

Lao PDR : Climate Resilience Improvement of National Road 13 South Project (Section 3)

1. Project Information

Project ID:	P000373	Instrument ID:	L0373A
Member:	Lao PDR	Region:	South-Eastern Asia
Sector:	Transport	Sub-sector:	Roads
Instrument type:	<input checked="" type="checkbox"/> Loan:30.00 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier (s):	
ES category:	B	Borrowing Entity:	Ministry of Finance, Laos PDR
Implementing Entity:	Department of Road, Ministry of Public Works and Transport, Laos PDR		
Project Team Leader:	Jin Wang		
Responsible DG:	Rajat Misra		
Responsible Department:	INF1		
Project Team Members:	Chang Tian, Team Member; Shonell Robinson, OSD - Financial Management Specialist; Susrutha Goonasekera, OSD - Social Development Specialist; Zhixi Zhu, OSD - Environment Specialist; Rabindra Shah, OSD - Procurement Specialist; Chang Tian, Project admin		
Completed Site Visits by AIIB:	Jun, 2020 Virtual Appraisal Mission completed during June 20 – July 3, 2020. Mar, 2023 Virtual Implementation Supervision Mission		
Planned Site Visits by AIIB:	Jul, 2023 Mission		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2022/06		

2. Project Summary and Objectives

The objective of this project is to improve the road condition, safety, and climate resilience of the southern section of the National Road 13 (Section 3) in Lao PDR.

The project is part of a larger Government program [*see below] of rehabilitation and maintenance of the 275 km long National Road 13 south (NR13S), comprising a two-lane section, from Km 71 in Thapabath district to km 346 in Khammouane Province. The project comprises of the rehabilitation of a 78-km section of the existing two-lane NS13S highway from Km 190 to Km 268 and implemented through a 10-year Output and Performance-Based Road Contract (OPBRC) under the Design, Build, Maintain, Operate and Transfer (DBMOT) methodology.

The direct beneficiaries of the Project include approximately 103,000 people living in 151 villages in the districts along the Project corridor. AIIB will finance civil works for construction/rehabilitation portion and the Government

of Lao PDR will finance the O&M, land acquisition and resettlement portion.

* The program consists of four sections of the NR13S. A separate World Bank (WB)-supported project will cover Section 1, and a European Investment Bank (EIB)-supported project will cover Sections 2 and 4, including the construction supervision of all four sections. The Government of Lao PDR will finance the operation and maintenance of all sections.

3. Key Dates

Approval:	Oct. 15, 2020	Signing:	Feb. 10, 2021
Effective:	Sep. 10, 2021	Restructured (if any):	
Orig. Closing:	Dec. 31, 2024	Rev. Closing (if any):	

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	3.86	Most recent disbursement (amount/date):	1.42/Dec. 20, 2022
Undisbursed:	26.14	Disbursement Ratio (%) ¹ :	12.87

5. Project Implementation Update

The project is on track to meet the PDO, however, the overall physical progress is behind schedule. The project has progressed 37 percent against a planned progress of 53 percent during the 17 months implementation time out a total of 36 months. Some of the delays are explained due to COVID lockdowns, fuel shortage, and unexpected rains in January 2023. The contractor prepared a catch-up plan according to which the delay will be made up for by June 2023 by mobilizing one more team and additional equipment starting from March 2023. The disbursement progress of the project is at 12.87%, with the latest payment of USD 1.42 million in December 2022. The low disbursement is mainly contributed by the price adjustment made in late 2022 to accommodate change in currency index used by the contractor [*see below]. The project estimates the total disbursement of 2023 will be around USD 12.19 million. With this forecast, by the end of 2023, the projected disbursement will be around USD 16.05 million, and the disbursement rate will be at 62% of the total contract value or 53% of the total AIIB loan allocation [** see below].

