

Central Asia AIDS Control Project (RPMU)

and

United Nations Development Programme

Long Term Joint Capacity Building for AIDS Control in Central Asia

Regional Project Document

Brief description

The present project seeks to increase national capacity in Kazakhstan, the Kyrgyz Republic, Tajikistan and Uzbekistan for project management and implementation, within the specific area of HIV/AIDS control. This will be done through the provision of capacity building, fiduciary services and other support to implementation of the broader Central Asia AIDS Control Project (CAAP). UNDP, in keeping with its general mandate for capacity development services and demonstrated expertise in supporting the implementation of multi-lateral HIV/AIDS projects globally and in Europe and the CIS, will seek to assist the effective implementation of key aspects of the broader Central Asia AIDS Control Project (CAAP). This overall project aims to finance, through grant projects, regional initiatives that will contribute to the control of the HIV/AIDS epidemic in Central Asia. This project will be executed by RPMU, Regional International Organisation designated by the countries in question to represent them for this specific project and, at country level, will be implemented through the Ministry of Health structures and National Coordinators in each country.

SIGNATURE PAGE

Countries:

UNDP Kazakhstan Lead CO in a four country Regional Project:
 Republic of Kazakhstan
 Kyrgyz Republic
 Republic of Tajikistan
 Republic of Uzbekistan

Regional Programme Outcome(1)/Indicator(s):

Achieving the MDGs (Goal 6 Combat HIV/AIDS...)/ Number of countries 'On Track' in MDG (Goal 6) Process

Lead CO Expected Outcome(s)/Indicator (s):

Government is more capable of reducing poverty, achieving MDG targets and monitoring progress to those ends / Allocation from national budget to poverty alleviation initiatives

ICP outcomes linked to the SRF/MYFF goal and service line): MYFF Service Line 1.1 MDG country reporting and poverty monitoring

Implementing partner:
 (designated institution/Executing agency)

RPMU

Regional Programme Period: 2006-2010
 Regional Programme Component: 1.1 MDGs (Goal 6)
 Project Title: Long Term Joint Capacity Building for AIDS Control in Central Asia
 Project ID:
 Project Duration: 5 years
 Management Arrangement: IGO Regional Project

Direct Budget USD	23,131,270
GMS Fee 5%:	(USD 1,214,690)
Total direct budget:	USD 24,345,960
Parallel contribution:	USD 2,606,000
Total budget:	USD 26,951,960

Allocated resources:
 -Government (RPMU) direct and parallel USD 21,900,000
 -UNDP (Regional) USD 51,960

Agreed by RPMU:

Meimanaliev

Mr. Tilek Meimanaliev, Executive Director, RPMU

Date: 16.11.06

Agreed by UNDP:

Marta Ruedas

Ms. Marta Ruedas, Regional Director a.i., RBEC

Date: _____

Participating Governments	Means jointly the Republic of Kazakhstan, the Kyrgyz Republic, the Republic of Tajikistan and the Republic of Uzbekistan; "Participating government/country" means any of these countries;
ATLAS	The UNDP Enterprise Resource Planning system
CACO	Central Asia Cooperation Organization established by the CACO Agreement (as defined below);
CACO Agreement	Agreement among the Republic of Kazakhstan, the Kyrgyz Republic, the Republic of Tajikistan and the Republic of Uzbekistan on Establishment of the Central Asia Cooperation Organization, dated February 28, 2002;
CO	UNDP Country Office
CPC/CPU	RPMU Country Project Coordinator or Unit
DFID	Department for International Development of the Government of the United Kingdom;
EurAsEC	Eurasian Economic Cooperation Council
GFATM	The Global Fund to fight AIDS, Tuberculosis and Malaria
IDA	International Development Association
NGOs	Non-governmental organizations;
PAD	Project Appraisal Document
POM	Project Operational Manual
Procurement Plan	Recipient's procurement plan, dated January 25, 2005, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;
RAF	Regional AIDS Fund means the regional fund established under Part B of the CAAP Project to finance on grant basis eligible regional initiatives to contain the HIV/AIDS epidemic and STIs in the Participating countries;
Regional Coordinator	RPMU Executive Director appointed by CACO to manage and administer CAAP funds; also serves as the UNDP project Regional Director
RPMU	Regional Project Management Unit
RPSC	Regional Project Steering Committee
STI	sexually transmitted infection
Sub grant	grant provided or proposed to be provided to an eligible recipient from the proceeds of the Grant under CAAP to finance expenditures in respect of goods, works and consultants' services necessary for the implementation of a Subproject (as defined below);
Subproject	subproject in the territory of a Participating country or Participating countries financed or proposed to be financed from the Regional AIDS Fund under Part B of the Project which satisfy the eligibility criteria set forth in the POM;
UNAIDS	Joint United Nations Development Program on HIV/AIDS.

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Long Term Joint Capacity Building for AIDS Control in Central Asia

Section I – Elaboration of the Narrative

Part I. Situation Analysis

HIV/AIDS in Central Asia

Central Asia has been experiencing four overlapping epidemics - HIV/AIDS, drug abuse, sexually transmitted infections (STIs), and tuberculosis (TB) - that mostly have youth at its centre. Although Central Asia is still at the earliest stages of the HIV/AIDS epidemic, available evidence indicates that HIV/AIDS is spreading rapidly, and registered cases have grown exponentially from less than 100 in 1995 to more than 9,000 in 2004. It is estimated that some 90,000 people in the region live with HIV/AIDS. An increase in drug production and trade since the war in Afghanistan has triggered a rapid growth of drug abuse. Most of the estimated 500,000 drug users inject drugs and share needles, which places them at high risk of contracting HIV/AIDS. Drug trafficking and injecting drug users continue to increase throughout Central Asia along the Northern Corridor that links Afghanistan to Russia. Furthermore, the region has been experiencing epidemics of STIs, which facilitate transmission of HIV/AIDS and tuberculosis (TB), which is the main opportunistic infection for HIV/AIDS (Annex 1 includes an overview of the epidemic country-by-country).

Governments, NGOs and partner organizations working in the field have initiated appropriate early action to avoid a major epidemic: the Governments have approved and, in cooperation with NGOs and assistance from inter-regional organizations, have started implementation of evidence-based regional and, in some cases, sector-specific HIV/AIDS strategies prepared with assistance from UNAIDS. The Regional AIDS Strategy prepared by UNAIDS in collaboration with Central Asia countries provided the framework for country-specific strategies. Kazakhstan, Kyrgyz Republic, Tajikistan and Uzbekistan applied for, and have been granted, funding from the Global Fund to Fight AIDS, TB and Malaria (GFATM). However, available and planned funding, including funding from the GFATM, covers less than 25% of groups at risk, and does not cover cross border populations such as migrants.

The Central Asia AIDS Control Project (CAAP)

In an effort to address this situation, the Inter-governmental body Central Asia Cooperation Organization (CACO) joined forces with the World Bank to launch the Central Asia AIDS Control Project, supported through a Development Grant Agreement for US\$ 25 million between the World Bank (IDA) and CACO signed in May 12, 2005. As outlined in the CAAP Project Appraisal Document, a DFID grant of US\$ 1.9 million and counterpart financing of US\$ 0.8 million were also secured. The project operational timeframe is from 1 July 2005 through 31 December 2010.

The broader CAAP aims to finance, through grant projects, regional and national initiatives that will contribute to the control of the HIV/AIDS epidemic in Central Asia, implemented in four countries: Kazakhstan, the Kyrgyz Republic, Tajikistan and Uzbekistan. Specific objectives include: reduction in the growth rate of the HIV/AIDS epidemic, better regional and inter-country cooperation, effective inter-sectoral collaboration and the establishment of a sustainable mechanism for financing HIV/AIDS control and prevention activities in the CA region. Further information is available on the CAAP website at: <http://www.caap.info/>

Background and Justification for UNDP Involvement

An original UNAIDS Cosponsor, UNDP is the UN's development network. UNDP works on the ground in 166 countries to build national capacity and assist countries in addressing challenges to development. In countries, the UNDP Resident Representative typically functions as the UN Resident Coordinator, helping promote strategic coherence and effectiveness of the entire UN system's country-level efforts.

The capacity of local institutions, particularly at government level, to implement and manage the systems being developed to address the issue of HIV/AIDS in Central Asia is as important as the development of policies and response mechanisms. Without implementation capacity, the actual impact of policies and mechanisms on the HIV/AIDS situation will at best be less substantial and at worse not be felt.

