

**Aide Memoire  
Central Asia AIDS Project (CAAP)  
Mid-Term Review  
October 13-24, 2008**

**I. Introduction**

1. A joint World Bank and DFID team<sup>1</sup> visited Kazakhstan, the Kyrgyz Republic, Tajikistan and Uzbekistan from October 13-24, 2008 for the Mid-Term Review of the Central Asia AIDS Control Project. The review focused on the Project's overall implementation progress, achievements and challenges since inception, an assessment of the Project's strategic and results frameworks and the future strategic direction and work programme until closure in 2010.
2. The mission worked with the team of the Regional Project Management Unit (RPMU) led by Prof. Tilek Meimanaliev, and met with numerous Project stakeholders, beneficiaries and national and international implementation partners. The team would like to express its gratitude to Prof. Meimanaliev and the RPMU team for their support of the Bank and DFID team, their extensive cooperation during the visit and commitment to the Project. The mission also wishes to thank the teams in the World Bank offices in Almaty, Tashkent, Dushanbe and Bishkek for the support provided during the visit.
3. The findings and recommendations of this Aide Memoire are subject to approval by World Bank Management.

**II. Project Background and Context**

4. ***Project background:*** The Project emerged from the understanding among the four Central Asian countries and international organizations that closer cooperation and coordination of all stakeholders in the region was needed to address the challenges of the emerging HIV/AIDS epidemic, which is driven by injecting drug use in Central Asia. To this end, a MoU on cooperation among the four countries was signed in June 2004. However, there was no regional HIV/AIDS strategy to identify the priorities for cooperation in HIV/AIDS. In this context, the project was prepared in 2003-2004 followed by signature of the Project Grant Agreement with the Central Asia Cooperation Organization in May 2005, and Project effectiveness in December 2005. Implementation, however, only started in earnest after signature of the Regional Project Management Unit's host agreement with the Government of Kazakhstan and the establishment of a Project Management Unit in Almaty about eleven months later. Further delays in the administrative procedures occurred with the merger of CACO and the EAEC and the subsequent signing of the Grant Assumption Agreement by the latter. The Project has hence suffered substantial delays in its first year that have not been caught up with so far

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5. **Disbursement.** As the result of slow implementation progress, only US\$7.33million, or 27% of the project funds have been disbursed at Mid-Term Review. Disbursement by components is as follows:

<b>Disbursement by Component</b> (as of 9/30/2008, Million US\$)	<b>Project Budget</b>	<b>Actual Disbursement</b>	<b>% of Budget</b>
Component 1: Regional Coordination, Policy Development and Capacity Building	7.50	2.85	38%
Component 2: Regional AIDS Fund	16.60	2.92	18%
Component 3: Project Management, M&E	2.80	1.56	56%
<b>Total</b>	<b>26.90</b>	<b>7.33</b>	<b>27%</b>

6. **Epidemic situation.** The epidemic continues to be a concentrated one predominantly affecting high-risk groups, in particular IDU and, to a lower extent, sex workers. Kazakhstan and the Kyrgyz Republic have furthermore experienced outbreaks of HIV among children caused by nosocomial transmissions in the health care system. There are substantial variations in access to preventative and curative services for these groups across the four countries.

7. **Changes in the regional context.** The regional environment for HIV/AIDS response has substantially changed since Project preparation in 2004. The arrival of significant funding from the GFATM in each country since 2004 (US\$100million in total for all four countries) has provided a large resource base for scaling up HIV/AIDS prevention, treatment, care and support interventions at the country level. However, government allocation for HIV/AIDS remains very low (less than 0.1% of the government health budgets in all four countries).

### **III. Summary findings of the Mid-Term Review**

8. There continues to be a rationale for regional intervention in support of a coordinated response to HIV/AIDS in Central Asia. While the project has been able to make some achievements in this regard, such as strengthening sentinel surveillance, establishing various mechanisms to coordinate the response at the technical working level, and putting in place a grant making system, overall project implementation and strategy has been problematic. A wide range of issues stemming from project design, institutional and management arrangements that are within the control of the RPMU, have not been addressed by the Project leadership. This has affected implementation and the results achieved so far. The independent Mid-Term Assessment carried out in May-June 2008 is hence very cautious about the impact of the project. The apparent lack of progress at mid term also indicates the need for substantial restructuring to ensure attainment of the Project's development objectives. Failure to do so may result in partial or full cancellation of the grant.

### **IV. Progress and Key Results to date**

#### **Component 1: Regional Coordination, Policy Development and Capacity Building (US\$7.5million)**

9. **Capacity building for surveillance.** Sentinel surveillance is considered a high priority for Central Asia to pave the way for sound and evidence-based policy making. Activities under this sub-component have been implemented in line with the initial workplan. Key results include the establishment of 13 sentinel surveillance sites and trained teams in all countries, thanks to the solid cooperation with CDC and the GFATM. These partnerships will help to support the roll-out and nation-wide coverage with second-generation surveillance by the end of the Project. The MoU agreement with CDC has been revised accordingly. A key next step is to address

sustainability of the infrastructure and human resources capacity established in cooperation with national partners and financing agencies.

10. **Human resources development.** Training modules and curricula have been developed in four areas: Treatment & Care, Harm Reduction, Youth, and Migrants & HIV, and some initial training has been conducted in the four countries and abroad. While this is a first step towards improving human resources capacity, considerably more needs to be done to integrate these training modules into an appropriate and viable institutional and training management structure, particularly to match activities to needs, ensure financial sustainability and quality control.

11. **Legal framework, stigma and discrimination.** The Project has been successful in starting a regional initiative among Parliamentarians, which is the Inter-Parliamentarian Working Group. It has organized three high-level conferences and several parliamentary hearings to advocate changes that would establish a legal environment that would allow for effective prevention and treatment of HIV/AIDS, and reduce stigma and discrimination. This is a good start to raise awareness on this important, regional issue. However more needs to be done to directly impact changes on the legal framework to reduce stigma and discrimination, and to ensure that events are designed, conducted and followed up to achieve specific outcomes.

12. **Monitoring & Evaluation.** Some initial progress has been made by the Project to support to further harmonization of the National M&E systems through capacity strengthening and provision of human resource. The Project has also supported the start-up and operation of a regional website, CARISA, to share and disseminate sentinel surveillance and other M&E data, among others. There have been also efforts to revise the PDO and Results Framework but these have not yet been formally adopted.

