

ISABEL M. GUERRERO
Vice President
South Asia

October 9, 2012

Mr. Arvind Mayaram
Secretary
Department of Economic Affairs
Ministry of Finance
New Delhi

Mr. B. K. Patnaik
Chief Secretary & Chief Development Commissioner
Government of Orissa
Secretariat
Bhubaneswar
Orissa

Dear Mr. Mayaram and Mr. Patnaik:

***India: Orissa State Roads Project (Loan No. 7577-IN)
Notice of Lifting Suspension of Disbursement***

We refer to the Loan Agreement for the above-referenced Project (the Project) between India (the Borrower) and the International Bank for Reconstruction and Development (the Bank) dated January 27, 2009 (the Loan Agreement), and the Project Agreement of the same date between the Bank and the State of Orissa (the Project Agreement). We also refer to the Bank's letter dated May 27, 2011, regarding suspension of disbursements and the outcome of the last implementation support mission in July 2012 as reflected in the attached aide memoire.

We are pleased to inform you that, on the basis of substantial compliance of the actions required to lift the suspension and demonstration of the Borrower's commitment towards Project and its development objective, we have decided to lift the suspension of disbursement as of October 9, 2012.

We appreciate the efforts of the State Government of Orissa to improve the overall implementation of the project. Sustaining these efforts through continued support and monitoring at the highest level of the government will be critical for addressing the residual risks in implementation and the various focus areas identified by the July 2012 mission. These include: (a) continued emphasis on advancing and improvements in pre-construction activities including land acquisition and resettlement and rehabilitation assistance; (b) expediting preparation and procurement of civil works contracts and associated consultancies; (c) strengthening contract management; and (d) proper

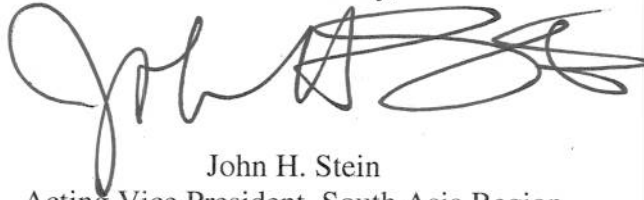
maintenance of works under contracts P01, P02 and P03, pending mobilization of the new contractor(s).

We attach great importance to full and timely completion of the action plan suggested by the mission (please refer to Annex 2 of the attached Aide Memoire) to mitigate these risks and request that you also closely monitor implementation of these actions.

Should you require any clarifications, please do not hesitate to contact Mr. Rajesh Rohatgi (email: rrohathi@worldbank.org), the Bank's task team leader for the project.

With regards,

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John H. Stein', with a large, stylized flourish at the end.

John H. Stein
Acting Vice President, South Asia Region

Attachment

cc: Mr. Prabodh Saxena, Joint Secretary (MI), Department of Economic Affairs,
Ministry of Finance, New Delhi
Mr. S.G. Dastidar, Controller, Aid Accounts & Audit, Department of Economic
Affairs, Ministry of Finance, New Delhi

Mr. A.P. Padhi, Principal Secretary to the Chief Minister, Orissa
Mr. J. K. Mohapatra, Principal Secretary, Department of Finance, Government of
Orissa
Mr. S.K. Ray, Engineer-in-Chief-cum-Secretary, Orissa Works Department,
Government of Orissa
Mr. N.K. Pradhan, Chief Engineer, (World Bank Projects), Orissa Works
Department, Government of Orissa

Mr. Mukesh Nandan Prasad, Executive Director, India
Mr. Manoj Pant, Sr. Advisor to Executive Director, India

Drafted by: Mr. Rajesh Rohatgi, Task Team Leader (OSRP) & Sr. Transport Specialist, SASDT

Cleared with and bcc: M./M. Ben L. J. Eijbergen, Sector Manager (Acting), SASDT; Mei Wang, Senior Counsel, LEGES; Junxue Chu, Sr. Finance Officer, CTRLN

Bcc: M./M. Nishio (SARVP); Ruhl (SACIN); India CMU General; SASSD Core Team; O'Brien, Srivastava (SARDE); Thomson (SARFM); Goya (SARPS); Abushakra (LEGES); Rana (SASGP); Martelli (IFC); Swaminathan (CTRLN); Stein, Pargal, Eijbergen, Bandyopadhyay, Rohatgi, Tadimalla (SASSD); Orissa State Roads;

WBDocs

INDIA

Orissa State Roads Project

Sixth Implementation Support Mission, July 24-27, 2012

Aide Memoire

I. INTRODUCTION

1. A World Bank team¹ undertook the sixth implementation support mission for the Orissa State Roads Project (OSRP) during July 24-27, 2012. The primary purpose of this mission was to ascertain the status of the eight actions for lifting the suspension of loan disbursements, as mentioned in the Bank letter dated May 27, 2011. Accordingly, the mission team held discussions with the Orissa Works Department (OWD) team.
2. A wrap-up meeting with the State Level Empowered Committee (SLEC), chaired by the Chief Secretary, Government of Orissa (GoO) was held on July 27, 2012.
3. This aide-memoire summarizes mission assessment, the findings and recommendations to improve the implementation status of the project.

II. KEY PROJECT DATA & PERFORMACNE RATING

| Key Project Date | | Project Performance | | |
|----------------------------|---------------------|-------------------------------|------|-----|
| <i>Loan Amount:</i> | US\$250 million | Summary Ratings | Last | Now |
| <i>Board Approval:</i> | Sep 30, 2008 | | | |
| <i>Effectiveness Date:</i> | April 15, 2009 | Development Objectives | U | MU |
| <i>Project Age:</i> | 46 months | Implementation Progress | U | MU |
| <i>Disbursed:</i> | US\$ 20million (8%) | | | |
| <i>Closing Date:</i> | December 31, 2014 | Risk Flags: Slow Disbursement | | |

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

¹ Consisting of Messrs/Mmes Rajesh Rohatgi (Mission Leader), Supriti Gupta (Financial Management Specialist), Neha Vyas (Environmental Specialist), Satya N. Mishra (Social Development Specialist), Swayamsiddha Mohanty (Procurement Specialist), Amrit Inder Singh (Consultants - Highway Engineering), Ernst Huning (Consultant, Institutional Development), Krishnan Srinivasan (Consultant, GAAP), Mr. Kevin McPherson (Consultant – Asset Management) and Kumudni Choudhary (Program Assistant).

III. SUMMARY

4. At the commencement of the mission, the disbursements to the project were under suspension since May 2011 due to continuous unsatisfactory project implementation and non-compliance of several legal covenants.

5. **Status of Actions for Lifting of Suspension of Loan Disbursements:** At the time of suspension, Government of Orissa (GoO) was informed that the suspension will be lifted when the Bank is satisfied that the state government, through OWD, is implementing all components of the project satisfactorily in accordance with the provisions of the Project Agreement. Specifically, the Bank had set out eight actions which must be completed for considering the lifting of suspension. The current status indicates that out of the eight actions for lifting of suspension, the GoO *completed* five actions, *substantially complied with* one action and *could not complete* the remaining two for the reasons beyond their control, as detailed below:

- *Completed:* The GoO completed (i) applying legal/contractual remedies to ensure active participation by the Lead JV partners; (ii) implementation of independent third-party review of the quality assurance system and quality of works; (iii) full-fledged staffing of the dedicated cells for Road Asset Management, Institutional Strengthening and IT-ICT-MIS; (iv) awarding contract for the Construction Supervision Consultants for balance works in Phase I contracts; and (v) awarding contact for the consulting services for the Road Sector Institutional Development.
- *Substantially Complied:* In each of the Phase I contracts, the GoO substantially fulfilled the requirement of completion of pre-construction activities and handing over encumbrance-free land for all stretches under the 1st milestone and at least 50% stretches under the 2nd milestone.
- *Not completed:* GoO could not complete (i) in each of the Phase I contracts, achieving a minimum of 20% progress excluding advances; and (ii) ensuring that civil works are being executed with due regard to Quality, Safety and Environmental safeguards. It is, however, noteworthy that this non-completion was mainly on account of the reasons beyond the GoO's control, that is, the non-performance of the contractors and the subsequent terminations of all the three packages.

A detailed listing of these actions and the status of their compliance is placed in Annexure 1.

6. Key Developments/Achievements since the time of suspension

- *Increased involvement of GoO and notable improvements in PMU's operations:* Since the time of suspension, the project received significant support and attention from the higher levels of the Government and is being regularly reviewed by the State Level Empowered Committee (SLEC). At the level of the Project Management Unit (PMU), too, there have been notable improvements as evidenced in (i) the more effective management and expedition of preparatory activities such as Land Acquisition, R&R and utility removal; and (ii) the improved pace of procurement & mobilization of consultants for various institutional strengthening activities and also for the third-party monitoring of quality in the civil works contracts.
- *Enhanced emphasis on management of civil works contracts:* GoO, OWD and PMU have collectively placed stronger emphasis on obtaining satisfactory performance from the contractors in all the three ongoing civil works packages in Phase I (i.e., P-01, P-02 and P-03) including through more decisive application of appropriate remedies available under the contract. Also, following the Bank's suggestion, PMU has initiated the process of engaged an independent contract management expert.

