

INDIA

Punjab State Road Sector Project (Loan 4843-IN) 15th Implementation Support Mission (May 18-21, 2015)

Aide-Memoire

I. INTRODUCTION

1. A World Bank team¹ visited the State of Punjab from May 18 to 21, 2015, to review the implementation progress of the Punjab State Road Sector Project (PSRSP). Subsequent to the mission, key outstanding issues have been reviewed during the audio-conference on June 17, 2015. The team conducted field visits of the Output and Performance Based Road Contract (OPRC) and sites under the blackspots program and held discussions with the officials of Punjab Roads & Bridges Development Board (PRBDB) and Public Works Departments (PWD), Government of Punjab (GoP). The mission also held discussions with contractors and various consultants, engaged under the project.

2. A wrap-up meeting was held with Additional Chief Secretary PWD on May 20, 2015. This aide-memoire summarizes the findings, recommendations and agreements reached during the mission. The mission thanks GoP for their support and cooperation extended during the mission. The key actions agreed during this mission 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 project underwent restructuring in 2007 to add OPRC contract and extend the loan closing date for a period of 5 years up to June 5, 2017. Another restructuring was undertaken in November 2014 to incorporate revised project cost as well as to formalize the changes to the disbursement percentage. The following table summarizes the key project data and updated project performances at this mission.

4. **Key Project Data:**

Project Approval	Dec. 05, 2006	Loan Amount	US\$ 250 million
Loan Signing	February 26, 2007	Disbursed	US\$ 180 million
Loan Effectiveness	April 2, 2017	Development Objectives Rating	Satisfactory
Original Closing Date	June.05, 2012	Implementation Progress Rating	Moderately Satisfactory
Revised Closing Date	June 5, 2017	Problem Flag	Safeguard (Environment)

5. **Project Ratings:**

¹ Consisting of Elena Chesheva (Team Leader/Sr. Transport Specialist), Rajesh Rohatgi (Sr. Transport Specialist); Amali Rajapaksa (Sr. Infrastructure Specialist); Venkat Rao Bayana (Consultant - Social Development Specialist); Sushmita Sarkar (Environmental Specialist); Pradeep Valsangkar (Consultant - IT Specialist); Siddhart Kohli (Financial Management Specialist), N. S. Srinivas (Operations Analyst), Phillip Jordan (Consultant – Road Safety Specialist) and Vidya Kamath (Program Assistant).

Field	Rating ²	
	Last Mission	Current Rating
Road Upgrading, Rehabilitation and Maintenance Component	MS	MS
Institutional Strengthening Component	S	S
Environmental Safeguard Management	MU	MU
Social Safeguard Management	MS	MS
Project Management	MS	MS
Financial Management	MS	MS
Procurement quality/timeliness	S	S

III. SUMMARY OF FINDINGS, DISCUSSIONS AND AGREEMENTS

1. **Achievement of Project Development Objective (PDO):** 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. The result monitoring (refer to Annex 2) indicates that most of the outcome indicators are likely to achieve target values. The achievement of PDO is therefore rated as Satisfactory.

Road Upgrading, Rehabilitation and Maintenance Component

2. **Phase-I Civil Works Progress:** All works, envisaged under the Phase I of the project have been completed.

3. **Phase II Civil Works - Output and Performance Based Road Contract (OPRC) for Improvement, Rehabilitation, Resurfacing & Routine Maintenance Works of Sangrur - Mansa - Bathinda Area.**

4. The contract was awarded in December 2012 and the scope of works includes maintaining a network of about 203 km at agreed service levels and performance criteria including improvement and rehabilitation works. The 10 year contract commenced the third year of implementation in January 2015. The contractor has been fully mobilized. The description of the services included in the OPRC contract is provided in the table below:

SN	Section	Name	Length (Km)	Type	Proposed Treatment
1	S1	Sangrur to Sunam	11.30	MDR 21	Rehabilitation
2	S2	Bhavanigarh to Kota Shamir	106.13	SH 12 A	Improvement (Widening)
3	S3	Harsingwah chowk to Mansa	7.40	SH 13	Rehabilitation
4	S4	Mansa to Talwandi Sabo	25.00	ODR 9	Improvement (Widening)
5	S5	Dhanaula to Bhikhi	25.40	MDR 14	Rehabilitation
6	B8	Bhatinda to Talwadi sabo	29.00	SH 17	Rehabilitation
		Total	203.86		

5. The OPRC work entered into its third year of implementation in January 2015. After considerable delays with contract implementation the mission was informed that all the key issues affecting the works

² HS highly satisfactory, S satisfactory, MS Moderately Satisfactory, MU Moderately Unsatisfactory, U unsatisfactory, NA not applicable.

have been resolved and the works on OPRC contract should resume in June 2015 and the progress will accelerate.

6. The status of implementation is provided below. As can be seen from the table, the contractor has only achieved a physical progress of 51% of its target capital works (improvement, rehabilitation and resurfacing) and while network performance work is recorded as being fully completed for the first two years, it has suffered from some non-conformances. The contractor has achieved an overall financial progress of 31% and an amount of INR 147.5 Cr has already been disbursed against the contract:

Status of work during the first two years of implementation

Category	Cumulative Physical progress Planned (km)	Cumulative Physical progress achieved (km)	Balance work to be completed	% of the planned physical progress achieved	Cumulative Financial progress Achieved (INR cr.)
Improvement	128.9	50.72	78.18	39%	90.3
Rehabilitation	51.93	31.14	20.79	60%	52.4
Resurfacing	22.85	22.85	0	100%	7
Total capital works	203.68	104.71	99	51%	149.7
Network performance (for each of the years)	203.68	203.68	203.68	100%	34.86

7. Whilst the first year of works have been completed as programmed, the works in the second and beginning of the third year have fallen seriously short due to (i) prolonged absence of forest clearance and (ii) dispute with respect to the contractor's designs meeting the minimum design standards that has resulted in an overall delay of about one year. The mission was informed that the forest clearance has been obtained, payments to the forest department issued, and the contractor has started the tree cutting. The mission agreed with PRBDB that the decision on minimum design issue would be taken by the end of May. Resolution of these two issues has allowed Contractor to start works in June once the revised works program has been approved by PRBDB. The approval for extension of time is subject to the approval of the revised work program. PRBDB will need to ensure that all of the improvement and rehabilitation works including the variations being proposed are completed prior to project closure.

