

**INDIA**  
**Punjab State Road Sector Project (Loan 4843-IN)**  
**The 11<sup>th</sup> Implementation Support Mission (April 14 to 19, 2013)**  
**Aide-Memoire**

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**I. INTRODUCTION**

1. A World Bank team<sup>1</sup> visited the State of Punjab from April 14 to 19, 2013, to review the implementation progress of the Punjab State Road Sector Project (PSRSP). The team conducted site visits of some of the up-gradation packages and the recently awarded Output and Performance Based Road Contract (OPRC) 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 April 18, 2013. 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 project also underwent restructuring during which the loan closing date was extended for a period of 5 years up to June 5, 2017. 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	<b>Satisfactory</b>
Closing Date	June. 05, 2012	Implementation Progress	<b>Satisfactory</b>
Revised Closing Date	Sept. 5 2012/ June 5, 2017	Problem Flags	<b>None</b>
Project Age	77 months		
% Disbursed	58%		

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<sup>1</sup> 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); , Mridula Singh (Social Development Specialist); Yitzhak Kamhi (Sr. Consultant-Transport Management & Planning); Pradeep Valsangkar (Consultant - IT Specialist), Tripti Jain (Financial Management Specialist), and Carylann Lobo (Junior Professional Associate).

### III. SUMMARY OF FINDINGS, DISCUSSIONS AND AGREEMENTS

4. **Implementation Progress (IP) Rating and Achievement of 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. Given that the OPRC contract has been awarded; phase I civil works (upgrading) have been substantially completed; and the project restructuring including the five-year loan extension has been processed, the overall IP rating and progress for achieving the development objective has been upgraded to *Satisfactory*. The **Annex 4** summarizes the current status of results monitoring and key performance indicator.

#### *Road Development Component*

6. **Phase I Civil Works Progress:** All works, envisaged under the Phase I of the project has been completed.

7. *UG1 (Kharar-Banur-Tepla):* The mission observed that most of the quality related issues on this package has been addressed. However, the mission suggested that routine maintenance of this package should be taken up at the earliest in order to avoid further deterioration of the pavement.

8. *UG2 (Ludhiana-Malerkotla-Sangrur):* The mission noted that maintenance works on this package has been largely completed and is expected to be taken over by PRBDB shortly. The mission was informed that the routine maintenance of this package will be taken up soon and the procurement process for the same is currently underway.

9. *Non-Operational Street Lighting on Upgrading work Contracts* The mission noted that the street lighting infrastructure installed continues to remain idle with no power supply despite bringing this to the attention of PRBDB during the last mission. The mission yet again urged PRBDB and GoP to take appropriate measures and actions to address this issue.

10. **Phase II Civil Works (OPRC) :** The Phase II civil works contract to be undertaken as Output and Performance Based Road Contracts (OPRC) / DBMOT for Asset Management purpose, have been awarded. The contractor is on board and mobilization is in progress. The mission undertook site visit of the stretch taken up under OPRC. The mission observed that traffic management during construction and signages, which were found to be missing at many places, needs to be improved significantly. The mission also advised that the signage boards should be as per prescribed standards and should avoid using sub-standard materials. The contractors need to prepare proper traffic management plans and seek approval from the project manager. The mission also suggested that retro-reflective materials should be applied on the trees adjacent to the working area. Given that the approach roads to the narrow bridges on this stretch are wider, the mission advised that additional signages and markings should be put up on the narrow bridges to avoid accidents / mishaps. The mission was informed that all crack sealing work on this stretch is expected to be completed by June 2013. One of the critical activities that need to be taken up on priority by the contractor is the installation of the Hot-Mix Plant as this would have a serious implication on the overall progress to be achieved. The mission was informed that the contractor has set an emergency helpline number to receive calls related to emergencies such as accidents or any kind of mishaps on the stretch. The mission recommended that in addition to emergency calls, option of using this helpline number for attending complaints related to the stretch including defects on the road should be explored.

11. The mission also suggested that dissemination material developed under the Road Safety Awareness Campaign should be distributed by the contractor at various locations across the network to raise awareness along the network.

12. The OPRC contractor through his consultants is currently working on the designs for the roads to be taken up under the first year improvement. PRBDB needs to make arrangements for reviewing these designs, particularly pavement designs which need particular attention.

13. With regard to the crack sealing work, the mission advised that lessons from the issues faced in the upgradation packages should be taken into account while deciding on the crack sealing treatment. The mission observed that drainage designs were missing and as such appropriate designs need to be developed and while doing so the maintenance and sustainability aspects also need to be deliberated upon.

