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**D.O. No. 13/1/2013-ADB.II**  
**GOVERNMENT OF INDIA**  
**MINISTRY OF FINANCE**

DEPARTMENT OF ECONOMIC AFFAIRS  
NORTH BLOCK, NEW DELHI  
26.2.2014

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Dear Mr. Miranda,

**SASEC Road Connectivity Investment Program**  
**Periodic Financing Request # 1**

This has reference to Framework Financing Agreement (FFA) for SASEC Road Connectivity Investment Program, negotiated on 26<sup>th</sup> February, 2014, between Asian Development Bank (ADB) and INDIA. Expressions defined in the FFA shall have the same meanings herein.

2. Pursuant to the provisions of the FFA, INDIA requests ADB to process this Periodic Financing Request (PFR) for a tranche 1, in the form of a loan from its ordinary capital resources (OCR). The proposed financing amounts, terms, conditions, and financing plan are specified in Attachment hereto. Descriptions of the investment project for which financing is hereby requested are also set out in Attachment hereto.

3. It is requested to process the said PFR for the purpose of carrying out a part of SASEC Road Connectivity Investment Program in accordance with the provisions of the FFA.

Yours sincerely,

(Sheyphali B Sharan)

**Mr. Juan Miranda,**  
**Director General,**  
**South Asia Department,**  
**Manila,**  
**Philippines**

## ATTACHMENT A

**Project Description** The proposed financing under the requested PFR (the tranche) adopts the sector loan modality to finance (i) upgrading of road subprojects totaling about 300 km, including implementation support, given the highest priority due to their significant regional impacts, and (ii) MPWD capacity development and implementation support.

The road subprojects include (i) 37km of AH-2 connecting Nepal, Bangladesh and India, and 97km of AH-48 connecting Bhutan, India and Bangladesh; and (ii) about 180km of state roads extending connection with Myanmar. The first 2 subprojects (AH-2 and AH-48) have been appraised. Other road subprojects will be appraised for ADB approval during implementation of Tranche 1, following the selection criteria and approval process (as per Schedule 4 of FFA).

The Design and Monitoring Framework for this tranche is in **Annex 1**.

**Cost Estimates and Financing Plan** The total cost of the tranche is estimated at \$424.8 million, inclusive of 5 year performance-based maintenance, taxes, duties, and financing charges on the loan during construction. The detailed cost estimates, and financing plan under tranche 1, are in **Annex 2**.

(\$ million)

Item	Total	Government of India	Government of Manipur	ADB
Road improvement	367.3	78.3	4.5	284.5
MPWD capacity development and implementation support	1.0			1.0
5-year performance-based maintenance	24.1	16.1	8.0	
Contingencies	23.1	8.2	0.4	14.5
Financing charges during implementation	9.3	5.0	4.3	
Total	424.8	107.6	17.2	300.0

<sup>a</sup> Includes implementation support, and engineers for national highways, construction supervision consultants for Manipur, and taxes and duties.

**Loan Amount and Terms**

The request is for a loan of \$300 million from the ordinary capital resources of the Asian Development Bank (ADB) provided under ADB's London interbank offered rate (LIBOR)-based lending facility, with a 25-year term, including a grace period of 5 years, using the straight-line repayment option in equal installments, an annual interest rate determined in accordance with ADB's London interbank offered rate (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.

