

COST BENEFITS ANALYSIS IN ACCORDANCE WITH GOI FC GUIDLINES NO 7- 69/2011-FC DATED 01-08-2017

Name of Project: Consultancy Services for Preparation of DPR for Rehabilitation and Upgrading to 4- Lane with paved shoulders configuration of Bilaspur- Katghora Section of NH-111 in the State of Chhattisgarh. Pakage-II (53+300 to 92+500) Pathrapali to Katgora.

Nature of Proposal: Proposal for Diversion of Forest land For Rehabilitation and Upgrading to 4- Lane with paved shoulders configuration of Bilaspur- Katghora Section of NH-111 in the State of Chhattisgarh. Pakage-II (53+300 to 92+500) Pathrapali to Katgora.

Total Length of Project: 39.2 Km

Number of district involve- 01

Number of forest division involve: 01

S.no.	Forest Division	Proposed Area (ha)
1.	Katghora	83.6421

Purpose: The cost Benefit Analysis is being undertaken as the required forest land is > 20 hectre for proposed diversion of forest land being affected due to widening of existing road for above said project.

Guidelines for conducting cost-benefit analysis for projects involving forest diversion

(i) While considering proposal for diversion of forest land for non forestry use, it is essential that ecological and environmental losses and eco economic distress caused to the people who are displaced are weighted against economic and social gains.

(ii) Whenever the forest land is involved in the development projects, the cost of ecosystem services and fragmentation of habitat of wildlife and economic distress caused to the people dependent on forests and the cost of settlement of people dependent on forest should also be added as the cost of forest diversion in addition to the standard project cost which would have been incurred by the user agencies without involvement of forest land while conducting the cost benefit analysis of the project. Similarly the benefits from the project accruing due to diversion of forest land and used in the project should also be accounted for in the benefits component in addition to the standard benefits of the project which would have been accrued without involvement of forest land while conducting the cost benefit analysis and determining the benefit and cost ratio (BC ratio).

(iii) The cost of Compensatory afforestation and its maintenance in future and soil & moisture conservation at present discounted value and future benefits from such compensatory forestation accruing over next 50 years monetized and discounted to the present value should be included as cost and benefits respectively of compensatory affrestation while conducting the cost benefit analysis and determining the benefit and cost ratio (BC ratio).

(iv) Table A list the details the types of projects involving forest land for which cost benefit analysis will be required, Table-B Lists the parameters according to which the cost aspect of forest


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land diverted for the development projects will be determined, while Table C lists the parameters for assessing the benefits accruing to the project using forest land.

(v) A cost benefits analysis as above should be accompany the proposals sent to central Government for forest clearance under the Forest Conservation Act.

Table A: Cases under which a Cost -benefit analysis for forest diversion are required

Sl	Nature of Proposal	Applicable/Not Applicable	Remarks
1	All Categories of proposal involving forest land upto 20 hectares in plains and upto 5 hectares in hills	Not Applicable	These proposals may be considered a case to case basis and value judgments.
2	Proposed for defense installation purpose and oil prospecting only	Not Applicable	In view of national priority accorded to these sectors, the proposal 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 detrimental in protection and conservation of proposals would be rarely entertained.
4	All other proposal involving forest land more than 20 hectares in plain and more than 5 hectares 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 repeater centres, TV tower 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 hectare in Hill area for the road project cost benefit analysis report is applicable

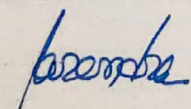
Table B: Estimation of Cost of forest diversion

S. No	Parameters	Given Guideline	Evaluation
1	Ecosystem services losses due to proposed forest diversion	Economic value of loss of ecosystem services due to diversion of forest shall be the net present Value (NPV) of the forest land being diverted as prescribed by central Government (MOEF & CC) 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	NPV value has been Calculated as Rs 558 lakhs
2	Loss of animal husbandry productivity, including loss of fodder	To be quantified and expressed in monetary terms or 10% of NPV applicable whichever is maximum	Loss of Animal husbandry due to proposed diversion is very, moderate and calculated below.

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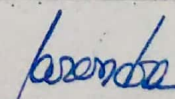
			<p>Gross Loss @5 ton/Ha/Year @ Rs.100/- per tonne. Therefore loss of fodder as estimated for about 83.6421 hect .will be $83.6421 \times 5 \times 100 \times 100$ Year, =Rs. 41,82,105/-</p> <p>10% of NPV = $0.1 \times 558 = 55.8$ lakhs. So considered amount is Rs 55.8 Lakhs.</p>
3	Cost of human resettlement	To be quantified and expressed in monetary 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 School, 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 basis at the time of diversion.	No Loss of public Infrastructure and administrative Infrastructure (roads, buildings, railways, etc) on the forest land. All public utilities affected will be shifted by NHAI at cost of Rs1532 Lakhs
5	Possession value of forest land diverted	30% of environment costs (NPV) due to loss of forests or circle rate of adjoining area in the district should be added as a cost component as possession value of forest land whichever is maximum	<p>The circle rate of adjoining area in the district is about 70 Lakhs per hectare where as 30 % of NPV is 167.4 ($=0.3 \times 558$) lakhs. Which is less than 35 lakh per hectare.</p> <p>Therefore Procession Value of forest land will be $=83.6421 \times 35 = 2927.47$ lakhs</p>
6	Cost of Suffering to oustees	The social cost of rehabilitation of Ousteas (in addition 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 oustees should have earned in two years had he not been shifted	Nil as no Resettlement and Rehabilitation is required in forest land. Which is proposed to be diverted.
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 i.e. $0.5 \times 558 =$ Rs 279 Lakhs.
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	Total 167.5 Hectare of degraded forest land proposed for CA in lieu of 83.6421 ha forest land @ 7 lakh per Hac. Cost of CA is 1172.5 Lakhs


