

December 7, 2006

Mr. Ajit Tripathy
Chief Secretary
Government of Orissa
Secretariat
Bhubaneswar

Dear Mr. Tripathy:

***India: Proposed Orissa State Roads Project (P096023)
Preparation Mission, November 6-11, 2006***

We would like to thank the Government of Orissa (GOO) and the Orissa Works Department (OWD) for the kind cooperation and support extended to the World Bank mission that visited Orissa from November 6-11, 2006 for the preparation of the proposed Orissa State Roads Project (OSRP). Attached for your information and perusal is the mission's finalized Aide Memoire (AM). We would like to take this opportunity to highlight some of the key issues raised in it.

Project Preparation Progress. There have been significant delays in the preparation of the project in comparison with the schedule agreed during the last preparation mission in July 2006. The delays are, in large part, due to the weak capacity of the Project Management Unit (PMU) that is currently in charge of project preparation in OWD. The PMU continues to operate with inadequate staff, especially in areas of environment and social impact management and safeguards. The staffing plan for the PMU agreed during the previous mission has not been put in place, and we would like to urge GOO to finalize the staffing of the PMU in order to avoid further delays in project preparation. In particular, full-time officers from the Revenue, Forestry and Finance Departments and some more junior-level engineers should be assigned to the PMU in order to avoid further delay in project preparation.

Project Components. The mission and GOO re-confirmed that the components for the proposed OSRP would include: (a) Road Improvement, (b) Institutional Development, and (c) Community Development Initiatives in tribal areas. The road improvement component comprises two sub-components: upgrading and widening of about 896 km of priority state highways (including additional 61 km agreed during the current mission), and about 229 km of highly trafficked roads under Public-Private Partnerships (PPP). The PPP scheme will be supported through Viability Gap Funding under the Government of India's program, and any additional gap funding required to make the PPP scheme financially viable may be supported under the proposed OSRP.

Institutional Development Strategy. The proposed OSRP plans to support GOO to undertake a series of policy and institutional reforms and implement a major capacity development program aimed at modernizing the OWD and establishing an effective road sector institutional framework to support the needs of the growing and industrializing state economy. A draft Institutional Strengthening Action Plan (ISAP) has been prepared by OWD with the help of a Facilitator and was discussed during the mission with senior GOO officials, who have generally supported it. The ISAP will need to be formally endorsed by GOO before project appraisal and arrangements for the Technical Assistance services should also be finalized by then.

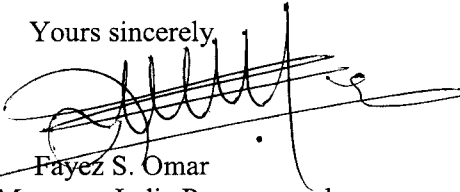
Governance and Accountability Action Plan. The mission discussed with GOO officials the need to increase transparency in the decision making process and to develop an Action Plan for enhancing disclosure and transparency related to general project information, environment and social impact management, financial management, procurement and construction. As discussed and agreed during the mission, a Governance and Accountability Action Plan (GAAP) would be developed before project appraisal to meet the goals of improving accountability and to meet the Right to Information Act for increasing transparency during project implementation. The GAAP would be prepared based on Orissa's Anti-Corruption Action Plan.

Project Costs and Financing. The total project cost is currently estimated at US\$393 million, which is higher than estimated during project identification in September 2005. The increase is in part due to the higher than expected unit costs for road construction, and the additional Daspalla-Bhanjanagar link (61 km) agreed for inclusion in the project. The indicative loan amount agreed between the Bank and the Government of India, Department of Economic Affairs (DEA) for OSRP is US\$250 million. However, subject to agreement from DEA, the size of the loan may have to increase to \$314 million to cover the higher cost and maintain the 80-20 percent cost sharing arrangement between GOO and the Bank loan. GOO should discuss with DEA at the earliest the possibility of increasing the loan amount, and advise the Bank accordingly. Alternatively, GOO could provide additional counterpart funding if it wishes the loan size to remain at the current level.

Project Processing Timetable. The mission discussed with GOO and OWD a revised timetable for project processing taking into account the progress made thus far and the remaining actions for project appraisal. The key actions for project preparation and appraisal are summarized in Para 5-6, and detailed in Table 3 of the AM. If the agreed timetable is implemented, the project could be ready for appraisal in February 2007 and negotiations could be held in April 2007. However, given the progress thus far, this would require concerted effort by GOO and OWD to expedite project preparation.

With regards,

Yours sincerely,


For
Fayez S. Omar
Senior Manager, India Program and
Acting Country Director, India

Copy to:

Dr. R. N. Bahidar (IAS), Development Commissioner & Agricultural Production Commissioner
Government of Orissa Secretariat, Bhubenswar

Er. D.K. Dey, Engineer-in-Chief-cum-Secretary, Works Department, Government of Orissa
Secretariat, Bhubenswar

Mr. Anuj Arora, Deputy Secretary, Department of Economic Affairs, Government of India,
Ministry of Finance, New Delhi.

Mr. Ajit Tripathy

December 7, 2006

Cleared with: Guang Chen, Sector Manager, Transport, SASSD.

bcc: Messrs/Mmes: Kumar, Garg, Vualnam (EDS12); India Coordinator; Bernard, Crookes, Reja, Swaminathan, Hasan, Srivastava, Vyas, Srinivas, Diaz (SASSD); Bajaj (SARPS); Mamak (SARFM); Orissa Team

IRIS

Drafted by: Binyam Reja

INDIA
PROPOSED ORISSA STATE ROADS PROJECT (P096023)

PREPARATION MISSION
NOVEMBER 6-11, 2006

AIDE MEMOIRE

A. Introduction

1. A World Bank mission comprising Binyam Reja (Sr. Transport Economist/Task Team Leader, SASSD), A. K. Swaminathan (Sr. Transport Specialist, SASSD), Mohammad Hassan (Sr. Social Development Specialist, SASSD), Neha Vyas (Environment Specialist, SASSD), Manvinder Mammak (Sr. Financial Management Specialist, SARFM), Manmohan Singh Bajaj (Sr. Procurement Specialist, SARPS), Naseer Ahmed Rana (Adviser, SARSQ), and Natalya Stankevich (Operation Analyst, SASSD) visited Orissa from November 6-11, 2006 for the preparation mission of the proposed Orissa State Roads Project (OSRP).

2. The mission met with concerned officials of the Government of Orissa (GOO) and senior officials and staff of the Orissa Works Department (OWD), and worked closely with staff from the Project Management Unit (PMU) of the proposed OSRP. The list of people met during the mission is shown in Annex 1. The Aide Memoire (AM) was discussed in draft form with the concerned GOO officials in a wrap up meeting chaired by the Engineer-in-Chief-cum-Secretary, Works Department, on Nov 10, 2006. The wrap up meeting was followed by a meeting with the Honorable Minister, Works and Housing. The mission thanks GOO and OWD officials for their kind cooperation and support during the mission.

B. Summary of Project Preparation Progress and Prior Actions for Appraisal

3. Project preparation progress over the last several months has picked up pace, but there are still significant delays in the preparation of environment and social safeguard documents that could delay the appraisal of the proposed project by the Bank. The mission reminded OWD and GOO to expedite the preparatory activities related to social and environmental aspects of the project, including obtaining the required regulatory clearances for environment and forestry and starting the process of land acquisition for first year roads if the proposed project is to be appraised and approved during the current fiscal year of the Bank as planned.

4. The following project preparation activities have been completed so far:

- ***Feasibility Study.*** The consultant has completed the Feasibility Study for the proposed project roads and carried out economic evaluation of the project roads. The report is of good quality, and the Bank and OWD have provided extensive comments to the consultant and were discussed during the mission.

With the incorporation of the agreed comments, the Feasibility Study shall be considered acceptable to the Bank.

- ***The preparation of Detailed Project Reports is progressing well.*** The consultant has completed detailed engineering design for 68 km, and these were reviewed and discussed extensively during the mission with particular emphasis on the engineering, social and environmental aspects of the design. The consultant is expected to complete DPR for a total of 204 km (i.e. first year contracts) by end-December 2006.
- ***Environment and Social Screening Reports*** were previously completed. These will need now to be disclosed to the public within the project areas and Bhubenswar where they could be available to stakeholders. In accordance with World Bank policy on disclosure, the environment and social screening reports will also be disclosed in Washington. The disclosure of the environment and social screening reports must be completed by early December 2006.
- ***Environment and Social Safeguard Reports have been significantly delayed.*** The delay is related to the staffing problem both of the consultant and the OWD. The consultant's key personnel have not been in place for the last several weeks, which had delayed some of the assessment and field surveys. However, this has now been rectified, and the work by the consultant has picked up pace recently. The consultant will now complete the environment and social assessment and preparation of safeguard documents for first year works by end-December 2006. ***However, the PMU is still operating with inadequate staff,*** especially in areas of environment and social impact management. The mission was informed that the land acquisition officer is now working fulltime. However, the Forestry Department was not able to assign a forestry officer to the project because of lack of available forestry staff in the Department. The Forestry Department has recommended to OWD to recruit retired forestry officers on contractual basis. Accordingly, OWD will recruit retired forestry officers and place them in the PMU by mid-December 2006.
- The preparation of the Institutional Strengthening Action Plan (ISAP) and the institutional development component of the project are nearing completion, and should be finalized by project appraisal. A Second ISAP workshop was held during the mission to discuss the draft ISAP with senior government officials. Based on the comments received during the workshop, the ISAP facilitator-cum-consultant will finalize the ISAP and submit a revised draft to GOO by early-Dec 2006.
- Based on the social and environmental impacts, clearances required and readiness on engineering/procurement aspects, the following 3 sections were identified and agreed as the first 204 km of roads to be taken up for finalization and bidding out by January 31, 2007 – (i) Chandbali to Anandpur

(95 km); (ii) Bhawanipatna to Khariar (68 km); and (iii) Berhampur – Dighapandi and beyond (41 km). Detailed discussions on the technical aspects of the project were held, and a summary is provided in Annex 2.

5. **Key Actions for appraisal.** The GOO/OWD and the Bank mission discussed and agreed in the following key actions to expedite project preparation and readiness for project appraisal by the Bank in end of February 2007.

- (a) Proper staffing for the PMU as per the plan agreed during the previous missions of the Bank. This would mean that point persons for environment, social and some more junior level engineers, finance officer would need to be mobilized into the project team of the OWD to take care of the project preparation.
- (b) Stability of the staff within the project team. It is absolutely essential that the staff within the project team be in place for at least 3 years to enable continuity from preparation into implementation.
- (c) Completion of the engineering designs for the Year 1 roads (204 km) by end-Dec 2006. This would mean that the OWD would need to finalize its observations after site visits based on the consultants draft designs in a phased manner from November 15 to 25, 2006. The consultant will finalize the designs based on OWD's comments and prepare the final draft EA and EMP and simultaneously prepare the applications for the OWD to apply for the various required clearances for the Year 1 roads by Dec 10, 2006. Based on district level consultations and Banks comments, the EA/EMP will need to be finalized by Dec 31, 2006.
- (d) The specifications, costing and bid documents for 204 km of Year-1 roads will also need to be finalized based on Bank's comments during this mission and sent to the Bank for review by January 15, 2007. The bids for these 204 km should be ready to be invited by January 31, 2007. Since the contractors would be expected to mobilize for works by July-August 2007, the land for the road sections which will be handed over on signing of the contracts would need to be made completely encumbrance free by then, (LA, R&R and utility shifting completed). Encumbrance free land for about 40% of the contract lengths in stretches not less than 10km long should be made available by the OWD before the contractors mobilize.
- (e) Governance and Accountability Action Plan (GAAP). In addition to the procurement and financial management assessment review that is currently being prepared, the mission discussed the need to prepare an Action Plan to improve the transparency and accountability of the project. The GOO has welcomed this and has agreed to work with the Bank team to prepare the GAAP, which would be prepared in accordance with GOO's Anti-Corruption Action Plan. A World Bank mission will visit Orissa in mid-January 2007 to work with GOO on the preparation of the GAAP. (Annex 3 provides details).

