

March 11, 2010

Mr. Kulbir Singh  
Secretary  
Public Works Department  
Government of Punjab  
Secretariat  
Chandigarh

On leave  
SPW  
Date: 7/5/3/2010  
Diary No. P.D. 2361

Dear Mr. Singh:

**INDIA: Punjab State Roads Sector Project (Ln. 48430-IN) --  
Interim Mission -- Feb. 12 - 20, 2010**

A World Bank team undertook an interim mission to Punjab. The primary objective of the mission was to review the progress in the preparation of Phase II Output and Performance-based Road Contracts (OPRC) and to also discuss other pending issues. I would like to thank the Hon'ble Chief Minister and also other members of the Government of Punjab (GOP) for the hospitality and support extended to the mission.

The mission was pleased to note that the report for the Phase II OPRC works is in the final stages of completion. However, there are still some pending issues that are required to be addressed urgently, including reviews by the Bank's Environment and Procurement team, prior to submission of the Final version of the Report. We would request you to expedite this at the earliest in order to move ahead with the next course of action.

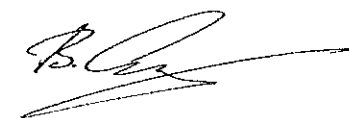
With regard to the proposed road show on OPRC, though in principle we fully support this proposal, however, we are concerned on the pending submission of the financial plan for the OPRC works. We would urge PRBDB to submit to the Bank the financing plan, duly endorsed by the Government of Punjab and Government of India, for the OPRC works. It may also be noted that a financial plan, to be endorsed and accepted prior to the Road Show, will be a pre-condition for initiating the bidding process.

We are also concerned with the long pending issue of the counterpart funding with the Government of Punjab. The Bank once again urge that compliance with this important covenant is extremely important especially in the context of Government of Punjab's intention of requesting for a repeater project.

We hope that the assurances of resolving this issue given by the Hon'ble Chief Minister to the mission will be met at the earliest.

With regards,

Sincerely,



Ben L. J. Eijbergen  
Lead Transport Specialist &  
Task Team Leader

↑ TSH

PM-I

Mr. Kulbir Singh

March 11, 2010

cc: Mr. A.V. Sinha, Director General, Dept. of Road Transport and Highways  
Mr. Soumya Chattopadhyay, Under Secretary, Department of Economic Affairs  
Mr. M. S. Nijjar, Project Director & Joint Secretary, Punjab Road & Bridges  
Development Board, Mohali, Chandigarh

## INDIA

### Punjab State Road Sector Project (Loan 4843-IN)

Interim Mission (February 12 to 20, 2010)

#### Mission Note

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### I. INTRODUCTION

1. A World Bank team<sup>1</sup> visited the State of Punjab from February 12 to 20, 2010, to - (1) primarily review the progress and issues in preparation of the **OPRC contracts** for Phase II physical works in line with the actions agreed during the last mission; (2) to review the progress on the Integrated Transport Policy and Strategic Investment Plan Study and (3) to follow-up on other pending issues in the project.
2. The mission was pleased to note that the report for the Phase II OPRC works is in the final stages of completion. However, there are still some pending issues that are required to be addressed urgently, including reviews by the Bank's Environment and Procurement team, prior to submission of the Final version of the Report. We would request you to expedite this at the earliest in order to move ahead with the next course of action.
3. With regard to the proposed road show on OPRC, though in principle we fully support this proposal, however, we are concerned on the pending submission of the financial plan for the OPRC works. We would urge PRBDB to submit to the Bank the financing plan, duly endorsed by the Government of Punjab and Government of India, for the OPRC works. It may also be noted that a financial plan, to be endorsed and accepted prior to the Road Show, will be a pre-condition for initiating the bidding process.
4. We are also concerned with the long pending issue of the counterpart funding with the Government of Punjab. The Bank once again urges that compliance with this important covenant is extremely important especially in the context of Government of Punjab's intention of requesting for a repeater project.
5. We hope that the assurances of resolving this issue given by the Hon'ble Chief Minister to the mission will be met at the earliest.

