

October 17, 2011

Mr. B. K. Patnaik  
Chief Secretary & Chief Development Commissioner  
Government of Orissa  
Secretariat  
Bhubaneswar 751 001

Dear Mr. Patnaik:

***India: Orissa State Roads Project (Loan No. 7577-IN)  
Implementation Supervision Mission, September 25-30, 2011***

We thank the Government of Orissa (GoO) and the Orissa Works Department (OWD) for the support extended to the Bank team during the Implementation Support Mission held during September 25-30, 2011. The primary objective of this mission was to ascertain the status of actions for lifting the suspension of loan disbursement as mentioned in the Bank's letter dated May 27, 2011.

We appreciate that both GoO and OWD have taken several steps towards completion of the eight actions listed for lifting of suspension. According to the mission's assessment, two actions have been fully completed (i.e. full-fledged staffing of various cells and putting in place a mechanism for independent third party review of quality). There has been substantial progress on the completion of pre-construction activities as well. However, the completion of the remaining five actions might still take some time and hence the suspension of disbursement cannot be lifted at this time. A more detailed assessment of the status of each of these actions is placed in the attached aide memoire, along with a summary table under Annexure I for your easy reference.

We would like to take this opportunity to bring two additional areas of concern to your attention: First, we are concerned by the apparent lack of interest being shown by contractors in implementing the phase I contracts at a reasonable pace and with due attention to quality and safeguard aspects; the contractor for Barhampur-Taptapani (P-3) has opted to terminate the contract, and, in the remaining two projects, too, the physical progress has been very slow and the attention to quality issues is less than optimal. It would therefore be advisable for the government to ascertain the contractors' commitment towards completion of the Bhawanipatna-Khariar (P-1) and Anandpur-Chandbali (P-2) projects. In the absence of any such commitment and demonstration on the ground, GoO must consider appropriate measures to safeguard its interests in dealing with such contracting entities.

Second, there is an urgent need to improve contract management in general, especially with regard to key decisions that are likely to have significant financial implications for the state government. These, for example, include: (a) review of

Extension-of-Time requests by the contractor, (b) issuing notices and invoking/enforcement of relevant contractual provisions with appropriate legal due diligence for non-fulfillment of contractual obligations by the contracting entity, (c) handling of termination case of P-3 contract, and (d) early resolution of Tel Bridge design issue under contract P-1. Towards this end, you may want to consider constituting a Project-level Steering Committee, under the chairmanship of the Secretary, OWD, with representatives from the Finance and Legal Departments.

We are also given to understand that the PMU had put forward some restructuring options as well as preparatory activities for the next phase of the project for discussion with the mission. While we appreciate the PMU's initiative in this regard, we will be able to engage in a meaningful dialogue on such future prospects only after the suspension is lifted.

As you are aware, the loan has already been under suspension for more than five months and, in the current scenario, the prospects of lifting suspension do not look promising enough. We therefore seek urgent attention to expediting completion of all the afore-mentioned activities at the earliest, in any case before end December 2011.

In case you are interested, I could request a senior official from DEA and our Operations Advisor to meet with you to review ways to accelerate the implementation of the project.

Our task team stands ready to assist the Government of Orissa and can participate in any review/discussion meetings that you may want them to attend. Should you require any clarifications, please do not hesitate to contact my colleagues Mr. Rajesh Rohatgi (email: [rrohatsgi@worldbank.org](mailto:rrohatsgi@worldbank.org)) or Mr. Sri Kumar Tadimalla (email: [stadimalla@worldbank.org](mailto:stadimalla@worldbank.org)).

With regards,

Sincerely yours,



Anna Wellenstein  
Acting Country Director, India

Enclosure: Aide-Memoire

cc: Mr. A.K. Upadhyay, Secretary, MoRTH, GoI  
Mr. Venu Rajamony, Joint Secretary (MI), DEA, MoF, GoI  
Mr. R.P. Indoria, Additional Director General, MoRTH, GoI  
Mr. J. K. Mohapatra, Principal Secretary, Department of Finance, GoO  
Mr. R. K. Sharma, Commissioner and Secretary, Department of Revenue, GoO  
Mr. S.K. Ray, Engineer-in-Chief-cum-Secretary, OWD,GoO  
Mr. N.K. Pradhan, Chief Engineer, (World Bank Projects), OWD  
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Abushakra (LEGES); Stein, Audige, Eijbergen, Bandyopadhyay, Rohatgi, Tadimalla  
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*IRIS*

**INDIA**  
**Orissa State Roads Project**  
**Fourth Implementation Support Mission, September 26-30, 2011**

**Aide Memoire**

**I. INTRODUCTION**

1. A World Bank team<sup>1</sup> visited the State of Orissa to undertake the fourth implementation support mission for the Orissa State Roads Project during September 26-30, 2011. 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 visited the sites of all the three ongoing civil works contracts in Phase I and held extensive discussions with the officers of the Project Management Unit (PMU), teams of Resident Engineers and Contractors. In addition, at the behest of the PMU, the mission visited a few probable sites for Phase II civil works and help preliminary discussion on the options for restructuring the project if and when Government of Orissa (GoO)/Orissa works Department (OWD) meet the requirements for lifting the suspension of loan disbursements.
2. A wrap-up meeting, chaired by Secretary, OWD, was held on September 30, 2011. The mission also met with the Chief Secretary and Principal Secretary, Finance, and briefed them on the mission's preliminary findings and the next steps agreed with the PMU.
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	U
<i>Project Age:</i>	36 months	Implementation Progress	U	U
<i>Disbursed:</i>	US\$ 20million (8%)			
<i>Closing Date:</i>	<i>December 31, 2014</i>	Risk Flags: Project Management, Slow Disbursement,		
<i>Loan Committed:</i>	44%	Environment Management, Social Safeguards & Legal Covenant		

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

**III. SUMMARY**

4. **Achievement of Project Development Objective (PDO):** The project's overall development objective is to remove transport bottlenecks in targeted corridors for greater investment and economic and social development activities in the state of Orissa. Considering the current project implementation

<sup>1</sup> Consisting of Messrs/Mmes Rajesh Rohatgi (Mission Leader), Sri Kumar Tadimalla (co-TTL and PPP Specialist), Supriti Gupta (Financial Management Specialist), Neha Vyas (Environmental Specialists), Satya N. Mishra (Social Development Specialist) Santhakumar Sundaram (Operations Officer), A.K. Swaminathan (Consultant, Transport), Mr. Sujit Das (Consultant Highway Engineering), Ernst Huning (Consultant, Institutional Strengthening) Krishnan Srinivasan (Consultant, GAAP) and Yash Gupta (Procurement Specialist).

situation and delays in collecting baseline data on various indicators, the likelihood of achieving the PDO continues to be 'Unsatisfactory'.

5. **Status of Activities for Lifting of Suspension of Loan Disbursements.** Of the eight activities listed for lifting of suspension of disbursements, two activities have been completed. These are: (i) full-fledged staffing of dedicated cells for road asset management, institutional strengthening and IT-ICT-MIS; and (ii) putting in place a mechanism for independent third party review of quality. PMU has also achieved substantial progress w.r.t. one more activity, i.e., *completion of the pre-construction activities and handing over of encumbrance free land for all stretches under the first milestone and at least 50% stretches under the second milestone.* The status of the remaining activities, along with the mission's assessment, is summarized below:

- *Achieving a minimum of 20% progress in Phase I contracts.* As on August 31, 2011, the cumulative progress achieved in the three contracts is as follows: 19% in P-01(Bhawanipatna-Kharia), 14.6% in P-02 (Anandpur-Bhadrak-Chandbali) and 13% in P-03 (Berhampur-Taptapani). No further progress is expected in P-03 in the near future, as the same was terminated by the contractor on September 15, 2011. **Mission's assessment: Very Slow progress.**
- *Ensuring execution of civil works with due regard to quality, safety and environmental safeguards – Highly Unsatisfactory.* Barring a few instances of acceptable quality civil works, such as, for example, bituminous works and shoulders in P-02, the implementation of civil works is found to be highly unsatisfactory with regard to quality and safety. For instance, the signs for traffic management/diversion at the construction sites are either absent or grossly deficient. On the EMP implementation, while some improvements have been noted in the field, specific actions on institutional arrangements (particularly with regard to deployment of Environment and Safety Officers, documentation/reporting and pollution monitoring by the Contractors are still pending. The quality of construction of structures continues to be a concern. At the level of the contractors and the resident engineers, the quality of staffing as well as systems & procedures are found to be extremely deficient, both on paper and in practice. **Mission's assessment: Highly Unsatisfactory.**
- *Applying appropriate legal/contractual remedies to ensure active participation by the lead JV partners in all the three Phase I contracts* The Law Department of the Government of Orissa has been requested to study these contracts and give their legal opinion on rights, duties and liabilities of individual partners of the Joint Ventures and to ensure participation of the lead partners. The mission was informed that, on availability of the report of the Law Department, the same will be placed before the Chief Secretary for his "final view" and will be submitted to the Bank for information. **Mission's assessment: Very Slow progress.**
- *Awarding contract for the consultant services for the supervision of balance civil works in the ongoing Phase I contracts.* PMU has completed issuance of RFP and expects to award the contract by December 31, 2011. The mission noted with concerns continued delays in each step and time taken in decision making in award of these critical consultancies **Mission's assessment: Very Slow Progress.**
- *Awarding contract for the consultant services for the Orissa Road Sector Institutional Development.* PMU has yet to submit the Technical Evaluation Report to the Bank. It is expected that this contract could be awarded the contract by December 31, 2011. **Mission's assessment: Very Slow Progress.**

6. In summary, six out of the eight activities listed for lifted for suspension are yet to be satisfactorily completed. The PMU, OWD and GoO have been advised to expedite satisfactory completion of these activities.