13. **Regional coordination and policy development:** In June 2008, the Regional Project Steering Committee endorsed a regulation on several Regional Technical Working Groups, outlining the objectives, membership, arrangements, workprogram and accountability of the RTWGs to the RPSC. A total of eight RTWGs have been constituted on Parliamentarian issues, Religious Leaders, M&E, regional training courses (Harm Reduction, Treatment and Care, Youth and Migrants) and the Regional Technical Evaluation Committee (RTEC) for large grant proposal evaluation. The degree of activity and focus of the RTWGs varies considerably. Efforts have also been made to bring together all partners for the annual Partner's Forum each year since 2006 in support of regional coordination.

#### **Component 2: Regional AIDS Fund (US\$16.6million)**

14. **Establishment of grant mechanism.** The Project has put in place a regular, relatively transparent, competitive grant-making mechanism which is appreciated by the countries, development partners and NGOs alike. Following a slow start of the initial round of grant awards, the Regional AIDS Fund sub-grant program has had some important achievements, particularly in increasing the number and capacity of agencies able to deliver services to high risk groups in Round 2. In addition, the RAF grant program has also undergone an evolution to better target vulnerable groups, and at least 60 percent of grant funds are provided for activities targeting highly vulnerable groups (Injecting drug users (IDU), sex workers, prisoners, men having sex with men, migrants, people living with HIV/AIDS).

15. **Grant awards.** A total of 115 grants in the amount of US\$6.86million (108 small grants for a total of US\$1.92million and 7 large grants for a total of US\$4.94million) have been signed to date. US\$2.76million, or 55 percent, of the signed grant commitments have been disbursed as of October 2008.

#### **Component 3: Project Management (US\$2.8million)**

16. After long delays at start-up, some but not all of which were outside the Project's control, the Regional Project Management Unit, has been established in Almaty under host agreement by the Government of Kazakhstan. Country-level project management is carried out through National Coordinators and consultants, and UNDP has been contracted to provide country-level fiduciary management services.

## **V. Cross-cutting and component issues**

17. There are, however, important areas where the Project has not achieved tangible results and impact on the ground.

### **Project Design Issues**

18. **Issues with the appropriateness of Project Development Objectives and Results Framework:** The lack of a specific and appropriate PDO and results framework, which is not entirely resolved yet, has affected project implementation and the focus on results.

19. **Lack of clarity on what should constitute priorities for a regional HIV/AIDS project:** By definition, a regional project is supposed to focus on issues which are difficult or inefficient to address by individual countries. However, without a regional HIV/AIDS strategy to provide guidance, the project seems to be unable to find its focus and spreads itself thin over a wide range of activities at both regional and country levels. For example, the Project, and particularly its RAF sub-grants, finance a lot of country-level service delivery activities, for which a regional entity might not be the best or most sustainable tool.

### **Institutional Arrangements and Strategy Issues**

20. **Difficult administrative and institutional environment:** While regional operations are already complex *per se*, this Project is particularly complicated. Given the wide range of project activities at both regional and country levels resulting from the lack of strategic focus and vision, as well as the multi-sectoral nature of HIV/AIDS, the number of project stakeholders and implementers is extremely large and poses a tremendous challenge in project coordination. To cope with this problem, the project ended up with a very large project management structure with a RPMU at the regional level and a National CAAP Office in each country.

21. **Low ownership.** On the other hand, ownership of the project is relatively low. CACO, the regional authority which acted as the Project Recipient at project appraisal was dissolved and merged into the EurAsian Economic Community (EAEC), and the involvement of EAEC remains very limited at mid-term review. As the result, the project suffered from subsequent lengthy and sometimes unclear establishment of governance and bureaucratic procedures. These external factors, coupled with a lack of vision and proactivity by Project management, have thus affected establishment of a sound management structure and full involvement of relevant country-level and regional institutions.

22. **Lack of focus on sustainability.** The Project follows a predominantly input-driven approach to disburse available funding, with little efforts to accommodate strategic goals or a focus on sustainability and broad sector support to ensure continuation of activities after Project closure.

### **Component-specific issues**

#### **Component 1: Policy Coordination and Development**

23. **Coordination:** The Regional Project Steering Committee (RPSC) at present comprises the three Deputy Prime Ministers of the Kyrgyz Republic, Tajikistan and Uzbekistan, the Minister of

Health of Kazakhstan and the UNAIDS Regional Representative. While the RSC is in place it is too high level to ensure regular coordination of the HIV/AIDS response. To its credit, RPMU has more or less stepped forward and tried to fill the gap in many cases by (informally) acting as the regional coordinator/implementer of the regional HIV/AIDS response but this is beyond its mandates and technical capacity. This also distracts the RPMU from project management as discussed above. The region needs a working level entity to be the formal coordinator of the regional AIDS response and provide technical leadership over the 8 RTWGs. At the country level, the coordination between the project and the NMCC, RAC and development partners also need to be improved in many cases.

24. Eight **Regional Technical Working Groups** have been formed, but some need chairpersons, and all would benefit from clear work plans with tangible deliverables and a coordinated follow-up agreement on various issues. There are not adequate consultations with relevant partners on some issues (e.g. in the legislation work by the inter-parliamentary working group), and the technical working groups are not liaising effectively with the Regional Project Steering Committee to support oversight and advance policy and strategy development for the Project.

25. **Project ownership at the national and regional levels.** Countries' ownership of the project at the regional political level is low as some fail to see the value added to country-level activities, although commitment at the working, technical level is good. Regional ownership; namely the involvement of EAEC, unfortunately has been very limited so far.

26. **Cooperation and partnerships.** It is a laudable effort that regional meetings and events have been taking place to provide stakeholders with a forum for networking and sharing experience. However, such meetings need to be more strategic to support clear policy and advocacy objectives, and more effective as regards their organization, with well developed advance agendas and clear, concrete resolutions/conclusions which can be acted upon, and sub-sequent follow-up. Meeting participation should also be optimized for economical and efficiency reasons. It is furthermore recommended that the RPMU focuses on improved and timely communication with the Development Partners for this and other Project matters for effective coordination.

27. **Human Resources Development.** Work under this subcomponent, specifically for the Regional Training Centres, is facing a number of serious constraints. Firstly, there are no clear regional training strategies nor a comprehensive needs assessment of current and future training needs to inform planning and structural development of the Centres. While there is efficiency to be gained in the development of curricula, and regional training of trainers, there is no plan for cascade training in the countries once trainers have been trained. Ownership of the countries of the RTCs is low, their legal framework for operation still unclear, and it is highly questionable that adequate resources from country and international sources can be mobilized to finance and sustain these centres as currently envisaged. The Project has so far disregarded the option of establishing virtual training networks rather than fixed infrastructure. There are also concerns about efficiency in the long run, and the lack of appropriate business plans for future operation of the proposed training centres underlines this. Lastly, large grant proposal for Round 3 of the Regional AIDS Fund grant programme were received from institutions that were already involved in, and financed by, Component 1 of the project and were contracted for developing the concept and training curricula under sole-source contracts. This may constitute a conflict of interest.