8. The mission visited the roads under the OPRC contract and was concerned of the issues of quality in the improvement works reflected in appearance of surface cracks and segregation as well as substandard network performance evident in poor shoulder and drainage maintenance, road safety measures etc. that has resulted in payment deductions for network performance by the contractor. It has been agreed that after the investigation by the Monitoring Consultant, the Contractor will complete remedial measures by the end of June 2015.

9. Furthermore, poor quality of maintenance was evident in the entire network under OPRC contract and was particularly seen in shoulders, drains, road markings that needs to be rectified immediately. No maintenance has been carried out on the B8, due to the contractor not being authorized such work on land owned by Forest department and the PRBDB was requested to seek an immediate solution. The mission has also observed the poor riding quality in S4 that needs to be verified through the road durability performance measures. Repeated non-conformance have been issued to the contractor pertaining to the identified issues in that yet remains unrectified. The mission was informed that the contractor has only recently provided his quality assurance management plan that is being reviewed by the MC.

10. **Additional works:** The mission was informed that the PRBDB wishes to further a 7 km section of OPRC S3 from the existing 2 lanes to four lanes. The estimated cost of the additional work, is estimated to be INR. 73.17 Cr. Furthermore, additional drains on the existing sections under the OPRC contract are expected to be constructed for a length of 17.5 km at an estimated value of INR. 7.5 Cr as well as the

widening of eight bridges across the OPRC network. It is also proposed that a Rail Over Bridge (ROB) is constructed, which would require coordination and approval from the Railways. The mission expressed concern regarding the completion of these works prior to the project closing date and discussed the timeline for the completion of the proposed works. The PRBDB informed that the widening of narrow bridges and 4-laning works are realistic to be completed by June 2017. The mission was informed that design of three bridges has already been completed and the remaining designs of all of the narrow bridges will be completed by June 2015 for Bank's consideration. PRBDB expressed its intention to award the additional work to the present contractor for ease of operation. The MC was requested to identify the contracting modality for the award of the additional work. The contractor has identified the four-laning sections within his work program for the fifth year and the remaining additional works would need to be incorporated in the revised work plans. The decision on the ROB construction will depend on the timeliness of clearances from the Railways and will be confirmed during the next mission.

11. **Monitoring and Evaluation:** The Monitoring Consultant (MC), has been mobilized since November 2014 and has staffed all of its key positions, albeit with some difficulties. The PRBDB has decided to request the replacement of the Team Leader due to his inability to engage with the client on contractual issues that is exacerbated by poor English language communication skills. The mission was concerned that the MC has fallen short in sharing experience of OPRC contracting methodology that would be pertinent for the wider implementation of the concept being implemented in India for the first time. The mission has requested that the MC take immediate action regarding (i) Replacement of the TL and (ii) Improving the quality of the service provided by MC. The mission also agreed that PRBDB will submit request to the Bank for the no-objection for replacement of the position of "OPRC Specialist".

12. The MC is required to: (i) fully fill the role of the Project Manager, (ii) do conformance monitoring and management, (iii) do network condition monitoring and pavement condition modelling, and (iv) collect network information and do data analysis. The MC is required to measure the performance of the contractor by (a) management performance measures, (b) road user service and comfort performance measures and (c) road durability performance measures. The MC has been unable to measure the contractor's performance of (c) due to him not having IRI and deflection data available. Performance under (a) and (b) have been measured and continuously increasing non-conformances have contributed to deductions in payments for network performance. The contractor was advised to provide the necessary IRI and deflection data immediately in order for a comprehensive measurement of performance be carried out. The mission observed that the MC has been lackadaisical in requesting a pavement investigation for the sections that demonstrate surface cracks, although such cracks has appeared in relations to work carried out prior to engagement of MC.

13. The MC has submitted the Inception and progress report (November 2014) and the Monthly progress report (January to February 2015), the latter being received in May. The MC was requested to submit a monthly report to the client by the 21st of the following month incorporating the audit of the sample sections as indicated in the TOR. The mission has recommended that the format of the Monthly report be agreed between the contractor and the PRBDB upfront, in order to ensure timely submission of monthly reports. Furthermore, the mission requested that the quality of the reporting be improved and should include: (i) an analysis of the performance of the contractor rather than merely report the data shared by the contractor, (ii) identify actions that needs to be taken in order to proactively resolve issues, (iii) expanded to comprehensively cover all areas and include environmental and social compliance as identified in the TOR. (iv) the report should clearly identify the link between the M&E to the payments in conformance to the contract (v) the report could be better organized to add clarity in the same manner as the tasks identified in the TOR and improve the language.

14. The mission was informed that the MC has so far received only the INR denominated payment as the regulations by the Reserve Bank of India (RBI) does not allow foreign currency payments within the country. The MC has however been informed that the request is being reviewed by RBI, the resolution of which would take 60 days. The mission therefore encouraged the PRBDB to find an interim solution immediately, with the possibility of remitting funds to an US dollar account of MC outside of India.