7. **Proximate Areas of Concern and Risks.** Even as PMU is working towards completion of the activities required for lifting the suspension, mission expressed concerns and urges GoO to address following two areas

- **Contracting entity must demonstrate their commitment and seriousness to carry out phase I civil works** by achieving reasonable physical progress, with due attention to quality, safety and other environmental safeguard aspects in coming peak working season. This concern is stemming from the fact that the contractor for Berhampur-Taptapani (P-3) has opted to terminate the contract, and, in the remaining two projects, too, the physical progress has been very slow and the attention to quality issues has been less than optimal. Although this could be partly attributed to rainy season, it would still be advisable for the government to re-ascertain the contractors' commitment towards completion of Bhawanipatna-Khariar (P-1) and Anandpur-Chandbali (P-2) projects. In the absence of any such commitment and demonstration on ground, GoO must consider appropriate measures to safeguard their interests in dealing with these contracting entities.
- **There is an urgent need to improve the contract management discipline**, especially with regards to key decisions that are likely to have significant financial implications for the state government. These, for example, include review of Extension-of-Time requests by the contractor and invoking/enforcement of relevant contractual provisions with appropriate legal due diligence. Towards this end, you may want to consider constituting a Project Steering Committee, under the chairmanship of the Secretary, OWD, with representatives from the Finance and Legal Departments.
- **Tel Bridge** the mission discussed the current status of the investigations of the Tel Bridge by CWPRS, Pune and its recommendations. Mission was informed that the model studies were nearly completed and the report is expected by end-October. During the site visits, mission went and visited the Tel Bridge site. Mission expressed concern about the slow progress in decision making regarding this major bridge structure which originally formed part of the P-01 contract. Delays in its rehabilitation/reconstruction will prevent full achievement of the corridor improvement benefits to the road users.
- **NGO Contract:** The mission was informed that the project has issued a Show Cause Notice dated 22nd September, 2011 for contract termination and recovery of disbursed consultancy fees, on the NGO (KASS) engaged for Implementation of Social Safeguard Instrument for World Bank assisted year-1 OSRP, Bhawanipatna-Khariar Road (P01). This development is very critical and could seriously impact recent progress made on R&R. The mission urges PMU to expedite this issue and determine way forward, keeping the Bank fully informed. Additionally, the mission suggests that the PMU should exercise due diligence in respect of the other consultancy contract with the same NGO in P02.
- **Urgent need for training and capacity building of ISAP Cell.** The recently deputed staff is experienced personnel in conventional OWD terms, however they each lack specific knowledge and exposure for their new IS and GAAP responsibilities. This is limiting the Cell's capacity to be an effective OWD counterpart for the various Project-funded consultancy services teams and to 'drive' the IS implementation process (as per ISAP and GAAP) on behalf of the OWD.

- a. It was agreed that PMU would arrange some targeted visits for ISAP cell staff to the PWDs (or equivalent agency responsible for major roads) in Tamil Nadu, Gujarat, Punjab, Karnataka and/or Assam, to: (a) study relevant lessons and experiences there on specific technical matters now requiring decisions in the AMS and/or IT-ICT-MIS consultancies, and (b) consult officials and staff there about comparable ISAP and GAAP implementation lesson and experiences that would valuably inform the OWD endeavours ahead in these fields. A number of such ‘exposure’ visits should take place as quickly as possible, to strengthen the Cell’s internal ‘knowledge base’ and capacity to support OWD senior management in IS and G&A implementation matters.
- b. An additional option would be to get further training and assistance (for about 2-3 weeks) from the previously engaged ISAP Facilitator (if available, or otherwise through another such experienced individual) to (i) help the Cell members to more rapidly familiarize themselves with the aims, contents, expected outputs and desired outcomes of the IS strategy, (ii) assist the Cell leadership to develop and consolidate its role and performance in the ISAP implementation process, and (iii) advise the Cell on initiation as quickly as possible of essential ISAP progress / status monitoring and reporting processes, for both internal OWD and OSRP requirements. It was agreed that the OWD and PMU will take action by mid-November 2011 to implement the proposed interstate IS Cell ‘exposure’ visits and on the brief ISAP Facilitator re-engagement, aimed at his mobilization at OWD before mid-December 2011.

#### **8. *Other Implementation Issues.***

- **Termination of P03.** The Bank has received a communication by PMU stating that the JV Contractor for P03 notified the Employer for Termination of the Contract on June 10, 2011. The Bank during the July 2011 mission and Chandigarh Portfolio review meeting, as well as the SLEC had advised the OWD to seek the legal and contractual opinion related to the Termination of P03 to safeguard GoO interest in case of any future claims by the contracting entity. However, despite this clear advise from the Bank as well as the SLEC, mission noted with concern that, the OWD has already signed a Supplementary Agreement (SA) with the Contractor terminating the contract as on September 15, 2011, apparently without seeking the legal and contractual advice, and pending the final bill and payment settlement. The mission sought further information and informed PMU that the Bank is still reviewing the case.

9. ***Restructuring and Phase II.*** On the request of PMU, mission visited some potential roads and discussed some restructuring options as well as preparatory activities for the next phase of the project, for discussion with the mission. While the mission appreciated the PMU’s initiative in this regard, it clarified that the Bank will be able to engage in a meaningful dialogue on such future prospects only after the lifting of the suspension of disbursements. The mission also offered another interim mission in December 2011 to discuss safeguards aspects of phase II.

#### **IV CIVIL WORKS COMPONENT**

10. **Physical Progress.** The mission visited all the three civil contracts and noted very slow progress on all contracts. As of August 31, 2011, the cumulative physical progress is 19%, 14.6%, and 13% for P01, P02, and P03 respectively, based on the information provided to the Mission. In addition to initial delays in making unencumbered work sites available to contractors, the Monthly Progress Reports



(MPRs) prepared by the Resident Engineers reports several shortcomings of the Contractors as reasons for this slow progress, which include shortage of qualified manpower and planning capabilities.

- *Slow progress in construction of culverts and CD structures.* There is an ample scope for speeding up on this front. Wherever feasible and land is available for constructing diversions, construction of CD works should be taken up on MS-2 and MS-3 stretches. This would help improve the cash flow situation for the contractors also.

11. **Quality of Civil Works.** Quality of Bituminous Works and Shoulders are generally acceptable, but sequence of and time gap between operations at many locations are not conducive for good quality works. The mission observed very poor quality of Structures Works.

- *Poor quality of concrete works in the cross-drainage structures.* The finishes and workmanship is of very poor quality with some of the structural components being out of plumb and levels. Honeycombing can be observed at many places and much of these are camouflaged by cement plastering done by the contractors. The mission suggested focusing on shuttering placement before concreting works begin.
- *Improper planning of works* is resulting in losses to the contractor. Long sections of WMM have been laid without priming or covering up with DBM. Due to plying of traffic and recent rains much of these got spoilt and cannot be used without costly rectification and/or relaying. Similarly, DBM should be covered by BC as soon as possible to enable the entire road structure to cater to the traffic loads and the weather conditions. The option of lane-wise construction of WMM & DBM layers together should be looked into. This would prevent traffic from plying on uncovered WMM layers.
- *Traffic Management during Construction.* It needs major improvements for safety of the Road Users. Traffic Management Plans following the Indian Roads Congress (IRC) guidelines should be prepared by the contractors, approved by the Resident Engineers (REs), and thereafter should be strictly implemented. The mission noted that signage and other measures required for this purpose appeared to be absent or grossly deficient.
- *Third Party Quality Review.* Third party reviewing is progressing behind the schedule and has been considerably delayed. OWD has engaged National Institute of Technology (NIT) Rourkela for carrying out the Third Party Quality Review. Broadly, the scope of the assignment includes review of (i) Quality Assurance systems adopted by various parties, (ii) Quality of Works carried out, and (iii) implementation of Environmental, Health and Safety Aspects (as provided for in the EMPs) . NIT Rourkela's team comprises mainly three specialist groups: (a) Pavement, (b) Structures, and (c) Environment and Safety. The Inception Report has been submitted and detailed audit of contract P01 has been completed. The draft Report of the same is expected by October 20, 2011. The NIT team plans to complete the detailed Audit of the other two works contracts by November 8, 2011, and submit the draft reports for those by November 23, 2011.