- *Termination of three Civil Works contracts:* In all the three Phase I contracts, despite the client's efforts to improve contractors' performance, the lead partners in the JVs continued to abstain from active participation and the common, local JV partner had displayed little or no enthusiasm or ability to remedy the situation. Eventually, P-03 was terminated by the contractor and P-01 and P-02 were terminated by the Government. In case of P-01 and P-02, the contractors approached the High Court (instead of pursuing the dispute resolution mechanism specified under the contract) and got a directive that the GoO should not take any coercive action on these contracts. Reportedly, the Court has subsequently revoked this directive and thereby cleared way for re-bidding for the balance works; the Bank is yet to receive an official confirmation in this regard.
- *Sustained efforts to expedite/revive progress on all the project components:* Notwithstanding the setback of termination of Phase I contracts, GoO, OWD and the PMU are continuing with the implementation of the project, duly incorporating the lessons learned and placing the requisite emphasis on preparatory activities, as detailed below:
 - *Phase I Civil Works:* Of the three packages – accounting for 30% of the overall project cost – contract for balance works on P-03 has already been re-bid. The evaluation of bids is in advanced stages and the contract is likely to be awarded by September 30, 2012. The process for rebidding for the balance works under P-02 and P-03 is also being initiated. In the meantime, the procurement for Construction Supervision Consultants for all the three packages has been completed and the consultants have been brought on board.
 - *Phase II Civil Works:* Drawing upon the experience with large packages, in Phase II, it was decided to pursue only one (P-04) that is already in advanced stages of preparation/bidding and to substitute the remaining two with simpler rehabilitation and maintenance contracts. A proposal for restructuring the project along these lines was already submitted to DEA and the same has been endorsed and forwarded by the DEA to the Bank; the proposal also seeks a 3-year loan extension to make up for the lost time and accommodate the proposed changes in phase II of civil works components. Draft bidding documents for P04 contract in phase II have been forwarded for the Bank's review and the procurement process is expected to be initiated by September 30, 2012. The procurement of the Construction Supervision Consultant for P-04 has been initiated.
 - *Institutional Strengthening Component:* All the three major consultancy services envisaged under the component have now been mobilized. These are: Road Sector Institutional Development (RSID) consultancy, IT-ICT-MIS Consultancy and Asset Management System (AMS) consultancy. The consultants' teams have undertaken briefings, consultations and/or exploratory workshops with a wide range of OWD and GoO areas at relevant levels, with quite positive impact on the OWD and GoO appreciation of these vital assignments. GoO has put in place various organizational arrangements and resources at OWD to facilitate and manage the component.

7. **Key Implementation Issues:** The project still has a few implementation issues/risks that would need utmost attention from GoO and PMU. The recent mission in July 2012 identified these issues/risks (listed below) and agreed with the PMU on an action plan to address them during the next 6 months

- Expediting Preparation and procurement of Phase I contracts (P01, P02); Phase II contract P04; 8 Roads proposed to be included in the project as part of the restructuring; and award of P03
- Continue emphasis on progressing and improvements in Pre-construction Activities including LA R&R
- Strengthening Contract Management by engaging a Contract Management Specialist

- Maintenance of P01, P02 and P03
- Reducing Procurement Delays
- Key Recruitments and Project Staffing Issues
 - a. Special LA Officer, working on the project since last three years has been transferred without any replacement during such critical phase of the project.
 - b. Appoint an Environment Officer in PMU + Social Development Advisor (P04 and 8 roads)
 - c. Institutional Strengthening Facilitator to be engaged or deputed by Government
 - d. Deputing one Superintending Engineer as “Engineer” for 8 proposed Roads in phase II

8. **Summary Assessment of the current Project Situation.** The outlook of project and implementation of its component has been substantially improved than it was during the time of suspension. Most notably,

- The project has been getting continued support and attention from the highest level of the Government and is being regularly reviewed by the high level State Level Empowered Committee (SLEC);
- The PMU seems to have realized the erstwhile limitations in its functioning and has achieved clearly observable improvements in project management, especially with regard to the pre-construction activities including LA and R&R;
- GoO, OWD and PMU have collectively demonstrated their commitment to effective project implementation through acting on all the points listed for lifting of suspension and completing almost all actions under their control;
- PDOs continue to be relevant and achievable. The proposed restructuring proposal, which Bank has received, reflects and builds upon the lessons learned thus far in implementation; and
- The project is still facing some critical implementation issues/risks but the mission has suggested an action plan (please refer to Annex 2) to mitigate these risks in a specified timeframe.

9. **Loan Covenants.** All covenants are either complied with or are likely to be complied with delay. It is proposed to amend dates of some of these dated covenants during the forthcoming proposed restructuring. Please refer Annex 3 for status.

10. **Implementation Progress (IP) and Project Development Objective (PDO) Ratings** have been upgraded to Moderately Unsatisfactory levels considering the improved project outlook and recent achievements.

IV. ROAD CORRIDOR IMPROVEMENT COMPONENT

11. *Termination and Re-bidding of P01 and P02:* The termination process on these two contracts was a matter of *sub-judice*, where honorable high court has directed GoO to not to take any coercive decision. The high court was approached by the Government to seek permission to re-bid. The team has been informed that the court has revoked their orders in favor of the government. The judgment copy and formal information are yet to be received by the Bank in this regard. This is a positive development, indicating that the procurement process of these two contracts can also be initiated. The mission requested the PMU to expedite completion of final measurement and submit the draft bidding documents of balance works.

12. *Award of P03:* The evaluation of bids is in advance stages and it is likely that the contract would be awarded by September 30, 2012.

13. *Procurement of P04:* The draft bidding documents have been prepared and submitted to the Bank. The Bank is reviewing the same and it is likely that by September 30, 2012, the procurement process on this contract can be initiated.

14. *Maintenance of P01, P02 and P03 Roads:* The project had made certain payments to the contractors towards maintenance (e.g. Rs. 4,83,29,340/- in P02) but the lack of maintenance has been a constant concern on all the three project roads. For several missions now, the task team was informed that there were frequent public demonstrations and resentment due to very poor maintenance of the road and the District Administration has also issued directions in this connection. It has been reported that there are two public interest litigations before the Honorable High Court. The Bank, too, had been highlighting the lack of response of the contractor towards maintenance and also the failure of the department to levy penalties as provided in the contract agreement. Against this backdrop, the PMU is requested to provide a detailed break-up of the amounts paid to – and the penalties imposed on - the contractors on each of these roads w.r.t. maintenance.

15. During this mission, the PMU informed that the contractors continue to be non-responsive regarding maintenance and, hence, the PMU was left with no option but to evoke sub-clause 7.6 of the contract agreement and thereby carry out the emergent works through other agencies so as to keep the road in trafficable condition. Accordingly, the department carried out the emergent works comprising scarification of existing surface, WBM, surface dressing, seal coat and shoulder treatment on piecemeal basis as per the site requirements.

16. During the field visit, it was observed that loose stone metal was being spread for filling the potholes and no compaction was being done, since it was not being covered with any bituminous layer such repair is not sustainable and is likely to last for a few days thus causing more financial loss and inconveniences to the road users.

17. While appreciating the urgency and the consequent decision to go for numerous smaller-size contracts, the mission on sample basis, observed a few instances where the procurement of such small-scale contracts seems to have been rushed forward with little or no adherence to proper procedures/timelines, which again underscores the importance of reinforcing the contract management practices within the PMU. The mission urges the PMU / GoO to review these arrangements and ensure strict regulatory and monitoring mechanism in accordance with good contract, procurement and financial management practices.

V. SOCIAL SAFEGUARDS MANAGEMENT

18. The PMU informed that the LA compensation award is substantially complete for P-01 and P-02, and has progressed well except in a few locations along P-03. The R&R process has been near completed for P-01, and substantially done for P-02. In case of P-03, the R&R process slowed down after the civil work was stopped by the contractor.

19. Since the suspension of the disbursement, the PMU has taken a few steps to address outstanding compliance issues, as well as to improve the quality and progress of land acquisition (LA) and resettlement and rehabilitation (R&R). These include: (a) decision to bridge gaps in entitlements with regard to payment of site allowance to the displaced squatter residences and shops, legal shop owners and agriculture allowance to the land loser farmers; (b) agreement to refurbish the grievance mechanism and strengthen community awareness; (c) initiating commissioning of an external review of social safeguards; (d) constituting local resettlement committees (LRC) at key locations to facilitate and monitor LA and RR process; (e) addressing issues relating to hiring of INGOs for P-02 and P-04, (f) hiring consultant to update the RAP for P-04; (g) initiating social screening for the Phase-II road rehabilitation works; (h)

agreement to reinforce capacity of social management cell; and follow up on progress in LA and R&R process to provide encumbrance free work fronts for the roads works of Phase-I.

20. The policy issues now requiring immediate attention are: (a) updating of the R&R entitlements as per the agreed policy; (b) expediting payment of site allowances to shops and residences by fixing minimum payable amounts and equitable site allowance to legal shop owners at par with legal residence owners; (c) fixing allowance for kiosks as minimum R&R assistance payable to the displaced tenants and other families not getting any other assistance; (d) supplementary assistance to the affected tribal families as a part of R&R framework; and (e) providing agricultural (R&R) assistance as payable to the “actual cultivators” of lands acquired including the *debottar* lands.

21. The State Level Empowered Committee (SLEC) has decided to convene a separate meeting to discuss and decide regarding the above policy issues. Key supplementary steps required to accelerate the LA and R&R process include: (a) replacing the SLAO transferred out of PMU, (b) disclosing the list of remaining families affected by P-02 and P-03 roads and PAP eligibility lists for disbursing remaining R&R (site and agricultural) assistances; (c) establishing local resettlement committees (LRC) at major townships to finalize eligibility lists and to disburse R&R benefits. The mission observed that the preparation of RAP for P-04 road was in progress. Please refer to Annex-3 for further details.

VI. SECTOR POLICY AND INSTITUTIONAL DEVELOPMENT, AND IMPLEMENTATION SUPPORT COMPONENT

22. The three major consultancy services for implementation of key elements of the Institutional Strengthening Action Plan (ISAP) have now been mobilized. These include Road Sector Institutional Development (RSID) consultancy, IT-ICT-MIS Consultancy and Asset Management System (AMS) consultancy. All three consultants’ teams have (as expected in their respective fields) undertaken briefings, consultations and/or exploratory workshops with a wide range of OWD and GOO areas at relevant levels, with quite positive impact on the OWD and GOO appreciation of these vital assignments. On the ‘client’ side, the various organizational arrangements and resources are now in place at OWD to facilitate and manage the ISAP implementation program. Through systematic PMU actions, many ISAP-linked OWD staff also have been steadily undertaking training and/or in-India ‘exposure visits’ to build their understanding and capacity in relevant fields. In the necessarily-adjusted ISAP ‘calendar’ following delays in (e.g.) consultants’ selection and mobilization (etc.), the overall ISAP implementation progress is rated as satisfactory, on the basis of an explicit understanding with and commitment from PMU that they will undertake effective action soon on the following matters.

