



Facility Administration Memorandum

MFF0016; Project Number: 40075
Loan Numbers: 2400 (OCR) and 2401 (ADF)
February 2009

Islamic Republic of Pakistan: National Trade Corridor Highway Investment Program, Tranche 1

Important Note: This Facility administration manual is an active document. It will be updated and revised progressively as and when necessary during each review mission and following any changes in project investment costs, scope, or implementation arrangements. The contents herein are intended to assist and facilitate project management and implementation. If there is any conflict with any other legal agreement(s) related to this Investment program, the provision(s) in the legal agreement(s) will prevail.



CONTENTS

		Page
Map		2
Main Text		4
I.	Introduction	4
II.	Purpose of the FAM	4
III.	Overview	5
IV.	Key Persons Involved in the Program	5
V.	MFF Loan Processing History and Important Milestones	7
Annexes		
1.	Project Definition	8
	1.1 Sponsors, Stakeholders, and External Agencies	8
	1.2 MFF Impact and Outcome	8
	1.3 MFF Tranche 1 Outputs	8
2.	Project Management	10
	2.1 Project Organization Structure	10
	2.2 Roles and Responsibilities	12
3.	Procurement Plan	14
	3.1 Procurement Plan for Loan 2400/2401-PAK	14
4.	Safeguards Plan	15
	4.1 Environment	15
	4.2 Involuntary Resettlement	19
	4.3 Indigenous People	24
	4.4 Other Safeguards	24
5.	Financing Plan	25
	5.1 ADB Financing and Disbursement Arrangements	25
	5.2 Allocation Table	26
	5.3 Counterpart Funds	26
	5.4 Funds Flow	26
6.	Investment Plan	27
	6.1 Detailed Cost Estimate for Loan 2400/2401-PAK	27
	6.2 Forecast Cost to Complete Loan 2400/2401-PAK	28
7.	Execution Plan	29
	7.1 Work Breakdown Structure and Responsibility Allocation	29
	7.2 Implementation Schedule – Gantt Chart	30
	7.3 Annual Operational Plan	31
8.	Performance Monitoring and Evaluation	32
	8.1 Reporting	32
	8.2 Performance Indicators	33
9.	Major Covenants	34
	9.1 Major Covenants for Loan 2400-PAK	34
	9.2 Major Covenants for Loan 2401-PAK	38
10.	Appendixes	40
	1. Progress report format	
	2. Physical implementation progress estimates format	
	3. Land acquisition and resettlement framework	
	4. Environmental assessment and review framework	
	5. Terms of reference (TOR) for consultants	
	6. TOR for financial auditor	

Main Text

I. Introduction

1. This Facility Administration Memorandum (FAM) describes the project management and implementation arrangements for Tranche 1. The entire multi-tranche financing facility (MFF) is for \$900 million. The MFF implementation will be divided into multiple tranches. Currently, it is estimated there will be four tranches. The FAM will focus on the first tranche (Project 1) and will be updated or revised as needed for subsequent tranches.

2. The Periodic Financing Request (PFR) for the first tranche was originally approved by management on 17 December 2007 consisting of two loans totaling \$555 million equivalent: \$545 million Ordinary Capital Resources (OCR) and \$10 million equivalent Asian Development Fund (ADF). The OCR portion was subsequently reduced to \$170 million.

3. The legal agreements for Project 1 were signed on 3 December 2008 for a reduced loan total of \$180 million, comprising OCR loan of \$170 million (Loan 2400) and ADF loan of \$10 million (Loan 2401). Both loans became effective on 22 December 2008. The revised Project 1 scope covers only Section 1 (Faisalabad to Gojra) of Faisalabad-Khanewal Expressway.

II. Purpose of the FAM

4. The FAM contains project data and information that allows the Borrower, executing agency (EA), implementing agency, and ADB to monitor the project implementation and evaluate the project's output and outcome.

The FAM:

- provides concise and accurate detail, including maps and diagrams, on major aspects of project implementation;
- specifies roles and responsibilities of the EA, implementing agency, consultants, and ADB for the various actions required for satisfactory project implementation;
- assists project administration staff of the EA, implementing agency, and ADB to anticipate problems and initiate timely remedial actions or recommendations;
- promotes systematic monitoring and evaluation of the project outcome, and assessment of impacts on project beneficiaries through surveys, studies, and periodic and midterm reviews; and,
- provides the format and instructions for the EA and implementing agency to periodically update the project performance report in its current revised format.

5. The FAM is an active document. It will be updated and revised progressively as and when necessary during each review mission and following any changes in project investment costs, scope, or implementation arrangements.

III. Overview

6. The following project management and implementation related areas are covered in the FAM:

- Annex 1 Project Definition
- Annex 2 Project Management
- Annex 3 Procurement Plan
- Annex 4 Safeguards Plan
- Annex 5 Financing Plan
- Annex 6 Investment (Cost) Plan
- Annex 7 Execution Plan
- Annex 8 Performance Monitoring and Evaluation
- Annex 9 Major Covenants
- Annex 10 Appendixes

IV. Key Persons Involved in the Program

A. ADB Staff

Name	Position/Office	Contact
Rune Stroem	Country Director ADB's Pakistan Resident Mission	Tel. No. +92 51 282 5011 - 16, 208 7300 Fax No. +92 51 282 3324, 227 4718 Email: rstroem@adb.org
Hong Wang	Director Transport and Communications Division Central and West Asia Regional Department	Tel. No. +63-2 632 6765 Fax No. +63-2 636 2428 Email: hongwang@adb.org
Patrick R. Lizot	Head, Project Administration Unit, CWTC	Tel. No. +63-2 632 5444 Fax No. +63-2 636 2428 Email: plizot@adb.org
Olly Norojono	Senior Transport Economist Project Officer	Tel. No. +63-2 632 6628 Fax No. +63-2 636 2428 Email: onorojono@adb.org
Sunil Mitra	Transport Specialist Alternate Project Officer	Tel. No. +63-2 632 4110 Fax No. +63-2 636 2428 Email: smitra@adb.org
Robert G. Rinker	Senior Portfolio Management Specialist and Transport Implementation Head, Pakistan Resident Mission.	Tel. No. +92 51 282 5011 Fax No. +92 51 282 3324 Email: rgrinker@adb.org
Lanfranco Blanchetti-Revelli	Senior Social Development Specialist (Resettlement)	Tel. No. +63-2 632 6172 Fax No. +63-2 636 2428 Email: lblanchetti@adb.org
Mark Kunzer	Environment Specialist	Tel. No. +63-2 632 5671 Fax. No.+63-2 636 2428 Email: mkunzer@adb.org
Atiq Ahmad	Project Officer (Transport)	Tel. No. +92 51 282 5011 Fax No. +92 51282 3324 Email: atigahmad@adb.org
Lorna B. Protacio	Assistant Project Analyst	Tel. No. +63-2 632 4458

		Fax No. +63-2 636 2428 Email: lprotacio@adb.org
--	--	---

B. Executing Agency

Name	Position/Office	Contact
Mr. Altaf Ahmed Chaudhry	Chairman, National Highway Authority of Pakistan (NHA)	Tel. No. +92-51-9260717 Fax No. +92-51-9260404 E-mail: altaf_chaudhry@yahoo.com
(Vacant)	Member Aided Projects	Tel. No. Fax No. Email:
Mr. S. Akbar H. Rashidi	Member (Operations)	Tel. No. +92-51-8351800 and 8351803 Fax No. +92-51-9260216 E-mail: mops@nha.gov.pk
Mr. Sheikh Abdul Latif,	Member (Planning)	Tel. No. +92-51-8351702 Fax No. +92-51-9260418 Email: TBA
Vacant	Member (Construction)	Tel. No. Fax No. Email:
Mr. Mian Mohammad Asghar	General Manager (ADB Projects)	Tel. No. +92-51-9266722 Fax No. +92-51-9261139 E-mail: gm-adb@nha.gov.pk
Mr. Muhammad Yuzuf Barakzai	General Manager (P&CA)	Tel. No. +92-51-8351727 Fax No. +92-51-926041 Email: gmpca@nha.gov.pk
Mr. Tariq Peerzada	General Manager EALS	Tel. No. +92-051-8351506 Fax No. +92-051-9261139 Email: tariqpir@gmail.com
Ch. Mujeeb Qadir	General Manager (M-4)	Tel. No. +92-42-9260238 Fax No. +92-42-9260237 E-mail: mujeebqadir@hotmail.com
Mr. Samir-ur Rehman	Principal Coordination Officer (ADB Projects),	Tel. No. +92-51-9266694 Fax No. +92-51-9267323 E-mail: sami_nha_pco@yahoo.com
Mr. Shafaqat Zubair Ahmad	Director III (P&CA)	Tel. No. +92-51-8351719 Fax +92-51-9260419 E-mail: TBA
Maj. Naseem Afzal Baz	Director (Design)	Tel. No. +92-51-8351911 Fax No. +92-51-9260106 E-mail: TBA
Mr. Haji Rahim Jan Kundani	Director (EALS)	Tel. No. 092-51-8351507 Fax No. 092-51-9261139 E-mail:
Col. (R) Mudesar ul Haque Afzal Mian	Project Director (M-4)	Tel No. +92-42-9260236 Fax No. +92-42-9260238 E-mail: mudesar@hotmail.com

V. MFF Loan Processing History and Important Milestones

Event	Date
1. Concept Clearance	2 March 2007
2. Fact-finding Mission	13 to 31 March 2007
3. Management Review Meeting	26 June 2007
4. SIEE/SWIA Circulation	3 April 2007
5. Appraisal Mission	8 to 19 May 2007
6. Staff Review Committee Meeting	11 September 2007
7. Loan Negotiations (MFF0016 & Project1)	8 to 11 October 2007
8. Board Circulation	23 October 2007
9. Board Approval	10 December 2007
10. Approval of Framework Financing Agreement (FFA)	17 December 2007
11. Approval of Major Change in Scope – reduction of PFR1 from \$555 million to \$180 million	10 November 2008
12. Loan and Project Agreements signing for Project 1	3 December 2008
13. Loan Effectivity Date for Project 1	22 December 2008
14. Loan Closing Date for Project 1	31 December 2014
15. Last Date to submit remaining PFR	not later than 30 June 2013
16. Estimated Program Completion Date	31 August 2017

Annex 1: Project Definition

1.1 Sponsors, Stakeholders, and External Agencies

- (a) **Sponsors:**
- Ministry of Communications
- (b) **Stakeholders:**
- National Highway Authority (Executing Agency)
 - Asian Development Bank
 - Affected persons (i.e., those directly affected by the construction of the road through land acquisition, resettlement or business disruption)
 - Road Users and Local Communities
- (c) **External Agencies**
- Ministry of Economic Affairs and Statistics
 - Ministry of Planning
 - Provincial Board of Revenue
 - District Board of Revenue
 - Provincial Environmental Agency

1.2 MFF Impact and Outcome

7. **Impact:** Increased trade growth - By 2022 (i) increased GDP from \$114 billion to \$336 billion), and (ii) increased trade from \$35 billion to \$170 billion.