Within the implementation of different initiatives related to HIV/AIDS, be it through the GFATM or others, the insufficient management and implementation capacity of different partners was identified. This is no different regarding the regional CAAP project. Thus, in order to, on the one hand ensure the "Three Ones" principle in the dimension of having one national multi-sectoral AIDS coordinating authority and, on the other hand, build upon the activities already developed by UNDP with the national counterparts in this area, the present project aims at allowing for additional capacity building activities, within the overall frame of the regional CAAP project, which embraces the Three Ones principles.

In this regard, UNDP maintains a full office and programme with strong capacity in each country and, in many cases, enjoys pre-existing partnerships with CAAP key national partners. Further, given the complexity of the regional structure and legal and operating environment of the CAAP, need for additional support linking the regional and country level delivery chain has emerged.

Moreover, in line with UNAIDS Co-sponsor Division of Labour and the Global Task Team Recommendations, the 2006-2010 UNDP Regional HIV/AIDS Programme Outline highlights the significant number of strategic partnerships UNDP has formed with governments in the region and multi-lateral partners to 'make the money work'. For example, UNDP is currently Principal Recipient for 3 HIV/AIDS grants in Belarus and Tajikistan, and has been recently nominated to serve as Principal Recipient in Montenegro and Bosnia and Herzegovina. In a number of countries including Belarus, Bulgaria, Croatia, Kazakhstan, Macedonia, Poland, Romania and Turkmenistan UNDP has supported Country Coordinating Mechanisms in proposal development and provision of technical assistance for grant implementation. In Armenia, Kyrgyzstan, and Uzbekistan, UNDP has developed a new model of providing capacity development services to Principal Recipients and sub-recipients in financial management, procurement, monitoring and implementation.

Through its support to major resource platforms in the region, especially the GFATM and UNAIDS led Three Ones initiatives, UNDP will, through the present project, provide a vehicle for strengthening existing national structures and partnerships, avoiding duplication of efforts and establishment of parallel structures at the national level.

Thus, in keeping with its general mandate for capacity development services, demonstrated expertise in supporting the implementation of multi-lateral HIV/AIDS projects globally and in Europe and the CIS, strong capacity on the ground in each country and a well-resourced regional capacity, UNDP is best positioned to support the effective implementation of key aspects of the regional CAAP in a coherent package at the regional and country levels.

Endorsement of the Project

The CAAP Regional Steering Committee, comprising high-level representatives of each participating country, the World Bank, DFID and UNAIDS, representing all UN co-sponsor agencies reviewed and endorsed the present project at the regular meeting of 2 October 2006. At the same meeting, the governments of each country authorised RPMU to sign on their behalf the respective project document with UNDP and recognised RPMU as the executing agency of this project.

Part II: Strategy

The overall objective of the present project is to contribute to the attainment of the objectives of the regional CAAP project, through the strengthening of the government's capacity in managing and implementing project activities.

The objectives of the regional CAAP project are: (i) to reduce the growth rate of the HIV/AIDS epidemic in Central Asia in the period of 2005-2010; (ii) to establish in Central Asia a sustainable mechanism - the Regional AIDS Fund - that would serve as a vehicle for financing HIV/AIDS prevention and control activities in the region during and beyond the life of the Project; and (iii) to contribute to better regional cooperation in Central Asia, and effective inter-sectoral collaboration between public sector, non-governmental organizations and private sector on HIV/AIDS control in this region.

The CAA³ consists of the following parts:

Component 1. Regional Coordination, Policy Development and Capacity Building. Building on the UN Three Ones principles, this component will aim to: (i) establish a legal environment that facilitates the implementation of the HIV/AIDS Regional Strategy, including prevention work with highly vulnerable groups such as drug users, commercial sex workers, men who have sex with men, prisoners and mobile populations; (ii) improve information and decision-making based on quality epidemiological data, and (iii) build capacity of public agencies, NGOs and private sector engaged in HIV/AIDS control.

Component 2. Central Asia Regional AIDS Fund (RAF). This component will establish a demand-driven RAF to finance initiatives that will contribute to rapidly growing epidemic of HIV/AIDS and sexually transmitted infections (STIs) in Central Asia. The RAF will technically and financially support cost-effective regional epidemiological hotspots. It will provide incentives for greater regional cooperation, as well as for cooperation between public, private and NGO sectors; and between different public services (for example, AIDS Centres and prison sector).

Component 3. Project Management, Monitoring and Evaluation. This component will finance project management, and monitoring and evaluation (M&E) of the project. The project will finance the establishment of a Regional Project Management Unit (RPMU) and hiring of Country Coordinators in each of the four participating countries. The component will finance establishment and operation of the Project Monitoring and Evaluation System and Management Information System (MIS), including computerized Financial Management and Accounting System, and carrying out of annual financial audits of the project.

Capacity Development and Support Services

UNDP recognizes that national capacity resides at the environmental, organisational and individual levels; effective policy, programme and implementation support therefore addresses capacity assets and needs to build an enabling environment at all three levels. For many years now, UNDP has applied and tested a variety of project execution modalities. More recently, the UN General Assembly reiterated that "national execution must be the standard steering all program and projects supported by the United Nations System, taking into account the needs and capacity of recipient countries"¹. The UNDP Executive Board has also repeatedly pointed out that supporting national execution of projects is an effective way to build on capacities and promote institutional sustainability².

With the purpose of enhancing the roles of local and national stakeholders, as well as relying increasingly on national capacities and structures through action-learning, UNDP will use the regional inter-governmental

¹ General Assembly. Resolution 47/199. Report A/47/723 dated December 22, 1992

² Decisions 90/21 and 91/27 of UNDP Executive board on UNDP project execution by governments

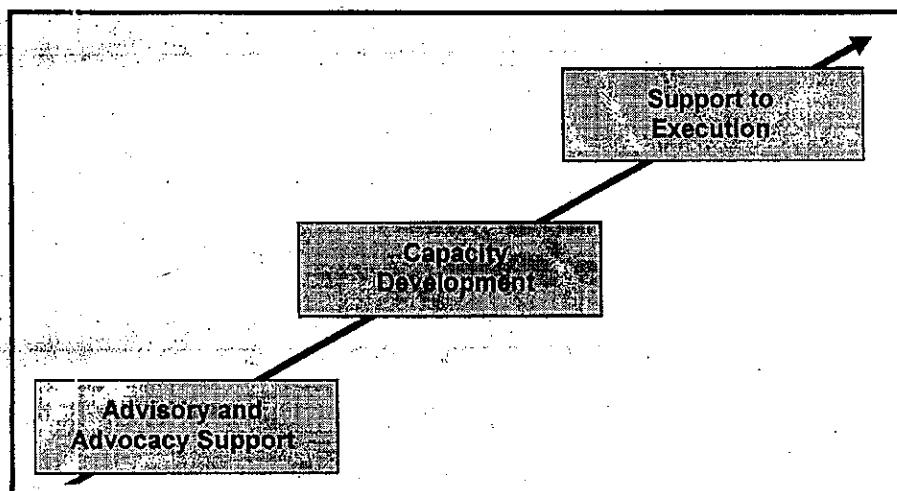
organisation execution modality (as a regional mirror of national execution, through RPMU as an inter-governmental organisation, representing the four countries in question) with targeted support services. This unique modality allows increased ownership and effective capacity development by ensuring government ownership of all aspects of the program with a continued support, backstopping and accompaniment. The purpose is to build on existing platforms, avoiding the creation of parallel structures where possible, for implementation while transferring tools and developing local leadership and skills during the delivery process. For example, the evaluation of small-grant proposals will take place through, where possible, existing National HIV/AIDS Coordination Committee structures with the support and participation of UNDP specialist staff imparting internationally recognized best practice and tools in the evaluation process.

UNDP has developed the ability to facilitate efficient access to experience, knowledge, tools, good practices, and technical expertise in different fields within its core programme areas in addition to support to strategic planning, procurement, contract management and financial management for an efficient program implementation.

A "coaching" approach will enable the local teams and staff from the participating institutions in each country to be in permanent contact with high-level advisors and experts thereby ensuring an effective learning process. This support modality allows the use of existing structures and skills while ensuring the highest standards of accountability and efficiency in overall program implementation.

UNDP will also support the development of tools and systems for structuring, codifying and providing access to information and knowledge at local, national and global levels. Should the RPMU and UNDP agree during the execution of the project to provide training to selected audiences as deemed appropriate, a program of workshops can be created in high-priority areas such as: strategic planning, specialized procurement, customs clearance, etc.

