

March 1, 2011

Mr. Subodh C. Agrawal
Chief Secretary
Government of Punjab
Secretariat
Chandigarh

Dear Mr. Agrawal:

***INDIA: Punjab State Road Sector Project (Ln. 4843-IN) –
Eighth Implementation Support Mission: January 28 to February 3, 2011***

We would like to thank the Government of Punjab (GoP) for the kind courtesies and support extended to the mission. The discussions carried out and agreements reached are reflected in the aide memoire attached. We would like to take this opportunity to convey our sincere thanks to the Secretary, PWD, for having spent valuable time in meeting with the mission and actively deliberating upon some critical issues.

The objective of the mission was primarily to review the status of progress achieved with respect to the upgrading works under Phase I of the project and review the progress on the institutional strengthening component and progress of preparation of the Phase II works under the Output and Performance based Road Contracts (OPRC), including compliance with the environmental and social safeguards requirements.

We are happy to note that the preparation of the Phase II OPRC contract is progressing well and is moving closer towards finalization. In this regard, we would like to congratulate the GoP and PRBDB for successfully organizing an International Conference during the mission in Chandigarh to disseminate information related to the new output and performance based road contract that is being attempted first time in India through this project.

We trust that you appreciate the need for continuing our engagement and partnership in implementing the phase II OPRC works. However, as informed to GoP on several occasions in the past, there is an urgent need to resolve the long pending issues regarding the Counterpart Funding and transfer of funds to the Road Fund, on account of which the GoP is under non-compliance of the loan covenants. We understand that this issue was discussed during the mission's meeting with the Principal Secretary, Finance and immediate action was promised. We would appreciate if the GoP could confirm resolution of these two issues to the Bank at the earliest, so that we may consider upgrading the project implementation to *Satisfactory*. However, in the absence of resolution of these actions by March 31, 2011, the Bank may consider applying available remedies under the loan.

We look forward to your continued support in resolving the pending issues highlighted in this letter and the attached aide memoire. Please do not hesitate to contact my colleagues Mr. Ben Eijbergen (email: beijbergen@worldbank.org) or Mr. Rajesh Rohatgi (email: rrohhatgi@worldbank.org) if you need any further information or clarification.

With regards,

Yours sincerely,



Roberto Zagha
Country Director, India

Encl: Aide Memoire

cc:

Mr. Nilaya Mitash, Director (MI), Department of Economic Affairs, Ministry of Finance, Government of India, New Delhi

Mr. R. P. Indoria, Director General (Acting), Ministry of Road Transport & Highways, Government of India, New Delhi

Mr. Soumya Chattopadhyay, Under Secretary (MI), Department of Economic Affairs, Ministry of Finance, Government of India, New Delhi

Mr. S. K. Sandhu, Secretary, Public Works Department, Government of Punjab, Chandigarh

Mr. Karan Bir Singh Sidhu, Principal Secretary, Finance, Government of Punjab, Chandigarh

Mr. Yogesh Gupta, Project Director cum Joint Secretary, Punjab Roads & Bridges Development Board, Chandigarh

INDIA**Punjab State Road Sector Project (Loan 4843-IN)****The 8th Implementation Support Mission (January 28 to February 3, 2011)****Aide-Memoire****I. INTRODUCTION**

1. A World Bank team¹ visited the State of Punjab from January 28 to February 3, 2011, to review the implementation progress of the Punjab State Road Sector Project (PSRSP). The team conducted site visits of two of the ongoing upgradation packages and held discussions with the Punjab Roads & Bridges Development Board (PRBDB) and Government of Punjab (GOP). The mission also held discussions with various consultants, engaged under the project to review the current progress in their services.

2. A wrap-up meeting was held and chaired by the Chief Secretary, GOP on February 3rd, 2011. This aide-memoire summarizes the findings, recommendations and agreements reached during the mission. The mission thanks GOP for their support and cooperation during the mission. The agreed key actions to address current implementation issues identified by the mission 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, 2007 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	Dec. 05, 2006	Development Objectives	Satisfactory
Closing Date	June 05, 2012	Implementation Progress	Moderately Satisfactory
Project Age	45 months	Problem Flags	2 (Counterpart Funding and Non-Compliance of 2 Legal Covenants)
% Disbursed	53.8%		

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 Phase I civil works for 10 periodic

¹ Consisting of Ben L. J. Eijbergen (Task Team Leader/Lead Transport Specialist), Rajesh Rohatgi (Co-Team Leader/Sr. Transport Specialist); Manmohan Singh Bajaj (Sr. Procurement Specialist); Neha Vyas (Environment Specialist), Parthapriya Ghosh (Social Development Specialist); Yitzhak Kamhi (Sr. Consultant-Transport Management & Planning); Pradeep Valsangkar (Consultant - IT Specialist), Tripti Jain (Financial Management Specialist), and N. S. Srinivas (Sr. Program Assistant, Transport).

maintenance packages (354 km) were fully completed, (b) 6 rehabilitation packages (205 km) and one of the upgradation packages (41 km) have been substantially completed and (c) the construction of the remaining 2 upgradation packages (111 km) is progressing well. **Annex 7** summarizes the current status of results monitoring and key performance indicator. PRBDB has recently engaged consultants for carrying out traffic and road condition surveys for monitoring the result indicators.

5. **Implementation Progress Rating:** Implementation progress rating has been maintained at *Moderately Satisfactory* Level.

Road Development Component

6. **Phase I Civil Works Progress:** All works, envisaged under the Phase I of the project has been completed except the upgrading packages UG1 and UG2, which are expected to be completed by mid 2011.

7. **Status of works on the package UG1:** The mile stone 1 section has been taken over by the department, while mile stone 2 works are being executed by the contractor. The mission was informed that the overall physical progress achieved as of January 2011 is 93%. On several occasions in the past, the Bank has expressed concerns over the poor quality of works, including the poor workmanship, being implemented on this contract which was again observed this time. The mission observed failure of pavement in mile stone 2 and was informed that such failures have occurred on about 6-7 km of carriageway. The workmanship/finishing of structural work, including line drain and kerb were also found unsatisfactory, which raises serious apprehensions regarding the adequacy of the quality control mechanism in place on this contract.

8. The mission expressed serious concern regarding absence of credible actions taken by GOP to correct this systemic failure on this specific contract. A meeting with the senior management from Contractors and Consultants was convened to deliberate the issue, which was chaired by the Secretary, PWD and attended by the mission. The mission urges GOP to investigate the matter and undertake credible actions to – (a) ensure immediate and sustainable rectification and/or rejection of all defected work items, (b) address this serious failure of non-obligation by any of the party(s) involved, and (c) submit the action taken report to the Bank by March 7, 2011. The Secretary, PWD, has assured the mission that the matter will be seriously looked into and appropriate corrective measures will be taken in order to ensure that quality of works is maintained as per the desired standards.

9. **Status of works on the package UG2:** Mission was pleased to note, good progress of works achieved on this contract compared to the situation during the last mission. However, there is still adequate scope for further speeding up the work. The physical progress achieved thus far is about 68% and the contract has been further extended up to April 27, 2011. In this package too, the quality of concreting works were found to be poor. The mission was concerned to note that the issue with respect to construction of a bridge over the canal in milestone 2 continues to remain unresolved and is now on critical path of this contract.

10. Please refer to **Annex 2** for further details of site observations on these two ongoing civil work contracts.

11. The mission updated the project cost as presented in the following table. As per the current likely costs of completion of phase I works, the available budget for Phase II civil works (OPRC) is estimated to be about US\$ 121.19 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	312.64	174.41	138.23
Road Upgradation (UG)	221.50	165.34	104.52	138.23
Rehabilitation (RH)	66.90	104.37	57.37	
Maintenance (PM) and Other works	22.00	42.93	12.52	
B- IS Component 2	11.00	10.76		10.76
Incremental Operating Costs	12.00	10.00		10.00
Total	333.4	333.40		333.40

12. **Phase II (OPRC):** The International Road Conference held in Chandigarh on January 28-29, 2011, was exceptionally well organized. The first day of the conference witnessed more than 200 participants from India and foreign countries discussed extensively the concept of Asset Management, Design Build Maintain Operate and Transfer method of contracting (DBMOT) and its application using output and performance based model of contract (OPRC), used for development and design of Punjab area wide road network Project. On the second day of the conference, a site visit to the concerned area road network was carried out providing the visual understanding and appreciation of the network, required interventions and the rationale for preserving their road network in Punjab. Additional details of the conference are being given in the **Appendix to Annex 3**.

