

**The World Bank**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

New Delhi Office  
70 Lodi Estate  
New Delhi – 110 003  
India

Telephone : 24617241/24619491  
Cable Address: INTBAFRAD  
Mailing Address : P.O Box 416  
Facsimile : 24619393

December 28, 2009

Mr. R. I. Singh  
Chief Secretary  
Government of Punjab  
Mini Secretariat  
Chandigarh, Punjab

Dear Mr. Singh:

*INDIA: Punjab State Road Sector Project (Ln 4843-IN) –  
6th Implementation Support Mission November 16 - 21, 2009*

A World Bank team visited Punjab to undertake the 6<sup>th</sup> Implementation Support mission. The objective of the mission was to review the overall progress of the project in terms of physical works, compliance with social and environmental safeguards, compliance with the financial management requirements, progress in the preparation of Phase II Output and Performance-based Road Contracts (OPRC), progress on the HIV/AIDS activities and the accuracy of the disbursements forecasts. I would like to thank the Government of Punjab (GOP) for the assistance and support extended to the mission.

Firstly, I would like to congratulate the GOP with its initiative to produce an Integrated Transport Policy and Strategy which will include a strategic investment program for the State. I am very pleased you had requested the Bank to finance this important activity from the loan. The activity is now on its way and I am confident that the GOP will provide all assistance needed to the consultants in developing this important Strategic Transport Plan. A well defined policy and plan will help Punjab move forward economically and socially and I hope that this plan can prove to be a shining example of good transport planning for the rest of India.

While there has been a steady progress in the overall implementation of the project, I am concerned regarding some implementation issues, which I would like to bring to your attention and request your personal intervention in addressing them.

The first issue is the continuing slow work progress on the package UG2 (Ludhiana-Malerkotla-Sangrur). In my letter of August 28, 2009, we already expressed our concern about the lack of proper planning and weak project management by all parties involved. The mission notes that some actions have been taken by GOP in addressing the slow progress. However, more focused efforts are required to get the works fully on schedule. This being one of the major Phase I contracts and the progress on this contract will drive the performance of the entire project, my advice is that a resourced based work program be put in place and enforced through a supplementary agreement with the contractor immediately. If the contractor fails to achieve the targets set, the Government of Punjab *must* be ready to apply all contractual remedies available under the contract, including the possibility of contract termination.

The second very important issue, which we would like to highlight, is the availability of funds to the Project from the Government of Punjab. The mission has been reassured that funds will be made available soon. If funds from GOP will not be replenished soon however, the Bank will have to inform you that the Government will be in non-compliance of the legal agreements. The mission was encouraged in this respect by the assurances made by the GOP that this issue will be resolved soon. In this context, we are pleased to note that a partial disbursement of the required amount from GOP to the Road Fund is now being processed.

Mr. R. I. Singh

December 28, 2009

The third concern is with regard to the ongoing slow progress on the preparation of the Phase II Output based Performance Road Contracts (OPRC). The Bank's team has been providing technical support to the consultants in the last year as the consultants had difficulties understanding the overall concept of the project. The mission remains concerned about the progress so far but also about the uneven availability of international experts and the lack of leadership within the team of consultants. The mission is not convinced that the consultants are near completion of the work and advises you strongly to monitor closely the work of the consultants and to address the team leadership issue immediately.

In view of the above highlighted implementation issues the overall implementation progress of the project has been downgraded to "*moderately satisfactory*".

Should you require any clarifications, please do not hesitate to contact me, or the Lead Transport Specialist, Mr. Ben L.J. Eijbergen.

With regards,

Yours sincerely,



Amadou Tidiane Toure  
Acting Country Director, India

Discusses  
MSB  
Sh. Gill. 11/1/10

cc:

Mr. Kulbir Singh, Secretary, Public Works Department, Government of Punjab, Chandigarh  
Mr. D. K. Singh, Director, Department of Economic Affairs, Ministry of Finance, New Delhi  
Mr. Karan A. Singh, Principal Secretary, Finance, Government of Punjab, Chandigarh.  
Mr. M. S. Nijjar, Project Director, Punjab Roads and Bridges Development Board, Chandigarh  
Mr. Nirmaljit Singh, Additional Director General (II), Ministry of Road Transport & Highways, New Delhi

**INDIA**  
**Punjab State Road Sector Project (Loan 4843-IN)**  
**The 6<sup>th</sup> Implementation Support Mission (November 16 to 21, 2009)**  
**Aide-Memoire**

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**I. INTRODUCTION**

1. A World Bank team<sup>1</sup> visited the State of Punjab from November 16 to 21, 2009, to review the implementation progress of the Punjab State Road Sector Project (PSRSP). The mission commenced with the OPRC discussions in Delhi on November 16 and 17. The team travelled to Chandigarh to visit the project corridors and to discuss the issues with the Punjab Roads & Buildings Development Board (PRBDB) and Government of Punjab (GOP).
2. This aide-memoire summarizes the findings, recommendations and agreements reached during the mission. The mission wishes to thank the Government of Punjab (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, 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	December 05, 2006	Development Objectives	Moderately Satisfactory
Closing Date	June 05, 2012	Implementation Progress	Moderately Satisfactory
Project Age	35 months	Problem Flags	2 (Two) (1) Non-compliance of legal covenants (2) Counterpart Funding
% Disbursed	44.1 %	Non-Compliance of Legal Covenant	3 (Three)

**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

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<sup>1</sup> Consisting of Ben L. J. Eijbergen (Task Team Leader/Lead Transport Specialist), Rajesh Rohatgi (Co-Task Leader/Sr. Transport Specialist), Yitzhak Kamhi (Consultant-Transport Specialist); Neha Vyas (Environment Specialist), Parthapriya Ghosh (Social Development Specialist), Harish Chawla (Consultant - Contract Management Specialist), Maju Mathew (Consultant - HIV/AIDS Specialist), Pradeep Valsangkar (Consultant - IT Specialist), Manmohan Singh Bajaj (Sr. Procurement Specialist); Tanuj Mathur (Sr. Financial Management Specialist), and N. S. Srinivas (Sr. Program Assistant, Transport).

business enabling environment necessary to support Punjab's economic development strategy. Progress in achieving the development objective has been downgraded to **Moderately Satisfactory** in view of the non-compliance of some of the key legal covenants. However, the civil works has been progressing satisfactorily to achieve the overall Development Objective since: (a) all Phase I civil works for 10 periodic 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 the construction of the remaining 2 upgradation packages (111 km) is on-going, Annex 8 summarizes the current status of results monitoring and key performance indicator.

5. However, the design for Phase II civil works (to be undertaken as Output and Performance Based Road Contracts: OPRC) as well as the institutional strengthening component are moving slowly. The mission expressed its concern and urged Government of Punjab to take necessary actions as outlined in Annex 1.

6. **Implementation Progress Rating.** Implementation progress rating has been downgraded to **Moderately Satisfactory** primarily due to the lack of adequate flow of funds in the project, slow progress in one of the Phase I civil works package as well as in the preparatory work of the Phase II works.

