

The World Bank

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April 27, 2010

Mr. Tarun Kanti Mishra
Chief Secretary
Govt. of Orissa
Secretariat Building
Bhubaneswar 751 001

Dear Mr. Mishra:

**INDIA: Orissa State Roads Project (Loan Number 7577-IN)
Second Implementation Support Mission, April 2010**

We thank the Government of Orissa (GOO) and the Orissa Works Department (OWD) for the support extended to the Bank team that undertook the second implementation support mission during April 5-12, 2010. The findings and agreements reached during the mission are summarized in the attached Aide Memoire.

We are happy to note and appreciate the efforts of the GOO and OWD, in strengthening the Project Management Unit, which has resulted in considerable improvement in project implementation since the last review. We also congratulate PMU and the Revenue Department for achieving good progress in Land Acquisition during the last six months. We are pleased to note that these positive developments have resulted in construction activities picking up pace in all three contracts.

As you are aware, the development objective and outcomes of the project and the sustainability of any investments in this sector are strongly dependent on the institutional strengthening of the OWD in addition to the civil works. The Bank task team together with GOO/OWD has identified a number of actions to improve the overall efficiency and performance of the road sector, which would play an important role in the GOO's wider development agenda for the state. We very much look forward to GOO/OWD demonstrating its seriousness through a few critical actions e.g. conducting inaugural meeting of ISAP (Institutional Strengthening Action Plan) Steering Committee, procure services for road user satisfaction survey consultant and finalize proposal for short-term PMU resources for baseline data collection for PMI / ISAP / GAAP purposes in the next few months.

We are concerned to note continuing absence of participation by the lead partner of the Joint venture (JV) on all three contracts. There is an urgent need for the GOO to take credible action on this account and apply all available contractual/legal remedies available under the contract to ensure participation by the lead partner.

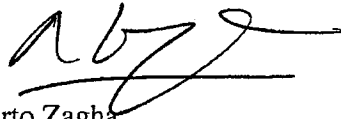
Finally, we are concerned to note that the progress on the action plan agreed to remove the project from problem status has not been satisfactory enough, with 12 out of 25 actions yet to be implemented. A detailed action plan has been agreed with the OWD for the next six months (Annex 1 of the AM). We kindly request that actions on these

pending actions (refer to the attachment) are immediately taken so that the project implementation is back on track and the ratings can be upgraded as appropriate.

Should you require any clarifications; please do not hesitate to contact Rajesh Rohatgi or Sri Kumar Tadimalla.

With regards,

Sincerely,



Roberto Zagha
Country Director, India

cc: Mr. S.P. Nanda, Development Commissioner-cum-Additional Chief Secretary,
Govt. of Orissa, Bhubaneswar
Mr. S.K. Ray, Secretary, Orissa Works Department, Govt. of Orissa,
Bhubaneswar
Mr. A.V. Sinha, Director General, Department of Road Transport and Highways,
New Delhi
Mr. Sudhakar Shukla, Director, Department of Economic Affairs, Ministry of
Finance, New Delhi
Mr. N K Pradhan, Project Director, Chief Engineer World Bank Project, Orissa
Works Department, Govt. of Orissa, Bhubaneswar

INDIA

Orissa State Roads Project (Loan Number 7577-IN) Second Implementation Support Mission (April 5 - 12, 2010) Aide-Memoire (AM)

I. INTRODUCTION

1. A World Bank team¹ visited the State of Orissa to undertake the second implementation support mission for the Orissa State Roads Project (OSRP) in April 2010. The objective of the mission was to review the implementation progress of the project and support the Government of Orissa (GOO) in resolving any issues affecting the progress. The mission held discussions with senior officials of GOO including from the Orissa Works Department (OWD). The mission also visited three civil work sites and held discussion with the local JV partner of the contractors, consultants, field divisions (OWD) and the Project Management Unit (PMU). Earlier to this mission, the Bank undertook two interim support missions in November and December 2010.
2. The mission expresses appreciation to the GOO for the kind support extended to the World Bank team and in particular to the PMU for their active engagement and cooperation during the entire mission.
3. A wrap-up meeting was held and chaired by the Secretary, OWD on April 12, 2010. The mission also met with the Principal Secretary, Finance and briefed him on the progress of the project.
4. This aide-memoire summarizes the findings, recommendations and agreements reached during the mission. A mutually agreed action action plan is shown in **Annex 1**.

II. KEY PROJECT DATA & PERFORMANCE RATING

Key Project Data	Project Performance		
<i>Loan Amount:</i> US\$ 250 million <i>Board Approval:</i> Sep 30, 2008 <i>Effectiveness Date:</i> April 15, 2009 <i>Project age:</i> 18 Months <i>Closing Date:</i> December 31, 2014 <i>Disbursed:</i> US\$ 14.64 million (6%) <i>Loan Committed:</i> 44%	<i>Summary Ratings</i>	<i>Last</i>	<i>Now</i>
	Development Objective	MS	MS
	Implementation Progress	MU	MU
	Risk Flags: Environment Management, Social Safeguards & Legal Covenant		

HS=Highly Satisfactory; S=Satisfactory; MS=Moderately Satisfactory; MU=Moderately Unsatisfactory; U=Unsatisfactory; HU=Highly Unsatisfactory; NA=Not Applicable; NR=Not Rated

III. SUMMARY

5. **Achievement of Project Development Objective (PDO):** The project's overall development objective is to remove transport bottlenecks in targeted corridors for greater investment and economic and social development activities in the state of Orissa. Although, it is early to realize outcomes and

¹ Consisting of Messrs/Mmes Rajesh Rohatgi (Mission Leader), Sri Kumar Tadimalla (co-TTL and PPP Specialist), Amrit Inder Singh (Transport and Highway Specialist), Mohammad Hasan & Geetika Hora (Social Development Specialists), Manvinder Mamak (Financial Management Specialist), Neha Vyas, & Abhas Panda (Environmental Specialists), Ernst Huning (Institutional Specialist) and Kumudni Choudhary (Program Assistant). Yash Gupta (Procurement Specialist) undertook a desk review.

monitor the indicators, based on the progress made towards procurement of all Phase I works, the likelihood of achieving the PDO is rated as 'Moderately Satisfactory'.

6. **Achievements in Last Six Months:**

- **Improvement in overall control, monitoring and Project Management.** The mission was pleased to note that the steps taken by the GOO has resulted in the improvement of project management by PMU under the leadership of the new Project Director. The mission observed that the recent reorganization at the PMU level has resulted in better monitoring of all project components and the coordination among all project stakeholders has improved. These are welcome early signs of improvements, which will need continuous commitment and efforts by the GOO, OWD and the PMU to sustain.
- **Progress in the Land Acquisition (LA).** The mission was pleased to note that there has been considerable progress in the completion of LA in all three contracts, particularly package P01 (Bhawanipatna – Khariar) and package P03 (Berhampur – Taptapani). The mission was informed that the LA for about 80-85% of the project length on these two contracts has been completed and the balance would be completed by end July 2010. The mission appreciates the support by the Revenue Department (RD) and the PMU staff for this achievement. The LA progress on the package P02 needs to be expedited and would therefore require more attention by the RD/PMU staff.

7. **Key Implementation Issues:** The following summarizes the key implementation issues identified by the mission:

- **Change in the Specification of Granular Sub-base (GSB).** The mission observed that in all three civil work contracts, GSB was being laid with new material. The mission was also informed that the Employer/Engineer has issued instructions to all three contractors to execute the work with the new GSB material and also accepted the rate for the new material. The mission noted this as a serious discrepancy, as these instructions were issued without formalizing the requisite amendments to the contract, which, in turn, should have been based on a through due diligence on (a) the need for such a change on technical grounds and (b) the appropriateness of the same as per the conditions of the contract. Please refer to para 20 for details and action agreed.
- **Need to expedite extending Rehabilitation and Resettlement (R&R) Assistance.** The long overdue procurement of the nodal and package level NGOs to support PMU in implementing the R&R activities has been completed and all NGOs are on board. However, there is a need for close monitoring of these contacts by PMU to expedite the progress on R&R and ensure all eligible affected persons (coming within milestone 1) receive their R&R entitlements – by May 30, 2010. This would essentially require the support by the Project and better coordination with RD and other concerned agencies to ensure proper implementation of R&R activities.
- **Contract Management Issues.** In view of the recent progress on LA in all three civil work contracts (phase I), there is an urgent need to revise the contractual milestone, subjected to the agreement by all parties. Subsequently, the contractor needs to submit a resourced based revised work plan, which the Engineer would have to review within the contractual framework, including the application of EOT received by the contractor if any. It was agreed that latest by **May 30, 2010**, the revised milestones, revised resourced based work program and the approval of EOT (if there is any application by the contractor) on all three contracts will be in place as per the contractual framework.
- **Continuing non-compliance and lapses in implementing environment, health and safety measures in line with EMP provisions by the contractors.** Issues pertaining to non-mobilization of environment and safety officers; establishment and operation of plants without regulatory

clearances (consents from SPCB); non-implementation of pollution control measures at plants, particularly crushers and; poor worksite safety management (traffic and worker's safety and storage/handling of hazardous materials, including explosives) are a cause of serious concern.