13. **OPRC Phase II Civil Works Preparation:** The design for Phase II civil works to be undertaken as Output and Performance Based Road Contracts (OPRC) / DBMOT for Asset Management purpose has been completed and the Final Design Report issued in August 2010. The OPRC project, which was initially foreseen to be implemented (simultaneously) by developing 3 southern road networks, has been now phased in order to meet the current financial requirements and the potential financing that could come from a Repeater Project, when it takes place. The immediate Package 1 civil works, which was initially planned to be tendered in September/October 2010, has been delayed for various reasons. The uncertainty of the funding and the need to further discuss the issues related to the innovative mode of contracting, Design Build Maintain Operate and Transfer (DBMOT) under the output and performance model of Contract (OPRC) were the main reasons for the delay. The Package 1 encompasses the network of priority roads of Sangrur/Bathinda Areas, while the second Package will include the remaining roads from Bathinda/Sangrur and Muktsar Area Roads. The second Package will also look into the possibility of replicating the OPRC method of contracting in several other areas of the State. The second package, which will be tendered at a later stage, is estimated to be about US \$ 126 million for works. The overall financing required for Bathinda/Sangrur Area Roads under the OPRC, the Package 1, is about US\$ 220 million for works, including the potential amounts for provisional items- purchases of required equipment for measurements, (in the amount of US\$ 600,000), project physical and price contingency of 10% (in an amount of US\$ 14.5 million), and cost of monitoring /supervision consultant and an independent auditor, (amounting to US\$7.6 million) is about US\$ 167.5 million. In addition, it also includes a potential need for a budgetary provision of about US\$ 51.5 million for various emergency and other potential risks mitigation works. The estimated timelines until the Bid submittal is provided in the Agreed Actions table in **Annex 1** provided all parties take all necessary steps for their timely and orderly actions:

14. During the meeting with the Principal Secretary, Finance of the Government, held on February 1, 2011, the mission was assured that the funds for the project will be released on Friday, February 4, 2011,

as well as a deposit to an operational Road Fund US\$ 25 million yearly, not provided so far. If the agreed releases will be affected as agreed, the Bank will take the action in respect of the possible extension of the existing Loan and for potential additional funding needed for the implementation of additional civil works Packages.

Institutional Strengthening Component

15. **Integrated Transport Policy and Strategy and Strategic Investment Plan (Transport Sector Master Plan):** Following the GOP Steering Committee meeting comprising of administrative heads of 12 concerned departments of the Punjab Government, finance, transport, infrastructure, planning, agriculture, etc, held on December 22, 2010, the basic concept presented by the Consultants on the Transport Sector Development Options for phased development of multimodal transport sector within the given planning horizons, were endorsed. These development options were presented in an Interim and Options Report submitted by the consultants late in November 2010, duly commented by the Bank in December 2010.

16. The Bank comments/observations on the Option Report focused on several major policy statements in the report: (a) “best in class”, but is Punjab able to stay in the lead, (b) “transport policy is to shift focus from infrastructure development to mobility management in more sustainable manner”, (c) “priority based and phased programming recommended to match managerial resources and necessary fiscal reform”, (d) “enhancing PPP is essential for financing the program, (e) institutional reform is a critical factor for delivering the program”, and (f) “advise to Government of Punjab to focus on 10 priority areas reflecting the core nature and expectation of its transport”. When accepting all these major statements, it is important for the Government to decide what and how to proceed with the finalization of an adopted option, its sustainability, cost and likelihood to be accepted by various shareholders. The consultant, based on thorough investigations and analytical analysis must detail for each option its related outcomes with estimated cost and how each option interact with other sectors. Within the given planning horizons, all leading to a sustainable transport policy and strategy, these worked out options must be translated into a Strategic Investment Plan. This Plan will be prepared and presented in the form of a (bankable) document, with a view of directing the Government towards an organized and planned multimodal approach, optimizing resources and providing the maximal value for money. The Investment Plan will provide the basis for the development of feasible / viable projects in the State. The detailed comments are provided in **Annex 4**.

17. **Computerization:** The project management consultants have completed the “As-Is” and “To-Be” studies and have submitted the respective reports to PRBDB. A domain experts committee responsible for providing all the feedback to the consultants has been constituted. The Secretary, PWD, convened a meeting with the domain experts as well as senior management to finalize these documents. The consultants are expected to submit the draft RFP report by the first week of February 2011. The project is expected to enter in to implementation phase upon completion of the procurement process by June 2011.

18. **Road Safety Database Management System (RSDMS):** As part of the Road Safety Strategy, a web-based accident data collection system (RSDMS) is being developed. The system is still to be rolled out across the police stations in the state. Once it is achieved, it could be used by the researchers, and transport sector related departments, including the police department, to readily access the accident data on road network of the state and analyze the data to take preventive and corrective measures and design road safety interventions. The implementation and roll out of the system is a challenge, which needs to be integrated with the overall institutional framework of the Government of Punjab in order to optimize its utilization. It was agreed that the consultant will prepare and deliver a presentation to the GOP senior

officials to generate awareness and seek advice to coordinate with other concerned departments in the Government of Punjab. The mission was informed that this system also has the potential of further upgrading. The complete portal has been launched on the website www.punjabroadsafety.org

19. **Development of Road Safety Strategy and Generating Awareness on Traffic and Road Safety:** The objective of this study is to prepare a Road Safety Strategy and Road Safety Action Plan for the State and implement road safety awareness campaign on project roads. The Consultants have recently submitted the inception report. The safety standards comparators currently being referred include Australian Standards, but need to be enhanced with the inclusion of one more international agency in order to give a better perspective of the safety standards to be recommended as part of the road safety strategy. The mission suggested that PRBDB should arrange a presentation by the consultants to the Road Safety Council of the State.

20. **Road User Satisfaction Survey:** The consultants have completed the baseline survey and will be undertaking mid-term evaluation soon. The mission was concerned to note that the finalization of the RUSS strategy report has been considerably delayed and needs to be immediately expedited.

21. **Setting of the Road Fund Secretariat:** PRBDB has expressed interest to visit a state in India, where the Road Fund is in operation, before finalizing the TOR. The mission suggested PRBDB to visit, for instance, Kerala, and expedite preparation of TOR so that the procurement process could be initiated.

22. **HIV/AIDS Prevention:** The mission held discussions with the consultants, who are continuing to undertake awareness campaign on phase I roads. The mission was informed that the scope of the Consultants for Phase II has been reduced to 200 km. The mission suggested that an impact evaluation of the campaign be documented in the next report.

23. **Preparation of GIS Map for road network in Punjab.** The consultants have completed the assignment and a basic GIS based Road Information System is in place now. The mission held discussions with PRBDB to move forward in preparing a Road Asset Management System to improve the maintenance management in the state. As envisaged under the project a consultancy in this regards need to be procured.

24. **Environmental Safeguard Management:** The mission focused on the detailed review and finalization of outputs related to the Output and Performance Based Road Contracts (OPRC) component. The status of implementation of Environment Management Plans (EMPs) on the various road corridors under the upgrading (UG/1 and 02) and rehabilitation (RH/1 to 6) components of the project was also assessed. For the rehabilitation contracts, the review primarily focused on the completion of outstanding activities with regard to clean-up and rehabilitation of work sites, particularly borrow areas, structure construction sites and construction camp/plant sites. Additionally, the status and progress related to the adoption of SBD document (integrating EHS issues); regulatory clearances; disclosure of information and documentation and reporting on environmental aspects was reviewed by the mission. Details have been provided in **Annex 5**.

