

Project Administration Manual

Project Number: 49228-003
Loan Number: xxxx
September 2019

India: Rajasthan State Highway Investment
Program (Tranche 2)

ABBREVIATIONS

ADB	—	Asian Development Bank
APFS	—	audited project financial statements
CAAA	—	controller of aid accounts and audit
CAG	—	Comptroller and Auditor General of India
DEA	—	Department of Economic Affairs
DMF	—	design and monitoring framework
EARF	—	environmental assessment and review
EFP	—	environmental focal person
EMP	—	environmental management plan
EMoP	—	environmental monitoring plan
FMA	—	financial management assessment
GOI	—	Government of India
GOR	—	Government of Rajasthan
GRC	—	grievance redress committee
GRM	—	grievance redress mechanism
IEE	—	initial environmental examination
IPC	—	interim payment certificate
km	—	kilometer
MFF	—	multitranche financing facility
NGO	—	nongovernment organization
RPWD	—	Public Works Department of the Government of Rajasthan
PAM	—	project administration manual
PFR	—	periodic financing request
PMC	—	project management consultant
PMU	—	project management unit
PIU	—	project implementation unit
PPP	—	public–private partnership
RSA	—	road safety audit
SOE	—	statement of expenditure
TOR	—	terms of reference

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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 the policies and procedures of the government and Asian Development Bank (ADB). The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Government of Rajasthan through the Public Works Department is wholly responsible for the implementation of ADB-financed projects, as agreed jointly between the borrower and ADB, and in accordance with the policies and procedures of the government and ADB. ADB staff is responsible for supporting implementation including compliance by the Government of Rajasthan through the Public Works Department of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At loan negotiations, the borrower and ADB have agreed to the PAM and ensured consistency with the framework financing agreement and the loan and project agreements. Such agreements are reflected in the minutes of the loan negotiations. In the event of any discrepancy or contradiction between the PAM and the framework financing agreement and the loan and project agreements, the provisions of the framework financing agreement and the loan and project agreements 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.

I. PROJECT DESCRIPTION

1. As the second tranche of the Rajasthan State Highway Investment Program, this project will improve the efficiency and safety of transport on the state highways of Rajasthan, thereby providing good quality connectivity for social and economic activities. The project will (i) upgrade about 754 kilometers (km) of state highways and major district roads (MDR) to two-lane or intermediate-lane standards in keeping with road safety requirements, and (ii) enhance the capacity of the Public Works Department of the Government of Rajasthan (RPWD) by improving the business processes and procedures of its Public–Private Partnership (PPP) Division on project management, safeguards implementation and monitoring, and road safety. The project will catalyze the sustainable development of Rajasthan through the collaboration of the public and private sectors.
2. The impact will be good quality connectivity provided in all areas, aligned with India's Three-Year Action Agenda, 2017–2018 to 2019–2020.¹ The outcome will be the improved efficiency and safety of transport on the state highways of Rajasthan.
3. The project will deliver the following two outputs:
 - (i) **Road improvement.** About 754 km of state highways and MDRs in Rajasthan will be constructed, rehabilitated, operated, and maintained. The project roads will be constructed or rehabilitated to two-lane or intermediate-lane standards and will incorporate road safety and climate change adaptation features.
 - (ii) **Capacity development.** The project management capacity of the PPP Division of the RPWD will be further enhanced, particularly on safeguards implementation and monitoring and road safety. Consultants will be recruited to provide capacity building support.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Table 1: Project Readiness Activities

Indicative Activities	Month/Year	Responsible Individual/ Unit/Agency/Government
Establish the PMU	March 2017	GOR
Advance contracting actions	April 2018–December 2019	GOR and ADB
Fact-finding mission	March 2019	ADB
Staff review meeting	May 2019	ADB
Loan negotiation	August 2019	GOI, GOR, and ADB
ADB President approval	September 2019	ADB
Loan signing	October 2019	GOI, GOR, and ADB
Government legal opinion provided	November 2019	GOI and GOR
Loan effectiveness	December 2019	ADB

ADB = Asian Development Bank, GOI = Government of India, GOR = Government of Rajasthan, PMU = project management unit.

Source: Asian Development Bank estimates.

¹ Government of India, NITI Aayog. 2017. *Three-Year Action Agenda, 2017–2018 to 2019–2020*. Delhi. The Three-Year Action Agenda succeeds the Twelfth Five-Year Plan.

B. Overall Project Implementation Plan

4. The implementation plan records key implementation activities of the project on a quarterly basis, which will be updated annually and submitted to ADB with contract and disbursement projections for the following year.

Table 2: Project Implementation Plan

Activity		MFF Availability Period				2015		2016		2017		2018		2019		2020		2021		2022		2023		2024			
						Advance Actions				Year 1		Year 2		Year 3		Year 4		Year 5		Year 6		Year 7		Year 8			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2
A	Project Preparation																										
1	Project preparation, processing, and approval of tranche 2																										
B	Road Improvement																										
1	Establish PMU																										
2	Procurement of civil works for tranche 2																										
3	Road construction under tranche 2																										
C	Capacity Development																										
1	Capacity development activities by PMC																										
2	Select PIC																										
3	Capacity development activities by PIC																										

MFF = multitranche financing facility, PIC = project implementation consultant, PMC = project management consultant, PMU = project management unit.

Source: Asian Development Bank.

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations: Roles and Responsibilities

Table 3: Project Implementation Organizations – Roles and Responsibilities

Project Implementation Organizations	Management Roles and Responsibilities
Executing agency	State Government of Rajasthan through the RPWD <ul style="list-style-type: none"> • Overall coordination of project implementation • Interagency coordination • Day-to-day project management • Consultant recruitment and procurement of works • Withdrawal application preparation and submission • Project progress report preparation and submission • Maintaining project accounts and complete loan financial records • Maintaining completed project roads • Feasibility study and detailed project report preparation
ADB	<ul style="list-style-type: none"> • Monitor and review overall implementation of the project in consultation with the executing agencies and/or implementing agencies, including the project implementation schedule; actions required in terms of poverty reduction, environmental impacts, and resettlement plans if applicable; timeliness of budgetary allocations and counterpart funding; project expenditures; progress with procurement and disbursement; statement of expenditure when applicable; compliance with particular loan covenants; and the likelihood of attaining the project's immediate development objectives • Posting on the ADB website of the updated project data sheet, audited project financial statement, and safeguard documents

ADB = Asian Development Bank, RPWD = Public Works Department of the Government of Rajasthan.

Source: Asian Development Bank.

B. Key Persons Involved in Implementation

Executing Agency

Government of Rajasthan through
the Public Works Department
(RPWD)

Ms. Veenu Gupta
Additional Chief Secretary (RPWD)
Government of Rajasthan
Telephone: +91 222 7459
Email: ps.pwd-rj@nic.in

Mr. M. L. Verma
Chief Engineer and Additional Secretary
Public Works Department
Government of Rajasthan
Telephone: +91 511 0501
Email: taceapwd@rediffmail.com

Mr. V. K. Singh
Additional Chief Engineer, PPP Division
Public Works Department

Government of Rajasthan
 Telephone: +91 511 0547
 Email: aceppp.pwd@rajasthan.gov.in

Asian Development Bank
 Transport and Communications
 Division, South Asia Department

Mr. Ravi Peri
 Director
 Telephone: +63 2 683 1771
 Email: rperi@adb.org

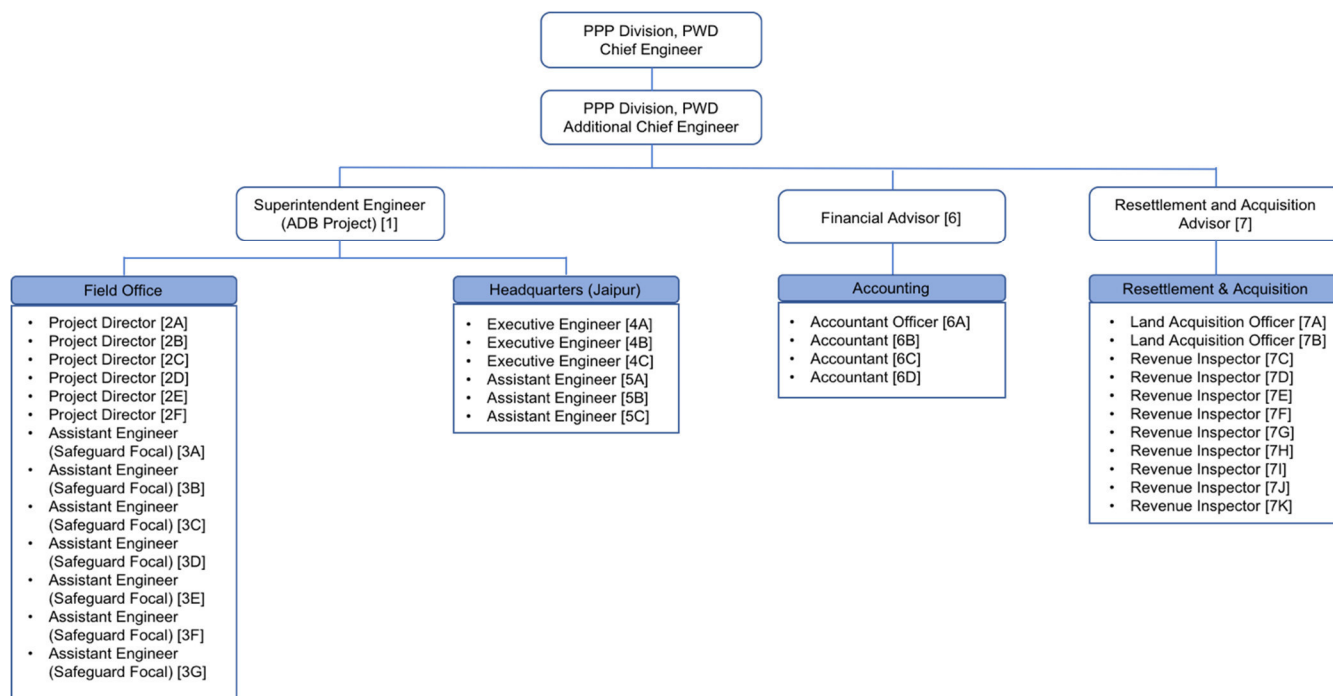
Mission Leader

Mr. Yang Lu
 Transport Specialist
 Telephone: +63 2 632 4481
 Email: yanglu@adb.org

C. Project Organization Structure

5. Figure 1 and Table 4 show the reporting lines and essential internal structures of the project implementation units and their staffing assignments.

Figure 1: Project Organization Structure



ADB = Asian Development Bank, PPP = public-private partnership, PWD = Public Works Department of the Government of Rajasthan.

Source: Asian Development Bank.

Table 4: Project Implementation Units

	Sr. No	Position	Name	Existing	Appointment Timeframe
		Chief Engineer (PPP)	Sh. Anoop Kulshreshtha	<input checked="" type="checkbox"/> appointed	
1		Additional Chief Engineer (PPP)	Sh. V. K. Singh	<input checked="" type="checkbox"/> appointed	
2	[1]	Superintendent Engineer (ADB Projects)	Sh. D. K. Agarwal	<input checked="" type="checkbox"/> appointed	
3	[2A]	Project Director 1 (T1, Annuity-1)	Sh. Sandeep Agrawal	<input checked="" type="checkbox"/> appointed	
4	[2B]	Project Director 2 (T1, Annuity-2 & T2, EPC 1 & 4)	Sh. V. L. Dhankad	<input checked="" type="checkbox"/> appointed	
5	[2C]	Project Director 3 (T1, Annuity-3)	Sh. Kaushlendra Bhardwaj	<input checked="" type="checkbox"/> appointed	
6	[2D]	Project Director 4 (T1, EPC-1)	Sh. Somesh Rathi	<input checked="" type="checkbox"/> appointed	
7	[2E]	Project Director 6 (T2, EPC-2 & 3)		<input type="checkbox"/> appointed	Sep 2019
8	[2F]	Project Director 7 (T2, Annuity-1 & 2)	Sh. N. M. Agrawal	<input checked="" type="checkbox"/> appointed	
9	[3A]	Assistant Engineer (Safeguard Focal) (T1, Annuity-1)	Sh. Hanuman Ratnu	<input checked="" type="checkbox"/> appointed	
10	[3B]	Assistant Engineer (Safeguard Focal) (T1, Annuity-2)	Sh. I. P. Choudhary	<input checked="" type="checkbox"/> appointed	
11	[3C]	Assistant Engineer (Safeguard Focal) (T1, Annuity-3)	Sh. Lokendra Singh	<input checked="" type="checkbox"/> appointed	
12	[3D]	Assistant Engineer (Safeguard Focal) (T1, EPC-1)		<input type="checkbox"/> appointed	Sep 2019
13	[3E]	Assistant Engineer (Safeguard Focal) (T2, EPC-1 & 4)	Sh. Krishan Saroagi	<input checked="" type="checkbox"/> appointed	
14	[3F]	Assistant Engineer (Safeguard Focal) (T2, EPC-2 & 3)		<input type="checkbox"/> appointed	Sep 2019
15	[3G]	Assistant Engineer (Safeguard Focal) (T2, Annuity 1 & 2)		<input type="checkbox"/> appointed	Feb 2020
16	[4A]	Executive Engineer (T1)	Sh. O. P. Soni	<input checked="" type="checkbox"/> appointed	
17	[4B]	Executive Engineer (T2)	Sh. G. D. Sharma	<input checked="" type="checkbox"/> appointed	
18	[4C]	Executive Engineer (Safeguard)	Sh. A. K. Jain	<input checked="" type="checkbox"/> appointed	
19	[5A]	Assistant Engineer (T1)	Sh. Shalini Garg	<input checked="" type="checkbox"/> appointed	
20	[5B]	Assistant Engineer (T2)	Sh. K. C. Vashisht	<input checked="" type="checkbox"/> appointed	
21	[5C]	Assistant Engineer (Safeguards Officer)	Sh. Saurabh Shrivatava	<input checked="" type="checkbox"/> appointed	
22	[6]	Financial Advisor	Sh. Ramsukh Jatoliya	<input checked="" type="checkbox"/> appointed	
23	[6A]	Accounting Officer	Sh. Rajesh Sharma	<input checked="" type="checkbox"/> appointed	
24	[6B]	Accountant (T1)	Sh. Shishram Yadav	<input checked="" type="checkbox"/> appointed	
25	[6C]	Accountant (T2)		<input type="checkbox"/> appointed	Dec 2019
26	[6D]	Accountant (T2)		<input type="checkbox"/> appointed	Feb 2020
27	[7]*	Resettlement and Acquisition Supervisor		<input type="checkbox"/> appointed	Oct 2019
28	[7A]	Land Acquisition Officer		<input type="checkbox"/> appointed	Oct 2019
29	[7B]	Land Acquisition Officer		<input type="checkbox"/> appointed	Oct 2019
30	[7C]	Revenue Inspector		<input type="checkbox"/> appointed	Oct 2019
31	[7D]	Revenue Inspector		<input type="checkbox"/> appointed	Oct 2019
32	[7E]	Revenue Inspector		<input type="checkbox"/> appointed	Oct 2019
33	[7F]	Revenue Inspector		<input type="checkbox"/> appointed	Oct 2019
34	[7G]	Revenue Inspector		<input type="checkbox"/> appointed	Oct 2019
35	[7H]	Revenue Inspector		<input type="checkbox"/> appointed	Oct 2019
36	[7I]	Revenue Inspector		<input type="checkbox"/> appointed	Oct 2019
37	[7J]	Revenue Inspector		<input type="checkbox"/> appointed	Oct 2019
38	[7K]	Revenue Inspector		<input type="checkbox"/> appointed	Oct 2019

ADB = Asian Development Bank, EPC = engineering, procurement, and construction, PPP = public-private partnership, RPWD = Public Works Department of the Government of Rajasthan, Sh. = Mr.

Note: The Land Acquisition Officer and Revenue Inspector will be hired by the RPWD under consultant or contract basis.

Source: Asian Development Bank.

IV. COSTS AND FINANCING

6. The project is estimated to cost \$379.24 million, including taxes and duties, physical and price contingencies, and interest and other charges during implementation (Table 5).

Table 5: Summary Cost Estimates
(\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Road improvement	307.75
2. Capacity development	5.25
Subtotal (A)	313.00
B. Contingencies^c	45.80
C. Financing Charges During Implementation^d	20.44
Total (A+B+C)	379.24

^a Includes taxes and duties of \$20.32 million to be financed from Asian Development Bank (ADB) loan resources, \$8.58 million from government resources and the private sector by cash contribution. The financing of taxes and duties is considered material and relevant to the success of the project.

^b In prices as of April 2019.

^c Physical contingencies computed at 2%–3% for civil works (including associated consulting services cost). Price contingencies computed at about 1.5% on foreign exchange costs and 5% 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 the ADB loan has been computed at the 5-year swap London interbank offered rate plus a spread of 0.5% for the ordinary capital resources loan. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

7. The financing plan is in Table 6. ADB will finance the expenditures in relation to part of the civil works cost during construction and capacity building on project management, in particular for safeguards implementation and monitoring. The government will finance utility works; social mitigation measures; project management; other consulting services, including independent engineers, authority engineers, and road safety experts; and operation and maintenance. The government will shoulder the financing shortfall, if required. Private sector investment of about \$66.15 million will be appropriately structured under the design–build–operate and/or maintain–transfer model. Private sector financing will be predicated on future contractual payments from the state government, in the nature of annuity payments, and subject to meeting specified performance standards.² Such payments from the government are conditional, and will be assessed by the commercial finance market (debt and equity) based on performance capacities of the contractor in construction and maintenance, as well as the credit worthiness of the state government.

Table 6: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank	190.00	50.10
Private sector	66.25	17.40
Government	123.09	32.50
Total	379.24	100.00

Source: Asian Development Bank estimates.

² At least 50% of the project capital cost is paid by the government to the concessionaire during the construction period. The remaining 50% of the project capital cost along with interest is disbursed as annuity payments in 20 semiannual installments spread over a period of 10 years, commencing from the commercial operation date.

