



# Project Administration Memorandum

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Project Number: 37066  
Loan Number: 2248  
December 2006

## India: Rural Roads II Investment Program—Project I

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 31 October 2005)

Currency Unit	–	Indian rupee/s (Re/Rs)
Re1.00	=	\$0.022
\$1.00	=	Rs44.995

**ABBREVIATIONS**

ADB	–	Asian Development Bank
CPF	–	community participation framework
CSP	–	country strategy and program
DPR	–	detailed project report
EA	–	executing agency
EAF	–	environmental assessment and review framework
ECOP	–	environmental codes of practice
EIRR	–	economic internal rate of return
FFA	–	framework financing agreement
ICB	–	international competitive bidding
IEE	–	initial environmental examination
IRC	–	Indian Roads Congress
LCB	–	local competitive bidding
LIBOR	–	London interbank offered rate
MOU	–	memorandum of understanding
MFF	–	multitranchise financing facility
MORD	–	Ministry of Rural Development
NRRDA	–	National Rural Roads Development Agency
OMMAS	–	online management, monitoring, and accounting system
PFR	–	periodic financing request
PIC	–	project implementation consultant
PIU	–	program implementation unit
PMGSY	–	Pradhan Mantri Gram Sadak Yojana (Prime Minister's Rural Roads Program)
RRSI	–	Rural Roads Sector I Project
SRRDA	–	state rural roads development agency
TSC	–	technical support consultant

**NOTES**

- (i) The fiscal year (FY) of the Government and its agencies ends on 31 March. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2004 ends on 31 March 2004.
- (ii) In this report, "\$" refers to US dollars.

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## LOAN PROCESSING AND ADMINISTRATION HISTORY

### Chronological Summary of Important Events

	Activity	Date
<b>A. Processing – MFF</b>		
1	Approval of PPTA 4220-IND: Rural Roads Sector II	20 November 2003
2	Feasibility Study	November 2004 – August 05
3	Consultation Mission	10-12 February 2004
4	Consultation/Contact Mission	18-28 March 2005
5	Fact-finding Mission	18 April – 17 May 2005
6	Management Review Meeting (1 <sup>st</sup> MRM)	11 July 2005
7	Appraisal Mission	1-5 August 2005
8	Borrower officially communicated its view that the loan size should be expanded, subject to availability of MFF to the Borrower	31 August 2005
9	Specific Consultation Mission	12-16 September 2005
10	Management Review Meeting (2 <sup>nd</sup> MRM)	14 October 2005
11	ADB approval to proceed with loan negotiations	19 October 2005
12	Framework Financing Agreement Negotiations held in India	24 November 2005
13	Signing of Framework Financing Agreement	25 November 2005
14	First Periodic Financing Request from Government for an indicative amount of \$100 million	25 November 2005
15	Board RRP Circulation	28 November 2005
16	Board Consideration and Approval of \$750 million for the Investment Program	20 December 2005
<b>B. Processing of the First Loan</b>		
1	First Periodic Financing Request from Government for an indicative amount of \$100 million	25 November 2005
2	ADB receipt of the Borrower's re-submitted first PFR in the amount of \$180 million	19 June 2006
3	ADB advise of its Management's approval to proceed with negotiations of the first loan	5 July 2006
4	First Loan Negotiations successfully concluded between Government of India and ADB in India	25 July 2006
5	ADB approval of the Loan and Project Agreements for the First Periodic Financing Request (PFR) for \$180 million	31 July 2006
6	Signing of Loan Agreement and Project Agreements	29 August 2006
7	Loan Effectiveness	18 October 2006
<b>C. Project Administration</b>		
<b>Technical Support Consultant</b>		
1	Draft Request for Proposal (RFP) including terms of reference, invitation documents, cost estimates and draft narrative evaluation criteria for the Technical Support Consultant (TSC) was submitted by the Borrower to ADB for approval	18 October 2005
2	ADB approved RFP for TSC	29 October 2005
3	RFP for TSC issuance	25 September 2006
<b>Civil Works</b>		
1	ADB approval for advance action for procurement of civil works using PMGSY bidding documents	11 July 2005

<b>ASSAM</b>		
1	NRRDA submission of technical evaluation report (first batch) for ADB approval	1 October 2005
2	ADB approved the technical evaluation report (first batch)	6 October 2005
3	NRRDA submission of financial evaluation report (first batch) for ADB approval	19 October 2005
4	ADB approval of the financial evaluation report (first batch)	20 October 2005
<b>ORISSA</b>		
1	NRRDA submission of technical evaluation report (first batch) for ADB approval	19 October 2005
2	ADB approved the technical evaluation report (first batch)	20 October 2005
3	NRRDA submission of financial evaluation report (first batch) for ADB approval	30 November 2005
4	ADB approval of the financial evaluation report (first batch)	6 December 2005
<b>WEST BENGAL</b>		
1	NRRDA submission of technical evaluation report (first batch) for ADB approval	30 November 2005
2	ADB approved the technical evaluation report (first batch)	2 December 2005
3	NRRDA submission of financial evaluation report (first batch) for ADB approval	15 December 2005
4	ADB approval of the financial evaluation report (first batch)	16 December 2005

**KEY PERSONS INVOLVED IN THE PROJECT**

<b>The Borrower: Department of Economic Affairs, Ministry of Finance North Block, New Delhi - 110001, India</b>			
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The Executing Agencies:			
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Name	Position	Agency	Contact Numbers
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Dr. M. N. Roy	Principal Secretary	Panchayat & Rural Development Department, Government of West Bengal 63, N.S. Road, Kolkata – 700001	Fax +91-33-22484327 Tel +91-33-22424422 Email: ps@prd.wb.nic.in <a href="mailto:psprd@vsnl.net">psprd@vsnl.net</a>

<b>The Implementing Agencies:</b>			
<b>(a) State Rural Road Development Agency of Assam</b>			
Mr. J. M. Talukdar	Additional Chief Engineer (R)	Public Works Department, Government of Assam Chandmari, Guwahati - 3	Fax Tel +91-3612664727 Email: apwd@sify.com
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## DESIGN AND MONITORING FRAMEWORK (PROJECT 1)

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<b>Impact</b> Contribute to reduction in poverty and deprivation, and support economic growth of the community connected by Investment Program roads.	Three to four years after completion of subprojects under the Investment Program (2011 for first loan subprojects): <ul style="list-style-type: none"> <li>Reduction in poverty rates in rural areas served by Investment Program roads by 5%</li> <li>Improvement in social indicators in rural areas served by Investment Program roads by 10%, including for maternal and infant deaths, safe delivery, immunization, post primary dropout, and primary school teacher attendance</li> </ul>	<ul style="list-style-type: none"> <li>Census (next due in 2011)</li> <li>State and district statistics</li> <li>Sample impact study conducted by NRRDA</li> <li>Impact monitoring by the technical support consultant of selected roads in their principal villages</li> </ul>	<b>Assumption</b> <ul style="list-style-type: none"> <li>Various government rural development schemes are effectively coordinated</li> </ul>
<b>Outcome</b> Improved connectivity of rural community to markets, district headquarters, and other centers of economic activity via Investment Program roads	By the end of the Investment Program (2010): <ul style="list-style-type: none"> <li>Investment Program states to have rural road networks connecting all habitations with populations of 1,000 and above with all-weather roads (as of April 2005, habitations in this population class without all-weather connectivity are 4,692 in Assam, 2,151 in Orissa, and 9,533 in West Bengal)</li> <li>Improved access to markets, and health and education facilities measured in terms of the number of days when access to these facilities are disrupted (currently up 1/4 of the year down to less than 15 days per year)</li> <li>Diversified income opportunities in rural areas measured in terms of the number of people obtaining work outside the village and the change in cropping pattern and agricultural produce marketing (increase in perishable crops in both cropping and marketing)</li> </ul>	<ul style="list-style-type: none"> <li>OMMAS</li> <li>State and district statistics</li> <li>Completion reports of each individual loan and the multitranchise financing facility</li> <li>Sample impact study conducted by NRRDA</li> <li>Impact monitoring by the technical support consultant of selected roads in their principal villages</li> </ul>	<b>Assumption</b> <ul style="list-style-type: none"> <li>Availability of transport modes and services to newly connected habitations</li> </ul>



Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<b>Outputs</b> 1. Construction and upgrading of rural roads into all-weather standard	By the end of the Project 1 period (2008): <ul style="list-style-type: none"> <li>3,144 km (Assam: 999 km, Orissa: 1,189 km, and West Bengal: 956 km) priority rural roads in the Investment Program states will be constructed and upgraded to all-weather standard connecting 1767 rural habitations (Assam: 525, Orissa: 396, and West Bengal: 846)</li> <li>The percentage of roads constructed or upgraded under the Investment Program that are rated “very good” by National Quality Monitors will be 30% higher than the current ratings (“very good” rating currently at 28% in Assam and West Bengal, and 50% in Orissa)</li> <li>Each road constructed or upgraded under the Investment Program will be maintained with a pavement condition index (defined in PMGSY Operations Manual) value of not less than 4</li> </ul>	<ul style="list-style-type: none"> <li>OMMAS</li> <li>National quality monitor inspection reports</li> <li>Biennial pavement condition index survey</li> <li>Quarterly progress reports and loan completion reports</li> <li>ADB review missions</li> <li>ADB midterm review mission</li> <li>External monitoring of community participation</li> </ul>	<b>Assumptions</b> <ul style="list-style-type: none"> <li>Continuous allocation of central Government’s funds to PMGSY in the Investment Program states</li> <li>Continuous allocation of state Governments’ funds for postconstruction maintenance works</li> <li>Quality control and monitoring of civil works effective</li> <li>Active participation of rural community in planning and preparation of subprojects</li> </ul>
2. Improved community participation	<ul style="list-style-type: none"> <li>Improvements to PMGSY community consultation procedures measured by satisfaction of the affected communities</li> </ul>		

<p><b>Activities with Milestones</b></p> <p>1.0 Subproject Preparation</p> <p>1.1 Appraisal of sample subprojects (about 3,200 km) completed by August 2005.</p> <p>2.0 Framework Financing Agreement</p> <p>2.1 Signed in November 2005</p> <p>3.0 Periodic Financing Request</p> <p>3.1 First PFR submitted in November 2005, and updated in June 2006 (for \$180 million), which was turned into Project 1 and made effective on 18 October 2006</p> <p>3.2 ADB review of ongoing subprojects—biannually</p> <p>3.3 ADB review of states' readiness to implement additional loans—to be done concurrently with above review of ongoing subprojects</p> <p>3.4 Government to notify ADB of forthcoming PFR—at least 15 days in advance</p> <p>3.5 Government to submit PFR and ADB to approve the requested financing through execution of a corresponding loan agreement—within 30 days of PFR</p> <p>4.0 Safeguards</p> <p>4.1 Social and environmental safeguard frameworks prepared during processing</p> <p>4.2 For new states to be included under the multitranchise financing facility, safeguard framework documents to be prepared</p> <p>4.3 Community consultation completed and land made available in accordance with construction schedule—applicable to all subprojects under the facility</p> <p>5.0 Subproject Implementation</p> <p>5.1 Civil works contracts under Project 1 awarded from November 2005 onward under retroactive financing</p> <p>5.2 TSC and PICs mobilization expected in January 2007</p> <p>6.0 Monitoring and Reporting</p> <p>6.1 Baseline survey by early 2007</p> <p>6.2 Monthly internal monitoring using OMMAS</p> <p>6.3 Quarterly progress reporting</p> <p>6.4 Quarterly external monitoring of safeguard implementation</p> <p>6.5 Annual impact monitoring at end 2007, end 2008, end 2009, and Investment Program completion</p> <p>6.6 Impact monitoring by NRRDA to continue after completion of the Investment Program</p>	<p><b>Inputs for Investment Program</b></p> <ul style="list-style-type: none"> <li>• ADB OCR financing of \$750 million</li> <li>• Government financing of \$1,350 million</li> <li>• ADB staff time for multitranchise financing facility administration including review of PFRs and preparation of loan/project agreements for individual loans</li> </ul> <p><b>Inputs for Project 1</b></p> <ul style="list-style-type: none"> <li>• ADB OCR financing of \$180 million</li> <li>• Government financing of \$56 million</li> <li>• ADB staff time for review of PFRs and preparation of loan/project agreements for individual loans</li> </ul>
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ADB = Asian Development Bank, NRRDA = National Rural Roads Development Agency, OMMAS = online management, monitoring, and accounting system, PFR = periodic financing request, PIC = project implementation consultant, PMGSY = Pradhan Mantri Gram Sadak Yojana.