To support the fulfilment of these components and attainment of the expected results, the scope of services covers support and capacity development for managerial, administrative, financial and programme capacities related to the management and implementation of the overall CAAP project. At the same time, capacity development and the appropriate involvement of national institutions and partners have proved to be indispensable and inseparable conditions for a successful and sustainable project. Based on existing Advisory relationships with the relevant national authorities and UNDP's support functions within this project, UNDP's strategy is to leverage wherever possible the complementarity across the following three levels of intervention:



Specific areas of to which UNDP shall provide capacity building and support services are:

- a) Fiduciary management;
- b) Contracts administration;
- c) Grants administration and monitoring support
- d) Procurement support

This regional project seeks to provide a coherent framework for common services, elaborated by category in the section below. In the interest of maintaining flexibility and relevance to country-specific conditions and requirements, however, modifications to this general framework may be agreed at the country level through an exchange of letters between RPMU and UNDP Country Offices, in consultation with the Lead CO. This includes adaptation of the roles/responsibilities tables elaborated in Annex 1.

Common support services provided by COs in each country & lead CO at regional level

a) Support to fiduciary management:

- Assistance to the CAAP Regional Coordinator in project financial and administrative planning and budgeting; Discuss the Annual Work plan received from RPMU and agree with the Regional Coordinator on the actions needed from UNDP; discuss and make adjustments to the work plan on a quarterly basis,
- Inputting all budget and financial information into UNDP Atlas (Enterprise Resources Planning software) and assist the RPMU with the same for their computerized systems;
- Provide the Regional Coordinator with monthly financial status reports; provide ad hoc reporting to the Regional Coordinator and RPMU on availability/quantity of funds advanced to UNDP as required;
- In coordination with Country Coordinators, prepare timely requests to the Regional Coordinator and RPMU for replenishment of advance funds to ensure that adequate funds are available for the Project to cover the anticipated expenditures and local obligations covered under this project document;
- The lead CO in coordination with Regional Coordinator, prepare timely requests to the RPMU for replenishment of advance funds to ensure that adequate funds are available for the Project to cover the anticipated expenditures and centralized obligations covered under this project document;
- Keep financial records of the funds flowing through the Atlas Project account (bank and petty cash);
- Keep copies of all supporting documents for expenditures made and submitting them to RPMU upon request;
- Ensure that, without the written authorization of the Regional Coordinator and World Bank "no objection", no expenditure is incurred by the Project that is not capable of being reimbursed by RPMU;
- Prepare monthly and quarterly financial statements and financial monitoring reports, and Annual Financial Report in accordance with UNDP rules and regulations; adapting these reports into a reporting format agreeable to RPMU to facilitate formal approval by the RPMU;
- Working with annual audit and/or RPMU staff on reconciliation of Project data and documentation and dealing with any other queries raised by the Auditors within the scope of Audit Terms of Reference approved by RPMU.

b) Contracts administration

- Assisting the Regional Coordinator in contractual processes for activities covered under this project document; inputting contract information into UNDP Atlas and RPMU computerized systems;
- Checking of invoices and deliveries to Project ensuring that goods and services received are in the right quantity, quality and paid in the right amounts as stipulated by the Project Work plan and financial rules and regulations outlined in the Operational Manual for the Grant Implementation by the RPMU and notifying the Regional Coordinator and RPMU of any inconsistencies and deviations thereof;
- Providing payroll accounting and remuneration payments to local consultants (short and long term contracts) contracted by the Regional Coordinator on behalf of the RPMU for the Project;
- Provide support services for the organization of workshops and meetings in the country, including support in collecting of information, logistic, arrangements, payments, etc;

c) Grants administration and monitoring support

- Participation of the UNDP CO representative in the Grant Committee for awarding grants;
- Disbursement of small grant funds based on decisions taken by Grant Committee and approved by RPMU;
- Quarterly reporting on disbursement at country and regional level; monitoring and reporting of substantive/qualitative implementation of small grants remains with the CPC/RPMU;
- Support to grant recipient trainings at country level, including, in coordination with the CPC, ensuring the grant recipients understand the financial rules and regulations for use of grant resources as outlined in the Grant Agreement;
- Monitoring of financial consistency between disbursed grant funds and actual spending upon request of the Regional Coordinator;
- The RPMU will remain principally responsible for technical and progress monitoring of grants.

Parameters and instructions governing the selection, disbursement, management of Grants, providing they are not in conflict with Annex 1, are elaborated in detail in the Regional AIDS Fund manual, attached as an Annex to this document and available on the CAAP website: <http://www.caap.info/>.

d) Procurement support

- Assisting the Regional Coordinator in procurement for activities covered under this project document; this includes both centralized procurement support by the lead CO and in-country procurement. Inputting procurement and contract information into UNDP Atlas and RPMU computerized systems.
- Checking of invoices and deliveries to Project ensuring that goods and services received are in the right quantity, quality and paid in the right amounts as stipulated by the Project Workplan and financial rules and regulations outlined in the Operational Manual for the Grant Implementation by the RPMU and notifying the Regional Coordinator and RPMU of any inconsistencies and deviations thereof;
- Support the Regional Coordinator in complying with all relevant tax exemption procedures and obligations associated with procurement under this agreement.
- Quarterly reporting (on the basis of the quarterly work plans) to the Regional Coordinator and/or RPMU Heac Office;
- Two potential models are envisioned for procurement that is undertaken within the provisions of this project document, of which Annex 1 comprises an integral part, depending on the requirements of the particular procurement activity and country-level requirements:

) With a requisite World Bank "no objection" received, the RPMU may undergo procurement procedures according to the guidelines outlined in the Grant Agreement and request UNDP payment on their contract in accordance with Annex 1, Table 4.1. In this case, the procurement of goods and services (including recruitment of project personnel) will be considered as conducted by the National Coordinator in accordance with relevant provisions of the Project. UNDP is neither accountable nor legally liable for the goods and services procured in this manner under the Project.

As per the terms and conditions of annex 1, in this case, RPMU procurement and financial rules shall apply to the procurement.

2) With a requisite World Bank "no objection" received, the RPMU may request UNDP to provide procurement support services in accordance with Annex 1, Table 4.2, in which UNDP is involved in additional stages of the process and can accordingly help ensure the transparency, competitiveness and effectiveness of that process, as well as support customs clearance. As per the terms and conditions of annex 1, UNDP shall apply its rules and procedures in this case.

Parameters and instructions governing the procurement process, providing they are not in conflict with Annex 1, are elaborated in detail in the Procurement Handbook, attached as an Annex to this document. For procurement of goods below the threshold for Bank review, the borrower remains obligated to absorb the cost from its own resources if the item purchased is later declared ineligible for financing by the Bank.

Parallel Contributions

The broader CAAP project envisages some complementary activities to be implemented by RPMU or third parties and financed in parallel, or entirely external to UNDP project support and fiduciary mechanisms. This is referred to as Parallel Contribution. UNDP is neither accountable nor legally liable for any activity funded through Parallel Contribution, nor are any such activities eligible for UNDP project coverage, support services or assurances as outlined above.

Duration of the Project

The present project envisages long-term partnership in AIDS control in Central Asia and is envisaged for a period of 5 years. However, in accordance with Annex 1, this Project Document shall cease to be in force thirty days after either of the parties may have given notice in writing to the other party of the decision to terminate the agreement. The RPMU shall consult with the World Bank Group prior to giving any termination notice, or immediately after receiving any notice from the UNDP, as the case may be. Any financial obligations undertaken within the framework of this project that cannot be reasonably resolved within thirty days of notice will be financed through project balances or additional transfers from the World Bank account.

In either case, upon completion of the thirty day period, all activities and obligations within this project will transfer to the RPMU on behalf of the CAAP. Both parties will undertake to ensure the most efficient and effective transfer process.

Part III: Institutional Context and Management Arrangements

A) Regional Institutional Context

Central Asia Cooperation Organisation (CACO) an intergovernmental body duly established by inter-regional agreement among the Republic of Kazakhstan, the Kyrgyz Republic, the Republic of Tajikistan and the Republic of Uzbekistan on 28 February 2002, CACO signed a Development Grant Agreement with the World Bank (IDA) on 12 May 2005 establishing the Central Asia AIDS Control Project, the Regional Project Steering Committee and the Regional Project Management Unit as its legal representative. As agreed at the CACO Heads of State Council Meeting held in St. Petersburg, Russia, on 6 October 2005, CACO will merge with the Eurasian Economic Cooperation Council.

Eurasian Economic Cooperation Council (EurAsEC) an intergovernmental body duly established by inter-regional agreement, EurAsEC has officially confirmed to the World Bank on 28 June 2006 its agreement to

assume project-related responsibilities upon merger with CACO and expects to sign the Grant Assumption Agreement after approval at the next meeting of EurAsEC Council of Heads of State in September 2006.

