

INDIA
Punjab State Road Sector Project (Loan 4843-IN)
The 3rd Implementation Support Mission (Mar 18 to 31, 2008)

I. INTRODUCTION

1. A World Bank team¹ visited the State of Punjab over the period from March 18 to 31, 2008 to support the Government of Punjab (GoP) for implementation of the Punjab State Road Sector Project (PSRSP). The mission held meetings with the Public Works Department (PWD), the Punjab Roads & Buildings Development Board (PRBDB), the Department of Information Technology (DoIT), and undertook site visits to the Phase I roads contracts under the project.

2. This aide-memoire summarizes the findings, recommendations and agreements reached during the mission. The mission wishes to thank GoP for their support and cooperation during the mission. The agreed actions are shown in **Annex 1**.

II. KEY PROJECT DATA & PERFORMANCE RATING

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

Key Project Data		Current Ratings and Flags	
Board Date	December 05, 2006	Development Objectives	S
Closing Date	June 05, 2012	Implementation Progress	MS
Project Age	15 months	Problem Flags	None
% Disbursed	23.76%		

III. SUMMARY OF FINDINGS, DISCUSSIONS AND AGREEMENTS

4. **Development Objective (DO).** The project's overall development objective is to improve operating conditions of State roads for road users, in a sustainable way, thus helping to provide the business enabling environment necessary to support Punjab's economic development strategy. Progress in achieving the development objective is rated as **Satisfactory** since: (a) all Phase I civil works for rehabilitation (6 packages) and upgrading (3 packages) amounting to INR.628.89 crores (US\$157 million equivalent) are underway at all sites; (b) all Phase I civil works for periodic maintenance contracts (10 packages) amounting INR.59.54 crores (US\$15 million equivalent) have been substantially completed; (c) the procurement of the consultancy services for Phase II civil works (to be undertaken as Output

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and Performance Based Road Contracts: OPRC) is well underway; (d) the GoP continues the process of consensus building around the proposed institutional development strategy for the sector, and (e) procurement progress for the remaining Institutional Strengthening Component are in progress in various stage of procurement and implementation. Please refer to Annex 7 for results monitoring and key performance indicator data.

5. **Implementation Progress Rating.** Implementation progress rating is retained as **Moderately Satisfactory**. In spite of the continuing difficulty in staffing, PRBDB has taken a strong action for strengthening the team leadership of the Construction Supervision Consultants (CSC) for the upgrading works contracts, and has processed the replacement of the Technical Audit Consultants (TAC) by terminating the consultancy services and quickly acquiring the replacement for the services to support the PWD field divisions for supervision of the remaining contract packages. However, the weaknesses in project management and under-staffing in both PRBDB and PWD field divisions flagged during the last mission still remain as a concern for further progress.

6. The previous mission advised GoP that these weaknesses would need to be addressed on a priority basis, and agreed that the vacancies would be filled with qualified candidates from the market on an urgent basis. However, in the rapidly growing construction market in India, the remuneration gap between the public and private sectors has been affecting the difficulty in acquiring qualified candidates. The mission discussed with the senior management of GoP that an urgent action for fundamental improvement for employment conditions for PRBDB would be required even for short and medium-term sustainability of the agency including introduction of performance-based employment contracts.

7. **Phase I Civil Works Progress:** The rating for the Civil Works Component is retained as **Moderately Satisfactory**. All the ten periodic maintenance packages have been substantially completed. All nine packages including three upgrading & six rehabilitation contracts envisaged under Phase I of the project have been awarded and contractors and supervision/technical audit consultants have substantially mobilized. The review showed that all rehabilitation contracts except RH6/RH1 and all upgrading contracts except UG3 are still under-performing and are at least 5 to 6 months behind the schedule. There is a need to particularly monitor situation on RH2, RH4, UG1 and UG2. The mobilization of contractors as well as deployment of consultant's manpower has now been substantially completed, and there is a likelihood of this situation to be improved in the coming peak working season, which warrants a close supervision and monitoring by PIUs, PRBDB and consultants. In view of the approaching peak working season and need for intensifying supervision and monitoring of works on these & other under-performing contracts, it is critical to strengthen contract management capacity of PIUs, particularly in Kapurthala and Firozpur.

8. Some of the Hot Mix Plant (HMP) is expected to use both imported and local bitumen. The mission suggested that the Engineer closely monitor this activity. The Bank shall ascertain if any independent audit for Excise/Custom exemption has been conducted on any other Bank funded projects, and shall provide terms of reference for such an exercise.

9. **Phase II (OPRC) Civil Works Preparation:** The mission had extensive discussions for the consultancy services for preparation of Phase II OPRC (Output and Performance-based Road Contracts) works, and PRBDB is in the process of the consultant selection. The Technical Evaluation is on-going, and it was agreed that PRBDB would try to

complete the selection process and appoint the consultant by the end of April 2008. This indicates that PRBDB will have a clearer view of OPRC design aspects for Phase II components by the next mission or by the end of 2008. As OPRC is a long-term contract (8-10 years), this current project is planning to finance only its initial period of the contracts for the 600 km sections. This means the GoP needs to commit its continuous financing of the Phase II components after the closing of the IBRD loan for this project. The actual financial requirements would be clear once the comprehensive design and methodology is completed with the consultant's outputs.

10. The mission updated the project cost as presented in the following table. Due to the increased cost in Phase I (price increase and appreciation of Indian rupees), the available project budget for Phase II civil works will remain about US\$75 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	310.3	310.3	235.3	75.0
Road Upgrading	221.5	216.8	146.8	75.0
Rehabilitation	66.9	72.8	72.8	
Maintenance and Other works	22.0	20.7	15.7	
B- IS Component 2	11.0	11.0	11.0	
Incremental Operating Costs	12.0	12.0	12.0	
Total	333.4	333.4	333.4	

11. **Institutional Strengthening Component:** The PWD has conducted a Review Committee to facilitate consensus building for the proposed reform by the Institutional Development Study (IDS) completed in June 2007. However, the process has been in delay due to the insufficient momentum for the reform. The mission discussed this issue with PWD management, and agreed that the process should start with the institutional strengthening for PRBDB operations. PRBDB has been facing a problem for hiring and maintaining the key staff positions due to the large gap of its high operational demand and availability of resources. The issue of introduction of performance-based employment for the entire agency was intensively discussed between senior management of the GoP and the mission. The mission and PRBDB agreed to try to appoint a Technical Advisor for IDS Implementation by end of May 2008, so that the hands-on advice for establishing momentum for the reform can facilitate the process of consensus building.

12. **Environmental Safeguard Management:** The over-all rating of Environmental Management Plan (EMP) implementation is retained as **Moderately Satisfactory**. On both project components (upgrading as well as rehabilitation), environmental monitoring (including pollution monitoring) per requirements of EMPs needs to be initiated. Reporting needs to be strengthened with the inclusion of action taken reports to address gaps in EMP implementation. On rehabilitation packages, although campsites have been established based on approved plans, waste management, emergency response mechanism and traffic diversion plans need to be finalized for most sites. On functioning sites, improved planning and more vigilance is required on waste management, traffic safety, stockpiling of materials (to minimize wastage and fugitive dust pollution potential), and drainage arrangement (in camp sites) to avoid “run

off’ into neighbouring agricultural fields. Vehicle circulation patterns need to be improved to minimize dust pollution and spread of stockpiled materials. Required regulatory clearances for pollution control for machinery and vehicles have been obtained in most cases. Identification of borrow areas is under process and would require clearance from the Environment Officer (EO). On upgrading packages, contractors have been mobilized and pre-construction activities are in progress. However, it was observed that the Construction Supervision Consultant seemed to be preparing new EMPs leading to confusion on the ground, which needs to be reconciled. Works are more advanced in Package UG/3 and the over-all EMP implementation here is fair. However, it was noted that rehabilitation of exhausted borrow areas needs to be completed before handing over to owners.

13. Capacity Building on Environment Management: The Bank held an environment management workshop for contractors, AEs, JEs, EEs and Environment Officers (40 participants attended) to facilitate EMP implementation during construction based on field observations related to environmental performance. This was the third workshop in the series, each customized to the needs of different target groups. Agenda is attached as Annex 3.

