarterly, beginning end of Q4 2019	DDWSSD/MOF (Chamber of Accounts)/ PMO
<b>Fund Flow</b>				
Misunderstanding and misinterpretation of ADB's guidelines on disbursement and withdrawals of the grant proceeds	Substantial	Provide online and on-the-job training on ADB disbursement and payment procedures using an advance account to DDWSSD/PMO	On-line training: Before project start up at Q3 2019 On-the-job training:	ADB/DDWSSD/PMO

<sup>1</sup> This section does not need to show preceding SEFF activities.

			Beginning Q3 2019	
		The PMO will be involved in the preparation of supporting documents for grant withdrawal applications so they will also be provided with online and on-the-job training on ADB disbursement and payment procedures	On-line training: Quarterly beginning Q3 2019 On-the-job training: Beginning Q3 2019	DDWSSD/ ADB
<b>Staffing</b>				
Inadequate number of staff and insufficient knowledge and understanding of ADB's disbursement policies and procedures	Substantial	DDWSSD to recruit and/or appoint additional staff to handle project financial management in the PMO to be established under the project  ADB to facilitate training on ADB's disbursement policies and procedures <sup>2</sup>	At project start-up, Q3 2019 through to project completion, Q4 2024	ADB/DDWSSD/PMO
<b>Accounting Policies and Procedures</b>				
Inadequate project accounting and financial reporting system	Moderate	Configure the accounting system of SAWR/DDWSSD to incorporate project-specific accounting and financial reporting, training, and monitoring.	At project start up, Q3 2019	ADB/DDWSSD/ PMO
<b>Budgeting</b>				
Inability of the IAs to develop realistic budget and raise counterpart funds	Moderate	Prepare and issue budgeting policies and procedures for requesting the counterpart funding contribution of the government for the project promptly and accurately	Before project start up, by Q3 2019	MOF/DDWSSD/ PMO/
<b>Internal audit</b>				
Absence of internal audit unit	Substantial	SAWR to assign an internal auditor from its Internal Audit Unit to the PMO DWSSD/PMO to prepare and agree on a project work plan for internal audit SAWR/DDWSSD to agree on a work plan for the internal audit of the financial statements (FS) and transactions throughout the project implementation period	At project start-up, Q3 2019 through to project completion, Q4 2024 By Q3 2019	SAWR/ DDWSSD/PMO  MOF/Chamber of Accounts/ DDWSSD/PMO and ADB
<b>External audit</b>				
Delayed audit process and submission of audited financial statements in accordance with the grant agreement	Substantial	For the external audit of the DDWSSD financial statements, MOF/SAWR (DDWSSD) to agree on a timetable with the State Chamber of Accounts Arrangements will be made by DDWSSD/PMO for the annual external audits of the project financial statements and entity	For the external audits during the project implementation period, annually by Q1 of the following year	MOF/Chamber of Accounts/ DDWSSD/PMO ADB

<sup>2</sup> ADB to provide the ADB Handbook on Financial Management and Loan Disbursement Handbook to facilitate training and capacity development.

		financial statements of the DDWSSD.		
<b>Reporting and Monitoring</b>				
Delay in submission of audited financial reports and non-compliance with government requirements and with international public accounting standards	Substantial	Configure the accounting systems of SAWR/DDWSSD for project financial reporting, training, and monitoring  Conduct formal training and on-the-job training on the project accounting system in accordance with an agreed training program	During project start-up, by Q3 2019, through to project completion, 2024	DDWSSD/PMO ADB
<b>Management Information Systems</b>				
Lack of appropriate safeguards or security system measures to protect records and transactions in the electronic MIS	Moderate	Configure the accounting systems of SAWR/DDWSSD with features that appropriately safeguard and secure the confidentiality and integrity of the data in the system	By Q3 2019	DDWSSD/PMO ADB

ADB = Asian Development Bank, DDWSSD = Department of Drinking Water Supply and Sewerage Development, IA = implementing agency, MIS = management information systems, MOF = Ministry of Finance, PMO = project management office, Q = quarter.

## B. Disbursement

### 1. Disbursement Arrangements for ADB Funds

9. The SEFF Activity grant proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time),<sup>3</sup> and detailed arrangements agreed upon between the government and ADB. Online training for project staff on disbursement policies and procedures is available.<sup>4</sup> Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

10. **Advance fund procedure.** Separate advance account will be established and maintained by IA at a commercial bank to facilitate disbursements. The currency of the advance account is the United States dollar. The advance account is to be used exclusively for ADB's share of eligible expenditures. The borrower/EA is accountable and responsible for appropriate bank selection for the advance account. The IA who administers the advance account is accountable and responsible for proper use of advances to the advance account. IA will establish the account in its name and shall be accountable and responsible for proper use of advances to the advance account.