12. **Contract Management** Since termination of the contract of the Supervision Consultant, the OWD is carrying out the Contract Management and Construction Supervision of the Phase 1 works contracts with some manpower hired from an agency. There is an urgent need to improve the overall contract management practices under the project. The mission suggested that the Resident Engineers (REs) shall be delegated powers to take actions on day to day monitoring, approving works, QA/QC, levying penalties as per the contract etc. Excessive involvement by PMU HQ in some of these issues will lead to delays. Except for major issues like EOTs and VOs, decision making on daily monitoring should

be at the field level by officers who should be qualified and trained to take such decisions consistent with the contract conditions. The mission suggested PMU to organize procurement cum contract management workshop for Resident Engineers and their teams.

- *Extension of Time (EoT).* The mission noted that OWD has agreed to EoTs, allowing extension of 26 months (completion October 2013), 21 months (completion May 2013), and 23 months (completion October 2012) in 30 months, 30 months, and 24 months of contract for P01, P02, and P03 respectively.
- The mission reviewed the correspondence relating to the EoT agreed for Contract P01, as a sample. Based on the information provided, the mission was of the view that enough due diligence has not been applied by both the Engineer and the Employer while agreeing to the EoT. The correspondence from both parties (the Engineer and the Contractor) apparently having several incorrectness with respect to number of days and dates. The documents do not contain any analysis either by the Engineer or by the Employer of the reason(s) and the quantum of delay beyond the control of the Contractor. The Engineer and the Employer have just accepted what are presented by the Contractor in their EoT application. Apparently, the EoT has been agreed by the Employer based on the statement by the Contractor 'Land Acquisition process is likely to continue up to June 30, 2011'. The Monthly Progress Report (MPR) August 2011 prepared by the Engineer records several shortcomings of the Contractor as reason for slow progress. While agreeing to the amount of EoT, appropriate consideration has not been given by the Engineer/Employer to the extent of Site(s) handed to the Contractor gradually over the last two and half years since Contract Commencement and the mobilization and progress made by the Contractor earlier to June 30, 2011.
- *Work Programs.* OWD informed that the Contractors will submit their proposed Work Programs for the Milestone-I, corresponding to the Extension of Time (EoT) agreed, by October 15, 2011. These revised programs must be a part of EoT review process. The Mission suggests that the Contractors may put their efforts in other encumbrance-free stretches also in addition to Milestone-I.
- *Non-contribution by the lead partners of the respective JVs.* Participation of the Lead Partner of the JV Contractors appeared to be either absent or minimal in all the three contracts. The Mission was informed by the OWD that the relevant documents have been forwarded to the Law Department of the GoO for their review and opinion, and the Law Department's opinion will be shared with the Bank on receipt of the same.
- *Contractors' Staffing.* The Mission noted that majority of key staff of the Contractors are not qualified as per contractual requirements and are also not approved by the Engineer. This issue is ongoing since the commencement of contracts and needs urgent resolution and application of remedies if contractor fails to provide manpower as per contract.
- *Essential Record-keeping and field registers.* The Mission noted that many essential record-keeping is not being maintained by the Engineer or not being readily available. For example, it was noted that there were no records of date-wise completion of LA and handing over of encumbrance free stretches to the contractors and his acceptance. Similarly, no List of current Hindrances could be shared with the Mission. Similarly records were kept in very poor state about the weather conditions (rainfall) and non-availability of key materials. Laboratory record keeping and reporting also needs to be improved with proper filing and cross-referencing to quarry/source of material, specimen numbers and the chainage of application as and where

applicable for the respective samples. This issue has been raised by the Bank a couple of missions earlier also and the mission was seriously concerned to note that no improvement has taken in this regard.

- *Dispute related to Granular Sub Base (GSB)*. State Level Empowered Committee (SLEC), in its meeting on May 07, 2011, decided that the Contractors shall arrange the materials as per the Specifications in the Contract at their own cost, and the Contractors may also use other suitable materials satisfying the contract requirements. SLEC also decided that the payment for the GSB carried out with crushed stone shall be made at original contract rates. SLEC had obtained the opinion of the Law Department, GoO, in this respect. It is noted that the Law Department agreed with the views expressed by the Bank and did not agree to the opinion provided by the Expert nominated by the Indian Roads Congress (IRC). The Mission was informed that the SLEC's decisions have been informed to the Contractors. Simultaneously, the Contractors' reference to the Dispute Review Boards (DRB) in respect of GSB is still under review by the DRBs and they have sought a response from the Employer.
- *Monthly Progress Reports (MPRs)*. Quality and contents of MPRs prepared by the REs for each works contract are varying and quite different. Those are not always updated and neither presents the facts correctly and fail to include important matters. There is a need of preparation of comprehensive MPRs by each of the REs in an improved standardized format, because these are expected to be the main source of information for the Chief Engineer World Bank Project for his project management.

## **V PPP ENABLING SUPPORT, SECTOR POLICY AND INSTITUTIONAL DEVELOPMENT, AND IMPLEMENTATION SUPPORT COMPONENT**

### ***PPP Enabling Support***

13. Mission noted with concern that despite Bank's advice to "temporarily suspend the land acquisition process for the PPP component until the Bank's safeguard policy requirements are fully met", the government has not stalled the LA process and rather advanced the process for the PPP component.

14. In view of gaps in the application of the Bank's safeguard policies in preparation of the PPP roads, and your communication of June 9, 2011 that "OSRP resettlement policy shall not be applied for the PPP roads implementation", the Bank is considering not to support any activity associated with the preparatory work for the PPP component including the Sambalpur-Rourkela road, pending a restructuring of the Project to that effect.

### ***Institutional Development***

15. The implementation status of the Institutional Strengthening (IS) strategy, expressed primarily through the GOO-endorsed medium-term IS Action Plan (ISAP), is assessed as **Moderately Satisfactory**. Within its own resources, the OWD has already established new GoO legislation and regulations for roads Tolling, has facilitated increased staff uptake of new technical, procurement and administrative training, and has played a leading role in implementing the state-wide E-procurement initiatives. Both an OWD-led high-level inter-agency ISAP Steering Committee and an OWD-led ISAP Working Group have been formed and held inaugural meetings on their respective ISAP implementation oversight and facilitation responsibilities. Nonetheless, as noted with concern by the January 2011

mission, overall IS / ISAP implementation momentum has been severely affected due to delays in procuring consulting services.

- *Orissa - Road Asset Management System (O - RAMS)*. Asset Management System consultancy services have been mobilized since May 2011 and there is positive engagement between PMU, consultants and affected OWD field and HQ units on (inter alia) finalizing the consultants' work program, planning for road network data-collection, initial counterpart staff training and assessment of AMS core software options / strategy / sourcing. The consultants' Inception Report has also recently been finalized, following successive OWD and Bank review / comment.
- The consultants delivered a presentation on the needs analyses, which mission felt needed further work and more in-depth analyses of the extent of using COTS. All these options should be matched against the budget provisioning in the OWD for this aspect and a final decision taken keeping in view the actual capital costs as well as the O&M costs which would include license renewal and other support.
- The recent floods and long rains have delayed the process of field data collecting. However, the mission urged that the consultant to expedite data collection as per the ToR using their own equipments and populate the database. This database should be the basis of the RIS and other GIS based information systems which will form the inputs to the road investment and management decision support system. The mission was informed that the OWD has finally taken a decision to use the ORSAT maps and it would facilitate in its quick procurement. The mission re-emphasized the requirements of the ToR that the system developed/purchased should be flexible enough to be able give reasonable results with a minimum level of data collection as well accurate results with a very high end level of data inputs. This flexibility will enable the OWD to develop its skills in data collection over the years to get more and better information from the system.
- *IT-ICT-MIS Strategy & Action Plan* Project Management consultants for medium term OWD requirements have been recently mobilized and their team delivered a briefing to the mission on their assessment of the assignment and their proposed work program.
- *Road User Satisfaction Survey (RUSS)* consultancy services have now been contracted and are expected to mobilize by mid-October to commence survey preparations and operations on selected CRN corridors. After an advance briefing from the selected consultant, the mission advised the OWD / PMU and the consultant to ensure that the survey methodology acknowledges the possible impact of the time elapsed since Project launch on the nature / value of current survey responses and findings. Also, essential Project baseline data collected over 2009-2010 by OWD field units for future OSRP monitoring / evaluation purposes is still awaiting compilation in PMU. The mission suggested PMU to consider seeking help of consultants to promptly complete that compilation.
- *Road Sector Capacity Development (ISAP implementation) Consulting Services* The mission noted with serious concerns that the proposals received by OWD in mid-2011 are still undergoing technical evaluation. The mission urged OWD to expedite these processes