14. As regards the forest clearances for these stretches are concerned, the mission was informed that final clearance is awaited for the first year improvement works which is expected to be received by end-April 2013. Furthermore, the mission was informed that the clearance process for the second and third year has been initiated. The mission advised that regular monitoring and follow-up will be required to obtain clearances on time to avoid delays in taking up the second and third year maintenance work.

15. *Delays in procurement of Monitoring Consultants (MC) for OPRC contract.* The mission expressed concerns on delays in procurement of monitoring consultants and urged PRBDB to expedite issuance of RFP to short-listed consultants after seeking Bank's no objection. The mission also expressed concerns with the current implementation arrangements of Project Manager being the PWD's field executive engineer. The mission suggested that the Project Manager (PM) should be a member of Monitoring Consultant, who is appointed by the Employer. The Project Manager will report to the Employer (or his representative) for any decision, as his function is to review, advise, suggest, but the final decision is fully assigned to the Employer.

16. The mission also expressed concerned over the proposed duration of the assignment and suggested GoP to consider engaging these services for the entire duration of the OPRC contract. However, it was finally agreed to engage these services for at least the entire duration of loan.

17. **Loan Extension** The project restructuring and the loan extension has been successfully completed in October 2012. The loan closing date has been extended by five years up to June 5, 2017.

### ***Institutional Strengthening Component***

18. Noteworthy progress was seen in all the consultancy contracts awarded under the institutional strengthening component since the last mission. The mission was however concerned on the delays in submission of the extension requests for each of the consultancy assignment. Many of these contracts have become at large and PRBD has not sought Bank's no objection on extension.

19. *Integrated Transport Policy and Strategy and Strategic Investment Plan (Transport Sector Master Plan):* The mission was informed that the draft final report has been submitted by the consultants which has been reviewed by PRBDB and comments have been offered to the consultants. It was agreed that the consultants, after incorporating the comments made by PRBDB shall submit the final report by April 30, 2013. Subsequently, the final report of the Transport Sector Policy and Strategy and Final Report on Strategic Investment Plan will be submitted to the Government of Punjab for endorsement.

20. *Computerization:* The long overdue bid document was finally shared with the Bank for review and comments. The bid document has been reviewed by the Bank and comments provided. The mission urges PRBDB to expedite sending the revised bidding documents for Bank's no objection. The consultants have suggested, and it has been agreed, that the PWD server racks shall be installed at the "Network Operating Centre" (NOC) of State Wide Area Network (SWAN). This mechanism should be formalized through written communication between PWD and State IT department of GOP before inviting the Bid. The roll out of an ERP shall completely change the way PWD has been functioning hitherto. It is therefore imperative that PWD enhances its capacity to handle & maintain such sophisticated ICT systems. The mission strongly recommended that an IT cell, headed by an IT professional and comprising of different

domain experts be formed at PWD at the earliest. In this regard, it was agreed during the wrap up meeting with the Chief Secretary to appoint an IT Director in the department.

21. **Preparation of GIS Maps for Punjab Roads:** The mission was informed that the GIS Maps for the Punjab Roads are being developed in-house. A demo was provided to the mission on the Punjab roads GIS maps being developed. Some of the key features included, revealing of historical data related to any particular road stretch on the core road network in the state of Punjab. The mission informed that while the system in its current form is in good shape, but needs some more fine-tuning to make it more users friendly. The PRBDB also informed the mission that the contract of earlier consultant would be closed.

22. **Monitoring and Evaluation of Project Indicators:** The mission was informed that the mid-term survey has been completed by the consultants and the final report was submitted in July 2012. The next survey is due in 2013 which is expected to commence from May 2013 for which the field surveys are expected to be completed by June 2013. The mission was informed that in view of the 5-year extension granted to the project, revised targets for each of the indicators have been provided to the consultants. With regard to the survey, the mission was informed that 15 NH locations are proposed to be replaced by PM roads outside the CRN. However, the mission suggested that inclusion of the PM roads does not compound to any significant value addition and therefore, these roads may be removed from the scope of the work. With regard to the operation of the ROMDAS, it was agreed that PRBDB would arrange to conduct training on the same to scale up the capacity for optimal utilization of ROMDAS. It was agreed that PRBDB would arrange to conduct the trainings by June 2013.

23. **Consultancy for OPRC Projects (M/s OPUS):** Most of the tasks under this consultancy assignment have been completed. The contract extension for this consultancy is due for processing / releasing of the balance payment. The mission was informed that variation fee payment and completion certificate were pending owing to change in the scope from 600 to 1000 km. The mission advised that all pending payments may be speedily expedited.

