

Facility Administration Manual

MFF0016; Project Number: 40075
Loan Numbers: L2400-PAK and L2401-PAK (Tranche 1)
Loan Number: L3121-PAK (Tranche 2)
Loan Number: L3197-PAK (Tranche 3)

Original Date: 18 October 2007
Last updated on 30 October 2014

Islamic Republic of Pakistan: National Trade
Corridor Highway Investment Program

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Facility Administration Manual Purpose and Process

The facility administration manual (FAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures.

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

At Loan Negotiations, the borrower and ADB have agreed to the FAM and ensured consistency with the Framework Financing Agreement (FFA). Such agreement has been reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the FAM on one hand, and the FFA and Loan Agreements on the other hand, the provisions of the FFA and Loan Agreements shall prevail.

After ADB Board approval of the investment program'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 FAM.

Abbreviations

ACN	–	advance contracting notice
ADB	–	Asian Development Bank
DMF	–	design and monitoring framework
EA	–	executing agency
EARF	–	environmental Assessment and Review Framework
EIA	–	environmental impact assessment
EMP	–	environmental management plan
FAM	–	facility administration manual
FFA	–	framework financing agreement
GOP	–	Government of Pakistan
HIV/AIDS	–	human immunodeficiency virus/ acquired immunodeficiency syndrome
ICB	–	international competitive bidding
IEE	–	initial environmental examination
IPP	–	indigenous people plan
IPPF	–	indigenous people planning framework
LARF	–	land acquisition and resettlement framework
LARP	–	land acquisition and resettlement plan
LIBOR	–	London interbank offered rate
MFF	–	multitranche financing facility
NCB	–	national competitive bidding
NGOs	–	nongovernment organizations
NTP	–	National Transport Plan
PFR	–	periodic financing report
PMU	–	project management unit
PPMS	–	project performance monitoring system
QBS	–	quality based selection
QCBS	–	quality- and cost based selection
RRP	–	report and recommendation of the President to the Board
SBD	–	standard bidding documents
SC	–	steering committee
SOE	–	statement of expenditure
SPN	–	specific procurement notice
SPRSS	–	summary poverty reduction and social strategy
SPS	–	Safeguard Policy Statement
TOR	–	terms of reference

I. PROGRAM DESCRIPTION

A. Rationale

1. **Transport Sector in Pakistan.** Roads are the predominant mode of transport in Pakistan, and account for approximately 91% of all passenger-kilometers and 96% of total freight ton-kilometers.¹ The development/upgrading of the national highway network has been identified as a top priority within the mid and long term development strategy.² The Government of Pakistan (GOP) wishes to sustain economic growth by improving the country's competitiveness and increasing Pakistan's share of regional and global trade; however, transport and trade logistics have been identified as major bottlenecks. The GOP therefore launched a National Trade Corridor Improvement Program (NTCIP) in 2005, a major initiative in the transport and trade logistics sectors, targeted particularly on the National Trade Corridor (NTC).

2. The NTC has played a vital role in Pakistan's economic development, linking Pakistan's major ports Karachi and Gwadar (in the South) with Lahore, Islamabad and further to the north of the country, with onward links to Afghanistan, China, and other Central Asian countries. Together the ports, road and railways along this corridor handle 95% of the country's external trade and 65% of total land freight transport. The development objectives of the NTCIP are to reduce the cost of trade and transport logistics and bring service quality to international standards in order to reduce the cost of doing business in Pakistan and ultimately enhance both export competitiveness and the country's industrialization.

3. The NTCIP identified several critical links in National Highway Development Plan on immediate priority investment and noninvestment interventions needed to overcome critical bottlenecks in the national highway network. To meet these financing requirements, the Asian Development Bank (ADB) approved a financing plan for National Trade Corridor Highway Investment Program (NTCHIP) in December 2007 through a multitranche financing facility (MFF) to improve several key links of national trade corridor, including M4 (Faisalabad to Khanewal) and E35 (Hasanabdal-Haveian-Mansehra), which are part of national trade corridor, with a total amount of \$900 million.

4. As envisaged, the MFF will consist of several tranches, subject to the government's submission of related periodic financing requests, execution of the related loan agreement for each tranche, and fulfillment of terms and conditions and undertakings set forth in the framework financing agreement. ADB approved the first tranche of \$170 million on 17 December 2007 and the second tranche of \$200 million on 1 April 2014.

5. **Impact and Outcome.** The impact of the investment program will be increased trade growth. The outcome will be efficiency gain for road traffic operation along the national trade corridor.

6. **Outputs.** The outputs include: (i) 346 km newly constructed and upgraded roads and bridges; (ii) NTC business plan and coordinating body, and (iii) institutional capacity development. Outputs of each tranche are as follows:

¹ ADB. 2009. *Country Partnership Strategy. Pakistan, 2009–2013*. Manila.

² Pakistan in the 21st Century: Vision 2030 (Working Draft), [http://www.pakistan.gov.pk/ministries/planninganddevelopment\)ministry/vision2030/Pak21stcentury/Chapterwise.htm](http://www.pakistan.gov.pk/ministries/planninganddevelopment)ministry/vision2030/Pak21stcentury/Chapterwise.htm).

- (i) **Tranche 1:** (a) 58 km motorway between Faisalabad and Gojra constructed and operational and (b) NTC Highway Business Plan endorsed by the Government.
- (ii) **Tranche 2:** (a) 39-kilometer expressway connecting Hassanabdal and Sarai Saleh constructed and operational; and (b) improved NHA institutional capacity in social safeguards.
- (iii) **Tranche 3:** 19.1 km of the expressway connecting Sarai Saleh and Havelian constructed and operational.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Table 2.1 Project Readiness Activities–Tranche 3

Indicative Activities	2014			2015			Responsible
	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3	
Establish project implementation arrangements ^a							NHA
Allocate government counterpart funds (budgetary considerations)	Apr						MOF, NHA
Complete Procurement Documents	Jun						NHA, ADB
Approve and disclose safeguards documents							ADB, NHA
• Post EIA ^b							ADB, NHA
• Post LARP			Oct				ADB, NHA
Undertake advance contracting actions	Jun						NHA
Tranche 3 Approved			Nov				ADB
Loan signing				Mar			ADB, EAD
Government legal opinion provided					May		EAD
Loan effectiveness					Jun		ADB

ADB = Asian Development Bank, EAD = Economic Affairs Division, EIA = environment impact assessment, LARP = land acquisition and resettlement plan, MOF = Ministry of Finance, NHA = National Highway Authority, PFR = periodic financing request report.

^a The implementing arrangement has been established for the investment program.

^b The EIA was disclosed in August 2012 and updated on 31 October 2013.

B. Overall Program Implementation Plan

7. The 10-year investment program is scheduled for completion by 10 December 2017.

Table 2.3: Implementation Plan by Tranche

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Establishing and staffing of PMU	■				■		■			
Consultant recruitment	■	■			■	■	■			
Land acquisition and resettlement	■	■	■	■	■		■	■		
Design and tender documents	■						■	■		
Civil works execution			■	■	■	■	■	■	■	■
Tranche 1	■									
Tranche 2	■	■								
Tranche 3	■	■								

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations – Roles and Responsibilities

Project implementation organizations	Management Roles and Responsibilities
Project Steering Committee	<ul style="list-style-type: none"> ➤ Provide guidance on and oversight to the overall implementation and performance of the project (Investment and Institutional Strengthening) ➤ Resolve issues and conflicts that would compromise quality of results, investment cost or project completion time. ➤ Approve the annual activity plan ➤ Review implementation progress and resolve issues; ➤ Depute/appoint staff for project management office (PMU); ➤ Review performance of consultants and contractors; ➤ Convening quarterly meetings or when required;
National Highway Authority (Executing Agency)	<ul style="list-style-type: none"> ➤ Overall responsibility in coordinating program, tranches and projects; ➤ Overall project management; finalizing surveys, design, bidding documents, and contract awards; ➤ Overall construction supervision with the consultants, quantity and quality validation of installation of civil works, equipment and procured machinery; ➤ Ensure timely agreed counterpart funds and approval for project activities; ➤ Comply with all loan covenants; ➤ Monitor and evaluate project activities and outputs, including periodic review, preparation of review and progress reports reflecting issues and time-bound actions taken (or to be taken), and their timely submission to ADB; ➤ Prepare regular periodic progress reports, monitoring and evaluation reports, and project completion report and their timely submission to ADB; ➤ Endorse to ADB through EAD the authorized staff in EA with approved signatures for processing payments; ➤ Establish strong financial management system and submit timely withdrawal applications to ADB, conducting timely financial audits as per agreed timeframe, submitting audited project account reports, and taking recommended actions; ➤ Process and submit to ADB any request, when required, for reallocating the loan proceeds; ➤ Submit subsequent PFRs for subsequent tranches and projects under the investment program ➤ Involve beneficiaries and civil society representatives in all stages of project design and implementation; ➤ Public disclosure of project outputs and procurement results; ➤ Quality assurance of works, and services of consultants and counterpart staff; ➤ Ensure compliance with all loan covenants and reporting to the EA on covenants; ➤ Prepare, implement, and monitor safeguards in accordance with the LARF and EARF, ADB's SPS (2009), Loan Agreement and the Framework Financing Agreement and submit to ADB periodic social and environmental monitoring reports timely; ➤ Establish a grievance redress mechanism with a dedicated grievance staff to address all subproject-related grievance; and ➤ Ensure projects' sustainability during post implementation stage and reporting to ADB on the achieved development impacts.

Project implementation organizations	Management Roles and Responsibilities
ADB	<ul style="list-style-type: none"> ➤ Assist NHA in providing timely guidance at each stage of the project for smooth implementation; ➤ Review all the documents that require ADB approval; ➤ Conduct regular project review missions, a midterm review, and project completion mission ➤ Process withdrawal applications and release eligible funds; ➤ Update regularly the project performance review reports with the assistance of NHA; and ➤ Update and post on ADB website the project information for public disclosure, and the safeguards documents in accordance with the ADB SPS (2009).
Economic Affairs Division (EAD)	<ul style="list-style-type: none"> ➤ Signing the FFA and the Loan Agreement for each Project; ➤ Monitoring of the investment program implementation and providing respective coordination and facilitation; ➤ Endorsing to ADB the authorized staff with approved signatures for WAs processing; and ➤ Processing and submitting to ADB any request, when required, for reallocating the loan proceeds.
Ministry of Finance	<ul style="list-style-type: none"> ➤ Budgeting, allocating and releasing counterpart funds;

ADB = Asian Development Bank; EA = executing agency; EARF = Environmental Assessment Review Framework; FFA = framework financing agreement; LARF = Land Acquisition and Resettlement Framework; PFRs = periodic funding requests; PMU = Project Management Office; SC = Steering Committee; SPS = Safeguards Policy Statement; WA= withdrawal application.

B. Key Persons Involved in Implementation

Executing Agency	
National Highway Authority (NHA)	Shahid Ashraf Tarar Chairman Telephone: +92 51 9260417 Email address: chairman@nha.gov.pk
Borrower and Oversight Agency	
Economic Affairs Division	Mr. Qumar Sarwar Abbasi Joint Secretary Telephone: +92 51 9210085
ADB	
Transport & Communications Division (CWTC) Central and West Asia Department	Xiaohong Yang Director Telephone No.: +63 2 632 6765 Email address: xyang@adb.org
Mission Leader	Dong-Soo Pyo Lead Transport Specialist Telephone No.: +63 2 632 6807 Email address: dspyo@adb.org

C. Project Organization Structure

1. Organizational Structure of the Investment Program

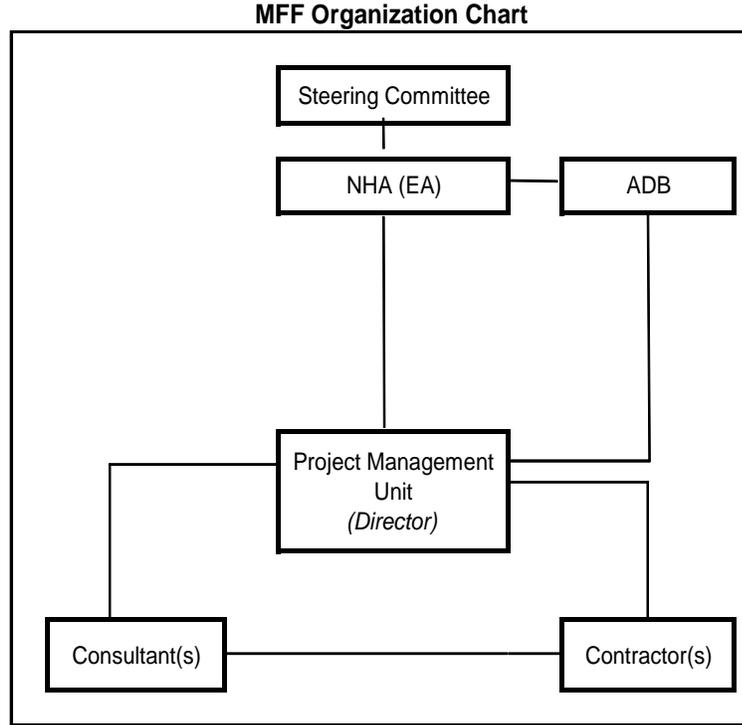
8. Figure 3.1 depicts the proposed organizational structure for implementation of the Investment Program. A Steering Committee (SC) is constituted for the Investment Program. The SC will meet quarterly or as required. The Steering Committee's role is highlighted in Section III.

