



Project Administration Memorandum

Project Number: 34420
Loan Number: 2029
September 2005

India: National Highway Corridor (Sector) I Project

The project administration memorandum is an active document, progressively updated and revised as necessary, particularly following any changes in project or program costs, scope, or implementation arrangements. This document, however, may not reflect the latest project or program changes.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 20 October 2003)

Currency Unit	–	rupee/s (Re/Rs)
Re1.00	=	\$0.022
\$1.00	=	Rs45.34

For the purpose of calculation, \$1.00 = Rs 45.00 was used.

ABBREVIATIONS

ADB	-	Asian Development Bank
BOT	-	build-operate-transfer
CAAA	-	Controller of Aid Accounts and Audit
EA	-	executing agency
EIA	-	environmental impact assessment
E-W	-	East-West
HIV/AIDS	-	human immunodeficiency virus/acquired immunodeficiency syndrome
ICB	-	international competitive bidding
IDC	-	interest during construction
km	-	kilometer
LIBOR	-	London interbank offered rate
NGOs	-	nongovernmental organizations
NHAI	-	National Highways Authority of India
NHDP	-	National Highways Development Program
N-S	-	North-South
O&M	-	operation and maintenance
PAM	-	Project Administration Memorandum
PAPs	-	people-affected persons
PCR	-	Project Completion Report
PCU	-	project coordination unit
PIU	-	project implementation unit
PPR	-	project performance report
PSP	-	private sector participation
SATC	-	Transport and Communications Division South Asia Department

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 March.
- (ii) In this report, "\$" refers to US dollars.

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77°00E

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0 20 40 60 80 100

Kilometers

Boundaries are not necessarily authoritative.



KEY PERSONS INVOLVED IN THE PROJECT

A. Asian Development Bank

The Department responsible for the implementation of the Project is the South Asia Department (SARD) represented by South Asia Transport and Communications Division (SATC). SATC has the overall responsibility of the implementation of the Project in ADB.

Headquarters

Director, SATC	Kazuhiko. Higuchi Tel (632) 632-6806 E-mail: khiguchi@adb.org
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Assistant Project Analyst	Riti Kapoor Email: rkapoor@adb.org

Address	India Resident Mission 4 San Martin Marq, Chanakyapuri New Delhi 110021, India
Telephone	91-11-24107200
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B. Borrower: Government of India

Ms. Sharmila Chavaly
Director, ADB
Department of Economic Affairs
Ministry of Finance

Tel No. 91-11-2309-2424
Fax No. 91-11-2309-2477

Mr. K. S. Palachandran
Under Secretary (ADB)
Department of Economic Affairs
Ministry of Finance

Tel/Fax 91-11-2309-2229

**C. Executing Agency: National Highways Authority of India
G-5 & 6, Sector 10, Dwarka, New Delhi 110045**

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Tel No. 91-11-25074100/4200
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General Manager (ENV)
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E-mail: vksharma@nhai.org

Mr. Adil Singh
Manager (Technical)
Tel. No. 011-25074100 ext 2215
Fax No. 011-25093521

Mr. G. Sreedhar
Manager (E-W)
Phone 91-11-25074100 ext 2426
Mobil (91) 9810961764

D. Construction Supervision Consultants

1. **Stanley Consultants, USA**
2. **Wilbur Smith Associates, USA**
3. **Renardet, Switzerland**

E. Project Implementation Unit (PIU)

1. **PIU - Chittorgarh**
7 AB, Ram Kamal, Bapu Nagar West, Chittorgarh
Tel. No.: 01472-246474

Mr. R. C. Metha
Project Director
Mobil Phone 9414121000

Mr.P. P. Pangarkar
Manager, Technical
Mobil Phone 9414148588

2. **PIU – Kota (Rajasthan)**
1-C-10, SFS Colony, Talwandhi, Kota (Rajasthan) 324005
Phone No. 0744-2433396

Mr. B. L. Meena
Project Director
Mobil Phone 9414179444

Mr. P. B. Kale
Manager, Technical
Mobil Phone 9414186269

3. **PIU – Shivpuri**
House of A. U. Khan, Opp. – R. T. O. Office, Circular Road, Shivpuri
Phone No. 07492-223902

Mr. S. K. Malik
Project Director
Mobil Phone 9425429444

Mr. O. P. Singh
Manager, Technical
Mobil Phone 9425136263

4. **PIU – Jhansi**

House No. 610, Prabha Van Bldg., Satish Nagar, Behind Central
Hotel, Jhansi – 284003 (U.P.)
Phone No. 0517-2450967

Mr. P. K. Sharma
Project Director
Mobil No. 9415412226

Mr. V. Saravanan
Manager, Technical
Mobil No. 9838741693

F. Contractors

- | | | |
|-----|--|------------------|
| 1. | China Gezhouba Water & Power (Group) Co., Ltd.
Chittorgarh (Rajasthan)
Mr. Ashwani Singhal, Senior Executive | (RJ-6) |
| 2. | CEC-HCC JV | (RJ-7) |
| 3. | Punj Lloyd Ltd.
Mr. O. P. Upadhyay, Manager | (RJ-8) |
| 4. | Sunway Construction SDN BHD
Mr. Koh Kah Hing, Asst. Gen. Manager | (RJ-9) |
| 5. | KMC Construction Limited
Mr. A. K. Shrivastava, Chief Project Manager | (RJ-10) |
| 6. | L and T ECC | (RJ-11) |
| 7. | CSCHK-Soma JV
Mr. K. Nageswara Rao, Project Manager | (MP-1) |
| 8. | ITD Cementation India Ltd.
Mr. A. K. Rai, Deputy General Manager | (MP-2) |
| 9. | Oriental Structural Engineers Pvt Ltd.
Mr. Inderjeet Singh Kahlon, Chief Project Manager | (MP/UP-1 & UP-3) |
| 10. | Sunway Construction Sdn. Bhd | (UP-4) |
| 11. | IRCON Ltd. | (UP-5) |

G. NGOs

- | | | |
|----|---|--------------------|
| 1. | M/S SAPHI
Space3-A, AJC Bose Road, Kolkata
Phone 033-22830664/Fax 033-22830663
E-mail: sashi@safhi.org
Agreement signed on 11 Aug 2004 | (RJ-6, RJ-7, RJ-8) |
|----|---|--------------------|

2. **M/S OASES** (RJ-9, RJ-10, RJ-11)
 5L, Second Floor, Shahpur Jat, New Delhi
 Phone 011-30920535/Mobil 09811007592
 E-mail: oasis@vsnl.com
 Agreement signed on 11 Aug 2004
3. **M/S Advantage India** (MP-1)
 5-E Floor, White House, 10 Bhagwan Das Road
 Mandi House, New Delhi
 Phone 011-23386699/Fax 011 23782285
 Agreement signed on 26 Aug 2004
4. **M/S GSSVSS** (MP-2 & MP/UP-1)
 T. Balan, Behind Chinta Haran Temple
 Indira Nagar, Shivpuri
 Phone 07492-224318
 Agreement signed on 10 Aug 2004
5. **Sugam International – Sansthan** (UP-3, UP4, UP-5)
 20, Gokhala Marg, 3rd Floor, Sanshil Complex
 Lucknow 226001
 Mobil Phone 9415114597

H. Exchange of Communications

All official letters/correspondence/fax messages, etc. must be addressed to Director, SATC.

Informal communications regarding the Project could be done through e-mail and telephone.

PURPOSE OF THIS DOCUMENT

This Project Administration Memorandum (PAM) provides a reference for the Government, its executing agency, implementing agency and ADB. It indicates the Project implementation arrangements that have been agreed and the monitoring and control procedures which are to be used to help ensure that the intended Project objectives are realized.

LOAN PROCESSING HISTORY

	Date(s)
a. Fact-finding	26 May – 10 June 2003
b. Management Review Meeting	29 July 2003
c. Appraisal Mission	25 Aug – 03 Sept 2003
d. Staff Review Committee Meeting	15 Oct 2003
e. Loan negotiations	3 – 4 November 2003
f. Board Circulation	13 November 2003
f. Board consideration and approval	4 Dec 2003
g. Loan agreement signing	27 October 2004
h. Loan effectiveness, including conditions	24 January 2005

PROGRAM AND PROJECT FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanism	Assumptions & Risks
Goal <ul style="list-style-type: none"> • Help enhance overall economic efficiency (for the entire program) • Help reduce economic regional discrepancies 	<ul style="list-style-type: none"> • Effective policy and institutional framework • Domestic net state products per capita for key states, including those in the northeast 	Macro-economic data Asian Development Bank (ADB) operations evaluation	<ul style="list-style-type: none"> • The market mechanism functions well.
Purposes (for the entire program) <ul style="list-style-type: none"> • Increase the capacity of National Highway Development Project (NHDP) networks • Enhance project development and implementation capability of National Highways Authority of India (NHAI) • Increase private sector participation (PSP) in NHDP • Boost the financial source for highway development • Strengthen operation and maintenance (O&M) of NHDP highways • Make NHAI more efficient and financially stronger 	<ul style="list-style-type: none"> • Increase the share of NHDP four-lane highways to 80% by the end of 2007 • Maintain a staff-way kilometer (km) ratio at less than five staff per 100 km • Increase the proportion of PSP to 10% • Increase cess by 50% • Outsource O&M to the private sector at more than 60% section • Set tolls at level sufficient to cover O&M, and debt service to multilateral lending agencies 	<ul style="list-style-type: none"> • Policy dialogue with the Government • ADB project Completion Review Mission 	<ul style="list-style-type: none"> • The Government is committed to reforms.
Outputs (for this Project) <ul style="list-style-type: none"> • Upgrade selected sections of the East-West (E-W) Corridor under the public sector financing scheme • Introduce PSP to develop and maintain the E-W Corridor • Help prevent the HIV/AIDS¹ and increase of the risk of trafficking of women and children • Enhance road safety measures along a selected pilot section between Jhansi and Lucknow 	<ul style="list-style-type: none"> • Reduce the number of discernibly congested roads by 50% by 2010 • Reduce the international roughness index by 30% by 2010 • Reduce travel time by 30% by 2010 • Reduce freight for trucking service by 10% by 2010 • Reduce fares of long-distance bus services by 10% • Conduct risk awareness workshops at each districts more than twice per year • Reduce traffic fatalities by 20% by 2010 	<ul style="list-style-type: none"> • Quarterly progress reports • ADB Supervision Mission 	<ul style="list-style-type: none"> • Land acquisition and resettlement are not delayed. • The private sector sustains its interest in participating in the Project. • The project performance management system is properly implemented.

¹Human immunodeficiency virus/acquired immunodeficiency syndrome.

Design Summary	Performance Indicators/Targets	Monitoring Mechanism	Assumptions & Risks
Activities (only for this Project) <ul style="list-style-type: none"> • Civil works for the Chihitorgrah-Oral section • Development of a financial package for the selected PSP section and processing of bidding • HIV/AIDS prevention and anti-trafficking campaign • Development of safety-zone concept and installation of advance traffic management systems and other equipment 	<ul style="list-style-type: none"> • 592 km of roads (131 km core subproject and 461 km non-core subprojects), to start in the third quarter (Q3) of 2004, and to be completed by the second quarter (Q2) of 2007 • More than 66 km of the roads in the E-W Corridor to start in Q2 for selection of the concessionaire, and Q3 of 2004 for civil works to be initiated; to be completed by Q2 of 2007 • Project roads in Rajasthan, Madhya Pradesh, and Uttar Pradesh, to start in Q2 of 2004 and to be completed by Q2 of 2007 • A selected pilot selection of 150-200 km 	<ul style="list-style-type: none"> • Quarterly progress reports • ADB Supervision Mission 	<ul style="list-style-type: none"> • The technical group of experts operates effectively. • NHAI has the capacity to supervise and monitor. • Contractors, the build-operate-transfer concessionaire, and consultants perform well.
Inputs <ul style="list-style-type: none"> • Engagement of contractors and supervision consultants • Engagement of concessionaire for the PSP component • Engagement of local NGOs for HIV/AIDS and anti-trafficking activities • Engagement of consulting firm to develop a safety zone and to procure road safety equipment 	<ul style="list-style-type: none"> • \$564.0 million • \$69.0 million • \$400,000 • \$12.3 million 	<ul style="list-style-type: none"> • Quarterly progress reports • ADB Supervision Mission 	<ul style="list-style-type: none"> • Procurement of civil works is timely. • Engagement of consultants is timely.

I. PROJECT DESCRIPTION

A. Introduction

1. On 4 December 2003, Asian Development Bank (ADB) Board of Directors approved a loan of \$400 million from its ordinary capital resources to help finance the National Highways Corridor (Sector I) Project (the Project).

2. The Government of India launched a nation-wide program to upgrade key arteries of the National Highways Development Program (NHDP). Its key components are:

(i) rehabilitation and widening the Golden Quadrilateral highway network, to be completed by end of 2005 (first phase); and

(ii) rehabilitation and widening of the North-South (N-S) and East-West (E-W) corridors, to be completed by the end of 2008 (second phase).

ADB has provided a series of loans to the National Highways Authority of India (NHAI). The Project is the fourth in this series and the first sector loan.

B. Objectives and Scope

3. The objective of ADB's programmatic approach is to help the Government strengthen a policy and institutional framework for the efficient delivery of highway development and O&M services through policy and institutional reforms of current systems.

4. Under this overall framework, the Project focuses on the E-W corridor, using the sector loan modality, to achieve the following objectives:

- (i) upgrade the key national arterial corridors connecting the eastern and western ends of the country to help reduce regional disparities;
- (ii) facilitate private sector participation (PSP) in highway development by providing advisory services to process the PSP component.
- (iii) help the Government to prevent further spread of HIV/AIDs and raise public awareness of the risks of trafficking in women and children.
- (iv) enhance road safety by introducing a "safety zone" concept for a pilot section in the E-W corridor.