- **Implementation of the Institutional strengthening measures and Governance and Accountability Action Plan (GAAP) needs more emphasis and attention by GOO.** The mission noted with concern that the implementation of the Institutional Strengthening program remains slow, partly through the cumulative delays in mobilization of planned consulting services but also through lack of impetus from OWD / GOO towards convening the recently-established ISAP Steering Committee, and given the lack of progress on procurement of services for OWD strategy development and action on IT-ICT-MIS priorities.
- The implementation status of the Governance and Accountability Action Plan (GAAP) remains problematic due to delays on planned inaugural Road User Satisfaction Surveys, required as per Legal Covenants, and the ongoing delays in revision of Standard Biddings Documents (SBD), which is hampering the full OWD roll-out of e-Procurement processes.
- **Absence of participation by the lead partner of the Joint venture (JV) on all three contracts.** The participation of the lead partners of the JV firms have been reported as minimal in spite of the JV agreement stating a much larger participation level. The mission noted with concern that there has been no credible action taken by the Employer/Engineer on this important matter so far. These contractors (JVs) have been qualified based on the joint strength and capabilities and hence the JV agreement between the two partners is sacrosanct. While there could be a mutual agreement between the two parties to marginally adjust their respective levels of the participation, such adjustments should not amount to one of the parties (the lead partner in particular) being completely absent from the site in terms of providing expertise, manpower as well as equipment provided. The mission urges the Engineer/PMU to apply all available contractual/legal remedies available under the contract and ensure participation by M/s Patel, Backbone and Somdutt Builders. The mission suggested that the Employer may consider referring the case to the Dispute Resolution Board (DRB) as soon as possible. Simultaneously, the mission urged GOO to take up this matter at the State Level Empowered Committee and discuss any disciplinary action required to be taken on these three lead partners.
- **Lack of explicit delegation of powers for procurement of consulting services to the Chief Engineer (Project Director).** The mission noted with concerns that as agreed during the last mission, the GOO has not issued any instructions/order in this respect. The mission discussed this issue with the Principal Secretary, Finance, GOO, and he assured that this will be done soon. It was agreed that for any replacement of the key professionals, the project director would not need to approach to the GOO for approval.

Road Corridor Improvement Component:

Phase-1 Roads

8. *Progress.* The mission noted considerable construction activities on encumbrance free stretches and noted deployment of equipment and machineries on package P01 and P02, however, such signs were not visible on the package P03. The physical progress on all packages P01, P02 and P03 as of March 31, 2010 has reached to 9.5%, 10.36% and 6.2% respectively.
9. *Pre-Construction Activities.* Although there has been a progress on LA front, the R&R activities are yet to start. The mission also observed during the site visit that the overall monitoring of utility shifting is very weak and needs considerable improvement with the increase level of involvement

from nodal officers of the field units. It was agreed that a **joint list of encumbrances** (LA, R&R and Utilities) shall be prepared and signed by all parties for all contracts on an urgent basis and should be completed by May 30, 2010. It was also agreed that this list should be updated on monthly basis.

10. *Maintenance of Existing Road Stretches.* As noted in earlier missions also, the mission was concerned to note insufficient efforts being made by the contractors to undertake maintenance of road sections to keep them in a motorable state. It was agreed that the immediate repair/maintenance of the road stretches will be undertaken within existing contractual framework.

11. *Deployment of required key professionals by the contractor.* The mission noted with serious concerns that except the Project Manager, CVs of none of the key professionals have been submitted and approved by the Engineer. It was agreed that contractor needs to immediately mobilize the required key personnel, as per the contract after getting their CVs duly approved by the Engineer apart from deployment of Environment and Safety Officers.

12. *Provision of abnormally long and deep side drains in built-up areas.* The mission noted that in all contracts, there is a provision of side drains in built-up areas. These drains appear to be over-designed and unsafe in these areas for construction. The mission therefore requested the PMU/Engineer to review and thoroughly examine the design.

13. *Quality of Cross Drainage (CD) Works.* The mission was concerned to note that the quality of construction of CD works is extremely poor due to bad workmanship and lack of supervision. Both upstream and downstream sides are blocked by construction debris, which need to be cleared and disposed of in line with EMP stipulations.

14. *Scarification of existing bituminous and WBM layer.* The mission noted that no account of scarified quantity retrieved and consumed is being maintained. Under these circumstances pilferage of material cannot be ruled out. These quantities must be properly recorded both by the contractor and the Engineer. Further it was seen that the costly scarified material is being dumped in the embankment layer, without milling. The Engineer should ascertain its re-use in Embankment, sub-base or base course layers, before allowing the work to proceed.

15. *Worksite Safety Management.* The mission noted with concern that the contractor on all three packages is ignoring the worksite safety requirements, including those pertaining to traffic management. Diversion signs at CD work construction sites and safety measures at other excavated sites are not being provided as per the standards and this needs urgent attention both from the Engineer as well as Contractor. The mission urged the Project Director to look into this matter and ensure continuous compliance by the contractor at all construction sites. It was agreed that one Road Safety Officer from the concerned field unit of OWD for each package will be designated by the PMU before April 30, 2010. The Road Safety Officer will be responsible for reviewing worksite safety management on the contract package and will regularly share reports with the Project Director.

✓ 16. *Change in the Specification of Granular Sub-base (GSB).* The mission noted that the substitution of GSB material has significant implications for the achievement of the project development objective, as well as on project cost. Accordingly, the team reviewed the chain of deliberations and decisions pertaining to this issue in a combined meeting with the PMU and the Engineer.

17. At this review, the mission reiterated that the Bank had agreed to consider the case for the substitution of the material on the basis of the PMU's observations that (a) the material specified in the contract has initially failed in one of the packages in meeting the post-compaction thresholds in the field conditions; and (b) While the three OSRP contracts specify use of naturally occurring material for GSB, OWD has discarded the use of such material for quite some years and has been using crushed aggregates in GSB layers on their works. Accordingly, from the Bank's perspective, the proposed change merits serious consideration essentially to ensure that the ongoing works under the project do not fail on account of use of inappropriate material – and hence, derail the achievement of project development

objectives. Yet, to safeguard the government's interest in terms of ensuring value-for-money, it is imperative to establish; (a) the existing material specifications are not adequate/appropriate (on technical grounds); (b) the new proposed solution is appropriate on technical grounds; and (c) who (the government or the contractor) should bear the consequent costs (as per the contractual provisions).

18. The mission noted that based on various recommendations and inputs from the Engineer and DPR consultant, PMU decided to substitute the material and issued instructions to the Consultant to communicate the same to the Contractors. The Consultant, in turn, issued the instructions, even though the requisite amendments were not made to the contract. However, during the course of the discussions, the Bank team learnt that both the PMU as well as the Consultant now feel that the due diligence done so far on this matter could be further strengthened.

19. Based on the review of various documents and information provided to the mission, the view of the mission is that the aforementioned decisions of the PMU and the Consultant are not in accordance with the contract management framework. These seem to imply a lack of effective coordination between the Employer and Engineer on this issue and inadequate appreciation of the gravity and implications of the matter under consideration by both parties. Accordingly, the mission advised the PMU and the Consultant to take appropriate steps to ensure that such lapses do not recur.

20. In light of the above, it was agreed that it would be desirable to undertake further due diligence on the change in the GSB material, with involvement of independent agencies as detailed below:

- PMU to appraise the State Level Empowered Committee
- A committee of the Chief Engineer Quality Control Cell, OWD, the Team Leader of the Engineer and the Team Leader of the DPR Consultants will be set up to undertake independent technical examination of the proposal, their scope should not be limited but shall include the following
 - Testing of the material as specified in the BOQ item 3.01 of the contracts for which contractor has quoted his rate (also refer to the contractor's original letter no.492 dated 7.7.2009). The tests should be carried out on all quarries identified by the DPR consultants and through representative sample and blending with suitable aggregates if required. In addition the independent agency might also include any quarry in the project vicinity not identified by the DPR consultants.
 - The test should be conducted as per the requirements and frequency specified in the MORTH specifications, 4th revision.
- PMU will seek opinion of the Accountant General, Audit, Orissa on the financial/legal/contractual consequences of the proposal within the existing contractual framework, specifically on the issue of who should bear the additional cost.
- PMU will submit the Pavement Design using the new material to the Bank for review.
- Report the progress as well findings of the aforementioned due diligence actions to the Bank on a fortnightly basis.
- PMU will endeavor to expedite the above actions in a reasonable timeframe, say, 4-6 weeks.

21. The mission expressed its concern and clarified that the change of GSB material should have been implemented only after obtaining the Bank's NOC and also due amendment of the contract. Even now, ideally, the change of the GSB material should be based on the findings of the aforementioned steps/investigations. However, considering the forthcoming monsoon seasons and on the recommendations of the Project Director as well as in the interest of not derail the just-picked-up-pace of the project, the mission, as an exceptional case, suggested that the PMU may want to continue with the works but limit the change of material only to 5km length in each of the contract. The mission explicitly clarified that beyond the 5 km limit for each contract, any additional cost arising on account of the change of GSB material will not be eligible under the Bank financing, unless the PMU obtains final NOC of the Bank.

22. *Construction Supervision Consultants.* The new Team Leader has joined the project and the mission noted improvement in the mobilization of the consultant's staff and supervision since last mission. However, the position of the Resident Engineer in package P03 and the Environment and Safety Officer in package P01 is still vacant and need to be filled up on an urgent basis.