9. NHA will be the executing agency (EA) for all tranches. NHA has the mandate for planning, designing and implementing transport projects as well as policy and regulatory authority over the sector. The Project Management Unit (PMU) that has already been established within NHA for day-to-day administration and execution of ADB-financed road sector projects will be responsible for preparation and implementation of Investment Program projects in accordance with the provisions of the FFA, FAM, and related legal agreements.

10. With the concurrence of EAD and ADB, NHA is responsible for appointing a Project Director for the PMU with overall responsibility for the fulfillment of the PMU's mandate. In addition, the PMU shall comprise a deputy project director and an adequate number of project managers, engineers, social safeguard specialists, environmental specialists and administrative staff with the experience and motivation necessary for successful implementation of each project.

11. International firm with national counterpart will be engaged as consultants with the responsibility for construction supervision of Tranche 2 and 3, contract modalities will include design review and civil works supervision; hence the consultant's role will be to manage contracts with NHA and the PMU. Considering the need for local expertise on social safeguards, a national consulting firm will be recruited under Tranche 2 for institutional strengthening on social safeguards of NHA.

Figure 3.1: Organization Chart

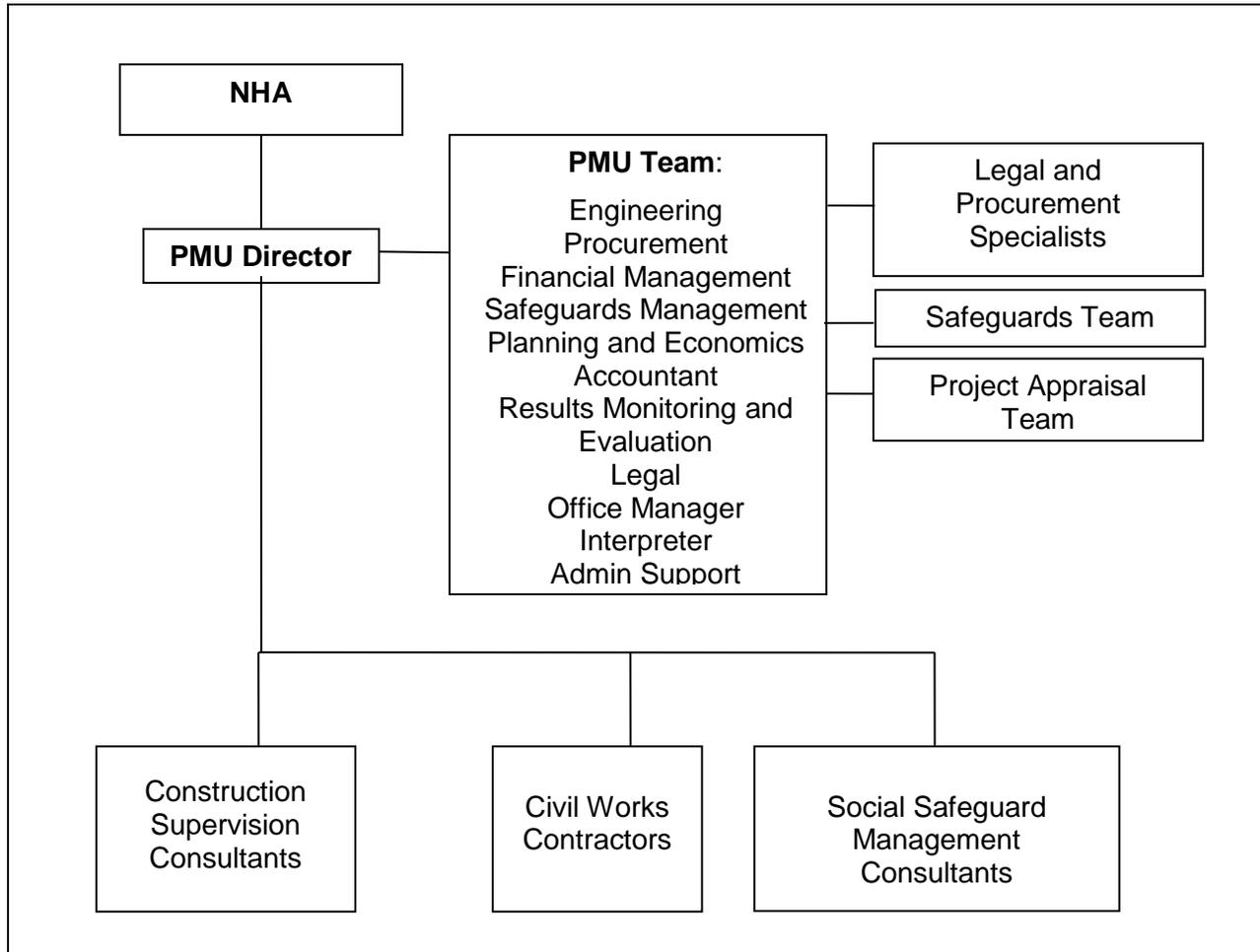


ADB = Asian Development Bank; EA = Executing Agency; NHA= National Highway Authority; PMU = Project Management Unit

2. Organizational Structure of Project Management Office

12. NHA has established a PMU to implement the investment program and appointed a project director and key staff (procurement, engineering, financial management, and accounting). NHA will ensure that, during the entire period of the investment program implementation, a team of staff on procurement, engineering, financial management, accounting, safeguard management, program monitoring and evaluation, legal, administrative, and secretarial staff remains in place. PMU will also be equipped with the necessary office space, equipment, and facilities.

Figure 3.2: NHA–PMU Organization Structure



NHA = National Highway Authority; PMU = Project Management Unit.

IV. COSTS AND FINANCING

A. Detailed Cost Estimates by Expenditure Category

13. The total cost of the investment program is estimated at \$1,100 million (excluding non-physical investment) with ADB's share of \$890 million equivalent (excluding non-physical investment) including physical and price contingencies and other charges. Financing will be provided in individual tranches. Other funding through cofinancing may be applied. The summary of cost estimates for the investment program is presented in Table 4.1.

Table 4.1: Financing Plan for the Investment Program

(\$ million)				
	NTCHIP		Total	
	(\$ million)	Share (%)	(\$ million)	Share (%)
GOP	210	20	1,632	30
ADB	890	80	1,082	20
Bilateral			547	10
Others IFI			1,000	18
Others ^a			1,102	21
Total	1,100^b	100	5,363^b	100

ADB = Asian Development Bank, GOP = Government of Pakistan, IFI = International financial Institutions, NTCHIP = National Trade Corridor Highway Investment Program.

^a To be decided later.

^b Total cost of the proposed investment program is \$1,100 million and cost of the overall program of the government is \$5,363 million.

Source: Framework Financing Agreement.

Table 4.2: Detailed Cost Estimate by Expenditure Category for Tranche 3

	\$ million			
	Foreign Exchange	Local Currency	Total Cost	% of Total Base Cost
A. Investment Costs^a				
1. Land Acquisition and Resettlement	0.0	10.0	10.0	7.6
2. Civil Works	23.3	93.3	116.6	88.6
3. Consulting Services	2.3	2.7	5.0	3.8
Sub-total (A)	25.6	106.0	131.6	100.0
B. Contingencies				
1. Physical	2.5	9.2	11.7	8.9
2. Price	0.2	3.9	4.1	3.1
Sub-total (B)	2.7	13.1	15.8	12.0
C. Financial Charges During Implementation				
	2.6	0.0	2.6	2.0
Total Project Cost (A+B+C)	30.9	119.1	150.0	114.0

^a Includes taxes and duties of estimated amount of \$9.1 million to be financed by the government.

^b Physical contingencies computed at 10% of civil works costs. Price contingencies computed at 1.4-1.9% on foreign exchange costs and at 7.5-9.0% on local currency costs determined by ADB cost escalation factors; includes provision for potential exchange rate fluctuation under the assumption of a purchasing parity exchange rate.

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

Source: Asian Development Bank estimates.

B. Allocation and Withdrawal of Loan Proceeds

14. For Tranche 1, ADB's financing is \$170 million, which covers the costs of: (i) one civil works package, (ii) one consulting services contract (construction supervision), and (iii) financial charges. The Government of Pakistan's financing covers the cost of land acquisition and resettlement, and part of civil works and taxes and duties.

Table 4.3: Tranche 1 Allocation and Withdrawal of Loan Proceeds

CATEGORY				PERCENTAGE OF ADB FINANCING	
Number	Item	Amount Allocated (\$)		Percentage	Basis for Withdrawal from the Loan Account
		Category	Subcategory		
1	Civil Works	115,490,000		92	of total expenditure claimed
2	Consulting Services	18,000,000		100	of total expenditure claimed*
3	Interest and Commitment Charge	14,810,000		100	of amounts due
4	Unallocated	21,700,000		100	
	Total	170,000,000			

* Exclusive of local taxes and duties, which are to be funded by the government.

15. For Tranche 2, ADB's financing is \$200 million covering the cost of: (i) two civil works packages, (ii) two consulting services contracts (construction supervision and institutional strengthening consultant for social safeguards, and (iii) financial charges. The Government of Pakistan's financing covers the cost of land acquisition and resettlement, part of civil works, and tax and duties.

Table 4.4: Tranche 2 Allocation and Withdrawal of Loan Proceeds

CATEGORY				PERCENTAGE OF ADB FINANCING	
Number	Item	Amount Allocated (\$)		Percentage	Basis for Withdrawal from the Loan Account
		Category	Subcategory		
1	Civil Works	140,000,000		90.3	of total expenditure claimed
2	Consulting Services	6,800,000		85.0	of total expenditure claimed
3	Interest and Commitment Charge	20,000,000		100.0	of amounts due
4	Unallocated	33,200,000		100.0	
	Total	200,000,000			

16. For Tranche 3, ADB's financing is \$127 million covering the cost of: (i) one civil works package, (ii) one consulting services contract (design review and construction supervision), and (iii) financial charges. The Government of Pakistan's financing covers the cost of land acquisition and resettlement, tax and duties, and contingencies.

Table 4.5: Tranche 3 Allocation and Withdrawal of Loan Proceeds

CATEGORY				PERCENTAGE OF ADB FINANCING	
Number	Item	Amount Allocated (\$)		Percentage	Basis for Withdrawal from the Loan Account
		Category	Subcategory		
1	Civil Works	107,500,000		92.2	of total expenditure claimed
2	Consulting Services	5,000,000		100.0	of total expenditure claimed*
3	Interest and Commitment Charge	2,600,000		100.0	of amounts due
4	Unallocated	11,900,000		100.0	
	Total	127,000,000			

* Exclusive of local taxes and duties, which are to be funded by the government.

C. Detailed Cost Estimates by Financier

17. The detailed cost estimates by financier are presented for each tranche.

Table 4.6: Detailed Cost Estimates by Financier for Tranche 1^a
(\$ million)

Item	Total Cost	ADB		Government	
		Amount	%	Amount	%
A. Investment Costs					
1. Land acquisition and resettlement	20.5	0.0	0.0	20.5	100.0
2. Civil Works	125.0	115.5	92.0	9.5	8.0
3. Consulting Services	18.0	18.0	100.0		
Sub-total (A)	163.5	133.5	81.0	30.0	19.0
B. Contingencies					
1. Physical	7.5	7.5	100.0	0.0	0.0
2. Price	14.2	14.2	100.0	0.0	0.0
Sub-total (B)	21.7	21.7		0.0	
Total before Financing Charge	185.2	155.2	83.0	30.0	17.0
C. Financial Charges During Implementation	14.8	14.8	100.0	0.0	0.0
Total Project Costs	200.0	170.0	85.0	30.0	15.0

^a Revised on 7 November 2008 for major scope change.
Source: Asian Development Bank estimates.

Table 4.7: Detailed Cost Estimates by Financier for Tranche 2
(\$ million)

Item	Total	ADB		Government	
		Amount	%	Amount	%
A. Investment Costs^a					
1. Land acquisition and resettlement	16.0	0.0	0.0	16.0	100.0
2. Civil Works	155.0	140.0	90.3	15.0	9.7
3. Consulting Services	8.0	6.8	85.0	1.2	15.0
Sub-total (A)	179.0	146.8	82.0	32.2	18.0
B. Contingencies^b					
1. Physical	15.5	13.2	85.2	2.3	14.8
2. Price	23.5	20.0	86.0	3.5	14.0
Sub-total (B)	39.0	33.2	85.7	5.8	14.3
Total before Financing Charge	218.0	180.0	82.7	38.0	17.3
C. Financial Charges During Implementation^c	20.0	20.0	100.0	0.0	0.0
Total Project Costs	238.0	200.0	84.0	38.0	16.0

^a Includes taxes and duties of estimated amount of \$11.2 million to be financed by the government.