24. **Consultancy for Road Safety Awareness Generation:** The mission was informed that the first round of the campaign delivery has been completed. Work has been initiated for the second round of campaign with the third round expected to start in August 2013. The mission advised that PRBDB should share the road safety awareness campaign results with the Government of Punjab so as to extend the benefit across the state of Punjab.

25. **Extension of Time for Consultancy Contracts** The mission expressed concerns that several consulting assignment have become at large and extension of time has not been processed by PRBDB, seeking Bank's no objection. The mission also informed that the Bank do not clear retroactive approvals.

26. **Environment Safeguard Management** The focus of the mission was to review the over-all adequacy and quality of EMP implementation in the upgrading works under Phase I and the OPRC works under Phase II of the project. For this, the mission visited UG/1 (Kharar-Banur-Tepla) under Phase I and selected links (S-2, S-5) under the OPRC component. Apart from the site visits, the mission had detailed discussions with PRBDB, Contractor's team and officials from the PWD's field division (Sangrur) working on the OPRC component on various environment management related activities.

27. The mission primarily reviewed the following: (i) completion/compliance of EMP implementation for Phase I roads, with specific focus on UG/1 and UG/2; (ii) preparation of limited EA and EMP for Dehlon by-pass of UG/2 and; (iii) application and implementation of the ESMF in the works under the Output and Performance based Roads Contract (OPRC). Additionally, the mission also reviewed the status on: (i) obtaining regulatory (forestry) clearance for the OPRC work; (ii) adoption of the Standard Bidding Document (SBD), which has integrated requirements on environment, health and safety aspects and; (iii) reporting/documentation.

28. Over-view: The over-all rating with regard to implementation of Environmental Management Plans (EMPs) in the project is ‘moderately satisfactory’. While a few good initiatives have been taken under the project (such as publishing of the Pollution Monitoring Manual, Road Safety Initiatives, several good practices on environment management, pollution monitoring, training/capacity building reaching beyond the Bank funded project’s purview) and several works (UG/3 and those under periodic maintenance and rehabilitation component) have been closed satisfactorily in the past, the quality of EMP implementation (including drainage related issues) has progressively declined. Some of the key outstanding actions/activities that require attention have been pointed out in the text below.

29. Upgrading Works: Specific attention is required to resolve the following outstanding issues:

- Submission of the long pending closure report on EMP compliance for Contracts UG/1 and UG/2, covering aspects such as worksite clean-up; rehabilitation of camp, plant sites and borrow areas; debris re-use and disposal; drainage provisions; materials usage and; site enhancement/s. The mission emphasized that since these contracts were closed/taken-over without proper verification at the site by Environment Officers, proper documentation becomes all the more imperative. It was agreed after extensive discussion with the Deputy Project Director that the said report will be shared with the Bank no later than June 30, 2013 - beyond this, the ‘rating’ on environment management is likely to be downgraded.
- Cleaning of drains – prior to monsoons, particularly on UG/1, where in some sections the drain wasn’t cleared off construction material/debris and/or there were deficiencies in maintaining proper outfall.

30. *Dehlon Bypass*: The proposed by-pass of 2.8 km of 45 meters width at Dehlon under UG/2 requires approximately 38 acres of irrigated agricultural land and would impact two bore wells. The mission was informed that the preparation of the environment assessment report and the EMP will be carried out in-house by PRBDB’s Environment Specialist. It is expected that the limited EA report, including the EMP will be shared with the Bank by June 30, 2013. The mission reminded that the relevant part of the EMP needs to be integrated in the Bidding Document for the said work.

31. *Output and Performance Based Road Contract*: The project has undergone restructuring to provide for a five-year extension of the closing date of the original project and use of Output and Performance Based Road Contracts (OPRC) for upgrading and maintenance of 204 km of state highway network. The changes proposed do not alter the environment category of the project (PSRSP) or trigger new safeguard policies. By and large, the environmental issues identified for the original project remain relevant to the works under the OPRC component as the nature of physical interventions remain unchanged. However, in terms of management of environmental impacts, there is a change in the modality of contracting system.

32. The use of Output and Performance Based Road Contracting system (OPRC) requires the Contracting Entity to undertake screening, conduct impact assessment, formulate the environmental management plan and subsequently undertake its implementation too. The preparation of an Environmental Management Plan (EMP) has to be adequate and commensurate to the scale of civil works proposed during various stages of the contract. On the other hand, the Employer (PRBDB) through a Monitoring Consultant (not yet on board) would help in enforcing the contract by verifying compliance with the agreed service levels, including the conformity to all applicable environmental legislation and regulations.