7. **Phase I Civil Works Progress:** All Phase I works have been completed except the upgrading packages UG1 and UG2. The mission was informed that, as of end-October 2009, the overall physical progress on UG1 and UG2 has reached 55% and 60% respectively. It is unlikely that the package UG1 will be completed by December 29, 2009, and is running at least 6 months behind the schedule. The critical issues on UG1 are lack of progress on structures and the completion of Kharar section. The package UG2 is also running at least one year behind the schedule and it is unlikely that it will be completed by August 2010, if the contractor doesn't improve the rate of progress in coming months. The mission urges PRBDB/PWD and the Engineer to closely monitor the situation on these two packages and apply all available contractual remedies, including liquidity damages in accordance with the conditions of contract.

8. **Quality of works on the package UG1:** During the site visit, the mission noted with concerns that the quality of works, particularly the riding quality on the completed stretches and the workmanship of concrete work in drains and structure is poor and needs urgent rectification. The mission was concerned to note that apparently the Engineer and the Employer allowed the contractor to continue such poor quality of works. In addition, the mission also noted several settlements at several culverts and poor quality of rectification work done by the contractor. Other defects observed by the last mission in the milestone 1 have also not been attended to fully. It was agreed that the PWD/PRBDB would immediately arrange the rectification of these works as per the specifications and submit an action taken report to the Bank by December 21, 2009.

9. **Quality of Supervision Consultant:** The quality of supervision, particularly by Resident Engineers and field engineers of the supervision consultant needs improvement and close monitoring. The mission noted that as agreed during the last mission, the PRBDB has issued notices to CSC, in accordance with the contract and have held a meeting with the senior management. However, the lack of quality control on UG1 warrants that further notices are urgently issued to the CSC. It was agreed that a show cause notice for allowing the contractor to continue executing poor quality of work, will be issued to the CSC by December 25, 2009.

10. **The Drainage Issue:** Though agreed during the last mission, the Bank is yet to receive the comprehensive drainage report. However, PRBDB conducted a social assessment to identify adverse impact of the drains and submitted a report which was reviewed and commented by the Bank. The

comments were discussed during the mission with the PRBDB and the consultants. It was agreed that the PRBDB will submit the consolidated interim report by December 15, 2009, including technical, social and environmental issues. The final report shall be submitted after August 31, 2010.

11. The mission was informed that a stretch of about 2 km on RH 2 which was not part of the contract due to disputed land ownership has been proposed under the project. It was agreed that a detailed proposal including the design and cost estimates and the Environmental and Social Impact Assessment will be submitted to the Bank by December 15, 2009, for clearance.

12. The mission updated the project cost as presented in the following table. With the expected final costs of Phase I, the available project budget for Phase II civil works is estimated to be about US\$135 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	319.65	177.69	141.96
Road Upgradation (UG)	221.50	102.70	102.70	
Rehabilitation (RH)	66.90	57.47	57.47	
Maintenance (PM) and Other works	22.00	17.52	17.52	
B- IS Component 2	11.00	10.04	10.04	
Incremental Operating Costs	12.00	10.00	10.00	
<b>Total</b>	<b>333.4</b>	<b>339.69</b>	<b>339.69</b>	

13. **Computerization:** The mission noted with concern the slow progress on this component. PRBDB is in the process of evaluating the bids for the procurement of Program Management Consultants. This procurement has been considerably delayed and therefore, it is important to complete the evaluation as early as possible. This component is on a critical path and any slippage in the timeline is likely to lead to delay in the implementation of the computerization component well within the timeframe of the main project. Suggestive timelines for various aspects of the computerization component are as shown in Annex 2.

14. **Phase II (OPRC) Civil Works Preparation:** The mission was concerned to note the slow progress being made on the design for Phase II civil works (to be undertaken as Output and Performance Based Road Contracts: OPRC) and it urged PRBDB to prepare a time bound action plan for early completion of the report. The mission had detailed discussions with PRBDB as well as the OPRC consultants following receipt of the Draft Final Report. The discussion focused on the financial model, environmental and social aspects, and procurement issues. The detail of the issues discussed and agreed is given in Annex 3.

15. **Institutional Strengthening Component:** The mission noted with concern the slow progress and apparent lack of commitment by the GOP to move forward on this component. The mission was informed that a meeting of the IDS implementation committee was held on July 17, 2009, under the chairmanship of the Secretary PWD. It was agreed that the PRBDB will share the minutes of this meeting by December 7, 2009, with the Bank. The final draft report has been submitted by the IDS consultants,

which is being reviewed by the PRBDB. It was agreed that this report will be submitted to the Bank for review by December 7, 2009, along with comments of the PRBDB.

16. **Integrated Transport Policy and Strategy and Strategic Investment Plan (Transport Sector Master Plan):** Currently the inception report is being prepared for this study / plan by the consultants. During the mission the consultants made a presentation outlining the contents to be covered under the inception report. The presentation was mission suggested that the presentation. The mission observed that though the Report/Presentation goes into great details on the current condition of the transport, specifically the predominant mode - roads, there is a need to be focused and objectives oriented. If this is **not achieved from the very beginning, there is a danger to be lost in technicalities, losing the sight** of the ultimate objective, the Policy and Strategy for the Sector, its application in multimodal Strategic Investment Plans and mode of implementation under constrained budgetary conditions. Detailed comments on the presentation made by the consultants are given in Annex 4.

17. **Road Safety:** GoP approved the Punjab Road Safety Strategy in the 9<sup>th</sup> meeting of the State level empowered committee in August 2008. As a part of the Road Safety Strategy, an Independent Road Safety Audit on the project roads has been conducted. The proposal for improvement of safety aspects of the project roads has been finalized, which primarily include provision of cat eyes, rumble strips and metal beam crash barriers. It was agreed that the proposal including detailed cost estimates and a proposed procurement strategy will be submitted to the Bank for clearance by December 7, 2009.

18. **GIS-Based Road Information System (RIS):** The mission was informed that the GIS system is now ready and a supplementary agreement with the Punjab Engineering College has been signed for ground verification of the same. It is expected that within next four months the system would be up and running.

19. **Environmental Safeguard Management:** The mission visited two contract packages (UG/1 and 2) under the upgrading component and followed-up on the status of site clean-up and restoration works on the six rehabilitation packages (RH/1 to 6) to review the status and quality of EMP implementation in the project. Apart from this, the mission reviewed the status and progress on the following: (a) regulatory clearances; (b) disclosure of information; (c) documentation and reporting on environmental aspects and; (d) draft outputs from the various consultancy services including assignments related to Output and Performance Based Road Contracts (OPRC); Transport Policy and Strategic Investment Plan Preparation and; Integration of Environmental Aspects in Standard Bidding Documents of PWD (being carried out by the Capacity Building Consultant).

20. The over-all rating with regard to implementation of Environmental Management Plan (EMP) in the project is 'Satisfactory'. While improvements and progress has been noted in most areas, there are two key issues, which have not been resolved satisfactorily. These are: (a) EMP implementation on UG/01 (drainage works, worksite safety and waste management) and; (b) site clean-up and restoration works on some rehabilitation packages and UG/03. The mission urged PRBDB to closely follow-up the outstanding issues. More details have been provided in Annex 5.