- (f) Project Preparation Progress Monitoring by GOO and OWD. In order to maintain project preparation timeline and ensure interdepartmental coordination and decision making, high-level monthly meetings of the Steering Committee headed by the Development Commissioner will be undertaken. In addition, project preparation progress will be closely monitored by the Honorable Minister, Works on a monthly basis, and the Secretary, Works on a bi-weekly basis.
- (g) Finalize contract award for PPP Transaction Adviser services by end-January 2007. The RFP has been issued, and the final date for submission of the proposal is by end Nov 2006. The mission reminded OWD to expedite the technical evaluation of the proposals once received in order to complete the award of the contract by mid-January 2007.
- (h) Issue Request for Proposal (RFP) to short listed firms for Asset Management System consultancy by early December 2006 and finalize award of contract by end February 2007.
- (i) PMU to prepare draft TOR and RFP for Project Management Consultant (Supervision Consultant for first year roads) by mid-December 2006.
- (j) OWD and the ISAP consultant-facilitator will need to prepare revised draft Institutional Strengthening Action Plan (ISAP) based on the comments received during the mission and the second stakeholder workshop. The ISAP should be submitted to the Bank for review by early Dec-2006. The PMU also needs to prepare draft TOR and issue EOI for ISAP implementation services by late-Dec 2006.
- (k) GOO should inform the Department of Economic Affairs on the new cost and financing arrangement, and get a decision from DEA on the loan amount by mid-Jan 2007 (Para 10).

6. **Project Timetable.** As agreed by the World Bank and the GOI Department of Economic Affairs (DEA), the project readiness requirement entails the following actions to be completed before the project appraisal and loan negotiations can take place:

- i. Bids for first year contracts received prior to negotiations and award finalized for such contracts prior to Board approval;
- ii. Land acquisition and resettlement
 - Land acquisition and resettlement plans are ready;
 - Land acquired and people resettled for first year roads;
 - Land to be made available for civil works for the first section(s) of the first phase, including land acquisition / pre-construction activities, utility shifting and tree cutting, for first year contracts completed by negotiations;
- iii Resettlement Policy Framework (RPF), Environment Assessment (EA), Environment Management Plan (EMP), Resettlement Action Plan (RAP)/ Indigenous People Development Plan (IPDP) prepared and submitted to the Bank and disclosed to the public prior to appraisal; and

ii. All required central and state government clearance pertaining to forestry, wildlife, pollution etc. for first year roads obtained.

7. Based on discussions with OWD on how fast the above appraisal and negotiations conditions could be achieved, the tentative timetable for project processing is provided below. This is a tight timeline and requires closely monitoring and support from GOO/OWD.

- Project Appraisal – February 2007
- Loan Negotiations – April 2007
- Loan Approval – June 2007

C. Project Components and Cost

8. **Project Components and Year 1 Roads** The mission and GOO re-confirmed the components for the proposed OSRP as follows: (a) Road Improvement Component, (b) Institutional Development Component, and (c) Community Development Initiative in tribal areas. The road improvement component comprises two sub-components: *upgrading and widening of about 896* through public sector financing and conventional contracting method and *Public-Private Partnership (PPP)* schemes for upgrading and widening of about 229 km of highly trafficked roads.

9. During the mission, discussions were held on the missing link in the **Banarpal – Daspalla -Bhanjanagar – Aska** corridor. Previously, this missing link, namely Daspalla –Bhanjanagar (61 km), was to be included as part of the Phase 2 roads of the proposed project. Because of limits on the loan size, the proposed project will not have Phase 2 roads. Nevertheless, the missing link is an important part of the **Banarpal-Daspalla-Bhanjanagar-Aska** corridor and its inclusion is key for the viability of the corridor. Hence, it has been agreed during the mission that the Daspalla –Bhanjanagar (61 km) link will be included in the project. OWD will need to start the preparation of the feasibility study and DPR for this link and should be included as part of the DPR preparation for the **Banarpal – Daspalla -Bhanjanagar – Aska** corridor through the existing consultant. The feasibility study and DPR preparation should start as soon as possible so that it could be included in the Year 2 roads of the project.

Table 1 List of Project Roads, Cost and Year-wise Contracts

	Road Corridor	Total Km	Unit Cost (INR Million)	Estimated Cost (INR Million)	First Year Contract (km)	Second and Third Year Contracts (km)
C1	Jagatpur-Kendrapara-Chandbali-Bhadrak	151.6	18.16	2,724.00		
	Chanbali –Bahadrak (45-0)				45	
	Jagatpur-Kedrapra-Chanbali (SH9A-0-99; SH9 52.6-45))					106.6
C2	Bhadrak-Anandpur-Karanjia-Jashipur	137.1	18.15	2,486.55		

	Bahadrak-Anadpur (0/0-50)				50	
	Adnandpur-Karnjia-Jashipur (51-57.6; 65-0; 0-14.5)					87.1
C3	Berhampur-Bangi Jn-Rayagada	201.6	16.02	3,236.04		
	Berhampur-Tataponi (0-41)				41	
	Tataponi-Bangji-Jk Pur/Raygada (41-201.6)					160.6
C4	Kaharia-Bhawnipatna-Muniguda-J.kPur/Rayagada	205	16.96	3,476.80		
	Bananipatak-kariar (0-68)				68	
	Bhawnipatran-Muniguda-Rayagada					137
C5	Banarpal-Daspalla-Bhanjanagar-Aska	140	16.09	2,252.60		140
C5a	Daspali-Bhanjanagar (added during the mission)	61	18.52	1,129.72		61
		896.3		15,305.71	204	692.3

10. **Project Cost and Financing.** Table 2 provides the total project cost and the proposed financing arrangement. The total project cost is currently estimated at INR17286 million (which works out to US\$393 million at a conversion rate of US\$1 = INR 44), which is higher than estimated during project preparation in September 2005. The increase is in part due to the higher than expected unit costs for road construction, and the additional Daspalla-Bhanjanagar link. The indicative loan amount agreed between the Bank and the Government of India Department of Economic Affairs (DEA) for OSRP is US\$250 million. However, the size of the loan may have to increase to \$314 million to cover the higher cost and maintain the 80-20 percent cost sharing arrangement between GOO and the Bank loan. GOO should discuss with DEA at the earliest the possibility of increasing the loan amount, and advise the Bank accordingly. Otherwise, GOO will need to provide additional counterpart funding if the loan size will remain at the current level.

Table 2 Preliminary Project Cost and Financing Arrangement

Project Component	Preliminary Cost	WB Financing	GOO Financing	Preliminary Cost	WB Financing	GOO Financing
	INR Millions			USD Millions		
Road Improvement Component						
Upgrading sub-component (896 km), including R&R Component	15,305	12,244	3,061	348	278	70
PPP Sub-component (229 km)	TBD	TBD	TBD	TBD	TBD	TBD
Institutional Development Component	225	180	45	5	4	1
Community Development Initiative	225	180	45	5	4	1
Price and Physical Contingencies (10%)	1,531	1,224	306	35	28	7
Total	17,286	13,828	3,457	393	314	79

Assumption : US\$1=INR 44

Upgrading and Widening under PPP Scheme

11. An earlier World Bank mission (May 1-5, 2006) undertook high-level pre-feasibility screening analysis to select potential roads that could be financed on a PPP

basis. During further discussion with GOO and the findings of the pre-feasibility study the following roads were included for consideration under PPP scheme: SH-10, Joda-Bamberi and Koira-Rajamunda. These roads would be included in the scope of services for the Transaction Advisor, who would undertake a full feasibility study based on which GOO can make the decision to proceed with this road as PPP. The Transaction Advisor will also assist GOO to obtain Viability Gap Funding from GOI. Any additional contribution required from the state to make the PPP scheme financially viable could be financed from the proposed OSRP.

12. **Transaction Advisor Short List and RFP was cleared by the Bank** previously and issued to the short-listed firms, who are expected to submit their technical and financial proposals by early December 2006. The OWD should complete the evaluation of proposals and award of contract by mid-January 2007.

D. Social Impact Management and Safeguards

13. **R&R Policy.** The mission reviewed the State's Resettlement and Rehabilitation Policy (May 2006) and found that, by and large, it conforms to the Bank's policy except some issues that have not been adequately addressed. These relate mainly to the R&R support to those affected people who are physically displaced and who have no legal title to the public (ROW) land on which they are dependent for their living. However, section 11 of the R&R policy allows individual projects to provide any additional R&R support required, depending on the nature of the project and its impacts on the local population. It was agreed that based on the provisions of the state R&R policy (including section 11), and the impacts identified in the social assessment report, OWD would prepare an R&R entitlement framework that addresses all categories of adverse impacts and affected people and submit to the Bank for review by early December 2006. The agreed R&R entitlement framework would then become the base to prepare RAP.

14. **Land Plan Schedules.** The mission was informed that the census survey of the potential project affected families (PAF) and identification of their structures coming within 20 meter Right of Way (ROW) has been completed, based on which strip maps have been prepared. In majority of the cases, the revenue maps and the Record of Rights (ROR) have been procured which would help in establishing ROW. By super imposing the engineering designs on these strip maps, the losses to structures and the extent of land acquisition (LA) required to correct road geometry and to accommodate realignment are being assessed. In order to initiate LA process, land plan (LP) schedules will have to be prepared. In this regard, the consultants would need to get information from revenue offices at *tehsil level* on the land to be acquired for the project. Based on LP schedules, OWD would prepare requisition for LA for submission to the concerned District Collectors to initiate LA process. It was agreed that the notification under section 4(1) of LA Act for land required for first year construction, would be issued by mid-January 2007 and payment of compensation against the losses would be completed by end-June 2007. This is possible if the project enters into negotiations with the land losers and settles payment of compensation on 'consent' basis which is also stipulated under LA Act. The mission, however, re-emphasized that all land losers would be compensated before handing over project sites to contractors to initiate civil works.

15. **RAP preparation.** Once the land required for the project is identified, the consultants would assess the impact of loss of land and other assets, finalize the list of affected families and prepare Resettlement Action Plans (RAP) for individual packages. It was agreed that OWD would submit to the Bank for review RAP for all roads under first year contracts by end-Jan 2007.

16. **Stakeholders' Consultation.** The mission discussed in detail the process of stakeholder's consultations and the need to document them. It was agreed that district consultations would be organized during November 30 to December 15, 2006 and a state level consultation around December 23, 2006. It was also agreed that the local administration would be involved in organizing these workshops. All these consultations would be well documented including the list of participants, issues raised, consensus reached and video graph of the workshop proceedings. The issues raised in these consultations will be addressed under RAP, HIV/AIDS action plan and community development strategy.