33. Based on the observations in the field, the mission pointed out a few areas that require improvement, which were discussed in detail. Agreements were reached and these include:

- While there is expertise to guide and monitor management of environmental issues effectively, the PRBDB needs to ensure more active involvement of the Nodal Environment Officer in OPRC works and improve the co-ordination with the Field Division, Sangrur on environmental management matters, including approvals of reports submitted by the Contracting Entity, ESMF monitoring and

documentation/record keeping – the mission stressed that appropriate written communication is extremely important, as contractual remedies related to non-conforming actions can be applied only when the documentation is in order.

- PRBDB/Field Division, Sangrur to provide comments on the two Screening Reports submitted by the Contracting Entity.
- Ensure that the on-going Camp and Plant site establishment at Village Khayala meets the ESMF requirements – location approval with all required consents/permissions (establishment under-way without location approval); lay-out considering pre-dominant wind direction; drainage and waste water disposal arrangements; top-soil preservation (clause already violated); haul road maintenance; PSPCB consent/s are obtained for the plant/s; pollution control measures etc.
- Work site safety management, which was found to be quite weak (lack of advance warning; poor PPE discipline at worksites; inadequate signage and use of boards that don't meet IRC norms; provision of hazard markers at narrow structures)
- Provision of reflective tapes/studs on trees and electrical poles that pose a safety hazard
- Cleaning of road surface to keep it dust free and cleaning-up of drains/culverts before monsoons
- Obtain the Forest Clearance (Stage II) for the OPRC work (Link S-2) – In-principle clearance has been obtained and funds have been transferred by PRBDB to the Forest Department.
- Undertake/complete utility shifting, including relocation of water sources such as hand pumps.
- Designs (currently underway) to take into account suggestions from the public consultation process and requirements of traffic calming near sensitive receptors, markets and other vulnerable areas.

34. The mission provided an orientation/training on the Environment and Social Management aspects for the works that have been initiated under the Output and Performance Based Road Contract on April 18, 2013 at Chandigarh. The participants included members from the Contractor's team, including the management representatives and consultants, officials from PRBDB and the officials from PWD's Field Division, Sangrur. A summary on key points presented/discussed during the mission is provided in Annex 3.

35. *Standard Bidding Document:* The Standard Bidding Document of the Public Works Department (PWD) mainstreaming environment, health and safety requirements (a commendable initiative) has been finalized way back in 2010. However, its adoption is pending as of now. The mission was informed that the once the 'Work Order' related manual is finalized, which is expected in near future, this outstanding activity will also be completed.

36. **Social Safeguard Management:** The mission focused on (i) likely adverse impact to be considered for rehabilitation of approximately 203 km for OPRC contract and the preparation and implementation of RAPs OPRC roads; (ii) preparation of RAP for Dehlon by-pass of UG 2 package; and (iii) Coordination between the PMU and Contractor on social aspects.

37. *Questionability of the Land Acquisition (LA) Cost* Under the project, Land Acquisition (LA) cost of approximately Rs 65.38 crore has been claimed by the project till date. Since the legal agreements clearly do not specify the eligibility of the LA cost, there were deliberations about financing this cost and take necessary steps to regularize these payments. Till such time this expenditure will be considered as questionable expenditure.

38. *OPRC - Social Aspects:* Review of screening report being prepared by consultants for roads included under OPRC contract indicates that at most sections clear right of way exists throughout the entire 203 km of roads. However, the project may have limited impact at dense locations and land may be required for geometric improvement. The screening reports submitted for S2 (SH 12A & SH 13) and S5 (ODR 14) indicates no land requirement but may warrant removal of few encroachments. This needs to be re-confirmed based on actual Right of Way (ROW) as available in land records. It has been agreed that the Consultants will conduct socio economic survey for affected families and prepare RAP based on Project R&R Policy. It has been agreed that the RAPs will be prepared for first year roads before end June 2013.

39. *Dehlon bypass UG 2:* From field assessments, the PMU assessed that the proposed by-pass require approximately 38 acres of irrigated land (125 plots), two houses and two boring wells. The PMU however, has not yet initiated process for land acquisition, nor social assessments for the affected people. It has been informed by the PMU that the process has been getting delayed pending the decision on funding source for the land cost. It has been agreed that the PMU to complete the land acquisition and social assessment based on the provisions of the Project R&R policy within six months from the date of finalizing the decision on land cost funding.