The CAAP Regional Project Steering Committee (RPSC) comprising high-level representatives of the Participating governments of no less than the Deputy Prime Minister level and a representative of UNAIDS that represents all UN Co-sponsor Agencies, including UNDP. The Chair of the RPSC rotates annually among the participating countries, and the RPSC meets twice a year in the context of regular CACO meetings. Though not directly involved in the management or oversight of this UNDP support project, the RPSC oversees the strategic direction and implementation of the overall CAAP Project, including monitoring and evaluation. The RPSC will therefore play an important role in shaping the operating context of the UNDP project and serve as a source of feedback on performance issues. The RPSC formally reviewed and endorsed this RPMU/UNDP project at its regular session on 2 October 2006. At this same session, the RPSC recognised RPMU as the executing agency for this project and authorised RPMU to sign all documents on their behalf with UNDP, in relation to this project. Moreover, the governments, through RPSC reiterated that the activities and services of UNDP under the present project are covered by the terms and conditions of the SBAA (Standard Basic Agreement) that UNDP has with each country, in particularly as regards to the privileges and immunities applicable to UNDP. The minutes of the meeting are hereby attached as annex 2

B) RPMU as executing agency

The Project is executed by the RPMU, while subprojects will be implemented by grantees, including public agencies, NGOs, and private sector entities in the participating countries, under the supervision of the Regional Project Steering Committee (RPSC) and the Regional Project Management Unit (RPMU). These agencies will receive sub-grants, through the Regional AIDS Fund, based on criteria stipulated in the Project Operations Manual, and contracts signed with the RPMU.

In this context, UNDP reviewed RPMU capacity for the execution of this project as well as World Bank's assessments conducted during the preparation of the Project Appraisal Document and during the latest supervision mission. The main findings can be summarized as follows:

Context of Regional Capacities

- Overall, the status of the accounting profession in the region is relatively low; and the use of national accounting standards is widespread, with little progress towards adoption of International Accounting Standards (IAS) or International Public Sector Accounting Standards (IPSAS) due to inadequate capacity, both in the public and private sectors. Government accounting remains largely based on the Soviet accounting system using double entry bookkeeping and a quasi accrual system.
- Country Financial Management Assessments (CFAA) have recently been carried out in participating countries, and the reports show a common pattern of weak public sector financial management, including public sector budgeting, accounting, reporting and auditing.
- Most Project Implementing Agencies use the cash basis of accounting which in many cases is sufficient for proper accounting. Internal audit is only found in a few institutions; while external audit is practiced by individuals and a small number of audit firms.

RPMU

- The RPMU is now fully staffed. Core staff of the RPMU comprises the Executive Director, two Component Coordinators, one Monitoring and Evaluation Specialist, one Communications Officer, one Financial and Administrative Manager, one Accountant/Disbursement Specialist, Disbursement and Procurement Officers/ Assistants, and support staff for translation, Information Technology (IT), and office administration.
- The RPMU's finance unit is staffed with a financial manager and a chief accountant/disbursement specialist, both of whom have adequate experience, having previously worked in IDA financed projects in the Kyrgyz Republic and Uzbekistan, respectively. The financial management system

requires additional enhancement. Accounting software has been installed in the RPMU office. Transactions were previously maintained in manual journals, making it difficult to generate reliable financial reports.

The Financial Manager (FM) is responsible for all aspects of the financial management and accounting, including managing the Special Account and advance accounts to be opened in the participating countries. The FM will be assisted by the accountant/disbursement specialist who is responsible for disbursement functions, as well as project accounting - maintaining books of accounts, reporting day-to-day transactions and preparing accounting reports and financial statements, as well as monitoring financial flows to the project. The FM will be involved in the budget preparation for the Project, will have primary responsibility for the quarterly Financial Monitoring Reports (FMRs), and prepare annual financial statements for audit.

After reviewing the capacity assessment conducted by the World Bank and the above mentioned findings, the scope of UNDP support services outlined in the present project is deemed necessary and appropriate by the participating institutions to help ensure a successful implementation of the project and help develop the required capacities for its sustainability. Thus, RPMU will be the executing agency for the present project, with the Ministry of Health structures and National Coordinators in each country acting as national implementing partners, at the country level, with UNDP providing support services.

C) Roles and responsibilities at regional level

The Joint RPMU/UNDP Steering Committee - comprises representatives from the RPMU, UNDP and World Bank at country and regional levels, with additional stakeholder participation as necessary. Co-chaired by the RPMU Regional Co-ordinator and the UNDP Kazakhstan Resident Representative, the Steering Committee will hold a meeting at least twice a year, or on a more frequent ad hoc basis if called by the Co-chairs, to assess progress in achieving expected results, identify difficulties in project implementation and recommend alternative courses for action where necessary. The Steering Committee will be responsible for monitoring and evaluation of project implementation and making a final assessment of project performance and achievement of designated objectives.

Regional Project Management Unit (RPMU) - As a duly established inter-regional organization and legal representative of CACO for purposes of implementing the project, overall management, monitoring and evaluation of the Project will rest with the RPMU located in Almaty, Republic of Kazakhstan, that will have three functional departments with the following responsibilities:

- Administrative, Procurement, and Financial Department, responsible for management of fiduciary tasks, procurement, logistics and administration;
- Programme Department, responsible for project management. This division will coordinate day-to-day management of project activities to support policy development and institutional strengthening; implementation of the demand-driven grant facility; particularly the processing of grant application; provision of administrative and secretarial support to RPSC and TWGs; and management of the M&E system;
- Information, Monitoring and Evaluation Department. The RPMU will be responsible for: i) information, dissemination and public relations; (ii) development and operation of the MIS that will carry out M&E of the Project; (iii) reporting to RPSC, Government of the participating countries, IDA and development partners; and (iv) support to and facilitation of communication and coordination among involved institutions.

Therefore, the RPMU and not UNDP lead CO, is responsible for all programmatic and substantive reporting to the RPSC.

Within the framework of the UNDP project, the RPMU, as an IGO and UNDP's primary counterpart under this regionally inter-governmental organisation executed project, will be responsible as the executing agent for

co-signing Annual Work plans and certifying CDRs. The Regional Coordinator will serve as the Regional Director for the project.

Technical working groups (TWG) include representatives from different Ministries, DRUG Control Agencies, NGOs and the private sector. The project implementation, TWGs will assist the development of project activities, including preparation of policy amendments for approval by the RPSC; provision of expert assessment of sub-project grant applications to the Regional AIDS Fund; and provision of terms of reference and technical specifications for services and goods to be procured under the Project. UNDP participation in TWGs will ensure appropriate participatory input at all stages of the project implementation process. This is especially true for all issues pertaining to the procurement process.

UNDP. In regional projects, the Principal Project Representative (PPR) is accountable to the Regional Bureau Director, with whom responsibility for overall management and oversight of regional projects rests. For the purpose of this project, as outlined in point 1 below, the PPR is the Kazakhstan Country office. The Bratislava Regional Centre and UNDP/RBEC Headquarters shall provide support as outlined in point 2 below.

1. Principal Project Representative/Lead Country Office

UNDP Kazakhstan Country office shall act as the PPR, in this case Lead Country Office and support to the RPMU concerning central project management and procurement issues, where appropriate. More specifically, as PPR, the Kazakhstan CO will perform the following functions:

- Act as a liaison between other UNDP COs and the RPMU;
- Act as a focal point in the formulation, monitoring and evaluation of regional project activities;
- Create and maintain the regional project within the UNDP ATLAS ERP system.³
- Administer the contribution from the RPMU and provide allocations to other UNDP COs;
- Provide consolidated financial reporting.

The PPR carries out its responsibilities in cooperation with the regional institution concerned and the resident representatives in the other participating countries. These responsibilities include making necessary arrangements to ensure that participating governments, resident representatives and other key stakeholders participate in decision-making affecting the project.

2. Responsibilities of HQ and the Bratislava Regional Centre

UNDP HQ will provide overall corporate guidance and support for Country Office infrastructure and regular operation. RBEC HQ via the Central Asia Cluster will provide ongoing management oversight and backstopping for each participating Country Office.

The Bratislava Regional Centre will provide additional substantive support where needed, including advisory services from the Regional HIV/AIDS Team for Europe and the CIS. This will include participation of Regional Team advisory staff in joint CAAP missions.