17. **HIV/AIDS Action Plan and Community Development Strategy.** The consultants are still in the process of assessing the issues related to HIV/AIDS and also have not progressed much on the approach to community development component of the project. Besides collecting relevant information, consultants need to have extensive consultation with the local communities to identify the issues and strategies to address them. On community development component, these consultations would help in undertaking a demand analysis of the community requirements and their readiness to be partners in both planning and implementing community plans. It was agreed that the OWD would submit to the Bank for review (i) a HIV/AIDS action plan by December 25, 2006 and (ii) a Community Development strategy and action plan by mid-January 2007.

18. **Institutional issues.** The mission was informed that the candidate for the Social Development Advisor (SDA) has been selected but could not join the PMU for another three months. Because of the delay in joining the SDA, OWD would make an interim arrangement appointing its own staff to handle social aspects of project preparation. The SDA would then be responsible during implementation of the project. As reported earlier, the incumbent Revenue Officer in PMU still holds the primary responsibility with the National Highways, though reported to be devoting more time to OSRP. Now that the Government has approved the proposed institutional set up of PMU, the mission urged that the Revenue Officer is fully attached to the PMU and that he is assisted by two tehsildars to help in LA process. The mission cautioned that the lack of adequate manpower to take up LA with the District Collectors may impact project implementation schedule. It was agreed that to ensure speedy LA process, OWD would strengthen PMU with a full time Revenue Officer along with two *tehsildars* and support staff by mid-January 2007.

19. **Engaging NGOs.** In order to facilitate planning and implementing the social component of the project, it was agreed to engage NGOs – one at each contract Package level and a nodal NGO at the project level. While the Package level NGOs will be field based and will be responsible for implementing social activities under a Package, the nodal NGO at PMU level will be responsible for oversight of the work of Package level

NGOs and provide necessary technical support in planning and implementing social management plans (including R&R, HIV/AIDS and community development). Since RAP is required to be implemented well before the civil works are initiated, it was agreed that NGOs would be contracted by end March 2007. OWD is advised to start the procurement process immediately so that the NGOs are fully mobilized by March 2007.

20. Table 3 provides the key actions for appraisal, and Annex 4 provides more details on social issues of the project.

E. Environment Impact Management and Safeguards

21. Detailed discussions with OWD and its consultants were held on the overall preparation status of environmental activities/outputs; the EA process and its outputs with a focus on Year 1 roads; public consultation and disclosure of documents; project appraisal conditions, including regulatory requirements by GOI, GOO and World Bank, institutional arrangements for the project; capacity building; Independent EA Review and inclusion of EM aspects in the ISAP. Details are provided in Annex 5.

22. **Overall Status.** The mission expressed concern on non-completion of key tasks identified during the last mission. The OWD and its consultants need to expedite and complete all such activities to meet the project appraisal requirements. A revised time line to achieve these targets was discussed in detail and agreed upon in Table 3. The OWD and its consultants have assured that additional resources will be mobilized and efforts will be made to meet the revised time schedule.

23. **EA Report and EMP preparation.** The submission of the EA Report and corridor-specific EMPs remains pending. The mission expressed serious concern on the substantial delay in the submission of the EA report by the consultant. It was agreed that EA for Year 1 roads will be submitted by November 30, 2006 (and EMPs by mid-Dec 2006) while the EA and corridor-specific EMPs for Year II roads will be submitted to the Bank by mid-Jan. 2007.

24. **Biodiversity Assessment Study.** It was agreed during the last mission that a focused 'biodiversity assessment' exercise would be carried out as a part of the EA since the key issues that emerged from the Environment Screening Exercise pertain to likely adverse impacts on forests, wildlife, green tunnels, giant trees and plantation within RoW due to the proposed project. A draft report was submitted during the course of the mission. The mission reviewed this draft and provided several suggestions for strengthening the quality and documentation of this output. A revised version will be submitted to the Bank by December 15, 2006.

25. **Integration of EA/EMPs into Design and Contract Documents.** The EMP provisions need to be properly reflected in the design drawings, contract clauses and Bills of Quantities, as appropriate. It was agreed that the OWD/PMU will closely review and ensure such an integration that is to be undertaken by the Feasibility and DPR Consultant for Phase I works.

26. **Public Consultation.** The public consultation mechanism adopted under the project needs to be meaningful and comprehensive in nature. The mission was informed that the local level 'follow-up' consultation and district and state level workshops are still pending. These need to be completed without any further delay to ensure integration of concerns raised by the various stakeholders during project design to the extent possible. It was agreed that this activity including documentation will be completed by December 2006 end.

27. **Regulatory Clearances.** Detailed discussions were held on process and timing of Environmental Clearance, Forestry Clearance and Tree Cutting permission for the project among other regulatory requirements of GoI and GOO as a part of the Bank's due diligence. The discussions also encompassed the new EA notification of MoEF, which has come into effect since Sept. 14, 2006. The mission once again emphasized the need to initiate the process for obtaining these 'clearances' in a time bound manner. The applications for all required regulatory clearances for Year I roads should be prepared and submitted at the very earliest.

28. **Institutional Arrangements.** One full-time environment officer (Deputy Executive Engineer level) was deputed by the OWD towards end of Jan 2006. The mission was pleased to note that this position has been upgraded to Executive Engineer's level recently. OWD assured that continuity would be maintained to ensure that the exposure and capacity building efforts gained so far are not lost. However, the position of an Environmental Specialist within the PMU set-up remains vacant. This position was suggested primarily with an aim to help OWD in project preparation and capacity building. OWD/PMU stated that with the project preparation period coming to an end and the selected individual not being able to join before March-April 2007, the OWD would like to re-think on this matter. The OWD proposes to depute additional staff with supervision, monitoring and co-ordination responsibilities during project implementation. The OWD is also considering hiring of retired Forest Official, who would assist the PMU in obtaining regulatory clearances; co-ordinate plantation related works and supervise implementation of management measures/plan for biodiversity protection. The OWD/PMU has agreed to inform Bank about its decision on the proposed institutional arrangements soon.

29. **Capacity Building and Training.** The mission was pleased to note that the OWD/PMU has shown interest and initiative for building-up understanding and capacity in environmental management aspects. Two rounds of orientation and basic training have been delivered by the Bank (in August and November 2006). An over-all training strategy and plan for effective environment management will be prepared as a part of the EMP documents covering needs of various targets groups.

30. **Independent EA Review.** A sample Terms of Reference for Independent EA Review Consultant previously shared with OWD/PMU was once again discussed in detail at their behest. The Bank has agreed to clear the ToR prepared for OSRP, which was submitted during the course of the mission by Nov. 25, 2006.

31. **Disclosure of Documents.** The OWD/PMU will disclose all environment reports of the project in places accessible to the public to abide by the US. Pelosi Amendment. The executive summary of all such reports translated in Oriya will also be disclosed at these locations. All revised versions of the reports will be uploaded on the web site as well.

32. **Institutional Strengthening Action Plan (ISAP).** The mission emphasized the need to include the environmental management aspects, which have not been covered under the current draft ISAP report. In view of the new EIA notification (2006), Right to Information Act and the increasing demands from external stakeholders on the need to be adopt more sustainable approaches in planning and construction of projects, this component needs to be strongly considered for inclusion under the Institutional Strengthening Action Plan.

33. Key Agreed Actions are provided in Table 3, and detailed in Annex 5.

F. Institutional Development Strategy and Components

34. The mission held further discussions with GOO and OWD on the Institutional Development Strategy (IDS) to be supported under the proposed OSRP. The IDS largely remains the same as what was discussed in pervious Bank missions, with some changes agreed during the current mission. The OWD with support from an external Facilitator has prepared a draft ISAP, which will be the basis for the IDS and project support. A second draft of the ISAP was discussed with senior GOO officials during the mission. GOO officials are generally in support of the ISAP elements and recognize the need to modernize OWD. The ISAP contains three main elements: improving policy and planning framework, OWD organizational restructuring, and OWD capacity building measures.

35. **Policy and Planning Framework.** The project envisages support for improving the policy and planning framework, including the preparation of a road master plan and an Apex Road Development Authority. Orissa has over 220,000 km of roads, which are managed by several road agencies, with little sector-wide planning and coordination among each other. This scheme has resulted in poor network integration of the different road hierarchies and in poor traffic circulation and services to road users. The road classification is outdated and mostly determined by administrative setup and financing sources. The state urgently needs a more integrated and planned road network to maximize the benefits of the large road sector investment currently being undertaken through various schemes. It is therefore essential that Orissa has a **road network master plan**, which has an integrated and classified road network. This has been GOO's plan for sometime, and has already allocated some resources for the preparation of such master plan. The proposed OSRP will augment the preparation of the road master plan by making additional resources available and bringin international and national experience to bear in the preparation of the master plan. The master plan will then guide GOO's development and maintenance program in the sector overall regardless of which road agency carries out the implementation.

36. ***Establishment of an apex Road Development Authority in Orissa for Policy and Planning.*** Any sector-wide planning and policy development will require a state-level body to over the planning aspect on behalf of the government. The various road agencies in the state are mostly engaged in the implementation of road projects and carry out very little policy development and planning. Moreover, there is no state-level organisation responsible for ensuring that GOO's road sector policies are achieved and that the road sector meets the overall government objectives. In many countries, policy and planning function is carried out separately from day-to-day implementation and management issues to clarify responsibilities and bring focus on policy matters. During discussions in the mission, it was found that GOO plans to establish a road development authority as an apex body responsible for policy, planning, setting standards and guidelines for the road sector. The Road Development Authority would be main agency responsible for administering and overseeing the development of the road sector on behalf of the government. It will be headed by a competent Chairman and would have a board drawn from various stakeholders. Initially, the Authority would be established through a government order as a "society", and would be subsequently formalized through an Act of state Legislative Assembly. The details of the Road Authority need to be worked out and an Action Plan need to be developed to bring the Authority into effect. The mission agreed in principle to support the establishment of the Authority. Once established, the preparation of the road master plan, road policy and standards, among other things, would be entrusted to the Authority.

37. ***Establishment of Road Development Corporation for Core Road Network.*** The current OWD structure is organized as a traditional public works department with very little customer orientation and service delivery focus. The OWD covers roads, sanitation and most of the public works in the state. This has had the effect of spreading human and financial resources too thinly among the various sectors managed by OWD, and more importantly depriving the most important assets in the OWD adequate resources for their development and maintenance. In many countries and some states in India, the management of road sector and other infrastructure sector are increasingly being separated to benefit from specialization and to deploy adequate resources to each infrastructure sector. Moreover, some states dedicate human and financial resources for the development and maintenance of the most important roads in the state – the core road network (CRN). While the break up of OWD into separate infrastructure departments is not envisaged in the near term by GOO, there would be a need to undertake an internal restructuring of OWD to provide better focus on the management of the road sector, especially for the CRN. In particular, the OWD may wish to identify about 5,000-8,000 km of the most important roads and entrust them to a separate Chief Engineer, Core Road Network. Currently all 14,400 km of roads in the state are managed under one Chief Engineer Roads. A separate Chief Engineer would ensure that the CRN will be managed effectively and the users would have improved services from the CRN. In order to operationalize this structure, OWD will need to identify and designate about 5,000-8,000 km as CRN. After which, GOO will need to assign a separate budge head for CRN in the next year budget and authorize the Chief Engineer, CRN to execute the budge from the next fiscal year. The timetable for operationalizing the new structure for CRN is as follows:

- OWD to identify and designate CRN –February 2007.
- GOO to assign budget head for CRN – April 2007 (new fiscal year).

