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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

DRAFT PROJECT PAPER

FOR A PROPOSED RESTRUCTURING

OF THE

INDIA ALLAHABAD BYPASS PROJECT

May 2009

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Version: ABP Restructuring Project Paper

CURRENCY EQUIVALENTS

Currency Unit = Indian Rupees (Rs)
48.00 Rs = US\$1.00

Measures

1 Crore = 10,000,000
1 Lakh = 100,000

Fiscal Year of Borrower

April 1 – March 31

ABBREVIATIONS AND ACRONYMS

ABP	Allahabad Bypass Project
BOT	Build Operate Transfer
EOP	End of Project
E&SM	Environmental and Social Management
GOI	Government of India
GQ	Golden Quadrilateral
IBRD	International Bank for Restructuring and Development
NHAI	National Highways Authority of India
OP	Operational Procedure
PAD	Project Appraisal Document
PDO	Project Development Objective
SH	State Highway
USD	United States Dollars

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TABLE OF CONTENTS

CONTENTS

	Page
I. Introduction	2
II. Background and Reasons for Restructuring	2
<u>III. Proposed Changes</u>	<u>4</u>
IV. Appraisal/Analysis of Restructured Project Activities	6
V. Expected Outcomes	6
VI. Benefits and Risks	6

PROJECT PAPER DATA SHEET

Date: May 30, 2009 Country: India Project Name: Allahabad Bypass Project (ABP) Project ID: P073776		Team Leader: Arnab Bandyopadhyay Sector Manager/Director: Michel Audige/ John Henry Stein Country Director: N. Roberto Zagha Environmental Category: Full Assessment	
Borrower: India Responsible agency: National Highways Authority of India			
Revised estimated disbursements (Bank FY/US\$m)			
FY	FY 09		
Annual	55.0		
Cumulative	240.0		
Current closing date: June 30, 2009			
The Restructuring is being submitted for RVP Approval.			
Does the restructured project require any exceptions from Bank policies?		<input type="radio"/> Yes <input checked="" type="radio"/> No	
Have these been approved by Bank management?		<input checked="" type="radio"/> Yes <input type="radio"/> No	
Is approval for any policy exception sought from the Board?		<input type="radio"/> Yes <input checked="" type="radio"/> No	
Revised project development objectives/outcomes			
<ul style="list-style-type: none"> The Project Development Objective remains the same as originally stated i.e. “to reduce transport constraints on national economic activity, and improve institutional capabilities to manage road programs, assets and services on an increasingly commercial basis.” The outcome indicators remain the same as originally envisaged in the Project Appraisal Document. 			
Does the restructured project trigger any new safeguard policies? No			
Revised Financing Plan (US\$m.)			
Source	Local	Foreign	Total
Borrower	80.20	0.00	80.20
IBRD	153.05	86.95	240.00
Total	233.25	86.95	320.20

I. Introduction

1. This Project Paper seeks the approval of the Regional Vice President, South Asia to introduce changes in the Allahabad Bypass Project (ABP, P073776, Loan 4719-IN) and the accompanying amendments to the project's legal documents.
2. The Part B, corridor management component of the project, as originally envisaged, involved piloting of performance based management contract and procurement of advanced traffic management and tolling equipment on selected sections of Golden Quadrilateral (GQ). However, due to a policy shift by Government of India (GOI) / National Highways Authority of India (NHAI) in 2006 to further widen the GQ to a six lane configuration, the component and the associated Bank financing for the component has become irrelevant. On the other hand, the Part A, bypass construction component has undergone some implementation delays and marginal cost overrun. The NHAI / GOI has request to reallocate the loan amount originally allocated for the corridor management component (USD 16.07 million) to the bypass construction Component. The project needs to be restructured to effect exclusion of the corridor management component from the project scope and reallocate the loan amount to the Bypass Construction component.
3. The proposed changes, involving exclusion of one of the project components and reallocation across components, would constitute a second order project restructuring. The restructuring is aimed towards utilizing the loan amount allocated for the corridor management Component, which would otherwise remain unutilized. Moreover, by reallocating the loan amount to the bypass construction component, the marginal overrun in civil works can be met and achievement of development objective can be enhanced.