## REFERENCES

### A. Project Related

1. ADB Report and Recommendation of the President to the Board of Directors  
Proposed Multitranchise Financing Facility India: Rural Roads Sector II Investment Program  
(<http://www.adb.org/Documents/RRPs/IND/37066-IND-RRP.pdf>)
2. Loan Agreement (Ordinary Operations) (Rural Roads Sector II Investment Program – Project 1) between INDIA and Asian Development Bank dated 29 August 2006
3. Project Agreements (Rural Roads Sector II Investment Program –Project 1) between Asian Development Bank and Ministry of Rural Development and States of Assam, Orissa, and West Bengal dated 29 August 2006

### B. Anticorruption

1. Anticorruption Policy  
(<http://www.adb.org/Documents/Policies/Anticorruption>)

### C. Consultants

1. Guidelines on the Use of Consultants by the Asian Development bank and its Borrowers (April 2006)  
(<http://www.adb.org/Documents/Guidelines/Consulting>)
2. Handbook of Users of Consulting Services  
(<http://www.adb.org/Consulting/documents.asp>)
  - Volume 1, Procedures and Practices (February 2005)
  - Volume 2, Recruitment of Consultants under ADB Financing – RFP for Loan-Financed Projects
  - Volume 3, User Guide for Preparing Terms of Reference (February 2005)
  - Volume 4, Guidelines for Executing Agencies' Submissions (May 2005)

### D. Procurement

1. Procurement Guidelines (April 2006)  
(<http://www.adb.org/Documents/Guidelines/Procurement>)

### E. Disbursement

1. Loan Disbursement Handbook (January 2001)  
([http://www.adb.org/Documents/Handbooks/Loan\\_Disbursement/](http://www.adb.org/Documents/Handbooks/Loan_Disbursement/))

2. Interim Guidelines for Disbursement Operations LIBOR-Based Loan Products (July 2002)

**F. Safeguards**

1. Community Participation Framework (Assam, Orissa, and West Bengal)  
([http://www.adb.org/Documents/Resettlement\\_Plans/IND/37066/default.asp](http://www.adb.org/Documents/Resettlement_Plans/IND/37066/default.asp))
2. Environmental Assessment and Review Framework  
([http://www.adb.org/documents/Guidelines/Environmental\\_Assessment/Basic\\_Environmental\\_Assessment\\_Requirements.pdf](http://www.adb.org/documents/Guidelines/Environmental_Assessment/Basic_Environmental_Assessment_Requirements.pdf))
3. Environmental Management Standard (Environmental Codes of Practice)

**G. Multitranche Financing Facility**

1. ADB Policy Paper: (R194-05) *Pilot Financing Instruments and Modalities: A New Approach* (August 2005)  
(<http://www.adb.org/Documents/Policies/Financing-Instruments-Modalities/>)
2. Staff Instructions on the Use of the Multitranche Financing Facility (MFF) (October 2006)

## I. INTRODUCTION

1. The Rural Roads Sector II Investment Program (the Investment Program) is a subset and an area and time slice of the Government's national rural roads program—Pradhan Mantri Gram Sadak Yojana (PMGSY). The Investment Program will be financed by the Government of India (GOI)'s own resources and through borrowing from the Asian Development Bank (ADB). ADB will provide funding through multiple loans, each to finance a discrete investment project that forms part of the Investment Program, under a multitranche financing facility (the Facility). The Rural Roads Sector II Investment Program – Project I (the Project) is the first of a series of projects to be financed under the Facility.

2. The loan in \$180 million for the Project was negotiated on 25 July 2006 by the GOI and ADB, and approved on 31 July 2006 by ADB. The Loan and Project Agreements for the Project were signed on 29 August 2006, and made effective on 18 October 2006.

3. This Project Administration Memorandum (PAM) provides Project data and information supplementary to that of the Loan and Project Agreements, and records for reference purposes administration and implementation arrangements of the Project that have been agreed and monitoring and control procedures to be used to help ensure that the intended Project objectives are realized.

4. The provisions in the PAM will be reviewed, progressively updated and revised as and when necessary, within the administrative framework given in the Loan and Project Agreements.

## II. PROJECT DESCRIPTION

### A. Investment Program Objective and Scope

5. The Investment Program is a subset and an area and time slice of the Government's rural roads program—PMGSY; and therefore shares the objective common to all PMGSY investments: to reduce poverty and deprivation, and support economic growth of rural communities in India by providing them with enhanced access to markets; employment opportunities; and social services, including health and education.

6. This objective will be attained by (i) providing rural habitations in the most poorly connected states—initially Assam, Orissa, and West Bengal, and any other states meeting the Investment Program requirements—with all-weather road connections; and (ii) improving efficiency and sustainability of PMGSY implementation in these states by providing support for capacity building in technical, safeguard, financial management, and road safety aspects. The Investment Program will build and upgrade about 30,000 km of rural roads to an all-weather standard; they are expected to connect about 19,000 habitations to a greater transportation network. The outputs of the capacity building interventions will be high-quality rural roads and increased capacity of the state institutions responsible for managing the rural road investment and maintenance.

### B. Project Components

7. The Project comprises the following:

- (i) *Road Connectivity Component.* This comprises improvements of rural roads including new connectivity that are part of PMGSY to provide all habitations of at

least 500 persons with all-weather roads under subprojects covering about 3,200 km of rural roads (about 1,000 km in Assam, about 1,200 km in Orissa, and about 1,000 km in West Bengal).

- (ii) *Capacity Building Component:* This comprises (i) State level capacity building for project implementation, by providing improved standard operation procedures in the form of guidelines and manuals applicable to all PMGSY states as also (ii) institutional building at State level to prepare and implement rural roads development in an efficient and sustainable manner, with proper address of policy issues such as safeguard and road safety through the Project cycle.

### **C. Special Features**

8. The PMGSY guidelines require PIUs to consult with the local community in coordination with the gram (village) panchayat concerned to determine the suitable road alignment, resolve issues of land availability, and address other adverse social and environmental impacts while preparing the detailed project report. The PMGSY guidelines set out detailed requirements for a transect walk to be conducted as part of the community consultation process. Representatives of the village and PIU engineers will traverse the entire stretch of the road/path to be improved, and conduct consultations with interested persons.

9. The Project seeks to strengthen the existing PMGSY community participation process with a view to strengthening ownership of road improvements by the community and minimizing adverse social and environmental impacts of the road improvements. Each of the three states has prepared a community participation framework (CPF) to supplement the existing PMGSY guidelines and to establish requirements for transparent community-based decision making to deal with safeguard issues. The CPF provides detailed procedural steps to be followed by the PIUs from preparation for advance publicity for the transect walk to dissemination of information on the process of land transfer, support/assistance provisions, and grievance procedures to the affected communities. The PIUs will be supported by project implementation consultants (PICs), who will include social and environmental experts and assist PIU engineers in incorporating social and environmental considerations in the design and implementation of road works. External monitoring will be conducted by the technical support consultants (TSCs) engaged by NRRDA to check compliance with the agreed CPF procedures, and monitor and evaluate the participatory processes on a sample basis.

10. For environmental safeguard, an environmental assessment and review framework (EAF) was developed to establish guidelines for the EAs, SRRDAs, PIUs and other parties concerned for preparing and implementing environmental mitigation measures under the Investment Program. Environmental codes of practice (ECOP) were developed based on the assessment of the environmental impacts in the first 3,200 km of subprojects, and will be used in the subsequent batches to effectively identify and implement required mitigation measures.

### **III. COST ESTIMATES AND FINANCING PLAN**

11. The loan of \$180 million is from ADB's ordinary capital resources under the terms and conditions set forth in the Loan and Project Agreements. The Loan will have a term of 25 years, including a grace period of 5 years with an interest on the principal amount of the loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of LIBOR and 0.60% as provided by Section 3.02 of the Loan Regulations. Commitment charge will be at the rate of 0.75% per annum. Such charge will accrue on amounts of the Loan (less

amounts withdrawn from time to time), during successive periods commencing sixty (60) days after the date of the Loan Agreement, as follows:

during the first twelve-month period, on \$27,000,000;  
 during the second twelve-month period, on \$81,000,000;  
 during the third twelve-month period, on \$153,000,000; and  
 thereafter, on the full amount of the Loan.

12. The Borrower will make the loan proceeds available to MORD in accordance with the provisions of the Loan Agreement and Project Agreements.

13. The loan proceeds will be disbursed on the basis of the following percentages:

**Table 1: Allocation and Withdrawal of Loan Proceeds**

<b>No.</b>	<b>Category</b>	<b>Amount Allocated (US\$)</b>	<b>Percentage of Bank Financing</b>
01	Civil Works	179,600,000	<b>80.0</b>
02	Consulting Services	400,000	<b>100</b>
	<b>Total Category Allocation</b>	<b>180,000,000</b>	

14. Retroactive financing has been approved under this Loan. Withdrawals from the loan account may be made for reimbursement of expenses incurred before the date of the loan agreement (18 October 2006) but not earlier than a maximum of 12 months prior to the date of the loan agreement.

15. The closing date for withdrawals from the Loan Account will be on 31 December 2008 or such other date as may from time to time be agreed between the Borrower and ADB.

#### **IV. IMPLEMENTATION ARRANGEMENTS**

##### **A. Project Management Organization**

16. The EAs for the Project are MORD at the central level and the governments of Assam, Orissa, and West Bengal at the state level. MORD, with technical and management support from NRRDA, will be responsible for overall Project supervision and execution. The state governments, through their respective state departments responsible for rural road improvement, will be responsible for executing the Project at the state level. The MORD joint secretary will chair a coordination committee, to be set up by the Government within 3 months of loan effectiveness. The committee will meet quarterly and monitor the use of loan funds and overall implementation performance of the Project. The committee members will comprise senior officials of MORD; the Department of Economic Affairs; NRRDA; and the governments of Assam, Orissa, and West Bengal.

17. The implementing agencies for the Project are the SRRDAs in the participating states, namely Assam State Road Board, Orissa State Rural Roads Agency, and West Bengal State

Rural Development Agency.<sup>1</sup> The SRRDAs are each headed by a chief executive officer who is the state program director for overall coordination of implementation, including planning, management, consultant selection, and procurement. The chief executive officer is supported by experienced personnel at state headquarters and in the district PIUs, which implement PMGSY investments. A PIU is to be headed by a superintending/executive engineer and staffed with assistant/junior engineers and clerks/cashiers.

18. To monitor the use of loan funds and overall implementation performance of the Projects under the MFF at the state level, and to ensure coordination among the key agencies involved, each participating state will establish a project implementation committee within 3 months of loan effectiveness. The committee will meet monthly, and be chaired by the chief executive officer of the SRRDA, with representation from the respective state department responsible for rural road development,<sup>2</sup> PIUs, and consultants. As necessary, other state agencies may be invited to this committee to assist in implementing the Project in areas such as forestry and land availability. The organizational structure for program implementation is in **Appendix 1**.