23. The mission noted that the issue of reviewing and approving the mobilization of consultant's staff on monthly basis by PMU has been now resolved. However, the issue of deducting the remunerations of staff for weekends is still pending to be resolved. The mission requested the PMU to resolve this issue by June 30, 2010 and inform the Bank accordingly.

24. As agreed during the last mission, the action on the Package P02 alignment that whether there was a need to take the road northward for 8 km beyond Anandpur junction, is still pending. It was agreed that OWD could consider deleting this stretch and instead the junction could be improved along with the improvement of the 100m stretch up to the NH/bridge by June 30, 2010.

Phase-II Roads

25. The mission was informed that the land acquisition on the Jagatpur-Kendrapara-Chandbali road is in progress. The mission urges the PMU to expedite progress on pre-construction activities and informed the PMU that until the completion of entire pre-construction activities in the first milestone of the package, the procurement of the work shall not commence. However, the process of obtaining environment clearance needs to be initiated and sufficient progress is required on this front before the procurement process for the construction supervision consultants and the NGO begins.

26. The mission was informed that the OWD will be able to implement the upgrading of the stretch from Taptapani to JK Pur (Rayagada)(about 150km), which was envisaged to be undertaken under the phase II, through funds from other sources such as, the Rural Infrastructure Development Fund (from NABARD) and other schemes of the Government of India. Accordingly, the Works Department now proposes to substitute such roads with other stretches, including the Dasapalla to Narsinghpur & Hindel to Bansarpal road (80km). The team clarified that such a proposal could be considered subject to clearance by the Bank's Management and endorsement by DEA. In addition, it should be backed up by a clear and credible commitment from the GOO to develop the roads being replaced through alternative means. Also, the new roads proposed for substitution should be logical next choices from the prioritization list prepared during the feasibility study and should be economic viable. These proposals should include the process adopted for environment and social screening, environment and social impact assessment undertaken and preparation of EMP and RAP. These proposals could also include piloting new contract methods like OPRC (DBMOT) or modified annuity contracts. The phase II proposal could also include targeted Road Safety Interventions.

PPP Enabling Support, Sector Policy and Institutional Development, and Implementation Support Component

27. *PPP Enabling Support.* The mission reviewed the progress of the work of the transaction advisor on all the three PPP projects selected to be developed as PPPs under the project. Thus far, the transaction advisory consultants have completed substantive portion of the Phase I of their Terms of Reference, mainly comprising of activities such as preparation of Preliminary Project Reports. Work on the remaining two phases of the ToR (related to Viability Gap Support application and Bid Process) is yet to start. Other preparatory work such as, for example, land acquisition and initiating requests for various clearances, has also remained on the back-burner. This is mainly because PMU has been

awaiting enactment of the State Toll Act, which is one of the important pre-requisites for structuring all the three projects as BOT-Toll projects. The State's Toll Policy has been approved by the Cabinet and is now scheduled to be presented to the Legislature in June 2010, for approval.

28. In light of this, the mission advised OWD to (a) accelerate the pace of preparatory work on all the three projects; and (b) initiate steps to regularize as well as extend the end date of the transaction advisory consultants (after making a realistic assessment of the time required for completions of the 2nd and 3rd phases of the ToR). In this context, the Mission noted that PMU has already estimated the expenditure required to meet the state's share of the viability gap for the Sambalpur-Rourkela road and fulfilling its responsibilities such as obtaining environment and forestry clearances, tree cutting permissions, land acquisition and shifting of utilities and common property resources, and initiated proposals for including the same in the forthcoming budget. In his meeting with the Bank team, Principal Secretary, Finance, indicated that the government is keen on developing the Rourkela-Sambalpur road, preferably as PPP and, if not, on its own. Accordingly, underscoring the merit in expediting the process of land acquisition for this road, he advised the PMU to initiate the necessary steps. PMU has also requested the Transaction Advisory consultants to prepare a detailed timeline for all key steps involved in developing the three PPP projects and decided to review the timeline on monthly basis to ensure that the processes remain on track. In addition, PMU informed that they will try to expedite the submission of application for in-principle approval of viability gap support for the Sambalpur-Rourkela road by end of April 2010; of the three PPP roads, only this road is expected to require a viability gap support estimated at 24% of the project cost. The mission pointed that all PPP proposals for viability gap support under the project would include detailed environment and social impact assessment of the project activities and the required EMP and RAP. The process for obtaining environmental and forest clearances needs to be expedited and requires attention from PMU/OWD.

29. The mission was pleased to note that, following upon the action agreed on during the last Interim Mission, PMU resolved the issue of pending claims of the Transaction Advisors with regard to the provision of "additional" professional services that were germane to develop the selected projects as PPPs but were not covered under the scope of the existing contract.

Governance & Accountability Action Plan (GAAP)

30. The 'lead' responsibility in OWD for the GAAP and its implementation were assigned in late 2009 to the Additional Secretary (OWD) position, however, due to his transfer from the OWD department, in day-to-day terms only the PMU is attending to immediate operational GAAP elements on an 'additional charge' basis. While some GAAP matters have advanced, the OWD approach to the GAAP, its purposes and its implementation is narrow and under-resourced.

31. *The project website.* (<http://osrp.gov.in/index.htm>) re-development has made significant progress and the website's information-facilitation capabilities are already meeting RTI-based norms for disclosure and access. The main Project-related information access intended under the GAAP, such as the PAD, all procurement-related information, all required Environment and Social safeguards documents, all mission Aide-Memoires to date and all the interim unaudited Financial Reports are available there. As agreed, the current Procurement Plan has also been posted on the website. The PMU has secured expert IT services (via Messrs Luminous Infoways) for maintaining and developing the website and tackling other IT-related PMU needs, as per TOR resolved in the December mission, which includes valuable on-site support. A PMU-convened workshop about RTI and about the website in that context has improved OWD-wide awareness of RTI-related functions and resulted in positive follow-on 'public information' initiatives in various OWD areas. The mission reviewed the website and provided some suggestions to the PMU to further improve it.

32. *Complaints Handling.* The OSRP website at present provides only minimal 'contact' detail regarding OSRP-specific 'complaints handling' and Vigilance, and still lacks any information on the process for disqualification of bidders or the overall Vigilance framework and activities in OWD surrounding OSRP. Similarly, the Vigilance information webpage on the OWD website still needs to provide information on the Vigilance processes being followed in OWD and on cases resolved, and needs to carry a direct link between it and the OSRP website. It was agreed that these measures will be taken (with the help of the PMU-centered IT support services) by end-June 2010. The PMU has now submitted the proposed Complaints Handling Process framework for Bank's comment / clearance, which was jointly reviewed during the mission and generally endorsed (subject to some agreed enhancements). It was agreed the PMU will forward a copy of the finalized document promptly to the Bank for its records and obtain required administrative approval by April 30, 2010, so that the module can go live on the website.

33. The Public Information Officer (PIO) in PMU has been designated as the Complaint Handling Officer (CHO) for all OSRP-related complaints on an 'additional charge' basis and dedicated PMU supporting resources are in place to register and acknowledge incoming complaints received via the 'complaints telephone number', to perform appropriate record-keeping and to monitor the status of follow-up of all received complaints. Action is already underway to 'automate' much of this Complaints Handling process via the OSRP website and the necessary module is almost ready for activation. This was also jointly reviewed during the mission and subsequently, PMU has agreed to take up the mission's various suggested refinements to the software's complaints lodgment, complainant identification and categorization features before it is launched. Data on complaints 'traffic' will be given on the OSRP website and will also be shared with the Bank via the Monthly and Quarterly Progress Reports (QPRs).

34. *Vigilance Functions.* The mission noted that the Joint Secretary / Administration of the OWD now also carries 'additional charge' responsibility for the GAAP and ISAP programs, alongside his already 'additional charge' capacity as the Chief Vigilance Officer (CVO) of the OWD. Further to the Bank concerns recorded previously, the mission believes that the combination of these diverse responsibilities and the lack of Vigilance-dedicated resources supporting this position, do not allow for adequate attention to the Department's main Vigilance functions and to the deterrence of fraud and corruption within OWD. While the longer-term needs of Vigilance functions in OWD will be considered in the OWD reorganization / modernization study to be done by the 'ISAP implementation support' consultancy services in the next 12-18 months, the mission has urged OWD management and GOO to at least take some interim action to (e.g.) re-balance the assignment of ISAP, GAAP, Administration and Vigilance responsibilities respectively in the OWD top structure unit to (inter alia) ensure the effectiveness of the existing Vigilance framework in the OWD, particularly the 'prevention / deterrence' aspects.

35. *Quality Workshop.* The mission again advocated the value in this context of a periodic departmental Workshop(s) on Vigilance and Quality themes, led by the Research Development and Quality Promotion (RDQP) wing of OWD and directly involving the CVO and other Vigilance-involved staff plus concerned PMU staff, the GOO-appointed Quality Monitoring Personnel (QMP) assigned to OWD / OSRP and perhaps a few representatives of relevant Engineering faculties / bodies in Orissa. While in due course, such a Workshop program may be assisted by inputs from the 'ISAP implementation support' consultants, it was agreed that an inaugural Workshop (for scoping and planning) will be conducted by OWD in June 2010.

