

January 19, 2010

Mr. S K Ray  
Engineering-in-Chief cum Secretary,  
Works Department  
Government of Orissa  
Secretariat Building  
Bhubaneswar - 751 001 (Fax 0674 2391651)

Dear Mr. Ray

**INDIA: Orissa State Roads Project (Loan Number 7577-IN)**

We thank the Orissa Works Department (OWD) and the Government of Orissa (GOO) for the support extended to the Bank team that undertook an Interim Mission during December 18-24, 2009. The attached Mission Note summarizes the mission's findings and agreements reached on various critical aspects.

We are glad to note that majority of the actions agreed during the last mission in September 2009 have been acted upon. The Bank team noted perceptible improvement in several critical areas ranging from the project management by the PMU to the coordination and common understanding of the Contract Management Framework by PMU, Consultant and Contractors. Although these early improvements have not yet translated to substantive on-ground progress in physical works, we are hopeful that with the continued commitment of GOO, OWD and PMU, the implementation will soon pick-up pace.

We would like to draw your attention to the need to expedite Land Acquisition and Rehabilitation & Relocation (R&R) activities, ensure implementation of Environmental Management Plans (EMPs) and to accelerate the pace of implementation of the Institutional Strengthening component. These aspects have been adversely affected by inordinate delays in taking decisions on the procurement and contract management related aspects of external services by the Government of Orissa. I am concerned to note that the agreed project financial manual is not being implemented, which provide sufficient delegation to the Project Director to deal with these matters. I urge you to please address this issue and entrust the powers to the Project Director in accordance with the agreed project financial manual.

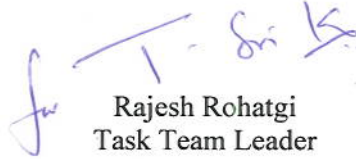
As assured by you during the wrap up meeting, we are also expecting an early award of the NGO services and decision on Team Leader's replacement for Construction Supervision Consultants.

We would also urge you to continue to closely review the progress of the project for few more months, until the civil works, including implementation of EMPs and institutional strengthening activities pick-up steam.

Let me also take this opportunity to wish you and your colleagues, a very happy new year. Should you require any clarifications; please do not hesitate to contact me or my colleague Sri Kumar Tadimalla.

With regards,

Sincerely,



Rajesh Rohatgi  
Task Team Leader

cc: Mr. N K Pradhan, Project Director, Chief Engineer World Bank Project, OWD, Govt. of Orissa

**ORISSA STATE ROADS PROJECT (P096023)**  
**MISSION NOTE**  
**Implementation Support [INTERIM] Mission (December 18- 24, 2009)**

1. A World Bank team<sup>1</sup> undertook an interim mission in December 2009 as agreed during the first implementation support mission (held in September 2009). The mission visited selected sites and held discussions with the Project Management Unit (PMU), Contractors and Consultants. A wrap up meeting was held and chaired by the Secretary, OWD, Government of Orissa (GOO) on December 24<sup>th</sup>, 2009.
2. The primary objective of the mission was to review the implementation progress of the project and support Orissa Works Department (OWD) in resolving implementation issues affecting the progress. The mission also reviewed the progress on action plan agreed during the first implementation support mission and the limited mission (November 2009 – GAAP and IS).
3. **Executive Summary.** The mission noted that while there is a good progress on strengthening the project management and in the coordination between PMU, Consultant and Contractors, there is an urgent need to expedite Land Acquisition and R&R activities, implementation of Environmental Management Plans and the Institutional Strengthening aspects. Many of the delays in these critical areas are attributable to slow progress in evaluating and procuring external services due to absence of any delegation to the Project Director in this regard. The mission urged GOO to address this issue on urgent basis and entrust powers to the Project Director in accordance with the agreed project financial manual. Also, the mission highlighted the need for early award of the NGO services and for an early decision on replacement of the Team Leader of the Construction Supervision Consultants. A detailed summary of the mission's findings and the agreements reached is provided in the following paragraphs.
4. **Land acquisition (LA).** Since the last mission in September 2009, significant progress has been reported in the LA process. The mission was informed that for the 1st year packages, out of the 162 villages notified for LA, section 7 of the LA Act (determining the stage at which payment of compensation is finalized) has been completed in respect of 145 villages. However, actual disbursement of compensation to the land losers is reported to have been completed in only 61 villages and possession of acquired land is handed over to the OWD. The payment of compensation in other villages is in advanced stage. It was agreed that LA for 1st Year Packages would be completed by January 31, 2010. To overcome delays in completing LA process, the Project has identified stretches in each of the Packages which are encumbrance free (no LA and no R&R) and where civil works (relating to strengthening and widening) could be undertaken.
5. As agreed during the last mission, the Project is pursuing the LA process for 2nd Year Packages with the District Administration and at the time of the visit of this mission, out of the 115 villages identified for the Jagatpur Chandbali package, notification under section (u/s) 6 under the LA Act has been issued in respect of 7 villages. The mission was informed that the guidelines to proceed with 'consent award' approach have been developed and once approved by the government, the same would be notified (for public objections, if any) before placing it to the floor of Legislative Assembly for discussion and approval. This is expected to be introduced in the Assembly in its next session.
6. **Resettlement Action Plan (RAP)** The mission noted with concerns that the implementation of resettlement measures included in RAP for the 1st year roads is still a non-starter. As noted during the earlier mission, the institutional arrangement for RAP implementation is heavily based on the involvement of NGOs. The mission was informed that the proposal for contacting NGOs has been approved by the Government and now the award process needs to be urgently completed. Once the NGOs are in place, the mission strongly recommended organizing a training program to orient the NGO functionaries on RAP implementation. This was felt necessary since the last training program organized in October 2009 was attended by NGO heads and not by the actual functionaries likely to be involved in RAP implementation.

