



No. 3(53) ADB-III/2017
GOVERNMENT OF PAKISTAN
Ministry of Finance, Revenue and Economic Affairs
(Economic Affairs Division)

Joint Secretary (ADB),
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Islamabad: the 25th August, 2017

Subject: - CAREC Corridor Development Investment Program: Periodic Financing Request-1

Please refer to the draft Framework Financing Agreement (FFA) for the CAREC Corridors Development Investment Program which Asian Development Bank (ADB) and the Islamic Republic of Pakistan have jointly reviewed on 21 August 2017. Expressions defined in the draft FFA shall have the same meaning herein.

2. Pursuant to the provisions of the draft FFA, The Government of Pakistan requests ADB to process this PFR for Tranche-I of US\$ 180 million, in the form of a loan from its Ordinary Capital Resources. The descriptions of the project for which financing is hereby requested, proposed financing amounts, terms, conditions, and financing plan are specified in Attachment.

Yours truly,

(Syed Mujtaba Hussain)

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Attachment

Project Description The project proposed for financing under the requested PFR is:

- (i) building an additional 2-lane carriageway of 66 km along the existing 2-lane carriageway of Petaro-Sehwan road;
- (ii) building an additional 2-lane carriageway of 43 km along the existing 2-lane carriageway of Ratodero-Shikarpur road;
- (iii) rehabilitating the existing 34 km 4-lane carriageway of Dara Adamkhel-Peshawar road; and
- (iv) developing NHA's capacity through due diligence advisory services and assistance with project implementation.

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

Cost Estimates and Financing Plan The total cost of the projects is estimated at \$195 million, inclusive of taxes, duties, and interest and other charges on the loan during construction. The detailed cost estimates and financing plan are in Annex 2.

(\$ million)			
Project/Component	Counterpart	ADB	Total
CAREC Corridors Improvement	15.0	171.7	186.7
Capacity Development	0.0	8.3	8.3
Total	15.0	180.0	195.0

Loan Amount and Terms

The request is for a loan of \$180 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, an interest rate determined in accordance with ADB's LIBOR-based lending facility, and such other terms and conditions as agreed in the FFA, and further supplemented under the Loan and Project Agreements.

Expected Project Completion and Closing Dates

The project is expected to be completed by 30 June 2022. Closing date of the loan account will be 31 December 2022.

Advance Contracting

Advance contracting is requested for goods, works, and consulting services.

Retroactive Financing

Retroactive financing is requested for goods, works, and consulting services, not exceeding the amount of up to 20% of proposed individual loan, incurred before loan effectiveness, but not earlier than 12 months before the signing of the legal agreement.

Implementation Arrangements

The Executing Agency will be the National Highway Authority (NHA). A steering committee chaired by the NHA Chairman will be responsible for monitoring the use of loan funds and for overall implementation performance of the MFF. A project implementation unit (PIU) will be

established under the NHA for overall implementation of construction, including supervision of contractors and supervision consultants. A general manager will head the PIU, which will have suitably qualified staff including project directors and safeguard specialists.

Procurement and Consulting Services

The procurement plan and terms of reference for the engagement of consultants under this tranche are attached in Facility Administration Manual.

Confirmation of Continuing Validity of and Adherence to Provisions of FFA, Previous Agreements, and the Design and Monitoring Framework

Pakistan confirms that the understandings set out in the draft FFA will be adhered subject to requisite clearances/approvals of the Finance and Law Divisions.

Readiness of the Project for Implementation

Detailed designs were prepared. Bidding for 3 contract packages are ongoing.

Safeguards

Due diligence report for previous tranche project(s), initial environmental examination, and land acquisition and resettlement plans are disclosed on ADB website.



DESIGN AND MONITORING FRAMEWORK FOR TRANCHE 1

Impact the Program is Aligned with

Regional connectivity and trade enhanced in CAREC corridors defined by project (CAREC Transport and Trade Facilitation Strategy 2020¹)