25. The over-all rating with regard to implementation of Environmental Management Plan (EMP) in the project remains 'satisfactory'. While improvements and progress with regard to some activities has been noted, particularly with regard to compliance towards site clean-up and rehabilitation in rehabilitation contracts, focused efforts are required to resolve the following outstanding issues: (a) weak compliance in meeting with EMP requirements in UG/01; (b) drainage issues in some contracts, (such as UG/1 and RH/3) particularly with regard to provision of proper outfalls and maintenance/ clean-up activities; and (c) finalization of environmental section in the Bid Document of OPRC component. Also, the Standard

Bidding Document of the Public Works Department (PWD) integrating recommendations for mainstreaming environment, health and safety requirements has been finalized after a thorough review in June 2010. PRBDB/PWD now needs to take it forward to seek Govt. of Punjab's approval for adoption in future project works of the department. The mission continues to urge PRBDB/PWD to closely follow-up the said outstanding issues and ensure that these are resolved at the earliest.

26. **Social Safeguard Management:** The implementation of Resettlement Action plan for phase I roads have been completed and NGO has submitted the revised withdrawal report. The mission was pleased to note that previously agreed actions have been adequately addressed (refer **Annex 1** on status of agreed action of earlier mission). The mission also visited the site of RH/2 to confirm the status of the dispute on about 2 km long stretch which has been left unconstructed. The Additional Civil Judge of SAS Nagar has given the decision in favor of PWD indicating that width of the road donated is 66 feet, though community still claims that they donated 4 *gatha* of land (approximately 24 ft). The road is also marked on the local revenue map. The social impact assessment (SIA) carried out by Project Manager (Social), PRBDB, does not indicate any requirement of additional private land for road widening. However, GMADA's master plan of December 2008 (drawing no. 1991/2008) shows that this road will be taken up for improvement in financial year 2011-12. The mission along with PRBDB had a discussion with the concerned Executive Engineer of GMADA. It was agreed that GMADA will send a written confirmation to PRBDB in this regard along with exact alignment to be followed as per master plan, so as to facilitate final decision by GoP on whether to exclude this stretch of RH2 from the Project.

27. The mission discussed the scope of end term evaluation with the consultant for RAP evaluation and it was agreed that sample will be increased to 300 from 200 PAPs as covered during midterm evaluation. The PRBDB will share the questionnaire with the Bank as there will be changes in the questionnaire used during the midterm evaluation. It was also agreed that rehabilitation roads will also be covered during this evaluation. The end term evaluation apart from focusing on results and processes adopted will also comment on gender issues and other vulnerability. It was agreed that consultant will initiate the survey by February 20, 2011 and draft report will be shared with the Bank by end of April 2011.

28. The mission reviewed the Environment and Social Management Framework (ESMF) for Output and Performance Based Road Contracts (OPRC) and the bid document. The mission observed that (i) the social content of the bid document does not match with the ESMF; and (ii) the comments given on the ESMF have not been incorporated in the current draft. It was agreed that ESMF will be disclosed on the website of PRBDB after incorporation of comments given earlier.

29. **Procurement - Procurement Plan:** Mission reviewed the status of Procurement Plan, which is under revision by PRBDB and provided a few suggestions to include agreed procurement arrangements. PRBDB will revise the PP in line with the suggestions and send the revised PP for the period of 18 months for Bank's review and clearance.

30. **Post Review under the project:** The mission conducted PPR of the project with details of sample contract selected from amongst those awarded during the period from July 1, 2009 to June 30, 2010. Mission will share the report once the same is finalized.

31. **Discussions regarding the OPRC Bidding Document:** The mission reviewed the revised version of the Bidding Document for OPRC, based on the bank's comments provided during November, 2010, and subsequently discussed with the PRBDB representatives during December, 2010.

32. The bidding documents will be revised and forwarded to the Bank for review before end February, 2011.

33. **Financial Management and Disbursement Aspects:** Disbursement from the Bank as on January 11, 2011 stands at USD 134.384 million which represents 53.75% of the loan of USD 250.00 Million. The *Cumulative Expenditure* till end December 2010 is Rs. 745.09 crore. As mentioned in the World Bank letter dated December 8, 2010 the advances released by the World Bank are not passed on to PRBDB and therefore the Bank is presently restricting disbursements to reimbursement of expenditure only. Consequently, the FMR for the quarter ending September 2010 resulted in NIL disbursement and reflected Rs. 45.24 crore as advance with the project.

34. Project Financial Management is rated as Satisfactory; the following are the recent developments and key issues: (a) Draft *Internal Audit* report for FY 2009-10 was submitted and it was reviewed by the bank. No major internal control weakness was observed by the auditors. The Final Internal Audit report will be submitted to the bank by February 28, 2011; (b) As on date *advances for shifting of utilities have shown movement from* Rs 4.4 crore to Rs 4.01 crore; with a significant part of the same relating to FY 06 - 07. The project must continue to make efforts to obtain the UCs at the earliest; (c) *Disallowances made/ objections raised by Auditors For FY 2006-07 to FY 2008-09*, out of total audit disallowance of Rs 113.97 crore, Rs 1.27 crore has been recovered from the project and Rs 46.98 crore is recoverable, the remaining paras have been dropped / settled by the AG. In earlier letter written to the project it was requested that this expenditure be certified by certain timeline and if this was not done, the expenditure would be deemed as final ineligible expenditure and become immediately refundable to the Bank. Since there has been no further recertification and the timeline has elapsed an amount of Rs 46.807 crore is recoverable from the project and will be adjusted in the subsequent reimbursement claims. In case these amounts are recertified by the auditor, the project can reclaim these as eligible expenditure through a reimbursement application to the Bank. For FY 09-10 audit disallowances amounting to Rs 18.75 crore, the project has responded to the AG and the project was requested to keep the bank informed as and when these amounts gets recertified; (d) *Staffing/ capacity* aspects remain adequate. The detailed findings are given in **Annex 6**.

35. **Status of Governance and Accountability Actions:**

36. **Compliance with Legal Covenants:** The following legal covenants are out of compliance or partially complied with

- **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 delayed & is partially complied since the approval of the creation of the Fund was given by GoP on May 20, 2009, but Road Fund Secretariat is still not operational. Bank shall facilitate a visit of PRBDB to projects where RMF Secretariat is operational. Thereafter, PRBDB shall share draft TOR with WB before initiating procurement of the Consultancy Services for establishing RMF Secretariat.
- **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 still pending for compliance as no funds have been transferred to the account yet. GoP assured to deposit to an operational Road Fund US\$ 25 million yearly. The mission reiterated that if the agreed releases will be affected as agreed, the Bank will take the action in respect of possible extension of the existing Loan and for potential

additional funding needed for the implementation of additional civil works Packages.

- *Submission of Statutory Audit (external Audit) by September 30, 2009 – Complied*

37. **Results Monitoring:** The updated results monitoring indicators are given in **Annex 7**.

38. **Governance and Anti-corruption Action Plan:** The updated status of the Governance and Anti-corruption Action Plan is provided in **Annex 8**.

The Next Mission: One limited interim mission is planned in April/May 2011, while the next full mission is scheduled for July end 2011.