15. **Asset Management System** – The contractor has established an Excel based asset management system which does not meet the sophistication required of a system on a long term contract that will also

benefit the contractor. It currently incorporates inventory data although periodic collection of data such as traffic data is lacking. The MC recommends a GIS based system able to model the deterioration of the pavement. The mission requested that the asset management system be strengthened considering the recommendations of the MC by end July 2015.

16. **Road Data Collection** – the mission was informed that the contractor has purchased the FWD equipment, however the data collection needs (both the deflection and roughness measurements) to be accelerated.

17. **Intervention to provide Structural Adequacy to Kharar-Banur-Tepla (UG1) Corridor:** Given the decision to re-categorize this SH into National Highway with following four-laning, it has been agreed that the PRBDB will complete some immediate treatments as recommended by the World Bank pavement expert and will complete the contract by end of June 2015.

Environment Management and Safeguards

18. The mission reviewed the efficacy and diligence in the application and implementation of the ESMF in the Output and Performance-based Roads Contract (OPRC), which is a part of Phase II works under the project. The mission visited road links S1, S2, B8, which are a part of the OPRC network and covered the old camp and plant site at km 64.100 (village Khiyala) and the new camp and plant site at km 62.100 (also in village Khiyala). Detailed discussions were held with PRBDB/PWD, the Contractor's team, Monitoring Consultant's team on various environment, health and safety aspects. The mission and reviewed among other aspects the status on obtaining regulatory clearances and institutional mechanisms, including those related to approval, reporting and documentation on aspects pertaining to environment management in line with the requirements set forth under the OPRC contract.

19. The mission specifically focused and reviewed the activities/actions identified as outstanding (many of these have been pending for a while now) during the previous mission/s. These included: (i) proper enforcement of ESMF/EMP requirements, including those pertaining to health and worksite safety aspects; (ii) specific practices being followed for camp and plant site management; (iii) drainage/water way clearance activities; (iv) obtaining of regulatory clearances for the works under OPRC and; (v) finalization/revision of revised EA/EMP Reports, specifically for OPRC works and sharing of the said reports by PRBDB with the Bank. Further, the mission interacted and discussed in detail, the mechanisms and arrangements that are in place to review the environment, health and safety aspects by the Monitoring Consultants - this consultancy contract was signed in October 2014 but the inception report submission and mobilization of the key Environmental and Social Expert was pending at the time of the last mission.

20. **Overview:** The over-all rating for implementation of Environmental Management and Safeguards in the project continues to remain 'moderately unsatisfactory'. Weak monitoring and reporting by PRBDB on environment, health and safety dimensions as part of the over-all project monitoring continues to be a long standing problem on the project. This has been continuing from the time the upgrading works under Phase I (UG/01 and 02) were being closed and the works under OPRC were being initiated. After some actions that were taken upon the receipt of complaints last year, the mission once again noted the laxity and lack of interest in pursuing adherence to the agreed safeguard process and procedures for OPRC works, specifically at the PRBDB/PWD level. This larger/continued institutional failure on the project and slippages in EMP enforcement/monitoring continues to be a matter of concern to the Bank. If the same scenario continues, then the rating on environment management and safeguard aspects will be downgraded in the next mission.

21. The mission once again noted that PRBDB is barely monitoring the environment management and safeguard aspects – no site visits records, memos/letters or NCRs were available despite the fact that there were slippages and gaps in addressing the contractual obligations with regard to environment, health and safety aspects. Neither the Nodal Environment nor the Social Officer is involved in the monitoring process. The required site visits to monitor the ESMF/EMP compliance are also not being made. The co-ordination between PRBDB and the Field Division, Sangrur on environment, health and safety management matters continues to be quite weak – this includes the entire process of review and approval of reports; ground truthing/verification of details/information mentioned in the reports and its co-relation with actual works

being carried out on the ground; and issuing of NCR/s, as and when the contractual requirements are not being met.

22. The lack of monitoring by PRBDB/PWD is resulting into lapses in EMP implementation, particularly on: (i) camp and plant site management practices; (ii) shoulder maintenance works; (iii) drainage/water way clearance activities; (iv) provision of signage, installation of retro-reflective hazard markers on road side trees/ at culverts and; (v) work site safety management practices. Further, some of the activities identified during the earlier mission/s continue to remain pending. The mission continues to reiterate the need for constant involvement of PRBDB (especially Nodal Environment and Social Officers) along with improvement of the co-ordination mechanism with the Field Division, Sangrur (Project Manager) on environment, health and safety issues. More details are in Annex 3.

Social Safeguard Management

23. Social safeguard aspects relating to Phase I and OPRC Project roads were reviewed during the current mission. The overall implementation progress of social safeguards is satisfactory.

24. **Dehlon bypass UG 2:** The PRBDB has decided to acquire the land through new Act, RFCTLARR, 2013. All the required background activities were complete such as socio economic survey, preparing draft Resettlement Action Plan, etc. The Land Plan Schedules were prepared and PRBDB awaiting the Government to issue further notifications and award preparation, etc. The draft RAP has to be revised based on the comments that the Bank has provided. The revised RAP is agreed to be submitted to the Bank before end June, 2015. Given the project timelines and mobilization needs of the Contractor, it is important to complete the land acquisition before end November 2015. The mission would like to bring to the notice of the PRBDB that the civil works contract cannot be awarded without completing the land acquisition.

