The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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November 12, 2012

Mr. S. K. Ray
Engineer-in-Chief-cum-Secretary
Govt. of Orissa
Secretariat
Bhubneshwar
Orissa
Fax No. 0674-24301050

Dear Mr. Ray:

IN: Orissa State Roads Project (OSRP) - (Loan No. 7577-IN)

We would like to thank you for the kind cooperation extended by the Project Management Unit (PMU) to our team during the interim mission from 7th to 9th of November, 2012.

We have noted that although PMU is making progress on preparatory activities, yet, there is much more to be achieved. The next 3-4 months will be very critical for two reasons. First, civil works accounting for nearly 70 % of the project loan amount are in various stages of procurement, viz., P03, P04, P1 and P2. Expeditious award and mobilization of contractors for these packages could help us utilize a good portion of the construction season in the calendar year 2013. Second, we are working towards a mid-December target for obtain the necessary approval for the restructuring, and thereby 'clear' the way for initiating procurement of the eight rehabilitation projects that the Government is keen to complete before end-2014. Keeping this in view, PMU and the Bank team have put together a detailed action plan (attached), focusing on preparatory activities, procurement processes and restructuring.

As you will notice from the enclosed plan, many of the actions need direct impetus from PMU and, to their credit, they have agreed to very challenging timelines. They would, nevertheless, require ample support from the SLEC and other departments – the revenue department, in particular – to be able to meet these demanding targets, e.g., approval of revised entitlement framework and updating of the RAP for P-04, timely completion of pending LA and R&R actions including speedy disbursement of R&R assistance to all the eligible PAPs for the Phase-I roads, if required with the help of an LA and Resettlement Committee (LARC) constituted at the PMU level, etc. In addition, the PMU needs to immediately augment its staff capacity in all areas including LA, R&R, Environment, Financial & Contract Management. In this regard, we are concerned to learn that several personnel – who are well-versed with the project, government processes and Bank guidelines and have been playing an instrumental role in the project – are either already (or likely to be) transferred from PMU.

We request you to kindly share the action plan as well as our concerns with the SLEC on staffing and secure necessary actions and approvals to strengthen PMU in terms of ensuring (a) necessary coordination/support from SLEC and other government departments; and (b) adequate staffing in all key functional areas at all levels. We firmly believe that such support from the government is critical at this juncture to help PMU fulfill the actions within the agreed timeframe and not squander the positive momentum of the past few months.

We would monitor the action plan on fortnightly basis and urge you to also do the same. In case you require any further clarification, please let us know.

With regards,

Sincerely yours,

Rajesh Rohatgi
Sr. Transport Specialist & Task Team Leader (OSRP)
Sustainable Development Unit (Transport)
South Asia Region

cc: Mr. B. K. Patnaik, Chief Secretary & Chief Development Commissioner,
        Government of Orissa, Bhubaneswar
        Mr. J. K. Mohapatra, Principal Secretary, Department of Finance, Government of
        Orissa
        Dr. Tara Dutt, Principal Secretary, Revenue & Disaster Management Department,
        Government of Orissa
        Mr. N.K. Pradhan, Chief Engineer, (World Bank Projects), Orissa Works
        Department, Government of Orissa

INDIA
Orissa State Roads Project
Interim Implementation Support Mission, November 7-9, 2012
Action Plan

