

# Project Administration Manual

Project Number: 48402

Loan Number: 3300

Grant Number: 0440

26 March 2018

Islamic Republic of Pakistan: National Motorway M-4  
Gojra–Shorkot Section Project

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### **Project Administration Manual Purpose and Process**

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The National Highway Authority (NHA) is wholly responsible for the implementation of ADB financed projects, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by NHA of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan Negotiations the borrower and ADB shall agree to the PAM and ensure consistency with the Loan Agreement. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the Loan Agreement, the provisions of the Loan Agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

## ABBREVIATIONS

ADB	=	Asian Development Bank
AFS	=	audited financial statements
CAREC	=	Central Asia Regional Economic Cooperation
DMF	=	design and monitoring framework
EIA	=	Environmental Impact Assessment
EMP	=	environmental management plan
ICB	=	international competitive bidding
km	=	kilometer
LARP	=	land acquisition and resettlement plan
NGOs	=	nongovernment organizations
NHA	=	National Highway Authority
PAM	=	project administration manual
PIU	=	project implementation unit
PM	=	person month
QCBS	=	quality- and cost-based selection
RRP	=	report and recommendation of the President to the Board
SPS	=	Safeguard Policy Statement
SPRSS	=	summary poverty reduction and social strategy
TOR	=	terms of reference

## I. PROJECT DESCRIPTION

1. The transport sector contributes about 10% to Pakistan's GDP and more than 6% to the country's overall employment. Road transport dominates Pakistan's transport system, accounting for almost 96% of freight traffic in ton-kilometers and 92% of passenger traffic in passenger-kilometers. Pakistan's domestic investment and trade flows concentrate along one major north-south transport corridor that connects key business centers in the country. Comprising national highways and motorways, it runs from the port city of Karachi in the south, passes through primary production and population centers including Khanewal, Multan, Muzaffargarh, Lahore, Faisalabad, Islamabad and Peshawar, before finishing at Torkham, on the northern border with Afghanistan. The economy of the area served by the corridor accounts for 80-85% of Pakistan's GDP. The proposed project will mainly construct the 62 kilometer (km) Gojra-Shorkot section of the Motorway M-4, a key part of the transport corridor. This will facilitate north-south connectivity, improve quality and efficiency of road transport service, and promote inclusive economic growth.

2. As a result of Pakistan's accession to the Central Asia Regional Economic Cooperation (CAREC) Program in 2010, this north-south transport corridor now forms an integral part of the CAREC Corridors 5 and 6, opening a vital trading link between landlocked Central Asian nations and the country's warm water ports of Gwadar, Karachi, and Port Qasim, on the Arabian Sea. A section of the motorway M-4 passing through Punjab Province has been operational since 16 March 2015. The Punjab has approximate 56% of the country's population and 59% of the country's GDP. When complete, the motorway will become a 241 km long, 4-lane access controlled motorway, providing an alternative to the existing narrow and congested routes. This will be essential in providing relief for the heavily trafficked Faisalabad and Khanewal-Multan-Muzaffargarh areas, which also have a large share of non-motorized vehicles.

3. The national highway N-5 is part of the north-south transport corridor and Pakistan's longest and most important highway. Its section between Lahore and Multan is a 4-lane road that passes through highly urbanized areas. Currently, the majority of long distance traffic from Karachi to Islamabad and onwards leaves the N-5 after Multan using the local road network until reaching the M-2. These 2-lane roads are unsafe with at-grade accesses from local dwellings and businesses throughout. The completed M-4 will attract most of this long distance traffic and also divert traffic from the N-5 which will help alleviate congestion on that road. Overall, M-4 will provide an efficient international link between the north of Pakistan and beyond, and southern Punjab, Sindh, and the ports of Karachi and Gwadar in southern Pakistan.

4. **Impact and outcome.** Impact of the project is aligned with modernization of transportation infrastructure and greater regional connectivity to support a vibrant and growing economy, as highlighted in the Pakistan Vision 2025. The project outcome will be safe and efficient regional network established for goods and people movement along M-4 Motorway and E-35 Expressway.

5. **Outputs.** The project outputs will be (i) a new 62 km of four-lane access controlled motorway connecting Gojra and Shorkot constructed and operational; (ii) strengthened safeguard and contract administration capacity of the Pakistan National Highway Authority (NHA);<sup>1</sup> and (iii) 13 km Expressway connecting Sarai Saleh-Havelian operational.

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<sup>1</sup> Separately, ADB will be processing a large-scale capacity development technical assistance (CDTA) for the Pakistan transport sector in 2016. The CDTA of about \$15 million equivalent will be funded by the Government of the United Kingdom and administered by ADB, with focuses on (i) developing national transport sector policy, (ii) scaling up the national road asset management system including support to the NHA to improve Pakistan's highway operation and maintenance arrangements, (iii) advancing the national road safety program, and (iv) strengthening transport facilitation.



### III. PROJECT MANAGEMENT ARRANGEMENTS

#### A. Project Implementation Organizations – Roles and Responsibilities

Project implementation organizations	Management Roles and Responsibilities
Project Steering Committee	<ul style="list-style-type: none"> <li>➤ Provide guidance on and oversight to the overall implementation and performance of the project.</li> <li>➤ Resolve issues and conflicts that would compromise quality of results, investment cost or project completion time.</li> <li>➤ Approve the annual activity plan.</li> <li>➤ Review implementation progress and resolve issues.</li> <li>➤ Depute/appoint staff for project implementation unit.</li> <li>➤ Review performance of consultants and contractors.</li> <li>➤ Convening meeting on quarterly basis or as and when required.</li> </ul>
National Highway Authority (Executing Agency)	<ul style="list-style-type: none"> <li>➤ Overall project management; finalizing surveys, designs, bidding documents, and contract awards.</li> <li>➤ Overall construction supervision with the consultants, quantity and quality validation of civil works.</li> <li>➤ Ensuring timely agreed counterpart funds and approval of higher authorities for project activities.</li> <li>➤ Monitoring and evaluating project activities and outputs, including periodic review, preparation of review and progress reports reflecting issues and time-bound actions taken (or to be taken), and their timely submission to ADB.</li> <li>➤ Preparing regular periodic progress reports, monitoring and evaluation reports, and project completion report and their timely submission to ADB.</li> <li>➤ Endorsing to ADB through EAD the authorized staff in EA with approved signatures for processing payments and maintaining the imprest account(s).</li> <li>➤ Establishing a sound financial management system, submitting timely withdrawal applications to ADB, conducting timely financial audits as per agreed timeframe, submitting audited project account reports, and taking recommended actions.</li> <li>➤ Processing and submitting to ADB any request, when required, for reallocating the loan proceeds.</li> <li>➤ Involving community villages along the project roads and civil society representatives in designing community facilitation centers and implementing them.</li> <li>➤ Publicly disclosing project outputs and procurement results.</li> <li>➤ Quality assurance of works, and services of consultants and counterpart staff.</li> <li>➤ Ensuring compliance with all loan covenants and reporting to ADB.</li> <li>➤ Preparing, implementing, and monitoring safeguards in accordance with the Resettlement Plans and EIA, ADB's SPS (2009), and Loan and Project Agreements.</li> <li>➤ Establishing a grievance redress mechanism with a dedicated grievance staff to address all subproject-related grievances.</li> <li>➤ Ensuring projects' sustainability during post-implementation stage and reporting to ADB on the achieved development impacts.</li> </ul>
ADB	<ul style="list-style-type: none"> <li>➤ Assisting NHA in providing timely guidance at each stage of the project implementation.</li> <li>➤ Reviewing all the documents that require ADB approval.</li> <li>➤ Conducting regular project review missions, a midterm review, and project completion mission.</li> <li>➤ Processing withdrawal applications and releasing eligible funds.</li> <li>➤ Updating regularly the project performance review reports with the assistance of NHA.</li> <li>➤ Updating and posting on ADB website the project information for public disclosure, and the safeguards documents in accordance with the ADB SPS (2009).</li> </ul>
Ministry of Finance/Economic Affairs Division (EAD)	<ul style="list-style-type: none"> <li>➤ Monitoring the project implementation and providing respective coordination and facilitation.</li> <li>➤ Budgeting, allocating and releasing counterpart funds.</li> <li>➤ Endorsing to ADB the authorized staff with approved signatures for WAs processing.</li> <li>➤ Processing and submitting to ADB any request, when required, for reallocating the loan proceeds.</li> </ul>

ADB = Asian Development Bank; EA = executing agency; EIA = environmental impact assessment; NHA = National Highway Authority; SPS = Safeguards Policy Statement; WA = withdrawal application.