38. **Sustainable Road Maintenance Funding.** Although the overall outlook for road infrastructure funding in Orissa is improving considerably, especially with additional financing from the 12th Finance Commission and the state's improved fiscal standing, the historical vulnerability and inadequacy of funding for road maintenance, and the considerable state-wide backlog and future maintenance obligations, suggest that the introduction of a dedicated maintenance funding mechanisms in Orissa would be desirable to ensure the sustainability of the road sector. In order to assess the need for establishing such a mechanism, it was discussed and agreed to undertake a Road Financing Study to: (i) review the current road transport tax and user charge regime, and develop new/additional user charges for road maintenance; and, (ii) make detailed recommendations on the desirability and operating modalities of a potential road fund to channel road user charges into road maintenance expenditure. It was agreed that a terms of reference will be drafted to undertake the above study, and the Bank can share a draft indicative TOR for this. OWD needs to issue EOI for these services by end-Dec 2007.

39. **OWD Capacity Building Program.** The draft ISAP has identified capacity development programs for improving the managerial and organizational capacity of OWD. The primary areas of capacity building envisage under the proposed OSRP include the following:

- Training and skills development in core areas
- Monitoring and Evaluation, including IT/ITC
- Asset Management System
- Capacity to facilitate PPP and BOT for roads
- Improved procurement and contract management practices
- Construction industry review

G. Procurement Aspects

40. The mission had discussions with the PMU for finalization of Procurement Plan for the first 18 months of the implementation period for the proposed project. The PMU informed that the procurement plan could not be finalized due to repackaging of the contracts envisaged as a result of the recent revisions in the scope of first year road work. The mission noted that PMU shall incorporate the changes and update the Plan for Bank's review by end-Dec 2006.

41. The mission reviewed the RFP for Asset Management Consultancy and provided comments for incorporation on the various sections. The PMU has re-submit the RFP and the Bank has provided formal no-objection.

42. The **bidding documents** shall be drafted following the Bank's Standard Bidding Document. The mission advised OWD that for NCB bidding documents, the following

additional conditions must be met in order for the bidding process to be acceptable to the Bank:

- i) Only the model bidding documents for NCB agreed with the GOI Task Force [and as amended from time to time], shall be used for bidding;
- ii) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper, at least 30 days prior to the deadline for the submission of bids;
- iii) No special preference will be accorded to any bidder either for price or for other terms and conditions when competing with foreign bidders, state-owned enterprises, small-scale enterprises or enterprises from any given State;
- iv) Except with the prior concurrence of the Bank, there shall be no negotiation of price with the bidders, even with the lowest evaluated bidder;
- v) Extension of bid validity shall not be allowed without the prior concurrence of the Bank (a) for the first request for extension if it is longer than four weeks; and (b) for all subsequent requests for extension irrespective of the period (such concurrence will be considered by Bank only in cases of *Force Majeure* and circumstances beyond the control of the Purchaser / Employer);
- vi) Re-bidding shall not be carried out without the prior concurrence of the Bank. The system of rejecting bids outside a pre-determined margin or “bracket” of prices shall not be used in the project;
- vii) Rate contracts entered into by Directorate General of Supplies & Disposals, will not be acceptable as a substitute for NCB procedures. Such contracts will be acceptable however for any procurement under Shopping procedures;
- viii) Two or three envelop system will not be used.

43. **Procurement Capacity and Risk Assessment.** The mission reviewed the status of agreed actions for mitigation of procurement risk as identified per the Risk Assessment conducted earlier, for various actions during preparation and implementation of the project. The status is reflected in Annex 6 of the attached Revision 1 of the Action Plan.

44. It was agreed with PMU that the Bank’s Procurement Guidelines and the Standard Bidding Documents shall be used to procure works, goods and services financed under the proposed OSRP.

45. **E-Procurement.** The mission had a brief review of the status of e-procurement and noted that the GOO is planning to implement e-procurement in participating departments, including the OWD. The Bank will be fully informed on the progress of this initiative by GOO. It is possible that future contracts financed under the proposed OSRP could be procured through e-procurement if GOO finalizes its implementation of the program.

Procurement Packages for Consultancy Services

46. There are several procurement packages to be procured by OWD during project preparation and implementation. The procurement of the first package for the Preparation Consultant (Package 1) under GOO financing has already been completed and the consultant has been fully engaged for the last several months in the preparation of Project roads. The mission discussed the status of the previously agreed procurement packages and identified new ones and agreed on timetable for their procurement as follows.

47. Package 2 – **Project Management Consultancy (PMC)** for construction supervision of Project roads. The PMU has prepared the short list and the Bank has cleared it. The PMU needs to complete the preparation of the RFP and send to the Bank for no-objection by end Nov 2006.

48. Package 3 –**Public Private Partnership (PPP) Transaction Advisor.** Technical and financial proposals from short listed firms will be submitted by end Nov 2006, and contract award should be completed mid-Jan 2007.

49. Package 4 –**Road Asset Management Consultancy.** The RFP was discussed during the mission, and has been cleared by the Bank after incorporation of the comments. Technical and proposals are expected by mid-Jan 2007, and contract award should be finalized by March 2007.

50. Package 5 and 6 – **Social Development and Environment Advisors.** There has been delays in hiring these advisors due to prolonged hiring process within OWD, and the non-availability of the selected advisors for the next three months. In the meantime, work in social and environment aspects has progressed by the preparation consultant. Therefore, OWD will need to recast the TOR and hire the advisors for implementation phase only. It has been agreed that OWD will issue a new EOI and hire social and environmental advisors by project appraisal. A new EOI should be issued by early December 2006, and the advisors should be mobilized by mid-February 2007. During the preparation phase, GOO/OWD will increase the PMU staffing handling environment and social aspects.

51. Package 7 – **Preparation of Road Network Master Plan and Support the Establishment of the Orissa State Road Authority.** This consultancy services will support the GOO to establish an apex road authority to be responsible for planning and policy development. Once the road authority is established, the consultant will also support the preparation of the road master plan. The PMU will need to start working on a draft TOR for such services. The Bank has agreed to provide an outline TOR for such a consultancy service.

52. Package 8 – **Road Financing Study.** This consultancy services will review the road user charges mechanism in the state and develop institutional options to channel road user charges for road maintenance. Indicative TOR for the study has been forwarded separately to the PMU. On this basis, the PMU will prepare a draft TOR and EOI and submit to the Bank by mid-Dec 2006.

53. Package 9 – **Training Needs Assessment and Establishment of the Construction Academy.** An individual consultant or firm would be hired to undertake a training needs assessment for OWD and develop training program for each unit and skills area. In addition, depending on the training needs assessment, a separate consultancy will be developed to support the GOO to establish a Construction Academy to training and develop skills in all aspects of construction to meet the demands of both private and public sector institutions. Indicative TOR will be sent separately. The PMU needs to finalize the TOR and submit to the Bank for no-objection by end-December 2006.

54. Package 10 – **Monitoring and Evaluation, IT, ICT and MIS.** An MIS-based Monitoring and Evaluation is envisaged. The consultancy will develop the M&E architecture and determine the IT/ITC requirement to develop a full-fledge M&E system in OWD. OWD will pre-draft the TORs and will submit them for Bank's review by end-Dec 2006. Indicative TOR has been forwarded separately to the PMU.

H. Financial Management Aspects

55. Overall, progress in the preparation of financial management arrangements for the proposed operation has been slow. While this can be partly attributed to the fact that the details of the project components are still being determined, the primary impediment has been the absence of dedicated finance person in the preparation team. The pace of preparation has also been hampered by the delay in approvals for the PPF activities - as a result, a large part of the funds appropriated under the state budget for OSRP for the year 2006-07 have been surrendered. The budget for OSRP preparation for the year 2006-07 has now been revised to Rs. 12.1 crores - from the original allocation of Rs. 50 crores. A copy of the PPF agreement has been forwarded to CAA&A - this will initiate the process of the initial request for the Special Account Deposit of \$500,000, the equivalent of which will be transferred to the Consolidated Fund of GOO under the back to back arrangement. The delay also means that GOO may need to consider requesting for an extension of the closing date of the PPF advance, currently scheduled as April 30, 2007.

56. Further discussions on the accounting and reporting arrangements for the proposed project confirm that it is feasible to obtain information on project related expenditures by project components/sub components and activities from the existing monthly financial reports prepared for the AG's Office as a standard procedure by the Divisional Accountants - however, these expenditures may need to be tracked at a level below the GOO's budget codes. For the purpose, the PMU will prepare a template to be attached to the monthly financial report, indicating the project components/sub components/activities under which the expenditures will need to be classified - the aggregate of these expenditures being equal to the expenditures reported for the project under Form 80. A copy of the monthly accounts (PWA Form No 63) will be submitted to the PMU by each spending unit and will form the basis for preparation of a broad sheet, in which the expenditures for each division will be compiled for the purposes of preparing monthly and quarterly Interim Financial Reports (IFRs) to be used for management decision making as well as disbursement from the Credit/Loan. The Interim Financial Reports will also include a list of payments against contracts that are subject to

the Bank's prior approval. The form and contents of these reports will need to be agreed with the Bank by appraisal.

57. It was also agreed that the PMU will maintain a commitment/payments register centrally at the PMU, tracking all contracts (works, consultant services, goods, materials, other NGO services etc). This will provide the project with information required on pending payments and help track project progress. The form and content of the register along with the information flow mapping will need to be determined and agreed by appraisal.

58. Disbursements will be based on the quarterly interim financial reports, duly reconciled with the consolidated Appropriation Reports prepared by the AG's Office. The Special Account ceiling will be determined at the start of the project and may be increased as per the needs of the project, subject to a maximum cap. Under the back to back arrangements, all withdrawals from the Credit/Loan will be passed on by the GoI to the State - further discussions with the Finance Department, GOO will be required to determine if the fund flows (through Letters of Credit) from the State to the OWD will follow in the same lines.

59. While the above arrangements will apply to a bulk of work related expenditures, the fund flow, accounting and reporting arrangements for other components of Resettlement Action Plan (RAP), Community Development Initiatives (CDI) and Tribal Action Plans (TAP) etc. will need to be determined as the implementation arrangements of these project components are clarified.

60. The project annual financial statements will be audited and certified by the AG's Office and submitted to the Bank within six months of the close of each financial year. The TORs for the audit will need to be prepared and agreed with the Bank and C&AG's Office by negotiations.

61. These arrangements will need to be documented in a simple Project Financial Management Manual (PFMM) and include the fund flow, accounting and reporting, disbursement and auditing arrangements for each of the project components and for the project as a whole, The manual will need to be prepared by project appraisal.

62. There has been no progress on the earlier agreed action for re-engaging in a dialogue with the software development consultants for upgrading the computerized financial management software developed during the earlier OSRP, closed in the year 2000. In order to facilitate this process, OWD agreed to prepare TORs defining the scope of work and share the same with the Bank by December 31, 2006.