8. ADB financing of \$190 million will have a 25-year term, including a grace period of 5 years, using the straight-line method, an annual interest rate determined in accordance with ADB's LIBOR-based lending facility, a commitment charge of 0.15% per year, and such other terms and conditions set forth in the draft loan and project agreements. Based on this, the average loan maturity is 15.25 years and the maturity premium payable to ADB is 0.10% per annum.

A. Cost Estimates Preparation and Revisions

9. The cost estimates were prepared by ADB and the RPWD with information for the investment costs extracted from the consultants' detailed project report.

B. Key Assumptions

10. The following key assumptions underpin the cost estimates and financing plan:

- (i) Exchange rate: INR68.9900 = \$1.00 (as of 5 April 2019).
- (ii) Price contingencies based on expected cumulative inflation over the implementation period are as follows:

Table 7: Escalation Rates for Price Contingency Calculation
(%)

Item	2019	2020	2021	2022	2023	2024
Foreign rate of price inflation	1.50	1.50	1.50	1.60	1.60	1.60
Domestic rate of price inflation	5.00	5.00	5.00	5.00	5.00	5.00

Source: Asian Development Bank estimates.

C. Detailed Cost Estimates by Expenditure Category

Table 8: Detailed Cost Estimates by Expenditure Category

	Total (\$ million)	% of Total Base Cost
A. Investment Costs		
1. Civil works		
a. Annuity packages	113.27	36.2
b. EPC packages	137.90	44.1
c. Land acquisition and resettlement	29.05	9.3
d. Utility shifting	5.58	1.8
2. Consultancy		
a. Project implementation	0.70	0.2
b. External monitor	0.15	0.0
c. Independent engineer	1.41	0.4
d. Authority engineer	2.58	0.8
e. Road safety	0.41	0.1
Subtotal (A)	291.05	93.0
B. Project Management		
1. Project implementation unit	21.95	7.0
Subtotal (B)	21.95	7.0
Total Base Cost (A+B)	313.00	100.0
C. Contingencies		
1. Physical contingency	6.99	2.2
2. Price contingency	38.81	12.4
Subtotal (C)	45.80	14.6
D. Financing Charges During Implementation		
1. Interest during implementation	19.58	6.3
2. Commitment charges	0.86	0.3
Subtotal (D)	20.44	6.5
Total Project Cost (A+B+C+D)	379.24	121.2

EPC = engineering, procurement, and construction.

Source: Asian Development Bank estimates.

D. Allocation and Withdrawal of Loan Proceeds

11. The following table should be read in conjunction with Schedule 3, Allocation and Withdrawal of Loan Proceeds of the loan agreement.

Table 9: Allocation and Withdrawal of Loan Proceeds

No.	Items	Amount Allocated (\$ million)	Percentage and Basis for Withdrawal from the Loan Account
1	Works	168.06	100% of eligible expenditures claimed
2	Consulting services	0.85	100% of eligible expenditures claimed
3	Unallocated	21.09	
	Total	190.00	

Source: Asian Development Bank estimates.

E. Detailed Cost Estimates by Financier

Table 10: Detailed Cost Estimates by Financier
(\$ million)

		ADB			GOR		Private Sector	
		Total	Amount	%	Amount	%	Amount	%
A.	Investment Costs							
1.	Civil works							
a.	Annuity packages	113.27	36.62	32.3	21.82	19.3	54.83	48.4
b.	EPC packages	137.90	131.44	95.3	6.46	4.7		
c.	Land acquisition and resettlement	29.05			29.05	100.0		
d.	Utility shifting	5.58			5.58	100.0		
2.	Consultancy							
a.	Project implementation	0.70	0.70	100.0				
b.	External monitor	0.15	0.15	100.0				
c.	Independent engineer	1.41			0.70	50.0	0.70	50.0
d.	Authority engineer	2.58			2.58	100.0		
e.	Road safety	0.41			0.41	100.0		
	Subtotal (A)	291.05	168.91	58.0	66.60	22.9	55.54	19.1
B.	Project Management							
1.	Project implementation unit	21.95			21.95	100.0		
	Subtotal (B)	21.95			21.95	100.0		
	Total Base Cost (A+B)	313.00	168.91	54.0	88.55	28.3	55.54	17.7
C.	Contingencies							
1.	Physical contingency	6.99	6.01	86.0	0.96	13.7	0.02	0.3
2.	Price contingency	38.81	15.08	38.9	13.13	33.8	10.60	27.3
	Subtotal (C)	45.80	21.09	46.1	14.09	30.8	10.62	23.2
D.	Financing Charges During Implementation							
1.	Interest during implementation	19.58			19.58	100.0		
2.	Commitment charges	0.86			0.86	100.0		
	Subtotal (D)	20.44			20.44	100.0		
	Total Project Cost (A+B+C+D)	379.24	190.00	50.1	123.09	32.5	66.15	17.4

ADB = Asian Development Bank, EPC = engineering, procurement, and construction, GOR = Government of Rajasthan.

Note: ADB will cover taxes and duties on (i) 100% of civil works cost claimed during the construction (i.e., 50% of construction cost of the annuity packages and 100% of construction cost of the EPC packages), and (ii) 100% cost of the project implementation consultant and external monitor consultant services. All other taxes and duties will be borne by the governments and the private sector.

Source: Asian Development Bank estimates.

F. Detailed Cost Estimates by Outputs and/or Components

Table 11: Detailed Cost Estimates by Outputs
(\$ million)

	Total	Output 1 Amount	%	Output 2 Amount	%
A. Investment Costs					
1. Civil works					
a. Annuity packages	113.27	113.27	100.0		
b. EPC packages	137.90	137.90	100.0		
c. Land acquisition and resettlement	29.05	29.05	100.0		
d. Utility shifting	5.58	5.58	100.0		
2. Consultancy					
a. Project implementation	0.70			0.70	100.0
b. External monitor	0.15			0.15	100.0
c. Independent engineer	1.41			1.41	100.0
d. Authority engineer	2.58			2.58	100.0
e. Road safety	0.41			0.41	100.0
Subtotal (A)	291.05	285.80	98.2	5.25	1.8
B. Project Management					
1. Project implementation unit	21.95	21.95	100.0		
Subtotal (B)	21.95	21.95	100.0		
Total Base Cost (A+B)	313.00	307.75	98.3	5.25	1.7
C. Contingencies					
1. Physical contingency	6.99	6.86	98.1	0.13	1.9
2. Price contingency	38.81	38.07	98.1	0.74	1.9
Subtotal (C)	45.80	44.93	98.1	0.87	1.9
D. Financing Charges During Implementation					
1. Interest during implementation	19.58	19.48	99.5	0.10	0.5
2. Commitment charges	0.86	0.85	99.5	0.01	0.5
Subtotal (D)	20.44	20.33	99.5	0.11	0.5
Total Project Cost (A+B+C+D)	379.24	373.01	98.4	6.23	1.6

EPC = engineering, procurement, and construction.

Source: Asian Development Bank estimates.

G. Detailed Cost Estimates by Year

Table 12: Detailed Cost Estimates by Year
(\$ million)

Item	Total	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
A. Investment Costs																	
1. Civil works																	
a. Annuity packages	113.27	0.00	7.61	11.83	11.83	3.39	3.39	6.46	6.29	6.11	8.01	7.71	7.41	7.81	8.89	8.47	8.05
b. EPC packages	137.90	7.46	32.02	53.13	28.74	6.91	3.55	1.02	1.66	2.31	1.09	0.00	0.00	0.00	0.00	0.00	0.00
c. Land acquisition and resettlement	29.05	5.81	23.24														
d. Utility shifting	5.58	2.79	2.79														
2. Consultancy																	
a. Project implementation	0.70				0.09	0.35	0.26										
b. External monitor	0.15	0.02	0.03	0.03	0.03	0.03	0.02										
c. Independent engineer	1.41		0.28	0.45	0.45	0.11	0.11										
d. Authority engineer	2.58	0.15	0.63	1.05	0.57	0.13	0.05										
e. Road safety	0.41	0.02	0.10	0.16	0.10	0.02	0.01										
Subtotal (A)	291.05	16.24	66.70	66.65	41.80	10.94	7.40	7.48	7.95	8.42	9.10	7.71	7.41	7.81	8.89	8.47	8.05
B. Project Management																	
1. Project implementation unit	21.95	0.82	5.02	8.27	5.59	1.33	0.92										
Subtotal (B)	21.95	0.82	5.02	8.27	5.59	1.33	0.92										
Total Base Cost (A+B)	313.00	17.06	71.73	74.93	47.39	12.27	8.32	7.48	7.95	8.42	9.10	7.71	7.41	7.81	8.89	8.47	8.05
C. Contingencies	45.80	0.33	3.35	7.98	6.63	2.00	1.57	1.66	1.93	2.27	2.46	2.06	2.10	2.54	2.90	2.97	3.04
D. Financing Charges During Implementation	20.44	0.42	1.22	2.96	4.67	5.46	5.71										
Total Project Cost (A+B+C+D)	379.24	17.81	76.29	85.87	58.70	19.74	15.59	9.15	9.88	10.68	11.56	9.77	9.51	10.35	11.79	11.44	11.10
% of Total Cost	100.00	4.70	20.12	22.64	15.48	5.20	4.11	2.41	2.61	2.82	3.05	2.58	2.51	2.73	3.11	3.02	2.93

EPC = engineering, procurement, and construction.

Source: Asian Development Bank estimates.

H. Contract and Disbursement S-Curve

12. The following table and graph show the quarterly contract awards and disbursement projections of the ADB loan over the life of the project.

Table 13: Contract Award and Disbursement Baseline Projections

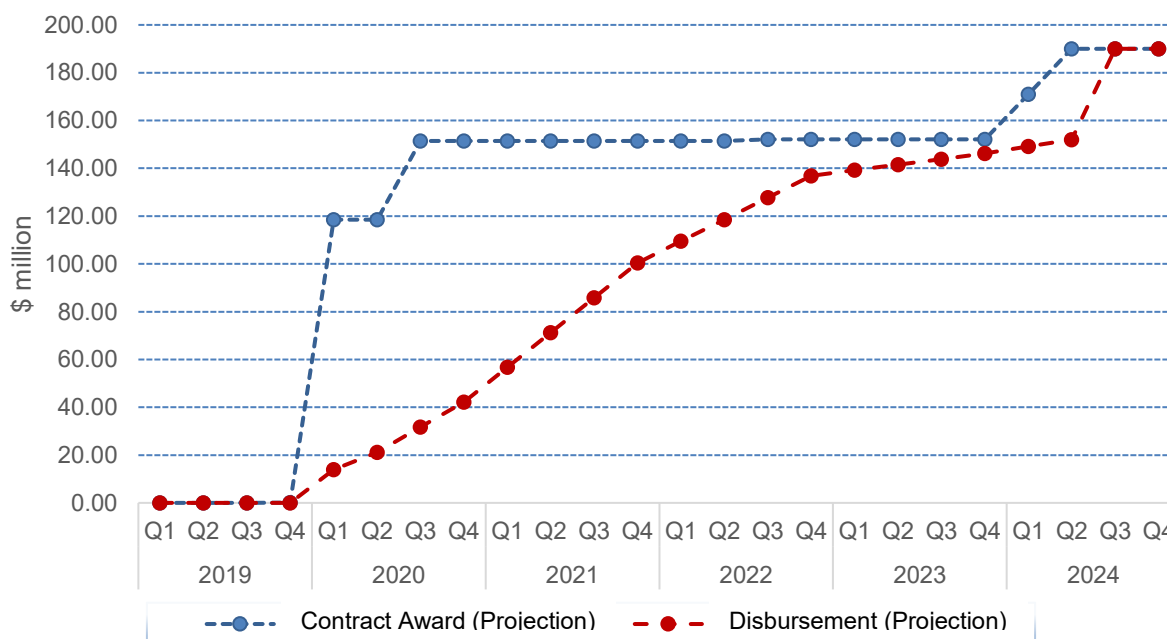
(\$million)

Tranche 2	Contract Award					Disbursement				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2019				0.15	0.15				0.01	0.01
2020	118.30		32.96		151.25	13.94	7.21	10.51	10.51	42.17
2021					0.00	14.56	14.56	14.56	14.56	58.24
2022			0.70		0.70	9.07	9.07	9.15	9.15	36.44
2023					0.00	2.34	2.34	2.34	2.34	9.35
2024	18.95	18.95			37.90	2.91	2.91	37.97		43.80
Total	137.25	18.95	33.66	0.15	190.00	42.82	36.09	74.53	36.56	190.00

Q = quarter.

Source: Asian Development Bank estimates.

Figure 2: Contract Awards and Disbursements S-Curve

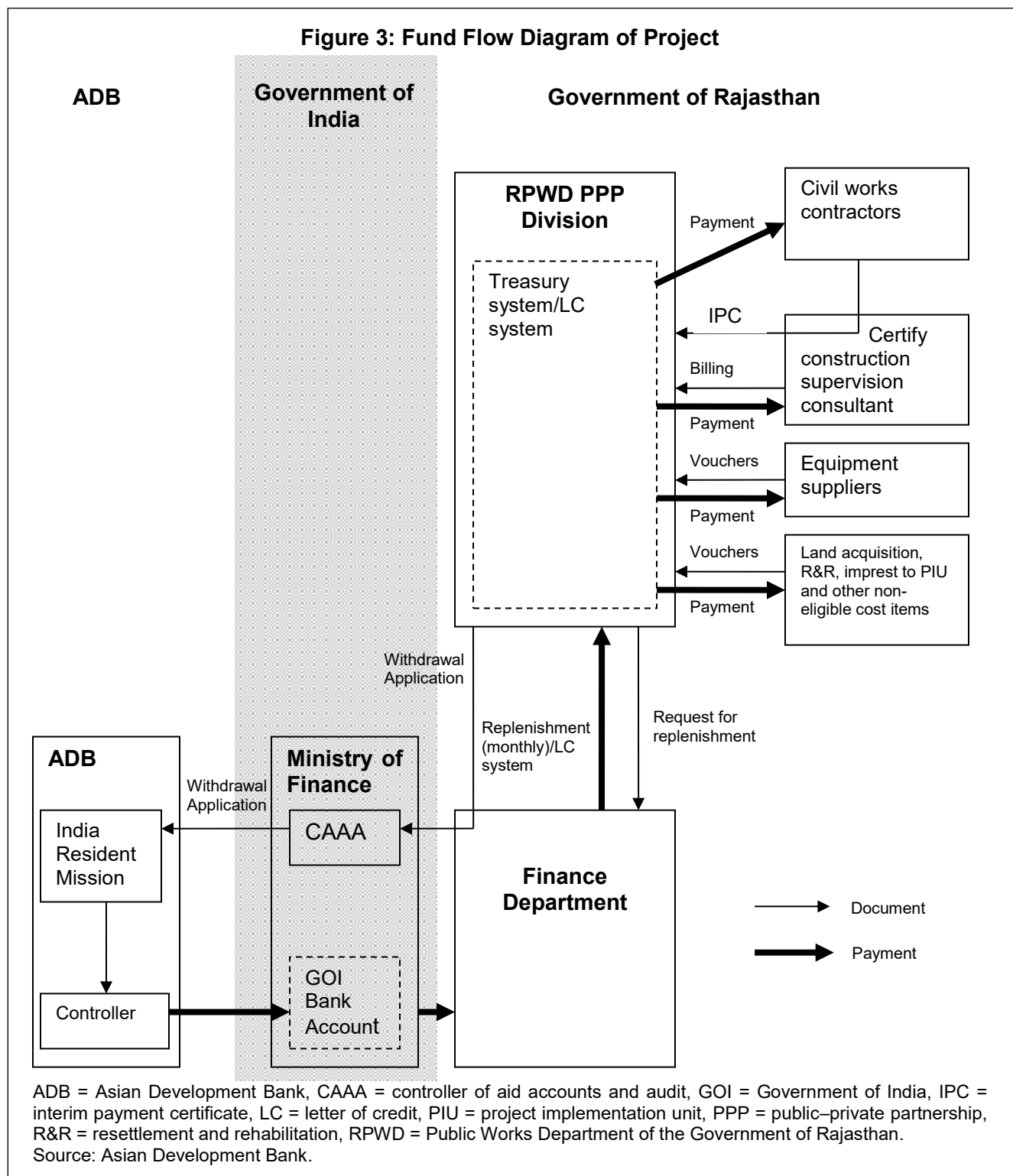


Q = quarter.

Source: Asian Development Bank estimates.

I. Fund Flow Diagram

13. The following diagram shows how the funds will flow from ADB to the borrower to implement project activities. The funds of the private sector as concessionaires will directly be utilized for construction, and therefore are not part of the fund flow process.



v. FINANCIAL MANAGEMENT

A. Financial Management Assessment

14. The financial management assessment (FMA) was conducted from July 2015 to January 2016 and updated in March 2019 in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects and the Financial Due Diligence: A Methodology Note.³ The FMA considered the capacity of the executing agency, the RPWD, particularly its PPP Division, including fund-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements. The status of the financial management action plan agreed for tranche 1 was reviewed and updated. The RPWD's PPP Division has dedicated financial management staff who are already familiar with ADB procedures to manage tranches 1 and 2. For tranche 1, no major disbursement issue was identified, and audited project financial statements (APFS) were submitted on time with unqualified opinion. Based on the assessment, the limited resources of internal and external audit functions were identified as a key financial management risk. The Finance Department and the RPWD agreed to form a committee of RPWD staff and officer from the Accountants General, Rajasthan to conduct internal audit of ADB projects. For external auditing, the RPWD agreed to engage a private auditing firm to ensure that audits will be conducted in a timely manner in case the agreed government arrangement is not implemented on time. It is concluded that the overall pre-mitigation financial management risk of the executing agency is *moderate*. The key risk analysis is presented in Table 14.

Table 14: Financial Management and Internal Control Risk Assessment

Risk	Risk Assessment	Risk Description	Mitigation Measures or Action Plans
Inherent Risk			
1. Country-specific risks	L	No country-specific risks affecting the project	Not applicable
2. Entity-specific risks	L	The PPP Division under the RPWD already has experience in implementing MDB-funded projects, including tranche 1 of the RSHIP (Loan No. 3534-IND). No disbursement or APFS-related issues have been reported.	The same organizational arrangement is used for the project.
Overall Inherent Risk: L			
Control Risk			
1. Implementing entity	L	The same PMU will implement both tranches 1 and 2 of the investment program. Dedicated and competent financial management staff are deployed.	Continuous training on the update of ADB's financial management requirement will be provided.

