

INDIA
Punjab State Road Sector Project (Loan 4843-IN)
The 4th Implementation Support Mission (Nov 2 to 11, 2008)

Aide-Memoire

I. INTRODUCTION

1. A World Bank team¹ visited the State of Punjab over the period from November 2 to 11, 2008 to support the Government of Punjab (GoP) for implementation of the Punjab State Road Sector Project (PSRSP). The mission held meetings with the Public Works Department (PWD), the Punjab Roads & Buildings Development Board (PRBDB), the Department of Information Technology (DoIT), and undertook site visits to the Phase I roads contracts under the project.
2. This aide-memoire summarizes the findings, recommendations and agreements reached during the mission. The mission wishes to thank GoP for their support and cooperation during the mission. The agreed key actions are shown in **Annex 1**.

II. KEY PROJECT DATA & PERFORMANCE RATING

3. This project was approved by the World Bank Board of Directors on December 5, 2006. The Loan and Project Agreements were signed on February 26 and the loan was made effective on April 2, 2007. The following table summarizes the key project data and updated project performances at this mission.

Key Project Data		Current Ratings and Flags	
Board Date	December 05, 2006	Development Objectives	Satisfactory
Closing Date	June 05, 2012	Implementation Progress	Satisfactory
Project Age	22 months	Problem Flags	None
% Disbursed	35.35%		

III. SUMMARY OF FINDINGS, DISCUSSIONS AND AGREEMENTS

4. **Development Objective (DO).** The project's overall development objective is to improve operating conditions of State roads for road users, in a sustainable way, thus helping to provide the business enabling environment necessary to support Punjab's economic development strategy. Progress in achieving the development objective is rated **Satisfactory** since: (a) all

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Phase I civil works for rehabilitation (6 packages) and upgrading (3 packages) amounting to INR.628.89 crores (US\$157 million equivalent) are duly on-going as targeted; (b) all Phase I civil works for periodic maintenance contracts (10 packages) amounting INR.59.54 crores (US\$15 million equivalent) have been fully completed; (c) the design for Phase II civil works (to be undertaken as Output and Performance Based Road Contracts: OPRC) is well underway with enhancement strategy; (d) the GoP continues the process of institutional strengthening of the sector, and the remaining activities under the Institutional Strengthening Component are in progress in various stages of procurement and implementation. Annex 7 summarizes the current status of results monitoring and key performance indicator.

5. **Implementation Progress Rating.** Implementation progress rating has been upgraded to **Satisfactory** due to improvement in contract management capacity of the PWD staff, progress in Phase I civil works, as well as the preparation of Phase II. In spite of the continuing difficulty in staffing, PRBDB has taken strong actions for replacement of the non-performing Technical Audit Consultants (TAC) by terminating the consultancy services contract and quickly acquiring the replacement for the services to support the PWD field divisions for supervision of the remaining contract packages, and having provided proper guidance and instructions to the Construction Supervision Consultants (CSC) for the upgrading works contracts to maintain or improve the team expertise with appropriate replacement.

6. However, the weaknesses in project management and under-staffing in both PRBDB and PWD field divisions flagged during the last mission still remain a concern for sustainable progress. The under-staffing in PWD field divisions is getting more serious. The PWD field division staff, particularly sub-divisional engineers and junior engineers, who are playing practical roles in daily management activities are not only in serious shortage, but also even the current staff are kept deputed to other assignments. This situation is substantially pressing the remaining staff to perform their duty with reducing resources, and pressing their work environment. This situation is not in conformity with the Project Agreement, stipulating that the Project Implementing Entity shall take all necessary measures to ensure to provide sufficient resources and staff required for the Project. The mission strongly urged GoP and PWD that these weaknesses be addressed on a priority basis with accountability of the State Government in order to avoid their serious influence to the quality of the project management. The under-staffing in PRBDB has been improved with its own effort of hiring qualified staff, but it is still in a fragile state. This needs continuous attention and support from the senior management of GoP.

7. **Phase I Civil Works Progress:** The mission has noted a significant improvement in the progress of civil works as well as contract management by PWD staff on rehabilitation and upgrading contracts since the last mission. The overall average physical progress of the entire Phase I component is about 47% with ongoing rehabilitation contracts (49%), upgrading contracts (37%) and completed periodic maintenance contracts (100%). Due to intermittent rains during the last quarter, it is expected that the completion of some rehabilitation contracts could be delayed by about 3 months from the current scheduled completion, while all upgrading contracts are poised to complete within the current scheduled completion at this stage. The mission noted with concern that the progress on RH3, UG1 and UG2 has not been achieved as per the target and there is a need for close supervision and monitoring by the Engineer and the Employer in the coming working season. The mission commends the efforts of the implementation team of RH6,

which is expected to be completed before the scheduled completion time. The contract packages RH2 and UG3 have also shown considerable progress since the last mission. The quality of works was found to be generally satisfactory. Detailed observations on Phase I civil works are provided in Annex 2.

8. **Phase II (OPRC) Civil Works Preparation:** The consultancy contract for preparation of Phase II OPRC (Output and Performance-based Road Contracts) works was signed on July 24, 2008, and the consultant commenced the preparation activities. The consultant conducted the first industry consultation workshop to disseminate the concept and discuss the market interest for implementation in Chandigarh on September 23, 2008. The mission has been doing a series of detailed discussions with PRBDB for conceptual and technical guidance including an interim mission by the TTL and Dr. Y. Kamhi (Sr. Transportation Engineering and Management Consultant) in October. The final report for the preparation works is expected in May 2009, and the bidding for the long-term OPRC is scheduled in late 2009.

9. **Proposed Expansion of OPRC Implementation:** With the progress and discussion of the on-going OPRC preparation works, the Government of Punjab has expressed a keen interest to expand implementation of OPRC with wider geographical application to maximize the benefit of the long-term contract (8-10 years) aspect of the concept. The proposal is to expand the current 650 km OPRC network to about 880 km in about three geographical areas. There are several reasons for this proposal, which appeared with the progress of the preparation works. Firstly, the overall fund availability for Phase II of the Project (about US\$75 million) does not match the expenditure profile of the currently chosen 650 km network with the current project period. Secondly, and more importantly, GoP would want to influence a wider audience across the State by exposing different areas simultaneously to the intended benefit of OPRC. This proposal requires additional funds of US\$100 – 130 million spread over 8 – 10 years from the commencement of the contract.

10. **GoP's Request for Additional Funds:** In order to implement the proposed enhanced OPRC implementation, GoP has expressed an interest to request additional funds from the Bank. The mission explained that there are two possible facilities to accommodate the proposal. One is "additional financing" to the existing PSRSP loan, and the other is a "repeater project" which enables a quicker and simplified loan approval based on the satisfactory performance of the ongoing project. The mission explained that the repeater project may conform to the needs better, as it matches the intended purposes, and the additional financing may have a limitation for its implementation period to accommodate the long-term OPRC. This proposal needs to be materialized by (i) finalization of the concept paper including detailed estimate of additional funding requirements, (ii) formal request by GoP to the GoI (DEA), (iii) formal request by GoI to the Bank, and (iv) processing and approval by the Bank Board. The mission agreed with GoP to continue close discussions for further processes.

11. The mission updated the project cost as presented in the following table. The available project budget for Phase II civil works is estimated as about US\$123 million.

Updated Project Cost:

Component	Total Project Cost in PAD (US\$ million)	Updated Total Cost (US\$ million)	Phase I (US\$ million)	Phase II (US\$ million)
	(1)	(2)	(3)	(2) – (3)
A - Road Development Component 1	310.30	312.40	189.77	122.63
Road Upgrading (UG)	221.50	164.99	112.05	122.63
Rehabilitation (RH)	66.90	104.98	63.81	
Maintenance (PM) and Other works	22.00	42.43	13.91	
B- IS Component 2	11.00	11.00	11.00	
Incremental Operating Costs	12.00	10.00	10.00	
Total	333.4	333.40	333.40	

12. **Institutional Strengthening Component:** The process of forming a Review Committee to facilitate consensus building for the proposed reform by the Institutional Development Study (IDS) completed in June 2007 is still delayed due to the insufficient momentum for the reform. The mission expressed concerns about the situation, and requested again to appoint a Technical Advisor for IDS implementation. The mission requested that the GoP make its assessment of the realistic reform actions that can be completed within this project period, and provide proposed actions in its Mid-term Review (MTR) Report. The status of the other institutional strengthening activities is summarized in Annex II.