<b>Period of Loan Utilization</b>	The project is expected to be completed by 31 December 2021. No disbursement is expected to be requested or made later than 30 June 2022.
<b>Advance Contracting</b>	Advance contracting is requested to recruit consultants and to procure works and goods as per the provisions of the FFA.
<b>Retroactive Financing</b>	Retroactive financing is requested for expenditures to be incurred for consulting services, goods and works, not exceeding \$60,000,000 (20% of the loan amount), incurred before loan effectiveness, but not earlier than 12 months before the signing of the legal agreement.
<b>Implementation Arrangement</b>	The Executing Agency will be MoRTH for national highways subprojects and the State of Manipur acting through its Public Works Department for capacity development and state roads subprojects in the State of Manipur. MoRTH will set up a Project Implementation Unit (PIU) in Manipur and West Bengal to implement national highway subprojects. For subprojects in West Bengal, the West Bengal Public Works Department was designated as PIU/Implementing Agency. For subprojects in Manipur, MoRTH will be PIU supported by the Manipur Public Works Department. MPWD will set up a PIU in Manipur to implement state roads subprojects.
<b>Procurement and Consulting Services</b>	The procurement plan is attached as <b>Annex 3</b> .
<b>General Implementation Framework</b>	The Facility will be implemented in accordance with the general framework set out in Schedule 3 to this FFA, and the Facility Administration Manual agreed between India, MoRTH, MPWD, WBPWD and ADB.
<b>Confirmation of Continuing Validity of and Adherence to Provisions of FFA and Previous Agreements</b>	India confirms that the provisions of the FFA will be adhered to, and remain true to date.
<b>Readiness of the Project for Implementation Safeguards</b>	Design reports and the bid document have been finalized for AH-2 and AH-48. The tender for these contracts will be floated in March 2014 and the remaining packages will be by June 2015.  As part of appraisal, resettlement plans ( <b>Annex 4</b> ) have been prepared for AH-2 and AH48. The Project is environment category A and the EIAs have been prepared covering the 2 subprojects (attached as <b>Annex 5</b> ).

An environmental management plan has been prepared and has been included in the bidding documents. The study did not show any difference in impact between indigenous and non-indigenous groups in the project location. However, special provisions have been made under the resettlement framework and the resettlement plans specifically for the indigenous people and other vulnerable groups. Indigenous peoples planning framework (IPPF) has also been prepared and disclosed through the ADB website to guide the preparation of Indigenous Peoples Plans if required for the current or subsequent phases during project implementation.

## DESIGN AND MONITORING FRAMEWORK (TRANCHE 1)

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b> Increased domestic and regional trade through NB-NER</p>	<p>By 2025 Growth rate along the project corridor increased by 20% (2013 baseline: 4.5% in West Bengal and 5.7% in Manipur)</p> <p>Growth rate of cross-border traffic increased by 30% (2013 baseline: 3 %)</p>	<p>MoRTH and state road agencies reports of road conditions and maintenance needs</p> <p>Border post statistics of customs</p>	<p><b>Assumptions</b> Various government development activities effectively coordinated with road sector investment.</p> <p>Cross-border transport procedures are streamlined.</p>
<p><b>Outcome</b> Improved road connectivity and efficiency of the NB-NER international trade corridor</p>	<p>By 2022 Average daily vehicle-kilometers in the first full year of operations is 1,300,000.</p> <p>Average travel time along project major trade roads reduced by 45% (2013 baseline: 1.7 hours along AH02, 3.5 hours along AH48 and average 1 hour along state roads)</p> <p>Fatal accident rate along the project roads reduced by 30% of the level in 2012. (2012 baseline: 58 and 46 fatal accidents per 100 km on project stretches of AH 02 and AH 48, respectively; and 24 in average on state roads)</p>	<p>Post-implementation measurement by consultants, MoRTH and state road agencies.</p> <p>Accident data collected by MoRTH, state road agencies and police</p>	<p><b>Assumptions</b> The government provides adequate funds for operation and maintenance on time.</p>
<p><b>Outputs</b> 1.Improved roads for regional connectivity</p> <p>2. Developed capacity and supported project</p>	<p>By 2021 300 km roads upgraded and maintained using performance-based contracts, including the construction of 30 km of paved elevated footpath for pedestrians in urban areas.</p> <p>Civil works contractors comply with core labor standards.</p> <p>2 workshops covering project implementation and financial management for</p>	<p>For all indicators: Monitoring reports of MoRTH and state road agencies</p>	<p><b>Assumptions</b> Availability of key construction materials and equipment is stable.</p> <p>The approved counterpart funding is released on time.</p>

<b>Design Summary</b>	<b>Performance Targets and Indicators with Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
improvement for MPWD	10 MPWD staff completed  Awareness-raising seminars delivered for contractors and construction workers on health and social impacts (including HIV/AIDS)		
<b>Activities with Milestones</b> <b>1. Improved roads for regional connectivity</b> 1.1 Engage construction supervision consultants for initial packages by September 2014 1.2 Complete bidding process for civil works for initial packages by September 2014 1.3 Complete construction of all civil works by end of 2021  <b>2. Developed capacity and supported project improvement for MPWD</b> 2.1 Complete staffing of PIUs by January 2014 2.2 Recruit consultants by September 2014 2.3 Complete 2 workshops covering project implementation and financial management for MPWD staff by 2016		<b>Inputs</b> ADB: \$300.0 million Government of India: \$107.6 million Government of Manipur: \$17.2 million	