16. The new Institutional Strengthening (IS) Cell has been constituted, which comprised of one Superintending Engineer (SE) and 4 Executive Engineer (EE) including several supporting AE and JE positions. Under the direction of the SE, individual EEs are now responsible for (respectively) the ISAP / program, the AMS and the RUSS activities, the IT-ICT-MIS planning / enhancement activity and the GAAP implementation.

### ***Governance & Accountability Action Plan (GAAP)***

17. The mission reviewed the status of the major GAAP elements, particularly the Project-focused Complaints Handling Process, ongoing Project 'public information / disclosure' arrangements and capacity and the performance of the OSRP-centered website operations, and assessed overall GAAP implementation progress as **Satisfactory**. Matters jointly identified as now needing progressive OWD / PMU attention are as follows.

18. Under the RTI / disclosure requirements, the mission was pleased to note that the PMU is disclosing more and more project related information on the OSRP website (e.g., monthly OSRP progress reports until August 2011 are now there). However, very few training workshops have been conducted on RTIA for OWD staff since February 2010. The mission recommended that the PMU and OWD should take up the issue of obtaining further such RTIA training more proactively, by contacting the Orissa State Information Commission that is mandated to conduct such training annually, and/or possibly inviting trainers from the AP Centre for Good Governance and/or the Administrative Staff College of India (ASCI) to conduct such training at Orissa.

19. While the online Complaint Handling System (CHS) that was approved by GOO last year was successfully tested by the National Informatics Center (NIC) in September 2011, its hosting and full operation online is still pending subject to an NIC security audit. The PMU needs to pursue this issue with NIC to expedite the security audit so that the CHS can be hosted on the OSRP website as soon as possible to enable recording and monitoring of complaints from the public and other stakeholders on project procurement, quality and fraud and corruption issues. In the interim, the PMU has put a link on the OSRP website to the GOO's online grievance monitoring system ([www.cmgorissa.gov.in](http://www.cmgorissa.gov.in)) to facilitate posting of OSRP-related complaints there by the public, as suggested in the last mission.

20. While development of an electronic 'database of contractors' for OSRP-specific purposes has not yet been started by the PMU, a similar module is already at an advanced development stage under the GOO e-procurement system. It enables easy retrieval of information regarding contracts, quotes, specifications, work progress including variation orders, and monitoring information such as cost and time overruns. All contracts of the state of Orissa that have been procured through the GOO system during the last three years are included in the database. The mission was also informed that the NIC is developing pre- and post-procurement modules for strengthening GOO procurement and contract management aspects. The PMU should maintain similar OSRP works data by package, for possible benchmarking of future procurement.

21. Baseline (pre-Project) socio-economic data along the project corridors needed for various OSRP monitoring and evaluation purposes has been compiled in concerned OWD divisions but it still has to be aggregated/compiled in HQ to on hand for future use (as per the Project Agreement). The PMU needs to finish this task (now via the RUSS consultant) by end-December 2011.

22. The manual OSRP complaints register appears to have several complaints regarding R&R-related benefits/entitlements. While the PMU believed that these have mostly been resolved, the mission urged the PMU to (a) ensure compliance with all relevant Disclosure requirements to reduce the number of such complaints, and (b) take action to transfer all OSRP-related complaints from the current manual register(s) into a computerized PMU system for better retrieval and monitoring.

23. As the project is getting close to its mid-term stage, the mission and OWD agreed it is now becoming timely for the ISAP Cell to convene an OWD meeting(s) aimed at reviewing 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, and based on such a review, to further evolve targets and actions that may be

more relevant, actionable and effective in the remaining Project period. This 'GAAP review / update' initiative should be undertaken by end-February 2012.

## **VI SOCIAL SAFEGUARDS AND MANAGEMENT**

24. Reasonable progress has been made since the previous mission of May 2011 in advancing land acquisition (LA) and resettlement and rehabilitation (R&R) activities for milestones 1 and 2. The LA and R&R along the Bhadrak-Chandbali road corridor have considerably progressed during this period. The Contractors have recognized the availability of encumbrance free work fronts for the milestone-, except for 800 meters for MS-1 of the Bhawani Patna Khariyar road. Other areas where progress has been good are: (i) preparation of the HIV/AIDS Action Plan and the Road Safety Action Plan and implementation of key initial actions thereof. OSRP has been advised to fine tune these plans incorporating improvements suggested during the mission.

25. Areas which require attention are: (i) setting out clear guidelines for paying up R&R benefits such as site allowance; (ii) updating fixed value R&R benefits to adjust against inflation and to reflect the market values; (iii) strengthening information disclosure and grievance redress at local level, which is at present very weak; (iv) closer coordination of social and engineering surveys in order to minimize additional impacts due to divergence in alignments; (v) instituting independent monitoring/ review of the LA and R&R process for monitoring implementation quality; (vi) database management and reporting of LA and R&R on agreed formats; (vii) strengthening social management capacity at PMU and in the field including by hiring additional social development professionals, and with exposure visits, and training support for key implementing staff.

26. Importantly, there is also an urgent need to establish procedure for "certifying the completion of LA and R&R prior to "site handover for civil works" as per the legal covenants. One of the other key issues discussed during the mission includes exploring possibilities of resettling shopkeepers, especially where a large number are affected, by setting up shopping complexes along the road. The PMU team is advised to set a timeline for addressing these above issues.

27. Although there has been reasonable progress on LA R&R front, the rating is being downgraded to "**Moderately Unsatisfactory**" due to pending issues as described above and in Annexure 2.

## **VII ENVIRONMENTAL SAFEGUARDS AND MANAGEMENT**

28. The mission reviewed the adequacy and quality of EMP implementation in detail. This assessment included a review of: (i) compliance with regulatory norms/requirements by the contractors; (ii) deployment of qualified and experienced environment and safety officers by the contractors; (iii) traffic and worker safety arrangements (including fire/electrical/mechanical safety practices); (iv) first aid and emergency response arrangements; (v) debris/waste management; (vi) compliance with EMP stipulations related to identification and management of material sources; and (vii) pollution monitoring. A brief overview is provided in following paragraphs while details have been provided in Annexure 3.

29. The mission noted some efforts to improve the situation on the ground on both contracts (P01 and P02), and listed out the outstanding activities/actions to ensure EMP compliance in the project (contract specific details are in annex). However, the EMP compliance on both contracts have been complied only partially. The mission suggested GoO to ensure following by the contractor

### ***Specific Actions Required on Work Sites***

The following key actions need to be undertaken by the contractors to ensure that environment, health and safety stipulations under the contract are adhered to:

- a) Deployment of Environment and Safety Officers (other than deployment of one safety officer on P02 recently, the positions have remained vacant since the initiation of contracts)
- b) Identification, approval of Pollution Monitoring Agency and initiation of pollution monitoring
- c) Preparation and implementation of Traffic Safety Plans, including signage and barricading as per IRC SP:55 norms (specifically at diversions, transition zones, culvert construction sites, deep excavations etc.) and dust control measures.
- d) Provision and due enforcement of worker's safety arrangements, including proper storage/handling of hazardous/inflammable materials.
- e) Pollution prevention measures at HMP and crusher sites (such as mist spray, screen/wind breaking wall, enclosures).
- f) Proper debris management, including preparation and approval of the Waste Disposal Plan
- g) Preparation and implementation of Emergency Response Plan

### ***Documentation/Reporting Related***

The following documents need to be filed properly and should be readily available in the concerned site offices during visits, including those by the PIU, PMU and Bank:

- a) Camp/Plant Site Documentation
- b) Consent Orders from SPCB  
This should include Consent to Establish and Consent to Operate Plants (HMP, Crusher, WMM, Batching Plant etc.), including subsequent consent renewal orders.
- c) License/permit for quarry and crusher operations (including transit permits and auction/lease agreements)
- d) License for Explosives (for use in quarry operation)
- e) NOC for HSD/Diesel Pump Installation
- f) License for petroleum product/s storage (under Petroleum Rules)
- g) Labour License
- h) Approval letters and documentation of earth, sand, murom and water sources in line with EMP stipulations (includes location map and photographs).
- i) Permission for ground water extraction.