### II. MISSION FINDINGS

6. This mission note summarizes the findings, recommendations and agreements reached during the mission. The mission wishes to thank the Government of Punjab (GoP) for their support and cooperation during the mission.
7. **Phase II (OPRC) Civil Works Preparation:** Following Bank's comments on the version 3/4 of the draft final report dated December 2009 and the consequent answers of the

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<sup>1</sup> Consisting of Ben L. J. Eijbergen (Task Team Leader/Lead Transport Specialist), Sri Kumar Tadimalla (Sr. PPP Specialist), Yitzhak Kamhi (Consultant-Transport Specialist); and N. S. Srinivas (Sr. Program Assistant).

consultant dated January 18, 2010, through their Team Leader, the mission was pleased to note that the comments have been taken into consideration in the preparation of the latest version 5 of the report, dated February 2010.

8. However, there are issues to be addressed as to be able to prepare and submit the Final version of the Report, which is now imminent. The mission discussed the report in detail with PRBDB and the Consultant. The general comments of the report are as given below:

- a) The Report version 5, dated February 2010 includes basically all our previous comments and clarifications thereafter.
- b) The Draft Final Report includes all necessary elements ingredients required to take off with the preparation of the Draft Bidding Documents and eventually commence with the procurement process.
- c) The Draft Report did not include the Appendixes, which were commented earlier in the versions 3/4 of December 2009, which were all accepted in principle except the Periodic Payment Report, which has been now submitted and it will be commented separately.
- d) The Bank has provided an example of the Draft Bidding Documents from the proposed Liberia OPRC project which has received the comments of the Bank's AFR regional management, which can be used as a sample in the preparation of the Punjab OPRC related documentation.
- e) The parts of the Draft Report should be reviewed further by the Team's Environmental and Social specialists (E&S Frameworks) as well as the procurement specialist (Eligibility Criteria, method of procurement of civil works contracted).
- f) The Report should define explicitly the activities, procedures, methodology and steps for handing over the project at the end of the life cycle of the project, after 10 years.
- g) The project should also include the possibility for the renegotiations/alteration of the initial contract as well as a possibility that after the road attracts more traffic, the cost recovery is changed from the public source ( payment by the Government) to payment by the private sector (road users through toll model).
- h) The mission requested the soft copy of the financial model so that the assumptions in the model and the proposed payment schedule can be validated. The Client and Consultant promised to handover the model for Bank's review by March 1, 2010.
- i) PRBDB requested that the Consultant be relieved from the preparation of Model TOR for Monitoring (supervision services) and enquired whether the existing consultants can apply for these services. The mission informed PRBDB to submit a proposal to the Bank, supported by the appropriate explanations in this regard for review. If the decision is accepted, the Consultant could, if shortlisted, participate in the bidding for the consultancy services. The argumentation for not letting the Consultant prepare the TOR

for the Monitoring Consultant must be explained in the mentioned letter from the Client to the Bank.

The specific comments on the report are provided in the **Annex 1**.

9. In addition to the above, the outstanding issues were covered separately and clarified among the parties, as indicated in the Minutes of the meeting between the Client, the Consultant and the Bank representatives. However, the issues mentioned and possible ways forward will require additional review and discussion in the Bank. These issues included:

- Inflation coverage, indices, fluctuation of prices and established base line for price fluctuations;
- Role of each party in the contract and management structure of an Asset management contract involving OPRC methodology (Employer, Contracting Entity and Monitoring Consultant-Project Manager), see clause 12 in Annex 1;
- Level of remuneration related to annulment of a contract/package;
- Use of mandatory Payment Schedule;
- Potential widening of some of the roads already included in the project area;
- Proposed Procurement method to be applied for the Project (see clause 11 in Annex 1);
- Time Table for the procurement of the Project, including the necessary actions and preparations leading to the holding of the planned Punjab Road Conference, as well as the other steps necessary to bring the project to the actual bidding as soon as possible.