5. In order to (i) standardize subproject preparation and processing; (ii) strengthen project monitoring capability, and (iii) grant the Government's request to increase flexibility in section of road sections to be financed by ADB, it was decided to apply the sector loan modality for the Project.

6. The sector loan approach adopted for the Project has the following features:

- (ii) Priority highways were identified to ensure minimum continuity of project roads.

- (iii) From the above priority highways, a core subproject was selected as an exemplary subproject for the appraisal of the rest of subprojects.
- (iv) NHAI selected eligible non-core subprojects and appraised them according to criteria agreed on between ADB and NHAI (**Appendix 1**). Appraised subprojects have been approved by ADB using a summary report format, with supportive documents attached.

C. Components and Outputs

1. Highway Investment

7. The component finances the widening of stretches between Chittorgarh and Orai (602 km) into four-lane roads. The core subproject, a 130 km section between Rajasthan and Madhya Pradesh border and Jhansi, will cost \$133.86 million, while non-core subprojects will cost an estimated \$629.56 million, covering 472 km. ADB will finance the entire foreign exchange portion of the project cost, except the front-end fee and interest during construction, which will be borne by the Government and part of local currency costs. Once these sections are completed, their operation and maintenance (O&M) will be contracted out to a third party.

2. Private Sector Participation

8. ADB and NHAI agreed that at least 10% of project highways are to be developed under a PSP scheme. NHAI had initially identified the section Orai-Barah section (62 km) for BOT construction. Only one single bid was received and found not viable after evaluation. NHAI is exploring the possibility to turn this into an annuity project. This will be reflected in the review mission report in year 2006.

9. Originally, ADB has allocated \$100,000 for consulting services to engage a financial advisor (**Appendix 2**). Given that NHAI has engaged such expertise under its own funds, there is no need for such allocation.

3. HIV/AIDS and Anti-Trafficking

10. This component is designed to reduce risks of spreading HIV/AIDS and trafficking women and children. The Mission was informed that NHAI's environment and social development unit (ESDU) had established a HIV/AIDS and Anti-Trafficking prevention cell headed by Mr. Vishnu Darbari, General Manager and will be assisted by 3 experts to be engaged by World Bank at the NHAI HQ level. The EA has invited expression of interests (EOIs) from NGOs and consultants for the field level which was published on 6 June 2005. EOIs have been received and under evaluation. NHAI is planning to engage 4-locally based NGOs and 3 domestic consultants for this component instead of 4-locally based NGOs and 1 domestic consultant as earlier envisaged. The proposed domestic consultants will be stationed at PIU offices located at Kota, Jhansi and Shivpuri to monitor the activities of the NGOs in the field.

4. Road Safety

11. This component is designed to enhance road safety by introducing safety zone to a selected pilot section of E-W Corridor. Please refer to **Appendix 3**. The safety zone is

intended to institute several road safety equipment/systems to maximize their impacts. It will be equipped with the following that is estimated to cost around \$11.8 million:

- (i) advanced traffic management systems to monitor road situation in a centrally controlled manner;
- (ii) weigh-in-motion and/or static weighing platforms to control overloading;
- (iii) speed-monitoring equipment to spot speeding vehicles;
- (iv) ambulances and other relief equipment to provide emergency road services

12. NHAI has set up arrangement under the Corridor Management Unit to look after overall road safety development in the East-West Corridor. NHAI will prepare draft TORs to engage consulting services to define safety zone concept and operational arrangements for enforcement and emergency medical services. NHAI will prepare TORs after assessing the current work being carried out by other consultants in the same area to avoid overlapping of scope of work. NHAI will send to ADB by end of year 2005 the draft TORs for comments, and will engage such consulting services accordingly. A list of equipment will be finalized in year 2006 after taking into account the consultant's reports.

II. Cost Estimates and Financing Plan

A. Cost Estimates and Financing Plan

13. The original total project cost is \$760 million equivalent, including allowances for contingencies and interest during construction and presented in Table 1 below:

Table 1: Original Project Cost Estimates^a
(\$ million)

Item	Foreign Exchange	Local Currency	Total Cost
A. Base Cost			
1. Civil Works	399.0	206.6	605.7
2. Right-of-Way	0.0	42.9	42.9
3. Relocation of Utilities	0.0	20.0	20.0
4. Environment	0.0	11.6	11.6
5. Consulting Services	9.6	19.2	28.8
6. Equipment	11.8	0.0	11.8
7. Project Management	0.0	5.4	5.4
Subtotal	420.5	305.9	726.3
B. Front-End Fee	2.0	0.0	2.0
C. Interest/Commitment Charges During Construction	31.9	0.0	31.9
Total	454.4	305.9	760.2

^a Contingencies were not included because of the sector-loan modality.

14. The loan of \$400 million from ADB's ordinary capital resources will have a 25-year term, including a grace period of 5 years, an interest rate in accordance with ADB's LIBOR-based lending facility, a commitment charge of 0.75% per annum, a front-end fee of 0.50%, and such other terms and conditions set forth in the Loan and Project Agreements.

15. The Government will cover the foreign exchange cost of \$34 million which includes the front-end fee, interest and other charges during construction. The Government will also cover the local currency cost equivalent of \$258 million. The original detailed financing plan is in Table 2.

**Table 2: Original Financing Plan
(\$ million)**

Source	Foreign Exchange	Local Currency	Total Cost	Percentage
Asian Development Bank	380.8	19.2	400.0	53
Government	33.9	257.7	291.6	38
Private Sector	39.7	28.9	68.6	9
Total	454.4	305.8	760.2	100

Note: The Government's foreign exchange contribution is toward the front-end fee and interest during construction. ADB's local currency contribution is for the domestic consultants fee but will not be applied to other local currency costs.

B. Allocation and Withdrawal of Loan Proceeds

16. The Loan proceeds have been allocated and will be disbursed on the basis of the percentages presented in Table 3 below:

Table 3: Original Allocation and Withdrawal of Loan Proceeds

No.	Category	Amount Allocated (US\$) *	Percentage of Bank Financing
01	Civil Works	359,400,000	67.00 (67% of total expenditures)
02	Equipment	11,800,000	100 (foreign & local currencies)
03A	Consulting Services: Construction Supervision	27,800,000	100 (foreign & local currencies)
03B	Consulting Services: Road Safety Consultant	500,000	100 (foreign and local currencies)
03C	Consulting Services: HIV/AIDS Consultant	400,000	100 (local currency)
03D	Consulting Services: PPP Financial Adviser	100,000	100 (foreign currency)
	Total Category Allocation	400,000,000	

* As of 9 September 2005.

17. Considering that all the 12 civil works contract packages have been awarded, it was noted that the cost estimate during the project preparation was done before the detailed design was completed and therefore price escalation was not adequately considered. After the bidding, the final contract amount for the 12 contract packages amounted to about US\$763.42 million. The present loan allocation of US\$359.4 will only account for about 47.07% of civil works cost against the original 66.90% financing percentage of civil works cost in the loan agreement. NHA will discuss this with MOF after careful assessment of optimal financial

arrangement and MOF will consult with ADB regarding necessary actions to be taken to address this issue.

18. If the 47.07% civil works financing percentage is adopted, the revised allocation table will be as follows:

Table 4: Revised Allocation and Withdrawal of Loan Proceeds

No.	Category	Amount Allocated (US\$) *	Percentage of Bank Financing
01	Civil Works	359,400,000	47.07 (47.07% of total expenditures)
02	Equipment	11,800,000	100 (foreign & local currencies)
03A	Consulting Services: Construction Supervision	27,800,000	100 (foreign & local currencies)
03B	Consulting Services: Road Safety Consultant	500,000	100 (foreign and local currencies)
03C	Consulting Services: HIV/AIDS Consultant	400,000	100 (local currency)
03D	Consulting Services: PPP Financial Adviser	100,000	100 (foreign currency)
	Total Category Allocation	400,000,000	

* As of 9 September 2005.

III. IMPLEMENTATION ARRANGEMENTS

A. Project Management Organization

19. NHAI is the Executing Agency (EA) for the Project. It was earlier envisaged during the initial stage of processing that the Project will be implemented by 2 PIUs. However, due to NHAI's desire to enhance the quality of supervision, it was decided to establish four especially created PIUs which are located in Chittorgarh (RJ-6, RJ-7, RJ-8), Kota (RJ-9, RJ-10, RJ-11), Shivpuri (MP/UP-1, MP-1, MP-2) and Jhansi (UP-3, UP-4 and UP-5). Please refer to **Appendix 4** for the revised organizational chart.

20. The staffing of the PIU is not yet completed. Four project directors have been recruited and assisted by one manager each. An additional manager will be assigned for each PIU to oversee resettlement activities and handle grievances to be filed by the public, including project-affected persons and NGOs. An accountant will be assigned to each PIU and other support staff on short term basis. Sufficient administrative authority has been delegated to PIUs for effective and timely project implementation. PIU activities will be overseen by the NHAI chair through the project team, which is headed by a General Manager in charge of the E-W Corridor. The project team's main function is to organize preparation and implementation activities of the Project and process and implement various consulting service contracts.

21. The General Manager of NHAI in consultation with the PIUs will prepare the annual forecast of contract awards and disbursements under the Project on a quarterly basis for one year ahead and should be submitted to ADB every first week of December of each year. The format of the contract awards and disbursements projections is presented in **Appendix 5**.

IV. IMPLEMENTATION SCHEDULE

22. The Project will be implemented over **60 months** inclusive of procurement and pre-construction activities, and is expected to complete by **30 June 2008**. The revised implementation schedule is in **Appendix 6**.

Civil Works Contract/ Approximate Length	Description	Type of Sub-projects	Expected Date of Commencement of Work	Expected Date of Completion of Work	Expected Date of Completion of Defects Liability
EW-II (MP-1) 54 km	Rehabilitation and upgrading of Km 579 to 610 of NH 76 + NH junction to Km 15 of NH25	Core	22 Aug 2005	Feb 2008	Feb 2009
EW-II (MP-2) 35.00 km	Rehabilitation and upgrading of Km 15 to km 50 of NH 25 incl. Ghat Rd and Sindh bridge	Core	22 Aug 2005	Feb 2008	Feb 2009
EW-II (MP/UP-1) 41.00 km	Rehabilitation and upgrading of km 50 to km 91 of NH-25 incl. Mahuar Bridge and approaches	Core	21 Nov 2005	May 2008	May 2009
EW-II (UP-3) 15.00 km	Construction of new four-lane Jhansi Bypass (15.10 km) incl. 2 ROBs, 1 flyover and bridge across Pahuj River	Non-Core	21 Nov 2005	May 2008	May 2009
EW-II (UP-4) 66 km	Rehabilitation and upgrading of km 104 to km 170 of NH 25	Non-Core	24 Oct 2005	Apr 2008	Apr 2009
EW-II (UP 5) 50 km	Rehabilitation and upgrading of km 170 to km 220 of NH 25	Non-Core	14 Sept 2005	Mar 2008	Mar 2009
EW-II (RJ-6) 40.00 km	Rehabilitation and upgrading of Chittorgarh Bypass from km 229.250 to km 253 of NH 76	Non-core	24 Oct 2005	Apr 2008	Apr 2009
EW-II (RJ 7) 63 km	Rehabilitation and upgrading of km 253 to km 316 of NH 76	Non-Core	29 Oct 2005	Apr 2008	Apr 2009
EW-II (RJ-8) 65 km	Rehabilitation and upgrading of km 316 to km 381 of NH 76	Non-Core	23 Oct 2005	Apr 2008	Apr 2009
EW-II (RJ-9) 43.00 km	Rehabilitation and upgrading of km 406 to km 449.150 of NH 76	Non-core	24 Oct 2005	Apr 2008	Apr 2009
EW-II (RJ-10) 50 km	Rehabilitation and upgrading of km 449.150 to km 509 of NH 76	Non-Core	20 Oct 2005	Apr 2008	Apr 2009
EW-II (RJ-11) 70 km	Rehabilitation and upgrading of km 509 to km 579 of NH 76	Non-Core	11 Sept 2005	Mar 2008	Mar 2009

Letter of Acceptance Sent to contractor	30/04/05	30/04/05	27/07/05	27/07/05	30/06/05	31/05/05	30/06/05	30/06/05	30/06/05	30/06/05	31/05/05	30/06/05
Contract Signing	17/06/05	16/06/05	29/09/05	29/09/05	11/08/05	23/08/05	24/08/05	19/9/95	30/9/05	11/08/05	12/08/05	20/07/05
Contract Amount (Rs)	2,949,860,890	1,573,600,000	1,500,308,429	1,152,402,683	4,148,800,000	3,029,706,554	3,144,062,138	3,759,848,628	3,974,473,497	2,866,500,000	3,473,635,499	2,949,860,890
Start Date	22 Aug 2005	22 Aug 2005	21 Nov 2005	21 Nov 2005	24 Oct 2005	14 Sept 2005	24 Oct 2005	29 Oct 2005	23 Oct 2005	24 Oct 2005	20 Oct 2005	11 Sept 2005
Completion of Works	Feb 2008	Feb 2008	May 2008	May 2008	Apr 2008	Mar 2008	Apr 2008	Apr 2008	Apr 2008	Apr 2008	Apr 2008	Mar 2008

27. It was stressed to the EA, consultants and contractors during the mission that if any substantial amendment of the contract is proposed after its execution, the proposed changes should be submitted to ADB for approval.