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
<p>Outcome Efficiency for road traffic along the CAREC Corridors improved</p>	<p>By 2023, a.1 Average daily vehicle-km of road from Petaro to Sehwan increased to 0.49 million (2016 baseline: 0.36 million) a.2 Average daily vehicle-km of road from Ratodero to Shikarpur increased to 0.29 million (2016 baseline: 0.21 million in 2016) a.3 Average daily vehicle-km of road from Dara Adamkhel to Peshawar increased to 0.53 million (2016 baseline: 0.38 million)</p> <p>By 2023: b.1 Travel time from Petaro-Sehwan reduced to 0.73 hours (2016 baseline: 1.02 hours) b.2 Travel time from Ratodero to Shikarpur reduced to 0.47 hours (2016 baseline: 0.66 hours) b.3 Travel time from Dara Adamkhel to Peshawar reduced to 0.38 hours (2016 baseline: 0.53 hours)</p>	<p>a-b. NHA compiled statistics on the asset management system and performance monitoring report</p> <p>a-b. Project completion report</p>	<p>Rapid deterioration of the road network caused by weak axle-load control.</p>
<p>Outputs 1. CAREC Corridor along N55 constructed or rehabilitated 2. NHA capacity strengthened</p>	<p>1-a. 66 km from Petaro to Sehwan and 43 km from Ratodero to Shikarpur along N55 improved by 2022 with international roughness index no higher than 2.0m/km (2016 baseline: not applicable) 1-b. 34 km from Dara Adamkhel to Peshawar along N55 improved by 2022 with international roughness index no higher than 2.0m/km (2016 baseline: 3.25)</p> <p>2-a. Due diligence works for subsequent tranches conducted and subsequent tranche projects prepared in compliance with ADB SPS (2009) and categorized as procurement- and design-</p>	<p>1a-2a. NHA compiled statistics on the asset management system</p> <p>1a-2a. Project completion report</p>	<p>Political instability and deteriorating security delays implementation</p> <p>Unfavorable political interference may negatively affect the implementation of capacity development support for NHA</p> <p>Insufficient budget allocation due to shifting government priorities</p>

¹ ADB. 2014. CAREC Transport and Trade Facilitation Strategy 2020. Manila.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
	ready.		

Key Activities with Milestones

Output 1 CAREC Corridors along N55 constructed or rehabilitated

- 1.1 Select supervision consultants by February 2018.
- 1.2 Complete bid evaluation for civil works contract by March 2018.
- 1.3 Mobilize contractors by May 2018.
- 1.4 Complete land acquisition process by the Board of Revenue by December 2017.
- 1.5 Complete payment for compensation and relocation of affected people by June 2018.
- 1.6 Complete civil works by June 2022.

Output 2 NHA capacity strengthened

- 2.1 Recruit consultants for due diligence advisory services by December 2018.
- 2.2 Complete due diligence works for Project 2 by June 2019.

Inputs

ADB: \$180 million (regular ordinary capital resource loan)
 Government: \$15 million

Assumptions for Partner Financing

Not Applicable

ADB = Asian Development Bank; CAREC = Central Asia Regional Economic Cooperation; NHA = national Highway Authority, SPS 2009 = Safeguard Policy Statement 2009.
 Source: Asian Development Bank.

Cost Estimates and Financing Plan for Project 1

	ADB		Government		Total Cost	
	Amount (\$ million)	% of Cost Category	Amount (\$ million)	% of Cost Category	Amount (\$ million)	(Taxes and Duties)
A. Base Cost^a						
1. Land Acquisition and Resettlement Cost	0.0	0.0	3.0	100.0	3.0	(0.0)
2. Civil Works	137.5	92.0	12.0	8.0	149.5	(12.0)
3. Construction Supervision Consultant ^b	9.0	100.0	0.0	0.0	9.0	(0.0)
4. Capacity Development ^b	8.0	100.0	0.0	0.0	8.0	(0.0)
a. Due Diligence Advisory Services	5.0	100.0	0.0	0.0	5.0	(0.0)
b. Assistance with Implementation	3.0	100.0	0.0	0.0	3.0	(0.0)
Total Base Cost (A)	154.5	91.2	15.0	8.8	169.5	(12.0)
B. Contingencies^c						
1. Physical	14.9	100.0	0.0	0.0	14.9	(0.0)
2. Price	3.8	100.0	0.0	0.0	3.8	(0.0)
Subtotal (B)	18.8	100.0	0.0	0.0	18.8	(0.0)
C. Financial Charges during Construction^d						
1. Interest during Implementation	6.2	100.0	0.0	0.0	6.2	(0.0)
2. Commitment Charge	0.6	100.0	0.0	0.0	0.6	(0.0)
Subtotal (C)	6.8	100.0	0.0	0.0	6.8	(0.0)
Total Project Cost (A+B+C)	180.0	92.3	15.0	7.7	195.0	(12.0)