13. **Environmental Safeguard Management:** The focus of the mission was to review: (a) the implementation of EMP covering both upgrading and rehabilitation components; (b) the progress made on the consultancy assignments for pollution monitoring and capacity building of PRBDB and PWD on environmental management. Refer Annex 3 for more details.

14. The over-all rating with regard to implementation of Environmental Management Plan (EMP) in the project is **Moderately Satisfactory**. Even though improvements with regard to camp and plant site management and pollution monitoring were noted in some packages, worksite safety management, borrow area rehabilitation and debris disposal continue to be the weak in most of the contracts. The mission reiterated that reporting and documentation, particularly at the field level, needs to be strengthened. More details have been provided in Annex 3.

15. *Meeting with Idma Foundation (Pollution Monitoring and Capacity Building Consultants):* The mission met the key team members (except Team Leader, who was not available) from Idma Foundation to review the status and progress made with regard to the consultancy assignments on (a) pollution monitoring and (b) capacity building of PRBDB and PWD on environmental management. As part of the first assignment, one round of pollution monitoring (in all, 11 rounds of monitoring will be conducted) has been completed for all roads. For the second assignment, a survey to determine training needs assessment has been carried out. Draft reports for both these assignments have been submitted by the consultants to PRBDB recently. It is expected that these reports will be shared with the Bank for review by December 15, 2008.

16. *Review Meeting with Environmental Officers:* The mission conducted a meeting on November 11, 2008 in Chandigarh, with PRBDB's help, to review the contract package-wise status and progress of EMP implementation in the project. The forum also provided an opportunity for experience sharing on achievements, solutions and issues between the various contract packages. The focus of the discussions was on aspects and issues pertaining to camp and plant site management; worksite safety; pollution monitoring; preparation of debris disposal plan and site identification; compliance with regulatory requirements (NOCs, Consents and Permissions) and; reporting and documentation. In all, about 20 people attended and participated in the deliberations. The suggestions and comments provided by the Bank and PRBDB were well received by the participants, who found the review exercise useful.

17. **Social Safeguard Management:** Compliance with social safeguards are rated **Satisfactory**. The project has made significant achievement viz., (i) 91% achievement of land acquisition through private negotiation and the balance 9% of total 50 acres being acquired through LA Act 1894 as these cases are under either disputed or absentee / untraceable land lords, (ii) substantial disbursement of R&R assistance; (iii) preparation and submission of micro plans; (iv) opening of joint accounts; and (v) distribution of identity cards. There are, however, two major outstanding issues that require immediate attention, i.e. (i) livelihood training for income restoration and (ii) relocation of common property resources (CPRs). The contracted NGO has completed the needs assessment survey and has identified 19 training institutes. A total of 235 CPRs across all packages needs to be relocated, of which only 79 have been relocated. Regarding hand pumps, it was agreed that the NGO contracted for implementation of the RAP will be provided a variation order for relocation of hand pumps. The severance allowance that was not paid to the eligible PAPs earlier due to policy interpretation has been released as per the decision of the Grievance Redress Committee (GRC). A total of 119 PAPs were eligible for severance allowance and an amount of Rs. 8.93 crores (about US\$2.0 million) has been released.

18. Though PRBDB has selected a consultancy firm to conduct a mid-term evaluation of RAP implementation, the agreement is yet to be signed. The contract period of the NGO will end in December 2008 while the NGO is yet to complete the balance activities. It is estimated that the NGO will require time extension till July 31, 2009.

19. The mission visited all UG/RH packages. It was agreed that in RH packages the NGO/ PRBDB would conduct information dissemination in the congested habitations at least one week prior to the start of construction. The mission did not find any outstanding social issues on the rehabilitation packages. The detailed observations during the site visit are presented in Annex 4.

20. **HIV/AIDS Prevention:** The needs assessment report and campaign implementation plan submitted by the NGO Advantage India- Consultants to implement the HIV/ AIDS interventions has been finalized and awareness generation activities have been initiated. Though the start-up activities were slow, it is expected that the program will gain momentum in the next few months. The detailed observations, discussions during the site visit are presented in Annex 4.

21. **Financial Management Aspects:** In light of findings of the mission including the delay in receipt of the audit report, the FM aspect is rated as **Moderately Satisfactory**. Although the *External Audit* process is underway, the report has not yet been received from the C&AG. This

was due within six months of close of the financial year i.e. September 30 each year. The *Internal Audit* process is underway and as part of the work, the auditor is reviewing the compliance with terms and conditions of the contracts being implemented by the divisions. Efforts need to continue on *training of staff* for project FM requirements in general and operation of the accounting software in particular. PRBDB is in the process of updating/ *modifying its Financial Management Framework (FMF)* in light of its implementation experience. The revised FMF is expected to be issued by end December, 2008.

22. The Bank undertook an interim FM review mission during September 2008. The interim review report was discussed in detail during the mission. PRBDB expressed a concern that the report does not fully reflect the discussion held during the interim review on various issues. It was agreed that PRBDB would respond to the report by end of November 2008.

23. **Disbursement:** The disbursement from this loan is a report based disbursement. The table below shows the disbursement status to date. The current disbursement rate is 35.3%. The next disbursement of an estimated amount of about US\$20 million will be requested by the end of December 2008. The cumulative disbursement is expected to exceed 50% by the MTR.

Disbursement Status

FY/QTR	Date	Amount Disbursed (US\$ million)	Cumulative Disbursed (US\$ million)	Cumulative Disbursed (%)
FY2008				
Q3	03/28/2008	28.9	88.3	35.3%
Q1	09/20/2007	38.5	59.4	23.8%
FY2007				
Q4	06/06/2007	4.8	20.9	8.4%
	05/31/2007	0.1	16.2	6.5%
	05/29/2007	16.1	16.1	6.4%

24. **Procurement:** The overall compliance of procurement activities is rated **Satisfactory**. The mission discussed the Procurement Plan and also conducted the review of the contracts that were awarded with the contract values below the prior review thresholds. The review result is shown in Annex 6.

25. The existing details in the Procurement Plan (PP) as was prepared and agreed to at the project preparation stage were reviewed jointly. The mission made observations as to the methods of procurement applicable under the project agreements. PRBDB will revise and update the PP in line with the observations made and suggested improvements and send the revised PP for the period of 18 months and update details on the previous year entries in the plan (status depicting actual dates for the previous year). PRBDB will also review the various details of procurement of goods, works and consultancy services in consultation with the Bank, while updating the PP.

26. *Status of Procurement Risk Mitigation Measures:* The mission also discussed with PRBDB the need to take stock of the agreed action plan, pertaining to mitigation of procurement

risks identified during the assessment carried out at the appraisal stage of the project. These actions to be taken by GoP are listed in the table in Annex 8A of the Project Appraisal Document (PAD). PRBDB will provide the status of agreed measures and details of actions taken in the Borrower's MTR Report.

27. **Status of Governance and Accountability Actions:** In order to strengthen and improve the fiduciary performance of the Project Implementing Entity, specific mitigation measures were agreed upon during the loan negotiation. The FM and procurement related measures are listed in Annex 7A, 8A of the Project Appraisal Document (PAD), and an agreed cross-cutting disclosure framework to enhance transparency and accountability in implementation of PSRSP is listed in Annex 11 of the PAD, which are comprehensively recognized as the Project's Governance and Accountability Action Plan (GAAP). Broadly, these issues and their mitigation measures can be categorized into Cash Management, Budget Management, Accounting and Financial Reporting, Accountability and Procurement. Despite these being much larger issues which are tackled at different levels in the Government, PRBDB has made significant progress in applying the risk mitigation measures in overall project FM systems and procedures.