30. Some of this documentation was available and shared with the mission for P01 (point 2, 3, 4 and 5) but the no such proper records were made available for P02. The mission explained and reiterated that the documentation should be compiled properly as it pertains to some key environment and safety regulations. It should be readily available in the concerned site offices during visits, including those by the PIU, PMU and Bank.

31. The mission visited compensatory afforestation sites of P02 (Bhadrak to Chandbali section), where plantation works have been taken-up since the monsoon this year and appreciated the efforts of the OWD/PMU and the OFDC team (Jajpur Road Division, Bhadrak District) for their efforts.

32. The compliance with respect to Environmental Management Plans (EMPs) in the project continues to be rated '**Unsatisfactory**', primarily due to long pending actions from contractors.

## VIII FINANCIAL MANAGEMENT

33. *Disbursement Status:* Against the original Loan allocation of USD 250 million, the disbursements as on 27 September, 2011 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 31-December-2010 amounting to USD 11.113 million, and (d) advances against forecast and to be adjusted against project future expenditure amounts to USD 7.784 million.

34. The IUFs for the quarters ending March 2011 and June 2011 have been received and the project has duly submitted the documentation claim for ` 302.658 million [equivalent of approx. USD 6.440 million] to the Controller of Aid Accounts and Audit (CAAA). This however, does not alter the disbursement profile, as the loan disbursement stands suspended w.e.f 27th May 2011, and hence no further disbursements shall be made presently. On documentation of the aforesaid expenditure claim, the amount of advances against forecast and to be adjusted against future project expenditures shall stand at ` 53.918 million [equivalent of approx. USD 1.344 million].

35. *Fund flows and Project Expenditures* Against the original budget of ` 147.6 crores provided in the State Budget for the year 2010-11, OSRP surrendered ` 53.574 crores and the revised budget of ` 94.026 crores was duly spent as per the allocations. For the year 2011-12, the State Budget provides the budget provision of ` 150 crores. Against this budget, an expenditure amounting to ` 31.158 crores has been incurred till August 2011. On the overall, fund releases by GoO have been reported to be timely and adequate.

36. As per the IUFs for the quarter ended 30 June 2011, total project expenditures during the quarter have been reported as ` 23.479 crores (with Bank's share being ` 12.156 crores) and the cumulative reported expenditures for the project as ` 189.687 crores (with Bank's share being ` 82.344 crores). The financial progress as on 30 June 2011 is summarized as follows:

(in `)

	For quarter ended 31-June-2011			Cumulative till date		
	Bank Share	GoO Share	Total	Bank Share	GoO Share	Total
Road Improvement Component	99,068,800	24,767,200	23,836,000	62,615,518	390,063,550	1,152,679,068
PPP Component	-	-	-	11,575,974	5,209,190	16,785,164
ISAP and Operating Costs	15,652,800	3,913,200	19,566,000	24,106,304	10,774,596	34,880,900
Rabilitation & Resettlement	6,839,200	1,709,800	8,549,000	25,148,166	39,373,003	64,521,169
LA, utility shifting and other non eligible exp	-	82,834,000	82,834,000	-	628,002,956	628,002,956
Total	121,560,800	13,224,200	34,785,000	23,445,962	1,073,423,295	1,896,869,257

37. *Reporting of Expenditure on Interim arrangements for construction supervision of 1st year Road (Theme Supervision):* The mission observes that presently the expenditures incurred towards the interim arrangements for constructions of 1st year Roads is not being reported in the IUFs. The mission re-



iterates that the objective of the IUFRRs is to report on the project related activities in totality. Therefore, even though the aforesaid expenditure is not administered at PMU, the project is requested to include w.e.f 1st July 2011 an additional statement in the IUFRR to reflect 'the Non-PMU Administered Expenditures' in-order for the IUFRR to report the complete status of expenditures under the project.

38. *Non-levy of Pro-rata Charges:* The mission was informed that Orissa State Government wide its circular dated 1st December, 2010, has established that no proportionate charges shall be levied w.e.f from 1st April 2011 on all works for which funds are provided in the Budget. Accordingly no pro-rata charges shall be levied on the balance work to be executed under the project on or after 1st April 2011.

39. *Online distribution of allotment relating to works expenditure:* The mission was informed that the Finance Department, Government of Orissa wide letter dated 24th June, 2011 has intimated that the system of Letter of Credit (LoC) for public Works has been withdrawn w.e.f. 1st July, 2011 and substituted by distribution of allotment through Integrated Orissa Treasury Management System (iOTMS). Accordingly, the current year (2011-12) budget provision, excluding the related direct treasury drawl has now been placed at the project's disposal online. Hence forth following the Cash Management System (as laid down by the Orissa Government), the project (PMU) is distributing the allotment among the Division Officers/ D.D.Os under its control through iOTMS in accordance with the Quarterly Expenditure Allocation (QEA) and Monthly Expenditure Plan (MEP).

40. *Settlement of SMEC Account:* The mission is informed that the final bill with regard to the terminated contract of SMEC, construction supervision consultant has been recently received. The PMU is in the process of seeking further clarifications from the consultant, where after the final settlement shall be determined. The mission has requested the PMU to keep the Bank informed on the issue.

41. *External Audit:* Revised audit report for the year 2010-11, was submitted during the mission. However, on review it was observed that the report is not fully 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 additional information:

- 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.

42. *PAP Approval Verification:* As part of the mission, the team reviewed the PAP approval procedure for a random sample of cases for which the documentation was made available at the PMU, Bhubaneswar. This entailed review of supporting documents for: (a) Interview schedules for micro plan verified and certified by Team leader, NGO and counter signed by PAP; (b) Attested Consumer Identity Card and Voter Identity Card of PAP; (c) Attested copy of PAP joint Bank A/c opened under this scheme; (d) Attested copy of Census survey of OSRP (unique ID No given by DPR consultant); (e) Workings for detailed estimates for existing structure (signed and sealed) by Nodal officer R&B and approved by package managers; (f) Attested photograph of PAP along with structure; and (g) Other relevant documents. On review, the above documents were found in order and no exceptions were noted.

43. *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 IUFRRs 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. As of now, this arrangement appears to be working well and the IUFRRs are being prepared on a

timely basis. However, the project has been unable to submit acceptable audit report by the due date of 30th September 2011.

44. *Financial Management Rating:* Considering the non-receipt of acceptable audit report by the due date, the financial management performance is now downgraded to Moderately Satisfactory (MS).

## **IX PROCUREMENT**

45. *Procurement Plan:* The revised draft Procurement Plan prepared by the PMU was discussed and reviewed by the mission. The mission noted that except of consultancies there is no progress on award of other work related procurement activities in view of project restructuring envisaged. However, the PMU will incorporate the comments to the extant the procurement activities have progressed and forward the updated Procurement Plan along with the Procurement Schedules indicating the timelines for various activities for Bank's clearance by September 30, 2011. After the updated Procurement Plan is agreed with the Bank, the same shall be made available and hosted on the Bank's external website and OSRP/GOO website

46. *Delay in selection of consultants:* The mission expressed its serious concerns over the continued delays in each step and time taken in decision making, particularly in award of consultancies. These delays were observed in award of consultancies, both subject to post review and prior review. The mission highlighted the delays in recent cases of award of consultancies which were subject to post review:

- Road User Satisfaction Survey - Total time from EOI to award -17 months ( may 2010 to Sept 2011)
- Consultancy Services for Implementation of IT-ICT- MIS Architecture: Contract not yet awarded after 19 months (EOI issued April, 2010) – still pending with GoO for approval

47. The three main stages of delay and actions by PMU to arrest the delays discussed during the mission are namely:

- EOI to short list, TOR and draft RFP- PMU assured that draft TORs will be ready before issue of EOIs. TOR finalization and preparation of RFP will be taken up during the time of advertising and short listing and draft RFP together with short list will be submitted to Bank in maximum 8 weeks (preferably within 6 weeks) of issue of REOI.
- Technical Evaluation: PMU assured that that TER will be completed in most of the cases within 6 weeks of opening of technical proposal. The mission was also informed that due diligence of credentials of key staff of highest ranked firm is now being done at negotiations stage instead of TER stage for all firms which will also reduce the overall time in TER.
- Approval from GoO - PMU informed that the delay is generally in finance department and all efforts are being made to expedite the approvals.