## B. Key Persons Involved in Implementation

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### Executing Agency

National Highway Authority  
(NHA)

**Jawwad Rafique Malik**  
Chairman  
Telephone: +92 51 9260417  
Email address: [chairman@nha.gov.pk](mailto:chairman@nha.gov.pk)

### Borrower and Oversight Agency

Economic Affairs Division

Deputy Secretary, ADB  
Telephone: +92 51 9210085

### ADB

Pakistan Resident Mission  
Central and West Asia  
Department

**Xiaohong Yang**  
Country Director  
Telephone No.: +92 51 2087300, Ext: 302  
Email address: [xyang@adb.org](mailto:xyang@adb.org)

Mission Leader

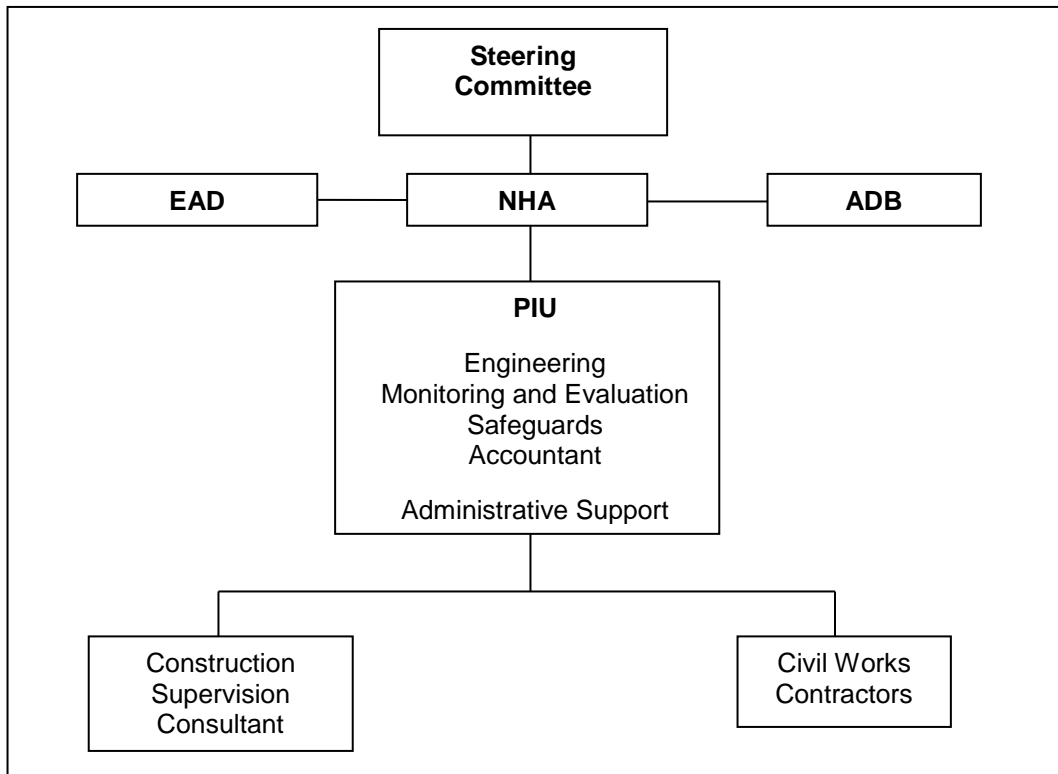
**Zaigham Naqvi**  
Senior Project Officer (Infrastructure)  
Telephone No.: +92 51 2087300, Ext: 213  
Email address: [znaqvi@adb.org](mailto:znaqvi@adb.org)

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## C. Project Organization Structure

6. Figure 3.1 depicts the proposed organizational structure for implementation of the project. The steering committee constituted for the supervision of the MFF National Trade Corridor Highway Improvement Program will also act as the steering committee for the project playing the role spelled out in Section III-A.

7. NHA will be the executing agency (EA), which has the mandate for planning, designing and implementing transport projects for national highways as well as policy and regulatory authority over the sector. The project implementation unit (PIU), headed by a general manager and suitably qualified staff including project directors, engineers, financial and safeguard specialists, will be responsible for overall implementation of construction including supervision of contractors and supervision consultants and day-to-day monitoring of project implementation in accordance with the provisions of the project administration manual (PAM) and related legal agreements.

**Figure 3.1: Organization Chart**

#### **IV. COSTS AND FINANCING**

8. The project is estimated to cost \$317 million (Table IV.1).

**Table IV.1: Project Investment Plan**

Item	Amount <sup>a</sup>
<b>A. Base Cost<sup>b</sup></b>	
M-4 Gojra-Shorkot Road and E-35 Sarai Saleh – Havelian Section Road	241.58
Institutional Strengthening	6.67
<b>Subtotal (A)</b>	<b>248.25</b>
<b>B. Contingencies<sup>c</sup></b>	<b>59.75</b>
<b>C. Financing Charges During Implementation<sup>d</sup></b>	<b>9.00</b>
<b>Total (A+B+C)</b>	<b>317.00</b>

<sup>a</sup> Includes taxes and duties of \$15 million to be financed from government resources

<sup>b</sup> In May 2015 price

<sup>c</sup> Physical contingencies computed at 5% for civil works. Price contingencies computed at 0.3-1.5% on foreign exchange costs and at 5.0-6.0% on local currency costs includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>d</sup> Includes interest and commitment charges. Interest during construction for ADB loan(s) has been computed at the 3-year forward London interbank offered rate plus a spread of 0.5%. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Sources: NHA and ADB estimates.

9. The financing plan is in Table IV.2.

**Table IV.2: Financing Plan**

Item	Total Cost	ADB	Government of the United Kingdom	Govt.	ADB Share (%)
<b>A. Base Cost<sup>a</sup></b>					
1. Resettlement Cost	12	0	0	12.0	0
2. Civil Works <sup>b</sup>	215.0	124.0	78.0	13.0	58
3. Construction Supervision Consultant	6.25	6.25	0	0	100
3. Taxes and Duties	15	0	0	15.0	0
<b>Subtotal (A)</b>	<b>248.25</b>	<b>130.25</b>	<b>78</b>	<b>40</b>	<b>52</b>
<b>B. Contingencies<sup>c</sup></b>	<b>59.75</b>	<b>38.75</b>	<b>14.00</b>	<b>7.00</b>	<b>65</b>
<b>C. Financing Charges During Implementation<sup>d</sup></b>	<b>9.00</b>	<b>9.00</b>	<b>0</b>	<b>0</b>	<b>100</b>
<b>Total (A+B+C)</b>	<b>317</b>	<b>178</b>	<b>92</b>	<b>47</b>	<b>56</b>

a. In May 2015 prices.

b. This includes the added balance civil works of about 13 km of the E-35 Sarai Saleh -Havelian Section Road.

c. Physical contingencies computed at 5% for civil works and consulting services. Price contingencies computed at 0.3-1.5% on foreign exchange costs and 5.0-6.0% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

d. Includes interest and commitment charges. Interest during construction for ADB loan(s) has been computed at the 5-year forward London interbank offered rate plus a spread of 0.5%. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Sources: NHA and ADB estimates.

## A. Detailed Cost Estimates by Expenditure Category

	(PKR '000)			(USD '000)			% Total Base Cost
	Foreign	Local	Total	Foreign	Local	Total	
<b>A. Investment Cost<sup>a</sup></b>							
1 Land and Resettlement Cost	-	1,223.04	1,223.04	-	12.00	12.00	5%
2 Civi Works	3,504.84	19,860.78	23,365.62	34.44	195.14	229.58	92%
3 Consultant	349.13	349.13	698.26	3.34	3.34	6.67	3%
<b>Subtotal (A)</b>	<b>3,853.97</b>	<b>21,432.94</b>	<b>25,286.91</b>	<b>37.77</b>	<b>210.48</b>	<b>248.25</b>	<b>100%</b>
<b>Total Base Cost</b>	<b>3,853.97</b>	<b>21,432.94</b>	<b>25,286.91</b>	<b>37.77</b>	<b>210.48</b>	<b>248.25</b>	<b>100%</b>
<b>B. Contingencies<sup>b</sup></b>							0%
1 Physical	298.85	1,661.97	1,960.82	2.93	16.32	19.25	8%
2 Price	628.74	3,496.61	4,125.36	6.16	34.34	40.50	16%
<b>Subtotal (B)</b>	<b>927.59</b>	<b>5,158.58</b>	<b>6,086.18</b>	<b>9.09</b>	<b>50.66</b>	<b>59.75</b>	<b>24%</b>
<b>C. Financing Charges During Implementation<sup>c</sup></b>							0%
1 Interest During Implementation and Commitment Charge	917.28	0	917.28	9.00	0	9.00	4%
<b>Subtotal (C)</b>	<b>917.28</b>	<b>-</b>	<b>917.28</b>	<b>9.00</b>	<b>-</b>	<b>9.00</b>	<b>4%</b>
<b>Total Project Cost (A+B+C)</b>	<b>5,698.84</b>	<b>26,591.53</b>	<b>32,290.37</b>	<b>55.86</b>	<b>261.14</b>	<b>317.00</b>	<b>128%</b>

a. In May 2015 prices.

b. Physical contingencies computed at 5% for civil works and consulting services. Price contingencies computed at 0.3-1.5% on foreign exchange costs and 5.0-6.0% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

c. Includes interest and commitment charges. Interest during construction for ADB loan(s) has been computed at the 5-year forward London interbank offered rate plus a spread of 0.5%. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Sources: NHA and ADB estimates.