No.	Action Required	By Date
(A) Strengthening PMU Staffing – PMU/OWD/SLEC		
1	Engagement of the Contract Management Specialist	Nov 30, 2012
2	Replacement of SLAO	Nov 30, 2012
3	Continuation of the post of the Senior Divisional Accountant at PMU	Immediate
4	Strengthen IT Core Cell	Dec 31, 2012
5	Creation of the post and deputation of the SE to act as "Engineer" for phase II roads.	Nov 30, 2012
6	Appoint/Depute Environment Specialist	Nov 30, 2012
7	Engagement of an Advocate for support with Disputes	Nov 30, 2012
8	Review PMU staffing vis-à-vis requirements and ensure availability of adequate staffing in all areas	Dec 31, 2012
9	Depute a person in PMU for Result Monitoring – Indicators and updating the same periodically	Nov 20, 2012
(B) LA and R&R Issues for all civil works packages: PMU/OWD/SLEC		
1	Government decision on the proposed updating of the Entitlements Matrix for Phase-II roads	Nov 20, 2012
2	Resolution of R&R Policy Issues (minimum payable amounts for disbursing site allowances squatters and equitable site allowances for legal shop owners)	Nov 20, 2012
3	Package-wise, Village-wise and Person-wise data on compensation paid and balance to be paid: (i) To be compiled/updated in coordination with the Revenue Department; and (ii) On Quarterly-basis, to be uploaded on OSRP web site and the link to be shared with the Bank.	First Tranche: Feb 28, 2012
4	Publication of package-wise and village-wise notification for pending LA compensation and R&R assistance: (i) for all packages currently pending with the revenue department; and (ii) in future, 4 weeks before such monies are deposited with the revenue department	First Tranche: Nov 30, 2012
5	Expedite payment of Site & Agriculture Allowance for PAPs of all three Phase-I roads and submit status report to Bank	Provide status by Nov 30, 2012 Complete pending payments by Feb 28, 2012
6	Simplify and Disseminate Information regarding GRM	Nov 30, 2012 (pending from

		March 31, 2012)
7	Initiate Independent safeguards review	Consultant hired. Modified Inception report by Nov 25, 2012
8	Update and submit RAP for Jagatpur-Chandbali road	Dec 15, 2012 (pending since Aug 31, 2012)
9	Prepare RAPs as required for the rest Phase-II roads	Jan 31, 2012

(C) Pre-requisites for Processing Restructuring Proposal – PMU -- November 20, 2012

1	Submit a note on prioritization of Phase II rehabilitation roads	Nov 20, 2012
2	Submit Social and Environment Screening Reports for all roads and Short RAP for Pipli-Konark road	Nov 20, 2012
3	Revised Entitlements Matrix, and institutional arrangements for social safeguards	Nov 20, 2012
4	Provide Data required for current Economic Analysis to be undertaken for the restructuring	Nov 20, 2012
5	Revised Cost tables as per PAD and restructuring proposals	Nov 20, 2012
6	Submit data on current indicators as per the existing result monitoring framework (Annex 3 of PAD)	Nov 20, 2012
7	Submit revised design and bidding document of R01 based on mission discussions	Nov 20, 2012
8	Provide Fatal Accident Data for last three years on project roads	Nov 30, 2012
9	Revise and submit the Procurement Plan	Nov 20, 2012

(D) Preparation and Procurement of P-1A, P1B, P2, P3, P4A and P4B - PMU

1	**P3:** Submit a certificate, endorsed by the Supervision Consultant, confirming clearance of all encumbrances in MS1 for balance work of P03	Nov 20, 2012
2	**P4A and P4B:** Submit RAP, EIA and EMP for Bank's Review and Clearance	Nov 20, 2012
3	**P4A and P4B:** Complete marking of trees to be saved on P04	Nov 20, 2012
4	**P1A, P1B and P2:** (i) Share copies of the termination notice issued to P01 and P02 contractors with Bank (Nov 15, 2012); (ii) Update EMP; and (iii) Submit draft bidding documents	Nov 20, 2012
5	**P1, P2 and P3:** Provide a package-wise detailed break-up of the amounts paid to – and the penalties imposed on - the contractors w.r.t. maintenance	Nov 15, 2012
6	**For ALL Packages:** Package Engineer and RE/TL of CSC to submit certified list of encumbrances for all milestones	Nov 20, 2012

7	**All Phase I Roads:** Initiate Environment mitigation/enhancement works	Jan 31, 2012
8	**P1 and P3:** Finalize compensatory afforestation plans and transfer funds to forest department	Dec 31, 2012
9	Deposit funds for wildlife management to PCCF wildlife	Nov 20, 2012

