

SUMMARY OF PROJECT PERFORMANCE

A. Background

1. Asian Development Bank (ADB) approved a loan in the amount of \$178,000,000 from its ordinary capital resources and the administration by ADB of the grant of £58,850,000 provided by the Government of the United Kingdom to the Islamic Republic of Pakistan on 30 September 2015 to finance the National Motorway M-4 Gojra–Shorkot Section Project.¹ The loan and grant became effective on 17 December 2015 and will close on 31 May 2020. The current project will construct a 62-kilometer (km) four-lane, access-controlled motorway connecting Gojra and Shorkot in Punjab Province, and improve the institutional capacity of the National Highway Authority (NHA), particularly for managing safeguards and contracts. The project impact is fully aligned with the Pakistan Vision 2025² aimed at modernization of transportation infrastructure and greater regional connectivity to support a vibrant and growing economy. The project outcome will be an efficient and safer transport corridor between Islamabad, Faisalabad and Multan ensuring enhanced connectivity between the various parts of the country.

2. The proposed additional financing will support an increase in the scope of the current project by constructing a 64 km four-lane, access-controlled motorway connecting Shorkot and Khanewal in Punjab Province,³ which is the last missing section of the national motorway M-4. The project will facilitate north–south connectivity, improve quality and efficiency of road transport services, and promote inclusive economic growth.

B. Performance of the Project

3. The current project is assessed in the following aspects and its implementation is progressing well:

- (i) **Delivery of expected outputs.** The project has two outputs: (i) 62 km of four-lane, access-controlled motorway connecting Gojra and Shorkot constructed and operational, and (ii) the safeguard and contract administration capacity of the NHA strengthened. The current delivery of expected outputs is performing well with all civil works contracts awarded, contractors and supervision consultants fully mobilized and construction activities in progress following the approved work program. Capacity strengthening of NHA on safeguards is ongoing with the social safeguard management consultant mobilized in February 2016. The project is on track to meet its outcome of an efficient and safer transport corridor between Islamabad, Faisalabad, and Multan.
- (ii) **Satisfactory implementation progress.** Implementation progress has been satisfactory with two civil works contracts under international competitive bidding, one supervision consultant and one social safeguard management consultant contracts awarded within four months of the loan approval. Cumulative contract awards as of 31 March 2016 are \$158.3 million and disbursements \$15.3 million.

¹ ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Grant to the Islamic Republic of Pakistan for the National Motorway M-4 Gojra–Shorkot Section Project*. Manila.

² Government of Pakistan, Ministry of Planning, Development & Reforms. 2014. *Pakistan 2025: One Nation, One Vision*. Islamabad. <http://pakistan2025.org>

³ The project is included in Asian Development Bank (ADB). 2015. *Country Operations Business Plan: Pakistan, 2016–2018*. Manila.

An additional disbursement of about \$30 million is expected by end 2016. The civil works is on track for completion by 30 June 2018.