## **B. Implementation Schedule**

19. Each civil works contract has a stipulated completion period of 12 months at a maximum with some exceptions for those having large structures. Using the retroactive financing provision, civil works contracts included in the Project were awarded before loan effectiveness as early as in November 2005. Based on the estimated schedule, the civil works are expected to be completed by the end of 2007. The indicative implementation schedule is in **Appendix 2**. A Procurement Plan covering the period from October 2005 to March 2007 was prepared by MORD on 7 July 2006 (copy attached in **Appendix 3**). MORD will update the Procurement Plan annually or as needed throughout the duration of the Project.

## **V. CONSULTING SERVICES**

20. Consulting services will be used by the EAs and the SRRDAs to implement the Project. Government-financed Project Implementation Consultants (PICs) may be engaged, as required, to supplement the capacity of the PIUs of the SRRDAs in areas where PIUs' expertise and resources are lacking. Such areas may include preparation of additional subprojects, supervising civil works, and implementing the CPF, EAF and ECOP.

21. MORD will engage ADB loan-financed technical support consultants (TSC) to provide technical support to the SRRDAs in social and environmental safeguards and road safety. The TSC will be engaged in two contract packages under the Investment Program: (i) the first package will be financed under the Loan and will cover the implementation stage of the first and second yearly batches, and the preparation stage of the second and third yearly batches; and (ii) the second package to cover the implementation stage of the third yearly batch onward and the preparation stage of the remaining batches.

22. TSC will be selected and engaged in accordance with procedures acceptable to ADB, and the selection and engagement of the consultants will be subject to ADB approval with

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<sup>1</sup> The three SRRDAs were all established in 2003 as nonprofit organizations under the Societies Act to implement PMGSY. Their staff focus on planning and managing PMGSY. Design, supervision, and civil works are outsourced to private consultants and contractors. Outsourcing was adopted both to ensure the quality and value for money of works undertaken and to avoid creating a large establishment that would become underemployed once the main PMGSY activities are completed.

<sup>2</sup> Assam State Public Works Department, Orissa State Department of Rural Development, and West Bengal State Department of Panchayat and Rural Development.



regard to their competence and experience for carrying out the assignment, in accordance with the procedures stipulated in Schedule 4 of the Loan Agreement. The Request for Proposals (RFP) was approved by ADB in October 2005. There were some initial delays in the issuance of the RFP to the shortlisted firms. Proposals from the shortlisted firms have been received. The TSC is expected to mobilize in January 2007. The terms of reference of the TSC are in **Appendix 4**.

## VI. PROCUREMENT

23. Procurement will be carried out in accordance with *ADB Procurement Guidelines*, April 2006, as amended from time to time. The upper limit for a civil works contract to be procured through national competitive bidding (NCB) procedures will be initially set at \$10 million, and be reviewed during implementation. The PMGSY standard bidding documents and procedure developed by NRRDA for procurement of civil works based on item unit rates are found acceptable to ADB and will be used for all NCB contracts under the Project. The PMGSY bidding process follows the single-stage, two-envelope system in which each bidder simultaneously submits its technical and financial proposals in two separate envelopes, and only the financial proposals of technically qualified and responsive bidders will be opened and evaluated.

24. To support timely contract approvals while ensuring sound practice, ownership, and accountability, post facto approval procedures will be adopted for NCB civil works contracts intended for financing by the loans under the MFF. Contract awards for the first five civil works packages were reviewed and approved by ADB in October to December 2005. For the subsequent contracts awards, the post-facto approval procedure will apply. The SRRDA will proceed with procurement procedures and contract award for subsequent contract packages without prior ADB review and approval. The following post facto approval procedures will apply: (i) the SRRDA will retain a record of all procurement documentation, including copies of the signed contracts and the bid evaluation reports, to be available for inspection; (ii) at the time of each contract award, the SRRDA will provide ADB with a certified summary sheet reporting on the main aspects of the bid evaluation and contract award (format in **Appendix 5**); (iii) the procurement processes and contract awards will be audited annually as part of the performance audit; and (iv) if any contract award is found to be unacceptable, ADB may refuse to finance the contract.

25. Subject to compliance with the requirements of CPF and EAF/ECOP, each State shall (i) acquire or make available on a timely basis the land and rights in land, free from any encumbrances; and (ii) clear the utilities, trees and any other obstruction from such land, on a timely basis, i.e., strictly in accordance with the schedule as agreed under the related civil works contract, as required for construction activities relating to each section of the related civil works contract under the Subproject.

26. Each State shall ensure that subsequent to award of civil works contract under any Subproject, no section or part thereof under the civil works contract will be handed over to the contractor unless the applicable provisions of the CPF and the EAF/ECOP have been complied with.

27. Any changes to the land alignment or environment impacts on account of detailed designs of related Subproject roads shall be subject to prior approval by ADB or related agency (MORD) as the case may be in accordance with the Subproject selection criteria and procedures included in Schedule 2 of the FFA.

## VII. DISBURSEMENT PROCEDURE

28. Under this Project, disbursements from the Loan account will follow the ADB's "Loan Disbursement Handbook" dated January 2001, and the "Interim Guidelines for Disbursement Operations, LIBOR-Based Loan Product July 2002, each as amended from time to time. It is expected that, for the most part, loan proceeds will be withdrawn following reimbursement procedure.

29. **Reimbursement Procedure** is one of the disbursement procedures whereby ADB pays from the loan account to the borrower's account for eligible expenditures which have been incurred and paid for by the borrower out of its own fund sources. Under this procedure, reimbursement of expenditure incurred is obtained by submitting a Withdrawal Application to ADB in either of the following methods.

30. **Documented Reimbursement Procedure** A signed withdrawal application must be submitted to ADB together with a summary sheet (format attached in Appendix 4 of Loan Disbursement Hand Book) and formats attached in **Appendixes 6 and 7**, and the required supporting documents. ADB is to receive the withdrawal application with:

- A copy of the invoice/bill/claim and delivery receipt.
- The evidence or receipt of payment showing the amount paid, the date of receipt, and the payee.
- Under this Loan, the EA needs to provide a copy of the first page of the Running Account Bill (RA Bill), copy of Memorandum of Payment and acquittance /receipt by the contractor. The acquittance/receipt should provide the cheque number, cheque amount, cheque date, RA Bill No. and the name of the contractor. It should be signed by the authorized signatory of the contractor. A receipt for the gross value of work done is insufficient.
- If supporting documents are written in local language, there should be an English translation of important words/items in the documents (e.g., the title of the document, name of the supplier/contractor, description of goods and services, and the amounts and dates).

31. **Statement of Expenditures (SOE) Procedure:** SOE is one of the simplified reimbursement procedures that ADB may accept where full documentation is impractical, burdensome, voluminous, or costly. It is a reimbursement procedure requiring no submission of supporting documentation. The procedure derives its name from the SOE form which is submitted with the withdrawal application. The SOE replaces the usual supporting documents and the summary sheet.

32. The SOE form provides data on contracts and payments up to the authorized ceiling amount. The same formats are to be used for submitting documented claims and SOE claims (**Appendix 6** is for civil works, and **Appendix 7** is for consulting services). Under this Project, any individual payment (net cheque amount given to the contractor) to be reimbursed under the SOE procedure will not exceed the equivalent of \$100,000.

33. In the SOE, the borrower certifies that (i) expenditures have been incurred and paid for under the terms and conditions of the Loan and Project Agreements; and (ii) records are maintained and are available in the respective PIU for examination by independent auditors and ADB disbursement/review missions. NRRDA and state rural road development authorities are requested to ensure that exactly the same level of documentation is available in their offices in support of SOE claims, as is required to be submitted to ADB in case of documented claims.

34. ADB may suspend use of the SOE procedure when
- the borrower continuously claims ineligible expenditures
  - the EA fails to submit the audit report before the deadline
  - the audit report indicates significant irregularities in the use of the ADB funds in project implementation
  - the disbursement/review mission finds significant irregularities in the use of ADB funds the EA fails to submit the audit report before the deadline
35. The guidelines for filling up the SOE format for civil works (**Appendix 6**) is attached in **Appendix 8**.

## VIII. PROJECT MONITORING AND EVALUATION

36. The implementation performance of the Investment Program will be evaluated against **the Design and Monitoring Framework** included in the PAM. Within 3 months of the effective date of the Project, the respective IAs will establish an Investment Program Performance Monitoring System (IPPMS) in a form and substance acceptable to ADB in accordance with the Investment Program performance indicators. The IAs will undertake periodic subproject performance review under the Project, as also for the Investment Program, in accordance with the IPPMS to evaluate the scope, implementation arrangements, progress and achievements of objectives of the Project and overall Investment Program.

## IX. REPORTING REQUIREMENTS

37. **Monthly Report.** The SRRDAs will submit to MORD, through the relevant state government, *monthly progress reports of subproject implementation* under the road connectivity component. Day-to-day reporting from the PIUs through the SRRDAs to MORD/NRRDA will be by way of the existing OMMAS.

38. **Quarterly Progress Report.** Based on the monthly reports, MORD will prepare and provide ADB with ***quarterly progress reports*** on subproject implementation. Such reports will include a report on progress made against established targets during the period of review, changes if any of the implementation schedule, problems or difficulties encountered and remedial actions taken, utilization of funds, physical and financial progress; and proposed works to be undertaken in the coming quarter. The reports, which will be submitted to ADB *within 45 days of the close of each quarter*, will include a ***summary financial account*** for each subproject, expenditures to date, and report on benefit monitoring. The first report will be submitted to ADB by **14 February 2007**. A pro forma of the Quarterly Progress Report is in **Appendix 9**.

39. **Project Completion Report.** The Government will submit to ADB a ***project completion report*** within 3 months of physical completion of all the subprojects under the Project. This report will include a detailed evaluation of the project covering the design, costs, contractors' and consultants' performance, social and economic impact, economic rate of return, and other details relating to the Project for each state as may be requested by ADB. Suggested topics for a Project Completion Report are in **Appendix 10**.

## X. REVIEW

40. ADB, the Borrower, and each State will meet regularly as required to discuss Project progress and any changes to implementation arrangements or remedial measures required to be undertaken towards achieving overall Project and investment Program objectives.

41. A mid-term review of the Project will be undertaken by ADB, the Borrower and the States, around July 2007. The mid-term review will include review of issues and any problems or weaknesses in implementation arrangements, and agree on any changes needed to achieve the objectives of the Project. Terms of reference of the Project review missions are given in **Appendix 11**.

## **XI. AUDITING REQUIREMENTS**

42. **Audited Project Accounts and Financial Statements.** MORD and SRRDAs will maintain separate records and accounts adequate to identify the goods and services financed from the loan proceeds, the expenditures incurred for the components and their subprojects and use of local funds under the Project. These ***accounts and related financial statements*** will be audited annually in accordance with sound auditing standards by independent auditors. The Government will submit to ADB within 9 months after the end of each fiscal year consolidated annual audited reports and related financial statements under the Project, identifying separate accounts of subprojects as required for the individual states. The auditor's opinion of that part of the examination relating to the statement of expenditure should be separately set out in the auditor's opinion. Since the PMGSY guidelines require state governments to engage chartered accountants of standing to audit PMGSY accounts, wherever possible the same auditors that audit the SRRDA will audit Project accounts in each state. The first audited reports should be submitted to ADB on or before **31 December 2007**. A copy of the Audit Letter is attached as **Appendix 12**.

43. **Performance Audit Report.** In addition, state governments will be required to undertake an objective and independent ***performance audit of subprojects*** on a sample basis to evaluate adherence to procurement procedures, overall contract performance, and value for money. ADB will conduct procurement audits during implementation as part of its regular review process.