^b Physical contingencies computed at 10% of civil works costs. Price contingencies computed at 1.8-2.2% on foreign exchange costs and at 7.5-9.0% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing parity exchange rate.

^c Includes interest and commitment charges. Interest during construction for ADB loan(s) has been computed at the 5-year forward London interbank offered rate plus a spread of 0.4%. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

Table 4.8: Detailed Cost Estimates by Financier for Tranche 3
(\$ million)

Item	Total	ADB		Government	
		Amount	%	Amount	%
A. Investment Costs^a					
1. Land acquisition and resettlement	10.0	0.0	0.0	10.0	100.0
2. Civil Works	116.6	107.5	92.2	9.1	7.8
3. Consulting Services	5.0	5.0	100.0	0.0	0.0
Sub-total (A)	131.6	112.5	85.5	19.1	14.5
B. Contingencies^b					
1. Physical	11.7	7.8	66.9	3.9	33.1
2. Price	4.1	4.1	100.0	0.0	0.0
Sub-total (B)	15.8	11.9	75.5	3.9	24.5
Total before Financing Charge	147.4	124.4	84.4	23.0	15.6
C. Financial Charges During Implementation^c	2.6	2.6	100.0	0.0	0.0
Total Project Costs	150.0	127.0	84.7	23.0	15.3

^a Includes taxes and duties of estimated amount of \$9.1 million to be financed by the government.

^b Physical contingencies computed at 10% of civil works costs. Price contingencies computed at 1.4-1.9% on foreign exchange costs and at 7.5-9.0% on local currency costs determined by ADB cost escalation factors; includes provision for potential exchange rate fluctuation under the assumption of a purchasing parity exchange rate.

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

Source: Asian Development Bank estimates.

D. Detailed Cost Estimates by Outputs/Components

Table 4.9: Cost Estimates by Components for Each Tranche
(\$ million)

Item	Tranche 1	Tranche 2			Tranche 3
	Faisalabad-Gojra Road	Total Cost	Hassanabdal-Sarai Saleh Road	NHA Capacity Building	Sarai Saleh-Havelian Road
A. Investment Costs					
1. Land Acquisition and Resettlement	20.5	16.0	16.0	0.0	10.0
2. Civil Works	125.0	155.0	155.0	0.0	116.6
3. Consulting Services	18.0	8.0	7.0	1.0	5.0
Sub-total (A)	163.5	179.0	178.0	1.0	131.6
B. Contingencies					
1. Physical	7.5	15.5	15.5	0.0	11.7
2. Price	14.2	23.5	23.5	0.0	4.1
Sub-total (B)	21.7	39.0	39.0	0.0	15.8
C. Financial Charges During Implementation	14.8	20.0	19.9	0.1	2.6
Total Project Cost (A+B+C)	200.0	238.0	236.9	1.1	150.0

Source: Asian Development Bank estimates.

E. Detailed Cost Estimates by Year

Table 4.10: Tranche 1 Detailed Cost^a Estimates by Year
(\$ million)

Item	Total Cost	2008	2009	2010	2011	2012	2013	2014
A. Investment Costs								
1. Land acquisition and resettlement	20.5	2.1	3.2	3.2	6.3	2.1	2.1	2.1
2. Civil Works	125.0	0.0	0.0	0.0	6.3	31.3	37.5	50.0
3. Consulting Services	18.0	0.0	0.0	0.0	1.8	5.4	7.2	3.6
Sub-total (A)	163.5	2.1	3.2	3.2	14.4	38.8	46.8	55.7
B. Contingencies								
1. Physical	7.5	0.0	0.0	0.0	0.4	1.9	2.3	3.0
2. Price	14.2	0.0	0.0	0.0	0.7	3.6	4.3	5.7
Sub-total (B)	21.7	0.0	0.0	0.0	1.0	5.0	7.0	9.0
Total before Financing Charge	185.2	2.0	3.0	3.0	15.0	44.0	53.0	64.0
C. Financial Charges During Implementation	14.8	0.0	0.8	0.8	1.5	4.5	4.5	3.0
Total Project Costs	200.0	2.0	4.0	4.0	17.0	49.0	58.0	67.0
% Total Project Cost	100%	1%	2%	2%	8%	24%	29%	34%

^a Revised on 7 November 2008 for major scope change.

Source: Asian Development Bank estimates.

Table 4.11: Tranche 2 Detailed Cost Estimates by Year
(\$ million)

	Total Cost	2013	2014	2015	2016	2017	2018
A. Investment Costs^a							
Land Acquisition and							
1. Resettlement	16.0	9.6	4.8	1.6	0.0	0.0	0.0
2. Civil Works	155.0	0.0	0.0	22.0	30.0	43.0	60.0
3. Consulting Services	8.0	0.0	0.2	2.5	3.0	2.3	0.0
Sub-total (A)	179.0	9.6	5.0	26.1	33.0	45.3	60.0
B. Contingencies^b							
1. Physical	15.5	0.0	0.0	3.3	4.5	6.5	1.2
2. Price	23.5	0.0	0.0	5.5	7.5	10.5	0.0
Sub-total (B)	39.0	0.0	0.0	8.8	12.0	17.0	1.2
C. Financial Charges During Implementation^c	20.0	0.0	0.0	2.5	4.6	7.1	5.8
Total Project Cost (A+B+C)	238.0	9.6	5.0	37.4	49.6	69.4	67.0
% Total Project Cost	100%	4%	2%	16%	21%	29%	28%

^a Includes taxes and duties of estimated amount of \$11.2 million to be financed by the government.

^b Physical contingencies computed at 10% of civil works costs. Price contingencies computed at 1.8-2.2% on foreign exchange costs and at 7.5-9.0% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing parity exchange rate.

^c Includes interest and commitment charges. Interest during construction for ADB loan(s) has been computed at the 5-year forward London interbank offered rate plus a spread of 0.4%. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

Table 4.12: Tranche 3 Detailed Cost Estimates by Year
(\$ million)

	Total Cost	2015	2016	2017	2018
A. Investment Costs^a					
Land Acquisition and					
1. Resettlement	10.0	10.0	0.0	0.0	0.0
2. Civil Works	116.6	29.2	40.8	35.0	12.6
3. Consulting Services	5.0	1.3	1.7	1.5	0.5
Sub-total (A)	131.6	40.5	42.5	36.5	13.1
B. Contingencies^b					
1. Physical	11.7	0.0	0.0	0.0	11.7
2. Price	4.1	0.0	0.0	0.0	4.1
Sub-total (B)	15.8	0.0	0.0	0.0	15.8
C. Financial Charges During Implementation^c	2.6	0.4	0.8	1.4	0.0
Total Project Cost (A+B+C)	150.0	40.9	43.3	37.9	28.9
% Total Project Cost	100%	27.2%	28.9%	25.3%	18.6%

^a Includes taxes and duties of estimated amount of \$9.1 million to be financed by the government.

^b Physical contingencies computed at 10% of civil works costs. Price contingencies computed at 1.4-1.9% on foreign exchange costs and at 7.5-9.0% on local currency costs determined by ADB cost escalation factors; includes provision for potential exchange rate fluctuation under the assumption of a purchasing parity exchange rate.

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

Source: Asian Development Bank estimates.

F. Contracts and Disbursements S-curves

Figure 4.1: Tranche 1 Realized Contracts Awards and Disbursements S-Curve

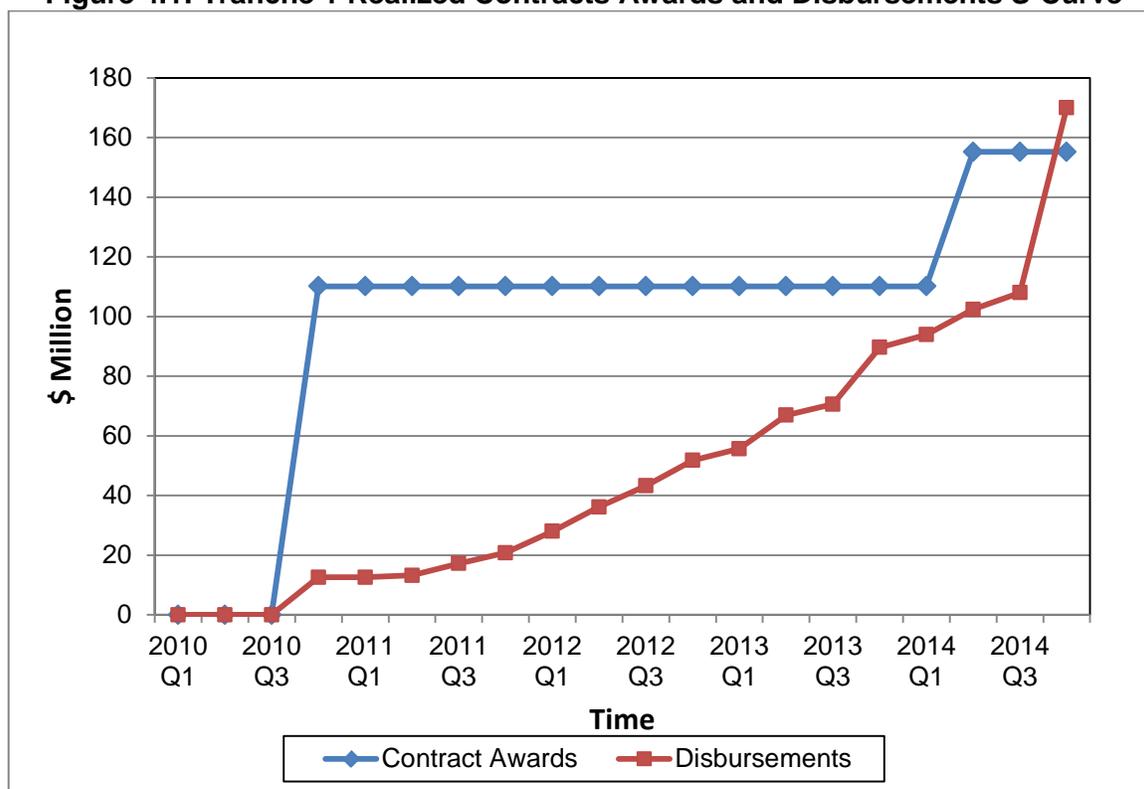


Table 4.13: Tranche 1: Contract Awards and Disbursements^a
(\$ million)

Year	Contract Awards					Disbursements				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2010	0.0	0.0	0.0	110.1	110.1				12.6	12.6
2011	0.0	0.0			0.0		0.7	4.0	3.5	8.2
2012	0.0	0.0	0.0	0.0	0.0	7.2	8.2	7.1	8.5	31.0
2013	0.0	0.0	0.0	0.0	0.0	3.9	11.2	3.7	19.0	37.9
2014 ^b	0.0	45.0	0.0	0.0	45.0	4.3	8.5	5.6	62.0	80.4
				Total	155.2^c				Total	170.0^c

^a Q1 2009 to Q4 2013 figures are from LFIS as of 31 December 2013.

^b Projections.

^c Contract Awards=Total Loan Amount –Interest and Commitment Charge; and Disbursement=Total Loan Amount.

Source: ADB estimates.