## B. Allocation and Withdrawal of Loan Proceeds

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (National Motorway M-4 Gojra Shorkot Section Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Loan Account
1	Civil Works	124,000,000	28% of total expenditure claimed*
2	Consulting Services	6,250,000	100% of total expenditure claimed**
3	Interest and Commitment Charge	9,000,000	100% of amount due
4	Unallocated	38,750,000	
	<b>Total</b>	<b>178,000,000</b>	

\* The percentage of ADB financing will be increased to 94% upon the UK Grant having been utilized in full in accordance with the terms of the Externally Financed Grant Agreement.

\*\* Exclusive of taxes and duties imposed within the territory of the Borrower.

<b>ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS</b> <b>(National Motorway M-4 Gojra-Shorkot Section Project)</b>			
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for UK Financing (\$)</b>	<b>Basis for Withdrawal from the Grant Account</b>
		<b>Category</b>	
1	Civil Works	78,000,000	66% of total expenditure claimed
2	Unallocated*	14,000,000	
	<b>Total</b>	<b>92,000,000</b>	

\* This amount also serves as a reserve for currency fluctuations and bank charges.

### C. Detailed Cost Estimates by Financier

	(\$ million)					
	ADB		Government of the United Kingdom		Government	Total Cost
	% of Cost		% of Cost		% of Cost	
	Amount	Category	Amount	Category	Amount	Category
<b>A. Investment Cost<sup>a</sup></b>						
1 Land and Resettlement Cost				12.00	100%	12.00
2 Civil Works	124.00	58%	78.00	36%	13.00	6%
3 Consultant	6.25	100%				6.25
<b>Subtotal (A)</b>	<b>130.25</b>	<b>56%</b>	<b>78.00</b>	<b>33%</b>	<b>25.00</b>	<b>11%</b>
<b>Total Base Cost</b>	<b>130.25</b>	<b>56%</b>	<b>78.00</b>	<b>33%</b>	<b>25.00</b>	<b>11%</b>
<b>Taxes and Duties</b>				15.00	100%	15.00
<b>Contingencies<sup>b</sup></b>	38.75	65%	14.00	7.00	12%	59.75
<b>Financing Charges During Implementation<sup>c</sup></b>	9.00	100%		-	0%	9.00
<b>Total Project Cost</b>	<b>178.00</b>	<b>56%</b>	<b>92.00</b>	<b>29%</b>	<b>47.00</b>	<b>15%</b>

a. In May 2015 prices.

b. Physical contingencies computed at 5% for civil works and consulting services. Price contingencies computed at 0.3-1.5% on foreign exchange costs and 5.0-6.0% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

c. Includes interest and commitment charges. Interest during construction for ADB loan(s) has been computed at the 5-year forward London interbank offered rate plus a spread of 0.5%. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Sources: NHA and ADB estimates.

#### D. Detailed Cost Estimates by Outputs/Components

	(\$ million)				
	Total Cost	Gojra-Shorkot Road		Institutional Strengthening	
		Amount	% of Cost	Amount	% of Cost
		Category		Category	
<b>A. Investment Cost<sup>a</sup></b>					
1 Land and Resettlement Cost	12.00	12.00	5%	0	0%
2 Civi Works	229.58	229.58	95%	0	0%
3 Consultant			0%	6.67	3%
<b>Subtotal (A)</b>	<b>241.58</b>	<b>241.58</b>	<b>100%</b>	<b>6.67</b>	<b>3%</b>
<b>Total Base Cost</b>	<b>241.58</b>	<b>241.58</b>	<b>100%</b>	<b>6.67</b>	<b>3%</b>
<b>B. Contingencies<sup>b</sup></b>					
1 Physical	19.25	18.73	8%	0.52	0%
2 Price	40.50	39.41	16%	1.09	0%
<b>Subtotal (C)</b>	<b>59.75</b>	<b>58.14</b>	<b>24%</b>	<b>1.61</b>	<b>1%</b>
<b>C. Financing Charges During Implementation<sup>c</sup></b>					
1 Interest During Implementation and Commitment Charge	9.00	9.00	4%	0	0%
<b>Subtotal (D)</b>	<b>9.00</b>	<b>9.00</b>	<b>4%</b>	<b>-</b>	<b>0%</b>
<b>Total Project Cost (A+B+C+D)</b>	<b>317.00</b>	<b>308.72</b>	<b>128%</b>	<b>8.28</b>	<b>3%</b>

a. In May 2015 prices.

b. Physical contingencies computed at 5% for civil works and consulting services. Price contingencies computed at 0.3-1.5% on foreign exchange costs and 5.0-6.0% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

c. Includes interest and commitment charges. Interest during construction for ADB loan(s) has been computed at the 5-year forward London interbank offered rate plus a spread of 0.5%. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Sources: NHA and ADB estimates.

#### E. Detailed Cost Estimates by Year

	(\$ million)				
	Total Cost	2016	2017	2018	2019
<b>A. Investment Cost<sup>a</sup></b>					
1 Land and Resettlement Cost	12.00	12.00			
2 Civil Works	229.58	34.44	80.35	91.83	22.96
3 Consultant	6.67	2.00	2.00	2.00	0.67
<b>Subtotal (A)</b>	<b>248.25</b>	<b>48.44</b>	<b>82.35</b>	<b>93.83</b>	<b>23.63</b>
<b>Total Base Cost</b>	<b>248.25</b>	<b>48.44</b>	<b>82.35</b>	<b>93.83</b>	<b>23.63</b>
<b>B. Contingencies<sup>b</sup></b>	<b>59.75</b>	13.44	19.42	20.91	5.98
<b>C. Financing Charges During Implementation<sup>c</sup></b>	<b>9.00</b>	2.03	2.93	3.15	0.90
<b>Total Project Cost (A+B+C+D)</b>	<b>317.00</b>	<b>63.91</b>	<b>104.70</b>	<b>117.90</b>	<b>30.50</b>

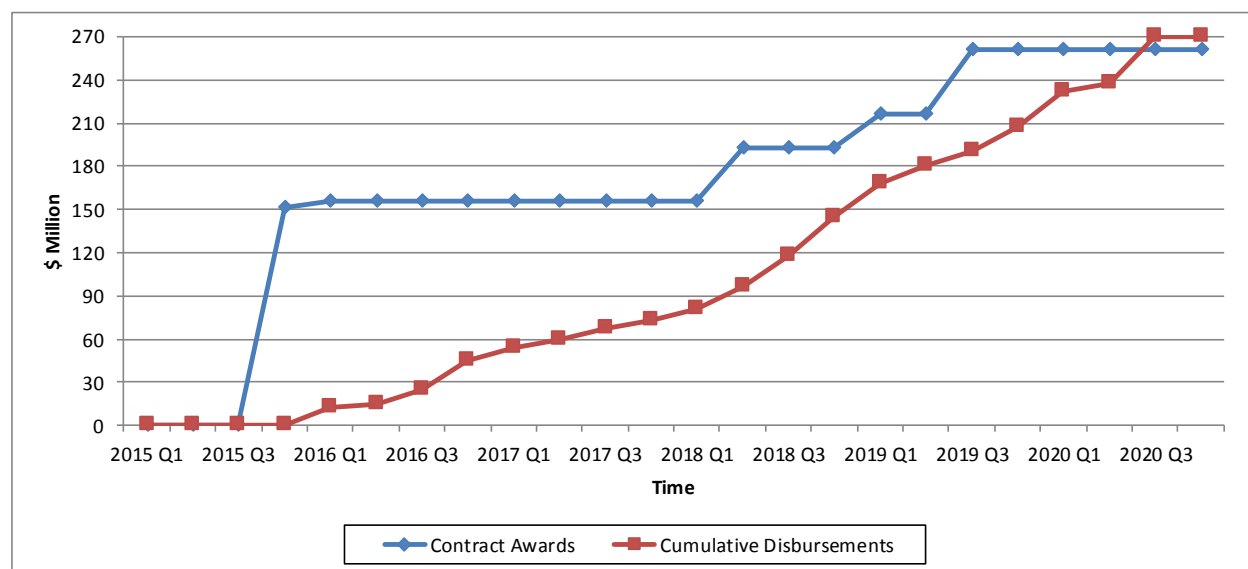
a. In May 2015 prices.

b. Physical contingencies computed at 5% for civil works and consulting services. Price contingencies computed at 0.3-1.5% on foreign exchange costs and 5.0-6.0% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

c. Includes interest and commitment charges. Interest during construction for ADB loan(s) has been computed at the 5-year forward London interbank offered rate plus a spread of 0.5%. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Sources: NHA and ADB estimates.