II. Background and Reasons for Restructuring

Background

4. Current Status

Key Project Data as of May 2009		Ratings and Flags from last ISR	
Effectiveness date	March 15, 2004	Development Objective	Satisfactory
Closing Date	June 30, 2009	Implementation Progress	Satisfactory
Project Age	5.3 years	Problem Flags	NIL
% Disbursed	88%		

5. Project Development Objectives (PDO) and Progress towards Achievement of PDOs.

The primary project development objectives are to reduce the transport constraints on national economic activity and improve institutional capabilities to manage road

programs, assets and services on an increasingly commercial basis. The civil works are expected to be substantially completed and the facility opened to traffic by mid June 2009. The bypass is expected to provide a 60% time savings (one hour travel time vis a vis two and half hours through the existing highway stretch) and would indeed significantly contribute to reduction of transport constraints on the Delhi – Kolkata corridor. On the other hand, combined with other institutional activities undertaken under the two predecessor national Highway loans, Third national Highway Project and Grand Trunk Road Improvement Project, the road user satisfaction surveys have improved NHAI's user focus and asset management capabilities on a more commercial basis. The progress towards achievement of the Project Development Objectives is therefore considered as satisfactory.

6. Project Implementation Progress

The project implementation progress is being currently rated as satisfactory. The Project has three components – (a) Bypass Construction, (b) Corridor Management, and (c) Institutional Strengthening. The completion of component (a) has advanced 94% and it is expected that the bypass will achieve substantial completion and opened to traffic by mid June 2009. The component (c) has only one activity – the road user satisfaction surveys. This component has also progressed satisfactorily considering one round of user satisfaction surveys were completed in 2006, results were widely disseminated and integrated in NHAI operations and the second round of surveys are in progress. The implementation progress on component (c) has, however, been rated as moderately unsatisfactory as the implementation could not commence following GOI / NHAI policy change on further widening of GQ. It is now proposed to exclude this component from the scope of the project.

Specific Reasons and Rationale for Project Restructuring:

7. The following factors make a strong case for the proposed project restructuring:
 - a. *Non-utilization of the loan allocated for the Corridor Management component.* In 2006 NHAI took a policy decision to further widen the Golden Quadrilateral to six lane configuration on a Build Operate Transfer (BOT) basis. Due to this decision, the corridor management component, originally planned to be implemented in selected sections of GQ, has become irrelevant. The activities included under this component would now be implemented through the BOT concessions and the loan amount would remain unutilized. The proposed restructuring would provide an opportunity to exclude the component from the scope of the project and reallocate the loan amount (USD 16.07 million) to the marginally fund-deficient bypass construction component.
 - b. *Marginal Cost overrun in Bypass Construction Component.* Due to the initial delays in land acquisition and utility relocation, the Bypass construction component has undergone time and cost overrun. It is now estimated that the overall cost increase for this component, with respect to the original PAD estimate, could be about USD 41.0 million. While NHAI is ready to bridge this financing gap from the GOI counterpart funding, the unutilized loan for the

corridor management component could contribute to bridging of this gap. Under the circumstances, reallocation of the loan amount from corridor management to the Bypass construction will be the best use of the unutilized loan amount.