Annex-1**Agreed New/Updated Key Actions****Actions agreed during this mission**

No.	Key Actions	By whom	Target Date
Upgrading Works, Rehabilitation and Maintenance (Phase I & II)			
1	UG-1 – Pavement failure rectification – Action Taken Report	GOP/PRBDB	Mar. 7, 2011
Institutional Strengthening Component			
2	Computerization – Draft RFP report	Consultants	Feb. 11, 2011
OPRC Implementation (Phase II)			
3	Draft BD forwarded to the Bank	PRBDB	Feb. 11, 2011
4	Bank's review and response	Bank	Mar. 8, 2011
5	Subsequent submission of BD	PRBDB	Mar. 30, 2011
6	Bank's review and final No Objection	Bank	Apr. 20, 2011
7	Issuing SPN for OPRC (having all BD copies ready for purchase)	PRBDB	May 1, 2011
8	Submittal of Bids- tendering (4 months duration)		Aug. 30, 2011
9	Initial Bid Evaluation Report submitted(by PRBDB)	PRBDB	Sept. 20, 2011
Social Safeguards			
10	Incorporation of comments in OPRC ESMF	PRBDB	Feb. 10, 2011
11	Submission of interim report by End term evaluation Consultant for RAP evaluation	CRADLE	Feb. 10, 2011
12	Draft End term evaluation report on RAP evaluation	CRADLE	Apr. 30, 2011
Environmental Management and Safeguard			
13	Finalize environment and social management section in the Bid Document for OPRC component and update ESMF in line with changes made in the Main Document since June 2010	PRBDB/Consultant	By Feb. 10, 2011
14	Drain works - share with Bank an Action Taken Report (ATR) on the current status and corrective actions taken to resolve environmental health and safety issues	PRBDB	By June 30, 2011
15	Undertake corrective actions to improve EMP compliance on UG/1, including completion of enhancement/mitigation works; clearance and proper disposal of debris; cleaning of drains and clean-up/restoration of sites where civil works have been completed.	Contractor/CSC	By Mar. 15, 2011
16	Adoption of SBD document (integrating EHS aspects) after seeking GoP's approval	PRBDB	By Jul. 31, 2011
17	Disclosure of final version of all Environment Outputs (such as 4 reports prepared under OPRC component) prepared since April 2010 on PRBDB website and share with Bank a NOC for disclosure of the said reports in Bank's Infoshop	PRBDB	By Mar. 31, 2011
Financial Management			
18	Re-submission of June 2009 FMR to CAAA for documentation	PRBDB/GOP	Feb. 28, 2011
19	Obtain Utilization certificates from other department for shifting of utilities	PRBDB/GOP	On-going
20	Provide a copy of Final Internal Audit Report for FY 09-10 to the Bank	PRBDB/GOP	Feb. 28, 2011
21	Settlement of audit paras of Rs.18.75 crores for FY 09-10	PRBDB/GOP	Oct. 31, 2011

Status of agreed actions during earlier mission (s):

No.	Key Actions	By Whom	Target Date	Status
Upgrading Works, Rehabilitation and Maintenance (Phase I & II)				
1	Drainage Issue : Final Report	PRBDB	Aug. 31, 2010	Not Complied. Target date to be amended due to slow progress in UG2.
2	UG2-Detailed work program for completion of all the structures	Contractor-	Pending	Not Complied
3	Decision on conversion of hard shoulders into paved shoulders	PRBDB/PWD	Pending	Complied
Institutional Strengthening Component				
4	Amount provided to Road Maintenance Fund amounts to US\$25 million	GoP	Jul. 31, 2009	Overdue Legal Covenant. Target date revised to Feb. 4, 2011
5	Individual advisor for Road Fund Secretariat to be appointed	PRBDB	Sept. 30, 2009	Overdue Legal Covenant
6	Contract in place for PMC	PRBDB	Jan. 31, 2010	Not Complied – Target date revised to June 30, 2010
Social Safeguards				
7	CPR Relocation	NGO / PRBDB	Jun. 30, 2009	All CPRs shifted except two bus shelters on UG 2
8	Report on complaints by PAPs on additional land loss	PRBDB	Aug. 31, 2010	Complied
9	Draft end term evaluation report	Consultants / PRBDB	Sept. 30, 2010	Survey yet to be initiated. Draft report will be submitted by March 31, 2011
10	Final Social report for corridors under OPRC	Consultants / PRBDB	Pending	Complied
11	Physical Possession of 484 sq. m of land on UG 2.	PRBDB	Aug. 31, 2010	Complied. PRBDB has already taken the possession of 484 sq yards of land on UG 2. The PAP has been paid INR 3.59 million as compensation through LA Act 1894.
12	R&R assistance to one PAP on UG 2	PRBDB	Aug. 31, 2010	Could not be disbursed as the land is under dispute and decision is pending with the high court.
13	PRBDB to review the complaints made against it for taking up land beyond the legally acquired land.		Aug. 31, 2010	Complied. PRBDB has reviewed all such cases and shared the report with the Bank. In one such case additional 150 sq yards of land has been used for geometric improvement in UG 2. The individual land owner has already been compensated by PRBDB.
Financial Management				
14	Hiring of Internal Auditors for FY. 09-10 to be initiated	PRBDB	Immediate	Complied (agreement signed on July 28, 2010).
15	Information to Bank that Annual Financial Statements have been	PRBDB	Pending	Complied. Audit Certificate submitted to Bank on Sept. 29, 2010

	submitted to the Auditor General (AG) and AG invited to commence audit			
16	Obtain Utilization certificates from other department for shifting of utilities	PRBDB	Ongoing	Ongoing
17	Provide a copy of Internal Audit Report for FY 09 – 10 to the Bank	PRBDB	Sept. 30, 2010	Services commenced from Aug. 9, 2010, audit report awaited from the consultant.
Environmental Management and Safeguards				
18	Improve EMP implementation on UG1 and UG2	PRBDB/Contractor/CSC	Immediately	Partially Complied Corrective actions taken in UG/02 but the same is pending on UG/01
19	Complete closure (rehabilitation / restoration / enhancement works) activities on Rehabilitation Roads and on UG/03	PRBDB/Contractor/TAC/CSC	Immediately	Complied
20	Improve worksite safety on UG/1 and 2	PRBDB/PWD/Contractor/CSC	Immediate corrective actions and close monitoring required	Not Complied
21	Fill-up the vacant EO position in the CSC set-up for upgrading works	CSC/PRBDB	Pending	Partially Complied (but availability on site is an issue)
22	Complete corrective actions to resolve environmental health and safety issues in case of drain works	PRBDB/PWD/Contractor/CSC	By July 31, 2010	Partially Complied (Action Taken Report covering all concerned contracts from PRBDB is awaited)
Project Management				
23	Vacant positions ¹ in PRBDB to be appointed	PRBDB	Aug 31, 2009	Project Manager (Proc.) to be appointed.
24	Approved performance based incentives to be paid to PIU staff ²	GoP	July 31, 2009	Not complied

Actions Pending from May 2010 mission

Actions pending from missions prior to May 2010

¹ Legal Advisor, Chartered Accountant and PM(Contract) appointed.

² SLEC has principally approved Performance based incentives to PIU staff

Implementation Progress by Component**Road Upgradation, Rehabilitation and Maintenance Component****Site Visit Observations*****UG 1 Kharar-Banur-Tepla Road***

1. The quality of work remains a major cause of concern. The mission was informed that key issue on this contract is the non-availability of adequate skilled manpower. Works related to unlined drains, junction improvements, access roads etc. is progressing rather slowly and needs to be expedited at the earliest. The contract has already surpassed its completion date of December 19, 2010, and as such liquidated damages are being levied. On around 6-7 km of the already constructed roads, damages in pavement by way of cracks were observed. The mission was given to understand that these cracks had started appearing for the past 3-4 months. This was mainly at the connecting points of the existing and new carriageway. The mission was informed that the damage is primarily on the top layer of the road without any major impacts on the DBM and other layers underneath. The mission advised that this damage needs to be thoroughly examined jointly by the concerned entities and appropriate sustainable rectification measures should be carried out.

UG2: Ludhiana-Malerkotla-Sangrur

2. The overall progress on this package has been good in comparison to the previous mission. However, in this package too quality of work remains a cause of major concern which again is being attributed to lack of good skilled manpower. The mission expressed its dissatisfaction on this aspect.