The minutes of the meeting are attached as **Annex 2**.

10. Furthermore, as part of the preparatory work for the Phase II works, it was proposed to hold a road show to show-case the concept of OPRC on March 27 and 28, 2010, in Chandigarh. However, the mission remains concerned that the financial underpinning for the Phase II works has not yet been submitted. The mission informed PRBDB that in view of the report getting finalized soon, followed by the floating of the bid documents after the proposed Road Show, it is critical that the financial plan is endorsed by the Government of Punjab and Government of India and subsequently be submitted to the Bank for review and comments. An endorsed and accepted financial plan will be a pre-condition for initiating the bidding process and the mission advises the PRBDB to have a broad agreement (with GOP and GOI) on the finances in place prior to the Road Show as prospective bidders will ask for clarity.

11. The mission further emphasized that in order to achieve the desired impact of the proposed road show, it will be critical for PRBDB to finalize and float the bid document latest by July-August 2010. If this agreement on the finances is not doable in the proposed timeframe, the mission advises PRBDB to postpone the Road Show.

12. In a separate meeting that took place on the procurement aspects of the bidding, the mission provided comments on the presentation advising that duplicity of criteria for evaluation should be removed. The mission further explained the rationale behind various provisions of the

SBD of the Bank and suggested that the parameters on which bids are to be evaluated should be objective and specific as possible.

13. The mission recommends to leave the evaluation options open and take into account the outcome of the ongoing Bank's review of the Liberia OPRC bidding documents, which are likely to be reviewed and available for reference by February 2010/March, 2010.

14. **Integrated Transport Policy and preparation of Strategic Investment Plan:** The Consultant gave an in-depth count of his works done so far, including the line of action until completion of this important assignment. The implementation of the Study is a slight delay of about 2 weeks, but this doesn't represent a fundamental problem. The objectives of the presentation were not only to inform the Client and the Bank on the status of the assignment implementation, but also to seek several answers on the methodology and approach used in the preparation of the Study.

15. The Bank comments focused on the following general issues:

- a) In overall, the Consultants demonstrated their good understandings and the solid and undoubtful commitment to produce a professional and useable document which will guide the Government of Punjab in its direction in the future as far as the Transport sector is concerned.
- b) The Consultants should not lose the focus of the Study which, in accordance to the TOR in the signed consultancy contract, calls for the preparation of an overall, multimodal Policy and Strategy in for Transport sector harmonized with the National Policy for Transport as well as with other sectors in the State, currently under preparation by other parties. In addition, the Policy and Strategy should be than translated into a Strategic Investment Plan which will provide an overall direction, in physical and financial parameters, toward the next generation of vital projects in the State, their mode of implementation involving private and public sectors and an appropriate model split between the private and public transport in the given time horizons.
- c) The Consultants have already carried significant ground work and now they should summarize that information and start preparing the expected outputs involving adequate modeling and concepts required in the achieving the vision and the aim of the State to, inter alia,: (i) improve its transport means, (ii) reduce its transport costs, (iii) provide adequate regional and international integration of the State and (iv) provide solid and safe transport for its citizens making sure that the predominant transport mode- roads provide the foreseen road safety, road health under the improved environmental and social measures.
- d) The Policy and Strategy as well as the proposed Strategic Investment Plan should be implemented under the well designed and foreseen institutional set up, involving the current and future proposed systems, using as the basis, the new modes of business already applied in the State (PPP modes of contracting and long concessions, output based performance models-OPRC for Road Asset Management Contracts, etc). It is obvious that the modern and efficient institutional set ups call also for in -depth analysis

of the work force and current structures which are characterized by their duplications and inefficient operations, as well as the need for structural changes and social packages for personnel and civil service which will become redundant in the future.