- a) *Cash Management:* As agreed, GOP has consistently transferred the funds to Project authorities upon receipt from GOI promptly. The counter part funding has also been provided to match the project requirements upon request by PRBDB. A structured mechanism has been devised and a single file system is used internally to process the fund release. No diversion of project funding has taken place.
- b) *Accounting and Financial Reporting:* Computerized accounting software is being used to maintain accounts both at PRBDB as well as the field divisions executing the works. The use of FAS (Financial Accounting Software) has been scaled up in PRBDB. Furthermore, accrual based accounting has been introduced in all operations undertaken by PRBDB.
- c) *Internal Audits:* A system of internal audit has been introduced which is working well. Besides producing audit reports, the auditors have been advised to issue immediate advisories to all units as soon as some major omission has been detected in any location. This has helped to undertake immediate corrective action by the field units. Copies of these internal audit reports are being routinely shared with the Bank. Till date, these reports were being managed at the PD level. However, due to perceived conflict of interest, a suitable mechanism to manage internal audit reports to their logical end will be prepared and implemented shortly.
- d) *Procurement:* Employees are being exposed to reputed public procurement training programs including those run at NIFM. Three rounds of training in contract management have been held so far. These trainings were conducted by national as well as international experts in this field. More than sixty persons have undergone these trainings. The bid documents used in GoP by different agencies for routine engineering works have been standardized. Separately, efforts are afoot to scale up trainings on public procurement and contract management through Punjab State Institute for Public Administration.
- e) *Disclosure Policy:* The project specific disclosure policy has been largely implemented successfully. All project related information is kept available on the PRBDB website and is updated in real time. The Project has also introduced setting up of Information Kiosks at all

project sites, so that the information is available to local populace in vernacular. These information kiosks work helpful to register the complaints and suggestions by the public.

28. **Compliance with Legal Covenants.** The following is the status of compliance with the legal covenants. The mission reiterated that the Bank reserves the right to exercise its remedies under the legal agreements, including the right to suspend loan disbursement in case of the continuous failure to meet the legal obligations set forth in the Project Agreement.

- (i) *Road Fund and its Secretariat:* GoP needed to establish and fully operationalize, satisfactory to the Bank, the Road Maintenance Fund and its Secretariat by January 31, 2008; refer to Section I-A-6, Schedule of Project Agreement. This covenant is not yet complied with.
- (ii) *Funding for Plan Roads Maintenance:* GoP needed to disburse to the Road Maintenance Fund, at least US\$25 million by December 31, 2007; refer to Section I-A-7, Schedule of Project Agreement. This covenant is not yet complied with.
- (iii) *Ensuring Provision of Sufficient Resources and Staff for the Project:* GoP needs to take all necessary measures to ensure, satisfactory to the Bank, to provide resources and staff required for the project during the period of Project implementation; refer to Section I-B-1, Schedule of Project Agreement. This covenant is not fully complied with.

The Next (Mid-term Review) Mission: The next full mission (expected to be the MTR mission) is scheduled for around May 2009. The project agreement requires that the Borrower shall prepare and furnish to the Bank a comprehensive progress report (Mid-term Review Report) covering the first 24 months of the Project. The mission agreed with GoP that the Borrower's MTR report will be furnished to the Bank by March 31, 2009.

Annex-1

Agreed New/Updated Key Actions

No.	Key Actions	By whom	Target Date	Present Status/Revised Target Date
Upgrading Works, Rehabilitation & Maintenance (Phase I & II)				
1	Mobilize the Resident Quality Specialist	TAC	Immediate	
2	Mobilize the Material Engineer on UG1	CSC	Immediate	
3	Review and finalize the entire drainage design on RH and UG packages	PRBDB/PWD/ TAC/CSC	Jan 31, 2009	
4	Review and implement the findings of road safety audit being carried out by PM (Safety)	PRBDB/PWD/ TAC/CSC	Jan 31, 2009	
5	Provide information for audit for Custom/ Excise Exemption	WB	Mar 31, 2009	PRBDB's visit to UP will be arranged.
Institutional Strengthening Component				
6	BER for Integrated Transport Policy & Strategy submitted to the Bank for review	PRBDB	Nov 30, 2008	
7	RFP for IT Project Management Consultant submitted to WB for review	PRBDB	Nov 30, 2008	
8	Amount provided to Road Maintenance Fund amounts to US\$25 million	GoP	Mar 31, 2009	(Overdue Legal Covenant)
9	Assess the realistic reform actions and provide proposed actions	GoP	Mar 31 2009	Based on the submission by IDS Consultant
10	Appoint individual advisor for Road Fund Secretariat	PRBDB	Jan 31, 2009	(Overdue Legal Covenant)
Environmental Management and Safeguards				
11	Improve worksite safety and waste management (including traffic and worker's safety)	PRBDB/ Contractor/CSC	Immediate Corrective Actions Required	
12	Plan and execute closure (rehabilitation/restoration) activities	PRBDB/ Contractor/TAC /CSC	Complete prior to taking over sites/works from Contractor	
Social Safeguard				
13	Appointment of consultants for Mid-term Evaluation of RAP implementation	PRBDB	Nov 30, 2008	
14	Micro Plan finalization and approval	NOG/PRBDB	Dec 31, 2008	NGO has submitted all the required MPs.
15	CPR Relocation	NGO/PRBDB/ Contractor	Jan 31, 2009	
16	Disbursement of balance R&R assistance	PRBDB	Feb 28, 2009	
Financial Management				
17	Follow-up with C&AG for audit	PRBDB	Immediate	

18	Response to letter relating to FM review	PRBDB	Dec 15, 2008	
19	FMF revised, issued and uploaded on project website. Sent to Bank for information	PRBDB	Dec 31, 2008	
Project Management				
20	Appoint vacant PMs in PRBDB and sufficient staff in PWD divisions	PRBDB/PWD	Immediate	Continuous since last mission ¹⁾
21	Approved performance based incentives paid to PIU staff	GoP	Dec 31, 2008	SLEC has principally approved Performance based incentives to PIU staff

- 1) PM (Road Safety) joined in July 2008
 PM (Design) joined in August 2008
 PM (Contract) had joined but left afterwards
 PM (Bridges) rejoined in July 2008 but left afterwards
 PM (IT), PM (GIS/RIS) need to be hired

Implementation Progress by Component**Road Upgrading, Rehabilitation and Maintenance Component**

Phase I Civil Works Progress: The mission visited all ongoing Rehabilitation and Upgrading contracts and held discussions with contractors, consultants, PIUs and PRBDB on various implementation issues affecting the progress. Observations on each contract visited have been explained in the following paragraphs.

The review confirmed that out of the six rehabilitation contracts RH6 has been substantially completed and the remaining contracts are progressing well except RH3. Of the three upgrading contracts except UG3, the other two contracts continue to progress at a slower rate, which need expediting. The three packages viz; RH3, UG1 and UG2 need to be closely monitored to achieve substantial improvement in progress in the coming months, taking into account the fast approaching winter season, during which the working hours will be less and moreover bituminous activities might not be possible.

Granular Sub-base Shoulder (GSB): The mission noted that shoulders levels are higher than the carriageway level on many contracts, and requested PWD/PRBDB to ensure that profile of the shoulders are in conformity with the design. The mission also observed that river base materials are being used in the shoulders and expressed a need to improve composition of the GSB material to achieve proper compaction and increase durability. It was suggested that the TAC/Engineer explore and instruct the contractor to increase plasticity of the material by adding some cohesive material.