36. *Third Party Quality Monitoring.* After further discussion, the mission noted the OWD view that the concept of possibly using resources from local technical institutes / engineering colleges around Orissa to conduct ad hoc quality monitoring on the OSRP works, as a means of implementing the planned OSRP 'third-party monitoring', did not presently fit in well with GOO policy and measures in

this area. It was therefore accepted that subject to review by the Project's mid-term point, the GOO-launched Quality Monitoring Personnel (QMP) mechanism would be the main basis for this OSRP activity, specifically via the three QMP members already identified by GOO as having QM responsibility for the three OSRP packages, within the nodal responsibility of the CE-RDQP as per previous GOO decisions. The Bank has already suggested how the TOR for those QMP undertaking this role on OSRP packages should be strengthened (now also to include construction zone environmental and work-site safety aspects). It was agreed that PMU will forward the amended OSRP-specific TOR for the concerned QMP to the Bank for review by end-April 2010, so that these QMP activities can commence in mid-2010.

37. *OWD Codes & Manual.* The revision of the OWD Codes and Manual documents (and associated updating of the SBDs for OWD works) has been delayed by various TA procurement difficulties and instead it is now to be taken up initially by the OWD's revived ISAP Steering Committee (potentially assisted by a more focused Working Group) in mid-2010, with later assistance from the 'ISAP implementation support' consultants if necessary. On this basis, the mission noted that the revision process may only be completed by mid-2012.

38. *Improving OWD Procurement Practices.* The statewide progress with the implementation of e-procurement is considerable, with already evident efficiency and governance benefits. Various GAAP targets relating to improvement of OWD procurement processes and performance are now linked to the further evolution of the GOO e-procurement systems, for which overall responsibility has now been assigned to the OWD, and/or will need to be taken up under the OWD-specific IT-ICT-MIS development / improvement program to be initiated with the help of separate 'IT Project Management' consulting services. In the short-term, however, an action item as per the GAAP which now also relates to recently-heightened GOO concerns in the works procurement field, involves development of databases for OWD contracts, contractors and associated MIS for performance monitoring, benchmarking, etc. The mission discussed this with the State e-Procurement Cell (SPC) in OWD and it was agreed that SPC will shortly prepare a proposal for undertaking the development of these tools and facilities for OSRP and OWD as an adjunct of the overall GOO e-procurement platform. Any final action on this initiative will need to take account however of any separately-driven GOO decisions in this area.

39. *Road User Satisfaction Surveys.* As per the Legal covenants, the inaugural round of the 'road user satisfaction surveys' (RUSS) is already overdue and the mission requested the OWD and the PMU to finalize action to mobilize suitable resources for this as a matter of urgency. The mission and OWD management also discussed the nature of the RUSS and the value of RUSS outputs, both in the OSRP strategy and development. While the essential RUSS coverage shall be the 'project roads' corridors, the mission has requested further OWD consideration of the efficacy and strategic merits of a slightly widened CRN-based coverage. It was agreed that the inaugural RUSS will be undertaken with consultants' services and mobilized by OWD before end-June 2010.

40. *Baseline Data Collection.* Given the delays in launching the RUSS exercise, the mission and OWD management have decided that the previously-agreed 'baseline data collection' for OSRP impact monitoring (including GAAP / ISAP purposes) would now be more efficiently handled as a separate PMU-managed assignment, using suitable local services attached to the PMU for about 4-6 months. The primary focus shall be on data relating to the Project performance monitoring indicators, ISAP and GAAP targets, much of which should be available from OWD records from the project preparation activities, although retrieval of some non-OWD data may also be involved. It was agreed that the PMU will forward a finalized TOR / proposal on this with the Bank by end-April 2010, with the overall aim of mobilizing this task by early June 2010.

Institutional Strengthening Action Plan (ISAP)

41. Overall progress with implementation of the Institutional Strengthening (IS) strategy is still lagging. Major factors therein appear to be the limited resources and 'ownership' being applied within OWD to IS matters and the lack of integration (in the OWD perspective at least) between the aims of the ISAP, the wider GOO aims in the transport sector and the state's development priorities.

42. *Recent Progress.* Since late 2009, OWD has completed the internal re-organization and strengthening of the PMU (with more clarified responsibilities for safeguards, procurement and project-FM functions; asset management, GAAP and ISAP mobilization, IT-ICT and PMU training); a new state-level Tolling Policy and proposals for a new Roads Act both prepared within PMU have progressed to the Law Department for final review; and negotiations are finally underway for the much-awaited Road Sector Institutional Development (aka 'ISAP implementation support') consultancy and technical services, so that a range of major sector reform and OWD modernization targets may be engaged with the selected consultants' assistance from mid-2010 onwards. Meanwhile, in parallel with the Department's own internal take-up of the GOO e-procurement system for all OWD tendering activities henceforth, the State Procurement Cell (SPC) with its GOO-wide 'lead role' in implementation of the state's e-procurement strategy has been re-located formally into the OWD organization. The Department has also signaled the re-activation of the ISAP Steering Committee and established a part-time ISAP Working Group, to help guide and coordinate ISAP activities henceforth, beyond the intentionally-limited PMU role in IS matters. However, these bodies have not yet met.

43. *New ISAP Responsibilities in OWD.* In January this year, OWD management announced a new 'ISAP responsibility framework' under which (i) the overall IS 'lead responsibility' within OWD is assigned to the OWD Engineer-in-Chief (Civil) position; (ii) the previous ISAP Steering Committee has been re-activated per Government Order (GO) under OWD leadership and with membership from both OWD and other GOO agencies; and (iii) an ISAP Working Group (IWG) chaired by the OWD Engineer-in-Chief (Civil) was also to be activated for specific ISAP-related issues and tasks, under the oversight of the ISAP Steering Committee. However, due to senior OWD staff movements these arrangements have not yet been activated and only operational ISAP matters have been tackled via PMU resources. The mission emphasized to OWD management that it is vitally important that the Department develops its own updated perspective on the IS strategy and on the ISAP (and GAAP) programs, ahead of the (now-soon-likely) mobilization of the 'ISAP implementation support' consultants, in order to get maximum benefit from their services and outputs. The most opportune stage thereafter for the OWD to directly guide the consultants' approach in the various ISAP elements and establish a shared perspective on IS priorities and critical factors, will be at the consultants' submission of their Inception Report a few weeks after commencement. It was therefore agreed that the renewed ISAP Steering Committee (ISC) shall firstly be convened before end-April 2010, with Finance Department representation also from the outset. It was further agreed that the ISC shall subsequently be re-convened promptly following the consultants' submission of their Inception Report, so as to determine the OWD response to recommendations and issues in that Report.

44. *ISAP Implementation Monitoring & Coordination.* Once the 'ISAP implementation support' consultants have mobilized, the diverse range of important ISAP matters being tackled will lead to a rapidly growing requirement for OWD inputs, attention and coordination during the consultants' activities, which needs to be anticipated and handled satisfactorily if the strategic IS aims involved are to be achieved. Even when it begins to have occasional meetings, as a part-time body the ISC cannot be an effective 'real-time' counterpart for the consultants once they are fully underway. The assignment of ISAP and GAAP responsibilities to the Joint Secretary – Administration position on an 'additional charge' basis (on top of his various other significant responsibilities) is also not a sustainable solution in this regard. Similarly, the PMU cannot be a solution, given its acute primary responsibilities in all other

OSRP implementation activities. Both the ISAP and GAAP programs together are major thrusts for greater capacity, effectiveness and productivity in the GOO institutional arrangements in the roads sector, and their successful implementation will produce major ongoing administrative and economic benefits to the GOO and the state. Accordingly, the mission has again urged the OWD and the GOO to consider assigning a dedicated full-time senior-level resource to directly assist the OWD Secretary and the OWD Chief Engineers in ISAP and GAAP implementation and coordination, with (as soon as possible) the support of a small full-time "IS Cell". The mission has further requested that the State-Level Empowered Committee established for the Project be convened soon to meet with the ISAP consultants during their Inception period, to communicate the GOO's road sector priorities and realities as well as gaining an appreciation of the consultants' services and approach.

45. *IT-ICT-MIS Strategy & Implementation Support.* The mission and the PMU discussed the ongoing delays in the initiation of the procurement process for the technical support for development of an OWD-specific IT-ICT-MIS Strategy. Given the likely mobilization of the 'ISAP implementation support' consultancy team by mid-2010, a growing range of systems and 'business process' issues will come forward for OWD decision-making over the next 12 months and in that context, it will be important for OWD to have expert IT-ICT-MIS advice and support on hand as soon as possible. The likely scope and volume of assistance required by the OWD to formulate and implement a comprehensive medium-term IT-ICT-MIS strategy (building on and beyond the GOO-driven e-procurement initiatives to meet all other key functional requirements in OWD) was again examined in detail, resulting in agreement that 'Project Management Consultant' services (involving a small team of experienced IT-ICT advisors and other expertise, phased over a 20-24 months' total timeframe) would be the most effective form of support. The PMU has been given sample TOR for such services and can readily adapt those TOR and the previous EOI (etc.) documents to this approach. It was therefore agreed that the PMU will finalize the proposed TOR and EOI (etc.) for the desired (IT-ICT-MIS) Project Management Consultant and forward them to the Bank for review / clearance action by end-May 2010.

46. *Progress Monitoring and Reporting.* After considerable delay, the PMU had shared a monthly progress report of the March 2010. The mission held discussions with PMU and provided comments to improve this further. It was agreed that this report will be resubmitted to the Bank after incorporating comments by April 20, 2010.