63. For project appraisal, the requirements for financial management are provided in Table 3.

Governance and Accountability Action Plan

64. The mission discussed with the PMU and other GOO officials the need to increase transparency in the decision making process and to develop an action plan for

enhancing the disclosures and transparency under various project implementation aspects relating to general project information, environment, social, financial management, procurement and construction, including Civil Society oversight during construction, where feasible. It was agreed that a Governance and Accountability Action Plan would be developed and agreed taking into account various actions envisaged under the ISAP, voluntary disclosure provisions under the Right to Information Act and the State's declared Anti-Corruption Action Plan. (Details on the preparation of the GAAP is provided in Annex 3)

65. Orissa is the first state in India to articulate a comprehensive medium anti-corruption action plan. Department of Works is one of the four departments selected for reforms under the anti-corruption action plan. This provides a unique opportunity under this project to make progress on the governance and anti-corruption agenda. The following are recommended for next steps:

- a. Take stock of the implementation of the anti-corruption action plan, and incorporate in the project actions that will facilitate implementation. A focused mission before pre-appraisal to formulate specific recommendations for incorporation in the project after reviewing the implementation arrangements.
- b. The GAAP should build upon the Government of Orissa Anti-corruption Action Plan. The preparation of the GAAP can be initiated by preparing a corruption mapping matrix and then preparing mitigation measure through a participative process. This exercise should be conducted before project appraisal.

J. Project Preparation Plan

66. **Project Timeline.** Table 3 below outlines the key actions to be completed before project appraisal and negotiations. Given the tight schedule, the mission encourages the OWD to maintain this timeline for undertaking the agreed actions.

Table 3: Key Actions Agreed until next preparation mission

Tasks	Responsibilities	Target Date	Remarks
Staffing			
Officer from Revenue, Forestry and Finance Department to the PMU	GOO	Mid December 2006	Staffing to include support staff as per the plan proposed by OWD
Additional engineers assigned to PMU	OWD	Early December 2006	As per the staffing plan proposed by OWD
Environmental and Social Advisors recruited	OWD	By Mid-February 2007	New EOI to be issued by early December 2006
Next Steering Committee Meeting and Monthly Meeting with Minister	Development Commissioner/Minister, Works	Early-December 2006	PMU to organize the meetings
Techno-economic Aspects			

Tasks	Responsibilities	Target Date	Remarks
Economic Feasibility Study completed	Consultant	Completed	
Network Analysis and Prioritization	Consultant	1 st Draft submitted	
Engineering designs for First Year Roads (204 km)	Consultant	End December 2006	Appraisal Condition
Bidding documents prepared and bids invited	GOO	Mid-January 2007	Loan Negotiation Condition
DPR for Second Years contracts Prepared	Consultant	February 2007	
Social Development Aspects			
Disclosure of social screening reports	WB/PMU	Early December 2006	Appraisal Condition
Finalization of social assessment report	Consultant/PMU	Mid-December 2006	Appraisal Condition/
Preparation of Land Plan schedules and initiate land acquisition process	PMU	End December 2006	Appraisal Condition/para 13
Preparation of Resettlement & Rehabilitation Policy (including R&R entitlement framework) and agree with the Bank	Consultant/PMU	Early December 2006	Appraisal Condition/paras 14 & 15
Finalization of stakeholders' consultations at the district and state levels	Consultant/PMU	End December 2006	Appraisal Condition/para 16
Preparation of Community Development strategy and plan and submit to the Bank for review	Consultant/PMU	Mid-January 2007	Appraisal Condition/para 17
Preparation of HIV/AIDS Action Plan	Consultant/PMU	End December 2006	Appraisal Condition/para 17
Initialize the procurement process of NGOs for planning and implementing of the social component	PMU	Immediate	Appraisal Condition/para 19
Strengthening of PMU staffing for social aspects and land acquisition	PMU	Mid January 2007	Appraisal Condition/para 18
Environment Impact Management			
Disclosure of environmental screening reports	WB/PMU	Early December 2006	Appraisal Condition
Initiation of process for Regulatory Clearances for First-Year works	PMU	Immediate	Loan Negotiation Condition
Submission of Final EA Report for First-Year roads	Consultant/PMU	November 30, 2006	Appraisal Condition/para 23
Submission of final Biodiversity Report	Consultant	Mid-December 2006	Appraisal Condition/para 24
Submission of final corridor specific EMP reports for First-Year roads	Consultant	Mid-December 2006	Appraisal Condition/para 23
District and State level Consultation-cum-Disclosure	Consultant/PMU	End-December 2006	Appraisal Condition/

Tasks	Responsibilities	Target Date	Remarks
Workshops			
Submission of EA and EMP reports for Second-Year roads	Consultant/PMU	Mid-February 2007	
Institutional arrangements for environment management	PMU	By Mid-February, 2007	
Submission of Final Independent EA Review Report	Consultant/PMU	By mid-February, 2007	Appraisal Condition/
Institutional Development Strategy			
Conduct Second ISAP Workshop and in principle endorsement by GOO	GOO	Completed	
Complete draft Institutional Strengthening Action Plan (ISAP)	PMU/ISAP Facilitator	Early December 2006	
Finalize draft TORs and EOIs for various technical assistance and advisory service inputs for ISAP implementation	PMU	End December 2006	
EOIs issued for various ISAP services	PMU	Mid-December 2006	
Sector Policy letter from GOO to the Bank	GOO	Mid-December 2006	
ISAP endorsed by GOO	GOO	February 2007	Negotiation condition
Procurement Processing			
Submit draft RFP for Project Management Consultant for first year roads to the Bank	PMU	Early December 2006	Appraisal condition/
Finalize a contract award for the PPP Transaction Adviser services	PMU	Mid-January 2007	
Issue RFP to shortlisted firms for Asset Management System consultancy	PMU	Early December 2006	
Issue EOI to hire social and environmental advisers	PMU	Early December 2006	Appraisal condition/
Develop TOR for preparation of Road Network Master Plan and Support to the Establishment of Orissa State Road Authority	PMU	Mid-December 2006	
Submit draft TOR for Assessment of Training Needs and Establishment of Construction Academy to the Bank	PMU	End December 2006	
Submit draft TOR for Monitoring and Evaluation, IT, ICT and MIS to the Bank	PMU	End December 2006	
Procurement Plan for first 18 months of work prepared	PMU	End December 2006	

Tasks	Responsibilities	Target Date	Remarks
Financial Management			
Development and agreement on the form and contents of Interim Financial Reports (IFRs), including the formats for internal reporting from the spending units to the PMU	PMU		Appraisal condition/
Agreement with the Finance Department on fund flow arrangements from the State to OWD	PMU	Mid-January 2007	Appraisal condition/
Agreement on the disbursements arrangements for the project based on IFRs, including arrangements to confirm reconciliation with AG reports	PMU	End January 2007	Appraisal condition/
Agreement on the form and content of the commitment and payment tracking register at PMU	PMU	End January 2007	Appraisal condition/
Determination of fiduciary arrangements for the RAP, CDI, TAP components of the project	PMU	Early January 2007	Appraisal condition/
Preparation of Project Financial Management Manual (PFMM), documenting the above arrangements	PMU	Early February 2007	Appraisal condition/
Agreement on the project auditing arrangements and agreement on the audit TORs with the AG's office	PMU	Early February 2007	Appraisal condition/
Development of an action plan for computerization of financial management system for OWD	PMU	Early January 2007	Appraisal condition/
Project Preparation and Approval Processing			
Decision on the size of the loan	GOO/DEA	Mid-Feb 2007	GOO to inform DEA immediately on the proposed increase in loan amount
Appraisal Mission	World Bank	Mid-February 2007	Appraisal Conditions to be met prior to appraisal mission
Loan Negotiations	WB/GOI/GOO	Late-April 2007	Negotiations conditions to be met prior to invitation for negotiations
Loan Approval	World Bank	June 2007	

List of Annexes:

1. Key Officials met
2. Technical Discussion Note
3. Governance and Accountability Action Plan Discussion Note
4. Social Impact Management and Safeguards
5. Environment Impact Management and Safeguards
6. Procurement Assessment and Actions Required.

Annex 1

Persons Met During Mission

1. Sri A. U. Singh Deo, Honorable Minister, Works & Housing
2. Dr. R. N. Bahidar (IAS), Development Commissioner & Agricultural Production, Commissioner
3. Er. D.K. Dey, E.I.C-cum-Secretary to the Government Works Department
4. Sri R.N. Senataki (IAS), Principal Secretary, Finance
5. Dr. R. V. Singh (IFS), Special secretary Planning & Coordination Department
6. Er. J.M. Nayak, Chief Engineer, World Bank project, Orissa
7. Mr. Sukesh Gupta and Key Consultant Team, M/s C.E.G. Ltd.. Preparation Consultant for Project Roads
8. Er. A. K. Ray, Executive Engineer, PMU, Orissa
9. Dr. N. C. Pal, Executive Engineer, PMU, Orissa
10. Sri S. N. Ahmed (OAS), Land Revenue Officer, PMU, Orissa
11. Er. M. R. Mishra, Asst. Executive Engineer, PMU, Orissa
12. Er S. Hota, Assistant Engineer, PMU, Orissa
13. Sri S.P. Nanda (IAS), Principal Secretary, Forestry Department
14. Sri S.N.Dey, Joint Secretary, OWD
15. Mr. V. Murabari Reddy, Ex-EIC, Andhra Pradesh/ISAP Facilitator
16. Mr. S.N. Das, Sr DAO, OWD
17. Mme. Indrani Bose, Tax Deputy Secretary, Commerce and Transport Department
18. Mr. N.R. Pati, Deputy Secretary, Transport Department
19. Mr. Akrura Sahn, FA cum Joint Secretary, OWD
20. Mr. N.K. Pradhan, Chief Engineer, OWD
21. Mr. F.M. Panigrahi, Executive Engineer, Planning, OWD
22. Mr. Acharya, Accounts Officer, OWD

Annex 2**Technical Aspects**

Design and Engineering Issues. The mission had detailed discussions with the OWD and the design consultant to review the alignment designs of Bhawanipatna-Khariar, Bhadrak-Anandpur and Bhadrak Chandbali road sections. It was noted that the consultant has basically tried to follow the agreed guidelines for designs and right of way as discussed during the last mission in July, 2006. Some generic comments of the Bank mission on the technical aspects of the designs are (i) raising the road substantially in built-up areas may cause inconvenience to the public due to drainage and accessibility problems. Raising the road in built up areas should be avoided to the extent possible and in no case more than 300-500 mm based on site conditions; (ii) providing noise mitigation and roads safety measures in case of sensitive zones through appropriate cost effective measures. These could include hospital/healthcare and school buildings; (iii) incorporating appropriate debris disposal plan to comply with environmental requirements after proper consideration of overall material requirements and recycling of usable material from excavations; (iv) reviewing the horizontal alignment options including bypassing options at some of the congested built-up areas in Chandbali-Bhadrak-Anandpur road to reduce adverse R&R and road safety impacts without increasing overall costs substantially or compromising on designs issues. The speeds, horizontal curvature and sight distances on many of these places is substandard for a road of this nature and efforts may taken to improve these after site visits.

When reviewing the bridges, the mission requested the consultant and OWD to look into (i) option for replacing pile foundations with raft foundations and appropriately designed floor protection works, if feasible; (ii) possibility of reducing span lengths of bridges near built-up areas to reduce deck levels to enable reducing the road level. Looking at pre-stressed concrete options like planks and voided slabs may also further help in reducing the deck thickness as well as the bearing pressure on the foundations; (iii) option of making the deck slab continuous in very long bridges (more than 400 m long) needs to be looked into for this will help in improving the riding quality as well as reducing the number of expansion joints.