Figure 4.2: Tranche 2 Anticipated Contracts Awards and Disbursements S-Curve

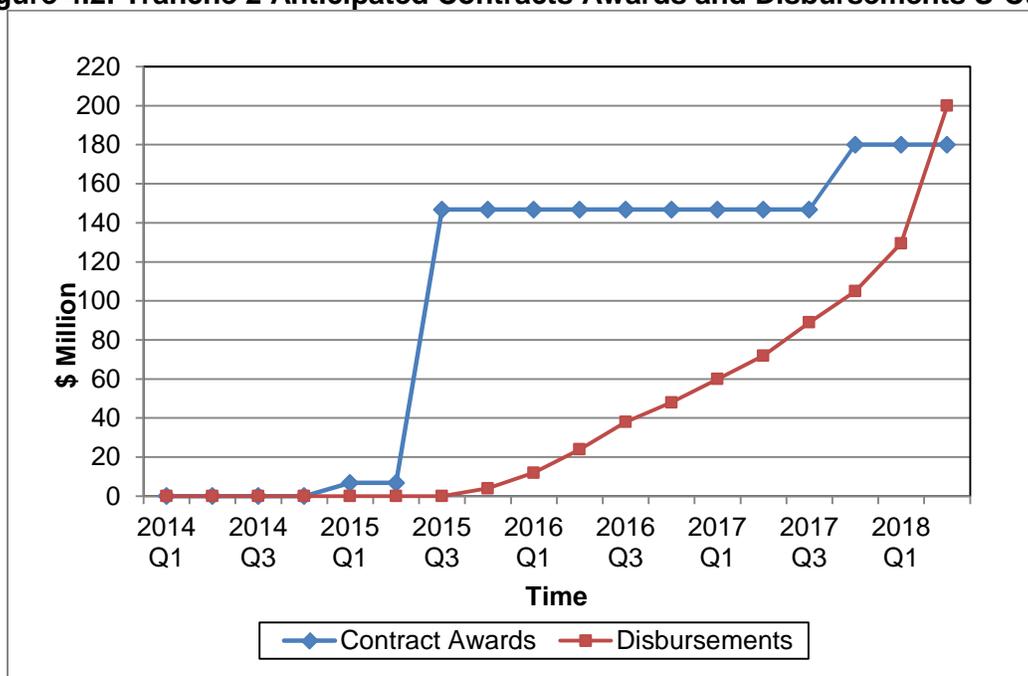


Table 4.14: Tranche 2: Projected Contract Awards and Disbursements
(\$ million)

	Contract Awards					Disbursements						
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total		
2014	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
2015	6.8	0.0	140.0	0.0	146.8	0.0	0.0	0.0	4.0	4.0		
2016	0.0	0.0	0.0	0.0	0.0	0.0	12.0	14.0	10.0	44.0		
2017	0.0	0.0	0.0	33.2	33.2	17.0	12.0	17.0	16.0	57.0		
2018	0.0	0.0	0.0	0.0	0.0	24.5	70.5	0.0	0.0	95.00		
	Total					180.0^a	Total					200.0^a

^a Contract Awards = Total Loan Amount – Interest and Commitment Charge; and
 Disbursement = Total Loan Amount
 Source: ADB estimates.

Figure 4.3: Tranche 3 Anticipated Contracts Awards and Disbursements S-Curve

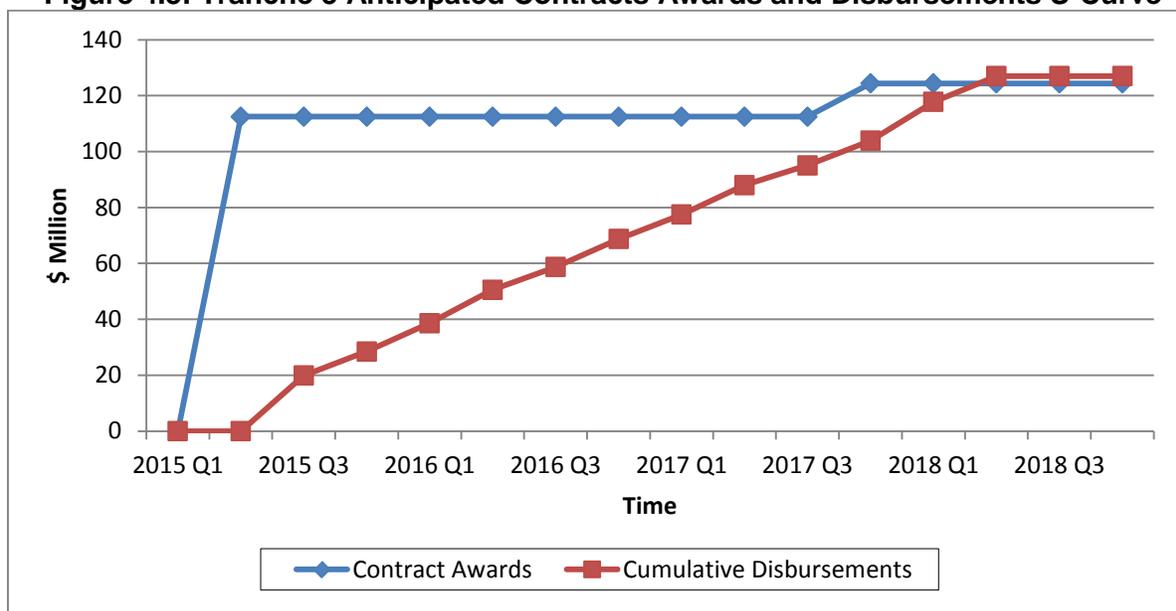


Table 4.15: Tranche 3: Projected Contract Awards and Disbursements
(\$ million)

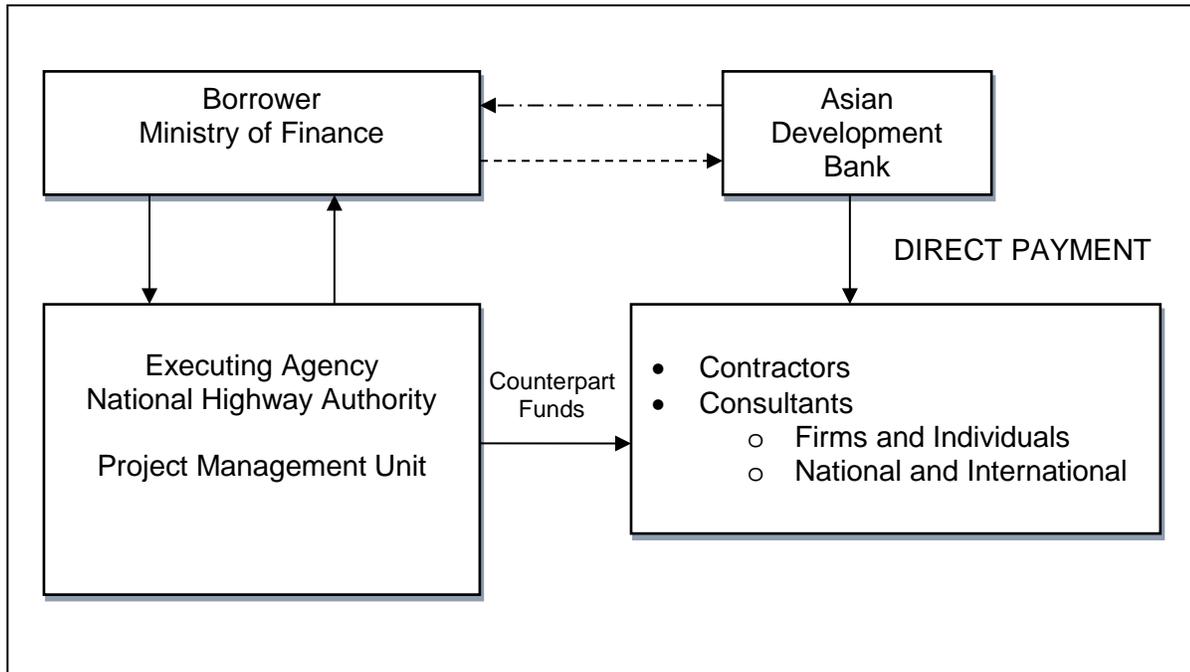
	Contract Awards					Disbursements				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2015	0.0	112.5	0.0	0.0	112.5	0.0	0.0	19.9	8.6	28.5
2016	0.0	0.0	0.0	0.0	0.0	10.1	12.0	8.1	10.0	40.2
2017	0.0	0.0	0.0	11.9	11.9	8.8	10.5	7.1	8.8	35.2
2018	0.0	0.0	0.0	0.0	0.0	13.9	9.2	0.0	0.0	23.1
					Total					Total
					124.4^a					127.0^a

^a Contract Awards = Total Loan Amount – Interest and Commitment Charge; and
Disbursement = Total Loan Amount
Source: ADB estimates.

G. Fund Flow Diagram

18. Fund Flow Diagram, as illustrated in Figure 4.3, shows how the funds will flow from ADB and the Government to implement projects.

Figure 4.4: Fund Flow Diagram



- > Flow of Funds
- - - - -> Lending
- - - - -> Loan Repayment

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

19. The financial management capacity of NHA is adequate and no major issues are noted. As a part of a series of background assessments, diagnostics, and discussion papers commissioned by ADB to underpin the development of its Country Partnership Strategy (CPS) (2014–2018) for Pakistan, ADB conducted a risk assessment of country level systems with focus on public sector management, procurement, and corruption mitigation measures. Activities under the National Trade Corridor Highway Investment Program will seek to further minimize and mitigation these risks through training, restructuring, and institutional strengthening.

20. Key financial management assessment findings and lessons learned from the ongoing National Trade Corridor Highway Investment Program are as follows:

Table 5.1: Summary of the Financial Management Assessment

Particulars	Conclusions
A. Funds Flow Arrangements	Funds flow arrangements are adequate but timely provision of counterpart funds to NHA is likely to pose a challenge. Nonetheless, NHA has enough capability to smoothly operate under both the ongoing projects ³ and the proposed investment program.
B. Staffing	NHA is staffed with experienced financial specialists. Within NHA, a PMU has been established to implement the MFF. The PMU headed by the program director is staffed but needs additional capacity. From their ongoing projects PMU specialists and financial staff have been trained on ADB financial management procedures.
C. Accounting Policies and Procedures	NHA's accounting policy is based on the Pakistan National Accounting Standards which are in line with International Accounting Standards.
D. Internal and External Audits	NHA's internal audit department undertakes the required internal auditing of the PMU. Both NHA's financial statement accounts and project financial statements are audited by independent external auditors on an annual basis in accordance with the ISA, which complies with the requirements of ADB. Since audit findings by the Auditor General of Pakistan raise some concern about the quality of audit, NHA agreed to submit the project financial statements audited by a licensed private auditor. At the same time, CWRD provides a technical assistance to enhance the capacity of the Auditor General of Pakistan.
E. Reporting and Monitoring	PMU comply with the reporting requirements of NHA, and other government bodies. Current PMU's quarterly progress reports are being regularly submitted to ADB.

ADB = Asian Development Bank; ISA = International Standards on Auditing; NHA = National Highway Authority; PFRs = periodic funding requests; PMU = Project Management Unit.

21. Actions required to be taken by NHA are as follows:

- (i) NHA needs to offer incentives to its staff in order to avoid frequent staff turnover and adverse impacts on implementation of the ongoing project and the investment program;
- (ii) NHA staff and staff from NHA's internal audit must undergo training in ADB financial management procedures during the loan inception mission in Q4 2014 to further strengthen its capacity so that the NHA's internal audit function is undertaken more effectively;

³ ADB. 2007. *Report and Recommendation of the President to the Board of Directors on the Proposed Multitranche Financing Facility Islamic Republic of Pakistan: National Trade Corridor Highway Investment Program*. Manila.

- (iii) A separate accounting policy and financial management manual for the existing PMU should be established in accordance with ADB requirements without any further delays by Q4 2014; and
- (iv) NHA should maintain separate accounts for each of the projects under the investment program and have such accounts audited annually, in accordance with appropriate auditing standards consistently applied by independent auditors whose qualifications, experience, and terms of reference (TOR) are acceptable to ADB.

22. **Risk Analysis:** There are no major financial management risks once the PMU is adequately staffed and trained. During the implementation phase, the NHA might face some risks that can generally be divided in two main categories: (i) country level; and (ii) organization/project level. Unavailability or delay in the release of counterpart funds can be attributed as major country specific risk for the investment program. It is hoped that barring the security situation, key risk mitigation measures set out in Table 5.2 will be in place before loan effectiveness. All such measures shall be reviewed and updated throughout the life of the investment program. Risk mitigation measures shall also be updated accordingly.

Table 5.2: Risk Assessment and Mitigation Measures

Risk	Risk Assessment*	Risk-Mitigation Measures
<i>Inherent Risk</i>		
1. Country-specific Risks	S	MOC and NHA will ensure the timely release of counterpart funds, as per loan covenants. EAD will mobilize IFI's grant funding for government's portion of the project financing.
2. Entity-specific Risks	M	Extensive training of PIU staff on ADB procedures will be carried out.
3. Project-specific Risks	M	Security in project areas. Security insurance measures and costs are embedded in civil works and consultants contracts.
Overall Inherent Risk	M	
<i>Control Risk</i>		
1. Implementing Entity	M	Organizational capacity augmentation with the induction of experienced PIU staff will support the existing organizational structure.
2. Funds Flow	S	Almost all disbursement will be made through direct payment to contractors and consultant except for \$1.0 million of resettlement cost.
3. Staffing	M	Dedicated and qualified accounting and financial management staff at PIU level will be recruited.
4. Accounting Policies and Procedures	M	Accounting Policy is in line with the national and international accounting standards and meets the requirements of ADB.
5. Internal Audit	M	NHA's internal auditor will audit PIU's project financial statements.
6. External Audit	M	Audit of the project financial statements will be done in accordance with the International Standards on Auditing, by an independent auditor acceptable to ADB.
7. Reporting and Monitoring	M	PIU will regularly report in accordance with ADB requirements on inherent adequate control mechanisms. Timeliness of such reports will be ensured through regular monitoring and follow-up actions by ADB.
Overall Control Risk	M	

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

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

Source: ADB estimate.

B. Disbursement

23. The loan proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2012, as amended from time to time), and detailed arrangements agreed between the government and ADB.⁴

24. Direct payment procedures will generally be used for civil works contracts and consulting services. No imprest account and State of Expenditure (SOE) will be used in Tranche 2 and 3.

