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Date: 24-10-08
PW-D Section
H.P. Secretariat

October 1, 2008

Ms. Asha Swaroop
Chief Secretary
Government of Himachal Pradesh
Secretariat
Shimla 171002
Himachal Pradesh

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Dear Ms. Swaroop:

**Himachal Pradesh State Roads Project, Ln.4860-IN:
Implementation Support Mission, September 5-12, 2008**

A World Bank mission visited Himachal Pradesh over the period of September 5-12, 2008 to support the Government of Himachal Pradesh (GoHP) in implementation of the Himachal Pradesh State Roads Project (HPSRP). The mission held productive discussions with Mr. Balram Sharma, Secretary (Public Works) and Managing Director, Himachal Pradesh Road and other Infrastructure Development Corporation (RIDC), Mr. B.D Joshi, Project Director, and other Public Works Department (PWD) and RIDC staff.

We are pleased to observe that considerable progress in project implementation has been made since April 2008, thanks to the diligence of the RIDC and PWD staff. However, as you are aware, the overall project implementation is still behind schedule, and the Loan disbursement has also been much lower than what has been planned. As this summer's prolonged monsoon is just over, it is the timeliest moment to take quick and forceful actions to improve performance of project implementation immediately and fully utilize the favorable weather for civil works. These critical actions, which have been discussed with PWD and RIDC over the mission, include the following:

- (i) GoHP will further strengthen coordination between PWD/RIDC and other concerned departments to speed up implementation of pre-construction activities, including land acquisition and R&R assistance, tree cutting, and utility shifting, all of which have been behind the schedule;
- (ii) PWD/RIDC and CSC (construction supervision consultant) will play a more proactive role to help Phase 1 contractors promptly overcome their difficulties in finding materials and construction sites and obtaining various required clearances;
- (iii) PWD/RIDC and CSC will closely monitor progress of each upgrading contract against a set of clearly defined monthly targets and aim to achieve 10% financial progress by end of November 2008;
- (iv) PWD/RIDC and TE consultants will provide training to all contractors and PWD engineers involved in periodic maintenance works (PMW) to help them comply with procedures and requirements for executing PMW contracts, such as properly preparing and signing contracts, developing work programs, quality controls, and preparing bills, implementation of Environmental Management Plans (EMP), etc., and therefore avoid delay in either works or payments;

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- (v) PWD/RIDC will speed up procurement process for Phase 2 upgrading works (with an aim to award contracts by end-December 2008) and Tranche II PMW contracts (aiming to award contracts by end-October 2008).
- (vi) RIDC will finalize the bioengineering training plan by end of September 2008 and initiate the first round of training prior to end of December 2008.

We will regularly monitor progress in completing these actions, and would kindly request you to do the same, in order to help accelerate the project implementation.

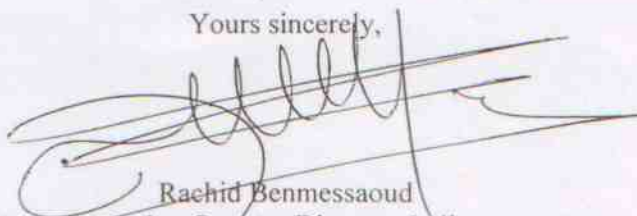
We would like to take this opportunity to highlight one important issue. We noticed that some key officers of RIDC (including Project Director) have been changed recently with short notice. We appreciate your assurance to the mission that GOHP will take firm action (including providing appropriate incentive to staff working on the project) to ensure a dedicated team of qualified staff with sufficient resources and authority will be maintained at both RIDC headquarter and RIDC field units over the entire tenure of the project.

As the implementation of Phase I Upgrading contracts is planned to achieve the important milestone (10% financial progress) by end of November 2008, we intend to field a technical mission to Himachal Pradesh around November/December 2008 to provide necessary assistance.

Should you request any clarification, please do not hesitate to contact me or Mr. Ke Fang, the Bank's task team leader.

With regards,

Yours sincerely,



Raehid Benmessaoud
Acting Country Director, India

- cc: Mr. Brahm Dutt, Secretary (RT&H), Ministry of Shipping, Road Transport & Highways, Government of India
- Mr. Balram Sharma, Secretary, Public Works Department, Government of Himachal Pradesh
- Mr. Arvind Mehta, Principal Secretary (Finance), Government of Himachal Pradesh
- Mr. D. K. Singh, Director, Department of Economic Affairs, Government of India, New Delhi
- Mr. B.D. Joshi, Project Director (HP State Roads Project), HPRIDC, Government of Himachal Pradesh

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Himachal Pradesh State Roads Project (Ln.4860-IN)
Implementation Support Mission (September 5-12, 2008)

Aide-Memoire

I. INTRODUCTION

1. A World Bank mission¹ visited Himachal Pradesh over the period September 5-12, 2008 to support the Government of Himachal Pradesh (GOHP) in implementation of the Himachal Pradesh State Roads Project (HPSRP). The mission held extensive discussions with officials and engineers from the project implementing agencies, Public Works Department (PWD) and the Himachal Pradesh Roads and Other Infrastructure Development Corporation (RIDC). The mission wishes to thank GOHP, PWD and RIDC for their hospitality and collaboration.