28. Equipment to be procured under the road safety component is detailed in paragraph 12.

29. **Subproject Approval Procedures:** The chronology of major events on the subproject approval is presented in the table below:

Particulars	Responsible	Date
First submission of subprojects appraisal reports	NHAI	16 March 2004
Comments on the subprojects appraisal reports including request for submission of full resettlement action plans by NHAI	ADB	19 April 2004
Second submission of subproject proposals including the screening checklist, SIEE, IPSA, etc. ADB noted that all the reports have included all the required documents. Contents of SIEEs were detailed and include EMPs, summary RPs but not resettlement plans. IPSA stated that all subsections do not have any significant impact on indigenous people and IPDPs are not required for any of the subprojects. (please refer to detailed table as Appendix 8 .)	NHAI	25 June 2004
Submission of resettlement action plans	NHAI	7 Oct 2004
Comments provided to NHAI	ADB	10 Nov 2004
SATC sent to RSES the resettlement plans for the non-core subprojects for approval	RSES	25 April 2005
ADB approved 5 IEEs submitted by NHAI	ADB/NHAI	25 April 2005
NHAI submitted the revised EMP for Jhansi Bypass and confirmed that all SIEEs have been disclosed to the public.	NHAI	28 April 2005
Disclosure to ADB website and depository libraries (SIEEs and IPDF) and short Resettlement Plans	ADB	3 May 2005
NHAI submitted the resettlement plan for Jhansi Bypass	NHAI	12 May 2005
NHAI submitted the revised resettlement plan for Jhansi Bypass	NHAI	24 June 2005
SATC approved resettlement plan for Jhansi Bypass	ADB	2 Aug 2005

VII. DISBURSEMENT

30. As the Borrower under the Loan is India, all withdrawal applications will be submitted to ADB through the Controller of Aid Accounts and Audit (CAAA). The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* dated January 2001 and *Guidelines for Disbursement, Operations, LIBOR-Based Loan Products*, dated July 2002, as amended from time to time.

31. **Condition of Loan Disbursement:** The Government should have paid the front-end fee on the loan to ADB. The front-end fee was paid to ADB on 31 January 2005.

32. **Imprest Fund:** NHAI shall establish an imprest account in US dollars at the Reserve Bank of India to ensure timely release of loan proceeds. The imprest account will be managed, replenished and liquidated in accordance with the above handbook and guidelines. The initial amount to be deposited in the imprest account and to be maintained thereafter shall not exceed ten percent of the loan amount (i.e. \$40,000,000) or estimated eligible expenditures for next six months, whichever is lower.

33. The following disbursement procedures are detailed below:

- **Direct Payment Procedure** is used for payment of mainly civil works, progress payments, consultants' services and goods. The withdrawal application should be submitted to ADB together with a copy of the invoice duly approved for payment. Different applications should be submitted for different contractors and/or for each currency.
- **Reimbursement Procedure** is one whereby ADB pays from the loan account to the EA's account for eligible expenditures which have been incurred and paid by the EA out of its own fund sources. To promote efficiency in processing disbursements, NHAI is requested to consolidate claims and submit after the minimum value of \$100,000 equivalent has been reached.

34. **Taxes:** Please note that ADB financing would exclude taxes.

VIII. REPORTING REQUIREMENTS

A. Quarterly Progress Report

35. Overall project monitoring will be conducted by the NHAI and PIU. The PIUs will establish a system for preparing quarterly reports for performance monitoring, issues resolution, and periodic action plans. These action plans, developed by the PIUs, will incorporate quantitative and time-bound implementation targets. The quarterly reports will serve as management feedback to update and improve procedures and project implementation. NHAI will ensure submission of the quarterly reports to ADB within 30 days from the end of each quarter. The report should include the following:

- Progress made against established targets including resettlement plans implementation
- Problems encountered during the period and remedial actions taken or proposed to resolve the problems
- Compliance with loan covenants
- Proposed project activities to be undertaken and physical and financial progress expected during the succeeding semester including detailed contract awards and disbursement projections

36. The quarterly report is an executive summary of the detailed reports; with format and content permitting ADB staff to readily capture key information for inputting into the Project Performance Report (PPR), the main tool for monitoring project implementation performance within the ADB. The PPR is presented in **Appendix 9**.

B. Project Completion Report

37. Within 3 months of project completion, the construction supervision consultant will prepare, with the assistance of PIUs, a comprehensive project completion report of the overall impact of the Project. The format of the report is in **Appendix 10**.

C. Annual Financial Reports

38. NHAI will maintain separate accounts and records for the Project and subprojects including all components, in accordance with sound accounting principles. NHAI will ensure that proper audit and accounting procedures are followed.

39. The audited project accounts and related financial statements should be submitted to ADB not later than 9 months after the end of the fiscal year. (In India, the fiscal year ends on 31 March.) Considering that mobilization advance for the civil works contract packages is expected to be disbursed before the end of this year, if it materializes, the audited reports and financial statements will be due on **31 December 2006** and therefore should be submitted to ADB on or before the due date.

40. The annual audits will also include audit of the imprest account and a separate opinion on such audit will be included in the audit report. The Government will facilitate ADB representatives to carry out spot and random checks on flow of funds and their use for the Project, work in progress and implementation. The audit letter is in **Appendix 11**.

41. NHAI has appointed M/S Pricewaterhouse Coopers, India as their internal auditors with effect from the Fiscal Year 2001-2002. As part of their assignment, PWC is required to advise on accounting policies and practices, and internal control procedures, conduct a 100% post audit of all transactions and certify NHAI's SOEs to be submitted to its funding agencies. A sample format of the Project account is in **Appendix 12**.

42. Failure on the part of NHAI to provide the necessary audited reports and related financial statements will result in the following ratings of the Project:

- Delay between 6 and 12 months and financial statements acceptable will result to a "Partly Satisfactory" rating.

- Delay greater than 12 months or statements unacceptable will result to an overall implementation rating of “Unsatisfactory” and loan will be suspended.

D. Project Supervision

43. A project inception mission was fielded on 19-30 September 2005 to initiate the implementation process. It also discussed and finalized the PAM and ensured that all administrative matters pertaining to the Project are properly in place and working relationships are established between concerned ADB staff and NHAI staff. Details relating to report requirements, accounting system, compliance with loan covenants, disbursement procedures and withdrawal applications were clarified during the Mission.

44. ADB staff will review the project progress annually. In addition to the regular review, a detailed mid-term review will be carried out around September 2007.

IX. MAJOR LOAN COVENANTS

Particulars	Agency Responsible	Remarks
A. Project Implementation 1. Within 2 months of loan effectiveness, NHAI will ensure that the 2 PIUs (in Kota and Jhansi) and the project team are adequately staffed. PIU should be headed by project directors assisted by deputy general managers, each responsible for one contract package or PSP component. Additional deputy general managers will be assigned to each PIU to oversee resettlement, HIV/AIDS prevention, anti-trafficking activities and handling grievance of project-affected people and NGOs. 2. NHAI will make within 6 months of loan effectiveness, adequate arrangements for coordination with MORTH and relevant state authorities for implementation of Road Safety component.	NHAI	4 PIUs were established (Chittorgarh, Kota, Shivpuri, and Jhansi). Project Directors and Managers have been engaged. Some of the technical/support staff is still in the process of recruitment. NHAI has set up arrangement under the Corridor Mgmt Unit to look after overall road safety development in EW corridor.
B. Execution of Civil Works 3. NHAI will, subject to the provisions of clauses (u) and (aa): (1) acquire or make available on time the land and rights in land, free from any encumbrances; and (2) clear utilities, trees and any other obstructions on time as required for construction relating to each section of the civil works under the subproject. 4. NHAI shall ensure that subsequent to award of civil works contracts under any subproject, no section will be handed over to the contractor unless the provisions under clauses (d), (u), and (aa) have been complied with.	NHAI/NGOs NHAI/NGOs	Ongoing. Regarding land acquisition, LA (3D) has been published. 5 NGOs had been engaged to carry out the resettlement activities. Being complied
C. Road Safety 5. NHAI will carry out road safety audits for subproject highways during construction and operation and by 31 May 2006 develop recommendations for other parts of NH system. NHAI will also monitor	NHAI	Not yet due. NHAI will require the supervision consultant to prepare

incidence of traffic accidents to ADB during implementation and 2 years after project completion.		baseline data.
D. Operation and Maintenance 6. NHAI will ensure that upon completion of each subproject highways, its O&M contracts are awarded to the third parties to ensure sustainability of the project highways. Arrangements should be provided to ADB. 7. GOI should ensure that NHAI starts tolling the subproject highways within 6 months of construction completion. GOI should help NHAI obtain statutory approvals and public notification of tolling.	NHAI/GOI NHAI/GOI	Not yet due. Not yet due
E. Toll 8. NHAI will initiate a study on the toll system (as financed under Loan 1747-IND: Surat Manor Tollway Project) by Dec 2003 for implementation not later than Dec 2004. 9. GOI and NHAI will finalize arrangements so that NHAI will be able to retail tolls collected, as its own revenue from not later than 31 Dec 2004.	NHAI/GOI NHAI/GOI	Study is ongoing. The contract was awarded in 2004. Draft Final Report is expected in Oct 2005. Being complied. Since implementation of the study was delayed, the deadline will be adjusted in due course.
F. Environment 10. NHAI will implement the Project in accordance with ADB's 2003 Environmental Assessment Guidelines, as amended from time to time. 11. NHAI will ensure that all subproject environmental mitigation measures identified in the IEEs and Summary IEE are incorporated in the detailed designs and followed during construction and O&M. NHAI should ensure that these are designed and constructed according to environmental management and monitoring plan agreed with ADB. 13. NHAI will ensure that any subproject that involves acquisition of section or part and passes through forestland or needs diversification of forestland for other use, statutory clearances under the 1980 Forest Conservation Act and environmental clearance under 1994 Indian Env. Impact Assessment Notification shall be obtained before civil works start.	NHAI/GOI NHAI/GOI NHAI/GOI	Being complied. Environmental clearances for RJ-9, 10, 11 have been obtained. All other packages are awaiting clearance from MOEF. No final clearance has been obtained for any of the applicable packages.
G. Land Acquisition, Resettlement and Indigenous People 14. For the core subproject, NHAI and Govt. will implement the resettlement plan agreed with ADB in consultation with PAPs and concerned state and district authorities and ADB Guidelines on Involuntary Resettlement, Handbook of Resettlement and Policy on Indigenous Peoples. Any changes in the resettlement plan or IPDP will be subject to ADB's approval before award of any civil works contracts.	NHAI	Being Complied. 5 NGOs were engaged by NHAI in Sept 2004 for RP implementation. SAFHI-responsible for package RJ-6, RJ-7 to RJ-8; The Oasis Society - responsible for package RJ-9, RJ-10 RJ-11; Advantage India - responsible for package MP-1; GSSVSS - responsible for MP-2 and MP/UP-1; Sugam Intl-responsible for package D from UP-3, UP-4 to UP-5; and Development Mgmt Trust-responsible for BOT section from Bognipur-Barah. All sub-projects (except BOT section) RPs have been

15. NHAI shall ensure that PAPs are consulted and fairly compensated on replacement values in accordance with resettlement plans.	NHAI	approved by ADB in August 2005. Being complied. Micro Plans for NTH prepared and approval of NHAI solicited. Micro Plans for TH is being prepared.
16. NHAI will submit progress reports and completion reports on land acquisition and resettlement that will be included in the financial audit statements for each subproject.	NHAI	To be complied.
17. NHAI will disclose the resettlement plans of the subprojects and make information available to PAPs before land acquisition and resettlement and confirm such information is posted in the ADB website.	NHAI	Complied. Posting to ADB website was on 3 May 2005.
18. NHAI will appoint an independent monitoring expert within 3 months of loan effectiveness and provide monitoring reports to ADB thru NHAI once every six months.	NHAI	Being complied.
19. NHAI will settle land acquisition and resettlement compensation issues under each subproject as applicable.	NHAI	Being complied.
H. Social Measures		
20. NHAI will ensure public awareness and acceptance of the Project and subprojects through NGOs and local community. NHAI will commence issuance of photo IDs to all eligible including non-titles, affected persons. NHAI will hire NGOs and depute resettlement-monitoring officers in the PIUs.	NHAI	Public awareness campaign is on-going and conducted by NGOs. ID card to NTH is under process. Resettlement monitoring officers in the PIUs being posted.
21. NHAI will set up grievance-handling units in ESDU and in each PIU to address environmental, resettlement and other social issues promptly. Grievance redress committees should be formed in each district to resolve land acquisition and resettlement disputes.	NHAI	Being complied.
22. NHAI will ensure that the civil works contracts incorporate provisions requiring contractors to carry out HIV/AIDS awareness and prevention programs, not employ children, disseminate information on risks of sexually transmitted diseases and HIV/AIDS, and implement equal pay for equal work policy, health, safety, sanitation and good working conditions. Termination of contracts should be included in the contract in case of breach by contractors of any provisions.	NHAI/ contractors	Awareness programs conducted by R&R NGOs are on-going. Provisions made in the agreement.
23. NHAI will set up within ESDU an HIV/AIDS prevention an anti-trafficking cell and engage qualified local NGOs as agreed with ADB. ESDU will supervise the NGOs work along with other related agencies.	NHAI	Being complied. For HIV/AIDS and anti-trafficking subcomponent along EW corridor to be financed by ADB (\$ 400,000). Recruitment of 4 NGOs and 3 local consultants started, advertisement published on 6 June 2005. Screening process for shortlisting candidates is in progress.

45. During project processing, the Government was informed of the ADB anticorruption policy, particularly the section on fraud and corruption, as stated in ADB's *Guidelines for Procurement and Guidelines on the Use of Consultants*.

46. ADB Office of the Auditor General is the point of contact to report allegations of fraud and corruption among ADB-financed projects or its staff. Within that office, the Anticorruption Unit is responsible for dealing with all matters related to allegations of fraud

and corruption. ADB's *Anticorruption Policy Handbook* has been provided separately to the EA and is also available on ADB's website at <http://www.adb.org/anticorruption>.