- *ISAP Implementation Management Capacity*: Following high-level GOO approval, OWD has acted to advertise for external part-time high-level ‘ISAP Facilitator’ (monitoring & coordination) services to augment and strengthen the ISAP implementation management, steering and integration capacity in both OWD and GOO. This is in recognition of the substantial new decision-making and oversight demands of the total ISAP program cumulatively over the next 18-24 months impacting on various OWD and GOO levels on an unprecedented range of policy, structural, financing and other strategic matters. The Bank has welcomed this ISAP Facilitator initiative and the selection is in advance stage. It was agreed that OWD would aim at mobilizing the new ISAP Facilitator by end-September 2012. These services should inter alia help sustain a proactive focus between GOO / OWD, stakeholders and the RSID consultants on strategic medium-to-longer term development and/or transformation options for the state’s road sector and the surrounding Transport sector framework.

- The mission also reviewed the status of the organizational measures and capacity initiated in OWD to support the ISAP implementation process, against the steadily evolving ISAP responsibilities and requirements. The organization and staffing of the new OWD ‘cells’ initiated in 2011 for ISAP, AMS and IT-ICT-MIS respectively, are as yet co-located with the PMU establishment rather than ‘free-standing’, based on the OWD view that these responsibilities are presently still mainly at the ‘technical development’, procurement and/or ‘contract management’ stages, which are also PMU ‘core skills’ and functions, and thus the cells still benefit from co-location with the PMU (see schematic details at Annexure 6). At present these arrangements are providing satisfactory capacity for the OWD-side responsibilities in the respective AMS, RSID, IT-ICT-MIS and GAAP implementation processes. However, it has been agreed that as the ISAP consultancies move towards their major ‘output’ stages, OWD will take progressive action to endow these ‘cells’ with more dedicated staffing / capacity. Meanwhile, the technical, administrative and specialist ‘nodal officers’ identified recently in OWD and beyond, to assist the RSID and IT-ICT-MIS consultants in various fields is still available ‘on call’.
- *Consultants’ Inception Phase Documents:* The Inception Reports (IR) from the RSID team and the IT-ICT-MIS consultants respectively are nearing finalization after consideration by the concerned OWD areas and Steering Committee as well as (in the RSID case) substantial comments recently provided by the Bank team, focused on some strategic weaknesses and ‘phasing’ concerns. These points were directly discussed with OWD and the consultants during the mission, the Bank’s suggestions have generally been embraced by both OWD and the RSID consultants. It was agreed that a revised IR version will be forwarded to the Bank by mid-August 2012. Meanwhile, subsequent to the mission, the IT-ICT-MIS consultants have also submitted the inception report, which has been reviewed by the Bank and comments have been provided.
- *RSID Consultancy- Team Leader:* Despite several requests from the OWD, the RSID consultants had failed to mobilize a Team Leader for their team on-site. The mission emphasized that any further significant delays in resolving this matter will undermine the consultants’ attention to the strategic leadership and integrative requirements expected within the RSID services. However, subsequent to the mission, the Bank has been informed that the proposed candidate, who was part of the original technical proposal, is now again available and it is therefore likely that the Team Leader would be now mobilized by September 30, 2012.
- The mission and the OWD agreed that the consultants shall now prepare for and facilitate a high-level ‘GOO plus key sector stakeholders’ workshop (or roundtable) within the next 2-3 months - ahead of any other planned Task-specific workshops - to determine preferred GOO approaches and options on strategic sector policy and institutional issues, as these would become important ‘cross-cutting’ influences in the consultants’ subsequent development of new road sector policy, roads funding / financing strategy, institutional (structuring and capacity) strategy and road network master-planning capability as well as in revising the Works Code & Manual. It was further agreed that the consultants will facilitate a ‘pre-workshop’ interstate study tour as soon as possible by a selection of GOO senior officials (desirably also members of the Project SLEC) to review the road sector policy, institutional and ‘machinery of government’ initiatives taken in some Indian states (such as AP, MP, Karnataka and Gujarat) in recent years to handle inter-agency Road, Transport and Safety policy determination, oversight and coordination there. Meanwhile, in the HRD / Training task of the RSID work program, it was also agreed that the consultants will give some priority to prepare an interim intensified OWD staff training program for progressive delivery as soon as possible, ahead of yet ‘without prejudice’ to completion of the Training Needs Assessment (TNA) tasks and planned action thereon.

- *IT-ICT-MIS Consultancy*: In response to the consultants' presentation about their Inception period findings and views, the mission and OWD jointly urged the consultants to focus on prioritizing the options for new/enhanced systems and/or applications (other than the ongoing AMS initiative) across the 'short, medium or longer term' range and it was agreed that they will identify a few high-value short-term options for IT-ICT-MIS initiatives (such as development of a contractor database for OWD), for early OWD decision and early technical action, even before completion of the overall Strategy & Action Plan, expected (on present work planning) by end-December 2012. The mission also emphasized the need for the consultants to (i) provide specific recommendations on the eventual need for and scope of internal OWD functions and resources for the 'ownership' responsibilities for future IT, ICT and/or MIS assets, operations and security; and (ii) maintain an 'open mind' on the possibility of an OWD requirement for dedicated alternate inter-office / inter-unit ICT operations capacity, if the consultants' assessment indicate that the mooted OSWAN capacity and availability may not be capable and/or timely enough to be the ICT 'backbone' for OWD communications requirements.
- *Asset Management System (AMS) Consultancy*: The 'AMS development' assignment has made further steady progress, mainly in the final technical and procurement aspects for the COTS acquisition and associated server requirements, in the agreed 8,000 km road condition data collection in selected CRN sections, the finalization of a new (road) Data Collection Manual and the completion of the Training Needs Assessment (TNA) for OWD staff within both the AMS 'user' and 'system management' groups, to enable finalization of an AMS-centered Training Plan by end-August 2012. The OWD-executed data collection for 5 districts is now expected to be completed before end-August 2012, while the parallel recent action by the CRRI on a further 800 km 'pilot' collection using modern automated vehicle-based comprehensive road condition / corridor data collection and analysis methods is also expected to be completed then. It was agreed that the COTS (etc.) bid documents should be finalized and bids invited before end-August 2012. Thereafter, system selection / procurement should be finalized by end-2012 and then system acceptance / commissioning may be achieved by end-June 2013, followed by the final data-loading / transfer and staff training phases until end-2013.
- Meanwhile, notwithstanding the procurement-related delays in reaching an operational AMS stage, there is a firm expectation from GOO central areas of some AMS-style 'road maintenance prioritization' outputs and recommendations from the OWD in time for consideration in the late-2012 planning for the IFY 2013-2014 state Budget and it was agreed that the consultants will assist the OWD / PMU to complete this by end-September 2012 applying available 'pre-AMS' tools on the collected data. Also, senior OWD and GOO officials closely observed and/or participated directly in the CRRI-managed 'automated road data collection' pilot activity, generating very positive feedback about the capabilities of the 'state-of-the-art' vehicle-based technologies and their potential application to road network management in Orissa.
- The mission identified following risks to implementation of an Asset Management System in OWD:
 - *Organization and staffing*. Implementation Consultant should further refine their analysis in a revised Needs Assessment; and OWD should try to get additional staff on board to establish the Asset Management Unit prior to start of the COTS procurement.
 - OWD should formally review quality of data collected so far on the current consultancy project. This is not to imply that there are any issues with the data, however it is necessary to have some objective analysis. Consultants should also provide some training to OWD on data quality assurance.

- Negotiations with the COTS vendors may well leave LASA with the tasks to develop the Bridge Management, Traffic and Routine Maintenance Management System, by which stage there may be little time left to develop and integrate those with COTS and to implement such systems in OWD.
- Consultant's staff will have to get up to speed very quickly on whichever COTS software is procured, in order to implement in OWD. Consultant's staff may or may not have experience with the particular COTS software chosen.

VII. GOVERNANCE AND ACCOUNTABILITY ACTION PLAN (GAAP)

23. The mission reviewed the status of the major GAAP elements, particularly the progress of establishment of the online Complaint Handling System, ongoing project information disclosure arrangements, and assessed the overall GAAP implementation progress as **Satisfactory**. The mission also discussed a revised version of the GAAP, in view of the progress made so far and in light of the impending restructuring of the project. Key observations and actions agreed upon are as follows:

24. The mission was pleased to note that following the suggestions in the previous mission, PMU officials underwent training on the Right To Information Act (RTIA) at the State Institute of Rural Development (SIRD) in June 2012. On the website too, the mission was pleased to note that the PMU is continuously updating the online content and disseminating project information increasingly online. For enhancing access, the mission suggested that the website may need to have a Oriya version as well, considering that most of the population in the State may still not be very conversant in English. In addition, since there is already a State RTI portal (rtiorrissa.gov.in) for online filing and tracking of RTI requests, the mission suggested that this link be provided on the OSRP website. This will also facilitate analysis of the RTI requests to identify systemic weaknesses. It was agreed that the PMU would initiate this process, through discussions with the consultants. The mission suggested that if needed, some of these costs may be borne under the institutional strengthening component of the project.

25. The mission was informed that the following NIC's cyber security audit of the online Complaint Handling System (CHS) and the website, and subsequent compliance to the NIC's audit report, the NIC has authorized hosting of the CHS on the OSRP website. As such, the mission was pleased to note that the CHS is now fully operational. However, the PMU may need to publicize and spread awareness about the CHS among its own staff and the general public through appropriate media, possibly in concert with the Information and Public Relations (I&PR) department of the state. In addition, the mission advised the PMU that to enable an analysis of the complaints, it should first start populating the CHS with all project-related complaints from project start (2008). On related training, the mission was informed that consultants have conducted training for the PMU staff on the CHS on July 20, 2012. The mission suggested that hands-on training should now be extended to the field staff of the PMU. Given the EIC's tacit approval of the CHS, the PMU was advised that it should take proactive steps for roll-out of the CHS to the entire OWD.

26. The mission had a discussion on enhancing project disclosure through select project performance indicators as suggested by literature from *Construction Sector Transparency Initiative (CoST)*.² In this regard, the Bank and the PMU concurred on the need for indicators such as time and cost overruns on projects, extent of *suo moto* public disclosure of project information and procurement related information aimed at gauging competition on tenders. It was agreed that these indicators would be incorporated in all future project reports on all project contracts (works, consultancies and goods).