25. **Handing over Kiosks:** The PRBDB has leased out some of the bus shelter kiosks built under Phase I. It is agreed that the PRBDB will share with the Bank before June 15, 2015, number of shelters given on lease and plans to lease out the balance.

Social Aspects of OPRC:

26. The RAP has been finalized and disclosed on the PRBDB website. The PRBDB informed the mission that the RAP will be implemented by the contractor and the cost of implementation will be funded by the PRBDB.

27. **Geometric improvement plans in S2 road dropped:** Given the difficulties in acquiring the land, the PRBDB has decided to drop the plans to improve the curve in S2 road.

28. **Submission of draft micro plans and their implementation:** The draft micro plans for OPRC contract roads are under finalization. These draft plans needs to be verified at the ground level and initiate implementation close to the commencement of the civil works. Implementation should be synchronized with the schedules of actual civil works schedules, primarily to avoid RoWs from further re-encroachments following the implementation of R&R plans for NTHs. Roads scheduled for year two will have to obtain forest clearances for initiating civil works.

29. **HIV/AIDS Awareness Plans:** The OPRC contractor has been conducting the HIV awareness program as per the contractual agreement.

Institutional Strengthening Component

30. **Consultancy Services for Monitoring and Evaluation of Project Indicators and Road User Satisfaction Survey (RUSS):** It has been agreed to combine these two assignments into one consultancy. The procurement is at the advanced stage and it is expected that the consultants will be on board by early fall. The PRBDB needs to complete the evaluation of technical proposals and send to the Bank for no-objection.

31. **Consultancy for Road Safety Awareness Generation:** The Consultant has carried out a road safety audit on phase 1 and all rounds of awareness campaign has been concluded.

32. **Integrated Transport Policy and Strategy and Strategic Investment Plan (Transport Sector Master Plan):** The final report has been completed in 2014 but is still pending approval by the Government, which needs to be expedited.

33. **Computerization of PWD:** This package for the IT system for computerization of the PWD has been bid twice and no bids have been received. As had been advised by the bank, the project had enquired with the potential bidders, reasons for not submitting bids. Mission was advised that two firms have responded and indicated reasons which mainly relate to qualification requirements like turnover & past experience, payment terms etc. Possible options including review of above conditions, and phasing of the computerization activity itself were discussed. The project will consider the possible options and revert to the Bank for review and clearance.

34. The reasons for poor response to the bid process for computerization of the PWD was discussed. It was brought out by the project office that higher qualifying criteria has been quoted as an obstacle to bidding by some of the vendors. However the visiting mission felt that the qualifying criterion was lowered on multiple times and the current qualifying criterion used in the bidding process was most reasonable in regard to the requirements of the project.

35. The mission also discussed the lack of internal capacities of the department to implement a highly integrated ICT system covering all aspects of PWD functioning. It was felt that, given the limited capacities of the department, it may well be better to implement a pruned down system in phase I of the project. Such a pruned down system may address only the most essential aspects of PWD functioning. This could possibly include costing, estimation and project management, document management and mail & messaging. In subsequent phases PWD may include other modules for computerization on the basis of the experience of the first phase of the project. PWD is expected to forward a plan for procurement of such a scaled down system to the World Bank.

36. The visiting mission also discussed all issues pertaining to the computerization component with Additional Chief Secretary of the state. He agreed with the newer approach of implementing a scaled down system in phase I of the computerization component. He also decided to chair a meeting with prospective bidders that the PRBDB will organize in July-August 2015.

Road Safety

23.1 **Development of a Blackspots Program:** PRBDB engaged consultants to develop a blackspots program process, and to develop road safety communications. The mission met with the consultants and PRBDB, to review progress on the project and undertook a field visit to review proposed treatments.

37. The mission engaged an International Road Safety Engineer who met with the Bank Team Leader, local PWD (R&B) engineers and national consultants in Chandigarh on Tuesday 19th May 2015 to undertake inspections of four of the blackspots that have been recently investigated as part of a package of 200 blackspots across Punjab. The first blackspot was a busy signalised pair of T junctions. The second was a Y junction close to a narrow bridge in an urban environment, the third was a black length of some 500m on a sweeping curve that included an entrance to a fuel station and a narrow bridge in a rural setting, and the fourth blackspot was at a small T junction just inside a village area. In the past three years a total of some 20 fatalities have been recorded at these four blackspots.

38. A number of observations and recommendations have been shared with PRBDB and the consultants, including:

- It was recommended that there is a need to gather more information about traffic signal phasing and maintenance for the first blackspot. The traffic signals at that blackspot appear to be a major part of the problem and they should be reviewed and improved as a part of the recommended solution.

- At the first blackspot the drawing was quite inaccurate, raising concerns about thoroughness overall. The need for the drawings to accurately reflect the road layout at each blackspot was emphasized.
- A fifth site was inspected at the request of the PWD(R&B) engineer's late in the day. While not on the list of blackspots (it is a national highway), this Y junction is clearly a site of high risk and high speed collisions. Suggestions for reducing risk at this site (converting the Y junction to a T junction, plus low cost signing options) were given to the PWD(R&B) engineers by the RSE.
- The International Road Safety Engineer noted the difficulties faced by the Consultants when trying to develop appropriate countermeasures from very limited crash information. The need for better crash data was highlighted.
- The RSE also noted the generally poor maintenance of each blackspot location. Line marking was missing, important signs were not in place, signals were not working and barrier was damaged but not repaired. Regular maintenance of the existing road infrastructure can reduce risk and save lives. Better road maintenance is needed.
- A number of treatments proposed by the Consultant would be of little or no value to reduce crashes at the blackspots. One such treatment was the recommendation to install 30km/h speed restriction signs in advance of several blackspots. These will have no effect on speed and will only lead to more disregard for regulatory speed restriction signs.
- The RSE emphasized the need to provide positive and specific treatments that will remove a known hazard, or will directly alert road users to that hazard. Rumble strips, general warning signs and lower speed restrictions are well intentioned but are ineffective.
- The RSE encouraged the Consultants to ensure that all treatments are focused on the known crash patterns and that they comply with the Indian Road Rules. Some proposed treatments (such as a Stop sign at a zebra crossing) were doubtful in this regard and present a risk of increasing driver misuse of traffic control items.