ADB = Asian Development Bank, km = kilometer, MoRTH = Ministry of Road Transport and Highways, MPWD = Manipur Public Works Department.  
 Source: Asian Development Bank

### Detailed Cost Estimates and Financing Plan (Tranche 1) – Summary (\$ million)

	Total Cost [a]	GoI	GoM	ADB	ADB Share (%)
<b>1. MoRTH (Tranche 1: AH2 &amp; AH48)</b>					
<b>A. Road Construction</b>					
Works	169.3	40.3		129.0	76.2
Utility shifting	8.1	8.1			
LA and R&R	18.8	18.8			
<b>Subtotal (A)</b>	<b>196.2</b>	<b>67.2</b>		<b>129.0</b>	<b>65.8</b>
<b>B. 5-Year Performance-based Maintenance</b>	<b>16.1</b>	<b>16.1</b>			
<b>C. Project Management [b]</b>					
Authority's Engineer	5.6	5.6			
Implementation support	2.0			2.0	100.0
Wildlife external monitoring	0.5			0.5	100.0
Agency Cost	5.6	5.6			
<b>Subtotal (C)</b>	<b>13.6</b>	<b>11.1</b>		<b>2.5</b>	<b>18.4</b>
<b>D. Contingencies [c]</b>					
Physical	9.3	2.2		7.1	76.2
Price	12.4	6.0		6.4	51.8
<b>Subtotal (D)</b>	<b>21.7</b>	<b>8.2</b>		<b>13.5</b>	<b>62.2</b>
<b>E. Interest during Construction [d]</b>	<b>5.0</b>	<b>5.0</b>			
<b>Total (A+B+C+D+E)</b>	<b>252.6</b>	<b>107.6</b>		<b>145.0</b>	<b>57.4</b>
<b>2. Manipur PWD (Tranche 1)</b>					
<b>A. Road Construction</b>					
Works	144.1			144.1	100.0
Utility shifting	0.3		0.3		
LA and R&R [e]	7.5		3.8	3.8	50.0
<b>Subtotal (A)</b>	<b>151.9</b>		<b>4.1</b>	<b>147.9</b>	<b>97.3</b>
<b>B. 5-Year Performance-based Maintenance</b>	<b>8.0</b>		<b>8.0</b>		
<b>C. Project Management</b>					
Design consultants	0.5		0.5		
Construction and PBM Supervision	5.1			5.1	100.0
Implementation Support & Capacity Development	1.0			1.0	100.0
<b>Subtotal (B)</b>	<b>6.6</b>		<b>0.5</b>	<b>6.1</b>	<b>93.1</b>
<b>D. Contingencies</b>					
Physical	1.0			1.0	100.0
Price	0.4		0.4		
<b>Subtotal (C)</b>	<b>1.4</b>		<b>0.4</b>	<b>1.0</b>	<b>71.4</b>
<b>E. Interest during Construction</b>	<b>4.3</b>		<b>4.3</b>		
<b>Total (A+B+C+D+E)</b>	<b>172.2</b>		<b>17.2</b>	<b>155.0</b>	<b>90.0</b>
<b>3. Total [a]</b>					
<b>A. Road Construction</b>	<b>348.1</b>	<b>67.2</b>	<b>4.1</b>	<b>276.9</b>	<b>79.5</b>
<b>B. 5-Year Performance-based Maintenance</b>	<b>24.1</b>	<b>16.1</b>	<b>8.0</b>		
<b>C. Project Management [b]</b>	<b>20.2</b>	<b>11.1</b>	<b>0.5</b>	<b>8.6</b>	<b>42.6</b>
<b>D. Contingencies [c]</b>	<b>23.1</b>	<b>8.2</b>	<b>0.4</b>	<b>14.5</b>	<b>62.7</b>
<b>E. Interest during Construction [d]</b>	<b>9.3</b>	<b>5.0</b>	<b>4.3</b>		
<b>Total (A+B+C+D+E)</b>	<b>424.8</b>	<b>107.6</b>	<b>17.2</b>	<b>300.0</b>	<b>70.6</b>

<sup>a</sup> In 2013 prices, including taxes and duties of about \$60 million to be partially financed from ADB loan resources.