² A multi-national effort to explore ways to enhance transparency and accountability in the construction sector

27. The mission had a brief discussion with the PMU on collection and analysis of baseline socio-economic data along project corridors for assessing achievement of the PDO (as per the Project Agreement). While the RUSS consultants have submitted their technical and financial proposals for accomplishing this task, the decision on the same is pending as the cost quoted by the consultants is quite high. The Bank urged the PMU to negotiate with the consultant to come up with a reasonable cost for the survey considering that some of the respondents for the survey would quite likely be the same ones as under the RUSS undertaken by the same consultants. In addition, the cost of the second socio-economic survey should be considerably lower than the cost of the first survey, as the consultants would benefit from the learning curve and so would not have to deploy as many upper-level staff for the second survey.

28. On e-procurement, the mission urged the PMU to follow-up with the State's IT department on needed revisions to their e-procurement system to comply with Bank's suggestions (following the Bank's assessment of the system in 2010). The PMU was informed that these revisions are minor in scope, and as such, it should aim to get these incorporated so that procurement for any rebidding or new bids under the restructured project may be done through e-procurement. This will also enable compilation of related procurement data on project contracts for the contractor database (now proposed to be taken up under the IDSAP).

29. The mission had a brief discussion on the Construction Academy that the GOO has proposed to set up in collaboration with L&T (that would be run by the OWD), to impart skill development training.³ The mission suggested that relevant support for this Academy could be explored through the project, under the project restructuring. The PMU agreed to provide further details of the Academy and its role for exploring this further.

30. As the project is getting close to its mid-term stage, and as the project is likely to be restructured, the mission and OWD agreed that it is now timely for reviewing and revising the GAAP matrix (established in 2008) to ensure it still reflects ground realities and priorities in the G&A field relevant to the Project and the OWD. Based on preliminary discussions, the mission and the PMU have come up with a revised draft of the GAAP to be adopted in proposed restructured project (please refer to Annex 5). The mission urged the PMU to review the draft GAAP and place it at the next meeting of the ISAP Cell for its consideration and endorsement.

VIII. ENVIRONMENTAL MANAGEMENT AND SAFEGUARDS

31. The mission focused on the following: (a) review of EMP implementation to ascertain the progress made on various activities that fall within the charter of responsibilities of PMU/OWD, now that civil works on all three roads under Phase I remain stalled; (b) actions taken by GoO on issues such as safety and drainage on P02 that were identified as critical during the last mission; (c) assessment of progress on various issues of P03, particularly those pertaining to the preparation of the final bill (for the terminated contract) and pre-construction activities to facilitate works in line with the schedule drawn under the recently invited bids; (d) review of preparatory activities for P04, for which bid document preparation is underway and; (e) assessment of the progress made on environment screening of the roads suggested under the rehabilitation component, which is under discussion for inclusion in the project restructuring proposal.

³ Orissa Govt to set up construction academy, <http://www.odiaa.com/?p=1852>, August 13, 2011

32. For this purpose, the mission had detailed discussions with the officers of the Project Management Unit (PMU) at Bhubaneswar; Project Implementation Units (PIUs) at the field; selected members from the recently mobilized Construction Supervision Consultants team for Phase I works, concerned officials from OWD's field divisions that may get involved in the proposed rehabilitation works and those from OFDC involved with the compensatory afforestation works. The mission also met the State Level Empowered Committee and highlighted a few outstanding issues that required attention from GoO.

Phase I works

33. **Implementation of EMPs:** With one terminated contract (P03) for which bids have been re-invited recently and two other stalled works (P01 and P02) for which termination notices have been served to the contractor by the GoO, there are not many activities on-going from the environmental and safety point of view. Keeping in view the above situation of civil works on all three Phase I contracts and the efforts made by PMU/OWD on activities that fall within their charter of direct responsibilities with regard to environment, health and safety, including those pertaining to managing the abandoned work fronts, the mission continues to rate the over-all EMP performance on the project as 'moderately satisfactory'. Contract-specific issues are briefly summarized in the following paras:

34. *P01(Khariar-Bhawanipatna):* The mission reviewed some of the important tasks that were identified during the last mission for this contract. These included: (a) strengthening of worksite safety management measures (including provision of signage and dust control) (including approaches of Tel bridge); (b) clearance of debris/spoils from the some of the work fronts (including those near two ponds) and culvert construction locations and; (c) completion of the rehabilitation of borrow areas that have been converted into ponds (will be useful for community's use and for supporting irrigation in the dry period). The PMU/OWD informed the mission that actions have been undertaken or are well underway, particularly with regard to the first two issues. However, the third activity couldn't be completed after the contractor had abandoned the work site. Likewise, the issues regarding installation of reflective devices on the few trees that have been saved along the road (on the embankment) at community's behest is yet to be taken-up to enhance safety during night time driving on the state highway.

35. *P02 (Anandpur-Bhadrak-Chandbali):* During the last mission in April 2012, it was pointed that the conditions on the ground had deteriorated in contract P02 (Anandpur-Bhadrak-Chandbali), where the contractor had abandoned the work site, causing hardship and inconvenience to road users and residents along the road. The mission visited P02 to specifically ascertain the status and progress made on safety and drainage issues, which were highlighted to the GoO as critical.

36. The mission noted that a challenging task (with several sections of abandoned work fronts spread across the corridor and some with significant safety risks) with severe time constraint (keeping in view the monsoon season) has been undertaken by OWD/PMU. Attention has been given to critical issues such as : (a) safety measures at deep excavations and abandoned work sections with level difference; (b) arrangements to ensure that road doesn't get cut off at locations where culvert construction had not been completed and the existing road diversion would have submerged during the rainy season as the area is flood prone; (c) provision of temporary waterways (longitudinally) prior to monsoons and; (d) clearance of debris/waste material obstructing waterways, including incomplete culvert construction locations. Among these, the most significant bit of work pertains to water way clearance, without which there was a substantial possibility of the road getting cut off during the rainy season. Maintenance activities are underway. These efforts should continue till the contract management issues are completely resolved. The mission suggested a few points to strengthen and improve the ground situation on P02. These include: (a) improve transition zones (by providing delineation/sand bags and through line markings) and make ramps gentler; (b) improve speed breakers (some are badly damaged and are a safety risk); (c) paint (black and white) the concrete delineators to improve visibility; (d) provide and enforce use of PPE by workers and;

(e) pruning of some low hanging branches in the green tunnel sections. These actions are needed to avoid any further inconvenience, accident risks and hardship to people.

37. *P03 (Berhampur-Taptapani)*: The OWD/PMU has invited bids to take-up the outstanding work on the terminated contract and the evaluation is in progress. The mission reiterated that the PMU/OWD must obtain the forest land diversion permission for the small parcel of land that has been pending for a while now. Also, the environmental and safety issues highlighted by the mission in previous visit/s pertaining to final bill calculation need to be closed at the earliest.

38. *Compensatory Afforestation Works*: Site visit to P02 also covered plantation sites - covering new sites, where plantation has been done this season and old sites where tree plantation works were undertaken last year during the rainy season. Despite the floods last year, summer cyclone and disturbance by cattle, the over-all survival rate remains satisfactory. Communities, which had initially opposed the works (considered as waste of money due to poor survival rates in most plantation works), are now quite satisfied with results from plantation works carried out under OSRP.

39. The same needs to be initiated for P01 and P03 for which the PMU/OWD has to co-ordinate with the concerned Forest Department/OFDC officials towards finalization of the compensatory afforestation plans. Once this is accomplished, the funds have to be transferred. It was agreed that the required process will be completed by the middle of October 2012.

Phase II works

40. *P04 (Jagatpur-Chandbali)*: The updated EIA and corridor-specific EMP are yet to be shared with the Bank. The PMU/OWD informed that the revision of these documents is still under-way and it is expected that once the consultations being currently carried out are over, the documents will be finalized.

41. The mission reiterated that specific attention is to be given to construction management and scheduling given the traffic conditions on the road and presence of several large and small settlements (including sensitive receptors) along the existing alignment. In addition, the issue regarding the 'coconut tree avenue' issue near Rajkanika was also discussed at length. The changes suggested by PMU/OWD in design were also looked at during the site visit. The mission clarified that the original proposal to save one side (due to its local historical value – an issue brought out during the public consultation process) should hold good with engineering interventions to accommodate the desired road width within the right of way (now acquired under the project). A section of the small irrigation channel has to be protected/rehabilitated to ensure that local farmers are not affected due to its disruption. It was agreed that the detailed design and cost proposals for this section will be prepared by PMU/OWD and would be discussed with the Bank.

42. The mission also reviewed the progress on pre-construction activities (such as tree cutting, tree transplantation pilot and relocation of water sources). Notable progress in tree cutting and utility shifting for milestone 1 was observed. It was agreed that the trees that have to be saved/can be saved will be appropriately marked (with a band of green colour) and proper records of the same will be maintained. The mission also reminded the PMU/OWD to: (a) complete the wildlife clearance process and obtain the NOC; (b) add details in the Wildlife Management Plan and integrate in the EMP; (c) initiate the tree transplantation pilot; (d) initiate the nursery establishment/strengthening of existing nurseries to raise compensatory plantation material and; (e) start collection of plant material (seedlings/root grafts/stem cuttings) to save the genetic matter of the avenue plantation before it is lost in the on-going tree cutting process.

43. *Rehabilitation Works*: In the last mission, the PMU/OWD informed that eight (8) roads have been short-listed from the core network for the proposed rehabilitation works being considered for inclusion under Phase II. An Environment Screening exercise for these short-listed roads has been undertaken and the preliminary results from the same were shared with the Bank team during this mission. However,

there are some gaps in the information and the EMC/OWD is coordinating with the concerned field divisions in bridging this gap. It was agreed that the following key steps will be undertaken to carry forward the preparatory work on this component: (a) complete the environment screening exercise and submit the draft report to Bank; (b) decision-making/selection of sub-projects based on the findings of the environment and social screening exercise (which will also be reflected in the project restructuring proposal currently under discussion); (c) preparation of draft design report and identification of impacts through a rapid/limited EA exercise; (d) preparation of an EMP (generic/specific, as required) for the sub-projects and; (e) integration of EMP in the design/bid documents.