14. Disclosure of Information and Public Consultation: Information kiosks have been established on each contract package and project documents are being disclosed as per the agreed action plan for enhancing transparency and accountability. Regular public meetings are being held and proceedings are being documented. As agreed, PRBDB has translated key elements of the EMP in Punjabi to facilitate better communication with the communities. However, consultations need to be strengthened especially on finding options for reuse of excavated earth and debris to benefit areas of community interest such as schools religious places, health centers etc.

15. Carbon Finance Potential: Following discussions with PRBDB and the Bank's Senior Carbon Finance Specialist, the establishment of eligibility under the Programme of Activities (POA) of the Clean Development Mechanism (CDM) is under review. These discussions included PRBDB's initiative for procuring (importing) energy efficient Hot Mix Plants (HMP), using improved technology for 400 kms of upgrading contracts in this project. PRBDB has shared fuel consumption and cost data specific to the Hot Mix Plants to enable the preparation of a Project Idea Note (PIN) with Bank's assistance. In addition, the GoP/PRBDB has expressed interest to participate in the Bank-assisted and financed study to assess the potential for Carbon Finance Resources to support road improvements, which is still under Bank's internal review process..

16. Social Safeguard Management. Compliance with social safeguards continues to be **Satisfactory** as the project has achieved substantial results on the ground since the last mission. Due to modified designs the private land to be acquired has now come down to 55 acres as against 73 acres estimated earlier thereby reducing number of affected households to 497 from 895. Out of these 55 acres, the project has already acquired 24 acres (including Pohir bypass) and so far INR. 25.78 crores have been disbursed towards land acquisition. PRBDB is in the process of issuing notices under Section 9 and 11 of LA Act 1894 through revenue department for the remaining land parcels. For milestone 1, micro plans for both titleholders and non titleholders have been submitted by the NGO except for Ludhiana - Malerkotla - Sangrur corridor for which COI has been finalized recently. Micro plans for non titleholders for all the seven rehabilitation corridors and Taran Taran –Chhabal – Attari upgrading (UG3) corridor have been approved by PRBDB and entire R&R assistance has been

disbursed. The delay in finalization of the additional road design (four-laning of 22 km from original design of 4 km) is affecting finalization of verification data in Kharar – Banur – Tepla (UG1). Out of the total 235 common property resources across the packages, only 8 have been relocated so far.

17. It was also agreed that PRBDB will appoint consultancy firm to conduct mid-term evaluation of RAP implementation by July 31, 2008 as entire land would have been acquired by that time.

18. **HIV/AIDS Prevention.** Since the appointment of the consultants to implement HIV/AIDS Interventions in November 2007, they have recruited the key professionals to work on the project. Following the submission of the inception report, the consultant team organized meetings with the Executive Engineers, the contractors and the engineering consultants, and oriented them on issues related to HIV/AIDS, its influence on the road sector and the role envisaged for them on the project. The consultants conducted need assessment across the packages and also mapped the project areas and available resources. The data is currently being tabulated. The mission emphasized that the consultants further review other available data specific to the project areas and the audiences which could be availed from the different agencies working to prevent HIV in the state. Further, the consultants are required to correlate the desk review data with the results of the need assessment undertaken by the consultants. The needs assessment report would be submitted by 15 April 2008, and shared with the Bank.

19. Based on the results of this need assessment, an HIV/AIDS action plan is to be developed. It was agreed that this action plan would be prepared by the consultants by 15 May 2008. The mission held discussions with consultants on what the action plan would include. It was also agreed that the action plan will be shared with the Punjab State AIDS Control Society (PSACS), and the Consultants along with PRBDB staff would hold discussions with PSACS on the modalities of implementing the Plan and their input in its implementation. The contractors and engineering consultants were not able to initiate any ongoing prevention activities except for one-off sensitization programs due to the lack of clarity on issues related to HIV/AIDS. The mission held detailed discussion with the consultants, and it was agreed that the consultants would work closely with the contractors and engineering consultants to help them implement workplace prevention interventions for their workforce on the campsites.

20. **Financial Management Aspects:** The Financial Accounting Software (FAS) is not fully operational yet, and the FAS generated vouchers are not being submitted along with payment requests for approval by the Divisional Engineer. This is not in compliance with the agreements during the previous mission. The use of FAS is restricted only to the recording of the financial transactions, and the advance features of the software are not fully exploited. IT security policy needs to be framed and implemented for securing access to the software. The staff needs advance training on the use of the software to optimize its utilization.

21. Payments made during the year towards shifting of utilities are still recognized as expenditures at the time of release. It was agreed that henceforth all such payments shall be treated as an advance. Ageing analysis of such advances shall be presented to the Divisional Engineer every month and the Project Director every quarter for periodic follow-up with the departments' viz. Electricity, Water Supply, and Forestry etc. and recovery of the UCs. Divisions shall need to strengthen their mechanism for obtaining UCs and intervention of PRBDB may be sought on need basis.

22. The Addendum to the Financial Management Framework (FMF) has not been drafted and submitted to the Bank which is not in compliance with the agreements during the previous mission. The FMF needs to be fully implemented by PRBDB. Final Internal Audit Report for the half-year ended Sept. 30, 2007 should be submitted without any further delays.
23. Disclosures on the budgetary allocations (yearly basis), project financing plans, FMF, R&R payments (monthly) - ID cards distributed to the PAPs, number of joint accounts opened, compensation and assistance disbursed etc. should be made on the PRBDB website with periodical upgrading.
24. Guidelines for the R&R payments may be modified to include issues relating to the process of R&R payments, key roles and responsibilities of staff etc. Further full documents in relation to the payments should be contained in the PAF files. Comprehensive training should be imparted to the accounting staff on the key aspects of the R&R and the related documentation to further strengthen the review mechanism prior to the release of payments.
25. **Procurement.** Due to the overlapped fiduciary retreat, the procurement team could not join the mission at this time. The procurement team will visit PRBDB later in April to conduct their discussions, and the findings will be shared later.
26. **Actions for Enhancing Transparency and Accountability.** The agreed actions for disclosure of information are in compliance. The grievances handling system is in place, and the complaints are being reported in the Monthly Progress Reports and the Quarterly Implementation Progress Reports.
27. **Compliance with Legal Covenants.** The following is the status of compliance with the legal covenants. We would like to call your attention to the fact that the continuous failure to meet the legal obligations set forth in the Project Agreement will significantly affect project implementation, and will give the Bank the right to exercise its remedies under the legal agreements for this project, in particular the right to suspend loan disbursement.
- (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, the Schedule of the Project Agreement. This covenant is not yet complied with.
- (ii) *Funding for Plan Roads Maintenance:* GoP needed to disburse to the Road Maintenance Fund, at least US\$25 million by December 31, 2007, refer to Section I-A-7, the Schedule of the Project Agreement. This covenant is not yet complied with.
28. **Next Implementation Support Mission:** The next full mission is tentatively scheduled for early November, 2008.