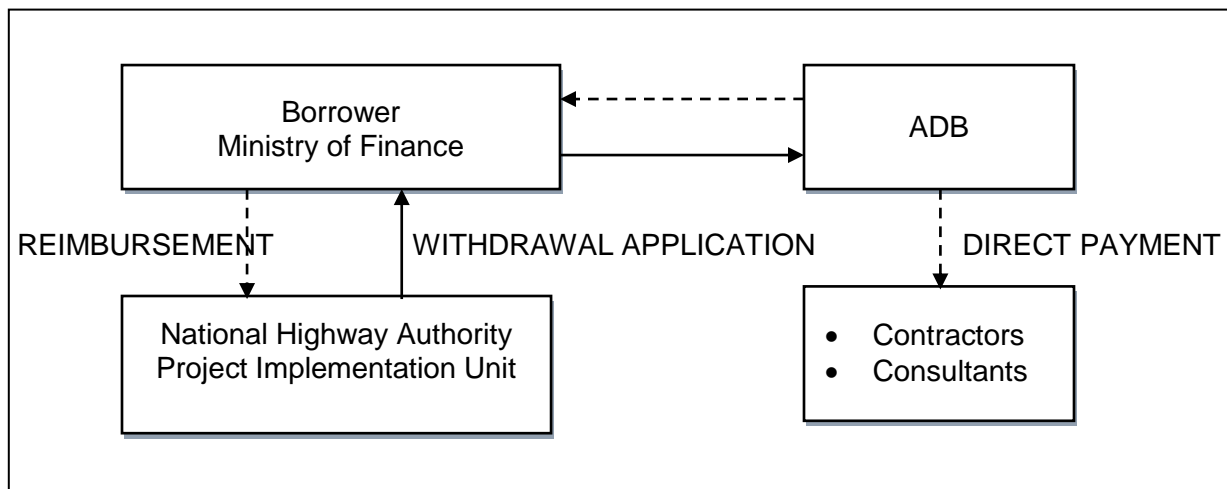
## F. Contracts and Disbursements S-curve



Contract Awards*						Disbursements*					
Year	Q1	Q2	Q3	Q4	Total	Year	Q1	Q2	Q3	Q4	Total
2015	0.0	0.0	0.0	151.0	151.0	2015	0.0	0.0	0.0	0.0	0.0
2016	4.2	0.0	0.0	0.0	4.2	2016	12.5	2.7	9.2	20.0	44.4
2017	0.0	0.0	0.0	0.0	0.0	2017	9.7	5.7	7.0	5.8	28.2
2018	0.0	38.0	0.0	0.0	38.0	2018	8.0	16.0	21.0	27.0	72.0
2019	23.2	0.0	44.6	0.0	67.8	2019	23.0	12.4	10.0	17.0	62.4
2020	0.0	0.0	0.0	0.0	0.0	2020	25.0	5.0	33.0	0.0	63.0
<b>Total</b>					<b>261.0</b>	<b>Total</b>					<b>270.0</b>

Source: ADB estimates.

\*Pro-rata between ADB loan and the grant provided by the Government of United Kingdom; disbursement includes also \$9 million of financing charge during implementation.

**G. Fund Flow Diagram**



## V. FINANCIAL MANAGEMENT

### A. Financial Management Assessment

10. The financial management assessment (FMA) was conducted in May 2015 in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects and Financial Due Diligence: a Methodology Note. The FMA considered the financial management capacity of the NHA which included the funds-flow arrangements, staffing, accounting and financial reporting systems, internal and external auditing arrangements, and financial information systems.

11. Key financial management assessment findings are as follows:

**Table 5.1: Summary of the Financial Management Assessment**

Particulars	Conclusions
<b>A. Funds Flow Arrangements</b>	Funds flow arrangements are adequate and provision of counterpart funds to NHA has improved this year as compare to previous years but still likely to pose a challenge. Nonetheless, NHA has enough capability and experience to efficiently operate under the ongoing project.
<b>B. Staffing</b>	NHA accounting and finance staff has experience and knowledge of ADB's financial management and disbursement procedures. The accounting and finance staff got training from ADB relating to ADB's disbursement and financial management.
<b>C. Accounting Policies and Procedures</b>	NHA's accounting policy is based on the Pakistan National Accounting Standards which are in line with International Accounting Standards.
<b>D. Internal and External Audits</b>	NHA's internal audit department undertakes the required internal auditing of the project. NHA's Annual financial statement are audited by a commercial auditor while Audited Project Financial Statement (APFS) are audited by Auditor General of Pakistan (AGP) on an annual basis in accordance with the ISA, which complies with the requirements of ADB.
<b>E. Reporting and Monitoring</b>	NHA comply with the reporting requirements of the MOF, and other government bodies. NHA requested the training for preparation of Initial IPSAS compliant APFS.

ADB = Asian Development Bank; IPSAS = International Public Sector Accounting Standards; ISA = International Standards on Auditing; NHA = National Highway Authority.

12. **Risk analysis.** A financial management assessment was conducted which considered existing circumstances, staffing and procedures, and includes recommendations for risk mitigation measures. Based on the assessment, it is concluded that the overall project financial management pre-mitigation risk is Moderate. During the implementation phase, the PIU might face unavailability or delay in the release of counterpart funds for the project. The accounting and finance staff are experienced with ADB-funded project and adequately trained. The assessment of financial management capacity confirmed NHA has sufficient capacity to manage international procurement and has no financial management deficiencies relating to maintaining the accounting systems, financial controls, and audit arrangements.

**Table 5.2: Risk Assessment and Mitigation Measures**

<b>Risk</b>	<b>Risk Assessment*</b>	<b>Risk–Mitigation Measures</b>
<i>Inherent Risk</i>		
1. Country-specific Risks	S	MOC and NHA will ensure the timely release of counterpart funds, as per loan covenants. EAD will mobilize IFI funding for government’s portion of the project financing.
2. Entity-specific Risks	M	Training of PIU staff on ADB procedures will be carried out.
<b>Overall Inherent Risk</b>	<b>M</b>	
<i>Control Risk</i>		
1. Implementing Entity	M	Adequate organizational capacity augmentation with the further training programs.
2. Funds Flow	M	All disbursement will be made through either direct payment or reimbursement procedures to contractors and consultant.
3. Staffing	M	Dedicated and qualified accounting and financial management staff with extensive experience of ADB’s procedures.
4. Accounting Policies and Procedures	M	Accounting Policy is in line with the national and international accounting standards and meets the requirements of ADB.
5. Internal Audit	M	NHA’s internal auditor will audit project financial statements.
6. External Audit	M	Audit of the project financial statements will be done in accordance with the International Standards on Auditing, by an independent auditor acceptable to ADB.
7. Reporting and Monitoring	M	PIU will regularly report in accordance with ADB requirements on inherent adequate control mechanisms. Timeliness of such reports will be ensured through regular monitoring and follow-up actions by ADB.
<b>Overall Control Risk</b>	<b>M</b>	

\* H – High, S – Substantial, M – Moderate, N – Negligible or Low.

ADB = Asian Development Bank; EAD = Economic Affairs Division; IFI = International Financial Institution; MOC = Ministry of Communication; NHA = National Highway Authority; PIU = project implementation unit.

Source: ADB estimate.

## **B. Disbursement**

13. Online training for project staff on disbursement policies and procedures is available at [http://wpqr4.adb.org/disbursement\\_elearning](http://wpqr4.adb.org/disbursement_elearning). Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

14. The Loan proceeds including ADB administered co-financier funds will be disbursed in accordance with ADB’s Loan Disbursement Handbook (2015, as amended from time to time), and detailed arrangements agreed between the government and ADB.<sup>2</sup> Payments for civil works and consultants will be made through direct payment. No imprest account will be established.

15. NHA will be responsible for: (i) preparing disbursement projections, (ii) requesting budgetary allocations for counterpart funds, (iii) collecting supporting documents, and (iv) preparing and sending withdrawal applications to ADB. Before the submission of the first withdrawal application, the government shall submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is \$100,000 equivalent. Individual payments below this amount should be

<sup>2</sup> Available at: [http://www.adb.org/Documents/Handbooks/Loan\\_Disbursement/loan-disbursement-final.pdf](http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf).

paid by NHA and subsequently claimed to ADB through reimbursement, unless otherwise accepted by ADB.

### **C. Accounting**

16. NHA will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project. NHA will prepare project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

### **D. Auditing**

17. NHA will cause the detailed project financial statements to be audited in accordance with International Standards on Auditing and with the Government's audit regulations, by an independent auditor acceptable to ADB. The audited project financial statements will be submitted in the English language to ADB within six months of the end of the fiscal year by NHA.

18. NHA will also cause the entity-level financial statements to be audited in accordance with International Standards on Auditing and with the Government's audit regulations, by an independent auditor acceptable to ADB. The audited entity-level financial statements, together with the auditors' report and management letter, will be submitted in the English language to ADB within one month after their approval by the competent authority.

19. The annual audit report for the project accounts will include an audit management letter and audit opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan and grant proceeds were used only for the purposes of the project or not; and (iii) the level of compliance for each financial covenant contained in the legal agreements for the project.

20. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

21. The Government and NHA have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.<sup>3</sup> ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and

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<sup>3</sup> ADB approach and procedures regarding delayed submission of audited project financial statements:

- When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (i) the audit documents are overdue; and (ii) if they are not received within the next six months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- When audited project financial statements have not been received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (i) inform the executing agency of ADB's actions; and (ii) advise that the loan may be suspended if the audit documents are not received within the next six months.
- When audited project financial statements have not been received within 12 months after the due date, ADB may suspend the loan.

procedures.

22. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011)<sup>4</sup>. After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. The Audit Management Letter will not be disclosed.

## VI. PROCUREMENT AND CONSULTING SERVICES

### A. Advance Contracting and Retroactive Financing

23. All advance contracting and retroactive financing will be undertaken in conformity with ADB's Procurement Guidelines (2015, as amended from time to time) (ADB's Procurement Guidelines)<sup>5</sup> and ADB's Guidelines on the Use of Consultants (2013, as amended from time to time) (ADB's Guidelines on the Use of Consultants).<sup>6</sup> All procurement including, bidding document, issuance of invitation for bidding, bid evaluation reports and recommendation of award will be subject to ADB no objection.. The borrower and NHA have been advised that approval of advance contracting and retroactive financing does not commit ADB to finance the Project.

24. **Advance contracting.** Advance contracting was allowed for procurement of civil work contractors and recruitment of supervision consultants. NHA will proceed with tendering, bid evaluation for civil work packages, and technical and financial evaluation of consultant proposals before loan effectiveness.

25. **Retroactive financing.** Retroactive financing has been requested by the NHA. The maximum amount of eligible expenditures in connection with civil works up to the equivalent of 15% of ADB loan amount, incurred before the loan effectiveness, but not more than 12 months before the signing of legal agreements.

### B. Procurement of Works and Consulting Services

26. The project procurement classification is category B. All procurement of works will be undertaken in accordance with ADB's Procurement Guidelines. International competitive bidding procedures will be used for civil works contracts estimated to cost \$15 million or more. An 18-month procurement plan indicating threshold and review procedures, works, and consulting service contract packages is in Section C.

27. All consultants will be recruited according to ADB's Guidelines on the Use of Consultants.<sup>7</sup> The terms of reference for all consulting services are detailed in Section D. An estimated 699 person-months (66 for international, 633 for national) of consulting services are required for construct supervision. The construction supervision firm (RENARDET S.A.) will be engaged using the single source selection.<sup>8</sup>

<sup>4</sup> Available from <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

<sup>5</sup> Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>.

<sup>6</sup> Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>.

<sup>7</sup> Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>.

<sup>8</sup> A consulting firm (RENARDET S.A.) was recruited in 2010 through the quality- and cost-based selection to provide design review and construction supervision services for the Motorway M-4 (Faisalabad–Khanewal) Project [The M-4 was originally part of the scope of MFF Tranche 1 for NTCHIP, under which M-4 was split into three sections, i.e., Section 1 (Faisalabad–Gojra of 58 km), Section 2 (Gojra–Shorkot of 62 km) and Section 3 (Shorkot–Khanewal of

## C. Procurement Plan

### Basic Data

<b>Project Name:</b> National Motorway M-4 Gojra– Shorkot Section Project	
<b>Project Number:</b> 48402-001	<b>Approval Number:</b>
<b>Country:</b> Pakistan (Federal)	<b>Executing Agency:</b> National Highway Authority
<b>Project Procurement Classification:</b> Category B	<b>Implementing Agency:</b>
<b>Project Procurement Risk:</b> Low	N/A
<b>Project Financing Amount:</b> US\$ 317,000,000 <b>ADB Financing:</b> US\$ 178,000,000 <b>Cofinancing (ADB Administered):</b> US\$ 92,000,000 <b>Non-ADB Financing:</b> US\$ 47,000,000	<b>Project Closing Date:</b> 31 May 2020
<b>Date of First Procurement Plan:</b> N/A	<b>Date of this Procurement Plan:</b> 15 February 2018

## D. Methods, Thresholds, Review and 18-Month Procurement Plan

### 1. Procurement and Consulting Methods and Thresholds

28. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works		
Method	Threshold	Comments
International Competitive Bidding for Goods	US\$ 2,000,000 and Above	
National Competitive Bidding for Goods	Between US\$ 100,001 and US\$ 1,999,999	The first NCB is subject to prior review, thereafter post review.
Shopping for Goods	Up to US\$ 100,000	
International Competitive Bidding for Works	US\$ 15,000,000 and Above	
National Competitive Bidding for Works	Between US\$ 100,001 and US\$ 14,999,999	The first NCB is subject to prior review, thereafter post review.
Shopping for Works	Up to US\$ 100,000	

Consulting Services	
Method	Comments
Single Source Selection for Consulting Firm	

### 2. Goods and Works Contracts Estimated to Cost \$1 Million or More

29. The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments
E-35	E-35 Sarai Saleh – Havelian Section	38,000,000.00	Direct Contracting	NA	NA	NA	This is balance work under Loan 3197/G0435-

64 km) with the same consulting firm performing the design review and construction supervision. However, only Section 1 was eventually financed under Loan 2400-PAK—Tranche 1 of the MFF—while Sections 2 and 3 were excluded and reserved for a later tranche under the MFF due to cost overrun and delays in land acquisition and resettlement compensation]. Given that the project road is part of the original scope of the consulting services, the same consulting services may be continued.

Package Number	General Description	Estimated Value	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments
							PAK due to the loan closing in Dec 2017.  M/S LIMAK-ZKB JV (PAK) is the contractor.

### 3. Consulting Services Contracts Estimated to Cost \$100,000 or More

30. The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value	Recruitment Method	Review (Prior/ Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
CS	Construction Supervision Consultant	900,000	Single Source Selection	NA	NA		M/S DOHWA ENGINEERING CO. LTD is the current supervision consultant for supervising construction of the E-35 Sarai Saleh – Havelian Section

### 4. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

31. The following table lists smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

Goods and Works								
Package Number	General Description	Estimated Value	Number of Contracts	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments
None								

Consulting Services								
Package Number	General Description	Estimated Value	Number of Contracts	Recruitment Method	Review (Prior/ Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
None								

### E. Indicative List of Packages Required Under the Project

32. The following table provides an indicative list of goods, works and consulting services contracts over the life of the project, other than those mentioned in previous sections (i.e., those expected beyond the current period).

Goods and Works							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Review (Prior/Post)	Bidding Procedure	Comments
None							

Consulting Services							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Review (Prior/Post)	Type of Proposal	Comments
None							

## F. List of Awarded and On-going, and Completed Contracts

The following tables list the awarded and on-going contracts and completed contracts.

### 1. Awarded and Ongoing Contracts

Goods and Works							
Package Number	General Description	Estimated Value	Awarded Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Comments
ICB-M4-IIA	Gojra – Jamani Section (31 Km) (Km 58+200 to Km 89+200)	113,000,000.00	\$72.796 million	ICB	Q1/2015	28-Dec-15	Contract with XINJIANG BEIXIN ROAD & BRIDGE GROUP CO. LTD. signed on 28 Dec 2015. Accepted Contract Amount: Rs 8,355,060,146
ICB-M4-IIB	Jamani – Shorkot Section (30 Km) (Km 89+200 to Km 119+200)	117,000,000.00	\$78.127 million	ICB	Q1/2015	28-Dec-15	Contract with CHINA RAILWAY FIRST GROUP CO. LTD. signed on 28 Dec 2015. Accepted Contract Amount: Rs 8,827,500,904

Consulting Services							
Package Number	General Description	Estimated Value	Awarded Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Comments
Construction Supervision of Civil Works	Construction supervision of Civil works contract	6,700,000.00	4,242,687.90	Single source selection	NA	11-FEB-16	Contract with RENARDET S.A. signed on 10 Feb 2016.

## **G. Consultant's Terms of Reference**

33. The supervision consultants will consist of 66 person-months of international consultants and 633 person-months of national consultants. Consultant's terms of reference are in Attachment 1.

## **VII. SAFEGUARDS**

### **A. Environment**

34. NHA shall ensure that the design, construction, operation and maintenance of roads to be financed under the project are carried out in accordance with ADB's Safeguard Policy Statement (SPS, 2009), the applicable laws and regulations in Pakistan, and the environmental impact assessment (EIA) and its environmental management plan (EMP). NHA shall ensure that potential adverse environmental impacts arising from the project are minimized by implementing all the mitigation and monitoring measures in the EMP. NHA shall ensure that:

- (i) The EMP is to be updated based on surveys of the alignment once the detailed design is available and prior to the implementation of civil works;
- (ii) NHA has sufficient resources to implement and record the implementation of the EMP;
- (iii) The contractor prepares and submits to NHA and ADB a site specific environmental management plan (SSEMP) prior to commencing any construction works. The SSEMP will be tailored to the environmental impacts of the site and the specific project activities as planned by the contractor;
- (iv) The contractor is responsible for the day to day implementation of the SSEMP with NHA's Environment, Afforestation, Land and Social (EALS) wing visiting regularly to confirm implementation;
- (v) NHA, with the help of a construction supervision consultant, will submit to ADB semi-annual environmental reports for the project within 1 month of the close of each half of the calendar year during project implementation, and the reports will include a review of the progress on environmental measures in the EIA and EMP, monitoring of such measures, problems encountered and remedial measures taken;
- (vi) The detailed engineering design and civil works and other contracts for the project incorporate applicable environmental measures identified in the EIA and the EMP;
- (vii) The project GRM will be implemented, all environmental related complaints will be recorded in the complaints register on site and will be addressed through the procedures set up in the GRM; and
- (viii) Should any change in scope take place the EA will inform ADB and a due diligence on environment will be carried out. Should any additional study be required it will be conducted, or the EIA updated as required by SPS 2009. If there are any unanticipated environmental impacts, they would be reviewed and a corrective action plan will be prepared by the contractor for implementation under the supervision of EALS with assistance, as required by the supervision consultant.