(E) Civil Works Supervision – PMU

1	CSC to submit Maintenance Report of all three phase I contracts	Nov 15, 2012
2	PMU to submit latest monthly progress report submitted by CSC	Nov 15, 2012
3	Review the CVs of Key Professional Staff of all Consultancy firms hired under OSRP, on sample basis and share the report with Bank	Nov 30, 2012

(G) General Procurement Issues – OWD/SLEC

1	SLEC to review existing systems and expedite steps to reduce delays in contract award after receiving Bank's no objection.	Nov 15, 2012
2	Seek Government approval and request NIC to modify e-Procurement system for Bank funded projects	Dec 31, 2012

(H) ISAP and GAAP

1	Forward pre-Bid queries, proposed corrigenda and bid closing date extension proposal on RFP package for AMS / COTS procurement, for Bank review/clearance	Nov 20, 2012
2	Preparation of limited 'pre-AMS' road maintenance needs prioritization for FD for IFY 13-14 Budget planning inputs	Nov 20, 2012
3	Finalize (AMS) IT-ICT equipment procurement proposal for action via either GOO or Project funding	Dec 15, 2012
4	Prepare TOR / RFP (etc.) for procurement of multi-year comprehensive road asset data collection	Jan 30, 2013
5	Forward revised consultants' report on "As Is" OWD IT-ICT-MIS capacity and needs, with identification of prioritized high-value / high-impact action targets	Nov 30, 2012
6	Forward report on results of high-level GOO & stakeholders' Workshop on key RSID issues	Dec 15, 2012
7	New OWD-centered 'core group' on IT-ICT-MIS development to make interstate visit(s) to relevant bodies about IT-ICT-MIS applications/experiences	Feb 28, 2013
8	Prepare proposal for OWD-managed program of collaborative (QC) R&D projects with local institutes	Feb 28, 2013
9	OSRP Website in Oriya Language (Static Website)	Dec 31, 2012
10	CHS publicized through appropriate media	Dec 31, 2012
11	Hands-on training on CHS to PMU field divisions	Dec 31, 2012
12	Decision on consultant services for analysis of MPI indicators and development of road cost database	Nov 30, 2012

13	Convening of the IS cell to update the GAAP matrix	Nov 30, 2012
(I) Legal Covenants – PMU/OWD		
1	Core Road Network (CRN) data on Traffic Census and Road Condition: Submit and upload on website	Nov 15, 2012
2	Collect, Submit and upload on website, Speed Data for CRN through AMS consultants	Jan 15, 2012

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

Institutional Development

The three major consultancy services for implementation of key Institutional Strengthening Action Plan (ISAP) elements are generally satisfactorily underway now within their respective timeframes, with the due key personnel and inputs being provided. The recently mobilized RSID and IT-ICT-MIS Strategy (etc.) consultants have now moved beyond the Inception stage into substantive action stages, taking up appropriate further OWD and stakeholder consultations. The mission participated in a high-level RSID Workshop for GOO and other key stakeholders convened by OWD and the RSID consultants on 9th November and noted the positive engagement and response from most participants. Meanwhile, the further-advanced Asset Management System (AMS) consultancy assignment is progressing satisfactorily through the COTS procurement stage, while also completing other data collection and reporting outputs to meet ongoing Project requirements.

The consultation, coordination and decision-making demands of the consultancies are now intensifying, with growing impacts both on the OWD staff responsible for the respective consultants and on OWD management. The OWD senior management level capacity for ISAP program oversight now been strengthened by engagement of part-time 'ISAP Facilitator' services, aimed at improving integration and monitoring of the consultants' activities as well as supporting the OWD counterpart staff and the ID steering bodies (the SLEC, the ISAP Steering Committee and the ISAP Working Group).

However, the mission noted that the operational-level ISAP Cell and PMU capacity for managing the ISAP activities and consultancies <u>now needs further strengthening</u> (e.g.) through full staffing of the ISAP Cell establishment and increased mobilization of planned OWD-led 'core groups'. In the case of the RSID and IT-ICT-MIS assignments, the mission also <u>urged OWD to initiate more interstate and/or regional 'exposure / awareness' visits over the next 2-3 months for the planned nodal / core group officers</u> from OWD and other GOO agencies, to increase their knowledge in dealing with issues arising in those fields.