21. **Social Safeguard Management:** Compliance with social safeguards is 'Satisfactory' as project has made significant progress (detailed in annex 6) namely (i) complete acquisition of private land; (ii) complete disbursement of R&R assistance for land acquired through private negotiation; (iii) relocation of all priority I common property resources; (iv) relocation of substantial number of hand pumps on UG 2; (v) livelihood training for income restoration on all packages; (vi) completion of midterm review of RAP implementation; and (vii) remedial measures for the drains along the residential and commercial properties

in RH 3. The pending activities that needs immediate attention of PRBDB include (i) preparation of supplementary micro plans and modification in micro plans for new and deceased cases of UG-2; (ii) community consultations for taking remedial actions for the drains on other packages; (iii) shifting of hand pumps on UG 1 and RH 3; (iv) disbursement of R&R assistance for the land parcels acquired under LA Act.

22. The GOP has decided to handover the newly constructed bus shelters to a private body for maintenance and its upkeep. EOI for this has already been issued. However, the bus shelters constructed after demolishing the community owned structures will be handed over to the Panchayat or the community.

23. The mission was pleased to note that PRBDB has addressed the issue of access, safety and health caused by the drain construction on RH 3 in consultation with the community. It was however, agreed that PRBDB will wait for one monsoon season to ascertain actual impact of water logging in the residential and commercial structures. In UG 2, mission noticed that quite a significant length of drains have been filled up with earth by the villagers to gain access to the road. It was agreed that contractor will provide access to the community during construction at a regular interval.

24. The mission also noted that in RH 3 and 4, encroachment in form of temporary structures have come over the covered drains and footpaths. It was agreed that PWD will approach the district authorities to remove all encroachment.

25. The independent mid-term evaluation of RAP implementation has been completed which primarily looked into the process followed. The evaluation found that implementation of R&R activities was robust, transparent and in line with the agreed RAP. Majority of the respondents are reportedly satisfied with the process followed for various R&R activities. The evaluation report however, gave suggestions for the future improvements as detailed in Annex 6.

26. **HIV/AIDS Prevention:** The PRBDB through the contracted NGO has been implementing the HIV/AIDS awareness campaign. The program is intended to prevent the spread of HIV among people engaged in road construction; communities residing close to the highways; and road users. The HIV prevention activities are being implemented well and the program has gained momentum. The detailed discussions and agreements reached are presented in Annex 6.

27. **Financial Management and Disbursement Aspects:** On financial management, *disbursements* from the Bank as on November 19, 2009 stands at USD 110.27 Million which represents 44.11% of the loan of USD 250.00 Million. Expenditure till September 2009 as reported by the Project is Rs. 596.65 crores. The Project is facing a *shortfall of funds* since receipts from the GoP have been low; as on date of the mission the project does not have funds to meet its financial commitments. The *External Audit Report* for the project as issued by the C&AG is overdue. *Internal Auditors* for FY 09-10 onwards need to be hired at the earliest. The *disclosure* of financial information continues to be adequate. The detail on the Financial Management and Disbursement Aspects is given in Annex 7.

28. **Results Monitoring:** The updated status of Results Monitoring indicators are given in Annex 8.

29. **Status of Governance and Accountability Actions:** The updated status of the Governance and Accountability Actions is given in Annex 9.

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

(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: The Finance Department has accorded the approval of the creation of the Fund on May 20, 2009. However the secretariat is not in operation. The mission considers it as partially complied with delays and urges PRBDB to start planning towards operationalization of the fund secretariat. PRBDB requested the mission to support them in this regard.

- (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 out of compliance since no funds have been transferred to the account yet. The mission held discussions with the Chief Secretary and the Principle Secretary Finance regarding this and it was discussed that from March 31, 2010, the state non-planned budget fund for the maintenance (Head 3054) could be routed through this fund.
- (iii) *Submission of Statutory Audit (external Audit) by September 30, 2009.* This legal covenant is out of compliance. However, it is likely that this report will be submitted to the Bank by December 7, 2009.
- (iv) Delay in providing counterpart funds

The Next Mission: The next full mission is scheduled for around May/June 2010.



**Annex-1****During this mission****Key Actions Agreed**

<u>No.</u>	<u>Key Actions</u>	<u>By whom</u>	<u>Target Date</u>
<b>Upgrading Works, Rehabilitation and Maintenance (Phase I &amp; II)</b>			
1	Quality of works on the package UG1- arrange the rectification of works as per the specifications and submit an action taken report to the Bank	PWD/PRBDB	Dec 21, 2009.
2	Quality of Supervision Consultant - Show Cause notice to be issued to the Consultants	PWD/PRBDB	Dec. 25, 2009
3	Drainage Issue -		
	<ul style="list-style-type: none"> <li>Submit the consolidated interim report including technical, social and environmental issues.</li> <li>Final Report</li> </ul>	PRBDB	Dec. 15, 2009
		PRBDB	Aug. 31, 2010
<b>Institutional Strengthening Component</b>			
4	Contract in place for PMC	PRBDB	Jan. 31, 2010
<b>Social Safeguards</b>			
5	EIA and SIA of 2 km of stretch of RH 2	PRBDB	Dec. 15, 2009
6	Remedial measures for the impact of drains in the packages other than RH 3	PRBDB	Apr. 15, 2010
7	Environment and Social screening reports and ESMF for corridors under OPRC	Consultants / PRBDB	Dec. 31, 2009
8	Revised report on SIA of Drain	Consultant	Dec. 15, 2009
<b>Financial Management</b>			
9	Provision of adequate funds to PRBDB for project implementation	PRBDB	Immediate
10	Submission of FY 2008 – 09 Audited Financial Statements	PRBDB	Immediate
11	Filling up of vacancy at Mohali Division	PRBDB	Immediate
12	Ensure/enforce proper EMP implementation on UG/01	PRBDB/PWD/Contractor/CSC	Immediate
13	Complete closure (rehabilitation/restoration/enhancement works) activities on Rehabilitation Roads and on UG/03	PRBDB/PWD Contractor	Immediate

**During previous mission**

<u>No.</u>	<u>Key Actions</u>	<u>By whom</u>	<u>Target Date</u>	<u>Status</u>
<b>Upgrading Works, Rehabilitation &amp; Maintenance (Phase I &amp; II)</b>				
1	Review and finalize the entire drainage design on RH and UG packages	PRBDB / PWD / TAC / CSC	Continuous	Completed
2	Finalize the proposal to implement the findings of road safety audit carried out by PM (Safety)	PRBDB / PWD / TAC / CSC	Jun. 15, 2009	Partially completed
3	Organize a meeting with DEA for implementation of audit for Custom/ Excise Exemption	WB	Jul. 31, 2009	Discussed at the portfolio review meeting to be reminded to DEA again to organize.
4	OPRC Preparation Consultancy Interim Report-2 to be shared with the Bank for	PRBDB/ Consultant	Jul. 31, 2009	Complied