8. **Outcome¹:** Enhanced efficiency gains through the NTC highway network – By 2017 (i) increased traffic volume along National trade corridor; (ii) reduced average travel time; (iii) reduced transport cost for freight; (iv) reduced deficit on road maintenance costs; and (v) reduced fatality rate.

1.3 MFF Tranche 1 Outputs

9. Tranche 1 outputs are in to two parts as follows:

- (a) Faisalabad – Khanewal – Multan Motorway Section 1, (Faisalabad- Gojra) constructed by 2013.
- (b) Institutional Strengthening²:
- Performance-based contracts for operation and management of highways by 2011;
 - Pilot intelligent highway system operational by 2011 (e.g., electronic notification boards for accident information and electronic tolling system);
 - Sustainable funding mechanism for highways adopted by Government by 2011;

¹ The outcome specified here reflects the major change in scope.

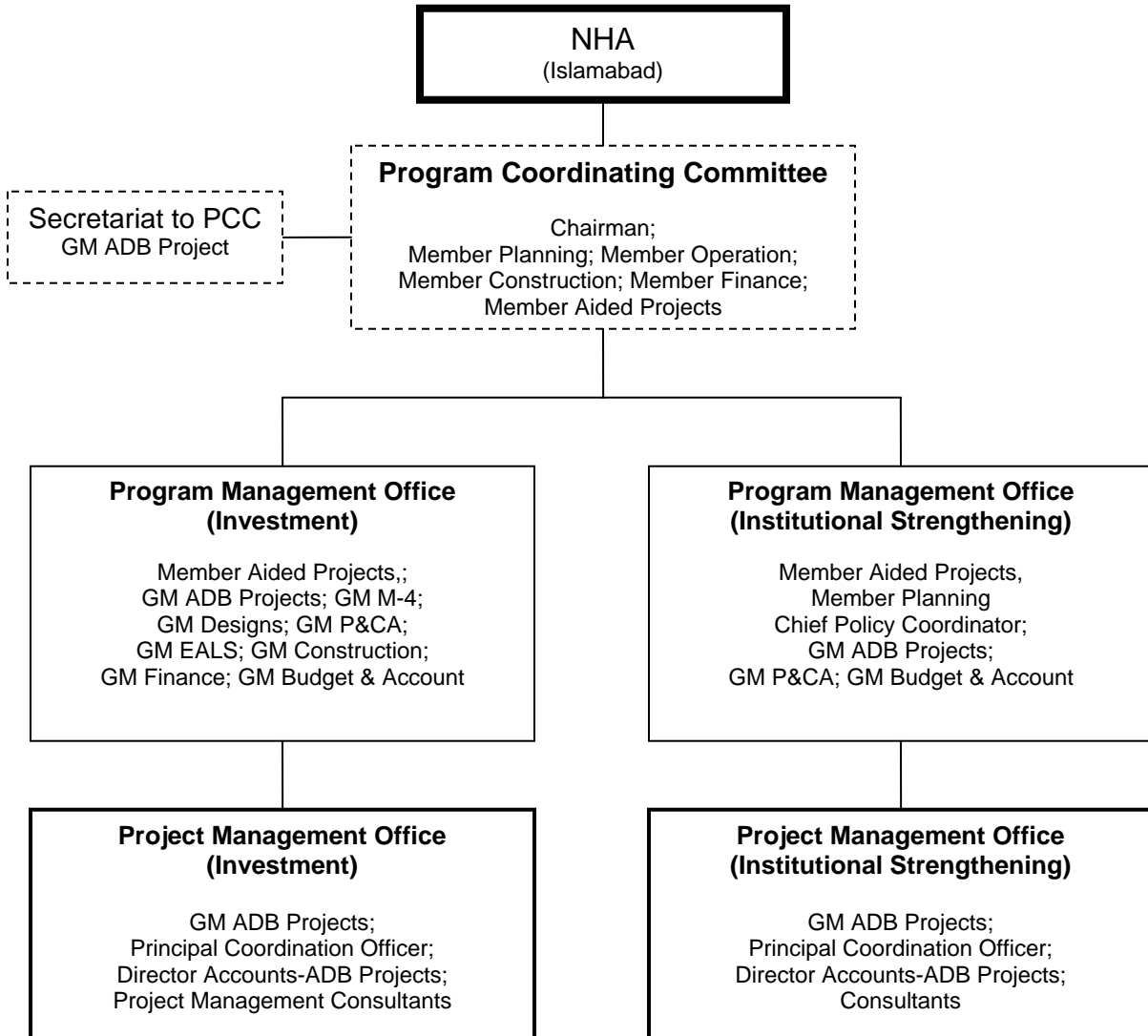
² The output target dates specified here – referenced in first, second and third bullet points of para. 9(b) – were revised based on discussions with NHA during Tranche 1 Inception mission. These revisions will be reported in the BTOR for ADB management concurrence.

- Feasibility study and bidding documents prepared for at least 3 projects by 2012;
- Framework for inter-agency coordination for social and environmental issues developed by 2010;
- Representative staff from each regional office and headquarters (at least 20) NHA staff trained on social and environmental issues; and
- Human Resource Policy endorsed by NHA by 2010.

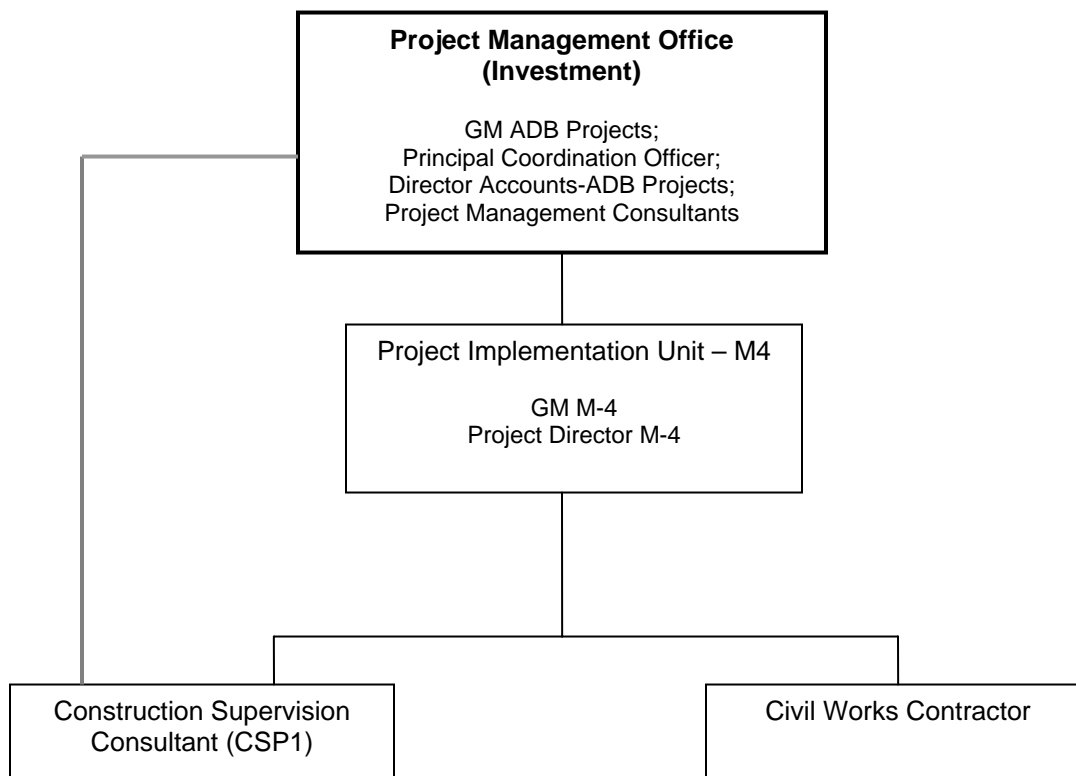
Annex 2: Project Management

2.1 Project Organization Structure

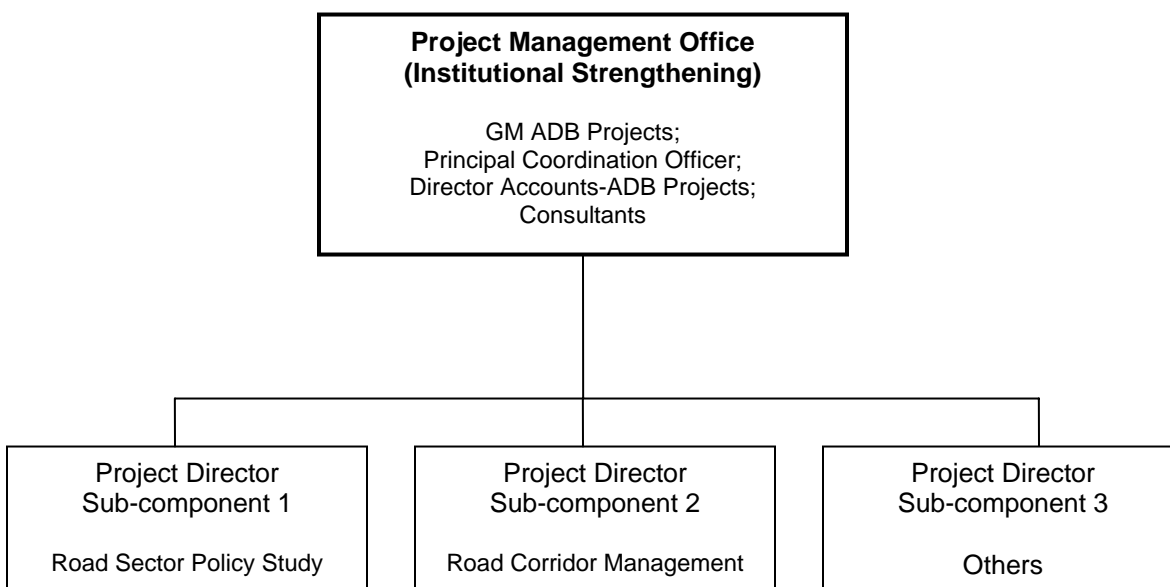
(a) Project Organization Structure



(b) Project Management Office (Investment) - Tranche 1



(c) Project Management Office (Institutional Strengthening) – Tranche 1



Annex 2: Project Management

2.2 Roles and Responsibilities

10. The roles and responsibilities of the (i) Project Coordinating Committee, (ii) Program Management Office, (iii) Project Management Office, and (iv) Project Implementation Unit are outlined below.