³ Financial Management Assessment Report is available upon request.

Risk	Risk Assessment	Risk Description	Mitigation Measures or Action Plans
2. Fund flow	L	Consistent with other projects in India, total project cost is budgeted and released to the GOR/EA as annual budget allocation. ADB loan proceeds are disbursed through reimbursement procedure to the GOI. No fund flow issues have been observed in tranche 1.	The GOR/EA properly budgets the project costs to ensure availability of funds for the project. Dedicated budget for this project is available with its own heading.
3. Staffing	L	<p>The PPP Division has dedicated financial management staff to manage tranches 1 and 2. They are already familiar with ADB procedures.</p> <p>The financial staff normally transfers in 4 years, and proper transfer of knowledge and experience is needed.</p>	<p>Financial staff are required to stay until the end of the project. If there is transfer of staff, their replacement should be assigned immediately with sufficient knowledge transfer.</p> <p>The PPP Division and ADB will closely monitor the financial management staff resource needs during implementation so that in case of staff shortage, additional sanctioned staff can be mobilized.</p>
4. Accounting policies and procedures	M	The existing cash-based accounting with the GOR's General Finance and Accounting Rules is followed. In India, the basis of accounting and financial reporting of the states is guided by the GOI standards. For the ADB-specific requirements, forms and procedures have been developed, but not compiled as a manual.	<p>Existing accounting and financial policies and procedures are followed.</p> <p>For the ADB-specific requirement, forms and procedures are to be compiled and formalized as a manual.</p>
5. Internal audit	S	In the RPWD, internal checking is done by the departmental audit section in all offices on need basis. The PPP Division had requested internal audit for tranche 1. However, internal audit did not take place due to the limitation of its internal audit resources.	<p>A committee of RPWD staff and officer from AG, Rajasthan will be formed to conduct internal audit of ADB projects at least semi-annually and will submit a report directly to the Chief Engineer for review and to implement recommended remedial measures.</p> <p>The first internal audit should cover activities from the beginning of tranche 1.</p>

Risk	Risk Assessment	Risk Description	Mitigation Measures or Action Plans
6. External audit	M	The AG of the GOR is mandated to carry out the statutory audit. However, as there was considerable delay in completing the audit by the AG, the EA engaged a professional audit firm for FY2017–2018 APFS of tranches 1. The APFS was submitted to ADB on time.	<p>The PPP Division will discuss with the AG to ensure timely completion of audit, either by the AG or empaneled private auditing firm. Appointment of the statutory auditor for APFS FY2018–2019 is to be processed by 19 August 2019.</p> <p>Ensure that the auditor follows the TOR agreed with the DEA, CAG, and ADB.</p> <p>The EA reviews the auditor's report and responds to the auditor's recommendations in a timely manner.</p>
7. Reporting and monitoring	M	The PPP Division submitted the quarterly monitoring report to ADB for tranche 1. The ADB specific requirements are not included.	The PPP Division will submit quarterly progress reports within 45 days after the reporting period in accordance with ADB's requirement. ADB disbursement information is to be reconciled with the LFIS.
8. Information systems	M	<p>The GOR, as part of public financial management reforms, has implemented the computerized government financial transactions system, which include budgeting, fund management, treasury, and accounting functions.</p> <p>On the other hand, ADB project specific information such as component-wise information and source-wise information are kept by Excel.</p>	The EA will ensure to maintain the information required by ADB in the system.
Overall Control Risk		M	
Overall (Combined) Risk		M	

H = High, L = Low, M = Moderate, S = Substantial.

ADB = Asian Development Bank, AG = accountant general, APFS = audited project financial statements, CAG = Comptroller and Auditor General, DEA = Department of Economic Affairs, EA = executing agency, FY = fiscal year, GOI = Government of India, GOR = Government of Rajasthan, IFMS = Integrated Financial Management Systems, IND = India, LFIS = loan and grant financial information services, MDB = multilateral development bank, PMU = project management unit, PPP = public-private partnership, RPWD = Public Works Department of the Government of Rajasthan, RSHIP = Rajasthan State Highway Investment Program, TOR = terms of reference.

Source: Asian Development Bank.

15. The GOR has agreed to implement an updated action plan as part of key measures to address deficiencies. The financial management expert will continue to be engaged to support the project management unit (PMU) in implementing financial management activities and

institutionalizing financial management procedures to comply with ADB requirements. The financial management action plan is provided in Table 15.

Table 15: Financial Management Action Plan

	Risk	Mitigating Measure	Timeline	Responsibility
1	Accounting procedure manual	For the ADB specific requirements, forms and procedures are to be compiled into a manual and formalized.	Draft to be provided to ADB by 20 Sep 2019 and finalized by 31 Nov 2019	RPWD
2	Internal audit	A committee of RPWD staff and officer from the Accountants General, Rajasthan will be formed to conduct internal audit of ADB projects at least semi-annually and will submit a report directly to the Chief Engineer for review and implement recommended remedial measures.	Internal auditor engaged by 30 April 2019 and complete internal audit (covers transactions from the start of tranche 1) by 30 June 2019 and subsequently in every 6 months	RPWD
3	External audit	The RPWD's PPP Division will discuss with the AG to ensure timely completion of audit of project financial statements, either by the AG or the empaneled private auditing firm.	Within one month after the fiscal year end (e.g., by 30 April 2019 for FY2018)	RPWD
4	Quarterly progress report	The PPP Division will submit quarterly progress reports in accordance with ADB's periodic reporting requirement. ADB disbursement information needs to be reconciled with the LFIS.	By 45 days after each reporting period	RPWD
4	Information system	The EA will ensure to maintain the information required by ADB in the system.	IT system to be in place and functional by 1 September 2019	RPWD

ADB = Asian Development Bank, AG = accountant general, EA = executing agency, FY = fiscal year, IT = information technology, LFIS = loan and grant financial information services, PPP = public-private partnership, RPWD = Public Works Department of the Government of Rajasthan.

Source: Asian Development Bank.

B. Disbursement

1. Disbursement Arrangements for ADB Funds

16. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.⁴ Online training for project staff on disbursement policies and procedures is available.⁵ Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

17. Reimbursement procedure will be used for civil works and consulting services. The RPWD will be responsible for (i) preparing disbursement projections, (ii) requesting budgetary allocations

⁴ The handbook is available electronically at the ADB website: <https://www.adb.org/sites/default/files/adb-loan-disbursement-handbook-2017.pdf>.

⁵ Disbursement eLearning: http://wpqr4.adb.org/disbursement_elearning.

for counterpart funds, (iii) collecting supporting documents, and (iv) preparing and sending withdrawal applications to ADB.

18. **Statement of expenditure procedure.**⁶ The statement of expenditure (SOE) procedure may be used for reimbursement of eligible expenditures. The ceiling of the SOE procedure is the equivalent of \$100,000 per individual payment. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit. Reimbursement of individual payments in excess of the SOE ceiling should be supported by full documentation when submitting the withdrawal application to ADB.

19. Before the submission of the first withdrawal application, the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the government, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is stipulated in ADB's *Loan Disbursement Handbook* (2017, as amended from time to time). Individual payments below such amount should be paid by the RPWD and subsequently claimed to ADB through reimbursement, unless otherwise accepted by ADB. The borrower should ensure sufficient category and contract balances before requesting disbursements. Use of ADB's Client Portal for Disbursements (CPD) system is mandatory for submission of withdrawal applications to ADB.⁷

2. Disbursement Arrangements for Counterpart Fund

20. All disbursements under government financing will be carried out in accordance with regulations of the Government of Rajasthan.

C. Accounting

21. The RPWD will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project following the GOI's cash-based accounting laws and regulations that are consistent with international accounting principles and practices. The RPWD will prepare project financial statements in accordance with the GOI's cash-based accounting laws and regulations that are consistent with international accounting principles and practices, template financial statements provided in the standardized terms of reference for audit of ADB-assisted projects, agreed with the Comptroller and Auditor General (CAG) of India, the Department of Economic Affairs (DEA), and ADB, and which can be referred to as a guide for preparing financial statements. The terms of reference for audit of ADB-assisted projects by the Comptroller and Auditor General of India is in Appendix D.

D. Auditing and Public Disclosure

22. The RPWD will cause the detailed project financial statements to be audited in accordance with international standards on auditing, and government's audit regulations, by the CAG or independent auditor, and acceptable to ADB. The audited project financial statements (APFS) together with the auditor's opinion will be presented in the English language to ADB within 6

⁶ SOE forms are available in Appendix 7B and 7D of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

⁷ The CPD facilitates online submission of withdrawal applications to ADB, resulting in faster disbursement. The forms to be completed by the borrower are available online at <https://www.adb.org/documents/client-portal-disbursements-guide>.

months from the end of the fiscal year by the RPWD. To ensure the timely submission of the APFS, the RPWD shall formally request the CAG to include audits of the project in their yearly work plan. Unaudited project financial statements should be submitted to the CAG for audit within 3 months from the end of the fiscal year. The RPWD shall inform the Accountant General (Rajasthan) about the requirements.⁸

23. The audit report for the project financial statements will include a management letter and auditor's opinions, which cover (i) whether the project financial statements present an accurate and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) whether the proceeds of the loan were used only for the purpose(s) of the project; and (iii) whether the borrower or executing agency was in compliance with the financial covenants contained in the legal agreements (where applicable).

24. 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.

25. The government and the RPWD have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the APFS.⁹ 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 procedures.

26. Public disclosure of the APFS, including the auditor's opinion on the project financial statements, will be guided by ADB's Public Communications Policy 2011.¹⁰ After the review, ADB will disclose the APFS and the opinion of the auditors on the project financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.¹¹

⁸ The audit of the ADB project account to be carried out by the Accountant General (Audit) Rajasthan as agreed with the ADB, DEA, and CAG vide letter No. 5/2/2010-ADB-1 dated 2 September 2013 from the DEA, GOI.

⁹ ADB's approach and procedures regarding delayed submission of audited project financial statements:

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

¹⁰ Public Communications Policy: <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>.

¹¹ This type of information would generally fall under public communications policy exceptions to disclosure. ADB. 2011. *Public Communications Policy*. Paragraph 97(iv) and/or 97(v).

VI. PROCUREMENT AND CONSULTING SERVICES

A. Procurement Risk Assessment and Mitigation

27. The procurement risk of the RPWD as an entity remains low as the RPWD is well established with a robust institutional framework and strong technical capability in highway construction. The Rajasthan Transparency in Public Procurement Act and Rules have streamlined the procurement procedures and ensured accountability. The adoption of e-procurement has further enhanced transparency. Most of the RPWD staff have previous experience in procurement from national and state level agencies and are familiar with multilateral development bank procurement regulations and guidelines. The *high* risk rating of the project mainly refers to the market risk. Since the annuity-based contract requires significant upfront investment from the concessionaire and may increase their financial burden, interest from the construction sector to participate in the bidding may be limited. As a mitigation measure, the contracts are presented in large packages to attract qualified international and national contractors. The MFF modality provides a pipeline of subprojects, which will help contractors invest in equipment for projects in remote areas. The concession agreement is carefully designed to retain certain bonus clauses to ensure sufficient attractiveness.

B. Advance Contracting and Retroactive Financing

28. All advance contracting and retroactive financing will be undertaken in conformity with ADB's Procurement Guidelines (2015, as amended from time to time) and ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The issuance of invitations for bid under advance contracting and retroactive financing will be subject to ADB approval. The borrower, the GOR, and the RPWD have been advised that approval of advance contracting and retroactive financing does not commit ADB to finance the project.

29. **Retroactive financing.** Withdrawals from the loan account may be made to finance eligible expenditures incurred under the project before the effectivity date but not earlier than 12 months before the date of signing of the loan agreement, in connection with works and consulting services, subject to a maximum amount equivalent to 20% of the loan amount.

C. Procurement of Works and Consulting Services

30. All procurement of works will be undertaken in accordance with ADB's Procurement Guidelines (2015, as amended from time to time).

31. International competitive bidding (ICB) procedures will be adopted for all civil works contracts over \$40 million. National competitive bidding may be used for contracts below the threshold. It is recommended that all civil works packages are procured under ICB procedures. Shopping can be used for contracts with values lower than \$100,000, as appropriate. This is for efficiency and simplification of procedures given that one package exceeds the threshold value of \$40 million.

32. All consultants will be recruited according to ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).¹² The terms of reference (TOR) for all consulting services financed under this project by ADB are listed in Section E.

¹² Checklists for actions required to contract consultants by method are available in the e-Handbook on Project Implementation at <http://www.adb.org/documents/handbooks/project-implementation/>.

33. A project management consultant (PMC) is hired under tranche 1 to (i) facilitate project management and implementation, (ii) strengthen the institutional and operational capacity of the executing agency, and (iii) support the preparation of subsequent tranches. The PMC will continue to support this project. After the loan of tranche 1 closes, a project implementation consultant will be engaged under tranche 2 to continue the support for project implementation, particularly on project management and safeguards implementation. Consulting firms will be engaged using the quality- and cost-based selection (QCBS) method with a standard quality–cost ratio of 80:20.

34. An individual consultant will be recruited under this project as external social safeguards monitor for the entire investment program. The RPWD will also engage authority engineers, independent engineers, and road safety consultants to support and supervise the contractors and concessionaires in the field.

D. Procurement Plan

35. An 18-month procurement plan indicating threshold and review procedures, works, consulting service contract packages, and national competitive bidding guidelines is attached in Appendix A.

E. Consultant's Terms of Reference

36. The TORs of the consultants engaged under this project are provided in the following appendixes:

- (i) Terms of reference for Project Implementation Consultant (PIC): Appendix B
- (ii) Terms of reference for External Safeguards Monitor: Appendix C

VII. SAFEGUARDS

37. Safeguards categorization for this project is in Table 16.

Table 16: Safeguards Categorization

Environment	Involuntary Resettlement	Indigenous Peoples
B	A	C

A. Environmental Safeguards

38. The scope of works under this project involves upgrading of existing and recently notified state highways through widening of existing roads into two lanes or intermediate lane with shoulders. All 11 roads are outside any legally protected, eco-sensitive, or critical habitat areas.¹³ Most of the adverse impacts are coterminous with the construction stage, site-specific, limited within the right of way, and are mitigated through good engineering practice. A consolidated initial environmental examination (IEE) was drafted based on road-specific IEEs done during the

¹³ Critical habitat according to ADB's Safeguard Policy Statement is an area with high biodiversity value, including habitat required for the survival of critically endangered or endangered species; areas having special significance for restricted range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers individuals of congregatory species; areas with unique assemblages of species or that area associated with key evolutionary processes or provide ecosystem services; and areas having biodiversity of significant social, economic, or cultural importance to local communities.

feasibility study preparation and supplemented by external environmental experts' site visits, consultations, and assessment. Each project road was subjected to environmental screening guided by ADB's rapid environmental assessment checklist, environmental baseline compiled including stakeholder consultations, impacts assessed, and concomitant mitigation and monitoring plans prepared. The costs of mitigation and monitoring plans for the construction phase are integrated in the civil works cost estimates.

39. **Implementation arrangements for environmental safeguards.** The responsibilities of various agencies and parties for implementing environmental safeguards are provided below.

- (i) **PPP Division of RPWD.** The PPP division is the PMU and it is responsible for overall compliance with ADB's Safeguard Policy Statement (2009) and the applicable laws and rules under the Ministry of Environment, Forest and Climate Change. The PMU will have an environmental safeguards officer with a rank of executive engineer to coordinate with the project directors of project implementation units (PIUs) to ensure that project implementation complies with the environmental assessment and review framework (EARF) and the environmental management plan (EMP). The environmental safeguards officer is responsible for the following:
 - environmental screening and proposed categorization to reflect the significance of potential impacts or risks that a proposed road might present, and advise feasibility for inclusion and identify the needed level of assessment;
 - reviewing and approving all environmental safeguards-related documents such as IEEs, monitoring reports, and due diligence prepared under the investment program with recommendations and clarifications from the PIUs and PMC where necessary;
 - continued employment of the environmental specialist (consultant, recruited under tranche 1) to provide support in preparing IEE reports and processing environmental statutory clearances and permits such as forestry clearances and others on behalf of the PMC for roads funded under this project and subsequent tranches;
 - timely endorsement and signing of key documents and forwarding these to the appropriate agency for processing of forestry clearance, tree cutting permit, permission for groundwater extraction, etc., and for disclosure on the ADB and RPWD websites;
 - ensuring all contractors obtain permits, licenses, etc. for activities such as operation of asphalt plants, quarries, borrow areas, etc., before the implementation of the respective construction activity;
 - taking proactive and timely measures to address any environmental safeguards related challenges at the national or state level such as delays in processing of clearances during pre-construction stage and significant grievances (during construction stage); and
 - reviewing sanctions proposed by the PIU and agreeing with the contractor and/or concessionaire on actions to be taken on the sanction.
- (ii) **Project implementation units.** The PIUs through the project director will supervise implementation of the EMP and environmental monitoring plan (EMoP) by the contractor and/or concessionaire through the following:

- reviewing all subplans identified in the EMP to be prepared by the contractor to include camp layout, waste and/or debris management plan, borrow area management plan, and traffic management plan with guidance from the PMC;
- reviewing monthly, quarterly, and annual environmental monitoring reports prepared by the contractor and/or concessionaire—environmental focal person (EFP);
- conducting monthly site and follow-up inspections to ensure the veracity of the submitted monitoring reports and to enforce the EMP and EMoP;
- conducting compliance conference with the contractor and/or concessionaire to discuss non-compliance and to agree on corrective measures with guidance from the PMC and the PMU; and
- recommending sanctions to the environmental safeguards officer in the PMU in the case of recalcitrant contractors and/or concessionaires.