2. This Aide-Memoire (AM) summarizes the findings, recommendations, and agreements reached during the mission. It contains 9 Annexes (including the updated action plan in Annex 2). A draft of this AM was discussed with GOHP at a wrap-up meeting chaired by Mr. Balram Sharma, Secretary for Public Works, GOHP in Shimla on September 12, 2008.

II. KEY PROJECT DATA & PERFORMANCE RATING

Key Project Data	Project Performance
Loan amount: US\$ 220 million	Development Objective: Satisfactory
Board Approval Date: June 5, 2007	Implementation Progress: Moderately Satisfactory
Closing Date: June 30, 2013	Risk Flags: 1 (Land Acquisition and R&R)
Project Age: 14 months	
Loan Disbursed: 7.2% (US\$ 15.7 million, as of August 31, 2008)	

3. **Project Development Objective (PDO).** The project's development objective is to reduce transport costs and to improve traffic flows on priority segments of the core road network of Himachal Pradesh for the road users in the state. Progress in achieving the development objective is rated as **Satisfactory**, because all project components are being implemented as per the project design and the probability is very high that the PDO will be achieved by end of project, although overall project implementation is behind the schedule, which was mainly caused by several elections and change in government during November 2007 to May 2008, difficulty in carrying out pre-construction activities, e.g., utility shifting, land acquisition, and tree cutting, in the hilly areas, and prolonged monsoon this summer.

4. **Implementation Progress.** The mission rated the Implementation Progress as **Moderately Satisfactory**, based on the following observations:

- a. works contracts with a total contract value of US\$158 million (which is more than 50% of the total project costs) have been awarded, and pre-construction activities have been accelerated in the last few weeks.
- b. work progress at both upgrading contracts and periodic maintenance contracts is still behind schedule and progress in land acquisition and resettlement is also unsatisfactory.

¹ The mission consists of Parthapriya Ghosh (Social Development Specialist), Neha Vyas (Environment Specialist), Tanuj Mathur (Financial Management Specialist), Anand Kumar Srivastava (Procurement Specialist), Pratap Tygsshrk (Transport Specialist), Jaswant Channe (Highway Engineer, Consultant), Alok Bansal (Transport Planner, Consultant), and Ke Fang (Team Leader, Transport Specialist).

5. **Key actions agreed to speed up project implementation** include the following: (i) GOHP will further strengthen coordination between PWD/RIDC and other concerned departments to speed up implementation of pre-construction activities, e.g., tree cutting, utility shifting, land acquisition and R&R assistance; (ii) RIDC and CSC (construction supervision consultant) will play a more proactive role to help Phase 1 contractors promptly overcome their difficulties in finding materials and construction sites and obtaining various required clearances; (iii) RIDC and CSC will closely monitor progress of each upgrading contract against a set of clearly defined monthly targets and aim to achieve 10% financial progress by end of November 2008; (iv) RIDC and TE consultants will provide training to all contractors and PWD engineers involved in periodic maintenance works (PMW) to help them comply with procedures and requirements for executing PMW contracts, such as properly preparing and signing contracts, developing workprograms, quality controls, and preparing bills, etc., and therefore avoid delay in either works or payments; (v) RIDC will speed up procurement process for Phase 2 upgrading works (with an aim to award contracts by end-December 2008) and Tranche II PMW contracts (aiming to award contracts by end-October 2008).

III. SUMMARY

Project Expenditure and Budget

6. The total expenditure up to June 30, 2008 is Rs.47.34 Crore (US\$ 11.5 million) and anticipated expenditure for the next 6 months is Rs. 121.92 Crore (US\$ 30.5 million). Total likely expenditure up to December 31 2008 is Rs. 169.26 Crore (US\$ 42 million). Detailed expenditure information is provided in the table below:

Unit: Rs. in Crore	Expenditure Up to June 30	Anticipated Expenditure (for next 6 months)	Total likely Expenditure up to December 31, 2008
Upgrading Works	10.99	70.00	80.99
Utility Shifting	0.70	0.70	1.40
Compensatory Afforestation	2.91	0.76	3.67
Periodic Maintenance Works	18.98	33.01	51.99
Consultancy Services	11.43	7.43	18.86
Trainings	0.008	0.02	0.028
Land acquisition	2.32	10.00	12.32
TOTAL	47.34	121.92	169.26

7. The April 2008 mission was informed that the budget allocated for upgrading works of the project in FY08/09 is about Rs. 110 Crore (including Rs.71.25 approved in the state budget for FY08/09 and about Rs. 40 Crore carried-on from FY07/08). The budget for road maintenance in FY08/09 is about Rs. 40 Crore. According to the projected expenditure displayed above, the budget for upgrading works appears to be sufficient to cover the upgrading activities till end-December 2008. But the budget for maintenance may not be able to cover all the maintenance costs upto December 31, 2008. The mission requested PWD and RIDC to review its anticipated expenditure and remaining budget in FY08/09, and request additional budget from GOHP immediately if there is gap between the current budget and anticipated expenditure.

Environmental Management.

8. The over-all environmental management for upgrading works is rated 'satisfactory' while the same for the periodic maintenance component is rated 'moderately unsatisfactory'.