Environmental Safeguards and Management

47. The mission held detailed discussions with the officials of the OWD/PMU along with Construction Supervision Consultant (CSC) and Project Managers from the Contractor's team to assess the adequacy and quality of EMP implementation in the project. The mission also reviewed the progress on actions/activities agreed during the last two missions. Additionally, the status and progress on the following was also assessed: (i) pre-construction activities (particularly tree cutting, tree protection and relocation of hand pumps); (ii) compliance with regulatory norms/requirements and; (iii) staff deployment by contractors, consultants and OWD/PMU for undertaking environmental management activities in the project. Training on 'Worksite Safety Management' was also provided by the mission during a workshop organized by OWD/PMU to guide/improve environmental management aspects in the project, particularly those pertaining to occupational health and safety aspects.

48. *Tree Cutting and Protection:* The mission noted progress with regard to felling of trees on all three year-1 contracts. In contract P01, 37 percent (674 out of 1834) and in contract P02, 44 percent (3744 out of 8441) trees have been cut. The progress in case of contract P03 is 39 percent (550 out of 1395). The responsibility for tree cutting rests with the contractor and therefore the actual felling is being done as per their own work schedule. As per EMP requirements for contract P02, 'tree protection marking' has been completed. However, the mission noted that handing over of tree stumps is

unnecessarily being delayed in contract P03 and many of these are lying scattered along the road. The mission sought attention of all concerned stakeholders to this issue and it was agreed that the required action will be taken by May 31, 2010.

49. *Relocation of Water Sources:* With regard to hand pumps/tube wells, there has been no change in status on any of the three Phase I contracts since the last mission. While 58 percent (30 out of 52) of such water sources have been relocated in case of contract P01, 93.5 percent (43 out of 46) have been shifted in contract P03. In case of contract P02, 150 hand pumps/tube wells require shifting – however, there has been no progress on this account till date even though initiation of some preparatory work by RWSS was reported during the last mission.

50. *EMP implementation in Phase 1 roads:* The over-all compliance with regard to implementation of Environmental Management Plans (EMPs) in the project continues to be 'unsatisfactory'. While the mission noted some efforts to improve the situation on the ground, most of the actions agreed during the last two missions either remain unachieved or have been complied only partially. (details provided in Annex 1)

51. Regulatory clearances, particularly 'consents' from the State Pollution Control Board (SPCB) to establish and operate Hot Mix Plants, Crushers, Batching and WMM plants have not yet been obtained by the contractors. In contract P01, where such permission has been obtained for Hot Mix Plant, Crusher and WMM plant, it has been obtained under a wrong category (green instead of red, as is required under regulatory norms), which requires corrective action on part of the contractor. Among other key issues, lack of deployment of environment and safety officers; poor traffic and worker safety practices; improper handling/storage of hazardous materials (including explosives); lack of documentation and; non-implementation of pollution control measures at camp and plant site, particularly at the crushers in contract P01 and P03 remain a cause of concern. Even though some penalties have been levied by the CSC for non-compliance on the contractor's part, the serious nature of the said issues demands more attention, close monitoring and intervention from engineer as well as the senior management of PMU and OWD.

52. Despite this, it was noted that some efforts are being made by the contractor's team on the ground but the approach remains quite ad-hoc. Deployment of the qualified staff (Environment and Safety Officers) and following of a systematic approach (including following advice of CSC's EOs) will help the contractors in saving precious time, effort and money that is currently lost due to lack of planning and timely consultation with CSC and the PMU. The mission once again reiterated that it is possible to turn around the 'unsatisfactory' situation provided sufficient attention is given and interventions are made early-on, as still the works are in the initial stages. However, if lapses/non-compliance/delays continue on contractor's part, the CSC needs to take effective steps including application of appropriate contractual remedies to ensure that serious issues/lapses are checked/contained well in time.

53. *Institutional Arrangements.* The OWD/PMU had informed the Bank during the previous missions about the intention to re-initiate the procurement process for the recruitment of Environment Expert due to the non-availability of earlier short-listed candidates. However, there has not been any progress on this front till date. The mission urged OWD/PMU to initiate and complete this activity at the earliest. The mission also reviewed the institutional arrangement for environmental management within OWD/PMU. While the staff strength continues to be satisfactory keeping in mind the type, magnitude and status of field activities, there is clearly a need to strengthen supervision, monitoring and reporting with regard to EMP implementation. It was agreed that regular monthly inspections will be initiated starting May 2010, which would include follow-up on actions identified by the Bank during the missions.

54. *Staffing (Contractors and CSC).* The non-mobilization of Environment and Safety Officers on site by the contractors continues to be an issue in contracts P01 and P02. So far, only one Safety Officer

has been deployed on contract P03, who too needs to be properly supported with the required resources (signage, delineators, PPE and other safety devices/equipment as per the required standards). On the Construction Supervision Consultant's front, after the delay in mobilization of Environmental Officers in the team, two out of three positions have been filled-up between December 2009 and March 2010. The mission had detailed discussions with these Environmental Officers representing contracts P02 and P03 along with the concerned Resident Engineers. Guidance on specific clauses of EMP was provided by the mission during these discussions. The third position too was filled-up for a very short duration in-between but it currently remains vacant in contract P01 and needs to be filled-up at the earliest.

55. The mission reminded OWD/PMU about the need to establish an Independent Environmental Committee (constituting of officials/experts from Department of Forests, Wildlife Wing and State Pollution Control Board), which with the assistance of Environmental Management Cell (OWD/PMU) will assess site specific EMP implementation once in every in every six months – the findings of this assessment are to be used to improve/strengthen environmental management in the project works. The formation of this independent committee has been agreed as part of the monitoring and evaluation mechanism for OSRP. The committee should initiate working by May 31, 2010.

56. *Capacity Building and Training.* For improving the performance of EMP implementation in the project, a workshop was organized on April 10, 2010. The objective of this workshop was to orient and sensitize the senior staff (such as project managers, resident engineers, highway engineers and structure engineers among others) particularly on aspects related to 'Worksite Safety Management'. The Environment Specialist of the Bank's Task Team provided training on the subject and provided clarifications to queries raised by the participants. About 45 project staff and officials participated in this workshop. In addition to the brief visit made to Punjab State Roads Project for cross learning, visit to other project sites is also being planned by OWD/PMU following suggestions by the mission.

57. *Phase II Roads.* The EA and EMP for the Jagatpur-Kendrapara-Chandbali road has been prepared and submitted to the Bank for review. The PMU needs to ensure that the required regulatory clearances, including the environmental clearance for this road is obtained before awarding the contract.

Social Safeguards and Management

58. **Land acquisition (LA).** Since the last mission in December 2009, the project has made good progress in LA process and the mission records its appreciation for the efforts taken up PMU to speed up the implementation of LA activities. Out of 171 villages coming within the 1st year packages, the required land is government land in 33 villages while LA is involved in 149 villages with 3 villages in Po3 likely to be dropped from LA. The process of LA and payment of compensation are reported to have been completed in 114 villages and the acquired land has been taken possession by OWD for taking up works under the project. In the remaining 38 villages, LA is reported to be under progress. In respect of proposed revised 1st milestone (covering 74 km in the 1st year Packages) involving 72 villages, LA process of private land and alienation of government land are complete in all except 6 villages. It was agreed that while all efforts would be made to complete LA for stretches included in milestone 1 by end April 2010 and LA for all stretches of 1st Year Packages would be completed by July 30, 2010.

59. The mission was informed that the payment of compensation for private land was done along with structures there on; however, payment of compensation for structures from public land has not yet been initiated. The mission was informed that the compensation for structures found within the Right of Way (ROW) would be paid once implementing NGOs start working with the project affected persons (PAPs) and plan for their relocation. Discussion during the field visit to Bhadrak-Chandbali revealed that compensation for structures was paid at the depreciated value which is not in conformity with the (R&R)

entitlement framework agreed for this project. It was agreed that the compensation for structure deducted against depreciation would be paid along with other R&R entitlements immediately.

60. As per the feasibility report, LA was envisaged to ensure 26 meters road width in built up areas but this was later revised to 16 meters. However, in Benhampur-Taptapani package, in all (except 3) villages, LA was done for 26 meters. The issue that emerges from this situation is that if road strengthening is proposed to be limited to 16 meters then will the project evict families staying between 16-26 meters ROW and provide all R&R assistance, if not will it recover the compensation already paid for land and structures coming within 16-26 meters. The mission emphasized that PMU needs to take an early decision so that the concerned NGO is advised appropriately. The mission was informed that there are proposals to improve certain junctions (e.g. 0-2 km on SH 9 near Bhadrak town) which would essentially involve major displacement of local inhabitants. The mission clarified that for any new alignment/junction improvement, there is a need to undertake social impact assessment to identify impacts and affected people and prepare RAP which should be submitted to the Bank for review and clearance. The disclosure policy would also be applied to such RAPs and this should be done well before starting the implementation process.