(iii) **Project management consultant.** The main objective of the PMC is to support the PMU in implementing the environmental requirements of the project by providing assistance in the monitoring of EMP implementation through the following:

- conducting environmental site induction training workshops for all contractors and/or concessionaires, authority and/or independent engineers, and PIUs to ensure understanding of the EMP and domestic environmental laws and regulations requirements particularly on the required clearances and permits, and training on occupational and community health and safety;¹⁴
- ensuring timely mobilization of the contractor's and/or concessionaire's EFP;
- reviewing and verifying revised EMPs and subplans submitted by the contractor and/or concessionaire, and advising the PMU on their adequacy;
- conducting monthly site inspections to check the contractor's and/or concessionaire's compliance with the EMP and EMOP;
- participating in public consultations on issues concerning the project and facilitating and/or addressing environment-related grievances that may be submitted to the project grievance redress mechanism (GRM) or elevated by the authority and/or independent engineers;
- ensuring that contractors and/or concessionaires secure necessary permits and clearances;
- preparing environmental due diligence reports on EMP implementation needed for the processing of subsequent tranches;
- preparing summary monthly, quarterly, and annual environmental monitoring reports based on site observations and the monthly environmental safeguards implementation reports prepared by the

¹⁴ Site induction training includes but is not limited to (i) discussion and review of the EMP and EMoP detailing how specific environmental risks associated with their scope of work will be managed, legal compliance, inspection and audits, and progress tracking and reporting; (ii) environmental training and awareness needs shall be determined and documented via a training needs analysis prior to commencement; (iii) Health and Safety Awareness Course, which details general environmental awareness and specific performance requirements expected on site; and (iv) grievance redress mechanism.

contractor's and/or concessionaire's EFP for the review of the PIU and/or PMU and approval by the PMU;

- preparing annual environmental monitoring reports for approval by the PMU (copy to PIU, authority and/or independent engineers) and for further submission to ADB for public disclosure;
- advising the contractor and/or concessionaire through the PMU and PIUs on how to comply with requirements and address non-compliances;
- reporting apparent unanticipated impacts and recommending mitigation measures to the PMU for advising authority and/or independent engineers to issue the necessary instructions to the respective contractor and/or concessionaire; and
- updating the IEE report in situations of unanticipated impacts when deemed necessary.

(iv) **Authority and/or independent engineer.** The authority and/or independent engineers will have a dedicated environmental specialist to monitor the implementation of safeguards standards.¹⁵ Following are the responsibilities of the authority and/or independent engineers:

- reviewing the IEE and EMP to understand the background environmental issues of the respective subproject;
- reviewing and approving the revised EMP and other required subplans such as traffic management plan, health and safety plan, waste management plan, etc. prepared by the contractor and/or concessionaire;
- mobilizing the environmental specialist to conduct regular (at least weekly) site inspections and monitoring the implementation of the EMP and EmoP by the contractor and/or concessionaire. During the absence of the environmental specialist, other engineers in the authority and/or independent engineers' team will take the responsibility of regular monitoring;
- providing on-site training and technical guidance to the contractor and/or concessionaire workers, as necessary;
- reviewing the monthly, quarterly, and annual reports prepared and submitted by the contractor and/or concessionaire;
- preparing monthly reports on monitoring activities, training, and other environmental safeguard activities implemented;
- where necessary, identifying the need for corrective actions and issuing official notices to the contractor and/or concessionaire to implement the corrective actions with clear timeline;
- facilitating consultations with complainants and ensuring that grievances are addressed in accordance with the project's GRM system for complaints or grievances encountered onsite, whether through formal or informal channels; elevating issues or complaints to the PMC, as necessary;
- regularly convening meetings to discuss progress or issues on environmental safeguards to ensure that all parties (contractor and/or concessionaire, PMC, PIUs, PMU) are on the same page on requirements and milestones for environmental safeguards; and

¹⁵ The authority engineer is the supervising authority for contractors that follow the EPC modality. They are also responsible for reviewing and approving the detailed engineering design prepared by the EPC contractor. The independent engineer is the supervising authority for contractors for annuity contracts. The authority and/or independent engineers are not hired under ADB funding.

- based on the site inspections and review of reports submitted by the contractor and/or concessionaire, assisting the PMC in preparing annual environmental monitoring reports for review and approval by the RPWD. These reports will be further forwarded to ADB for disclosure on its website.
- (v) **Contractor and/or concessionaire.** The contractor and/or concessionaire is the principal agent to implement the EMP and EMoP during the pre-construction, construction, and operation stages. Specifically, the contractor and/or concessionaire will perform the following:
- appoint the contractor's and/or concessionaire's environmental focal person and attend the site induction workshop to be organized by the PMC;
 - obtain necessary environmental licenses, permits, etc. from relevant agencies as specified by the EARF (Table 3) for associated facilities for project road works, quarries, hot-mix plant, etc., prior to commencement of civil works contracts;
 - implement all mitigation measures in the EMP and activities in the EMoP. Pollution monitoring will be done on a quarterly basis through NABL and/or MOEFCC accredited testing laboratories.¹⁶ Other EMoP items will be monitored on a monthly basis;
 - submit monthly, quarterly, and annual safeguards implementation reports to the authority and/or independent engineers for approval and for further submission to the PIUs and PMC for final submission to the PMU;
 - ensure all workers, site agents, including site supervisors and managers, participate in training sessions delivered by the PMC;
 - acquire all environmental statutory requirements (permits, no objection certificates, etc.) and fulfill contractual obligations;
 - ensure the collection of baseline data on environmental quality through accredited third-party laboratories before the start of physical works and ensure the continued collection of data as given in the EMoP during construction and operation;
 - respond promptly to grievances raised by the local community or any stakeholder and implement environmental corrective actions or additional environmental mitigation measures, as necessary; and
 - based on the results of EMP monitoring, cooperate with the PMC, authority and/or independent engineers, and PIUs to implement environmental corrective actions and corrective action plans, as necessary.

40. **Ensuring implementation of environmental standards.** The PMU will ensure that all environmental safeguard requirements under the project will be implemented as required by the EARF and consolidated IEE. Rapid environmental assessment checklists will be completed for each project road, including bridges. Based on these checklists, environmental categorization will be recommended based on ADB's Safeguard Policy Statement (2009). The consolidated IEE report must clearly present information and issues that may be unique to a district or geographic area or project road and all sensitive issues identified in the environment checklist must be clearly documented. The EMP and EMoP will be comprehensive and cover all environmental issues that may be expected during road construction and maintenance. Necessary provisions for this will be included in the bidding documents, and accordingly, the contractor and/or concessionaire will be required to include all costs for implementing the contract package-specific EMP and EMoP.

¹⁶ NABL = National Accreditation Board for Testing and Calibration Laboratories; MOEFCC = Ministry of Environment Forests and Climate Change.

41. The EMP is a plan for mitigating all anticipated environmental impacts during the pre-construction, construction, and operation stages. Specific mitigation measures with details on location, time, and the responsible agency for implementation are given in the EMP. The EMoP is a plan for monitoring various environment quality parameters and checking the effectiveness of the EMP. It comprises activities on testing the quality of air, water, and noise through laboratory tests and physical monitoring of problems of soil erosion, tree plantations, habitat enhancement activities carried out, and occupational health and safety issues. Quality testing of air, water, and noise will be outsourced by the contractor and/or concessionaire to NABL and/or MOEFCC accredited laboratories.

42. The PMC and PIU will conduct monthly monitoring of EMP and EMoP implementation and review monthly monitoring records maintained by the contractors and/or concessionaires. The PMU will also conduct on-site monitoring and review of documents quarterly and bi-annually and provide technical advice to enhance EMP implementation as necessary.

43. All required clearances, permits, and licenses as applicable must be obtained by the contractor and/or concessionaire with support from the PIUs before the start of construction works in the respective road sections. Permits, licenses, etc., for activities such as operation of asphalt plants, quarries, borrow areas, etc., must be obtained by the contractor and/or concessionaire before the implementation of the respective construction activity.

Table 17: Environmental Management Periodic Outputs, Deliverables, and Milestones during Construction Phase

Activity	Responsibility	Outputs	Deliverable to ADB	Period
Appointment of contractor/ concessionaire environmental focal person	Contractor/ concessionaire and PMC	Appointment letter submitted to RPWD through PMC	Included in annual monitoring report	At least 45 days before start of construction
Induction training of contractors/ concessionaires	PMC	Training materials and training proceedings	Included in annual monitoring report	At least 30 days before start of construction
On-site training and field level guidance	Authority and/or independent engineers	Records of training and field level guidance provided	Included in annual monitoring report	Continuously as needed during construction
Monthly				
Environmental self-monitoring report	Contractor/ Concessionaire	Completed checklist submitted to PMC and PIUs	Key findings included in annual monitoring report	Monthly starting from commencement date
Environmental progress report	Authority engineers and/or independent engineers	Report on monitoring, training, and other environmental activities implemented	Summary for inclusion in annual monitoring report	Monthly after commencement date
Site inspection	PMC			Monthly

Activity	Responsibility	Outputs	Deliverable to ADB	Period
Site inspection	PIUs	Inspection report and summary project-level monitoring report submitted to PIUs and PMU None	Included in annual monitoring report	
Quarterly				
Compliance monitoring report	PMC	Project-level summary submitted to the PMU, package-level summary submitted to the respective PIU	Key findings included in annual monitoring report	3 months after commencement date
Site inspection		None		
Annual				
Annual monitoring report	PMC	Submitted to PMU	Submitted to ADB for review and disclosure on the ADB and RPWD websites	No later than 13 months after commencement
Site inspection	PMU			
Environmental due diligence	PMC	Submitted to PMU	Submitted to ADB	Processing of tranche 3

ADB = Asian Development Bank, PIU = project implementation unit, PMC = project management consultant, PMU = project management unit, RPWD = Public Works Department of the Government of Rajasthan.
Source: Asian Development Bank.

B. Social Safeguards

44. For the entire investment program, a resettlement framework has been prepared in accordance with (i) the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act (2013), which is effective from January 1, 2014 (hereinafter called LA Act 2013); (ii) state laws and regulations; and (iii) ADB's Safeguard Policy Statement (2009). Displaced persons (titleholders and non-titleholders) will be compensated at replacement cost and the rates for different categories of loss and special assistance are detailed in the entitlement matrix of the resettlement plans. The RPWD will employ nongovernment organizations (NGO) to help facilitate land acquisition and resettlement and rehabilitation activities. If during the implementation of the project, any modifications or additional land requirement or involuntary resettlement impacts are identified, a related resettlement plan will be prepared or modified in accordance with the applicable laws referred to in the resettlement plan, and prior approval of ADB will be obtained before any further implementation of the relevant section of the subproject. The resettlement specialist of the PMC will update the resettlement plan with inputs from the NGO.

45. The RPWD will adhere to ADB's Safeguard Policy Statement objectives, which are (i) to avoid involuntary resettlement wherever possible; (ii) to minimize involuntary resettlement by exploring design alternatives; (iii) to enhance, or at least restore, the livelihood of all displaced persons in real terms relative to pre-project levels; and (iv) to improve the standards of living of

the displaced poor and other vulnerable groups. Specifically, the RPWD will (i) implement the project in accordance with the resettlement plans; (ii) ensure that all displaced persons should be paid compensation and assistance prior to physical and economic displacement; (iii) ensure that land that is free of encumbrance can be handed over to the concessionaries and/or contractors, and for areas where there are displaced persons (titleholders and non-titleholders), the relevant compensation and assistance must be fully paid before affected households can be displaced; (iv) ensure that civil works can only start after the relevant sections have been declared free of encumbrance; (v) undertake continued meaningful consultation; (vi) establish an efficient grievance redress mechanism in accordance with the resettlement plans to assist affected persons to resolve grievances and complaints in a timely manner; and (vii) submit semi-annual monitoring reports to ADB on the implementation of the resettlement activities.

46. If negotiated settlement takes place, comprehensive consultations with the affected households will have to be undertaken and the government will ensure that negotiation is undertaken without coercion and documented in a transparent manner. For negotiated settlement, displaced households will be paid as per the entitlement matrix. An independent monitor will be engaged to verify and certify that the process has been done as per the resettlement framework. If negotiated settlement fails, land will be acquired as per (i) the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act (2013); (ii) state laws and regulations; and (iii) ADB's Safeguard Policy Statement (2009).

47. The responsibilities of respective parties and agencies on implementing the social safeguards are given below:

- (i) **Jurisdictional Additional Collector.** This will be the administrator for land acquisition, resettlement, and rehabilitation. The jurisdictional additional collector, being the competent authority for land acquisition, will also look into resettlement and rehabilitation and he and/or she will be supported by the project director, PIU in implementing the resettlement plans.
- (ii) **Project management unit.** The PPP Division of the RPWD will be the PMU and will be overall in charge of coordination among the PIUs and project selection for subsequent tranches. The PMU will have a safeguards officer in the rank of executive engineer and/or a social development and resettlement specialist hired on contract basis. The safeguards officer at the PMU will coordinate with the project director of the PIUs and ensure that implementation of subprojects is in compliance with the resettlement framework and likely safeguard issues are identified. The safeguards officer will have the following responsibilities:
 - Assess the capacity of the PIUs in identifying and managing social safeguard issues and facilitate capacity building of PIU officers and the resettlement plan implementation support NGO.
 - Review and update the resettlement framework as necessary and when there are changes in the applicable law.
 - Review whether the PIUs have taken efforts to avoid or minimize involuntary resettlement impacts during the subproject design stage and during implementation stages.
 - Verify whether the resettlement plan has been prepared and is commensurate to the significance of the impact and whether the documents have been submitted along with the detailed project report.
 - Facilitate coordination between various government departments in land acquisition and implementation of the resettlement plan.

- Carry out periodic review of the progress on resettlement plan implementation and ensure that the progress reports are submitted in a timely manner.
- Verify whether the PIUs are handing over the land free from encumbrance as stipulated in the contract document.
- Consolidate the progress reports received from the respective PIUs and submit the quarterly progress reports to ADB and any other information as required by ADB in a timely manner.
- Initiate engagement of an external monitor and/or agency to undertake semi-annual monitoring of the subprojects, either through the PMU or PIU, and submit the semi-annual monitoring report to ADB along with the PMU and/or PIU response to the comments/observations made in the report.

(iii) **Project implementation unit.** The PIU will be responsible for screening subprojects, setting categorization based on involuntary resettlement impacts, conducting the social assessment, and preparation and implementation of resettlement plans. The road subprojects will be implemented by the jurisdictional PIU. The project director of the PIU will be responsible for subproject compliance with social safeguards and concurrent internal monitoring of resettlement plan implementation. Following are the responsibilities of the project director of the PIU:

- Review the involuntary resettlement impact categorization checklist and subproject appraisal note, undertake field visits wherever required, and advise the field units about the social safeguards documentation required for subprojects.
- Review the resettlement plan prepared by the consultants and finalize the same.
- Ascertain the extent of private land to be acquired and the extent of government land to be transferred, and liaison with the jurisdictional additional collector and concerned government departments in getting possession of the same.
- Initiate engagement of a resettlement plan implementation support NGO to assist the field units in resettlement plan implementation.
- Review and approve micro plans that contain the list of displaced persons and their entitlements as prepared by field units.
- Obtain necessary approval for the micro plans and make necessary funds available for disbursement and for development of resettlement sites.
- Coordinate with the additional collector and field units in identifying suitable land for resettlement sites and monitor the progress of the development of the site and relocation of displaced persons.
- Undertake internal monitoring of the progress made in resettlement plan implementation and take necessary corrective actions, if required.
- Review and consolidate the land acquisition and resettlement plan implementation progress reports submitted by the jurisdictional additional collector and the resettlement plan implementation support NGO, and submit monthly progress reports to the PMU;

(iv) **NGO and/or agency for resettlement plan implementation support.** The implementation of the resettlement and rehabilitation provisions will be carried out by the jurisdictional additional collector with the support of the PIU. The PIU will engage an implementation support NGO, with experience in implementing

resettlement plans and in working on similar infrastructure development projects. The NGO should have proven experience in carrying out resettlement and rehabilitation activities and community development and consultations in projects of similar nature, preferably in Rajasthan or in any state. The NGO will play a key role in the implementation of the resettlement plan. Their tasks will include the final verification of displaced persons, consultations, establishment of support mechanisms, facilitating the delivery of rehabilitation assistance as per the resettlement plan provisions, and ensuring that displaced persons receive all the entitlements as per the rehabilitation and resettlement policy of the project.

- (v) **Concessionaire and/or contractor.** Ensure that civil works only start on the relevant section after it has been declared free of encumbrance. Coordinate closely with the NGO and be responsive in addressing relevant grievances.
- (vi) **Resettlement specialist, project management consultant.** Conduct regular site-level monitoring and provide technical advice to the RPWD and NGO to enable the smooth implementation of the resettlement plans. When updating of the resettlement plans and other planning documents is necessary, ensure that a high quality of documentation is prepared with accurate data as provided by the NGO. Prepare monitoring reports on a semi-annual basis.
- (vii) **External monitor.** An external expert who is not involved in day-to-day project implementation or supervision will be retained by the PMU to act as the external monitor for the project. The external monitor will provide the necessary technical support on compliance issues, if any, to the safeguards focal person at the site level as well as to the PMU, resettlement plan implementation NGO, and other involuntary resettlement agencies involved in the project. The external monitor will conduct site visits periodically or at least every quarter to verify monitoring information. If any critical involuntary resettlement concerns are identified, the external monitor will prepare a corrective action plan. The external monitor will prepare and submit semi-annual reports to the RPWD and ADB. The detailed reference of the external monitor is in Appendix C.

48. A resettlement plan has been prepared for each of the 11 subproject roads under this project. The resettlement plans are based on the final feasibility report and a census of all potentially affected persons.¹⁷ The resettlement plans indicate that under this project, 107 hectares of private land will be required and 645 structures will be affected. Land acquisition and impact on structures will affect an estimated 2,295 households or 13,334 persons, out of which 1,496 households will be affected by physical displacement and households persons by economic displacement. About 902 households will experience significant impacts in terms of loss of shelter and productive assets.