NOTE:

It should be noted that implementation changes may arise during the project implementation period due to changes in personnel, project scope, etc. The PAM will therefore have to be amended accordingly.

AMARESH KUMAR MISHRA
General Manager, EW-V
National Highways Authority of India

V. K. SHARMA
General Manager (ENV.)
National Highways Authority of India

NIANSHAN ZHANG
Mission Leader
Asian Development Bank

(Revised on 6 December 2005)

ELIGIBILITY CRITERIA AND PROCEDURE FOR THE SUBPROJECTS

A. Eligibility Criteria

1. Eligibility criteria of each subproject is as follows:

- (i) The subproject will rehabilitate and widen part of the East-West (E-W) Corridor to four lanes, with priority given to the national highway between Chittorgarh and Barah, except as otherwise acceptable to the Asian Development Bank (ADB).
- (ii) The Subprojects will be technically feasible, and a feasibility study and preliminary design will have been prepared for the same. The National Highways Authority of India (NHAI) will ensure that the detailed subproject report will be prepared within not more than 5 months of subproject approval.
- (iii) The Subprojects will be economically viable and their estimated economic internal rate of return equal to or higher than 12%. The economic analysis of the Subproject will be conducted in accordance with ADB's *Guidelines for the Economic Analysis of Projects*, as amended from time to time.
- (iv) An environmental screening will have been conducted for the Subproject. Any Subprojects classified as category A in accordance with ADB's 2003 Environmental Assessment Guidelines, as amended from time, will not be eligible under the Project. An initial environmental examination (IEE) report for the Subproject will have been prepared in accordance with the said Guidelines.
- (v) The Subprojects will be socially sound and include measures to mitigate any social impacts that it may cause if any. The initial poverty and social assessment (IPSA) for the Subproject will have been conducted in accordance with ADB's Guidelines on Initial Poverty and Social Assessment, as amended from time.
- (vi) The resettlement plans for the Subproject will have been prepared in accordance with the resettlement framework and ADB's policy on involuntary resettlement, as amended from time to time.
- (vii) If any indigenous peoples/scheduled tribes are likely to be affected significantly by a Subproject, an indigenous people's development plan (IPDP) will have been prepared, following the measures set forth in the IPD framework.
- (viii) Sufficient government counterpart funding will be allocated to implement the Subprojects as scheduled.
- (ix) All necessary central and state government approvals will have been obtained for the Subproject.

B. Procedures

2. Each Subproject will be prepared and processed in accordance with the procedures set out below.

Appendix 1

- (i) Feasibility study for the selected Subprojects will be conducted by consultants to be engaged by the National Highway Authority of India (NHAI).
 - (ii) Upon completion of the feasibility study for Subprojects, NHAI will fill out checklists for IPSEA (Supplementary Appendix C-6), involuntary resettlement (Supplementary Appendix C-2), indigenous people (Supplementary Appendix C-2), and environmental screening (Supplementary Appendix C-3). These documents should be sent to ADB for review, and revisions as may be required by ADB.
 - (iii) Upon completion of preliminary design, resettlement plans, initial environmental examination (IEE), and IPDP (if required), NHAI will appraise the Subprojects in accordance with ADB's policies as well as procedures under the Loan Agreement for the Project. Based on this, NHAI will prepare and submit to ADB for its review, a summary appraisal report for each Subproject together with required attachments to demonstrate compliance with ADB policies: resettlement plan, IEE, summary poverty reduction and social strategies (Appendix 9), and IPDP (if required).
 - (iv) NHAI will disclose each subproject resettlement plan to the affected people before submitting it to ADB, and will revise it if required, based on comments from affected people and ADB.
 - (v) NHAI will disclose the summary IEE for each Subproject to the public before submitting the summary appraisal report to ADB. If the Subproject is classified as category B sensitive in accordance with ADB's Environmental Assessment Guidelines, such disclosure will be made 120 days before ADB approval of the Subproject.
 - (vi) ADB will review the summary appraisal reports, together with required attachments. If ADB finds that the proposed subproject does not satisfy the eligibility criteria and procedures, or does not comply with ADB's applicable policies, ADB may advise NHAI on modification and remedial measures to be taken for the proposed Subprojects for compliance with ADB's policies and procedures.
3. For procurement of works and engagement of consultants, the usual procedures for investment projects, whether core or non-core, will be applied.
4. Based on ADB's approval and subject to modification and remedial measures if any, as required by ADB to its satisfaction, NHAI will proceed with implementation of the subproject. NHAI should ensure that ADB has access to all documents on which NHAI's subproject screening and processing are based. These documents should be kept for five years for possible ADB review if required.
5. For detailed instructions for environment and resettlement procedures and criteria see Supplementary Appendix C-8.

C. Organizational Arrangements

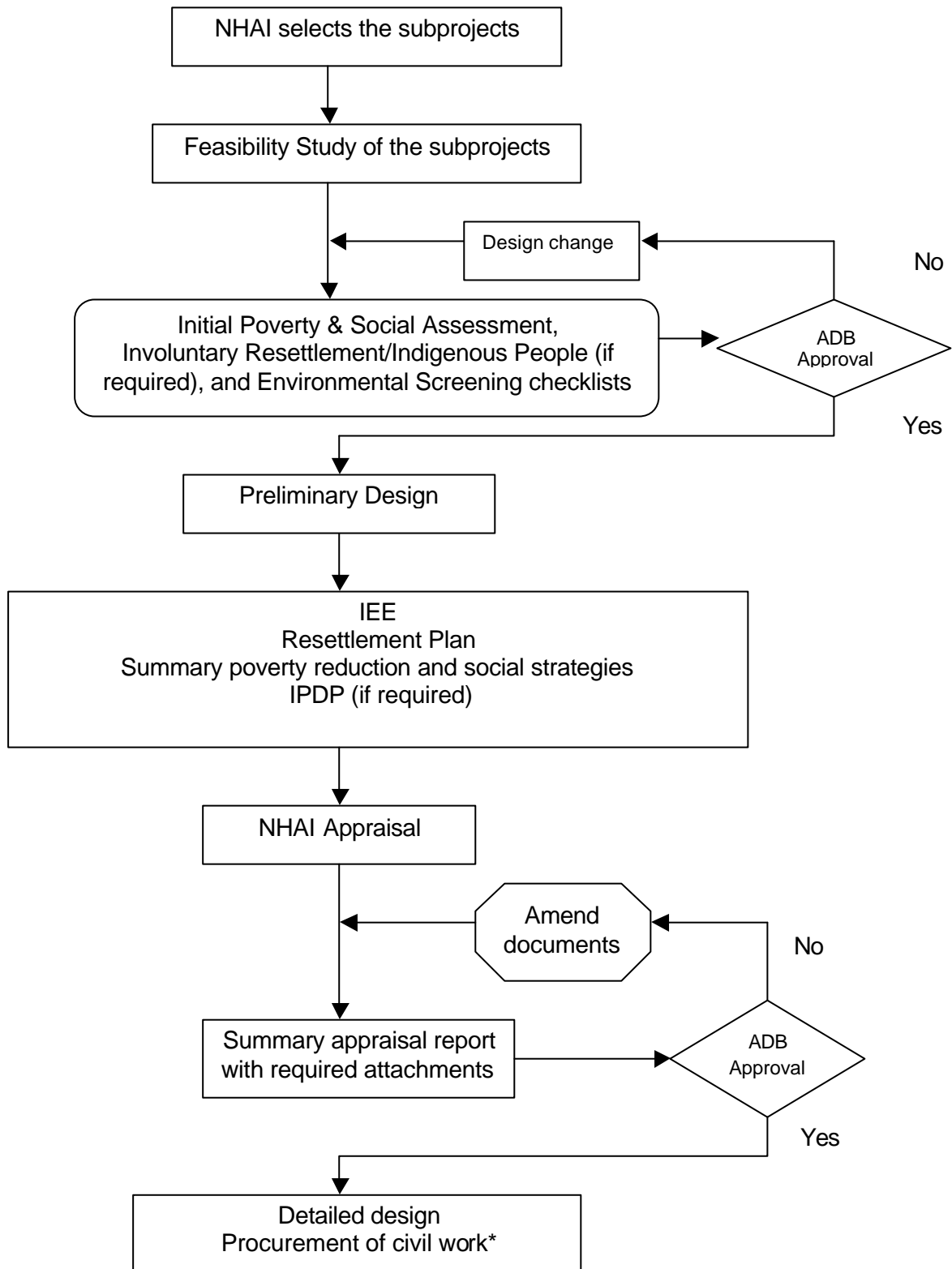
6. NHA will appraise the subprojects, while ADB will advise NHA as indicated in above procedures, to ensure that its compliance and other relevant policies are adequately followed.

7. The project team headed by the chief general manager in charge of E-W Corridor will be responsible for processing subprojects. The project team will be assisted by its group of technical experts, established on 15 August 2003, who will consist of several staff and/or staff consultants engaged by NHA. They will be in charge of (i) engineering; (ii) economic and financial analyses; (iii) environment protection; (iv) social development, including resettlement, indigenous peoples, and poverty; and (v) the private sector participation. Project team activities, including those of the technical experts, will be overseen by the NHA chair.

8. The technical experts will review and examine all technical reports, including feasibility studies, preliminary design reports, IEE, resettlement plans, and detailed design reports to ensure that ADB and NHA requirements are fully met.

9. The technical experts will evaluate the overall viability of individual Subprojects and prepare a summary appraisal report to be submitted to ADB for approval. This report will require clearance from the project director and NHA chair before sending to ADB along with all the necessary attachments.

Figure A11: Sector Loan Procedure



ADB = Asian Development Bank, IEE = initial environmental examination, NHAI = National Highways Authority of India.

OUTLINE TERMS OF REFERENCE FOR FINANCIAL ADVISOR FOR A BOT COMPONENT

A. Background

1. The PSP package should be developed in consideration of the following five aspects:
 - **Physical Packaging** will be primarily determined by NHAI preparing the Detailed Project Report (DPR). To make the Private Sector Participation (PSP) component attractive to the private sector, modification of the physical packages is sometimes required (for instance, the combination of “brown field” and “green field” investments or a decision on whether the construction of a major bridge is to be included in the PSP package). Financial Advisor should develop recommendations on these aspects to NHAI in finalizing the physical package.
 - **Strategic Packaging** largely pertains to tolling strategy, traffic count, tolling technology selection, and optimisation modelling. Tolling strategy, traffic count, tolling technology selection and optimisation modelling needs to be reviewed by the Financial Advisor.
 - **Investment Packaging** essentially entails the selection of the most appropriate PSP scheme. Possible options for the PSP scheme include: (i) annuity based BOT concession; (ii) modified version of the annuity based BOT scheme with partial transfer of commercial risk to the private sector within the framework of the current annuity based BOT model agreement, (iii) special purpose vehicle; (iv) combination of “green field and brown field” BOT concession; (v) toll based BOT with grant being provided to the concessionaire to cover a substantial part of the initial capital cost; and (vi) toll based BOT with no or little grant being provided. Based on this exercise, the financial advisor would formulate investment proposition.
 - **Process Packaging** will be carried out in NHAI’s selection of a concessionaire through bidding. A key task is the structure of the concession agreement including the period of concession and the way to provide subsidies to contractors, and the development of bidding documents including concession agreement together with the selection criteria of bidders. Financial advisor will assist NHAI and the Technical Group of Experts.
2. While the extent of involvement by the financial advisor will differ from stage to stage, the scope of the work for the financial advisor is defined in the next section.

B. Scope of the Work

3. A financial advisor would be retained to develop an effective PSP concession agreement for the designated sections of the proposed Project. The objective of this advisory service is to produce a financially viable concession that would address the principal issues related to project risks and adequate returns to the concessionaire. Given the timeframe, the financial advisor’s choice should be within the current framework of two model concession agreements developed and approved by the Government. All schemes listed above can be possible within the framework of the current two model concession agreements.
4. The advisory services would involve the following activities.

Appendix 2

Physical packaging stage

- Examine the overall viability of the current way of packaging in consideration of all aspects associated with the current design standards, environmental and social aspects and location of alternative roads and service roads.

Strategic packaging stage

- Review the results of the traffic counts to be carried out by NHAI consultants
- Develop the tolling options to ensure that the use and placement of barrier and exit tolling stations are to achieve a reasonable level of capture of traffic using the road
- Examine the impacts of the tolling at each station to determine the likely impact on diversion
- Revise the estimate of toll revenues during the period of the concession
- Conduct risk assessment by: (i) reviewing the current allocation of risks under the model concession agreements; (ii) proposing changes in the risk allocation that will make the concessions more attractive to the private sector without significantly increasing the liabilities of the NHAI
- Develop a conceptual framework in designing bidding package in consideration of a variety of specific factors including: (i) the requirements for periodic maintenance based on performance parameters, and (ii) the terms for early termination

Investment packaging stage

- Finalize the selection of SPS scheme among the possible PSP schemes. Given the time frame needed for processing the subproject, the SPS scheme to be selected should not require the modification of model concession agreements developed and approved by the GOI.
- Prepare an investment proposition .
- Develop Project Information Memorandum, Project Financial Plan, Project Risk Allocation Structures and Possible GoI/NHAI support strategies..

Process packaging stage

- Review and make necessary modifications to the draft concession documents with an aim to provide a more effective concession that is more effective and less likely to require capital subsidy.
- Hold informal meetings with financiers, contractors and relevant government officials to obtain their reaction to the proposed concession framework and further revise the concession documents.

- Conduct a series of workshops to the targeted investors, particularly contractors and financiers so as to generate interest in the proposed PSP component.
- Develop a strategy for the negotiation with the selected contractor.

C. Qualification

5. In order to have an effective advisory service, a financial advisor has worked with NHAI in the past and is familiar with the requirements for PSP based road projects from the perspective of both the government and the investors. Familiarity with Indian investment environment and regulations is an essential qualification for the engagement of the financial advisor.