	review			
5	Compliance report on quality of works related observations in Annex 2 to be submitted	PRBDB/PWD	Jul. 31, 2009	Complied
<b>Institutional Strengthening Component</b>				
6	Draft contract for Integrated Transport Policy & Strategy submitted to the Bank for review	PRBDB	Jun. 30, 2009	Complied
7	Amount provided to Road Maintenance Fund amounts to US\$25 million	GoP	Jul. 31, 2009	(Overdue Legal Covenant)
8	Individual advisor for Road Fund Secretariat to be appointed	PRBDB	Sept. 30, 2009	(Overdue Legal Covenant)
<b>Environmental Management and Safeguards</b>				
9	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
10	Complete closure (rehabilitation/restoration/enhancement works) activities on Rehabilitation Roads and on UG3	PRBDB / Contractor / TAC / CSC	Immediately	Partially Complied
<b>Social Safeguard</b>				
11	CPR Relocation	NGO / PRBDB	Jun. 30, 2009	Substantially complied. All relocated except 30 hand pumps. PRBDB has to hire an agency to relocate these hand pumps.
12	Draft final report of Mid-Term Evaluation of RAP implementation to be completed	PRBDB / Consultant	Jun. 15, 2009	Complied
13	Impact assessment of drains in the habitat to be completed	PRBDB / NGO	Jul. 15, 2009	Partially complied. It was carried out for 97 structures affected by the drain. The length of the drain construction has increased and so has the number of affected structures. PRBDB has to repeat this exercise for the remaining structures.
<b>Financial Management</b>				
14	Hiring of Internal Auditors for FY 09-10 to be initiated	PRBDB	Immediate	Yet to be complied.
15	March 2009 FMR to be submitted	PRBDB	Immediate	Complied
<b>Project Management</b>				
16	Vacant positions <sup>2</sup> in PRBDB to be appointed	PRBDB	Aug 31, 2009	Partially complied
17	Approved performance based incentives to be paid to PIU staff <sup>3</sup>	GoP	July 31, 2009	Not complied

<sup>1</sup> Corrective actions taken in UG/02 but the same is pending on UG/01

<sup>2</sup> Legal Advisor, Chartered Accountant, PM (Procurement), PM (Contract)

<sup>3</sup> SLEC has principally approved Performance based incentives to PIU staff

**Implementation Progress by Component**

**Road Upgradation, Rehabilitation and Maintenance Component**

**Site Visit Observations**

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

- The quality of the pavement work was found to be satisfactory and the riding quality of the road was also good.
- The outstanding issue of the drains appears to have been generally solved with the involvement of NGO & the house & shop owners. A detailed examination should be conducted by the Engineer & the Employer to solve any outstanding issues.
- The proper consolidation of shoulders is still an issue, the finer materials are missing
- The temporary diversion constructed for the bridge @ ch: 2.100 has not been allowed by the Irrigation department to be removed to take care of as a “bund” in case of floods in the Satluj river
- Out of 7 acres of land for the camp, 4 acres of land has been rehabilitated
- RPMs (cat’s eyes) & crash barriers have been provided all along the length of the road & convey a feeling of safety. It is suggested that this should be replicated on other stretches of the roads also.
- Substantial completion certificate issued on 23<sup>rd</sup> July 2009. EOT (without levy of delay penalty) also granted up to this date.

***RH/4: (Tarn Taran-Kapurthala):***

- The quality of the pavement work was found to be satisfactory, the riding quality of the road was good
- The issue of the cracks in the rigid pavement in the Fatehabad & Govindwal Sahib towns has been satisfactorily resolved
- The proper consolidation of shoulders is still an issue, the finer materials are missing
- An effort has to be made to improve the work on the bus lay byes. The painting of structural steel sections should be done properly, the cracks in the pavement/ tiles for the platform should be taken care, there should be breathing space around the trees coming in the width of the platforms.
- The water ways in the culverts should be cleared
- The dismantled bituminous material dumped along the road side should be disposed off in the designated area
- The dismantling of the camp has been started & some area has been rehabilitated.
- There is still a stretch of 200 m of the drain yet to be taken up in Govindwal Sahib town because of no clearance from the Forest authorities
- The spouts for the drains should be checked both for the numbers, spacing & height above/below the pavement level
- Substantial completion certificate has been issued on the 30<sup>th</sup> July 2009. Grant of EOT up to this date is yet to be issued.

**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):***

***Computerization of PWD:*** PRBDB is completing the process for procurement of Program Management Consultants. It is important to complete this process quickly so that the consultants join the project and architect different aspects of the computerization component. Suggestive timelines for various aspects of the computerization component are as shown below:

Computerization component Time Lines										
Component	10-Jan	10-Mar	10-Jun	10-Sep	10-Dec	11-Mar	11-Jun	11-Sep	11-Dec	12-Mar
Contract in place for PMC	→									
Study Report Submitted by PMC		→								
RFP for Implementation Vendors approved			→							
Procurement process completed and implementation vendors on Board				→						
Study by implementation vendors completed					→					
H/w & S/w implemented in pilot sites							→	→	→	→
Roll out completed and maintenance phase begins										→

PRBDB was suggested to maintain the above timelines for all procurements and implementations to ensure that the computerization component gets implemented well within the timeframe of the main project.

**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. Originally it was scheduled to be completed by July 2008, but the services are delayed due to non-receipt of digitized toposheets from Survey of India, and slow progress on ground truthing. PRBDB informed that it has received a proposal, amounting to approx. 12 lacs INR, from the Consultant to carry out the ground truthing. It was agreed that the PRBDB shall issue VO to the consultant after reviewing this proposal. The completion of this activity will be followed by Asset Management Software development and training (package 9).

**Road Safety:** GoP approved the Punjab Road Safety Strategy in the 9<sup>th</sup> meeting of the State level empowered committee in August 2008. As a part of the Road Safety Strategy, an Independent Road Safety Audit on the project roads has been conducted for all project roads. The proposal for improvement of safety aspects of the project roads will be finalized by middle of June 2009, and it is planned to be implemented by a consolidated contract for completed road sections, and by variation orders for ongoing road works sections. To establish rational road safety management system, tie-up with Punjab Police (Traffic), establishment of R&D center on road safety at one of the premier engineering/medical institute is being explored, and the dedicated Road Safety Database Management System (IDEAS) is being developed.

### Proposed Expansion of OPRC Implementation

#### Issues requiring an answer from the Client:

1. Number of civil works packages.
2. Number of monitoring/supervision consultancy contracts
3. Evaluation criteria: Either 70/30 or 80/20 points weight for financial/technical proposal respectively. In any case, require 70% of the technical weight as a threshold to be responsive.
4. Method and application of price fluctuations per each major intervention. Base line calculation for rehabilitation / improvement / upgradation works only after the initial related works finished, during which period NO price fluctuation allowed. The price fluctuation thereafter allowed for the type of works. Base line for the maintenance works commence after the first periodic payment invoice submitted which includes works done on maintenance. The base line for maintenance works also set for the same trigger date. Weighting suggested for 4-5 basic scheduled materials as to decrease the massive fluctuations for majority of the works otherwise.
5. Information about the overall budgetary provision (annual) for the transport sector-roads as to provide the assumptions what will be the effect of the increased initial costs for OPRC type of operation.
6. Frequency of the Periodic Payment Report (Invoice).