39. There was positive mentoring and discussion between the RSE, the national consultants and the Punjabi engineers. There was a general agreement (after discussions) on the suggestions put forward by the RSE for each site. On the following morning a presentation was given about how best to rank blackspots when developing a sustainable blackspot program. The RSE emphasized the need for cost effective treatments and the possible use of the Benefit Cost Ratio to determine the priority of sites to be treated. A short presentation about BCR's and the need for Crash Reduction Factors (CRF) and crash costs for India was highlighted.

40. **Road Safety Audit of the Network.** The project additional financing had a provision of about \$12 million for road safety work. Part of that allocation will be used for widening of narrow bridges on the OPRC network and the remaining amount will be used for road safety engineering improvements on the state highway network. The Bank team discussed during the mission and during subsequent audio conference the scope and tasks of this consultancy, based on which the draft TOR has been prepared. The procurement needs to start immediately.

23.2 **Possible additional areas of road safety work.** The Secretary of the PWD (R&B) supported the idea of introducing a Road Safety Engineering subject into the bachelor's degree course and also a post graduate course at the Punjab Technical University. This idea is to be developed and a program for a semester long teaching unit is to be developed and circulated for comment.

Financial Management and Disbursement

41. The mission reviewed the existing financial management arrangements at the project. The recent developments and key issues are highlighted below:

42. **Budgeting and Disbursement:** For Financial Year 2015-16, sanction for Rs 1,000 million has been received as against a demand for Rs 1,180 million. For FY 2014-15, against the budgetary provision of Rs 1,420 million, an expenditure of Rs 1,068.91 million was incurred. Disbursement from the Bank as on May 19, 2015 is USD 179.87 million (including outstanding designated advance of USD 8.62 million) which

represents 71.95% of the loan of USD 250.00 Million. This reflects expenditure reported till November 30, 2014. For the period December 2014 to March 31, 2015, the project has net uses of Rs 236 million (USD 3.69 million) which will result in further documentation of approximately USD 3.14 million at the revised applicable financing percentage of 85%.

43. **Staffing:** The team was informed that the current DAO shall be transferred out of Sangrur Division and a new official shall be handed over the charge. The current DAO was trained and hence is quite adept at verifying the computation of the payment under the OPRC contract. It was suggested that till such time the new resource is adequately trained, request may be made to the State AG for an extension of the term of the existing DAO. The project agreed to write to the State AG.

44. **Field Visit by Finance Manager:** It was again observed that the finance manager from the head office is not visiting the division. It was shared with the project that the finance manager should regularly be making field visit to the division and perform physical verification, review of accounts of the division, IT back up taken and take up any other financial management aspect relating to the divisions.

45. **Payment and Approval Process:** During the mission, the team visited Sangrur division to review on test check basis internal control processes relating to financial management. It was observed that contractor is submitting the bill to the monitoring consultant and the consultant is offering its comments and corresponding with the contractor directly without marking a copy to PRBDB. It was agreed that going forward all correspondences shall be marked to PRBDB. It was noted that IPC 18, which is under review currently, was not looked at by the consultant for review in respect of the financial terms of the contract. There is a need to augment the existing finance staff stationed by the consultant at the divisional level so that besides the technical review, the financial review is also adequately covered with each IPC payment.

46. **Internal Audit:** Further, since ongoing activities are restricted to only one division, the project had decided in the past not to appoint an internal auditor for the project and engage a divisional accountant for the same. However, this has not been done so far. It was pointed out that under the contract of the monitoring consultant, an accountant is already engaged and paid as part of the team. It was suggested that the service of these accountants may be utilized to perform the function of internal audit as well. It was agreed by the project.

47. **External Audit:** In response to FY 2013-14 audit review letter, project had sent a response in letter dated December 31, 2014. In view of the responses provided in the letter, audit disallowance of Rs 22.41 million for FY 2012-13 are considered settled. For audit observations of FY 2013-14, timeline to get them settled has been extended till audit of FY 2014-15. For audit report for FY 14-15 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. In case, it is anticipated that there will be any delay in submitting the projects audited financial statements to the Bank by the due date, the project was requested to advise Bank soon as possible so that the matter may be discussed and requisite assistance may be provided, wherever possible.

48. Based on the above the financial management performance rating is retained at Moderately Satisfactory.

Procurement

49. **Procurement Status:** A majority of contracts have been awarded and only some of them remain to be completed notable amongst them being the ‘OPRC Sangrur-Mansa-Bhatinda Contract’, ‘Contract for increasing structural adequacy of pavement on Kharar-Banur Section’ and ‘Development of Road safety Strategy and Generating Awareness’ apart from others. Contracts planned to be procured include 4 works of Road Safety Enhancement and Black Spot Improvements, PWD Computerization, Dehlon bypass, and 2 consultancy contracts for project indicators and road safety assessment.

50. **Procurement Plan:** Current project procurement plan was reviewed and the project team indicated that procurement of (a) equipment for GIS; and (b) asset management software development are proposed to be dropped. It was agreed that an updated procurement plan incorporating these changes will be furnished to the Bank by May 31, 2015. Project team indicated that they are facing problem in uploading the procurement plan through client connection, and was advised to furnish details so that the Bank could help in resolving it.