9. **Environmental Management for Periodic Maintenance Works.** PWD engineers and TE consultant need to strictly enforce implementation of the various EMP measures, particularly, those related to plant and camp site maintenance, disposal of debris at pre-identified (using EMP criteria) sites, cleaning and restoration of sites after work completion.

- 10. **Environmental Management for Upgrading Works.** With the implementation of upgrading works just initiating, comprehensive training of contractors and CMU staff is required to ensure that environmental management requirements are consistent with planning and scheduling of civil works and included as part and parcel of operations on the ground. This includes application of environmental criteria for various start-up activities like site location and lay-out plans for camp and plant establishment.
- 11. The CSC has mobilized one full time Environmental Officer, but at least one additional environment officer will be required before civil works start. All contractors also need to mobilize their environment and safety officers by end of September 2008. The CSC has agreed to conduct the first round of training on environmental management by end of October 2008.
- 12. **Bioengineering.** While the bio-engineering report for Phase 2 has been submitted recently for Bank's review, the revised version for phase 1 works is still pending. It was agreed that both these reports will be finalized and disclosed by October 31, 2008. The bio-engineering training plan (prepared and shared by the Bank last year) including finalization of logistics is pending with RIDC. In order to initiate training prior to the end of this year, the final plan should be submitted to the Bank for review by end-September 2008.
- 13. **Biodiversity Study.** The bio-diversity report for Phase 2 upgrading works is being reviewed by the Bank. The report is expected to be finalized and disclosed by end of October 2008.

Upgrading Works

- 14. **Phase 1 Upgrading Works.** 434.8 km of roads in 10 contract packages are to be implemented in two phases. The first five contract packages of Phase 1 upgrading works have been awarded at a total cost of Rs 5908 million (about US\$ 148 million). All these contract packages are at mobilization stage. The mission visited project sites of two Phase 1 roads i.e. Mehatpur-Una-Jahalera-Amb road and Una-Bangana-Barsar road. The mission, along with the officials of RIDC and the supervision consultants, discussed the progress of works and issues to be addressed with the contractors of all Phase 1 roads (see detailed discussions in Annex 4) RIDC agreed with all contractors that a target of 10% physical progress should be achieved by end-October 2008. To help monitor progress in implementation, the construction supervision consultant (CSC) was requested to prepare monthly targets for both financial progress and physical progress for all phase 1 contracts for September, October and November, based on the workprograms submitted by contractors. Given that some contractors are new to Himachal Pradesh, they are facing difficulties in finding sites for quarries, plants, borrow areas and obtaining various required clearance. RIDC and CSC agreed to work closely with the contractors and help them overcome those difficulties.
- 15. **Phase 2 Upgrading Works.** Out of the five contract packages of Phase 2 upgrading works, for two of the packages, bid evaluation reports have been sent to the Bank for no-objection, and for the remaining three packages, evaluation of bids is in progress. Phase 2 upgrading works are expected to be awarded in December 2008.
- 16. **Construction Supervision.** The Construction Supervision Consultant (CSC) for upgrading works has been mobilized. The first Monthly Progress Report (August 2008) has been submitted. To help speed up implementation of Phase 1 contracts, the mission advised that the CSC should immediately (a) examine the bills of quantities and contract drawings and advise RIDC on any required modifications, (b) identify the stretches of land which can be handed over to the contractors immediately upon issue of notice to proceed, (c) facilitate and examine the locations for proposed shifting of hand pumps and pipelines by the Irrigation and Public Health Department, (d) develop formats for monitoring progress of works, monthly progress reports, quality control tests etc., and (e) set up regular meetings with the RIDC.

17. **Land Acquisition for Phase 1 Roads.** Implementation of Resettlement Action Plan (RAP) is rated as **unsatisfactory** due to delay in acquisition of private land and implementation of R&R assistance. Although negotiations have been completed for villagers under milestone 1 of all the project corridors, disbursement of compensation is yet to be made.

18. Lack of coordination is considered to be the main reason for delay. To ensure effective implementation of social safeguards, it was agreed that (i) the RIDC Superintending Engineer (Design and Planning) will be the nodal officer for social aspects stationed at HQ and would coordinate with regional Land Acquisition Officers, Social Development Officer (HQ) and Resettlement and Rehabilitation Officer in CMUs to speed up land acquisition, disbursement of compensation, and R&R assistance; and (ii) to avoid duplication of activities, joint measurement survey of affected land parcel will be carried out by a joint team of NGO representative, concerned revenue officials and RRO of CMU. Furthermore, it was also agreed that NGO would simultaneously start income restoration activities at least for non-titleholder PAPs.

19. Another reason for delay in disbursement of compensation is related to the requirement for NGO's signature prior to PAP's withdrawing compensation from the joint NGO-PAP account set up in the bank. As the NGO is based in Shimla and only NGO representative is authorized to sign the withdraw request, it is not convenient for PAPs to withdraw their compensation. It was agreed that for the convenience of PAP and to speed up disbursement of land compensation, NGO will withdraw its name from the joint bank account and therefore NGO's signature will no longer be required when PAP withdraws R&R compensation from the bank. The mission considered this new approach as an experiment. The Bank will review its implementation one year later and discuss with GOHP and NGO again on whether to continue this approach or go back to the current joint-account arrangement.