6. The financial advisor will be engaged by NHAI with loan proceeds in accordance with ADB's Guidelines on the Use of Consultants and other arrangements satisfactory to ADB on the selection and engagement of domestic consultants. The contract will be made with a domestic firm. The financial advisor will work for NHAI intermittently for the period of 12 months with estimated duration of the services will be four man months.

ROAD SAFETY COMPONENT

A. Introduction

1. ADB's approach to road safety is two fold: (i) to develop a comprehensive road safety matrix (supplementary appendix A-3), and (ii) to implement a specific program designed to bring in visible impact for the enhancement of road safety along selected road corridors. The comprehensive road safety matrix would set an overall road map for ADB's involvement in the road safety. This road map was prepared in such a manner to be consistent with the ongoing initiatives by the Government for the development of a national road safety action plan. The Mission held discussion with MORTH and the World Bank in developing the road safety matrix with intention to contribute to the eventual development of the above action plan.

2. Under this overall framework, the Mission conducted discussions with MORTH and NHAI, and identifies a specific program to be included in this Project (the Component). The purpose of this appendix is to describe the background and the structure of the Component prepared and agreed with NHAI.

B. Background

3. NHAI and MORTH recognize the importance of improving road safety along NHAI roads. Traffic accidents and deaths along National Highways in India have been high when compared to similar roads in the Asian countries. The number of traffic accidents and deaths have been growing in the recent years, with the increase in the number of vehicles on the roads. With the improvements and four-laning of the major National roads, the number of traffic accidents and deaths are expected to initially further increase. The economic losses from the traffic accidents and deaths are estimated at more than 2% of National GDP (UN ESCAP estimates, 2000). About 40% of these accidents are along National Highways. Although a road safety cell exists in MORTH, they are not functioning well in collecting, analyzing and compiling data and information on traffic accidents and deaths in India. Preliminary information from initiatives taken in the states of Haryana, Rajasthan, and Tamil Nadu show that engineering improvements, vehicle monitoring and enforcement have contributed significantly to reduce the traffic accidents and deaths.

4. NHAI has introduced advanced traffic management systems (ATMSs) along the selected sections of Delhi-Mumbai corridor, which have high traffic volume and high accident rate. These systems have been installed along the Delhi-Jaipur section, a section in which Corridor Management Unit (CMU) is currently under implementation on an experimental basis. NHAI is considering to use loan savings of the Surat Manor Tollways Project for the installation of the ATMSs for the Surat-Manor section. It is further planning to install ATMSs in a consecutive manner for the entire Delhi Mumbai corridor. During the Appraisal Mission, NHAI agreed to install the similar but more comprehensive system for the selected sections of East West Corridor as a part of the Project.

5. The Indian Roads Congress (IRC) standards stipulates various engineering measures that should be incorporated in the detailed project report and implemented during construction. However, in the previously awarded contracts where these measures were part of the general obligations of the contractors, NHAI was unable to ensure that contractors properly implemented the road safety measures. Under recently approved World Bank and ADB projects, NHAI has started to itemize the road safety measures as "paid-items" in the bill of quantity to ensure that contractors fully comply with these measures. The monitoring of

Appendix 3

implementation of the construction supervision consultant has been generally satisfactory. Thus, the TOR for the construction supervision consultant specifically included a specific clause for ensuring the implementation of the above road safety requirements included in civil works contracts (see Supplemental Appendix D-2. Outline TOR for construction supervision consultants).

6. NHAI has adopted the Corridor Management Unit (CMU) Concept for operating, maintaining, and managing the major roads, under the World Bank assistance. NHAI has established a pilot Corridor Management Unit between Delhi Jaipur. The proposed component would be designed to supplement to this concept by introducing the safety zone concept in the section outside of this CMU corridor.

C. Scope

7. The component is designed to enhance road safety along a selected highway section of East West Corridor by introducing a demonstration program of a “safety zone”. The “safety zone” concept is intended to install necessary road safety equipment/system in an integrated manner so as to maximize impacts of individual equipment/systems for reducing traffic accidents. The designated zone would be equipped with: (i) advanced traffic management systems for monitoring road situation in a centrally controlled manner; (ii) weigh-in-motion/static weighing platforms for controlling overloading; (iii) speed monitoring equipment for spotting speed violation; and (iv) ambulances and other relief equipment for providing emergency road services. The zone would be managed by appropriate operators and/or authorities to be identified later. What system and arrangement would work best for the selected section would be studied, discussed, determined and operationalized under the component. The pilot section of 180km would be designated from highway sections between Jhansi and Lucknow.

D. Component

8. The Component would consist of two subcomponents: (i) subcomponent for defining the “safety zone” concept; and (ii) subcomponent for installing necessary road safety equipment/system.

9. Subcomponent for defining the “safety zone” concept: An international consulting firm would be engaged to define the concept with particular emphasis on: (i) institutional arrangements for enforcing traffic rules particularly overloading; (ii) provision of emergency medical services; and (iii) types of equipment needed for monitoring road safety conditions and implementing the safety zone concept. This would require: (iv) the identification of a pilot section in which the safety zone is introduced. The pilot section is to be selected between Jhansi and Lucknow. The consultant's task would also include: (v) review and analysis on various experiments underway in India (e.g. enforcement by state police in Haryana State, private sector provision of emergency medical services in Tami Nadhu) and similar experiences outside of India. Based on these studies, the consultant will define an concept and set out a recommended operational arrangements for enforcement and emergency medical services, and integrated managements of road safety equipment. These would be discussed and adopted by the steering committee. Based on this, NHAI will discuss relevant state police departments, state medical departments and other parties including private contractors.

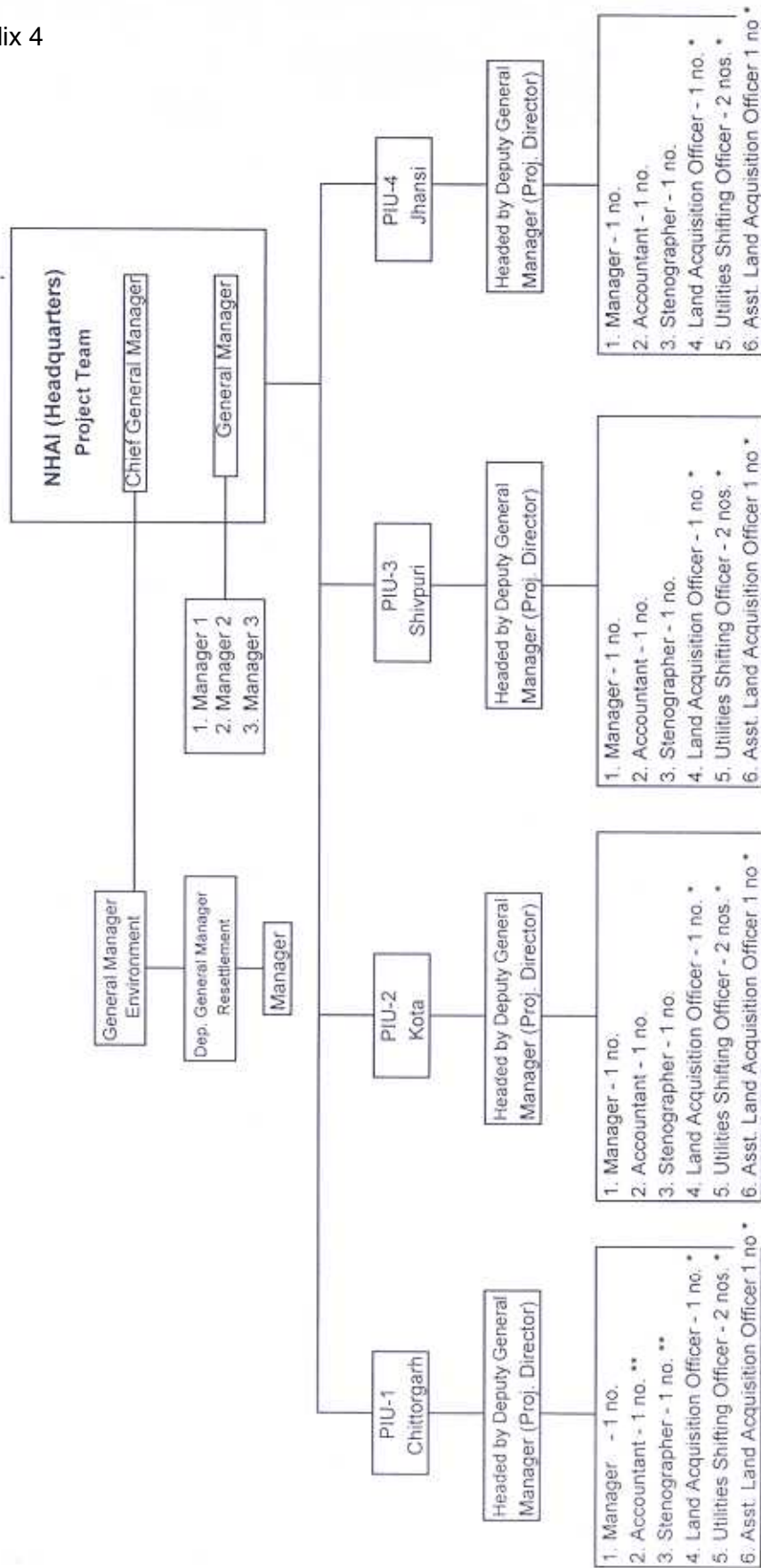
10. Subcomponent for installing necessary road safety equipment/system: Based on the recommendation of the consultant and also discussion with state police departments, the steering committee will finalize the list of the equipment and the location of its installment.

Based on this, procurement will be carried out in accordance with ADB's procedural requirements.

E. Implementation arrangement

11. NHAI would be the implementing agency of this component. Corridor Management Unit would be a focal point of the implementation of the Component supervised by Member (Administration). NHAI would establish a Steering Committee headed by NHAI and participated by MORTH and other relevant agencies, both central and state levels. ADB would finance the consultancy services for defining the safety zone concept and the purchase of necessary equipment and systems to be installed along the safety zone. The consultancy services are estimated to be \$500,000, and the cost of equipment and system is estimated to be \$11.8 million. A detailed list of equipment (together with unit prices and the number of units required) and costs of installation would be provided by NHAI by the end of September 2003.

ORGANIZATIONAL CHART FOR PROJECT PROCESSING AND IMPLEMENTATION - PIU



* Engaged on contract basis who retired from Government service.

** At present vacant.



WORKSHEET FOR QUARTERLY AND YEARLY CONTRACT AWARDS/COMMITMENTS AND DISBURSEMENT PROJECTIONS (\$ Million)

Ref. PAI Nos. 4.13. Issued in July 1992 and 6.1. Issued in October 1990

PROJECT: National Highway Corridor Sector I

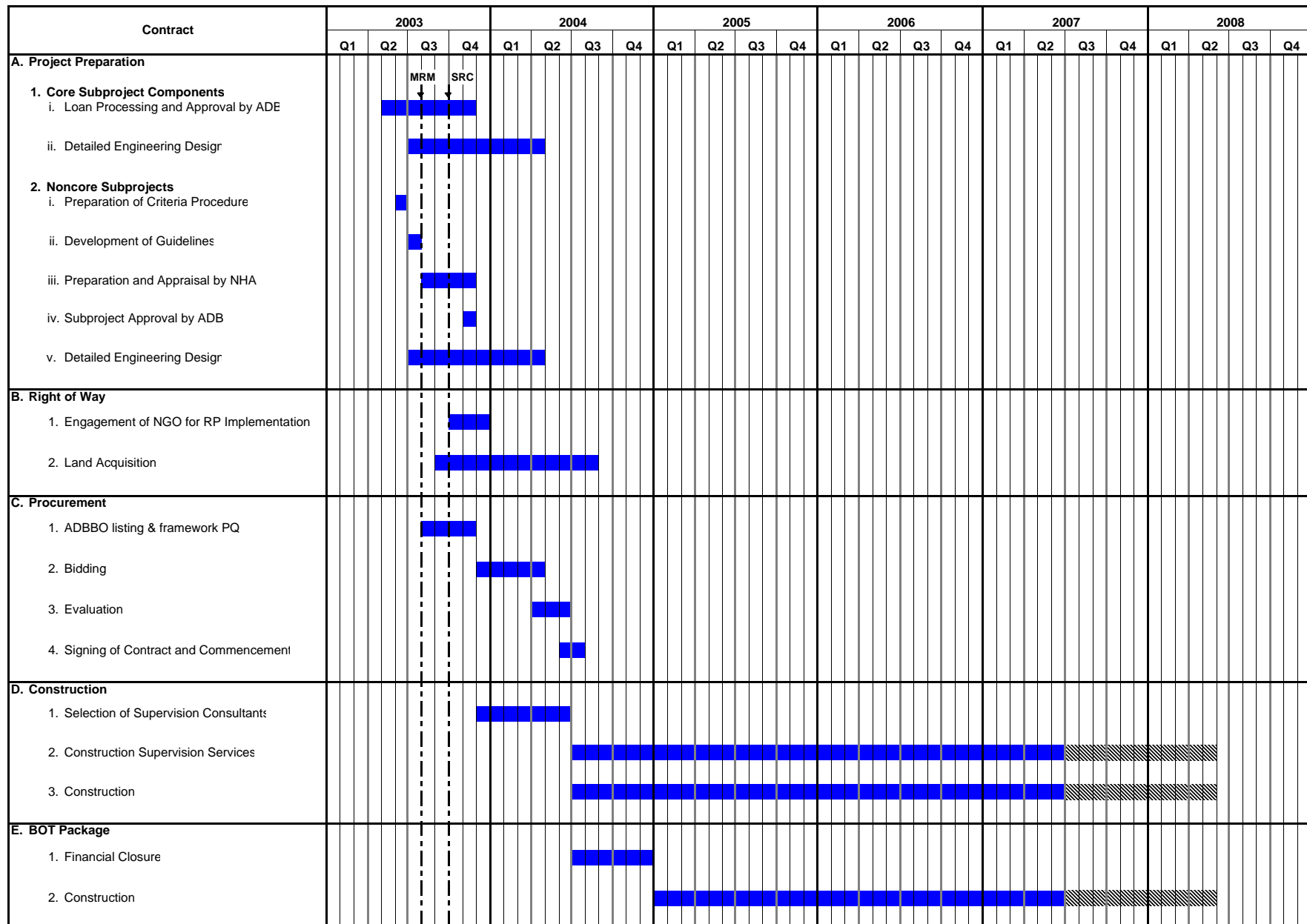
		2029		OCR		IND		PROJECTIONS MADE IN:		JAN, 2005							
		LOAN NO.		SEGMENT NO.		FUNDS (OCR, SF)		COUNTRY (Acronym)		(Month, Year)							
Ref. Line no.	Category ¹	CONTRACT/COMMITMENT ITEM ¹	Contracts Awarded on Previous Year (s)	QUARTER 1			QUARTER 2			QUARTER 3			QUARTER 4			TOTAL PROJECTED FOR THE YEAR	
				January, February, March			April, May, June			July, August, September			October, November, December				
				Month, Year Contract Awarded	QP Month Awarded/ Committed or To be Awarded/ Committed	QP Disbursement Amount Related to the Contract/ Commitment (2)	QP Month Awarded/ Committed or To be Awarded/ Committed	QP Disbursement Amount Related to the Contract/ Commitment (4)	QP Month Awarded/ Committed or To be Awarded/ Committed	QP Disbursement Amount Related to the Contract/ Commitment (6)	QP Month Awarded/ Committed or To be Awarded/ Committed	QP Disbursement Amount Related to the Contract/ Commitment (8)					
				Contract Value (Bank Financed)	QA Contract Value/ Commitment (1)	QA	QA Contract Value/ Commitment (3)	QA	QA Contract Value/ Commitment (5)	QA	QA Contract Value/ Commitment (7)	QA	Contract Value/ Commitment (9)=(1+3+5+7)	Disbursement Amount Related to the Contract/ Commitment (10)=(2+4+6+8)			
1																	
2																	
3																	
4																	
5																	
6																	
7																	
8																	
9																	
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12																	
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14																	
15																	
TOTAL OF THIS PAGE ____ OF ____ PAGES																	
GRAND TOTAL (LAST PAGE)																	