51. **Post Procurement Review:** Mission was advised that the project has not signed any post review contracts during this period.

52. **Procurement of IT Systems for Computerization of PWD:** This package has been bid twice and no bids have been received. As had been advised by the bank, the project had enquired with the potential bidders, reasons for not submitting bids. Mission was advised that two firms have responded and indicated reasons which mainly relate to qualification requirements like turnover & past experience, payment terms etc. Possible options including review of above conditions, and phasing of the computerization activity itself were discussed. The project will consider the possible options and revert to the Bank for review and clearance.

53. **Procurement Rating:** Procurement is rated as 'Satisfactory'.

Compliance with Legal Covenants

54. PRBDB informed the mission that the long pending non-compliance of the legal covenant related to transferring the proceeds of the loan by Government of Punjab to PRBDB within 14 days of receipt of the said proceeds has been resolved. As such Government of Punjab is in compliance with all the legal covenants.

The Next Mission

55. The next full implementation support mission will be planned in November 2015. Short interim mission is planned for early August 2015.

Annex-1

Actions Agreed During the Mission

<u>No.</u>	<u>Key Actions</u>	<u>By whom</u>	<u>Target Date</u>
Civil Works			
1	GoP to take a decision on revised design	PRBDB	May 26, 2015
2	Revise work program for OPRC contract	PRBDB, Contractor, MC	May 31, 2015
3	OPRC -investigate and complete remedial measures for surface cracks for improvement works	Contractor	June 30, 2015
4	Network performance and maintenance to be strengthened, resolve all issues	PRBDB/Contractor /MC	Continuous
5	OPRC deflection and roughness data collected and available	PRBDB	June 15, 2015
6	OPRC Contractor to strengthen asset management system and collect and supply required traffic and pavement condition data	Contractor	July 31, 2015
7	PRBDB to resolve the issue of tree cutting on B8	PRBDB	urgently
8	Plot crash data on the map, Analyse crash data, and take appropriate measures to ensure safety	PRBDB/Contractor /MC	June 2015
9	Complete designs for narrow bridges widening (7 bridges)	PRBDB	May 31, 2015
10	BRBDB in consultation with MC to finalize the type of contractual provision for additional works	PRBDB	July 31, 2015
11	PRBDB to seek clearance from Railways for ROB	PRBDB	
12	OPRC Monitoring Consultants – PRBDB to send formal request for replacement of Team Leader	PRBDB	Immediate
13	MC to Strengthen the quality of services and ensure presence of key professionals and other required staff	MC	Immediate
14	Resolve dollar payment issue	MC/PRBDB	Immediate
15	OPRC Monitoring Consultants – Submission of Monthly Progress Reports	MC	By 21 st of each month
16	MC to submit investigation report on surface cracks observed in the improvement works	MC	June 15, 2015
17	MC to review quality assurance plans by Contactors	MC	Immediate
18	Accident Black Spot Improvement – Submit revise reports, designs, and cost estimates and specifications	PRBDB, Consultants	June 30, 2015
19	PRBDB to prepare draft bid documents and cost estimates for blackspots works	PRBDB	July 31
20	Collect crash data from police for the state highway network for the past 3 years (by field divisions)	PRBDB/PWD	June 30, 2015
21	Finalize TOR for Road Safety Audit of the Network	PRBDB	June 15, 2015
22	Structural Adequacy Work – complete works and close contract.	PRBDB	Aug 15, 2015
Institutional Strengthening Component			
23	Monitoring and Evaluation of Project Indicators and RUSS – Complete Evaluation of EOIs and submit short-list and RFP for no-objection	PRBDB	June 15, 2015
24	Finalize revised approach to computerization, and present the approach to PWD Sec	PRBDB	May 31, 2015
25	Revise the bidding documents for computerization	PRBDB	July 2015
26	Constitute the core IT team	GoP	Aug 31, 2015
27	Review and approve accordingly the final report on Integrated Transport Policy, send to bank note on status of implementation of recommendations	GoP	June 30, 2015
Environment Safeguards			

28	Share revised reports (Screening/EA/EMP) for OPRC works with Bank (after PRBDB's review along with comments)	PRBDB	At the Earliest (Long Overdue)
29	Ensure proper enforcement of ESMF/EMP requirements, including those pertaining to health and worksite safety on OPRC works	PRBDB/PWD	Continuous (Weak Institutional Systems)
30	Streamlining of the monitoring and reporting mechanism by Monitoring Consultants (MC)	PRBDB/MC	By July 15, 2015
31	Share Design Report and EA/EMP for Dehlon Bypass	PRBDB	By July 15, 2015
32	Disclosure of Reports (including MPRs/QPRs/ Monitoring Consultant's Reports)	PRBDB/PWD	At the Earliest
Social Safeguards			
33	Land acquisition for Dehlon bypass - complete declaration of award	PRBDB	July 31, 2015
34	Land acquisition for Dehlon bypass - complete disbursement of compensation for land	PRBDB	November 30, 2015
35	Initiate preparing micro plans	PRBDB	August 31, 2015
36	Submit revised RAP for Dehlon bypass based on World Bank comments	PRBDB	June 30, 2015
37	Handing over Kiosks to either Panchayat / private company	PRBDB	Partially completed/July 30, 2015
Procurement			
38	Submit revised Procurement Plan (drop 2 activities)	PRBDB	June 15, 2015
39	Upload PP on Client Connection	PRBDB/WB	June 2015
Financial Management			
40	Correspond with State AG about term of existing DAO and train incoming DAO	PRBDB	Immediately
41	Finance manager to make field visit at minimum monthly frequency	PRBDB	Continuous
42	Monitoring Consultant to mark copy of correspondences to PRBDB	PRBDB/Consultant	Continuous
43	Monitoring Consultant to also review financial aspect of IPC	PRBDB/Consultant	Continuous
44	Utilize service of accountant on Monitoring Consultant for internal audit function	PRBDB	Continuous