48. *Procurement Training* The PMU informed that many new staff has joined PMU and requested Bank to arrange one day workshop on procurement Training and one day workshop on Contracts Administration. Bank Team agreed to arrange this workshop by Dec 2011/Jan, 2012 in consultation with PMU.

49. *Procurement Complaints Handling:* The mission discussed the pending complaint in connection with selection of NGO, the mission was informed that as the complaint pertained to F&C issues,

Vigilance Department of GoO has already carried out investigations based on which show cause notice has been issued to the consultant. The response from the NGO/consultant will be examined by PMU and the proposed action on complaint will be forwarded to Bank for review before closing the complaint.

50. The mission also noted that the monthly status of procurement related complaints submitted by PMU only gives the details of complaints received in particular month and does not indicate the status of action taken on previous complaints or any pending complaints. It was agreed that monthly status will invariably include the status of all pending procurement complaints

51. *Finding of Procurement Post Review for FY 11:* The mission shared the findings of the ex-post review of the contract awarded during the period July 01, 2009 to June 30, 2010. This report indicated the delays in each step of selection process. The mission was informed that the delay in selection was mainly due to absence of financial delegation to PMU and since May 2010 Financial Delegation up to ` 20 million has been given to Chief Engineer. PMU assured that financial delegation will help in expediting the selection process for future. The mission advised PMU for continuous monitoring of the time taken in selection process to know the improvement by next mission.

52. *Procurement Rating:* The procurement is rated as Moderately Satisfactory. However, if the two ongoing consultancies are not awarded in a reasonable time, the rating would be downgraded.

## **X LOAN COVENANTS**

53. The mission noted with concern that several legal covenants are out of compliance and need urgent attention by PMU.

## **XI IMPLEMENTATION PROGRESS RATINGS**

54. The implementation progress rating of the project continue to be rated as **Unsatisfactory**. Following is the Mission Assessment of Components and Management.

**Table 2: Mission Assessment of Components and Management**

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

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

55. The next implementation support mission will be undertaken in March 2012. However, an interim mission has been planned in the month of December 2011/January 2012.

**Annexure - I**

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

<b>Sl. No.</b>	<b>Required Action by the GOO</b>	<b>Findings by the Mission</b>	<b>Remarks</b>
(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 <sup>st</sup> Milestone and at least 50% stretches under the 2 <sup>nd</sup> milestone	Target for milestone I has been substantially achieved; however, OWD informed that encumbrance-free 50% of the Milestone-II stretches will be made available to the Contractors by end-October 2011.	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	As on August 31, 2011, the cumulative progress achieved in the three contracts is as follows: 19% in P-01(Bhawanipatna-Khariar), 14.6% in P-02 (Anandpur-Bhadrak-Chandbali) and 13% in P-03 (Berhampur-Taptapani). No further progress is expected in P-03 in the near future, as the same was terminated by the contractor on September 15, 2011.	Not Complied
(c)	Ensuring that civil works are being executed with due regard to Quality, Safety and Environmental Safeguards	Barring a few instances of acceptable quality civil works, such as, for example, bituminous works and shoulders in P-02, the implementation of civil works is found to be highly unsatisfactory with regard to quality and safety. For instance, the signs for traffic management/diversion at the construction sites are either absent or grossly deficient. On the EMP implementation, while some improvements have been noted in the field, specific actions on institutional arrangements (particularly with regard to deployment of Environment and Safety Officers, documentation/reporting and pollution monitoring by the Contractors are still pending (Please refer to specific list of actions in the Environment Section). The quality of construction of structures continues to be a concern. At the level of the contractors and the resident engineers, the quality of staffing as well as systems & procedures are found to be extremely deficient, both on paper and in practice.	Not Complied
(d)	Applying appropriate legal/contractual Remedies to ensure active Participation by the Lead JV partners in all three contracts	Participation of the Lead Partner of the JV Contractors appeared to be either absent or minimal in all the three contracts. The Law Department of the Government of Orissa has been requested to study these contracts and give their legal opinion on rights, duties and liabilities of individual partners of the Joint Ventures and to ensure participation of the lead partners. The mission was informed that, on availability of the report of the Law Department, the same will be placed before the Chief Secretary for his "final view" and will be submitted to the Bank for information.	Not Complied
(e)	Implementation of Independent Third Party Review of the Quality Assurance System and Quality of Works including Construction Zone Safety	Independent Third Party Reviewer mobilized.	Complied
(f)	Full-fledged Staffing of the dedicated Road Asset Management Cell,	Cells have been created and have been staffed.	Complied

<b>Sl. No.</b>	<b>Required Action by the GOO</b>	<b>Findings by the Mission</b>	<b>Remarks</b>
	Institutional Strengthening Cell and IT-ICT-MIS Cell in OWD		
(g)	Awarding of Contract for the Consulting Services for the Construction Supervision of the balance Civil Works in the three ongoing Phase-1 Contracts	As per the PMU's assessment, award of Contract is likely by end December 2011.	Not Complied
(h)	Awarding of Contract for the Consulting Services for the Orissa Road Sector Institutional Development	As per the PMU's assessment, award of Contract is likely by end December 2011.	Not Complied

### Social Safeguards and Management

1. **Civil work Sites:** The mission visited the three Phase-I road packages: Berhampur Taptapani, Khariyar-Bhawanipatna, and Anandpur-Bhadrak-Chandbali. The land acquisition (LA) was noted to have been advanced for the milestone-1 with reasonable progress made for the milestone-2 with disbursement of mostly the first tranche of the compensation and resettlement and rehabilitation (R&R) assistance. The site clearance process has been put on hold for the milestone-2 until the festival season is over (in November). Large stretches of work front were seen cleared for milestone 1 and 2 along the Bhadrak-Chandbali road, where civil work is yet to start. It was noted that additional impact is often caused due to a lack of proper coordination between the teams working on the engineering design and the social impact assessment and land acquisition, an issue which requires attention during the phase-II roads.
2. **Payment of compensation and R&R assistance:** The affected people interviewed during the field visits acknowledged the receipt of compensation and first tranche of R&R assistance. The land owner shopkeepers however expressed reservations regarding the rates offered in some locations which they said did not reflect the changed market. The payment of allowance for alternative sites to the affected households, especially for the squatters, has not been started as yet. This is an issue which needs to be addressed as it could affect the pace and sustainability of the resettlement process. Setting clear guidelines for paying up different R&R benefits is long overdue. The Resettlement Policy includes certain 'fixed cost' entitlements, which need to be updated and adjusted against inflation in order to reflect the current market values. In this context, it will be advisable to update the entitlement matrix based on a quality review of the LA and R&R process.
3. **Information Disclosure:** Overall awareness regarding entitlements among the affected people is low. The absence of a local level disclosure strategy explained this information deficit among the people. The weak capacity of implementing NGOs, some of whom suffered staff turnover in the recent months largely accounts for gaps in the public orientation and mobilization strategy. The PMU is advised to disclose the list of affected people with their entitlements locally at key dissemination points and also send out eligibility lists to all the Panchayats for public disclosure. The implementing NGOs should be encouraged to play a stronger role in the information disclosure and dissemination process. The list of eligible affected families should be disclosed on the OSRP website including those affected by LA. The Project authorities have prepared the entitlement matrix in the local language for public disclosure.
4. **Grievance Redress Process:** A procedure exists for dealing with grievances relating to the LA process including through legal recourse to courts. As per the RAPs, grievance redress committees are to be constituted at local, district, division and state levels: Village Level Committees (VLC) at the local level, DCAC at the district level, Resettlement and Periphery Development Advisory Committee (RPDAC) at the divisional level, and SLCRR at the state level. RPDACs have been formed; however, have met only a few times to mainly approve LA proposals. No RPDAC meetings have been held in the last two years. The GRCs did not appear to function effectively and in a manner easily accessible to the affected people at the local level. People interviewed did not know where to appeal for redressing their grievances locally; however, it was also noted that the PMU played an active role in forwarding grievances that came to its notice to the concerned Collectors for their resolution. It is clear that information about the GRCs and procedures for grievance redress needs to be widely disseminated through the implementing NGOs. The PMU is advised to prepare and disclose a brief note regarding the functioning of the GRCs at different levels with their contact address on its website as well as at the local levels. In case VLCs have not been formed, or are not functional, the NGOs need to address this issue.