25. NHA will be responsible for (i) preparing disbursement projections, (ii) requesting budgetary allocations for counterpart funds, (iii) collecting supporting documents, and (iv) preparing and submitting withdrawal applications to ADB. Before the submission of the first withdrawal application, the government shall submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. Withdrawal applications and supporting documents will demonstrate, among other things that the goods, and/or services were produced in or from ADB members, and are eligible for ADB financing.

C. Accounting

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

D. Auditing

27. NHA will cause the detailed consolidated project financial statements to be audited following International Standards on Auditing and with the Government's audit regulations, by an independent auditor acceptable to ADB. The audited project financial statements will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the NHA.

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

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

30. 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.

⁴ Available at http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf

31. The Government and NHA have been made aware of ADB's approach on delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.⁵ 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.

E. Public Disclosure of Audited Financial Statements

32. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011)⁶. After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. The management letter issued by auditors will not be disclosed.

⁵ ADB approach and procedure regarding delayed submission of audited project financial statements:

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

⁶ Available from <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

VI. PROCUREMENT AND CONSULTING

A. Advance Contracting and Retroactive Financing

33. Under each tranche, ADB may, subject to its policies and procedures, allow on request (a) advance contracting and (b) retroactive financing of eligible expenditures for up to 20% of the proposed individual loan, incurred prior to loan effectiveness but not earlier than 12 months before the date of signing of the related legal agreement. The government acknowledges that any approval of advance contracting and/or retroactive financing will not constitute a commitment by ADB to finance the related project.

34. All advance contracting and retroactive financing will be undertaken in conformity with ADB's *Procurement Guidelines* (2013, as amended from time to time)⁷ and ADB's *Guidelines on the Use of Consultants* (2013, as amended from time to time).⁸ The issuance of invitations to bid under advance contracting and retroactive financing will be subject to ADB's prior review.

B. Procurement of Goods, Works and Consulting Services

35. NHA will undertake all procurement activities under the Facility in accordance with ADB's *Guidelines on the Use of Consultants* (2013, as amended from time to time) and ADB's *Procurement Guidelines* (2013, as amended from time to time), as applicable, under a procurement plan approved by ADB. The procurement plan must include all procurement activities anticipated within the next 18 months and must be updated by NHA at least annually.

36. The procurement capacity is adequate for the proposed tranches, and the updated assessment is being conducted under the new CPS preparation. In general, the procurement capacity of NHA has been strengthened, especially through Flood Emergency Reconstruction Project (Loan 2742-PAK). The challenges NHA is facing on procurement include (i) high turnover of experienced procurement staff; and (ii) cumbersome internal review and approval procedures. The procurement plans for each tranche are presented below. Procurement plans for subsequent tranches will be developed during preparation of the government's request for periodic financing. To ensure competitive bidding, international competitive bidding (ICB) contract packages will be adopted for civil works \$5 million and above using single-stage two-envelope approach (for Tranche 2). ADB's prior review procedures will be followed. NHA agree to include the relevant sections of ADB's Anticorruption Policy (1998) in all bidding and contractual documents.

37. ADB's standard bidding documents will be used for procuring civil works. All consultants will be recruited according to ADB's *Guidelines on the Use of Consultants*.⁹

38. For Tranches 2 and 3, a total estimated 695 person-months (65 international, 630 national) of consulting services are required for (i) design review and construction supervision and (ii) institutional strengthening on social safeguards. Consulting firms will be engaged using the quality- and cost-based selection (QCBS) method with a standard quality:cost ratio 80:20.

⁷ Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

⁸ Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

⁹ Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation>.

C. Procurement Plan

Procurement Plan For Tranche 1

Project Information

	Tranche 1 (OCR) 2007–2011	Institutional Strengthening Component (ADF)¹⁰ 2007–2014
Country	Islamic Republic of Pakistan	Islamic Republic of Pakistan
Name of Borrower	Islamic Republic of Pakistan	Islamic Republic of Pakistan
Project Name	National Trade Corridor Highway Investment Program	National Trade Corridor Highway Investment Program
Loan Reference	40075	40075
Date of Effectiveness	22 December 2008	22 December 2008
Project Cost Amount (\$ million)	\$200,000,000	\$12,500,000
Of which ADB Loan Amount (\$ million)	\$170,000,000	\$10,000,000
Executing Agency	National Highway Authority	National Highway Authority
Approval Date of Original Procurement Plan	Dec 2008	Dec 2008
Approval of Most Recent Procurement Plan	Dec 2008	Cancelled
Publication for Local Advertisement	Dec 2008	Cancelled
Period Covered by this Plan¹¹	2009–2013 ¹²	Cancelled

Procurement Thresholds, Goods & Related Services, Works and Supply & Install

Methods	Threshold
International Competitive Bidding (works)	US\$5,000,000 and above

Procurement Thresholds, Consultants Services (ref. PAI 2.02G/E)

Methods	Threshold
Quality- and Cost-Based Selection (QCBS)	> US \$1,000,000 by Full Technical Proposal <= US\$1,000,000 by Simplified Technical Proposal <= US\$600,000 by Biodata Technical Proposal

¹⁰ This loan was cancelled

¹¹ The plan will be updated annually, on rolling 18-month basis, on the anniversary of the date of loan effectiveness.

¹² This plan covers the first 18 months of the procurement activity under the loan, including advance contracting with retroactive financing.

**Table 6.1: List of Contract Packages in Excess of \$100,000,
Good, Works and Consulting Services**

Ref	Contract Description	Estimated Costs (\$ million)	Procurement Methods	Expected Date of Advertisement	Prior Review Y/N	Comments
A. Tranche 1						
1.	Civil Works	102 (1 Packages)	ICB	4 th Quarter 2007	Y	contract awarded
2.	Consulting Services	7.8 (1 Packages)	QCBS	4 th Quarter 2007	Y	contract awarded
B. Institutional Strengthening Component*						
Road Sector						
Policy Studies						
1.	and Institutional Strengthening (Consulting Services)	8.2 (5 Packages)	SSS and QCBS	1 st Quarter 2008	Y	Cancelled
Project Management						
2.	Support (Consulting Services)	1.8 (1 Package)	QCBS	3 rd Quarter 2010	Y	Cancelled

* Cancelled.

ADB = Asian Development Bank, GOP = Government of Pakistan, ICB = international competitive bidding, N = no, QCBS = quality- and cost-based selection, SSS = single-source selection, Y = yes.

Source: National Highway Authority.

Procurement Plan for Tranche 2

Basic Data

Project Name: National Trade Corridor Highway Investment Program, Tranche 2	
Project Number: 40075-033	Approval Number: 3121
Country: PAKISTAN (Federal)	Executing Agency: National Highway Authority
Project Financing Amount: \$200,000,000 ADB Financing: \$200,000,000 Non-ADB Financing: NA	Implementing Agency: National Highway Authority
Date of First Procurement Plan: 25/11/2013	Date of this Procurement Plan: 12/03/2014

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

1. Procurement and Consulting Methods and Thresholds

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

Procurement of Goods and Works		
Method	Threshold	Comments
International Competitive Bidding (ICB) for Works	\$5,000,000 and above	

Consulting Services	
Method	Comments
Quality and Cost Based Selection (QCBS)	> \$1,000,000 by Full Technical Proposal <= \$1,000,000 by Simplified Technical Proposal <= \$600,000 by Biodata Technical Proposal

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

40. 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
ADB/IC B-E35-I	Construction of Hassanabdal-Jari Kas Expressway Section	\$80 million	ICB	Prior	1S2E	2 nd /2014	Standard bidding documents for large works were used
ADB/IC B-E35-II	Construction of Jarikas-Sarai Saleh Expressway Section	\$75 million	ICB	Prior	1S2E	2 nd /2014	Standard bidding documents for large works were used

ICB = international competitive bidding; 1S2E = single stage-two envelopes.

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

41. 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)	Type of Proposal	Advertisement Date (quarter/year)	Comments
ADB-E35 ESC	Design Review and Construction Supervision Consultancy Services	\$7 million	QCBS	Prior	FTP	3 rd Quarter 2012	Quality-Cost Ratio is 80:20 International 65 person months National 464 person months. The contract will cover both tranche 2 and 3.
ADB-E35 ISSS	Consultancy services for Institutional Strengthening/ Social Safeguards	\$1 million	QCBS	Prior	FTP	1st Quarter 2014	Quality-Cost Ratio is 80:20 National 166 person months

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

42. None.

B. Indicative List of Packages Required Under the Project

43. Other than the above, currently no contract is expected beyond the current period.

C. List of Awarded and Ongoing, and Completed Contracts

44. None.

D. Non-ADB Financing

45. None of the contracts are financed from non-ADB sources.

Procurement Plan for Tranche 3

Basic Data

Project Name: National Trade Corridor Highway Investment Program, Tranche 3	
Project Number: 40075-043	Approval Number: 3197
Country: PAKISTAN (Federal)	Executing/Implementing Agency: National Highway Authority
Project Procurement Classification: Procurement-ready and High	
Project Financing Amount: \$127,000,000 ADB Financing: \$127,000,000 Non-ADB Financing: NA	Project Closing Date: 10 December 2017
Date of First Procurement Plan 31 Aug 2014	Date of this Procurement Plan 30 Oct 2014

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

1. Procurement and Consulting Methods and Thresholds

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

Procurement of Works		
Method	Threshold	Comments
International Competitive Bidding (ICB) for Works	\$15,000,000 and above	

Consulting Services	
Method	Comments
Quality and Cost Based Selection (QCBS)	> \$1,000,000 by Full Technical Proposal <= \$1,000,000 by Simplified Technical Proposal <= \$600,000 by Biodata Technical Proposal

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

47. 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
ADB/IC B-E35-III	Construction of Sarai Saleh-Havelian Expressway Section	\$116.6 million	ICB	Prior	1S2E	3rd/ 2014	Standard bidding documents for large works will be used

ICB = international competitive bidding; 1S2E = single stage-two envelopes.

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

48. 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)	Type of Proposal	Advertisement Date (quarter/year)	Comments
ADB-E35 ESC	Design Review and Construction Supervision Consultancy Services	\$4.5 million	QCBS	Prior	FTP	2 nd Quarter 2012	Quality-Cost Ratio is 80:20 International 65 person months National 464 person months. The contract will cover both tranche 2 and 3.

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

49. None.

B. Indicative List of Packages Required Under the Project

50. Other than the above, currently no contract is expected beyond the current period.

C. List of Awarded and Ongoing, and Completed Contracts

51. None.

D. Non-ADB Financing

52. None of the contracts are financed from non-ADB sources.

E. Consultants' Terms of Reference

53. Terms of reference for (a) design review and construction supervision consultancy services for Tranche 2 and Tranche 3, and (b) institutional strengthening/social safeguards consultancy services under tranche 2, are provided in Attachments 4 and 5, respectively.

VII. SAFEGUARDS

54. The Government of Pakistan (GOP) will ensure that all the requirements prescribed in Schedule 5 of the FFA, and the following frameworks that have been prepared with respect to the Facility are complied with during the processing and implementation of the investment program:

- (i) environmental assessment and review framework (“EARF”);
- (ii) land acquisition and resettlement framework (“LARF”); and
- (iii) land acquisition and resettlement plan (“LARP”);

55. The safeguard frameworks cover the Facility specific information and requirements in accordance with ADB’s Safeguard Policy Statement (2009) (SPS): (i) the general anticipated impacts of the projects likely to be financed under the Facility on the environment, involuntary resettlement, and indigenous peoples; (ii) the safeguard criteria that are to be used in selecting projects; (iii) the requirements and procedure that will be followed for screening and categorization, impact assessments, development of management plans, public consultation and information disclosure (including the 120-day disclosure rule, if required), and monitoring and reporting; (iv) the institutional arrangements (including budget and capacity requirements) and Pakistan’s and ADB’s responsibilities and authorities for the preparation, review and clearance of safeguard documents.

56. As for subsequent tranches, at the preparation of each PFR, the applicability and relevance of each safeguard framework for the frameworks above will be reviewed and updated to ensure relevance and consistency with all applicable laws and regulations in Pakistan and SPS, as amended from time to time. In the event that there is a discrepancy between the laws and regulations of Pakistan and ADB safeguard policies, the ADB safeguard policies will prevail. In addition, GOP will carry out due diligence works on ongoing projects to assess the status of compliance with the safeguards-related plans and frameworks.

57. For each project, GOP are required to submit safeguard monitoring reports semiannually covering all the aspects and issues from perspectives of environment, land acquisition and resettlement and indigenous people.

58. NHA will ensure that the Investment Program is implemented with active participation of all national stakeholders, using participatory practices, and consultation will continue throughout implementation of the Investment Program. Disclosure of relevant information to these stakeholders will continue throughout implementation of the Investment Program.