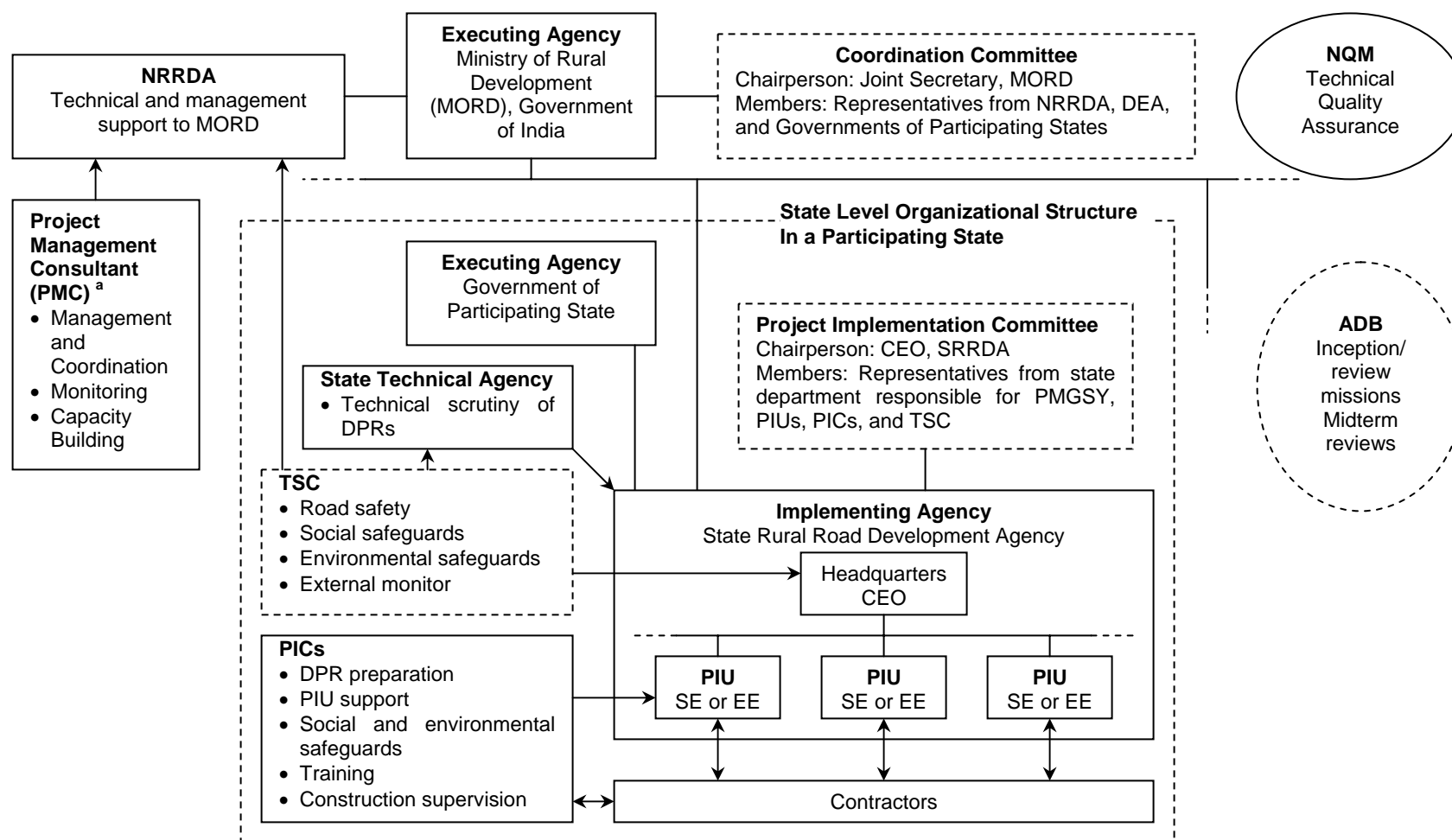
## **XII. MAJOR LOAN COVENANTS**

44. The standard loan covenants, as well as the other assurances, which have been agreed among the Government, the Executing Agencies, and ADB to be complied with are in **Appendix 13**.

## **XIII. ANTICORRUPTION**

45. ADB defines corruption as "abuse of public or private office for personal gain". ADB will systematically identify, in consultation with its member countries opportunities for reducing corruption as part of its broader emphasis on improving good governance and sound development management. ADB's Anticorruption Policy has set the guidelines and procedures in addressing fraudulent corrupt practices. Anyone coming across evidence of fraud or corruption associated with the Investment Program must contact ADB's Office of the General Auditor, who will investigate such allegations.

## ORGANIZATIONAL STRUCTURE FOR PROJECT IMPLEMENTATION



CEO = chief executive officer, DEA = Department of Economic Affairs, Ministry of Finance, DPR = detailed project report (road design), EE = executive engineer, MORD = Ministry of Rural Development, NQM = national quality monitor, NRRDA = National Rural Roads Development Agency, PIU = project implementation unit, PIC = project implementation consultant, PMC = project management consultant, PMGSY = Pradhan Mantri Gram Sadak Yojana, SE = superintending engineer, TSC = Technical Support Consultant.

<sup>a</sup> Existing under the ongoing Rural Roads Sector I Project (ADB. 2003. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to India for the Rural Roads Sector I Project*. Manila).

### INDICATIVE IMPLEMENTATION SCHEDULE - PROJECT 1

Component	2005				2006				2007				2008				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Road Connectivity</b>																								
Batch I																								
Subproject Preparation under PPTA																								
Civil Works Procurement																								
Civil Works																								
PIC Selection																								
Supervision of Civil Works by PIC																								
<b>Capacity Building</b>																								
Technical Support Consultant																								
Consultant Selection																								
Consulting Services																								
Road Safety																								
Safeguards																								
Monitoring																								

PIC = project implementation consultants, PPTA = project preparatory technical assistance.

Source: Asian Development Bank estimates.

## 1. Procurement Plan

Project Information	
Country	India
Name of Borrower	Government of India
Project Name	Rural Roads Sector II Investment Program — Project I
Loan or TA Reference	Loan 37066
Date of Effectiveness	Targeted at August 2006
Amount US\$:	180,000,000
Executing Agency	Ministry of Rural Development
Approval Date of Original Procurement Plan	NA
Approval of most recent Procurement Plan	NA
Publication for Local Advertisement	August- September 2005
Period Covered by this Plan	Oct 2005 to March 2007

## 2. Procurement Thresholds, Goods & Related Services, Works and Supply and Install

Procurement Method	Thresholds
ICB Works	N.A
ICB Goods	N.A
NCB Works	Below \$10,000,000
NCB Goods	N.A
Shopping Works	N.A
Shopping Goods	N.A
Exceptional Methods	
If limited international bidding, direct contracting, force account or community participation in procurement will be employed on the project, list them here and described the circumstances under which they may be employed	

## 3. Procurement thresholds, Consultants Services

Procurement Method	Thresholds
Quality Cost Based Selection (QCBS)	FTP : Over \$ 1,000,000
	STP : Over \$ 600,000 and less than or equal to \$ 1,000,000
	BTP : \$ 600,000 or less
Consultants Qualifications Selection	N.A

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(CQS)	
Least cost Selection (LCS)	N.A
Alternative Methods	
If quality based selection (QBS), fixed budget selection, single source selection or selection of individual consultants that will be employed on the project list them here and described the circumstances under which they may be employed.	

#### 4. List of Contract Packages in Excess of \$100,000 Goods, Works and Consulting Services

Ref.	Contract Description	Estimated Cost	Procurement Method	Expected Date of Advertisement	Prior Review Y/N	Comments
	Technical Support Consultant	\$400,000	QCBS	Advertised on Nov. 10, 2005	Y	
	Civil Works	\$150,000 - \$6,000,000	NCB	Advertised from Aug. 05 to Feb. 06	Y (First five contracts in each state)	Details are included in the attachments

- List attached for each States of the works already awarded.

#### 5. Summary –

State	Amount of civil works for which loan is asked from ADB	Amounts of works already awarded (In M US\$)
Orissa	68.4 M US\$	99 packages Awarded (66.4 M), 10 packages under finalisation (5.44 M), 11 packages has been re-tendered due to non response (4.61 M).
West Bengal	46.6 M US\$	92 packages Awarded (52.53 M), 1 No. package abandoned and 13 packages (8.51 M) could not be finalised due to poor response.
Assam	109.2 M US\$	130 packages Awarded (97.88 M). Details of 9 packages in process of awards (10.23 M) are enclosed in the separate Excel sheet.

Note: 1 US\$ = Rs. 46.00

Q.A.

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B. G. Choudhary



## TERMS OF REFERENCE FOR TECHNICAL SUPPORT CONSULTANTS

### A. Introduction

1. The proposed Rural Roads Sector II Investment Program (the Program) is intended to improve a total of about 30,000 km of rural roads meeting the PMGSY<sup>1</sup> eligibility criteria in the states of Assam, Orissa, and West Bengal. The Government of India (GOI) has applied for a Multitranchise financing facility (the Facility) from the Asian Development Bank (ADB), under which multiple loans will be provided towards part of the cost of the civil works and consultancy services under the Program. At the center, the Ministry of Rural Development is the executing agency for the Program. At the state level, the State Rural Roads Development Agencies (SRRDAs) in the respective states are the implementing agencies (IAs)<sup>2</sup> of the Program. Subproject proposals for ADB loan financing will be prepared by the Program Implementation Units (PIUs) of the IAs with support of the GOI-financed project implementation consultants (PICs), following the requirements of the agreed selection criteria. Civil works under each subproject will be implemented by the contractor engaged by the state government. The PIUs with support of the PICs will be responsible for supervision and quality control of the civil works. The subprojects under the Program will be prepared and implemented in four discrete yearly batches, each covering about 3,000 km rural roads. The implementation of the Program will be up to 2010.

2. The Technical Support Consultant (TSC) will be engaged at the center by the National Rural Roads Development Agency (NRRDA) to assist the state IAs in implementing road safety measures, check and monitor compliance of the subprojects under ADB financing with the agreed safeguard requirements throughout the project cycle, and conduct impact monitoring of the Program. The TSC will be a team of domestic consultants. The TSC will be engaged in two contract packages: (i) the first package to cover the implementation stage of the first and second batches, and the preparation stage of the second and third batch; (ii) the second package to cover the preparation and implementation stages of the third and fourth yearly batches. The TSC team will consist of multiple units, each having three experts covering (a) road safety, (b) social safeguards and socioeconomic impact monitoring, and (c) environmental safeguards, all based in the capital of each state. The main tasks of the TSC will be to oversee the project preparation and implementation, and undertake due diligence to ensure compliance with the provisions of the PMGSY guidelines as supplemented by the agreed Community Participation Framework (CPF), the Environmental Assessment and Review Framework (EAF), and the Environmental Codes of Practice (ECOP) as applicable. The TSC will closely coordinate with the project management consultant (PMC) engaged under the Rural Roads Sector I Project (RRS1P) in data processing and report preparation. The TSC will ensure the use of guidelines and training materials being developed by the PMC, particularly for road safety. Detailed terms of reference for the first package are provided below.

3. The consulting services described in the current terms of reference, for which proposals are invited, are for the first package to cover the implementation stage of the first and second batches, and the preparation stage of the second batch.

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<sup>1</sup> *Pradhan Mantri Gram Sadak Yojana* meaning Prime Minister's Rural Roads Program.

<sup>2</sup> The state IAs are Assam State Road Board (ASRB), Orissa State Rural Roads Agency (OSRRA), and West Bengal State Rural Development Agency (WBSRDA).