3. The overall physical progress achieved till date is 68%. The major area of concern, in terms of progress, is with respect to the construction of structures. The work on the two major bridges viz; Kaing and Jhageda bridge, are gradually progressing. On the Kaing Bridge 80% of abutment and 30% of superstructure staging has been completed. On the Jhageda bridge, foundation and sub-structure has been completed. The critical issue on this project is construction of the superstructure of this bridge owing to the canal being open. During the last mission, it was discussed that the contractor would produce a change in design in order to carry out the work on the superstructure however it continues to remain unresolved. The mission was informed that the contractor had proposed an alternate design which was in principle agreed by the Supervision Consultant, however contractor has withdrawn the same. In this context, the contractor expressed the need for further extension of time beyond April 27, 2011, if the work on this bridge had to be completed by way of adopting an alternative design. The mission further emphasized that this issue needs to be brought to a closure at the earliest. Other pending works include completion of construction on the remaining 6 bridges out of the total of 11 minor bridges. Work related to construction of slab and pipe culverts also needs to be executed at the earliest. There are 3 nos. pipe culverts and around 9 nos. of slab culverts which are yet to be started. Further, the balance construction work on Gill and Pohir Bypass also needs to be completed. The Gill bypass is expected to be completed by April 2011.

Proposed Expansion of OPRC Implementation

Consultancy Service and Project Preparatory Studies for Preparation of Conceptual Designs and Pilot Contracts, based the Output and Performance based Road Contracting (OPRC) for approximately 600 km roads networks in Punjab

Comments on the Final Report and Appendices, dated May 2010

1. In the letter of May 31, 2010, PRBDB has provided the detailed analysis of the Package 1 works, explaining the rationale and the compelling reasons for its immediate implementation. In addition, on the letter PRBDB has asked for Bank's decision on the following issues:

- (i) Bank's consent on the proposed packaging and the immediate implementation of the Package 1 civil works, explaining that the available balance of about US\$ 140 million in the project, which in addition to GOP's commitment of US\$ 30 million over the period is sufficient to cover the estimated cost of the Package 1 including the cost of provisional amounts, contingencies, monitoring supervision and independent external auditor.
- (ii) Bank's No Objection to allow the required extension of time of the existing loan to capture the required implementation period of 10 years.

2. While the Bank concurred with the proposed civil works packaging, the issue of the extension of the Loan depends on (i) the status of completeness of the Bidding Documents (BD) for Package 1, and (ii) the status of compliance with the Loan financial and legal covenants. Therefore, in the light that the technical details were not fully incorporated in the initial draft version of Bidding Documents, besides the non-compliance to the timely release the funding for the project, the Bank's response could have not be provided at the time.

3. During the meeting with the Chief Secretary of the Government, held on February 1, 2011, the mission was assured that the funds for the project will be released on Friday, February 4, 2011, as well as a deposit to an operational Road Fund US\$ 25 million yearly, not provided so far. If the agreed releases will be affected as agreed, the Bank will take the action in respect of the possible extension of the existing Loan and for potential additional funding needed for the implementation of additional civil works Packages.

4. During the visit, the mission extensively held discussions and consultations with PRBDB and the consultant, as to firm the draft Bidding Documents for the Package 1, for which PRBDB has already received the Bank's initial comments in November 2010. The Bank's comments included those covering technical, procurement, environmental and social aspects needing attention and incorporation. In addition, the final draft BD will also include the comments received during the International Road Conference on OPRC, held in Chandigarh on January 28-30, 2011, with the aim to explain the project and its features to potential contractors and consultants as well as to the representatives from India Central and States Governments and the foreign representatives from China, Zambia, Botswana, Georgia, Cape Verde, Uganda and Israel. (See the chapter about the Conference!).

5. The finalized draft BD will be forwarded to the Bank before end of February 2011, for a review and No Objection. Given the estimated financial value, the technical and contractual nature of the Project contract form, the Bank's due diligence will need to involve several levels of authority, therefore it is estimated that the review will take about 4 weeks. Following the review, it is possible that an additional revision will be required, as well as a final review until the Bank's No Objection can be granted.

**International Road Conference on Punjab Output and Performance based Contracts (OPRC)
under DBMOT Contracting and its application in Road Asset Management**

1. The International Road Conference held in Chandigarh on January 28-30, 2011, was exceptionally well organized and maintained. In overall, more than 200 participants from India and foreign countries discussed extensively the concept of Asset Management, Design Build Maintain Operate and Transfer method of contracting (DBMOT) and its application using output and performance based model of contract (OPRC) , used for development and design of Punjab area wide road network Project. Next day, January 29, a site visit to the concerned area roads network was carried out providing the visual understanding and appreciation of the network, required interventions and the rationale for preserving this biggest asset of Punjab.
2. The participants from India central Government authorities, States authorities, foreign countries (China, Zambia, Botswana, Georgia, Cape Verde, Sri Lanka, Uganda and Israel) , Indian constructing and consulting industry, faced the challenge of the new concept introduced for India, although similar contract models, but less accomplished, have been in use for some time in the country, such as BOT, DBT, Annuity and PMMRC (performance maintenance). The interest of the participants focused on the roles of parties, method of measurements and payments under the DBMOT /OPRC concept, the asset management principles and other important features of the project. The comments well taken will also provide a final input in the finalization of the Bidding Documents for the Project, expected to be issued to Bidders on about April 20, 2011. The presentations by the World Bank and the consultant OPUS who designed the project as well as of the GOP and PRBD members are placed on PRBDB web page (www.prbdb.gov.in). The Conference Agenda and List of Participants are attached to the AM.

Integrated Transport Policy and Strategy and Strategic Investment Plan for Punjab State

1. During the mission, in presence of the Secretary of Transport and Roads, the consultants presented the major features of the adopted option, which 2025 targets are summarized as follows (the considered planning horizons are: immediate, intermediate 2015 and long 2025):

- Reduce journey by 50 % from today's situation
- Reduce logistic costs to 9% of product price,
- Urban modal split (public/private transport) max 50 (this is considered by the Bank as not achievable)
- Reduce public transport waiting time to max. 50%
- Reduce accident rate with 50%
- Zero growth in emissions
- Transport infrastructure spending 2.5 % of GDP
- Reduce the transport cost for at least 25 % (as explained by the Bank mission)

2. Each of the above targets has been further identified by its key challenges, goals and objectives. The adapted Option have been already translated into major outcomes- planned projects, with the aim to (i) remove capacity bottleneck and strengthen road network,(ii) strengthen intra and intercity public transport,(iii) develop multimodal infrastructure and expand airports, introduce various financial user's charges in order to increase the fiscal space for the transport investments, (iv) improve management and planning, (v) and enhance use of PPP – to reach the target of 2.5 % of GDP and thus significantly increase the financial microeconomic envelope and fiscal space.

3. The adopted Option also indicated the implementation time table and phased action plan, developed in the phased fashion using 4 Phases: Phase 1- Preparing the Sector (clarify mandates, data collection, establishment of Punjab Transport Committee, develop performance monitoring framework and indicators); Phase 2 – Focus on Improving Performance (introduce annual performance agreements, improve skills of staff, performance monitoring of assets- also use of OPRC models for asset management); Phase 3- Focus Performance on Delivery Outcomes (performance monitoring, focus on outcomes, performance based governance and organization); and Phase 4-Focus Performance on Impact (performance monitoring, lessons learned, realignment of outputs).

4. **Next Steps:** The Final Report on Transport sector Policy and Strategy together with the Options Strategic Investment Plan will be presented by end March 2011.

Annex-5

Environmental Management and Safeguards

1. The actions identified for improving compliance have been discussed in detail and agreed with PRBDB and CSC. The list of actions mentioned here would help in maintaining a focus on key activities that need to be pursued in the concerned contract. The last row in the table summarizes some 'good practices' that have been noted since the mid-term review of the project.

