

Government of India
Ministry of Defence
D (BR-I)

"B" Wing, 4th Floor,
Sena Bhawan, New Delhi-11

Dated: 13th April, 2017

No. BRDB/02/85/BEA/2016/D (BR-I)

To,

The Director General Border Roads,
Seema Sadak Bhawan,
Ring Road, Delhi Cantt.,
New Delhi-110010

Subject : **Policy Guidelines for change in construction philosophy in BRO**

Sir,

I am directed to convey that the Competent Authority has approved the Policy Guidelines for change in construction philosophy in BRO as enclosed at **Annexure-I.**

2. This issues with the concurrence of Ministry of Defence (Fin/BR) vide their I.D. No. 10(1)/BRS/2017 (177/BRS/2017) dated 13.4.2017.

Yours faithfully,

[Signature]
13/04/17

(Dibakar Mishra)

Under Secretary to the Government of India

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Policy guidelines for change in construction philosophy of BRO

1. Background

Border Roads Development Board (BRDB) was set up in 1960 to augment the road development plans of the underdeveloped areas leading to our borders, to enhance the defence preparedness and the economic development of the region. Under BRDB, Border Roads Organisation (BRO) was also set up in 1960 to ensure coordination and expeditious execution of road infrastructure projects in the North/North Eastern States.

In those times, there were not many big players in the road construction sector, who could undertake works in the border areas. As a result, BRO executed most of the works departmentally and has continued to function as a work charged organization with expenditure towards salaries booked in construction/maintenance works.

2. BRDB program/LTRoWP

Based on the requirements of the Army, a BRDB program consisting of 852 roads of length 30,118 km has been prepared to enable BRO to focus on these identified roads for construction/improvement/maintenance in a planned manner. Out of these 852 roads under the BRDB program, a five year Long Term Roll on Works Plan (LTRoWP) (2015-2020) consisting of 530 roads of strategic importance of length 22,803 km for construction/improvement has been prepared, based on the priorities of the Army. BRO gets funding from multiple sources such as MoRT&H, MEA, MHA besides the MoD. For the holistic development of roads in border areas, 485 roads of length 20,211 km are funded by MoD with an average requirement of Rs 6,700 Crs/year to be executed over a period of next five years.

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An analysis of works included in LTRoWP is as under:

- (i) **Projects with cost of balance works less than Rs 100 Crs: 372 Roads** of length 10,369 km with an approximate cost of Rs 10,479 Crs.
- (ii) **Projects with cost of balance works between Rs 100 Crs and Rs 200 Crs: 59 Roads** of length 3,655 km with an approximate cost of works Rs 8,537 Crs.
- (iii) **Projects with cost of balance works between Rs 200 Crs and Rs 500 Crs: 37 Roads** of length 3,436 km with an approximate cost of Rs 12,838 Crs.
- (iv) **Projects with cost of balance works above Rs 500 Crs: 17 Roads** of length 2,751 km with an approximate cost of Rs 15,795 Crs.

3. Capacity of BRO

At present, there are 18 Projects and 34 Task Forces in the BRO with a potential/capability to take up annual works of Rs 100 Crs (capital) per Task Force. In order to ensure that the potential of BRO is utilised to the optimum, a work load of Rs 3,400 Crs/year is required. At present, BRO's potential is sub-optimally utilised, as the average expenditure is stagnant over a period of time at Rs 3,000 Crs/year against the capacity/potential of Rs 3,400 Crs/year.

The sub-optimal utilization of BRO's potential may be attributable mainly to the following:

(i) **Execution of works in small stretches:** Being a Departmental construction agency, BRO does not outsource road projects and does only selective outsourcing of small stretches of works, mostly for supply of material for surfacing works. As a result, only small local contractors participate in the works of BRO, who may not be able to bring the requisite modernization/efficiency in the construction works executed by BRO.

(ii) **Limited budgetary support to BRO:** Over the last few years, the average allocation of budget to BRO by MoF is approximately Rs 3,000 Crs/year, as BRO has not been able to adhere to the pace of expenditure as stipulated by MoF from time to time. In fact, committed expenditure on salaries takes away a major chunk of the allocation, leaving very limited budget for execution of works. The budget allocation to BRO from MoD in the last three years has been Rs 2819 Cr for 2014-15, Rs 3316 Cr for 2015-16 and Rs 3526 Cr for 2016-17. Out of this allocation, about Rs 500 Cr is for maintenance works, Rs 450 Cr for salary of ground establishment and about Rs 1000 Cr is spent on work-charged establishment, leaving only about Rs 1500 Cr for actual construction works.

It is, therefore, clear that with the current budgetary allocation and the construction philosophy in BRO, it will not be able to increase its pace of progress and cannot certainly achieve the ambitious and unrealistic LTRoWP. There is a strong case for review of LTRoWP and a substantial increase in the budgetary allocation to BRO. However, it may also not bring about the desired outcome due to the limited absorption capacity of BRO. The LTRoWP may still be unachievable, unless there is a policy shift in BRO's construction philosophy to overcome its departmental capacity constraints through participation of big construction companies.

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4. **Need for review of LTRoWP and change in construction philosophy**

While delinking of salaries has been approved in principle and is to take effect from FY 2017-18 and increase in annual budgetary allocation to BRO is under active consideration, there is a two-pronged policy change required to be brought about in BRO to improve its delivery and to achieve the desired outcomes.