44. In this context, the mission visited one sample road (Pipli Junction to Konark), almost 44 km in length falling under Bhubaneswar and Puri divisions of OWD. The road, other than providing connectivity to small towns and several villages with state capital, also connects the three important tourist/religious centers of the state (Bhubaneswar, Puri and Konark). While the width (two lane) and pavement conditions are largely in a fair condition, there is a substantial scope of improving drainage, control dust (during dry season) and slushy conditions (during monsoon) in the settlement areas and enhancing safety on the road. Over-topping of the road was observed at a few locations. Longitudinal drains were found to be choked with solid waste resulting in unhygienic conditions and water logging in the settlement areas. Situation was found to be critical in Nimapara and Gop (where even the Community Health Centre and a section of the market was under a couple of feet of water). Even in other sections of the road, due to improper camber and lack of proper drainage arrangements (such as provision of insufficient inlets), water logging was noted. The mission suggested that if this road is selected under the proposed rehabilitation component, then OWD should consider the following carefully during design preparation: (a) drainage improvement works; (b) safety measures, particularly in the settlement areas; (c) enhancement of intersections (such as in Konark, Kakatpur) and other road side areas keeping in view the importance of the road from a tourist perspective.

45. **Independent Environmental Committee:** The EMC/OWD has met and briefed the committee members (constituting of officials/experts from Department of Forests, Wildlife Wing, State Pollution Control Board) about the project and some of the key activities that have been undertaken so far regarding environment, health and safety aspects. The EMC/OWD also plans to organize a formal review meeting during the next mission so that the Bank's task team gets an opportunity to directly interact with the IEC. However, with civil works remaining stalled, there are only a select number of activities (such as plantation works) that are currently under implementation and therefore at this juncture, comprehensive reviews, including field visits have not been undertaken by the committee.

Preparation for Mid Term Review: The collation of information/data on various environmental aspects is progressing well (continuously being updated) – this will be reflected in the mid-term review report. From this perspective, the findings from the review to be conducted by the Independent Environmental Committee will serve as an important input.

IX. FINANCIAL MANAGEMENT

30. **Disbursement Status:** Against the original Loan allocation of USD 250 million, the disbursements as on July 31, 2012 stands at USD 20.069 million reflecting approx. 8.03% disbursement. The funds disbursed to date reflect (a) PPF expenditures of USD 0.547 million, (b) IBRD Front end fee of USD 0.625 million, and (c) reported and documented project expenditures up to December 31, 2011 amounting to USD 18.896 million.

31. Post the suspension of the disbursements under the project, expenditures aggregating to approx. INR 38.54 crores [for the four quarters ended March 31, 2011, June 30, 2011, September 30, 2011 and December 31, 2011], equivalent of USD 7.783 million have been adjusted with the Advances, leaving a Nil balance in the Designated Account.

32. The revised IUFs for the quarter ending 31-March-2012 has been received and is presently being reviewed by the Bank. This may entail documentation of expenditures amounting to INR 3.72 crores [equivalent of approx. USD 0.677 million]. However as the project stands suspended with effect from May 27, 2011 and the amount of advance in the Designated Account has already been utilized in full to document expenditures incurred during the suspension period, there can be no further documentation of expenditure till the lifting of the suspension.

33. Fund flows and Project Expenditures: Against the original budget of INR 150 crores provided in the State Budget for the year 2011-12, PMT, OSRP surrendered INR 50 crores and have reported expenditures of INR 67.56 crores up to March 31, 2012. For the year 2012-13, there is a budget provision of INR 105 crores for the project in the State Budget of GoO. Against this budget, expenditures totaling to INR 4.09 crores has been reported till 30-June-2012. On the overall, fund releases by GoO have been reported to be timely and adequate.

34. As per the IUFs for the quarter ended 31 March 2012, total project expenditures during the quarter have been reported as INR 13.309 crores (with Bank's share being INR 4.354 crores) and the cumulative reported expenditures for the project as INR 242.049 crores (with Bank's share being INR 103.325 crores). The financial progress as on March 31, 2012 is summarized as follows:

(in INR)

| Particulars | For the quarter ending March 2012 | | | Cumulative till date | | |
|---|-----------------------------------|-------------------|--------------------|----------------------|----------------------|----------------------|
| | Bank Share | GOO share | Total | Bank Share | GOO share | Total |
| Road Improvement Component | 20,990,120 | 70,528,880 | 91,519,000 | 899,917,638 | 489,670,430 | 1,389,588,068 |
| PPP Component | - | - | - | 11,575,974 | 5,209,190 | 16,785,164 |
| ISAP and Operating Costs | 12,498,401 | 3,124,599 | 15,623,000 | 44,519,107 | 15,877,793 | 60,396,900 |
| Rehabilitation & Resettlement | 10,053,600 | 2,513,400 | 12,567,000 | 77,235,366 | 52,394,803 | 129,630,169 |
| Land Acquisition, utility shifting and other non eligible exp | - | 13,385,000 | 13,385,000 | - | 824,091,956 | 824,091,956 |
| Total | 43,542,121 | 89,551,879 | 133,094,000 | 1,033,248,085 | 1,387,244,172 | 2,420,492,257 |

35. **Settlement to the contractors under Package P01, P022 & P03:** The mission was informed that in case of P-01 and P-02, High Court order is awaited before the contract termination procedure can be completed. Furthermore, the procedure for recovery of mobilization and material advance has already

been initiated and till 31-July-2012 the material advance under P02 stands fully recovered. Under P03, there has been a full recovery of both mobilization and material advances. The mission suggests that the PMU takes immediate steps to assess the balancing (final) amount payable to the respective contractors for the works executed under each package. For package P03 for which the contract stands terminated, the PMU needs to follow-up with the contractor for the submission of the final bill.

36. **Settlement of SMEC Account:** The mission was informed that the detailed final bill with regard to the terminated contract of SMEC, construction supervision consultant has been recently received. The PMU is in the process of analyzing the same and has already observed a number of anomalies. It is suggested that the PMU should internally, in parallel, assess the amount remaining unpaid to the consultant. Further, the mission requests the PMU to keep the Bank informed on the issue.

37. **External Audit:** The mission highlighted that the project is required to submit the audit report for the year 2011-12 to the Bank by 30-September-2012. Further the project is requested to ensure that the audit report submitted is in compliance with the agreed ToR with Comptroller and Auditor General of India. The project is requested to facilitate the submission to the Bank of the following information as part of the audit report:

- Certified Project Financial Statements;
- Statement of Audit Observation detailing/ explaining the amount reported as inadmissible in the Audit Report;
- Statement of reconciliation between the expenditure certified by the auditor and the expenditure claimed from the Bank;
- Management Letter.

38. **Adequacy of Financial Management Arrangements:** On the 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 monthly AG's monthly Appropriation Accounts, thus eliminating the need for establishing parallel accounting and reporting mechanisms for the project. The existing FM arrangements were further re-assessed in light with the upcoming project restructuring and it has been observed that as of now, no changes are deemed necessary. However, on finalization of the revised component/ cost tables, the reporting requirements (IUFs) will be revised on need basis. Further the external auditing arrangements shall also remain unchanged.

39. **Financial Management Rating:** Based on the above the financial management performance is rated as *Satisfactory (S)*.

X. PROCUREMENT

40. Procurement of Works :

- **Package P01 (Bhawanipatna to Khariar) and Package P02 (Chandbali-Bhadrak-Anandpur)** – The mission was informed that OWD/PMU has issued show-cause notice to the contractors of Package P01 and Package P02 for termination of Contract which has been challenged by the Contractors. The mission noted the same and informed OWD/PMU that in case Bank needs to give any opinion it will be communicated based on details shared with Bank. The mission is of the view that although this is a contractual matter, formal “No Objection” from Bank is not required. However, OWD/PMU is advised to keep the Bank informed about all developments in this matter.
- **Balance Work of Package P03 (Berhampur-Taptapani):** Bids are under evaluation

- **Package P04 (Jagatpur to Chandbali)** – Bid document has been submitted to the Bank and is under review by the Bank.

41. **Procurement of Equipment and Goods:** Procurement of equipments for Asset Management and equipment for implementation of ISAP are the major goods planned to be procured under the Project. The Bid Document of Commercial-off-the-Shelf Software for Orissa Road Asset Management System has been received by the Bank. The SPN for the same shall be published by September 30, 2012.

42. **Procurement of Consultancy Services:** The mission reviewed the progress of procurement of Consultancy Services since last mission and noted the following in respect of specific procurement under the Project :

- a. Construction Supervision for Year-1 Roads (Balance Work) : (Contract awarded to M/s. MSV International Inc., USA in Joint Venture with Upham International Corporation on February 29, 2012. The assignment started in May 2012).
- b. Road Sector Institutional Development, Planning, Safety and Financing Study : (Contract awarded to M/s. Intercontinental Consultants and Technocrats Pvt. Ltd. In Joint Venture with Grant Thornton Advisory Pvt. Ltd. and Arkitechno Consultants (India) Pvt. Ltd. as sub-consultants on February 29, 2012. The assignment started in April 2012).
- c. Development and implementation of a comprehensive IT-ICT-MIS strategy : (Contract awarded to M/s. CSM Technologies on February 24, 2012. The assignment started in April 2012).
- d. Social Expert for updating RAP of Jagatpur-Chandbali Road: (Contract awarded to Kirti Bas on April 18, 2012).
- e. Construction Supervision for Jagatpur-Chandbali Road: (EOI evaluation shall be completed and RFP shall be issued by 1st week of September, 2012)
- f. Contract Management Specialist: (Selection process shall be completed by end of August, 2012).
- g. ISAP Facilitator: (Selection process shall be completed by end of August, 2012).

43. **Delay in Signing of Contract Agreement:** The mission expressed concern over the delay in signing of Contract Agreement after Bank's "No Objection". The mission requested OWD/PMU to review the internal decision making process for expediting the Contract Signing process and publication of award details on UNDB within two weeks of receiving Bank's "No Objection" to the recommendation of contract award.