Table 1: Contract package wise Actions Required for Improving EMP Implementation

Contract No. and Name	Status/Key Outstanding Activities	Remarks
RH/1 & 5 Ferozpur- Zira- Dharamkot	<ol style="list-style-type: none"> 1) Details about execution of EMP related items (such as enhancement works) listed in the BoQ need to be submitted - documentation continues to remain pending. 2) Information pertaining to waste utilization and disposal (including final quantities and disposal site details) needs to be compiled. 	<ul style="list-style-type: none"> • The rehabilitation of the camp and plant site has been well executed and can be described as a good practice. • Scarified bitumen has been largely used for haul road/village road improvement. • Portion of the camp site used during the defect liability period has been rehabilitated. • The rehabilitation of Borrow Areas has been completed satisfactorily.
RH/2 Chandigarh- Landran - Sirhind	<ol style="list-style-type: none"> 1) Clean-up and rehabilitation of the waterway at Laknaur bridge (around km 12) is pending and needs to be undertaken at the earliest – the DLP is over and work is still outstanding. 2) The camp/plant site rehabilitation, including waste removal from the camp has not been completed and needs to be ensured at the earliest - DLP is over and work is still outstanding. 3) Documentation submission related to environment management (as per the EMP reporting formats) is being carried out but at a very slow pace. 	<ul style="list-style-type: none"> • One Gurudwara site at Chunni has been enhanced under the project works – well done. • PRBD needs to closely follow-up (including field verification by the Nodal EO) on the outstanding activities with the concerned PWD Division (Mohali).
RH/3 Phillaur- Nagar- Rahon	<ol style="list-style-type: none"> 1) Details about execution of EMP related items (such as enhancement works) listed in the BoQ need to be submitted. 2) Documentation submission related to environment management (as per the EMP reporting formats) was weak and has not been carried out satisfactorily – DLP over. 3) Information on waste utilization and disposal (including final quantities and disposal site details) has not been submitted as yet. 4) Two disposal location restoration to be checked. 	<ul style="list-style-type: none"> • Rehabilitation of the camp/plant site has been completed. • Clean-up and proper disposal of wastes from the road side areas has been carried out. • Waterway and temporary diversion at the bridge site near km 2 has been cleared-up. • PRBD needs to closely follow-up (including field verification by the Nodal EO) on the outstanding activities with the concerned PWD Division (Mohali).
RII/4 Kapurthala- Tarn Taran	<ol style="list-style-type: none"> 1) Documentation submission related to environment management (as per the EMP reporting formats) was weak and has not been carried out satisfactorily – DLP over. 	<ul style="list-style-type: none"> • The rehabilitation of the camp and plant site has been well executed and needs to be documented as a good practice. • Enhancement of one Gurudwara and Mazar has been carried out well. • The officials from PWD, Kapurthala Division have

Contract No. and Name	Status/Key Outstanding Activities	Remarks
		played a proactive role (constant persuasion and follow-up with the weak Contractor's team) and have lead to over-all good EMP implementation quality.
UG/1 Kharar-Banur-Tepla	<ol style="list-style-type: none"> 1) Worksite safety aspects, particularly at the structure construction site at kn 6.100 and the Kharar town area need immediate attention and action. 2) The contractor defaulted consistently on the issue of providing basic shelter and amenities to the labour. 3) The waterway at all culvert construction sites in Milestone 2 section (Kharar to Banur section) need to be cleared-up and spoils need to be disposed at pre-identified approved locations prior to monsoons. The issue has been flagged previously as well but no action has been taken so far. 4) Restoration of the one waste disposal site (near km 3) needs to be taken-up. The other waste disposal site has been rehabilitated and a new petrol station has been established at the said site. 5) The land adjacent to the campsite getting affected due to the waste water discharge from the kitchen should be restored immediately by removing the unhygienic conditions that exist presently – was pointed out in earlier missions as well but no action has been taken. 6) There is a need to clean-up the completed work fronts in milestone 2 along the road side - waste dumps need to be removed and disposed as per procedures listed in the EMP. 7) Disposal of the stacked fine dust arrested from HMP is pending – the issue needs to be dealt with urgently – no action taken so far. 8) The progress with regard to enhancement works is extremely slow – needs attention. 9) Availability of CSC's ES is an issue. 	<ul style="list-style-type: none"> • PRBDB and PWD need to follow-up with the CSC and the Contractor on all outstanding issues. The continual weak performance of the contractor and the CSC on this package warrants close follow-up and regular site visits from the PRBDB side. • The validity of CtO for HMP was over in December 201 and the contractor has applied for extension.
UG/2 Ludhiana-Malerkotla-Sangrur	<ol style="list-style-type: none"> 1) Worksite safety aspects, particularly at the structure construction sites need immediate attention and action. Temporary diversions are of poor quality and need to be rectified urgently. 2) Clean-up of the completed work fronts along the road side is required - waste dumps need to be removed and disposed as per the requirements stated in the EMP. 3) The waterway at the culvert construction sites need to be cleared-up prior to monsoons. 4) Concrete waste from batching plant has been dumped along road side, which needs to be removed and disposed at the approved location. 5) The CSC needs to take effective action to ensure that proper shelter and basic facilities are provided to the labour. 	<p>The restoration of the debris disposal site in km 37 has been completed and is recognized as a good practice under the project. A school building is being constructed on the said site.</p> <p>The contractor continues to dispose waste/used oil to approved Ludhiana based recyclers.</p>

Contract No. and Name	Status/Key Outstanding Activities	Remarks
UG/3 Tarn Taran- Chabal- Attari	No outstanding issue. Restoration of camp/plant site has been completed – a good practice example that needs to be documented as part of the EMP compliance reporting.	
Good Practices in the project (other than those reported during the MTR mission)	<ul style="list-style-type: none"> • An EMP Compliance Completion Report, rating the performance of contractors on key environmental aspects covered under the EMP, has been prepared. This compilation will help in documenting the experience/performance with regard to EMP implementation in the project and will serve as a repository of information for the USE BY AGENCIES LIKE PRBDB and PWD. It will also provide useful inputs in designing/preparing future projects, including training. • Camp and plant site restoration and rehabilitation works, particularly in contracts like RH/1 and 5, RH/4 and UG/03 is commendable. • A few enhancement works (such as at Kos Minar, Gurudwara, Temple and Mazar sites) carried out as part of EMP implementation under the project have been completed satisfactorily. • Borrow area rehabilitation works in all RH packages and in UG/3 (some in UG/2 as well) have been satisfactorily carried out. The BAs have been rehabilitated as farmlands. • PRBDB has initiated the analysis of trends of results from air pollution monitoring (starting from baseline to monitoring done till date), which will help in providing useful inputs during the preparation of project completion report. 	

Financial Management Aspects

1. **Budget and Disbursements:** The project has sent a budget proposal for Rs 225 crore for financial year 2011-12. Disbursement from the Bank as on January 31st, 2011 stands at USD 134.384 million which represents 53.75% of the loan of USD 250.00 Million. As mentioned in the World Bank letter dated December 8, 2010 the advances released by the World Bank are not passed on to PRBDB and therefore the Bank is presently restricting disbursements to reimbursement of expenditure only. Consequently, the FMR for the quarter ending September 2010 resulted in NIL disbursement and reflected Rs. 45.24 crore as advance with the project.
2. The mission noted that the revised QFMR for the quarter ending June 30, 2009 where the expenditure was reduced by Rs 19.69 crore was submitted by the project and accepted by the bank but the same was not submitted to CAAA for documentation. Therefore it was advised to the project to submit the revised QFMR for the quarter ending June 30, 2009 alongwith the next reimbursement claim to CAAA.
3. **Internal Audit:** The first consolidated Draft Internal Audit report of the project for the financial year 2009-10, dated December 17, 2010 submitted by Agarwal A. Kumar & Associates, Chartered Accountant was reviewed during the mission. The observations in the audit report were summarized and discussed by the project in the review meeting held under chairmanship of Chief Engineer (PSRP) on 21st January 2011. In the meeting corrective actions were agreed upon/relevant directives given to the divisions. In most of the divisions the works relating to Phase I of the project are either complete or nearing completion and the auditors did not note any major internal control weakness. All concerned Executive Engineers have to submit the requisite details to the Internal Auditor by 7th February 2011 to facilitate Internal Auditor for finalizing Final Audit report. It was agreed with the project that the Final Internal Audit report will be submitted to the bank by February 28, 2011.
4. **Utilisation Certificate (UCs) for shifting of utilities:** During the mission the position of outstanding UCs was reviewed. For the two departments, the advances have reduced from Rs 4.4 crores to Rs 4.01 crores; with a significant part of the same relating to FY 06 - 07. It was reiterated that the concerned divisions should coordinate proactively with service provider departments to obtain the outstanding utilization certificates at the earliest. As per disbursement procedure, the amounts are not claimed from the World Bank till the time the UCs are received, so there is a financial implication of this delay as well.