### **B. Involuntary Resettlement**

35. **Land acquisition and resettlement.** The government through NHA shall ensure that new land acquisition is avoided as much as possible, resettlement impacts are minimized by



restricting clearance of available ROW limits to the extent of clearly defined construction limits on each side of centerline of existing carriageway, resettlement and all other activities under the project are carried out in full compliance with all applicable laws and regulations of Pakistan, ADB's SPS (2009), and the resettlement plan (RP) prepared for sub-projects. NHA shall ensure that:

- (i) the RPs for both subprojects are finalized/updated based on design review and demarcation of construction limits on each side of center line of existing carriageway;
- (ii) finalized and updated, implementation ready RPs duly endorsed by NHA are disclosed to affected persons in their local language in accordance with the ADB's SPS (2009);
- (iii) the RPs updated and finalized following the final engineering design are submitted to ADB for review and clearance prior to award of any civil works contract;
- (iv) all land and rights of way required by the project shall be cleared and made available in a timely manner (in accordance with the schedule as agreed in the relevant civil works contract); and
- (v) the activities of the civil works contractor for the project road are in compliance with the approved RPs. And no physical displacement or economic displacement shall occur and no road section or part of a road section is handed over to the civil works contractor until: (a) the draft RPs are updated, finalized, and endorsed by ADB; (b) compensation at full replacement cost has been paid to all affected persons in accordance with the updated and finalized RP for relevant project components or sections that are ready to be constructed; (c) other entitlements listed in the updated and finalized RPs have been provided to affected persons; and (d) RP implementation report is submitted to ADB and determined as satisfactory.

36. Change to the scope, location or alignment of the project road shall be avoided and if during design review or implementation of the project, any such change to the scope, location or alignment of road is identified, shall not be made without prior approval of ADB. Any new LAR-related impacts as a result of final detail engineering design or changing in project scope, location or alignment will require a new LARP which should be submitted to ADB for its approval. The additional plan should be prepared following ADB's SPS and its required guidelines. No construction activities shall be commenced in the sections with new/additional LAR impacts before full implementation of ADB approved LARP is confirmed and cleared by ADB.

37. **Grievance redress.** In addition, the NHA, shall ensure (i) efficient grievance redress mechanisms are in place and functional prior starting RP implementation and contractor's mobilization to assist affected persons resolve queries and complaints, if any, in a timely manner; (ii) all complaints are registered, investigated and resolved in a manner consistent with the provisions of Grievance Redress Mechanism as agreed in ADB approved RPs; (iii) the Complainants/aggrieved persons are kept informed about status of their grievances and remedies available to them; and (iv) adequate staff and resources are available for supervising and monitoring the implementation progress of the RP.

38. **Information disclosure.** Information sharing and disclosure are tools to engage local communities and the projected affected population during project planning, development and implementation aimed to promote understanding about project activities and discuss way forward for fruitful solutions of developmental problems such as local needs, problems and

prospects of resettlement. NHA shall ensure the resettlement plan and monitoring reports are disclosed by: (i) uploading the draft and ADB approved final resettlement plans on NHA and ADB websites; (ii) placing hard copies of approved resettlement plan in the offices of PMU, EALS, and PIU/Project Director Offices at Faisalabad; and (iii) translating the executive summary of ADB approved resettlement plans, bearing information on project impacts, asset valuation, entitlements, compensation budget and provisions with institutional arrangements in place and providing to the affected community.

39. Since consultations were carried out at preparatory stage of the project and resettlement plans, however for continued information sharing, NHA shall ensure that: (i) the Land Acquisition and Resettlement Unit with support from Supervision Consultants conduct additional consultations during updating and implementation of the RPs; (ii) the affected persons are informed about: (a) resettlement impacts, asset valuation, entitlements and compensation payment modalities with time lines, (b) Rehabilitation and income restoration measures suggested for the project affected persons, and (c) grievance redress mechanism put in place with status of redress of grievances; and (iii) Liaison is maintained with affected persons and community, and consultation meetings are held regularly with surrounding communities and project affected persons including women and vulnerable groups to share project related information during project implementation period.

40. **Monitoring and evaluation.** RP implementation shall be monitored internally by NHA with support of a Resettlement Specialist mobilized through Construction Supervision Consultant following monitoring parameters specified in the RPs. Land Acquisition and Resettlement Units in PIU will conduct day to day internal supervision and monitoring of RP implementation progress to ensure compliance with the provisions of the RPs for each subproject. During RP implementation phase, the monitoring results shall be consolidated into quarterly monitoring reports and shared with ADB for review and clearance. Once RP implementation is completed, bi-annual monitoring reports will be prepared and submitted to ADB for review and clearance. Upon clearance of monitoring reports by ADB, these will be disclosed by uploading on NHA and ADB websites.

41. The overall responsibility to oversee RP implementation and implementation of the EIA and EMP rest with NHA through its EALS Wing headed by GM EALS located in NHA headquarters. However, at project level, PIU will have support of Land Acquisition and Resettlement Unit (LARU) headed by GM project for finalization/updating of resettlement plans, RP implementation and monitoring of resettlement activities. The LARU will be supported by a Resettlement Specialist mobilized through supervision consultants to carry-out its functions including RP finalization/updating, implementation and monitoring complained with ADB safeguard requirements.

42. Pursuant to ADB's SPS 2009,<sup>9</sup> ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. ADB will ensure that the project is in compliance with applicable national laws and regulations and will be bound by the prohibited investment activities list.

### **C. Indigenous Peoples**

43. The project is screened as category C project for Indigenous peoples planning requirement under ADB's SPS 2009 and the NHA shall ensure that sub-projects financed under the loan do not have any indigenous peoples' impacts within the meaning of the SPS 2009. And if during design review or implementation, any change to the scope, location or alignment of

<sup>9</sup> Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>.

road with prior approval of ADB, causes to have any such impacts, NHA shall take all steps required to ensure that the Project complies with the applicable laws and regulations of Pakistan and the ADB's SPS 2009.

### **VIII. GENDER AND SOCIAL DIMENSIONS**

44. The main works during civil works will be implemented with use of heavy machinery, with limited use of unskilled labor. However, employment and business opportunities for local communities will be generated during execution of civil works. During implementation NHA will incorporate provisions in bidding documents and civil work contracts that contractors shall (i) comply with Pakistan's applicable labor laws and related international treaty obligations and not employ child labor; (ii) provide safe work conditions and separate sanitation facilities for male and female workers; (iii) provide equal wage to male and female workers for work of equal value; (iv) provide employment opportunities for women; and (v) carry out programs of preventing HIV/AIDS, illicit drugs and human trafficking at workers' campsites. Furthermore, NHA with the support of the construction supervision consultants and contractors shall conduct awareness raising campaign for public and workers about health safety and social issues, preventive measures on HIV/AIDS and sexually transmitted diseases, illicit drugs and human trafficking etc.

45. Although the bidding document will include clauses ensuring gender equalities in wages, it is unlikely for women to participate in project civil works or road side business due to established socio-cultural practices in the province and along the project road.

## IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

### A. Project Design and Monitoring Framework

#### REVISED DESIGN AND MONITORING FRAMEWORK

<b>Impact the project is aligned with. Modernization of Transport infrastructure modernized and greater regional connectivity enhanced (Pakistan Vision 2025).<sup>a</sup></b>			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p><b>Outcome</b>  <del>An efficient and safer transport corridor between Islamabad, Faisalabad, and Multan that enhances connectivity between the various parts of the country</del> <b>Safe and efficient regional network established for the movement of goods and people along the M4 Motorway and E35 Expressway</b></p>	<p>By 2020</p> <p>a. Average daily vehicle-kilometers reached 1,000,000 in the first full year of operation for M-4 Faisalabad–Multan <b>section</b> (2015 baseline: 0)</p> <p>b. Average travel time from Islamabad to Multan reduced to 6.5 hours, <del>from 8 hours in 2015</del> <b>(2015 baseline: 8 hours)</b></p> <p>c. Fatality rate per 100 million vehicle kilometers traveled maintained at no more than the national highway average (2015 baseline: estimated 14.4)</p> <p><b>d. Average travel speed along the E35 increased to 80kph (2013 baseline: 50 kph)</b></p>	<p>a–b. NHA annual traffic statistics and project performance monitoring system report</p> <p>c. Pakistan Bureau of Statistics annual report, NHA annual traffic statistics and project performance monitoring system report</p> <p><b>d. NHA annual traffic statistics and project performance monitoring system report</b></p>	<p><del>Delayed completion of remaining M-4 Shorkot–Khanewal section</del></p> <p><b>Political instability and deteriorating security situation</b></p>
<p><b>Outputs</b></p> <p>1. Four-lane, access-controlled motorway connecting Gojra and Shorkot constructed <del>and operational</del></p> <p>2. Safeguard and contract administration capacity of the NHA strengthened</p>	<p>By 2019</p> <p>1. 62 km road section constructed to 120 kph design standard <del>by 2019</del> <b>(2015 baseline: 0)</b></p> <p>2a. Project environment and social safeguard requirements implemented with good quality <b>safeguards monitoring reports (2015 baseline: not applicable)</b></p> <p>2b. Contract management and execution carried out effectively without undue</p>	<p>1. Supervision consultant’s project progress report and project completion report</p> <p>2a–2b. Supervision consultant’s project progress report and project completion report</p>	<p><del>Cost overruns, e.g., because prices of commodities and raw materials rise more than budgeted</del></p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
3. Expressway connecting Sarai Saleh and Havelian constructed	delay and unresolved disputes by 2019 (2015 baseline: not applicable) 3. 11 km expressway constructed with pavement international roughness index of less than 2 m/km (2013 baseline: 0 km)	3. Supervision consultant's project progress report and project completion report	