11. The total outstanding advance to the advance account should not exceed the estimate of ADB's share of expenditures to be paid through the advance account for the forthcoming 6 months. The ADB's project team responsible for activity administration will review the reasonableness of the 6-month estimates provided by IA. The PMO under IA administering the advance account may request for initial and additional advances to the advance account based on an estimate of expenditure sheet setting out the estimated expenditures to be financed through

<sup>3</sup> The handbook is available electronically from the ADB website (<http://www.adb.org/documents/loan-disbursement-handbook>)

<sup>4</sup> Disbursement eLearning. [http://wpqr4.adb.org/disbursement\\_elearning](http://wpqr4.adb.org/disbursement_elearning)

the account for the forthcoming 6 months.<sup>5</sup> Supporting documents should be submitted to ADB or retained by the IA in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time) when liquidating or replenishing the advance account.

12. **Statement of expenditure procedure for SEFF Activity.**<sup>6</sup> The SOE procedure may be used for reimbursement of eligible expenditures or liquidation of advances to the advance 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. Any individual payments to be reimbursed or liquidated under SOE will not exceed the equivalent of \$200,000. Reimbursement and liquidation of individual payments in excess of the SOE ceiling should be supported by full documentation when submitting the withdrawal application to ADB.

13. Before the submission of the first withdrawal application for an activity, the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the government, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is stipulated in the *Loan Disbursement Handbook* (2017, as amended from time to time). Individual payments below such amount should be paid (i) by the implementing agency and subsequently claimed to ADB through reimbursement, or (ii) through the advance fund procedure, unless otherwise accepted by ADB. The borrower should ensure sufficient category and contract balances before requesting disbursements. Use of ADB's Client Portal for Disbursements system is encouraged for submission of withdrawal applications to ADB.<sup>7</sup>

14. **Direct payment procedure.** The PMO will submit direct payment withdrawal application to ADB if the PMO could not pay the invoice from the advance account due to specific reasons outside the control of the PMO.

## 2. Disbursement Arrangements for Counterpart Fund

15. The PMO will be responsible for (i) preparing disbursement projections, and (ii) requesting budgetary allocations for counterpart funds. If the government will finance local taxes and duties under the project, describe how the government will exempt, or provide funds to pay, such local taxes and duties. See Appendixes 4C of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time) for further guidance on the proper presentation of local taxes and duties financing in the detailed cost estimate by financier and allocation table in the grant agreement.

### C. Accounting

16. The implementation agency will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred under the activity following accrual-based accounting following the equivalent national accounting standards. The implementation agency

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<sup>5</sup> Estimate of Expenditure sheet is available in Appendix 8A of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

<sup>6</sup> SOE forms are available in Appendix 7B and 7D of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

<sup>7</sup> The CPD facilitates online submission of withdrawal application to ADB, resulting in faster disbursement. The forms to be completed by the Borrower are available online at <https://www.adb.org/documents/client-portal-disbursements-guide>.

will prepare consolidated project financial statements for the activity in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

17. The implementing agency will maintain separate accounts and records by funding source for all expenditures incurred within the activity, following either cash or accrual basis of accounting. The activity accounts will follow international accounting standards.

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

18. The implementing agency will cause the detailed activity financial statements to be audited in accordance with International Standards on Auditing, by an independent auditor acceptable to ADB. The audited financial statements together with the auditor's opinion will be presented in the English language to ADB within 6 months from the end of the fiscal year by the EA.

19. The audited entity financial statements, together with the auditor's report and management letter, will be submitted in the English language to ADB within 1 month after their approval by the relevant authority.

20. The audit report for the activity financial statements will include a management letter and auditor's opinions, which cover (i) whether the project financial statements present an accurate and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) whether the proceeds of the grant were used only for the purpose(s) of the activity; and (iii) whether the borrower, EA, or IA was in compliance with the financial covenants contained in the short form agreements (where applicable).

21. 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 government, Ministry of Finance, and DDWSD 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>8</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 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 activity's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

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<sup>8</sup> ADB's approach and procedures regarding delayed submission of audited project financial statements:

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

28. Public disclosure of the audited financial statements, including the auditor's opinion on the financial statements, will be guided by ADB's Access to Information Policy.<sup>9</sup> After the review, ADB will disclose the audited financial statements and the opinion of the auditors on the financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.<sup>10</sup>

## **V. PROCUREMENT AND CONSULTING SERVICES**

### **A. Advance Contracting**

29. All advance contracting will be undertaken in conformity with ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time). The issuance of invitations to bid under advance contracting will be subject to ADB approval. The recipient and IA have been advised that approval of advance contracting does not commit ADB to finance the project.