Annex-1

Agreed New/Updated Key Actions

No.	Key Actions	By whom	Target Date	Present Status
Upgrading Works, Rehabilitation & Maintenance (Phase I & II)				
1	TAC replacement to be on board	PRBDB	April 25, 2008	
2	Ascertain and provide TOR for audit for Custom/Excise Exemption	WB	May 31, 2008	
3	Appoint consultant for Phase II OPRC preparation	PRBDB	April 30, 2008	
4	Organize a site visit by members of dispute resolution board (DRB) on all contracts	PRBDB/ Contractors	May 15, 2008	
5	Filling up of all vacant key positions for consultants and contractors	Consultants & Contractors	April 30, 2008	
Institutional Strengthening Component				
6	Appoint Technical Advisor for IDS implementation	PRBDB	May 31, 2008	
7	Appoint individual advisor for Road Fund Secretariat	PRBDB	May 31, 2008	
8	Draft RFP for Integrated Transport Policy & Strategy to be submitted to the Bank for review	PRBDB	April 30, 2008	
9	Amount provided to Road Maintenance Fund amounts to US\$25 million (Financial Covenant)	Finance Dept, GoP	June 30, 2008	(Overdue Financial Covenant)
10	IT process study consultant to be appointed.	IT Dept, GoP	April 30, 2008	
Environmental Safeguard				
11	Appointment of Pollution Monitoring Agency	PRBDB	May 31, 2008	
12	Initiate collection of data/ information for Environment Monitoring	PRBDB	Immediate	
Social Safeguard				
13	Balance land to be acquired	PRBDB	May 31, 2008	
14	Micro plan finalization and approval	NGO/PRBDB	June 30, 2008	
15	Income Restoration plan	NGO	April 15, 2008	
16	CPR Relocation	NGO/PRBDB	May 31, 2008	
17	Appointment of consultants for Mid Term Evaluation of RAP implementation	PRBDB	May 31, 2008	
Financial Management				
18	FA Software <ul style="list-style-type: none"> • generation of data from FAS • IT security policy • Advance training to staff 	Consultant (Finance)	Immediate Immediate April 30, 2008	
19	<ul style="list-style-type: none"> • Addendum to FMF; draft sent to Bank • Implementation of FMF 	Consultant (Finance)	Immediate May 31, 2008	

20	Internal Audit report for the half year ended Sept 30, 2007	Consultant (Finance)	Immediate	
21	Reporting in the Quarterly FMRs	Consultant (Finance)	w.e.f the next FMR	
22	Disclosures on FM - budgetary allocations, project financing plans, FMF, R&R payments	Consultant (Finance)	April 30, 2008	
23	R&R payments; <ul style="list-style-type: none"> • Documentation in PAF files • additions/modifications in guidelines • training provided 	Consultant (Finance)	Immediate Immediate April 30, 2008	
Project Management				
24	Appoint vacant Project Managers in PRBDB	GoP	May 31, 2008	
25	Appoint sufficient supporting staff for divisions in PWD	PWD	May 31, 2008	
26	Finalize performance-based contracts for PRBDB staff	GoP	June 30, 2008	

Pending Actions since October 2007 Mission

No.	Key Actions	By whom	Target/Revised Date	Present Status
Upgrading Works, Rehabilitation & Maintenance				
2	Improvement works recommended by the safety audit on locations falling under Phase I and II roads	PRBDB/Contractors	Immediate	Consultants written on 15/11. Reply awaited.
Consultancy Services (Supervision / Technical / other)				
11	Capacity Assessment of field divisions (number and skills) and issuance of guidelines for distribution of work	PWD/PRBDB	Immediate	Partly completed. In process
Institutional Development Component				
18	Develop personnel and functions database	PWD/PRBDB	November 30, 2007	In Process.
25	Award Training on Environmental Mgt	PRBDB	January 30, 2008	Revised Proposal from M/s Ernst & Young expected on March 31, 2008.
29	Procurement of a consultant to (i) enter and collate accident data supplied by the police stations for the next two years; and (ii) installation and training of Accident data Collection System to the Traffic Police HQ and District Police Stations.	IG Traffic /PRBDB	November 15, 2007	Delayed. Procurement Process being initiated.
30	Procurement of about 400 hand held GPS for police station.	PRBDB/IG Traffic	November 30, 2007	Delayed
32	Purchase reflective gear for traffic police	PRBDB/PWD/Traffic Police	January 30, 2008	Delayed. IG Traffic being requested for requirement / specifications.
Computerization, GIS based RIS and RMMS				
38	Initiate Procurement of RAMS	PRBDB	March 31, 2008	Shall be taken up when GIS mapping is nearing completion.

PROGRESS BY COMPONENT**Road Upgrading, Rehabilitation and Maintenance Component**

Phase I Civil Works Progress: All 10 periodic maintenance contracts have been completed by the end of February 2008. The contracts for nine packages including three upgrading, six rehabilitation packages envisaged under Phase I of the project have been awarded and contractors and supervision/technical audit consultants have substantially mobilized. The mission visited all Rehabilitation and Upgrading contracts and held discussions with contractors, consultants, PIUs and PRBDB on various implementation issues affecting the progress. Observations on each contract visited have been explained in the following paragraphs, while a table depicting the progress on each contract is attached in Annex 6.

The review showed that all rehabilitation contracts except RH6/RH1 and all upgrading contracts except UG3 are still underperforming and are at least 5 to 6 months behind the schedule. There is a need to particularly monitor situation on RH2, RH4, UG1 and UG2. The mission also urged PRBDB to organize a site visit by members of dispute resolution board (DRB) on all contracts. The mobilization of contractors as well as deployment of consultant's manpower has now been substantially completed and there is a likelihood that this situation could be improved in the coming peak working season,, which warrants a close supervision and monitoring by PIUs, PRBDB and consultants.

In view of the approaching peak working season and need for intensifying supervision and monitoring of works on these and other underperforming contracts, it is critical to strengthen contract management capacity of PIUs, particularly in Kapurthala and Firozpur.

Considering various reasons explained above and absence of significant changes in the progress of works since last mission, the mission maintains **Moderately Satisfactory** rating for the Civil Works Component of the project.

Technical Audit Consultant (TAC) for Phase I NCB Works: The TAC has been issued a termination notice due to their unsatisfactory performance and inability to mobilize sufficient staff for providing quality services. The mission was informed that their services would be terminated on April 25, 2008. PRBDB is considering to issuing a variation to CSC consultants to provide these services, and have sought their proposal. The mission urged PRBDB to ensure that before April 25, 2008, the new TAC arrangements would be in place.

Construction Supervision Consultants (CSC) for Phase I ICB Works: A new Team Leader has been recently appointed by the CSC, and he started to improve the situation, which is an encouraging improvement. However, the mission noted that the consultant is still short of staff in UG2. This includes recruitment of Sr. Quantity Surveyor and Sr. Material Engineer. The mission advised the consultants to deploy these personnel at the earliest.

Pre-construction Activities: The mission noted significant improvements in the pre-construction activities since last mission. However utility shifting is still pending in the upgrading contracts to be completed at few locations.

Contract Management: The mission noted signs of improvements in the contract management capacity of PIUs and noted that all contractual milestones are being monitored. However, the mission suggests that there is still ample scope of improvements, particularly in the level of supervision by field divisions working as the 'Engineer'. In this regard, PRBDB informed the mission that the next round of contract management training to all PWD field engineers using the standardized PWD manual is being scheduled. The mission suggested that training opportunities from NITHE and CIDC be sought in Chandigarh, and this training be for the Departmental Engineers as well as for the Consultant's and Contractor's key personnel.

Vehicles for JEs: The mission noted that the issue of insufficient vehicle/travel arrangements for SDEs/JEs in the field divisions has been resolved.

Staffing: The mission expressed concerns that there are still some field offices, particularly at Firozpur and Kapurthala, where the staff strength is insufficient.

Distribution of works among SDEs/JEs: The mission noted that proper distribution of work among the SDEs / JEs has been put effect to.

Site Visit Observations

Package RH/1: (Zira-Ferozepur) and Package RH/ 5: (Dharamkot-Zira)

- The physical progress of RH1 is 17.6% against the targeted 16.3%. For RH5, 18.8% against the targeted 16.3%.
- The contractor continues to deploy only one motor grader on each package against two required by the contract. The mission urged the PWD field division to ensure that the contractor deploys other equipment as per the contracts.
- The mission noted that there are still electrical poles at Zira town that need to be shifted.
- As per the work program, for RH 1 the contractor proposes to cover just 10% of DBM area with BC and for RH5, the contractor proposes to cover just about 16.7% of the DBM area with BC before monsoons. The mission suggested that this approach could lead to deterioration of DBM surface during the monsoon and therefore contractor should consider laying BC simultaneously.
- The mission was informed that 2 months extension of time (EOT) has been provisionally granted for both of the packages. However, the contractor is working on the basis of an anticipated 6 months extension on RH 1 and 5 months extension on RH 5. The mission suggested that the Employer and the Engineer carefully review these extensions and arrive at a final decision at the earliest.
- The mission noticed at few locations that proper consolidation of the WMM layer was not achieved, which could lead to differential settlements and cracks in the upper layers.
- The mission observed that the issue of settlement of FRLs is still pending in package 1. The Employer assured that the same would be resolved by the end of March 2008.