¹ In accordance with the allocation of loan proceeds as defined in the loan documents, or any other detailed breakdown if found useful.

QA = Quarterly Actual (already awarded/committed/distributed, when projections are prepared).




QP = Quarterly Projected (to be awarded/committed/distributed, when projections are prepared).

IMPLEMENTATION SCHEDULE



ADB = Asian Development Bank, ADBBO = Asian Development Bank Business Opportunities, BOT = build-operate-transfer, NGO = nongovernment organization, NHA = National Highways Authority of India
PQ = Prequalification, RP = Resettlement Plan

Legend:

-  Preparatory Work / During Appraisal
-  Defect Liability Period
-  Actual

OUTLINE TERMS OF REFERENCE FOR CONSTRUCTION AND PROJECT SUPERVISION

A. Objectives and Scope

1. Objectives

1. The terms of reference for construction and project supervision consist of a component for public procurement sections. The consulting services are to assist the National Highways Authority of India to implement the Project by

- (i) ensuring standards of quality assurance in executing the work,
- (ii) ensuring completion of the work within the stipulated time limit, and
- (iii) promoting technology transfer through joint ventures between international and local firms.

2. Scope

2. The Project will be implemented under Federation Internationale des Ingenieurs Conseils (FIDIC) conditions in 11 construction contracts (Table 1).

Table 1: Civil Works Contract

Part	Section Details	Likely No. of Contract Packages	Civil Works Contract Type
A.	Chittorgarh-Kota section (NH 76, 164 km) (Excluding Kota Bypass)	3	Item rate contract
B.	Kota-Rajasthan/Madhya Pradesh border section (NH 76, 173 km)	3	Item rate contract
C.	Rajasthan/Madhya Pradesh border –Jhansi section excluding Jhansi bypass (NH 76, Shivpri Bypass, and NH 25, 131 km)	3	Item rate contract
D.	Jhansi to Orai including Jhansi Bypass (NH 76 and Jhansi Bypass, 124 km)	2	Item rate contract

P.B. The number of contract packages would be determined during the loan negotiation.

3. Three consultants will be engaged under three packages for civil works on item rate contract (Table 2).

Table 2: Consulting Services Contract Packages

Consulting services Package No.	Civil Works Package Details	Consulting Services Requirement
1.	Chittorgarh-Kota section (NH 76, 164 km) Excluding Kota Bypass	Construction Supervision
2.	Kota-Rajasthan/Madhya Pradesh border section (NH 76, 173 km)	Construction Supervision
3.	Rajasthan/Madhya Pradesh border – Jhansi section (NH 76, Shivpuri bypass and NH 25, 131 km) and Jhansi –Orai section (NH 25 and Jhansi bypass, 124 km)	Construction Supervision

4. The consulting services for the item rate civil work contracts include the following activities.

5. The consultant will be responsible for supervising all construction work. As the engineer, the consultant will administer the construction contracts and ensure that the contractual clauses for both quality and quantity of work are respected and the works are constructed in accordance with the provisions of the construction contracts. The consultant will be required to nominate an engineer's representative who will be a full-time resident in the area.

6. The supervision consultant will make all necessary measurements and control the quality of works, will make all engineering decisions required for the successful and timely implementation of the construction contracts, and have all the powers defined as those of the engineer.

7. The supervision consultant will review the construction contracts to identify defects or omissions that compromise the completeness or consistency of the design. This review will be carried out immediately after the services commence and will be completed within two months. On completion of the review, the supervision consultant will prepare a report, setting out all findings and recommendations for correcting any defects or omissions identified. Notwithstanding these, the supervision consultant will immediately inform the employer of any defect or omission that may have a substantial impact on the Project at the time the defect or omission is uncovered. The consultant will submit four copies of the review report to the employer and two copies to the Asian Development Bank (ADB).

8. In addition, or as an expansion of the activities and responsibilities required of the engineer under the construction contracts, the supervision consultant will

- (i) ensure that the construction methods as proposed by the contractor for carrying out the works are satisfactory, with particular reference to the technical requirements of sound environmental standards on the basis of ADB's *Environmental Guidelines for Selected Infrastructure Development Project (Highways & Roads)*; inspection of contractor's construction equipment; and safety of the works, property, personnel, and general public; the schedule of mitigation measures for adverse environmental impacts to be monitored by the consultant will be provided;

- (ii) undertake project performance monitoring and evaluation in accordance with ADB's *Project Performance Management System (PPMS) Handbook*, performance indicators to be measured will be provided;
- (iii) monitor and report on the implementation of the Resettlement Plan in accordance with the ADB's policy on involuntary resettlement;
- (iv) ensure that the contractor does not use child labor for the execution of the civil works contracts in accordance with the provisions of the contract agreement;
- (v) prepare and issue the following reports, the format and content of which are to be acceptable to the employer: an inception report, a brief monthly progress report, a detailed quarterly report, a detailed project completion report; and
- (vi) ensure that road safety design requirements are implemented in accordance with the contract.

9. The supervision consultant will process interim and final payments to the contractors.

10. If so required by the employer, the supervision consultant will provide any of the following as additional services: (i) prepare reports, including technical appraisals, additional contract documentation, and/or review and comment on the contractor's proposals, as may be required for the successful completion of the Project; and (ii) provide any other specialist services as may be required from time to time.

11. The employer will authorize all additional services, other than minor extras that do not materially affect the scope of the supervision work, at the rates established in the construction supervision contract, or at rates mutually agreed upon when the services require the use of specialists not listed in the contract.

B. Timing of Services

12. The consulting services defined in the terms of reference will be for 48 months. The actual commencement date will be confirmed during negotiations and will depend on progress in awarding the contract to contractors for construction in the Project.

13. The period of services has been derived assuming consulting services to commence two months before the start of construction and extend four months beyond substantial completion.

C. Contractual Arrangements

14. More than one consultant's contracts will not be awarded to a single consultant.

15. Suggested staffing for the consultant's contracts is shown in the table. For public procurement sections, about 417 person-months of international consulting services and about 4,752 person-months of domestic consulting services will be required.

Table 3: Suggested Staffing for Construction Supervision Contracts

	Consultant's Package 1	Consultant's Package 2	Consultant's Package 3
(person-months of input)			
A. International Staff			
Project Manager (Engineer's Representative)	39	39	39
Senior Resident Engineer	36	36	72 (2@36)
Senior Pavement/ Materials Engineer	36	36	72 (2@36)
Other Specialist (including road safety)	4	4	4
International Total	115	115	187
B. Domestic Staff			
Resident Engineer	99 (3@33)	99 (3@33)	165 (5@33)
Senior Quantities/Contract Engineer	99 (3@33)	99 (3@33)	165 (5@33)
Senior Bridge/ Structural Engineer	99 (3@33)	99 (3@33)	132 (4@33)
Environmental Specialist	9	9	15
Resettlement Specialist	9	9	15
Assistant Resident Engineer	198 (6@33)	198 (6@33)	330 (10@33)
Quantities/Contract Engineer	198 (6@33)	198 (6@33)	330 (10@33)
Pavement/Materials Engineer	198 (6@33)	198 (6@33)	330 (10@33)
Bridge/Structural Engineer	198 (6@33)	198 (6@33)	330 (10@33)
Surveyor	198 (6@33)	198 (6@33)	330 (10@33)
Junior and Administrative Staff			
Domestic Total	1,305	1,305	2,142

Subproject by subproject Eligibility Criteria -- Coverage

	Start from	End at	Procurement Package	EIRR > 12%	Environmental screening	SIEE incl. EMP	IPSA	Smmry RP	IP Significant?
Report 1 (Section A)	Chittorgarh NH76 Km229 Chittorgarh	Kota NH76 Km 381 Bypass	Pckg 1,2,3	Yes	Yes	Yes	Yes	Yes	No
Report 2 (Section B)	Kota NH76 Km406	Rj/Mp Brdr NH76 Km579	Pckgs 4,5,6	Yes	Yes	Yes	Yes	Yes	No
RRP (Section C)	Rj/Mp Brdr NH76 Km579	Jhansi NH76 Km609	Pckgs 7,8,9	Yes	Yes	Yes	Yes	Yes	No
Report 3 (Section D)	Jhansi NH76 Km91	Bypass NH25 Km104	Pckg 10	Yes	Yes	Yes	Yes	Yes	No
Report 4 (Section D)	Jhansi NH25 Km104	Orai NH25 Km220	Pckgs 11,12	Yes	Yes	Yes	Yes	Yes	No
Report 5 (Section E)	Orai NH25 Km220	Bhognipur NH25 Km255	PSP	Yes	Yes*	Yes*	Yes*	Yes*	No*
Report 6 (Section E)	Bhognipur NH2 Km255	Bara NH2 Km449	PSP	Yes	Yes	Yes	Yes	Yes	No

* Environment and social aspects for Orai-Bhognipur Section were covered under the Report 4.

PROJECT PERFORMANCE REPORT

As of 31 Aug 2005

SERIAL NO : 9
 DIVISION : SATC
 DEPARTMENT : SARD
 PROJECT NO : 34420
 LOAN STATUS : ACTIVE

(ALL AMOUNTS IN US\$ MILLION)

A. BASIC DATA

NAME	PROJECT AT RISK	LAST:	CURR:	Poverty Classification
2029: NATIONAL HIGHWAY CORRIDOR (SECTOR)	Development Objectives (DO)	: Yes	Yes	Other
I PROJECT	Implementation Progress (IP)	: S	S	Thematic Classification:
	Potential Problem (PP)	: S	S	ECO; PSD
	Override	: Yes	Yes	
		: No	No	

LOAN NO(S)	APPROVAL	SIGNING	EFFECTIVITY	ORIGINAL	REVISED	ACTUAL	PHYSICAL COMPLETION	ELAPSED LOAN PERIOD	PROJECT PROGRESS	REVIEW MISSIONS:
2029-IND	04 Dec 03	27 Oct 04	24 Jan 05	31 Dec 07		-	ORIG : Jun 07	ORIG. 43%		LAST:01-12-2004
							REV :	REV. 0%		ACTUAL DAYS: 0
										(last 12 months)
										NEXT:19-09-2005
										PLANNED DAYS: 30

EXECUTING National Highways Authority of India

AGENCIES:

B. FINANCING PLAN

	FOREX	LOCAL	TOTAL	COUNTERPART FUNDS ADEQUATE	CURRENT VALUE OF BANK LOAN:	BALANCE AVAILABLE FOR COMMITMENT:
ADB	381.00	19.00	400.000	Yes	APPROVED : 400	400.000
Govt	34.00	258.00	292.000			
Private Sector	40.00	29.00	69.000			
Total	454.00	306.00	760.000		NET :-	

C. LOAN UTILIZATION

CUMULATIVE CONTRACT AWARDS				2005 CONTRACT AWARDS					
	ADB	OTHERS	CUMULATIVE		1Q	2Q	3Q	4Q	TOTAL
Dec 04	0.000	0.000	CONTRACTS TO	PROJ	0.000	0.000	0.000	334.000	334.000
31 Aug 05	0.000	0.000	NET BANK LOAN(S):	ACTUAL	0.000	0.000	0.000	0.000	0.000
Proj 05	334.000		0%						
CUMULATIVE DISBURSEMENTS				2005 DISBURSEMENTS					
	ADB	OTHERS	CUMULATIVE		1Q	2Q	3Q	4Q	TOTAL
Dec 04	0.000	0.000	DISBURSEMENTS	PROJ	0.000	0.000	0.000	0.000	0.000
31 Aug 05	0.000	0.000	TO NET BANK	ACTUAL	0.000	0.000	0.000	0.000	0.000
Proj 05	0.000		LOAN(S): 0%						

D. COVENANTS

COMPLIANCE WITH COVENANTS:	AUDITED PROJECT ACCOUNTS / DELAY S / 0 mos.	AGENCY FINANCIAL STATEMENTS / DELAY S / 0 mos.	SECTOR COVENANTS PS	ENVIRONMENTAL COVENANTS S	SOCIAL COVENANTS S	FINANCIAL COVENANTS Not Yet Due	ECONOMIC COVENANTS -
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E. MAJOR ISSUES/PROBLEMS (IP, DO, Covenants)

PROBLEM(S)

ACTION TAKEN/PROPOSED

--	--

Marietta L. Marasigan

Nianshan Zhang

PAU Assistant

PROJECT OFFICER

Legend: ECO - Economic Growth HD - Human Development GD - Gender and Development GG - Good Governance ENV - Environmental Protection PSD - Private Sector Development

DEVELOPMENT OBJECTIVES

Long Term Development Objectives

Description
Enhance economic efficiency, reduce economic regional discrepancies, and promote private sector participation.

