## I. Project Context

### Country Context

Over the last decade, India achieved a significant shift in GDP trend growth. Government of India (GoI) is keen to sustain this momentum of 8% plus annual growth and make it more inclusive. Improving the level and quality of economic infrastructure services will be critical for this endeavor. Accordingly, spending for infrastructure, which was $216 billion over the 10th Plan period (2002-07), has been more than doubled to reach $460 billion (7% of GDP) during the next five years (2007-12). GoI is targeting to double it again over the next 5-year Plan Period (2012-17), to more than $1 trillion, through financing from both public and private funds. Nearly 15% of the estimated $1 trillion are expected to be mobilized in the road sector. Private investment increased from 10% of the total in 2002-03 to 40% in 2011-12, and is expected to overtake public investment by 2015. In transport sub-sectors such as highways, ports, airports and railways – which are more
amenable for commercialization – much of the additional investment is expected to come through Public-Private Partnerships (PPPs).

**Sectoral and institutional Context**

India’s road network of 3.3 million kilometers plays a dominant role in the country’s transport system, carrying 60% of freight traffic and 87% of passenger traffic. It consists of three major network categories, viz., primary network of National Highways (NH), secondary network comprising of State Highways (SH) and Major & Other District Roads (MDR & ODR) and tertiary network of Rural Roads. In terms of responsibility for planning, construction and maintenance, the primary network comes under the purview of the central government, through the Ministry of Road Transport and Highways (MoRTH) and its associated agencies such as, for example, the National Highways Authority of India (NHAI). The secondary and tertiary networks are under the ambit of the state governments and managed by the respective works departments and other local agencies. The primary network of National Highways, at 82,621 km, represents only 1.7 percent of the total length but is of high strategic significance as it carries over 40% of the total road traffic.

In 1998 GoI launched an ambitious road building initiative – National Highways Development Project (NHDP). Under the aegis of NHDP, the responsibility for implementing nearly 47,000 km of the primary network was progressively vested with NHAI, an independent entity under the MoRTH. Nearly 40% of the National Highways lay outside the ambit of NHDP and form the "non-NHDP national highway network. Management of the execution of road programs on the non-NHDP network is delegated by the MoRTH to the National Highways Wings of the State Public Works Departments (PWDs). The regional offices of MoRT H oversee execution of non-NHDP programs managed by the State PWDs and are responsible for their financial execution (payment of invoices for consultant services or civil works contractors). MoRTH has limited oversight capacity because of limited number of staff and has little operational capacity. Its role is mostly about planning and budgeting decision and administration but little about implementation. While this delegation of responsibilities is in principle a more efficient way to manage the network than through the Ministry itself, lack of reporting mechanism which is based on quality and results rather than disbursements is a concern.

In recent years, there is an increasing recognition of the importance of the non-NHDP network as it holds key for achieving the government’s objective of equitable and inclusive growth as it often serves as the “primary or sole transport connectivity link” to several remote, economically lagging or other challenging regions. In line with this, GoI launched two initiatives – namely, ‘Special Accelerated Road Development Program for the North-East’ and the ‘Special Program for Development of Roads in the Left Wing Extremism Affected Areas’ – which together aim to develop 5,924 km of non-NHDP National Highways and nearly 8,850 km of State Highways. GoI has also identified an additional 6,700 km of non-NHDP roads in the primary network for priority development through external financing and budgetary allocations.

With the increased focus and outlays, MoRTH is now expected to play a more active and direct role in the development and maintenance of the non-NHDP portion of the primary network. Since much of the capacity expenditure envisaged involves large contracts, as per the prevailing financial rules and regulations, they need to be directly procured by MoRTH, unlike in the past, where relatively smaller size item-rate (BoQ) contracts and separate annual maintenance contracts were both procured and monitored through the state public works departments. Accordingly, MoRTH needs to
strengthen its internal capacities, improve its procurement and contract management practices, and re-define its interface with the works departments of respective states. Further, a Road Information System (RIS) is required for the non-NHDP network to provide MoRTH with the basis for an Asset Management System (AMS) capability for planning and budgeting purpose. In accordance with recent GOI decisions, this will be followed by a more substantial MoRTH-wide Enterprise Resource Planning (ERP) system for comprehensive portfolio management purposes. There is an urgent need for strengthening the Ministry’s policy role in several areas including setting of standards and specifications for various construction and maintenance activities, funding and planning mechanisms, performance and quality monitoring, R&D and safety (of work-sites as well as roads).

Road safety continues to be a major concern, particularly on National Highways which account for 36 percent of the reported road fatalities. The dismal road safety levels with the road accident death rate ten times higher than the levels seen in the European Union, are costing economy an estimated 3% of the GDP on annual basis. As the sustained growth in the economy is leading to increasing motorization, road safety situation is likely to worsen. Major weaknesses are inadequate capacities for addressing road safety issues through the planning, construction and operational phases and inherent vulnerability of road network users arising from the dangerous mix of vehicle masses and vehicle speeds. In 2007, a high level Committee on road safety developed a draft of the First National Road Safety Policy and recommended establishment of a National Road Safety & Traffic Management Board (NRS&TMB) to lead its implementation. The recommendation on the establishment of the NRS&TMB is under consideration by the Indian Parliament. MORTH has developed a Road Safety Cell, but it will require considerable capacity building to enable MORTH to play an effective role in national-level road safety matters.