A. Environment

59. GOP will ensure that the design, construction, and operation and maintenance of the facilities under investment program are carried out in accordance with ADB’s SPS, applicable laws and regulations in Pakistan, the EARF, and respective EIAs.¹³ Pakistan through the Ministry of Communications will ensure that potential adverse environmental impacts arising from the investment program are minimized by implementing all mitigation and monitoring measures as presented in the environment management plan (EMP) included in the EIAs. Pakistan through the Ministry of Communications will ensure that:

¹³ The EARF is presented in Attachment 2.

- (i) Site specific EMPs (SSEMP) are prepared by the contractor prior to construction.
- (ii) NHA has sufficient resources to implement and record the implementation of the EMPs prepared for the investment program.
- (iii) Starting from project commencement, the PMU will submit semi-annual environmental monitoring reports to ADB, within 1 month of the close of each half of the calendar year during implementation of each individual project under the investment program. The report will include, among other things, a review of progress made on environmental measures detailed in the EIAs and EMPs, and monitoring thereof; and problems encountered and remedial measures taken.
- (iv) Detailed engineering designs, civil works and other contracts for the investment program facilities incorporate applicable environmental measures identified in the EIAs and SSEMPs.
- (v) Civil works contractors are supervised to ensure compliance with the requirements of the EIAs and SSEMPs.
- (vi) If an EIA is required, it has to be disclosed to the public 120 days before the approval of the associated tranche by ADB Management.

B. Land Acquisition and Resettlement

60. Pakistan will ensure that each project financed under the Facility is developed, implemented and maintained in accordance with all applicable laws and regulations of Pakistan, ADB's SPS and the LARF.¹⁴

61. Pakistan will cause NHA to ensure that:

- (i) for projects with involuntary resettlement, a land acquisition and resettlement plan (LARP) acceptable to ADB is prepared for each project in accordance with all applicable laws and regulations of Pakistan, ADB's SPS and the LARF, as a submission with the PFR;
- (ii) all land and rights-of-way required by the projects are made available free and clear from any and all rights and claims of third parties and any other encumbrances in a timely manner, subject to compliance with all applicable laws and regulation of Pakistan, ADB's SPS, the LARF and the LARPs; and
- (iii) no civil works contract for project involving resettlement will be awarded until the relevant LARP has been approved by ADB. Contractors will only commence civil works after the LARP has been implemented in accordance with its terms, as verified by an independent body or person.

62. To address the land acquisition and resettlement impacts, a LARP will be drafted for each project prior to approval. Accordingly a draft LARP for Project 3 (19.1 Km of E35 from Sarai Saleh to Havelian) was approved together with LARPs for other sections processed under

¹⁴ The LARF is presented in Attachment 1.

Project 2 (39 Km of E-35 from Hassanabdal to Sarai Saleh) in December 2013. This draft LARP indicated a total of 8,432 affected households (AH) with the following key resettlement impacts:

- Acquisition of 258.3 acres of privately owned land, including 151 acres of cropped area and 0.42 acres residential land with 25 residential structures.
- In addition to 25 AH losing 100% residential structures who will be physically displaced, 3,013 affected household will lose more than 10% of their productive arable land and are deemed to be significantly affected - total 3,038 significantly affected¹⁵ AH.
- 3,932 trees (3,079 fruit trees and 853 non-fruit trees) will be lost.

63. All impacted assets will be compensated in cash at replacement costs basis. The AH losing residential structures will re-construct their new residential structures at locations of their choice. No indigenous people are identified in and around the project corridor. Considering the significant impacts on 3,038 AHs, the project is screened as Category A for safeguards requirements-II "Involuntary Resettlement" under SPS 2009. The inventory of impacts is currently being updated as part of a land valuation study and when this has been completed NHA will ensure that: (i) the draft LARP is updated into implementation-ready final LARP, disclosed to project effected persons and approved by ADB before award of civil works contracts; (ii) compensation for lost assets and resettlement allowance are paid to all affected persons; and (iii) compensation and livelihood rehabilitation measures implemented in accordance with the updated LARP are verified by External Monitoring Agent (EMA) before commencement of civil works.

64. Change to the project scope, location or alignment of the project road or any of its components shall be avoided and if during design review or implementation of the project, any such change to the scope, location or alignment is identified, such change shall not be made without prior approval of ADB. Any new/unanticipated LAR impacts identified change will require LARP updating and ADB's approval of updated LARP. No construction activities shall be commenced in the sections with new/additional LAR impacts prior to full implementation of ADB approved updated LARP, confirmation by EMA and acceptance by ADB.

65. **Information disclosure.** All the affected persons (APs) in communities were involved in the subproject impact and socio-economic survey. On various occasions during meetings, interviews, focus group discussions, public consultation workshops, and community consultation meetings, local representatives participated in the planning and their concerns have been integrated into the LARPs. Before implementation, the village leaders and elders will further discuss and consult with the affected persons to ensure that their interests are protected as per ADB guidelines and the relevant laws of Pakistan. NHA will disclose the LARPs locally in the communities, in the local language. The LARPs will also be posted on ADB 's website and resettlement information booklets in the local language distributed to affected households prior to tranche approval. The resettlement information booklet contains the resettlement scope, project schedule, compensation rates for land and other assets, relocation and economic rehabilitation' strategies, and grievance redress mechanisms.

66. **Grievance redress mechanism.** An efficient grievance redress mechanism will assist the APs in resolving queries and complaints. The NHA shall put in place a functional and

¹⁵ ADB Operational Procedures, Para 9 of OM Section-F1 /OP:

"The involuntary resettlement impacts of an ADB-supported project are considered significant if 200 or more persons will experience major impacts, which are defined as (i) being physically displaced from housing, or (ii) losing 10% or more of their productive assets (income generating)."

efficient grievance redress mechanisms prior to starting RP implementation and will maintain the mechanism until project completion. The main objective of NHA in providing redress mechanism is to address and resolve the issues and complaints raised by the APs and to avoid potential delays in completion of construction works for the project. The APs will be made aware of the procedures involved in the resolution of grievances and of the remedies available to them, progress on complaints under process and actions recommended/implemented. The project resettlement team will be responsible for information dissemination and disclosure to project stakeholders including APs, throughout the project cycle and until project completion.

67. NHA, through the Engineer or their field staff/Social Safeguard Management Consultants Team, will provide a pro-forma letter to be used by APs for filing their complaints or grievances. NHA will also establish liaison with local communities during investigation and resolution of complaints, track the progress on addressing and resolving complaints, and prepare monthly reports on the status of the complaints filed, processed and resolved. These reports will be included in the regular progress and periodic monitoring reports of the Project. Additionally, the Social Safeguard Management Consultants will facilitate APs to elevate their grievances to the concerned level and authority as per the Grievance Redress Mechanism (GRM) provided in ADB approved Resettlement Plan. They will also assist the NHA project team in recording, investigating, addressing and resolving grievances, and in disseminating information about progress on complaints under process at all levels of the agreed GRM.

68. Under the project, there will be a four-stage (informal and formal levels) grievance redress mechanism available for redress of grievances and complaints; however APs will have the right to move a court of law at any stage. The four stages are as follows:

- Informal Level of Grievance Redress System. At informal/local level, in coordination with social mobilizers team, the concerns/grievance of AP will be recorded, examined and resolved at village level by the village level Affected Persons Committee in accordance with provisions of the approved resettlement plan. The Affected Persons Committee (APC) will communicate its recommendations to the AP and to the project team and will assist the project team in the mediation and resolution of conflict.
- First Level of GRM: If the grievance is not resolved at informal/local level or the AP is unsatisfied with informal level of conflict resolution, he may raise his grievance to the first level of formal grievance redress mechanism by tendering a complaint to the project Grievance Redress Committee (GRC) established at project level. The project GRC will immediately acknowledge, to the AP, receipt of complaint and log it in the complaint-in tracking system. The GRC will investigate the issue, hear the complainant in person or through his agent and will communicate its decision to the AP and to the project team within 30 days (maximum) from the day of receipt of complaint.
- If the AP is unsatisfied with the decision of the GRC, his grievances may be elevated to the second level GRM at EALS in NHA Headquarters through the project GRC, with the GRC proceedings record. EALS will acknowledge, to the AP, receipt of the complaint and will log it in the complaint-in tracking system immediately. The GRC will review the record of the GRC, investigate the issue, hear the complainant and will communicate its decision to the AP and to the project team within 15 days (maximum) from the day of receipt of complaint.

- The AP always has recourse at any stage through Pakistan's legal channels and referred to the appropriate courts; however, every effort will be made to avoid this situation. Should the AP want to pursue legal recourse, in a court of law at any time, NHA through its staff or social management consultant will ensure that due support is given to the AP to prepare a case.

69. **Monitoring and Evaluation.** Internal and external monitoring of LARP implementation will be conducted. Monitoring methodologies are specified in the draft LARP. Project Management Unit (PMU) will conduct internal supervision and monitoring to ensure compliance with the provisions of the LARP. For each subproject, NHA will reach agreement with ADB to a set of supervision milestones, to ensure timely and effective implementation of resettlement activities. An independent external monitoring agency will be engaged by NHA to conduct external monitoring and evaluation. Bi-annual external resettlement monitoring reports/social monitoring reports will be forwarded directly to both NHA and ADB till completion of the project.

C. Indigenous Peoples

70. Project 3 under NTCHIP is screened as category C project for Indigenous peoples planning requirement under SPS 2009. Pakistan shall ensure that projects financed under the Facility do not have any indigenous peoples' impacts within the definition of the SPS. In the event that project(s) do have any such impacts, Pakistan shall take all steps required to ensure that the Project complies with the applicable laws and regulations of Pakistan and the Safeguard requirement-III "Indigenous People" under SPS (2009).

71. For subsequent projects under the investment program, if any adverse impact on indigenous peoples is observed at their preparation stage, an indigenous people planning framework (IPPF) and indigenous peoples plan (IPP) will be prepared by NHA and will proceed in line with SPS (2009).

VIII. GENDER AND SOCIAL DIMENSIONS

72. The main works during civil works will be implemented with use of heavy machinery, with limited use of unskilled labour. However, execution of civil works may generate limited employment and business opportunities for local communities. During execution of civil works, NHA will incorporate provisions in bidding documents and civil work contracts that contractors shall (i) comply with Pakistan's applicable labor laws and related international treaty obligations and not employ child labor, (ii) provide safe work conditions and separate sanitation facilities for male and female workers, (iii) provide equal wages to male and female workers for work of equal value, (iv) provide employment opportunities for women, (v) carry out programs for preventing HIV/AIDS, illicit drugs and human trafficking at workers' campsites. Although the bidding document will include clauses ensuring gender equalities in wages, it is unlikely for women to participate in project civil works or road side business due to established socio-cultural practices in the province and along the project roads. NHA with the support of the construction supervision consultants and contractors shall conduct awareness raising campaigns for public and workers about health, safety and social issues, preventive measures on HIV/AIDS and sexually transmitted diseases, illicit drugs and human trafficking etc.

73. During project implementation, consultations with the stakeholders will continue in order to disclose the project's progress. Prior to the commencement and during implementation of civil works, NHA will continue conducting stakeholder consultations with the support of safeguards management consultants, the construction supervision consultants and contractors, till completion of the project.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

74. NHA will undertake periodic project performance review under each individual project and for the Investment Program, in accordance with the PPMS to evaluate the scope, implementation arrangements, progress and achievements of objectives of the related project and overall Investment Program. The PMU will prepare and submit to ADB quarterly progress reports for the individual projects. The reports will include a description of physical progress, problems, and difficulties encountered and a summary of financial accounts that will consist of loan expenditures during the period, year to date, and total to date, and include a report on progress of the implementation of mitigation measures as specified in the contracts and environmental management plan. A project completion report will be submitted within three months following completion of each tranche. A facility completion report will be submitted within 6 months after completion of the investment program.