Drainage Design: The mission observed inconsistency in drainage design of all contracts, and cross sections of the drains appeared to be over designed. The mission urged PRBDB/PWD to review and finalize the entire drainage design including level, length, outfall, cross section and cover design by the Engineer at the earliest. This will further require discussions with contractors and issuance of instructions in accordance with the contract.

Road Safety: PRBDB has recently recruited a Project Manager (Safety), who is in the process of conducting road safety audits for Phase I roads and will also oversee the implementation of the planned road safety awareness program. The mission observed very high vehicle speeds much beyond the prescribed speed limits on completed sections. The mission strongly suggested PWD/PRBDB to review existing provisions vis-à-vis findings of the safety audit, and if necessary issue variation orders for installing additional cat eyes along centre line, metal beam crash barriers and speed calming measures. The mission was concerned to note that such proposals prepared for PM roads are still pending to be implemented.

Technical Audit Consultant (TAC) for Phase I NCB Works: The TAC services have been awarded to a new consultant (BCEOM), who resumed their services since July 1, 2008. Although the team has been mobilized, the consultant is yet to mobilize a qualified and suitable resident quality control specialist on site. During the various interaction and meetings at project site, the mission viewed that there is an ample scope of improvement in the quality of inputs being delivered by TAC.

Construction Supervision Consultants (CSC) for Phase I ICB Works: The quality of services provided by the consultants was found to be generally satisfactory, except on the quality assurance front, which needs further strengthening. The mission observed that the process and documentation of Request for Inspection (RFI) needs review and strengthening. There is also a need of clarity on quality assurance liability/accountability of the Employer/Engineer on UG contracts as per the contract agreement. The mission suggests PRBDB to have a discussion on this issue with DRB members and get this clarified. The Bank also agreed to discuss this issue further with procurement division and advise PRBDB accordingly.

Pre-construction Activities: The mission noted that most of the pre-construction activities have been completed. However utility shifting and electric pole shifting is progressing slow in UG2 and this needs to be expedited immediately.

Site Visit Observations*Package RH/1: (Zira-Ferozepur) and Package RH/ 5: (Dharamkot-Zira)*

- The physical progress of RH1 is 48.81% against the targeted 52.35%. For RH5, 53.96% against the targeted 58%.

- The contractor still continues to deploy only one motor grader on each package against two required by the contract.
- The mission noted that there are only 4 electrical poles at Zira town (RH 1) that need to be shifted. The PWD field division informed that these will be shifted at the time when work is taken up in this location in order to ensure less disruption to the local community.
- In RH1, DBM has been completed for the entire length of the project, while BC work has been completed 100% in MS-1 and 70% in MS-2. The mission suggested contractor to cover balance DBM immediately with BC to avoid deterioration of DBM surface. In RH5, 100% DBM has been done in MS-1 and 76% in MS-2. BC has been done 100% in MS-1 but only 6% has been done in MS-2. On the project as a whole DBM has been done on 82% of the length and BC has been done on 45% of the length. The mission was informed that the contractor plans to complete the balance DBM and BC in the next 5 months. The mission advised the field division to expedite the collection of stone dust and GSB.
- The mission noted that in RH5 there is one Pneumatic Tyre Roller (PTR) and 8 tippers yet to be purchased at this late stage in the execution of the project. Excise exemption certificates have already been issued by PRBDB. The mission expressed its concern about this late request from the contractor.
- The mission noted that a length of 2.8 km. of drains are yet to be taken up in RH1.
- The mission noted that the parapets on the culverts were of different heights at the same location on either side of the road.
- The shoulders were found to be higher than the pavement level. The mission suggested that the contractor should arrange to improve the profile of the road section in consultation with Technical Consultant and as per the design.
- In RH1, the revised date of completion is March 1, 2009. For milestone one the extension has been granted upto November 5, 2008. The contractor has requested an EOT upto December 5, 2008, for this milestone and May 31, 2009, for the entire project. The mission suggested that the employer should carefully examine the extension request made by the contractor.

RH/2: (Chandigarh-Landran-Sirhind):

- The mission was pleased to note that there has been substantial progress made in this contract since the last mission. However, the physical progress achieved is still only 47.89% as against a target of 82.03%.
- For MS-1, EOT has been granted upto November 14, 2008, and the entire project upto March 14, 2009.
- At the Laknaur bridge, where the construction is in progress, the mission noted with concern that no detailed planning has been done for completion of the bridge.
- The quantity of bricks available with the contractor is far less than the requirement. The contractor should ensure that the bricks are procured immediately so as to ensure completion of the drains during the project completion time.
- The mission suggested that DBM work done so far needs to be covered with BC immediately on priority.
- The mission observed that enhancement of the area near Gurudwara Jyoti Swarup, including construction of a ramp from road to parking area as well as raising of Kerbs is still pending. The mission advised that this work may be taken up at the earliest.
- The shoulders were found to be higher than the pavement level. The mission suggested that the contractor should arrange to improve the profile of the road section in consultation with Technical Consultant and as per the design.

RH/3: (Phillaur-Nagar-Rahon):

- The mission was concerned to note continued slow progress of works in this contract. The physical progress could reach 45.66% by October 31, 2008, against a target of 56% as per the third revised completion date. The revised date of completion is May 14, 2009.
- The mission was once again concerned to note the ad-hoc planning by the contractor. The mission observed that on this contract the machineries are also not deployed as per the contract provisions. The contractor now proposes to purchase the equipments such as – 1 excavator, 1 motor grader, 1 vibratory compactor and 2 tippers. The mission observed that the number of operators and drivers at the site are not commensurate with the number of equipments and dumpers etc.
- AS compared to the other contracts, bitumen content in the DBM design mix (5.8%) appears to be on the higher side on this contract. The mission suggested field engineer and the TAC to review the job mix.

- Cast-in-situ slabs have been used in place of pre-cast slabs for covering the drains. Even though man-holes have been provided at 30 meter intervals, the mission noted that having cast-in-situ slabs will lead to cleaning problems and suggested that the Engineer should revisit the design..
- The mission was also concerned that these drains have been constructed higher than the plinth level of houses and shops. The mission was also concerned about the outfall for these drains.

RH/4: (Tarn Taran-Kapurthala):

- The mission was pleased to note improved progress since the last mission. The progress achieved so far is 52.4% against a target of 74.46% by October 31, 2008.
- The project completion date is March 4, 2009.
- Out of 57 culverts, 24 are yet to be completed. The mission noted with concern the slow progress of the culverts and suggested that this work should be taken up on priority.
- Out of total 16.485 kms. Of drains, 7.40 km. have been completed.
- The mission was informed that new culverts have been requested by the villagers through their panchayats. The mission suggested that the number of culverts on the project should be frozen once for all.
- The mission noted that even though there were stone masonry drains under construction in open areas, no drains are planned to be constructed in Sangha and Naurangabad villages.
- The mission noted that the road safety signs were inadequate and appropriate measures need to be taken by the contractor in order to avoid mishaps / accidents.
- The shoulders were found to be higher than the pavement level. The mission suggested that the contractor should arrange to improve the profile of the road section and the composition of the material in consultation with Technical Consultant.

RH/6: (Patiala-Sirhind):

- The mission was pleased to note that the work on this package has been **substantially completed**, well before the scheduled completion.
- The mission noted that GSB shoulders are being covered with earth to achieve a better binding.
- The mission observed and was also informed that the traffic volume and vehicle speeds on the road have considerably increased after the improvement. In order to reduce chances of accidents, the mission suggested that RPMs (Cat-eyes) should be provided all along the central line and at the curves.
- The mission noted that the crash barriers are being provided at strategic locations including approaches to bridges

UG/1: (Tepla-Banur-Kharar) :

- The mission noted with concern the continuing slow progress in this package. The physical progress achieved on MS-1 till October 31, 2008, is 23.65% and 1.75% in MS-2.
- The mission observed shortage of unskilled manpower with the contractor, which needs to be quickly addressed.
- The mission observed that in this package, earthwork is on a critical path. The contractor has to increase no. of teams working on earthwork in order to complete this activity early. The mission noted that lots of fronts were available for GSB.
- In addition to the earthwork, the mission noted that the contractor has not achieved much progress in CD works, which needs to be taken up on priority.
- The mission suggested that contractor should revisit the work program, taking into account the working hours available during winter months because of fog and shorter duration of day and the low ground temperatures for doing bituminous works. The monsoon period in 2009 should also be factored in.
- The mission observed that there is no Material Engineer available with the CSC. The CSC, assured the mission that this position will be filled up shortly.
- The mission was satisfied to note that electrical poles have already been shifted.
- The mission noted with concern the existence of loose pockets of WMM over which BM was planned to be laid. The Engineer should ensure proper compaction of the underlying layers before executing upper layers.