Advances outstanding for shifting of utilities (In Rs Crore)					
Department	2006-07	2007-08	2008-09	2009-10	Total
Electricity Board	2.61	0.05	0.37	0.20	3.23
Water Supply/Sewerage Board	0.73	0.06	-	-	0.78
Total	3.33	0.11	0.37	0.20	4.01

5. **External/ Statutory Audit:** During the mission a detailed discussion on the outstanding audit paras for FY 2006-07, 2007-08 & 2008-09 was held with the project. It was noted that the auditors in the Divisional Inspection Report for financial year 2009-10 have recertified certain outstanding audit paras pertaining to the previous financial years. Earlier the auditors were recertifying the audit paras by providing a hand written comment of "Para Settled" which was not an acceptable practice by the bank.
6. For FY 2006-07 to FY 2008-09, out of total audit disallowance of Rs 113.97 crore, Rs 1.27 crore has been recovered from the project and Rs 46.98 crore is recoverable, the remaining paras have been dropped / settled by the AG. In earlier letters written to the project by the bank these audit disallowances were shown as recoverable from the project. The letter had requested that this expenditure be certified by certain timeline and if this was not done, the expenditure would be deemed as final ineligible expenditure and become immediately refundable to the Bank. Since there has been no further recertification and the timeline has elapsed an amount of Rs 46.807 crore is recoverable from the project and will be adjusted in the subsequent reimbursement claims. Below is the division wise schedule providing status of balance recoverable audit disallowance relating to FY 2006-07 to 2008-09. In case the amounts are recertified this amount can be claimed again as eligible expenditure from the Bank.

Details of Outstanding Audit Paras			
Year of Audit	Division	Audit Disallowance (In Rs Crore)	Status
2006-07	Ludhiana	4.8333	Recoverable
2006-07	Sangrur	0.2523	Recoverable
2006-07	Sangrur	0.0689	Recoverable
2006-07	Sangrur	0.0116	Recoverable
2006-07	Sangrur	0.4793	Recoverable
2006-07	Amritsar	2.0331	Recoverable
sub total		7.6785	
2007-08	Mohali	3.8917	Recoverable
2007-08	Mohali	9.7946	Recoverable
2007-08	Ludhiana	6.7539	Recoverable
sub total		20.4402	
2008-09	PRBDB	0.2429	Recoverable
2008-09	PRBDB	1.9204	Recoverable
2008-09	Ludhiana	0.2946	Recoverable
2008-09	Amritsar	0.538	Recoverable
2008-09	Amritsar	0.882	Recoverable
2008-09	Amritsar	4.52	Recoverable
2008-09	Kapurthala	0.4819	Recoverable
2008-09	Kapurthala	0.1306	Recoverable
2008-09	Ferozepur	8.61	Recoverable
2008-09	Ferozepur	0.7001	Recoverable
2008-09	Mohali	0.5415	Recoverable
Sub total		18.862	
Grand Total		46.9807	

7. For FY 2009-10 it was noted that the project has sent reply to AG on the observation of the disallowance of Rs.18.75 crores. The project was requested to keep the bank informed as and when these amounts gets recertified, failing which these will be considered ineligible. The fact that as per bank policy any unresolved ineligible expenditure needs to be refunded to the bank was also mentioned to the project.

8. **Reconciliation of expenditure with AG (A&E):** The total expenditure incurred by the project for financial year 2009-10 has not been reconciled with the AG (A&E). PSRP expenditure is booked under the Major Head "8443-Civil Deposit 108-PWD Deposit" and the office of the AG (A&E) has mentioned that expenditure incurred against "Deposit Works" do not fall under the category of expenditure forming part of the State Budget and hence not subject to reconciliation by AG (A&E). The mission advised the project to arrange a meeting with the AG (A&E), State AG and state finance department to take up this matter and ensure that it does not come as a repetitive audit observation in each year's Statutory Audit report.

9. **Staffing:** All divisions are fully staffed with Divisional Accountants and Tally operators. There continues to be regular interaction between these staff and PRBDB staff at head office, Mohali. The Financial Accounting Software is working well.

Results Monitoring Indicators

Project Outcome Indicators	Baseline (Nov 2006)	MTR Target Value (YR3)	Current Value (year 2011)	Remarks
Average network speed (kmph)	33.5	39	---	Consultant on board, survey results expected by April/May 2011
Reduction in VOC (%)	0%	6%	---	Consultant on board, survey results expected by April/May 2011
Maintain number of fatal accidents	2,655	2,655	3,333	(for the year 2008)
User Satisfaction	61.11% (Baseline survey undertaken in year 2009)	-	-	Based on baseline Road User Satisfaction Survey completed in year 2009, satisfaction score is 61.11%. Midterm survey report submitted, is under review..
Efficiency of Road Agency (PWD, PRBDB)	60.27% (Baseline survey undertaken in year 2009)	-	-	Based on baseline user satisfaction survey completed in year 2009, performance level of PWD, PRBDB is 60.27%. Midterm survey report submitted, is under review..
Results Indicators for Each Component				
Component 1: About 1,050 km of roads rehabilitated, resurfaced and maintained (km)	-	550 km	602 km	Phase I (except UG1&UG2) completed
Reduction in IRI	6.9	5.3	---	Consultant on board, survey results expected by April/May 2011
Reduction of network in poor and bad condition	52%	25%	---	Consultant on board, survey results expected by April/May 2011
Component 2: Routine and periodic maintenance fully funded during the project period; training program	INR 750 Million	INR 2200 Million	INR 1660 Million	Under 3054 (Non-Plan)
About 250 km of roads maintained through performance based contracts	0	100	0	Bidding Documents being finalized.
Department wide computerization and use of integrated systems for planning, management, financial accounting, monitoring	Partial	Full computerization	Not yet done	The contract agreement with Project Management Consultant signed on 20 th Sep 2010, services in progress.

Governance and Anti-corruption Action Plan: Implementation Status

Disclosure of information

Topics	Documents to be disclosed	Status
Procurement	The overall project Procurement Plan	Uploaded on PRBDB website and updated regularly
	All bid invitations and related documents (SPN, Expression of Interest, Letter of Interest)	Uploaded on PRBDB website as well as on UNDB online / dg market
	All Contracts awarded for consultancy services and for Rehabilitation, Up-gradation and Maintenance of Roads awarded on ICB/NCB or any other method of procurement.	Uploaded on PRBDB website as well as on UNDB online / dg market
Financial Management	Project Financing Plans	Uploaded on PRBDB website
	Budgetary allocation for the project	Uploaded on PRBDB website
	Expenditure Statement	Uploaded on PRBDB website by the way of QPR & the Audited Financial Statements of PSRSP
Safeguards	R & R Policy translated in Punjabi and Hindi	Uploaded on PRBDB website and World Bank's infoshop, kept in DC's Office, Gram Panchayat Offices, PWD field divisions and distributed among PAPs.
	Corridor specific RAPs.	Uploaded on PRBDB website and World Bank's infoshop, kept in DC's Office, State & District Libraries, Block Development Office, Tehsil & Panchayat office and PWD field divisions.
	Information regarding impacts and entitlements	Uploaded on PRBDB website. List of PAPs with impacts and entitlements pasted in the village panchayat offices and also at public info kiosks at sites.
	NGO's monthly progress report. This report should contain. Extent of land and other immovable properties acquired. ID cards distributed to number of PAPs. ID cards distributed to number of PAPs. Number of joint accounts opened. Compensation disbursed to number of title holder PAPs. Assistance disbursed to number of titleholder and non-titleholder PAPs. Training imparted to number of PAPs for income restoration. Number of cases registered with Grievance Redressal Committee and cases redressed. Number of awareness generation camps held for HIV/AIDS and road safety.	Reports uploaded on PRBDB web site. For the pending activity of HIV/AIDS awareness generation camps, PRBDB is sharing monthly report with Punjab State AIDS Control Society.
	Disclosures of grievance redress process	Grievance Redressal Process forms a part of the R&R Policy and thus stands disclosed.
	Advance intimation of planned consultation	Intimated to the PAPs only
	Details of consultation carried out (listing of date/venue/participants in generic name e.g. panchayat representatives, photographs, and brief summary of suggestions accepted/adopted.)	Disclosed in Public Information Kiosks, Field PWD divisions, to individuals and Panchayats
	EA Summary	Uploaded on PRBDB website and World Bank's info-shop, kept in State & District Libraries, Construction sites/campus, PWD field divisions and information kiosks.
Environment Management	Environment Screening & Scoping Report	