<sup>b</sup> The cost estimate of consulting services include contingencies.

<sup>c</sup> Physical contingencies computed at 5% for civil works. Price contingencies computed at 8% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>d</sup> Includes interest and commitment charges. Interest during construction for ADB loan(s) has been computed at the 5-year forward London interbank offered rate plus a spread of 0.5% and applicable maturity based premium of **10 basis points**. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

<sup>e</sup> ADB financing is limited to the works related to resettlement and no land acquisition and resettlement compensation will be financed by ADB, and such works will be included in civil work contracts to be 100% financed by ADB.

Source: Asian Development Bank estimates.

**ADB Ordinary Capital Resources Loan (OCR Loan) for Tranche 1**

<b>CATEGORY</b>				<b>ADB FINANCING</b>
<b>Number</b>	<b>Item</b>	<b>Amount Allocated (\$ million)</b>		<b>Percentage and Basis for Withdrawal From the Loan Account</b>
		Category	Subcategory	
1	Works	276.9		
1A	MoRTH		129.0	76.2 percent of total expenditure
1B	MPWD		147.9	100 percent of total expenditure
2	Consulting Services	8.6		
2A	MoRTH		2.5	100 percent of total expenditure
2B	MPWD		6.1	100 percent of total expenditure
3	Unallocated	14.5		
	Total	300.0		

## PROCUREMENT PLAN

### Basic Data

<b>Project Name:</b> SASEC Road Connectivity Investment Program (SRCIP) - Tranche 1	<b>Executing Agency:</b> Ministry of Road Transport and Highways and Manipur Public Works Department
<b>Country:</b> INDIA	<b>Loan (Grant) Number:</b> 47341-IND
<b>Loan Amount:</b> \$300 million	<b>Date of this Procurement Plan:</b> 19 February 2014
<b>Date of First Procurement Plan</b>	

### A. Process Thresholds, Review and 18-Month Procurement Plan

#### 1. Project Procurement Thresholds

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

Procurement of Goods and Works	
Method	Threshold
International Competitive Bidding (ICB) for Works	\$40,000,000 and more
International Competitive Bidding for Goods <sup>1</sup>	\$1,000,000 and more
National Competitive Bidding (NCB) for Works <sup>1</sup>	Less than \$40,000,000
National Competitive Bidding for Goods <sup>1</sup>	Less than \$1,000,000
Shopping for Works	Less than \$100,000
Shopping for Goods	Less than \$100,000

All bids for works and goods under the MFF will adopt ICB only.

#### 2. ADB Prior or Post Review

2. Except as ADB may otherwise agree, the following prior or post review requirements apply to the various procurement and consultant recruitment methods used for the project.

Procurement Method	Prior or Post	Comments
<b>Procurement of Goods and Works</b>		
ICB Works	Prior	
ICB Goods	Prior	
NCB Works	Post	Refer to note
NCB Goods	Post	Refer to note
Shopping for Works	Post	
Shopping for Goods	Post	
<b>Recruitment of Consulting Firms</b>		
Quality- and Cost-Based Selection (QCBS)	Prior	
Quality-Based Selection (QBS)	Prior	
Other selection methods: Consultants Qualifications (CQS), Least-Cost Selection (LCS), Fixed Budget (FBS), and Single Source (SSS)	Prior	
<b>Recruitment of Individual Consultants</b>		
Individual Consultants	Prior	

**Note:** The first draft English language version of the procurement documents should be submitted for ADB review and approval regardless of the estimated contract amount. For any contract above \$40 million, the review will be Prior.

