

## GOVERNMENT OF ANDHRA PRADESH

### STATEMENT OF SRI BUGGANARAJENDRANATH, HON'BLE FINANCE MINISTER

#### **World Bank Supported Amaravati Sustainable Infrastructure and Institutional Development Project**

1. The Government of Andhra Pradesh submitted proposals to Department of Economic Affairs (DEA) on October 08, 2016 requesting for assistance from the World Bank for development of Amaravati. However, the request for project proposal was only registered on June 12, 2017 after the proposal was renewed on May 25, 2017.
2. The DEA cleared the loan proposal for funding from the World Bank and Asian Infrastructure Investment Bank (AIIB), following which the World Bank and AIIB conducted five joint missions and several individual missions. The project was named 'Amaravati Sustainable Infrastructure and Institutional Development Project' with an outlay is US\$ 715 million (around Rs 5,000 crores). The loan component was to be shared between the World Bank and the Asian Infrastructure Investment Bank as US\$ 300 million (Rs 2,100 Crores) and US\$ 200 Million (Rs 1,400 crores), respectively. The share of Government of Andhra Pradesh was to be US\$ 215 million (Rs 1,500 crores).
3. The Project was to contain the following components:
  - ✓ Integrated Urban Infrastructure and Services
  - ✓ Climate-Resilient Infrastructure
  - ✓ Citizen Benefit Sharing
  - ✓ Institutional and Fiscal Development
  - ✓ Project Management and Implementation Support
4. In anticipation of the project approval, the then government launched projects in ten (10) contract packages during 2017-18 financial year for the following works:
  - ✓ 10 road works for 92 kms at a project value of INR 1,872 crores;
  - ✓ Flood works for 48.3 kms of canals and Reservoirs with capacity of 0.56 TMC with INR 947 crores



5. The above projects were taken up with Government of AP funds as the project approval was delayed. In a clear reflection of the lack of understanding and lethargic attitude of the previous government, the World Bank informed that the contracts awarded for seven roads would not be eligible for retroactive financing and the cost would have to be borne by the State Government. Further, several technical works were approved by the state government.

6. A number of representations were reported to have been made by a large number of landowners and non-government organisations (NGOs) to the Independent Accountability Mechanism (IAM) of the World Bank, regarding certain commissions and omissions in the design of the project and its adverse environmental, social, and economic impact.

7. In pursuance of these concerns, IAM of the World Bank launched an 'Inspection Panel (IP) that visited Amaravati during September 13 - 16, 2017, during which the IP evaluated the project design, its potential impact on environment, social, and economic parameters. The IP submitted its first report on 27 September 2017, which updated once on November 27, 2017, subsequently on June 26, 2018 and finally on March 29, 2019.

8. The IP has noted in its report, "that conflicting assertions remain between the Requesters and other affected people and Management. The Panel further notes that the alleged harms are of Serious Nature and linked to the Project and can only be fully ascertained in the context of an investigation. Accordingly, the Panel recommended **'carrying out an investigation in to the alleged issues of harm and related potential non-compliance with livelihood restoration. Requirements of the Bank's Involuntary Resettlement Policy.'**"

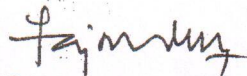
9. The project proposal was not considered by the World Bank Board despite lapse of more than two years because of the IP Report. Further, based on the recommendation of the IP that an "investigation be carried out in to the alleged issues of harm and related potential non-compliance with livelihood restoration and requirement of Bank's involuntary resettlement policy", the DEA requested GoAP to convey its stand by Jul 01, 2019. The State Government requested time until July 31, 2019 as detailed enquiry is underway on the Amaravatimatter. DEA demanded a response by July 15 from the State Government, as GoI had to take stand on allowing Inspection prior to e Project Approval, a practice that was unprecedented in the history of India's relationship with the World Bank. The Government of Andhra Pradesh addressed Government of India on July 15, 2019 informing that "DEA may take an apt call on further course of action'.



10. Based on its own assessment, the Ministry of Finance of Government of India informed World Bank to "Drop the Amaravati Project" on July 16, 2019 and the World Bank is reported to have accepted the proposal of DEA and informed that it would be happy to support additional proposals for financing from GOAP.

11. From all accounts, it is apparent that the previous government had completely ignored the adverse environmental, social, economic and financial implications of the new capital city developmental model. Moreover, the actions of the previous government have embarrassed the Nation, as it is the first time that the Independent Panel of World Bank recommended investigation into a project that has not yet been approved by the World Bank Board.

12. Impressed by the good governance agenda and the development framework of our government, the World Bank has sanctioned a new \$328 Million support to the State Health Sector which was signed with Government of Andhra Pradesh on 27<sup>th</sup> June, 2019. The World Bank has also verbally said that the programs and Navaratnalu framework of the Government are in perfect harmony with the development priorities of the World Bank. Accordingly, the World Bank has assured that it would increase its assistance to the State for investment in its Human Development Agenda. Further, the World Bank has also expressed its interest to extend financial assistance to other viable projects to be taken up by the Government of Andhra Pradesh and also in setting up a Human Development Platform for Andhra Pradesh.



(BUGGANA RAJENDRANATH)

MINISTER FOR FINANCE