	Corridor specific EMPs	
	Quarterly Status Report	Through Quarterly Progress Report, uploaded on PRBDB website.
Engineering	List of roads proposed to be undertaken clearly indicating start and end points of the contract.	Uploaded on PRBDB website and available with PWD field divisions.
	Proposed works/treatment giving details of widening, bypasses, junction improvement, drainage, traffic safety feature including proposed cross section and strip plan depicting major features etc.	Available in Public Information Kiosks
	Physical and Financial progress of each contract to be updated quarterly.	Uploaded on PRBDB website by the way of QPRs. However this is not being printed in any print media.
	Contract details of the concerned division, PRBDB, contractors and consultants.	Uploaded on PRBDB website and displayed on the display boards at the sites.
	Construction program with milestones and completion dates	Being submitted by the Contractor and relevant information being put in the information kiosks at work sites.
Institutional Development Strategy	Long Term Strategy for Road Sector by MTR	Final Report uploaded on the website.
	RMF Report	Pending
	State of the network report	Baseline survey data uploaded on the website.
	User satisfaction surveys	Baseline Road User Satisfaction Survey completed. Midterm survey conducted in year 2010. Report under review.
	Project outcome & output indicators.	Procurement of Consultancy completed. Phase I of the services for Project outcome & output indicators already commenced, to finish by April/May, 2011.

Action Plan to Increase Oversight

Transparency/ Disclosure Aspect	Action to be taken	Status
To facilitate CSO	Oversight, of procurement process and the implementation, shall be encouraged and facilitated, by inviting independent observers from local universities or other independent institutions.	Attempted but not succeeded fully due to poor response from educational institutes.
	The project will pilot use of CSO during the construction of roads.	Can be attempted in Phase II.

1.

Action Plan to Manage Conflicts, Suggestions and Grievances

Transparency/ Disclosure Aspect	Action to be taken	Status
A system needs to be developed to handle comments, suggestions and grievances with clearly defined responsibilities and procedures.	A comments, suggestions and grievances handling system, which includes maintaining a project log and filing to monitor status of follow up of each received comments, suggestions and grievances, will be established by the PRBDB and the Bank. The mechanisms will include provision for follow up investigations of substantial complaints by the internal Auditors, or third party audit to ensure independency and reliability of the system.	PRBDB has a link on its website wherein all the complaints / suggestions / grievances can be logged. These are monitored regularly. In addition, all the information on comments, suggestions and grievances is also made available through Monthly & Quarterly Progress Reports.
	A comments, suggestions and grievances handling component will be included at the PRBDB web site; http://prbdb.gov.in/ .	The PRBDB has a complaints link on its website which logs the comments, suggestions and grievances as and when received concerning the project. However, there is no provision to lodge a complaint or a grievance directly from the website.
	A policy describing incentives and sanctions will be developed and publicized.	Not done yet
	Tracking of the status of investigations and measures taken will be reported in monthly reports to management and the Bank. Complaints deemed possible serious infringements may be further investigated by the Bank.	The current status of investigations and measures taken are routinely reflected in Monthly & Quarterly Progress Reports.

Procurement - Risk Management Action Plan

Observation Head	Agreed Action	Status
Lack of clarity on Public Procurement Processes	GOP will arrange for adequate training on regular basis through dedicated structured modules for the state agencies.	PRBDB regularly sends its officers as well as the officers from PWD for training with reputed organizations/institutes like NICMAR, NIFM, CRRI, IIT, Administrative Staff College of India and NITHIE on a yearly basis to strengthen the expertise of its officers on implementation aspects related to the project. Some of these institutes also provide structured modules of training as requested by PRBDB.
Deficient Planning Monitoring, Evaluation and Reporting with respect to Projects.	Provide structured training to the officials through reputed Institutions and improve the monitoring and reporting of the projects for stricter and proper coordination of project related procurement.	
Weak Implementation	Provide structured training to strengthen the departmental expertise on implementation aspects and develop procedures and formats for pre-audit by the supervising officials to obviate slippages on contractual matters.	PRBDB regularly invites eminent speakers from across the nation to deliver lectures on Contract Management, World Bank guidelines and Procedures, OPRC etc. This helps the officers to strengthen the contractual expertise and iron out any deficiencies in the understanding of the contractual clauses.

Non transparency in decision making since the decision making is generally individual centric	To develop systems and procurement procedures consistent with international best practices, engaging renowned experts. Ensure oversight of independent observers during bid evaluation process and civil society during implementation phase of the projects as confidence building measures, in addition to an elaborate disclosure policy and compliance to RTI Act, 2005.	A Tender Evaluation Committee (consisting of 5 members) and a Tender Acceptance Committee (Consisting of 2 members) has been formed to streamline the procurement. All the information regarding the procurement is uploaded on the PRBDB website and dgMarket as soon as it is available.
Weak Implementation Audit and Vigilance follow up	The pending audit and vigilance cases to be pursued to conclusion and future cases to be closely monitored and followed-up with a time-frame for response and compliance.	Every audit observation by the AG/other audit agencies is attended to and disposed of promptly in PRBDB.
Inadequate Record keeping	PRBDB will maintain all records duly catalogued and indexed in a manner and the form which facilitates the Right to Information under the RTI Act, 2005 and ensure that all records that are appropriate to be computerized are, within a reasonable time and subject to availability of resources, computerized and connected through a network all over the state on different systems so that access to such records is facilitated.	The records and files related to the project are catalogued and indexed and each project manager looking after respective consultancies is responsible for its proper upkeep so that these are available as and when required by any agency or under RTI.

List of Key Persons Met

Government of Punjab

Mr. S. C. Agarwal, Chief Secretary, Government of Punjab
Mr. Karan Bir Singh Sidhu, Principal Secretary, Finance Department, Government of Punjab
Mr. S. K. Sandhu, Secretary, Public Works Department, Government of Punjab

Public Works Department

Mr. R. P. Singh, Engineer-in-Chief, Government of Punjab
Mr. A. K. Goyal, Chief Engineer (PRBDB/PSRSP)

Punjab Roads & Bridges Development Board (PRBDB)

Mr. Yogesh Gupta, Project Director
Mr. Gursharan S. Gill, Deputy Project Director
Ms. Aparna Gupta, Project Manager
Mr. Ripdaman Singh Seth, Project Manager
Mr. Rajeev Arora, Project Manager
Mr. K. Kabilongtshup, Project Manager – Environment
Mr. P. N. Roy, Project Manager – Social
Mr. Navdeep Asija, Project Manager – Road Safety
Mr. Harpreet Singh, Project Manager – Design
Mr. Pramod Kalia, Project Manager – IT
Mrs. Seema Kumar, Chartered Accountant
Mrs. Mona Puri, Legal Advisor

Consultants and Contractors of upgrading packages, and other ongoing consultancy services