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Table C: Existing Guidelines for estimating benefits of forest land diversion in CBA

S. No	Parameters	Given Guideline	Evaluation								
1	Increase in productivity attributable to the specific project	To be quantified and expressed in monetary terms avoiding double counting	<p>The proposal project for which diversion of forest land is sought is for widening of existing road .The project road will improve accessibility to the region .This will help in both economic & social development in the region.</p> <p>The project will enable smooth accessibility in the region by which people of the region will be directly benefited. This will accelerate industrialization /commercialization in region and the same will directly generate maximum employment opportunities in these areas and boosting up the economy of the region and state. Again directly the project will have the potential for employment generation for local people 730000 man days during the construction period. The proposed project does not involve any manufacturing or production. Hence, This section is not applicable. Monetary benefits due to increase in productivity is NIL.</p>								
2	Benefits of economy due to the specific project	The incremental economic benefit in monetary terms due to the activities attributed to the specific project.	<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.Improved road connectivity helps in better implementation and management of government schemes .It will provide last and economical transport of goods, After completion of project, the local people and industries situated in the area will be greatly benefited . The widening of project road will provide safe and fast, economical and environment friendly transportation to the State, which in term will accelerate the rate of growth in this area.</p> <p>Average Annual Daily Traffic at Km 64+500: 19711 Passenger Car Unit.</p> <table><tr><th>Current Scenario</th><th>Modified Scenario</th></tr><tr><td>Present Distance = 44 Km</td><td>Distance after laning = 39.2 Km</td></tr><tr><td>Average Fuel Economy = 20km/litre</td><td>Average Fuel Economy = 20km/litre</td></tr><tr><td>Total fuel consumption = $44/20 = 2.2$litre</td><td>Total fuel consumption = $39.2/20 = 1.96$ litre</td></tr></table> <p>Fuel saving = $2.2-1.96 = 0.24$ litre Average fuel cost = 75 rupee per litre Fuel saving on 19711 PCU =$0.24 \times 19711 = 4730$ Litre per day approx. Savings (in monetary terms) = $4730 \times 75 = 354750$ Rupees per day Total benfits in 5 years ($5 \times 365.4 = 1827$ days) = $1827 \times 354750 = 439243914$ = 6481.28 Lakhs</p>	Current Scenario	Modified Scenario	Present Distance = 44 Km	Distance after laning = 39.2 Km	Average Fuel Economy = 20km/litre	Average Fuel Economy = 20km/litre	Total fuel consumption = $44/20 = 2.2$ litre	Total fuel consumption = $39.2/20 = 1.96$ litre
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3	No. of population benefited due to specific	As per the detailed project report	The project road passes through Pali, Katghora Sub Division of Korba District, which has 5.03								


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	project		Lakhs Population. The entire population of the district and adjoining districts would be benefitted by the project.
4	Economic benefits due to of direct and indirect employment due to the project.	As per the detailed project report	A Total of 730000 man days employment will be generated during construction phase for skilled/unskilled labour. Average wages inclusive of all cost of living is 500 per day. Total financial implication will come out to be 730000X500= Rs 3650 Lakhs
5	Economic benefits due to Compensatory Afforestation	Benefits from such compensatory forestation accruing over next 50 years monetized and discounted to the present value should be included as benefits of compensatory afforestation. *For benefits of CA the guideline of the ministry for NPV estimation may be considered.	In lieu of total trees to be remove from proposed Row in forest land along the project road it is proposed to undertake at least twice of affected area as Compensatory afforestation and forest conservation act 1980 So the net productivity will increase. The Compensatory Afforestation will be done in 83.6421 (167.5 Hectare land identified) hectare of degraded forest land. Which is down the line would be having a density of minimum 0.4. The ecological value for a 50 years period for the density of 10 is Rs. 126.74 Lakhs per hectare. By considering minimum 0.4 density the ecological gain for the project would be 126.74X0.4X167.5= Rs. 8491.58 lakhs

Summary of Cost -Benefit Analysis for the Project

S.No	Loss (in Lakh)	Benefit (Lakh)
1	Ecosystem services losses Rs 558 Lakhs	Ecology gain for Compensatory Rs. 8491.58 lakhs
2	Loss of Animal Husbandry Productivity including loss of Fodder =Rs55.8 Lakhs.	730000 Man days will be generated assuming 500 Rs per Day as wages total benefit = 500X730000= 3650Lakhs
3	Loss of Public facility Rs 1532 Lakhs	Benefits of economy due to the specific project = 6481.28 Lakhs
4	Possession Value of Forest Land diverted Rs 2927.47 lakhs	
5	Habitat Fragmentation Cost Rs 279 Lakhs.	
6	Compensatory Afforestation and Soil and Moisture Conservation Rs.1172.5 Lakhs,	
	Total Loss = 6524.3	Total Benefit Rs. 18622.86 Lakhs

Benefit Cost Ratio =Total Benefit /Total Loss =

Rs 18622.86 Lakhs/ Rs 6524.3 Lakhs=2.85 which is more than 1 hence project is viable.

Note 1: Net Present Value (NPV) of environment and ecosystem services loss:

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 non-forestry purposes. The NPV represents the net value of various ecosystem services and other environment services in monetary terms which the forest would have provided if the forest would not have been diverted.

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 possession of the user agencies. Therefore 30% of the net present value (NPV) of the forest land diverted or market rate of adjoining area in the district should be added as a cost of component as "possession value of forest land" in addition to the environment costs due to loss of forests.

Date: 24/11/19

Place: Bilaspur


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