#### Revised Report

The revised report to include the following items, besides all other requirements and comments discussed during the meetings to be incorporated in the next report:

7. In general, the Final Report should include ALL elements required for drafting Bidding Documents, except for the applied technical specifications which will be attached to the BD, GCC and Environmental and Social Frameworks.
8. Executive Summary as discussed in the attached comments to the draft Final Report.
9. A general analysis of the traditional OPRC (used for long term output based performance maintenance contracts, introduced by the WB Sample OPRC BD, October 2006 and in ANZ countries). This will include, inter alia, the potential benefits of the used concept based on DBMOT principles involving full integration of all required interventions during the life span of the project, method of payments thought designed financial cost recovery model and its application to the mandatory Schedule of Payments for this fixed cost contracting.
10. Rational and justification for use of the ANZ standards and Indian Construction Standards for the project, their applicability and compatibility with the used standards. Specific interest should be taken on the issue of Pavement deterioration model and Residual pavement model which represent the basis for the design and maintenance of the pavement structure for considered area wide road network.
11. The project estimated cost will be presented with and without assumed profit margin, with and without assumed taxes.
12. Revised Financial Model (FM) which will consider the advance payment as % of the first 5 years possible turnover of the project, and possible deferment of some of the assumed profit, as to ensure the all time positive operational cash flow of contractor. The FM will also take into consideration that only after the initial first 9 months of contractor's activities on site, he will be able to submit his first payment invoice for maintenance works, during which the advance payment will safely cover his mobilization and organizational cost, initial works cost. The F. M. will then be applied to the best designed value for money engineering option and assume the Payment Schedule Model which will be presented in the Bidding Documents. The payment schedule will be presented on annual basis in NPV and in % of the total contract scope

of works. The parties will then decide if the Payment Schedule Model will be presented in the BD as % of the total works (per major interventions, or as annual volumes of the total project cost).

13. The Evaluation criteria for contracting entity members as well as for each contracting entity (as single or joint venture or other type of association).

14. The LS parameters and related remedies will be looked again as to compact them and take into consideration of the parameters that constitute already the works specifications).

15. The Risks tables will also include the Non Project Risks, such as early termination by either of the parties and its payment modality, conflict resolutions, etc. Additional links or reduction of project scope (roads links). Possibility that some of the project links included in the network become a candidate for PPP (change in cost recovery modality from public users generated-toll) will be also looked at.

16. The end of life span of the project technical and operational requirements, their method of measurements and interpretation of required testing.

17. Use of Insurance (Companies) Bonds instead of Banks Guarantees in light of current financial worldwide crisis.

18. Financial impact of OPRC project to the financial and budgetary provisions in the loan and the GOP budget during the life span of the project, and its potential impact to the rest of the network. Define the budgetary gaps and propose solutions for their mitigations.

19. Prepare an overview and rational for organizing and International Road Conference which will further present the analytical approach to the asset management and output based contracting applied in the project design, the project and its Bidding Documents.

20. Environmental and Social frameworks need to be submitted to the Client and the bank for their clearance.

21. The Consultant is expected to prepare the MOM from the meetings inviting the major agreements and decisions reached, as based on the detailed review of the Draft Final Report and associated comments received from the Bank. The consultant will also prepare a line of action, timely bound, to demonstrate when will be the revised Final report submitted, approval time, draft BD submittal, approval time (at least 2 months depending how many repetitions will be needed), international conference, issuing SPN and commencement of the bidding process inclusive pre-bid conference and submittal of bids estimated date. We assume that the bidding period should be about 4 months to allow for possible site conditions verification by potential bidders).

**Integrated Transport Policy and Strategy and Strategic Investment Plan**  
**(Transport Sector Master Plan)**

The Inception Report presentation for the Study has been reviewed and following are the comments to offer. It is expected that the Client will also prepare his comments and consolidate both and submit that officially to the Consultant, with a copy to the Bank.

1. The presentation should be finalized in a form of an official Inception Report which will include all information related to the contract, value, date of signature, completion date and other general information such as staffing deployment, work program, materials availability, etc.
2. The presentation offered many details much above what should an Inception Report usually offer, and this should be accepted as the enthusiasm of the Consultant to perform, which is a very positive indication. However, an Inception Report has also a professional and administrative function therefore it must include certain information which will enable the Client and the Bank to be confident that the assignment will be implemented timely and professionally.
3. The Inception Report should explain the overall objective of the assignment, the vision and the rationale behind the Study intentions and requirements.
4. Based on the current information, the Study should develop a set of tools for planning purpose and for the decision makers on the issue of multimodal transport, its development and its application in given planning horizons. The transport cost should be reduced; Punjab should be placed within the Region and Internationally and probably create a transport hub which will encourage private participation in the sector and thus create a conducive environment for larger investments in multimodal transport facilitation.
5. Finally, the Study, commencing with the Inception Report, should develop the strategic investment plans for multimodal transport, vision for implementation, institutional capacity to facilitate and absorb efficiently the investment implementation and provide for a robust regulatory environment and safety measures enabling cheaper and affordable transport for all in the State.
6. The Investment Plans will be subjected to unconstrained and constrained budgetary conditionality, develop a prioritization model and its updating and provide for solutions (in alternatives) for bridging the potential financial gaps.
7. The Study will further, develop a mechanism for updating the Sector Policy and Investment Plans, on annual basis, performance indicators and set up a base line for the performance measurement.
8. The above aspects, mentioned in the TOR for the Study, should have been indicated in the Report and then the Study should propose how to achieve them in the given contractual period for the implementation of the Study.
9. Obviously, the TOR further elaborated on the proposed methods of getting the results through:
  - (i) Data collection,
  - (ii) Modeling
  - (iii) Analytical analysis and traffic forecasting,
  - (iv) Stake holders consultations,
  - (v) Multimodal solutions (motorized and none motorized transport)
  - (vi) Regulatory provisions,
  - (vii) Financial analysis and gaps analysis
  - (viii) PPP options and public/private modeling
  - (ix) Institutional and Capacity building and implementation/absorbing capacity
10. While the Report/Presentation goes into great details on the current condition of the transport, specifically the

predominant mode - roads, there is a need to be focused and objectives orientated. If this is not achieved from the very beginning, there is a danger to be lost in technicalities, losing the sight of the ultimate objective, the Policy and Strategy for the Sector, its application in multimodal Strategic Investment Plans and mode of implementation under constrained budgetary conditions.

11. Further, since other sectors in the State are currently being reviewed and their strategic masterplan being thought, the transport multimodal study must be harmonized with the other sectors in the State, not only from the technical and political aspects but also from the share of the financial envelope that State has and will be adopting as to keep up with the planned activities.