Design of the pavement structure was reviewed by the mission. It was noted that the consultant had done the preliminary design of pavements based on the IRC, AASHTO and the TRL methods. Due to relevance of the Indian codes to Indian weather conditions and the similarity of outputs of the three designs, the consultant has proceeded with the final designs based on India codes and specifications. During the joint review, OWD has requested consultant to furnish the AASHTO design for one road section with very low CBR to verify the economics of pavement design. During the discussions it was also agreed that the shoulder on all roads will be of gravel/granular material/moorum for its entire width as per the cross-sections and will be of thickness not less than 150mm. The consultant will need to ensure proper specification of CBR, compaction density, plasticity and drainage properties for the proper functioning of the shoulders. In built up areas, the strip of land (for utilities and access to the wayside houses and shops) beyond the side

drains up to the building line needs to be compacted using proper material. This should be included in the costs.

The overall design parameters assumed by the consultants and OWD for designing the roads in plain, rolling and hilly areas are more or less consistent with the Indian code provisions. Designs would need to provide for widening roads and bridges at curves, footpaths on bridges in and near built-up areas wherever required, side drains, truck lay byes, bus stops etc. In urban/built areas the roads could be completely paved right up to the edge of the footpath/drain. It was agreed that based on the detailed discussion held with OWD and the consultants, the designs will be revised and confirmed based on site visits in the next few weeks. Provisioning of village markets in tribal areas, bus and truck-byes need to be done at appropriate places based on public consultation. Other aspects like lane marking, road signs, junction improvements with important major roads etc. would also need to be considered by the design consultant while finalizing his drawings and designs. The mission discussed the need for bypasses in critical portions of the year 1 roads like Behrampur, Digapahandi and other places. These could be included for implementation under year 2 roads if proved feasible.

Road widening will have implications on shifting of underground utilities like OFC. This needs to be assessed. OWD would also need to ensure that no permission is given to utility organizations to lay new utilities on the project roads without consulting and approval to the CE (OSRP).

Costing and specifications. The quantity estimates for the roads, cross drainage works and other appurtenances have not yet been finalized and worked out in detail. The rates have been based on price escalations up to June 2006. It may probably make more sense for the consultant to compute the rates of input resources based on extrapolation to March 2007 (through appropriate robust assumptions) after discussions with OWD. Moreover these rates should be linked to current market prices through comparison with recently awarded contracts of NH and SH. Appropriate values of contingencies (usually physical 5% and price contingency of 5%) need to be factored in as well as more accurate values for R&R, LA and EMP works (based on actuals instead of percentages). The mission strongly advised the consultant and OWD to review the rates of high value items like GSB, WMM, DBM, BC, RCC and PSC. While reviewing the specifications the Bank communicated its comments verbally to the consultant and client. The using of a penalty clause in case of non-use of the modified specification 112 for every item of work was discussed. Similarly, special attention needs to be paid to ensure consistency among the design assumptions, material properties and construction specification and methodology. This was absent in the first draft of the specification. The mission also strongly advised the OWD to get the specifications reviewed by an experienced person to ensure consistency between designs and specifications as well avoid confusion in the implementation stages.

Feasibility Study Report. The Bank reviewed the feasibility study report (FSR) for the project. There were some minor reporting related issues and other comments which were communicated to the client and consultant. However, the mission felt that the FSR

substantially met with the overall needs of determining the economic viability of the project and thus satisfactory.

Fiscal Impact of the Project. Budget and expenditure data for the road sector and other sectors was collected from the OWD, and Departments of Commerce and Transport and the Consultant to conduct the analysis of the fiscal impact of the project. Additional data has been requested from the OWD and it will be sent via email to the World Bank by early December 2006. The fiscal impact analysis will be completed by appraisal.

Annex 3

Governance and Accountability Action Plan

Scope of the GAAP

The mission held preliminary discussion with OWD and GOO officials on the preparation of the Governance and Accountability Action Plan (GAAP). All parties including the Minister, Secretary, Chief Engineers, and PMU staff agreed on the need to develop the GAAP for the project. It was agreed that GAAP will be included as an integral part of the ISAP. Given below are the main points discussed that should be considered in the preparation of the GAAP for the proposed OSRP:

- a. Development of disclosure policy in compliance to Right to Information (RTI) Act both for on demand information and disclosure.
- b. Development of a website, information management system and a document management system.
- c. Development of complaints handling system.
- d. Build on the pilot of Public Affairs Center experience under Punjab State Roads Project for citizens oversight and civil society involvement.
- e. FM and Procurement to provide a summary of actions for mitigation of collusion in procurement and fraud in payments.
- f. Define enforcement mechanism and protocol for remedies for cases of fraud or corruption.

The anti-corruption program of the State of Orissa

Government of Orissa has launched an Anti-corruption Action Plan that provide a major opportunity of improving governance under development projects. Description of the action plan is given in the box below. As described in the Anti-corruption Action Plan, OWD is one of the departments included in the initial phase for reform interventions before scaling-up to other departments. These reforms include internal vigilance mechanism and administrative reforms under the Orissa Modernizing Government Program. The project should consider incorporating aspects of the Anti-corruption Action Plan both in the design of the project to facilitate the implementation of the action plan and for reducing fiduciary risks.

Orissa's Anti Corruption Action Plan

Orissa is the first state in India to articulate a comprehensive medium anti-corruption action plan. The Action Plan is divided along three broad categories; i.e. reforms that support better institutional transparency and accountability particularly by developing better systems and procedures that prevent corruption; reforms that support better enforcement and that serve as a deterrent to corruption; and processes that can generate better public awareness necessary to underpin both prevention and enforcement and make changes sustainable. While the strategy envisages a major expansion of enforcement machinery both across the state and within departments through the establishment of internal vigilance units and new special courts to try corruption offences it also recognizes that merely strengthening enforcement will not solve the problems of corruption and that accountability relationships need to be examined at different levels of government. Thus it also focuses on management reforms that will ensure better transparency and accountability in service delivery. This includes systemic reforms in procurement and business process re-engineering in areas where corruption is recognized to be a problem and where citizen- government interaction is intense. Equally important it aims at strengthening citizen "voice" through reforms in program implementation that aims to empower communities through providing information about their service delivery rights which will enable them to hold service providers accountable.

India Right To Information Act (2005)

RTI implementation has started in Orissa. State Information Commission was established about ten months ago. A meeting was held with Honorable D. N. Padhi, State Chief Information Commissioner. Annual progress report on the OSIC is being prepared and will be placed on the website. The Honorable Commissioner has accepted in principle an invitation to visit the World Bank office in Delhi and give a presentation on the activities of the State Information Commission.

In the meeting with the Secretary Works, it was agreed that for the proposed project notification of the Public Information Officer (PIO) and the Appellate Authority will be made within this month as required under the RTI Act. The proposal is to appoint Mr. Aditya Kumar Ray, Executive Engineer as the PIO and Mr. Jayamangal Nayak, Chief Engineer as the appellate authority.

Utilizing Information Technology to Improve Administrative Efficiency and Better Public Access to Information

Effective use of information and communication technology is a critical part of the anti-corruption action plan. Information technology is planned for areas that include the following: e-procurement; e-Governance to improve administrative efficiency and better access to information; information systems and databases at the district level for better monitoring of development projects; and comprehensive data bases on all projects will be made available to public. The project should incorporate all aspects of use of technology to the extent possible in the project by establishing an IT implementation team. During

the discussions it was agreed that the information management consultant under the M&E component will develop a plan for the information and documents management.

Improving systems and procedures

Improving systems and procedures are included in the anti-corruption action plan under administrative reforms under the Orissa Modernizing Government Program. Works department has been selected as one of the four department for implementation of reforms. Reforms in public procurement procedures are part of these reforms. The proposed project should take stock of these reforms under the anti-corruption action plan and facilitate implementation in the Works department.

Enhancing enforcement

The state has established a track record of being serious about taking action against government officials and firms found involved in cases of fraud or corruption. We were informed that contractors have been put behind bars for collusive practices in procurement. Measures have been included in the anti-corruption action plan aimed at enhancing preventive vigilance and better enforcement. Department of Works is one of the four departments where internal vigilance mechanisms are proposed to be established. The proposed project should take stock of the establishment of enforcement measures under the anti-corruption action plan and facilitate implementation in the Works department.

Recommendations

Orissa is the first state in India to articulate a comprehensive medium anti-corruption action plan. Department of Works is one of the four departments selected for reforms under the anti-corruption action plan. This provides a unique opportunity under this project to make progress on the governance and anti-corruption agenda. The following are recommended for next steps:

- a. Take stock of the implementation of the anti-corruption action plan, and incorporate in the project actions that will facilitate implementation. A focussed mission before pre-appraisal to formulate specific recommendations for incorporation in the project after reviewing the implementation arrangements.
- b. The scope of the GAAP should consider suggestions provided above. The GAAP should build upon the Government of Orissa Anti-corruption Action Plan. The preparation of the GAAP can be initiated by preparing a corruption mapping matrix and then preparing mitigation measure through a participative process. This exercise should be conducted during pre-appraisal.

Annex 4**Social Impact Management and Safeguards**

The mission reviewed the progress in the project preparation and assessed the readiness of the project for appraisal from the Bank's social safeguards requirement. The mission had detailed discussions with the OWD project preparation team and the key persons of the Feasibility Consultants team on various social issues related to the project. Besides attending the Project Steering Committee meeting chaired by the Development Commissioner, the mission also participated in a consultation meeting with the district level nodal officers of OWD on November 07, 2006 and a separate meeting with NGOs (mainly from the field) on November 09, 2006. In both these meetings, the discussions were focused on the various social and environmental aspects of the project.

Land Plan Schedules: The mission was informed that the census survey of the potential project affected families (PAF) including identification of all structures coming within 20 mtr Right of Way (ROW) has been completed in all the stretches (825 km.) proposed to be covered under the project. Based on the census of structures likely to be affected by the proposed project interventions, strip maps have been prepared indicating the extent of structures likely to be affected by the project. In majority of the villages falling along the road stretches proposed under the project, revenue maps and the Record of Rights (ROR) have been procured and are being used to establish Right of Way (ROW) for the project roads. Where ever the engineering designs have been completed, the same are superimposed on the revenue maps to assess the number and extent of structures coming within the recognized ROW. At the same time, this helps in assessing the extent of land acquisition (LA) required to correct road geometry and to accommodate realignment.

In order to initiate LA process, land plan (LP) schedules will have to be prepared. In this regard, the consultants would have to visit revenue department offices at *tehsil level* to get land ownership records for each of the villages falling along the project road stretches. This type of exercise will help to get detailed information not only on the extent of additional land required but also the list of land losers. Identifying ownership of the land is a pre-requisite to initiate LA process. Based on LP schedules and the land ownership records obtained, OWD would prepare requisition for LA for submission to the concerned District Collectors to initiate LA process. It was agreed that the notification under section 4(1) of LA Act for land required for the first year construction, would be issued by mid January 2007 and payment of compensation against the losses would be completed by June end 2007. Recognizing that the normal LA is a long drawn process and takes a good amount of time, it was agreed that the Project would enter into negotiations with the land losers and settle payment of compensation on 'consensus award' stipulated under LA Act. This will not only hasten the LA process but would also minimize affected land losers approaching court for enhancement of compensation norms. Nevertheless, the mission clarified that no civil works would be initiated unless all land losers are compensated before handing over the project sites to contractors.