40. *PMU - Consultant Coordination:* The PMU has the expertise to guide and monitor management of social safeguard issues effectively. However, the mission noted guidance and coordination gaps between the PMU and the Consultants. All the reports should be reviewed and approved by the PMU safeguard staff. It is important to build upon lessons learnt from the recently completed project to enhance the quality of preparation and implementation of RAP for the project. The PMU and the Contractor has all the responsibility to ensure the proper implementation of the Project R&R Policy and the Contractor should ensure delivery of all entitlements to the affected population before starting civil works.

41. *HIV/AIDS Awareness plans:* The Contractor has been sensitized for implementation of HIV/AIDS awareness programs for its staff and workers. It has been agreed that the Contractor will prepare an action plan for implementation of HIV/AIDS awareness program before end May 2013.

42. *Others - Handing over Kiosks* The PMU is in the process of hiring a Company for maintenance of Kiosks and the bus shelter built under Phase I. It has been agreed that the PMU will finalize the contract by end of June 2013.

43. **Financial Management and Disbursement Aspects:** The implementation support mission reviewed the existing financial management arrangements at the project. The recent developments and key issues are highlighted below::

(a) TALLY continues to be used as the **accounting** package in the division. For OPRC contract, the account heads in TALLY have been customized to record expenditure under the four components and six road section defined under the contract;

(b) The position of a dedicated Chartered Accountant (CA) handling the financial management aspect of the project has been filled. It was advised that the financial management **staff** at the PRBDB office should make at the minimum monthly field visits to be able to efficiently perform the role of monitoring from the head office;

(c) The Divisional Accountant at Sangrur division received training on payments relating to Output and Performance Based Road Contract (OPRC) expenditure. Since the methodology of computing the payments under the OPRC contract is different from the traditional method of contracting, it was suggested that a backup is also provided **training** on these payments so as to ensure business continuity;

(d) With respect to **the internal auditors**, the contract of the existing internal auditor has expired. It was discussed that the process of appointment of the internal auditors for FY 2012-13 till the closure of the project needs to be initiated at the earliest. It was agreed to complete the selection of internal auditor and customize TOR to include audit of transactions under new contracting method of OPRC by July 31, 2013;

(e) The **external audit** report for FY 2011-12 was delayed and was submitted to the Bank by letter dated October 26, 2012. Reply to AG for observations of Rs 9.4 crore needs to be sent at the earliest and the copy of those replies to be shared with the Bank by May 31, 2013, failing which the Bank may consider these expenditures held under audit objection as ineligible expenditures which shall become immediately refundable to the Bank;

(f) For FY 2012-13 audit, it was advised to **meet Accountant General of Punjab (AG)** to familiarize them about the new contracting methodology of OPRC and also provide sufficient information to AG for planning their audit. Such meeting will facilitate the audit and also minimize audit observations at a future date. It was agreed to arrange meeting with AG office by May 31, 2013.

44. Disbursement from the Bank as on April 23, 2013 is USD 145.04 million which represents 58.02% of the loan of USD 250.00 Million. The project is regular in submission of IUFRs and claims till quarter ending September 2012 has been filed with the Bank and claim for December 2012 is in pipeline. The next IUFR for the quarter ending March 2013 has been received subsequent to the mission.

45. The FM ISR rating for the project is rated as Moderately Satisfactory. This rating is on account of moderate shortcomings of delay in submission of the external audit report for FY 2011-12. Further, the audit report has audit objections, replies to which is yet to be furnished to office of Accountant General Punjab. Also, pending selection of internal auditors, the internal audit for financial year 2012-13 is yet to commence. The rating will be suitably reviewed in next mission. A detailed note on Financial Management is given in **Annex 2**.

46. **Compliance with Legal Covenants:** All legal covenants have been complied with

47. **Results Monitoring:** The updated results monitoring indicators are given in **Annex 4**.

48. **The Next Mission:** The next full implementation support mission will be planned in October/November 2013.