### 3. Goods and Works Contracts Estimated to Cost More Than \$1 Million

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

<b>General Description</b>	<b>Contract Value</b>	<b>Procurement Method</b>	<b>Prequalification of Bidders (y/n)</b>	<b>Advertisement Date (quarter/year)</b>	<b>Comments</b>
Asian Highway No 2: Panitanki-Shivamandir Mor-Medical Mor-Fulbari (Nepal-India-Bangladesh)	\$ 63 million	ICB	Y	Q1-2014	Adopting MoRTH standard EPC documents with modification and e-tendering (refer to Section C)
Asian Highway No. 48: Jaigaon-Hasimara-Dhupguri and Mainaguri-Changrabandha (Bhutan-India-Bangladesh)	\$ 89 million	ICB	Y	Q1-2014	Adopting MoRTH standard EPC documents with modification and e-tendering (refer to Section C)
Imphal Ring Road	\$40 million	ICB	N	Q2-2014	Adopting e-tendering (refer to Section C)
Imphal-Kanchup-Tameglong Road	\$81 million	ICB	N	Q2-2014	Adopting e-tendering (refer to Section C)

### 4. Consulting Services Contracts Estimated to Cost More Than \$100,000

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

<b>General Description</b>	<b>Contract Value</b>	<b>Recruitment Method<sup>1</sup></b>	<b>Advertisement Date (quarter/year)</b>	<b>International or National Assignment</b>	<b>Comments</b>
Implementation Support Consultant for MoRTH	\$ 2.0 million	QCBS, 90:10	Q1-2014	International	Refer to Note
Implementation Support and Capacity Development Consultant for MPWD	\$ 1.0 million	QCBS, 90:10	Q1-2014	International	Refer to Note
Wildlife External Monitoring	\$0.5 million	QCBS, 90:10	Q1-2014	National	Refer to Note
Construction Supervision Consultant for MPWD	\$ 5.0 million	QCBS, 90:10	Q3-2014	International	Refer to Note

**Note:** Assignments of all consultants will involve technical expertise in managing border areas involving multiple stakeholders coordination. The quality- and cost-based selection should be adopted, with a weight of technical proposal at 90%.

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

5. The following table provides an indicative list of all procurement (goods, works and consulting services) over the life of the project. Contracts financed by the Borrower and others should also be indicated, with an appropriate notation in the comments section.

General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Domestic Preference Applicable	Comments
Works	\$152 million	2	ICB	No	National Highways, on EPC basis (refer to Section C)
	\$141 million	2	ICB	No	State roads (refer to Section C)
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Type of Proposal	Comments
Consulting Services	\$3.0 million	2	QCBS, 90:10	FTP and STP	Implementation Support and Capacity Development
	\$0.5 million	1	QCBS, 90:10	BTP	Wildlife external monitoring
	\$5.0 million	1	QCBS, 90:10	FTP	Construction Supervision Consultant for MPWD
	\$0.5 million	1	N.A.	N.A.	Design Consultants financed by MPWD
	\$11.3 million	2	N.A.	N.A.	Authority's Engineer financed by MoRTH

## C. EPC Contracts and E-Tendering

6. Gol has stipulated that all contracts for national highway development works, which are not under public private partnership, will be taken up under engineering, procurement, and construction (EPC) mode, with elements of a maintenance period, post construction. Gol has also approved standard EPC contract documents. These documents are also being followed for World Bank funded projects under MoRTH. For this project, EPC contracts following the standard documents of Gol will be used. These documents will be reviewed and modified to be suitable for ADB funded projects. For state highways, however, item rate contracts under ADB's standard bidding documents (harmonized FIDIC contracts), will be followed. Performance-based maintenance may be included to the ADB's SBD.

7. E-procurement will be adopted for international competitive bidding (ICB) work packages by MoRTH. Distribution of bidding documents and submission of bids will be done only electronically. The World Bank has adopted the same approach for projects with MoRTH. The e-procurement system is in use for the past 4-5 years with the National Highways Authority of India, MoRTH, and many state Government departments. Assessment for E-procurement in the roads sector has indicated that there is substantial response and competition. The system has been assessed to be secure, accessible, and robust. The associated procedure and mechanism in place have been reviewed as satisfactory. The e-procurement may also be adopted for state roads.

**Annex 4: Resettlement Plans**

<http://www.adb.org/projects/documents/sasec-road-connectivity-investment-program-ah02-rp>

<http://www.adb.org/projects/documents/sasec-road-connectivity-investment-program-ah98-rp>

**Annex 5: Environmental Impact Assessment Report**

<http://www.adb.org/projects/documents/sasec-road-connectivity-investment-program-eia>