## **B. Primary Objectives**

### **4. The primary objectives of the services to be provided by the TSC are:**

#### **(i) Road Safety**

- Conduct checking of DPRs and random checks of roads at least one DPR per district and minimum 10 percent of total DPRs of roads under construction to ensure that road safety measures are properly incorporated; and
- Provide support to PIUs in implementing road safety awareness following issues arising/ methodology developed under the RRS1P.

#### **(ii) Social Safeguards**

- Check compliance of subprojects with CPF provisions during subproject preparation and implementation;
- Monitor and evaluate implementation of the community participation process prescribed in CPF and recommend improvements to the participatory process to ensure broader participation of rural population in subproject formulation; and

#### **(iii) Environmental Safeguards**

- Assist in checking compliance of subproject proposals with EAF provisions during preparation and adherence to identified relevant provisions of the ECOP during construction.

#### **(iv) Socioeconomic Impact Monitoring**

- Conduct socio-economic impact monitoring of selected subproject roads under the Program following the methodology developed for monitoring of socio-economic impacts under RRS1P.

## **C. The Consultant**

5. The services will be provided by a domestic consulting firm, to be appointed by the NRRDA in accordance with agreed procedures acceptable to ADB. The consultant will provide the staffing as indicated in Para 11, though in preparing their proposals the consultants may propose alternative arrangements that, in their opinion, will provide services of an equivalent quality. The final staffing will be adjusted to suit the actual procurement and implementation schedules.

## **D. Scope of Work**

### **1. Activity 1: Road Safety**

6. The consultant will assist the IA in:

- (i) Reviewing and scrutinizing DPRs minimum 10% of total DPRs to ensure that road safety measures are incorporated;
- (ii) Undertaking random checks on roads ( at least one from each District and minimum 10% of total DPRs) under construction to ensure that road safety measures are incorporated;

- (iii) Ensuring that the road safety awareness campaign material developed under the RRS1P are utilized under Rural Roads Sector II Investment Program through the Panchayati Raj system;
- (iv) Coordinating with the central and state governments to ensure that road safety mechanisms and programs, in particular through membership of the State Road Safety Council and District Road Safety Committees created as per provisions of Section 215 of the Motor Vehicles Act, 1988 are followed under the Program; and
- (v) Conduct annual workshops

## **2. Activity 2: Social Safeguards**

### **7. The consultant will:**

- (i) Assist the state IAs in reviewing and scrutinizing the records of community participation generated by PICs and verifying the records through field visit to the project affected communities ( atleast one from each District and minimum 10% of total DPRs) to assess whether CPF requirements have been generally met. Ensure involvement of the affected people and community groups in assessing the same;
- (ii) Prepare methodology and approach for effectively selecting sample subprojects for monitoring and evaluation on the basis of socioeconomic profile of the project affected communities and the extent of expected project impacts in those communities;
- (iii) Review and verify on a sample basis the progress of community consultation for subproject preparation through review of documentary evidence as required by the CPF and visit to the project affected community;
- (iv) Verify on a sample basis the monitoring indicators collected by the PIUs/SRRDA on the performance of community participation, through visit to the project affected community and through participatory consultation with the project affected people, focusing on verifying the extent of participation by the vulnerable segment of the community population; and
- (v) Based on the review and verification, evaluate the effectiveness of the community consultation process, and recommend improvements to the CPF procedures, particularly with respect to reporting and monitoring requirements.

## **3. Activity 3: Environmental Safeguards**

### **8. The consultant will assist the IA in:**

- (i) Providing advisory services to PIUs in environmental aspects including seeking the regulatory clearances, application of the ECOP, implementation and monitoring of the identified provisions of the ECOP by the Contractor including by means of workshops;
- (ii) Scrutinizing, on a sample ( atleast one from each District and minimum 10% of total DPRs) basis the environmental checklists generated by PICs, review of applications seeking the regulatory clearances prepared by PICs; and
- (iii) Conducting periodic site inspection for determining the efficacy and application level of the ECOP and suggest any modifications required thereof.

#### **4. Activity 4: Impact Monitoring**

9. The consultant will:

- (i) Prepare study methodology, approach and implementation plan, including preparation of survey instruments and approach to project and control sample selection for purposes of statistical validity of results and availability of data on indicators selected; select project and control sample roads and principal villages; and conduct workshops in the three states on approach and methodology for purposes of consultation and capacity building of state socioeconomic research capacity. The study methodology will generally follow the one being followed under RRS1P, details of which is in the Annex to these TOR;
- (ii) Prepare initial inventory of road lengths, population served, inventory of existing facilities and services (education, health, shops, other services) and village general socioeconomic data. It is expected that much of this information will be available with the PICs and PIUs, and there will be a need for an initial reconnaissance survey;
- (iii) After carrying out initial field level piloting, validation and refinement of the survey instruments at field level, conduct baseline survey of project roads and principal villages before improvement and of control roads and their principal villages, including establishing arrangements for annual focus groups in each village, selection of persons on institutions in villages to administer self-monitoring, and selection of households and arrangements for tracer studies. It is expected this will be conducted in late 2005;
- (iv) Conduct annual surveys of selected project roads and principal villages after improvement and of control roads and their principal villages. It is expected these will be conducted in late 2006, and late 2007;
- (v) Using appropriate quantitative and qualitative techniques, prepare an analysis of the results of the baseline and annual surveys to identify the socio-economic impacts of the project roads, the mechanisms and process through which impacts took place, and the factors that enabled or inhibited impacts. This analysis should consider both the impacts of the total sample of road improvements and the impacts in each state;
- (vi) Closely coordinate with the PMC engaged under the RRS1P in developing study methodology, approach and implementation plan, and in data processing and report preparation; and
- (vii) Conduct workshops in the three states to discuss findings of analysis of survey results.

#### **E. Schedule and Resources**

10. All activities will extend over 24 months from about Dec. 2006 to Dec. 2008, with the services being intermittent. The works has already been awarded for Batch I. The total number of packages in case of Assam under Batch I is 139 Nos. approx. length of 1000 Km (196 No. of road works), in case of Orissa, the total number of packages are 120 having a total approx. length of 1200 Km (257 No.. of road works) and in case of West Bengal, the total number of packages are 106 having a approx. length of 950 Km (132 No. of road works). The preparation stage of the Batch II is in progress for Orissa and for West Bengal and Assam it may start in the third quarter of CY 2006. Award of Civil works contracts in each Batch will be after the pre-construction sample review and scrutiny in respect of road safety (para 6(i), social safeguards

(para 7 (i) and environmental safeguards (para 8(ii) are completed by Technical Support Consultant (TSC).

11. Domestic experts will be recruited in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements for recruitment of domestic consultants acceptable to ADB. An estimated total of 72 person-months of consulting services are envisaged. In addition, about 120 person-months of survey enumerators will be required.

Experts <sup>a</sup>	Person-months Input	Responsible Activities
Road Safety Specialists (3 nos.)	12 (4 months each)	Activity 1
Social Development/Monitoring Specialists (3 nos.)	24 (8 months each)	Activity 2
	12 (4 months each)	Activity 4
Environment Specialists (3 nos.)	24 (8 months each)	Activity 3
<b>Total</b>	<b>72</b>	

<sup>a</sup>Domestic Consultants to be based with IAs in State capitals.

12. The team leader will be one of the three social development specialists who will have the longest assignment period under the staffing schedule. The prescribed qualifications of each of the above experts are listed below.

(i) The **Road Safety Specialist** should have a master's degree in highway/transportation engineering or other related fields, and have about 10-year experience in traffic engineering, and/or design and construction of roads. Experience in externally funded infrastructure projects would be desirable.

(ii) The **Social Development/Monitoring Specialist** should have a master's degree in social science or equivalent, and have about 7-year experience in preparing, implementing and monitoring social development schemes associated with infrastructure projects. He or she should have knowledge of statistical sampling. He or she should be fully familiar with land-related legal provisions and central/state government-sponsored rural development schemes. Experience in externally funded infrastructure projects would be desirable.

(iii) The **Environment Specialist** should have a master's degree in environmental science or equivalent, and have about 7-year post-graduate experience in preparing, implementing and monitoring environment management schemes associated with infrastructure projects. He or she should be fully familiar with legal provisions for environmental management. Experience in externally funded infrastructure projects would be desirable.

## F. Reports

13. The consultant will submit within 15 days from end of month/ quarter, the following reports

<b>Report</b>	<b>MORD</b>	<b>SRRDAs</b>	<b>ADB</b>
Inception Report (month 1)	3	2 each	2
Progress Reports (quarterly)	3	2 each	2
Project Completion Report	3	2 each	2

**G. Facilities and Services to be provided by the Employer**

14. Accommodation for an office in each of the capital cities of Assam, Orissa and West Bengal would be provided by the respective state SRRDAs. The consultant will have to make its own arrangements for transportation and residential accommodation in capital cities as well as in field, cost for which should be included in the financial proposals of the consultant. The Consultant also has to make own arrangements for office purpose in the field, if required by them for which no extra payment would be paid.

15. The consultant should be given access to all data available with the NRRDA and the state SRRDAs that are required to perform the tasks including district road plans, CNCPL and CUPL, project proposals, DPRs, progress reports produced by PICs, and reports produced by the PMC.

## Annex to TOR: Monitoring of Socio-Economic Impacts

1. The overall approach will be to establish a systematic, regular and reliable source of quantitative data for purposes of documenting impacts of the road connectivity improvements. Qualitative instruments will be included for purposes of understanding and enriching the quantitative findings, but will not be considered an acceptable substitute for producing sound quantitative findings.
2. Each of the monitoring instruments will adopt a before-after-with-and-without approach to documenting impacts. This will be achieved by (i) establishing a control sample of roads selected to match the types of road conditions and social conditions of the roads to be improved under the Program, and (ii) before improvements conducting a baseline survey for selected sample first batch roads and control roads, and after improvements conducting annual monitoring surveys for the same first batch and control roads.
3. Monitoring will examine impacts at three levels: (i) traffic; (iii) transport use; and (ii) village level impacts.
  - (i) It is expected that the surveys of traffic will cover 90 project roads (30 in each state) in the first batch and a control sample of 30 roads (10 in each state).
  - (ii) Surveys of transport users will cover 45 (about 15 in each state) of the 90 project roads selected for traffic surveys and 15 (about 5 in each state) of the 30 roads chosen as control samples for the traffic surveys.
  - (iii) The village level surveys will focus on the principal village served by each of the 45 project roads and 15 control roads covered under the transport user surveys. Additionally, a community self-monitoring module will be carried out in 15 of the 45 principal villages served by project roads, and 10 household tracer studies will be conducted in each of these 15 villages.
4. In all aspects of the study, the samples of project and control roads will be selected with a view to being representative of the overall population of roads in the first batch in each state. The household to be selected for household tracer studies will include those who were directly affected by the project roads and those who belong to the vulnerable groups eligible for support and assistance under the CPF.
5. The six expected monitoring instruments to be used are summarized in Table 1. It is expected that the consultant will implement these instruments in a concerted manner to maximize synergy between instruments and enable efficient use of study resources.

**Table 1: Expected Monitoring Instruments**

Subject	Instrument/Source	Frequency	Scope
Traffic	24 hour traffic counts	Annual	90 project roads, 30 control roads
Users/Passengers	Passenger/Users	Annual	45 project roads, 15 control roads
Villagers Perceptions	Village focus group	Annual	Principal village for each of 45 project roads, 15 control roads
Village Primary Data	Key informant interviews	Annual	Principal village for each of 45 project roads, 15 control roads

Village Primary Data	Community self-monitoring	Quarterly	15 principal villages selected from 45 principal villages for village level impact survey
Change Process	Household tracer studies	Quarterly	10 households in each of the 15 principal villages for community self-monitoring

6. The village primary data collection will use key informants in the village to collect primary data on the following data.