RAP preparation: The mission clarified that one of the pre-requisites for the Bank management to permit project appraisal is finalizing the Resettlement Action Plan (RAP) which is to be agreed with the Bank. It was explained that once LP schedules are prepared (including an assessment of the extent of land required), the ownership of land (based on revenue records from *tehsil* offices) should be ascertained. Based on this information, the consultants would assess the impact of loss of land and other assets (on the livelihood of individual land losers), finalize the list of affected families and prepare individual R&R package of benefits, based on the agreed R&R entitlement framework. It was agreed that OWD would prepare RAP for all roads under the first year contracts and submit it to the Bank by end January 2007 for review.

R&R Policy: A state level Resettlement and Rehabilitation (R&R) policy has been recently (in May 2006) approved by the Government of Orissa (GOO) which is applicable to all sectors including linear projects like road development. On reviewing this policy, it is found that it commits to minimize adverse impacts; involve those affected in the decision making process; ensure a participatory and transparent process, provide focused attention on the needs of the indigenous and vulnerable groups among those affected, etc. Besides stipulating a good institutional arrangement to plan and implement RAP, it includes specific provisions to help those affected in rebuilding their livelihood. These include: compensating land and other assets acquired for the project, supporting the physically displaced families (through allotment of house sited free of cost or cash in lieu thereof, cash assistance in house construction, transportation charges to shift house hold materials, subsistence allowance and temporary shelter during the transition period, etc.) and those losing their livelihood (through employment in the project displacing them or cash in lieu of it, training for self employment, allotment of land or cash in lieu of it, etc.). One unique feature (section 11) of this policy is that it provides space for the project authorities to extend any additional benefits and provisions to the displaced families as required and categorically states that no displacement should take place before the completion of resettlement work.

By and large, the state R&R policy May 2006 conforms to the Bank's policy except some issues which need to be addressed under the project. These relate mainly to the R&R support to those affected but not physically displaced and those who have no legal title to the public (ROW) land on which they are dependent for their living. However, section 11 of the R&R policy allows individual projects to provide any additional R&R support required, depending on the nature of the project and its impacts on the local population. It was agreed that based on this provision of the state R&R policy, and the impacts identified in the social assessment report, OWD would prepare an R&R entitlement framework that adequately addresses all categories of adverse impacts and affected people and submit to the Bank for review by November 25, 2006. The agreed R&R entitlement framework would then become the base to prepare RAP.

Stakeholders' Consultation: The mission discussed in detail the process of stakeholder's consultations to be undertaken and the need to document them properly. As part of social assessment, the consultants, so far, have undertaken consultations at the village and block levels and most of these were not properly structured. The mission

emphasized the need to have these consultations properly organized, keeping in view the objectives of the project and the measures required to minimize adverse impacts and enhance positive aspects of the project. It was also pointed out that the participants should be intimated of these consultative meetings in advance and they should be informed of the proposed project activities, likely social impacts and proposed measures to address the. It was agreed that the proposed district level stakeholders' consultations would be organized during November 30 to December 15, 2006 and a state level consultation around December 23, 2006. In this regard, the dates and places of consultation would be notified in the local newspapers and at the same time the field level staff of OWD would ensure that the message reaches a large section of local people. It was also agreed that the local district administration would be involved in organizing these workshops. All these consultations would be well documented including the list of participants, issues raised, consensus reached and video graph of the workshop proceedings. The issues raised in these consultations will be addressed under RAP, HIV/AIDS action plan and community development strategy.

Community development (CD): This is one activity that is an extension of indigenous (tribal) development plan and is apparently not addressed in the right earnest, both by the consultants and OWD. The preparation of this component essentially requires detailed consultations with local communities to identify areas/villages for taking up CD activities and prioritizing them on certain criteria. These consultations should also result in identifying the type of activities that could be included and the process involved in planning, implementing and maintaining them. It is expected that based on these consultations with local communities, the consultants would carry out a demand analysis of the community requirements and their readiness to be partners in both planning and implementing community plans. It was agreed that the Community Development strategy and action plan would be prepared and submitted to the Bank for review by mid February 2007.

HIV/AIDS: The mission was informed that the consultants are continuing their dialogue with the Orissa State Aids Control Society (OSAC) to identify HIV/AIDS hot spots on the road stretches proposed to be included under the project. Discussions are also continuing on the measures required to contain the spread of HIV/AIDS in the project area and provide support to those already affected. In order to ensure continuity of these dialogues as well for effective coordination with OSAC and NGOs working on HIV/AIDS control measures during project implementation, the mission urged the project preparation team to get involved in these discussions. As pointed in the last mission, as part of the strategy to control HIV/AIDS in the project areas, the project team could explore the possibility of developing parking places (suggested by the District Collectors of Ganjam and Cuttack) for trucks and other highway vehicles with all amenities including counseling and medical services required for HIV/AIDS patients. This needs to be properly planned and integrated where ever feasible with RAP activities (affected people getting alternate source of livelihood through establishing shops, eating places, services required for the vehicle maintenance, etc.). Such parking places could also be developed as part of CD plan and facilities so created could be managed by the local communities. It was agreed that OWD would prepare and submit to the Bank for review a strategy and a plan to control HIV/AIDS in project areas by December 25, 2006.

Institutional issues: The project preparation team continues to be weak on dealing with social issues and presently it appears that only the consultants are in dialogue with the Revenue department on LA and R&R aspects, with OSAC on HIV/AIDS and with NGOs on community involvement. The mission was urged that unless immediate are taken to appoint the required staff on the social aspects, the project might lose the continuity, particularly when consultants complete their assignment. In this regard, the mission was informed that GOO is taking up steps to select and appoint a Social Development Advisor (SDA). The mission urged that the process of appointing SDA be completed by November 15, 2006 and allowing some time to the candidate to report so as to ensure that SDA is in place at least at the time of project appraisal.

As reported earlier, the incumbent Revenue Officer in the project team is still holding the primary responsibility with the National Highways, though reported to be devoting more time now to OSRP. Since GOO has approved the proposed institutional set up of PMU, the mission urged that the incumbent Revenue Officer is fully attached to PMU and that he is assisted by two *tehsildars* to help in LA process. The mission cautioned that the lack of adequate manpower to take up LA with the District Collectors may impact project implementation schedule. It was agreed that to ensure speedy LA process, OWD would strengthen PMU with a full time Revenue Officer along with two *tehsildars* and support staff by mid January 2007.

Engaging NGOs: In order to facilitate planning and implementing the social component of the project, it was agreed to engage NGOs – one at each Package level and a nodal NGO at the project level. While the Package level NGOs will be field based and will be responsible for implementing social activities under a Package, the nodal NGO at PMU level will be responsible for oversight of the work of Package level NGOs and provide necessary technical support in planning and implementing social management plans (including R&R, HIV/AIDS and community development). The terms of reference (TOR) for involving NGOs (to facilitate implementation of social component of the project) would be prepared by the consultants and shared with the Bank for review and finalization before the same are included in the Social Assessment report, being prepared by them. Since RAP is required to be implemented well before the civil works are initiated, it was agreed that NGOs would be contracted by end March 2007.

Disclosure: The mission discussed in detail on the need to disclose all safeguard documents: the executive summary of social assessment report, R&R entitlement framework, RAP, tribal (community) development strategy and plan and other documents on the social aspects of the project. It was explained that these documents will have to be disclosed by GOO in public places (including Project office, Public Information Centers of the state government, District Collectors office, Panchayat Raj Institutions at different levels, affected villages, etc.) easily accessed by common man. For wider reach these documents should be placed in the web site of the project, OWD and the state government.

Conditions for appraisal: The following activities are expected to be completed for the project appraisal to be initiated:

- i) Finalize social assessment report
- ii) Prepare LP schedules and initiate LA process
- iii) Prepare RAP (including R&R entitlement framework) and agree with the Bank
- iv) Prepare Community development strategy and plan and submit to the Bank for review
- v) Prepare HIV/AIDS action plan

ANNEX 5

Environment Impact Management and Safeguards

Detailed discussions with OWD (PIU) and its consultants covered the over-all status of environmental activities/outputs; comprehensive review of the EA process and its outputs with a focus on Year I corridors including assessment of impacts on biodiversity, preparation of corridor-specific EMPs and integration of EA/EMP findings into design and contract documents; public consultation and disclosure of documents; review of project appraisal targets including regulatory requirements (GoI, GOO and WB), institutional arrangements for the project; capacity building of OWD/PIU and Independent EA Review. Discussions also covered the need to include environment management aspects into the draft ISAP (Institutional Strengthening Action Plan).

1. Environment Assessment Process and its Outputs

a. EA Report: The submission of the EA Report remains pending - a draft shared during the mission was found to be incomplete (there was no coverage on impact assessment, analysis of alternatives and public consultation other than that already provided in the Environment Screening Report) and therefore the report has not been accepted by the Bank. The mission expressed serious concern on this unsatisfactory quality and the substantial delay in the submission of the EA report by the consultant. The consultant stated that the delay has been on account of changes in the environmental team composition and the slippages in finalization of engineering design, which is required for assessing final direct impacts and proposing related mitigation. With the designs now ready, the consultant assured that the EA report will be prepared and submitted as per the revised time schedule by mobilizing additional resources.

The mission once again provided extensive guidance for strengthening the outputs to the environmental team of the consultant and urged OWD's Environment Officer to supervise the quality and timing of outputs to avoid any further delays in project preparation (was also done during June 2006 mission). The focus of the said discussion was on (i) key parameters that need to be assessed; (ii) documentation and presentation of baseline data, (iii) impact assessment; (iv) documentation of findings from public consultation exercise; (v) analysis of alternatives and (vi) overall structure/ presentation of the report. It was agreed that a complete document for Year I roads will be submitted by November 30, 2006 while that for Year II roads will be submitted to the Bank by mid Jan. 2007.

b. Biodiversity Assessment Study: It was agreed during the last mission that a focused 'biodiversity assessment' exercise would be carried out as a part of the EA since the key issues that emerged from the Environment Screening Exercise pertain to likely adverse impacts on forests, wildlife, green tunnels, giant trees and plantation within RoW. The mission was pleased to note that the substantial progress has been made in collection and compilation of field data.

A preliminary draft report (stand alone report) was also submitted during the mission. The mission reviewed this draft and provided several suggestions for strengthening the quality and documentation of this output. The mission emphasized

that the avoidance, management and mitigation strategy needs to be strengthened. This should be developed in the EMP format to enable better integration with other project outputs. Some other suggestions provided by the mission include: (i) inclusion of site-specific photographs; (ii) addition of maps and sketches showing habitat connectivity and crossing site details; (iii) provision of a summary chart on key findings from the various primary surveys undertaken (iv) provision of additional details and samples from the primary survey exercise as annexure; (v) additional data/tables capturing site specific features/information including primary reason for wildlife movement; (vi) expanding the section on methodology adopted for the study; (vii) developing and adding a section on plantation models and implementation arrangements; (viii) addition of a section on supervision and monitoring requirements including inter-agency co-ordination and formats that would be used during implementation; (ix) categorization of mitigation measures under two heads - those that need be incorporated into the project and those that need sectoral interventions and are beyond direct control of OWD; (x) developing a location specific list of engineering interventions that need to be integrated into engineering design; and (xii) addition of technical details into the drawings provided in the annexure.