28. **Monitoring & Evaluation:** A delay in launching an electronic client database represents a major hindrance to systematic collection the UNGASS-based project outcome indicators from project records. These indicators are still being collected only through the national sentinel surveillance. The team notes that general shortcomings in M&E system to a large extent stem from the inability of RPMU to ensure that M&E procedures are well understood and followed at country level despite introducing a new M&E Manual and the revised results framework. Mixed M&E capacity at country level, and a lack of due diligence and leadership from the RPMU also affects the quality of supplied M&E data to the RPMU.

29. *Electronic Surveillance* has been delayed due to software issues, but implementation has now picked up and the Project should intensify its efforts to overcome the initial delays.

## **Component 2: Regional AIDS Fund**

30. *Regional AIDS Fund Objectives.* Before attempting to institutionalize the Regional AIDS Fund, CAAP and stakeholders should have worked out the objective of such a fund, which has never been adequately defined nor have different models been appraised. As a result, the fund has developed in a 'try it and see' way without a clear long-term direction in mind. Activities to be funded have been a mix of regional and national-level interventions.

31. *Need for Strategy Development.* Ideally, there should have been a regional HIV/AIDS strategy to identify those priorities for which a regional approach has comparative advantages. This should have preceded or run in parallel with the development and institutionalization of a regional entity and financing mechanism to support its implementation.

32. *Terminology.* A Regional AIDS Fund may not be the appropriate terminology – the regional function that the project currently fulfils does more than fund activities. It also has other functions, for example in advocacy and networking. Moreover, for country-level activities which the RAF supports, the funding situation has changed significantly since conception of the Project. There is now a lot of funding available from the GFATM and other sources, and further commitments until 2012 have been made as of October 2008. The rationale for a regional fund to support country-level activities has thus been weakened, and the transaction cost of the regional fund to manage country-level grant activities is high.

33. *Focus of grant program.* Although there has been improvement, the grant making mechanism still needs to be more focused on results and targeting high-risk groups. For example, while more than 70% of infections take place among IDU, in the first round of the small grant program, it was estimated that only 7% of the total grant amount was for direct interventions for this group. In the second round, this was increased to 27%.

34. *Monitoring sub-projects' outputs and outcomes.* CAAP relies primarily on self-reporting of grant recipients and sporadic review visits. The indicators for the most sub-projects are focused on inputs or process rather than outputs or outcomes, with no quality of service dimension, which may create a perverse incentive for a subgrantee at the expense of quality of service provision. This is not helped by the weak outcome focus of the overall Project results framework. While the M&E specialists at country level try to evaluate the quality of services provided, for example through focus groups with beneficiaries, this approach is ad hoc, prone to being subjective, and could improve with more objective assessment techniques. The involvement of the existing country coordination mechanisms or development partners in the supervision of sub-projects is very limited.

## **Component 3: Project Management**

35. *Management efficiency, monitoring and reporting:* The RPMU maintains, for a relatively small grant amount, a large management unit as well as large country Project teams. The country CAAP offices would benefit from more formal integration with existing country structures such as the Country Coordination Mechanisms and Republican AIDS Centres, and coordinated communication with the RPMU office. Development partners at the country level in some cases are not very well-informed of regional initiatives of CAAP.

36. *Project management deficiencies.* Overall management functions of the RPMU need to be strengthened and there are major deficiencies in M&E, for both design and implementation. Agreed actions in Aide Memoires to respond to implementation needs, for example the timely

adaptation of staff capacities, organizational arrangements and management procedures in the RPMU or regular progress reporting, have been frequently delayed or not been carried out. The Project has not yet established a regular system for results-oriented progress and outcome reporting to its main audience and stakeholders. Coordination and communication among the RPMU, the National CAAP Offices and stakeholders and implementers have much room for improvement. By acting as the coordinator/implementer of the regional HIV/AIDS response, the RPMU has often been distracted from its core mandate of project management.

37. **Overall implementation speed** is unsatisfactory and has slowed down even further over the last year despite substantial support through consultants since the start of the Project. In some areas, this is attributable to a lack of management attention, coordination and inappropriate organizational structures and procedures within the RPMU, and among the RPMU headquarters and its country structures. To this end, the RPMU failed to address key management issues, such as restructuring of the RPMU to ensure adequate staff capacities for key components, particularly the Regional AIDS Fund, or the need for a comprehensive information system and reporting, that could have addressed earlier Project design flaws. As a result, the grant program has suffered long and frequent implementation delays, and continues to do so because of a lack of human resources, and lack of cooperation between the component management and fiduciary units in the RPMU. These require the urgent attention of RPMU management. The RPMU has also shown little interest in adopting swift and pro-active action to address apparent fiduciary deficiencies, particularly the substantial theft of funds in June 2008.

## **VI. Proposed changes to the Project Design and Activities**

38. **Rationale for restructuring:** Based on the points outlined above, there is a compelling case to restructure the Project to ensure that it is more focused, streamlined and truly regional with an appropriate strategic framework so that it can help Central Asian countries to address the regional aspects of a concentrated epidemic driven by IDU. In doing so, the mechanisms would also become more attractive to others donors in search of a structure for regional initiatives on HIV/AIDS, and probably other infectious diseases with a cross-border impact. Failure to adopt appropriate and swift action would likely result in partial or full cancellation of Project funds as the Project is unlikely to achieve the envisaged development objectives with its current focus and approach during the remaining implementation time.

39. **Re-focus on regional activities.** In its conception, the Project was intended to help establish a regional operation, covering four Central Asian countries with the aim to generate synergies, strengthen cooperation and address truly regional issue. However, many Project activities do not fall in this category, such as direct support for service delivery at the country level. The Project therefore should be reframed as an *institutional strengthening/capacity building/improving evidence base* regional project to help the countries better respond to HIV/AIDS. The PDO and Result Framework would be revised accordingly.

40. **Proposed regional activities:** A regional strategic framework will need to identify priorities in areas where there is a genuine regional dimension including: (i) Activities that are not cost-effective to address in an isolated way in every country – for example, capacity building and technical assistance requiring in highly specialised HIV expertise, such as curriculum development; (ii) Cross border issues that cannot be fully addressed by national level actions for example migrants; (iii) Regional added value by strengthening regional institutional arrangements for HIV/AIDS, promoting lesson learning and exchange of ideas across countries, for example on legislative change to remove stigma and discrimination, or improving the regional evidence base for policy making.