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

- The mission was disappointed to note lack of progress, ad-hoc planning and project management of the contractor as well as no signs of participation from one of the JV partners. As discussed during the last mission, the Employer must investigate and issue appropriate notices in this regard to the JV. The entire work fronts are available to the contractor; however the contractor has achieved only 14% progress against a target of 67% by March 20, 2008.
- The mission was also informed that there is shortage of availability of funds with the Project Manager which is a key deterrent in the progress of works on this package.
- The mission also noted that the machinery available at the site is not commensurate with the provision in the contract.
- The mission noted that the contractor has established an HMP of 200 TPH capacity and has completed 10 km DBM. As per the work program submitted by the contractor, he intends to take up the work of BC in the month of September 2008 after completing sizeable quantity of DBM up to June 2008. However the mission suggested that the contractor should simultaneously plan to take up BC works also to avoid risk of exposure of DBM layer to rains during monsoon.
- The contractor has planned his work program on the basis of the anticipated EOT of 8 months going up to June 2009, as against an approved EOT of 3 months. The mission felt that with the availability of such high capacity machineries viz; HMP and unencumbered stretches being available, with proper planning and input of necessary finance by the contractor, the project can be completed much earlier.
- The mission noted a difference between the road level and the parking area in front of the Jyoti Sarup Gurudwara, which could lead to serious road accidents. The mission noted that PRBDB is considering enhancement of the area near Gurudwara including construction of a ramp from road to parking area as well as raising of kerbs.
- The contractor has not set up a WMM plant yet as required by the contract; however he proposes to arrange this material from some other source. The mission suggested that the Engineer inspect this WMM plant and ensure the quality and mix design is as per the required specifications.

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

- The mission was concerned to note slow progress of works in this contract. The physical progress could merely reach 17.5% by March 20, 2008 against the target of 34% as per the revised work program. An extension of two months has already been granted. The revised completion date is February 11, 2009.
- The mission expressed a concern that the contractor has not yet planned or started procurement of bitumen. The mission suggested that the Contractor work / focus on this issue and arrange to procure the bitumen at the earliest in order to effectively utilize the peak working season before the monsoon.
- The mission observed that on this contract the machineries are also not deployed as per the contract provisions.

- The pre-construction activities are also pending on this contract. The mission noted that out of total 14 transformers, 8 have been relocated with action pending on 6 transformers. The mission suggested expediting the electric pole shifting at the earliest.
- The mission expressed concerns about the stagnation of sullage water and the foul smell in the recently constructed drains in the habitated areas. The mission was also concerned that these drains have been constructed higher than the plinth level of houses and shops. The Employer assured that the stagnated water shall be pumped out and due care will be taken while constructing the drains keeping in view the actual conditions at the site.

RH/4: (Tarn Taran-Kapurthala):

- The mission expressed concerns that the slow progress on this contract continues to prevail since the last mission and has not improved. The progress achieved so far is only 9.5% against a target of 24% by March 23, 2008.
- The contractor has imported a crushing plant to be set up in Himachal Pradesh, which has not yet been commissioned, pending grant of a license by the Government of HP. The mission noted that the custom duty exemption certificate has been issued for this plant. The mission urged the Employer to ensure that the said plant is utilized for this project.
- The mission suggested the contractor to assess the availability of all aggregates particularly stone dust and ensure that the required quantity and quality is available to carry out uninterrupted work.
- The contractor proposes to use the HMP established on contract UG3. The distance between the HMP location and the farthest point on RH4 is about 60 km. Therefore, the time taken for the DBM / BC mix to reach the farthest point shall be over one and a half hour. The Engineer should ensure that the bituminous material is laid in position with temperatures in the required range and as per the specification.
- The mission advised that the contractor submit a resource-based work program including a methodology to take up concrete pavement in 1320 m of the stretch.
- The mission suggested that the capacity of the Engineer on this contract needs to be strengthened and the Employer should closely review the progress.

RH/6: (Patiala-Sirhind):

- The mission was pleased to note a good progress on this package. The contractor has achieved 58.5% progress by March 25, 2008 against a target of 45.75%. The contractor informed the mission that they expect to complete the work much before the scheduled completion date, which is likely.
- The mission advised that the contractor should work out the requirement of balance materials and arrange to have the stock pile so that there is no shortage of materials.
- The mission observed a sizeable level difference between the DBM and the shoulders, which could lead to accidents. In some areas, shoulders were being raised but with materials not conforming to specifications. Even the consolidation was not done properly. This needs to be rectified immediately.
- The mission suggested that the contractor needs to submit a revised work program after taking into consideration the curtailment of 8 km and addition of the same length at other location. The Employer and the contractor need to agree and take an early decision on these changes in the contract.

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

- The mission noted with concern that contractor could achieve only 1.5% progress in seven months elapsed so far. The mission suggested that in the coming few months contractor must focus on clearing/grubbing, OGL, CD works and material procurement.
- The mission observed that there is no Material Engineer available with the contractor, which should be appointed at the earliest.
- The mission was informed that the issue of shifting of electrical poles has been sorted out with PSEB. However, the work is yet to start at site.

UG/2: (Ludhiana – Malerkotla – Sangrur)

- The contractor has now fully mobilized; however, the mission noted with concern that the contractor could achieve only 0.46% progress in first 7 months against a target of 6.8%.
- The mission noted that there is a shortfall in total number of skilled and unskilled manpower required including requirement of Highway Engineer, Bridge Engineer and Material Engineer. The mission advised the contractor that these positions be filled up at the earliest in order to speed-up the work.

- The mission was informed that there are about 80 hand pumps that are to be shifted on this stretch, which need to be taken up at the earliest by PRBDB/PWD.
- The contractor has to identify a borrow area for the sub-grade material.
- The works on the culverts and major/minor bridges are yet to start in full swing. The mission was informed that these works are suffering primarily because of the lack of Bridge Engineer with the contractor. The contractor informed that the Bridge Engineer will be in place from April 1, 2008, onwards.
- The mission was informed that the contractor has to prepare and submit the traffic management plan for typical sections.

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

- The progress on this contract has reached 47% against a revised target of 37% by March 23, 2008. The mission was informed that the contractor has submitted a revised work program and requested extension of time till May 15, 2008, which is being considered by the Engineer.
- The mission was informed that the contractor has imported bitumen from Egypt and has put up a decanting plant. Simultaneously, the contractor is also procuring bitumen from IOCL refinery in Panipat and is planning to use the HMP established for this package for the work being carried out by them on RH4. The mission suggested that the Engineer closely monitor this activity and the Employer conduct an independent audit for Excise/Custom exemption certificates being issued to contractors.
- The mission was informed that the reinforcement steel being used on the bridge at Ch.30+770 was procured from a local source in Mandi Gobindgarh. The mission advised the Engineer to conduct the necessary tests.
- The mission also observed honey combing in the concrete for the bridgework and segregation of DBM layer at few locations, which should be rectified.

Phase II Civil Works Preparation: The mission had extensive discussions for the consultancy services for preparation of Phase II OPRC (Output and Performance-based Road Contracts) works, and PRBDB started the consultant selection process by QBS method. The RFP was issued, and the interim mission in January supported PRBDB for pre-proposal conference on January 10, 2008. Three proposals were received by February 8, 2008, and PRBDB is currently under the evaluation of the technical proposals. The Technical Evaluation Report (TER) will be submitted to the Bank for review soon, and it was agreed that PRBDB would try to complete the selection process and appoint the consultant by the end of April 2008. This means by the next mission or by the end of 2008, PRBDB will have a clearer view of OPRC design aspects for Phase II components. As OPRC is a long-term contract (8-10 years), this current project is planning to finance its initial period of the contract for the 600 km sections. This means the GoP needs to commit its continuous financing of the Phase II components after the closing of the IBRD loan for this project. The actual financial requirements would be clear once the comprehensive design and methodology is completed with the consultant's outputs.