### Environmental Management and Safeguards

1. The mission visited two contract packages (UG/1 and 2) under the upgrading component and followed-up on the status of site clean-up and restoration works on the six rehabilitation packages (RH/1 to 6) to review the status and quality of EMP implementation in the project. As a part of the review, detailed discussions were also held with the contractors, construction supervision consultant (CSC) and officials of PRBDB/PWD. Apart from this, the mission reviewed the status and progress on the following: (a) regulatory clearances; (b) disclosure of information; (c) documentation and reporting on environmental aspects and; (d) draft outputs from the various consultancy services including assignments related to Output and Performance Based Road Contracts (OPRC); Transport Policy and Strategic Investment Plan Preparation and; Integration of Environmental Aspects in Standard Bidding Documents of PWD (being carried out by the Capacity Building Consultant).
2. The over-all rating with regard to implementation of Environmental Management Plan (EMP) in the project is 'Satisfactory'. Environmental aspects such as camp/plant site management, borrow area rehabilitation, pollution monitoring, obtaining of regulatory clearances/permissions and documentation have been reviewed for this purpose. The satisfactory progress and quality of outputs from consultancy assignments has also been considered during the rating process. While improvements and progress has been noted in most areas, there are two key issues, which have not been resolved satisfactorily. These are: (a) EMP implementation on UG/01 (drainage works, worksite safety and waste management) and; (b) site clean-up and restoration works on some rehabilitation works and UG/03. The mission urged PRBDB to closely follow-up the said outstanding issues.
3. **Implementation of EMPs:** The mission reviewed the adequacy and quality of EMP implementation in the project and focused on environmental aspects related to camp and plant site management, drainage works, work site safety, pollution monitoring, worker/labour facilities, waste management, operation/rehabilitation of borrow areas and the quality of documentation. Other aspects such as availability of Environmental Officers (EOs); consent/s from SPCB; drainage works; slope/embankment protection; top soil management and; mitigation/enhancement works were also reviewed in detail during the mission. Table 1 in this annex provides a summary of key actions required for improving environmental management in the various contract packages under the project. It also reflects the actions that have been completed or those that are outstanding since the last mission. It was agreed that PRBDB/PWD will prepare and share a comprehensive action taken report (ATR) with the Bank by January 31, 2010. The ATR will be based on a systematic field verification exercise to be carried out by the Nodal Environmental Officer covering each point raised in the said table.
- Rehabilitation Works:** The civil works on all six rehabilitation packages under Phase I of the project have been completed. While there has been an effort and progress on the site restoration and clean-up activities on some contracts, there are some outstanding actions, which need to be completed at the earliest. Such outstanding actions include: (a) road side and structure construction site clean-up; (b) camp/plant site closure and; (c) dressing of slopes and shoulders (contract specific details are in Table 1). The mission expressed concern over the weak supervision and follow-up required to complete such activities prior to issuing of substantial completion/completion certificates (despite having been pointed out in previous missions).
5. The mission reiterated the need for PRBDB/PWD to closely monitor and ensure satisfactory completion of all site restoration/clean-up activities at the earliest (within the defect liability period and prior to making final payment to the contractor since the sites have already been taken over). The Nodal Environmental Officer along with designated division-level EO need to verify/approve such works. A checklist/format is being shared by the mission to help PRBDB/PWD (and the same could be used for upgrading works) strengthen compliance in this regard.
6. **Upgrading Component:** While the mission noted an improvement in compliance with EMP stipulations on UG/02, most of the issues raised during the last two missions have remained unresolved on UG/01.
7. In UG/01, poor worksite safety management (which has increased the risk of accidents for traffic, workers and local residents); lack of proper labour accommodation and provision of basic amenities; inappropriate management of spoils and waste materials; lack of action on borrow area rehabilitation and; weak documentation are major issues that have not been resolved as yet. It was noted that weak supervision and lack of appropriate and timely action by the CSC's team has acted as a deterrent in improving the quality of environmental management on this contract.

8. In case of the four bridge sites in UG/03, removal of spoils and diversion material, restoration/clearing of waterway and completion of slope protection work has been addressed only partially. With little time left in the completion of the defect liability period, PRBDB/PWD need to ensure that the remaining works are completed satisfactorily. It was agreed that PRBDB will verify the compliance on the field and share an ATR with the Bank by ????. Also, the rehabilitation of camp and plant site (which is now being used for RH/4 works) needs to be planned and completed in a time bound manner.
9. The mission once again urged PRBDB/PWD to take strong corrective actions (including regular/focused supervision and use of appropriate contractual remedies) to ensure that the contractors and consultants don't get away with inaction and repeated non-compliances.
10. **Pollution Monitoring and Capacity Building Consultancy Assignment:** The mission reviewed the progress made with regard to the consultancy assignments on (a) pollution monitoring and (b) capacity building of PRBDB and PWD on environmental management. The mission expressed satisfaction the progress and quality of outputs and agreed on a timeline for final delivery.
11. As part of the first assignment, 5 rounds of pollution monitoring have been completed covering all Phase I roads. Additionally, a 'Environment (Pollution) Monitoring Manual for Road Projects' has been prepared under the project. The manual was released and findings disseminated through a well organized workshop on July 11, 2009.
12. For the second assignment, based on training needs assessment study, a total of 16 rounds of training has been provided to the various PWD officials and other project staff (including contractor and supervision consultants) involved in the project. Draft output on inclusion of EMP within standard bidding document (SDB) used in regular PWD works was reviewed during the mission. It was agreed that the draft document will be shared with PWD divisional staff (also covering those not involved in PSRSP) by November 30, 2009 for review and feedback. Using this and other stakeholder inputs, the report will be finalized by February 15, 2009.
13. **Output and Performance Based Road Contracts:** The preparation of environmental documents is moving parallel to the engineering studies. The mission discussed and agreed on a timeline for submission of key documents pertaining to OPRC. These include: (a) environment screening/assessment report, including three links (covering about 75 kms), which were not a part of the PSRSP's initial (feasibility and screening) studies and; (b) environment management framework. The outputs from the two reports will be linked and reflected in the Bidding Documents for the component.
14. **Regulatory Clearances and Compensatory Afforestation:** All required forest clearances and tree cutting permissions for the project were obtained in time and the information has been uploaded on PRBDB's website. An additional requirement has been identified in RH/3 for drainage construction, for which the required process has been initiated by PRBDB/PWD.

Social Safeguards and HIV/AIDS

**Land Acquisition:** The project will now acquire 49.605 acres as against 50 acres (70 acres was the original estimate and was revised to 50 acres through design modifications) estimated earlier. The PRBDB has acquired 46.823 acres (95% of the total land to be acquired) through private negotiation and balance 2.782 acres has been acquired through LA Act 1894. The total number of project affected titleholders is now 894 and non titleholders are 324. The steps followed for acquisition of land includes:

- Issuing notice under section 4 and 6
- Joint measurement survey and information dissemination for negotiation
- Negotiation meetings
- Approval of the land rates from the State Government
- Updation of land records
- Collection of individual revenue records (*fard* – the plot and sub plot numbers and *barasala*- ownership and usage details of last 12 years)
- Information to PAPs regarding verification
- Verification of plots and land owners by RRO – including actual location of possession
- Preparation of registration papers
- Signing of conveyance deed
- Disbursement of compensation
- Collection of Registration papers from *Tehasildar* – Revenue head at block level
  - Registration papers collected from *Tehasildar* to be deposited with revenue department
  - NGO gives the paper to *Patwari* – revenue official at village level
  - *Patwari* forwards the same to *Naib Tehasildar*-Deputy revenue head at block level
  - *Naib Tehasildar* verifies and gets the paper signed by SDM
  - SDM office sends it back to *Patwari* for updation of local records
- Collection of mutation papers