41. **Reorientation of existing program.** While a regional strategic framework is being developed, there are a number of things CAAP should do to reorient and improve the functioning of the existing regional fund and get ready to support implementation of a regional strategic framework.

It should clearly distinguish activities that have clear and measurable added value by being supported regionally and those that are purely national activities that would best be supported through national channels.

42. ***Promoting a shift to output-based funding models.*** It is acknowledged by all partners that a concentrated epidemic with IDU at its heart is best responded to with harm-reduction measures and preventative services for high risk groups (IDU and, to a lesser extent, CSW, MSM and prisoners). However, to effectively manage and finance such services the current input-based financing model, specifically for sub-grants, should be changed to output-based and results-oriented financing models.

43. ***Supporting country-level activities.*** At the country level, the project should focus on a few small grants to test innovations and lesson sharing, especially on renewing small grants from previous rounds for high performing recipients delivering services to the most vulnerable groups (with a simplified application form). Given the relatively small amount of funding available, the value-added of the small grant program should not be in “filling the gap” of the GFATM. It is more valuable in demonstrating the effectiveness of a results-focused, competitive grant making mechanism as well as in building the capacity of relevant authorities to manage performance-based contracts. For this purpose, the grants need to be consolidated in number, stay more focused and the specification of services should be prescribed more clearly to ensure evidence-based targeting and best practice. It is also recommended that realistic plans for sustaining services beyond the grant be a criterion for approval.

44. ***Grant management.*** There has been considerable activity but also considerable delays and obstacles in carrying out grant cycles to date. This is to a large extent attributed to inadequate staff capacities for Component 2, an issue that RPMU management has not yet addressed. There is also a need to improve the efficiency of grant operations.

45. ***Appropriate project management and supervision structures for a regional response under EAEC.*** The mission discussed the need to establish and operate a comprehensive regional structure to coordinate the regional HIV/AIDS response. It is thus suggested to formally establish a Regional HIV/AIDS Coordination Council, supplementing the existing Regional Project Steering Committee and Regional Technical Working Groups under EAEC to provide policy oversight and strategic guidance for Project implementation on a regular basis. This Coordination Council would thereby formalize a de facto already existing arrangement and comprise the four Deputy Ministers of Health, a technical adviser representing EAEC and a donor representative (UNAIDS). The RPMU would report and be accountable to the Regional Coordination Council. In addition, a high-level EAEC representative (Director of Social Development Department) would become a member of the Regional Project Steering Committee, representing the Recipient organization at the highest governance level.

46. This would foster a stronger involvement of EAEC in Project decision making and leadership on implementation of the regional response and strategic framework, a key feature that is currently lacking in this regional operation. EAEC has indicated their strong interest to take a more active role on both the Regional Project Steering Committee and in the interaction with the Regional Project Management Unit and beneficiary countries. The streamlined RPMU will serve as a secretariat to the regional coordination structure, and focus more on the management aspects of CAAP. National CAAP Offices will also be restructured accordingly to fully integrate them into the national coordination mechanisms.

47. ***Key elements of proposed restructuring*** It is hence recommended to concentrate on the following components and areas, though these would need to be reviewed and refined as the regional strategic framework is being developed. The Project Development Objectives and results framework would also need to be adapted accordingly.

#### 48. **Component 1: Strengthen policy making, institutional capacities and coordination**

1. Surveillance capacity building and creating a basis for evidence-based policy making
2. Human resources development and capacity building in key areas: Curriculum development, initial training of trainers, and creation of training networks within a sustainable institutional environment
3. Harmonization of the legal framework to address stigma and discrimination: Identification and coordinated follow-up on key legislative priorities to create a harmonized legal framework
4. Strengthen blood safety (subject to availability of sufficient funding): Capacity building and protocol development
5. Supporting the regional coordination structure for HIV/AIDS response.

#### 49. **Component 2: Piloting of performance-based funding mechanisms for effective interventions targeting high-risk groups**

1. One unified grant programme focusing on high-risk groups. Regional activities can also be financed through contracting, rather than a purely response-mode grant-making approach:
  - Technical assistance fund to support agencies in design and delivery of services for high risk groups, policy development and advocacy at the national and regional levels
  - Piloting of performance-based contracting of service provision to high-risk groups to create models for managing larger scale contracts from other sources (e.g., GFATM) in a successful scaling-up exercise, including negotiated extension of successful small and large subgrants for highly-vulnerable groups started in Round 1-3 (following a results-based financing model)
  - Limited number of small scale innovation grants at the country level

#### 50. **Component 3: Establishment of long-term governance and management arrangements for oversight of the regional HIV/AIDS strategy development and implementation**

1. Establishment of appropriate governance arrangements through an amended RPSC and Regional HIV/AIDS Coordination Council
2. Regional Project Management Unit for implementation and day-to-day management of the regional response with direct reporting to Regional Coordination Council and closely integrated into EAEC Department of Social and Humanitarian Development
3. Project monitoring, evaluation and communication

### **VII. Key agreements and next steps:**

51. The following next steps would need to be taken to adapt the Project to fit its regional role, establish appropriate implementation structures and carry out relevant Project activities in support of a regional response to HIV/AIDS in Central Asia.

#### **Policy and strategic framework development**

- RPMU to prepare a draft timetable for development of Regional Strategic Framework in close cooperation with national and international partners (*by November 24, 2008*)
- Beneficiary countries, EAEC, WB/DFID, UNAIDS, RPMU to elaborate and agree on a Regional Strategic Framework (*by March 31, 2009*)

#### **Project component restructuring**

- RPMU, in cooperation with WB, RTWGs, EAEC and country representatives, to prepare detailed component content, activities, workplans and results monitoring indicators for restructuring to reflect regional strategic priorities and agreed key activities (**by December 31, 2008**)
- RPMU to review the Project budget to re-allocate savings from Component 1 subcomponents and Component 2 Round 1-3 subgrant implementation, including cancellation of grant awards from Round 2 which have not been signed by November 30, 2008 (**by December 15, 2008**)
- RPMU to prepare updated Project Budget and Procurement Plan for 2009 (**by December 22, 2008**)

#### Revision of Project management and steering arrangements

- EAEC, with support from the RPMU, to adapt Project management and steering arrangements (Regional Project Steering Committee, Regional HIV/AIDS Coordination Council, RPMU) for closer integration into EAEC and improved project oversight and management, and prepare concept papers for discussion and endorsement by EAEC Council of Health Ministers (**by November 24, 2008**)
- RPMU to adapt Project Operational Manual and relevant documentation including ToR to reflect changes in the Project management and steering arrangements (**by December 15, 2008**)

#### Stakeholder Communication and Processing

- EAEC and RPSC, with support of RPMU to review and endorse restructuring agreement during EAEC Minister of Health Conference in Dushanbe and communicate agreement to the Bank (**November 23-24, 2008**)
- WB to prepare Board papers for World Bank approval of amendments to the Grant Agreement (**by January 15, 2008**)
- RPMU to provide timely, complete and results-oriented progress reporting to EAEC, RPSC, Deputy Ministers of Health and WB, and provision of quarterly progress reports by the third week after the end of each quarter (**immediately, starting with overdue progress report on Q3 2008**).
- RPMU to phasing out of subcomponent activities with a strong country focus (such as country-based training of journalists) and identify partners to take over such activities (**by February 28, 2009**)

#### Fiduciary management

- Additional agreements and next steps on Project financial management and procurement arrangements are listed in Annex 1 (Financial Management) and 2 (Procurement).