Part of the mission members participated in the International Road Congress (PIARC) technical committee 4.1 (on Road Asset Management) in Chandigarh during March 19-21, 2008 and Dr. Kamhi has made a presentation about risk definition, allocation and mitigation aspects of OPRC in the performance-based contracts session. The mission congratulated the Government of Punjab for very successful hosting of this international event.

<p>Institutional Strengthening Component</p>

Institutional Development Study: The PWD has conducted the PWD Review Committee to facilitate consensus building for the proposed reform. However, the process has been in delay due to the insufficient momentum for the reform. The mission discussed with PWD management, and agreed that the process should start with the institutional strengthening for PRBDB operations. PRBDB has been facing a problem for hiring and maintaining the key staff positions due to the large gap of its high operational demand and availability of resources. The issue of introduction of performance-based employment for the entire agency was intensively discussed between PRBDB and the mission. The mission and PRBDB agreed to try to appoint a Technical Advisor for IDS Implementation by end of May 2008 so that the rationale for the reform and its hands-on advice can facilitate the process of consensus building.

Institutional Strengthening Actions in the Project: The range of activities planned under the project has been under preparation and implementation. The status of each activity is summarized as follows:

Road Fund Secretariat: PRBDB has facilitated the finalization of the TOR for the Road Fund Secretariat. However, the selection of the consultant with CQS (Selection Based on the Consultants' Qualifications) method was not

successful due to the lack of appropriate interest from the targeted consultants. The mission and PRBDB agreed to look for an individual advisor for the Secretariat so that he/she can facilitate the formation of a consultant team for technical assistance to the Secretariat.

Integrated Transport Policy and Strategy, and Strategic Investment Plan (Transport Sector Master Plan): PRBDB agreed to reorganize the intended consultancy services for Transport Sector Master Plan to be more formalized approach with the formulation of Integrated Transport Policy and Strategy, with an associated Strategic Investment Plan for more organized and structured future transport sector development of the State. The mission commented and discussed the intended TOR for this activity, and PRBDB has advertised the EOI (Expression of Interest) Notice for the submission deadline of April 22, 2008. Based on these, PRBDB will finalize the TOR, and will issue RFP (Request for Proposals). It was agreed that the RFP will be submitted to the Bank for review by mid-April 2008.

Computerization of PWD: The mission had a meeting with the director (IT) to finalize the program management component of the IT component of the project. The Department of IT is in the process of selecting consultants to undertake a process study; finalize the solution architecture for PWD process automation, undertake bid management to get implementation vendors on board and program-manage the implementation of the finalized IT solution. The mission expressed concerns on the delay of this activity, and urged DoIT and PRBDB to expedite the process of selecting such consultancy service. It was agreed that this process of selecting such consultants will be completed and an appropriate contract put in place by 30 April 2008.

The issue of finalizing the e-procurement model and implementation of the same is currently being discussed with in the government of Punjab. PWD was encouraged to take lead in this matter and take up the issue through appropriate channels. This shall enable faster decision making on the subject.

GIS-Based Road Information System (RIS) and Road Asset Management Systems (RAMS): The Punjab Engineering College (PEC) has been engaged to prepare the GIS maps for the road network in Punjab. The PEC has digitizing with the link road using the NRSA imaginary. There has been a delay in obtaining the maps from Survey of India (SOI) and therefore the work is expected to be completed by July 2008. The Road Asset Management Systems (RAMS) will be finalized when Phase II (OPRC) preparation consultants will be on board.

Road Safety: The project has identified 914 un-manned at-grade railway crossings in Punjab in consultation with Ministry of Railway. Details of these crossings have been sent to the PWD field divisions to formulate the minimum requirement as per IRC guidelines. The project would support minor improvements on prioritized crossings including installation of traffic signs, rumble strips, etc. In addition, PRBDB is also in the process of procuring 400 GPS instrument for Traffic Wing of Punjab Police for accident data collection. The consultants short-listed for carrying out road safety awareness program has withdrawn his proposal. PRBDB will explore other possibilities of engaging agencies

The GoP also expressed keen interests in formulating road safety policy for the State. It was agreed that this activity can be part of the Integrated Transport Policy Study. As discussed during the last mission, procurement of a consultant to (i) enter and collate accident data supplied by the police stations for the next two years; and (ii) installation and training of Accident data Collection System to the Traffic Police HQ and District Police Stations is still pending. The mission was informed that the system already developed by the road safety consultant needs improvements. It was agreed that PRBDB in consultation with Traffic Wing of Punjab Police would explore the possibility of improving the existing system or procuring any off-the-shelf system.

Environmental Safeguards

Environment Management

The mission focused on (a) quality of implementation of Environment Management Plans (EMPs), (b) institutional arrangements for EMP implementation (c) environmental monitoring and reporting; (d) status of regulatory clearances; (e) public disclosure of environment information and; (f) capacity building and training aspects. Site visits on all roads were also conducted. Key observations and agreed actions are as follows:

Implementation of Environment Management Plans (EMPs)

The overall rating of EMP implementation is *moderately satisfactory* based on the key observations listed here. Contract-wise details of issues and actions to be taken for effective EMP implementation have been provided as Attachment 1 under this Annex.

Rehabilitation Works - Rating – *moderately satisfactory*: Contractors are in various stages of pre-construction and construction activities in all packages. Required regulatory clearances for pollution control for machinery and vehicles have been obtained in most cases. Identification of borrow areas is under process and would require approval of the Environment Officer. Sequencing of environment activities needs to be coordinated with the overall work schedule for civil works to avoid back log of environment activities and plans for waste management, emergency response, and traffic diversion plans need to be finalized. Although campsites have been established based on approved plans, improved planning and more vigilance is required on waste management, aggregate and stockpiling of materials (to minimise wastage fugitive dust pollution potential), drainage arrangements to avoid run off into surrounding agricultural fields. In the same token, vehicle circulation patterns need to be better defined and managed to minimize dust pollution.

Upgrading Works - Rating – *moderately satisfactory*: Contractors have been mobilized Packages on UG 1, 2 and 3 and various pre-construction activities are in process. It was observed that the CSC seemed to be preparing new EMPs leading to confusion on the ground, which needs to be reconciled. Works are more advanced in Package UG 3 and the over-all EMP implementation here is fair. However, it was noted that rehabilitation of closed borrow areas (as per EMP requirements) needs to be taken-up before handing over to owners. Additionally, more options need to be explored with communities and other local groups to improve disposal and reuse of debris.

Institutional and operational mechanisms

- (i) Environment Officers: Regular technical support (including monitoring and recording of issues) through inspections/visits to all work sites and is being provided by the nodal EO at the PRBDB. . Further, EOs have been designated at field level within the CMUs, and the Contractors teams.
- (ii) Environment Monitoring and Reporting: Following previous discussions with the EO, PRBDB and the Consultants, the mission re-emphasized the seriousness and purpose of timely monitoring and reporting, and inclusion of Action Taken Reports to monitor progress and gaps in EMP implementation. Samples of the same were shared with the EO and it was agreed that these would be a part of the Monthly Project Progress Reports. It was agreed that the CMUs would ensure that the required information is sent to the EO, PRBDB to facilitate cumulative assessment of resource preservation and use. The mission also suggested environmental parameters that could be assessed during mid-term review of the project.
- (iii) Environment management capacity building (EMCB) within PRBDB/PWD: PRBDB had initiated the process of outsourcing an agency for training on environment management and capacity building (EMCB) to ensure continuity, systematic implementation of EMPs, and institutionalizing the same within PRBDB to apply across all works. The delay has been due to the poor quality of proposals received. Submission of a fresh proposal is expected on March 31 and decision is likely to be taken by April 2008 end.

To facilitate sensitization and awareness on addressing environment, health and safety issues during project implementation, a training workshop for all EOs, Field Officers (AEs, JEs, EEs) and Contractors was conducted by the Bank and PRBDB on March 29, 2008 at Chandigarh. This included sharing of practical illustrations on EMP implementation from international (Australia) and national (Gujarat State Highway and Lucknow-Muzaffarpur National Highway Project) cases.