61. *Resettlement process and role of NGOs.* Now that the implementing NGOs at the Package level as well as Nodal NGO at the project level are in place, this resettlement process is likely to be started soon. PMU organized a sensitization workshop for NGO functionaries where Package Managers, PMU staff and representative of SC also attended. Social Development Specialists from the Bank also participated in this workshop. The mission appreciated the close monitoring of NGOs by PMU which helped in timely establishment of the field officers, mobilizing their personnel and establishing contacts with key stakeholders including PAPs, local communities, Panchayat members, District Collectors, Package Managers, Nodal Officers, LA Officers, Tehsildars and Revenue Inspectors. The mission had detailed discussion with NGOs on the immediate tasks to be undertaken to ensure that construction work is not affected due to lack of encumbrance free stretches. Specific tasks identified include verification of PAPs, issuing photo ID cards to PAPs, identifying the eligible entitlements, preparing micro plan for each PAP, finalizing relocation options, preparing displaced families for relocation and extending the R&R entitlements. In this context, the mission strongly suggested that NGOs in consultation with the Package Managers need to identify stretches that could be taken up on priority basis to ensure continuity of construction activities. *It was agreed that NGOs would submit the inception report along with detailed action plan for the next 6 months by April 20, 2010 and action plan for the entire period of their contract by end April 2010.* The mission was informed that the revised financing Manual includes that R&R grants would be deposited in the joint accounts (between the Package Manager and the concerned PAP) and the use of the deposited money would be monitored by the implementing NGOs for its proper use. It was agreed that PMU would complete extending R&R entitlements to PAPs for 1st milestone stretches by end October 2010.

62. *Phase II Roads.* The RAP for the Jagatpur-Kendrapara-Chandbali has been prepared by PMU and submitted to the Bank for review. Drawing lessons from the implementation of Year 1 Packages so far, the PMU needs to ensure that at least 100% of the required land in milestone 1 is encumbrance and is under possession with OWD before awarding the contract. The mission pointed out that while PMU could initiate the process of contracting implementing NGO for this Package, there is no need to have a separate Nodal NGO but the scope of work of the existing Nodal NGO could be enlarged to include this Package to ensure consistency in the work.

63. *Need to reach communities.* Considering the lack of information about the project and R&R measures among the local communities, the mission reiterated the need to undertake an information campaign in the project areas about its activities and impacts, and the proposed R&R measures. In this regard, the mission suggested that (i) the executive summary of RAP in the local language is made

available in the NGO field office, (ii) a brochure on R&R entitlements is prepared in local language and given to each PAP and (iii) implementing NGO hold meetings with PAPs explaining the R&R entitlements and eligibility criteria. This would help in raising the awareness level of local communities about the project, understanding the process, getting to know about their R&R entitlements and grievance redress mechanism, deciding on the options for relocation and restoration of livelihood, etc.

64. *HIV/AIDS prevention.* Despite pointing out, during the last mission, the need to take up measures in camp sites to prevent spread of HIV/AIDS, no concrete measures have been taken up by contractors. The mission expressed serious concerns and urged that on an immediate basis they get in touch with the District health agencies and obtain HIV/AIDS awareness material and exhibit them in the camp offices. The mission also suggested to NGOs to help the contractors in taking up required measure to control HIV/AIDS.

65. The Social Safeguard Management has been rated as **Unsatisfactory (U)**.

Financial Management

66. *Disbursement Status.* Against the original Loan allocation of USD 250 million, the disbursements as on 01 April 2010 stands at USD 14.636 million (6%). The funds disbursed to date reflect (a) PPF expenditures of US\$ 0.547 million, (b) IBRD Front end fee of US\$ 0.625 million, (c) reported project expenditures up to December 31, 2009 and (d) projected expenditures for the two quarters ending March 31, 2010 and June 30, 2010. The mission was informed that the IUFs for the quarter ended March 31, 2010 will be delayed on account of year-end close of accounting year and is expected to be submitted by May 31, 2010.

67. *Fund flows and Project Expenditures:* Against the original budget of Rs. 220 crores provided in the State Budget for the year 2009-10, PMU surrendered a cumulative amount of Rs. 186.4 crores during the year; the revised budget for the project thus stands at Rs. 33.60 crores for the year 2009-10. Overall, fund releases by GOO have been reported to be timely and adequate. For the year 2010-11, a provision of Rs. 147.6 crores has been made for the project in the State Budget and is considered adequate.

68. As per the IUFs for the quarter ended 31 December 2009, total project expenditures during the quarter have been reported as Rs. 3.653 crores (with Bank's share being Rs. 0.851 crores) and the cumulative reported expenditures for the project as Rs. 57.103 crores (with Bank's share being Rs. 23.551 crores). Some of the key points of note and observations are as follows:

- The cumulative expenditures of Rs. 22.899 crores (Bank's share) reported under Roads Improvement Component relate to (a) mobilization advances paid to contractors for Packages 1, 2 & 3; (b) payments to construction supervision consultants; and (c) expenditures on fixing of boundary stones. No payments against running contractor bills have been paid to date;
- Expenditures of Rs. 0.439 crores (Bank's share) reported under PPP Component relate to payments to PPP transaction advisor;
- Expenditures of Rs. 0.213 crores (Bank's share) reported under ISAP and Operating Costs Component relate to payments for (a) training of OWD staff; (b) consultancy fee to social advisor & environment audit; (c) contractual salaries for PMU staff; (d) hire of vehicles; (e) office maintenance; and (f) procurement of office equipment etc.

69. *External Audit.* The audit report for the year 2008-09, including the PPF and retro-active period expenditures have been submitted in four parts, of which the two reports received by PMU from the AG's Office in the months of February and March 2010 have yet to be submitted to the Bank. A reconciliation of the total expenditures verified and certified by the auditors with the expenditures reported in the IUFs was carried out during the mission. The reconciliation confirmed that the IUFs has under-reported eligible Bank's share of expenditures during the year by Rs. 0.323 crores and it was agreed that the IUFs for the next quarter (ended 31 March 2010) would be revised to reflect the expenditures certified by the auditors.

70. *Revision of Financial Manual.* The revision of the Financial Manual to reflect the delegation of financial authority for procurement of consultancy services and R&R Payments has been cleared by the Bank and presently awaits clearances from the Finance Department, GOO. The mission was assured that the necessary clearances would be provided soon.

71. *Adequacy of Financial Management Arrangements.* Overall, the accounting and financial reporting arrangements, as were agreed during appraisal and documented in the Financial Management Manual are by and large, in place. The accounting for the project expenditures are mainstreamed into the OWD's accounting system and the IUFs prepared on the basis of AG's monthly Appropriation Accounts, thus eliminating the need for establishing parallel accounting and reporting mechanisms for the project. As of now, this arrangement appears to be working well and the IUFs are being prepared on a timely basis. In order to avoid delays in the year-end audit, the PMU has arranged to obtain and maintain copies of all vouchers and documents relating to expenditures at the Field Divisions.

72. *Financial Management Rating.* The financial management performance is rated as **Satisfactory (S)**.

Procurement

73. *Status of Award of Consultancies.* The progress for award for various consultancies was discussed and the PMU informed the mission as under:

- *NGO selection for Phase-1 Road Contracts.* All four contracts for NGO selection contracts have been signed. As these contracts are not subject to prior review, the mission advised the project to keep all documents relating to these award for Post review by the Bank
- *ISAP.* Financial proposal have been opened and combined evaluation completed. The negotiated initialed contract will be sent by May 15, 2010 for Bank's prior review.
- *Asset Management.* Clarifications and amendments to RFP have been issued and Proposal are scheduled to be opened on April 22, 2010. The mission urged the PMU to complete the Technical evaluation Report within 4 weeks and after considering another two weeks for the internal approval the same shall be forwarded to the bank by May 30, 2010.

74. *Consultancy for the Construction Supervision for 2nd year road contracts.* In view of the proposed changes to the scope of phase II, the mission urged the PMU to forward its recommendations to the Bank regarding old ongoing procurement (since more than 2 years) by end April, 2010 for its clearance.

75. The mission emphasized the need for finalizing the award within the initial validity of 90 days for the consultancies. The mission also expressed concern over repeated extensions in validity of the proposals sought by the project on previous cases. The PMU assured that all efforts are now being made

to award the contract within the validity. The project informed that the matter has also been taken up with GOO for financial delegation to the Project Director in this regard.

76. *Procurement Plan:* The mission was informed that the procurement plan was last updated in Sept, 2009 and the same was also cleared with Bank; and is available on Projects' website. It was agreed that the next revision of procurement plan will be undertaken during the project restructuring (for phase II changes), expected to be processed in September 2010.

77. *Procurement Training* The mission was informed that about 14 Officers have undergone procurement training at the ASCI Hyderabad since last mission in Sept, 2010. The mission informed that 2 days procurement workshop will be conducted by the Bank Procurement Specialist on May 12 & 13, 2010 at Bhubaneswar.

78. *Disclosure Mechanism.* The mission was informed that the website of Orissa State Road Project is now operational and the bidding /award details are now published on the website. The updated Procurement Plan is also uploaded on the OSRP website.

79. *Ex Post Review.* The mission shared the report of ex-post review of the contract awarded for Social Development Specialist. The mission also informed that findings of post review will be discussed in detail during the procurement workshop.

80. Procurement is rated as **Moderately Satisfactory**

Loan Covenants

81. The mission noted with concern that the following legal covenants are out of compliance and need urgent attention by PMU

- OWD to carry out a Traffic Census and a vehicle speed survey on the Core Road Network every two years, with content and in a format satisfactory to the Bank, and publishes the results on the OWD website, with the first report due by March 31, 2010.
- OWD to carry out an annual roads condition survey of the core Road Network, and provides a copy of the survey report to the Bank by March 31, with the first report due by March 31, 2010.
- **Implementation Progress Rating.** Although there have been improvements in the overall project management, the progress on the action plan agreed during the last mission has not been satisfactory. Out of total 25 actions, 12 are still pending to be implemented. Furthermore, two legal covenants are out of compliance. The implementation progress rating of the project therefore has been maintained as **Moderately Unsatisfactory**. An action plan has been agreed with the GOO to resolve current implementation issues and to upgrade the rating back to satisfactory level. Following is the Mission Assessment of Components and Management.