Finally, the UNDP Regional HIV/AIDS Programme will support the effective implementation of this regional project and rapid start-up capacity through providing a CAAP support liaison officer to be based with the lead CO via the CO Support Facility. The liaison officer will be responsible for coordination and communication between COs, COs-RPMU, project/budget oversight, and consolidated reporting. It is envisaged that the Regional Programme will finance the position through 2006-2007, after which point

³ For internal use: entered as one award and created within the business unit of the KAZ CO with 5 projects: REG, KAZ, KYR, TAJ, UZB. All CO projects will be linked to the KAZ CO project 'tree'.

alternative funding sources, including the Lead CO income from cost-recovery, will be sought on an as-needed basis.

D) Roles and responsibilities at country level

1. RPMU and national government implementing partners For management of project activities in the participating countries, each country will have a Country Project Coordinator or Unit (CPC or CPU). CPCs will be responsible for day-to-day project management and liaison with the counterparts and the RPMU, coordination of activities of country technical working groups, and will represent the RPMU in the respective country.

Each CPC operates under the aegis of the respective national Ministry of Health as the primary national implementing partners. In most cases, the CPCs are based in the premises of the respective National AIDS centres or National AIDS Coordination Committee, and subcontract existing structures to carry out fiduciary activities. The CPCs would be responsible for the management of funds for country-level activities. These advance accounts would be operated on an imprest basis, and the CPCs would be accountable to the RPMU on the use of these funds. The terms and conditions of the agreements between RPMU as the executing agency of the project and the national AIDS Centres are:

Kazakhstan

Reference is made to the Regional Steering Committee decision #1, dated November 2005, for activities in the Republic of Kazakhstan to be carried out by the RPMU, via the Regional Coordinator, in partnership with the Coordination Council.

Kyrgyzstan

Reference is made to two key documents: 1) the Kyrgyzstan Government Decree No. 435 of 15-9-05 appointing the Minister of Health to represent the Government in all matters pertaining to the project and 2) letter #20-1653, dated 23 September 2005, by the Vice Prime Minister a.i. of the Kyrgyz Republic with respect to the provision of support services by the Unit for Coordination and Monitoring in HIV/AIDS under the Office of the Prime Minister (Coordination Unit), financed under the UNDP programme "Support to the Kyrgyz Government to Fight HIV/AIDS" for activities to be carried out by the RPMU, via the Regional Coordinator. In line with both the ongoing "Support to the Kyrgyz Government to Fight HIV/AIDS" programme and the CAAP, UNDP shall ensure that capacity of the Coordination Unit is strengthened to enable it to carry out such implementation activities directly.

Tajikistan

Reference is made to two key documents: 1) the Tajikistan Government letter No. 15-5(11682) of 17-10-05 conveying responsibility for implementing the agreement in Tajikistan belongs with the Ministry of Health and RPMU and 2) the Regional Steering Committee decision #1, dated March 2006, for activities in the Republic of Tajikistan to be carried out by the RPMU, via the Regional Coordinator, in partnership with the National Coordination Committee.

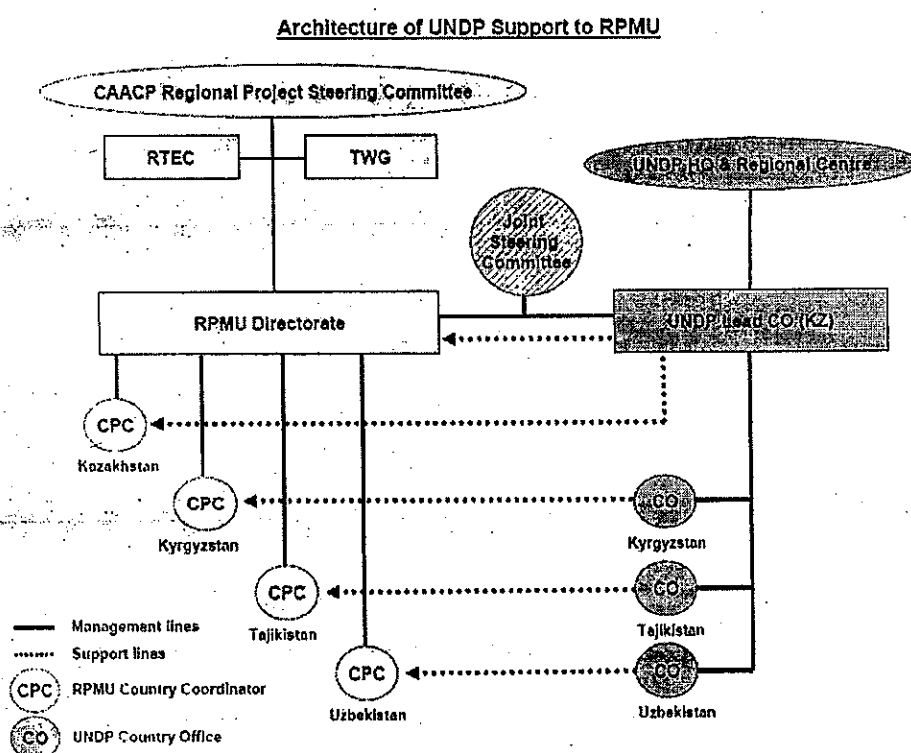
Uzbekistan

Reference is made to two key documents: 1) the Uzbekistan Presidential Decree No. 07/1-670 of 28-10-05 entrusting the Ministry of Health for full responsibility in effective implementation of the project and 2) the Regional Steering Committee decision #1, dated March 2006, for activities in the Republic of Uzbekistan to be carried out by the RPMU, via the Regional Coordinator, in partnership with the Regional Country Coordination Committee on HIV/AIDS in Uzbekistan.

The RPMU/CPC in each country, and not the UNDP CO, is responsible for all programmatic and substantive reporting to the RPMU, including monitoring and reporting of substantive/qualitative implementation of small grants.

2. **UNDP:** Country Offices in each of the four participating countries will provide support to the implementation of the Central Asia AIDS Project locally, in close coordination with the Kazakhstan Country Office for overall regional management. The specific scope of activities and services provided by Country Offices is outlined in Part II. Strategy and further elaborated in Annex 1.

Aiming at building upon existing structures and mechanisms and thus avoid overlap, it has been decided that the management of the present project will as much as possible utilise the structures and mechanisms established for the management of the broader CAAP project. The figure below presents general lines of management and support linking the present project to the broader CAAP project at regional and country levels.⁴



E) Funds Transfer Mechanisms

The project envisages three funds transfer mechanisms:

- Direct payment upon RPMU request from the World Bank account to the UNDP account according to World Bank guidelines;
- Advance of funds held in the UNDP account to the RPMU Special Account upon request by the RPMU⁵

⁴ UNDP participation in structures such as the TWGs is not shown

⁵ The NEX or NGO procedures regarding advance will be used for this project, per analogy

- Direct payment of Parallel Contributions from the World Bank account to the RPMU or third parties.

As outlined in Part II, UNDP is neither accountable nor legally liable for any activity funded through Parallel Contribution, nor are any such activities eligible for UNDP project coverage, support services or assurances (guarantees or pledges).

Part IV. Monitoring and Evaluation

The Joint Steering Committee will be chiefly responsible for overall guidance and Monitoring and Evaluation of this project, assessing progress in achieving expected results, identify difficulties in project implementation and recommending alternative courses for action where necessary. This will centre on the degree to which UNDP support and capacity development services are facilitating the RPMU and national partners in their achievement of CAAP programming objectives. This relies, therefore, on the existing system of indicators by which the RPMU measures and reports progress to the CAAP Steering Committee, as well as additional indicators to reflect UNDP service provision. The RPMU will remain the principal actor for technical and progress monitoring of works undertaken, while UNDP will monitor the disbursement and expenditure of funds received from RPMU and prepare financial and administrative reports as agreed for each Benefiting Country.

Review

As outlined in Annex 1, paragraph 21, the present project shall be subject to a review process at least once a year. The RPMU shall invite the World Bank Group to participate. The RPMU shall invite UNDP to participate in the review process of the broader CAAP project.

Audit Arrangements

As outlined in Annex 1, paragraph 13; under intergovernmental regionally executed projects, it is the responsibility of the intergovernmental authority (RPMU) to carry out an independent audit of all funds under this Project Document. Auditing costs will be financed by the World Bank IDA grant. UNDP shall make available to the RPMU all financial and other information that may be required in connection with such an audit. UNDP retains the right to carry out additional audits in accordance with its audit rules and practices.

Part V. Legal Context

This Project Document will be the instrument referred to as the Project Document in Article 1 of the SBAA between the Governments of Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and UNDP.

In providing the support services described in the present project document, the UNDP country offices shall ensure that the capacity of the Government-designated institution is strengthened to enable it to carry out such activities directly.

A detailed description of the support services to be provided by UNDP country offices is contained in Part II. Strategy of the present project document and tables 2 to 7 of annex 1.