(i) With the objective to ensure that the strategic road works are completed as per the timelines identified by the Army, there is a need to review the LTRoWP. Instead of making piecemeal efforts on so many different roads, BRO need to focus its attention on limited number of projects and ensure completion also in project mode. The number of roads included in the LTRoWP is on the higher side with reference to budget available to BRO over the past few years and also to the absorption capacity of BRO. As a result, the resources of BRO are being spread out over a large number of roads and the priority roads get neglected in the process. There is a need to review and restrict the number of roads included in LTRoWP, which would enable BRO to channel its energy and resources towards tangible achievements in the operationally critical and strategically important roads. Further, all the roads included in LTRoWP also need to be prioritized with reference to absorption capacity of BRO and budget availability.

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(ii) First of all, it should be ensured that BRO's own departmental capacity is utilized to the optimum. This may necessitate rational deployment of manpower, equipment and resources within the BRO. Further, in order to bridge the gap between the strategic requirements of the Army and BRO's own capacity constraints of departmental execution, there is a need for BRO to change its old construction philosophy and move towards outsourcing of projects. This would not only improve the pace of execution of projects, but would also enhance its absorption capacity to take up more projects than what BRO is capable of, following the departmental mode of execution. Instead of offering small stretches of roads for outsourcing, BRO should offer the entire road as a viable project on a turnkey basis, so as to attract big construction companies. Outsourcing would improve the output of BRO as an efficient construction agency and would put it in a better position to seek higher budget in future. Different construction organizations within the Ministry of Road Transport and Highways, which are handling a huge budget, are able to execute works with their capacity enhanced through outsourcing.

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5. Enabling provisions in BR Regulations

As per the various provisions laid down in Para 545, 546, 549, 611 and 614 of BR Regulations, earlier BRO used to make separate estimates for different items of work and was not permitted to outsource the road works. Only selective outsourcing of small stretches of works, mostly for supply of material for surfacing works, was allowed.

An amendment to Para 546 and 549 of BR Regulations was made in 2010, so that estimates for construction of new roads and widening of existing roads could be sanctioned, incorporating formation cutting, permanent works, surfacing works and permanent bridges, instead of the earlier provision wherein separate estimates were to be prepared. An amendment to Para 546 and 549 of BR Regulations has been made in 2016 for adoption of DPR mode of execution.

Further, an amendment to Para 611 and 614 of BR Regulations had also been made earlier to enable BRO to outsource the execution of works for construction of roads, bridges, tunnels in totality or individually.

Enabling provisions are, therefore, now available to BRO to make DPRs for identified road works as projects, which can be offered for outsourcing to big construction companies' as viable projects through competitive bidding. This is expected to attract big construction companies and improve the pace of execution of projects. BRO has also decided to adopt uniform standards for classification of roads (single lane/double lane) as prevailing in other agencies in this sector. BRO may need to improve its contract management capability and ensure effective monitoring of contracts.

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6. Roadmap to implement new construction philosophy

(i) With the enabling provision now available, BRO will carry out the following actions immediately:-

(a) Review of LTRoWP in consultation of Military Operation Directorate: The number of roads included in the present LTRoWP is on the higher side with reference to budget available to BRO over the past few years and also to the absorption capacity of BRO. Review of LTRoWP to restrict the number of roads so as to enable BRO to channelize its energy and resources towards operationally critical and strategically important roads.

(b) Prioritise the list of roads under Priority-I and Priority-II, based on the availability of budget and absorption capacity of BRO.

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- (c) Identification of viable road projects from Priority-I for outsourcing and bundling of road projects to attract big construction companies. ✓
- (d) Identification of roads from Priority-I for departmental execution and rational deployment of manpower, equipment and resources within BRO to ensure that BRO's own departmental capacity is utilised to the optimum. ✓
- (e) Adoption of DPR mode of execution. ✓
- (f) Adoption of uniform standards/nomenclature for classification of roads in consonance with IRC codes and MoRTH specifications. ✓
- ✓ (ii) Action for implementation of outsourcing from FY 2017-18: A dedicated Cell will be made functional within the available authorised strength at HQ DGBR for Outsourcing and Contract Management for the following:- EPC cell to handle
- (a) Formulation of model Request for Proposal (RFP) for preparation of DPR and for construction of roads. ✓
- (b) Floating of RFP for DPR preparation through professional agencies and acceptance of contract. ✓
- (c) Floating of RFP for construction of roads and acceptance of contract. ✓
- (d) Capacity building in contract management, both pre-tendering and post tendering. ✓
- (e) Preparing a database for equipment and outsourcing the maintenance and upkeep of equipment. This needs to be studied TA
- (f) Outsourcing feasibility studies for identified tunnelling projects. ✓
- (g) The existing E8 Directorate will continue to work for the remaining outsourcing works required to be done in case of departmental execution. ✓

7. In accordance with these policy guidelines, projects amounting to at least 30% of works planned in LTRoWP will be identified by BRO for outsourcing for FY 2017-18 and the percentage of outsourcing will be increased to 40% for FY 2018-19. The percentage of outsourcing will be reviewed thereafter. All projects to note

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8. The progress monitoring of the works will be done by a Steering Committee under the chairmanship of Additional Secretary with JS (BR), DGBR and IFA (BR) as members.

9. Third party inspection will be carried out on one identified road in each of the 18 projects every year.

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10. After taking up works from LTRoWP and ensuring rational deployment of manpower, equipment and resources within the BRO, in case there is spare capacity left, it can be deployed on other MoD works including runway works for the IAF.