a. Strategic and Management Level

Project Coordinating Committee	Key Roles
PCC will comprise NHA Chairman and NHA Members (Planning, Operations, Construction, Finance, and Aided Projects)	<ul style="list-style-type: none"> • Provide guidance on and oversight to the overall implementation and performance of the project (Investment and Institutional Strengthening) • Resolution of issues and conflicts that would compromise quality of results, investment cost or project completion time.

b. Operational Level

Program Management Office (Investment)	Key Roles
<ul style="list-style-type: none"> • Member Aided Project (Member Operations until position is filled in) 	<ul style="list-style-type: none"> • Oversee all activities for the program, including preparing projects, monitoring implementation of projects, and reporting. • Ensure the implementation of the program
<ul style="list-style-type: none"> • General Manager (ADB / NHA Head Office) Projects 	<ul style="list-style-type: none"> • Secretariat to PCC • Coordinate and follow up all activities related to the program. • Design and implement Program/Project Performance Monitoring System (PPMS).
<ul style="list-style-type: none"> • General Manager (Design I & II) 	<ul style="list-style-type: none"> • Provide detailed design and cost estimates • Prepare feasibility study for subsequent projects • Coordinate closely with GM EALS to assist with LARP preparation and implementation.
<ul style="list-style-type: none"> • General Manager (Planning) 	<ul style="list-style-type: none"> • Process PC-1 • Assess and decide subprojects to be included in subsequent tranches • Ensure the preparation of projects according to the laid down criteria of ADB • Conduct project appraisal for subsequent tranches and consolidate appraisal reports • Prepare and submit PFR for subsequent tranches.
<ul style="list-style-type: none"> • General Manager (Procurement and Contract Administration) 	<ul style="list-style-type: none"> • Prepare PQ/ EOI documents • Prepare bidding documents • Prepare RFP and shortlisting • Undertake bidding • Submission of following quarterly and semi-annual report <ul style="list-style-type: none"> ○ Contract awards ○ Procurement status and progress • Contract administration (i.e., dispute resolution)
<ul style="list-style-type: none"> • General Manager (Environment, Afforestation, Land and Social) 	<ul style="list-style-type: none"> • Prepare social and environmental safeguard documents • Implement social and environmental safeguard action plan • Ensure compliance to loan covenants for social safeguard

• General Manager (Budget & Account)	<ul style="list-style-type: none"> • Process withdrawal applications • Submission of Financial Audit Report by 30 June of the following year.
• General Manager (Finance)	<ul style="list-style-type: none"> • Secure counterpart funds
Project Management Office (PMO)	
General Manager (ADB Projects)	<ul style="list-style-type: none"> • Execute the program. • Set up management information system • Submit reports as required by ADB. • Regularly monitor overall progress and compliance with conditions of the FFA and individual loan and project agreements.
Principal Coordination Officer (ADB Projects)	<ul style="list-style-type: none"> • Assist GM (ADB Project) execute the program • Liaison with various offices within NHA and outside.
Director Accounts-ADB Projects	<ul style="list-style-type: none"> • Process withdrawal applications • Submission of Financial Audit report by 30 June of the following year.
Project Implementation Unit (PIU)	
GM M-4 Project Director	<ul style="list-style-type: none"> • Execute the project under its responsibility • Report to PMO the implementation progress and issues • Contract administration (day to day administration)

Note: The roles and responsibilities related to safeguards are detailed in Annex 4.

Program Management Office (Institutional Strengthening)	Key Roles
• Member Aided Project	<ul style="list-style-type: none"> • Jointly with Member Planning oversee all activities under the Institutional Strengthening components of the program • Ensure the implementation of the Institutional Strengthening components of the program
• Member Planning	<ul style="list-style-type: none"> • Prepare PC-1 • Jointly with Member Aided Projects oversee all activities under the Institutional Strengthening components of the program • Ensure the implementation of the Institutional Strengthening components of the program
• Chief Policy Coordinator	<ul style="list-style-type: none"> • Coordinate the preparation of the TOR for the consultants under Institutional Strengthening components • Coordinate the preparation of the RFP and short-listing of the consultants
• General Manager (ADB / NHA Head Office) Projects	<ul style="list-style-type: none"> • Support the coordination and follow up all activities related to the Institutional strengthening component of program. • Design and implement Program/Project Performance Monitoring System (PPMS) for the Institutional Strengthening components.
• General Manager (Procurement and Contract Administration)	<ul style="list-style-type: none"> • Prepare TOR and request EOIs • Prepare RFP and shortlisting • Carry out the due consultant recruitment process • Submission of following quarterly and semi-annual report.
• GM Budget & Account	<ul style="list-style-type: none"> • Process withdrawal applications • Submission of Financial Audit report by 30 June of the following year.

Annex 3: Procurement Plan

3.1 Procurement Plan for Tranche 1

11. The table below outlines the detailed contract packages from the Procurement Plan for Tranche 1. The packages for subsequent tranches will be covered in their respective addendums to the FAM.

Table 1: Detailed Contract Packages in Excess of \$100,000

Ref	Contract Description	Length (km)	Estimated Costs (\$ million)	Mode of Procurement	Duration (months)	Assignment	Contract Starting	Contract Completion
Physical Investment (Loan 2400-PAK – OCR)								
A. Civil Works								
	Faisalabad–Gojra	58	125.00	ICB	36	Firm	2009	2013
B. Consulting Services								
	Supervision consultant		18.00	QCBS	39	Firm	2009	2013
Institutional Strengthening (Loan 2401-PAK – ADF)								
a.	Road Sector Policy Study		0.70	QCBS	12	Firm	2009	2010
b.	Road Corridor Management		2.00	QCBS/ ICB	24	Firm	2010	2011
c.	Project Preparatory		2.50	QCBS	24	Firm	TBA	TBA
d.	Social and Environmental Management		1.00	QCBS	12	Firm	2010	2011
e.	Human Resources Development		2.00	QBS	24	Firm	TBA	TBA
f.	Project Management Support		1.80	SSS	30	Individuals	2010	2014

Note: The following revisions were made to "Table 1: Detailed Contract Packages in Excess of \$100,000" during the Inception mission. These revisions will be noted in the BTOR of Inception Mission. Until such time the ADB's Project Administration Instructions (PAI) 5.04 procedures for "Change in Project Scope or Implementation Arrangements" are carried out, the original information in the RRP and the Loan agreements will prevail.

- Civil works contract (Faisalabad to Gojra) – the "estimated costs" was revised downward to \$125 million (original was \$200 million);
- Road sector policy study – (a) the "mode of procurement" was revised to QCBS (original SSS); and (b) the "Assignment" revised to "Firm" (original was "Individuals");
- Road corridor management – (a) mode of procurement revised to include both QCBS and ICB or any appropriate procurement method to facilitate splitting the contract and separating the equipment portion from the consulting portion; and (b) the contract starting time and contract completion time were revised upwards to 2010 and 2011 respectively (originals were 2009 and 2010 respectively);
- Project preparatory – the contract starting time and contract completion time were revised to "To be announced" (original was 2009 and 2010 respectively);
- Social and Environmental Management – the contract starting time and contract completion time were revised upwards to 2010 and 2011 respectively (originals were 2009 and 2010 respectively);
- Human Resources Development – the contract starting time and contract completion time were revised to "To be announced" (original was 2009 and 2010 respectively); and
- Project Management support – (a) the contract starting time and contract completion time were revised upwards to 2010 and 2014 respectively (originals were 2009 and 2013 respectively), (b) the "mode of procurement" was revised to SSS from QCBS, (c) the "duration" was revised downwards to 30 months (original was 48 months), and (d) the "Assignment" was revised to "Individuals" (original was "Firm").

Annex 4: Safeguards Plan

4.1 Environment

12. The supplementary appendix "G" of the Report and Recommendation of the President (RRP) provides details of the Environmental Assessment Review Framework applicable to this MFF and its tranches.

13. The Environmental Management Plan (EMP) for Tranche 1 is completed, and has been cleared and approved by both ADB and EPA.

14. NHA EALS will have to carry out the Cumulative Impact Assessment, and ensure the EMP is implemented during project implementation – construction phase of Faisalabad to Gojra.

15. The contents below describes the Environmental safeguards related procedures relevant to all tranches and related subprojects of this MFF : (a) Environmental selection criteria; (b) Environmental assessment requirement; (c) Review and assessment responsibilities of NHA and ADB; (d) Due diligence responsibilities of NHA; (e) Public disclosure responsibilities of NHA; and (f) Staffing requirements and budget responsibilities of NHA.

a. Environmental Selection Criteria

16. Criteria for selection of the future subprojects:

- (i) The subprojects shall only be selected from NHA's priority roads as part of the project.
- (ii) The subprojects shall only involve activities that follow all the government regulations.
- (iii) The subproject should not involve activities located in or near the core zone or, as much as possible, the buffer zone of designated wild-life sanctuaries, national parks, and other protected areas.
- (iv) The subproject should as much as possible not involve activities located in or near area that is ecologically sensitive and significant as recognized by the Government or any area that is internationally significant (such as protected wetland designated by the Wetland Convention).
- (v) The subproject should as much as possible not include any stretch that passes through any cultural heritage designated by the Government or by international agencies such as UNESCO.

b. Environmental Assessment Requirement

17. Environmental classification:

- (i) Subprojects will be categorized environmentally depending on the potential impacts of each subproject. Using ADB's Rapid Environmental Assessment form,

they will be screened and categorized initially, and be confirmed by ADB internal review with consultation with Pakistan authority.