44. **Status of e-procurement:** In response to request from OWD/PMU for using e-procurement for all procurements under this Project, the mission informed OWD/PMU that the assessment of e-procurement system of Government of Orissa was done by Bank in accordance with MDB guidelines in January, 2012, for Procurement of Goods and Works following NCB method, under another Bank funded Project, i.e. Orissa Community Tank Management and Development Project (OCTMDP). Subsequently, the assessment report and Action Plan for mitigation of risks identified during assessment was shared with OCTMDP and the service provider NIC (National Informatics Centre). A follow-up meeting was held on June 29, 2012 to review status of implementation of Action Plan and to expedite the actions to be taken by NIC. The mission, once again reviewed the system for use in Bank funded Consultancy Services Procurement and procurements following ICB method. A revised Action Plan with additional points to address the issues of facilitating participation of foreign bidders and process mapping for Procurement of Consultancy Services was agreed with OWD/PMU to be further communicated to NIC for implementation of the same. It was agreed that OWD/PMU shall follow-up with NIC, for implementation of the Action Plan and send the confirmation of the same to Bank by August 31, 2012.

45. **Complaint Handling:** The mission noted that there is an online complaint handling system on Project website. It was agreed with OWD/PMU that the complaint handling system shall be linked to the e-procurement portal of the State for tenders under OSRP on Pilot basis and then rolled-out to all departments of Government of Orissa in a phased manner. OWD/PMU shall share roadmap for linking the complaint handling database to the e-procurement portal with Bank by August 31, 2012.

46. With reference to the issue of mis-representation of CVs in the complaint against NGO (KASS), the mission discussed with OWD/PMU, the need for additional due diligence during selection of Consultants and to review the CVs of Key Professional Staff of all Consultancy firms hired under Bank funded Project, on sample basis and share the report with Bank by October 31, 2012.

47. **Procurement Post Review:** For FY12, there were no post review contracts. For FY13, the list of post review contracts shall be sent to the Bank by OWD/PMU by September 30, 2012.

48. **Disclosure Management:** The mission reviewed the Project website and observed that all mandatory procurement information viz. approved procurement plan, tender notices, contract award details are being updated on Project website.

49. **Procurement Rating:** In view of (a) delays in decision making leading to delay in contract agreement signing, (b) no progress in work of Package P-01 and P-02, (c) delay in processing the tender for balance works of Package P03, and (c) delay in publication of award results on UNDB online, the Procurement Rating remains '*Moderately Unsatisfactory*'. Mission will review the progress on procurement over next six months and on satisfactory implementation of agreed actions mentioned under 'procurement' in Annexure-2, the mission shall consider upgrading the procurement rating.

XI. PROJECT RATINGS.

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

HS highly satisfactory, S satisfactory, MS Moderately Satisfactory, MU Moderately Unsatisfactory, U unsatisfactory, NA not applicable.

50. The next full mission is proposed to be held in January 2013. However, the Bank will continue to increase its supervision efforts and undertake an interim mission in October/November 2012.

Annexure-1

Status of the Actions Required for Lifting Suspension of Disbursement by the Bank

| Sl. No. | Required Action by the GOO | Findings by the Mission | Remarks |
|---------|---|---|---|
| (a) | In each of the Phase-1 contracts, completion of Pre-Construction Activities and Handing Over Encumbrance-free Land for all stretches under the 1 st Milestone and at least 50% stretches under the 2 nd milestone | Target for milestone I has been substantially achieved in all three packages barring few locations in P03. Milestone-II target (50% length encumbrance-free) has been substantially completed in all three contracts and the progress is satisfactory to complete the balance. | Substantially Complied |
| (b) | In each of the Phase-1 contracts, achieving a minimum of 20% progress (total value of certified work done against the contract value), excluding advances | Contracts P01 and P02 have been put under termination, while the P03 has been re-bid. | Not complied due to fundamentally changed circumstances - Due to contractual non-obligations by the contractor, the GoO decided to terminate contract P01 and P02, while P03 was terminated by the contractor himself. This demonstrate GoO's pro-activity and emphasis on better contract management . |
| (c) | Ensuring that civil works are being executed with due regard to Quality, Safety and Environmental Safeguards | Contracts P01 and P02 have been put under termination, while the P03 has been re-bid. | Not complied due to fundamentally changed circumstances – as explained in (b) above |
| (d) | Applying appropriate legal/contractual Remedies to ensure active Participation by the Lead JV partners in all three contracts | On the request of the Orissa Works Department (OWD), the Law Department of the Government of Orissa (GoO) has given its opinion on rights, duties and liabilities of individual partners of the Joint Ventures and suggested actions to ensure participation of the Lead Partners. Accordingly, the OWD has issued termination notices for P01 and P02. | Complied |
| (e) | Implementation of Independent Third Party Review of the Quality Assurance System and Quality of Works including Construction | Independent Third Party Reviewer has been mobilized. | Complied |

| Sl. No. | Required Action by the GOO | Findings by the Mission | Remarks |
|---------|---|---|----------|
| | Zone Safety | | |
| (f) | Full-fledged Staffing of the dedicated Road Asset Management Cell, Institutional Strengthening Cell and IT-ICT-MIS Cell in OWD | Cells have been created and have been staffed. | Complied |
| (g) | Awarding of Contract for the Consulting Services for the Construction Supervision of the balance Civil Works in the three ongoing Phase-1 Contracts | Bank conveyed No Objection for award on Jan 27, 2012 after receipt of clarifications from PMU on Jan 27, 2012. Contract has been awarded on March 12, 2012 with substantial delays. | Complied |
| (h) | Awarding of Contract for the Consulting Services for the Orissa Road Sector Institutional Development | Bank conveyed No Objection for award on Dec 24, 2011 after receipt of clarifications from PMU on Dec 21 2011. Approval from Govt of Orissa has been received with inordinate delays. The contract is being signed on March 16, 2012 | Complied |

Action Agreed during the Mission

| <i>No.</i> | <i>Action Required</i> | <i>Agency</i> | <i>By Date</i> |
|---|--|--------------------------------|----------------|
| Project Management and Civil works | | | |
| 1 | Review existing systems to reduce delays in contract award after receiving Bank's no objection. | OWD/ GoO | Immediate |
| 2 | Expedite Preparation and procurement of Phase I contracts (P01, P02); Phase II contract P04; 8 Roads proposed to be included in the project as part of the restructuring; and award of P03 | PMU | Continuous |
| 3 | Continue emphasis on progressing and improvements in Pre-construction Activities including LA R&R | PMU | Continuous |
| 4 | Strengthening Contract Management by engaging a Contract Management Specialist | PMU | Immediate |
| 5 | Selection / mobilization of ISAP Facilitator | PMU | Immediate |
| 6 | Ensure maintenance of P01, P02 and P03 | | |
| 7 | Initiate bidding for P01 and P02 | PMU | Oct 31, 2012 |
| 8 | Provide a detailed break-up of the amounts paid to – and the penalties imposed on - the contractors on P01, P02 and P03 w.r.t. maintenance. | PMU | Oct 15, 2012 |
| 9 | Review maintenance arrangements and procurement undertaken | OWD/GoO | Oct 15, 2012 |
| IS & GAAP Matters | | | |
| 1 | Concrete proposal for required TL submitted for OWD action | RSID Cons., OWD | Immediate |
| 2 | Revised (final) Inception Reports for RSID and IT-ICT-MIS consultancies forwarded to Bank | Cons. and OWD | Immediate |
| 3 | Submission of consultants' report on "as is" OWD IT-ICT-MIS capacity and needs assessment, with identification of early high-value / high-impact action targets | Cons. and OWD / PMU | Immediate |
| 4 | GOO officials (SLEC-centered) interstate visit(s) to review road sector structuring and capacity initiatives and experiences | OWD and RSID cons. | Octo31, 2012 |
| 5 | High-level GOO & stakeholders' workshop on future road sector strategy, policy, coordination and institutional framework | RSID cons., OWD, SLEC | Oct 15, 2012 |
| 6 | RFP package finalized and bids invited for AMS / COTS needs | PMU / OWD | Oct31, 2012 |

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|--|--|----------------------------|--------------|
| 7 | Preparation of limited 'pre-AMS' road maintenance needs prioritization for FD for IFY 13-14 Budget planning inputs | AMS cons., PMU / OWD | Oct15, 2012 |
| 8 | OSRP Website in Oriya Language | PMU | Oct 15, 2012 |
| 9 | Link to RTIOrissa.gov.in provided on OSRP Website | PMU | Immediate |
| 10 | All complaints on the project (from project start till date) uploaded on CHS; CHS publicized through appropriate media | PMU | Immediate |
| 11 | Hands-on training on CHS to PMU field divisions | PMU | Immediate |
| 12 | Consultant finalized for collection of Socio-economic data | PMU | Immediate |
| 13 | Revisions made to e-procurement system to comply with Bank requirements | PMU/IT | Oct15, 2012 |
| 14 | Incorporation of CoST indicators on all project reporting | PMU | Oct30, 2012 |
| 15 | Details of proposed Construction Academy provided to Bank | PMU | Immediate |
| 16 | Convening of the IS cell to update the GAAP matrix | PMU/IS Cell | Immediate |
| Environment Management and Safeguard Issues | | | |
| <i>Phase I works</i> | | | |
| 1 | Obtain forest land diversion permission for P03 | PMU | Oct 31, 2012 |
| 2 | Finalize compensatory afforestation plans and transfer funds for P01 and P02 | PMU | Oct 15, 2012 |
| 3 | Ensure proper drainage and safety conditions on all three Phase I contracts | PMU | Continuous |
| 4 | Initiate updating of EMP for P01 and P02 | PMU | Oct 31, 2012 |
| <i>Phase II works</i> | | | |
| 5 | Obtain Wildlife Clearance for P04. | PMU | Nov 15, 2012 |
| 6 | Submit the updated EIA and EMP for P04 to Bank for review | PMU | Oct31, 2012 |
| 7 | Initiate other environmental activities identified for P04 | PMU | Oct 15, 2012 |
| 8 | Submit the Environmental Screening Report for Rehabilitation Component to the Bank for review | PMU | Oct31, 2012 |
| 9 | Appoint an Environmental Specialist to guide/help the EMC/PMU | PMU | Immediate |
| Procurement | | | |
| 1 | EOI evaluation for Construction Supervision for Jagatpur-Chandbali Road shall be completed and RFP shall be issued | PMU | Oct31, 2012 |
| 2 | The SPN for Procurement of Commercial-off-the-Shelf Software | PMU | Immediate |