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<sup>1</sup> Consisting of messrs/mmes Rajesh Rohatgi (Mission Leader), T Sri Kumar (co-TTL and PPP Specialist), Amrit Inder Singh (Transport and Highway Specialists), Mohammad Hasan & Geetika Hora (Social Development Specialists) and Neha Vyas, & Abhas Panda (Environmental Specialists)

7. **Need for reaching to communities** During the field visit, the mission observed that the local communities have not been properly updated on the proposed project activities and likely impacts on their livelihood. The mission reiterated the need to undertake an information campaign in the project areas about its activities and impacts, and the proposed R&R measures with the help of NGO as soon they are on board. The mission pointed out that though the executive summary of the RAP has already been translated and disclosed, preparing and distributing simple brochures on the project, RAP and R&R entitlements would help in raising the awareness level of local communities about the project as well it would help affected people to understand the R&R process, their entitlements and grievance redress mechanism.

8. **Implementation arrangement for LA R&R** The mission was informed that an Executive Engineer within PMU would be made overall in-charge of the social component of the project and would be the contact person with the Social Specialist of the Bank. Now that the Project has received the government's approval for engaging NGOs, it was agreed that contracts with NGOs will be completed by January 15, 2010. For implementing other components (including RAP, tribal development plans, HIV/AIDS and road safety) of the Social Management Plan, the mission emphasized that the Social Unit to work out details with the concerned Departments and finalize a time bound action plan. This plan would be sent to the Bank for review and clearance by January 31, 2010.

9. **HIV/AIDS prevention** During the field to Berhampur-Taptapani and Bhawanipatna-Khariar Packages, camp sites were visited and the Project Managers were alerted on the requirements for HIV/AIDS prevention. The mission also met and discussed with Orissa AIDS Control Society (OSAC) and identified areas of support and collaboration. It was agreed that the Social Development Specialist of the PMU would be coordinating with OSAC and ensure that OSAC's programs are fully integrated with the project's activities.

10. **Environment Management.** The mission noted some progress towards obtaining of regulatory permissions by the contractors on all three phase 1 contracts – no objection certificate/s for the operating plants have been obtained and the process for obtaining consent-to-operate has been initiated in all three cases. However, with the contractor now gearing-up for works after an initial lull for almost a year, the following key actions need to be monitored closely by the OWD/PMU and the CSC to make sure that environment, health and safety stipulations (part of EMP) are in adherence:

- a) Mobilization of Environment and Safety Officers
- b) Completion of Camp/Plant Site Documentation for all three year-1 works (includes approval for location, lay-out and submission of documents on land ownership)
- c) Obtaining permission for ground water extraction
- d) Obtaining requisite license/permits for quarry and crusher operations (including transit permits)
- e) Preparation and approval of debris/waste disposal plan
- f) Preparation of first-aid and emergency response plan
- g) Identification, approval and documentation of material sources (earth, sand, aggregate, water) in line with EMP stipulations.
- h) Identification and Approval of Pollution Monitoring Agency
- i) Integration of EMP requirements and targets in the work planning and programming (as explained in EMP and the Aide Memoire of September 2009 mission)

The OWD/PMU also needs to ensure that on part of the Construction Supervision Consultants, the following actions are completed at the earliest:

1. Mobilization of Environment Officers on all three phase I contracts by January 31, 2010.
2. Integration of environmental dimensions/aspects in the Construction Supervision Manual in line with comments provided by the Bank.
3. Strict enforcement of work site safety measures (including night-time safety provisions) for the general public and workers.

The mission also suggested the new Project Director within OWD/PMU to strengthen the system for supervision, reporting and documentation by the Environment Cell. The mission was assured that the procurement process for recruiting an Environment Expert within OWD/PMU team will be initiated prior to January 31, 2010. Also, once the Environment and Safety Officers of the contractor and consultants are in place, the OWD/PMU (with support from the Bank) will organise an orientation-cum-training programme for all field staff.