Overall, allowing for previously-accepted adjustments in the ISAP timetable, the implementation status is currently satisfactory. However, some particular matters needing ongoing OWD attention are as follows.

- ***RSID Consultancy***: The mission participated in the OWD-convened high-level Workshop on November 9, 2012 for key GOO and industry stakeholders in the Road Sector Institutional Development (RSID) strategy, particularly the sector policy, roads funding, network master planning and road safety elements. The positive interactions and contributions of Workshop participants demonstrated the value of such stakeholder consultation initiatives in fostering wider understanding and 'ownership' of the strategy in Odisha among directly affected groups in the RSID process. Accordingly, the mission and OWD <u>agreed that the RSID consultants should move proactively to hold similar Workshop-style stakeholder consultations (with appropriate change in focus, scope and participants in each case) as part of the consultants' work in each major Task area of the RSID agenda</u>, with involvement of ISAP 'core group' members also. Also, where options arise for further direct engagement of key stakeholders in ad hoc RSID-linked initiatives – as prompted by the Police workshop interest in studying Road Safety / traffic management advances in other states for Odisha application – the PMU / OWD agreed to give prompt and positive consideration and facilitation to them, wherever relevant to the strategic aims of the RSID program. Meanwhile, it was <u>agreed that the RSID consultants should provide a brief report on the 9th November RSID stakeholders' Workshop</u> to OWD and the Bank.

- ***IT-ICT-MIS Strategy & Action Plan Consultancy***: The mission reviewed the 'As-Is Report' document recently submitted by these consultants, including via discussion with the responsible PMU / ISAP Cell officers and members of the consultants' team. It was agreed that in the present Report version: (a) the 'findings' are described only in relatively generically and passive terms, without providing a sense of the consequences to OWD of the noted shortcomings and problems (individually and/or in aggregate) in business and administrative terms or of the current degree of risk to OWD governance and/or information security, and without an overall prioritization across all such findings to clarify which are most substantively affecting necessary OWD work and operations and (comparatively) how seriously so; (b) in various sections the organizational nomenclature and structural relationship of respective Units is worded incorrectly; (c) the finding on limited computer proficiency (given as 35%) among sampled OWD staff needs clarification and review, given the growing prevalence of diverse IT 'user' competencies in professional, social and personal contexts among in the public and private sectors in India, even if this is not always acknowledged and 'harnessed' directly in the workplace; and (d) the Executive Summary can be enhanced with (inter alia) some reference to options for OWD action on early 'low-hanging fruit' initiatives, like a Contractor Database &/or Contracts Management system, in parallel with the forthcoming 'Gap Analysis' and 'To Be' tasks, as agreed at previous OWD / mission meetings with the consultants. It was agreed that the consultants will submit a revised 'As-Is Report' before end-November 2012 showing revisions in 3 main aspects – adding new content on 'risks / consequences' and 'early action options' in the Executive Summary, revising the 'staff computer proficiency' findings, and attending to various editing needs. Subsequent to the mission, revised report has been received and is being reviewed by the Bank.

- *Asset Management System (AMS) Consultancy*: Bids have been invited for the COTS and OWD is addressing various pre-Bid queries from interested potential bidders. It was agreed that OWD will forward the pre-Bid queries, proposed corrigenda and bid-closing-date extension proposal on this RFP package for Bank review/clearance before end-November 2012. On that basis, overall AMS 'system acceptance / commissioning' may still be achieved by end-June 2013. The mission and OWD also agreed that:

  ➢ As per Project covenants, reports on CRN-centered traffic census, vehicle speeds and network condition data need to be forwarded to the Bank before end-November . Traffic and condition data has been since received but Speed Data are yet to be received. The mission urged OWD to urgently collect these data and submit to the Bank ;

  ➢ Limited 'pre-AMS' road maintenance funding prioritization data needs to be submitted to the GOO Finance Department before end-November for IFY 13-14 Budget planning

  ➢ Procurement options and proposed Bidding action for AMS-dedicated IT-ICT equipment need to be finalized and cleared between OWD and the Bank by end-January 2013