II. Proposed Development Objectives
The development objective of the project is to improve the National Highway network connectivity to less-developed areas and low-income states and enhance the institutional capacity of MoRTH to better manage the non-NHDP network

III. Project Description

Component Name
Road Improvement and Maintenance Component
Comments (optional)

Component Name
Institutional Development Component
Comments (optional)

Component Name
Road Safety Component
Comments (optional)

IV. Financing (in USD Million)

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<td>Total Bank Financing:</td>
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V. Implementation

The proposed project will include three components: (i) Road Improvement and Maintenance, which will upgrade about 1,120 km of existing single/intermediate lane National Highways in three low-income states (Bihar, Orissa and Rajasthan) and less developed regions in two middle-income states (Karnataka and West Bengal) with 5 year maintenance of the assets; (ii) Institutional Development, which will enhance the institutional capacity of MoRTH to better manage the non-NHDP network through supporting specific interventions in the areas of process improvements, network monitoring & management, financing, governance & accountability, and training; and (iii) Road Safety, which will aim to improve road safety through updating Indian standards and regulations related to road safety, improving road accident data collection and analysis at central level and in project states, and strengthening road safety capacity at the central level.

MoRTH will be implementing the project, through the established Externally Aided Projects cell (EAP) which will have the overall responsibility for all aspects of the project including fiduciary, procurement, contract monitoring, environment & social safeguards and institutional strengthening. The project activities will be implemented by the EAP Cell in collaboration with respective partner agencies, e.g., National Highway wings of the Works Departments in the project states (for Civil Works), Road Safety Cell of MoRTH and National Road Safety and Traffic Management Board (for Road Safety activities), Indian Road Congress (for developing standards and other sector guidance material), and Indian Academy of Highway Engineers (for Training). The EAP will be supported by the Project Management Consultant (PMC, a consulting firm), with adequate number of staff/experts covering the areas of environment/forest management, social safeguards/land acquisition, highway engineering, contract management, institutional strengthening and road safety. The PMC will be providing direct assistance in project-level planning and implementation as well as guidance and recommendations on technical and policy matters. In each project state a Project Coordination Unit (PCU) headed by a Nodal Officer (at the level of Superintending Engineer) has been established to ensure adequate attention to all NHIIP sub-projects roads being implemented in the state. In addition, all the sub-project roads in a state are kept under the purview of the State Oversight Committees (SOCs) – an existing mechanism to facilitate resolution of various issues related to implementation of NH projects in a state. At the Central level, an empowered Project Steering Committee comprising of the Secretaries of the Works Departments of all project states has been constituted under the chairmanship of the Secretary, MoRTH, to periodically review, resolve the emerging issues and provide necessary guidance to the EAP Cell.

The proposed project will contribute to positive economic growth both locally in the project area and at the regional level by removing barriers to connectivity. Local businesses and inhabitants in the area of influence of the project roads as well as users of the project roads are expected to be direct beneficiaries of the project through improved access to higher service level highways and transport services and in reduced travel time and transportation costs. Beneficiaries will also obtain improved access to a larger number of economic opportunities, better health services, facilities and

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higher levels of education, and improved road safety. However, the proposed expansion of the project roads and associated rehabilitation works is likely to create adverse environmental impacts as well, if not properly managed and mitigated, particularly in case of road corridors that will involve realignments and bypasses, requiring land beyond the existing right of way (RoW). In view of the project’s potential impacts on the environment, the Bank’s OP 4.01 on Environmental Assessment has been triggered, and the project is designated as Category A. Other safeguards policies triggered include Op/BP 4.04 on Natural Habitats, OP 4.36 on Forests, OP 4.11 on Physical Cultural Resources, OP 4.10 on Indigenous Peoples, and OP 4.12 on Involuntary resettlement.

As measures to address environmental impacts comprehensively, project preparation and design adopt a two stage environmental and social screening to allow identification of (i) the key environmental (such as critical natural habitats, wildlife presence) and social issues early-on; and (ii) the time required to carry out proper assessments, design appropriate management measures to avoid/mitigate impacts and to obtain regulatory clearances. Through screening, project management has ensured to avoid roads traversing through or located near a designated protected area.

In addition to the two-stage screening described above, environment management strategy for the project involves: (b) preparation of an Environment Management Framework (EMF) to guide the over-all sub-project selection, including screening (including on biodiversity/wildlife issues); carrying out of EIAs, preparation of EMPs for project roads, institutional arrangements, and monitoring to facilitate compliance with the requirements specified in the World Bank Operational Policies and GOI/state regulations; (c) preparation of Environmental Impact Assessment (EIA) along with preparation of Corridor-specific Environment Management Plan (EMP) for each sub-project to be financed under the project; and (d) independent review of these documents in order to ensure compliance with the World Bank Safeguard policies. Similarly, Social Impact Assessment (SIA), Resettlement Action Plans (RAPs) and Tribal Development Plans (TDPs), as applicable, have been/are being prepared for proposed sub-projects in line with guidance provided in the Social Resettlement Policy Framework.

VI. Safeguard Policies (including public consultation)

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Comments (optional)

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