- e) The eventually proposed Strategic Investment Plan for Transport sector, in the multimodal fashion, should be considered under the unconstrained and constrained budgetary situation (analyze the gaps and propose possible solutions), as well as should also be subjected to an analysis of the overall micro- economic situation of the State, percentage of the budgetary provisions for various sectors and provide a solid information what should actually be the percentage of the overall budget assigned to Transport sector in the given planning horizons. The current presentation still did not discuss any point related to the preparation of the Strategic Investment Plan, nor a rationale to be used in the conceptualization of the assignment.

The specific comments on the report are provided in the **Annex 3**.

### **III. General**

16. The mission raised the issue of the counterpart funding which has been a long pending issue with the Government of Punjab. The Bank once again urged that compliance with this important covenant is extremely important especially in the context of Government of Punjab's plans of requesting for a repeater project. The mission informed that unless this long pending issue is addressed on priority, it will be difficult for the Bank to consider any future proposals to be received from the Government of Punjab.

17. The mission was informed that a study tour, organized by the Consultant financed through the Project, is being planned shortly to review similar OPRC works done in other countries. PRBDB/GOP indicated to the mission that this study tour is part of the consultancy contract TOR. The Bank informed that such study tours require prior approval from the Bank and as such PRBDB should send to the Bank a formal proposal about the proposed study tour for approval.

**Specific Comments on the draft Final Report submitted by OPUS**

1. The Report includes very well structured Executive Summary, which provides a reader with quick reference and orientation to the main features of the project design and its consequences. The comments made on the Executive Summary bellow should be carried out in the main text of the Report as well.
2. The Client and the consultant should consider changing the name of the 'base design' introduced in the title and thorough the Report into "conceptual design" as to align with the common expression and known terminology.
3. The Terms and Acronyms should include the IRR and/or ERR explanation.
4. The payment for finished road length, varied by the type of intervention (clause 2.2.5) should be considered as to be changed to 'substantial completion', since some of the items cannot be totally completed in such sectional manner of completion and for some minor items the payments should not be held but done along the course of implementation. The consultant could elaborate on that matter and introduce when such minor works will be necessary to finish. Tables on the pages 12-14 should have a title and probably called as "Current conditions of the project roads in the networks" or similarly.
5. Clause 2.7. It is considered that the traffic counts were carried out 24 hours over three days periods, at 12 selected locations for EACH considered network?
6. Clause 27, page 22 Future Traffic Design and Pavement Design Life. We note that the IRC 37 recommends 15 years of design life for highway pavements, which is considered as low for the major capital investments. Did the client accept that basic parameter?
7. Risk Allocation for Traffic Loading. The risk has been calculated in accordance to the accepted rate, however, it is suggested that the trigger should be 3 consecutive years and not a single year under consideration.
8. The Report indicates that the minimum 600 mm diameter for culverts. The universally recognized minimum diameter is 900 mm. Can this still be changed or is this proposed diameter the outcome of the low overhead above the potential culverts and thus changing of vertical profile?
9. Recommended Pavement Rehabilitation Design Solutions and all other design criteria should be emphasized as the minimal required design option which will serve the bidders in their offers. This is in order to be able to evaluate the initial offers, although the design options maybe changed along the project implementation if such option proposed by the

Contracting entity is as good, fast, or better, than the initially adopted (pages 27-34 of the Report).