### Key Activities with Milestones

1. **Four-lane, access-controlled motorway connecting Gojra and Shorkot constructed and operational**
  - 1.1 Mobilize construction supervision consultant by 30 November 2015 (achieved).
  - 1.2 Award civil works contract by 30 November 2015 (achieved).
  - 1.3 Complete civil works by 30 April 2019.
2. **Safeguard and contract administration capacity of the NHA strengthened**
  - 2.1 Mobilize social safeguard management consultant by 31 October 2015 (achieved).
  - 2.2 Establish a comprehensive project performance monitoring system by 30 April 2016 (achieved).
  - 2.3 Hold three FIDIC contract management workshops for the NHA by 31 October 2019.
3. **Expressway connecting Sarai Saleh and Havelian constructed**
  - 3.1 Complete civil works by 12 December 2018.

### Inputs

Asian Development Bank: \$178 million (regular ordinary capital resources loan)  
Government of the United Kingdom: £58.85 million (grant)  
Government of Pakistan: \$47 million

### Assumptions for Partner Financing

Not applicable.

FIDIC = International Federation of Consulting Engineers, km = kilometer, kph = kilometer per hour, m/km = meters per kilometer, NHA = National Highway Authority.

<sup>a</sup> Government of Pakistan, Planning Commission. 2014. *Pakistan 2025: One Nation, One Vision*. Islamabad. [www.pc.gov.pk](http://www.pc.gov.pk). The Vision 2025 was approved by the National Economic Council approved Vision 2025 on 29 May 2014.

Source: Asian Development Bank.

## B. Monitoring

46. **Project performance monitoring.** The Asian Development Bank (ADB) and the National Highway Authority (NHA) have agreed on a preliminary set of indicators to be monitored and for evaluating project performance. Representative indicators are included in the design and monitoring framework. The baseline data will be collected within 6 months of the date of loan effectiveness. At the beginning of project implementation, NHA will confirm baseline values for social, environmental, and poverty reduction impact indicators. Monitoring indicators will be measured, with appropriate frequency, during implementation. Comments and findings regarding these project indicators will be incorporated in progress report to ADB. In addition to indicators for implementation monitoring, indicators for project evaluation will be measured at project completion, and 3 years after completion. Where relevant, indicators will be disaggregated by gender, participatory surveys will take place, and results will be compared with the baseline. A final report will evaluate changes in the preceding 3 years. NHA has developed its monitoring capability for the ongoing projects and has the capacity to monitor the

project. A consultant will assist in establishing the monitoring and evaluation system, and periodically updating project impacts on socioeconomic, gender, and environment.

47. **Compliance monitoring.** Compliance to the covenants will be jointly monitored by NHA and ADB through monthly and semi-annual updates provided by the design review and construction supervision consultant. The consultant will submit to ADB a status report on the covenants with the explanation and time-bound actions on partly or non-complied covenants. Apart from ADB project review missions 2–3 times a year, ADB's resident mission in Pakistan will also hold quarterly country portfolio review meetings with NHA to ensure the full compliance of the covenants.

48. **Safeguards monitoring.** The environmental management plan (EMP) will be monitored and reported to ADB bi-annually with the assistance of supervision consultant team, the performance and results of which (through EMP reports) will be uploaded in ADB and NHA websites. Construction environmental monitoring is a day to day process, which ensures that departures from the EMP are avoided or quickly rectified, or that any unforeseen impacts are quickly discovered and remedied. Specific actions in the EMP that are to be monitored are included in the environmental impact assessment. These include the preparation of plans for aspects of the work, such as construction camps, borrow pits and quarries, establishing crusher and asphalt facilities, and a site safety plan, which need to be completed and approved during the preconstruction phase. Also included are air, noise, and water quality monitoring parameters that follow related Pakistan national standards, and regular monitoring of the condition of the road surface, bridges, culverts, drainage structures and slope protection structures. In addition, information on the locations, type and consequences. If there are any unforeseen safeguards impacts or incidents these will be reported to ADB immediately for necessary action.

49. Monitoring of land acquisition and resettlement (LAR) tasks will be routinely conducted by Land Acquisition and Resettlement Unit, NHA and safeguard specialist in PIU, with the assistance of the social safeguard management consultant. The monitoring results of LAR tasks and issues can be included in the monthly project progress report for ADB. However, monthly monitoring reports will be consolidated into quarterly monitoring reports (during RP implementation) and bi-annual (when RP implementation is completed) to be submitted to ADB for review and clearance before its disclosure on NHA and ADB websites. Specific monitoring benchmarks for LAR monitoring report include (i) information campaign and consultation with affected persons; (ii) status of grievance/complaints recorded and grievances redressed during monitoring period; (iii) compensation for affected structures and other assets; (iv) relocation of affected persons; (v) payments for loss of income; and (vi) living standard and income restoration activities.

50. **Gender and social dimensions monitoring.** A summary poverty reduction and social strategy has been prepared. NHA, with the assistance of construction supervision consultants, shall ensure the project follows (i) measures to raise public awareness of the risks of HIV/AIDS and other sexually transmitted infections, drug and human trafficking; (ii) requirements for the civil works contractor(s) to take measures to protect construction workers from the risks of HIV/AIDS and other sexually transmitted infections, and for the testing and treatment of construction workers; (iii) awareness raising among temporary workers of important social and health issues; and (iv) measures to protect public and workers with requirements for the civil works contractor(s) to maintain their labor environment in healthy condition will be incorporated into the contract documents and are provided in the mitigation provisions of the EMP to meet requirements of ADB's Core Labor Standards (2006) and the country's relevant laws and regulations.

### C. Evaluation

51. ADB will field an inception mission within 3 months after signing of the loan agreement. Review missions will be carried out every 4–6 months jointly by representatives of ADB, the Borrower, and NHA. The review missions will assess the status of the project implementation and site visits are also required, whenever possible. ADB and the government will carry out a midterm review of project implementation in mid-2017. The review will focus on project impacts, particularly those relating to institutional, administrative, organizational, technical, environmental, and social aspects and poverty reduction. The project's economic viability, and other aspects that may have an impact on project performance, will be assessed. The review will examine the implementation progress of policy reforms and compliance with assurances specified in the loan agreement. This will allow for any necessary mid-course corrections to ensure successful implementation and the achievement of the project objectives.

### D. Reporting

52. NHA will provide ADB with (i) monthly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated semi-annual project progress reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, and (c) updated implementation plan for next 12 months; (iii) bi-annual safeguards monitoring reports separately for environment and resettlement; and (iv) a project completion report within 6 months of physical completion of the project. To ensure projects continue to be both viable and sustainable, project financial statements together with the associated auditors' report, would be adequately reviewed by NHA and ADB.

### E. Stakeholder Communication Strategy

<b>Project Documents</b>	<b>Means of Communication</b>	<b>Responsible Party</b>	<b>Frequency</b>	<b>Audience(s)</b>
Project data sheet (PDS)	ADB's website	ADB	Initial project data sheet posted on the website no later than 2 weeks after approval of the concept paper; updated at least twice a year	General Public
Design and monitoring framework	ADB's website	ADB	Key information from the draft reflected in project data sheet; final version posted on the website at the same time it is circulated to the Board for approval, subject to the concurrence of the government	General Public
Environmental Impact Assessment Report (EIA)	ADB's website	NHA, ADB	Draft posted on the website before appraisal; and the final version no later than 2 weeks of receipt by ADB	General Public, project-affected people
Resettlement Plan (RP)	ADB's website	NHA, ADB	Draft posted on the website before appraisal; and the final/updated version no later than 2 weeks of receipt by ADB	General Public, project-affected people

<b>Project Documents</b>	<b>Means of Communication</b>	<b>Responsible Party</b>	<b>Frequency</b>	<b>Audience(s)</b>
Loan Agreement	ADB's website	ADB	Posted on the website no later than 2 weeks from their signing, after removing any information falling within exceptions at the time of the negotiations	General Public
Report and Recommendation of the President (RRP)	ADB's website	ADB	Posted on the website at the same time it is circulated to the Board for approval, subject to the concurrence of the government	General Public
Summary of Poverty Reduction and Social Strategy	ADB's website Consultation	ADB NHA	Posted on the website at the same time it is circulated to the Board for approval, subject to the concurrence of the government	General Public
Procurement requirements	ADB website for procurement notice (ACN/SPN), invitation for bids (IFB), Local newspaper advertisement	ADB NHA	Available online (current and archive)	General public, potential civil works contracting firms
Project Administration Manual	ADB's website	ADB	Posted on the website at the same time it is circulated to the Board for approval, subject to the concurrence of the government	General Public
Environmental & Social Safeguard Monitoring Reports	ADB's website NHA's website	ADB NHA	Routinely disclosed, no specific requirements	General Public, project-affected people in particular
Audited project financial statements and the auditors' report	ADB's website	ADB	Within 30 days of receipt	General Public
Project Completion Report	ADB's website	ADB	Within 2 weeks of circulation to the Board for information	General Public
Evaluation Report	ADB's website	ADB	Within 2 weeks of circulation to Management and the Board	General Public

ADB=Asian Development Bank, ACN= advance contracting notice, CSRN = consulting services recruitment notice, IFB = invitation for bids, NHA = National Highway Authority, RRP = Report and Recommendation of the President, SPN = specific procurement notice.



