

Cost Benefit Analysis

Name of Project: Construction of Road from Devak to Bamliya connecting Sanki Deoli and Hathal to Sarooti link whose total length is 14.00 km.

Nature of Proposal: Diversion of **6.051 ha.** Protected forest Land in possession of Nowshera Forest Division, District. Rajouri

Purpose: The Cost Benefit Analysis is being undertaken as the proposed diversion of forest land being affected due to construction of road for above said project is **>5.00 Ha.**

Table-A: Cost Benefit Analysis as per Guidelines for Forest Land Diversion-2017

S No.	Nature of Project	Applicable/Not Applicable	Remarks
1	All categories of proposal involving forest land upto 20 ha. In plains and upto 5 Ha. In hills	Not Applicable	These proposals may be considered on a case to case basis and value judgements.
2	Proposal for defence installation purpose and oil prospecting (prospecting only)	Not Applicable	In view of national priority accorded to these sectors, the proposals would be critically assessed to help ascertain that the utmost minimum forest land is diverted for non forest use.
3	Habitation, establishment of industrial units, tourist lodge complex and other building construction.	Not Applicable	These activities being determine top protection and conservation of proposal would be rarely entertained
4	All other proposals involving forest land more than 20 Ha. In plains and more than 5 Ha. In hills including roads, Transmission line, minor, medium and major irrigation projects, hydro projects, mining activity, railway line, location specific installations like microwave stations, auto repair centres, TV towers etc.	Applicable	These are cases where a cost benefit analysis is necessary to determine when diverting the forest land to non-forest use in the overall public interest

**Since the proposal is for diversion of forest land measuring more than 5.00 Ha.
In the hills for road project, cost benefit analysis report is applicable**

Table-B: Estimate of Cost of Forest Diversion Nowshera District Rajouri

S No.	Parameters	Given Guideline	Evaluation
1	Ecosystem Services losses due to Proposed forest diversion	<p>Economic value of loss of ecosystem service due to diversion of forests shall be the net present value (NPV) of the forest land being diverted as prescribed by Central Government (MoEF&CC)</p> <p>Note: - in case of National Parks the NPV shall be ten (10) times the normal NPV and in case Wildlife Sanctuary the NPV shall be five (5) times the normal NPV or otherwise prescribed by the ministry or any other competent authority.</p> <p>Note:-1: Net Present Value(NPV) of environment and ecosystem</p> <p>The Concept of Net Present Value of the forest land diverted is a scientific method of calculating the environment cost and other losses caused due to diversion of forest land for nonforestry purposes, the NPV represents the net value of various ecosystem services and other environmental services in monetary terms which the forest would have provided if the forest would not have been diverted.</p>	<p>NPV value (as per forest Conservation act 1980) is in between Rs. 6.051 and 12,92,850/- lac per hectare.)</p> <p>Accordingly, NPV value for proposed diverted land is calculated by For devak forest , Harni forest Forests (Dense Forest) it is 12,92,850/- Lac per hectare Nowshera Forest Division, Distt. Rajouri =6.051x 12,92,850/- = 78.23 Lacs</p>

2	Loss of animal husbandry, productivity including loss offodder	To be quantified and expressed in monetary terms of 10% of NPV applicable whichever is maximum.	<p>Loss of Animal husbandry due to proposed diversion is very moderate and calculated below.</p> <p>Gross Loss @ 5 ton/Ha/year @ Rs. 100/- per tonne.</p> <p>Therefore, loss of fodder as estimated for about 6.051 Ha. Will be $6.051 \times 5 \times 100 = 2025.50$ Yr</p> <p>$\times 50$</p> <p>$\text{years} = \text{Rs. } 151275/-$ (1.51Lac) Further considering 10% of NPV will be $78.23 \text{ Lac} \times 0.1 = 7.82$ Lac.</p> <p>So considered amount(maximum one) is Rs.7.82Lac.</p>
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3	Cost of human resettlement	To be quantified and expressed in monetary terms on actual terms as per approved R&R plan.	Nil human Resettlement is required since no family residing in forest land.
4	Loss of public facilities and administrative infrastructure(roads, buildings, schools, dispensaries, electric lines, railways etc) on forest land or which would require forest land if these facilities were diverted due to: the Project	To be quantified and expressed in monetary terms on actual cost basis of the time of diversion.	No loss of public infrastructure like Roads, hospital etc are investigated.
5	Possession value of forest land	<p>30% of environmental cost (NPV) due to loss of forest or circle rate of adjoining area in the district should be added as a cost component as possession value of forestland whichever is maximum.</p> <p>Note 2: Possession value of forest land diverted:- The forest land diverted for the project such as irrigation, hydropower, railways, roads, wind and transmission lines and mining etc are unlikely to be returned and remains in the possession of the user agencies, Therefore 30% of the net present value (NPV) of forest land diverted or market rate of adjoining area in the district should be added as a cost component as "possession value of forest land" in addition to the environmental cost due to loss of forest.</p>	<p>Possession value of forest land will be (considering 30% of NPV) = $0.3 \times 78.23 = 23.46$ Lac.</p> <p>Per hectare land rate is approx. 148.263 lac/Ha. So possession value of forest land (as per average circle rate) = $6.051 \text{ Ha.} \times 148.263 \text{ lac} = 897.13 \text{ Lac}$</p> <p>So considered amount (Maximum one) is Rs. 897.13 Lac</p>

