

GOVERNMENT OF INDIA
MINISTRY OF DEVELOPMENT OF NORTH EASTERN REGION

Tour Note of Shri D.S. Poonia, Joint Secretary, DoNER to Guwahati and Shillong from 12 - 15 July 2006.

The undersigned accompanied by Shri Sajal Mitra, Director(IC), DoNER visited Guwahati and Shillong from 12-15 July 2006.

2. On arrival at Guwahati on 12.7.2006, we inspected the arrangements being made for the Workshop at Hotel Vishwaratna for consultations with the State Governments and other stakeholders in respect of the ADB assisted North Eastern States Trade and Investment Creation Initiative (NES-TICI). Dr. Hans Peter Brunner, the ADB Team Leader for the Technical Assistance also arrived. The local arrangements were made by Shri Kamesh Salam of the Cane and Bamboo Technology Centre (CBTC), Guwahati since the ADB Consultants had already departed and were unavailable for any local assistance.

3. **The Workshop was inaugurated by Shri P.P. Srivastav, Member, NEC at 10 A.M. on 13th July 2006 at Hotel Vishwaratna.** After a brief welcome address by the undersigned, Shri Srivastav spoke about the relevance of trade with the neighbouring countries in view of the locational advantages of the NE States. He informed that the NEC had launched the North East Trade Mission (NERITRAM). Welcoming the initiative by DoNER for mobilizing ADB's Technical Assistance for the NES Trade and Investment Creation Initiative as trade with neighbouring countries offered tremendous opportunities for growth and improvement of livelihoods. He appreciated the draft Report prepared by the ADB Consultants but cautioned against creation of new institutions. Stating that since the NEDFi, NERAMAC and NEHHDC already exist, it may be appropriate to suitably modify their roles to meet emerging requirements for development of trade with neighbouring countries. Shri Srivastav also referred to the new role of the NEC as a mini Planning Commission for the NE Region.

He supported the Planning Commission's advice to move away from the existing role of a "fund disbursing agency". He also referred to the Dy. Chairman, Planning Commission's meeting with Minister, DoNER and Chief Ministers of all the 8 NE States on 8th July 2006 at Shillong followed by a meeting with representatives of NGOs/Civil Society on 9th July 2006. He expressed the hope that the views expressed by the State Govts. and the NGOs would find an appropriate place in the 11th Plan currently under formulation by the Planning Commission. He also referred to the **NER Vision: 2020** document under preparation and efforts being made for universalisation of employment, education and health care. He emphasized the need for value addition of local products and appreciated the content of the ADB Report which had identified certain products for focused development, technology inputs and skill upgradation. In particular, Shri Srivastav emphasized the need for giving a thrust to the development of bamboo for improving livelihoods and questioned the need for setting-up a Bamboo Research and Development Centre. He suggested that the CBTC, Guwahati could be further assisted under the project. In conclusion, he reiterated the need for improved marketing of products from the NE States.

4. Dr. Hans Peter Brunner, ADB Team Leader, made a detailed presentation. He referred to the locational advantages of the NER and lamented the lack of capacities in the private sector to take advantage of the liberalized trade policy regime. He appreciated efforts, in the recent past, by the Govt. of India to improve relations with the neighbouring countries through the BIMSTEC, SAFTA, SASEC, ASEAN, APEC etc. and stressed the need for improving infrastructure and bring-about changes in the administrative and legal regime for encouraging the private sector to play a greater role in formalizing the largely informal trade of the NE States with the neighbouring countries. He informed that India's share in the global international trade stood at about 1% only. The share of the NE States in this was insignificant and confined to a few products like tea, coal, limestone and oil. He emphasized the need for change in mindset among people of the North East.

5. During the discussion that followed the presentation, participants appreciated the value chain analysis developed by the ADB Consultants for pineapple, bamboo and rubber. Some of them wanted other items like leather also to be included. They informed that about 15000 raw hides are being smuggled annually into Bangladesh. Participants also reiterated the need for development of transport infrastructure including riverine routes and airports. The NEDFi representative suggested improved coordination between the existing institutions and advised the need to cross-check SSI data in the draft Report. He pointed out that high transport cost due to poor condition of roads and informal levies have made most of the NE products uncompetitive.