The procurement of goods and services and the recruitment of project and project personnel by the UNDP country office shall be in accordance with the UNDP regulations, rules, policies and procedures, as described in the project document. If the requirements for support services by the country offices change during the life of the project, the project document is revised with the mutual agreement of the UNDP and your organization, within the terms and conditions described in the project document.

The relevant provisions of the *Standard Basic Agreement between UNDP and the governments of Tajikistan, the Kyrgyz Republic, Uzbekistan and Kazakhstan* (the "SBAA"), including the provisions on liability and privileges and immunities, shall apply to the provision of such support services. The Governments, through RPMU, shall retain overall responsibility for the project. The responsibility of the UNDP country offices for the provision of the support services described herein shall be limited to the provision of such support services as detailed in the present project document.

Any claim or dispute arising under or in connection with the provision of support services by the UNDP country offices as described in the present project document, shall be handled pursuant to the relevant provisions of the SBAA.

If the requirements for support services to be provided by UNDP change during the duration of this agreement, this Agreement will be revised with the mutual written agreement of UNDP and RPMU, to be annexed to this Agreement. The authority to sign revisions on behalf of UNDP may be delegated by the bureau director to the PPR.

The present project⁶ is majority funded from resources made available to the Intergovernmental Organisation by the World Bank Group⁷ under Development Grant Agreement No H 149 7C (hereinafter called the World Bank Agreement), between the Intergovernmental Organisation, the Central Asia Cooperation Organisation, and the World Bank Group and will be implemented in accordance with the provisions of this Project Document and the "Special Implementation Procedures" Annex attached hereto, which is an integral part of this Project Document.

UNDP is neither accountable nor legally liable for any activity funded through Parallel Contribution, nor are any such activities eligible for UNDP project coverage, support services or assurances as outlined above.

Section II Results and Resources Framework

As described in the preceding, the broader CAAP project comprises three components:

- 1) *Regional Coordination, Policy Development and Capacity Building*
- 2) *Central Asia Regional AIDS Fund (RAF), and*
- 3) *Project Management, Monitoring and Evaluation.*

In order to ensure coherence between CAAP and UNDP terminology and planning frameworks, the following correlation is employed:

<u>RPMU Terminology</u>		<u>UNDP Terminology</u>
Development Objectives	→	Outcome
Component	→	Output
Objectives & sub headings	→	Activities

⁶ The term project implies that the UN framework of the UNDP applies. The project is the responsibility of the Inter-governmental Organisation represented by the RPMU and UNDP lends its support in accordance with this Document and the attached tables.

⁷ This term refers to the International Development Association.

UNDP Representative in **Kazakhstan** USD Account
Bank of America, 1401 Elm St., DallasTX75202
Account No. **3752174469**
ACH Routing Number: 111000012
[to be used only by US-based banks using ACH payment type]
Wire Routing Number: 026009593
SWIFT Address: BOFAUS3N

RPMU will inform UNDP when the contribution is paid via an e-mail message with remittance information to receivables@undp.org and copied to registry.kz@undp.org

The RPMU shall, in accordance with the RRF above deposit funds for project implementation as follows for the first year:

Kazakhstan

31 December 2006	\$ 306,000
31 March 2007	\$ <u>918,000</u>

Subtotal\$1,224,000

Kyrgyzstan

31 December 2006	\$ 125,000
31 March 2007	\$ <u>373,000</u>

Subtotal\$498,000

Tajikistan

31 December 2006	\$ 107,000
31 March 2007	\$ <u>322,000</u>

Subtotal\$ 429,000

Uzbekistan

31 December 2006	\$ 163,000
31 March 2007	\$ <u>487,000</u>

Subtotal\$ 650,000

The schedule of payments for future years will be agreed on a rolling basis, each year prior to the conclusion of the preceding fiscal year.

Section IV— Other Agreements

The Standard World Bank Group Cost Sharing Agreement for all UNDP Project Documents funded by Government Cost-Sharing resources originating in World Bank Group Loans, Grants or Credits is found in Annex 1 and comprises an integral part of this project document.

Cost Recovery

In accordance with the decisions and directives of UNDP's Executive Board reflected in its Policy on Cost Recovery from other resources, the costs incurred by UNDP headquarters and country offices in providing support and funds management services will be covered on the basis of the following cost recovery scheme comprising GMS and ISS:

1) General Management Support (GMS)

GMS covers all costs related to the general management functions of UNDP in the different units involved in providing support to the RPMU and National Coordinators including mainly: a) UNDP Country Offices; b) Headquarters in New York (Bureau of Management, Advisory Committee on Procurement, Office for Procurement and Legal Services, Treasury, RBEC, and Office of Audit and Performance Review) and; c) Sub-Regional Service Centre.

UNDP receives member countries' contributions that support the central structure of the organization, including senior management positions. In addition, through economies of scale, the size of UNDP operations worldwide help reduce significantly the costs of required project management support infrastructure and systems. UNDP will charge 5% GMS of the disbursed amounts of the project. The UNDP commitment is to ensure an efficient delivery of these operations and therefore the GMS is derived from delivery rather than timeframes or other metrics. GMS ensures the provision of corporate support services including:

- All pre- and post-implementation activities (negotiations, meetings, agreement preparation, budget configuration, reporting, funds receipt, unspent balance return, etc);
- Basic fund administration support;
- Legal support;
- General project monitoring and oversight;
- Access to global knowledge networks as well as rosters of experts in different fields required by the project;
- Backbone organizational capacity and support from corporate operational, financial and technological systems thereby guaranteeing efficiency and transparency during management, procurement and contracting processes.

2) Implementation Support Services (ISS)

Implementation Support Services (ISS) are the services provided by UNDP Country Office in the implementation of the project and include the following: payments, disbursements and other financial transactions; recruitment of staff and project personnel; procurement of services and equipment; organization of training activities, conferences and workshops; shipment and custom clearance, administrative support to the project.

Based on preliminary estimations of workload burden, the services of a full-time Administrative/Finance Assistant for the Project to support the Country Project Coordinator and UNDP in implementation of this joint project, including application of Grant Agreement rules and procedures, shall be paid as per the established salary scale rates (see attached annex 3) of each UNDP CO for the duration of implementation. Services required beyond the capacity of this position will be charged according to the Universal Price List prevailing in the

ANNEX 1 - Standard World Bank Group Cost Sharing Annex

"SPECIAL IMPLEMENTATION PROCEDURES FOR COST SHARING DERIVED FROM WORLD BANK GROUP OPERATIONS"

UNDP Project Document No.:

Title: Support to the Implementation of the Central Asia AIDS Control Project
Between the Intergovernmental Organisation represented by RPMU (hereinafter RPMU)
And the United Nations Development Program (hereinafter UNDP)

A. RELATIONSHIPS BETWEEN UNDP, RPMU AND THE WORLD BANK GROUP

1. The RPMU and UNDP have agreed to cooperate in the implementation of this UNDP Project hereinafter called the UNDP Project which is (partly) funded from resources made available to the RPMU by the World Bank Group under the agreement specified in the "Legal Framework" section of this Project Document. The RPMU has agreed that these funds will be provided to UNDP on a cost sharing basis. The sources of financing for this Project are as follows:

	US\$
(A) RPMU	
(i) from own resources	
(ii) from World Bank Group	26,900,000
(iii) in kind	
(B) UNDP	
(i) from own resources (regional & CO)	51,960

2. The RPMU shall maintain overall responsibility for the execution of the UNDP Project. In accordance with UNDP's rules, applicable to this UNDP project, the RPMU is responsible for selecting the implementation procedures applicable thereto, which are the same as the implementation provisions set forth in the World Bank Agreement.

3. The RPMU shall obtain the World Bank Group's "no objection" before making any substantial changes in the UNDP Project, such as its objectives, activities, implementation arrangements, budget, etc. Simple annual budget rephasings need not be cleared with the World Bank Group, which will be informed of such changes by the RPMU.

4. The RPMU on behalf of CACO and UNDP have agreed to designate the RPMU as the "Regional Executing Institution" for the UNDP Project (hereinafter RPMU) which is the same as the agency designated for the execution of the project under the World Bank Agreement. The RPMU shall have the overall responsibility for procuring UNDP Project inputs, including preparation of Terms of Reference, the processing of bid invitations and evaluations and selection of consultants. UNDP shall assist the RPMU in the execution of the UNDP Project and may provide support services to it in accordance with the rules and regulations of UNDP.