Immediate Development Objectives

Description (with quantifiable / monitorable targets)		Rating (HS,S,PS,U)	Assessment of Current Status
1. Increase the share of 4-lane highways of the National Highway Development (NHDP) network to 80% of NHAI's network by 31 December 2007		S	Currently, award of all 12 contracts amounting to \$400.0 million have been approved with one contract pending award subject to submission of satisfactory RP.
2. Increase the proportion of PSP to 10%		S	There has been an increased private sector participation. (i) 10% of the total NHDP-I and II was developed under some form of private sector participation; (ii) 8 annuity concession, 7 toll based BOTs and 10 special purposes vehicles; and (iii) recent decision for the development of a post NHDP under the PPP schemes.
Key Assumptions/Risks		Rating (HS,S,PS,U)	Assessment of Current Status
Assumptions:			
1. Smooth acquisition of land.		S	Ongoing.
2. The private sector sustains its interest in participating in the Project.		S	Sustained.
Risks:	Mitigated (Y/N)		
1. Possible delay in processing non-core subprojects due to unfamiliarity of NHAI with procedural requirements	Yes	S	Submission of non-core subprojects appraisal report has been delayed but is currently under control.
2. Possible delays in implementation due to prolonged land acquisition.	Yes	S	Extra efforts on the part the Govt and ADB are being done to minimize delays.
Overall Rating		S	NOTE: Overall Rating is based only on Assumptions and Risks until project completion. Thereafter, Immediate DO assessment will be included
New DO Rating: Effective Date: Date of Lifting:			
Remarks:			

Recent Development (Date: 01-07-2005)

The only pending issue of the subprojects appraisal is the revision of the Jhansi bypass RP. The latest ADB comments were sent to NHAI on 01 July 2005.

Problems with DO

Description	Action Taken/Proposed
Delayed implementation under the subprojects component	Continuous follow up and close supervision required to meet current schedule.

Project Quality (one time input primarily for COPP)

Capacity Building Component	Training Component	Participatory Process	Project Manager/Project Office prior to Loan approval	Incorporated Lessons Learned in Sector/Country	Logical Framework
No	No	No	No	Yes	Yes
Update Control	: Marietta L. Marasigan; Teresa H. Mella; Vivien F. Oteyza; Sri Widowati				
Last Updated by	: Michelle Luz H. Tan				
Last Modified on	: 15-09-2005 06:17 AM				
Created on	: 16-12-2003 11:33 AM				

IMPLEMENTATION PROGRESS

Project Outputs

Description (with quantifiable/monitorable targets)	Assessment of Progress-to-date
The Project composed of the following components: (a) Highway Investment - it will finance widening of stretches between Chittorgarh and Orai (592 km) into four lane roads.	<ul style="list-style-type: none"> • Prequalification documents were approved on 16 March 2004 • Bidding documents were approved on 9 Dec 2004 • Prequalification evaluation report was approved on 18 Nov 2004 • Bid evaluation report was approved on 26 April 2005, and accordingly award of all contracts have been approved on 24 May 2005, except for Jhansi Bypass that requires submission of a satisfactory RP. However, on 2 August 2005, ADB approved the signing of the civil works contracts for the Jhansi Bypass (UP-3) since ADB has approved the resettlement plan for Jhansi Bypass. • NHAI has awarded the 12 civil works contracts. ADB is awaiting the signed contracts.
(b) Private Sector Participation - at least 10% of project highways are to be developed under a PSP scheme. A financial advisor will be engaged to support development of parts of EW Corridor through PSP.	The Model Concession Agreement - NHAI dated 2 June 2005 has been modified by NHAI so as to reflect recent changes associated with BOT-based highway development for application in the third phase of NHDP. NHDP III involves the continued upgrading and expansion of the existing NHs in additional five stages over a 7-year period.
(c) HIV/Aids subcomponent - it is designed to reduce risks of spreading HIV/AIDS. Anti-trafficking subcomponent - this subcomponent will be carried out by NGOs in conjunction with HIV/AIDS prevention activities. It will engage 3 locally based NGOs, the activities of which will be coordinated and monitored by a domestic consultant to be financed by ADB for about \$400,000.	Not yet started.
(d) Road Safety - it is designed to enhance road safety by introducing a safety zone to a selected pilot section on the E-W corridor. ADB will finance the consulting services of \$500,000 as well as the cost of equipment and systems for \$11.8 million).	Not yet started.
Consulting Services will be engaged as follows: (a) Highway Investment component - 3 consulting firms will be engaged to supervise the construction of the civil works	<ul style="list-style-type: none"> • RFP was approved on 9 Nov 2004. and issued to shortlisted firms. • The evaluation report for Package II was considered on 12 April 2005 and was approved by the PC meeting on 2 June 2005. • For Packages I and II, the evaluation report were considered and the final ranking was approved on 22 June 2005. • For Package III, the final ranking was approved in a CSC meeting scheduled in 4 August 2005 and NHAI was advised in Sept 2005. • NHAI was advised to proceed with contract negotiations taking into consideration some comments provided by ADB.
(b) Private Sector Participation - a domestic consulting firm will be engaged to provide financial adviser's services	NHAI engaged M/s Allianz Securities Ltd. as financial advisor in January 2005 from its own funds.
(c) Road Safety component - an international consulting firm will be engaged to develop a safety-zone concept and build capacity to enforce traffic regulations and provide emergency medical services.	Not yet started. A consultant will be recruited in August 2005 to facilitate implementation of this component.
(d) HIV/Aids and anti-trafficking component - NHAI will engage locally based NGOs and the activities will be supervised by a domestic individual consultant to be financed under the component.	Not yet started.

Key Assumptions/Risks (Input-Output)	Assessment of Current Status
The market mechanism works well	Will require some time to determine effectiveness.
The Government is committed to reforms	Government welcomes suggested reforms.
Land acquisition and resettlement are not delayed	Underway.

Private sector sustains its interest in participating in the Project	Will require some time to determine effectiveness
Procurement of civil works and consultants are timely	Procurement ongoing satisfactorily with very minimal delays.

Key Project Inputs

(Loan Categories from LFIS/Logical Framework)

Remarks (Loan Categories from LFIS/Logical Framework)	Remarks
Civil Works - 67% Bank financing	\$85.9 m for core project and \$273.4 m - non-core project (Foreign exchange cost only)
Consulting Services - 100% Bank financing	\$28.3 m (fx an lc)
Equipment - 100% Bank financing	\$1.8 m (fx)
Project Management	\$1.3 m (lc)

Implementation Progress

Rating Criteria	Rating (HS, S, PS, U)	Remarks
1. Project Implementation	PS	
2. Change in Project Scope	S	
3. Change in Implementation Arrangements	S	
4. Project Costs	HS	
5. Counterpart Funding/Cofinancing	HS	
6. Major Covenants (exclude #7 below)	S	
7. Audited Project Accounts and Corporate Financial Statements	S	
Overall Rating	S	

Design Changes

None

Recent Development (Date: 16-09-2005)

Summary appraisal reports were reviewed by ADB experts and comments were sent to NHA1 on 16 April 2004. The revised summary appraisal reports were submitted by NHA1 to ADB in July 2004. ADB's comments on the Resettlement Action Plan was provided to NHA1 on 11 November 2004 and again on 14 December 2004. A mission was field in April 2005 to finalize the resettlement plan and discuss land acquisition. The resettlement plans have been approved except for the Jhansi Bypass. The resettlement plan for Jhansi Bypass was received by ADB on 14 June 2005 and comments were provided on 29 June 2005. On 2 August 2005, ADB approved the resettlement plan submitted by NHA1 for the Jhansi Bypass and likewise, NHA1 was advised to proceed with the signing of the contract for UP-3/Jhansi Bypass. A Loan Inception Mission is scheduled to be fielded on 19-30 September 2005.

Problems with IP

Description	Action Taken/Proposed
Prolonged procurement process.	Close supervision is

**Rating Criteria for the Assessment of
Implementation Progress**
Date of Change(DD-MM-YYYY): 30-06-2005

Project: 34420 - NATIONAL HIGHWAY CORRIDOR (SECTOR) I PROJECT

Loan Number: 2029-IND
Approval Date: 04-12-2003
Original Closing Date: 31-12-2007

Department: SARD
Signing Date: 27-10-2004

Division: SATC
Effectivity Date: 24-01-2005
Loan Status: ACTIVE

PROJECT LOANS

1. Project Implementation: 12 months delay 24.53 % delay	20-40% delay	1 - Partly Satisfactory
2. Change in Project Scope months pending	<input checked="" type="radio"/> No Major Changes <input type="radio"/> Major Changes Approved <input type="radio"/> Approval pending	2 - Satisfactory
3. Change in Implementation Arrangements: months pending	<input checked="" type="radio"/> No Major Changes <input type="radio"/> Major Changes Approved <input type="radio"/> Approval pending	2 - Satisfactory
4. Project Costs 0 % overrun <input type="radio"/> Settled <input type="radio"/> Not Settled	No overrun	3 - Highly Satisfactory
5. Counterpart Funding/Cofinancing <input type="radio"/> Inadequate Funds % shortfall <input checked="" type="radio"/> Adequate Funds <input type="radio"/> Not applicable <input type="radio"/> Data not Available	No shortfall	3 - Highly Satisfactory
6. Major Covenants		2 - Satisfactory
7. Audited Project Account / Agency Financial Statements:		2 - Satisfactory
Overall Project Implementation	Rounded: 2	Satisfactory

Note: This is for recording purposes only and does not affect in any way the overall IP Rating

Project Progress:

New IP Rating:

Effective Date:

Date of Lifting:

New IP Rating:

Effective Date:

Date of Lifting:

Remarks:

Update Control : Marietta L. Marasigan; Teresa H. Mella; Vivien F. Oteyza; Sri Widowati
Last Updated by : COPP Monthly Uploading

POTENTIAL PROBLEM PROJECT

Rating Criteria	Flag (Yes/NO)	Actual Rating	Remarks
1. Project Implementation Delays	Yes	PS	
2. Poor Compliance with Covenants	Yes	PS	
3. Established, Staffed, and Operating PMU/PIU	No	S	
4. Fielding of Consultants	No	S	
5. Shortage of Counterpart Funds/Cofinancing	No	HS	
6. Cost Overrun	No	HS	
7. Poor Compliance with Audited Project Accounts and Agency Financial Statements	No	S	
8. Environmental or Social Problems	No	S	
9. Significant Disbursement Delays	No		0.000 / 0.000=
10. In Risk Sector in a Country with History of Past Problems	Yes	60%	
11. Project Fielded Missions	Yes	0	
Overall Rating	Yes		=> 4 flags

New PP Rating:	Effective Date:	Date of Lifting:
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Update Control : Marietta L. Marasigan; Teresa H. Mella; Vivien F. Oteyza; Sri Widowati
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COVENANTS

Project and EA Accounts

EA	FY End	FY	Months Due After FY	Due	Date Received	Months Delayed	Acceptable Y / N	Status of Compliance	Rating
Submission of Audited Project Accounts (APA):									
National Highways Authority of India	Mar	05/06	9	31/12/2006	-	0	-	NYD	S
Submission of Agency Financial Statements (AFS):									
National Highways Authority of India	Mar	05/06	9	31/12/2006	-	0	-	NYD	S
Overall Compliance and Rating:								NYD	S
Remarks:									