**Table 2: Village Primary Data for Previous 12 Month Period**

Category	Indicator	Source
Transport	<ul style="list-style-type: none"> <li>Number, quality, frequency and regularity of bus services</li> <li>Journey time and fares to principal destination</li> <li>Road condition for through journey to principal destination</li> </ul>	<ul style="list-style-type: none"> <li>Key informant</li> <li>Key informant</li> <li>Key informant</li> </ul>
Poverty	<ul style="list-style-type: none"> <li>Proxy indicator of number of poor and non-poor households e.g. house construction material, assets.</li> </ul>	<ul style="list-style-type: none"> <li>Observation</li> <li>Key informant</li> </ul>
Health	<ul style="list-style-type: none"> <li>Safe delivery rate<sup>a</sup></li> <li>Maternal deaths<sup>b</sup></li> <li>Peri-natal<sup>b</sup> deaths of new borns and still births</li> <li>Under five mortality</li> <li>0-5 yrs coverage under immunization program</li> <li>Number of health campaigns on sanitation, polio, family life education, HIV/AIDS etc</li> </ul>	<ul style="list-style-type: none"> <li>Village health worker</li> <li>Village health worker</li> <li>Village health worker</li> <li>Village health worker</li> <li>Village health worker</li> <li>Village health worker</li> </ul>
Education	<ul style="list-style-type: none"> <li>Post primary dropout rate by gender</li> <li>Number of primary teachers and teacher attendance</li> <li>Primary school inspection visits</li> </ul>	<ul style="list-style-type: none"> <li>Village primary school</li> <li>Village primary school</li> <li>Village primary school</li> </ul>
Enterprise	<ul style="list-style-type: none"> <li>Number of microenterprises in village by type</li> </ul>	<ul style="list-style-type: none"> <li>Village lead bank,</li> <li>Village informal micro credit sources</li> <li>Village Sarpanch</li> <li>Panchayat ward member</li> </ul>
Agriculture	<ul style="list-style-type: none"> <li>Crop diversification</li> <li>Available produce marketing options</li> <li>Increase in produce sales in local Haat</li> <li>Access to more Haats</li> <li>Access to more traders for marketing forest products (NTFP)</li> </ul>	<ul style="list-style-type: none"> <li>Village lead farmers</li> <li>Village farmers</li> <li>Village Mandi</li> <li>Haat entrepreneurs</li> <li>NTFP Traders</li> </ul>
Land	<ul style="list-style-type: none"> <li>Land value per hectare/acre</li> </ul>	<ul style="list-style-type: none"> <li>Revenue department</li> <li>Estate brokers</li> </ul>



Category	Indicator	Source
		<ul style="list-style-type: none"> <li>• Farmers</li> <li>• Key informant</li> </ul>
Employment	<ul style="list-style-type: none"> <li>• Wage rate for laborer in village</li> </ul>	<ul style="list-style-type: none"> <li>• Village Lead Farmers</li> <li>• Village Agriculture Worker</li> <li>• Krishi Vigayan Kendras</li> <li>• Key informant</li> </ul>
	<ul style="list-style-type: none"> <li>• Increased employment opportunity within village/Block</li> <li>• Change in Migration patterns</li> <li>• Number of people obtaining work outside village – commuters and migrant workers</li> </ul>	<ul style="list-style-type: none"> <li>• Block Development Officer</li> <li>• Village agriculture worker</li> <li>• Sarpanch</li> <li>• Migrant laborers</li> </ul>
Government programs	<ul style="list-style-type: none"> <li>• Access to and intervention of major development programs and services including electricity, safe water supply, irrigation, sanitation and agriculture extension services</li> </ul>	<ul style="list-style-type: none"> <li>• Block Development Officer</li> <li>• Krishi Vigyan Kendras</li> <li>• PHC</li> <li>• Grameen lead banks</li> </ul>
Participation/empowerment	<ul style="list-style-type: none"> <li>• Active participation of Panchayat in planning and implementation of development scheme</li> <li>• Women participation in various developmental programs</li> <li>• Micro planning and self monitoring at village level</li> </ul>	<ul style="list-style-type: none"> <li>• Panchayat proceedings</li> <li>• No: of women directly participating in development programs</li> <li>• Micro plans at village/panchayat level</li> </ul>
Road safety	<ul style="list-style-type: none"> <li>• Number of deaths and injuries due to accidents on the road to the village</li> </ul>	<ul style="list-style-type: none"> <li>• Key informant</li> </ul>

<sup>a</sup> At hospital/health facility

<sup>b</sup> Around the time of delivery

7. **Village self-monitoring.** The consultant will select villagers or village level institutions in 15 villages to administer self-monitoring of socio-economic status on a quarterly basis over the period of the study. The consultant will initially facilitate selection of simple self-monitoring indicators and methods by the villagers, and then conduct quarterly visits to collect data, discuss the data, provide advice on making refinements of approach if necessary, and provide villagers with a cumulative record of the data collected up to that time. It is expected that this approach may help to identify and document indicators that are especially relevant to village life and can be reliably tracked, but might not be well-known to outsiders (including the consultants). Possible candidates for administering the self-monitoring at village level might be a school teacher, Panchayat representative, university student, or retired government official.

8. **Household Tracer Surveys.** In each of the 15 selected villages the consultant will select ten households and conduct quarterly surveys of these households to identify the process of change associated with the Program road improvements and the manner and extent that it impacts on the selected households. Households will be selected by poverty group, probably on

the basis of their land holdings or other proxy indicator of poverty status. It is suggested that these should comprise (i) 3 non-poor households, (ii) 4 poor households, and (iii) 3 ultra poor households. In each household category, at least one household should have a member engaged in paid employment, including employment outside the village. These surveys will be conducted at the same time as the village self-monitoring.

### SAMPLE FORMAT FOR REPORTING CONTRACT AWARDS

S.No.	Package No.	Name of Road	Date of NIT	Date of opening of tender	No. of bids received	No. of bids Technically qualified	Date of Financial bid opening	Name of winning contractor	Contractor's address	Date of the contract	Contract Amount (in Rs.)		Completion date (stipulated)	Name of other bidders to the contract	Result of Technical evaluation (y/n)	Amount of bid (in Rs.)
											Items rate civil works amount	Maintenance amount				
1	2	3	4	5	6	7	8	9	10	11	12(a)	12(b)	13	14	15	16
1	AS0118(AD B)	Mainamati PWD to Pahumara NH 31 at Marka Chowk to Jalikhata	09/15/2005	15.10.2005	1	1	21.10.2005	Anupam Sharma	1st Floor, Kalita Mansion, Opp. Gauhati Commerce College, Chandmari - 3	27.01.06	40,093,875.01	1,037,475.00	9 months	Anupam Sharma	y	41,131,356.00
2	AS0119(AD B)	NH-31 to Joypur Bazar	30/8/2005	21.9.05	4	4	17.10.2005	Anurupa Hannan	Barpeta Road, Barpeta	25.11.2005	8,037,262.00	749,984.00	9 months	Gunajit Nath	y	9,768,388.00
														Anurupa Hannan	y	8,787,246.00
														Sidananda Das	y	9,819,629.00
														Alimuddin Ahmed	y	More than 10% below

**Asian Development Bank**  
**STATEMENT OF EXPENDITURE FOR CIVIL WORKS FOR INDIVIDUAL PAYMENTS BELOW US\$1,00,000**  
**ADB Assisted Rural Road Project**  
**REIMBURSEMENT CLAM**  
**For the Period From.....To.....**

ADB Loan No. 2248-IND: Rural Roads Sector II Investment Program-Project 1  
Application No:  
Date :

ADB Loan No:-  
Summary Sheet No:-  
Application No:-  
Category/subcategory No:-  
Date:-  
Office:-

### Replenishment

## Reimbursement

## Liquidation

[illegible]

It is hereby certified that the above amounts have been paid for the proper execution of the project within the terms and conditions of the Loan agreement. All documents authenticating these expenditure have been retained in the respective PIU and will be made available upon request of review mission.

Authorised Signatory

**Asian Development Bank**  
**STATEMENT OF EXPENDITURE FOR CONSULTING SERVICES FOR INDIVIDUAL PAYMENTS BELOW US\$1,00,000**  
**ADB Assisted Rural Road Project**  
**REIMBURSEMENT CLAM**  
**For the Period From.....**

ADB Loan No. 2248-IND: Rural Roads Sector II Investment Program-Project 1  
Application No:  
Date :

ADB Loan No:-  
Summary Sheet No:-  
Application No:-  
Category/subcategory No:-  
Date:-  
Office:-

Replenishment							Reimbursement			Liquidation												
S.No	PCSS No.	Package No.	Consultant Name	Description Goods & Services	Contract Value	Running Account Bill Nos./Mobilization Advance	Value of work done			Deduction							Net Payment/ Chq Amount	Cheque/Draft No. Contractor Payment Only)	Date	Service Tax included in Bill	Eligible amount for claim	ADB Finance Amount @ 100%of col24
							Up to this bill	Up to previous bill	This bill	Mobilization Advance	Retention money	Withheld Money	Income Tax	Penalty	Any other Deduction /defect liability	Total Deduction						
1	2	3	4	5	6	7	8	9	10 =( 8-9)	11	12	13	14	15	16	17 =(Sum of 11 to 16)	18	19	20	21	22 =(18-21+14)	23

It is hereby certified that the above amounts have been paid for the proper execution of the project within the terms and conditions of the Loan agreement.  
All documents authenticating these expenditure have been retained in the respective PIU and will be made available upon request of review mission.

Authorised Signatory

### GUIDELINES FOR FILLING UP THE REIMBURSEMENT CLAIMS FORMAT FOR CIVIL WORKS

ADB Loan No:	:	Loan No. 2248
Period From	:	Fill in the date from ..... To ..... for which the work done is reflected in the reimbursement claims e.g 1 <sup>st</sup> April 2006 to 30 <sup>th</sup> April 2006.
Application No.	:	State/Month and Year e.g WA submitted by Orissa for April 2006 would be numbered as OR- Apr 06.
Office	:	Name of the PIU submitting the claim
Col No:2	:	Fill in the PCSS No. allotted by ADB for the respective packages
Col. No.3, 4 & 6	:	Fill in the package no. and name of the contractor to whom work has been awarded and the Contract Value (Construction cost).
Col No. 5	:	Construction of rural roads from----- to ----- (in case of more then one road, write the name of the first road.)
Col No. 7	:	Mention the running account bill no. i.e. 1 <sup>st</sup> , 2 <sup>nd</sup> or 3 <sup>rd</sup> as the case may be. In case mobilization advance/retention money is paid, mention the same..
Col NO. 8, 9 & 10	:	Value of work done should be value arrived at after the bill has been prepared and measurement certified as mentioned in the RA Bill. The amount in column no 10 should be difference of column no 8 and column no 9.
Col. No. 13	:	Any amount withheld for any reason due to non compliance of contract conditions (non submission of labor report, not conducting of mandatory test etc).
Col. No. 17	:	Specify any other taxes and duties.
Col. No. 21	:	This should be equal to the net cheque amount paid to the contractor.