5. **Resettling Shopkeepers:** A large number of shopkeepers are likely to be affected by the phase-II roads including the Jagatpur-Chandbali road, many of whom may not be able to restore their business due to the loss of “location advantage”. The policy framework for the OSRP provides scope for establishing local market along-side roads for sustainably resettling the affected shopkeepers, an option which the Project authorities explore on a pilot basis especially at locations where a large number of shopkeepers are likely to be displaced. In the absence of suitable relocation options, legal recourse by the affected people is feared to delay the LA and R&R process.

6. **External Monitoring and Evaluation:** It is agreed and recorded in that the project authorities will ensure mid and end term external monitoring and evaluation. As the project has completed over two years, the PMU is advised to carry out an interim review of the process and outcomes of LA and R&R process and address gaps, if any, to improve implementation quality. The PMU should also carry out quarterly implementation review and monitoring exercises through a third party.

7. **Database Management:** The PMU records resettlement related data with the help of an IT specialist working with the nodal NGO. The data is not organized well enough for monitoring progress of LA, payment of compensation and the relocation process. It was discussed that the PMU will organize data and information, and share implementation progress reports in agreed formats with the Bank. A sample format is attached for reference.

8. **Capacity Building:** The social safeguards capacity needs to be augmented by hiring an additional social development specialist at the PMU level and social development officers at sub-project levels. There is also a strong need for organizing exposure visits, training programs and such other knowledge and experience sharing activities for the key implementing staff in charge of safeguards management.



**Format for Progress Report on LA and R&R**

Package	Total land to be acquired acres / No of owners		Section 4 issued for (acres/ No of owners)		Section 6 issued for (acres/ No of owners)		Valuation completed and award made (acres/owners)		Compensation distributed (acres/owners)		Site possessed for civil work (acres)

**Status of Removal of Impediments for Road Package XXX**

Sl	location name	Chainage	Impediments				Difficulties, issues, challenges	Steps taken so far	Timeline for completion
			LA	R	C	CP			

LA: Land area+ number of owners  
R: Number of residential structures  
C: Number of commercial structures  
CP: Community property/utilities

**Example:**

SN	Impediments	Location/Name	Difficulties, Challenges, Risks	Remedial Steps Taken/ Progress Made So Far	Estimated Timeframe for Closure
1.	<ul style="list-style-type: none"> <li>About 250 shops including about 180 shops with area above 225 sq. ft including 20 titleholder shops</li> <li>123 households</li> </ul>	2000-2460 and 2890-3600, RHS, JVLR road-II	Prolonged deadlock in negotiations for R&R due to strong resistance from owner-occupants	<ul style="list-style-type: none"> <li>Issues resolved through negotiations</li> <li>170 shops &gt;225 sq. ft resettled</li> <li>Owner occupants offered equivalent shop area (even when exceeding 750 sq. ft, which is beyond MUTP R&amp;R Policy)</li> <li>209 shopkeepers resettled at an attractive shopping mall</li> <li>All residential PAHs resettled</li> <li>Resettlement completed except for two cases involving court litigation</li> </ul>	Remaining two cases expected to be resolved by December 2011

### **Environmental Safeguards and Management**

1. The mission assessed the adequacy and quality of EMP implementation in the project and ascertained the status on safety and environment safeguards, one of the eight actions agreed as part of the action plan related to the lifting the suspension of loan disbursements. In this context, the mission visited the civil works contract sites under Phase I of the project and held extensive discussions with the officers of the Project Management Unit (PMU), Resident Engineers and Contractors.
2. In addition, the mission visited compensatory afforestation sites of P02 (Bhadrak to Chandbali section), where plantation works have been taken-up since the monsoon this year and also interacted with agencies hired for Road Safety and HIV/AIDS awareness campaigns. A brief follow-up on the environmental safeguards related to one of the proposed Phase II roads, Jagatpur to Chandbali, was undertaken during the mission. The following note provides more details, including key agreements on each of the said areas.

#### **3. Implementation of EMPs (Phase I works)**

The mission reviewed the adequacy and quality of EMP implementation in detail. This assessment included a review of: (i) compliance with regulatory norms/requirements by the contractors; (ii) deployment of qualified and experienced environment and safety officers by the contractors; (iii) traffic and worker safety arrangements (including fire/electrical/mechanical safety practices); (iv) first aid and emergency response arrangements; (v) debris/waste management; (vi) compliance with EMP stipulations related to identification and management of material sources; and (vii) pollution monitoring. The mission noted some efforts to improve the situation on the ground on both contracts (P01 and P02), where works are on-going currently and also listed out the outstanding activities/actions to ensure EMP compliance in the project.

**Contract 1:** On P01, the mission observed the following endeavors in the field:

- a) The actual rehabilitation of borrow areas (used for sourcing earth) is satisfactory on the ground even though there is little or no effort to follow the basic approval/documentation requirements as sought in the EMP, a part of the contract document. In this contract, out of 15 borrow areas, 12 have been closed and rehabilitated as farmland from their previous barren/unproductive and undulating land use. The mission explained that by following the simple documentation requirements of EMP, the contractor/sub-project can show case the good practice and resultant benefits (of additional income to the farmer among other environmental advantages) in specific quantitative terms.
- b) Camp site housekeeping has improved since that observed in the last couple of missions. (The camp location is also desirable in terms of keeping away from the settlement areas or being too close to highways/other roads). Emergency numbers (local) have been displayed/painted on the wall. Wall painting, posters and messages pertaining to HIV/AIDS have also been displayed at various points in the camp.

**Contract 2:** In P02, the mission noted the following:

- a) A large number of trees have been saved in Anandpur-Bhadrak stretch during the construction stage by minor adjustments in the centre line or at the toe line edge, particularly keeping in mind the safety and comfort of the road users (slow moving vehicles and pedestrians). While documentation

will exactly reveal the benefit accrued, quick estimates indicate that about 500 to 600 trees have been saved in the process, which otherwise would have been axed.

- b) The mission was pleased to note that several stretches of kutch longitudinal drains and waterways along/across the road were made functional (including temporarily) to facilitate drainage during the monsoons, specifically helping water flow in a otherwise flat flood prone area.
- c) The rehabilitation of borrow areas (earth sources) is satisfactory with many of the exhausted/closed sources having been rehabilitated as either as fish ponds or as agriculture fields (being used currently for paddy cultivation).
- d) A safety officer has been deployed recently in the site. The mission reiterated that management support (resources and supporting man-power) is crucial to the effective working of this officer.

However, there are a many actions related to EMP compliance on both contracts that have either remained pending or have been complied only partially. These are being listed under two heads to facilitate GoO in early resolution of the matter pertaining to suspension (part of point 3 of the agreed action plan):

#### ***List of Pending Actions – Specific Actions Required on Work Sites***

The following outstanding key actions need to be undertaken by the contractors to ensure that environment, health and safety stipulations under the contract are adhered to:

- a) Deployment of Environment and Safety Officers (other than deployment of one safety officer on P02 recently, the positions have remained vacant since the initiation of contracts)
- b) Identification, approval of Pollution Monitoring Agency and initiation of pollution monitoring
- c) Preparation and implementation of Traffic Safety Plans, including signage and barricading as per IRC SP:55 norms (specifically at diversions, transition zones, culvert construction sites, deep excavations etc.) and dust control measures.
- d) Provision and due enforcement of worker's safety arrangements, including proper storage/handling of hazardous/inflammable materials.
- e) Pollution prevention measures at HMP and crusher sites (such as mist spray, screen/wind breaking wall, enclosures).
- f) Proper debris management, including preparation and approval of the Waste Disposal Plan (particularly in P01)
- g) Preparation and implementation of Emergency Response Plan

#### ***List of Pending Actions – Documentation/Reporting Related***

The following documents need to be filed properly and should be readily available in the concerned site offices during visits, including those by the PIU, PMU and Bank:

- a) Camp/Plant Site Documentation  
This should include (a) approval letter for location (including map showing the survey no. details); (b) approval letter for the lay-out (including lay-out plan and wind direction) and (c) submission of documents on land ownership and permission from local authority.
- b) Consent Orders from SPCB  
This should include Consent to Establish and Consent to Operate Plants (HMP, Crusher, WMM, Batching Plant etc.), including subsequent consent renewal orders.
- c) License/permit for quarry and crusher operations (including transit permits and auction/lease agreements)

- d) License for Explosives (for use in quarry operation)
- e) NOC for HSD/Diesel Pump Installation
- f) License for petroleum product/s storage (under Petroleum Rules)
- g) Labour License
- h) Approval letters and documentation of earth, sand, murom and water sources in line with EMP stipulations (includes location map and photographs).
- i) Permission for ground water extraction.