- (ii) For category A subprojects, full EIAs including EMPs with detailed mitigation measures and monitoring program, will be required for:
 - (a) subprojects that anticipate significant adverse environmental impacts; or
 - (b) subprojects that an EIAs are required by the Pakistan regulations as specified above.
- (iii) Road upgrade and rehabilitation subprojects that fall under the above classification may be categorized as B or B-Sensitive. Subprojects categorized as such will require IEEs including an EMP with the mitigation measures that can be easily identified, implemented, and managed, to be integrated into project implementation and operation.
- (iv) Potential cumulative impacts in the subproject's area of influence and the associated facilities' impacts will be assessed as necessary.

c. Review and Assessment Responsibilities and Authorities

18. Responsibilities of NHA

- (i) Prepare an environmental screening checklist and classified the subprojects.
- (ii) Based on the environmental classification of the subprojects, prepare the terms of reference to conduct an IEE or EIA study.
- (iii) Hire an environmental consultant to prepare an IEE or EIA report, including an EMP, and SEIA for public disclosure.
- (iv) Undertake an initial review of the IEE and summary IEE or EIA and SEIA.
- (v) Submit the IEE or EIA report and the review form to ADB as part of the approval of subproject.
- (vi) Obtain Government permits (such as environmental clearance, Non-Objection Certificate (NOC), forest clearance, and water board clearance).
- (vii) Ensure that all regulatory clearances are obtained before starting civil works for the subproject.
- (viii) Submit to ADB all the required clearances/certificates obtained from the relevant Government authorities.
- (ix) Ensure that the required mitigation measures during construction are included in the bidding document.
- (x) Ensure that contractors have access to the EIA or IEE and EMP report of the subproject.
- (xi) Ensure that an environmental management plan, including all proposed mitigation measures and monitoring programs, are properly implemented.
- (xii) Monitor the implementation of environmental management plan and present it in the environmental monitoring report.
- (xiii) In case unpredicted environmental impacts occur during project implementation, provide and implement an environmental emergency program.
- (xiv) In case a subproject needs to have its alignment changed or its environmental classification reconfirmed, review it to determine whether a supplementary IEE or EIA study is required. If it is required, prepare the terms of reference for

undertaking a supplementary IEE or EIA and hire an environment consultant to carry out the study.

- (xv) Submit the semiannual report on social and environmental compliance and implementing the Environmental Management Plan (EMP), including implementation of an environmental emergency response program for spills of hazardous materials or chemical, as relevant, to the Pakistan EPA and to ADB
- (xvi) Ensure that adequate public consultation be undertaken with affected groups and local NGOs

19. Responsibilities of ADB

- (i) Review the IEE or EIA report as a basis for the subproject's approval.
- (ii) Publicly disclose the SIEE and SEIA via ADB websites
- (iii) Monitor the implementation of the EMP and due diligence as part of overall project review mission.
- (iv) Provide assistance to NHA, if required, in carrying out its responsibilities and safeguard capacity building.
- (v) Facilitate the required consultations with project affected groups and local NGOs, and to ensure that the borrower or project sponsor provides relevant information on the project's environmental issues in a form and language(s) accessible to those being consulted

d. Due Diligence

20. Responsibilities of NHA

- (i) Provide access to ADB for it to undertake environmental due diligence for all subprojects. Undertake environmental due diligence and monitoring the implementation of environmental mitigation measures for all subprojects.
- (ii) Document the due diligence report as well as monitoring reports on implementation of the environmental management plan and make them accessible by the public.

e. Public Disclosure

21. Responsibilities of NHA

- (i) Ensure that all environmental assessment documentation, including the environmental due diligence and monitoring reports, are properly and systematically kept as part of an NHA project-specific record.
- (ii) Make available all environmental documents to public.
- (iii) For category-A and B-sensitive subprojects, the SEIA/SIEE will be disclosed to the public through ADB's websites 120 days before civil works start.
- (iv) Submit the SEIA/SIEE to ADB for review by ADB before it is disclosed to the public
- (v) Ensure that public consultations, particularly with project affected persons, are undertaken adequately during the IEE/EIA preparation process for the future subprojects.

f. Staffing Requirement and Budget of NHA

22. Responsibilities of NHA

- (i) Set up a Social Development and Environmental Unit within the Office of the Member Planning. (A unit is already setup under NHA / Member Operations). The Unit will be run by an Executive Director assisted by a Director on Environment and 3 full-time staff. The Unit will ensure that the environmental assessment and review framework is strictly implemented.
- (ii) Hire environment consultants to prepare IEEs and EIAs for the follow-up subprojects and supervise the implementation of mitigation measures and monitoring programs as part of the EMP.
- (iii) Prepare EMP semiannual monitoring reports.
- (iv) Provide budget and resources needed to implement the environmental review and screening procedure, undertake the IEE/EIA studies for the follow-up subprojects, monitor the implementation of EMPs, and undertake environmental mitigation measures as required. Prepare or update the medium and long term capacity building assistance to the Social Development and Environmental Unit.

Annex 4: Safeguards Plan

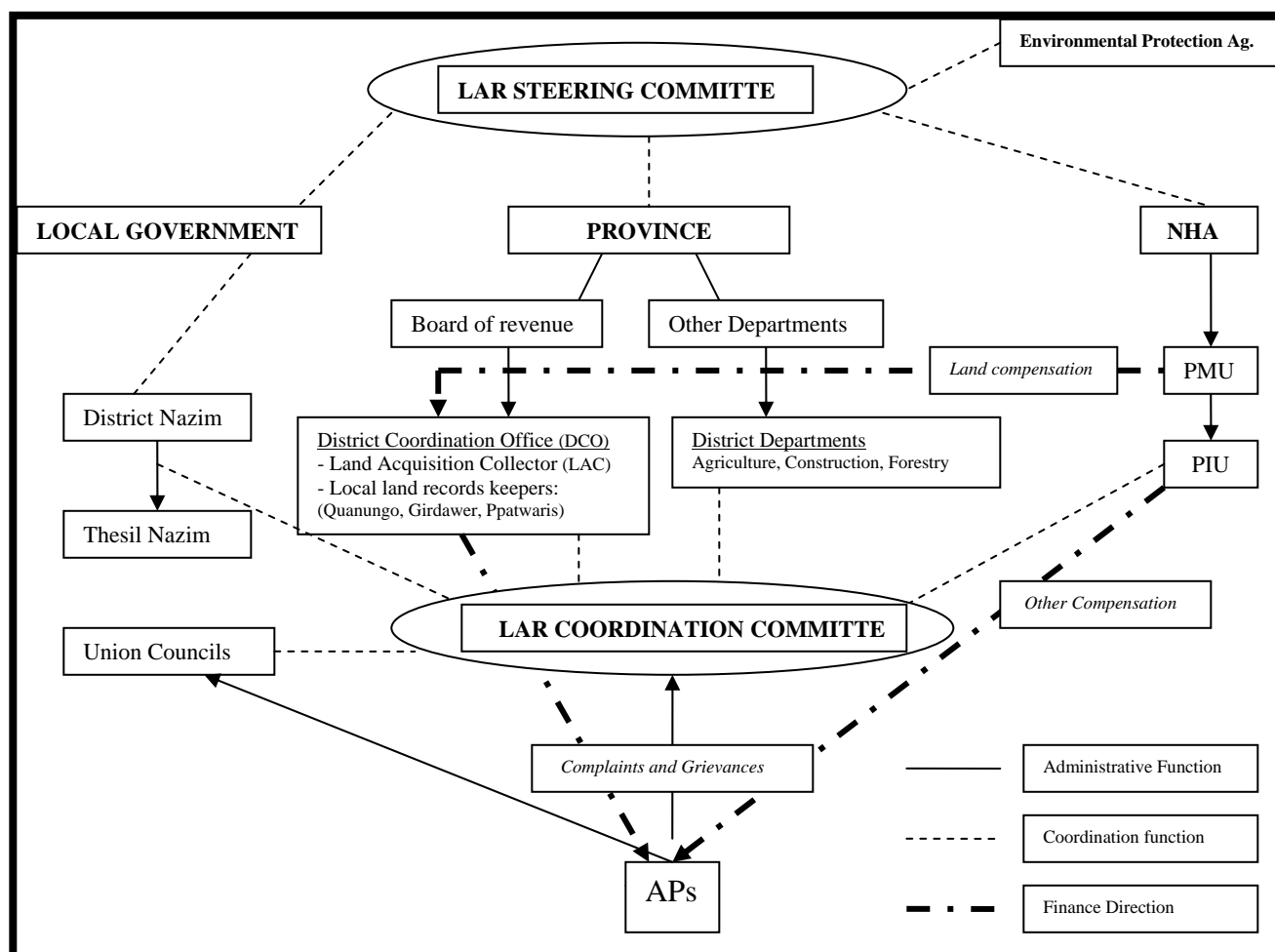
4.2 Involuntary Resettlement

23. The supplementary appendixes "J" and "K" of the RRP provide details of the Land Acquisition and Resettlement Framework (LARF) and the Land Acquisition and Resettlement Plan (LARP) respectively, applicable to this MFF and its tranches.

24. The LARP for Tranche 1 (Faisalabad to Gojra) will be prepared in two parts. The first part will cover the linear sections (Linear part) and the second part will cover the interchanges (Interchange-part). NHA EALS is responsible for preparing the LARP, obtaining the necessary clearance and approvals, and subsequently implementing the plan.

25. The contents below describes the Involuntary Resettlement safeguards related procedures as approved by ADB Board in the RRP relevant to all tranches of this MFF and related subprojects: (a) Institutional arrangements; (b) Responsibilities of relevant agencies; (c) Land Acquisition and Resettlement (LAR) Implementation; (d) Monitoring and evaluation; (e) Training; and (f) Budget .

a. Institutional Arrangements



26. **Key actions:**

- (i) The Board of Revenue is to assign a Land Acquisition Collector (LAC) to the PMO.
- (ii) NHA and relevant agencies are to establish two committees at Provinces and Districts to coordinate LAR preparation and implementation.
- (iii) LAR Steering Committee (LSC) – at provincial level
 - Member: high-level representatives of: NHA Management; the Planning and Development Department (PDD); the Board of Revenue; Relevant Provincial departments; and the Environmental Protection Agency (EPA).
 - Function: to ensure the timely formation of effective district-level LAR Coordination Committees (LCC) and that all relevant agencies involved in LAR and compensation and rehabilitation are fully informed of the LARF.
 - Mode of conduct: periodic meeting to ensure that NHA/PMO, the consultants, the LACs, other district agencies and the office of the relevant Nazims and work together in the preparation of the LARPs and in the execution of AP consultation.
- (iv) A LAR Coordination Committee (LCC) – at each district
 - Member: representatives of the PIU, of the DRO/LAC, of other concerned district departments, of the Nazim's Office, and of the local Union Council/s.
 - Function: (i) ensuring that LARP preparation and implementation is carried out as one shared task by all involved parties, (ii) providing a coordinating node for the preparation/implementation of LARPs (surveys execution, assets valuation, AP consultation, and local approval of LARP provisions), (iii) providing a forum where NHA, local government agencies and the APs can confront their views on various LAR-related matters, and (iv) facilitating complaints and grievances.

b. Responsibilities of Relevant Agencies

27. Responsibilities of NHA

- (i) Coordinate, prepare, implement, and finance all LAR tasks through the PMO and PIUs.
- (ii) Set up under the PMO, a Land Acquisition and Resettlement Unit (LARU), which will organize and internally monitor LARP preparation/implementation (including surveys, asset valuation, and community consultation), cross-agency/inter-departmental coordination, and LARP approve.
- (iii) LARU will be assisted by:
 - (a) Resettlement Specialists team to be hired under the Consultants contract. They will assist in LAR planning/implementation, internal M&E, and training of NTDC and districts on impact assessment and ADB resettlement policy requirements.