## X. ANTICORRUPTION POLICY

53. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.<sup>10</sup> All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.<sup>11</sup>

54. To support these efforts, relevant provisions are included in the loan agreement and the bidding documents for the Project. Further, NHA will establish eligibility criteria for persons serving on bid evaluation committees and require full disclosure of relevant interests and any potential conflict of interests. Additionally, NHA will engage private firms to conduct technical audits of randomly selected works contracts within 12 months of commencement of the contract and six months prior to NHA taking over the project site from the contractor.

## XI. ACCOUNTABILITY MECHANISM

55. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.<sup>12</sup>

## XII. RECORD OF PAM CHANGES

PAM Version	Created Date	Revision Date	Reasons for Change	Main Contents of Change
V1.0	June 2015	NA	Initial	NA
		July 2015	Before loan negotiation	
V2.0		August 2015	After loan negotiation	Update procurement plan
V3.0		March 2018	Major change in scope	Update key persons involved Update project implementation plan Update procurement plan Update DMF Revise CAD projections

<sup>10</sup> Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>.

<sup>11</sup> ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>.

<sup>12</sup> For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

**TERMS OF REFERENCE FOR CONSTRUCTION SUPERVISION CONSULTANT**

(Refer to existing TOR in the contract between NHA and Consulting firm RENARDET S.A.)

# Bi-annual Environmental Monitoring Report

Project Number: {XXXXXX}  
{Month Year}

{Full Country Name}: {Project Title}  
{(Financed by the <source of funding>)}

Prepared by {author(s)}  
{Firm name}  
{City, country}

For {Executing agency}  
{Implementing agency}

This report does not necessarily reflect the views of ADB or the Government concerned, and ADB and the Government cannot be held liable for its contents.

## TABLE OF CONTENTS

### Part I Introduction

- Construction activities and Project Progress during previous 6 months
- Changes in project organization and Environmental management team
- Relationships with Contractors, owner, lender, etc.

### Part II Environmental Monitoring

Environmental monitoring summary – summarise the previous six months monitoring data and provide explanations of any instances where environmental standards or guidelines are exceeded. Typically this will cover:

- Noise and Vibration
- Water Quality
- Air Quality
- Flora and fauna monitoring

Recommendations are required to show how any exceedences will be prevented in the future.

Graphs can be used in this section to show trends, however large tables of data or multiple graphs should be attached as an appendix.

### Part III Environmental Management

- EMS, SSEMP and work plans. Report on delivery of documents, required amendments etc.
- Site Inspections and audits – summarise the number and type of site visits
- Non-compliance notices – summarise the details on the number of notices given out and the issues covered. Summarise the ranking of issues.
- Corrective action plans - report on timeliness of preparation and completion
- Consultation and complaints – report on any consultation undertaken and list any complaints received.

### Annexes

- Monitoring data
- Photographs
- Implementation report on EIA mitigation requirements

Reference	Requirement	Action to Date	Action Required/Comment

## **PROGRESS REPORT TEMPLATES**

- A. Monthly Progress Report**
- B. Quarterly Progress Report**

Monthly Project Progress Report  
LXXX-PAK:

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**I. Summary**

- Overall implementation progress of the project

**II. Civil Works**

**A. Package 1: XXXX**

- Provide update on procurement activities
- Indicate progress in civil works vis-à-vis work program
- Specify outputs and assess quality and timely completion
- Assess efficiency of coordination arrangement with Construction Supervision Consultant (CSC)
- Provide update on payments and disbursements
- Identify issues/problems including safeguards and implementation arrangements, and indicate measures planned/undertaken to solve issues

**III. Consultants**

**IV. Other Matters**

# Quarterly Project Progress Report

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Loan Number:

Reporting Period: Quarter \_\_\_\_ 20\_\_

Islamic Republic of Pakistan: National Motorway M-4 Gojra-Shorkot Section Project (RRP PAK 48402)

Prepared by:

National Highway Authority of Government of Pakistan

This report is a quarterly update to the project implementation progress. It is designed for ready use by the project executing agencies to provide direct input into ADB's internal Project Progress and Project Completion Reports.

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### **Attachments**

1. Progress of Project Outputs
2. Financial Management Action Plan
3. Updated Environmental Management Plan
4. Anticorruption Action Plan



## BASIC DATA

### Loan Identification

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Loan Number  
 Project Title  
 Borrower  
 Executing Agency  
 Implementing Agency  
 Amount of Loan

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### Loan Data

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Loan Negotiations  
 Board Approval  
 Loan Agreement Signing  
 Loan effectiveness  
   – In Loan Agreement  
   – Actual  
 Loan Closing  
   – In Loan Agreement  
   – Actual  
 Terms of Loan  
   – Interest Rate  
   – Maturity (number of years)  
   – Grace Period

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### Project Components, Costs, and Financing Plan (million US dollars)

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Project Components	Project Costs and Financing Plan			Total
	ADB	Government of the United Kingdom	Gov't	
Civil Works				
Consulting Services				
<b>Total</b>				

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km = kilometer, pm = person-month.

## I. SUMMARY: IMPLEMENTATION PROGRESS

Summarize the project implementation status as detailed in subsequent sections. It should analyze original and revised schedules and actual achievements/shortfalls in terms of physical and financial targets and accomplishments for the quarter (preferably in terms of broad components or identifiable physical elements). It would also contain conclusions about the viability of the original or earlier revised cost estimates and expected date of completion of the Project.

## II. MANAGEMENT AND OPERATIONS

### A. Implementation Arrangements

- (i) Assess the adequacy of implementation arrangements (such as establishment, staffing, and funding of the project implementing office) to deliver project outputs for the quarter.
- (ii) Discuss any major changes in the arrangements, and the effects on project implementation progress.
- (iii) Provide the status of compliance to the following loan covenants on implementation arrangements. Indicate which of the following covenants were (i) complied with, (ii) late complied with, (iii) ongoing, or (iv) not complied with. If compliance was delayed or breached, discuss the reasons and impact, and whether the covenant was realistic. Discuss the impact of partial or noncompliance of covenants on project performance. Recommend ways to achieve compliance. Indicate if any covenant has been modified, suspended, or waived, and the justification for such action.

- The Borrower shall make available, promptly as needed, the funds, facilities, services, land and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Project facilities.
- 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.
- NHA will be designated as the EA, which is responsible for the overall Project implementation and liaising with ADB. NHA will designate COR as the Project implementation agency. NHA will appoint a Project Director from its qualified staff with experience in project management acceptable to ADB. The Project Director will be responsible for the day-to-day implementation of the Project including the project preparation, implementation, monitoring and reporting.
- NHA will ensure that the Project Director is adequately assisted throughout the Project implementation period by NHA staff responsible for road engineering, financial, legal and procurement matters.
- NHA will ensure that the Project Director is supported by the supervision consultant in implementing the Project.

### B. Performance of Contractors, Consultants, Borrower, NHA, and ADB

#### Contractors and Consultants

- (i) Describe the performance of contractors and consultants for the quarter under reporting.

If they did not perform exceptionally well, describe the effects on the delivery and quality of the outputs, schedule, and/or costs.

**Borrower and NHA**

- (ii) Summarize the performance of the borrower, NHA in meeting the responsibilities assigned in the implementation plan and discuss any strengths/weaknesses in performance for the quarter under reporting.
- (iii) Assess the present institutional capacity and development of the NHA, including specific strengths and weaknesses, and whether the institutional development measures envisaged at appraisal were adequate or successful. Assess how the project preparatory TA helped improved institutional capacity.

**ADB**

- (iv) Review ADB's part in project implementation for the quarter (e.g., approvals, disbursements, and monitoring) to determine whether any ADB failure to act promptly, or disagreements with the borrower or EA on terms of reference, bid documents, awards, or other matters affected the implementation procedures, project costs, or implementation schedule.

**C. Implementation Schedule**