UG/2: (Ludhiana – Malerkotla – Sangrur)

- The mission was concerned with the continued slow progress on this package, particularly in MS1. The physical progress achieved on MS-1 is 21.62% and 13.10% on MS-2. This work is being executed by an approved sub-

contractor in MS1 and the performance of this sub-contractor is extremely slow. The contractor informed that they intend to terminate this sub-contractor and take up this work on their own. A decision in this regard will be taken up shortly by the contractor.

- The mission observed that out of about 21 km. of line drains, only 2 kms (10%) have been completed till now. In addition, the mission also noted that the cross sections for the drains were huge and suggested that the drain designs need to be reviewed and modified.
- The mission noted with concern the very slow progress being made on the shifting of electric poles. The mission was informed that stepping rights have been given to the contractor, however, due to lack of technical expertise the contractor has not been able to take up the work. The mission advised that this work needs to be expedited on priority for uninterrupted execution of the work.
- Another area of concern was the slow progress which is being made on CD works.

UG/3: (Tarn Taran-Chahal-Attari):

- The progress achieved up to October 31, 2008, is 89.2%
- The mission was satisfied to note that the work has been substantially completed except 3 bridges. The mission was informed that the work on these bridges is held up on account of either permission from other government agencies (Defence and Irrigation Department).
- The shoulders were found to be higher than the pavement level. The mission suggested that the contractor should arrange to improve the profile of the road section and the composition of the material in consultation with the Supervision Consultant.
- The mission suggested that employer may consider issuing of substantial completion certificate on the request of the contractor.

Institutional Strengthening Component

The status of institutional strengthening activities planned under the project is summarized below:

Integrated Transport Policy and Strategy, and Strategic Investment Plan (Transport Sector Master Plan): PRBDB issued RFP to the shortlisted consultants on July 22, 2008, and three proposals were submitted by October 6, 2008. During the interim mission in October, the TTL and Dr. Y. Kamhi provided technical support for PRBDB to evaluate the proposals. The proposals are under evaluation, and the evaluation report will be submitted to the Bank for review by November 30, 2008.

Computerization of PWD: The mission and PRBDB PD had a meeting with the director (IT) on the ICT component of the project. Director IT emphasized upon aligning the current IT initiative of this project with the overall ICT strategy and initiatives of the state. A suggested draft RFP has been provided to PRBDB for the selection of the program management consultants. PRBDB will tailor the RFP incorporating suggestions from IT Department as per the WB guidelines and send it to bank for review.

GIS-Based Road Information System (RIS): The Punjab Engineering College (PEC) has been engaged to prepare the GIS maps for the road network in Punjab. The mission also visited the PEC to confirm the status of the GIS component under implementation. The GIS lab of the PEC has digitized nearly 85% of the Punjab Map. They are currently involved in populating the map with roads, bridges and other data collected through surveys. The lab is using Arc Info software for the implementation of the project. The activity is expected to be completed by early 2009.

Road Safety: PRBDB has selected a consultant and signed a contract for developing online road accident database management system, and formulated the accident data entry module. The mission had a discussion with PRBDB and the consultant about the consultancy services, and possible road safety activities within the Project. The procurement of the 400 GPS instrument for Traffic Wing of Punjab Police for sustainable accident data collection has been in delay for tax aspects in procurement, but it will be procured in parallel with the safety database development. The mission suggested to re-design a comprehensive road safety program to be achieved during the Project based on the last 24 months experience of the consultation and trials of initial road safety actions, and the new project manager for road safety on board in PRBDB. The mission and PRBDB agreed that PRBDB would propose a comprehensive road safety proposal for the remaining project period in the Borrower's MTR report which is expected to be shared with the Bank by March 31, 2009.

Environmental Management and Safeguards

1. The mission visited all contract packages under the upgrading component and some rehabilitation packages and had discussions with contractors, consultants and officials of PRBDB and PWD. The focus of the mission was to review: (a) the implementation of EMP covering both upgrading and rehabilitation components; (b) the progress made on the consultancy assignments for pollution monitoring and capacity building of PRBDB and PWD on environmental management. In addition, the mission covered aspects related to disclosure of information to public and mid-term review of the project (proposed for May 2009).
2. **Implementation of EMP:** To review the adequacy and quality of EMP implementation in the project, the mission focused on aspects such as camp and plant site management, work site safety, pollution monitoring, waste management, rehabilitation of borrow areas, reporting and documentation.
3. The over-all rating with regard to implementation of Environmental Management Plan (EMP) in the project is Moderately Satisfactory. Even though improvements with regard to camp and plant site management and pollution monitoring were noted in some packages, worksite safety management, borrow area rehabilitation and debris disposal continue to be the weak in most of the contracts. The mission reiterated that reporting and documentation, particularly at the field level, needs to be strengthened. Table A3-1 provided at the end of this annex presents a summary of key corrective actions required for improving environmental management in the various contract packages in the project.
4. **Rehabilitation Works:** The rehabilitation packages visited during the mission were in various stages of implementation. The over-all EMP compliance is satisfactory in contracts such as ---- while the same in case of packages such as --- is marginally unsatisfactory. The provision of traffic safety measures such as signage, barricading, delineation and dust control, along the stretches open for construction was found to be inadequate in most contract packages requiring immediate corrective actions to avoid accidents. Improvements in worksite safety and borrow area management (operation as well as closure) are also required. The rehabilitation plans and closure needs to be approved by the Environmental Officer. Planning with regard to estimation, reuse/disposal of debris/spoils/wastes is needed and remains pending in some cases. Environmental monitoring has been initiated and is now being carried out regularly in most of the contract packages. It was agreed that corrective actions shall be taken and information will be provided in the forthcoming monthly report/s.
5. **Upgrading Component:** The three upgrading packages (UG/1, UG/2 and UG/3) are in various stages of the implementation with civil work almost completed in case of UG/03 (except three bridge sites that are currently under construction). In case of UG/1, weak worksite safety management (including traffic and worker's safety); non-submission of rehabilitation plans for borrow areas; improper labour accommodation and lack of provision of basic amenities (with 40 odd workers living under polythene sheets); poor top soil management and; lack of planning and site identification for disposal of debris are the key issues. Also, the issues related to haul road management and dust control need to be addressed. The EMP compliance has improved in case of UG/2 but provision of traffic safety measures need substantial improvement. For UG/3, the completion of all civil works is expected during the first quarter of 2009. In this light, the mission recommended that PRBDB/PWD should review and closely monitor activities pertaining to work closure such as restoration/rehabilitation of camp and plant sites; worksite clean-up (along the road and structure construction sites); disposal of wastes; completion of borrow area rehabilitation and enhancement works – these activities should be satisfactorily completed and approved by the EO prior to taking-over of the site from the contractor.
6. **Review Meeting with Environmental Officers:** The mission conducted a meeting on November 11, 2008 in Chandigarh, with PRBDB's help, to review the contract package-wise status and progress of EMP implementation in the project. The forum also provided an opportunity for experience sharing on achievements, solutions and issues between the various contract packages. The focus of the discussions was on aspects and issues pertaining to camp and plant site management; worksite safety; pollution monitoring; preparation of debris disposal plan and site identification; compliance with regulatory requirements (NOCs, Consents and Permissions) and; reporting and documentation. The review meeting was attended by the Nodal Environmental Officer - PRBDB, Environmental Officers representing Contractors and Supervision Consultant teams and designated Environmental and Social Officers from the field divisions of PWD. In all, about 20 people attended and participated in the deliberations. The

suggestions and comments provided by the Bank and PRBDB were well received by the participants, who found the review exercise useful.