49. **Preparation of subsequent tranches or unanticipated impact.** For the preparation of subsequent tranches or whenever unanticipated impacts become apparent, the PMC will be responsible for carrying out the due diligence. The RPWD will be responsible for the initial road selection. Consultants will be hired to conduct land acquisition planning and social impact assessment. All of the affected households will need to be covered. A resettlement plan will need to be prepared for projects with impact. Civil works cannot commence on all roads until the right

¹⁷ Detailed design will be finalized by the concessionaires and/or contractors and no significant change of the alignment affecting the land acquisition and resettlement is expected.

of way is free of encumbrance, meaning that the affected households must be fully compensated and/or assisted prior to the dismantling of structures or relocation. The RPWD will engage an individual consultant to support the preparation of resettlement planning documents.

C. Indigenous Peoples

50. For the entire investment program, an indigenous peoples planning framework has been prepared in accordance with (i) Government of India and state laws and regulations; and (ii) ADB's Safeguard Policy Statement (2009). Subprojects that will have significant impact on indigenous peoples and categorized as A under ADB's Safeguard Policy Statement for indigenous peoples will not be included for financing.

51. This project is classified as category C under ADB's Safeguard Policy Statement (2009) for indigenous peoples. A number of indigenous people's households will be impacted by involuntary resettlement. The census found that these households are not distinctive because they have integrated with the dominant population of the project area. Tribal groups in the subproject areas freely interact with the outside community. Special attention should be paid to indigenous people's households during the implementation of resettlement activities. The RPWD should ensure continuous consultation and proper disclosure of project information. If any unanticipated adverse impacts are identified during project implementation, the RPWD, with assistance from the NGO and the PMC, will devise proactive measures to ensure indigenous people's households will not be adversely impacted by the project.

D. Grievance Redress Mechanism

52. The grievance redress committee (GRC) will be established at two levels, one at the PIU and another at the PMU, to receive, evaluate, and facilitate the resolution of displaced persons' concerns, complaints, and grievances. The GRC is aimed to provide a trusted way to voice and resolve concerns linked to the project, and to be an effective way to address displaced persons' concerns without allowing it to escalate, resulting in delays in project implementation. The GRC will aim to provide a time-bound and transparent mechanism to voice and resolve social and environmental concerns linked to the project. The GRC is not intended to bypass the government's built-in redressal process nor the provisions of the statute, but rather it is intended to address displaced persons' concerns and complaints promptly, making the GRC readily accessible to all segments of the displaced persons and is scaled to the risks and impacts of the project.

53. The GRC should be formed during project preparation as project-affected people may already have complaints during that stage. The GRC will continue to function for the benefit of the displaced persons during the entire life of the project, including the defects liability period. The response time prescribed for the GRCs would be 4 weeks.

54. **First level of GRC.** The district level GRCs will be a single contact point with the jurisdictional project director of the PIU, who is responsible for receiving, hearing, and resolving the grievances.

55. **Second level of GRC.** The GRC will be a three-member committee (i) chaired by the Additional Chief Engineer (PMU), (ii) Superintending Engineer (ADB), PMU acting as its member secretary, and (iii) a local person of repute and standing in society who is selected by the RPWD Secretary.

E. Capacity Development

56. The RPWD has the capacity to implement safeguard activities as it has experience in implementing projects financed by multilateral development banks. During the inception mission, ADB will provide training to orient all PIU staff involved in implementing safeguard planning documents and relevant stakeholders. PMC experts will provide continued capacity development of RPWD staff and advise the RPWD and the NGO during implementation. In addition, the RPWD will engage two individual consultants (one for social and one for environmental) to maintain quality control of safeguard planning documents required for subsequent tranches as well as to provide day-to-day support to the RPWD.

F. Prohibited Investment Activities

57. Pursuant to ADB's Safeguard Policy Statement (2009), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of ADB's Safeguard Policy Statement (2009).

VIII. GENDER AND SOCIAL DIMENSIONS

A. Gender

58. The project is categorized *some gender elements* per the Guidelines for Gender Mainstreaming Categories of ADB Projects.¹⁸ A gender action plan is not required but proactive features of the project are included in Table 18.

Table 18: Proactive Gender Features

Proactive Feature	Implementation	Monitoring
Constructing bus stop shelters with locations being finalized after community consultations; raised sidewalk and hard shoulder that will be beneficial to pedestrians, elderly, women, and children	Contractor and/or Concessionaire	PMC
Integrating road safety features for the elderly, women, children, and people with disabilities into road design such as proper signage and marked crossings throughout the alignment	Contractor and/or Concessionaire	PMC
Conducting road safety and safe mobility campaigns in affected communities within the project area, targeting 50% women	NGO	PMC
Undertaking awareness building sessions on STI (including HIV), basic health and hygiene, and human trafficking for project-affected villages within the project area, targeting 50% women	NGO with assistance from specialized agencies	PMC
Encouraging civil works contractors to engage women workers as wage laborers and ensuring equal pay for equal work	Contractor and/or Concessionaire	PMC

NGO = non-government organization, PMC = project management consultant, STI = sexually transmitted infections.
Source: Government of Rajasthan.

59. The PMC will ensure that the designs of physical infrastructure with gender considerations are incorporated into design and monitor the employment of women in civil works. The NGO will

¹⁸ Guidelines for Gender Mainstreaming Categories of ADB Projects: <http://www.adb.org/documents/guidelines-gender-mainstreaming-categories-adb-projects>.

be responsible for conducting awareness building trainings, utilizing the training of trainer model to ensure sustainability. A special effort will be made to train women as trainers.

60. Provisions are in the bidding documents for the concessionaires and/or contractors to ensure that all applicable labor laws will be complied, including not employing child labor for construction; encourage employment of the poor, particularly women; and not differentiate wages between men and women for work of equal value. The above measures will be implemented by the civil works contractor or the NGO and monitored by the PMC.

B. Health

61. The RPWD shall ensure that civil works contractors provide adequately for the health and safety of construction workers and further ensure that bidding documents include measures on how contractors will address this, including an information and awareness-raising campaign for construction workers on sexually transmitted infections including HIV, and human trafficking. For affected villages, the NGO will undertake awareness building sessions on sexually transmitted infections including HIV, basic hygiene, and human trafficking. The PMC will monitor the implementation.

C. Labor

62. The GOR and the RPWD will ensure that works contracts under the project follow all applicable labor laws of the GOI and the GOR and that these further include provisions that contractors will (i) carry out awareness programs for labor on sexually transmitted infections, including HIV, and disseminate information at work sites on the risks of sexually transmitted diseases as part of health and safety measures for those employed during construction; and (ii) follow and implement all statutory provisions on labor (including not employing or using children as labor, equal pay for equal work), health, safety, welfare, sanitation, and working conditions. Such contracts shall also include clauses for termination in case of any breach of the stated provisions by the contractors.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

A. Project Design and Monitoring Framework

63. The design and monitoring framework (DMF) is attached to the periodic financing request report as Appendix 1.

B. Monitoring

64. **Project performance monitoring.** The achievement of the project performance targets will be assessed following the DMF. A project performance management system (PPMS) is being developed under the support of the tranche 1 loan. The executing agency and PIUs, assisted by the PMC and other consultants as required, will use the PPMS for monitoring of this project. The PPMS will include detailed methodology of data collection and analysis to ensure statistical validity, isolation of compounding factors, and comparison with baseline and control data. As a minimum, the indicators will be monitored before and after project construction, both on the subprojects and control roads. Disaggregated baseline data for output and outcome indicators gathered during project processing will be updated and reported quarterly through the executing agency's quarterly progress reports and after each ADB review mission. These quarterly reports

will provide information necessary to update ADB's project performance reporting system.

65. Indicators to be monitored may include, but not be limited to, the following: (i) number of newly connected habitations (total, by districts, and size); (ii) length of roads constructed and/or upgraded (total, by district, by habitation size, terrain, etc.); (iii) traffic volume and travel time on constructed roads; (iv) periods of construction (by road length, terrain, etc.), amounts and frequencies of variation orders, frequencies and durations of holding up of civil works by rural communities (by causes, including instances of holding up of civil works due to the omissions in design); (v) pavement condition index on project roads; (vi) percentage of detailed design undergoing road safety audits (RSA) and amendments following RSA recommendations; (vii) percentage of existing roads undergoing RSA and percentage of existing roads improved following RSA recommendations; and (viii) progress of capacity development.

66. **Compliance monitoring.** Compliance with loan covenants will be monitored through ADB's project administration missions. These missions include (i) project inception to discuss and confirm the timetable for compliance with the loan covenants; (ii) project review to review compliance with particular loan covenants, and where there is any noncompliance or delay, to discuss proposed remedial measures with the executing agencies; and (iii) midterm review mission, if necessary, to review covenants to assess whether they are still relevant or need to be changed, or waived due to changing circumstances.

67. **Environment safeguard monitoring.** Records on implementation of the mitigation measures on-site will be maintained by the contractor. Based on these records and spot checks of at least once a month by the PIU, PMC, and the authority and/or independent engineer, the monitoring reports will be compiled on a quarterly basis. These quarterly monitoring reports will further be compiled by the PMC into an annual monitoring report to be submitted to ADB for disclosure on the ADB website. If there are any changes in the design or alignment, the environmental management plan of the respective subproject will be updated to account for any additional or new environmental impacts. The need for revising the respective initial environmental examination report will also be reviewed and confirmed in discussion with ADB.

68. **Social safeguard monitoring.** Implementation of the resettlement plan and social mitigation measures will be monitored internally by the PIU and PMC under the supervision of the PMU. Since this project is category A for involuntary resettlement, the PMU will retain an external expert to verify internal monitoring findings. The external monitor will be responsible for overall external monitoring and evaluation of the progress of resettlement implementation. The external monitor will monitor and verify resettlement plan implementation to determine whether resettlement goals have been achieved, livelihood and living standards have been restored, and provide recommendations for improvement. The external monitor will undertake quarterly monitoring during the resettlement plan implementation period. Monitoring will also ensure the recording of displaced persons' views on resettlement issues such as displaced persons' understanding of entitlement policies, options, and alternatives; site conditions; compensation valuation and disbursement; grievance redress procedures; and staff competencies. The external monitor will also evaluate the performance of the NGOs and report its findings simultaneously to the RPWD. The reporting responsibility of ADB lies with the RPWD; the monitoring reports will be sent to ADB quarterly. An important function of the external expert is to advise the RPWD on safeguard compliance issues.

69. If significant non-compliance is identified, the RPWD is required to prepare a corrective action plan to address such issues. The RPWD will document monitoring results, identify the necessary corrective actions, and reflect them in a corrective action plan. The RPWD, in each

quarter, will study the compliance with the action plan developed in the previous quarter. Compliance with loan covenants will be screened by the RPWD.

70. **Gender and social dimensions monitoring.** Compliance will be monitored by the PMC and a chapter on this will be included in the semi-annual social monitoring report.

C. Evaluation

71. An ADB inception mission will be fielded soon after the legal agreements for the project are declared effective; thereafter, regular reviews will follow at least annually. As necessary, special loan administration missions and a midterm review mission will be fielded, under which, any changes in scope or implementation arrangements may be required to ensure achievement of project objectives. The GOR at the state level and the RPWD at the project level will monitor the implementation of the project in accordance with the schedule and time-bound milestones, and keep ADB informed of any significant deviations that may result in the milestones not being met. Within 6 months of physical completion of the project, the RPWD will submit a project completion report to ADB.¹⁹

D. Reporting

72. The executing agency will provide ADB with (i) quarterly progress reports in a format consistent with Appendix 1 of the executing agency's progress report;²⁰ (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets; (b) key implementation issues and solutions; (c) updated procurement plan; and (d) updated implementation plan for the next 12 months; and (iii) a project completion report within 6 months of physical completion of the project. To ensure that the funds are used for the purposes intended, project accounts and the executing agency audited financial statements, together with the associated auditor's report, should be adequately submitted and reviewed.

E. Stakeholder Communication Strategy

73. Salient information regarding the project, including scope, general progress status, beneficiaries, invitations for bid, and consultant recruitment notices, will be provided to the general public. The information will be made available and updated through the official website of the RPWD. The safeguard documents, i.e., IEE, EMPs, and resettlement plans, will be posted on ADB's website. The RPWD will provide relevant information, including those from the above documents, in a timely manner, in an accessible place, and in a form and languages understandable to the displaced people and other stakeholders, including through their website. If the displaced people are illiterate, other appropriate communication methods will have to be used. The resettlement implementation NGO will play a key role in facilitating ongoing consultation and information disclosure with affected people.

74. ADB's communication strategy is summarized in Table 19.

¹⁹ Project completion report format is available at <https://www.adb.org/sites/default/files/institutional-document/33431/pai-6-07a.pdf>.

²⁰ Project administration instructions: <https://www.adb.org/sites/default/files/institutional-document/33431/pai-5-01.pdf>.

Table 19: Documents for Disclosure

Project Document	Means of Communication	Frequency	Audience
Project data sheet	ADB website	Initial PDS no later than 30 calendar days from approval of the concept paper; yearly update afterward	General public
Design and monitoring framework	ADB website	Draft DMF after fact-finding mission	General public
Initial environmental examination and environmental management plan	ADB and RPWD websites	Prior to ADB Management approval	General public, project-affected people in particular
Resettlement plan	ADB and RPWD websites	Prior to ADB Management approval	General public, project-affected people in particular
Summary poverty reduction and social strategy	ADB website	Prior to ADB Management approval	General public, project-affected people in particular
Legal agreements	ADB website	No later than 14 days of ADB Board approval of the project	General public
Project administration manual	ADB website	After loan negotiations	General public
Environment monitoring report	ADB website	Annually	General public, project-affected people in particular
Social monitoring reports	ADB website	Semi-annually	General public, project-affected people in particular
Audited project financial statements	ADB website	Annually	General public

ADB = Asian Development Bank, DMF = design and monitoring framework, PDS = project data sheet, RPWD = Public Works Department of the Government of Rajasthan.

Source: Asian Development Bank.

X. ANTICORRUPTION POLICY

75. The Government of India, the State Government of Rajasthan, the Public Works Department of the Government of Rajasthan, and other implementing agencies are advised of ADB's Anticorruption Policy (1998, as amended to date). Consistent with its commitment to good governance, accountability, and transparency, implementation of the project shall adhere to ADB's Anticorruption Policy. ADB reserves the right to review and examine, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the project. In this regard, investigation of government officials, if any, would be requested by ADB to be undertaken by the government.

76. To support these efforts, relevant provisions of ADB's Anticorruption Policy are included in the loan regulations, agreements, and the bidding documents. In particular, all contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the state, executing agencies and implementing agencies, and all contractors, suppliers, consultants, and other service providers as they relate to the project. Individuals and/or entities on ADB's Anticorruption Debarment List are ineligible to participate in ADB-financed activity and may not be awarded any contract under the project.²¹

77. ADB's Anticorruption Policy designates the Office of Anticorruption and Integrity as the point of contact to report allegations of fraud or corruption among ADB-financed projects or its staff. It is responsible for all matters related to allegations of fraud and corruption. For a more detailed explanation, refer to the Anticorruption Policy and Procedures. Anyone coming across evidence of corruption associated with the project may contact the Anticorruption Unit by telephone, facsimile, mail, or email at the following numbers and/or addresses:

- Email: integrity@adb.org or anticorruption@adb.org
- Phone: +63 2 632 5004
- Fax: +63 2 636 2152
- Mail (**Please mark correspondence Strictly Confidential**):
 Office of Anticorruption and Integrity
 Asian Development Bank
 6 ADB Avenue, Mandaluyong City
 1550 Metro Manila, Philippines

78. The RPWD's website will provide updated, detailed information on project implementation. For example, it will include procurement-related information, such as the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of goods and/or services procured.

XI. ACCOUNTABILITY MECHANISM

79. 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

²¹ Governance and Anticorruption Action Plan II Guidelines: <http://www.adb.org/Documents/Guidelines/GACAP-II-Guidelines.pdf>. See also Sourcebook: Diagnostics to Assist Preparation of Governance Risk Assessments: <http://www.adb.org/documents/books/Diagnostics-to-Assist-Preparation-of-GRAs/default.asp>.

Mechanism, affected people should make an effort in good faith 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.²²

XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL

Table 20: Record of Changes to the Project Administration Manual

Data Revised	Section	Revision

Source: Asian Development Bank.

²² Accountability Mechanism: <https://www.adb.org/site/accountability-mechanism/main>.