## **Annex 1: Financial Management Supervision Report and Action Plan**

- 1. Project accounting system and reporting.** The 1-C accounting software is fully operational and provides reliable mechanism of processing and recording accounting transactions. The software is specifically designed to meet accounting and reporting requirements of project, and produces reliable financial monitoring reports, including the quarterly Financial Monitoring Reports (FMR). The mission reviewed the Trial Balance as of September 30, 2008 and compared the balances reflected in the FMR for 3<sup>rd</sup> Quarter ended September 30, 2008. There were no differences noted, either in expenditure accounts or bank balances. All funds received from IDA have been reconciled with WB disbursement records (*Client Connection*). The mission also noted that the fixed assets register had been updated in the accounting system as previously recommended.
- 2. Internal Controls.** The RPMU has adequate internal controls for the project, including regular reconciliation of bank accounts, adequate segregation of duties between the various staff of the RPMU, adequate procedures for expenditure authorization, including payroll authorization. All expenditures are authorized by the Executive Director, after verification by the Financial Manager. Salary payments are made against payroll sheets prepared on the basis of attendance registers maintained by the Legal Specialist, who also acts as the HR person, and approved by the Executive Director. The mission reviewed payroll for the months of January, April and June, 2008 against approved list of RPMU staff approved by the RSC and the World Bank. It was noted that the payroll for the month of January 2008 was not signed by the RPMU Director as per the established procedures. It was explained that this occurred due to the absence of the Director. It was, however, agreed that the monthly payroll should always be approved prior to making the payments to staff, and that the RPMU Director should ensure adequate back-up arrangement for approval of the payroll by some who is not involved in the tabulation and payment of salaries.
- 3.** There is some inconsistency between the monthly salary paid to the RPMU Executive Director and what is in the contract. There is also inconsistency between the amount in words and amount in figures in respect of the ceiling amount of the contract that runs from November 4, 2005 to December 31, 2010. The contract should also be brought in line with RPMU procedures and cover all emoluments paid to the Executive Director, such as housing allowance and insurance benefits. These discrepancies need to be rectified by revising the contract, after obtaining approval of the contract by the Regional Steering Committee (RSC). The revised contract should obtain the Bank's No Objection prior to its signature and implementation.
- 4.** The RPMU complies with all accounting policies and procedures, as described in the financial procedures manual, as well as financial regulations issued by the Ministry of Finance in the host country of Kazakhstan. However, the manual needs to be revised to incorporate procedures for use of service vehicle and other administrative procedures.
- 5. Use of Service Vehicle.** The mission reviewed the use of the service vehicle and noted that the car is being used by all the staff of the RPMU and the Director, mainly for official business. In the past the driver was issued with a vehicle log register for one month, showing incoming and outgoing mileage. Although different people were using the car, the Director would sign the register only once at the end of a month. Starting September 2008, however, the RPMU introduced a new log list/trip report sheet in which every single person who is using the car signs up for the mileage travelled and time when the car was used. The mission was shown the register, but could not verify the mileage with the actual odometer reading as the car was not readily available. It was agreed that the financial manager would, on a regular basis, check the vehicle log register and compare the actual mileage with the odometer. Any differences between the two must be explained.
- 6.** The mission noted that, from time to time, the RPMU director uses the project car for personal long-distance trips, especially on weekends. Although the director is said to pay for gasoline and the financial manager records the personal mileage, the records for personal use of the car were not complete and up to date. For example, the records were such that it was not

possible to determine personal use of the car when reconciling gasoline used and the mileage traveled. An analysis made earlier showed a difference of 12,500 km of personal use of the car. Although the Director indicated willingness to reimburse the RPMU for the personal use of the car, the RPMU does not yet have charge out rates or formula for determining such rates. There is also the issue of wear and tear when the car is regularly used for such trips.

7. To reduce the risk of accidents when the car is used on personal trips, and to avoid additional controls required when the car is used for personal trips, including determination of reimbursement rates for wear and tear, it was agreed that the service vehicle would be used only for official business of the RPMU. Use of the service car for personal trips would stop immediately. It was further agreed that this policy would be incorporated in the revised operational manual and applied without exception.

8. **Flow of funds and Cash Management.** Payments to UNDP: Request #11 for US\$436,125.7 dated May 31, 2008 and received by the RPMU on June 16, 2008. This request was submitted to the Bank on June 19, 2008 and paid by the Bank on July 3, 2008. There is an unclaimed amount of US\$32,050 said to be for advances to staff not yet accounted for. There was, however, no analysis to indicate how long the advances had been outstanding, or to show that the advances related to official business. Request #12 for US\$189,773.8 dated June 30, 2008, received by the RPMU on July 28, 2008, submitted to IDA on August 4, 2008 and paid on August 20, 2008. There was an un-reconciled amount of US\$180,113.60 that was explained as advances paid but not yet accounted for. Latest request # 13 for \$201,048 dated July 31, 2008 and received by the RPMU on August 20, 2008. This request was submitted on September 8, 2008 and paid September 15, 2008. There is un-reconciled difference of \$33,322.1 said to be advances not yet accounted for. It would appear most of the delay occurs with the UNDP. This is coupled with the fact that the funds are paid to New York office and then transferred to UNDP Almaty Office for distribution to the various country offices.

9. **Budgeting.** The budget for fiscal year 2008 was approved in the amount of US\$9,635,000. However this budget is not considered realistic given the slow implementation progress of the project. By September 30, 2008 only US\$3,320,155.20 had been paid, meaning about 46%. Total payments plus commitments up to September 2008, representing contracts already signed, amounted to US\$4,028,155. As previously advised the budget should be realistic, based on implementation plan and the milestones to be achieved during the year. Involvement of Component and Country Coordinators is critical in ensuring the setting of realistic and achievable milestones that provide clear linkage with the planned financial outlays. The budget should be agreed with the World Bank and approved by the RSC.