- (b) Local NGOs will be hired to provide on-site LARP preparation assistance for surveys, information gathering, AP consultation and LARP implementation.
- (c) An independent agency will be hired to conduct periodic monitoring and evaluation/ 3rd party validation of implementation of the LARP activities.

28. Responsibilities of District Governments

- (i) Undertake land compensation through Provincial Boards of Revenue represented at District level by the District Coordination Officer (DCO)/Land Acquisition Collector (LAC) and District Revenue Office (DRO).
- (ii) Identification and verification of land titles and ownership by the Revenue Department, most notably Quano and *Patwari*,
- (iii) Compensation of assets different from land by Provincial line-agencies and their District level offices. Buildings compensation pertains to the Communication & Works Department (C&WD), Crops and productive trees compensation pertains to the Department of Agriculture and the compensation for wood trees losses pertains to the Department of Forestry.
- (iv) The Office of the Nazim (the elected District head) is expected to play a coordinating role and will represent the rights of the local citizens.

29. Responsibilities of ADB

- (i) Approval of category "B" LARPs will be provided either by an ADB Resettlement Specialist at ADB's Pakistan Resident Mission, or by a third party organization with LAR capacity chosen by ADB.
- (ii) Approval of Category "A" projects will be done at ADB Headquarters in Manila.

30. Responsibilities of Other Agencies

- (i) The concerned Provincial Environmental Protection Agency (EPA) may also approve the LARF and the LARPs, as part of its Environmental Impact Assessment (EIA), for the Government of Pakistan.

c. LAR Implementation

31. The table below outlines the required actions and responsible party under LAR implementation.

Step	Action	Responsibility
A) TRANCHE PREPARATION		
1	Subprojects identification	PMO/Consultants
2	Review and update of LARF	LARU/Consultants
3	IPSA preparation and if needed preparation of an action plan detailing LARP tasks for LARU, consultants, local government, and NGO. Local coordination committees formed.	LARU/consultants
B) LARP PREPARATION		
1	Proposal to Revenue Department with Brief Description of subproject including LAR.	EA
2	Publication of Notice expressing the intent to Acquire Land under Section 4 of LAA.	Revenue Department
3	Prepare impacts/AP surveys forms, train impact assessment and valuation teams, and establish coordination with relevant local government agencies.	LARU/Consultants
4	Land record verification, cadastral maps update and impacts/valuation surveys;	Loc. Gov; LARU/consultants
5	Check surveys and, if necessary, request additional fieldwork to improve them.	Consultants

6	Conduct public consultations and negotiations.	LARU/Loc.Gov./consultants/NGO
7	Integrate impacts base-line and results of consultations/negotiations into the LARP.	LARU/Consultants
8	Submission of LARP to PMO, local governments and then to the Ministry of Environment (MOE) for approval. After this the LARPs are sent to ADB for approval.	LARU/Loc. Gov/ EPA/MOE/ADB
9	LARP disclosure: Distribution of LARP and information pamphlets in Urdu in the affected communities; posting of LARP in English on the ADB website	LARU/Loc.Gov./ADB
10	Revisions and updates of the LAR based on final design (if necessary)	LARU/Loc.Gov./ADB/consultants
11	Second LARP disclosure as above and if necessary	LARU/Loc.Gov./ADB
12	Approval of Contract awards	ADB

C) LARP IMPLEMENTATION

1	Distribution of Relocation Notices to APs	PMO, LARU
2	Award of Checks for Land Compensation	PMO/LARU/LAC/AP
3	Award of Checks for other Compensation & Assistance/ Rehabilitation	PMO/LARU/PIU/AP
4	Demolishing/ Relocation of Affected Structures/Assets	LARU, NGO
5	Review of LARP Implementation.	PMO/LARU/ADB/NGO
6	If LARP Implementation found satisfactory, notice to proceed for Civil works is issued	ADB/PMO

D) POST-IMPLEMENTATION TASKS

1	Independent evaluation of LARP Program.	EMA
---	---	-----

E) CYCLICAL/CONTINUOUS TASKS

1	Internal monitoring. Quarterly reporting on LAR to ADB	PMO
2	External Monitoring. Semi-annual reporting to ADB	EMA/PMO
3	Grievances Redress/Law Suits	LARU/PMO/LAC/LCC/COURT
4	Inter-agency coordination and Communication with AP	PMO/LARU/LAC/Loc. Gov.

d. Monitoring and Evaluation

1. Internal Monitoring

32. Internal monitoring will be carried out by the PMO with the Supervision Consultant assistance and reported monthly to assess the LARP implementation progress. These reports will be quarterly consolidated in the supervision reports for ADB. The report may include:

- (i) Information campaign and consultation with APs;
- (ii) Status of land acquisition and payments on land compensation;
- (iii) Compensation for affected structures and other assets;
- (iv) Relocation of APs;
- (v) Payments for loss of income;
- (vi) Selection and distribution of replacement land areas; and
- (vii) Income restoration activities

2. External Monitoring

33. External monitoring will be assigned to an External Monitoring Agency (EMA) hired by NHA and approved by ADB among local consultants or NGOs. ADB will prepare the EMA terms of reference prior LAR implementation. External monitoring (EM) will be carried out twice a year and presented in semi-annual reports. The report may include:

- (i) Review and verify internal monitoring reports prepared by LARU and its field offices.
- (ii) Review of the socio-economic baseline census information of pre-displaced persons.

- (iii) Identification and selection of impact indicators.
- (iv) Impact assessment through formal and informal surveys with the affected persons.
- (v) Consultation with APs, officials, community leaders for preparing review report.
- (vi) Assess the resettlement efficiency, effectiveness, impact and sustainability, drawing lessons for future resettlement policy formulation and planning..
- (vii) Assess the situation of affected vulnerable groups such as female-headed households, disabled/elderly and families below the poverty line.

3. **Monitoring Indicators**

34. The monitoring indicators are listed below:

- (i) Socio-economic conditions of the APs in the post-resettlement period.
- (ii) Communications and reactions from APs on entitlements, compensation, options, alternative developments and relocation timetables etc.;
- (iii) Changes in housing and income levels;
- (iv) Rehabilitation of squatters, severely affected people, and vulnerable groups;
- (v) Valuation of property;
- (vi) Grievance procedures;
- (vii) Disbursement of compensation; and
- (viii) Level of satisfaction of APs in the post resettlement period.

4. **Post-implementation monitoring**

35. Post-implementation monitoring of the LARP will be carried out about a year after completion of its implementation by the External Monitoring Agency to evaluate the completeness and effectiveness of the LARPs and recommend supplementary assistance for the APs should the outcome of the study show that the objectives of the LARP have not been attained.

e. Training

36. NHA will organize a one-week training on land acquisition and resettlement to be provided by the international specialist preferably under the project supervision contract for all staff both at PMO and field level tasked with LAR activities, including DD/LARP, officials of local government, and NGO staff.

f. Budget and Financing

37. The provisions related to budget and financing are as follows:

- (i) Finances for compensation, allowances, and administration of LARP preparation and implementation will be provided by the Government as counterpart funds. Allocations will be reviewed bi-annually based on budget requirements indicated in the LARPs.
- (ii) Costs for external monitoring tasks can be allocated under the loan.
- (iii) In order to ensure that sufficient funds are available for LAR tasks, the local governments will have to allocate 100% of the cost of compensation at

replacement cost and expected allowances estimated in each LARP plus contingencies before LARP implementation.

- (iv) The budget for land and crop compensation will be disbursed by NHA to the District Collector Office which in turn, through the LAC will disburse the compensation to the APs. For what concerns compensation funds for other items such as documented structures (houses, shops, etc.), house restoration, shops, employment, income loss, etc. will go from NHA to the PMO which will disburse the funds to the APs with assistance from the PIU.

)

4.3 Indigenous People

38. The supplementary appendix "L" of the RRP provides details of the Indigenous People Development Plan applicable to this MFF and its tranches.

39. There are no specific actions required under Tranche 1.

4.4 Other Safeguards

40. The other safeguards that are to be considered in Tranche 1 are as follow:

- (i) Non-discrimination against gender during construction
 - (ii) Protection of sexually transmitted diseases
 - (iii) Preserving suitable working condition and protecting child labor
 - (iv) Mitigating the risk of human trafficking
-

Annex 5: Financing Plan

5.1 ADB Financing and Disbursement Arrangements

(a) MFF Program

41. The table below outlines the total financing plan for the entire MFF:

	Amount (\$ million)	Share (%)
Government	210	20
ADB	890	80
Total	1,100	100

(b) Tranche 1 Financing Plan

42. The table below outlines the financing plan for Tranche 1 only:

	Ordinary Capital Resources		Asian Development Fund	
	Amount (\$ million)	Share (%)	Amount (\$ million)	Share (%)
ADB	170	85	10.0	80
Government	30	15	2.5	20
Total	200	100	12.5	100

(c) Tranche 1 Disbursement Arrangements for ADB Funds

43. The disbursement arrangements for Tranche 1 are summarized below. The Disbursement Letter issued by ADB Controller's department will provide complete details:

- (i) Direct payment procedure will generally be used for the civil works and consulting services.
- (ii) Reimbursement procedure may be used for reimbursing eligible expenditures, already paid by NHA out of its own funds.
- (iii) NHA will establish two imprest accounts at the National Bank of Pakistan: one for OCR loan and the other for ADF loan. Initial advance to the imprest account will be 10% of the respective loan amount or six months of estimated eligible expenditures, whichever is lower.
- (iv) The Statement of Expenditure (SOE) may be used for liquidating expenditures paid through the imprest account advances or liquidating expenditures under Reimbursement procedure. The SOE is limited to individual payments under \$100,000 for OCR and \$50,000 for ADF loan.