Some of this documentation was available and shared with the mission for P01 (point 2, 3, 4 and 5) but the no such proper records were made available for P02. The mission explained and reiterated that the documentation should be compiled properly as it pertains to some key environment and safety regulations. It should be readily available in the concerned site offices during visits, including those by the PIU, PMU and Bank.

While there are some indications of improvement on the ground, some key actions, as listed above, remain either outstanding or only partially complete. In this light, the compliance with respect to Environmental Management Plans (EMPs) in the project continues to be rated *'unsatisfactory'*.

**Contract 3:** With the contractor for Berhampur-Taptapani (P03) having opted to terminate the contract, the review of EMP implementation was primarily restricted to the identification of outstanding activities/actions on part of the contractor, which may have health and/or safety implications on road users and/or local communities. The mission discussed and suggested the PMU/PIU to prepare a detailed 'punch list' prior to the closure (including any final IPC settlement) of the contract.

In addition to making sure that all relevant documentation is collated/compiled in proper files (as mentioned above under the documentation sub-head, points a to h), the PIU needs to ensure that the field review for preparing the 'punch list' covers the following:

- a) *Tree Issue:* The issue regarding the delay/non-adherence in handing over of felled tree material is pending for a long time. The matter needs to be closed/settled in line with the direction provided by the Department of Forests to comply with both the regulatory norms and the requirements set forth in EMP.
- b) *Work sites,* where is a potential danger to the road users and/or near-by residents due to incomplete civil works (such as deep excavations; half width culvert construction sites; single lane stretches, including diversion points etc.)
- c) *Borrow and quarry areas* (including the murom/GSB source that has not been rehabilitated by the contractor even after its closure/non-use for a long time)
- d) *Disposal of debris* and clean-up of road and structure construction sites
- e) *Camp/plant site management* (the contractor may propose to retain the facilities – in such a case ensure that explosives or any other hazardous substance procured for project work is accounted/recorded; debris/wastes/stone dust are cleared-up and a certificate from the contractor absolving the project/client from any legal/reputational risks after the contract closure).

#### **4. Compensatory Afforestation for Phase I works**

The mission visited compensatory afforestation sites of P02 (Bhadrak to Chandbali section), where plantation works have been taken-up since the monsoon this year. The mission interacted with the Deputy Divisional Manager, and the site-in-charge involved in the plantation and watch & ward activities. The mission highly appreciated the efforts of the OWD/PMU and the OFDC team (Jajpur Road Division, Bhadrak District) for their efforts.

The total number of trees that require cutting to make way for the civil works of P02 (Anandpur-Bhadrak-Chandbali, 95 km in length) is 7299. In lieu of the trees to be cut, compensatory afforestation is to be carried out in 1:10 ratio, which means 72,990 trees have to be planted, as per state norms. So far, nearly 2300 trees have been cut (31 percent) and the total physical progress of civil works is about 16 percent (as in Sept. 2011). Even in this backdrop, the plantation for the sub-project has achieved nearly 45 percent target with afforestation of about 32,000 trees. A quick calculation by the mission has revealed a net income of more than 10 million (INR) to locals (including preparation, plantation and maintenance period) and creation of about 16,000 man-days of employment in the process. The plantation works have also received tremendous response and support from local communities, including local politicians.

The species planted include Radhachuda, Krushnachuda, Neem, Karanjia, Arjun, Chhaitan, Champa, Jamun, Kadamba etc. Most of the plantation work has been carried along rural roads, where a lot of locals either travel on slow moving vehicles such as cycles, two wheelers or even on foot. Most of the plantation has been carried out along Barikpur-Bonth Road and Aradi Chakh-Akhandalmani Road in Bhadrak district. Plantation has also been carried out at sites close to the said roads along canal, ponds, access paths to temples, panchayat offices, health centers, schools and colleges (including along the boundary of their premises). In addition to visiting these sites, the mission also covered the nursery (near Chudakati), which was used/is being used for the plantation works. The mission discussed and expressed satisfaction on the adoption of tall seedling/sapling method; pre and post plantation treatment; entry point activities for garnering community support; and maintenance arrangements. With such efforts, the survival chances are likely to be quite high.

The mission also made some suggestions to streamline efforts on compensatory afforestation in future. These include: (a) circulation/sharing of plantation strategy of OSRP with concerned Executive Engineers of PIUs to enable preparation of better Compensatory Afforestation Plans; (b) elaboration of plantation norms – choice of species vis-a-vis the proposed plantation location and distance to be maintained while planting along roads; (c) preparation of plantation activity at least a year in advance (nursery raising should ideally be initiated by October for undertaking plantation during monsoon of the following year) and this is largely linked with release of funds; (d) need to install sign boards at carefully selected location (such as Panchayat Office, Health Centre) about the plantation undertaken (target, achievement, area covered, client, money spent etc.); (e) dove-tailing with current schemes (like the eco-clubs at schools or distribution of posters/leaflets) to spread awareness among students and people; and (f) preparation of guidance note for nursery management. The mission also suggested that in order to reduce the issues associated with plastic poly-pots, the OWD/PMU in collaboration with OFDC could undertake a pilot scheme of using natural fiber poly-pots (such as coco).

Since the environment and livelihood benefits from such practices are immense, the mission will work closely and help PMU/EMC in preparing a comprehensive note, which would be uploaded in the project website apart from dissemination as good practice through other appropriate channels. However, in order to continue this commendable effort and to effectively make use of 2012 monsoon, the mission requested the OWD/PMU to plan and release funds for other roads/stretches in a timely manner.

## **5. Relocation of CPRs – the case of Tarini Temple/Tree on P02**

The mission was requested by the local community to save the Tarini Tree Temple, which is being fully affected due to the proposed road works on P02 (Anandpur-Bhadrak Section, near km 21). The anxious community representatives made several appeals and reported that such requests on the subject have been made right from the project preparation days, including a complaint that has been registered in the OSRP's Compliant Handling System early this year and petitions to district administration. More so, they have also requested and have been assured by GoO's Minister of Culture that the required measures would be taken.

Given the design constraints (geometry, land acquisition minimization) and road works having been carried out/completed on both sides, one of the options that the temple trust/community is willing to explore is the possibility of transplanting part of the Ficus tree, which holds tremendous religious significance, with followers coming to the tree temple from long distances. The mission requested OWD/PMU to consider various options to protect the community's interest, including seeking expert's advice and by undertaking all required precautionary measures (irrespective of the option chosen). It is also important that the community is continuously consulted and kept abreast with all developments without any communication gaps, what-so-ever.

## **6. Third Party Quality Review**

OWD has engaged National Institute of Technology (NIT) Rourkela for carrying out the Third Party Quality Review. Among other aspects included in the scope of the assignment, the assignment also covers review of Environmental, Health and Safety (EHS) implementation aspects vis-à-vis the provisions/requirements of the EMPs. NIT Rourkela's team comprises of Environment and Safety specialists for this purpose. The Inception Report has been submitted and reviewed by the Bank, following which the detailed audit of P01 (Khariar-Bhawanipatna) has been completed. The draft report of the same is expected by October 20, 2011. The NIT team plans to complete the detailed Audit of the other two works contracts by November 8, 2011, and is expected to submit the draft reports for those before end of November 2011.

## **7. Institutional Arrangements for Environment Management**

The mission reviewed the institutional arrangements for environmental management within OWD/PMU and interacted with Nodal Forest Official on this subject. While the staff strength at the PMU continues to be satisfactory keeping in mind the type, magnitude and status of field activities, there is a need to re-organize the work load and clearly define the responsibilities of the staff to ensure effective functioning of the cell. The EMC/PMU also needs to strengthen monitoring and reporting with regard to EMP implementation.

On the construction supervision front, two out of three positions of Environment Officers were filled-up as part of the interim support arrangements by PMU, of which one has recently fallen vacant. The mission was assured that the vacant position, specifically for the on-going P02 works will be filled-up at the earliest.

The mission once again discussed and re-iterated the need to establish an ***Independent Environmental Committee*** (constituting of officials/experts from Department of Forests, Wildlife Wing and State Pollution Control Board), which with the assistance of Environmental Management Cell (OWD/PMU) needs ***to assess site-specific EMP implementation once in six months***. The formation of this independent committee has been agreed as part of the monitoring and evaluation mechanism for OSRP to ensure effective environment management, particularly during the construction of works. Even though the mission was assured that the committee will be put in place by February 2011 and will initiate working by mid-March 2011, there has been no development on this front. The mission once again had a detailed discussion in this regard and was assured of the requisite action by November 15, 2011.