Annex 2

Results Monitoring Indicators

	Target Values				Data Collection and Reporting		
Project Outcome Indicators	Baseline	YR8 (2015)	YR10 (2017)	Current Value (YR-8-2015)	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Average Network Speed (kmph)	34.2	46	48	42.66	MTR and end-of-implementation PRBDB Report	Surveys	PRBDB
Maintain VOC (%)	9.5%	20%	20%	21%	MTR and end-of-implementation PRBDB Report	Surveys	PRBDB
Reduction in number of fatal accidents	2655	2522	2390	2380, upto (Sep.,2014)	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
Results Indicators for Each Component							
Component 1: Total km of roads improved and rehabilitated under the project w.e.f. YR 6	0 km	136km	166km	77.51Km	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)	9.2/km	2.6/ km	2.6/km	2.95/km	PRBDB's Annual Report, Yearly	Roughness and Condition Surveys	PRBDB
Maintain poor and bad network condition@ 4%	67%	4%	4%	7%	PRBDB's Annual Report, yearly	Roughness and Condition Surveys	PRBDB
Component 2:Department wide computerization and use of integrated systems for planning, management, financial accounting, monitoring	-		Final Roll-out to the entire department	No Bids were received. Further action in the matter is under perusal of GoP.	As per implementation schedule	-	PWD/ PRBDB

Annex 3.

Environmental Management and Safeguards

56. The mission reviewed the efficacy and diligence in the application and implementation of the ESMF in the Output and Performance-based Roads Contract (OPRC), which is a part of Phase II works under the project. The mission visited road links S1, S2, B8, which are a part of the OPRC network and covered the old camp and plant site at km 64.100 (village Khiyala) and the new camp and plant site at km 62.100 (also in village Khiyala). Detailed discussions were held with PRBDB/PWD, the Contractor's team, Monitoring Consultant's team on various environment, health and safety aspects. The mission and reviewed among other aspects the status on obtaining regulatory clearances and institutional mechanisms, including those related to approval, reporting and documentation on aspects pertaining to environment management in line with the requirements set forth under the OPRC contract.

57. The mission specifically focused and reviewed the activities/actions identified as outstanding (many of these have been pending for a while now) during the previous mission/s. These included: (i) proper enforcement of ESMF/EMP requirements, including those pertaining to health and worksite safety aspects; (ii) specific practices being followed for camp and plant site management; (iii) drainage/water way clearance activities; iv) obtaining of regulatory clearances for the works under OPRC and; (v) finalization/revision of revised EA/EMP Reports, specifically for OPRC works and sharing of the said reports by PRBDB with the Bank. Further, the mission interacted and discussed in detail, the mechanisms and arrangements that are in-place to review the environment, health and safety aspects by the Monitoring Consultants - this consultancy contract was signed in October 2014 but the inception report submission and mobilization of the key Environmental and Social Expert was pending at the time of the last mission.

58. Overview: The over-all rating for implementation of Environmental Management and Safeguards in the project continues to remain 'moderately unsatisfactory'. Weak monitoring and reporting by PRBDB on environment, health and safety dimensions as part of the over-all project monitoring continues to be a long standing problem on the project. This larger/continued institutional failure on the project and slippages in EMP enforcement/monitoring continues to be a matter of concern to the Bank. If the same scenario continues, then the rating on environment management and safeguard aspects will be downgraded in the next mission.

59. The lack of monitoring by PRBDB/PWD is resulting into lapses in EMP implementation, particularly on: (i) camp and plant site management practices; (ii) shoulder maintenance works; (iii) drainage/water way clearance activities; (iv) provision of signage, installation of retro-reflective hazard markers on road side trees/ at culverts and; and (v) work site safety management practices. Further, some of the activities identified during the earlier mission/s continue to remain pending.

60. **Key Observations from Site Visits to OPRC works:** The mission visited links S1, S2, B08 that are a part of the OPRC network and covered the old (km 64.100 at Village Khiyala) and new (km 62.100 also in Village Khiyala) camp and plant site.

- Lack of Supervision/Monitoring by PRBDB/PWD: The mission once again noted that PRBDB is barely monitoring the environment management and safeguard aspects – no site visits records, memos/letters or NCRs were available despite the fact that there were slippages and gaps in addressing the contractual obligations with regard to environment, health and safety aspects. Neither the Nodal Environment nor the Social Officer is involved or making the required site visits to monitor the ESMF/EMP compliance.
- The co-ordination of PRBDB with the Field Division, Sangrur on environmental management matters continues to be quite weak – this includes the entire process of review and approval of reports; ground truthing/verification of details/information mentioned in the reports and its co-

relation with actual works being carried out on the ground; and issuing of NCR/s, as and when the contractual requirements are not being met.