B. THE COST SHARING CONTRIBUTION

5. The Cost Sharing Contribution as set forth in paragraph A1 of this Annex shall be utilized by the RPMU to defray the cost of inputs under this Project Document, [and the cost

of support services relating thereto incurred by the UNDP field office]⁸. The level of activities and responsibilities of UNDP as set out in this Project Document shall be dependent on receipt by UNDP of the Cost Sharing Contribution and the RPMU cash contribution, if any, in the amounts specified in the budget of this Project Document. All financial accounts shall be expressed in US Dollars. The category in Schedule 1 of the World Bank Loan/Credit Agreement (or the category in an analogous section of any other applicable World Bank agreement) to be drawn upon to cover the cost of each activity listed in the UNDP Project budget is also indicated either in the cost Sharing payment schedule or in the UNDP Project Budget.

6. The systems of UNDP should have the ability to track the following:
- (a) Cash Receipts – by funding source
 - (b) Cash Disbursements – by category of Schedule 1 of the World Bank Loan/Credit Agreement (or the analogous section of any other applicable World Bank Agreement), project component and sub-component, funding source, type of expenditure (local vs. foreign) and geographic location (if applicable)
 - (c) Advance Account (AA) – payments, replenishments, bank account statements and reconciliations
 - (d) Actual expenditures vs. budget
 - (e) Contract expenditures and procurement management
 - (f) Performance monitoring indicators

This should enable UNDP to provide the RPMU with all necessary information to prepare Financial Management Reports (FMRs) in accordance with the World Bank's Project Financial Management Manual (Exposure Draft, February 1999).

7. The RPMU provides all appropriate World Bank Group project documents to UNDP, including but not limited to relevant sections of the following: (a) the World Bank Agreement; (ii) the Project Appraisal Document (PAD); and (iii) the Project Implementation Plan.

8. The RPMU may choose any of the following methods of payment⁹ for the Cost Sharing Contribution:

- (a) Payment by the RPMU from (i) its own resources or (ii) the Special Account (in the World Bank Agreement, if any); or
- (b) Direct payment by the World Bank Group upon the RPMU's request (not available under FMR-based disbursement).

9. Separate schedules of payments attached to the UNDP project budget are included for each source of cost sharing. The schedule of payments includes a realistic estimate of an appropriate amount of the advance payment for a period not exceeding six months. This estimate is based on the Annual Work Plan prepared by the RPMU, and agreed by the World Bank Group. This advance will be used as a revolving fund for project expenditures and will be replenished upon receipt from the RPMU of a request based on actual expenditures reported by UNDP. Replenishment requests should be submitted monthly, or quarterly when FMR-based disbursement is used. The advance will be recovered commencing six months

⁸ Phrases to be added only if applicable

⁹ See the Loan Administration Change Initiative (LACI) Implementation Handbook, September 1998.

prior to the loan/credit/grant closing date. This information will be presented in the format set forth in the World Bank Group's "disbursement Letter" to the World Bank Group's borrower.

10. UNDP shall cover its administrative expenses by charging the amount (stated in the body of the Project Document under Cost Recovery) in relation to the expenditures under this Project Document originating in the Contribution. In accordance with UNDP rules and regulations, this amount shall be utilized by UNDP in reimbursement for support services required under this Project Document. These services may include accounting, payroll, financial reporting, computer time, secretarial and other assistance. Any increase or decrease in the amount of the administrative costs resulting from increases or decreases in the amount of the UNDP Project will be mutually agreed by the RPMU and UNDP.

11. If, for whatever reason, the amounts deposited by the RPMU shall be insufficient to defray the cost of the inputs agreed to under this Project Document, UNDP shall inform the RPMU with a view to securing additional financing. Should such further financing not be available, the assistance to be provided under this Project Document may be reduced, suspended or terminated by UNDP, after appropriate discussion with the RPMU and the World Bank Group.

12. Any interest earned on the undisbursed funds received in accordance with paragraph 8 of this annex does not accrue to the project account. It reverts to UNDP's Country Program to be used according to UNDP procedures.

13. Under intergovernmental regionally executed projects, it is the responsibility of the intergovernmental authority (represented by the RPMU) to carry out an independent audit of all funds under this Project Document. UNDP shall make available to the RPMU all financial and other information that may be required in connection with such an audit. UNDP retains the right to carry out additional audits in accordance with its audit rules and practices.

14. UNDP will make payments and record expenditures at the Official UN Rate of Exchange in effect on the date of the transaction.

C. PROCUREMENT OF GOODS AND SERVICES

15. The RPMU has agreed to carry out all procurement activities required for the execution of the World Bank cost shared portion of the UNDP Project in accordance with the provisions of the World Bank Agreement, the World Bank Guidelines on the "Selection and Employment of Consultants" and "Procurement", as applicable. World Bank standard bidding documents will be used. However, UNDP standard documents may be used in all cases where World Bank documents do not exist, subject to the World Bank Group's Agreement. Contracting and Procurement steps are set forth in the attached tables. The contracts to be signed by UNDP will include special additional clauses agreed with the Bank to preserve UNDP special legal status.

16. UNDP shall not provide support services with respect to the contracting of consultants, placing of goods orders or making related payments without the specific agreement of the RPMU. The RPMU will not request UNDP's support without having obtained the World Bank Group's "no objection", when required under the World Bank Agreement.

17. All consultants will report to and will be supervised by officials designated by the RPMU. In the case of unsatisfactory performance by any consultant, the RPMU and UNDP shall carry out consultations on the matter. The RPMU is responsible to carry out

consultations with the World Bank Group on the matter and on contemplated action, if any, in respect thereto.

D. GOODS

18. Equipment, supplies, and other property (the goods) financed from the contribution shall be adequately insured at all times and the ownership thereof shall vest in UNDP until delivery and/or installation at the Project site. Transfer of ownership to the RPMU will be made ensuring that: (a) all such goods shall be used exclusively in support of the Project under the World Bank Agreement during its implementation and thereafter be retained by the respective beneficiary agency; and (b) the RPMU assumes full responsibility of the maintenance of such goods and the provision of adequate insurance.

19. Procurement Plan. The RPMU with the assistance of UNDP will prepare a procurement plan for the project, agreed by the RPMU and covering as a minimum the next year. The plan will be updated every six months on a rolling basis and submitted to the World Bank Group by the RPMU for approval. This plan should include: a list of contracts to be procured; estimated contract costs; schedule for bidding; and method of procurement or selection of the consultants.

20. Post-Procurement Review and Procurement Audits. Each contract for goods and services not subject to prior review by the Bank as stipulated in the World Bank Agreement will be subject to examination by sampling by auditors selected by the World Bank and by Bank Group supervision missions. The RPMU, with the assistance of UNDP, shall, in a timely manner, make available to the auditors all information that may be required in connection with such an audit. To facilitate procurement supervision, review and procurement auditing, UNDP and the RPMU will keep records of all procurement activities. These records will include: (i) public notices of bidding opportunities; (ii) bidding documents and addenda; (iii) bid opening information; (iv) bid evaluation reports; (v) formal appeals by bidders and outcomes; (vi) signed contract documents and addenda and amendments; (vii) records on claims and dispute resolutions; (viii) records of time taken to complete key steps in the process.

E. REVIEW

21. The UNDP Project shall be subject to a review process at least once a year for long-term projects. The RPMU shall invite the World Bank Group to participate. The RPMU shall invite UNDP to participate in the review process of the World Bank Project of which UNDP project forms part.

F. COMPLETION

22. UNDP shall return to the Grant, Loan, Credit or Technical Cooperation account, prior to the closing date specified in the World Bank Agreement, any unutilized funds out of payments that were made from the Loan/Credit Technical Cooperation account. The RPMU will inform UNDP of any extension to the closing date agreed to by the World Bank Group.

G. TERMINATION

23. This Project Document shall cease to be in force thirty days after either of the parties may have given notice in writing to the other party of the decision to terminate the agreement. The RPMU shall consult with the World Bank Group prior to giving any termination notice, or immediately after receiving any notice from the UNDP, as the case may be.

Introduction

UNDP Cost Sharing (CS) Project Documents shall be signed by the Principal Project Representative, in this case the UNDP Resident Representative.

The respective responsibilities and average lapse times for contracting consultants and procuring equipment are set forth in the following tables.

Individual Consultants (International)

The responsibilities of the RPMU and UNDP with respect to engaging individual consultants shall be as follows:

RPMU	UNDP	Activity	Average Lapse Time To Take Action (Working Days)
X		Preparation of Terms of Reference	
X		Review/revision of Terms of Reference	
X		Secure World Bank's "no objection" to TOR	
X		Preparation of proposed shortlist (if required)	
X		Approval of shortlist	
X		Secure World Bank's "no objection" to shortlist	
X		Selection of consultants	
X		Secure World Bank's "no objection" to selection	
X		Contract Negotiation	
X		Contract Signing	
	X	Contract administration, including travel authorization/arrangements	
X		Technical supervision of consultants	
X		Evaluation of work-progress	
X		Review/approval of final report	
	X	Payment	
X		Project Management Report preparation (required under LACI)	

TABLE 2.1

Individual Consultants (Regional/National) when RPMU is the contract signatory.