30. Advance contracting will be applicable for Osh-Plotina chlorine neutralization unit and the steps to be concluded in advance will include (i) tendering and bid evaluation for civil works packages; (ii) preparation of tender documents to procure materials and equipment; and (iii) evaluation of bids.

### **B. Procurement of Goods, Works, and Consulting Services**

31. Procurement (including consulting services) to be financed by ADB will follow ADB's Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).

32. Project procurement risk assessment has been undertaken for the Issyk-Kul Wastewater Management Project (50176-002) having the same EA and IA as the first activity less than 18 months before the approval of this activity. The overall procurement risk assessment is "substantial."

33. Open competitive bidding advertised international will be used for the procurement of civil works for Osh-Plotina chlorine neutralization unit, as indicated in the procurement plan.

### **C. Procurement Plan**

34. The first procurement plan is indicated as below. The procurement plan will be updated by the Ministry of Finance for approval by ADB, at least annually, and more frequently if necessary, and should cover the next 18 months of procurement activity. A delay in grant effectiveness, other start-up delays, and delays during implementation will require an unscheduled procurement plan update. ADB will review each updated procurement plan prior to its publication. The estimated package cost in the procurement plan is inclusive of taxes and duties.

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<sup>9</sup> ADB. 2018. Access to Information Policy. Manila.

<sup>10</sup> ADB. 2011. *Public Communications Policy*. Manila (para. 97(iv) and/or 97(v)). This type of information would generally fall under public communications policy exceptions to disclosure.

### Procurement Plan

Basic Data		
Project Name: <b>Osh-Plotina Water Treatment Plant Chlorine Neutralization Unit Activity</b>		
Project Number: 52256-003	Approval Number:	
Country: Kyrgyz Republic	Borrower/Recipient: Ministry of Finance	
Project Procurement Classification: B	Implementing Agency: State Agency for Water Resources – Department of Drinking Water Supply and Sewerage Development	
Procurement Risk: Moderate		
Project Financing Amount: \$625,000 ADB Financing: \$500,000 Cofinancing (ADB Administered): None Non-ADB Financing: \$125,000	Project Closing Date: 30 May 2022	
Date of First Procurement Plan: 25 June 2019	Date of this Procurement Plan: July 2019	
Procurement Plan Duration: 18 months	Advance contracting: Yes	eGP: No

#### D. Methods, Review, and Procurement Plan

35. Except as the ADB may otherwise agree, the following methods shall apply to procurement of goods, works, non-consulting services, and consulting services.

Procurement of Goods, Works, and Non-consulting Services	
Method	Comments
Open competitive bidding (OCB) with international advertising for works	National contractors lack capacity on implementing the package.

Consulting Services	
Method	Comments
Least-cost selection with international advertising (LCS)	Not applicable
Direct contracting for consulting firms (DC)	Not applicable
Individual consultants selection (Competitive)	Not applicable

#### E. List of Active Procurement Packages (Contracts)

36. The following table lists goods, works, non-consulting services, and consulting services contracts for which the procurement activity is either on going or expected to commence within the procurement plan duration.

Goods, Works, and Non-Consulting Services							
Package Number <sup>1</sup>	General Description	Estimated Value	Procurement Method	Review	Bidding Procedure	Advertisement Date	Comments
CW-01	Chlorine Neutralization Unit at Osh-Plotina WTP Plant	\$360,000	OCB	Prior	1S1E	Q3/2019	No. of Contracts: 1  Prequalification of Bidders: No  Domestic Preference Applicable: No

							Advance Contracting: Yes Bidding Document: Small Works Advertising Type: International e-GP: N
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Consulting Services							
Package Number	General Description	Estimated Value	Selection Method	Review	Type of Proposal	Advertisement Date	Comments
CONS-01	Audit of activity financial statements	30,000	LCS	Prior	BTP	Q4/2019	International
CONS-02	Project Management Office Consultants	10,000	ICS	Prior	BTP	Q4/2019	National

#### F. List of Indicative Packages (Contracts) Required under the Project

37. The following table lists goods, works, non-consulting services, and consulting services contracts for which the procurement activity is expected to commence beyond the procurement plan duration and over the life of the project (i.e., those expected beyond the current procurement plan duration).