A. Project Design and Monitoring Framework

Table 9.1: Design and Monitoring Framework for the Investment Program

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact Increased trade growth</p>	<p>By 2022:</p> <ul style="list-style-type: none"> • Increased gross domestic product from \$114 billion (2006 estimate) to \$336 billion • Increased trade from \$35 billion (2006) to \$170 billion 	<ul style="list-style-type: none"> • National socioeconomic statistics from the Central Statistics Office 	<p>Assumption Government continues with policies conducive to economic growth</p> <p>Risk Political instability Geopolitical instability</p>
<p>Outcome Efficiency gain for road traffic operation along the National Trade Corridor</p>	<p>By 2017:</p> <ul style="list-style-type: none"> • Traffic volume. Peshawar–Torkham 5,000 vehicles per day (diverted traffic) and 8,000 per day (induced traffic) • Reduced average travel time. From Peshawar to Karachi from 72 hours (2006) to 36 hours • Reduced transport cost for freight. From 7% of total cost (2006) to 5% • Cost recovery principles implemented for NTC highways. Deficit on road maintenance cost reduced from 40% (2006) to 0% • Fatality rate. Reduced by 50% 	<ul style="list-style-type: none"> • ADB's PCR and PPER • NHA 's periodic traffic counts and surveys • Freight Forwarder Association statistics • NHA financial statement • Central Statistics Office 	<p>Assumptions</p> <ul style="list-style-type: none"> • All other NTC highway investments are implemented as scheduled • Capacity building support for NHA provided by previous interventions successfully implemented • Improved road safety regulations in place • Rational road user charge policy in place • Rolling 5-year maintenance plan updated and carried out <p>Risk Inadequate financial resources for road maintenance</p>

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
Outputs	By 2017:		
1. Newly constructed and upgraded roads and bridges	<ul style="list-style-type: none"> • 346 km road constructed on time, within budget, and meeting technical specifications • Tranche 1 roads completed 2014 • Tranche 2 roads completed 2017 • Pavement international roughness index of less than 4 m/km. 	<ul style="list-style-type: none"> • ADB loan review missions • PCR and PPER 	Assumption <ul style="list-style-type: none"> • Sufficient counterpart budget available on time
2. NTC Business Plan and coordinating body	<ul style="list-style-type: none"> • NTC highway business plan <ul style="list-style-type: none"> ○ Peshawar–Khanewal expressway portion implementation started by 2008 ○ Establishment of coordination body by 2008 ○ Terms of reference and operational guidelines for coordination body determined by 2008 	<ul style="list-style-type: none"> • Annual Report of NTC development body 	Assumption <ul style="list-style-type: none"> • Coordination of federal, provincial, local government and entities as well as private sector successful.
3. Institutional Capacity Development	<ul style="list-style-type: none"> • At least one performance-based contract for operation and management of highways by 2009 • Pilot intelligent highway system operational by 2009 (e.g., electronic notification boards for accident information and electronic tolling system) • Sustainable funding mechanism for highways adopted by Government by 2009 • Feasibility study and bidding documents prepared for at least 3 projects by 2011 • Framework for inter-agency coordination for social and environmental issues developed by 2009 • Representative staff from each regional office and headquarters (at least 20 in total) NHA staff trained on social and environmental issues • Human resources policy endorsed by NHA by 2010 	<ul style="list-style-type: none"> • ADB loan review missions • PCR and PPER • NHA statistics 	Assumptions <ul style="list-style-type: none"> • Government remains committed to reform • Full support from stakeholders including private sector • Implementation of National Highway Safety Ordinance on axle load limits improved • Government committed to institutional capacity enhancement • Full support from NHA Executive Board and staff • Previous capacity building assistance implemented^b • Financial management information system operational by 2008^c • Human resource development strategy and action plan implemented^d
	<ul style="list-style-type: none"> • Project implementation management strengthened • Strengthening of Land 	<ul style="list-style-type: none"> • ADB loan review missions • PCR and PPER • Planning Commission 	

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
	Acquisition and Resettlement <ul style="list-style-type: none"> ○ Dedicated staff (2 persons) ○ Training of regional staff and regional and local entities (4 sessions) ● Regional commission established 	Proforma-1 for Land Acquisition	
Activities with Key Milestones 1.0 Newly constructed and upgraded roads and bridges 1.1 Recruitment of project management specialist by March 2009 1.2 Recruit consultants for tranche 1 projects by July 2009 1.3 Award of tranche 1 civil works contracts by September 2010 1.4 Completion of tranche 1 civil works by December 2014 1.5 Completion of civil works for all tranches by December 2017 2.0 NTC Strategic Business Plan and Coordination Body 2.1 Consultants recruited to develop strategic business plan for expressways from Peshawar to Khanewal (E-1 to E-4) by June 2010 2.2 NTC development body established by December 2011 2.3 Recommendation for NTC development body submitted by September 2010 2.4 Draft Final Report on E-1 to E-4 strategic business plan completed by December 2010 2.5 E-1 to E-4 highway business plan adopted by NTC development body and implementation starts by December 2011 3.0 Institutional Capacity Development 3.1 Recruitment of consultant Road Sector Policy Study (1Q 2009) (Sustainable Road Sector) Road Corridor Management (2Q 2008) (Efficient Service Provider) Human Resources Development (3Q 2008) (Efficient Service Provider) Project Preparatory and Management Assistance (2Q 2009) (Efficient Service Provider) Social and Environmental Management Phase 2 (2Q 2009) (Safeguards) 3.2 Consulting services completed Road Sector Policy Study (3Q 2010) Road Corridor Management (2Q 2011) Human Resources Development (3Q 2010) Project Preparatory Assistance (2Q 2011) Social and Environmental Management Phase 2 (4Q 2010)			Inputs 1. ADB Total \$900 million (\$890 million OCR, and \$10 million ADF) 2. Government counterpart budget of \$223 million TASF 1. ADB total \$500,000. 2. Government counterpart budget of \$125,000.

ADB = Asian Development Bank, ADF = Asian Development Fund, km = kilometer, NHA = National Highway Authority, NTC = National Trade Corridor, OCR = ordinary capital resources, PCR = project completion report, PPER = project performance evaluation report, PPP = public-private partnership, Q = quarter.

- ^a Ministries and departments are considering the report submitted by World Bank consultants on a strategy to improve enforcement of axle load enforcement.
- ^b The following capacity building components for NHA under National Highway Development Sector Investment Program (NHDSIP) are currently being implemented: (i) a policy formulation and coordination office has been established and an international consultant is being procured, and (ii) a consultancy team on environmental and social assessment team has been formulated as part of the project management office.
- ^c The World Bank has given assistance to hire a business system specialist to support procurement of management information system.
- ^d The human resources development strategy and action plan have been developed by NHA and implementation begun in 2006. An international expert has been engaged and mobilized with World Bank support.

Table 9.2: Design and Monitoring Framework for Tranche 1

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
Impact Increased economic growth in Punjab Province	By 2018: <ul style="list-style-type: none"> Increased Punjab's gross domestic product from \$36 billion (2007 estimate) to \$75 billion 	<ul style="list-style-type: none"> Punjab Economic Report 	<p>Assumption Government and Punjab's Government continues with policies conducive to economic growth</p> <p>Risk Political and geopolitical instability</p>
Outcome Efficiency gain for road traffic operation along Faisalabad – Khanewal	By 2018: <ul style="list-style-type: none"> Faisalabad–Gojra daily traffic reaches 4,000 vehicles per day Reduced average travel time from Faisalabad to Khanewal from 2 hours (2006) to 1 hour Reduced transport cost for freight from 7% of total cost (2006) to 5% Deficit on road maintenance cost reduced from 40% (2006) to 30% Accident rate in Punjab reduced from 5 to 3 per 100,000 population 	<ul style="list-style-type: none"> ADB's Project Completion Report (PCR) and Project Performance Evaluation Report (PPER) NHA 's periodic traffic counts and surveys Freight Forwarder Association statistics NHA financial statement Punjab Development Statistics 	<p>Assumptions</p> <ul style="list-style-type: none"> Other NTC highway investments are implemented as scheduled Capacity building support for NHA provided by previous interventions successfully implemented <p>Risk Inadequate financial resources for road maintenance</p>
Outputs	By 2014:		
1. 60 km motorway between Faisalabad and Gojra constructed and operational	<ul style="list-style-type: none"> The road constructed within budget and meeting technical specifications with pavement international roughness index of less than 4 m/km. 	<ul style="list-style-type: none"> ADB loan review mission back to office reports (BTORs) NHA and consultant progress report PCR and PPER 	<p>Assumption</p> <ul style="list-style-type: none"> Sufficient counterpart budget available on time
2. NTC Highway Business Plan endorsed by the Government	<ul style="list-style-type: none"> The Plan agreed by stakeholders 	<ul style="list-style-type: none"> ADB loan review mission BTORs NHA and consultant progress report PCR and PPER 	<p>Assumption</p> <ul style="list-style-type: none"> Coordination of federal, provincial, local government and entities as well as private sector successful.
Activities with Key Milestones			Inputs
<p>1.0 Civil works (by NHA)</p> <p>1.1 Recruit supervision consultants by October 2009</p> <p>1.3 Award of civil works contract by October 2009</p> <p>1.4 Completion of civil works by June 2014</p> <p>2.0 Consultant for NTC Highway Business Plan (by ADB and Planning Commission)</p> <p>2.1 Consultants recruited by August 2009</p> <p>2.2 TA completed by January 2010</p>			<p>1. ADB loans: \$170 million (OCR)</p> <p>2. Government counterpart budget: \$32.5 million for the Project and \$125,000 for the TA.</p>

ADB = Asian Development Bank, ADF = Asian Development Fund, km = kilometer, NHA = National Highway Authority, NTC = National Trade Corridor, OCR = ordinary capital resources, PCR = project completion report, PPER = project performance evaluation report.

Table 9.3: Design and Monitoring Framework for Tranche 2

Design Summary	Performance Targets and Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact Efficiency gain for road traffic operation along the National Trade Corridor</p>	<p>By 2020: Hassanabdal–Sarai Saleh traffic increased to 13,602 AADT (baseline: 10,741 AADT in 2013)</p> <p>Traffic fatality rate reduced to 746 in KP (baseline: 829 fatal accidents in 2011)</p>	<p>NHA Annual Traffic Survey Report</p> <p>Development Statistics of Khyber Pakhtunkhwa</p>	<p>Assumption Continued Government commitment for upgrading the national highway network</p> <p>Risk Political instability and deteriorating security situation</p>
<p>Outcome Improved regional network for movement of goods and people along E35 expressway</p>	<p>By 2018: Average travel speed along E35 increased to 80 kph (baseline: 50 kph in 2013)</p> <p>Freight vehicle operating cost reduced to PRs 156/km (baseline: PRs.173/km in 2013)</p> <p>Passenger vehicle operating cost reduced to PRs 15.7/km (baseline: PRs 16.7/km in 2013)</p>	<p>NHA Annual Traffic Survey Report</p>	<p>Assumptions All other NTC highway investments implemented as scheduled</p> <p>Ongoing capacity building support for NHA successfully implemented</p> <p>Risk Inadequate financial resources for road maintenance</p>
<p>Outputs</p> <p>1. 1. Expressway connecting Hassanabdal and Sarai Saleh constructed and operational</p> <p>2. NHA's institutional capacity in social safeguards improved</p>	<p>By 2017: 39 km expressway constructed with pavement international roughness index of less than 3 m/km</p> <p>NHA's social safeguards implementation fully complied with ADB's Safeguards Policy Statement.</p> <p>At least 30 NHA staff trained on social and environmental issues</p>	<p>NHA Completion Report and NHA annual road condition surveys</p> <p>NHA Completion Report</p> <p>NHA Completion Report</p>	<p>Assumption Government and NHA remain committed to reform</p> <p>Risk Delays in handing over of sites to the contractors</p>
<p>Activities with Key Milestones</p> <p>1.0 Expressway connecting Hassanabdal and Sarai Saleh constructed and operational</p> <p>1.1 Supervision consultants recruited by 31 October 2014</p> <p>1.2 Civil works contracts awarded by 31 January 2015</p> <p>1.3 Civil works completed by 30 June 2017</p> <p>1.4 Consulting service completed by 31 December 2017</p> <p>2.0 NHA's institutional capacity in social safeguards improved</p> <p>2.1 Capacity development consultants recruited by 31 October 2014</p> <p>2.2 Consulting services completed by 31 December 2016</p>			<p>Inputs ADB: \$200 million (OCR) Government: \$38 million</p>

AADT = Annual Average Daily Traffic, ADB = Asian Development Bank, km = kilometer, KP = Khyber Pakhtunkhwa, kph = kilometer per hour, m = meter, NHA = National Highway Authority, NTC = National Trade Corridor, OCR = ordinary capital resources; PRs = Pakistan rupees.

DESIGN AND MONITORING FRAMEWORK
Tranche 3

Design Summary	Performance Targets and Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
Impact Efficiency gain for road traffic operation along the National Trade Corridor	By 2020: Sarai Saleh-Havelian traffic increased to 24,344 AADT (baseline: 16,893 AADT in 2013) Traffic fatality rate reduced to 746 in KP (baseline: 829 fatal accidents in 2011)	NHA Annual Traffic Survey Report Development Statistics of Khyber Pakhtunkhwa	Assumption Continued Government commitment for upgrading the national highway network Risk Political instability and deteriorating security situation
Outcome Improved regional network for movement of goods and people along E35 expressway	By 2018: Average travel speed along Sarai Saleh-Havelian of E35 increased to 85 kph (baseline: 55 kph in 2013) Freight vehicle operating cost along Sarai Saleh-Havelian of E35 reduced to PRs 145/km (baseline: PRs.191/km in 2013) Passenger vehicle operating cost along Sarai Saleh-Havelian of E35 reduced to PRs 15.7/km (baseline: PRs 21.5/km in 2013)	NHA Annual Traffic Survey Report	Assumptions All other NTC highway investments implemented as scheduled Ongoing capacity building support for NHA successfully implemented Risk Inadequate financial resources for road maintenance
Outputs • Expressway connecting Sarai Saleh and Havelian constructed and operational	By 2017: 19.1 km expressway constructed with pavement international roughness index of less than 3 m/km	NHA Completion Report and NHA annual road condition surveys	Assumption Government and NHA remain committed to reform Risk Delays in handing over of sites to the contractors
Activities with Key Milestones Expressway connecting Sarai Saleh Havelian constructed and operational 1. Supervision consultants recruited by 30 November 2014. 2. Civil works contracts awarded by 31 March 2015 3. Civil works completed by 10 December 2017 4. Consulting service completed by 10 December 2017			Inputs ADB: \$127 million (OCR) Government: \$23 million

AADT = Annual Average Daily Traffic, ADB = Asian Development Bank, km = kilometer, KP = Khyber Pakhtunkhwa, kph = kilometer per hour, m = meter, NHA = National Highway Authority, NTC = National Trade Corridor, OCR = ordinary capital resources; PRs = Pakistan rupees.