**Annex-1**

**Agreed New/Updated Key Actions**

<b>No.</b>	<b>Key Actions</b>	<b>By whom</b>	<b>Target Date</b>
<b>Civil Works</b>			
1	Submit Final RFP of Monitoring Consultants (OPRC)	GOP/PRBDB	Immediate
2	Allocation of Maintenance Funds for taking up routine works on PSRSP Phase I roads	GOP/PRBDB	Immediate
3	Obtain Forest Clearance for year 1 works under OPRC	GOP/PRBDB	Immediate
4	Dehlon Bypass - Submission of Detailed Project Report, Cost Estimates, Drawings and Draft Bidding Document	PRBDB	July 31, 2013
5	Intervention to provide structural adequacy to Kharar-Banur-Tepla Corridor - submit Cost Estimates, designs and draft bidding documents	PRBDB	July 31, 2013
6	Improve Traffic Management During Construction and Traffic Signages	OPRC Contractor	Immediate
7	Submit a request to make LA costs eligible and amendments to Legal Agreements	PRBDB	June 30, 2013
<b>Institutional Strengthening Component</b>			
1	Submit Bidding Documents for procuring System Integrator for computerization of PWD	GOP/PRBDB	June 30, 2013
2	Appoint IT Director in PWD	GOP/PRBDB	September 2013
3	Endorsement of the final report of the Transport Sector Policy and Strategy and Final Report on Strategic Investment Plan	GOP	July 31, 2013
<b>Environment Safeguards</b>			
1	Sharing of the long pending closure report on EMP compliance for Contracts UG/1 and UG/2 with the Bank	PRBDB	June 30, 2013
2	Ensure cleaning of drains, particularly on UG/1	PRBDB	June 15, 2013
3	Ensure proper enforcement of ESMF requirements, monitoring and documentation/record keeping on environment, health and safety aspects in the OPRC works	PRBDB/Contractor	Immediate
4	Improve work site safety management on the OPRC network	PRBDB/Contractor	Immediate
5	Adoption of the Standard Bidding Document by PRBDB/PWD	PWD/PRBDB	August 31, 2013
<b>Social Safeguards</b>			
1	Handing over Kiosks to either Panchayat / private company	PRBDB	Immediate
2	Submission of Social Screening and RAPs for First Year roads	PRBDB/Contractor	June 30, 2013
<b>Financial Management</b>			
1	Reply to AG for observation of Rs 9.4 crore for FY 11-12	PRBDB	May 31,2013
2	Hold meeting with AG to familiarize them about OPRC and discuss their work plan before commencement of audit.	PRBDB	May 31,2013
3	Appointment of internal auditors and revision in TOR	PRBDB	July 31,2013
4	Train finance staff in OPRC payments	PRBDB	Continuous
5	Make field visit at minimum monthly frequency	PRBDB	Continuous

## Annex 2

### Financial Management Aspects

**Budget and Disbursements:** Against the budgetary provision of Rs. 136 crore for FY 2012-13, the actual expenditure till December 2012 is Rs 38.91 crore. For FY 2013-14, a budget of Rs 200 crore has been provided by the Government of Punjab. The projected expenditure for FY 2013-14 majorly includes the expenditures on OPRC work. Disbursement from the Bank as on April 23, 2013 is USD 145.04 million which represents 58.02% of the loan of USD 250.00 Million. The project is regular in submission of IUFs and claims till quarter ending September 2012 has been filed with the Bank and claim for December 2012 is in pipeline. The next IUF for the quarter ending March 2013 will be due on May 15, 2013.

**Accounting and Reporting:** A field visit was made to Sangrur division office where the expenditure on OPRC contract is accounted by the Divisional Accountant with the assistance of the TALLY operator. TALLY continues to be used as the accounting package in the division and the accounting heads are customized to record expenditure under the four components and six road section defined under the OPRC contract. As part of the implementation experience, there were certain changes required in the IUF format (main format as well as annexures) to reflect the reporting of Phase II work. These changes were discussed and agreed and the IUF for the quarter ending March 2013 will have these changes incorporated.

**Staffing:** The Assistant Finance Controller continues to hold additional charge of the Controller Finance. The position of a dedicated Chartered Accountant (CA) handling the financial management aspect of the project has been filled. It was advised that the financial management staff at the PRBDB office should make at the minimum monthly field visits to understand the nuances involved in the OPRC contract and hence efficiently perform the role of monitoring. The Sangrur division is supported by Divisional Accountant who received training on payments relating to OPRC expenditure. Since the methodology of computing the payments under the OPRC contract is different from the traditional method of contracting, it was suggested that a backup is also provided training on these payments so as to ensure business continuity.

**Internal Audit:** The contract of the existing internal auditor expired on July 2012 (2.5 years starting from July 2010). It was discussed with the project that the process of appointment of the internal auditors for FY 2012-13 till the closure of the project needs to be initiated at the earliest. It was advised that in order to make effective use of the internal audit system the selection criteria at the Expression of Interest (EOI) stage should be strong to short list quality firms. Also, the terms of reference (TOR) of the internal auditor needs to be revised and customized to include audit of transactions under new contracting method of OPRC. It was agreed to complete the selection of internal auditor and customize the TOR by July 31, 2013.