10. **Loss of Cash.** In June 2008 some US\$25,093 was stolen from the office following a break-in by someone who had access to the cash box. This matter was later reported to the police, who have been investigating. However, no resolution has been found and efforts to obtain a report from the police, showing initial findings of the investigation have not been successful. The amount still being reflected as advance in the books of accounts, but will need to be refunded since this amounts to ineligible expenditure. It was agreed that a formal letter would be sent to the Recipient of the IDA Grant for immediate refund of the amount, while efforts continue to conclude the police investigation.

11. Meanwhile, to avoid similar incidences in the future, and to ensure safe handling of cash, the following measures have been implemented:

- Staff salaries for residents are now paid through bank transfers. Arrangements have been made to pay staff salaries for non residents to their banks accounts from October 2008. As a result of this measure the RPMU will not have any reason to keep large sums of money in the safe, especially overnight.

- A new safe has been purchased with better security features. It has two keys, one each kept by the Disbursement Specialist and Executive Director. Both keys are required to open the safe, and the RPMU has implemented necessary back-up arrangements.

12. **Country level fiduciary arrangements.** The UNDP continues to provide fiduciary support to the project in all the four participating countries. The UNDP handles payments, accounting, reporting and procurement activities at the country level, working very closely with the National Coordinators. The UNDP participates in the selection of sub-grant recipients, and handles all country level procurements, maintain records and accounts and provides periodic reports to the RPMU on the utilization of the funds. Payments are effected by the UNDP from an advance of US\$600,000 provided by the RPMU. On a monthly basis the UNDP submits requests for payments. Upon receipt of the requests the RPMU reviews and prepares withdrawal applications for direct payments to the UNDP through their bank account in New York.

13. The mission reviewed the following requests submitted by the UNDP over the past few months to determine whether there are any delays that may affect project implementation at the country level:

- Request # 11 for US\$436,125.7 dated May 31, 2008 and received by the RPMU on June 16, 2008. This request was submitted to the Bank on June 19, 2008 and paid by the Bank on July 3, 2008. There is unclaimed amount of US\$32,050 said to be for advances to staff not yet accounted for. There was, however, no analysis to indicate how long the advances had been outstanding, or to show that the advances related to official business.
- Request #12 for US\$189,773.8 dated June 30, 2008, received by the RPMU on July 28, 2008, submitted to IDA on August 4, 2008 and paid on August 20, 2008. There was an un-reconciled amount of US\$180,113.60 that was explained as advances paid but not yet accounted for.
- Request # 13 for \$201,048 dated July 31, 2008 and received by the RPMU on August 20, 2008. This request was submitted on September 8, 2008 and paid September 15, 2008. There is un-reconciled difference of \$33,322.1 said to be advances not yet accounted for. It would appear most of the delay occurs with the UNDP. This is coupled with the fact that the funds are paid to New York office and then transferred to UNDP Almaty Office for distribution to the various country offices.

From the above it was noted that the UNDP does not submit the month requests on time. The longest delay after the month end occurred in Request #12 that was delayed for 28 days. The mission also noted that there is a time lag between receipt of funds by the UNDP in their New York Office and the transfer of the funds to the UNDP Country Offices. Coupled with the delay in submitting the requests it is estimated that, on average, it takes one month for the funds to be received by the UNDP Offices. It highly recommended that the UNDP speeds up the submission of the monthly and reports in order to speed up the flow of funds, especially to small grant recipients who have to wait for long periods of time before receiving funds.

14. **Grant management arrangements.** The mission reviewed accountability mechanisms for large grants, in particular arrangements for conducting due diligence

prior to evaluation of the grant, requests, reporting arrangements by grant recipients as well as audit arrangements. The mission noted that the RPMU does not carry out a coordinated due diligence to determine, not only the financial management aspects of the potential grant recipients, but also their capacity to implement the activities included in their grant proposals. The following is the performance of the 4 grant recipients under the 1<sup>st</sup> Round:

- **PSI** – Contract amount \$664,836.00 covering the period June 12, 2007 to September 12, 2008. Advance paid \$133,000 on June 29, 2007 (representing 20% of the grant amount). Reports submitted on September 8, 2008, covering period from start date to April 13, 2008. The GR has requested a non-cost extension (NCE) up to December 31, 2008 that was approved by the RPMU. The second advance has not been paid, but it's understood that the GR will submit a reimbursement request as they prefer to work on a reimbursement basis rather than advance basis. The request for extension of the grant period does not seem to have been agreed with the Bank. Capacity of this GR to complete the tasks within the grant period also needs to be evaluated.
- **Alliance** – Contract amount \$520,154.00 covering the period July 1, 2007 – December 31, 2008. Advance paid \$104,000 on June 29, 2007. There have been no further payments so far, with less than three months to the closing date. The GR has submitted reports submitted not considered acceptable as they are not in agreed format. No supporting documents have been submitted. Due diligence should have been conducted to determine capacity of this agency to implement activities included in the grant proposal.
- **JSI** – Contract amount \$1,283,762.00 covering the period June 15, 2007 – December 15, 2008. Advance of \$255,000 was paid August 3, 2007. Subsequent payments have been made as follows: December 13, 2007 - \$200,249.00; April 1, 2008 - \$178,961.00; August 29, 2008 - \$317,692.00; totaling - \$951,902.00. All payments have been accounted for by way of reports and copies of supporting documents. The GR is on course to fully implementing the project.
- **Youth 21 Century** – Contract amount of US\$58,080.00, covering June 13, 2007 – November 1, 2008. Payments made as follows: June 15, 2007 - \$11,616.00; September 28, 2007 - \$29,040; March 28, 2008 - \$17,424.00. All reports submitted with copies of supporting documents.

Given the slow pace of implementation by two of the grant recipients it is necessary for a review of their capacity to implement the projects in accordance with the sub-grant agreements. The review should be conducted both from a fiduciary and technical perspective, involving the RPMU's finance, procurement and technical coordinators. This review should be carried out immediately. In addition to the due diligence review the RPMU should expand the TORs for the financial audit to include operational review, covering all the large grant recipients and a sample of small grant recipients. This arrangement should be discussed with the audit firm as soon as possible, with a view to starting the review before the start of the financial audit.