75. **Project Performance Monitoring System.** NHA has established a project performance monitoring system (PPMS) for the Facility and collected baseline data for performance monitoring. It developed a Project Performance Monitoring System.¹⁶ The key indicators and assumptions outlined at the impact and outcome levels in the project design and monitoring framework are the primary data required for analysis. The PMU is responsible for daily monitoring, reporting, and evaluating the progress for implementing the project, and maybe tasked to develop the PPMS.

76. Based on guidance provided by ADB and previous projects, NHA has prepared a systematic procedure of recording and analyzing project related data for monitoring and reporting performance of ongoing projects to its stakeholders. NHA will use the same procedure, with modifications where necessary, to monitor and report to ADB on the performance of the projects. The reports will contain baseline values of indicators, targets, and milestones corresponding to the expected impacts, outcomes, outputs, and activities identified in the design and monitoring framework, including special features and other relevant measures agreed between ADB and NHA.

77. The PMU, with the assistance of the consultants supervising the works in each project will collect baseline data and other information during implementation. Thereafter, it will analyze data once every 12 months, and include the results of the analyses and corrective measures (if any) taken to reverse negative trends and impacts in NHA's quarterly report to ADB. ADB review missions will discuss these reports and actions taken by NHA to ensure that all the targets and milestones are met.

78. **Compliance monitoring.** The loan covenants on policy, legal, financial, economic, environmental, social, labor standards and others will be monitored regularly through various reports (monthly progress reports, quarterly progress reports, and annual reports), and discussion during review missions.

79. **Safeguards monitoring.** The monitoring and reporting of the activities identified in the environment and resettlement action plans is discussed in Section VII.

80. **Gender and social dimensions monitoring:** Though anticipated impacts of Project 1 on people's livelihoods around the construction sites are estimated as not serious, NHA will be responsible for monitoring closely the contractors' compliance with terms to be on the civil works contract of conducting education activities for preventing HIV/AIDS, human traffic and illicit drugs and of creating gender-mainstreamed employment environments at the construction sites. Such activities will be reported by NHA to ADB in regular progress reports.

B. Evaluation

81. ADB will field at least two review missions annually to discuss implementation progress and assess the project implementation, including procurement, civil works, financing status, and environmental and social safeguards based on quarterly progress reports.

82. A midterm review mission will be carried out two years after each loan becomes effective. The midterm review will focus on: (i) implementation progress of civil works and consulting services for institutional reform and restructuring; (ii) performance of consultants and

¹⁶ ADB's project performance reporting system is available at <http://www.adb.org/Documents/Slideshows/PPMS/default.asp?p=evaltool>

contractors; (iv) status of compliance with the understandings in the framework financing agreement (FFA) and the covenants in the loan agreement; and (v) the need for any midcourse changes in the scope or schedule of the tranche projects to ensure full achievement of its impact.

83. Within 6 months of physical completion of a respective tranche project, NHA will submit a project completion report to ADB.¹⁷

C. Reporting

84. NHA will provide ADB with: (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (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 next 12 months; and (iii) a project completion report within six months of physical completion of the project. To ensure projects continue to be both viable and sustainable, project accounts and NHA's project accounts and NHA's audited financial statements, together with the associated auditor's report, should be adequately reviewed.

85. The PMU will maintain, for each project, records and accounts required to identify: (i) works and services procured; (ii) funds received from ADB and MOF; and (iii) expenditures incurred. Statutory financial audits are performed annually by the Office of the Auditor General of Pakistan ("OAG"). In addition to the statutory financial audit, NHA will engage a licensed private firm of auditors for financial audits of project financial statements under each tranche. Within six months after the end of each fiscal year, NHA will submit to ADB the audited project financial statements and the auditor's report for each project.

86. The PMU will also prepare, and submit to ADB, summary quarterly reports on the overall performance of each component of each Project. The reports will include information on physical progress, past and projected disbursements in the following quarter, implementation of social and environment safeguards, problems (if any) encountered, actions taken, and activities planned in the following quarter. Format and contents of the report will be described in detail in the Facility Administration Memorandum, which will be updated as required during the Investment Program.

87. NHA will perform a final analysis of related primary and secondary data on impacts and outcomes within 1 month of completion of each project. The results of this analysis will be included in the Borrower's project completion report (PCR), which will be submitted to ADB within three months of completion of each project. These results will be verified by ADB and reported in its PCR on each corresponding project

D. Stakeholder Communication Strategy

88. NHA will ensure that the Investment Program is implemented with active participation of all national stakeholders, using participatory practices, and consultation will continue throughout implementation of the Investment Program. Disclosure of relevant information to these stakeholders will continue throughout implementation of the Investment Program.

¹⁷ The project completion report format is available at <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

Project Documents	Means of Communication	Responsible Party	Frequency	Audience(s)
Project Information Document (PID)	ADB's website	ADB	Quarterly updating	General Public
Facility Financing Agreement (FFA)	ADB's website	ADB	Always available online	General Public
Loan Agreement	ADB's website	ADB	Always available online	General Public
Reports and Recommendations of the President (RRP)	ADB's website	ADB	Posted within 2 weeks of loan approval; Always available online	General Public
Environmental Impact Assessment Reports (EARF and IEE)	ADB's website	NHA, ADB	IEE or EIA and EARF posted on the websites before project appraisal; Documents always available online at ADB and NHA's websites; EMP updated regularly	General Public, project-affected people
Land Acquisition and Resettlement Reports (LARF and LARP, if required)	ADB's website	NHA, ADB	LARPs posted before contract awards; Document always available online at ADB and NHA's websites	General Public, project-affected people
Procurement requirements	ADB website for procurement notice (ACN/SPN), invitation for bids (IFB), Local newspaper advertisement	NHA, ADB	Available online (current and archive)	General public, potential civil works contracting firms
Consulting services requirement	ADB website for recruitment notice (CSRN) for expression of interest	NHA	When required	General public, consulting firms
	ADB website for list of shortlisted firms	ADB	Always available	General public, consulting firms
	Request for proposals, public opening	NHA		General public, consulting firms
Facility Administration Memorandum	ADB's website	ADB	After loan negotiations	General Public
Safeguard Monitoring Reports	ADB's website	ADB	Routinely disclosed, no specific requirements	General Public, project-affected people in particular
Audited Project Financial Statements and Auditor's Report	ADB's website	ADB	30 days after their receipt from NHA	General Public

ADB=Asian Development Bank, ACN= advance contracting notice, EARF = environmental assessment and review framework, CSRN = consulting services recruitment notice, FFA = framework financing agreement, IFB = invitation for bids, PID = project information document, RRP = Report and Recommendation of the President, SPN = specific procurement notice.

Communications Strategy Framework

Communications Context: Roads are the predominant mode of transportation, goods transport and trade in Pakistan; the Government of Pakistan (GOP) wishes to sustain economic growth by improving the country's competitiveness and increasing Pakistan's share of regional and global trade; however, transport and trade logistics have been identified as major bottlenecks. The GOP therefore launched a National Trade Corridor Improvement Program (NTCIP) in 2005, a major initiative in the transport and trade logistics sectors, targeted particularly on the National Trade Corridor (NTC). The NTC has played a vital role in Pakistan's economic development, linking Pakistan's major ports Karachi and Gwadar (in the South) with Lahore, Islamabad and further to the north of the country, with onward links to Afghanistan, China, and other Central Asian countries. The E-35 as part of NTC has broad national support; however, the community concerns about, loss of assets due to acquisition of ROW, bidding system and issues related to constructions works may require to be addressed during implementation of the project. Hence, during project preparation/implementation, effective information dissemination and community outreach will help to address stakeholders (local communities and project affected people) concerns regarding project implementation, acquisition of land and other assets, delivery of compensation and redress grievances (if any).

Strategic Elements					Work Plan Elements			Evaluation	
Objectives	Risks	Audiences/ Stakeholders	Desired Behavior	Messages/ Information	Activity/Channels	Timeframe	Responsibility	Resources Needed	Expected Outcomes
Ensure continued information sharing with local community and project affected persons.	Poor information dissemination may result in protests by local community/project affected person.	Project Affected Persons/Local Community, Local government; Local NGOs; Community leaders.	Stakeholder's continuous support of project.	Information on project objectives, affected people, compensation eligibility / entitlements, and grievance redress mechanism.	Active disclosure of all project documents on web and placed in project office/centers; Community meetings in affected areas; and Briefings to government.	Ongoing: starting immediately and continued till project implementation completed.	NHA EALS/PD/SSMC Team and Communication staff.	<i>Project fund</i>	Affected people and local community support project or show neutrality.
Ensure dissemination of information on grievance resolution, delivery of compensation and relocation of APs.	Slow progress causing affected people to complain about early delivery of compensation and relocation.	Implementing Agency; Contractor; Project affected people; Local NGO/CSOs;	Motivation of Implementing Agency to Improve progress and decrease backlog.	Delays harm project and public support.	Update on project Web site; Regular progress reports placed in local offices; direct meetings and Information to affected persons, local community	Ongoing: starting immediately and continued till project implementation completed.	PD/SSMC/Project GRC	Project Funds	APs satisfied and project support enhanced.
Ensure continued information sharing about safeguards compliance.	Community Organizations/ local NGOs Concerns about safeguards implementation process and transparency may cause project delays.	Affected People; National and local NGOs; local community/ religious leaders; Local politicians;	Awareness on safeguards implementation increased; Project support improved.	Project delays causing delay in trickle down of project benefits Project compliant to safeguard requirements.	Workshops; Web; Site visits Briefings Direct meetings; Information to local leaders and politicians.	Ongoing: starting immediately and continued till project implementation completed	NHA EALS/GM Project/SSMC team.	Project Funds	Community awareness increased and opposition neutralized

89. NHA will ensure that project related communication strategy is prepared and implemented during execution of the project to address community and AP concerns and share information about implementation progress on safeguards. Effective communication and information sharing will facilitate in early resolution of community concerns and improving project support in stakeholders including local community, projected affected persons, local and national NGOs, local leaders and politicians etc. The stake holder will be kept informed about project and safeguards implementation progress by sharing information through web, project progress reports, individual consultation meetings and focus group discussions throughout project implementation period.

X. ANTICORRUPTION POLICY

90. NHA will establish eligibility criteria for persons serving on bid evaluation committees and require full disclosure of relevant interests and any potential conflict of interests. Additionally, NHA will engage private firms to conduct technical audits of randomly selected works contracts within 12 months of commencement of the contract and six months prior to NHA taking over the project site from the contractor.

91. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the investment program.¹⁸ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency, implementing agency and all investment program contractors, suppliers, consultants and other service providers as they relate to the investment program. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the investment program.¹⁹

92. To support these efforts, relevant provisions are included in the framework financing agreement, loan agreements and the bidding documents for the investment program.

¹⁸ Available at <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>.

¹⁹ ADB's Integrity Office web site is available at <http://www.adb.org/integrity/unit.asp>.

XI. ACCOUNTABILITY MECHANISM

93. People who are, or may in the future be, adversely affected by the projects under the investment Program may address complaints to ADB, or request the review of ADB's compliance under the Accountability Mechanism.²⁰

94. People may initially course their complaints or queries through their local government and/or communities. In case the government and/or communities cannot settle, they can then forward to the Grievance Redress Committee explained at EARF and LARF, respectively. Likewise, the public may contact the ADB Pakistan Resident Mission (PRM).

²⁰ For further information see <http://compliance.adb.org/>.

XII. RECORD OF FAM CHANGES

FAM Version	Created Date	Revision Date	Reasons for Change	Main Contents of Change
V1	18 Oct 2007	NA	Initial	NA
V2		24 Sep 2009	Revise DMF	Add DMF for tranche 1
V3		28 Oct 2013	Preparation of Tranche 2 processing	<ul style="list-style-type: none"> • Update program description • Add data and information about Tranche 2
V4		17 March 2014	Update data before Tranche 2 approval	<ul style="list-style-type: none"> • Update data and information about Tranche 2.
V5		31 August 2014	Processing of Tranche 3	<ul style="list-style-type: none"> • Add data and information about Tranche 3