6. Dr. Hans Peter Brunner welcomed the suggestions from the participants and explained that the proposed NE India Finance and Development Facility(NIFDEF) is proposed to be the core investment and technical assistance vehicle for the private sector with emphasis on SME undertakings. He clarified that the NIFDEF will not be a separate institution but a facility to be managed jointly by selected entities like ICICI Winfra, NEDFi, NEC, SIDBI, NABARD etc. The agency to manage the NIFDEF would be selected through a transparent process by floating open tenders for which documentation was under preparation by M/s Price Waterhouse Coopers. The NIFDEF will operate the proposed Export Project Finance Fund (EPFF). Contributions to the EPFF will be made by the private sector stakeholders, NEDFi, NEC etc. A Supply Chain Development Fund (SCDF) and a Logistic and Trade Infrastructure Enhancement (LTIE) facility and a Bamboo Research and Development Centre are also proposed in the draft Report.

7. Dr. Brunner made specific suggestions for upgrading the region's Land Customs Stations (LCS) through enhanced infrastructure, storage and introduction of information technology tools. He suggested a design for an air freight terminal to service regional exports. The proposed project was estimated to cost \$160 million. Of this \$110 million will go into the proposed

NIFDEF's Export Project Finance Fund in tranches. \$50 million are proposed to be provided to the Executing Agency(EA) for carrying-out policy reforms and leveraging private trade related infrastructure investments. In addition, the ADB will earmark \$35 million towards partial credit guarantee to the exporters.

8. Workshop concluded with a Vote of Thanks.

9. On 14th July 2006, a meeting was held in the NEC Sectt. with Secretary, NEC as Chairman in connection with the ADB assisted State Roads Project (NESRP). Representatives from all the 8 NE States, the Planning Commission and the Ministry of Road Transport & Highways attended. The undersigned welcomed the participants and informed that the draft Report as also the list of roads identified under the NESRP for upgradation have been posted on the Ministry's website www.mdoner.gov.in The details had also been shared with the Planning Commission, MORTH and the 8 NE State Govts. Secretary, DoNER had held a review meeting at New Delhi on 29.6.2006. The ADB Team Leader Mr. H. Iwasaki had led Fact Finding Missions during April - May and June-July 2006 to all the 8 NE States and held extensive discussions with the State PWD Engineers and senior State Govt. officials.

10. The undersigned informed the participants that the issue of funding pattern of Externally Aided Projects was under consideration of the Ministry of Finance. It was expected that the Deptt. of Expenditure, Ministry of Finance would soon take a decision permitting the DoNER to fund the Externally Aided Projects on the basis of 90% grant and 10% loan. Since the NESRP was estimated to cost nearly Rs.2000 crores, the State Govt. representatives were advised to work out their 10% commitments and discuss with their respective Planning & Finance Deptts. in advance. I informed that the issue of maintenance of the assets created would also be discussed during the course of the meeting.

11. Secretary, NEC welcomed the initiative taken by the DoNER for mobilizing Externally Aided Projects for development of infrastructure in the NER. He said this was a new beginning under the Look East Policy of the Govt. of India. He emphasized the relevance of border trade in view of the fact that 98% of the NER's borders touch foreign countries. He advised the State Govt. to make optimal use of this opportunity and extend full cooperation to the ADB officials and the Consultants during their visits to the States. While advising DoNER and the ADB to go ahead with the projects, Secretary, NEC reiterated the need to finalise a decision on the funding pattern of Externally Aided Projects in the NER.