10. The measurement and assessment of the pavement residual life will be undertaken on semi-annual basis by the Contracting Entity and verified by the Monitoring Consultant (page 35, the second Para from above).
11. Clause 2.16 The Bank will review the draft Bidding Documents, once these are available for review. The mission suggested that the Client considers the options available per the Standard Bidding Document proposed to be followed for developing such a document. In case PRBDB have certain concerns about certain aspects of the SBD, these could be discussed and taken up separately considering the outcome of review of Liberia Bidding Documents.
12. The entire Clause 2.17 Contractual Arrangements for the OPRC and the Figure 11 need to be revised in accordance to the MOM attached to this comments. (see clause 4 above)
13. Clause 2.19 Cost estimates. The client may confirm their concurrence with respect to the unit cost applied to the different interventions applicable to the project. The Unit costs are in the line with the internationally recognized level of costs. Please add the exchange rate of US\$ to IND Rupee, since all costs are in US dollars.
  - a. Table 7 indicates the assumed Provisional Sums for different anticipated activities during the life cycle of the contract. These Sums will be applied to all bidders during the price evaluation process. The EIA/SIA compliance, Automatic Traffic Counter, FWD are also introduced as the provisional Amounts. Add their estimated cost and also, the HIV/AIDS component should be added as a Provisional Sum to each package. In overall, the provided US\$ 5.0 million seems to be on the low side, unless each package includes that amount.
14. The word "Bond" should be replaced by the word "Guarantee" in the entire document (Clause 2.22).
15. Tables 9-11 , Work Loads for the networks under the project is important and should be read together with the Tables 12,13 and 14- Estimated Total Costs for each of the considered network, as well as with the Table 15- Summary of contract tender estimates in US\$ and the Table 17- Apportioning Lump Sum to Outputs. They actually represent the Financial Model and Payments Schedule concept expressed in % of the total works which will be mandatory requirement in the Bidding Document for the building the total lump sum cost ( broken down in these % for each major intervention). Note, the Item Network Performance includes routine maintenance (Table 17 and Table 61 in the main text of the Report). It would be advisable to include a Note what each of the major intervention includes (bellow the table 11).

16. Table 16 indicates the recommended Advance payment as to keep the cash flow positive given the volume and scope and organization of the works. However, the mentioned values of the Advance Payments in the Para below the Table 16, give different amounts for the same Advance payments, this has to be omitted.
17. Figures 16,17 and 18 should be clearly indicating what is the horizontal axis (presumable months) and should clearly indicate left and right vertical axis interpretation
18. Minimum Intervention lengths, as mentioned on the page 68, below the Table 17, should define that the completion means a 'substantial completion' and not total completion, specifically as related to pavement painting and road signs which cannot be done in such short road length defined as units for payment consideration. This was discussed in the Clause 11 above. It is suggested to take out the last Para of the page 69 which elaborates on partial payment for sections of the minimum length for payment trigger.
19. Value for Money, Clause 2.27. The definition and explanation of IRR is not clear (it is not in the Abbreviation Table).
20. Clause 3.2.5 Contract Payment could be with the different title as to make sure that a bidder understands on what he is bidding. This means, inter-alia, the lump sum for the total works, broken down in accordance to the mandatory Payment Schedule. Explanation to be provided.
21. Page 123, Clause 6.4.6 after the Figure 38; please correct the prediction based on FWD derivation, which obviously is a wrong interpretation, given the designed work load and its timing.
22. Chapter 7. Conceptual Design of the Project (page 153). We note *the disclaimer* which is important and necessary. It must be indicated in the BD.
23. Clause 7.10 Social/Environmental Aspects should be reviewed by the Teams Environmental and Social specialists immediately.( pages 199-215)
24. Clause 8.9 should be inserted in the BD in the appropriate place. It deals with the payment regime and remedies.
25. Page 239, third Para before the end, The Contracting Entity should provide the certification to the PM from their Independent Designer ( part of CE) that the surface renewal will achieve a minimum design life of not less than 10 years ( not 5 years as mentioned in the Report).
26. Pages 269 to 271 please change the Quantities m<sup>2</sup> to length.