20. Other issues that needs to be addressed include: (i) completion of negotiations in remaining villages and disbursement of compensation; (ii) demarcation of COI on ground jointly by DPR consultants, CMU and NGO for phase II roads; (iii) joint measurement survey by CMU, NGO and revenue department; (iv) timely completion of R&R activities for both Phase I and Phase II, including socio-economic survey, micro plans, issuance of ID cards, opening of accounts of PAPs, distribution of compensation and other R&R assistances, relocation of CPRs; (v) hiring of independent consultant for evaluation of RAP implementation; (vi) extension of the NGO's contract for completion of R&R activities; (vii) acquisition of land for phase II roads; (viii) submit a report to Bank on anti-encroachment drive in the project corridors; and (ix) orientation of CMU staff towards social issues. Detailed discussions about the land acquisition and a revised timetable for completion of various R&R and LA activities are provided in Annex 5.

21. It was agreed that existing road would be allotted to the titleholders whose land would be acquired for re-alignment. An executive order to that effect has already been issued by Government of Himachal Pradesh.

22. **RAP for the Phase 2 Roads.** Consultants have submitted the final RAP for Phase 2 corridors, along with the draft LA plan. Though it was agreed that consultants will superimpose the road alignment on revenue maps, it has not been done. The LA plan submitted does not differentiate between the existing and proposed centre line. It was agreed that DPR consultants, RIDC engineers, and NGO staff will jointly mark the COI on the ground.

23. **Utility Shifting.** The mission was informed that Rs. 130 lakh have been deposited with the Electricity Board for shifting of electric poles in all Phase 1 roads. Rs. 100 lakh have been deposited with the Irrigation and Public Health Department for shifting of pipelines and hand pumps in Phase 1 roads. However, progress in utility shifting has been slow given the geographic nature of the road sites.

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24. **Forest Clearances.** The mission was informed that RIDC has obtained the required forest clearances for all (five) but one phase 1 upgrading works. The pending 'in-principle' clearance for Contract 5 is in advanced stages of the clearance process and is being pursued regularly (on a weekly basis) by the RIDC. Regulatory clearances for phase 2 works too need to be closely monitored and followed-up to avoid any delays in initiating the works.

25. **Tree Cutting.** The mission was informed that RIDC has transferred deposits of Rs. 5.39 crore to the Forest Department for required Compensatory Afforestation. Tree-cutting on roads of works package 1 is progressing, but the forest corporation has not started cutting trees for other packages. The mission urged GOHP to speed up tree cutting process so that construction works of all these upgrading packages will not be further delayed.

26. **Coordination between PWD and concerned Departments/Agencies.** Difficulty in conducting pre-construction activities for roads in the hilly areas highlights the importance of the coordination between PWD and other concerned departments/agencies. The mission was informed that since the April 2008 mission, the chief secretary of GOHP has chaired two meetings with secretaries from PWD, IPH, Forest, Power, Revenue and district collectors from 7 project affected districts to review critical pre-construction issues, including coordination between PWD/RIDC and other concerned departments/agencies for the state roads project. The mission complimented this initiative and suggested this high-level coordination meeting be carried out regularly during the first year of project implementation.

27. The mission was also informed that a coordination committee between PWD and Forest Department has been established since April 2008 mission and now it has been well functioning. The committee, comprising a Superintendent Engineer (RIDC), a Conservator of Forest (PWD), a nodal officer from the Forest Department and an officer from Forest Corporation, has been meeting every Wednesday to review progress in tree cutting and discuss issues to be resolved. For issues the committee can not resolve, it will bring them up to the secretary level and a meeting between secretaries of PWD and concerned departments will then be arranged. The mission suggested and RIDC agreed that (i) similar committees between PWD and other concerned departments involving in utility shifting and other pre-construction activities will be established; and (ii) the Superintendent Engineer (RIDC) will be the nodal person in RIDC for coordinating all pre-construction activities, such as land acquisition, tree cutting, and utility shifting.

28. **Adjustments in Project Management Arrangements in RIDC HQ and CMUs.** RIDC suggested modify the job profiles of the three Assistant Engineers (AE) at each CMU in order to make them fully responsible for particular contracts. The original arrangement was that three AEs are in charge of social, environmental, and technical aspects of each contract, respectively. Under the new arrangements, each AE now will be assigned for 1-2 contracts and be responsible for all aspects of those 1 or 2 particular contracts. The mission agreed to this suggested modification but emphasized the need to train all AEs to ensure that they all are fully aware of social and environment requirements for each contract and they can implement these requirements consistently and in good quality. RIDC agreed to organize social and environment training for these AEs as well as their contractors by end-November. The Bank and RIDC will jointly review the effectiveness of this new arrangement after completion of the first year upgrading works.

29. It was also discussed to set up the fourth CMU at Kangra since upgrading packages 7 and 8 are located in the Kangra district and are very far from the Hamirpur CMU which currently is assigned to manage these two packages. The mission agreed in principal as the previous Bank missions during project preparation had suggested to set up 4 CMUs. The mission requested RIDC to seek GOHP approval for the new CMU and its staffing.