Col. No. 24	:	The sum of Income Tax, Sales Tax, Royalty, and any other Tax/duties plus net amount as per Col. No. 21.
Col No. 25	:	<p>This would be 80% of Col. No. 24. This should be rounded of to the nearest rupee. In case of Doc claims (documented claims), when the individual payments are in excess of \$100,000, following additional supporting documents (clear legible photocopy) in respect of each contract package and each bill is required to be furnished.</p> <ol style="list-style-type: none"> <li>1. Running bill duly passed, including Memo of Payment.</li> <li>2. Acknowledgement from the Contractor for receipt of payments of exact cheque amount (not gross value of work done).</li> </ol>

**Note:**

1. The photocopy attached should be legible and clear.
2. The SOE Sheet must be filled with the help of RA Bill. The amount as mentioned in the RA Bill should tally with those in SOE Sheet.
3. The claim should be made in nearest rupee.
4. Claim should be made and submitted on a monthly basis.

## **SUGGESTED CONTENTS OF THE EXECUTING AGENCY'S QUARTERLY PROJECT PROGRESS REPORT**

### **A. Introduction and Basic Data**

Provide the following:

- ADB loan number, project title, borrower, executing agency(ies), implementing agency(ies);
- total estimated project cost and financing plan;
- status of project financing including availability of counterpart funds and cofinancing;
- dates of approval, signing, and effectiveness of ADB loan;
- original and revised (if applicable) ADB loan closing date and elapsed loan period based on original and revised (if applicable) loan closing dates; and
- date of last ADB review mission.

### **B. Utilization of Funds (ADB Loan, and Counterpart Funds)**

Provide the following related to Inputs to the Project:

- cumulative contract awards financed by the ADB loan, and counterpart funds (commitment of funds to date), and comparison with time-bound projections (targets);
- cumulative disbursements from the ADB loan, and counterpart funds (expenditure to date), and comparison with time-bound projections (targets); and
- reestimated costs to completion, need for reallocation within ADB loan categories, and whether an overall project cost overrun is likely.

### **C. Project Activities and Outputs**

Provide the following related to the Activities and Outputs of the Project:

- progress of the road connectivity component since the last progress report in terms of Activities and Outputs;
  - recruitment of PICs and their performance, if applicable;
  - procurement of civil works, if applicable;
  - performance of contractors for civil works contracts; and
  - length of roads completed and their quality;
- implementation of social and environmental safeguards requirements since the last progress report;
  - recruitment of TSC;
  - progress of community consultation process in the previous quarter, if applicable; and
  - results of sample checking of social and environmental safeguards documentation by TSC carried out in the previous quarter;
- implementation of impact monitoring;



- progress of baseline survey by TSC; and
- progress of annual impact monitoring by TSC;
- an assessment of the validity of key assumptions and risks in achieving the Output targets.

**D. Project Outcome**

Provide the following related to the Impact and Outcome of the Project:

- progress of the road connectivity component since the last progress report in terms of Outcome;
  - number of habitations connected (cumulative and newly connected in the previous quarter);
  - results of baseline survey by TSC (to be included in the first progress report due in February 2007); and
  - extent of improvement to road connectivity and in socioeconomic indicators from the baseline (to be surveyed by TSC and reported annually);
- an assessment of changes to the key assumptions and risks that affect attainment of the Outcome and realization of the Impact.

**E. Compliance with Covenants**

Information on the borrower's, EA's, and state IA's compliance, as applicable, with key loan covenants included in Appendix 13, which will be included in the progress report with the "Remarks" column filled with relevant information by the Government.

**F. Major Project Issues and Problems**

Summarize the major problems and issues affecting or likely to affect implementation progress, compliance with covenants, and achievement of immediate development objectives. Recommend actions to overcome these problems and issues (e.g., changes in scope, changes in implementation arrangements, and reallocation of loan proceeds).

## **PROJECT COMPLETION REPORT**

### **Suggested Topics for Project Completion Reports to be Prepared by Borrowers (project, multiproject, sector, program, sector development program, and technical assistance loans)**

#### **I. PROJECT DESCRIPTION**

- A. Objectives
- B. Components (or subprojects for sector and multiprojects)
- C. Implementation methods
- D. Description and justification of changes in components (or subproject appraisal criteria) 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 cofinanciers 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 design and monitoring 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.

## **TERMS OF REFERENCE OF PROJECT REVIEW MISSION**

ADB mission conducting a detailed review of the overall progress of the project based on the PPR format and any other information are classified as review missions. Their principal functions are to:

- Review overall implementation of the project and update, in consultation with the EA, the project implementation schedule;
- Examine implementation problems that the project is encountering or is likely to encounter, and work out measures with the EA to resolve them;
- Review actions required in terms of poverty reduction, environmental impact assessments, and resettlement plans, and where required, consult with nongovernment organizations;
- Check on availability and timeliness of budgetary allocations and counterpart funding;
- Review project expenditures, and estimate whether the project can be completed within the original cost estimates (foreign and local currency)
- Identify cost overruns or savings that may materialize under the project and the loan, and ascertain the need to reallocate loan proceeds between categories or cancel surplus loan proceeds. Where a cost overrun (foreign and local currency) is anticipated, examine the arrangements made by the borrower to finance it;
- Review progress with procurement and disbursement; and verify, based on a comparison of ADB's and the EA's records, the contracts awarded, and commitments and disbursements made;
- Verify the statement of expenditures when applicable;
- Review the borrower's compliance with particular loan covenants and, where there is any noncompliance or delay, discuss proposed remedial measures with the borrower (including discussions with the external auditor of the borrower or EA where relevant);
- Assess the likelihood of attaining the project's immediate development objectives as indicated in the assumptions and risks sections of the PPR;
- Examine the need to extend the loan closing date, and where required, work out with the EA the most suitable loan closing date based on a revised implementation schedule, and advise the EA and borrower to submit a format request for extension to ADB; and;
- Examine any other matter related to the project that requires ADB's attention.



Asian Development Bank

13 November 2006

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

Attention: Mr. Arvind Mayaram  
Joint Secretary (Infrastructure)

Dear Mr. Mayaram:

**Subject: Loan No. 2248-IND: Rural Roads Sector II 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 of the Loan Agreement dated 29 August 2006 between ADB and Government of India and Sections 2.09 and 2.10 of the Project Agreements. For ease of reference, copy of the Loan/Project Agreements 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/Project Agreements. The project accounts comprise 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 2007. As stipulated in the Loan/Project Agreements, 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 2007. 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,

  
 Kazuhiko Higuchi  
 Director, Transport and  
 Communications Division  
 South Asia Department

#### Attachments

cc: Mr. J. K. Mohapatra  
 Joint Secretary, Ministry of Rural Development  
 Krishi Bhavan  
 New Delhi, India

Ms. Ravneet Kaur  
 Director, ADB  
 Department of Economic Affairs  
 Ministry of Finance  
 North Block, New Delhi, India

Controller, Aid Accounts & Audit Division  
 5<sup>th</sup> 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 2248-IND: RURAL ROADS SECTOR II – Project I  
INVESTMENT PROGRAM  
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									
01 Civil Works – Road Connectivity									
02 Consulting Services: Capacity Building									
Total									
Cummulative Since Start of Project									
01 Civil Works –									
02 Consulting Services: Capacity Building									
Total									

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

## LOAN COVENANTS

Particulars	Agency Responsible	Remarks
<p style="text-align: center;"><b>Particular Covenants</b></p> <p>1. (a) The Borrower shall cause MORD, Assam, Orissa, and WB to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental, social, and rural roads development practices.</p> <p>(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.</p> <p>2. The Borrower shall make available to MORD, Assam, Orissa, and WB, promptly as needed, the funds, facilities, services, and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.</p> <p>3. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.</p> <p>4. The Borrower shall take all action which shall be necessary on its part to enable MORD, Assam, Orissa and WB to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.</p> <p>5. (a) The Borrower shall exercise its rights under the financing arrangements in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.</p> <p>(b) No rights or obligations under the financing arrangements relating to the Project shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.</p>	<p><b>MOF/MORD/STATES</b></p> <p><b>MOF</b></p> <p><b>MOF</b></p> <p><b>MOF/MORD/STATES</b></p> <p><b>MOF</b></p> <p><b>MOF</b></p>	
<p style="text-align: center;"><b>Schedule 5: Execution of Project and Operation of Project Facilities</b></p> <p><b>A. Execution and Implementation</b></p> <p>1. (a) The Borrower shall ensure that the Project is carried out in accordance with the PMGSY Guidelines as supplemented by Project-specific requirements including those more fully described in the agreed CPF and the EAF for each State.</p> <p>(b) The Executing Agencies for the Project shall be (i) MORD at the central level and (ii) relevant State at the State level. MORD shall be responsible for overall supervision and execution of the Project at central level and each State through the respective IA shall be responsible for executing the Project at the State level.</p> <p>2. Each State shall assist the related IA in obtaining approvals and clearances for timely Project execution under the PMGSY Guidelines and other applicable laws and regulations of the Borrower and the respective State.</p>	<p><b>MOF/MORD/STATES</b></p> <p><b>MORD/STATES</b></p> <p><b>STATES</b></p>	



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<p>3. Each State shall provide, as necessary, respective counterpart staff, land facilities, and counterpart funding for the Project in accordance with the financing plan, cost of making land available for the Subprojects and assistance, and implementation and monitoring under the CPF and EAF (including unforeseen expenses beyond the estimates), utility relocation, general Project management expenses, and road maintenance, in a timely manner through approved annual budget allocations.</p> <p>4. Each State shall ensure that the respective IA recruits the PICs with expertise in social development and environmental management to help implement the provisions of the CPF and the EAF for all Subprojects in the State.</p>	<p><b>STATES</b></p> <p><b>STATES</b></p>	
<p><b>B. Coordination Committees</b></p> <p>5. (a) The Borrower shall ensure that within not more than 3 months of the Effective Date, a Coordination Committee is set up that shall be chaired by the MORD Joint Secretary. The committee members shall comprise senior officials of MORD, the Department of Economic Affairs, Ministry of Finance, NRRDA, and the State governments. The committee shall meet on a quarterly basis and monitor the use of Loan funds and overall implementation performance of the Project under the Facility.</p> <p>(b) Each State shall likewise ensure that within not more than 3 months of the Effective Date, the State level Project Implementation Committee is set up in each State. Each of these committees shall each be chaired by the Chief Executive Office of related IA and its members shall comprise representatives from respective State departments responsible for rural roads development, PIUs, and consultants. As necessary other State agencies may be invited to this Committee to assist in implementing the Project in areas such as forestry, land availability etc. Each committee shall meet on a monthly basis to monitor the use of Loan funds and overall implementation performance of the Project under the Facility at the respective State level.</p>	<p><b>MOF/MORD</b></p> <p><b>STATES</b></p>	<p>A Coordination Committee to be established by 17 January 2007.</p> <p>Project Implementation Committees to be established by 17 January 2007. Whenever there are meetings called by SRRDAs to review implementation status of PMGSY works, such meetings may be considered as meetings of Project implementation Committees.</p>
<p><b>C. Road Maintenance</b></p> <p>6. In accordance with the PMGSY Guidelines, each State shall provide adequate and timely funding for proper maintenance of the PMGSY roads. Any increases in the actual amounts to be provided shall be met by the respective State through its respective additional budget allocations, or other alternative sources of financing.</p> <p>7. Each State shall ensure that the financing of maintenance of PMGSY roads as required under the PMGSY Guidelines shall not involve reduction of budgets for maintaining other roads under the responsibility of the respective State not included under the PMGSY.</p> <p>8. As also required under the PMGSY Guidelines, except as ADB may otherwise agree, each State shall require the respective IA (through the PIU) to ensure proper maintenance of the PMGSY roads until these are transferred to the designated zilla panchayats in accordance with the PMGSY Guidelines. Each State shall also allocate the requisite funds to the relevant functionaries (the related PIU/zilla panchayat) for such maintenance in accordance with the requirements of the PMGSY Guidelines.</p>	<p><b>STATES</b></p> <p><b>STATES</b></p> <p><b>STATES</b></p>	