**External Audit:** The audit report for FY 2011-12 was submitted to the Bank by letter dated October 26, 2012. Reply to AG for observations of Rs 9.4 crore needs to be sent at the earliest and the copy of those replies to be shared with the Bank by May 31, 2013, failing which the Bank may consider these expenditures held under audit objection as ineligible expenditures which shall become immediately refundable to the Bank. For audit of FY 2012-13 the mission team emphasized the need for early finalization of accounts and its timely submission to auditors for their review and issuance of audit report. It was advised to meet AG to familiarize them about the new contracting methodology of OPRC. This will help the auditor to make their audit work plan accordingly and also minimize audit observations at a future date. It was agreed to arrange meeting with AG office by May 31, 2013.

## Annex 3

### Environment Management and Safeguards

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#### Output and Performance Based Road Contract (OPRC)

The mission provided an orientation/training on the Environment and Social Management aspects for the works that have been initiated under the Output and Performance Based Road Contract on April 18, 2013 at Chandigarh. The participants included members from the Contractor's team, including the management representatives and consultants, officials from PRBDB and the officials from PWD's Field Division, Sangrur. The following presents the summary of the key points that were presented/discussed during the training session:

**Environmental Assessment (EA) Process and Outputs.** To help design and implement the works under OPRC in an environmentally sustainable manner, the following steps were followed: (i) environment screening study was carried out to identify key environmental issues on the proposed road links; (b) assessment of impacts was carried out in the context of various types of engineering interventions that would be executed under the OPRC contract; (iii) an Environment and Social Management Framework, based on findings from the first two steps, was prepared to create the structure within which the Employer, Monitoring Consultant and Contractors are required to operate to design, implement and operate a project with due considerations to environment, health and safety aspects and; (iv) a codes of practice was prepared to serve as a detailed guidance document for dealing with specific key environmental activities/aspects.

It was mentioned that in addition to the ESMF that has been included in the Contract document, the other documents are available for reference and can be downloaded from PRBDB's website.

**Key Environment Issues and Impacts.** The potential environmental issues likely to arise from the works proposed under the OPRC would be associated with activities such as rehabilitation, improvement/widening requirements and network performance or routine maintenance activities – compliance will be measured against certain pre-defined performance standards on various technical and environmental aspects. Environmental impacts from such activities may include: (i) felling of roadside trees; (ii) impairment to or worsening of the local/regional drainage conditions; (iii) conversion of some fertile agricultural land in case of road widening works; (iv) soil erosion/scouring (especially in high embankment areas); (v) impacts on water resources used by the people, such as community ponds, hand pumps and canals; (vi) impacts on sensitive sites including religious places; and (vii) construction related occupational health and safety impacts, including dust from the haul roads, inadequate attention to worksite safety management, risks from unsafe handling of chemicals and pollution from the plants and machinery.

**Environmental Management.** To ensure a sustained environmental performance for civil works to be executed under the OPRC component, an Environment and Social Management Framework (ESMF), including a set of codes of practice has been prepared and is a part of the Contract Document. It defines a minimum level of environmental process, mitigation and performance standards that the Contracting Entity is required to meet under the project.

The framework specifically provides for mechanisms to address construction-stage impacts such as: (a) air and noise pollution, dust from material transport, crushers and asphalt plants; (b) water and soil pollution from spills of fuel, lubricants and construction camp wastes; (d) operation and rehabilitation of borrow pits, quarries and construction camps; (e) traffic safety and management; and (f) worker's health and safety. All of these and other requirements to safeguard health and safety of road users and road side communities have been comprehensively included in the contract document for various types of civil works that would be carried out under the component.

The ESMF primarily consists of nine (9) key elements or steps. The mission explained each one of these during the orientation/training workshop. An outline of these steps, including the responsibility for implementing the same, is given below:

- Step 1 A: Environmental Screening (Contracting Entity)  
(requirement to follow further step/s would depend on the results of the screening exercise)
- Step 1 B: Environment Baseline Data Collection and Mapping (Contracting Entity)

- Step 2: Study OPRC intervention proposals for each link to identify and scope out environment issues (Contracting Entity)
- Step 3: Assess Applicable Policy and Regulatory Framework (Contracting Entity)
- Step 4: Environment Impact Assessment (EA) (Contracting Entity)
- Step 5: Stakeholder Consultation Process (Monitoring Consultant on behalf of Employer)
- Step 6: Formulate Environmental Management Plan (Contracting Entity)
- Step 7: Implement EMP and RAP (Contracting Entity)
- Step 8: Self-Assess Environmental Performance (Contracting Entity)
- Step 9: Environment Performance Assessment by Employer (Monitoring Consultant on behalf of Employer)

The mission reminded that the contracting entity's design proposal and Environmental Management Plan (EMP) (among other documents) are to be approved in writing by the Employer prior to the commencing of any physical work. Specific EMP/s applicable at link-level are to be prepared for major interventions such as improvement and widening proposals by using the process elements briefly mentioned above and described comprehensively in the ESMF.