III. Proposed Changes

Changes in Project Development Objectives

8. The originally stated Project Development Objective would remain the same as “to reduce transport constraints on national economic activity, and to improve institutional capabilities to manage road program, assets and services on an increasingly commercial basis”. The Bank has supported the Government of India’s (GoI) National Highways Development Program (NHDP) through four projects. Already closed projects TNHP and GTRIP and the current project together finance capacity expansion on a continuous stretch of about 980 km of National Highway 2 (NH-2) between Agra in Uttar Pradesh and Barwa Adda in Jharkhand. The subject three projects also support various institutional strengthening actions for NHAI and Department of Road Transport and Highways (DoRTH). Development Objectives for these three projects are essentially similar. All key studies on Institutional Strengthening (IS), establishment of Road Information System (RIS), and formulation of Corridor Management (CM) Strategy have been completed under the preceding projects. NHAI has successfully entered into a number of PPP road concessions utilizing its own resources, and the various studies and activities supported by these Bank funded projects have made important contributions to the development and evolution of new policies and practices. Exclusion of the corridor management component would therefore not necessitate any change in project development objective.
9. The description of the outcome indicators or the target values need not be modified as well. The outcome indicator related to the corridor management component is “increased private sector participation in the operations and maintenance of national Highways.” Although the corridor management component is excluded from the scope of the project, the bypass is being developed as an access controlled facility to be operated by a private agency through a long term operation and maintenance contract. Moreover, as already explained in the preceding paragraph that NHAI has already successfully entered into a number of PPP road concessions for development and operation and maintenance of the network and the various studies and activities supported by the preceding Bank funded projects have contributed to this. It can, therefore, be concluded that the outcome indicator related to the corridor management remains fully relevant and achievable notwithstanding deletion of the component from the project scope.

Changes in Project Design, Scope, and Costs

10. The following changes in the project scope are proposed:
 - a. *Exclusion of Corridor Management Component* – This entails exclusion of the part B, Corridor management Component of the Project. The originally envisaged cost for this component as mentioned in the PAD was USD 21.19

million and the loan allocation was USD 16.07 million. The loan allocation constituted of works amounting to USD 6.93 million and goods for the balance of USD 9.14 million.

- b. *Reallocation from Corridor Management to Bypass Construction Component* – The entire amount of loan savings of USD 16.07 million, resulting from cancellation / exclusion of the corridor management component is proposed to be fully reallocated to the Bypass Construction under the civil works category.

11. *Revised Cost Allocations* - The detailed cost overview of the restructured project is presented in Table 1. The table indicates both component-wise and category-wise costs. The available \$-loan amount remains the same as 240 Million.

Table 1: Revised Cost Allocation

1. Component wise Reallocation (US\$ Million)

Particulars	As per PAD		Likely Completion Cost		Cost Variation	
	Total Cost	Bank Financing	Total Projected	Bank Financing	With PAD	With Bank financing
1	2	3	4	5	6	7
Project Component 1 – Construction of Bypass						
Civil Works including tree plantation	240.41	221.26	301.36	237.33	60.95	16.07
Construction Supervision	13.68		9.12		-4.56	
Land Acquisition	20.47		17.40		-3.07	
Utility Relocation			5.94		-11.77	
R & R Assistance	17.71		0.90		0.00	
R & R Support	0.90		3.14		0.00	
NHAI operational cost	3.14					
Sub-total	296.31		221.26		337.85	
Project Component 2 Corridor Management						
Corridor Management including ATM	21.19	16.07	0.0	0.0	-21.19	-16.07
Sub-total	21.19	16.07	0.0	0.0	-21.19	-16.07
Project Component 3 Institutional Strengthening						
Road user satisfaction Surveys	0.30	0.27	0.30	0.27	0.00	0.00
Sub-total	0.30	0.27	0.30	0.27	0.00	0.00
Front end fee @ 1% of total cost	2.40	2.40	2.40	2.40	0.00	0.00
Grand Total	320.20	240.00	619.26	240.00	20.35	0.0

2. Category wise Reallocation (US\$ Million) – Schedule 1 of Loan Agreement

Category	Original Loan Allocation	Revised Loan Allocation	Difference between Original and revised allocation	% of Expenditures to be financed
1(a). Civil Works – Part A 1	191.45	207.52	+16.07	80%

Category	Original Loan Allocation	Revised Loan Allocation	Difference between Original and revised allocation	% of Expenditures to be finances
1(b). Civil Works – Part B (a)	6.93	0.00	-6.93	80%
1©. Civil Works – Part A3	13.15	13.15	0.00	90%
2. Goods	12.02	2.88	-9.14	100%
3(a). Consultants Services	12.68	12.68	0.00	100%

12. *Procurement Plan.* The procurement plan has already been modified and agreed with the Bank to reflect the change in scope of the project. The procurement plan is attached as Annexure 1 to the Project Paper. There will be no further procurement activity under this loan.