- Camp and Plant Site Management: The mission visited both old and new camp/plant sites and found that deficiencies pointed out during the earlier missions either remain unattended or have been only partially addressed.
- New Campsite
 - i. Fire safety practices – No fire safety arrangements were found to be in place. There was only one fire extinguisher placed in a corner in the entire camp and plant site.
 - ii. Electrical safety practices – Even though there has been a notable electrical safety incident in the old camp site earlier, the precautionary measures to avert an accident remain weak in the new camp/plant site.
 - iii. Waste Water Management & Disposal – While the provision for STP has been displayed in the layout plan for the campsite and also proposed in the EMP, the construction of STP (for proper waste water management and disposal) has not yet been initiated – though the contract is now nearly completely three years in existence. During the discussions too, both the Contractor and PRBDB/PWD, remained non-committal to undertake this work.
 - iv. First Aid – It was observed that the first aid kit did not have proper medication/dressing(s) and was placed in the open.
 - v. Among other deficiencies in making emergency response arrangements, no defined assembly area and/or signage to mark out safe exists have been provided in the campsite.
 - vi. No proper measures such as wind barriers or screens have been provided though in the EMP, this has been spelt out.
 - vii. Plantation – Even though the OPRC is a long term works contract, no effort has been made towards plantation or ensuring its survival.
 - viii. There is disconnect between the requirements mentioned in Part 2B (Environment and Social Management Related Requirements) of the contract, the EMPs that have been prepared and its actual implementation on the ground.
- Old Campsite
 - i. Despite the fact that the need for dust suppression at the old campsite has been flagged time and again by the Bank, the required measures have still not been made. During previous visit/s, the community had also raised a concern/complained about the dust and waste water from the camp/plant site. At one time, the Bank was informed that this camp and plant site operation will be completely discontinued and that the site will be fully restored to its original condition.
- S1 Link – There continue to be lapses in the maintenance activities of this link. It was observed that cross drainage structures/culverts have not been cleared of vegetation and there are lapses in shoulder maintenance.
- S2 Link – It was observed that the shoulders on this link are in poor shape, with many sections on the link having the following issues: (i) water logging; (ii) vegetation (iii) garbage dumping. Further, there is absence of water way clearance on this section, with most of the cross drainage structures/culverts not cleared of vegetation. Despite this no NCR/s have been issued.
- Road Safety on B8 link: While the need to put retro-reflective hazard markers on a number of road side trees/culverts has been pointed out previously; it was observed during this mission that such installations continue to be pending. The absence of reflective markers continues to pose a safety risk for road users, particularly in the night.
- Road side signage: The mission reiterated that the number/size/quality of road side signage, including the ‘helpline sign’ on the network should adhere to the contractual provisions.

61. Share revised reports (EA/EMP) for S-2 with Bank: While the PRBDB has been committing to share the revised reports for OPRC works since last several missions, compliance is still pending. These reports (in terms of content and quality) have been approved by PRBDB without proper due diligence to the requirements set forth in the Contract.

62. Wildlife Clearance: No update could be provided by PRBDB on obtaining NOC from National Board for wildlife for Bir Aishwan Wildlife Sanctuary.

63. Forestry Clearance: During site inspection on S2 link and subsequent meeting with PRBDB, it was conveyed to the mission that following the obtaining of Stage 1 clearance on November 13, 2014, there had been delay in obtaining Stage 2 clearance (as NPV money was not deposited by PRBDB in time). It was conveyed during this visit that stage 2 clearance has been obtained for diversion of forest land on S2 link in the month of April 2015.

64. Reporting and Documentation: The Monthly Progress Reports submitted by the Contractor for OPRC works were not made available to the Bank team for review during the mission. In the absence of the same, the mission was unable to review the documentation (and subsequent follow up) by the Contractor on the requirements under ESMF. It wasn't clear as to why these MPRs are not disclosed in the public domain.

65. Likewise, the Quarterly Progress Reports prepared by PRBDB have not been properly reporting on the status of EHS aspects on OPRC works. Neither do they contain any supporting supervision/monitoring details nor reflect on issues found on the ground. Overall, the quality of reporting on environment management and safeguard issues has slipped substantially.

66. Review by Monitoring Consultant: The Monitoring Consultant (MC) for the project has been employed by PRBDB in October 2014. The mission reviewed the Inception-cum- Monthly Progress Report (November 2013) and MPR (February 2015) and held discussions with the Monitoring Consultants' designated Environmental Expert during site visit of OPRC works. The specific observations are provided below:

- Inception Report and Monthly Progress Report by Monitoring Consultants - It was noted by the mission that in the current Inception report, approach and methodology for ESMF compliance is generic and requires to be made specific with regard the scope of OPRC works and should be in compliance with the ToR/Contract for the said services. Further, it was noted that was inconsistency in the reporting in the MPRs with regards to the ESMF/EMP compliance. It is suggested that a proper format for reporting on Environment and Social Safeguards compliance should be developed and included in the MPRs using evidence based methods of monitoring.
- Monitoring and Reporting Mechanism - The mission is highly concerned with the lack of regular on-site monitoring by the Environmental Expert of the MC team. The mission emphasized that the monitoring and reporting mechanism by MC for EHS/ESMF compliance needs to be immediately strengthened with regular monitoring in the field and reporting of the same in the MPRs.

67. EA/EMP for Dehlon Bypass: The EA/EMP reports for Dehlon Bypass reports were shared with the Bank by PRBDB in December 2014. The Bank had provided comments on the said report on January 13, 2015 and despite reminders, no response has been received from PRBDB on this. The submission of the complete report for Dehlon bypass continues to be due.

68. Structural Adequacy Works on UG/01 (Kharar Banur section): The mission was informed that structural adequacy works have been halted on the Kharar Banur section of UG/1 due to contractual disputes with the Contractor. The mission observed that there were a number of potholes on this section creating a safety risk for the road user. Further, there were pebble and earthen dumps along the drains in sections of this road, which have not been removed.