Additionally, the mission suggested an interaction and exchange of information between PRBDB and PWDs of Gujarat, Kerala and Karnataka states on institutionalizing environment aspects as a part of PWD operations. The mission also suggested that PRBDB could send a team to attend the International Conference on Impact Assessment to be held at Perth Australia in May 2008 for gaining exposure on environment management.

Regulatory Clearances

Forest Clearances and Tree cutting: The mission was informed that all required forestry clearances have been obtained, with one pending for RH/6 which has been recently filed. The mission was informed that no civil works schedules are affected due to this.

Pollution Control: The mission was informed that the required No Objection Certificates (NOCs)/Consents for hot mix plants, batching plants and crusher sites have been obtained by the concerned Contractors. However, consent from GoHP for the operation of the crusher is pending in case of RH/4, affecting the timely availability of aggregates. The contractor has been advised to expedite the same.

Disclosure of Documents and Public Consultation

Information kiosks have been created at all work sites and project documents have been placed. Regular public meetings are being held and proceedings are being documented. As agreed, PRBDB has translated key elements of the EMP in Punjabi to facilitate better communication with the communities. However, consultations need to be strengthened especially on options for reuse of excavated earth and debris.

Carbon Finance Potential

29. Following the discussions with PRBDB and the Bank's Senior Carbon Finance Specialist, the establishment of eligibility under the Programme of Activities (POA) of the Clean Development Mechanism (CDM) is under review. These discussions included PRBDB's initiative for procuring (importing) energy efficient Hot Mix Plants (HMPs), using improved technology for 400 kms of upgrading contracts in this project. PRBDB has shared fuel consumption and cost data specific to the HMPs, to enable the preparation of a Project Idea Note (PIN) with Bank's assistance. In addition, the GoP/PRBDB has expressed interest to participate in the Bank-assisted and financed study to assess the potential for Carbon Finance Resources to support road improvements which is still under Bank's internal review process.

Annex-3: Attachment 1**Site Observations Pertaining to EMP Compliance****A. Rehabilitation Roads**

Stage of works: Construction.

Contract Package	Name of the Road Corridor	Pending Issues / Actions Required for Improved EMP Compliance	Remarks	
RH 1 & RH 5 (Camp site location is common for both Packages)	Firozpur Zira Dharamkot	<ul style="list-style-type: none"> Stack height of aggregate and sand in the construction camp needs to be reduced. 	Good practice observed benching of stacked aggregate in some places within the camp; plantation on campsite and dissemination of information through public meetings Borrow area identification is under process.	
		<ul style="list-style-type: none"> Disposal of excavated earth stacked along roadside, for which sites need to be identified. Comprehensive waste management plan yet to be submitted. Plan to be finalized and submitted by April 30, 2008. Disposal/reuse of fine stone dust from bag filter of HMP is required. 		
		<ul style="list-style-type: none"> Pollution monitoring needs to be initiated. 		Agency identified recently
		<ul style="list-style-type: none"> Monthly Progress Report to be submitted. 		To be submitted by 10 th of every month.
		<ul style="list-style-type: none"> Documentation of trees saved. 		To be done by PRBDB & CMU.
RH 2	Chandigarh-Landran Chunni - Sirhind	<ul style="list-style-type: none"> Bitumen leakage during handling needs to be minimized and spilt bitumen needs to be disposed properly. Barricading height between plant and office area to be increased. Construction waste to be disposed off properly at approved locations. Borrow area not to be opened with EO's (PRBDB) approval. 	-	
RH 3	Phillaur Nagar Rahon	<ul style="list-style-type: none"> Disposal of excavated earth stacked along roadside and that at bridge site (pile testing) needs to be expedited. Stagnant water observed in newly constructed drains in inhabited sections. This needs to be drained to avoid health hazard and unhygienic conditions. Waste oil in the camp needs proper handling. 	Waste disposal and rehabilitation of such sites must be completed prior to monsoons.	
RH 4	Kapurthala-Tarn Taran	<ul style="list-style-type: none"> Debris disposal options from dismantling of major bridge need to be finalized. Waste oil from repairing station needs to be managed properly to prevent soil contamination. The kitchen waste disposal location needs to be managed properly. Dust control measures required in the camp. 	-	
RH 6	Patiala Sirhind	<ul style="list-style-type: none"> Vehicle / truck circulation needs to be better managed to avoid spread of aggregate on camp site. House keeping of the camp need to be improved. Contamination of soil due to oil leakage. Bitumen spillage at camp should be minimised. Leakage of stone dust from HMP needs to be controlled and disposal /reuse needs to be expedited. Pollution monitoring is yet to be conducted. 	-	

b. Up-grading Roads

Stage: Pre-construction and construction activities.

Contract Package	Name of the Road Corridor	Issues / Actions Required for Improved EMP compliance	Remarks
UG/1	Kharar Banur Tepla	<ul style="list-style-type: none"> Traffic Management Plan for work zones to be submitted for approval. Preparation of Comprehensive Waste Management Plan to be expedited. Enhancement options to be explored for relocation of mazar and temple being currently relocation. Pollution monitoring to be done. Define circulation path for vehicles in the plant area. Minimise dust generation in the plant area. 	<ul style="list-style-type: none"> Mobilization complete Coordination between CSC and Contractor needs improvement Consultations need to be initiated with local communities/ Panchayats for identification of borrow areas. Cross drainage along haul road to camp site restored and strengthened – good practice.
UG/2	Ludhiana-Malerkotla-Sangrur	<ul style="list-style-type: none"> Adhoc aggregate storage observed - needs to be reorganized to avoid conflict with truck circulation pattern. Large amounts of excavated earth stacked along roadside. Pollution monitoring to be done. Comprehensive waste management plan to be prepared Traffic management plan for work zones to be finalized <p>Campsite at chainage 25 – drainage arrangements to avoid run off in neighbouring agricultural fields from workshop and plant area+ settling tank to be provided at the batch mix plant here.</p>	<ul style="list-style-type: none"> Consultations with communities, local committees and panchayats needs to be expedited for finalising reuse options for debris and spoils. Proper stripping, stacking and preservation of top-soil on Pohir by-pass required.
UG/3	<ul style="list-style-type: none"> Tarn Chhabal Taran Atari 	<ul style="list-style-type: none"> Closed Borrow area needs to be rehabilitated appropriately and restored to original condition before handing over to the owner. Identification of waste disposal sites and submission of Comprehensive Waste Management Plan is pending Vehicle circulation within plant site to be improved to prevent dust pollution and compaction of soil. 	

Annex-3: Attachment 2
Workshop on Environmental Management
March 29, 2008 - Chandigarh

Agenda

S. No.	Particulars		Time		Remarks
			From	To	
Registration			9:45	10:00	-
Session 1	Introduction of All Participants		10:00	10:10	All Participants
	Purpose and Objectives of the Workshop		10:10	10:20	Sonia Chand Sandhu and Neha Vyas
	Expectations of Participants from the Workshop		10:20	10:30	All Participants
Session 2	Short Film - Australian Case (Victoria)		10:30	10:50	Mainstreaming environmental management in road design and construction
Session 3	Upgrading Component	Contract Package UG/01	10:50	11:30	Concerned Project Manager (Contractor) supported by his Environment and Safety Officer followed by Comments from CSC, CMU and PRBDB officials. Session facilitated by Sonia Sandhu and Neha Vyas
		Contract Package UG/02			
		Contract Package UG/03			
	Rehabilitation Component	Contract Package RH/01	11:30	13:30	
		Contract Package RH/02			
		Contract Package RH/03			
		Contract Package RH/04			
		Contract Package RH/05			
		Contract Package RH/06			
LUNCH			13:30	14:15	-
Session 4	EMP Implementation in PSRSP – Good and Bad Practices		14:15	14:45	Khabilongstup, PRBDB
Section 5	Good and Bad Practices from Other Similar Projects (Gujarat and Lucknow-Muzaffarpur National Highway Project covering 27 contracts)		14:45	16:15	Neha Vyas
Section 6	Environmental Monitoring and Reporting Requirements		16:15	16:45	(Sharing ideas for replication of Good Practices in PSRSP)
Session 7	Concluding Remarks		16:45	17:15	M. Asada Task Team Leader, PSRSP and All Participants

Social Safeguards

Land Acquisition. The process of land acquisition to be followed includes (i) issuing of section 4(1); (ii) section 5 and 5A; (iii) section 6; (iv) section 9; (v) section 11; and (vi) section 16. As per the provisions, after section 6, private negotiation was carried out simultaneously with section 9 and 11. Once section 6 was issued, following steps were followed: (i) joint verification with revenue for data updating; (ii) village wise negotiation along with Sub Divisional Magistrate; (iii) the negotiated rate was forwarded to government of Punjab for approval; (iv) on receipt of approval, individual land record details (“*fard*”) was collected supported by last 12 years ownership record; (v) preparation of individual payment sheet and verification of the same by RRO; (vi) preparation of registration papers and cheque amount; (vii) signing of conveyance deed followed by filing of application for mutation.