Project Specific Covenants

Project-specific covenants	Date Due	Date Complied	Delays (mo.)	Status of Compliance	Rating (S,PS,U)	Remarks/Issues
Sector						PS
1. NHAI shall ensure that at least 10% of the length of E-W Corridor to be developed under the Project shall be under Component B. (Schedule 6, para 18, Loan Agreement)				Not Yet Due	-	
2. Within not more than 3 months of the effective date, NHAI shall identify and recommend to ADB relevant subprojects for inclusion under component B. (Schedule 6, para 19, Loan Agreement)	25-04-2005			Partly Complied	PS	
3. The Borrower and NHAI shall ensure that the subproject sponsors/bidders for Component B is selected in a transparent manner through competitive bidding procedures under intimation to ADB. (Schedule 6, para 20, Loan Agreement)				Ongoing	S	
4. NHAI will initiate a study on the toll system by December 2003 at the latest for implementation no later than December 2004. (Schedule 6, para 16, Loan Agreement)	31-12-2003			Partly Complied	PS	The study was started only in Q4 2004 and will be completed in Q3 2005. As such, the covenant has been amended under the Loan 2154 to submit proposal of the implementation by December 2005
5. The Government and NHAI will finalize arrangements so that NHAI will be able to retain tolls collected, as its own revenue from not later than 31 December 2004. (Schedule 6, para 17, Loan Agreement).	30-06-2005			Ongoing	S	The due date has been amended under the Loan 2154 to 30 June 2005. Follow-up action need to be done.
Environmental						S
1. NHAI shall implement the Project in accordance with ADB's Environmental Assessment Guidelines, 2003, as amended from time to time. (Schedule 6, para 24, Loan Agreement)				Ongoing	S	
2. NHAI shall continue with the training program for environmental management for its staff as also the staff of the civil works contractors engaged under the subprojects. (Schedule 6, para 28, Loan Agreement).				Ongoing	S	
3. NHAI will ensure that all subproject environmental mitigation measures identified in the IEE and summary IEE are incorporated into the detailed subproject designs and followed during construction and O&M of the subproject highways. NHAI will also ensure that the subprojects are designed and constructed according to the environmental management and monitoring plan agreed upon with ADB. (Schedule 6, para 25, Loan Agreement).				Ongoing	S	
4. Any subproject classified as category A in accordance with ADB's 2003 Environmental Assessment Guidelines will not be eligible for financing under the Project. (Schedule 6, para 26, Loan Agreement).				Complied	HS	

5. NHA shall ensure that any subproject that involves acquisition of a section or part thereof under a civil works contract and that passes through forestland and/or needs diversification of forestland to other use, statutory clearances under the 1980 Forest Conservation Act and environmental clearances under the 1994 Indian Environmental Impact Assessment Notification shall be obtained before civil works start in that section. (Schedule 6, para 27, Loan Agreement).	Ongoing	S
Social		S
1. NHA shall ensure public awareness and acceptance of the Project and subprojects through participation of NGOs and local community. NHA shall immediately within not more than 2 months commence issuing photo ID to all eligible, including non-titled, affected persons.	Not Yet Due	-
2. NHA shall set up grievance-handling units in ESDU and in each PIU to address environmental, resettlement, and other social issues promptly. (Schedule 6, para 37, Loan Agreement)	Not Yet Due	-
3. NHA shall ensure that civil works contracts under the subprojects incorporate provisions requiring contractors to carry out HIV/Aids awareness and prevention program for labor, not employment of children as labor, disseminate information at worksite on risks of sexually transmitted diseases and HIV/Aids as part of health and safety measures for those employed during construction, follow and implement all statutory provisions on labor (including equal pay for equal work), health, safety, sanitation, and working conditions. (Schedule 6, para 41, Loan Agreement)	Not Yet Due	-
4. Within six months of effective date, NHA will set up within ESDU an HIV/Aids prevention and anti-trafficking cell and engage qualified locally based NGOs to carry out this component. ESDU will supervise the NGOs and work closely with state agencies such as AIDS control societies, departments of women and child development and social welfare, and other networks dedicated to preventing HIV/Aids, human trafficking and to empowerment of women and children. (Schedule 6, para 40 (b), Loan Agreement). 25-07-2005	Ongoing	S
5. Within six months of effective date, NHA shall engage a manager for resettlement within ESDU and shall set up the grievance-handling units in the ESDU and in each PIU, to address environmental, resettlement, and other social issues in a timely manner. Grievance Redress Committees shall be formed in accordance with the RP and RFP in each district for resolution of disputes concerning land acquisition and resettlement. (Schedule 6, para (a), Loan Agreement).	Ongoing	S
6. The Borrower shall ensure that NHA shall not award any civil works contract under a subproject unless it has acquired or made available the land and rights in land, free from encumbrances; (ii) cleared the utilities, trees and any obstruction from such land required to be handed over for the commencement of construction. (Schedule 4, para 8, Loan Agreement)	Ongoing	S
Financial		Not Yet Due
1. NHA shall maintain separate accounts for the Project and subprojects and have such accounts and related financial statements audited annually by independent auditors acceptable to ADB and furnish to ADB (1) not later than 6 months after the close of the fiscal year to which they relate, unaudited copies of the Project and subprojects accounts and (2) not later than 9 months after the close of the fiscal year to which they relate certified copies of such audited financial statements and the report of the auditors as well as the use of the imprest account and statement of expenditures. (Section 2.09 (a), Project Agreement)	Not Yet Due	-
2. The Government will have paid the front-end fee on the loan to ADB before loan could be disbursed. (Schedule 3, para 7, Loan Agreement).	Not Yet Due	-
Others		S
1. Established, Staffed, and Operating PMU/PIU PIUs shall be adequately staff within 2 months of loan effectiveness and in any case before the award of civil works contracts under the subprojects, whichever is earlier.	Ongoing	S
2. Fielding of Consultants		

Fielding of consultants is expected III quarter of 2004 since advance procurement action was approved by Management in July 2003. If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval.			
30-06-2004	Ongoing	S	
3. Promptly after physical completion of the Project not later than 3 months thereafter, NHAJ shall prepare and furnish to ADB a report in such form as ADB shall request on the execution and initial operation of the Project and subprojects, including costs, performance by NHAJ of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan (Section 2.08 (c), Project Agreement).			
	Not Yet Due	-	
4. NHAJ will make within 6 months of loan effectiveness, adequate arrangements for coordination with MORTH and relevant state authorities for implementation of Road Safety Component. (Schedule 6, para 8, Loan Agreement).			
25-07-2005	Ongoing	S	
5. Within 2 months of loan effectiveness, and in any case before the award of civil works contracts under the subprojects, whichever is earlier, NHAJ will ensure that the two PIUs (in Kota and Jhansi) and the project team are adequately staffed by experienced managerial and professional personnel during the entire period of project implementation. (Schedule 6, para 5, Loan Agreement).			
25-03-2005	Ongoing	S	
6. In addition to regular reviews, there shall be a mid-term review of the Project by ADB, the Borrower and NHAJ around May 2005. (Schedule 6, para 50, Loan Agreement)			Due to delay in the implementation of the project, the mid-term review will likewise be postponed until May 2006.
31-05-2005			
7. Within 3 months of the effective date, NHAJ shall establish a Project Performance Management System and with assistance of the Project construction supervision consultants, monitor and evaluate the Project benefits, progress and performance in such forms and detail as required by ADB in accordance with ADB's PPMS Handbook, 2001, as amended from time to time. (Schedule 6, para 48, Loan Agreement).			The construction supervision consultant will be required to prepare the initial baseline data for monitoring.
25-04-2005	Not Complied	PS	
Overall Rating			S

Problems/Remarks/Issues with Covenants

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PROJECT COMPLETION REPORT

Suggested Topics for Project Completion Reports to be Prepared by Borrowers

I. PROJECT DESCRIPTION

- A. Objectives
- B. Components
- C. Implementation methods
- D. Description and justification of changes in components or implementation methods

II. PROJECT IMPLEMENTATION

- A. Compare original and actual implementation schedules. Indicate delays, length and causes of delays, and remedial action taken.
- B. Compare cost estimates made during appraisal and actual costs (foreign and local). Local currency costs incurred, appropriate exchange rates for their conversion into US dollars, and the foreign exchange costs financed by co-financiers must be compiled correctly with reference to audited project accounts. Indicate factors that contributed to any significant overruns or underruns.
- C. State problems or difficulties in recruiting consultants, with reference to ADB procedures. Assess the consultant's work and the working relationship between the executing agency (EA) and the consultant. Use of a logical framework is strongly recommended.
- D. State problems or difficulties encountered in procuring goods and services (including civil works) with reference to ADB procedures. Assess the supplier's or contractor's performance under the contract.
- E. Give the extent of compliance of the borrower and EA with loan covenants, with reasons for noncompliance or delays in compliance and the remedial actions taken.
- F. State reasons for any delays in loan utilization. Evaluate the appropriateness of the disbursement methods used. Justify the reallocation of loan proceeds.

- G. State problems or difficulties with subproject appraisal. Evaluate the EA's performance and capacity to appraise subprojects.

III. INITIAL OPERATIONS

- A. Describe initial operations of the project and transitional problems encountered from project completion to initial operations.
- B. Describe measures taken to ensure continued smooth operation of the project relative to management, staffing, funding, and maintenance of project facilities.
- C. Analyze the prospects of the project benefits being realized.

IV. EVALUATION OF THE ASIAN DEVELOPMENT BANK'S PERFORMANCE

- A. Assess ADB's performance in supervising project implementation. Include comments on the adequacy of the consultants' terms of reference and appropriateness of specifications in tender documents. Evaluate the effectiveness and timeliness of assistance extended by ADB to solve implementation problems.
- B. Comment on problems encountered with ADB's procedures. Note the measures taken to resolve these problems and suggest changes in procedures and requirements.



ASIAN DEVELOPMENT BANK

27 January 2005

Department of Economic Affairs
Ministry of Finance
The Government of India
North Block
New Delhi – 110001
India

Attention: Ms. Sharmila Chavaly
Director, ADB

Dear Ms. Chavaly:

**Subject: Loan No. 2029-IND: National Highways Corridor (Sector) I Project
FINANCIAL REPORTING AND AUDITING REQUIREMENTS**

This letter is to ensure your timely compliance with the loan covenants and the quality of financial information as required by ADB. ADB's *Handbook for Borrowers on the Financial Governance and Management of Investment Projects financed by the ADB* (the Booklet) is enclosed to guide you.

ADB, by its Charter, is required to ensure that the proceeds of any loan made, guaranteed, or participated in by ADB are used for the purposes for which the loan was approved. ADB requires accurate and timely financial information from its borrowers to be assured that expenditures incurred on a project were in fact for the purposes stated in the loan agreements; and to satisfy the ADB with respect to the economy and efficiency of the project.

For this particular loan, the requirements are stipulated in Section 4.04 of the Loan Agreement dated 27 October 2004 between ADB and Government of India. For ease of reference, copy of the Loan Agreement is enclosed for onward transmission by your Office to your Executing Agency and the auditor(s) concerned, together with a copy of this Letter.

- ADB requires the Executing Agency to maintain separate project accounts and records exclusively for the Project, to ensure that the loan funds were used only for the objective set out in the aforesaid Loan Agreement. The project accounts comprise of full audited financial statements including its detailed specification of investments as well as cost expenditures financed by the ADB.

The first set of project accounts to be submitted to the Bank should cover the fiscal year ending 31 March 2006. As stipulated in the Loan Agreement, they are to be submitted up to nine months after the end of the fiscal year. For this loan, the deadline is by 31 December 2006. A sample report format with explanatory notes is attached as Annex A.

- The accounts and records for the Project must be consistently maintained in accordance with sound accounting principles. Please stipulate that your External Auditor is to express an opinion on whether the financial report has been prepared using international or local generally accepted accounting standards and whether they have been applied consistently.

ADB prefers project accounts to use international accounting standards prescribed by the International Accounting Standards Committee. Please advise your external auditor to comment on the impact of any deviations, by the executing agency from international accounting standards.

- Please ensure that auditors conform to the international auditing standards issued by the International Federation of Accountants. In cases where other auditing standards are used, request that your external auditor to indicate in the Auditor's Report the extent of any differences and their impact on the audit.
- The external auditor's opinion is also required on whether
 - the proceeds of the ADB's loan have been utilized only for the project as stated in the Loan Agreement;
 - the financial information contains data specifically agreed upon between the Ministry of Finance and ADB to be included in the financial statements;
 - the financial information complies with relevant regulations and statutory requirements; and
 - compliance has been met with all the financial covenants contained in the Loan Agreement.
- The Auditor's Report is to clearly state the reasons for any opinions that are qualified, adverse, or disclaimers.
- Actions on deficiencies disclosed by the external auditor in its report are to be resolved by the Ministry of Finance within a reasonable time. The external auditor is to comment in the subsequent Auditor's Report on the adequacy of the corrective measures taken by the Ministry of Finance.

Compliance with these ADB requirements will be monitored by review missions and during normal project supervision, and followed up regularly with all concerned, including the external auditor.

Yours sincerely,

Tadashi Kondo
Director, Transport and
Communications Division
South Asia Department

Attachments

cc: Mr. Santosh Nautiyal
Chairman, National Highways Authority of India

Mr. G. R. Singal
Chief General Manager, National Highways Authority of India

Controller Aid Accounts & Audit Division
5th Floor, B. Wing, Janpath Bhavan
New Delhi – 110 001, India

Country Director, India Resident Mission

Notes: One statement should be prepared in the currency of the Borrower. Another statement should also be prepared in USD equivalent using appropriate exchange rate.

SAMPLE REPORT FORMAT
PROJECT ACCOUNT

L 2026-IND: National Highway Corridor (Sector I) Project

FOR THE PERIOD _____
(in US\$ million)/(in local currency)

Expenditure Category*/	ADB FINANCED			GOVERNMENT FINANCED			TOTAL ADB AND GOVT. FINANCED		
	Foreign Exchange	Local Currency	Total	Foreign Exchange	Local Currency	Total	Foreign Exchange	Local Currency	Total
For Current Period									
1. Civil Works									
2. Equipment									
3A. Consulting Services: Construction Supervision									
3B. Consulting Services: Road Safety Consultant									
3C. Consulting Services: HIV/AIDS Consultant									
3D. Consulting Services: PPP Financial Adviser									
Total									
Cummulative Since Start of Project									
1. Civil Works									
2. Equipment									
3A. Consulting Services: Construction Supervision									
3B. Consulting Services: Road Safety Consultant									
3C. Consulting Services: HIV/AIDS Consultant									
3D. Consulting Services: PPP Financial Adviser									
Total									

Note: Exchange Rate used: _____
*/ As applicable, please provide details for each expenditure category as supplementary statements.