Table 2: Mission Assessment of Components and Management

Field	Rating	
	Last Mission	Current Rating
Road Corridor Improvement Component	MU	MS
PPP Enabling Support, Sector Policy and Institutional Development, and Implementation Support Component	MS	MS
Environmental Safeguard Management	U	U
Social Safeguard Management	U	U
Project Management	U	MS
Financial Management	S	S
Procurement quality/timeliness	MS	MS

HS highly satisfactory, S satisfactory, MS Moderately Satisfactory, MU Moderately Unsatisfactory, U unsatisfactory, NA not applicable. Italic letters represents upgraded rating from the previous mission, while the bold letters represents downgraded ratings.

82. The next implementation support mission will be undertaken in October 2010. However, an interim mission has been planned in the month of June 2010 to review the progress on the agreed action plan.

INDIA

**Orissa State Roads Project (Loan Number 7577-IN)
Second Implementation Support Mission (April 5 - 12, 2010)**

Action Agreed during the Mission

Action Reference	Action Required	Agency	By Date	Status/ Revised Date
Project Management				
B01	Clarify the delegation of the Project Director (PD) as the 'Employer' under the works contract and financial powers under consultancy contracts with issuance of a Government Order	OWD	Immediate	
B04	Constitute a panel of legal specialists for addressing issues on contract management, land acquisition, concession management for PPP roads etc.	PMU	Nov 15, 2009	May 30, 2010
Road Corridor Improvement Component				
B07	Finalize and Issue Contract Management and Quality Assurance Manual	SC	Oct 20, 2009	April 30, 2010
B09	Ensure contractor mobilizes all required key professionals and equipment including Environment Officers	SC/Contractor	Oct 20, 2009	April 30, 2010
A03	Updated resourced based work program to be in place on all three sites	SC/Contractor	Immediate	May 30, 2010
A08	Issue notice to the contractors as per the contracts for violations in the contract for maintenance of handed-over stretches, EMP and road safety measures giving a response time to the contractor.	SC	Immediate	Partially Complied - requires continuous action
B10	Decision to be taken on acceptability of all works completed by the contractors without approval of RFIs and quality checks.	SC	Oct 15, 2009	Immediate
D01	Ensure contractor undertake repair/maintenance of the road stretches to within existing contractual framework	SC/PMU	Immediate and continuous	
D02	AE from field units to be nominated (one on each package) as Safety Officers to travel on site frequently and monitor safety aspects	PMU	April 30, 2010	
D03	Action on GSB issue as listed in para 20 of the aide-memoire	PMU		
D04	P02-decision on alignment near Anandpur junction	PMU	June 30, 2010	
D05	Revised Contractual milestones and the review of EOT		April 30, 2010	
PPP Enabling Support				
D06	Initiate steps to expedite the VFG application for the Rourkela-Sambalpur Road	PMU	April 30, 2010	
D07	Initiate steps to regularize as well as extend the end date of the transaction advisory consultants	PMU	April 30, 2010	
IS Component				
C01	Designate the RTI-focussed Public Information Officer (PIO) as Complaint Handling Officer (CHO) and notify this and the complaints handling procedures on OSRP website	OWD	December 31, 2009	Partly done; CHP still needs to be finalized.
C02	Conduct inaugural meeting of ISAP Steering Committee (ISC), and plan approach on OWD Code & Manual revision	OWD / GOO	Dec 31, 2009	Immediate
C03	Finalize proposal for short-term PMU resources for baseline data	OWD / PMU	December 31,	Partly done;

	collection for PMI / ISAP / GAAP purposes, for Bank review		2009	being revised; June 2010
D08	Engage Project Management Consultant services for (OWD) IT-ICT-MIS strategy and implementation support	OWD / PMU	January 31, 2010	May 30, 2010
C04	Complete selection process of ISAP consultants i.e. send the draft negotiated contract to the Bank for prior review	OWD / PMU	January 31, 2010	Partly done;
C05	Planning for workshop on Vigilance and Quality policy, roles and activities in OWD and OSRP works	OWD	March 15, 2010	June 10, 2010
D09	Complaint Handling – website to be updated based on the inputs provided by the mission team	OWD/PMU	June 2010	
D10	Complaint Handling Process Framework – administrative approvals to be obtained	PMU	April 30, 2010	
D11	Finalize OSRP-specific ToR for QMPs assigned to OSRP works quality monitoring', for Bank review	OWD / PMU	April 30, 2010	
D12	Mobilization of consultants on inaugural Road User Satisfaction Survey	OWD	June 15, 2010	
Environment Management Issues				
B19	Recruitment of Environment Specialist in OWD/PMU	OWD/PMU	Dec 31, 2009	May 30, 2010
D13	P03- tree stumps to be collected and handed over to the Forest Dept.	SC	May 30, 2010	
D14	Obtain all required regulatory clearances, including consents from PCB and permission for ground water extraction	Contractor/SC	Immediate	
Social Development Issues				
A03	Clear all encumbrances and complete LA for Phase 1 Roads	OWD	Nov 30, 2009	July 30, 2010
D15	A joint list of encumbrances (LA, R&R, Utilities & Trees) to be prepared and signed by all parties	OWD	April 30, 2010	
D16	NGOs to submit inception report as well as action plan for the contract period		April 30, 2010	
D17	Complete extending R&R entitlements for 1 st year milestone stretch	OED/NGOs	October 30, 2010	
Procurement				
B24	Organize a Training Workshop for PMU staff	BANK	Nov 30, 2009	May 12 & 13, 2010
D18	CSC services for 2 nd yr Road Contracts - to forward recommendations to the Bank regarding old ongoing procurement	PMU	April 30, 2010	
D19	Technical Evaluation Report for Consultancy for Asset Management for Bank's prior Review	PMU	May 30, 2010	
D20	Negotiated Initialed Contract for ISAP Consultancy for Bank's prior Review	PMU	May 15, 2010	
Financial Management				
D18	Submit the two supplementary audit reports for 2008-09 to the Bank along with a reconciliation statement of the total expenditures verified and certified with the expenditures reported in the IUFRs	PMU	May 15, 2010	

Note - Actions in bold are pending since previous missions

Action reference Series A – June 2009 Mission; B – September 2009 Mission; C – ISAP+GAAP Mission in November 2009

INDIA

**Orissa State Roads Project (Loan Number 7577-IN)
Second Implementation Support Mission (April 5 - 12, 2010)
Social Management**

1. **Land acquisition (LA):** Since the last mission in December 2010, the project has made good progress in LA process and the mission records its appreciation for the efforts taken up by PMU to speed up the implementation of LA activities. Out of 171 villages coming within the 1st year packages, the required land is government land in 19 villages while LA is involved in 152 villages. The process of LA and payment of compensation are reported to have been completed in 114 villages and the acquired land has been handed over to OWD for taking up road strengthening under the project. Of the remaining 38 villages, LA process has not yet been initiated in 3 villages pending decision on inclusion of a stretch beyond a bridge in Keonjhar district under Bhadrak-Anandpur stretch. LA is reported to be under progress in all other remaining 35 villages. Package wise details are given in Table 1 below.

Table 1- LA progress under 1st Year Packages

Package No.	Stretch	Length (km)	LA Process (No. of villages)				Possession under OWD
			District	Villages	LA u/s 6 notification	LA u/s 7*	
P01	Bhawanipatna – Khariar (SH 16)	68	Kakalhandi	19	19	19	15
			Bolangir	13	13	12	12
			Nuapada	9	9	9	9
P02	Bhadrak-Chandbali- Anandpur (95 km)						
	(i) Bhadrak-Chandbali (SH 9)	45	Bhadrak	48	48	47	30
	(ii) Bhadrak-Anandpur (SH 53)	50	Bhadrak	18	18	18	11
			Keonjhar	14*	11	11	9
P03	Berhampur-Taptapani	41	Ganjam	31	28	28	28
	Total	204	--	152	146	145	114

2. In respect of 1st milestone (covering 74 km in the 1st year Packages) involving 72 villages, LA process of private land and alienation of government land are complete in all except 6 villages (see details in Table 2 below). LA process is under progress in the remaining 6 villages under 1st milestone. *It was agreed that while all efforts would be made to complete LA for stretches included in milestone 1 by end April and LA for all stretches of 1st Year Packages would be completed by July 30, 2010.*

Table 2- LA progress under 1st Milestone of Year 1 Packages

Package	Stretch	1 st milestone stretches (km)	No. of villages involving acquisition/appropriation of land				
			Total	Villages with govt. land	Villages involving LA	Possession taken over by OWD	LA under progress
P01	Bhawanipatna – Khariar (SH 16)	35 – 63 = 32	22	--	22	21	1
	Package 01						
P02	Bhadrak-Chandbali-Anandpur (24 km)						
	(i) Bhadrak-Chandbali (SH 9)	2 – 9 = 7	9	2	7	7	--
	(ii) Bhadrak-Anandpur (SH 53)	12 – 17 = 5	25	7	18	13	5
		21 – 26 = 5					
		32 – 39 = 7					
P03	Berhampur-	5 - 7 = 12	16	--	16	16	--

	Taptapani Package 03	35 - 41 = 6					
	Total	74	72	9	63	57	6

3. The mission was informed that OWD continues to closely monitor and follow up the progress on LA on regular basis with the Package level staff. Similarly, monitoring by the Secretary (Revenue) with the District Administration (DA) continues to ensure early completion of LA process and payment of compensation to the land losers. All these concerted efforts have helped to achieve significant progress in the LA process.