| | | | |
|----------------------------------|--|---------|--|
| | for Odisha Road Asset Management System shall be published | | |
| 3 | Bid document for Civil Works under Package P04 (Jagatpur to Chandbali) is under preparation and shall be sent for Bank's review | PMU | Immediate |
| 4 | Bid Evaluation Report for Balance Work of Package P03 (Berhampur-Taptapani) shall be sent for Bank's review | PMU | Oct15, 2012 |
| 5 | Implementation of the e-procurement Action Plan | NIC | Immediate |
| 6 | Prepare Roadmap for linking the complaint handling database to the e-procurement portal and share the same with Bank | PMU/NIC | Immediate |
| 7 | Send the list of post review contracts for FY13, to the Bank | PMU | Oct31, 2012 |
| 8 | Review the CVs of Key Professional Staff of all Consultancy firms hired under OSRP, on sample basis and share the report with Bank | PMU | Oct 31, 2012 |
| 9 | Updated Procurement Plan for next 12 months shall be sent for Bank's review | PMU | Immediate |
| Social Development Issues | | | |
| 1 | Replace SLAO at PMU | PMU/GOO | Immediate |
| 2 | Provide remaining RR assistances for Phase-I roads (site and agricultural allowances) | PMU | Oct 31, 2012 |
| 3 | Address key R&R Policy Issues (minimum payable amounts for disbursing site allowances squatters and equitable site allowances for legal shop owners; | PMU | Immediate |
| 4 | Update Entitlements Matrix for Phase-II roads | PMU | Immediate |
| 5 | Simplify and Disseminate Information regarding GRM | PMU | Immediate |
| 6 | Initiate independent safeguards review | PMU | Oct31, 2012 |
| 7 | Update and submit RAP for Jagatpur-Chandbali road | PMU | Immediate for Milestone 1, and Oct 31, 2012 for the rest |
| 8 | Complete Social Screening for Phase II roads | PMU | Oct 15, 2012 |

Status of Legal Covenant Compliance

| S.No. | Covenant | Reference | Status |
|-------|--|---|---|
| 1 | <p>The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall:</p> <p>(a) carry out the Project through the OWD in accordance with the provisions of Article V of the General Conditions; and</p> | <p>ARTICLE II— PROJECT, Section 2.01 (a)</p> | <p>Complied with - Government has demonstrated its commitment through complying with the action plan for lifting the suspension; resolving key implementation issues and; improved management of pre-construction activities.</p> |
| 2 | <p>Ensure that the OWD carries 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;</p> | <p>SCHEDULE (Execution of the Project)</p> <p>Section I. - Institutional Arrangements and Project Undertakings</p> <p>(F)</p> | <p>The consultants are on board and OWD has ensured to publish the first report by March 31, 2013.</p> |
| 3 | <p>Ensure that the OWD carries 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;</p> | <p>SCHEDULE (Execution of the Project)</p> <p>Section I. - Institutional Arrangements and Project Undertakings</p> <p>(G)</p> | <p>All these surveys are now being carried out by the Consultant. OWD has ensured to publish the first report by March 31, 2013. Hence this will be complied with delay.</p> |
| 4 | <p>Carry out, with respect to the Project roads: (a) three user satisfaction and land use surveys, and produce reports for each survey, with the first (baseline) survey to be carried out and the report to be produced no later than June 30, 2009, the second survey to be carried out and the report to be produced no later than June 30, 2011, and the third survey to be carried out and the report to be produced no later than June 30, 2013; (b) one value engineering and quality review to be carried out and the report to be produced no later than June 30, 2010;</p> | <p>SCHEDULE (Execution of the Project)</p> <p>Section I. - Institutional Arrangements and Project Undertakings</p> <p>(H)</p> | <p>Consulting services for Road User Satisfaction Survey have been procured in late 2011.</p> <p>Reports for each survey, with the first (baseline) survey to be carried out and the report to be produced no later than December 31, 2012, and the second survey to be carried out and the report to be produced no later than December 31, 2014, and the third survey to be carried out and the report to be produced no later than December 31, 2017</p> |

| | | | |
|---|--|---|---|
| 5 | By December 31, 2010, carry out the road sector institutional development study in accordance with terms of reference satisfactory to the Bank; | <p>SCHEDULE (Execution of the Project)</p> <p>Section I. - Institutional Arrangements and Project Undertakings</p> <p>(J)</p> | Consulting services procured and mobilized in April, 2012. Hence this covenant is on its course to be met but with delays, |
| 6 | Notwithstanding the requirement in Section II.A.1 of this Schedule, within 24 months of Loan Agreement effectiveness, the Project Implementing Entity shall carry out a comprehensive mid-term Project review, and shall by December 31, 2010, prepare and furnish to the Bank a mid-term Project progress report, satisfactory to the Bank. | <p>Section II. Project Monitoring, Reporting, Evaluation</p> <p>A. Project Reports</p> <p>2</p> | The MTR not undertaken due to current status of project. The Mid Term Review shall now be taken up in Dec 2014. Hence this covenant will be met with delay. |

Social Safeguards

1. **Status of Land Acquisition:** The PMU shared updated LA and R&R status reports for the Phase-I roads which indicate substantial progress in the LA and R&R process since suspension. The LA compensation award is substantially complete for P-01 and P-02, and has progressed well except in a few locations along P-03. The stretches where LA award is pending include:

- P-01: A few small additional land parcels required for CD works, which were identified during implementation
- P-02: Additional land parcels required for junction improvement at two locations and a few locations where award is in process
- P-03: A few locations where squatters were provided land rights by the government recently, two locations where junction improvement is proposed, and townships where debottar lands (privately occupied lands of religious trusts) are affected. The Table below provides the details.

Summary of Progress in Land Acquisition (August 5, 2012)

| Road Package | Land Required (in Acres) | Awarded (in Acres) | LA in advanced stage (in Acres) | LA in Progress (in Acres) | No. of Pending / Court cases |
|---------------------------------|--------------------------|--------------------|---------------------------------|---------------------------|------------------------------|
| P-01 Bhawanipatna-Khariar | 77.88 | 62.33 | 12.05 | 3.5 | 1 |
| P-02 Chandbali-Bhadrak-Anandpur | 70.19 | 57.02 | 2.012 | 11.155 | 57 |
| P-03 Brahmapur-Taptapani | 53.004 | 41.754 | 0.847 | 10.403 | 23 |
| Total | 201.07 | 161.10 | 14.91 | 25.058 | 81 |

2. **Resettlement and Rehabilitation:** The R&R process has been near completed for P-01, and substantially done for P-02. In case of P-03, the R&R process slowed down after the civil work was stopped by the contractor. Whereas the majority of the affected structures have been relocated with the payment of the compensation amount for land, structure and allowance for relocation, the payment of site allowance was delayed for owner/squatter shops and squatter residences due to lack of clarity. In case of P-02, a few shops and residences will be affected due to the proposed widening for creating junctions at two places, whereas in case of P-03, the PAP eligibility data has not been finalized and notified at places like Digapahandi and First Gate. The PMU is advised to constitute Local Resettlement Committees (LRCs) at select locations for monitoring and coordination of the relocation process.

Status of Resettlement and Rehabilitation (August 5, 2012)

| Package | Structures Affected* | | | | Structures Relocated with LA and RR assistance | | | | Structures Reconstructed and Rehabilitated+ | | | |
|--------------|----------------------|-------------|------------|-------------|--|-------------|------------|-------------|---|------------|------------|-------------|
| | R | C | K | Total | R | C | K | Total | R | C | K | Total |
| P-01 | 72 | 114 | 58 | 244 | 70 | 112 | 58 | 240 | 30 | 31 | 22 | 83 |
| P-02 | 123 | 982 | 631 | 1736 | 74 | 926 | 559 | 1559 | 52 | 526 | 340 | 918 |
| P-03 | 179 | 484 | 115 | 778 | 41 | 140 | 110 | 291 | 39 | 78 | 97 | 214 |
| TOTAL | 374 | 1580 | 804 | 2758 | 185 | 1178 | 727 | 2090 | 121 | 635 | 459 | 1215 |

* R= residential, C= commercial, K=kiosks

+ "Rehabilitated" refers to the structures that have been reconstructed by the relocated PAPs using LA and R&R assistance, which is monitored by the NGOs

3. **Bridging Gaps in R&R Entitlements:** In the last one year, the Government of Orissa has taken initiative to bridge gaps in the provision of R&R entitlements to the eligible PAPs in the category of agricultural allowance for farm land losers, site allowance for displaced squatters and legal shop owners and updating of the fixed cost R&R assistances as per the OSRP R&R Entitlements Framework, which is summarized below.

- i. *Agricultural land losers:* The PMU started disbursing agricultural assistances as per OSRP Policy. The process has been slow in view of procedural delays on account of the need to process and approve claims for about 3000 land losers, of which 1000 cases are in process so far with assistance disbursed to some 78 PAPs.
- ii. *Affected land and structure owners (commercial):* The Government has agreed to pay site allowance to the legal shop owners at benchmark market values for affected area over and above LA compensation. The PMU is advised to provide an update regarding progress in this regard.
- iii. *Displaced Squatter Families (residential and commercial):* The government has agreed to provide site allowance to the affected residential and commercial squatters “at benchmark market values” for the affected area to the displaced residential squatters without homestead land and to all the displaced commercial squatters (excluding kiosks). In order to avoid procedural delays and in view of varying benchmark values along the road corridor, the PMU is in discussion with the SLEC to fix “minimum payable site allowances” for shops and residences in towns and village areas. The mission discussed this with the SLEC and the latter promised to take a decision regarding this issue soon.
- iv. *Revision of R&R entitlements:* The SLEC has indicated that it would update R&R entitlements prior to finalizing the RAPs for the Phase-II roads. The Mission has explained that the updated entitlement matrix needs to be discussed and cleared with the Bank prior to starting the bidding process for Phase-II roads.
- v. *Other policy issues:* The Mission discussed with the SLEC a few emergent entitlements issues, which the Committee promised to discuss in a special meeting and decide. These include: (i) setting down relocation allowance for kiosks as minimum R&R assistance payable to the displaced tenants and other families not getting any other assistance⁴; (ii) supplementary assistance to the affected tribal families as a part of R&R framework⁵; and (iii) providing agricultural (R&R) assistance to the actual cultivators of lands acquired including the debottar lands⁶.