7. **Meeting with Idma Foundation (Pollution Monitoring and Capacity Building Consultants):** The mission met the key team members (except Team Leader, who was not available) from Idma Foundation to review the status and progress made with regard to the consultancy assignments on (a) pollution monitoring and (b) capacity building of PRBDB and PWD on environmental management. The contract was signed on May 29, 2008 and the team was fully mobilized during June-July 2008. Inception reports for both the assignments were shared with the Bank subsequently. Comments provided by the Bank have been largely incorporated by the consultants. The mission explained the purpose, importance and expectations of the Bank from these two consultancy assignments and provided suggestions for improving/strengthening the over-all approach and proposed methodology.
8. As part of the first assignment, one round of pollution monitoring (in all, 11 rounds of monitoring will be conducted) has been completed for all roads. An Expert's Consultation Workshop to obtain inputs for the 'Pollution Monitoring Manual' (submission of final report is expected towards end of May 2009) is being planned during January 2009. For the second assignment, a survey to determine training needs assessment has been carried out. Draft reports for both these assignments have been submitted by the consultants to PRBDB recently. It is expected that these reports will be shared with the Bank for review by December 15, 2008.
9. **Disclosure of Information and Public Consultation:** Besides the establishment of information kiosks on each contract package and disclosure of project documents/information to public as per the agreed plan, the PRBDB and PWD officials informed the mission about the 'Implementation Information Workshops/Meetings' that have been organized by the Contractors in line with requirements of EMP (Clause P.14). It was stated that the number of participants in these meetings varies from 20 to 80. Queries related to land compensation, safety and employment were raised by the people, to which responses were provided during the meeting.
10. **Preparation for Mid-term Review:** The mission explained the objectives and purpose of mid-term review exercise to all participants of the Review Meeting and the Nodal Environment Officer. It was agreed that a comprehensive report on environmental management in the project covering status, achievements and lessons learnt will be prepared by PRBDB using inputs/information provided by contractors, consultants and PWD's field offices. The said report will be shared with the Bank by March 31, 2009.

Table A3-1: EMP Compliance Actions

Contract Package	Name of the Road Corridor	Pending Actions / Corrective Actions suggested for improving Compliance	Remarks
RH-1 & RH-5	Firozpur Zira Dharamkot	<ul style="list-style-type: none"> ⊙ Comprehensive waste management plan to be prepared and submitted by the Contractor. Pending since April 30, 2008 ⊙ Rehabilitation plan for borrow areas need to be approved by the Nodal EO. ⊙ Proper outfall to be ensured for the storm water drains planned/provided in the habitation areas. ⊙ Spills from the bitumen storage tank need to be cleaned and disposed in a manner specified in the EMP. ⊙ Material storage and waste collection in the camp needs improvement. ⊙ Environmental monitoring, which has been pending for a while, needs to be carried out – report needs to be shared with PWD/PRBDB. ⊙ The documentation of trees saved has been initiated but needs to be strengthened. 	
RH-2	Chandigarh - Landran - Chunni-Sirhind	<ul style="list-style-type: none"> ⊙ A comprehensive waste management plan (including quantification of various types of wastes) needs to be prepared. Disposal area/s has/have to be identified and prior approval of EO to be obtained for the selected site/s. ⊙ Removal and proper disposal of soil contaminated from oil spills is required. 	The mission was pleased to note that action has been taken to address issues raised during the last two site visits.

		<ul style="list-style-type: none"> ⊙ Environmental monitoring (a pending activity) needs to be carried out and the report has to be shared with PWD/PRBDB. 	
RH-3	Phillaur-Nagar-Rahon	<ul style="list-style-type: none"> ⊙ Proper accommodation and basic amenities have not been provided to labour – it was noted that a few workers are living in plastic tents without access to sanitation, bathing and first aid facilities. This needs to be rectified immediately. ⊙ Disposal and/or reuse of the waste oil has not been taken care of by the Contractor. ⊙ A comprehensive waste management plan (including quantification of various types of wastes) needs to be prepared. Disposal area/s have to be identified and prior approval of EO to be obtained for the selected site/s. 	PWD needs to closely monitor and take corrective actions (as and when required) to ensure compliance with regard to various labour regulations including provision of proper accommodation and basic amenities.
RH-4	Kapurthala – Taran Taran	<ul style="list-style-type: none"> ⊙ Traffic safety measures such as signage, delineation and barricading was not adequately provided along the stretches open for construction including structure construction sites. Needs immediate rectification. ⊙ Compost pits can be considered for disposal of the kitchen wastes. 	
RH-6	Patiala – Sirhind	<ul style="list-style-type: none"> ⊙ The camp closure and rehabilitation plan needs to be prepared – EO's approval necessary. ⊙ Bitumen waste (spills) needs to be collected and disposed in an environmentally safe manner. 	
UG-1	Kharar – Banur – Tepla	<ul style="list-style-type: none"> ⊙ Immediate corrective actions are required toward improving traffic safety measures along stretches open for construction. ⊙ Ensure provision and enforcement of PPE use. ⊙ Rehabilitation plans for borrow areas not yet submitted. ⊙ A comprehensive waste disposal plan including identification of disposal sites need to be prepared. ⊙ Options to reuse / dispose of bitumen waste should be explored. 	The Supervision Consultants need to review and take corrective actions including contractual remedies to improve the over-all unsatisfactory situation on this contract.
UG-2	Ludhiana – Malerkotla – Sangrur	<ul style="list-style-type: none"> ⊙ Immediate corrective actions are required toward improving traffic safety measures along stretches open for construction. ⊙ Ensure provision and enforcement of PPE use. ⊙ Improve and ensure proper stripping and preservation of top soil, particularly in bypass sections and in borrow areas. ⊙ Rehabilitation plans for borrow areas have not been submitted so far – consultant to monitor and follow-up. ⊙ Approval of debris disposal sites must be taken from the EO prior to dumping/disposal of materials. ⊙ Dust control measures such as water sprinkling required on all haul roads – not being done regularly presently. ⊙ Canal site should be cleared of all debris before the water is discharged. ⊙ A comprehensive waste management plan (including quantification of various types of wastes) needs to be prepared. Disposal area/s has/have to be identified and prior approval of EO to be obtained for the selected site/s – was pointed out during March 2008 mission as well. 	
UG-3	Taran Taran – Chhabal – Atari	<ul style="list-style-type: none"> ⊙ Proper outfall position to be ensured for the storm water drains planned along the habitation areas. ⊙ Plan and undertake rehabilitation / restoration of all work sites as work closure is being planned during first quarter of 2009. 	

Social Safeguards

Land Acquisition: The project will now need to acquire 50.003 acres of land as against 73 acres estimated earlier. The reduced estimated is because of design modifications. The PRBDB has already acquired 43.363 acres (91% of the total land to be acquired) through private negotiation and balance 6.640 acres of land would be acquired through LA Act 1894. The balance land parcels are either disputed or land owners are not traceable. The entire process of land acquisition is expected to be completed by March 31, 2009.

Implementation of Resettlement Action Plan: The NGO has submitted all the required micro plans. However, approval for micro plans of Ludhianan - Malerkotla section of UG 2 is yet to come. The approval of title holder's micro plan for three village of Kharar – Banur – Tepla (UG-1) corridor is also pending. The mission was pleased to note that there has been significant improvement in the quality of micro plans. The micro plans now apart from having details of loss and entitlements, also carries the photograph of the PAP, supporting documents for entitlements and prototype drawing of the structure affected as certified by the approved valuer.