  ➢ The appropriate EOI / TOR / RFP (etc.) for procurement action on multi-year comprehensive road asset data collection services (using modern automated vehicle-based comprehensive road-corridor data collection and analysis methods) need to be finalized also by end-January 2013

- ***Project Re-Structuring – Institutional Development Component*** In current proposals for re-structuring the Project, the original 'Institutional Development sub-Component' will not undergo significant change in technical features and scope.   However, to build on gains from the initial ISAP interventions already being implemented, during the extended implementation timeframe becoming available upon Project re-structuring some selective extension of the ISAP program funding and actions will be supported in a few key areas, viz.

  ➢ Full OWD-wide deployment and operationalising of the new AMS, currently being implemented for CRN-only application

> ➢ OWD acquisition/implementation of modern 'vehicle-based automated road data collection' capabilities to comprehensively meet AMS, planning and safety data requirements

> ➢ Acquisition and OWD-wide deployment of comprehensive IT-ICT equipment / resources / training as per finalized Strategy & Action Plan

> ➢ Extended / advanced / intensified OWD-centered staff Training program(s) and pilot 'twinning' (HRD & TA) action between OWD and more advanced road agency(-ies)

> ➢ OWD 'pilot' program of (Quality) Research & Development projects with local institutes

> ➢ Possible establishment assistance for new road sector entity(-ies) arising from RSID studies

Governance & Accountability Action Plan (GAAP)

1. The mission reviewed the status of the major GAAP elements, particularly the progress of establishment of the online Complaint Handling System, ongoing project information disclosure arrangements, the status of the socio-economic data collection consultancy services, the status of revisions to the state's e-procurement system for the packages to be procured under the restructuring, and assessed overall GAAP implementation progress as Satisfactory. The mission also discussed a revised version of the GAAP, in view of the progress made so far and in light of the impending restructuring of the project. Key observations and actions agreed upon are as follows:

2. The mission was pleased to note that following the suggestions in the previous mission aide-memoire, the OSRP website is now linked to the State RTI portal (rtiorrisa.gov.in) for online filing and tracking of RTI requests. This should facilitate analysis of the RTI requests to identify systemic weaknesses. On *the Oriya version of the website*, the mission was informed that while the static version of the website would be accomplished latest by *December 31, 2012*, the dynamic version would take some time as this is contingent on translation of related documents to Oriya.

3. The mission was pleased to note that the online *Complaint Handling System is now fully operational* and all project-related complaints from 2008 along with their status have also been uploaded on the OSRP website. The mission was also informed that since the last mission, the consultants have trained staff of nine (9) field divisions on the CHS. However, the PMU still needs to publicize and spread awareness about the CHS among all staff and the general public through appropriate media, possibly in concert with the Information and Public Relations (I&PR) department of the state by *December 31, 2012*. In addition, the mission again advised the PMU that a systematic analysis of the complaints may now be initiated to identify any systemic deficiencies that could then be incorporated in the revised GAAP.

4. The mission again had a discussion on enhancing project disclosure through select project performance indicators as suggested by literature from *Construction Sector Transparency Initiative (CoST).*[1] In this regard, the Bank and the PMU concurred on the need for *material project information* (MPI) at each stage of the project such as project purpose and beneficiaries (identification stage), procurement related information aimed at gauging competition on tenders (tender stage), significant changes to contract price, scope with reasons (on both supervision and civil works at contract execution stage) and post-contract details such as actual contract price, total payments made, and actual contract duration (to determine cost and time overruns and number of variation orders to remedy defective work). To support the PMU in this endeavor, the mission suggested that the PMU could engage a consultant (whose services could be supported by project funds) to accomplish the following:

   • Analyze road sector projects in the state over the last 5-10 years in terms above indicators

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

- Develop a road cost database for all completed and ongoing contracts based on above analysis.
- Assess the existing project disclosure arrangements in terms of extent of suo moto disclosure of MPI by the PIU and recommend needed changes for enhanced transparency

5. On collection and analysis of baseline socio-economic data along project corridors for assessing achievement of the PDO (as per the Project Agreement), the mission was informed that based on the Bank's no-objection, the task has been given to the RUSS consultants, who will be starting the survey soon.