PROCUREMENT PLAN

Basic Data

Project Name: Rajasthan State Highway Investment Program – Tranche 2	
Project Number: 49228-003	Approval Number:
Country: India	Executing Agency: Government of Rajasthan
Project Procurement Classification: Category A	Implementing Agency: Public Works Department–Rajasthan
Project Procurement Risk: High	
Project Financing Amount: \$379,240,000 ADB Financing: \$190,000,000 Cofinancing (ADB Administered): Non-ADB Financing: \$189,240,000	Project Closing Date: 30 September 2024
Date of First Procurement Plan: 10 January 2018	Date of this Procurement Plan: 11 April 2019
Advance Contracting: Yes	e-GP: Yes http://GePNIC

A. Methods, Thresholds, Review, and 18-Month Procurement Plan

1. Procurement and Consulting Methods and Thresholds

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

Procurement of Goods and Works		
Method	Threshold	Comments
International Competitive Bidding for Goods	US\$ 3,000,000 and Above	
National Competitive Bidding for Goods	Between US\$ 100,000 and US\$ 2,999,999	The first NCB is subject to prior review, thereafter post review.
Shopping for Goods	Up to US\$ 99,999	
International Competitive Bidding for Works	US\$ 40,000,000 and Above	
National Competitive Bidding for Works	Between US\$ 100,000 and US\$ 39,999,999	The first NCB is subject to prior review, thereafter post review.
Shopping for Works	Up to US\$ 99,999	

Consulting Services	
Method	Comments
Quality- and Cost-Based Selection for Consulting Firm	
Individual Consultant Selection for Individual Consultant	

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

2. The following table lists 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
AN-1	Beawar-Masuda-Goyla, Arain-Sarwar and NH12-	48,987,173.82	ICB	Prior	1S2E	Q2 / 2019	Prequalification of Bidders: N

Package Number	General Description	Estimated Value	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Advertisement Date (Quarter/Year)	Comments
	Laxmipura-Dora-Dabi-Ranaji Ka Guda (Mining)						Domestic Preference Applicable: N Advance Contracting: Y Bidding Document: Others e-GP: Yes e-GP Type: e-Bidding Comments: Hybrid Annuity
AN-2	Nasirabad-Mangliyawas-Padukalan and Beawar-Pisangan-Tehla-Kot-Alniyawas	31,372,549.02	ICB	Prior	1S2E	Q2 / 2019	Prequalification of Bidders: N Domestic Preference Applicable: N Advance Contracting: Y Bidding Document: Others e-GP: Yes e-GP Type: e-Bidding Comments: Hybrid Annuity
EPC-01	Jodhpur-Sojat Road and Bhinmal-Pantheri Posana-Jeevana	41,660,000.00	ICB	Prior	1S2E	Q2 / 2018	Prequalification of Bidders: N Domestic Preference Applicable: N Advance Contracting: Y Bidding Document: Others e-GP: Yes

Package Number	General Description	Estimated Value	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Advertisement Date (Quarter/Year)	Comments
							e-GP Type: e-Bidding Comments: EPC - Contract Awarded
EPC-02	Bidasar-Sri Dungargarh-Kalu and Sadulshahar- Sangaria-Chaiyan	35,212,309.74	ICB	Prior	1S2E	Q1 / 2019	Prequalification of Bidders: N Domestic Preference Applicable: N Advance Contracting: Y Bidding Document: Others e-GP: Yes e-GP Type: e-Bidding Comments: EPC - Rebidding
EPC-03	Losal-Salasar- Ratangarh	21,496,738.34	ICB	Prior	1S2E	Q2 / 2018	Prequalification of Bidders: N Domestic Preference Applicable: N Advance Contracting: Y Bidding Document: Others e-GP: Yes e-GP Type: e-Bidding Comments: EPC
EPC-04	Development & Maintenance of Siwana-Samdari- Balesar Road (SH- 66) Length: 90.648 km in the State of	26,740,000.74	ICB	Prior	1S2E	Q2 / 2018	Prequalification of Bidders: N Domestic Preference Applicable: N

Package Number	General Description	Estimated Value	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Advertisement Date (Quarter/Year)	Comments
	Rajasthan on Engineering, Procurement & Construction (EPC) Mode						Advance Contracting: Y Bidding Document: Others e-GP: Yes e-GP Type: e-Bidding Comments: EPC-Contract Awarded

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

3. 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
001	External Monitor	150,000.00	ICS	Prior	Q2 / 2019		Assignment: International Expertise: Social Development Advance Contracting: N

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

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

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								

B. Indicative List of Packages Required Under the Project

5. The following table provides an indicative list of 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).

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	Number of Contracts	Recruitment Method	Review (Prior/Post)	Type of Proposal	Comments
002	Project Implementation Consultant	700,000.00	1	QCBS	Prior	FTP	Assignment: International Quality-Cost Ratio: 80:20

TERMS OF REFERENCE FOR PROJECT IMPLEMENTATION CONSULTANT

A. Background

1. The Public Works Department of the Government of Rajasthan (RPWD, the client) has initiated the Rajasthan State Highway Development Program (RSHDP) that aims to improve about 20,000 kilometers (km) of state highways and major district roads to two-lane or intermediate-lane standards.

2. As part of the RSHDP, about 2,000 km of state highways and major district roads have been included for Asian Development Bank (ADB) financial assistance under the Rajasthan State Highways Investment Program (RSHIP) to improve the efficiency and safety of road transport in the state of Rajasthan. The RSHIP shall be implemented by the Public–Private Partnership (PPP) Division of the RPWD.

3. A project management consultant (PMC) has been engaged under Tranche 1 to support program implementation, processing of subsequent tranches, and capacity building of the RPWD. To provide continuous support after the closure of the Tranche 1 loan in September 2022, the RPWD has decided to engage a project implementation consultant (PIC) using the proceeds of the ADB financing under the Tranche 2 loan to efficiently implement Tranche 2 projects and the incoming Tranche 3 projects.

4. The project roads are to be constructed under two modalities—the annuity mode and the engineering, procurement, and construction (EPC) mode. Out of 2,000 km of road sections proposed to be developed under ADB financial assistance, about 754 km have been identified under Tranche 2. Subsequently, roads under Tranche 3 will be identified and the selected project implementation consultant informed.

5. The main objective of the PIC services is to support the PPP Division of the RPWD in implementing RSHIP Tranche 2 and Tranche 3.

B. Scope of Consultant Services

6. The scope of the PIC services includes five tasks: (i) assist the RPWD in monitoring the implementation progress of concessionaires and/or contractors in upgrading state highways in terms of physical progress, financial progress, safeguard actions, and other related aspects; (ii) prepare progress reports for the RPWD as required by the State Government of Rajasthan, Government of India, and ADB; (iii) advise the client proactively on managing the implementation schedule and addressing potential issues; (iv) in case of delayed processing of Tranche 3 and the closure of the Tranche 1 loan, prepare the documents required for submission of subsequent periodic financing requests to ADB to timely secure further funding for the investment program; and (vi) perform other related works as requested by the RPWD. The project roads finalized by the RPWD in consultation with ADB under different Tranche 2 packages are shown in Table B.1.

Table B.1: Project Roads under Tranche 2

S. No.	Road Section	Length (km)
EPC Package 1		
1.	Bhinmal–Pantheri–Jeevana	51.58
2.	Jodhpur–Sojat	75.70
	Total	127.28

EPC Package 2		
1.	Sadulshahar–Sangaria–Chaiyan	95.30
2.	Bidasar–Sri Dungargarh–Kalu	82.20
	Total	177.50
EPC Package 3		
1.	Losal–Salasar–Ratangarh	78.60
	Total	78.60
EPC Package 4		
1.	Siwana–Samdari–Balesar	90.65
	Total	90.65
Annuity Package 1		
1.	NH12–Laxmipura–Dora	49.50
2.	Beawar–Masuda–Goyla	67.01
3.	Arai–Sarwar	44.26
	Total	160.77
Annuity Package 2		
1.	Nasirabad–Mangliawas–Padukalan	62.96
2.	Tehla–Kot–Pushkar	56.70
	Total	119.66

EPC = engineering, procurement, and construction.

Source: Asian Development Bank.

C. Implementation Arrangements

7. The executing agency for the investment program is the RPWD. The PPP Division of the RPWD, headed by the Additional Chief Engineer (PPP), will establish project management units (PMU) in Jaipur and project implementation units (PIUs) in the field for contract packages of project roads in the same area.

D. Detailed Tasks

8. Task 1: Project Management Support

- (i) Review, monitor, and provide advice on the implementation of PPP concessions and EPC contracts, which include advising the client on the use of the bidding documents and concession/EPC agreement, advising the independent engineer/authority engineer and concessionaires/contractors on concession/contract related matters, supporting the client in preparation of documentation for concession/contract administration, advising the client on any potential issues of project implementation, and coordinating within the project or with third parties, as necessary.
- (ii) Schedule the project implementation with milestones and critical path analysis based on international best practice, and update the schedule from time to time.
- (iii) Prepare projections of contract awards and disbursements for the project and continuously update the requirement for financing based on the change orders and contract variations agreed upon in the project.
- (iv) Provide proper monitoring of the funds available, fund flows within the investment

program, disbursements of funds from the loan account, projections of future financial needs, and the financial progress of each concession/contract.

- (v) Ensure that the payment certificates of the concessionaires/contractors are processed in a timely manner, and facilitate and monitor the overall progress of requesting reimbursement by ADB through the necessary process within the State Government of Rajasthan and Government of India.
- (vi) Identify issues and actions requiring management of interfaces between different parties within the investment program and external parties, such as local governments, utility companies, Ministry of Railway, parties involved in land acquisition, implementation of the resettlement plan, and implementation of the environmental management plan, etc. Establish an interface management matrix to identify the interfaces, parties involved, decisions required, and the timeline for solving the interfaces. Monitor the timely addressing of interfaces and advise the client on pending decisions/actions.
- (vii) Prepare the monthly and quarterly reports as required for management of the project and reporting to the RPWD and ADB.
- (viii) Prepare the project implementation manual.

9. **Task 2: Financial Management Support**

- (i) Assist the PPP Division in customizing the annual project financial statement (APFS) from the agreed template with ADB, the Ministry of Finance (MOF), and the Comptroller and Auditor General (CAG).
- (ii) Assist the PPP Division in the preparation of the financial chapters and sections of the quarterly progress reports.
- (iii) Assist the PPP Division in the implementation of a management information system for project management.
- (iv) Assist in the preparation of withdrawal applications for getting reimbursement from ADB.
- (v) Assist the PPP Division in updating the chart of accounts for capturing the project expenses in the current integrated financial management system (IFMS) software developed by the National Informatics Center (NIC), so that the division is able to undertake budgeting and other functions to be fine-tuned by allowing for expenditures to be identified (a) by donor/source, (b) by project output, (c) by nature of expenditure, and (d) by method of withdrawal, and customize this according to the needs of the PPP Division and provide the necessary training and assistance during implementation.
- (vi) Assist the PPP Division to maintain and periodically update a computerized asset register, which is to be regularly reconciled with physical assets.
- (vii) Recommend and implement new business procedures where required for efficient financial management, and provide training to the PPP Division staff to enable

them to carry out the tasks assigned under the institutional and management structure.

- (viii) Assist the team leader on tasks related to the finance and accounts of the project.

10. **Task 3: Safeguard Coordination and Reporting**

- (i) Monitor the implementation of safeguards in accordance with ADB's Safeguard Policy Statement (2009).
- (ii) Ensure implementation of resettlement plans (RPs) in accordance with ADB's Safeguard Policy Statement (2009) and other related policies such as ADB's Public Communications Policy (2011), and ensure payment of compensation to people affected by the project prior to the handover of the site to the concessionaire/contractor. Prepare the due diligence reports on resettlement implementation as needed for processing of subsequent tranches under the MFF. Provide monthly and quarterly reports to the RPWD on resettlement implementation and provide updates on the schedule and financial aspects of resettlement to the team. Monitor and provide guidance to the work of the nongovernment organizations (NGO) for resettlement implementation engaged by the RPWD, monitor resettlement implementation at the project sites, and provide training, if required, to the local RPWD staff.
- (iii) Ensure implementation of the environmental management plan (EMP) and other measures related to environmental protection in accordance with ADB's Safeguard Policy Statement (2009). Ensure that all statutory and regulatory clearances/approvals relevant to environmental safeguards are obtained and the conditions noted in the clearances are implemented. Prepare the due diligence reports on EMP implementation as needed for processing of subsequent loans under the investment program. Provide monthly, quarterly, and annual reports on EMP implementation and provide updates on the schedule and financial aspects to the team. Ensure all environmental assessment documentation, including environmental due diligence, and monitoring reports, are properly and systematically kept as part of the subproject-specific record and available upon request. All environmental documents will be disclosed subject to ADB's Communication Policy (2011) and ADB's Safeguard Policy Statement (2009). Disclose initial environmental examination (IEE) reports to the public through the ADB website before the approval of the respective tranche for ADB financing. Assist in the effective implementation of the grievance and redress mechanism. Monitor EMP implementation at the project sites and provide training, if required, to the local PWD staff. In case of unanticipated environmental impacts during the project implementation stage, prepare and update the EMP to account for such impacts after seeking concurrence from ADB. The updating shall be carried out after due consultation with the stakeholders and concerned government agencies. In case during project implementation a subproject needs to be realigned, review the environmental classification and revise accordingly, and identify whether supplementary IEE is required. If required, prepare the terms of reference (TOR) for undertaking supplementary IEE and provide advice on environmental consultant selection.
- (iv) Prepare the social safeguards and environmental safeguards implementation and

monitoring manuals.

11. Task 4: Periodic Financing Request¹

- (i) Assist the RPWD in selecting project roads proposed for subsequent loans under the investment program, and ensure the proposed improvement and/or upgrading of project roads are in accordance with project selection criteria and processes as agreed with ADB.
- (ii) Assist the RPWD in reviewing the project reports about feasibility study and preliminary design, the financial analysis, and the bidding documents to meet the requirements of the State Government of Rajasthan, Government of India, and ADB.
- (iii) Prepare an economic analysis of the proposed road improvements using the highway development and management model (HDM version 4) and/or other more appropriate models. The economic analysis should follow ADB's guidelines for the economic analysis of projects.
- (iv) Ensure that relevant safeguard planning documents are prepared to ADB standard and that they are complete, accurate, and consistent with respective assessment framework plans.
- (v) Prepare the reports and documentation needed for the RPWD to submit the subsequent periodic financing requests to ADB to timely secure funding for project implementation.

E. Output and Reporting Requirements

Table B.2: Output and Reporting Requirements

Sl. No.	Report	Frequency	Due Date	No. of Copies	No. of CDs
1.	Inception Report	One time	Within 1 month after commencement of service	5	2
2.	Quarterly progress reports	Every 3 months	10th of the month following the reporting quarters	5	2
3.	Annual reports	Two times	1 month after commencement month every year	5	2
4.	Project completion Report	One time	Before the end of defect liability period	5	2
5.	Periodic financing request (PFR) and related document	One time	To be decided by the client	3	2
6.	Manual on financial management	One time	Within 12 months after commencement of service	5	2
7.	Manual on social	One time	Within 12 months	5	2

¹ Preparation of the Periodic Financing Request is the task of the engaged project management consultant (PMC). In case the processing of Tranche 3 is delayed and the contract of the PMC expires, the project implementation consultant will be responsible for this task.

Sl. No.	Report	Frequency	Due Date	No. of Copies	No. of CDs
	safeguards		after commencement of service		
8.	Manual on environmental safeguards	One time	Within 12 months after commencement of service	5	2
9.	Manual for Project Implementation	One time	Within 12 months after commencement of service	5	2

Source: Asian Development Bank.

12. Required Reports

- (i) **Inception report.** The report will include the consultant's proposals on the detailed project implementation arrangements and the planned activities for different components based on the initial assessment. The report will also include the detailed work program and approach toward the assignment.
- (ii) **Quarterly reports.** The consultants shall furnish the RPWD with quarterly progress reports on implementation progress, including achievements and problems to be resolved. The quarterly reports shall be factual and concise with recommendations for the subsequent quarter.
- (iii) **Annual reports.** The consultant shall furnish to the ADB and RPWD an annual report covering all activities in the last 12 months. The report will summarize key facts and issues presented in the four quarterly reports for the reporting period. The annual report should also include the consultant's views on the strengths and weaknesses of the project implementation arrangements and the remedial actions to be taken, if any.
- (iv) **Project completion report.** The consultant shall prepare a comprehensive completion report of all components of the project, including civil works and consulting services. The report shall incorporate summaries of the methods of construction, the construction supervision performed, problems encountered and solutions undertaken thereon, and recommendations for future projects of similar nature to be undertaken by the RPWD.

The consultant shall include a self-appraisal in the report in compliance with ADB requirements for the project completion report of executing agencies, including detailed data and information gathered and recorded during the project implementation and those on project performance management system (PPMS) indicators. For this purpose, the consultant shall conduct necessary field surveys on road conditions and traffic volumes at appropriate timings during the defect liability period.

- (v) **Periodic financing report.** Prepare the documents as required for the RPWD to submit the subsequent periodic financing request to ADB to timely secure funding for the next tranches.
- (vi) **Manual on financial management.** The consultant shall prepare a manual to provide guidance to the RPWD for complying with financial management requirements under the GOI and external financing agencies such as ADB during

project preparation and implementation. The manual will provide guidance on key steps to be taken for (i) preparing the annual project financial statement (APFS) from the agreed template with ADB, MOF, and CAG; (ii) preparing the financial chapters and sections of the quarterly progress reports; (iii) implementing the management information system for project management; (iv) preparing the withdrawal application for getting reimbursement from ADB; (v) updating the chart of accounts for capturing the project expenses in the current integrated financial management system (IFMS) software to undertake budgeting and other functions to be fine-tuned, which will allow the expenditures to be identified (a) by donor/source, (b) by project output, (c) by nature of expenditure, and (d) by method of withdrawal, and customizing it according to the needs in the PPP Division; (vi) updating a computerized asset register, which is to be regularly reconciled with physical assets; and (vii) implementing any new business procedures where required for efficient financial management.

- (vii) **Manual on social and environmental safeguards.** The consultant shall prepare a manual to provide guidance to the RPWD for complying with social and environmental safeguard requirements under the GOI and external financing agencies such as ADB during project preparation and implementation. The manual will provide guidance on key steps to be taken for social and environmental assessment, including preparation of resettlement plans (RP), indigenous peoples plans (IPP), environmental impact assessment (EIA) or initial environmental examination (IEE) and environmental management plan (EMP) during project preparation; pre-construction related activities including land acquisitions, resettlement, processing of clearances and permits, and implementation and monitoring of the RP, IPP, and EMP.
- (viii) **Manual for project implementation.** The consultant shall prepare a manual for administration, supervision, and management of the project and the construction contracts to be implemented. It will serve as a guide and reference to the various officials in charge of project management and supervision for discharging their duties in a smooth and systematic manner.

13. Workshops and Training Sessions

- (i) **Seminars/workshops.** The consultant shall conduct semi-annual seminars/workshops for RPWD officials on key aspects of technical capacity improvement and progress to date. Workshops on organization issues shall be conducted on a need basis, inviting relevant state government officials in addition to RPWD officials. Workshops on social/environmental safeguards and social inclusion shall be conducted on a need basis.
- (ii) **Training sessions.** The consultant will provide on-the-job training for RPWD officials on a day-to-day basis. Small classroom style sessions shall be conducted monthly or quarterly as needed to supplement the daily trainings. The semi-annual seminars/workshops will present the weaknesses and strengths of RPWD officials identified during these training sessions, and the recommendations and suggestions from participants shall be used for improving the training methods.

F. Staffing Inputs

14. The consulting services will require the following experts on an intermittent basis during a 24-month period until the closing of the investment program. The assignment is expected to commence on 1 October 2022.