Goods, Works, and Non-Consulting Services						
Package Number <sup>1</sup>	General Description	Estimated Value	Procurement Method	Review	Bidding Procedure	Comments

Consulting Services						
Package Number	General Description	Estimated Value	Selection Method	Review	Type of Proposal	Comments

#### G. List of Awarded and Completed Contracts

38. The following table lists the awarded contracts and completed contracts for goods, works, non-consulting services, and consulting services.

Goods, Works, and Non-Consulting Services					
Package Number	General Description	Contract Value	Date of ADB Approval of Contract Award	Date of Completion	Comments



Consulting Services					
Package Number	General Description	Contract Value <sup>9</sup>	Date of ADB Approval of Contract Award <sup>10</sup>	Date of Completion <sup>11</sup>	Comments <sup>12</sup>

## H. Non-ADB Financing

39. The following table lists goods, works, and consulting services contracts over the life of the project, financed by non-ADB sources.

Goods, Works, and Non-Consulting Services				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Comments

Consulting Services				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Selection Method	Comments

## VI. SAFEGUARDS

40. **Environment (category B).** An environmental assessment and review framework (EARF) have been prepared for the facility in accordance with ADB's Safeguards Policy Statement 2009 (ADB SPS 2009) to guide the preparation of environmental assessment reports (i.e., initial environmental examination (IEE)).<sup>11</sup> Activity subgrant (1) of the project covering the chlorine neutralization unit in Osh-Plotina WTP is category B for environment. The IEE has been prepared and is disclosed on DDWSSD and ADB's website. Public consultations were conducted and involved affected people from nearby houses and other project stakeholders. Project impacts during construction are expected to be site-specific and temporary and related to the construction activities. Expected impacts include, among others, noise, dust, and exhaust emissions from equipment and construction vehicles; impacts on the river and surface water, waste management, occupational health and safety, community health and safety, construction traffic. During operation phase, potential impacts are related to limited local capacity to maintain functionality of the components, with expected positive impacts due to the rehabilitation works. Adequate mitigation measures are included as part of the assessment, and will be implemented through, the environmental management plan (EMP) and site-specific environmental management plans (SEMP).

41. PMO will be responsible for EMP and SEMP implementation, will ensure that EMP will be adequately included in bidding documents and in construction contracts. PMO will be responsible to ensure that contractor prepares and submits SEMP to DDWSSD, which will contain the method statement for construction. SEMP shall be reviewed and endorsed by the DDWSSD and submit for PMO's approval. PMO will approve all SEMP before start of any construction works.

<sup>11</sup> ADB. 2009. *Safeguard Policy Statement*. Manila.

42. Monitoring of environmental quality and the implementation of mitigation measures will be performed by the PMO in line with EMP, with sufficient terms of reference and staff-time for this task. The monitoring results will be included in the project quarterly progress reports and semi-annual environmental reports to be submitted to ADB. The cost for EMP implementation will be financed under the grant, specifically the costs of mitigation measures will be included in the construction contracts.

43. PMO will be responsible for establishing and implementing the grievance redress mechanism in accordance with the IEE and EMP. PMO will promptly inform ADB of the occurrence of any risks or impacts, with detailed description of the event and proposed corrective action plan if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the project that were not considered in the IEE. PMO will report any actual or potential breach of compliance with the measures and requirements set forth in the IEE and EMP promptly after becoming aware of the breach.

44. **Involuntary resettlement (category C).** A land acquisition and resettlement framework has been prepared for the facility subsequent activities in accordance with the SPS. The SEFF will include consulting services and upgrading or rehabilitation works within existing facilities. They are not expected to involve any physical or economic displacement. For the first activity, Osh-Plotina WTP chlorine neutralization unit, no land acquisition and involuntary resettlement is envisaged, as no household will experience severe impact on their livelihood and no household was found to belong to vulnerable groups.

45. **Indigenous peoples (category C).** There are no indigenous peoples in the project areas, as defined in the ADB SPS 2009 for operational purposes. Accordingly, no indigenous peoples planning documents will be required.

46. Stakeholder consultations were conducted on 9 July 2019. A fully functional grievance redress mechanism is already in place at the PMO. It has an understandable and transparent process, gender responsive, culturally appropriate, and readily accessible to all affected persons.

47. EA, IA, are PMO responsible and the resources required to implement the actions identified in the EMP. See Section VII for safeguards monitoring.

48. **Prohibited investment activities.** Pursuant to ADB SPS 2009, ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the ADB SPS 2009.