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<p>9. Each State shall ensure that the related PIU/zilla panchayat as the case may be, shall enter into further maintenance contracts with competitively procured contractors (on the basis of the standard performance-based contracts for road maintenance to be prepared by PMC under Rural Roads Sector I Project (Loan No. 2018)). The contracts shall begin upon completion of the initial 5-year maintenance period under the related construction contracts and shall cover routine maintenance and renewal of all PMGSY roads for further periods of not less than 5 years.</p>	<b>STATES</b>	
<p><b>D. Road Safety</b></p> <p>10. As part of the mid term review of the Investment Program as also the Project, the Borrower, each State, and ADB shall review the outcomes of the road safety program, to consolidate the institutional mechanism, financing modalities, and detailed implementing arrangements to further ensure sustainable road safety programs for the roads to be developed under PMGSY and the Investment Program at the national and State levels.</p>	<b>MORD/STATES/ADB</b>	
<p><b>E. Land Availability</b></p> <p>11. Each State shall ensure that the respective IA implements the provisions of the CPF for all Subprojects as agreed upon with ADB and in conformity with all relevant applicable laws and regulations of the Borrower/respective State.</p> <p>12. Each State shall ensure that the respective IA shall, subject to compliance with the relevant provisions of the CPF and EAF/ECOP and in accordance with all relevant applicable laws and regulations of the Borrower/respective State, acquire or make available the land and rights to land free from any encumbrances, clear the utilities, trees and any other obstruction from such land, required for commencement of construction activities in accordance with the schedule agreed under the related civil works contract.</p> <p>13. (a) Each State shall ensure that the respective IA shall (i) carry out the community consultation process for all Subprojects in accordance with the PMGSY Guidelines as supplemented by the CPF, (ii) disseminate the information on process of land transfer/availability as the case may be, support/assistance provisions and grievance procedures to the Project affected communities in a timely manner so that all related issues are resolved before awarding civil work contracts, and (iii) ensure that in case of voluntary land donations/transfer there are undertaken in a transparent manner under proper documentation, and avoid any kind of coercion or forced donations/transfer; and in this regard shall not exercise any eminent domain or related mechanisms that may be deemed to be compulsory acquisition of land.</p> <p>(b) Each State shall ensure that the details of land made available in accordance with the procedures prescribed in the PMGSY Guidelines, are reflected in the local land records in a timely manner, to avoid any disputes.</p>	<p><b>STATES</b></p> <p><b>STATES</b></p> <p><b>STATES</b></p> <p><b>STATES</b></p>	
<p><b>F. Execution of Civil Works Contracts</b></p> <p>14. Subject to compliance with the requirements of CPF and EAF/ECOP, each State shall: (i) acquire or make available on a timely basis the land and rights in land, free from any encumbrances; and (ii) clear the utilities, trees and any other obstruction from such land, on a timely basis, i.e., strictly in</p>	<b>STATES</b>	

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<p>accordance with the schedule as agreed under the related civil works contract, as required for construction activities relating to each section of the related civil works contract under the Subproject.</p> <p>15. Each State shall ensure that subsequent to award of civil works contract under any Subproject, no section or part thereof under the civil works contract will be handed over to the contractor unless the applicable provisions of the CPF and the EAF/ECOP have been complied with.</p> <p>16. Any changes to the land alignment or environment impacts on account of detailed designs of related Subproject roads shall be subject to prior approval by ADB or related agency (MORD) as the case may be in accordance with the Subproject selection criteria and procedures included in Schedule 2 to the FFA.</p>	<p><b>STATES</b></p> <p><b>MORD/STATES</b></p>	
<p><b>G. Social Impacts</b></p> <p>17. (a) Each State shall ensure through specific provisions in the bid documents and the civil works contracts financed under the Project that the contractors shall: (i) disseminate information at work sites on the risks of sexually transmitted diseases and HIV/AIDS as part of the health and safety measures for those employed during construction; (ii) follow legally mandated provisions on health, welfare, sanitation, and appropriate working conditions, including accommodation, where appropriate, for construction workers at camp sites; (iii) comply with all applicable labor laws, not employ child labor for construction and maintenance activities, and provide appropriate facilities for children of labor in construction camp sites; (iv) provide equal opportunity for women for road construction activities, and not differentiate wages for men and women for work of equal value.</p> <p>(b) Each State shall ensure that compliance with provisions in clause (a) of this paragraph is monitored by the respective IA. The civil works contracts shall also provide for their termination by the employer for breach of any provision.</p> <p>18. Each State shall ensure acceptance of the Project through effective community participation in selecting and implementing Subprojects in accordance with the PMGSY Guidelines as supplemented by the CPF.</p> <p>19. In case of any significant impacts on Scheduled Tribes under any additional Subproject, these shall follow the requirements as set out in the CPF as agreed by ADB. As also laid down in the CPF, for any impact on land involving traditional and tenure rights of the Scheduled Tribes, the legal provisions laid down by the Borrower and the related State pertaining to land transfer shall be followed.</p>	<p><b>STATES</b></p> <p><b>STATES</b></p> <p><b>STATES</b></p> <p><b>STATES</b></p>	
<p><b>H. Environment</b></p> <p>20. Only those Subprojects that meet the eligibility requirements set out in Subproject selection criteria and procedures included in Schedule 2 to the FFA, and which adhere to the relevant requirements of the PMGSY Guidelines, the CPF, the EAF and other applicable guidelines for Subproject implementation, shall be eligible for financing from the Loan proceeds. Each State shall monitor the implementation of Subprojects through to the completion of each Subproject.</p>	<p><b>MORD/STATES</b></p>	

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<p>21. Each State shall ensure that: (i) Subprojects shall be implemented in accordance with the EAF; and (ii) relevant provisions of the ECOP identified in the Subproject preparation stage are incorporated into the Subproject designs and followed during Subproject design, construction, operation and maintenance.</p> <p>22. Each State shall require the related SRRDA to implement the Project in accordance with all applicable laws and regulations regarding wildlife and protected areas/forest areas for Subprojects that involve roads passing through forest areas and address these under the relevant IEE for such Subprojects. No construction work will be undertaken on sections of Subprojects that pass through a forest reserve unless clearance is granted by the Borrower's Ministry of Environment and Forest under applicable laws and regulations of the Borrower/respective State, and no Subproject shall be located within or close to an environmentally sensitive area such as a wildlife sanctuary, national park, or other areas with significant ecological functions that are declared as national parks, sanctuaries, or national/international cultural heritage.</p>	<p><b>STATES</b></p> <p><b>STATES</b></p>	
<p><b>I. Subproject Selection and Approval Process</b></p> <p>23. The Borrower through MORD shall ensure that the Subprojects follow the selection criteria and are promptly processed for approval by ADB as described in detail in Subproject selection criteria and procedures included in Schedule 2 to the FFA.</p>	<p><b>MOF/MORD</b></p>	
<p><b>J. Performance Audit</b></p> <p>24. Without limiting the generality of Section 2.09 of the Project Agreements(s), MORD shall cause each State to (i) have Project performance audits of Subprojects on a sample basis, conducted annually by independent consultants and auditors engaged by the State under PMGSY Guidelines, as acceptable to ADB, to evaluate adherence to procurement procedures and overall contract performance; and (ii) allow ADB to carry out procurement audits during Project implementation as part of its regular review process.</p>	<p><b>MORD/STATES</b></p>	
<p><b>K. Project Performance Monitoring and Progress Reports</b></p> <p>25. The State(s) shall ensure that within 3 months of the Effective Date of the first Loan Agreement under the Facility, the respective IAs shall establish an Investment Program Performance Monitoring System (IPPMS) in a form and substance acceptable to ADB in accordance with the Investment Program performance indicators. The IAs shall undertake periodic Subproject performance review under the Project, as also for the Investment Program, in accordance with the IPPMS to evaluate the scope, implementation arrangements, progress and achievements of objectives of the Project and overall Investment Program.</p> <p>26. Notwithstanding the generality of Section 2.08 of the Project Agreement(s):</p> <p>(a) Each State through the IA shall provide monthly progress report of Subprojects implementation under the Project, in such form and detail as required by ADB.</p>	<p><b>MORD/STATES</b></p> <p><b>STATES</b></p>	<p>IPPMS to be established by 17 January 2007.</p>

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<p>(b) Based on the monthly reports provided by each State, MORD with assistance of NRRDA, shall prepare and provide ADB with quarterly progress reports on subprojects' implementation in each State. Such reports shall summarize the monthly reports and include report on progress made during the period of review, use of Loan funds, achievement of Project objectives, compliance with Loan covenants, changes if any on implementation schedule, problems or difficulties encountered and remedial actions taken, and work to be undertaken in coming quarter. The reports that shall be submitted to ADB within 45 days from close of each quarter shall also include a summary financial account for the Project (including the Subprojects), expenditures to date, and report on benefit monitoring undertaken pursuant to previous paragraph of this Schedule.</p>	<b>MORD</b>	The first quarterly progress report to be submitted by 14 February 2007.
<p><b>L. Reports and Review</b></p> <p>27. (a) Without limiting the generality of Section 2.08(c) of each Project Agreement and Section 7.04(d) of the Loan Regulations, the Borrower will submit to ADB a Project completion report within 3 months of physical completion of the Subprojects financed under the Loan and a Facility completion report within 3 months of physical completion of the Subprojects under the Facility. These reports shall cover a detailed evaluation of the Project and the Investment Program respectively, covering the design, costs, contractors' and consultants' performance, social and economic impact, economic rate of return, and other details relating to the Project and Investment Program, for each State as may be requested by ADB.</p> <p>(b) ADB, the Borrower, and each State, shall meet regularly as required to discuss Project progress and any changes to implementation arrangements or remedial measures required to be undertaken towards achieving overall Project and investment Program objectives.</p> <p>(c) A mid-term review of the Project shall be undertaken by ADB, the Borrower and the States, around July 2007. The mid-term review will include review of issues and any problems or weaknesses in implementation arrangements, and agree on any changes needed to achieve the objectives of the Project.</p> <p>(d) A similar mid-term review of the Investment Program by ADB, the Borrower and the States shall be undertaken in the third year from date of approval of the Facility by ADB.</p>	<p><b>MORD</b></p> <p><b>MOF/MORD/STATES/ADB</b></p> <p><b>MOF/MORD/STATES/ADB</b></p> <p><b>MOF/MORD/STATES/ADB</b></p>	<p>Timing of the mid-term review of the Project to be finalized during the first review mission scheduled for February 2007 Program.</p> <p>Timing of the mid-term review of the Investment Program will be in early 2008.</p>
<p><b>M. Inclusion of Subprojects from New States</b></p> <p>28. PFRs for financing Subprojects in States other than Assam, Orissa, and WB shall be subject to satisfactory due diligence and preparation of relevant frameworks and other relevant documents. The Borrower and ADB shall agree on a mutually acceptable schedule to initiate these activities, within not more than 6 months of the Effective Date.</p>	<b>MOF/MORD/ADB</b>	Inclusion of subprojects from other states is to be discussed during the first review mission in February 2007.

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<p><b>N. Project Implementation Consultants (PIC)</b></p> <p>29. The services of domestic consultants financed from the Borrower's own resources (the PIC), shall be utilized in the carrying out of the Project, particularly with regard to assisting the PIUs and the IAs in:</p> <ul style="list-style-type: none"> <li>(a) preparing additional subprojects;</li> <li>(b) supervising civil works;</li> <li>(c) implementing the CPF to mitigate social impacts;</li> <li>(d) monitoring and implementing the EAF and the relevant provisions of the ECOP; and</li> <li>(e) supporting in social and environmental safeguard, and road safety.</li> </ul>	<p><b>MORD/STATES</b></p>	