NGO is yet to start the process of income restoration which is one the most crucial activity. It was agreed that NGO would complete this activity by June 30, 2008 simultaneously with other ongoing activities. The relocation of common property resources (CPRs) is taking much more time than agreed for. The mission was informed that contractor relocates the CPR as and when required. However, it was agreed during the last mission also that the CPRs will be relocated immediately after the community's consent is received by PRBDB. It was agreed that all CPRs will be relocated by January 30, 2009. The project has disbursed Rs. 33.39 lakhs towards R&R assistance across packages.

Site Visits: The mission visited both up-gradation packages as well as rehabilitation packages. The mission held consultation with the PAPs on the Gill bypass. PAPs informed that NGO implementing RAP explained them the R&R policy and disbursement mechanism. All the PAPs mission met had received their compensation amount through 'account payee' cheques. PAPs expressed their satisfaction with the compensation amount, the process followed to arrive at the compensation amount and the disbursement mechanism. Mission also visited two information kiosks. The information kiosks had both Panjabi and Hindi version of executive summary of RAP, copies of approved micro plans and list of PAPs apart from project brochures and other awareness materials. The PAPs raised following issues:

- (i) In few instances, physical possession of land was taken even before the disbursement of compensation. It was agreed that NGO and CMU will ensure that contractor does not enter upon the land before the compensation is disbursed.
- (ii) The PAPs also informed the mission that many of them received their compensation well beyond the stipulated 90 days from the date of final negotiation. It was agreed that NGO/PRBDB will submit a report to the Bank detailing out the list of PAPs those who received their compensation after 90 days along with the reasons behind the delay in disbursement.
- (iii) PAPs also complained that their crops were damaged during clearing and grubbing. The PRBDB is in the process of compensating the PAPs for the crop damages as per the R&R Policy.
- (iv) Some of the PAPs quoted R&R policy and demanded additional 30% over and above the final negotiated rate. Mission explained that final rate offered to them was inclusive of 30% solatium as has been shown in the registration documents. However, they were advised to refer their concern / grievance to the Grievance Redressal Committee.

It was agreed with the Panchayat Dehlon that all the 45 shops of Gurudwara and Temple committee in Dehlon (UG-2) will be allotted shops that are to be constructed on the *shamat* (village common land) land close to the affected area. The cost of the construction of the shops will be borne by the project. It was also agreed that an attempt will be made to save the structure getting affected in Sarinh village at 16+200 by modifying the design if feasible. In case design modification is not possible, NGO will (i) identify relocation site close to the affected area in consultation with the PAPs; and (ii) prepare plan for their relocation.

The mission noted that drains constructed in rehabilitation packages, are not only higher than the plinth level of structures along side of the drains, there also exists gap between the drain and the structure. As a result there is a possibility of water logging during monsoon and even water may flow into the houses. The PRBDB and contractor needs to agree on a remedial measure in consultation with the community.

HIV Prevention Program.

The NGO 'Advantage India' has been contracted to support the PRBDB to provide health education and in generating awareness about HIV/AIDS. The program is intended to prevent the spread of HIV among people engaged in road construction; communities residing close to the highways; and of people using the highways.

The contracted NGO has mobilized their core team of specialists and 20 Outreach workers who are deployed to work along road stretches. There has been some delay in the start-up of activities due to clarifications sought on contents of the needs assessment report and CIP that were submitted by the NGO. The needs assessment and the campaign implementation plan has been approved. The project has entered the programme implementation phase where the program is expected to gain momentum over the next few months.

As part of this interim mission, visits were undertaken the intervention areas which included a company camp site and few villages and participated in the community group meetings. On the following day meetings were held with the NGO team and PRBDB officials at the PRBDB office. It is appreciated that the NGO Outreach team has been provided with basic training and have initiated awareness raising activities which includes one-to one interaction and group meetings. Formal sessions have also been conducted in the construction company camps sites. Displaying IEC materials at strategic locations and distribution of condoms have also begun.

The discussions during this interim mission with the NGO team largely focused on effective intervention practices and standardizing the interventions approaches. The content of different awareness generation sessions with various groups was discussed in detail. It was agreed that the campaign visibility needs to be increased by conducting larger community awareness generation events which should be followed up with smaller events which helps in increasing ones self-risk perception. The need for establishing health service related referral networks and regular follow-up with the clients who were referred for services of STI treatment and voluntary counseling and testing was emphasized. Another key area that was discussed was on bringing about a strategic shift where the NGO will slowly move from the role of the program implementer to the role of a facilitator. Here the NGO would work to build in-house capacity of construction companies to undertake work-place related HIV prevention activities for their work force; and also locally existing community structures which includes Women's Self Help Groups, Youth clubs, Community Based organizations, Panchayats and others to be mobilized to take ownership for this program, which will facilitate in increasing program sustainability.

Agreements

- As the staff in two key positions: Communication Expert and Behavioral Science Expert are at present not regularly available to the project, it was agreed that new CV's will be submitted for approval.
- PRBDB to liaison with Punjab State AIDS Control Society (PSACS) for improved access to condoms and IEC materials to the NGO.
- Awareness raising programs to be planned and conducted for the larger PWD workforce.
- Referral systems to be in place
- Prevention activities to be re-aligned based on the rehabilitation contracts which have come to a close following project completion.

Financial Management Aspects

External/ Statutory Audit (EA): The EA is due to be received from the Comptroller and Auditor General (C&AG) of India by September 30th of each year. The current report is overdue though the audit process is underway. Also as per the agreement at commencement of the project, the C&AG would provide the audit as per agreed Terms of Reference. This needs to be expedited by following-up with office of the C&AG.

Internal Audit: The process has been on for one year and two semi-annual audit reports have been received. A key aspect of the audit process is that the auditor is reviewing and documenting compliance with various requirements of all the major contracts thus providing management real time information for corrective action. The following changes are expected in the internal audit arrangements in the coming weeks: (a) audit Terms of Reference are being enhanced to cover compliance of Divisions with the new IT Security Policy and review status relating to receipt of Utilization Certificates for shifting of utilities; (b) the semi-annual reviews of divisions/ Head Office will now be spread over the year instead of commencing only at end of March/ September; (c) towards the objective of improving timeliness of finalization of audit reports, a specific number of days will be given to the auditee office to respond to the draft audit report, if no response is received by that date then the report will be considered as final; (d) an empowered committee of PRBDB officials reviews audit reports and decides on the critical actions to be pursued and for which corrective action is required. However the committee is of the view that it would be a conflict of interest if it were to take similar action on its own report (PRBDB, Mohali Head Office) as well. Therefore, to increase the level of transparency in this process, a suitable approval mechanism (outside PRBDB) is being worked out.

Accounting Software: Generally, this is reported to be working at all locations. Specific instructions have been issued that a Tally generated voucher should be the base document for making payments. The project has developed a draft IT Security Policy which has been discussed during the mission. This will now cover an automatic locking of the accounting software at all locations within 10 days of the accounting entry. Key financial reports are being generated from the software.

Staffing/ Training/ Communication: Staffing - The planned FM staffing structure on the project is reasonable; however with the increase in supervision work load and mainstreaming of the accounting software, hiring of an additional account graduate at the Head Office to assist the Chartered Accountant is required. The Ludhiana Division has been reported to be facing a long term vacancy in position of Divisional Accountant (DA) leading to impacting timeliness and internal controls on the FM work.

Training/ Communication – (a) Regular training of DAs/ Tally Operator is required; this should cover the accounting software and project reporting requirements; (b) Semi-annual review meetings of DAs need to be held to improve communication; (c) FM staff may also be invited to periodic review meetings of Executive Engineers to appraise them of the key (current) FM issues.