Table 1: Overall Disbursement work completed

Sl. No.	Name of Corridor	Total Land Acquisition Detail		Land Acquired Through Private Negotiation		Land Acquired Through LA Act.		Overall Progress in % after LA Act.
		Area (Acre)	Amount (Rs.)	Area (Acre)	Amount (Rs.)	Area (Acre)	Amount (Rs.)	
1	Ludhiana-Malerkotla Road	43.321	563617057.00	41.232	524604269.00	2.089	39012788.00	100.00
2	Malerkotla-Dhuri-Sangrur Road	0.701	7216076.00	0.596	6555001.00	0.105	661075.00	100.00
3	Kharar-Banur-Tepla Road	5.583	50823691.00	4.995	45174292.00	0.588	5649399.00	100.00
	<b>Total</b>	<b>49.605</b>	<b>621656824.00</b>	<b>46.823</b>	<b>576333562.00</b>	<b>2.782</b>	<b>45323262.00</b>	<b>100.00</b>

**Implementation of Resettlement Action Plan:** All micro plans have been completed and approved by the competent authority. 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. The joint bank accounts of all the PAPs have been opened. NGO has completed the skill enhancement training for income restoration. PRBDB has also paid the severance allowance to all the eligible 119 PAPs as per the direction of Grievance Redress Committee (GRC). The disbursement position is shown in the table below. PRBDB has also disbursed the crop compensation to all the eligible PAPs. The project has so far disbursed INR 813.215 million towards land compensation and various assistances across packages as per the details given below:

Sl. No	Head	Amount in million INR
1	Land compensation	621.65
2	R&R assistance	97.20
3	Severance Allowance	89.3
4	Compensation for crop damages	0.835
5	Registration Fee	4.23
	<b>Total</b>	<b>813.215</b>

All common property resources (CPRs) have been relocated. However, the priority II CPRs (bus shelters) will be relocated as and when required. Out of total 50 hand pumps on UG 2, 42 have already been shifted. However, PWD needs to relocate another 30 hand pumps on UG 1 (17) and RH 3 (13).

**Findings of Midterm Evaluation of RAP implementation:** The midterm evaluation of RAP implementation has been completed. The evaluation primarily looked into the process followed and found that implementation of R&R activities was robust, transparent and in line with RAP. The land acquisition through private negotiation has been identified as one of the best practices. The evaluation report however, gave suggestions for the future projects as listed below:

- (i) design should be finalized before the mobilization of NGO as due to changes in design during implementation, various activities were repeated by the NGO;
- (ii) there should be periodic capacity building / orientation programmes of Resettlement Officers and Executive Engineers of PIU through and independent agency so that even if the staff is transferred, the new staff gets trained in R&R;
- (iii) the compensation and R&R assistance should be given in one single installment and should be part of conveyance deed;
- (iv) the base price offered to the titleholders should also consider the existing land use; and
- (v) no solatium should be paid as part of negotiated settlement if standing order 28 is revoked.

#### Field Visit to project corridors:

**RH 3:** The mission visited UG 1; UG 2 and RH 3 packages. On the RH 3 at km 25.700 the issue of disputed land of about 100m has been resolved as it has been established through revenue records that land belongs to PWD and contractor has completed the construction of drain on that stretch. The mission also noted encroachment on the completed stretches of the road. Temporary structures have come over the covered drains and footpaths. It was agreed that PWD will approach the district authorities to remove all encroachment.

**UG 2:** The mission was informed that land is yet to be handed over to the contractor at four locations amounting to 130 meters. Of these four cases, one is a disputed case. Though land was to be acquired through private negotiation, the titleholder post negotiation refused to part with the land and demanded more compensation in line with the Pohir bypass rate which is on the higher side. PRBDB approached the district authority and since then it is lying with the office of District Magistrate. In other three locations, though land has been acquired, the obstacles are yet to be removed. Of these three obstacles, one is a transformer on Pohir bypass and two are boundary walls that need to be relocated. The mission also noticed that quite a significant length of drains have been filled with earth by the villagers to gain access to the main road. It was agreed that contractor will provide access to the community during construction at a regular interval.

**RH 2:** The mission was informed that a stretch of 2 km on RH 2 which was not part of the project due to dispute of land ownership will now be taken under the project. The stretch in question was donated by the community to PWD in 1960, but mutation was not carried out. The community pleaded that they donated 22 feet of land instead of 66 feet as claimed by PWD. However, the honourable court based on the documents of donation has given its decision in favour of PWD. It was agreed that PRBDB will carry out SIA in line with the R&R Policy and identify the non-titleholders to be supported under the project.

**HIV Prevention Programme:** As mobility-related HIV is an issue of concern the project should strengthen its focus on the migrant road construction workforce by reaching them at the workplaces, camp sites and other places where they reside. Also, the long distance truckers could be reached by working closely with the truck unions.

Analysis of data being reported from the intervention sites show higher levels of vulnerability in few road stretches especially RH-3 and others, the NGO team could consider consolidating work on the stretches that have already been covered and seen to be lesser vulnerable and focus more on these higher vulnerability stretches.

At present, the project monitoring and reporting is focused more on output level indicators. However, as two years of HIV prevention work has been completed an external mid-term evaluation could be carried-out. Also, as the project has matured outcome level indicators could be included. The World Bank team will work with PRBDB in developing these outcome level indicators.

The staff turn-over at the field level especially among the Outreach Team is found to be high, hence the NGO needs to assess the training needs of the field team on a quarterly basis and address the identified training gaps.

The team also discussed options to reduce the start-up time of HIV prevention activities under package 3, Phase II, PSRSP. On this it was agreed that the NGO can initiate needs assessment activities among the existing road users and adjacent village communities and start-up work with the construction contractors when the road work starts.

#### Agreements

- Focus the intervention on the identified higher vulnerability areas
- Strengthen the intervention among the migrant construction workers engaged in the road works and the truckers by working with truck unions.
- Carry-out an external mid-term evaluation of the HIV prevention programme
- Include outcome level indicators as part of the project monitoring framework

**Financial Management Aspects**

1. **Funds availability:** The project is facing a shortfall in availability of funds from the Government of Punjab (GoP). As on date of the mission the funds availability is reported to be extremely low and there may be a need to start deferring payments to contractors/ consultants. As on September 2009 project expenditure is Rs 596 crores and forecast of expenditure for the next six months is Rs 115 crores. However, the cumulative receipts by PRBDB under this project from the GoP is Rs. 596 crores only. This is a breach of a legal covenant wherein GoP commits to provide promptly, funds and other facilities to the project.