The project will now acquire 55.370 acres of land as against 73 acres estimated earlier. The reduced estimated is because of design modifications. This has also reduced the number of affected titleholder households to 497 from the earlier count of 895. As per section 48 of LA Act, 1894, PRBDB will have to denotify the additional land parcel those will not be acquired under the project. The registration papers for another 10 acres have been prepared and process will be completed by the April 7, 2008.

The entire process of land acquisition is expected to be completed by May 31, 2008.

Implementation of Resettlement Action Plan: Though land acquisition process has progressed well, there have been slippages in other activities of RAP implementation from the agreed dates. The micro plans for mile stone 1 of all the upgrading roads have been submitted by the NGO except for UG 2. The delay in submission and approval of micro plans is due to delayed finalization of corridor of impact (COI). The approval of the micro plan for milestone 1 of non-titleholders of UG 1 (Kharar-Banur-Tepla) and Pohir bypass is pending with CMU for more than two months. The CMU needs to cut down on time taken for approval of micro plans. The delay in submission and subsequent approval of micro plan will delay the entire process of R&R implementation. The micro plans for all the mile stones of rehabilitation corridors have been approved by the PRBDB.

NGO is yet to start the process of income restoration which is one the most crucial activity. It was agreed that NGO would start this activity by April 15, 2008 simultaneously with other ongoing activities.

The relocation of common property resources (CPRs) is taking much more time than agreed for. The mission was informed that contractor relocates the CPR as and when required. However, it was agreed during the last mission also that the CPRs will be relocated immediately after the community’s consent is received by PRBDB. It was agreed that all CPRs will be relocated by May 31, 2008. It was also agreed that shifting of hand pumps, which is approximately 50% of the total CPRs will be shifted by the NGO contracted for RAP implementation.

Disbursement of R&R Assistance: The project has disbursed INR.7.02 lakhs towards R&R assistance in RH 3 (Phillaur – Nagar- Rahon) as against the approved amount of INR. 8.65 lakhs. A balance of INR.1.63 lakhs could not be disbursed as the PAP is out of country. For up grading packages, the R&R assistance for non titleholders of have been paid in UG -3 (Tarn Taran – Chhabal – Attari) and for five villages of milestone 2 of UG 2 (Ludhiana-Malerkotla-Sangrur). The R&R assistance for both NTH and titleholders for all the upgrading packages will be disbursed by May 31, 2008.

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

Disclosure: It was agreed that all documents related to the implementation of Resettlement Action Plan will be made public. The review shows that all documents except records of consultations have been disclosed at locations agreed with the Bank. It was further agreed that summary of consultations will be uploaded on the PRBDB website. The status of disclosure is provided below:

Table 1: Disclosure status of RAP implementation related Documents

What to disclose?	Frequency	Where to disclose?	Whether disclosed and Remarks
R&R Policy translated in Punjabi and Hindi.	Once in the entire project cycle.	<ul style="list-style-type: none"> World Bank's InfoShop. PRBDB's website. Deputy Commissioner's Office Gram Panchayat offices. Field PWD Division Distributed among PAPs. 	Yes
Corridor specific RAPs.	Once in the entire project cycle. But to remain on the website and other disclosure locations throughout the project period.	<ul style="list-style-type: none"> World Bank's InfoShop. PRBDB's website. Deputy Commissioner's Office State and District Libraries Block Development Office Tehsil and Panchayat offices. Field PWD Division 	Yes
Information regarding impacts and entitlements	Once at the start of the project and as and when demanded by the PAPs.	<ul style="list-style-type: none"> Through one-to-one contact with PAPs. Group Discussion. List of PAPs with impacts and entitlements to be pasted in the Village Panchayat office and website of PRBDB. Public Info Kiosks at the sites. 	Yes. Though list of PAPs have not been pasted in concerned villages separately, but was finalized in association with the community. Copy of micro plans has been placed at panchayat offices which carries all the details of PAPs.
NGO's monthly progress report. This report should contain. Extent of land and other immovable properties acquired. ID cards distributed to number of PAPs. Number of joint accounts opened. Compensation disbursed to number of titleholder 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.	10th day of every month	<ul style="list-style-type: none"> Website of PRBDB. Village Panchayat office. 	Yes. Has been disclosed in PRBDB's website. It is not required to disclose the same in the panchayat offices as micro plans have already been disclosed in the affected villages. Moreover NGO also maintains a copy at their site office which is accessible to all affected persons.
Disclosures of grievance redress process.	Once in the entire project cycle.	<ul style="list-style-type: none"> World Bank's InfoShop PRBDB's website. Detailed project reports in the office of Deputy Commissioner. Field PWD Division. 	Yes
Advance intimation of planned consultation	As and when planned	<ul style="list-style-type: none"> PRBDB's website Kiosk. Filed PWD Division. 	Yes. Since PAPs are more comfortable in accessing Information Kiosks and the office of Executive Engineer of CMU, advance intimation is not disclosed on the web site of PRBDB.
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).	Continuous process throughout the project cycle.	<ul style="list-style-type: none"> PRBDB's website 	No. Only consultation photographs have been uploaded.

Financial Management Aspects

Implementation of the Financial Accounting Software (FAS) - TALLY: FAS is still not fully operational at the Project. Pre-printed manual vouchers are being prepared for bank payments made towards the incremental operating costs while in respect of other payments/receipts the corresponding bills/receipts are being recognized as the accounting vouchers viz. PRBDB office and Mohali Division. FAS generated vouchers are not being submitted along with payment requests for approval by the Divisional Engineer. Manual books have generally been discontinued except Cheque Issue, Tender and LOC Registers which are being maintained on Excel sheets, however they are not being updated on real time basis (Tender & Cheque issue register at PRBDB office and LOC Register at Mohali Division). Delays were observed in punching of data in the FAS at the PRBDB office i.e. transactions till March 14, 2008 were only entered in the FAS. Bank Reconciliation Statements have been prepared at the PRBDB office upto December 31, 2007 only. This is not in compliance with the agreements during the previous mission.

Consolidation of accounts is being done in the FAS from which the financial reports are being generated. The process of consolidation of Project accounts is undertaken by the PRBDB office at the end of the month through punching of each transaction (cash, bank and journal) from the monthly day-book (generated from the FAS) of the divisions, in the FAS maintained at PRBDB office, which is incorrect. Such transactions have to be recognized in the FAS at the PRBDB office in accordance with the guidelines given in the Financial Management Framework (FMF).

Since accounting is being done on the FAS, PRBDB needs to formulate and implement an IT security policy incorporating issues like user password protection, restricted use of EDIT function, restricted sharing of data, periodic on-site and off-site back-ups etc.

Two day in-house training was conducted for the accounting staff on use of TALLY. However there is a need for advance training on TALLY from experts to facilitate utilization of the advance features viz. cost centres, consolidation, ageing etc. contained in the software including the generation of the subsidiary registers. One or two accountants from Divisions may then be utilized as resource persons to support the PRBDB Financial Management Team in visiting all locations and providing periodic training.

Shifting Of Utilities: Utilization certificates (UCs) have still not been received from the departments (Rs 159.42 million till date for Sangrur, Kapoorthala and Mohali division) despite substantial amounts being released prior to year 2007-08.