30. In accordance with the Operations Manual, RIDC proposed that each CMU will check up to 10% of the construction works of each contract at every stage of the construction, and

submit monthly reports to PD. A template for CMU's monthly reports will be developed by RIDC.

31. **Highway Health Risks.** NGO has (i) conducted HIV/AIDS awareness campaign camps; and (ii) distributed IEC materials and condoms to the targeted groups. NGO will also conduct the campaigns in construction camps along with the contractors. RIDC and NGO are now planning to have a detailed HIV/AIDS study and implementation strategy for the project. The mission agreed to explore possible funds for such study.

Periodic Maintenance Works

32. **Implementation of Tranche-1.** Out of total length of 532 km in 25 contracts, Bituminous works have been completed in 415 km. Periodic maintenance works (PMW) of 532 km of roads in 25 contract packages is in progress. The cumulative expenditure on all the Tranche-1 PMW till 31 August 2008 is Rs. 253.9 million (62% of the total contract costs). All except four of these packages have commenced in the period from March - May 2007. Two packages commenced in July 2007 and the remaining two in October 2007. However, none of the 25 packages, all of which have a completion period of one year, has been completed even after more than about 18 months. RIDC expects to complete all tranche-1 PMW by October 2008. The mission advised RIDC to closely monitor all packages, especially those packages which are progressing very slowly: HP-MDR-24-105 and HP-MDR-21-102 in central zone, and HP-MDR-28-206 and HP-MDR-19-207 in south zone. There has been very little progress in the last two contracts (HP-MDR-28-206 and HP-MDR-19-207) since the April 2008 mission.

33. Although the previous missions have stressed the necessity of completing the civil works such as drains before the construction of bituminous works, there is considerable delay in completing these civil works. The mission, once again, reminded RIDC and the Technical Examiner (TE) consultants that to protect the bituminous surfacing from the rains, it is necessary to follow the proper sequencing of works. The mission also observed that, in a number of contracts, there is still substantial gap in the physical and financial progress. These contracts include one in central zone, seven in south zone and seven in north zone. The mission again advised RIDC and TE consultants to check these contracts and ensure there is no substantial gap between financial and physical progress in any of the PMW contracts. The mission made site visits to two of the PMW contracts, namely Tattapani-Mandi Road in central zone and Holta-Chadhiar Road in north zone. Observations of the mission are provided in the Annex 7.

34. **Preparation of Tranche-2.** 515 km of roads are included in Tranche-2 PMW, which will be procured through 27 contracts. The estimated total cost of these works is Rs. 745 million. DPRs for these works have been reviewed by the TE consultants. Bids for all these works have been received and evaluation of bids is in progress. During the last mission, RIDC informed the mission that the contracts for Tranche-2 PMW would be awarded by June 2008, but due to delay in evaluation of these contracts, these contracts are now expected to be awarded by October 2008.

35. The mission was informed that two packages will be re-bid, as no bid has been received for these packages. Based on the feedback obtained from contractors, RIDC proposed to split the package SH-17-305 (33km) in the northern zone into two packages, and extend the implementation period for the package MDR-43-103 in the central zone from 12 month to 18 month. As the Bank only prior reviews 15% of bidding documents prepared for periodic maintenance works, the mission advised that RIDC need to submit the revised bidding documents to the Bank for review, if the two original packages had been prior reviewed by the Bank.

36. **Technical Examiner (TE).** The mission along with RIDC and PWD officials held discussions with the TE consultants whose scope of work includes examination of first two tranches PMW. The contract for TE consultants will expire in January 2009, and yet the

examination of Tranche-2 contracts has not started. The mission advised that the TE consultants should be more vigilant and proactive and should bring out the deficiencies, such as those observed by the mission during site visits, to the notice of the RIDC. The TE consultants, in their bi-weekly one pager reports and monthly reports, should mention the contract-specific issues rather than more generic issues. The mission also advised that the TE consultants in coordination with RIDC/PWD engineers should identify the critical stretches which require reconstruction or major maintenance and these proposals should form part of the DPRs and the bills of quantities.

37. **Quality Control for Maintenance Works.** As per project design, the periodic maintenance works (PMW) are managed through the PWD field units. The Executive Engineers (EE) authorized by RIDC act as the "Engineer" and supervise the contractors' works, while the TE consultants reviews, through a 10% sample check, the quality of works and recommend remedial measures, if any. To accelerate the implementation of the periodic maintenance program and also further strengthen the quality of the periodic maintenance works, PWD has to take two actions. First, a Quality Control (QC) team is to be set up at RIDC. This QC team is led by RIDC Superintending Engineer and supported by a EE (QC) and a AE (QC) at each zonal office. It is expected the QC team will work together with TE consultants for the first 6-12 months and will eventually take over the TE consultants' work. Second, PWD/RIDC is preparing detailed job descriptions for all PWD field EEs and AEs who are involved in PMW under the state roads project. These job descriptions will be issued by PWD Secretary/RIDC MD through a Departmental Order.