2. **Disbursements:** Disbursement from the Bank as on November 19, 2009 stands at USD 110.27 Million which represents 44.11% of the loan of USD 250.00 Million. The expenditure information as presented by the Project is given below:

**Punjab State Road Sector Project - Expenditure Status**

	Rs Crores
Particulars	Project till 30 Sep-09
<b>Expenditures by Component</b>	
Road Upgrading	247.39
Rehabilitation	253.05
Periodic Maintenance	63.50
Institutional Strengthening	2.95
Incremental Operating Costs	4.38
<b>Total Expenditures</b>	<b>571.27</b>
<b>Advance to Suppliers/Others</b>	<b>25.38</b>
<b>Total Uses</b>	<b>596.65</b>

3. **External/ Statutory Audit (EA):** Firstly, the external audit report for FY 08 – 09 is overdue. It is reported that field work for the same has been completed but the report is yet to be issued. The C&AG should be requested to issue the report at the earliest. The report was due by September 30<sup>th</sup> and this delay has resulted in non compliance with a leg covenant. Secondly, the Bank and PRBDB exchanged communication related to the FY 07 – 08 audit; the last communication in this regard is a letter issued by the Bank (Sept. 09) which required response on certain matters including getting the observations 'dropped' by the C&AG; whether the same is done or not will be clear from the 08 – 09 audit report when it comes in. However PRBDB needs to provide its response to the letter at the earliest. Thirdly, Project is maintaining parallel accounting records i.e. in a manual system to satisfy requirements of the C&AG and in a computerized system (using the Tally financial accounting software or FAS) for its own purposes. The mission discussed that the project authority must get in touch with the C&AG and obtain their approval for acceptance of the records on the FAS. It can then discontinue the manual record keeping. This dual record keeping is a waste of time and results in unnecessary reconciliation issues.

4. **Internal Audit (IA):** It had been agreed between the Bank and PRBDB that Internal Auditors for FY 09-10 onwards be hired on a competitive basis. The Auditors need to be placed at the earliest. Further, the project needs to benefit from the IA process; action on the reports should be prompt and guidelines/ circulars be issued in response to systemic issues pointed out by the auditors.

5. **Other financial information:** (a) The project maintains financial information for land acquisition as well as Resettlement and Rehabilitation payments under the same head of account. These two payments are inherently different in nature though the payee is the same. The project was advised to bifurcate this information for past as well as future payments; (b) Payments made to other departments for utility shifting need to be monitored more effectively. As on date summarized information on advances made and utilization certificates (UC) received against the same is not readily available. This will further improve the project's follow-up with other departments for UCs.

6. **Others**

- Disclosure of financial information continues to be adequate.
- The Finance Team in PRBDB is now fully staffed.
- Financial information from the Mohali Division is not updated since the Tally operator left in February 2009. This needs to be remedied at the earliest.

**Action Points:**

Action	Date
Provision of adequate funds to PRBDB for project implementation	Immediate
Submission of FY 2008 – 09 Audited Financial Statements	Immediate
Complete the process of hiring of Internal Auditors for FY 09-10	Immediate
Filling up of vacancy at Mohali Division	Immediate

## Results Monitoring Indicators

Project Outcome Indicators	Baseline (Nov 2006)	MTR Target Value (YR3)	Current Value (May 2009)	Remarks
Average network speed (kmph)	33.5	39	---	Consultancy being procured for carrying out Surveys.
Reduction in VOC (%)	0%	6%	---	Consultancy being procured for carrying out Surveys.
Maintain number of fatal accidents	2,655	2,655	3,333	(for the year 2008)
User Satisfaction	To be undertaken YR1	To be undertaken	---	Road User Satisfaction Survey – Draft Report expected in the second week of December, 09.
Efficiency of Road Agency (PWD, PRBDB)	To be collected in YR1	Not yet due	---	Road User Satisfaction Survey – Draft Report expected in the second week of December, 09.
<b>Results Indicators for Each Component</b>				
Component 1: About 1,050 km of roads rehabilitated, resurfaced and maintained (km)	-	550 km	602 km	Phase I (except UG1&UG2) substantially completed by MTR mission
Reduction in IRI	6.9	5.3	---	Consultancy being procured for carrying out Surveys.
Reduction of network in poor and bad condition	52%	25%	---	Consultancy being procured for carrying out Surveys.
Component 2: Routine and periodic maintenance fully funded during the project period; training program	INR 750 Million	INR 2200 Million	INR 2330 Million	Under 3054 (Non -Plan)
About 250 km of roads maintained through performance based contracts	0	100	0	In Process, final report expected by the end of December, 09.
Department wide computerization and use of integrated systems for planning, management, financial accounting, monitoring	partial	Full computerization	Not yet done	Procurement of Project Consultant for Computerization under process



## Governance and Anti-corruption Action Plan

## 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.	EEs have been asked to submit report to village panchayats. Reports uploaded on PRBDB web site.
	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
<b>Environment Management</b>	EA Summary	Uploaded on PRBDB website and World Bank's infoshop, kept in State & District Libraries, Construction sites/campus, PWD field divisions and information kiosks.
	Environment Screening & Scoping Report	
	Corridor specific EMPs	
	Quarterly Status Report	Part of QPR uploaded on PRBDB website.
<b>Engineering</b>	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.
<b>Institutional Development Strategy</b>	Long Term Strategy for Road Sector by MTR	Draft Final Report uploaded on the website.
	RMF Report	Pending
	State of the network report	Baseline survey data uploaded on the website.
	User satisfaction surveys	Consultants hired – Reports expected by Dec, 09.
	Project outcome & output indicators.	Procurement being made for the cited services

**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.	Planned in Phase II

## 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; <a href="http://prbdb.gov.in/">http://prbdb.gov.in/</a> .	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 has been sending 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. Further, PRBDB is also in the process of developing a long term plan for training of its officers wherein the year long training schedule for each of the officers would be decided well in advance and it would be mandatory for each of the officers to attend these trainings.
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.	An endeavour is being made by PRBDB to properly catalogue and index all the records related to the project so that these are available as and when required by any agency or under RTI.

List of Key Persons Met

Government of Punjab

Public Works Department

1. Mr. R.P. Singh, Chief Engineer, (PSRSP), PWD
2. Mr. Harvinder Kalia, Executive Engineer, Construction Division No. 1, Kapurthala
3. Mr. J. L. Garg, Executive Engineer, Construction Division, Sangrur
4. Mr. A. P. S. Brar, Executive Engineer, Central Works Division, Mohali
5. Mr. Yuvraj Bindra Singh, Executive Engineer, Central Works Division No. 3, Ludhiana

Punjab Roads & Bridges Development Board (PRBDB)

6. Mr. M.S. Nijjar, Project Director
7. Mr. Gursharan S. Gill, Deputy Project Director
8. Mr. Parmod Kalia, General Manager - IT
9. Ms. Aparna Gupta, Project Manager,
10. Mr. Ripdaman Singh Seth, Project Manager
11. Mr. Davinder Bajaj, Project Manager
12. Mr. Rajeev Arora, Project Manager
13. Mr. K. Kabilongtshup, Project Manager – Environment
14. Mr. P. N. Roy, Project Manager – Social
15. Mr. Navdeep Asija, Project Manager – Road Safety
16. Mr. Harpreet Singh, Project Manager – Design
17. Mr. Manu Sharma, Project Manager – GIS

Consultants and Contractors of upgrading and rehabilitation packages