The responsibilities of the RPMU and UNDP with respect to engaging individual consultants shall be as follows:

RPMU	UNDP	Activity	Average Lapse Time To Take Action (Working Days)
X		Preparation of Terms of Reference	
X		Review/revision of Terms of Reference	
X		Secure World Bank's "no objection" to TOR	
X		Preparation of proposed shortlist (if required)	
X		Approval of shortlist	
X		Secure World Bank's "no objection" to shortlist	
X		Selection of consultants	
X		Secure World Bank's "no objection" to selection	
X		Contract Negotiation	
X		Contract Signing	
	X	Contract administration, including travel authorization/arrangements	
X		Technical supervision of consultants	
X		Evaluation of work-progress	
X		Review/approval of final report	
	X	Payment	
X		Project Management Report preparation (required under LACI)	

TABLE 2.2

Individual Consultants (Regional/National) when UNDP is the contract signatory.

The responsibilities of the RPMU and UNDP with respect to engaging individual consultants shall be as follows:

RPMU	UNDP	Activity	Average Lapse Time To Take Action (Working Days)
X		Preparation of Terms of Reference	
X	X	Review/revision of Terms of Reference	
X		Secure World Bank's "no objection" to TOR	
X		Preparation of proposed shortlist (if required)	
X	X	Approval of shortlist	
X		Secure World Bank's "no objection" to shortlist	
X	X	Selection of consultants	
X		Secure World Bank's "no objection" to selection	
X	X	Contract Negotiation	
X	X	Contract Signing	
	X	Contract administration, including travel authorization/arrangements	
X		Technical supervision of consultants	
X		Evaluation of work-progress	
X		Review/approval of final report	
	X	Payment	
X	X	Project Management Report preparation (required under LACI)	

TABLE 3

Consulting Firms

The responsibilities of the RPMU and UNDP with respect to engaging consulting firms shall be as follows:

RPMU	UNDP	Activity	Average Lapse Time To Take Action (Working Days)
X		Preparation of Terms of Reference	
X		Review/revision of Terms of Reference	
X		Secure World Bank's "no objection" to Terms of Reference	
X		Advertising (if required)	
X		Pre-qualification (if required)	
X		Preparation of proposed shortlist	
X		Approval of shortlist	
X		Securing World Bank's "no objection" to shortlist	
X		Preparation of RFP ¹	
X		Securing Bank's "no objection" to RFP	
X		Evaluation of proposals	
X		Securing Bank's "no objection" to evaluation report(s) and recommended award	
X		Contract Negotiation	
X		Securing the World Bank's "no objection" to negotiated contract	
X		Award of contract	
X		Contract Signing	
	X	Contract administration	
X		Technical supervision and evaluation	
	X	Payment to consultants	
X		PMR Report preparation	

¹Includes: Letter of Invitation, Information to Consultants, Draft Contract.

TABLE 4.1

Procurement of Goods (when RPMU is the contract signatory)

The responsibilities of the RPMU and UNDP with respect to procuring goods shall be as follows

RPMU	UNDP	Activity	Average Lapse Time To Take Action (Working Days)
X		Preparation of list of goods to be procured	
X		Preparation of detailed specifications	
X		Finalization of specifications	
X		Secure World Bank's "no objection" to specs	
X		Preparation of bidding documents (including specs)	
X		Review/Revision of bidding documents	
X		Securing the World Bank's "no objection" to bidding documents	
X		Advertising (if required)	
X		Pre-qualification (if required)	
X		If pre-qualification: preparation of proposed shortlist	
X		If pre-qualification: approval of shortlist	
X		If pre-qualification: concurrence with approved shortlist	
X		If pre-qualification: securing World Bank's "no objection" to shortlist	
X		Issuing bidding documents	
X		Evaluation of bids	
X		Recommendation for award	
X		Concurrence with recommendation	
X		Securing World Bank's "no objection" to award	
X		Award of contract	
X		Contract preparation, negotiation and signing	
X		Placing purchase order	
X		Inspection and shipment	
X		Customs clearance	
X		Receipt and acceptance of equipment	
	X	Payment to supplier	
X		Project Management Report preparation	

TABLE 4.2

Procurement of Goods (when UNDP is the contract signatory)

The responsibilities of the RPMU and UNDP with respect to procuring goods shall be as follows:

RPMU	UNDP	Activity	Average Lapse Time To Take Action (Working Days)
X		Preparation of list of goods to be procured	
X		Preparation of detailed specifications	
X	X	Finalization of specifications	
X		Secure World Bank's "no objection" to specs	
X	X	Preparation of bidding documents (including specs)	
X	X	Review/Revision of bidding documents	
X		Securing the World Bank's "no objection" to bidding documents	
X		Advertising (if required)	
X		Pre-qualification (if required)	
X	X	If pre-qualification: preparation of proposed shortlist	
X	X	If pre-qualification: approval of shortlist	
X	X	If pre-qualification: concurrence with approved shortlist	
X		If pre-qualification: securing World Bank's "no objection" to shortlist	
X	X	Issuing bidding documents	
X	X	Evaluation of bids	
X	X	Recommendation for award	
X	X	Concurrence with recommendation	
X		Securing World Bank's "no objection" to award	
X	X	Award of contract	
X	X	Contract preparation, negotiation and signing	
	X	Placing purchase order	
	X	Inspection and shipment	
	X	Customs clearance	
	X	Receipt and acceptance of equipment	
	X	Payment to supplier	
X	X	Project Management Report preparation	

TABLE 5Training Activities

The responsibilities of the RPMU and UNDP with respect to conducting training activities shall be as follows:

RPMU	UNDP	Activity	Average Lapse Time To Take Action (Working Days)
X		Preparation of training plan	
X		Securing World Bank's "no objection" to plan	
X		Designing requirements for specific training	
X		Selection of candidates	
X		Securing World Bank's "no objection" to candidates	
	X	Confirming language abilities of candidates (if required)	
X		Identification of appropriate programs	
	X	Placement	
	X	Travel arrangements	
	X	Financial arrangements for trainees and institutions	
X		Monitoring of performance	
	X	Logistical support and insurance	

TABLE 6

Financial Administration

The responsibilities of the RPMU and UNDP with respect to accounting and financial administration of the Project shall be as follows:

RPMU	UNDP	Activity	Average Lapse Time To Take Action (Working Days)
X		Preparation of Annual Work plan on which project budget is based	
X		Securing World Bank's "no objection" to Annual Work plan	
X		Preparation and Issuance of Loan Withdrawal Application, with PMR (if applicable)	
X	X	Maintenance of separate ledger account for project funds	
	X	Maintenance of separate accounting software for project funds	
X	X	Preparation of quarter financial statements for presentation to stakeholders	
X	X	Annual Review of progress against work plan and agreement on necessary budget revisions	
X		Request World Bank's "no objection" to project document amendments including substantive budget revisions	
X	X	Preparation of annual financial statements for presentation to auditors	
X		Audited statements	
X		Final audit report	
X	X	Closure of accounts and return of unspent balance to loan account	

TABLE 7

Grants Administration

The responsibilities of the RPMU and UNDP with respect to operational administration of small grants shall be as follows:

RPMU	UNDP	Activity	Average Lapse Time To Take Action (Working Days)
X		Formulating of grants program framework	
X		Program opening (dissemination of information on program among targeted audience)	
X	X	Establishment of Grant Committee	
X		Collection of applications	
X	X	Evaluation of applications	
X		Collection of full project proposals based on short-listed applications	
X	X	Evaluation of project proposals	
X		Awarding of grants	
	X	Disbursement of grants	
X		Substantive monitoring	
X	X	Financial monitoring	
X		Evaluation of grants implementation	
X	X	Grants management report preparation	

ANNEX 2 - Letters of endorsements of the governments of Tajikistan, Kyrgyz Republic, Kazakhstan and Uzbekistan

ANNEX 3 - For Reference - CAAP Governing Documents

- a. Development Grant Agreement between IDA and CACO
- b. Project Appraisal Document
- c. Project Operation General Manual
- d. Regional AIDS Fund Manual
- e. Procurement Handbook
- f. Finance and Administration Handbook
- g. Annual Work Plan

ANNEX 4 - Universal Price List and Administrative Assistant Salary rate for Calculating ISS by each country