S. No.	Position	Person-months
National Expert Positions		
1.	Team Leader cum Senior Contract Management Specialist	24
2.	Financial Management Specialist	8
3.	Environmental Specialist	22
4.	Resettlement Specialist	22
	Total	76

(i) **Qualification Requirements (National Experts)**

1. Team Leader cum Senior Contract Management Specialist

1. Qualification	Bachelor's degree in civil engineering Postgraduate degree in transport engineering, contract management is preferred
2. Total professional experience	15 years
3. Project-related Experience	At least three similar project experiences on road sector project implementation and/or institutional development Experience on highway projects under annuity and EPC modes of construction in India
4. Experience in working with international organizations/agencies	Required

2. Financial Management Specialist

1. Qualification	Bachelor's degree in accounting, finance, business or related field Must hold professional certification such as CA or CPA
2. Total professional experience	10 years
3. Project-related experience	8 years of experience in financial management system development, accounting policies development, or as an accountant Familiar with the financial rules and regulations of the Government of India/Rajasthan
4. Experience in working with international organizations/agencies	Required

3. Environmental Specialist

1. Qualification	Master's degree in environmental engineering, environmental science or related field
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2. Total professional experience	15 years
3. Project-related experience	10 years of experience working on environmental safeguard planning and implementation of road projects and similar infrastructure projects Proven familiarity with ADB or World Bank requirements on environmental safeguards
4. Experience in working with international organizations/agencies	Required

4. Resettlement Specialist

1. Qualification	Master's degree in social sciences
2. Total professional experience	15 years
3. Project-related experience	10 years of experience working on land acquisitions and resettlement planning and implementation in the road sector Proven familiarity with ADB or World Bank requirements on social safeguard policies Experience in capacity building for government agencies and resettlement implementation NGOs is preferred
4. Experience in working with international organizations/agencies	Required

G. Counterpart Services and Facilities

15. The RPWD shall provide all the necessary data/reports as available within the department. The RPWD shall also support the consultant with the necessary counterpart officials. Office space shall be provided to the consultant. Necessary office equipment such as computers, computer peripherals, etc. should be procured under the consulting services budget, if needed.

TERMS OF REFERENCE FOR EXTERNAL EXPERT/MONITOR

A. Project Description

1. The Government of Rajasthan has proposed to upgrade its road network under the Rajasthan State Highway Investment Program (RSHIP) with financial assistance from the Asian Development Bank (ADB). The Public Works Department of the Government of Rajasthan (RPWD) has been mandated to undertake the improvement and upgradation of various state highways and major district roads at different locations in Rajasthan. As part of this mandate, the Public–Private Partnership (PPP) Division of the RPWD has identified the roads requiring improvement that would improve connectivity to national highways, major towns, and industrial belts. The proposed investment program will support the upgradation and improvement of the identified roads and Tranche 1 of the project will finance four packages of about 754 roads spread across the state of Rajasthan.

2. The PPP Division of the RPWD has prepared four resettlement plans for Tranche 1 for improvements under the RSHIP. The resettlement plans address social issues arising out of the acquisition of land and other assets, eviction of squatters, and removal of encroachments resulting in social and/or economic displacement to households/individuals/community, either direct or indirect, and are in compliance with ADB's Safeguard Policy Statement (2009) and Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act (2013).

3. The resettlement plans have been prepared to assist the affected people to improve or at least to restore their living standards to the pre-project level. The resettlement plan captures the involuntary resettlement impacts arising out of the proposed improvements to each road. Each resettlement plan document describes the magnitude of impact; mitigation measures proposed; method of valuation of land, structure, and other assets; eligibility criteria for availing benefits; baseline socioeconomic characteristics; entitlements based on type of loss and tenure; the institutional arrangement for delivering the entitlements; and the mechanism for resolving grievances and monitoring.

4. The project implementation units (PIU) have appointed agencies and nongovernment organizations (NGO) to support the respective PIU in resettlement plan implementation. The subproject includes a provision for monitoring and evaluation of the implementation of the subproject resettlement plans by an external monitor/agency. The project management unit (PMU) thus requires the services of a reputed individual/consultancy firm for monitoring and evaluation of resettlement plan implementation.

B. Scope of Work – Generic

5. The scope of work includes the following:
- (i) Review and verify the progress in resettlement implementation as outlined in the resettlement plan.
 - (ii) Monitor the effectiveness and efficiency of the PIU and NGO in resettlement plan implementation.
 - (iii) Assess whether resettlement objectives, particularly livelihoods and living standards of the affected families, have been restored or enhanced.
 - (iv) Assess resettlement efficiency, effectiveness, impact and sustainability, drawing both on policies and practices, and suggest any corrective measures, if necessary.

- (v) Review the project impacts on vulnerable groups, indigenous people and groups, and assess the effectiveness of the mitigation actions taken.

C. Scope of Work – Specific

6. The major tasks expected from the external monitor are the following:
 - (i) Develop specific monitoring indicators for undertaking monitoring for resettlement plan implementation.
 - (ii) Review the results of internal monitoring and verify claims through random checking by adopting the suitable sampling method at the field level to assess whether land acquisition/resettlement objectives have been generally met.
 - (iii) Involve the affected people and community groups in assessing the impact of land acquisition for monitoring and evaluation purposes.
 - (iv) Evaluate and assess the adequacy of compensation and resettlement and rehabilitation (R&R) assistances given to the affected families, the resettlement sites developed and relocation process, and the livelihood opportunities and incomes, as well as the quality of life of affected families.
 - (v) Evaluate and assess the adequacy and effectiveness of the consultative process with affected families, particularly those vulnerable, including the adequacy and effectiveness of grievance procedures and legal redress available to the displaced persons, and dissemination of information about these.

D. Time Frame and Reporting

7. The independent monitoring agency/expert will be responsible for overall monitoring of the resettlement plan implementation and will submit quarterly reviews directly to the PMU for onward transmission to ADB with the PMU's comments.

E. Qualifications

8. The monitoring agency/expert will have significant experience in resettlement policy analysis and resettlement plan implementation. In addition, work experience and familiarity with all aspects of resettlement operations would be desirable. The Team Leader/Expert should have the following qualifications: (i) postgraduate degree in social science; (ii) 15 years of experience in resettlement and rehabilitation; (iii) experience in ADB- or World Bank-funded R&R projects; and (iv) R&R monitoring experience in ADB- or World Bank-funded projects. Interested agencies/consultants should submit proposals for the work with a brief statement of the approach and methodology applied, and other relevant information concerning their previous experience on monitoring of resettlement implementation and preparation of reports.

9. The profile of the agency/expert along with the full curriculum vitae of the monitors to be engaged must be submitted along with the proposal.

Terms of Reference for Audit of ADB—Assisted Projects



Asian Development Bank

India Resident Mission

INRM/Disb/2013/077
16 August 2013

Mr. Nilaya Mitash
Joint Secretary (MI)
Department of Economic Affairs
Ministry of Finance
New Delhi

Dear Mr. Mitash

Subject: Terms of Reference (TOR) for Audit of ADB assisted Projects by the Comptroller & Auditor General (C&AG) of India reg.

This has reference to our previous Letter No. INRM/Disb/2013/027 dated 5 March 2013 corresponding to DEA's Letter No. 5/2/2010-ADB-1 dated 18 February 2013 on outstanding matters relating to Terms of Reference (TOR) for Audit of ADB assisted projects by C&AG of India.

We are pleased to inform you that all outstanding matters relating to TOR as approved by the office of Comptroller and General (C&AG) of India in February 2012 has now been sorted out and finalized. The revised version of TOR has been discussed and agreed upon mutually between us and with the officers of C&AG. Please find enclosed the final revised version of the TOR for your perusal.

While providing this final version of the TOR we also take the opportunity to intimate you that in consultation with the office of C&AG, it has been decided that maximum period for rendering of unaudited Project Financial Statements (PFS)/Annual Financial Statements (AFS) by the project authorities to the auditor will be 3 (three) months from the closure of fiscal year. This is necessitated for avoiding delays in submitting the audited project accounts to ADB and also to bring uniformity in preparation and presentation of the project financial statements.

We would appreciate the DEA could inform all our Executing Agencies of this final version of the TOR and instruct if necessary measures are taken by all the project authorities implementing the Externally Assisted Projects (EAPs) to ensure that project accounts are finalized expeditiously and relevant PFS/AFS are rendered to audit within 3 months as of the close of the fiscal year.

Yours sincerely,

Hun Kim
Country Director

Enclosure : Final Version of TOR

CC: Principal Director (PPG), O/o C&AG of India
Mr. S G Dastidar, Controller, Controller Aide Accounts & Audit Division, DEA, MOF
Kathleen Mktan, Senior Advisor, Financial Management Unit, OSFMD
H. Carlsson, Advisor and Head SAOD-PR, SARD/ S. Shafiq FM Specialist SAOD-PR, SARD
F. Mathew Sr Financial Control Specialist CTLA-LGD

Terms of Reference for Audit of ADB assisted projects by Comptroller and Auditor General of India

Background:

ADB provides assistance in the form of Loan and/or Grant for the implementation of project and/or program by the executing agencies (EA) identified by the central/state government. In order to facilitate the same, a loan/grant agreement is executed between ADB and central government for each individual loan/grant and a project agreement is executed between ADB and the executing agency for each project/sub-project. The disbursement of loan is governed by the ADB Loan Disbursement Handbook which provides for various disbursement procedures viz, Direct Payment procedure, Reimbursement procedure, Commitment Letter procedure and Imprest Account procedure. The project agreement stipulates that the executing agency shall (i) maintain separate accounts for the project and if the executing agency is revenue earning, then for its overall operations also (ii) have such accounts and related financial statements¹ (balance sheet, statement of income and expenses and related statements) audited annually, in accordance with appropriate auditing standards consistently applied by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; and (iii) furnish to ADB, promptly after their preparation but in any event not later than six (6) months (or 9 months if specifically approved) after the close of the fiscal year to which they relate as applicable, certified copies of such audited accounts and financial statements and the report of the auditor relating thereto (including the auditor's opinion on the use of loan proceeds and compliance with the covenants of the loan/grant agreement as well as on the use of the procedures for Imprest Account, Second Generation Imprest Account (SGIA), Statement of expenditures (SOE), Force Account Works and Simultaneous Application for sub-loan approval and Withdrawal (SAW)), where applicable, all in the English language.

The executing agencies for all sovereign loans are subject to audit by the Comptroller and Auditor General of India (Supreme Audit Institution of the country). In order to comply with the requirement of audit as referred in above para, the following terms of reference should be pursued with respect to the loan/grant/project agreement executed for availing the ADB's assistance.

Objective:

Article 14(xi) of the Agreement establishing the Asian Development Bank (The Charter) States that 'Proceeds of any loan made, guaranteed, or participated by the Bank are used only for the purposes for which the loan was granted and with due attention to consideration of economy and efficiency'. In addition, Article 14(xiv) of the Charter requires ADB to be guided by sound banking principles in its operations. To fulfill the requirements of Article 14 (xi) and (xiv) of the Charter, ADB requires borrowers/project executing agencies to submit audited Project accounts (APA) and audited financial statements (AFS).

ADB requires the borrower and the project EA to have the required financial statements for each year audited by an independent auditor acceptable to ADS, and in accordance with standards on auditing that are acceptable to ADB. An audit of such financial statements includes: (i) an assessment of the adequacy of accounting and internal control systems with respect to project expenditures and other financial transactions, and to ensure safe custody of project financed assets, (ii) a determination as to whether the borrower and project implementing entities have maintained adequate documentation on all relevant transactions, including statement of expenditures (SOE), Force Account Works and Simultaneous Application for sub-loan approval and Withdrawal (SAW)) where applicable, (iii) confirmation that expenditures submitted to ADB are eligible for financing and identification of any ineligible expenditures, (iv) compliance with loan/grant covenants and ADB's requirements for project management and (v) compliance with the use of procedures for Imprest Account (IA)/Second Generation Imprest Account (SGIA)/SOE/force account works/SAW, where applicable.

The objective of the audit of the Project Financial Statement (PES) is to enable the auditor to express a professional opinion as to whether (i) the PFS present fairly, in all material respects, the sources and applications of project funds for the period under audit examination, (ii) the funds were utilized for the purposes for which they were provided, (iii) loan covenants have been complied with and (iv) expenditures shown in the PFS are eligible for financing under the relevant loan/grant agreement. In addition, where

¹ Preparation of balance sheet, statement of income and expenditure shall depend on the legal status of the project executing/implementing agency and shall apply to autonomous bodies or corporation until extended legally to other types of organization such as government departments.

applicable, the auditor will express a professional opinion on the use of the procedures for IA, SGIA, SOE, Force Account Works and SAW and whether adequate supporting documentation has been maintained to support claims made by project management for reimbursement of expenditures incurred under the SOE, Force Account Works and SAW method of reimbursement.

The books of account that provide the basis for preparation of the PFS are established to reflect the financial transactions of the project and are maintained by the project executing/implementing agency – [] Project Implementation unit and the participating divisions.

Standards:

The audit will be carried out in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. The auditor should accordingly consider materiality when planning and performing the audit to reduce audit risk to an acceptable level that is consistent with the objective of the audit. Although the responsibility for preventing irregularity, fraud, or the use of loan/grant proceeds for purposes other than as defined in the legal agreements remain with the borrower, the audit should be planned so as to have a reasonable assurance of detecting material misstatements in the PFS.

Scope:²

In conducting the audit, special attention should be paid to the following:

- (a) All external funds have been used in accordance with the conditions of the relevant legal agreements and only for the purposes for which the financing was provided. Relevant legal agreements include the Loan/Grant Agreement, the Project Agreement, and the Minutes of Negotiations;
- (b) Counterpart funds have been provided and used in accordance with the relevant legal agreements and only for the purposes for which they were provided;
- (c) Financial covenants of the loan agreement have been complied with;
- (d) All necessary supporting documents, records, and accounts have been kept in respect of all project transactions including expenditures reported via SOEs/IAs/SGIAs/Force Account Works/SAW where applicable. Clear linkages should exist between the books of account and reports presented to the ADB; and
- (e) The project accounts have been prepared in accordance with consistently applied Government Accounting Standards³ and present fairly, in all material aspects, the financial situation of the project at the year end and of resources and expenditures for the year ended on that date.

Project Financial Statements:

The contents of Project Financial Statements (PFS) are specific to the sector, the project design and the type of implementing entity. These formats therefore vary from one project to another. The formats of PFS are prepared in consultation with the implementing entity during the preparation of the project.

The Project Financial Statements should include:

- A. In a nonrevenue-earning entity, or for the audit of project accounts, the annual financial statement may consist of the Statement of Receipts and Payments on project transactions. Other schedules of value or cumulative expenditures by category such as civil works, equipment, consultancy services,

² In response to identified project risks, the scope may be expanded to include a report or the expression of an opinion on specific aspects of the operation such as internal controls, compliance with Bank procurement policies, or efficiency and effectiveness in the use of loan/grant proceeds.

³ Until such time as the pronouncements of the Government Accounting Standards Advisory Board are accepted and prescribed by the Ministry of Finance, the Accounting Standards followed by the Government of India will be defined by the General Financial Rules, PWD codes, Treasury codes and similar financial rules and codes as are in effect and applicable to the operations of the project.

training and capacity building, administrative costs, expenditure by financier, statement of disbursement under SOE procedure, imprest account, cumulative work-in-progress, assets and inventories and a summarized reconciled bank statement are to be attached. See Annexure 1-8 for examples of reporting formats that could be prepared for a project implemented by core government departments.

- B. For a revenue-earning entity, a balance sheet, income statement and cash flow statement accompanied by supplementary statements or schedules supporting the basic statement (e.g., inventories, schedule of assets, outstanding loans, aging of receivables, etc.).
- C. Statement of Disbursement: The PFS include a reconciliation between expenditure reported as per the statement of sources and application of funds and expenditure claimed from ADB through SOE, documented claims (direct payment and reimbursement), commitment letter procedure, force account works or SAW where applicable. An example is shown at Annexure 3.
- D. Other statements or schedules as may be applicable in particular circumstances and as specified in the relevant loan/grant agreements. In particular, Statement of Appropriation Vs. Actual (Annexure 9) and Statement of Expenditure by Output (Annexure 10) shall be prepared and prepared to the project financial statements. These statements shall not be subject to audit.
- E. Management Assertion: Management should sign the PFS and provide a written acknowledgement of its responsibility for the preparation and fair presentation of the financial statements and an assertion that project funds have been expended in accordance with the intended purposes as reflected in the financial statements. An example of a management assertion letter is shown at Annexure 11.

Statement of Expenditure (SOE), Imprest Account (IA), Second Generation Imprest Account (SGIA), Force Account Works, Simultaneous Application for Sub-Loan Approval and Withdrawal (SAW):

During the course of the audit of the PFS, the auditor is required to audit all SOE, IA, SGIA, Force Account Works and SAW for withdrawal applications made during the period under audit examination. The auditor should apply such tests as the auditor considers necessary under the circumstances to satisfy the audit objective. In particular, these expenditures should be carefully examined for project eligibility by reference to the relevant financing agreements. Where ineligible expenditures⁴ are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor.

Audit Report

An audit report on the PFS should be prepared in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. Those standards require an audit opinion to be rendered related to the financial statements taken as a whole, indicating "unambiguously whether it is unqualified or qualified and if the latter, whether it is qualified in certain respects or is adverse or a disclaimer of opinion". In addition, the audit opinion paragraph will specify whether, in the auditor's opinion, (a) loan proceeds have been used as covenanted in ADB Loan / Project Agreement (b) financial covenants of loans have been complied with (c) with respect to SOEs, Force Account Works and SAW, where applicable, adequate supporting documentation has been maintained to support claims to ADB for reimbursement of expenditures incurred; and (d) except for ineligible expenditures as detailed in the audit observations, if any, appended to the audit report, expenditures are eligible for financing under the Loan/Grant Agreement. Relevant CAG Auditing Standards are reproduced in Annexure 12. A sample audit report wordings for unqualified opinion is shown at Annexure 13.

The PFS and the audit report should be received by ADB not later than six (6) months (or 9 months if specifically approved) after the close of the fiscal year to which they relate as specified in the loan/project agreement. The auditor should also submit two copies of the audited accounts and audit report to the

⁴ Refer to ADB's Operation Manual (OM) Section H3 and Safeguard Policy Statement

Implementing Agency.