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

### A. Monitoring

49. **SEFF Activity performance monitoring.** The Ministry of Finance will monitor SEFF Facility and Activity performance semiannually and provide consolidated reports to ADB. These reports will include (i) each sub-activity's progress measured against the implementation schedule, (ii) key implementation issues and solutions, (iii) an updated procurement plan, and (d) an updated implementation plan for the next 12 months. To ensure SEFF Facility and the SEFF Activity continues to be both viable and sustainable, the Ministry of Finance should adequately review the SEFF Facility and Activity financial statements and the associated auditor's report. In the event that: (i) an ensuing loan is not approved, or where the associated ADB-financed loan

has been issued, the Ministry of Finance will submit a SEFF Activity completion report to ADB within 6 months of physical completion of the SEFF Activity.<sup>12</sup>

50. **Compliance monitoring.** IA, on behalf of EA, will monitor compliance of grant covenants, including that relating to policy, legal, financial, economic, environmental, and others and ensure compliance with grant covenants and assurances. All non-compliance issues, if any, will be updated in quarterly progress reports together with remedial actions. PMO and ADB review missions (at least twice a year) will also monitor the status of compliance with grant covenants and raise the noncompliance issues with the Ministry of Finance and EA and agree on remedial actions.

51. **Safeguards monitoring.** The government will do the following or cause the EA and the IA to do the following:

- (i) submit semi-annual environmental and social safeguards monitoring reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (ii) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation, or operation of the project that were not considered in the IEE and the EMP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
- (iii) report any actual or potential breach of compliance with measures and requirements set forth in the EMP promptly after becoming aware of the breach; and
- (iv) the status of safeguards implementation will also be discussed at each ADB review mission and with necessary issues and agreed actions recorded in aide memoires.

## B. Reporting

52. The EA will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) updated procurement plan, and (d) updated implementation plan for the next 12 months; and (iii) if required, a SEFF activity completion report within 6 months of physical completion of the project. To ensure that projects will continue to be both viable and sustainable, project accounts and the EA audited financial statement together with the associated auditor's report, should be adequately reviewed.

## VIII. ANTICORRUPTION POLICY

53. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.<sup>13</sup> All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the EA 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>14</sup>

<sup>12</sup> ADB. 2018. Project Completion Report for Sovereign Operations. *Project Administration Instructions*. PAI 6.07A. Manila. A new template for the SEFF Activity Completion Report has been added on {---2019}.

<sup>13</sup> Anticorruption Policy: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

<sup>14</sup> ADB's Integrity Office web site: <http://www.adb.org/integrity/unit.asp>

54. To support these efforts, relevant provisions are included in the short form agreement/regulations and the bidding documents for the SEFF Facility and SEFF Activity. All contracts financed by ADB in connection with the project will include provisions specifying the right of ADB to audit and examine the records and accounts of the contractors, suppliers, consultants, and other service providers as they relate to the project. ADB will disseminate ADB's anticorruption policy to EA and IA.

55. ADB's Anticorruption Policy designates the Office of Anticorruption and Integrity as the point of contact to report allegations of fraud or corruption among ADB-financed projects or its staff. The Office of Anticorruption and Integrity is responsible for all matters related to allegations of fraud and corruption. For a more detailed explanation refer to the Anticorruption Policy and Procedures. Anyone coming across evidence of corruption associated with the project may contact the Anticorruption Unit by telephone, facsimile, mail, or email at the following numbers/addresses:

by email at [integrity@adb.org](mailto:integrity@adb.org) or [anticorruption@adb.org](mailto:anticorruption@adb.org)  
 by phone at +63 2 632 5004  
 by fax to +6326362152  
 by mail at the following address (Please mark correspondence Strictly Confidential):

Office of Anticorruption and Integrity  
 Asian Development Bank  
 6 ADB Avenue, Mandaluyong City  
 1550 Metro Manila, Philippines

## IX. ACCOUNTABILITY MECHANISM

56. People who are, or may in the future be, adversely affected by the SEFF Activity 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>15</sup>

**Contact details:**

Secretary  
 Compliance Review Panel  
 Asian Development Bank  
 6 ADB Avenue  
 Mandaluyong City  
 1550 Metro Manila, Philippines  
 Tel + 63 2 632 4149  
 Fax +63 2 636 2088  
 Email: [crp@adb.org](mailto:crp@adb.org)  
 Web: [www.compliance.adb.org](http://www.compliance.adb.org)

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<sup>15</sup> Accountability Mechanism. <http://www.adb.org/Accountability-Mechanism/default.asp>.

**X. RECORD OF CHANGES TO THE ACTIVITY ADMINISTRATION MANUAL**

57. 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 AAM, including revision to contract awards and disbursement s-curves.