⁴ The NRRP 2007 has set INR 10,000 as shifting allowance, which has been adopted in several states, whereas the OSRP Policy offers INR 1000 as shifting allowance to the tenants, which does not enable the displaced tenants to reestablish their shops or residences. In view of inflation and loss of incomes caused due to relocation, the Government of Orissa is advised to consider providing minimum relocation allowance of INR 5000 (which is paid to kiosks) to the displaced PAPs including tenants, not receiving any other R&R assistance.

⁵ The OSRP roads affect only a few tribal households, who deserve special attention in view of their weak socio-economic situation and as per the constitutional mandate. In this context, the GoO is advised to consider extending additional R&R assistance to the affected tribal households within the scope of the resettlement policy.

⁶ In case of Debottar lands acquired for the project, the compensation goes to the Trust managing the concerned religious property, whereas the actual cultivator who loses livelihood does not receive any R&R assistance. In this context, the GOO is advised to consider providing “agricultural assistance only to the “actual cultivator” of the land parcel acquired for the project” including for private land, debottar land, and traditionally occupied lands in tribal areas.

4. **Grievance Redress Mechanism (GRM):** Following elaborate discussions, the PMU has appreciated the need to simplify and operationalize an effective two stage GRM mechanism. The PMU has proposed that at the package level, the GRM will comprise the Tahsildar, Package Engineer and the Social Scientist. At the PMU level, the Complaint Handling System will function as the GRM. The PMU is advised to include the Social Development Advisor as a member of CHS for addressing R&R related complaints. The PMU will prepare and disclose a Note regarding the GRM explaining composition, jurisdiction, and procedure for hearing and resolving grievances.

5. **Interim External Social Safeguards Review:** In order to enhance the quality of social safeguards management, the Bank had emphasized the need to carry out an interim safeguards review in line with the agreed safeguards monitoring arrangements. Responding positively to the Bank's suggestion, the PMU has invited expressions of interest (EOI) from interested consultants to carry out an interim independent review of the LA and R&R process so far, based on a ToR agreed with the Bank. The commissioning is expected to be completed in October 2012.

6. **PAP Consultations and Local Resettlement Committees (LRC):** The Project has improved information disclosure and PAP consultations in the last few months at several locations. During this mission, PAP interactions were held at a few villages along P-03 road to verify progress in R&R activities, and a formal PAP consultation conducted at Gagua along the Jagatpur-Chandbali Road to discuss the RAP update process. Whereas LRCs have been constituted at key locations along Berhampur-Taptapani (P-03) to accelerate the R&R assistance disbursement and site clearance process, in case of the Jagatpur-Chandbali Road (P-04), LRCs are being formed to finalize the PAP eligibility lists through public disclosure and consultation. The key issues raised related to (a) need for alternative shopping site; (b) fixing of road RoW beyond acquired area which called for re-verification in the presence of the land/structure owners; (c) disclosure of alignment maps at key locations indicating alignment; (d) updating compensation amounts to reflect market values, (e) loss of livelihood of actual cultivators losing Debottar lands. The Deputy Commissioner discussed the above issues with the people at Gagua and informed that (a) re-verification shall be done wherever extra land has been marked within the road RoW and compensation paid for the additional areas; (b) eligibility lists shall be disclosed and LRCs formed to verify and finalize PAP eligibility lists; (c) the PMU will place the entitlements related issues before the SLEC for discussion.

7. **RAP for Jagatpur-Chandbali Road (P-04):** The re-survey of PAP data for updating of the RAP for Jagatpur-Chandbali road is in progress. The PMU has proposed to prepare the RAP for P-04 in two parts with the first part covering PAP survey data for stretches to be handed over encumbrance free as milestone-1 so as to start the bidding process. The PMU has indicated that the RAP for the milestone-1 will be submitted by the end of August. The Bank has agreed to review the RAP (1) for P-04, provided the entitlement matrix is updated as recommended by the Bank in its Mission Aide Memoires. The RAP should include a separate section on action plan for the affected tribal people as per OP 4.10.

8. **Social Screening for Other Phase-II Roads:** The PMU has carried out initial surveys and prepared impact footprints for proposed rehabilitation and strengthening of eight Phase-II roads as approved by the SLEC. These are: (i) Khandarpur-Machagaon (Jagatsinghpur District), (ii & iii) Pipli-Nimapada, Nimapada-Konark (Puri District), (iv) Raja Athagarh-Narsinghpur (Cuttack), (v) Tarini-Hinjili (Ganjam district), (vi) Godabhaga-Turum (Sambalpur), (vii) Barkote-Lahunipada, and (viii) Bamra-Gariamal-Karamdih-Talsara (Sundargarh). The mission undertook field visits with the Deputy Commissioner (LA) to these roads to assess likely impacts on the ground. The proposed road works will

include rehabilitating and strengthening carriage way without widening and maintaining shoulders at 1.0-2.5 meters on either side subject to availability of land. Even as the minimum should width of one meter is considered ideal, this may not be feasible in the fully developed stretches without substantial impacts on habitations and markets. In order to avoid adverse social impacts in such stretches, it may be advisable to opt for concrete shoulders within available RoW. Similarly, in certain stretches such as along the Khandarpur-Machagaon Road, shoulder widening will be challenging in view of several trees planted on both the sides within 1.5 meters of the carriage way.

9. Whereas the three road works in Sundargarh and Sambalpur will involve very limited LA and R&R, the rest will require some LA and R&R in varying degrees in isolated stretches. This will be required to improve junction or maintain uniform road width, affecting partially/fully a few land owners/squatters. The PMU has indicated that it will carry out land surveys with the help of engineering and revenue officials and carry out resettlement impact surveys with the help of Social Mobilization Officers and accordingly prepare abbreviated RAP/ RAP as necessary in consultation with the Bank. At present, the PMU is advised to finalize the Social Screening Reports for these roads based on the impact footprint prepared by the concerned divisions and with the help of screening formats shared earlier with the PMU for reference. The Bank team appreciated the auto-cad maps prepared by the Chhatrapur Division to highlight R&R impacts and also the maps prepared by the Banei Division to indicate the road condition in various stretches. The PMU is requested to ensure that all the road divisions prepare similar maps on impacts and road conditions.

**Governance and Accountability Action Plan Matrix
Proposed revision in Project restructuring**

| Action To Be Taken | Time Line | Responsibility | Remarks |
|--|--------------------------------------|--------------------------------|--|
| 1. Implementation of Right to Information Act, 2005 (RTI) | | | |
| i. OSRP website to be in Oriya | September 15, 2012 | OWD | |
| ii. Time overruns, cost overruns, number of variation orders, extensions of time, orders given to remedy the work to be disclosed by each road/package | Continuously during implementation | PMU | As per Construction Sector Transparency Initiative (CoST) guidelines |
| iii. Conduct regular training for RTI staff | Semi-annually | PMU | Training in a suitable institutes such as State Institute of Rural Development etc. |
| iv. Disclosure of information indicators | Continuous | PMU | Material Project Information (MPI) indicators as per CoST guidelines |
| 2. Business process re-engineering to support better accountability and transparency | | | |
| i. Simplification and rationalization of systems – PWD code, procurement manual etc | June 2009 | PMU | Ongoing by the RSID Consultant under Institutional Component. |
| 3. Improving procurement practices in the works department | | | |
| i. Use of e-procurement system for procuring restructured packages/goods/services | September 2012 | | As soon as e-procurement system has been revised to incorporate Bank comments. |
| ii. Development of databases for contracts, prices, specifications, contractor/consultant performance etc and related MIS | December 2013 | PMU | To be done under new consultancy services under the Institutional Development Component. |
| iii. Independent financial, technical & commercial audits | Annual | Accountant General (Financial) | AG audit being done annually and audit certificates are being submitted to the Bank. |
| | | OWD (Technical) | To be addressed by RSID consultants under Quality Assurance. |
| 4. Strengthening preventive vigilance | | | |
| i. Preventive Vigilance steps, awareness programs (including on CHS) and seminars. | Continuous; Annual workshops by RDQP | OWD | First workshop on Quality and Vigilance held in January 2011. |

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|--|----------------------------------|---------|--|
| ii. Setting up of an on-line complaint handling system (CHS) to enable electronic registration, monitoring and analysis of project complaints. | In place; | PMU | Training ongoing. |
| iii. Training on CHS to all OWD staff | Periodically. | PMU/OWD | |
| iii. Roll-out of CHS in entire OWD. | December 2013 | OWD | |
| 5. Third party monitoring | | | |
| i. Independent quality and quantity checks on project works. | Start with the first contract | PMU | NIT Rourkela has commenced the audits. First audit visits have been completed and the reports submitted. |
| ii. Introduction of systematic third-party monitoring on all OWD works | December 2013 | OWD | To be addressed by RSID Consultant |
| 6. User feedback on project performance/impact | | | |
| i. Perception surveys | At mid-point & at end of project | PMU | Ongoing by MDRA. |
| ii. Socio-economic impact surveys along project corridors | | | Process initiated. |
| 7. Increasing competition and mitigating collusion | | | |
| i Disseminating details of tenders such as number of firms bidding, number actually submitting bids etc. and related information | For each contract. | PMU | On OSRP website, as per CoST guidelines. |
| 8. Capacity building in quality, project management and governance | | | |
| i Support to the Construction Academy in development of courses/resources etc. relevant to the road sector | As needed. | OWD | To be decided. |