11. **Tree Cutting and Protection:** The mission noted progress with regard to felling of trees on all three year-1 contracts. So far in contract 1, 25 percent (459 out of 1834) and in contract 2, 42 percent (3542 out of 8441) trees have been cut. The progress in case of contract 3 is 20 percent (283 out of 1395). There has been a small change in the tree cutting targets after a couple of additional clearances were obtained by OWD/PMU following the last mission. The responsibility for tree cutting rests with the contractor and therefore the actual felling is being done as per their own work schedule. Though the work for 'tree protection marking' has been initiated, no clear statistics were available. It was agreed that the OWD/PMU will verify the actual progress and quality of marking in the field and will provide a clear update during the next mission.

12. **Relocation of Water Sources.** With regard to hand pumps/tube wells, 58 percent (30 out of 52) have been relocated in case of contract 1 and 93.5 percent (43 out of 46) such utilities have been shifted in contract 3. The work for shifting 150 affected hand pumps/tube wells in case of contract 2 has been initiated by RWSS.

13. **Raising of the Road Profile at Selected Locations** The mission was informed that on all phase 1 roads, at few locations, there is a need to change the original design and raise the vertical profile of the road to bring the sub-grade of the proposed road above the highest flood level in the area. The mission visited such sites on Bhawanipatna – Khariar and Bhadrak – Chnadbali contracts and observed such locations. This change was agreed in-principle by the mission. However it was agreed that PMU would submit a detailed proposal on each contract, in accordance with the Bank's email dated December 17<sup>th</sup> for review and clearance by the Bank. This includes an independent technical opinion of the 'Engineer' on the suggested/proposed changes, and its financial, legal, contractual, social and environmental implications.

14. **Change in the Specification of Granular Sub-base (GSB)** The mission was informed that there is an ambiguity in the specification of GSB material in the contract documents due to which the specified material is not meeting the quality control criteria. Mission expressed its concerns that such ambiguity was never brought to the notice of the Bank earlier by the OWD and none of the contractors had raised this issue during the pre-bid meeting. The mission visited some of the stretches where GSB layer has been constructed and also visited quality control lab to see quality control results. It was agreed that a detailed proposal in this regard will be submitted to the Bank for review in accordance with the Bank email dated December 17<sup>th</sup> for each contract.

15. **PPP Enabling Support** The mission was informed that the state's toll policy has been approved by the cabinet and will be tabled for next level of approval in the next session of the state's legislature. Formal notification of the toll policy is imperative before the OWD can make more definitive progress in the process of offering the three roads selected for development as PPPs – namely, Sambalpur-Rourkela road (165 km), Joda-Bamberi road (18 km) and Koira-Lahunipara road (46 km) – to the market. The current draft of the toll policy envisages differential, higher rates of tolls for mining vehicles and, hence, is likely to make the proposed projects more commercially viable and, consequently, more attractive for the potential private partners. As regards the PMU's interface with the transaction advisory consultants, the mission reiterated the need for an early resolution of pending issues pertaining to additional expenditure incurred on account of inflation and "additional" professional services that were germane to develop the selected projects as PPPs but were not covered under the scope of the existing contract. Specifically, the team advised the PMU to examine the consultants' submissions and claims in this regard and, if applicable, put forward for the Bank's review.

16. **Tel River Bridge on Bhawani Patna - Khariar Road.** The mission was informed that the PMU intend to propose some changes to the structures proposed along the stretch of about 2 kms, which passes through the Tel river catchment. It was agreed that PMU will engage an institution to undertake a Hydrological Study/Model and submit the report to the Bank for consideration. Based on the findings of the hydrological study/modelling and the proposed design changes, an environmental and social assessment will be shared with the Bank for clearance.

17. **Team Leader Replacement of CSC Phase I.** The mission was concerned to note considerable delays in approving the replacement candidate for the Team Leader Position and urge GOO to expedite the decision soon.

18. **Phase II Roads.** The mission discussed the PMU's plans with regard to Phase II roads and was informed that the Works Department will be able to implement some of projects originally envisaged to

be included in Phase II, through funds from other avenues such as, for example, the Rural Infrastructure Development Fund (from NABARD) and other schemes of the Government of India. Accordingly, the Works Department now proposes to substitute such roads with other stretches. The team clarified that such a proposal could be considered subject to clearance by the Bank's Management and endorsement by DEA. In addition, it should be backed by a clear and credible commitment from the Government of Orissa (GoO) to develop the roads being replaced through alternative means. Also, the new roads proposed for substitution should be logical next choices from the prioritization list prepared earlier and should be economic viable.