

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, Lao PDR
Implementing Entity:	Department of Road, Ministry of Public Works and Transport, Lao PDR		
Project Team Leader:	Jin Wang		
Responsible DG:	Rajat Misra		
Responsible Department:	INF1		
Project Team Members:	Chang Tian, Team Member; Rabindra Shah, OSD - Procurement Specialist; Victoriano Macasaquit, OSD - Social Development Specialist; David Rollinson, OSD - Environment Specialist; Nurul Mutmainnah, OSD - Financial Management 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 Jul, 2023 Mission completed during July 26-28, 2023		
Planned Site Visits by AIIB:	Jan, 2024 Mission		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2023/03		

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 one 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:	30.00	Cancellation (if any):	0.00
Disbursed:	9.92	Most recent disbursement (amount/date):	0.04/Oct. 18, 2023
Undisbursed:	20.08	Disbursement Ratio (%) ¹ :	33.06

5. Project Implementation Update

The project is progressing well and on track to meet the PDO. Overall, the project has progressed 57.08 percent (increasing 20% from the last PIMR in March), however, the civil works are behind with respect to the revised timeline (updated in December 2022) by 15%. Some of the delays are explained due to COVID lockdowns, fuel shortage, and unexpected rains started in June 2023. Civil works were completely suspended due to the heavy rain in the rainy season from June to September 2023 and the works have resumed from October 2023. The contractor prepared a catch-up plan according to which the delay will be made for by April 2024 by mobilizing more teams and additional equipment.

The project disbursement as of October 2023, is USD 9.9 million (33.2%), with the latest payments of USD 0.04 million in October and 1.47 million in June 2023. 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]. It is estimated that the total disbursement of 2023 will be around USD 11.1 million. With this forecast, the projected disbursement rate by the end of 2023 will be at 63% of the total contract value or 50% of the total AIIB loan allocation. It is estimated that the Project will have a saving of USD 4.4 million by project's closing date in December 2024 and the PMU will submit the proposed activities under the savings to the Bank by the end of 2023.

*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 Lao PDR. 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 Lao PDR in the contract amendment. And the same provision is adopted by the client in other sections funded under other development partners.

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, 24 months have elapsed. Five out of the 15 milestones have achieved, specifically MS1, 3, 5, 13 and 15. Works progress well in MS 2, 4, 5, 6, 7, 8, 11 and 12 with some delay.	<p>The overall Environmental and Social management has significantly improved, particularly on regular conduct of E&S monitoring and timely submission of monthly and quarterly consolidated E&S progress reports. Coordination and regular updating among PMU, PTI and E&S Consultants have improved. The Project has fully compensated the 262 PAHs in 14 villages by March 2022. No serious accidents or injuries have occurred at the construction site.</p> <p>The Implementation Support and Work Supervision (ISWS) Consultants in close coordination with PMU and PTI conducted a number of training workshops on contract management, CESMP implementation including road safety, OHS/Health HIV/AIDS COC/GBV COVID-19 for contractors' workers, engineers and some hotels and restaurants within Section 3 with a total of 480 participants attended by men and women. On May 12, 2023 the community welfare event was organized to inform the communities on the importance of the road safety.</p>	MPWT has completed all 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 rated as Satisfactory, mainly due to improving disbursement rate since 2023, timely submission of FY2022 audit report and IFR January-June 2023, adequate supporting documents during transaction review on the last mission in July 2023, and the project's effort to start identifying processing time for long payment time to contractors. The lengthy payment process to contractor has now identified units with the longest processing time and the PMU will improve coordination within the MPWT as well as with MOF. On the counterpart funding, from the last mission in July 2023, the PMU confirmed that USD 6.02 million will be allocated from Road Fund to finance the O&M every quarter for seven years. The O&M is expected to start in October 2024 once improvement works are complete. The periodic follow up and monitoring will be carried out to ensure such plan and allocation will be realized by 2024.

6. Status of the Grievance Redress Mechanism (GRM)

As of July 2023, a total of twenty-three (23) grievances and complaints cases reported and received have been resolved and actions taken by the Contractor. The grievance issues were related to dust and flooding due to soil waste blocking the drains, and excavation ditch drain blocking the access to house, and some related to compensation issues. The PMU/PTI and Implementation Support and Work Supervision (ISWS) Consultants also conducted continuous consultation meetings with affected households and stakeholders. The contractor also complied with the suggestion from the last mission to include establishing a GRM for workers. Complaint boxes (red box) are now placed and installed on all labor camp sites and posted information of hotline/contact numbers of GRM focal persons from PTI and ISWS for workers' access and information.

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

The results framework is updated to reflect the project implementation status.

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	N/A	0	N/A	0	N/A	100			100		First-year of Operation	MPWT		
Increase in average IRAP star rating of the project road	Project	Number	2021	1	1	N/A	1	N/A	1	N/A	3			3		First-year of Operation	MPWT		
Project road upgraded and improved with climate resilience measures	Project	Yes/No	2021	No	No	N/A	No	N/A	No	N/A	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	N/A	3	7	3	1.6	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	