15. **Transaction Review**. The mission conducted sample review of Withdrawal Application # 32 for US\$401,617.85 and #36 for \$453,785.84. The review confirmed that all expenditures were authorized, payments approved by the Executive Director and all transactions properly recording in the accounting system. Adequate supporting documents

were maintained, and readily accessible. The mission noted, however, that a large number of the payments, particularly those involving staff, were made in cash. Handling large amounts of cash involves high risks and should be minimized by making bank transfers even for travel advances, where feasible. The mission noted that some expenditures for training, though valid based on the documents reviewed, exceeded the amounts included in the training plan approved by the World Bank. In one case the amount approved in the Training Plan was exceeded by over US\$5000, and this should have been brought to the attention of the Bank for No Objection. In future, any expenditures that exceed amounts approved in the Training Plan will require fresh No Objection from the Bank.

16. In order to address the various issues observed during the mission the following actions have been recommended/agreed:

<b>Proposed Actions</b>	<b>Due Date</b>	<b>Responsibility</b>
RPMU to communicate contract extensions for large grants to Bank for No Objection	<b>immediately</b>	<b>Financial Manager, Component 2 Coordinator</b>
Use of office car for personal trips to be discontinued	<b>Immediately</b>	<b>Executive Director and the Financial Manager</b>
UNDP to be requested to speed up submission of the monthly reports to facilitate timely flow of funds for country-level activities	<b>November 15, 2008</b>	<b>Financial Manager</b>
RPMU to discuss with the auditor the scope and timing for the Operational Audit. Revised TORs to be submitted to the Bank for review and clearance	<b>November 30, 2008</b>	<b>Financial Manager</b>
The RPMU to complete revision of the Operational Manual to include administrative procedures, including use of service car. Records for personal use of car to be completed and expenses for past personal use to be refunded to Project	<b>November 30, 2008 for revision of the manual and refund for personal use,</b>	<b>Executive Director and the Financial Manager</b>
RPMU to review Executive Director's contract and send revised contract for No Objection to Bank, followed by RPSC approval prior to signature	<b>November 30, 2008</b>	<b>Executive Director, Financial Manager, Regional Project Steering Committee</b>
The RPMU to finalize the 2009 budget, based on the procurement and implementation plans, and enter the approved budget into the accounting system. Budget should be agreed with the Bank and approved by the RSC	<b>By December 22, 2008</b>	<b>Executive Director and Financial Manager</b>
The RPMU to undertake due diligence of all prospective Grant recipients prior to submission of evaluation reports to the Bank	<b>Before Evaluation</b>	<b>Financial Manager and Component Coordinators</b>
RPMU to make arrangement to refund the cash stolen from the office. At the same time RPMU to continue requesting the police to provide the status of their investigation and inform the Bank accordingly	<b>December 31, 2008</b>	<b>Executive Director</b>
RPMU to observe expenditure limits in the	<b>Continuous</b>	<b>Executive Director</b>

Training Plans. Amounts exceeding approved plans by more than 10% should be agreed with the Bank		<b>and Financial Manager</b>
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## **Annex 2: Procurement Supervision Report and Action Plan**

1. **Country Office Visits:** The procurement team member visited Uzbekistan and Kyrgyzstan; but was not able to visit Tajikistan. While in Kazakhstan, the mission was not able to meet with the AFA (Administrative Finance Assistant; the person in the UNDP Office who is responsible for procurement work under the national program) since she was on leave.

2. **Uzbekistan:** The mission met with the National Coordinator, UNDP Operations Manager, and UNDP Procurement staff. The mission also visited the project office. The mission's findings are summarized below.

- The Uzbekistan National Office comprises 7 staff (National Coordinator; finance, project coordinator, grant management assistant, two M&E specialists). It has made 39 grants (10 in the first round, and 29 in the second round). It expects to make 39 grants (about \$1.6 million during the third round). This represents the largest grant program among the countries.
- Due to the constraints in the country system (such as the banking sector), all the payments under the project are made through UNDP Office. As for procurement under the grants, UNDP handled procurement for small grants during the initial stage of project implementation, while the large grant recipients handle procurement for themselves.
- UNDP Office has 4 people in its procurement section, of which one focus on CAAP related procurement (with the assistance of the AFA who is sitting in the CAAP Office). According to the agreement, the UNDP executed procurement is done following the UNDP procurement procedures – these include Shopping, procurement through Long-Term-Agreement (LTA, a list of suppliers prequalified by UNDP HQ), and competitive selection of consultants, etc. UNDP signs contracts and processes payments. All the originals of procurement documents are kept in the UNDP office (while the National Office should keep a copy).
- The UNDP executed procurement is subject to audit by UNDP's regional audit office, but so far, not audit has covered CAAP. Upon the mission's request, the UNDP procurement staff demonstrated their computer system (including procurement handling, filing). The system appears to be very comprehensive and reliable.
- However, in the National Office, the procurement files do not appear to be well maintained. Grant documents and procurement documents are filed separately, and procurement documents for different grants are filed in one folder, which would not facilitate information finding and document retrieving. The mission suggested that: (a) it would be better to combine the procurement documents into the already existing file folder for each grant; and (b) the AFA should carefully check the accuracy and completeness of procurement documents, and as needed, should obtain copies from the UNDP Office.
- The procurement processing and filing system seems to be adequate and the mission did not note any major issues. The major concern is on the part of physical inspection, i.e., to physically check and verify that the grants (large or small) have been implemented according to the approved proposals. The mission was explained that due to staff shortage, the National Office has not been conducting physical visits to grant recipients on a regular basis. Lack of adequate physical inspection imposes serious fiduciary risk, particularly considering that Uzbekistan delivers the largest grant program.

3. Kyrgyzstan: The mission visited the CAAP National Office and met with the National Coordinator and the AFA.

- The Kyrgyz National Office has provided 8 grants each in 2007 and 2008, and plans to approve 14 grants in 2009.
- The AFA (UNDP staff) is sitting in the National Office to provide services in a “same-time” manner. UNDP handled the procurements for grant recipients in 2007 (mainly procurement of office equipment), while starting from 2008, the grant recipients are responsible for procurement. To this end, relevant training (including procurement training) has been provided to the grant recipients in collaboration with the RPMU. In addition, the National Office also provides advice/guidance and trouble shooting on a routine basis. The procurement filing seems to be well maintained.
- The mission was informed that the National Office (the M&E specialist, and AFA) visits each grant recipient twice (once in the beginning of grant implementation; and once at the completion. Reports are prepared and filed upon each visit. The mission was also informed that normally 5% of the grant amount is kept and released till the full completion and acceptance of the grant activities.