- (iii) **Satisfactory compliance with safeguard policy requirements.** The current project satisfactorily complied with the environment safeguards covenants and met environment safeguards policy requirements. In 2007, as required by ADB's Environment Policy (2002), an environmental impact assessment (EIA) report was prepared and approved for the entire Motorway M-4. Subsequently, the EIA report was updated to meet the requirements of ADB's Safeguard Policy Statement (2009) and new national legal requirements, and disclosed on ADB's website in August 2015 for the ongoing Gojra–Shorkot section project. The approved Environmental Management Plan (EMP) is included as part of civil works contract and the contractor is in the process of preparing the site-specific EMP (SSEMP). All concerns identified in the safeguards compliance memo in relation to noise impacts will be addressed in the SSEMP. The supervision consultant and the Environment, Afforestation, Land, and Social (EALS) Division of the NHA will approve the SSEMP and once implementation will commence, will perform regular compliance monitoring. NHA will ensure that external monitor is timely engaged to verify the monitoring reports.
- (iv) The current project has also satisfactorily complied with the social safeguards requirements and covenants. The Land Acquisition and Resettlement Plan (LARP) for Section II (Gojra–Shorkot) has been cleared by ADB and disclosed in July 2015. LARP implementation is 97.6% complete. The remaining 2.4% involves land plots with pending issues such as title disputes, court cases, pending inheritance mutations, and meager compensation amounts. NHA is exerting efforts to complete the remaining compensation payments. Funds have been deposited in the district treasury to ensure timely payment once the issues are resolved. The LARP for Section III (Shorkot–Khanewal) has likewise been cleared by ADB, disclosed in January 2016 and is under implementation.
- (v) Fully functional LARP management institutional set-up is in place at M-4 Project Implementation Unit (PIU) and in EALS at NHA Headquarter. The Social Safeguards Management Consultants have mobilized to assist PIU and EALS the LARP implementation and internal monitoring consistent with ADB safeguards requirements. The grievance redress mechanism is in place and functional. The project grievance redress committee has been established and functional with all its members on board. An external monitoring consultant is being recruited and will mobilize in May 2016. As interim arrangement, the first external resettlement monitoring was conducted by the ADB TA consultant in November 2015. Awareness raising campaigns on HIV/AIDs and human trafficking is being done and will be continued until the completion of civil works.
- (vi) **Successful management of risks.** Major risks identified at the current project appraisal, including (a) weak financial management arrangements for road sector maintenance, (b) delayed land acquisition and resettlement, and inadequate safeguard arrangements, (c) cost overruns, e.g., because prices of commodities and raw materials rise more than budgeted, and (d) late completion of the remaining M-4 Shorkot–Khanewal section, either have been or are being effectively managed. ADB is continuing its policy dialogue with the government to prepare and implement the road sector reform agenda, and approved in

November 2015 a capacity development technical assistance⁴ in the amount of \$15.4 million to help build NHA's capacity and carry out analytical work, among others. Land acquisition and resettlement compensation activities under current project are in final stage, with 52 km out of 62km ready to be handed over to the contractors and the social safeguard management consultant mobilized for continued monitoring. All civil works contracts were awarded on 27 December 2015 with sufficient loan savings as a result of effective competition among international and national bidders. No delay is envisaged in processing and completion of the remaining M-4 Shorkot–Khanewal section of Motorway M-4.

C. Conclusion

4. The current project has an “on track” project performance rating and the government accords high priority to complete the last missing section of the national motorway M-4. In this regard, additional financing is proposed for scaling up the current project by further expanding the motorway construction component from 62 km to 126 km. Given the strong links with the current project in terms of design and implementation arrangements and also the efficiency gains in loan delivery time, additional financing is deemed a suitable instrument and the project meets eligibility criteria for additional financing.⁵

5. The additional financing will support an increase in the scope of the current project by constructing a 64-kilometer (km) four-lane, access-controlled motorway connecting Shorkot and Khanewal in Punjab Province. The additional financing, by completing the last missing section of the national motorway M-4, will facilitate north–south connectivity, improve quality and efficiency of road transport services, and promote inclusive economic growth. The increase in scope and the additional financing do not change the development objectives of the current project. The additional financing project is consistent with the strategic goals and government priorities (footnote 2). An enhanced north–south corridor will reduce the time and cost of moving goods and people along the entire logistic and supply chain. It will be instrumental in removing one of the key constraints to raising competitiveness, attracting private sector investment, increasing productivity, as well as deepening and diversifying the industrial base. The project will thus go a long way of providing sustainable jobs to a growing population. The additional financing project is also consistent with ADB's country partnership strategy, 2015–2019 for Pakistan⁶ and fits with ADB's Midterm Review of Strategy 2020,⁷ supports the CAREC Transport and Trade Facilitation Strategy 2020,⁸ and is included in ADB's country operations business plan, 2016–2018 for Pakistan.⁹

⁴ ADB. 2015. *Technical Assistance Report: Enabling Economic Corridors through Sustainable Transport Sector Development*. Manila.

⁵ ADB. 2011. *Additional Financing. Operations Manual. OM H5/BP*. Manila (24 February).

⁶ ADB. 2015. *Country Partnership Strategy: Pakistan, 2015–2019*. Manila.

⁷ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

⁸ ADB. 2014. *CAREC Transport and Trade Facilitation Strategy 2020*. Manila.

⁹ ADB. 2015. *Country Operations Business Plan: Pakistan, 2016–2018*. Manila.