5.2 Allocation Table

a. Allocation Table for Tranche 1 OCR Loan – Reference Loan 2400-PAK

No.	Item	Amount Allocated (\$)		Percentage	Basis for Withdrawal from the Loan
		Category	Subcategory		
1.	Civil works		115,490,000	92	of total expenditure claimed*)
2.	Consultant services		18,000,000	100	of total expenditure claimed*)
3.	Interest and commitment charge		14,810,000	100	of amounts due
4.	Unallocated		21,700,000	100	
	Total		170,000,000		

*) exclusive of local taxes

b. Allocation Table for Tranche 1 ADF Loan – Reference Loan 2401-PAK (SF)

No.	Item	Amount Allocated (SDR)		Percentage	Basis for Withdrawal from the Loan
		Category	Subcategory		
1.	Consultant services		6,128,000	100	of total expenditure claimed*)
2.	Unallocated		323,000	100	
	Total		6,451,000		

*) exclusive of local taxes

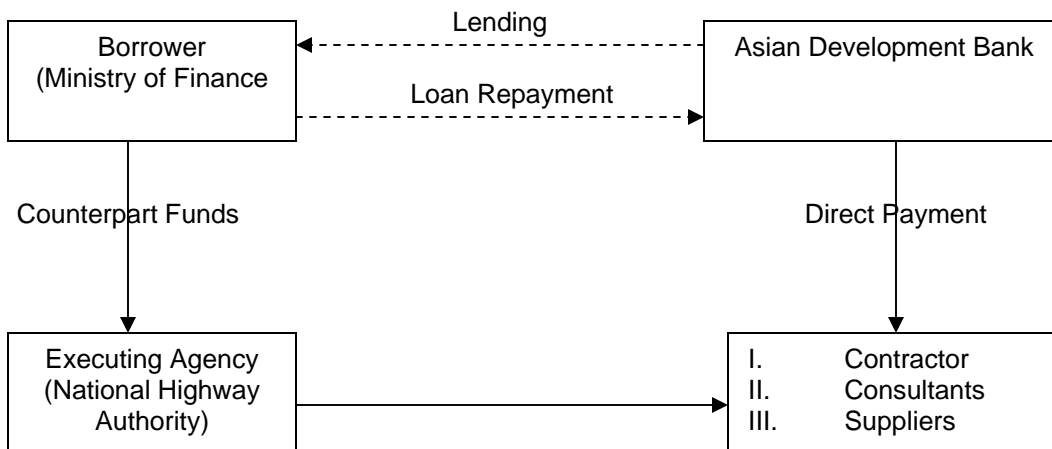
5.3 Counterpart Funds:

44. NHA will have to finance the following expenditures:

- Land acquisition and resettlement: \$20.49 million (equivalent)
- Civil works: \$9.51 million (equivalent)
- In-kind contribution: \$2.5 million (equivalent)
- Government will cover all local taxes and duties.

5.4 Funds Flow

45. The diagram below describes the funds flow in the case of direct payments.



Annex 6: Investment Plan

6.1 Detailed Cost Estimate for Tranche 1

Cost Estimates and Financing Plan (\$ million)

Item	Total Cost	ADB Financing Amount	%	Government Financing Amount
A. Investment Component (OCR Loan 2400)				
1. Land Acquisition and Resettlement				
Faisalabad–Gojra	20.49	0	0	20.49
2. Civil Works				
Faisalabad–Gojra	125.00	115.49	92	9.51
3. Construction Supervision				
Faisalabad–Gojra	18.00	18.00	100	-----
4. Contingencies				
Physical	7.50	7.50	100	-----
Price	14.20	14.20	100	-----
5. Interest and Other Charges				
Interest	14.17	14.17	100	-----
Commitment Charges	0.64	0.64	100	-----
Total (A)	200.00	170.00		30.00
B. Program Support Component (ADF Loan 2401)				
Consulting Services	12.50	10.00	100	2.50
Total (B)	12.50	10.00		2.50
Total Project 1 Costs (A+B)	212.50	180.00		32.50

Sources: NHA and ADB estimates.

6.2 Forecast Cost to Complete Tranche 1

No.	Item	Financier	Total Cost	Contract award				Disbursement				
				2009	2010	2011	2012	2009	2010	2011	2012	2013
A. Investment Component (L 2400-PAK)												
1.	Land Acquisition and	NHA	20.49	20.49				20.49				
2.	Civil Works											
	Contract 1: Faisalabad–Gojra	NHA	9.51	9.51			1.00	2.00	3.00	3.00	0.51	
		ADB	115.49	115.49			11.00	23.00	35.00	35.00	11.49	
3.	Construction Supervision											
	Contract 1: Faisalabad–Gojra	ADB	18.00	18.00			3.00	4.00	5.00	5.00	1.00	
4.	Contingencies	ADB	21.70			10.00			10.00	11.70		
5.	Interest and Other Charges	ADB	14.81	3.50	3.50	3.50	4.31	3.50	3.50	3.50	4.31	
	Sub total (A)		200.00	166.99	3.50	13.50	16.01	38.99	32.50	56.50	59.01	13.00
B. Program Support Component (L2401-PAK)												
1.	Road Sector Policy Study	ADB	0.70	0.70				0.40	0.30			
2.	Road Corridor Management	ADB	2.00		2.00			1.00	0.70	0.30		
3.	Project Preparatory	ADB	2.50		2.50			1.00	1.00	0.50		
4.	Social and Environmental	ADB	1.00		1.00			0.60	0.40			
5.	Human Resources Development	ADB	2.00		2.00			1.00	0.70	0.30		
6.	Project Management Support	ADB	1.80			1.80				0.60	0.60	0.60
	In-kind contribution	NHA	2.50		2.00	0.50			0.80	0.80	0.70	0.20
	Sub total (A)		12.50	0.70	9.50	2.30	0.00	0.00	4.80	4.50	2.40	0.80
	Total Project 1 Costs (A+B)		212.50	167.69	13.00	15.80	16.01	38.99	37.30	61.00	61.41	13.80

Note: The table above is the revised forecast of (i) contract awards and (ii) disbursements under Tranche 1. It assumes all LAR expenditures relating to Section 1 of M4 will be incurred in 2009.

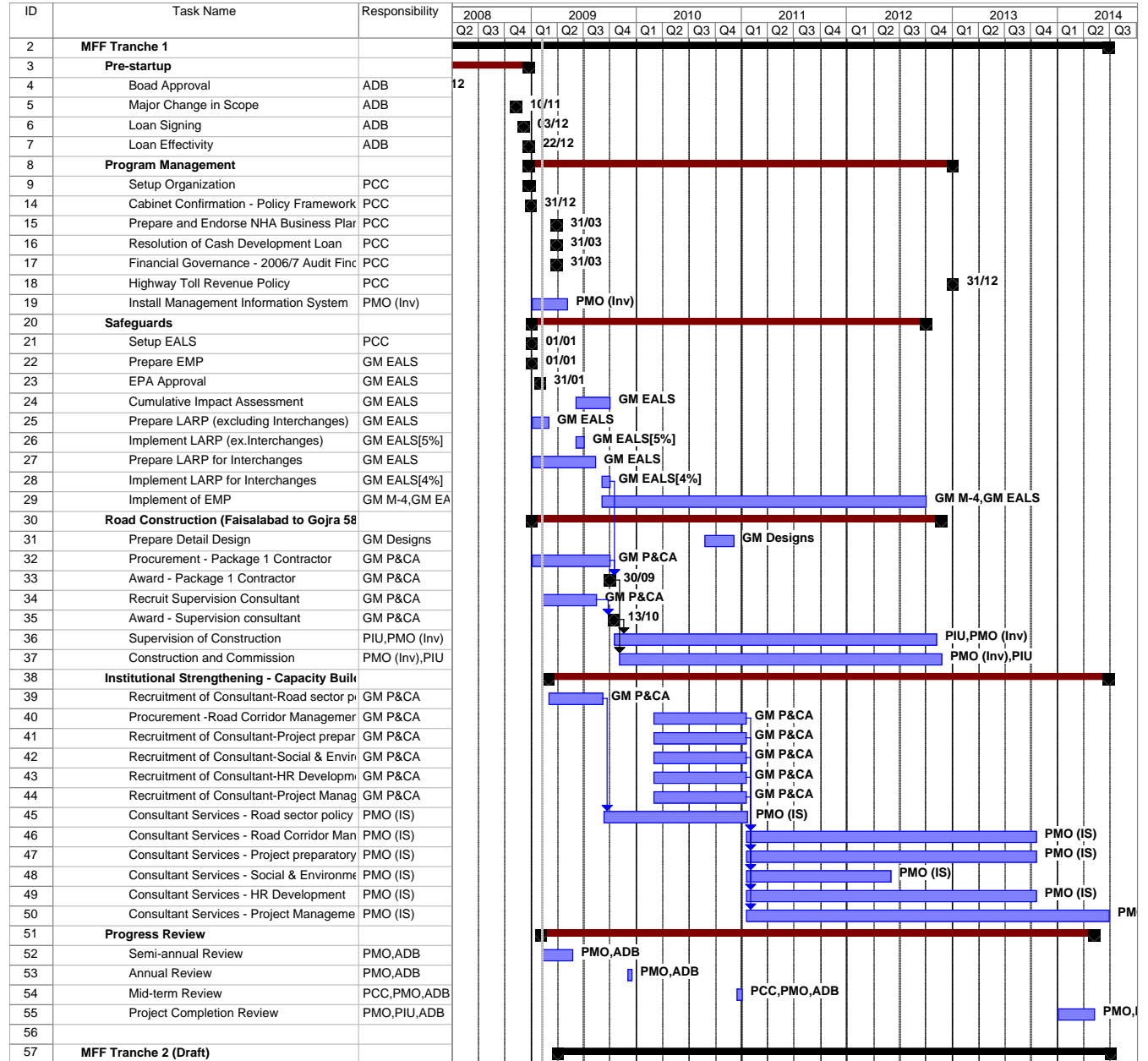
Annex 7: Execution Plan

7.1 Work Breakdown Structure and Responsibility Allocation

Level 1	Level 2	Responsibility	Reference
Pre-startup			
	Boad Approval	ADB	
	Major Change in Scope	ADB	
	Loan Signing	ADB	
	Loan Effectivity	ADB	
Program Management			
	Setup Organization		
	Cabinet Confirmation - Policy Framework (Private Sector Participation)	PCC	
	Prepare and Endorse NHA Business Plan	PCC	
	Resolution of Cash Development Loan	PCC	
	Financial Governance - 2006/7 Audit Findings	PCC	
	Highway Toll Revenue Policy	PCC	
	Install Management Information System	PMO (Inv)	
Safeguards			
	Setup EALS	PCC	
	Prepare EMP	GM EALS	
	EPA Approval	GM EALS	
	Cumulative Impact Assessment	GM EALS	
	Prepare LARP (excluding Interchanges)	GM EALS	
	Implement LARP (ex.Interchanges)	GM EALS	
	Prepare LARP for Interchanges	GM EALS	
	Implement LARP for Interchanges	GM EALS	
	Implement of EMP	GM M-4, GM EALS	
Road Construction (Faisalabad to Gojra 58km)			
	Prepare Detail Design	GM Designs	
	Procurement - Package 1 Contractor	GM P&CA	
	Award - Package 1 Contractor	GM P&CA	
	Recruit Supervision Consultant	GM P&CA	
	Award - Supervision consultant	GM P&CA	
	Supervision of Construction	PMO (Inv), PIU	
	Construction and Commission	PMO (Inv), PIU	
Institutional Strengthening - Capacity Building			
	Recruitment of Consultant-Road sector policy studies	GM P&CA	
	Recruitment / Procurement - Road Corridor Management	GM P&CA	
	Recruitment of Consultant-Project preparatory studies	GM P&CA	
	Recruitment of Consultant-Social & Environmental study	GM P&CA	
	Recruitment of Consultant-HR Development	GM P&CA	
	Recruitment of Consultant-Project Management support	GM P&CA	
	Consultant Services - Road sector policy studies	PMO (IS)	
	Consultant Services - Road Corridor Management	PMO (IS)	
	Consultant Services - Project preparatory	PMO (IS)	
	Consultant Services - Social & Environment	PMO (IS)	
	Consultant Services - HR Development	PMO (IS)	
	Consultant Services - Project Management	PMO (IS)	
Progress Review			
	Semi-annual Review	PMO,ADB	
	Annual Review	PMO,ADB	
	Mid-term Review	PCC,PMO,ADB	