38. **Coordination between PMO at RIDC and PWD field units.** The PD, TE consultants and the QC team have been conducting a monthly review meeting for PMW since the April 2008 mission. To strengthen coordination between RIDC and PWD field units for implementation of PMW contracts, it was agreed by PWD and RIDC that the PD will have a monthly meeting with Chief Engineers (CE) of all concerned zonal offices to discuss issues identified by the review meeting mentioned above and actions to be taken by PWD engineers.

39. **Performance Based Maintenance Contracting (PBMC).** The PBMC consultant had modified the bid document for long term PBMC contracts based on the bid document approved by the Bank for Andhra Pradesh. The GOHP organized a workshop in Shimla on August 26, 2008 in association with Bank to discuss the concept of PBMC and the detailed clauses of the bid document where contractors, department persons and consultants participated. Based on the discussions at the workshop and suggestions of the different stakeholders it was agreed that the consultants would modify the document to incorporate these recommendations. It was also decided that in place of one contract covering about 350-400 km, there would be 3 such contracts each covering a length of 100-125 km continuous road, taking into account the topography of the state as well as to cover a larger area of the State under such contracts. The PWD would identify the road stretches to be considered for these contracts from the prioritized list of Tranche III periodic maintenance roads, and submit the revised PBMC contracts to the Bank for no-objection by end-October 2008.

40. **Road Safety / Blackspots Improvement Program.** RIDC has developed the Request for Proposal (together with the shortlist of interested consultants) for preparing improvement plans for the 20 selected black spots identified from the list of black spots provided by the traffic police. RIDC has proposed to invite the proposals on least cost option. Since the safety audit and preparation of improvement plan requires specialized skills, it was agreed that the proposals would be invited using QCBS with 75 percent weight for technical proposal, and RIDC will forward to the Bank the revised RFP by Oct 15, 2008 and invite proposals by end Oct 2008.

Detailed Design of Tunnels.

41. **Financial Analysis.** The Tunnel design consultants gave a presentation on detailed design, financial and economic analysis, traffic management at portals, and cost estimates. Some questions were raised in regard to the financial and economic analysis as presented. The consultant agreed to revise the financial analysis in consideration of all costs associated to the projects (including design cost, construction and maintenance costs, financing costs) and different revenue schemes (such as different toll options). It was also suggested that a willingness to pay survey and traffic-toll sensitivity analysis should also be carried out. RIDC and HP Police Department will provide the consultants their review comments in writing on traffic management at portals, environmental management and social issues, procurement, safety, etc.

42. **Financing for Construction of Tunnels.** The construction cost of Tunnels T1, T2, T3, T4, T5 & T7 including construction of tunnels, approach roads and land acquisition, is estimated to be Rs. 515 crores. Due to limited funds available for the State Roads Project, financing implementation of the tunnels was removed from the proposed project finance plan at the project appraisal. The mission was informed that GOHP is still considering Bank financing for these tunnel except 1-2 tunnels which may be financially viable for PPP if tolls can be collected and viability gap financing is sought from GOI. It was agreed that RIDC will prepare a proposal for the tunnel project and submit the proposal to DEA through GOHP for the World Bank financing, and the Bank will consider the proposal only after a formal request is forwarded to the Bank through DEA.

43. **Proof-Review of Tunnel Design.** RIDC are in the process preparing terms of reference for inviting proposal from international experts to include proof review of tunnel designs, safety aspects and cost estimates. The mission agreed to provide RIDC further assistance in preparation of the TOR. The cost of such consultancy would be covered under the HPSRP as part of the technical assistance for tunnel design, and a consultancy service for proof-review of tunnel design will need to be added to the procurement plan.

Road Sector Management

44. **Road Maintenance Fund.** Final report has been submitted to the GOHP, which recommends several options for setting up a Road Maintenance Fund and other measures to improve road sector financing in the state. PWD/RIDC should request a meeting by top decision makers to discuss findings and recommendations of the study, aiming to obtain government decisions on creating a stable financing mechanism for the road sector in near future. The mission was informed that the PWD has received comments from different departments. A committee under the chairmanship of the Chief Secretary has been set up to review the recommendations and the comments of different departments to finalize the recommendation to the Cabinet. The PWD was apprehensive of any decision on this by the committee. The mission suggested that the PWD should focus on getting GOHP's in-principle clearance for the fund which consolidates the current funds for road maintenance and aims to development of a stable road maintenance financing mechanism. Given the fuel prices and inflation currently are prevailing very high, adding fuel cess and other sources to the fund can be discussed at a later stage.

45. **E-governance / Computerization of PWD.** Himachal Pradesh has been selected by GOI as one of the three states to be supported for implementation of e-procurement. The Bank is also partnering in this effort. The GOHP is planning to award the contract for developing e-procurement system (which includes e-contract management and e-payments) by end-December, 2008 with the aim to implement e-procurement in selected departments (PWD is one of them) within one year. Additionally, GOHP has started computerization of the business processes and other systems for the irrigation department (IPH) and most of the modules have been developed but not implemented yet. It is proposed that PWD should appoint a project management consultant to assess the needs for PWD computerization including their business processes and

review the applicability of modules developed for the IPH as well as in other States like Gujarat and recommend the best option for further work to enable the PWD to implement the department wide computerization. A TOR was developed for this purpose by the department which was reviewed and comments provided by the Bank. The PWD has agreed to forward the modified document by the end of September 2008 to the Bank for their review and approval. The government has set up an IT cell in the PWD with an assistant engineer and 7 junior engineers with degree in IT.