4. **Procurement Aspects Related to Large Grants:** In connection with review of a large grant proposal (for the Uzbekistan Republican AIDS Center), the Bank has provided detailed comments on procurement aspects. The mission would like to reiterate that, while the RPMU should review the detailed procurement arrangements for each large grant proposal before submission to the Bank, particular attention and efforts should be given to the following two aspects in line with the Grant Recipient Handbook: (a) a procurement capacity assessment should be carried out to make sure that the recipient will have adequate capacity and institutional arrangement to handle procurement appropriately; and (b) a detailed time-bound procurement plan should be developed by the recipient, including adequate procurement packaging arrangements and reasonable procurement methods.

5. **Ex-Post Review:** According to the Bank requirements, the contracts that are not subject to the Bank prior review should be subject to ex-post review on a sample basis. To date, three ex-post reviews have been conducted under the project (with the first one in February 2007, the second one in January 2008, and the third one in October 2008). Since the second ex-post review, a total of 10 goods contracts plus 41 consultant contracts have been awarded, of which one goods contract (awarded through ICB) and 7 consultant contracts were prior reviewed. This post review covered 2 goods contracts (22% of total number; with an aggregate value of \$159,746) and 8 consultant contracts (24% of total number; with an aggregate value of \$85,170). The reviews, with the details included in a separate report, provide the following general conclusions:

- The procurement files are complete and in good order.
- The procurement process is in line with the agreed Procurement Plan and the Bank Procurement and Consultant Guidelines.
- The recommendations provided by the last ex-post review mission have been properly implemented.

6. While this review has not identified any issues that deserve special attention, the following agreements are reached:

- (a) At the contract signing, the contract duration (or validity period) should be determined based on the completion of the last payment, rather than the completion of the assignment.

For consultant contracts, it is reasonable to allow two months to accept the final reports and complete the last payment.

- (b) At the shortlisting and contract award stage, the RPMU Procurement Officer should check against the debarment list on the Bank's web site ([www.worldbank.org/debarr](http://www.worldbank.org/debarr)) to ensure that none of the debarred firms or individuals shall be allowed to participate or award contract.
- (c) The Bank has a sample RFP for CQS (which was not provided to the RPMU before). Using it, while not mandatory, should help both the RPMU procurement officer and the consultant. The mission has provided this sample RFP and the RPMU agreed to use it for future CQS contracts.
- (d) At the time of project appraisal, the Bank prior review threshold for consultant services was set at \$50,000 for both firms and individual. Based on the procurement implementation experience under the project, it is recommended that the prior review threshold to be increased to \$100,000 for firms (while the \$50,000 threshold for individual consultants remain unchanged). This is in line with the thresholds for other Bank financed projects in Central Asia countries. It is reiterated that all Terms of Reference for consulting services require the Bank's No Objection prior to initiating procurement, and be listed in the approved Procurement Plan.

**7. Physical Inspection:** The Kyrgyz part of the CAAP is included in the on-going Kyrgyzstan Country Portfolio Fiduciary Review; and as a part of this exercise, the goods delivered under the following three contracts were inspected by a qualified engineer during the period of end September and early October 2008:

- PO# KGZ10-0000001362 dated July 16, 2007 (\$19,110) for procurement of vehicles (3) for pilot Oblast AIDS Centers in Chui, Jalalabad and Batken: The engineer inspected two vehicles (the engineer did not visit Batken) and found them in place and in line with the contract requirements. Both vehicles are in good condition and are being used. Maintenance services (oil change etc) are carried out regularly. No deficiencies were observed.
- PO# KGZ10-0000001938 dated July 8, 2008 (\$17,295) for purchase of laboratory supplies (filter paper, humidity indicator cards, desiccant packs, etc.): The supplies had been delivered at the PMU-Office; and ready for distribution to 3 Oblast AIDS Centers in Chui, Jalalabad and Batken in October 2008. The procurement contracts are well documented and filed. The supplies were inspected and counted; and found acceptable. The PO and RFQ documents contain certain inconsistencies (such as the delivery schedules). The inspection at the AIDS Centers also revealed that certain items (such as the humidity indicator cards, goggles) are not used, thus the inspection engineer recommends to communicate with the AIDS Centers to identify real needs before order more items.
- PO# KGZ10-0000001542 date October 16, 2007 (\$11,416.01) for purchase of laboratory supplies (filter paper, humidity indicator cards, desiccant packs, etc): The supplies were delivered to the Bishkek Office in mid December 2007 and then distributed to the Oblast AIDS Centers in January and February 2008. The items not yet consumed were inspected & counted and found okay. Relevant records are found adequate in Bishkek and Jalalabad, but no records were found in Tokmok (Oblast Chui) and the laboratory is under renovation (funded by KfW). The same inconsistency mentioned for the above PO was found. Also certain items (such as desiccant packs, humidity indicator cards) are found having not been used but more supplies of such items are coming (under the above mentioned PO), which raised questions on coordination between the purchaser and the

end-users. The inspection engineer therefore recommends that the purchaser needs to communicate with the AIDS Centers to identify real needs before order more items.

8. The RPMU has already received a copy of the inspection report. The mission went through the report with the RPMU procurement officer, who agreed to pay attention to the issues raised and recommendations provided in future procurement (which is managed by the UNDP office).

9. **Procurement Plan (2009):** The RPMU submitted a draft Procurement Plan for 2009. The mission was pleased to note that the Plan is in line with a new format provided by the Bank team. The Plan was discussed item by item and the mission provided specific comments and recommendations. The Plan may require further amendments to reflect the proposed Project restructuring. The RPMU procurement officer agreed to closely liaison with the component coordinators and then revises the Plan. The revised Plan should be submitted to the Bank by December 22, 2008 for review and clearance.

10. **Action Plan:** The following table summarizes the related recommendations and actions discussed/proposed during the mission:

<b>Proposed Actions</b>	<b>Due Date</b>	<b>Responsibility</b>
To conduct physical inspections of grant activities in Uzbekistan; reports to be shared with the Bank.	December 31, 2008	Uzbekistan National Office (Coordinator, M&E specialist); RPMU (coordinator, procurement, finance, M&E)
For large grants, to carry out adequate procurement capacity assessment prior to evaluation and submit a brief report to the Bank together with the grant proposal	Immediately	RPMU (procurement officer)
For selection of consulting firms under CQS procedures, to use the sample RFP provided by the Bank team	Immediately	RPMU (procurement officer)
To ensure that none of the debarred firms or individuals shall be allowed to participate or award contract	Immediately	RPMU (procurement officer)
To convey the results of the physical inspection for KG to all the four National Offices and UNDP teams; to discuss the issues raised and reach agreement to implement the recommendations	Immediately	RPMU (procurement officer; other relevant staff)
To submit a revised Procurement Plan for 2009 to the Bank	December 22, 2008	RPMU (procurement officer)

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