27. Clause 9.3.1 Contracting Entity Experience. And minimum staff requirements. The Report indicates the required staff for contractor part of the Entity but not of the required consulting/management part.
28. Figure 80 tender Evaluation Road map should be aligned with the adopted method of procurement..
29. Eligibility Criteria, pages 285-316 will need further review by the WB procurement team. The eligibility criteria for the consulting/management part of an Entity are not yet introduced.
30. The Emergency work and the price for this should be clear. It is proposed that the Unit costs will be calculated in accordance to the Government rules updated for inflation prior to bidding. The Emergency Works will not form a part of the price lump sum quotation, nor evaluation.
31. Clause 15 Financial Model( page 389).The Figure 88 indicates that the annual projected total project cost will vary between a high of US\$ 71 M (years 3 and 8) and a low US\$ 26 M in years 5 and 10, which justify the introduction of the Financial Model and associated mandatory Payment Schedule. Clause 15.3 should therefore indicate and highlight the principles of the payment deferral during the high levels to lower levels as to keep the initiative and encourage the CE to maintain his level of interest and commitments during the entire life-cycle of the project. Explanations are needed with appropriate justification..



	decision to do so is made by the employer.	
6.	<p><b>Compensation for Bidders</b></p> <p>a. It was discussed that no compensation for the cost of preparing tenders would be paid to unsuccessful bidders.</p> <p>b. It was discussed that compensation of between USD 50,000 and USD 80,000 may be paid to the successful bidder in the event that the contract is annulled prior to the start of work.</p>	Info
7.	<p><b>Management Organization</b></p> <p>It was discussed that Figure 11 in the final report [which is repeated as Figure 81] would be revised to show the management structure rather than the contract structure and that the notes would be added to make it clear that:</p> <ol style="list-style-type: none"> <li>i. The Employer [PWD] can delegate many of his responsibilities but cannot delegate his decision making powers.</li> <li>ii. The PWD intend to establish a position within their organization for someone in their Regional Office to take ownership of the management of the network and to oversee the Monitoring Consultant. It is important that in undertaking this role, the person involved works closely with the Monitoring Consultant and undertakes joint inspections, however they should not issue instructions directly to the Contractor</li> <li>iii. The Monitoring Consultants role is an advisory one, and in line with [i] above he does not have decision making powers.</li> <li>iv. The revised figure to be included in the report is shown below</li> </ol> <div style="text-align: center;"> <pre> graph TD     Employer[Employer (PWD)] --- PWR[PWD Regional Office]     PWR --- MC[Management Consultant]     MC --- CE[Contracting Entity]     Employer --- PRBDD[PRBDD]     PRBDD --- MC </pre> <p>Contract Management Structure</p> </div>	Info
8.	<p><b>Proposed Conference</b></p> <p>a. It was discussed to recommend to the World Bank that:</p> <ol style="list-style-type: none"> <li>i. The proposed conference should be preferably be held in Chandigarh, specific date subject to acceptance of financial plan OPRC/repeater project by GOI</li> <li>ii. That a tour of the network be arranged for interested parties on the day after the conference.</li> </ol> <p>b. It was acknowledged that all presentation materials needed to be reviewed by the Bank</p>	Info  Consultant

	<p>at least two weeks prior to the conference</p> <p>c. If the proposed dates were accepted there is an urgent need to confirm the venue, advise likely participants and advertise the conference in the world press.</p> <p>d. It was further agreed that the Conference title needed to reflect the nature of the proposed work and that the title "OPRC" was not widely understood.</p> <p>e. A working title "Performance Based Road Network Management Contract" was mooted.</p>																
9.	<p><b>Project Financing</b></p> <p>It was discussed that there is an urgent need to resolve how the project will be funded over the full contract period.</p>	Info															
10	<p><b>Evaluation of Tenders</b></p> <p>The merits of various evaluation procedures were discussed and presented by GOP including the possibility of a two envelope system s:</p> <p>i. The government is keen to see works to start on the road and the two envelope procedure is much quicker than two phase bidding process;</p> <p>ii. This is not a simple civil works contract. The contracting entity is required to have strong support from a consultant and it is important that the strength of the technical support forms part of the evaluation; and</p> <p>iii. The two envelope system may ensure competitive pricing as all tenderers are in the mix when tenders are submitted and not just those that are deemed eligible.</p>	Info															
11	<p><b>Proposed Time Lines</b></p> <table border="0"> <tr> <td>a. Completion of the Final Report</td> <td>25<sup>th</sup> February</td> <td>2010</td> </tr> <tr> <td>b. Issue Invitations</td> <td>25<sup>th</sup> February</td> <td>2010</td> </tr> <tr> <td>c. Confirm Venue for Conference</td> <td>19<sup>th</sup> February</td> <td>2010</td> </tr> <tr> <td>d. Complete Draft Presentations for Review</td> <td>12<sup>th</sup> March</td> <td>2010</td> </tr> <tr> <td>e. First Draft of Bidding Documents</td> <td>5<sup>th</sup> March</td> <td>2010</td> </tr> </table>	a. Completion of the Final Report	25 <sup>th</sup> February	2010	b. Issue Invitations	25 <sup>th</sup> February	2010	c. Confirm Venue for Conference	19 <sup>th</sup> February	2010	d. Complete Draft Presentations for Review	12 <sup>th</sup> March	2010	e. First Draft of Bidding Documents	5 <sup>th</sup> March	2010	Info
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12.	<p><b>Meeting Adjournment</b></p> <p>Meeting was adjourned at 4.30pm, next meeting is to be held on Monday 15<sup>th</sup> February at PRBDB Office at 11.00am.</p>	Info															