46. **Road Information System and Road Maintenance Management System.** The PWD is in the process of developing a GIS based road information system (RIS). The inventory survey for the state highways and major district road network has almost been completed. The Survey of India 1:50000 maps have already been digitized. New roads constructed after the date of the maps were added, but the PWD has not verified the exact co-ordinates of these roads in the field either using the GPS or through surveys. Bridges and culverts also have not been located on the digitized maps as their geographic co-ordinates are still missing. A Road Maintenance Management System (RMMS), linked with RIS, is also being developed and will be used in prioritizing the road network for periodic maintenance. The PWD has set up a cell with four engineers to operate the system.

47. The PWD planed to hire an external agency to help enhance the RIS and RMMS and capacity building. The agency's tasks include collecting traffic data for the first year and cross-checking 10% traffic data to be collected by PWD engineers in the next 3 years, rolling out the inventory survey for the national highways, completing road condition survey for the core network for the first year and cross-checking 10% condition survey to be done by PWD engineers in the next 3 years, completing geo-referencing of the core network (including bridges and culverts), transfer the data on the digitized road map, and training for PWD engineers to maintain and operate RIS and RMMS. The mission provided their comments and suggested RIDC to forward to the Bank the list of all detailed tasks with cost estimate for each task by Sept 15, 2008. The Bank will advise appropriate procurement method for this assignment, based on the nature of the services required for this assignment.

48. **PWD Gang Labor Productivity Study.** The recently completed study provides the latest inventory of labor (including their age profile) and the functional requirements for labor for different types of works at different locations. It finds the labor situation is better than normal perception. Current labor is about 33% more than required, and the total surplus labor can be reduced from currently 11120 to 552 in five years due to retirements, absorption by increased network, early retirement for health reasons. Three major reasons for low productivity of the labor are identified: unbalanced distribution of labor forces, low utilization of machines and equipments, and outdated maintenance practices and skills. The Bank was informed that the findings of report were presented to the Chief Minister, and he has approved the redistribution of the labor and asked the department to prepare a detailed action plan for his consideration. The PWD has also started identifying skills of the gang labor and based on this exercise transferred about 200 gang labors to different skills. The mission congratulated the department for this action and suggested that they also focus on the training of the remaining staff to upgrade their skills in maintenance activities.

49. **ISO 9001 QMS and 14001 EMS Implementation.** The consultants have started the work on this study and are expected to submit the inception report by the end of September, 2008.

50. **PPP for Road Development.** The mission was informed that GOHP is interested in exploring possible PPP options to increase private sector participation in the state's road development program including construction of tunnels. The mission suggested GOHP develop a long-term PPP strategy for road sector financing, which outlines viable PPP options to meet the

large financing gap for improving HP's road network and also identifies good proposals for appropriate PPP options. The mission informed GOHP that it can apply for grant from the Public Private Infrastructure Advisory Facility (PPIAF) to engage a Financial Advisor to help GOHP develop the PPP strategy for the road sector. It was agreed that RIDC will follow up with an application to PPIAF soon, and the Bank team will help RIDC prepare a Terms of Reference for the study.

51. **Information Disclosure.** The mission had a quick review of the RIDC website and found it was properly maintained and most of the key information/documents required by PWD/RIDC Information Disclosure Policy (contained in the Operations Manual) have been made available on the website. The mission informed GOHP that the Bank will carry out a review of implementation of the PWD/RIDC Information Disclosure Policy by end of this year to help strengthen the implementation of RTI (Right to Information Act) in the road sector in HP.

Financial Management

52. Disbursement as on September 11, 08 is USD 15.73 million which represents 7.15% of the loan of USD 220 million.

53. Project Financial Management is considered **satisfactory**. The following are the recent developments: (a) additional FM staff is being hired to work at the CMUs and the HQ office; (b) the electronic fund transfer arrangements to all suppliers is working satisfactorily; (c) disclosure of information is adequate. However the following areas are in need to further attention; (i) terms of reference for Internal Audit are not as agreed with the Bank, this needs to be rectified so that audit for FY 08 - 09 is as per the agreements on the project; (ii) the financial accounting software is still running 'parallel' to the manual system, the manual books of account need to be discontinued at the earliest; (iii) further training for engineers, FM staff and contractors is required on FM aspects of the project; (iv) cheque signing powers for the NGO on PAP bank accounts should be discontinued with immediate effect, as the assessment shows that inconvenience to PAP will be much higher than the perceived benefits.

Procurement

54. **Procurement Plan.** The mission advised RIDC to prepare the procurement plan for Tranche II & Tranche III and update the procurement plan for Works (including upgrading and Tranche I maintenance works), Goods and Services. RIDC agreed to furnish the same to the bank by end of September 2008.