13. *Closing Date and Implementation Schedule* – The current loan closing date is June 30, 2009 and no loan extension is envisaged. The civil works component has achieved 92% progress and expected to be substantially completed before June 2009. The bypass is expected to be opened to traffic by mid May 2009. No modification in the implementation schedule is expected on account of the project restructuring.

IV. Appraisal/Analysis of Restructured Project Activities

14. The proposed restructuring does not raise the environmental category of the project. The classification remains as Category A under the Bank’s OP 4.01. There are no new environmental safeguard policies triggered.

15. The restructuring would not involve any additional procurement and implementation of the civil works is nearing completion.

16. The proposed project restructuring does not involve any exceptions to Bank policies.

17. The original PAD estimate for net project benefits was US \$ 554 million. With the current increase in costs of civil works to the extent of about 15%, the net benefits get reduced to about US \$ 520 million. However, even with this reduced net benefit, the project remains to be strongly viable with a Net Present value (NPV) of about US \$ 6.5 million / km.

V. Expected Outcomes

18. The proposed changes do not alter the original PDOs and outcome indicators as explained earlier. Moreover, with the loan reallocation from corridor management to the bypass construction component the possibility of full achievement of the originally intended project outcome would improve.

VI. Benefits and Risks

19. Benefits – Major benefit from the project restructuring would be the effective utilization of the savings accrued from cancellation of the Corridor management Component from the scope of the project.
20. Restructuring Risks – The loan is scheduled to close on June 30, 2009 and the project implementation is in a very advanced stage of completion. The proposed restructuring would not involve any new procurement or expanded implementation and as such will not entail any enhanced governance, management and results-delivery risks.

Annexure 1

Procurement Plan for /Works/Goods Allahabad Bypass Project

S. no.	Package no.	Description of Works / Goods	Estimated cost (Rs. In Millions) (Excluding centages)	Method of Procurement ICB / NCB	Design/ Investigation completed (Date)	Estimate Prepared & Sanctioned (Date and value in INR Millions)	Preparation of Bid Document (Date)	Bank's No. Objection Bidding Document (Date)**	Bids		Bank's No Objection to Contract Award (Date)**	Contract Award decided (Date / value / Currency)	Contract Signed (Date / Value / currency)	Contract No.	Name of Contractor / Nationality & ZIP Code)	**WBR NO.	Date of completion of Contract	Expenditure incurred to date
									Invitation (Date)	Opened On (Date)								
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	ABP /1	Ganga Bridge	880	ICB	Completed	Oct,2002/880	15.6.2002	15.9.2002	27.01.2003	2.5.2003	2.6.2003	21.8.2003 /22.73 US \$ Millions	7.10.2003	ABP/1	L & T / INDIAN		30.2.2006	
2	ABP /2	km 158 to km 198 excluding Ganga bridge	4,300	ICB	Completed	Jan,2003/4300	30.3.2003	7.04.2003	13.5.2003	22.10.2003	30.11.2003	30.12.2003/ INR 4,469,912,839	30.1.2004	ABP/2	HCC / INDIAN		30.5.2006	
3	ABP/3	km 198 to km 242.7	4,523	ICB	Completed	Jan,2003/4523	30.3.2003	7.04.2003	13.5.2003	22.10.2003	30.11.2003	30.12.2003/ INR 454,743,494 + US\$ 11,078,068.88	30.1.2004	ABP/3	OSC- KMV (JV) / INDIAN		30.5.2006	

* PP: Target dates agrees as per procurement Plan

R: revision 1,2 etc.