## Integrated Transport Policy and preparation of Strategic Investment Plan

### Specific Comments

1. Data Collection should be completed as soon as possible. A proposal was given by the Consultant and the Client should provide its decision on the matter.
2. Models to be used are actually a simplified and based on excel sheets, except for the road transport. Although the roads are the predominant transport mode, the aviation, railways and water transport( and non-motorized transport) should also be given the necessary attention as not to monopolize them on account of the roads. In addition, for road transport, the Policy as well and the Investment Plan should analyze the possible trade-offs between the development and capacity increase by better use of ROW and better application of traffic management.
3. The TOR calls for analysis of all road categories up to district roads network. This was noted on  
  
the meeting, as well as that the TOR calls for rural and interurban transport and not for Urban Transport, except in fringe areas and would possible include only one major city , as an example of the interaction.
4. The use of the word "governance" should be streamlined with the current practice in the World Bank, which basically has another meaning of this acronym.
5. The Study rightly identified the major transport corridors and identified the major bottlenecks on them, which should be than examined by the trade -offs between the development and capacity enhancement. This analysis is extremely important because it directly deals with the financing and budgetary requirements, which should be optimized and the State should enjoy the real value for money.
6. The Study also identified the Growth Centers, which is the vital information for building the optimal road network in addition to other modes of transport and their forecasting applying the potential trade -offs, mentioned above.
7. The presentation offered the basic observations related to institutional capacity and associated issues. Recognizing that this is a relatively early phase in the preparation of the Study, we note that the presented material is well known from other previous studies and what we expect is to analyze the deficiencies, propose a modern institutional set up which will correspond to the new ways the business is conducted, including required training and skill mix, involving probably a major change in work force and its composition, as well as the social packages for potentially redundant personnel.
8. The Consultant shall carry out various "audit performance" indicative tests. It is important to note that these "audits" will be basically diagnosis tests and not in - depth analysis, since the Study do not provide for that activities. However, the "diagnosis and stress tests" will sufficiently provide the information and indications, which if properly

applied, will enable the Consultants to reach the required opinions and propose the required improvements and optimization in the sector. This is also related to the mentioned Transport Public Expenditure Reviews (TPER). The Consultant should, as matter of fact, use an adequate terminology, otherwise a reader could get a wrong impression and criticize the intended "Audits" their purpose, depth and quality.

9. The Client and the Consultants are encouraged to involve other sectors in the preparation of the Study and to disseminate the information to other stakeholders, if not to be caught in a potential rejection or misunderstanding of their works at later stages.
10. In overall, as mentioned above, the Consultants have demonstrated a good understanding of the assignment and their commitment to provide the Government with a meaningful instrument which will support the State in their vision and future development of the sector.