4. Information on land losers: From the information provided to the mission, one could find out the number of villages covered under LA and the length of the corridors where LA has either been completed or under progress. However, no information is being maintained at PMU with regard to number of land/structure losers and how many have been compensated. There is also a need to maintain the number of affected people either receiving the compensation under protest or have requested their cases to courts for enhancement of compensation. All these information are available with LA officers and the PMU need to collect them and maintain the data base for monitoring and follows up. The following format (one for land and another for structures) could be used for this purpose.

Package	District	Stretch	Extent of LA	No. of land losers	Extent of land compensated	No. of PAPs received payment	Compensation paid (Rs)	No. of PAPs compensated u/s 31(2)*	No. of PAPs referring cases to courts u/s 18

5. Adjustment against depreciation: The mission was informed that the payment of compensation for private land was done along with structures there on; however payment of compensation for structures from public land has not yet been initiated. The mission was informed that the compensation for structures found within RoW would be paid once implementing NGOs start working with the project affected persons (PAPs) and plan for their relocation. Discussion during the field visit to Bhadrak-Chandbali revealed that compensation for structures was paid at the depreciated value which is not in conformity with the resettlement and rehabilitation (R&R) entitlement framework agreed for this project. *It was agreed that the compensation for structure deducted against depreciation would be paid along with other R&R entitlements.*

6. Decision on the road width: As per the feasibility report, LA was envisaged to ensure 26 meters road width in built up areas but this was later revised to 16 meters. However, in Benhampur-Taptapani package, in all (except 3) villages, LA was done for 26 meters. The issue that emerges from this situation is that if road strengthening is proposed to be limited to 16 meters then will the project evict families staying between 16-26 meters RoW and provide all R&R assistance; if not will it recover the compensation already paid for land and structures coming within 16-26 meters. The option of recovering compensation already appears to be a difficult proposition. The mission emphasized that GoO/PMU needs take an early decision so that the concerned NGO is advised appropriately.

7. Improvement of junctions: The mission was informed that there are proposals to improve certain junctions (e.g. 0-2 km on SH 9 near Bhadrak town) which would essentially involve major displacement of local inhabitants. The mission clarified that for any new alignment/junction improvement, there is a need to undertake social impact assessment to identify impacts and affected people and prepare RAP which should be submitted to the Bank for review and clearance. The disclosure policy would also be applied to such RAPs and this should be done well before starting the implementation process. No

junction improvement will be undertaken unless RAP is prepared, affected people are compensated and they are provided support in accordance with the R&R entitlement agreed for the project.

8. **Year 2 Packages:** At the time of mission, Chandbali-Cuttack has been identified for inclusion as Year 2 package. The RAP for this Package has been prepared by PMU and submitted to the Bank for review. Drawing lessons from the implementation of Year 1 Packages so far, the PMU needs to ensure that 100% of the required land is acquired, compensated, encumbrance free and is under possession with OWD before awarding the contract. The mission pointed out that while PMU could initiate the process of contracting implementing NGO for this Package to avoid delays that were faced for the 1st year Packages; there is no need to have a separate Nodal NGO. The scope of work of the existing Nodal NGO could be enlarged to include this Package to ensure consistency in the work.

9. As pointed in during the earlier missions, most of the LA under the project continues to be carried out under the normal LA process and no 'mutual negotiation or consent award' method is adopted to compensate the losses (land and structures). Resultantly, the mission was informed that the land losers are accepting the compensation amount 'under protest' in accordance with the provisions of the LA Act (section 32). The mission reiterated the merits in adopting 'consent award' method to ensure a fair and acceptable compensation and at the same time to accelerate the LA process. Such a process also minimizes any litigation for enhanced compensation in future. The guidelines developed to proceed with 'consent award' approach are reported to be still not yet placed to the floor of the Legislative Assembly for discussion and approval.

10. **R&R process:** The field visit revealed and PMU agreed that project has not yet started extending R&R entitlements to PAPs and helping them in the relocation process as the NGOs had not been contracted. However, so far no potential displaced family has been disturbed. Now that the implementing NGOs at the Package level as well as the Nodal NGO at the project level are in place, this process is likely to be started soon. The mission was informed that the revised financing Manual includes that R&R grants would be deposited in the joint accounts (between the Package Manager and the concerned PAP) and the use of the deposited money would be monitored by the implementing NGOs for its proper use. *It was agreed that PMU would complete extending R&R entitlements to PAPs for 1st milestone stretches by end October 2010.*

11. **Activities carried out by NGOs:** The project has already signed contracts with the implementing NGOs and Nodal NGO. During the field visit, it was found that NGOs had established their field offices and mobilized their personnel; established contact with key stakeholders including PAPs, local communities, Panchayat members, District Collectors, Package Managers, Nodal Officers, LA Officers, Tehsildars and Revenue Inspectors. PMU has provided office space within its office for Nodal NGO which is in the process of equipping the office. PMU organized a sensitization workshop (March 8-9, 2010) for NGO functionaries where Package Managers, PMU staff and representatives of SC also attended. Social Development Specialists from the bank also participated in this workshop. The mission appreciated the close monitoring of working of NGOs which helped in timely establishment of their field offices, mobilizing their personnel and initiating discussion with the stakeholders. The mission had detailed discussion with NGOs on the formats for PAP's verification, preparation of micro-plan for each PAP, and photo ID card. Also, discussion was held with NGOs on the immediate tasks to be undertaken to ensure that the construction work is not affected due to lack of encumbrance free stretches. Specific tasks identified include undertaking verification of PAPs (using the list provided in RAP as the base), issuing photo ID cards to verified and eligible PAPs, identifying the eligible entitlements, preparing micro plan for each PAP, finalizing relocation options, preparing displaced families for relocation and extending the R&R entitlements. In this context, the mission strongly suggested that NGOs in consultation with the Package Managers need to identify stretches (focusing on 1st milestone) that could be taken up on priority basis to ensure continuity of construction activities. *It was agreed that NGOs would submit the inception*

report along with detailed action plan for the next 6 months by April 20, 2010 and an action plan for the entire period of their contract by end April 2010.

12. Initial contacts by NGOs with local people have revealed there are cases where some structures have been erroneously left out in the initial census and not included in RAP. Similarly, there appears to be some people who they claim that they are PAPs but have not even received their ID token (issued during census survey). Such persons apprehend that they could be denied their compensation and R&R entitlements. The mission clarified that in all such cases as well as any new claimant for R&R entitlements should be thoroughly scrutinized to decide on their eligibilities. This also requires activation RPDC to address grievances of local people and avoid escalation of any conflicts.

13. **Need to reach communities:** Considering the lack of information about the project and R&R measures among the local communities, the mission reiterated the need to undertake an information campaign in the project areas about its activities and impacts, and the proposed R&R measures. In this regard, the mission suggested that (i) the executive summary of RAP in the local language is made available in the respective NGO field offices, (ii) a brochure on R&R entitlements is prepared in local language and given to each PAP, (iii) the implementing NGO hold meetings with PAPs explaining the R&R entitlements and eligibility criteria and (iv) the implementing NGO provide required counseling to PAPs in making right choices for their relocation, timing of relocation, alternate resettlement sites livelihood restoration, and ensure using compensation for useful purposes. This would help in raising the awareness level of local communities about the project, understanding the process, getting to know about their R&R entitlements and grievance redress mechanism, deciding on the options for relocation and restoration of livelihood, etc.

14. **HIV/AIDS prevention:** Despite pointing out, during the last mission, the need to take up measures in camp sites to prevent spread of HIV/AIDS, no concrete measures have been taken up by contractors. The mission expressed serious concerns and urged that on an immediate basis they get in touch with the District health agencies and obtain HIV/AIDS awareness material and exhibit them in the camp offices. The mission also suggested to NGOs to help the contractors in taking up required measure to control HIV/AIDS. The mission urged PMU to get in touch with Orissa AIDS Control Society (OSAC) on: (i) getting the IEC material for HIV/AIDS awareness- posters, booklets and design for hoardings that can be used in OSRP sites- camp site, and along the road for public; (ii) tying up with Targeted Intervention (TI) Partners of OSAC at the district level for any awareness camps and orientation for NGO staff; and (iii) ensuring referrals for HIV testing and treatment and treatment of opportunistic infections such as T.B. It was agreed that the Social Development Specialist of the PMU would be coordinating with OSAC for integrating their programs with OSRP activities.

15. **Road safety:** It was observed that no road safety measures were in place. Even basic caution signboards and warning for diversion were absent. The importance to road safety has been reiterated during all mission visits, both to SC and contractors and yet there has been no follow-up. It was discussed that the NGOs observe road safety measures and record their observation from site visits. These observations must be shared with Package Managers and in any joint meetings organized by Package Managers.