Annex 7: Execution Plan

7.2 Implementation Schedule – Gantt Chart



Annex 7: Execution Plan

7.3 Annual Operational Plan – January to December 2009

No.	Item	Financier	Total Cost	Contract award - 2009					Disbursement - 2009				
				Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Investment Component (L 2400-PAK)													
A.	1. Land Acquisition and	NHA	20.49		20.49				20.49			20.49	
	2. Civil Works												
	Contract 1: Faisalabad–Gojra	NHA	9.51				9.51	9.51			1.00	1.00	
		ADB	115.49				115.49	115.49			11.00	11.00	
	3. Construction Supervision												
	Contract 1: Faisalabad–Gojra	ADB	18.00				18.00	18.00			3.00	3.00	
	4. Contingencies	ADB	21.70										
	5. Interest and Other Charges	ADB	14.81				3.50	3.50			3.50	3.50	
	Sub total (A)		200.00	-	20.49	-	146.50	166.99	-	20.49	-	18.50	38.99
Program Support Component (L2401-PAK)													
B.	1. Road Sector Policy Study	ADB	0.70				0.70	0.70					
	2. Road Corridor Management	ADB	2.00										
	3. Project Preparatory	ADB	2.50										
	4. Social and Environmental	ADB	1.00										
	5. Human Resources Development	ADB	2.00										
	6. Project Management Support	ADB	1.80										
	In-kind contribution	NHA	2.50										
	Sub total (A)		12.50	-	-	-	0.70	0.70	-	-	-	-	
	Total Project 1 Costs (A+B)		212.50	-	20.49	-	147.20	167.69	-	20.49	-	18.50	38.99

Annex 8: Performance Monitoring and Evaluation

8.1 Reporting

The following reports should be provided to ADB by NHA during project implementation

- Quarterly report (deadlines: 31 April, 31 July, 31 October, 31 January)
 - Physical progress
 - Procurement status and progress
 - Contract awards and disbursements
 - Status of payment to contractors and consultants
 - Environmental monitoring
 - Land acquisition and resettlement internal monitoring

 - Semi-annual report (deadlines: 31 July and 31 January)
 - Physical progress
 - Procurement status and progress
 - Contract awards and disbursements
 - Status of payment to contractors and consultants
 - Status of loan covenants
 - Status and availability of counterpart funding
 - Environmental monitoring
 - Land acquisition and resettlement internal monitoring
 - Land acquisition and resettlement external monitoring

 - Midterm Review Report (it covers above)

 - Project Completion Report (it covers above)

 - Financial audit report (deadline: 30 June of the following year)
-

8.2 Performance Indicators

The Performance Indicators specified below are directly from the Design and Monitoring Framework in the RRP, which is for the entire MFF. These will be reviewed and revised as necessary after with the support of consultants to be hired under Loan 2210 by NHA and ADB.

a. Outcome indicators by 2017

- Traffic volume on _____ reaches _____ vehicles per day (diverted traffic) and _____ per day (induced traffic)
- Average travel time reduction from Peshawar to Karachi from 72 hours (2006) to 36 hours
- Reduction of transport cost for freight from 7% of total cost (2006) to 5%
- Cost recovery principles implemented for NTC highways with deficit on road maintenance cost reduced from 40% (2006) to 0%
- Fatality rate reduced by 50%

b. Output Indicators

1. Physical Investment Indicators

- 58 km road between Faisalabad and Gojra completed by 2013 with pavement international roughness index of less than 4 m/km.

2. Institutional Capacity Improvement Indicators

- Performance-based contracts for operation and management of highways by 2010
- Pilot intelligent highway system operational by 2010 (e.g., electronic notification boards for accident information and electronic tolling system)
- Sustainable funding mechanism for highways adopted by Government by 2010
- Feasibility study and bidding documents prepared for at least 3 projects by 2012
- Framework for inter-agency coordination for social and environmental issues developed by 2010
- Representative staff from each regional office and headquarters (at least 20) NHA staff trained on social and environmental issues.
- Human Resource Policy endorsed by NHA by 2010

3. Social Development Indicators

- To be developed by NHA within 3 months after effectivity.
-

Annex 9: Major Covenants

9.1. Major covenants for Loan 2400-PAK

Project Specific Covenant	Responsibility	Due Date
SECTOR		
Contracting of Operation and Maintenance. Prior to completion of the subproject, NHA shall enter into a contract for the operation and maintenance of the subproject with a commercial entity awarded such contract following a competitive bidding process. (Loan Agreement, Schedule 5, para 7)	GM Designs	31 December 2012
Private Sector Participation. The Borrower shall ensure that the Cabinet Commission on Investment confirms the revised "Policy Framework and Package of Incentives for Private Sector Participation in Highway and Bridge Projects" by 30 December 2008. (Loan Agreement, Schedule 5, para. 8)	GM Planning	30 December 2008
Policy Dialogue. The Borrower shall ensure that ADB is kept informed about its policies and programs related to NTC and the national highway sector that shall materially affect the financial viability of the subproject under NTCHIP, and in particular the National Transport Policy and highway toll revenue and private sector participation policies. (Loan Agreement, Schedule 5, para. 9)	GM Planning	
Highway Toll Revenue Policy. To balance the economic benefit to society and the financial benefit to NHA, NHA shall, in consultation with ADB, prepare a highway toll revenue policy for consideration and approval by the Government. (Loan Agreement, Schedule 5, para 6)	GM Planning	31 December 2012
ENVIRONMENTAL		
Action Plan. In consultation with ADB, NHA shall prepare an action plan for safeguards by 31 March 2009. NHA shall also adopt (i) preliminary guidelines for land acquisition and resettlement by 30 June 2009, and (ii) guidelines for land acquisition and resettlement to be applied at all NHA offices nationwide by 30 November 2009. NHA shall ensure that the Environmental and Social Safeguards Unit, which has been established, will be staffed adequately with qualified persons, including a Director for environmental issues and a Director for social safeguards. (Loan Agreement, Schedule 5, para. 10)	GM EALS	Action plan by 31 March 2009
Project execution. NHA shall ensure that (i) the subproject is constructed and operated in accordance with national and local environmental procedures and guidelines and with ADB's <i>Environment Policy (2002)</i> and <i>Environmental Assessment Guidelines (2003)</i> ; (ii) the subproject is selected, designed, constructed, and operated in accordance with the EIA/IEE and the Environmental Assessment Review Framework; (iii) the EMP as reflected in the EIA/IEE shall be incorporated in bidding documents and civil work contracts and shall be implemented; and (iv) environmental performance reports shall be submitted to ADB twice annually during the construction period, including progress made on mitigation measures, monitoring data, problems encountered, enforcement plans, and any violations. NHA shall ensure that any changes to the location, land alignment of roads, or environmental impacts on account of detailed designs of the subproject will be subject to prior approval by ADB and the relevant Government agency in accordance with the subproject selection criteria and approval procedures set forth in Schedule 4 to the FFA. (Loan Agreement, Schedule 5, para 14)	GM Designs	

SOCIAL		
<p>Safeguard Strengthening. In consultation with ADB, NHA shall prepare an action plan for safeguards by 31 March 2009. NHA shall also adopt (i) preliminary guidelines for land acquisition and resettlement by 30 June 2009, and (ii) guidelines for land acquisition and resettlement to be applied at all NHA offices nationwide by 30 November 2009. NHA shall ensure that the Environmental and Social Safeguards Unit, which has been established, will be staffed adequately with qualified persons, including a Director for environmental issues and a Director for social safeguards. (Loan Agreement, Schedule 5, para. 10)</p>	GM EALS and GM Designs	Action plan by 31 March 2009; LARP by 30 June 2009; guidelines by 30 Nov 2009
<p>Land Acquisition and Resettlement. NHA shall ensure that (i) all land and rights-of way required by the subproject are made available in a timely manner; (ii) the provisions of the LARP are implemented promptly and efficiently according to its terms, all applicable laws and regulations of Pakistan, ADB's Involuntary Resettlement Policy (1995), and the LARF; (iii) the LARP is updated based on the detailed designs, is prepared in full consultation with affected persons, and is disclosed to such persons prior to submission of such LARP to ADB for review and approval; (iv) the finalized and updated LARP is reviewed and approved by ADB prior to award of the civil works contract; (v) no land acquisition will commence until the LARP has been updated by NHA and approved by ADB; (vi) compensation to be paid under the LARP has been paid prior to the commencement of civil works; (vii) contractors' activities are in compliance with requirements of the LARP, LARF, applicable domestic laws, and ADB's Involuntary Resettlement Policy; and (viii) an independent monitor acceptable to ADB is engaged to carry out monitoring and evaluation and report to ADB in accordance with the requirements of the LARP. (Loan Agreement, Schedule 5, para. 13)</p>	GM Designs and GM EALS	
<p>Gender. NHA shall follow the principles of the ADB's <i>Policy on Gender and Development</i> (1998) during implementation of the subproject, including taking all necessary actions to ensure that (i) equal opportunities are provided to women for road construction activities; (ii) there is no differential payment between men and women for work of equal value; and (iii) women living in the subproject area are encouraged to participate in planning and implementation of subproject activities. NHA shall monitor subproject effects on women during implementation of the subproject through, where relevant, gender-disaggregated data collected pursuant to the monitoring and evaluation system referred to in the Project Performance Monitoring System. (Loan Agreement, Schedule 5, para. 16)</p>	GM Designs	
<p>Sexually Transmitted Diseases (STDs). The Borrower shall ensure that the subproject includes appropriate measures to mitigate the potential risk of STDs such as HIV/AIDS. These measures shall include carrying out public awareness programs on the risks and prevention of the transmission of HIV/AIDS. NHA shall ensure that appropriate information is posted in selected areas along the subproject highway (e.g., border areas, gas stations, restaurants, and weighing stations), and transport workers and their families, motorway personnel, relevant police offices and people in the subproject area are trained. Civil works bidding documents and contracts for the subproject shall include provisions requiring contractors to (i) disseminate information at work sites on the risks of STDs and HIV/AIDS as part of the health and safety measures for those employed during construction, and (ii) take measures to protect workers from potential exposure to STDs and to provide them with testing and treatment if needed. (Loan Agreement, Schedule 5, para. 17)</p>	GM Designs	