6. On e-procurement, the mission was informed that the Bank consultant has had two rounds of discussions with the state procurement authorities on needed revisions to their e-procurement system to comply with Bank's suggestions (following the Bank's assessment of the system in 2010). Apparently, the main stumbling block to using the system was the lack of an online complaint handling module in the existing e-procurement system. Since the OSRP has developed a CHS only for the project, it has been agreed that this would be used as a pilot for all procurement related complaints on OSRP arising out of the e-procurement system. The mission was informed that based on the pilot, the e-procurement system may be modified to incorporate such a CHS for all procurement related complaints on all projects/sectors. Since the procurement of the new packages under restructuring may start only in January 2013, it was agreed that the present contract of the consultants who had developed the CHS (which expired in February 2013) would now be extended until June 2013, to support the PIU and the state's procurement staff in incorporating the CHS under the e-procurement system.

7. On vigilance aspects, the mission was informed that Vigilance week was observed at the PMU from the 29th Oct - 3rd November, 2012. However, the workshop on Vigilance and Quality that was slated to be held each year has been delayed considerably this year[2]. The mission urged the PMU to conduct the workshop as soon as possible.

8. The mission again informed the PMU that the GAAP needs to be revised, and endorsed by the ISAP Cell/GOO prior to the restructuring. The PMU agreed to send a revised draft by November 30, 2012 along with a note on some of the measures taken such as splitting of large contracts to preclude pseudo joint ventures, building of common property resources by OWD rather than by contractor, and reduced maintenance responsibility of the contractor (limited to only stretches constructed by him) by the GOO to ensure that the governance failures in terms of non-performance of contractors on civil works prior to the restructuring do not recur.

Key Actions identified during this Mission

No.	Action Required	Agency	By Date
ID / ISAP Matters			
1	Finalize and forward to Bank, periodic reports on CRN-centered traffic census and network condition data, required as per Project covenants	PMU / OWD	Complied with
2	Collect and forward speed data	PMU/OWD	URGENT and IMMEDIATE
3	Forward pre-Bid queries, proposed corrigenda and bid closing date extension proposal on RFP package for AMS / COTS procurement, for Bank review/clearance	PMU / OWD	Mid-Nov 2012

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[2] Last such workshop was held in January 2011.

4	Preparation of limited 'pre-AMS' road maintenance needs prioritization for FD for IFY 13-14 Budget planning inputs	AMS cons., PMU / OWD	Mid-Nov 2012
5	Finalize (AMS) IT-ICT equipment procurement proposal for action via either GOO or Project funding	PMU / OWD	Mid-Dec 2012
6	Prepare TOR / RFP (etc.) for procurement of multi-year comprehensive road asset data collection	PMU / OWD	End-Jan 2013
7	Forward revised consultants' report on "As Is" OWD IT-ICT-MIS capacity and needs, with identification of prioritized high-value / high-impact action targets	Cons. and PMU / OWD	Complied with
8	Forward report on results of high-level GOO & stakeholders' Workshop on key RSID issues	RSID cons., PMU / OWD	Mid-Dec 2012
9	New OWD-centered 'core group' on IT-ICT-MIS development to make interstate visit(s) to relevant bodies about IT-ICT-MIS applications/experiences	OWD and Cons.	End-Feb 2013
10	Prepare proposal for OWD-managed program of collaborative (QC) R&D projects with local institutes	PMU & OWD (QC)	End-Feb 2013
GAAP Matters			
1	OSRP Website in Oriya Language (Static Website)	PMU	December 31, 2012
2	CHS publicized through appropriate media	PMU, IPR Department	December 31, 2012
3	Hands-on training on CHS to PMU field divisions	PMU	December 31, 2012
4	Decision on consultant services for analysis of MPI indicators and development of road cost database	PMU	November 30, 2012
5	Convening of the IS cell to update the GAAP matrix	PMU/IS Cell	November 30, 2012