**Applicable Policy and Regulatory Framework.** The management framework developed specifically for the OPRC component requires the contracting entity to take all necessary measures and precautions to ensure that the execution of the works and all associated operations on-site or off-site are carried out in conformity with the statutory and regulatory environmental requirements and as per the requirements prescribed in the Environmental and Social Management Framework (ESMF).

As part of the environment management process, the contracting entity needs to assess and identify applicable environmental policy and regulatory requirements for the identified OPRC intervention. If this is properly planned and pursued, the contract/proposed civil works will not be held up for lack or delay in obtaining regulatory clearances. Any delay in obtaining clearances will affect the overall performance of the Contracting Entity, potentially leading to unwarranted financial implications as well. In fact, the proposed interventions are to be planned/framed within the ambit of applicable regulatory norms and the over-all time that such processes usually take.

To assist the Contracting Entity, a regulatory clearance matrix along with typical time schedule for obtaining each clearance has been collated and presented in the ESMF, which is a part of the contract document. This needs to be taken into consideration at the time of preparing the work programme.

**Implementation Arrangements.** For the project as a whole, PRBDB, as employer will have the over-all responsibility for adequate provision of the personnel and resources required to supervise and monitor the contract, including its environmental compliance requirements. The mission clarified the role of the various entities from an environment management perspective in the context of the OPRC framework.

The Nodal Environment Officer in the PRBDB team needs to be actively involved and is expected to provide specific support for: (a) guiding/supporting the Field Division (Executive Engineer, Sangrur) on all matters/approvals pertaining to environment; (b) coordinating issues pertaining to regulatory clearances from the concerned GoI/GoP Departments; (c) supervising the performance of Monitoring Consultant and; (c) monitoring preparation of various environmental studies and implementation of the EMPs by the contracting entity.

The services of a Monitoring Consultant are being hired by PRBDB to routinely assess performance (including on safety, health and environment aspects) of the Contracting Entity. The assessment would be made against specific performance indicators, which have been listed as part of specifications in the contract document. The assessment will form part of routine and other inspections as necessary and will form the basis of payments to be made to the contracting entity.

On the contracting entity's part, the EMP preparation would include the allocation of appropriate manpower and material resources to implement the said plan and an internal monitoring and supervision mechanism as part of the contracting entity's over-all Contract Management System. A matrix showing the monitoring mechanism delineating the roles and responsibilities for implementing various activities has been developed and included in the ESMF.

Annex 4

Results Monitoring Indicators

Project Outcome Indicators	Target Values						Current Value	Data Collection and Reporting		
	Baseline	YR6 (2013)	YR7 (2014)	YR8 (2015)	YR9 (2016)	YR10 (2017)		Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Average Network Speed (kmph)	33.5			46		48	43	MTR and end-of-implementation PRBDB Report	Surveys	PRBDB
Maintain VOC (%)	0%			20%		20%	19%	MTR and end-of-implementation PRBDB Report	Surveys	PRBDB
Reduction in number of fatal accidents	2655			2522		2390	2462	Aide memoire, every six months	First Information Reports (FIRs)	Police/ PRBDB/ Bank
Increase in User Satisfaction	61.11%			64%		67%	66.02%	User satisfaction Survey Report, every two year	Survey	PWD/ PRBDB
Improvement in efficiency of Road Agency (PWD, PRBDB)	60.27%			63%		65%	63.60%	User Satisfaction Survey Report, every two year	Survey	PWD/ PRBDB
<b>Results Indicators for Each Component</b>										
<b>Component 1:</b> Total km of roads improved and rehabilitated under the project w.e.f. YR 6	0 km	27km	82km	136km	161km	166km	-	Monthly Construction Supervision Reports; Quarterly FRMs, Aide Memoire (every 6 months)	Certification of Quantities by the Engineer	Construction Supervision Consultant; PRBDB
Maintain IRI (m/ km)	6.9/km			2.6/ km		2.6/km	-	PRBDB's Annual Report, Yearly	Roughness and Condition Surveys	PRBDB
Maintain poor and bad network condition @ 4%	52%			4%		4%	40%	PRBDB's Annual Report, yearly	Roughness and Condition Surveys	PRBDB
<b>Component 2:</b> Department wide computerization and use of integrated systems for planning, management, financial accounting, monitoring		Vendor on-board			Pilot testing	Final Roll-out to the entire department	Bid Document under finalization.	As per implementation schedule	-	PWD/ PRBDB