6	Cost of Suffering to ousters	The social cost of rehabilitation of ousters (in additional to the cost likely to be incurred in providing residence, occupation and social services as per R&R plan) be worked out as 1.5 times of what ousters should have earned in two years had they not shifted.	Nil, no resettlement & rehabilitation is identified or required in forest land which is proposed to be diverted. There will not be any losses on this account as diversion of the forest land to this project will not affect any house or structure.
7	Habitat Fragmentation Cost	While the relationship between fragmentation and forest goods and services is complex, for the sake of simplicity the cost due to fragmentation has been pegged at 50% of NPV applicable as a thumb rule.	Habitat fragmentation cost is 50% of NPV that is Rs. $78.23 \times 50\% = 39.15 \text{ Lac.}$
8	Compensatory afforestation and soil & moisture conservation cost	The actual cost of compensatory afforestation and soil & moisture conservation and its maintenance in future at present discounted value.	As per Nowshera Forest Division, rajouri CA cost

Table-C:- Existing guideline for estimating benefit of forest diversion in Cost Benefit Analysis (CBA)

S No.	Parameters	Given Guideline	Evaluation
1	Increase in productivity attributable to the specific project	To be quantified & expressed in monetary terms avoiding double counting.	<p>Socio economic benefits due to the road project will provide the</p> <ol style="list-style-type: none"> 1. connectivity to district head quarter. 2. With increase in pavement condition index, leading to reduced travel time and fuel consumption. 3. The benefits to trade specially in moment of perishable goods. 4. Access to tourist destination Shiv Khorai Shrine, hence increasing tourist activity to the area. 5. Overall enhancement of socioeconomic condition of the area along the project. <p>Again, directly approximately 70182 mandays of temporary and 50 permanent employment will be generated during the construction of the Project for a period of 3 years</p>

2	Benefits to economy due to specific project	<p>The Incremental economic benefit in monetary terms due to the activities attributed to the specific project.</p> <p>Economic benefit in terms of increase in trade, saving in vehicular operation and maintenance cost, better connectivity, safer journey to commuter and saving of travel time.</p> <p>Improved road connectivity helps in better implementation and management of government schemes. It will provide fast and economical transport of goods. After completion of project, the local people in the area will be greatly benefited. The construction of project road will provide safe, fast, economic and environmental friendly transportation to the state which in turn will accelerate the rate of growth in this area.</p> <p>In addition to that there are several other benefits that may accrue due to saving in fuel, reduction in time to commute, vehicle maintenance, reduction in carbon emission etc.</p> <p>“However, they have not been quantified as it will be a function of various govt. policy variables.”</p> <p>Exact quantification of the value is not possible as it is time and policy dependent.</p>
3	No. of population benefited due to specific project	As per detailed project report.
4	Economic benefit due to direct and indirect Employment Potential	As per detailed project report.

5	Economic benefit due to compensatory afforestation	Benefit from such compensatory afforestation accruing over next 50 years monetised and discounted to the present value should be included as benefit of CA the guideline of the Ministry for NPV estimation may be consulted.	In Lieu of total forest land to be affected it is proposed to be undertaken at least twice of the affected trees as Compensatory Afforestation as per Forest (Conservation) Act 1980. Apart from compensatory plantation, the compensatory afforestation will be taken up in about 12.102 ha for diverted protected forest land Devak Bambliya Hathal, Sarooti, Sanki, Deoli. So Total compensatory afforestation will be taken 12.102 ha. Degraded forest land which is two times of the area proposed to be diverted. The Compensatory Afforestation will be done in 12.102 Ha. of degraded forest land, which is down the line would be having a density of minimum 0.8. The ecological value for a 50 years period of density of 1.0 is 126.74 lac per hectare (As per Forest Conservation Act 1980). By considering minimum 0.8 density, the ecological gain for this project would be 126.74 lac $126.74 \times 0.8 \times 12.10 = 1226.84$ lac
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Summary of Cost-Benefit Analysis for the project.

S.No	Loss in Lacs	Benefit in Lacs
1	Ecosystem Services losses = Rs. 78.23 Lac.	ecological gain for this project would be 126.74 lacX0.8X12.10 = 1226.84 lac
2	Loss of animal husbandry, productivity including loss of fodder = Rs7.82 Lac	70182- man days will be generated for unskilled/semi-skilled worker in terms of Salary and Wages @ Rs. 550/day (average) = Rs. 550X 70182=386.00 Lac. Basic living amenities including alternative fuel(LPG, solar cooker etc) will be supplied to labours/workers in construction period by contractor-3 years. Number of labours at peak time- 100 Approx. 50% labour assume to be local. Per head cost of fuel- Rs. 2.00/day for rest 50 labours. Total Cost = Rs. 2.00 X 50 labours X 1095days = Rs. 109500.00/- of Rs. 1.10 Lac.
3	Possession value of forest land diverted = Rs. 897.13. Lac	
4	Habitat Fragmentation Cost = Rs. 23.47 Lac	
5	Compensatory afforestation and soil & moisture conservation cost=Rs. 39.11 Lac.	
6	Total Cost/Loss = 78.23 Lac+ 7.82 + 897.13 Lac+ 23.47 Lac + 39.11 Lac = 1045.76 Lac	Total gain/benefit from project = Rs. 1226.84lac + 386.00 Lac + 1.10 Lac = 1613.94 Lac.

Cost Benefit Ratio = Total Benefit/Total Loss = 1613.94 /1045.76 =1.54
 which is >1, so project is found valuable based on given/above described criteria.

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