

MANAGEMENT RESPONSE TO THE SECTOR ASSISTANCE PROGRAM EVALUATION FOR THE ROAD SECTOR IN PAKISTAN

On 12 December 2006, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

A. Overall Assessment and Key Issues

1. Management finds the SAPE report well prepared, with comprehensive analysis of all key aspects of ADB's assistance to the road sector in Pakistan. The lessons learned and recommendations of the report provide valuable guidance for designing future programs and projects in the road sector. Since detailed comments have been provided during the course of the report preparation, Management response focuses on the overall assessment, lessons learned, and recommendations in addressing the challenges ahead for ADB's operations in the road sector of Pakistan.

2. Management is pleased to note the report's conclusions that the road sector assistance program in Pakistan has been successful and that road sector investments were considered relevant, effective, efficient, and likely to be sustainable. Management supports this overall assessment. Management further acknowledges the unfinished agenda in relation to the institutional and advisory activities that relates particularly to financial sustainability of road construction and operations, and road safety.

B. Lessons Learned and Follow-Up Actions

3. Management agrees with lessons learned with regard to road investment planning, rural road maintenance and truck axle load control, and institutional strengthening.

4. The road projects surveyed under SAPE are primarily rural roads or farm to market roads implemented by ADB in the period of 1994 to 2002. These roads are under the responsibility of provincial or district governments and did not provide the best opportunity to tackle the broad issues of road maintenance and safety. These issues require national policy frameworks and in recent years ADB has moved to address them. Under the North West Frontier Province (NWFP) Road Sector Project approved in 2004, there is a pilot road safety program involving the National Highway and Motorway Police, NWFP Provincial Government, National Highway Authority (NHA) and Ministry of Communications. Further, ADB has the opportunity to properly address those issues through the on-going National Highway Development Sector Investment Program (NHDSIP) approved in November 2005.

5. The need for using a better planning, programming, and budgeting tool for prioritizing road investment and maintenance is recognized. The highway development and management tool or HDM- 4, currently adopted by NHA, can be used in prioritizing provincial roads; while a simpler method can be developed

for rural road investment planning. The latter is in line with the report's recommendation.

6. It is noted that institutional strengthening is considered crucial. Through NHDSIP and the programmatic Multitranchise Financing Facility approach, ADB will not only help the Government develop national highways but will importantly combine complementary and sequenced support for institutional strengthening and capacity building. NHA has been working on various initiatives to strengthen its capacity including: (i) reorganization and restructuring, (ii) introduction of enterprise resource planning solutions, (iii) human resource development, and (iv) establishing standard operation procedures for internal audit. ADB will further strengthen its capacity under the NHDSIP by providing assistance to finalize the National Transport Policy, facilitating public private partnership (PPP) transactions, and building institutional capacity in network/business planning, road safety, and road maintenance.

C. Recommendations

7. Management appreciates the report's recommendations to enhance ADB's ongoing and future interventions and notes the following:

8. **ADB's Continued Road Sector Support.** The preparation of the new country partnership strategy is underway and the Government's plans and ADB's past success and comparative advantage in the road sector will be considered when programming future road sector operations.

9. **Planning, Design and Implementation of Road Projects.** The devolution process and its implications for institutional capacity development will be taken into consideration in future road projects at the provincial and district level. At the federal level, efforts are underway under the NHDSIP to develop a strategy for progressing federalizing of provincial highways and to establish an optimal highway network based on the outputs of the recently completed national transport master plan.

10. **Road Maintenance.** The Government has agreed to set up 2nd generation Road Maintenance Fund (RMF). The road maintenance account in NHA would be converted into the RMF. ADB together with the World Bank will discuss this issue further with the Government as part of policy dialogue. Formulation of the national policy on RMF will subsequently help the provincial governments in setting up the similar approach for maintaining provincial and district roads. As part of the NHDSIP development framework, it is expected that a five year road maintenance plan will be approved in 2007 and implemented together with the RMF establishment.

11. **Road Safety.** Road safety will continue to be a focus of ADB. The ongoing NHDSIP provides the opportunity for ADB to be more deeply involved in addressing the issue. Various actions recommended in the report will be taken into consideration when implementing the comprehensive road safety measures under NHDSIP and for our future operations. In 2007, it is expected that the pilot study in NWFP on road safety will be complete and as required under the NHDSIP a road safety cell in NHA will be established. A time-bound road safety action plan will also be developed for implementation. This will be closely

followed up with the Government.

12. **Private Sector Participation.** The need to effectively mobilize private sector resources as recommended is essential for the future development and maintenance of the road network. ADB is currently assessing all opportunities for optimizing revenues and cost recovery, such as management concession, revenue sharing schemes, government incentives and guarantees, and road tolling system for the proposed National Trade Corridor Highway Investment Program that is under processing for approval in 2007. Under the on-going TA 2178-PAK: Infrastructure Development, approved in 2005, public-private-partnership (PPP) transactions in road projects will be explored. A pilot PPP road project is included in the ADB's Country Strategy and Program (2006-2008) for Pakistan and is scheduled for 2008 approval.

13. **Sukkur Bridge.** This issue will be actively followed up with the Government authorities to ensure resettlement activities are fully implemented.