Payments made during the year towards shifting of utilities are still being recognized as expenditures at the time of release (Rs. 8.45 million at Mohali division). Further, the ageing analysis of advances is also not being presented to the Divisional Engineer every month and the Project Director every quarter for periodic follow-up with the departments' viz. Electricity, Water Supply, Forestry etc. for recovery of the UCs. This is not in compliance with the agreements during the previous mission.

Financial Management Framework (FMF): Guidelines prescribed in the FMF (referred to in para 2 Section I Schedule 2 of the Loan Agreement) needs to be fully implemented at all the project offices on issues like Financial & Accounting procedures – preparation of vouchers; inter unit accounting; consolidation of accounts for project reporting; books of accounts to be maintained – Statement of reconciliation of advances, Bill passing register; format of books of accounts to be maintained; preparation of Project Financial Statements (PFS); Fund reconciliation as per the consolidated books of account and as per the World Bank; Statement of Funds request submitted to the WB.

Draft addendum to the FMF has not been sent to the Bank by December 2007 which is not in compliance with the agreements during the previous mission. The addendum should in addition to the issues covered in the previous aide-memoire also include the accounting policy for interest and other incomes.

Audit: Internal auditors were appointed for audit of the project accounts vide agreement dated September 13, 2007 and the audit for the half-year ended September 30, 2007 was to be completed by November 15, 2007. Audit was completed and the draft reports for each of the six divisions and the PRBDB office were submitted in February 2007. However comments of the Review Committee of the project on the draft audit reports have still not been provided pending which the submission of the final internal audit report for the half-year ended September 30, 2007 has been substantially delayed in accordance with the agreed timelines. Internal auditors need to submit the final audit report immediately in terms of the underlying agreement which stipulates that the draft audit report will be treated as final if the Review Committee fails to comment within two weeks of receiving the draft audit report. Further, PRBDB may initiate the process of planning for the audit of the half-year ended March 31, 2008 so that audit may be completed by the agreement deadline of May 15, 2008.

As informed by PRBDB, audit at the divisions has been undertaken by the State AG and the audit at the PRBDB office is to happen after the end of the current financial year. In view of the forthcoming audit by the State AG, PRBDB should expedite the completion of the internal audit for the half-year ended March 31, 2008 also so that compliances to the internal audit reports for the year are incorporated in the books prior to the certification of the annual PFS by the State AG i.e. the statutory auditors.

Financial Management Reports (FMRs): Expenditure by components as reported in the FMR includes retention money deducted from the payments made to the contractors and not paid till the end of the reporting period. Consequently excess amount is reported and claimed in the FMRs to the extent of such amounts deducted but not paid. Further, the column for “year till date” includes data for the period from the project inception till the end of the preceding quarter instead of reporting data for the period from the commencement of the year till the end of the current quarter.

Disclosures on Financial Management (FM): The project progress reports – monthly, quarterly; consultant reports (restricted access) and other reports; aide-memoires; R&R policy framework (in English and Punjabi) etc. have been disclosed on the PRBDB website. However disclosures on the budgetary allocations (yearly basis), project financing plans, FMF, R&R payments (monthly) - ID cards distributed to the PAPs, number of joint accounts opened, compensation and assistance disbursed etc. have not been made.

Resettlement and Rehabilitation (R&R): Payment of Rs. 19.21 million (which includes Rs. 19.17 million towards land acquisition and the bal. on the transitional allowance) was made by Mohali Division towards R&R. This includes Rs. 16.36 million of land compensation paid by the division in respect of villages whose micro-plans are still to be submitted by the NGOs and payments have been made on the basis of PAF-wise payment sheets prepared considering the rates negotiated for land acquisition as approved by the GoP. In respect of the balance payment of Rs. 2.85 million, village –wise (village Rajgarh & Mahmadpur in Mohali division) micro-plans have been prepared and approved by the Review Committee, PRBDB. Documentation relating to the identity proofs, photocopy of the bank statements etc. of the each PAF covered in the village were annexed with the micro-plans while the PAF-wise files contained only the copy of the conveyance deed and photocopy of the cheques issued towards R&R payments. Documents relating to identity cards issued by PSRSP, No Objection Certificate (NoC) from the lender for - relinquishment of charge on the land hypothecated/mortgaged as security against loan, proof of deposition of assistance/compensation in the joint account of PAP or his/her spouse were not included in the PAF files.

The guidelines framed for managing/ accounting of R&R assistance need to be streamlined in accordance with the process currently being followed and may include issues relating to the time limit prescribed for the payment of land compensation, release of such payments prior to the approval of the micro-plans by the Review Committee of PRBDB, key roles and responsibilities of the engineering and the accounting staff viz. document checklist for PAF files, sample review of R&R payments etc.

One day in-house training of the accounting staff conducted on the record keeping/ accounting guidelines for R&R payments appears inadequate. There is a need for comprehensive training which may include the key aspects of the R&R policy specifically those supporting the determination of the financial outflow, documentation in the PAF files etc. thereby strengthening the review mechanism and documentation prior to the release of payments.

Annex-6

Phase I – Physical Progress of Civil Work Contracts as of March 24, 2008

Ref. No.	Contract (Description)	Length (KM)	Original Date of Bid Opening	Name of Contractual Agency	Contract Value (INR. in Crores)	Date of issue of Letter of acceptance	Date of Start of Work	Physical Progress	
								Target	Actual
REHABILITATION WORKS:									
Package 1	Rehabilitation of Ferozepur-Zira Road	34.46	22Sep06	M/s Centrodorstoy (India) Ltd	44.14	29Mar07	13Jun07	16.3%	17.7%
Package 2	Rehabilitation of Chandigarh-Landran-Chunni-Sirhind	37.30	25Sep06	M/s GPL - Brahmaputra Consortium Ltd (JV)	43.92	04Jan07	07May07	67.1%	13.6%
Package 3	Rehabilitation of Phillaur-Aur-Rahon-Nagar	33.51	18Sep06	M/s Centrodorstoy (India) Ltd	46.84	15Jan07	12Jun07	34.3%	17.5%
Package 4	Rehabilitation of Kapurthala-Tarn Taran	47.20	13Nov06	M/s C&C Construction Ltd	54.72	29Jun07	05Sep07	23.8%	9.5%
Package 5	Rehabilitation of Zira Dharamkot Road	24.70	20Sep06	M/s Centrodorstoy (India) Ltd	34.73	29Mar07	13Jun07	16.3%	18.8%
Package 6	Rehabilitation of Sirhind-Patiala	28.30	06Aug07	M/s Singla Construction co.	24.28	03Sep07	11Sep07	45.8%	58.5%
TOTAL		205.47			248.63				
UPGRADING WORKS :									
Package 1	Upgrading of Kharar-Landran-Banur-Tepla	39.53	30Nov06	M/S C&C Const. Co.	108.98	12Jul07	01Sep07	9.2%	1.5%
Package 2	Upgrading of Ludhiana-Malerkotla-Sangrur	71.92	01Dec06	M/S Som Dutt Builder Pvt. Ltd.	226.04	12Jul07	29Aug07	6.8%	0.5%
Package 3	Upgrading of Attari-Chabbal – Tarn Tarn Rd. (incl. Junction at Tarntaran) (41.59 Km)	41.59	24Oct06	M/s C&C Construction Ltd	45.24	27Feb07	20Apr07	37.0%	47.0%
TOTAL		153.04			380.26				
PERIODIC MAINTENANCE WORKS :									
Package 1-10	TOTAL	353.82			59.54			100.0%	

Annex-7

Results Monitoring Indicators

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

List of Key Persons Met**Government of Punjab**

1. Mr. Prakash Singh Badal, Hon'ble Chief Minister
2. Mr. Parminder Singh Dhindsa, Hon'ble PWD Minister
3. Mr. Ramesh Inder Singh, Chief Secretary
4. Mr. Karan Avtar Singh, Secretary, Public Works
5. Mr. R. K. Verma, Director DoIT

Public Works Department

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

Punjab Roads & Bridges Development Board (PRBDB)

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

Consultants and Contractors of all upgrading and rehabilitation packages