The audit report is issued without prejudice to CAG's right to incorporate the audit observations in the Report of CAG of India for being laid before Parliament / State or UT Legislature.

Management Letter

In addition to the audit report on the PFS, the auditor may prepare a management letter containing recommendations for improvements in internal control and other matters coming to the attention of the auditor during the audit examination. Where such a management letter is prepared by the auditor, a copy of the same will be supplied to ADB. Else, a written advice may be made that no management letter was prepared together with the audit report on the PFS.

General

The auditor should be given access to any information relevant for the purposes of conducting the audit. This would normally include all legal documents, correspondence, and any other information associated with the project and deemed necessary by the auditor. The information made available by the auditor should include, but not be limited to, copies of ADB's project appraisal document, the relevant legal agreements, a copy of these guidelines and a copy of ADB's financial management assessment of the project entity. It is highly desirable that the auditor become familiar with other ADB policy document such as ADB guidelines on financial management and analysis of projects chapter 5 title reporting and auditing, PAI 5.07 on submission of audited project accounts and financial statements, OM section J7/BP on project accounting, financial reporting and auditing. The auditor should also be familiar with ADB's Loan Disbursement Handbook – July 2012 (or as amended from time to time).

Name of the Executing Agency
Name of the Implementing Agency
Name of the Project
Loan/Grant No.

STATEMENT OF RECEIPTS AND PAYMENTS
REPORT FOR THE YEAR/PERIOD ENDED XX, XXXX

in (INR) '000				
Particulars	Note Reference	During the Current Year for 12 month period	During the Previous Year for 12 month period	Cumulative Project to Date As at (end of CURRENT year)
Opening balance¹ (A)				
Receipts				
Funds received from Government ²	4			
ADB Loan ³	5			
ADB Grant ³	6			
Co-financier 1	7			
Co-financier 2	8			
Beneficiary contribution (if any)	9			
Other receipts such as interest income, sale from disposals of fixed assets, etc.	10			
Total Receipts (B)				
Total (C = A + B)				
Payments				
Investment Costs⁴	11			
Civil Works				
Mechanical and Equipment				
Environment and Social Mitigation				
Consultants				
a. Project Management				
b. Capacity Development				
Others				
Subtotal (D)				
Recurrent Costs	12			
Salaries				
Accommodation				
Equipment Operation and Maintenance				
Others				
Subtotal (E)				
Total Payments				
Financing Charges During Implementation (F)	13			
Total Project Cost (G = D + E + F)				
Closing Balance (C – G)				

¹ If cash balance are controlled by the entity, indicating cash balance, imprest account and SGIA balance separately

² These will include external assistance received by Government for the project.

³ This shall include amounts received in the Bank Account as well as amounts deemed to be received against direct payments made by ADB to the suppliers of goods and services under Direct Payment procedure and Commitment Letter procedure

⁴ Expenditure categories are based on the cost allocation table as per Loan/Grant Agreement

Notes 1 to x of the financial statements form an integral part of these financial statements

Annexure 2

Name of the Executing Agency
 Name of the Implementing Agency
 Name of the Project
 Loan/Grant No.

STATEMENT OF EXPENDITURE BY CATEGORY AND FINANCIER
 REPORT FOR THE YEAR/PERIOD ENDED XX, XXXX

REPORT FOR THE YEAR/PERIOD ENDED XXX, XXXXX										in (INR) 000
Particulars	Percentage of financing 1	ADB ²				Co-Financier		Government		Total Expenditure 8
		Amount 2	% 3	Actual Expenditure Amount 4	% 5	Actual Expenditure Amount 6	% 7			
Investment Costs ²										
Civil Works										
Mechanical and Equipment										
Environment and Social Mitigation										
Consultants										
a. Project Management										
b. Capacity Development										
c. Others										
Subtotal (A)										
Recurrent Costs										
Salaries										
Accommodations										
Equipment Operations and Maintenance										
Others										
Subtotal (B)										
Total Cost (C=A+B) ³										
% Total Project Cost										
Total Project Cost for [insert prior year period]										

¹ The financing percentages for ADB funds should directly correlate to the financing percentages in the allocation table(s) of the financing agreement(s).

² Expenditure categories are based on the cost allocation table as per Loan/Grant Agreement.

³ The figures shown against various categories of expenditure should agree with the current year's payment in Annexure 1, Statement of Receipts and Payments.

⁴ This shall include total expenditure claimed from ADB under various disbursement procedures, i.e. direct payment, reimbursement, imprest account and commitment letter.

Notes 1 to x of the financial statements form an integral part of these financial statements

Annexure 3

Name of the Executing Agency
Name of the Implementing Agency

[NAME OF THE ENTITY/PROJECT]
 Loan/Grant No.

FOR THE YEAR ENDED [YEAR END DATE]

Statement of Disbursement

Details of the disbursement by method are given below:

		in (INR) '000		
Statement of Disbursement	Note	Current Year	Prior Year	Cumulative Project to Date
ADB Fund claimed during the year				
Reimbursement ²	6.1	10		
Imprest Fund ³	6.2	10		
Direct Payment	6.3	10		
Commitment Letter	6.4	10		
Subtotal	(A)	40		
Total Expenditure made during the year¹	(B)			
Less:				
Expenditure not yet claimed	(C)			
Borrower's share ²	(D)			
Total Eligible Expenditure claimed (B – C – D = E = A)	(E)			

¹ The total expenditure as per Statement of Receipts and Payments.

² This should tally with the Government share included in Statement of Expenditure by category and financier (Column 6)

³ Includes both claims using SOE and full supporting documentation

Notes 1 to x of the financial statements form an integral part of these financial statements

Annexure 4
Page 1 of 3

**[NAME OF THE COUNTRY/IMPLEMENTING AND EXECUTING AGENCY]
[NAME OF THE ENTITY/PROJECT]
[ADB LOAN REFERENCE]
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED [YEAR END DATE]**

1. Project Nature and Activities

1.1 *Description of the Project, the nature of activities, commencement and expected completion dates. Mention location, domicile, legal form, controlling IA/ EA, brief nature of the project outputs,*

1.2 Give legislative framework

Insert as relevant

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards, as applicable in India. This refers to the cash basis of accounting applied with due regard to the General Financial Rules, PWD Codes, Treasury Codes, and similar financial rules and codes as are in effect and applicable to the operations of the Project.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Financial Statements

This comprises of the Statement of Receipts and Payments, the Statements of Expenditure by Category and Financier, the Statement of Disbursement and related notes and appendices to the financial statements

3.2 Basis of measurement

Financial statements have been prepared under the historical cost convention and on *[cash/ accrual]* basis of accounting

3.3 Changes in Accounting policies

Describe changes in accounting policies, if any

3.4 Fund Flow mechanism

Describe the fund flow mechanism, in particular, whether the IA/EA control funds or whether all payments are centralized

3.5 Advances and other receivables

Describe treatment of advances against expenditures

3.6 Cash and cash equivalents

Cash equivalents comprise [define components of cash]. Explain if the entity controls unspent advances, only petty cash, or has a nil balance, as applicable

3.7 Accrued and other liabilities

Disclose any major liabilities which have not been accrued under the cash basis policy

3.8 Income

- i) *Describe nature of different types of income and how they are recognised. For example grants, sale of proceeds of fixed assets, interest income on bank accounts etc.*
- ii) *[Include if applicable] Free of cost office space, electricity and certain other services provided by {insert name} are not valued and accordingly, are not recognized in these financial statements as income of the Project.*

3.9 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the financial statements of the Project are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is the Indian Rupee (INR).

(b) Transactions and balances

Transactions in foreign currency are converted at the exchange rate prevailing at the date of transaction. Foreign currency bank balances are re-stated at the year end rate, and the resulting gains/losses are recognized in the statement of receipts and payments account. Conversion Rate: USD \$ 1 = INR ____ as of 31 March ____

3.10 Allocation of Common Costs

Describe how common costs are allocated to different output/activities

3.11 Interest Expenses and Financial Charges

Describe how financial charges are treated and recorded. For example if these are not allocated to the Project by the borrower.

Annexure 4
Page 3 of 3

4. Funds Received from the Government

Give details of the government budgeting and funding mechanism

	in (INR) '000		
	Current Year	Prior Year	Cumulative Year to date
Government Counterpart funding			
Amount Reimbursable to Government			
Total			

5. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the
 _____ of _____ on

Annexure 5

Name of the Executing Agency
Name of the Implementing Agency

[NAME OF THE ENTITY/PROJECT]

Loan/Grant No.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED [YEAR END DATE]

6. Funds Received from ADB

Give key terms and conditions of the loan, including date of loan agreement, loan effectiveness date, key terms and conditions, disbursement schedule, commitment fee and interest rates etc.

in (INR) '000				
ADB Source of Funds – Method of Withdrawal	Note Reference	During the Current Year	During the Previous Year	Cumulative Project to Date
ADB Loan				
- By Reimbursement Method	6.1			
- By Imprest Account ¹	6.2			
- By Direct Payment	6.3			
- By Commitment Procedure	6.4			
ADB Loan Total				
ADB Grant				
ADB Loan and Grant Total				

¹ This should agree with the advances/replenishments net of refunds in Statement 6.2.

6.1 Funds Received from ADB through Reimbursement Method

Give details, if necessary

Annexure 6

Name of the Executing Agency
Name of the Implementing Agency

[NAME OF THE ENTITY/PROJECT]
 Loan/Grant No.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED [YEAR END DATE]

6.2 Reconciliation of the Imprest Account and the Bank Statement is given below

**STATEMENT OF IMPREST ACCOUNT
 FOR THE YEAR/PERIOD ENDED XX, XXXX.**

		in (INR) '000	
		Prior Year	Current Year
Balance brought forward from previous period		100	140
Add:			
Advance ¹		200	200
Replenishment received during the year/period ¹			
Interest Earned		10	10
Subtotal (A)		310	350
Deduct:			
Payments made during the year/period		150	150
Replenishment /Liquidation ¹	50		
Expenditure yet to be claimed	100		
Amount refunded during the year/period		20	20
Closing Balance (B)		140	180
As per bank statement (copy attached)		140	180

6.2.1 The US \$ equivalent notational amount held at the RBI in respect of the above Imprest Account balance is _____ US \$ (bank statement attached)

Note: Figures indicated are illustrative in nature.

¹ Withdrawal application-wise references required

Annexure 6

6.3 Details of Payments made directly by ADB are given below

(Add relevant details here)

6.4 Details of payments made through commitment procedure

(Add relevant details here)

6.5 Details of Grants

(Give relevant details for grants)

Name of the Executing Agency
Name of the Implementing Agency

[NAME OF THE ENTITY/PROJECT]
Loan/Grant No.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED [YEAR TO DATE]

6.6 Details of disbursement claimed under the Statement of Expenditure (SOE) Procedure are given below

DISBURSEMENT CLAIMED UNDER STATEMENT OF EXPENDITURE (SOE) PROCEDURE
FOR THE YEAR/PERIOD ENDED XX, XXXX

W/A No.	SOE Sheet No.	Category	Total Amount Paid	ADB Financing % ¹	Net Eligible Expense	Amount Reimbursed	Imprest Fund Replenished/Liquidated	Total Disbursement Using SOE Procedure
					6 (4x5)	7	8	7 + 8 = 9
00001	1	Civil Works	100	80%	80	60	20	80
	2	Mechanical and Equipment						
00002	1	Consultants						
	2	Salaries						
	3	Accommodation						
00005	1	Environment and Social Mitigation						
	2	Equipment Operation and Maintenance						
		Total						
		Total for [prior year]						

¹ The financing percentages within the table for ADB funds are as per loan agreement Schedule 3.

Annexure 8

Name of the Executing Agency
Name of the Implementing Agency

[NAME OF THE ENTITY/PROJECT]
 Loan/Grant No.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED [YEAR END DATE]

		In (INR) '000
Current Year	Prior Year	Cumulative Project to Date

7 – 13

If any of the amounts given on the Statements of Receipts and Payments require further detail or Break-down, provide this here against relevant Note

Name of the Executing Agency
Name of the Implementing Agency
Name of the Project
Loan/Grant No.

EXPENDITURE BY OUTPUT COMPONENTS

	In INR '000											
	Unallocable common costs			Output 1 ¹			Output 2			Output 3		
	Prior Year	Current Year	Cum to Date	Prior Year	Current Year	Cum to Date	Prior Year	Current Year	Cum to Date	Prior Year	Current Year	Cum to Date
Investment Costs												
Civil Works												
Mechanical Equipment												
Environment and Social Mitigation												
Consultants												
a. Project Management												
b. Capacity Development												
Others												
Subtotal (A)												
Recurrent Costs												
Salaries												
Accommodation												
Equipment Operation and Maintenance												
Others												
Subtotal (B)												
Total Cost (C=A+B)												
% Total Project Cost												

¹ Allocate the expenditure to the different Project Output Components as per the Loan Agreement. Add as many columns as required. For common costs allocated, specify the sharing ratios in the note 3.10

Annexure 11

Example of a Management Assertion Letter

(Project Letterhead)

(To Author)

(Date)

This assertion letter is provided in connection with your audit of the financial statement of the _____ Project for the year ended _____. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with the cash basis of accounting followed by the Government of India, and we confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

- The project financial statements are free of material misstatements, including omissions.
- Project funds have been used for the purposes for which they were provided.
- Project expenditures are eligible for financing under the Loan/Credit agreement.
- There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the project financial statements.
- We have made available to you all books of account and supporting documentation relation to the project.
- The project has complied with the conditions of all relevant legal agreements, including the Financing Agreement, the Project Agreement, the Project Appraisal Document, the Minutes of Negotiations, and the Borrower's Project Implementation Plan.

 (Project Director / Chief Executive Officer)

 (Chief Finance Officer / Senior Finance Officer)

Excerpt from CAG Auditing Standards (2nd Edition, 2002) Chapter IV, Reporting Standards

12. The form and content of audit opinion and report.

12.1 The form and content of all audit opinions and reports are founded on the following general principles:

- (a) **Title.** The opinion or report should be preceded by a suitable title or heading, helping the reader to distinguish it from statements and information issued by others.
- (b) **Signature and date.** The opinion or report should be properly signed. The inclusion of a date informs the reader that consideration has been given to the effect of events or transactions about which the auditor became aware up to that date (which, in the case of regularity (financial) audits, may be beyond the period of the financial statement).
- (c) **Objectives and scope.** The opinion or report should include reference to the objectives and scope of the audit. This information establishes the purpose and boundaries of the audit.
- (d) **Completeness.** Opinions should be appended to and published with the financial statements to which they relate, but performance reports may be free standing. The auditor's opinions and reports should be presented as prepared by the auditor. In exercising its independence CAG may acquire information from time to time, which in the national interest cannot be freely disclosed. This can affect the completeness of the audit report. In this situation the auditor should consider the need to make a report, possibly including confidential or sensitive material in a separate, unpublished report.
- (e) **Addressee.** The opinion or report should identify those to whom it is addressed, as required by the circumstances of the audit engagement and local regulations or practice. This is unnecessary where formal procedures exist for its delivery.
- (f) **Identification of subject matter.** The opinion or report should identify the financial statements (in the case of regularity (financial) audits) or area (in the case of performance audits) to which it relates. This includes information such as the name of the audited entity, the date and period covered by the financial statements and the subject matter that has been audited.
- (g) **Legal basis.** Audit opinions and reports should identify the legislation or other authority providing for the audit.
- (h) **Compliance with standards.** Audit opinions and reports should indicate the auditing standards or practices followed in conducting the audit, thus providing the reader with an assurance that the audit has been carried out in accordance with generally accepted procedures.
- (i) **Timeliness.** The audit opinion or report should be available promptly to be of greatest use to readers and users, particularly those who have to take necessary action.

Annexure 13

Report of the Comptroller and Auditor General of India

To

(Project Implementing Authority)

Report on the Project Financial Statements

We have audited the accompanying financial statements of the _____ Project financed under Asian Development Bank Loan No. _____, which comprise the Statement of Receipts and Payments, the Statement of Expenditure by Category and Financier, the Statement of Disbursement¹ and related notes for the year ended _____.

OR

In case, the PIA is maintaining Balance Sheet and statement of Income and Expenditure following para may be substituted:

We have audited the accompanying financial statements along with Balance Sheet balance sheet, income and expenditure statement and Cash Flow Statement and related statements of the _____ Project financed under Asian Development Bank Loan No. _____, for the year ended _____.

These statements are the responsibility of the Project's management. Our responsibility is to express an opinion on the accompanying financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit examines, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the sources and applications of funds of Project for the year ended [insert date] in accordance with Government of India accounting standards.²

¹ Insert titles of other required statements and schedules included in or annexed to the project financial statements, if any.

² Until the Ministry of Finance prescribes adoption of the accounting standards pronounced by GASAB or other body such as IPSAS, the accounting standards followed by the Government of India shall be the cash basis of

Annexure 13

In addition, in our opinion;

- (a) Proceeds of the loan from ADB have been utilized for the purposes as per ADB Loan / Project Agreement
- (b) Financial covenants in the loan agreement [name and number of loan] dated [date of loan] have been complied with
- (c) (i)(a) With respect to SOEs, adequate supporting documentation has been maintained to support claims to the Asian Development Bank for reimbursements of expenditures incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to this audit report, expenditures are eligible for financing under the Loan Agreement.

(ii)(a) The Imprest Accounts give a true and fair view of the receipts collected and payments made during the year ended---; and (b) these receipts and payments support Imprest Account liquidations/replenishments during the year.

This report is issued without prejudice to CAG's right to incorporate the audit observations in the Report of CAG of India for being laid before Parliament/State or UT Legislature.

[Auditor's Signature]

[Auditor's Address]

[Date³]

accounting applied with due regard to the General Financial Rules, PWD codes, Treasury codes and similar financial rules and codes as are in effect and applicable to the operations of the project.

³ The report should be dated as of the date to which the auditor has become aware of and considered the effects of events and transactions. This is generally the final date of fieldwork, as opposed to the date of signing the audit report.