*During the bid negotiation, the contractor proposed to use index from "Yunnan Province, China", however, due to the restrictions of transportation, price, and other reasons during the COVID, construction materials were mainly from Thailand and Laos. And the values proposed by the contractor refer to Provincial unit rates, not price indexes and led to an important price increase that was not justified. It was agreed to use the sources of indexes from Thailand and Laos in the contract amendment. And the same provision is adopted by the client in other sections funded under other development partners.** It is estimated that there will be around 4-5 million US dollars savings for the project

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Construction and rehabilitation of a 78 km section of the existing 2-lane NS13S highway from km 190 to km 268.	The total construction period is 36 months, 17 months have been elapsed. Construction activities such as construction of Clearing and Grubbing, Excavation and Embankment and sub base, base course and asphalt binder course have been started for highway construction. The Contractor has started slope protection of the existing bridges. The works have been started in the milestones MS1, MS2, MS3, MS4, MS5, MS6, MS13 and MS15 as planned, and two out of the 16 milestones have been completed.	The overall Environmental and Social management is rated as Moderately Satisfactory. Several aspects of environmental management have been improved since the last World Bank joint mission in December 2022 with regards to dust dispersion, traffic management and waste management of Section 3. However, there are issues in E&S management, including delay in reporting from ISWS to PMU/PTI, lack of stakeholder engagement, insufficient reflective traffic signages, and non-compliance in temporary workers' accommodation management, will require more attention and action from the PTI and ISWS. The actions to address these issues have been taken immediately after the mission in Feb 2023.	MPWT has completed the procurement and the signing of OPBRC with contractor on August 27, 2021. The contractor has commenced the design and construction work of the project.

Financial Management:

The overall FM performance is deemed to be Moderately Satisfactory. Financial reporting and auditing requirements have been complied with. However, some issues such as the low disbursement rate, delay on formal submission of IFR and accuracy of the figures, and slow progress on counterpart funding for the project will require more attention and action from the implementing departments. To improve the overall FM performance, the project needs to ensure the following: (1) the implementation in accordance to the catch-up plan is in place and to share any updates on the plan to the Bank on timely manner; (2) clarify and revise the figures of IFR July-December 2022 as appropriate and finalize 2022 financial statement before submission to auditor, as well as timely submission for the IFR of January-June 2023; and (3) coordinate closely with RF on the availability of funds by 2024 and ensure that the targeted figure as agreed will be achieved by project closing date. Any updates on RF should be communicated with the Bank.

6. Status of the Grievance Redress Mechanism (GRM)

The GRM is in place and functioning. As of March 2023, a total of 17 cumulative grievances cases have been received for section 3 of NR13S since the construction started. All of them have been addressed mostly related to compensation, insufficient dust control and lack of access.

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

The overall responsibility for monitoring Project results is MPWT, supported by the monitoring supervision consulting ISWS. Project progress and performance will be monitored based on the result indicators, which are presented below. The construction is delayed due to COVID lockdowns (contractor is hard to mobilize the machines and manpower as the country is not fully open), fuel shortage, and unexpected rains in January 2023. As per the

Catch-up plan, the construction is expected to be back on track in June 2023 with more resources promised by the Contractor.

Remarks:

Project Indicators	Objective	Indicator level	Unit Measure	Cumulative Target Values												Frequency	Responsibility	Comments	
				Baseline		2021		2022		2023		2024		End Target					
				Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target				Actual
Reduction in vehicle operating costs on the project road	Project	%	2021	0	0	0	0	0	0	0	0	100			100		First-year of Operation	MPWT	
Increase in average IRAP star rating of the project road	Project	Number	2021	1	1	1	1	1	1	1	1	3			3		First-year of Operation	MPWT	
Project road upgraded and improved with climate resilience measures	Project	Yes/No	2021	No	No	No	No	No	No	No	No	Yes			Yes		First-year of Operation	MPWT	

Project Intermediate Indicators	Indicator level	Unit Measure	Cumulative Target Values												Frequency	Responsibility	Comments		
			Baseline		2021		2022		2023		2024		End Target						
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target				Actual	
Reduction in average International Roughness Index (IRI) for finished sections	Project	Number	2021	7	7	7	3	7	3	3	3				3		Annual	MPWT	
Road constructed or rehabilitated	Project	km	2021	0	0	0	25	5	50	45	78				78		Annual	MPWT	
Kilometers of roads ready for the O&M phase under OPBRC/DBMOT modality	Project	km	2021	0	0	0	0	0	0	0	78				78		Annual	MPWT	