12. Mr. H. Iwasaki, ADB Team Leader thanked the State Governments and NEC for the assistance and cooperation provided to him during his visits. He made a detailed presentation stating that NESRP's objective is to improve the existing roads. He referred to the lack of exposure of the PWD engineers and recommended introduction of modern technology and best practices through Capacity Building. Informing that expenditure on construction and maintenance of roads at \$3400 to \$10900 per Km. was at par with expenditure incurred in the US and Canada, he informed that the condition of the roads was deplorable and money was not being well spent. The ADB PPTA was initiated in March 2005 and the States were consulted in the interim Workshop held on 12.5.2005. This was followed by Fact Finding Missions to all the NE States. Based on candidate roads proposed by the State Govts., 2500 Km. of roads were shortlisted. The ADB Consultants carried out extensive field surveys and investigations and presented a list of 1050 Km. of roads in the final Workshop on 18.1.2006. At that stage additional 100 Km. of roads could be accommodated. The proposal of the Govt. of Nagaland to include the "Champang to Tizit Road" for upgradation under NESRP was also accepted for further survey and investigation. Mr. Iwasaki informed that the NESRP also includes an Institutional Development and Capacity Building (IDCB) component which seeks to improve capacities within the State PWDs for road management and improved road safety. He informed that ADB had offered to provide an

additional TA for “Development of Road Agencies”. M/s SMEC has been selected as the Consultants. The Consultant was present during the meeting. Mr. Iwasaki shared with the participants the details of roads selected, the capacity building to be undertaken and informed that the project would cost \$430 million of which ADB would provide loan amounting to \$300 million. The balance \$130 million would be shared between the Govt. of India and the State Govts. depending on the final decision of the Ministry of Finance on funding pattern. Mr. Iwasaki informed that the total cost of civil construction was estimated at \$290 million and consultancies at \$28 million. He informed that following some changes by the State Govts. in the roads selected, additional 300 Km. of roads could be included. This would also include the road (Champang to Tizit) suggested by Govt. of Nagaland. He furnished details of the project implementation schedule.

13. As per information furnished by Mr. Iwasaki, the detailed designs of the selected roads are expected to be completed by the Consultants within October 2006. During this period, the environmental clearance and resettlement issues will need to be addressed by the State Govts. This will be followed by procurement for civil works between March 2007 to August 2007. Mobilisation would be carried out between August to October 2007 and the actual construction was scheduled to be taken up between November 2007 to April 2010 (30 months). The DEA had indicated that ADB loan would be availed of in tranches. The first tranche was expected to be released in April 2007. Mr. Iwasaki mentioned that there would be a separate schedule for construction of bridges from October 2008 onwards (11 months). He flagged the following issues for discussion :

- (i) Funding pattern
- (ii) Road maintenance
- (iii) Institutional maintenance
- (iv) Additional roads (750 Kms. suggested by State Govts.)
- (v) Constitution of Project Coordination Committee, PIUs etc. and
- (vi) Project Preparation/Loan Processing.

14. Initiating the discussion, the undersigned informed that a decision on the funding pattern was awaited from the Ministry of Finance. I requested the participants to specifically suggest ways and means for mobilizing funds for maintenance of roads to be constructed under NESRP. Mr. Iwasaki informed that under the project, the construction contracts would include maintenance, by the same contractor, for 5 years after completion of the roads. It was recognized that this would impact on the cost of the construction contracts. The State Govt. representatives supported the proposal as it would lead to better construction and maintenance. I suggested to the State representatives that they should consider adopting the Mizoram model and enact a Road Fund Act under which a Fund could be created for maintenance of the road assets. Accruals to the fund could take place through Govt. contribution and a share in the sales tax collected on diesel and petrol as also on the registration of vehicles by the State Govts. It was noted that the Govt. of Assam has already set up a Road Board in which Rs.80 crores per annum are deposited by the State Govt. for maintenance of road assets.

15. State Govt. representatives were advised to ensure that there is no overlap between roads selected for funding under NESRP and other schemes like SARDP-NE, NLCPR, NEC, State Plan etc. Representative from Sikkim emphasized the need for an appropriate road safety component. It was noted that a Project Management Unit (PMU) with dedicated staff and a Project Management Consultant(PMU) would be established in M/DoNER. The State Govts. would be required to set up Project Implementation Units (PIUs). The PIUs will be assisted by Contract Supervision Consultants (CSCs).