A:actual dates

WBR No. World Bank reference Number

Applicable in case of 'Prior Review' by Bank

NOTE :- DATES AT COL. NO. 8,9,10,11,12,13,14 & 18 SHALL BE REVISED AS PER ACTUAL

**Procurement Plan for Consultancy
Allahabad Bypass Project**

Sl. No.	Package No.	Description of Services	Estimated cost (Rs. In Millions) (Excluding centages)	Method of Selection @	Advertising for Short - listing	TOR / Shortlist to be Finalised	RFP Final Draft to be forwarded to the Bank (Date)**	Bank's No Objection Bidding Document (RFP) (Date)**	RFP Issued (Date)	Proposals to be Received by the Authorities	Evaluation to be Finalised (Technical/#Combi-ned/Draft Contract/ Final Contract) (Date)	No Objection by the Bank (Technical/#Combi-ned/Draft Contract/Final Contract) (Date)**	Contract Number, Value and Currency	Name of Consultant/ Nationality & Zip code, if USA	Services to be completed (Date)	**WBR NO.	Exp. Incurred to date
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	ABP/ SC1	Construction Supervision of Package ABP1	50	QCBS				Completed				2.6.2003 No Objection by the Bank on Combi-ned evaluation	ABP/SC/1	SCETAURO UTE , France - Frishmann Prabhu, India (JV)	7.4.2006 excluding defect liability period		
2	ABP/ SC2	Construction Supervision of Road Packages ABP2 & 3	441	QCBS				Completed				13.6.2003 No Objection by the Bank on Combi-ned evaluation	ABP/SC/2	BCEOM, France	15.7.2006 excluding defect liability period		
3	ABP-1 & 2	Implementation of Rehabilitation Action Plan in construction package ABP-1 & 2	4533584	QCBS				Completed					NIL / 4533584 / INR	M/s. Study Point Samiti (SPS), Indian	Completed		

Sl. No.	Package No.	Description of Services	Estimated cost (Rs. In Millions) (Excluding centages)	Method of Selection @	Advertising for Short - listing	TOR / Shortlist to be Finalised	RFP Final Draft to be forwarded to the Bank (Date)**	Bank's No Objection Bidding Document (RFP) (Date)**	RFP Issued (Date)	Proposals to be Received by the Authorities	Evaluation to be Finalised (Technical/Combined/Draft Contract/ Final Contract) (Date)	No Objection by the Bank (Technical/#Combined/Draft Contract/Final Contract) (Date)**	Contract Number, Value and Currency	Name of Consultant/ Nationality & Zip code, if USA	Services to be completed (Date)	**WBR NO.	Exp. Incurred to date
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
4	ABP-3	Implementation of Rehabilitation Action Plan in construction package ABP-3	4780164	QCBS				Completed					NIL / 4,780,164 / INR	M/s. Sugam International Sansthan (SIS), Indian	Completed		
5	ABP-1, 2 & 3	Evaluation of Resettlement and Rehabilitation Process and Environment Management Measures implemented in Allahabad Bypass Project	5516500	QCBS				Completed				22.08.2006 / 06.10.2006	NIL / 5,516,500 / INR	M/s Operations Research Group Pvt. Ltd., Indian	31.10.2009	9	
6		2nd Road Users Satisfaction Survey on GQ	3197500	QCBS				Completed				26.11.2008 / 10.03.2009	NIL / 3,197,500 / INR	M/s GFK Mode Pvt. Ltd., Indian	10.09.2009	10	

*PP: Target dates agreed as per Procurement Plan Document' #Technical and Financial R: revision 1,2,etc. ** Applicable in case of P rior Review

A:actual dates

RFP (Request for proposal): Same as 'Bid

Note :- Dates mentioned at col. No. 12,13 & 16 are subjct to change as per actual