FM Framework (FMF): As per earlier discussions, certain changes have been proposed by PRBDB to the Project FMF. These were discussed during the mission and substantially agreed to, as proposed. However the following points are of note:

- (a) The (a1) IT Security Policy (a2) R&R Payment procedures (a3) ToR for the Audit by the C&AG, may be made a part of the FMF;
- (b) It was discussed that payment to the Forestry Department (FD) is in the nature of charge/ penalty for acquisition of forest land for which the FD deposits the money with the GoI and then gets a different budget from the GoI for compensatory afforestation etc. It is not possible to co-relate the payment made by PRBDB with the expenditure. Therefore this payment will be separated from those related to shifting of utilities and immediately charged to expenditure or capitalized as part of the project cost;
- (c) While Tally is in operation, the manual books of account are being maintained at the divisions due to C&AG audit requirements. The manual books are reconciled with the electronic data periodically; the Internal Auditor reviews the Tally data. In light of these facts an attempt should be made to reduce duplication of data to the extent possible and clarify the purposes of various records. Suitable clarifications will be provided in the FMF. A revised FMF will be prepared and copy sent to the Bank by end December 08 for information.

FM review in September 08: As per routine due diligence, a review of FM aspects of the project was carried out in September 08; this covered payments relating to R&R, review of procedures relating to Excise and Customs and follow up on actions of the previous mission. The reviewer visited Ludhiana and Mohali Divisions in addition to the Head Office. The review has pointed out weaknesses in internal controls relating to R&R payments and a report relating to the findings of the review had been shared with PRBDB.

The following was discussed during the mission: (a) the review stated the facts but not the circumstances or the reasons behind the facts; (b) the specific issue relating to weaknesses in documentation related mostly to cases relating to land compensation and not R&R and as such the documentation requirement was different. Since the review had referred to the existing R&R payment guidelines issued to PRBDB, and the current guidelines have the same documentation requirement for land compensation and R&R, PRBDB would appropriately modify the guidelines. It was agreed that PRBDB would respond to the report and their comments will be suitably considered.

Procurement Aspects

Post Review under the project

The mission was provided with the following list of contracts that were awarded by the project with contract values below the prior review thresholds. PRBDB informed that the list comprised of all the contracts awarded after the previous post review (which included contracts awarded up to June 30, 2007):

1. Goods:
 - Procurement of GPS (Shopping)
2. Works:
 - Patchwork/ overlay on 'Sunam – Longowal - Badbar Road' (Package No. PSRSP/WB/PM/3P/NCB)
3. Consultancy Services:
 - Environment Management Plan Training and Pollution Monitoring
 - Road User Satisfaction Survey
 - Creation of Online Road safety Database Management System
 - Internal Auditor
 - External Evaluation of Implementation of RAP

The mission observed that the contracts at serial numbers 1 and 2 had not been awarded so far. In case of the contract for GPS, the quotations were invited in April, 2008, but the evaluation is still pending on account of some clarifications required from tax authorities in respect of applicability of taxes. The mission advised that the lapse of over six months for a Shopping procedure was not appropriate and defeated the very purpose of expediting the procurement. The mission advised that PRBDB should review this and recommend to the Bank their considered course of action, for review and advice. The bidding process for item at serial number 2 has started after July 1, 2008. The mission advised that this item should be included in the list of post review contracts for the period from July 1, 2008 to June 30, 2009 for which the post review would be carried out during next fiscal.

The mission selected two consultancy contracts and carried out post review for which separate report will be forwarded by the Bank. The mission, however, shared the key observations for the attention of PRBDB for the future.

Shopping procedures, inviting bids against advertisements in national newspapers and thresholds for selecting methods of procurement

Keeping in view the observation above and generally commenting on the experience on various projects, in that respect, the mission discussed with PRBDB, the various pros and cons for using Shopping procedures and the limits for selection of this method of procurement. The mission clarified that Shopping method was intended to expedite procurement and it is envisaged that being small value, non complex in nature and considering substantial costs of an advertized procurement, it would be comparatively economical for the costs involved and also expeditious. As such it implies that the process should conclude fast and without requiring seeking extensions of initial validity of the quotations.

On a query from the PRBDB, the mission also clarified that while a proper NCB procedure can produce an award of contract, even if a single bid had been received, Shopping procedures, mandatorily require at least three acceptable/ responsive offers for comparison of prices. The requirement of three responsive quotations would still remain, even when an Invitation for bids in local newspapers had been published, in view of the fact that the complete requirements of issuing bidding documents and publication of IFB in newspapers of national circulation would not have been met. Further, in such an event there would be not only wasteful expenditure of advertisement, but also loss of valuable time.

Mission also expressed the need for review of the various thresholds and include in the revised PP to be finalized after receipt from PRBDB.

Results Monitoring Indicators

Project Outcome Indicators	Baseline (Nov 2006)	Target Value (YR1)	Current Value (March 2008)	Remarks
Average network speed (kmph)	33.5	Not yet due		To be measured at MTR and EOP
Reduction in VOC (%)	0%	Not yet due		To be measured at MTR and EOP
Maintain number of fatal accidents	2,655	2,655	(to be provided)	(process is on; will be reported in the next mission)
User Satisfaction	To be collected in YR1	Not yet due		Proposals for user satisfaction surveys received, evaluation in progress
Efficiency of Road Agency (PWD, PRBDB)	To be collected in YR1	Not yet due		Proposals for user satisfaction surveys received, evaluation in progress
Results Indicators for Each Component				
Component 1: About 1,050 km of roads rehabilitated, resurfaced and maintained (km)	-	20	335 km	
Reduction in IRI	6.9	6.3	-	Data collection included in user satisfaction services
Reduction of network in poor and bad condition	52%	45%	-	Data collection included in user satisfaction services
Component 2: Routine and periodic maintenance fully funded during the project period; training program	INR 750 Million	INR 2200 Million	INR 1130 Million	INR 580 Million is the expenditure under maintenance head 3054-Non Plan & 550 Million on PM roads under PSRSP
About 250 km of roads maintained through performance based contracts	0	0	0	50 in YR2 , 100 in YR3, 150 in YR4 and 250 in YR5
Department wide computerization and use of integrated systems for planning, management, financial accounting, monitoring	partial	Not yet due		To be measured at MTR

List of Key Persons Met

Government of Punjab

1. Mr. Ramesh Inder Singh, Chief Secretary
2. Mr. S. C. Agarwal, Principal Secretary, Finance
3. Mr. Kulbir Singh, Secretary, Public Works
4. Mr. R. K. Verma, Director DoIT
5. Mr. B. S. Dhaliwal, Technical Advisor, GoP

Public Works Department

6. Mr. J. S. Sandhu, Chief Engineer, PWD
7. Mr. R.P. Singh, Chief Engineer, PWD
8. Mr. SS Sindhu, Executive Engineer, Central Works Division No. 2, Amritsar
9. Mr. Harvinder Kalia, Executive Engineer, Construction Division No. 1, Kapurthala
10. Mr. Prem Kumar, Executive Engineer, Construction Division No. 3, Ferozepur
11. Mr. Rakesh Garg, Executive Engineer, Central Works Division No. 3, Ludhiana
12. Mr. J. L. Garg, Executive Engineer, Construction Division, Sangrur
13. Mr. A. P. S. Brar, Executive Engineer, Central Works Division, Mohali

Punjab Roads & Bridges Development Board (PRBDB)

14. Mr. Kulwinder S. Rao, Project Director
15. Mr. Gursharan S. Gill, Deputy Project Director
16. Mr. Piara Ram, Controller Finance
17. Ms. Aparna Gupta, Project Manager, Social
18. Mr. Ripdaman Singh Seth, Project Manager
19. Mr. Davinder Bajaj, Project Manager
20. Mr. Rajeev Arora, Project Manager
21. Mr. K. Kabilongtshup, Project Manager – Environment
22. Mr. P. N. Roy, Project Manager – Social
23. Mrs. Seema Kumar, Chartered Accountant
24. Mr. Navdap Aseeja, Project Manager – Road Safety
25. Mr. Harpreet Singh, Project Manager – Design

Consultants and Contractors of all upgrading and rehabilitation packages