Working Conditions and Child Labor. NHA shall ensure through the civil works bidding documents and contracts that (i) contractors follow legally mandated provisions on health, sanitation, and appropriate working conditions, including accommodation where appropriate for construction workers at construction campsites; (ii) contractors do not employ child labor in construction and maintenance activities; and (iii) appropriate facilities are provided for children of laborers in construction campsites, all in accordance with the relevant laws and regulations of the Borrower. (Loan Agreement, Schedule 5, para. 18)	GM Designs	
Human Trafficking. The Borrower shall ensure that public awareness campaigns on human trafficking, particularly of women and children, are carried out to reduce the risk of trafficking around construction camps and bus and other transport facilities. (Loan Agreement, Schedule 5, para. 19)	GM Designs	
FINANCIAL		
Counterpart Provisions. NHA shall provide, as necessary, counterpart staff, land facilities, and counterpart funding for the subproject in accordance with the financing plan, the cost of making land available for the subproject and assistance, and implementation and monitoring under the EARF (including the cost of mitigating unforeseen environmental impacts, beyond the estimates), utility relocation, and general management expenses, in a timely manner through approved annual budget allocations. (Loan Agreement, Schedule 5, para 3)	GM Finance and GM B&A	
Resolution of Cash Development Loans. To ensure the long-term financial sustainability of NHA, the Borrower shall take the necessary actions to resolve NHA's accumulated cash development loans by 31 March 2009 by converting the debt to equity and/or grant, or entering into alternative financial arrangements such as leasing to NHA of assets transferred by NHA to the Borrower. (Loan Agreement, Schedule 5, para. 4)	GM Designs	31 March 2009
Business Plan. NHA shall prepare and submit to the Government a 5-year business plan, including a financing plan, investment plan and budget. The Borrower shall endorse the NHA Business Plan by 31 March 2009. (Loan Agreement, Schedule 5, para 5)	GM Planning, GM Finance and GM B&A	31 March 2009
Financial Governance. NHA shall ensure that its internal controls are adequate for preparation of financial statements in accordance with International Financial Reporting Standards, and for annual independent audit in accordance with International Standards of Auditing. NHA shall ensure that all qualifications to financial accounts mentioned in the 2006-2007 report shall be rectified by 31 March 2009. (Loan Agreement, Schedule 5, para 12)	GM Finance and GM B&A.	31 March 2009
NHA shall enable ADB, upon ADB's request, to discuss NHA's financial statements and its financial affairs from time to time with the auditors appointed by NHA pursuant to Section 2.09(a) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of NHA unless NHA shall otherwise agree. [Project Agreement, Section 2.09(b)]	GM M-4, GM Finance and GM B&A	
ECONOMIC		
None		

OTHERS		
Project Management		
Program Coordinating Committee. An investment program coordinating committee, chaired by the NHA chairperson, shall be established and shall be responsible for monitoring the use of loan funds and overall implementation performance. The committee shall meet at least quarterly. Two project management offices shall be established: one for the institutional strengthening under the NHA component and the second for implementation of the national highway improvements. (Loan Agreement, Schedule 5, para. 1)	Member Aided Projects and GM ADB	
Project Implementation Unit (PIU). NHA shall establish a PIU for the subproject. The PIU shall be headed by a project director (at the director level) and in addition to NHA staffing, the unit shall be complemented with an externally recruited construction supervision team. They shall be assisted by deputy project directors for each civil works contract package. For a subproject involving land acquisition, resettlement activities, handling of grievances filed by the public including subproject-affected people and nongovernment organizations, and environmental impacts, NHA shall provide the necessary expertise from the construction supervision consultant team or from NHA staff resources. An accountant/administration specialist shall be assigned to the PIU. (Loan Agreement, Schedule 5, para 2)	GM ADB GM M-4	
Reporting		
Performance Monitoring and Reporting. NHA shall ensure that within three (3) months of the Effective Date, a Project Performance Monitoring System (PPMS) acceptable to ADB has been established in accordance with the Investment Program and Project performance indicators. NHA shall undertake periodic performance review with respect to the Project and the Investment Program in accordance with the PPMS to evaluate the scope, implementation arrangements, progress and achievement of objectives of the subproject and the Investment Program. (Loan Agreement, Schedule 5, para. 20)	GM ADB, and GM M-4	
Semi-Annual Review. The Borrower, NHA and ADB shall meet on a semi-annual basis to discuss the progress of the Project and the subproject and any changes to implementation arrangements or remedial measures required to be undertaken towards achieving the objectives of the Project and the Investment Program. (Loan Agreement, Schedule 5, para. 21)	Program Management Office and GM ADB	
Mid-term Review. A mid-term review of the Project shall be undertaken by NHA and ADB two (2) years from the Effective Date. The mid-term review shall include a review of issues, including but not limited to engineering, resettlement, environmental and social aspects of the subproject and the financial status of NHA, as well as any problems or weaknesses in implementation arrangements, and shall agree on any changes needed to achieve the objectives of the Project and the Investment Program. (Loan Agreement, Schedule 5, para. 22)	Program Management Office and GM ADB	
Progress Reporting. NHA shall furnish to ADB quarterly reports on the execution of the Investment Project (including for the subproject) and the Institutional Strengthening Project and on the operation and management of the Investment Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following quarter. [Project Agreement, Section 2.08(b)]	GM ADB GM M-4 GM EALS	

Auditing and Accounting		
NHA shall ensure that proper accounts and records are maintained in a timely manner to adequately identify the use of tranche proceeds in such a manner and detail as may be specified in this Loan Agreement and the Project Agreement. Audited financial reports of the NHA shall be submitted to ADB within six months of the end of the fiscal year. (Loan Agreement, Schedule 5, para 11)	GM Finance and GM B&A	

9.2. Major covenants for Loan 2401-PAK

Project Specific Covenant		Due Date
SECTOR		
Policy Dialogue. The Borrower shall ensure that ADB is kept informed about its policies and programs related to NTC and the national highway sector that shall materially affect the financial viability of each subproject under NTCHIP, and in particular the National Transport Policy and highway toll revenue and private sector participation policies. (Loan Agreement, Schedule 5, para. 4)	GM Planning	
ENVIRONMENTAL		
Action Plan. In consultation with ADB, NHA shall prepare an action plan for safeguards by 31 March 2009. NHA shall also adopt (i) preliminary guidelines for land acquisition and resettlement by 30 June 2009, and (ii) guidelines for land acquisition and resettlement to be applied at all NHA offices nationwide by 30 November 2009. NHA shall ensure that the Environmental and Social Safeguards Unit, which has been established, will be staffed adequately with qualified persons, including a Director for environmental issues and a Director for social safeguards. (Loan Agreement, Schedule 5, para. 10)	GM M-4 GM EALS	Action plan by 31 March 2009
SOCIAL		
Safeguard Strengthening. In consultation with ADB, NHA shall prepare an action plan for safeguards by 31 March 2009. NHA shall also adopt (i) preliminary guidelines for land acquisition and resettlement by 30 June 2009, and (ii) guidelines for land acquisition and resettlement to be applied at all NHA offices nationwide by 30 November 2009. NHA shall ensure that the Environmental and Social Safeguards Unit, which has been established, will be staffed adequately with qualified persons, including a Director for environmental issues and a Director for social safeguards. (Loan Agreement, Schedule 5, para. 5)	GM M-4 GM EALS	Action plan by 31 March 2009; LARP by 30 June 2009; guidelines by 30 Nov 2009
FINANCIAL		
Counterpart Provisions. NHA shall provide, as necessary, counterpart staff and counterpart funding for the Project in accordance with the financing plan, in a timely manner through approved annual budget allocations. (Loan Agreement, Schedule 5, para 3)	Member Aided Projects, GM Finance and GM B&A	
Financial Governance. NHA shall ensure that its internal controls are adequate for preparation of financial statements in accordance with International Financial Reporting Standards, and for annual independent audit in accordance with International Standards of Auditing. NHA shall ensure that all qualifications to financial accounts mentioned in the 2006-2007 report shall be rectified by 31 March 2009. (Loan Agreement, Schedule 5, para 7)	GM Finance and GM B&A	31 March 2009
ECONOMIC		
None		

OTHERS		
Project Management.		
NHA shall be the executing agency (EA). An investment program coordinating committee, chaired by the NHA chairperson, shall be established and shall be responsible for monitoring the use of loan funds and overall implementation performance. The committee shall meet at least quarterly. A project management office shall be established for the Project. (Loan Agreement, Schedule 5, para. 1)	GM ADB and GM M-4	
NHA shall establish a PIU for the subproject. The PIU shall be headed by a project director (at the director level) and in addition to NHA staffing. An accountant/ administration specialist shall be assigned to the PIU. The Borrower shall ensure through NHA that the Policy Coordination Unit, which has been established in NHA, will coordinate and monitor progress on institutional and policy reforms. (Loan Agreement, Schedule 5, para 2)	GM ADB and GM M-4	
Reporting		
Semi-Annual Review. The Borrower, NHA and ADB shall meet regularly as required to discuss the progress of the Project and any changes to implementation arrangements or remedial measures required to be undertaken towards achieving the objectives of the Project and the Investment Program. (Loan Agreement, Schedule 5, para. 8)	Program Management Office and GM ADB	
Mid-term Review. A mid-term review of the Project shall be undertaken by NHA and ADB. The mid-term review shall include a review of issues, and any problems or weaknesses in implementation arrangements, and agree on any changes needed to achieve the objectives of the Project and the Investment Program. (Loan Agreement, Schedule 5, para. 9)	Program Management Office and GM ADB	
Auditing and Accounting. NHA shall ensure that proper accounts and records are maintained in a timely manner to adequately identify the use of tranche proceeds in such a manner and detail as may be specified in this Loan Agreement and the Project Agreement. Audited financial reports of the NHA shall be submitted to ADB within six months of the end of the fiscal year. (Loan Agreement, Schedule 5, para 6)	GM Finance and GM B&A	

Annex 10: Appendixes

The following appendixes are attached to the FAM.

1. Progress report format;
 2. Physical implementation progress estimates format;
 3. Land acquisition and resettlement framework;
 4. Environmental assessment and review framework;
 5. Terms of reference (TOR) for consultants; and
 6. TOR for financial auditor
-