55. **Post Review.** Post reviews for 8 shortlisted maintenance packages were carried out by the Bank during May-June 2008 and Post Review Report was forwarded to PWD and RIDC. The mission discussed the report with PWD and RIDC in detail and advised them to review the report and furnish to the Bank their response including the measures taken by them based on the report which includes key findings, especially on major deviations, major deficiencies noted under package # MDR 38-108, delays in payment, and Bank's recommendation for improvements etc.. The RIDC agreed to send their response within one month.

56. **Works Contracts.** The RIDC agreed to send a response to the Bank's queries on upgrading works package ICB-8 by Sept 25, 2008. The mission agreed to follow-up on the Bank's review and no objection on ICB-6.

57. The mission expressed its concern on delays in completion of the Bid Evaluation process for works contract packages # 7, 9 & 10 for which the bids have been received more than 90 and 120 days for NCB and ICB respectively. RIDC agreed to send their recommendations alongwith the Bid Evaluation Reports (BERs) on format by September 30, 2008. In those exceptional cases where the circumstances force to seek extension in bid validity, the RIDC

agreed to plan, take advance action and furnish their justified proposal to the Bank for no objection with a notice of atleast 10 days. Mission mentioned that the period provided (90 (for NCB)/120 (for IBC)days) is adequate and all efforts should be directed towards completing the signing of contracts within this period including forwarding the Bid Evaluation Report to the Bank before expiry of 45 days from the date of receipt of bids.

58. **Consultancy Services.** The selection of consultants under black spot improvement program (BSIP) and ICT/Computerization of PWD/RIDC study are proposed on QCBS – Lumpsum basis, the Bank will review the RFP documents and advise RIDC in two weeks’ time. For the selection of services for carrying of survey works and data collection, the Bank will revert with the document to be used in a week’s time.

59. **Training of Procurement Officers on World Bank Procurement Requirements.** The mission advised RIDC to get all its procurement officers immediately trained utilizing training programmes being offered at ASCI Hyderabad, NIFM Faridabad etc. utilizing the budget allocated for the purpose. RIDC will ensure minimum tenure of officials till the completion of the project and not less than 3 years in any case for smooth implementation of the project.

60. **Communication.** RIDC agreed that all communications on procurement will be addressed to the Task Team Leader and electronically copied to the Sr. Procurement Specialist of the Bank as well on the date of transmission to avoid loss of time in communication. All documents to be reviewed by the Bank will be sent in soft copies (in word document format) by email in addition to the hard copy by courier/post. Overall procurement is rated “moderately satisfactory.”

Project Management

61. **RIDC Staffing.** The mission noted that Project Director for HPSRP was changed in August 2008 with very short notice and several other key staff at RIDC has also been changed. The mission stressed the need for stability of the project management team over the entire tenure of the project. GOHP assured to the mission that it will ensure the stability of the project management team and some incentive in a form of appropriate compensation to encourage RIDC engineers to stay in a longer period with the project be provided.

62. **Training Plan.** The mission was informed that the training plan for IFY 07-08 was completed with majority of training activities being implemented and has been developed. The training plan for IFY 08-09 has already developed by RIDC, which covers training on procurement, contract management, social and environment management, modern engineering design, etc. The mission suggested RIDC review feedback collected from engineers who participated in the training and carry out simple evaluation of results of the training upon completion of the annual training plan, which will help development and ensure quality of the next year training plan.

63. **Project Reporting.** The mission requested RIDC to use the agreed project report format (which contains 8 excel-based reports and has been agreed at the project appraisal stage) and furnish the Bank the Project Report quarterly. Additionally, the CSC and TE will prepare monthly progress report for upgrading and maintenance works respectively. RIDC will forward these reports to the Bank. The mission advised RIDC to regularly review and update project costs and RIDC agreed to forward to the Bank the first updated project cost (including costs for each component) by Sept 15, 2008.

64. **Performance Monitoring Indicators (PMI).** The mission and RIDC jointly reviewed the PMIs and updated the value of PMI indicators based on available information.

65. **Compliance with Loan Covenants.** The project and Loan Agreements were reviewed during the mission. All of the Project and Loan Agreement covenants are in compliance.

66. **Next Implementation Support Mission.** The next full implementation support mission is scheduled for March/April, 2009. As all Tranche I maintenance contracts are expected to complete by end of October and all Phase 1 Upgrading contracts are planned to achieve 10% financial progress in November 2008, it was tentatively agreed that a technical mission will visit Himachal Pradesh around November/December 2008 to provide assistance to project implementation.

List of Annexes

Annex 1 Status of Key Project Implementation Action/Activities (agreed during the last Mission)

Annex 2 Key Project Implementation Action/Activities (To be reviewed during next mission)

Annex 3 People Met by the Mission

Annex 4 Detailed Discussions on Upgrading and Maintenance Works

Annex 5 Detailed Discussions on Social Issues and Agreed Actions

Annex 6 Status of Upgrading Works

Annex 7 Status of Maintenance Works (Tranche I and II)

Annex 8 Status of Consultancy Services

Annex 9 Status of Land Acquisition

<p>Annex 1</p> <p>Annex 2</p> <p>Annex 3</p> <p>Annex 4</p> <p>Annex 5</p> <p>Annex 6</p> <p>Annex 7</p> <p>Annex 8</p> <p>Annex 9</p>			
<p>Annex 1</p>			
<p>Annex 2</p>			