Some reference material including the Wild Ass Study Report (Road Crossing Issue) from the Gujarat State Highway Project and Environmental Guidelines (Roads, Sensitive Habitats and Wildlife) prepared by Wildlife Institute of India and CEC was also shared with OWD/PIU and its consultants.

c. Preparation of EMPs: The mission also expressed concern over the limited progress in the preparation of corridor-specific Environment Management Plans. The findings from EA will be instrumental in framing the management/mitigation plan and unless the EA is satisfactorily completed, the consultant will not be able to finalize the EMPs. A sample EMP was shared with OWD and its consultant previously to help in gaining better understanding of typical content and structure of an EMP. It has been agreed that the draft corridor specific EMPs for Year I roads will be made available to the World Bank by December 15, 2006 while the first draft for Year II roads will be submitted to the Bank by mid-Jan. 2006.

d. Integration of EA/EMPs into Design and Contract Documents: The mission discussed and explained at length (demonstrated with examples) the need to properly integrate the EMPs into the Design and Contract Documents. The EMP provisions need to be properly reflected in the design drawings, contract clauses and Bills of Quantities, as appropriate. It was agreed that the OWD/PIU will closely review and ensure such an integration that is to be undertaken by the Feasibility and DPR Consultant for Phase I works. The completion of this activity would match with the delivery schedule of design and contract documents.

2. PUBLIC CONSULTATION AND PARTICIPATION

The public consultation and participation mechanism adopted under the project needs to be meaningful and comprehensive in nature. The mission was informed that the local level 'follow-up' consultation and district and state level workshops are still pending. These need to be completed without any further delay to ensure integration of concerns raised by the various stakeholders in the project preparation to the extent possible. The Environment officer of OWD/PIU needs to participate in

all such forums to closely supervise the process adopted and to gain direct in-sight into issues raised by the people. It was agreed that this activity including documentation will be completed by December 2006 end.

The mission also participated in the NGO Workshop organized by the OWD and its consultant. A briefing was provided to the audience (nearly 40-45 persons attended the workshop) on the Environmental Management Aspects of the proposed project and the project preparation status. The representatives from some NGOs raised issues related to environmental mitigation and livelihood linkages, borrow area practices and road safety among others. The approach being planned or adopted under the project was explained in response to these queries.

3. Regulatory Clearances

Detailed discussions were held on process and timing of Environmental Clearance, Forestry Clearance and Tree Cutting permission for the project among other regulatory requirements of GoI and GOO as a part of the Bank's due diligence. The discussions also encompassed the new EA notification of MoEF, which has come into effect since Sept. 14, 2006. The mission once again emphasized the need to initiate the process for obtaining these 'clearances' in a time bound manner. The applications for all required regulatory clearances for Year I corridors should be prepared and submitted at the very earliest.

4. INSTITUTIONAL ARRANGEMENTS

Detailed discussions with OWD/PIU were held for building-in institutional capacity ensuring in-house understanding and long-term capacity building on environment management aspects. One full-time environment officer (Deputy Executive Engineer level) was deputed by the OWD towards end of Jan 2006. The mission was pleased to note that this position has been upgraded to Executive Engineer's level recently. OWD assured that continuity would be maintained to ensure that the exposure and capacity building efforts gained so far are not lost. However, the position of an Environmental Specialist within the PIU set-up continues to be vacant. This position was suggested primarily with an aim to help OWD in project preparation and capacity building. It was stated that with the project preparation period coming to an end and the selected individual not being able to join before March-April 2007, the OWD would like to re-think on this matter. The OWD proposes to depute additional staff (including one Assistant level official) (familiar with local conditions and language) with supervision, monitoring and co-ordination responsibilities during project implementation, which will also help in building-up in-house capacity. The OWD is also considering hiring of retired Forest Official, who would assist the PIU in obtaining regulatory clearances; co-ordinating plantation related works and in supervising implementation of management measures/plan for biodiversity protection. The OWD/PIU has agreed to inform Bank about its final decision on the proposed institutional arrangements soon.

5. CAPACITY BUILDING AND TRAINING

The mission was pleased to note that the OWD/PIU has shown interest and initiative for building-up understanding and capacity in environmental management aspects. The first round of training has been delivered as a part of the training

programme conducted by NITHE in August 2006 (Bank's Environmental Consultant delivered this module as a Guest Faculty). The second round of orientation covering officials from PIU and all field divisions involved in project preparation (and will also be also involved in project implementation) was conducted by the Bank during the mission on request from OWD/PIU.

These two orientation and basic training sessions covered the following: (i) Need for environmental assessment and management in Highway Development Projects; (ii) Typical Environmental Impacts faced during highway planning and construction; (iii) principles of EA and use of EA outputs for project preparation (including basic insight into purpose, process, characteristics and benefits as a value addition tool); (iv) Basic insight into Environmental Impact Management and; (v) Regulatory Framework for Highway Development Projects. About 40-45 officials participated in these workshops.

As agreed during the last mission, an over-all training strategy and plan for effective environment management would be outlined prior to project appraisal. This plan will be a part of the EMP documents and will cover needs of various targets groups.

6. INDEPENDENT EA REVIEW

A sample Terms of Reference for Independent EA Review Consultant previously shared with OWD/PIU was once again discussed in detail at their behest. The Bank has agreed to clear the ToR prepared for OSRP, which was submitted during the course of the mission by Nov. 25, 2006.

7. DISCLOSURE OF DOCUMENTS

The OWD/PIU will disclose all environment reports of the project in places accessible to the public such as the state and district level public libraries and offices of the Information Officer to abide by the US. Pelosi Amendment. The executive summary of all such reports translated in Oriya will also be disclosed at these locations. All revised versions of the reports will be uploaded on the web site as well. The executive summary of the Final Environmental Screening Report has been translated in Oriya and the disclosure process will be completed by Nov. 2006 end.

8. INSTITUTIONAL STRENGTHENING ACTION PLAN (ISAP)

The draft ISAP was presented by the consultant to the Steering Committee headed by the Development Commissioner. The mission participated in this meeting and recommended the need to include the environmental management dimension, which is practically non-existent in the current draft report. In view of the new EIA notification (2006), Right to Information Act and the increasing demands from external stakeholders on the need to be adopt more sustainable approaches in planning and construction of projects, this component needs to be strongly considered for inclusion under the ISAP. The Prin. Secretary, Dept. of Forests also had similar views in this regard.

9. PROJECT APPRAISAL REQUIREMENTS

During the last mission, some key actions/tasks were identified, which need to be completed prior to the project appraisal. Table 1 summarizes the status, responsibility and revised target dates in this regard. Some of these activities are

now on a critical path (such as submission of EA and corridor specific EMPs) and require sincere efforts to meet the project appraisal requirements.

Project Appraisal Requirements – Status and Target Dates

S. No	Task/Activity	Status	Responsibility	Revised Target Date
1	Environment Screening Report (including Screening Matrix, EA Scoping and Exe. Summary)	Completed	-	-
2	Disclosure of the Environment Screening Report at the local level and in Info Shop of WB and Executive Summary at the local level in Oriya	NEARING COMPLETION	WB/OWD	Nov. 30, 2006
3	Environment Impact Assessment Reports and EMPs			
a	EIA for roads with proposed Year I roads	Pending (Delayed - Target as per ToR was June 2006)	CEG	<ul style="list-style-type: none"> ▪ By Nov. 30, 2006 - First Draft ▪ By Dec. 10, 2006 - Revised Version (incorporating WB comments and Public Consultation Findings)
b	Corridor-specific EMPs for roads with proposed Year I roads	Pending (Delayed - Target as per ToR was June 2006)	CEG	<ul style="list-style-type: none"> ▪ By Dec. 15, 2006 - First Draft ▪ By Dec. 31, 2006 - Revised Version (incorporating WB comments)
c	Bio-diversity Assessment Study (part of EA – stand alone document)	First Draft submitted on Nov. 9, 2006 (Comments provided by WB)	CEG	<ul style="list-style-type: none"> ▪ By Dec. 15, 2006 - Revised Version (incorporating WB comments)
d	EIA and Corridor-specific EMPs for roads with proposed Year II roads	Pending (Delayed - Target as per ToR was June 2006)	CEG	<ul style="list-style-type: none"> ▪ By Jan. 15, 2007 - First Draft ▪ By Feb. 15, 2007 - Revised Version (incorporating WB and IEAC comments)
4	Independent Environment Assessment Study	PENDING	OWD	<ul style="list-style-type: none"> ▪ By Dec. 15, 2006 - Appointment ▪ By Dec. 31, 2006 - Inception

				<p>Report</p> <ul style="list-style-type: none"> ▪ By Feb. 15, 2007 - Draft Report ▪ By Feb. end 2007 - Final Report
5	Disclosure of the EIAs and EMPs at the local level and in Info Shop of WB; and Executive Summary at the local level in Oriya	Can be achieved only after completion of Activity No. 3	WB/OWD	<ul style="list-style-type: none"> ▪ By Jan. 30, 2007 - Year 1 ▪ By March 10, 2007 - Year 2
6	District and State level Disclosure Workshops	PENDING	CEG/OWD	<ul style="list-style-type: none"> ▪ By Dec. 31, 2006 (Share time schedule with WB)
7	Institutional arrangements for environment management	Pending (one officer designated in PIU)	OWD	<ul style="list-style-type: none"> ▪ By Feb. 15, 2007
8	Preparation of a Training Plan on environment management	<i>Pending</i>	<i>CEG/OWD</i>	<ul style="list-style-type: none"> ▪ By Dec. 31, 2006
9	Orientation and Training on Environmental Management of all OWD staff involved in the project (at least one round)	Initiated by WB (two sessions done)	CEG/OWD	<ul style="list-style-type: none"> ▪ Complete Basic Training for all field staff by Feb. 2007 end
10	Regulatory Clearances/Permissions	Pending	<i>CEG/OWD</i>	<ul style="list-style-type: none"> ▪ Initiate Process immediately - All permissions are required prior to project negotiations as per GoI/GOO requirements and WB's operational policies

Annex 6

Procurement Capacity Assessment Action Plan

Generated: 07/12/06		
Status/ Revision 1		
Action	Due	Status/ Completed
Agree on appropriate dispute resolution provisions for contracts (at least for Bank financed ones, note that it is mandatory for ICB).	01/15/2007	Bank's SBDs/ Model documents for ICB and NCB will be used, which provides for this
Agree on list of unacceptable NCB issues and on removal from documents to be used for Bank financed procurement.	01/15/2007	Same as above
Arrange for training on procurement planning.	12/31/2006	This is being implemented and details of the staff that has undergone such training shall be provided to the Bank. Also a detailed list of training scheduled for the next year will be prepared and provided for information of the Bank.
Build a system for the agency to implement or for future project.	12/31/2008	This is being carried out under ISAP.
Develop and implement permanent training program for the staff in procurement operations.	06/30/2007	Under preparation.
Develop or improve and implement complaint management system.	06/30/2007	
Ensure "planners" have access to loan/credit agreements.	04/30/2007	Under preparation.
Establish complaints review process by approving authority.	12/31/2006	Same as above
Hire consultants temporarily to match technical skills requirements.	06/30/2007	Being carried out as part of ISAP
Include preparation or revision of manual as an early activity in project cycle.	09/30/2006	Being prepared
Increase implementing agency's capacity	12/31/2007	Being considered under ISAP
Intense supervision.		To be built in to the Loan Documents
Involve technical staff and users in preparation of specifications.	09/30/2006	completed
Prepare acceptable sample bidding documents.	12/31/2006	Bank's SBDs/ Model documents for ICB and NCB will be used