16. On the suggestion of representative from Manipur, it was agreed that **Ministry of DoNER will write to all the State Govts. on the need for creation of a maintenance fund and consider enactment of legislation on the pattern of the Mizoram Road Fund Bill.** Other issues such as creation of the Project Implementation Units, advance action for land acquisition and environmental

impact assessment etc. would also be included in DoNER's letter to the State Govts.

17. Representatives from the Planning Commission and the MORTH supported the proposal for inclusion of maintenance for 5 years in the original contract for construction of the identified roads. Both of them emphasized the need for maintenance of assets created for continued benefits to the people as also to avoid liabilities on reconstruction.

18. A brief presentation was made by Ms. Madhumita Gupta, Social Development Specialist, ADB on land acquisition, resettlement and indigenous peoples' issue. It was pointed out that non-titled holders are also eligible for compensation and resettlement under ADB policies. Special provisions exist for resettlement of indigenous people affected by development projects. It was clarified that land acquisition liabilities are required to be funded by the State Govts. The Govt. of India would have to present the resettlement plans prepared by the State Govts. before availing of ADB loan under Tranche-I. Ms. Gupta emphasized the need for transparency and information to the affected persons. The relevant documents will need to be translated by the State Govts. in local languages for generating awareness among the affected persons. She emphasized the need for immediate action to identify the affected persons, including indigenous persons, and the extent of impact on their livelihoods. The State Govts. were advised to make necessary budget provisions to meet such liabilities. Adviser (T&C), NEC advised that for any project under NER, 100% of land acquisition should be carried out before commencement of the project.

19. Ms. Dewi N. Utami, Sr. Environmental Specialist, ADB made a detailed presentation on environmental impact assessment requirements. She advised the State Govt. representatives to immediately initiate steps for the Initial Environmental Examination(IEE) as required under the EPA Act, 1986, as amended in 1991. She advised that roads passing through Protected Areas like

Reserve Forests, National Parks should generally be avoided as environmental clearances take unduly long and are often not agreed to. It was noted that permission for widening of existing roads within 20 mtrs. could be accorded by the MOEF. She explained the details of carrying out environmental impact assessment and emphasized the need for preparation of separate Environment Management Plans (EMPs) in respect of each selected road by the State PWDs.

20. Recognising that the State PWD Engineers have not been exposed to the strict ADB guidelines on land acquisition and resettlement and environment related issues, it was agreed, after discussion, to conduct a training programme for three days at NEC Sectt., Shillong on these as also on procedures for recruitment of Consultants and procurement. State Govt. representatives were asked to nominate five officials each by the first week of August 2006 for the training to be conducted by the ADB towards the end of August 2006. **M/DoNER would separately write to the State Govts. in this regard.**

21. The undersigned requested the State Govt. representatives to constitute the Project Implementation Units (PIUs). On a suggestion from the ADB Team Leader, it was agreed that initially SE level officials may be identified as Director of the PIUs. The PIUs will comprise the following :

- (i) Director (SE level)
- (ii) Contract Management Specialist (EE level)
- (iii) Revenue Department Representative
- (iv) Environmental Specialist (AE, PWD)

22. Detailed discussion was held with the State Govt. representatives in regard to the proposals for inclusion of additional roads received by the ADB Fact Finding Mission during their visit to the State. After consulting the State Govt. representatives, it was decided to finalise the roads keeping in mind overall connectivity within the NER and subject to the project remaining manageable.

23. I introduced **Mr. Paul Robinson** from **M/s SMEC** selected by the ADB as Consultants for the new TA on **“Development of Road Agencies”**. It was explained that the objective of the new TA is to improve management capabilities in the State PWDs. Adviser(T&C), NEC will coordinate and provide support to the ADB Consultants. State PWD representatives were requested to nominate one official each on IT and Project Management Trainings would be conducted by the Consultants at NEC Sectt, Shillong. The Consultants were advised to visit all the NE States to assess the training requirements. **DoNER would also write to the State Govts. to identify the PWD staff for training.** Staff from other Deptts. like Revenue, Environment, Pollution Control Board etc. also needed to be identified for training under the new TA. The first training programmes are expected to be conducted during October-November 2006.

24. Shri Sajal Mitra, Director(IC) and the undersigned returned to New Delhi on 15th July 2006.

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