

## Project Implementation Monitoring Report (#14)

Reporting Period From 2023/12 To 2024/03

## India : Andhra Pradesh Rural Roads

## 1. Project Information

Project ID:	P000063	Instrument ID:	L0063A
Member:	India	Region:	Southern Asia
Sector:	Transport	Sub-sector:	Roads
Instrument type:	<input checked="" type="checkbox"/> Loan:455.00 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier (s):	
ES category:	B	Borrowing Entity:	Ministry of Finance, India
Implementing Entity:	Panchayat Raj Engineering Department (PRED), Andhra Pradesh Panchayat Raj Department		
Project Team Leader:	Farhad Ahmed		
Responsible DG:	Rajat Misra		
Responsible Department:	INF1		
Project Team Members:	Jyosyula Siva Rama Krishna Sastry, OSD - Environment & Social Development Specialist; Liu Yang, Project Counsel; Yogesh Malla, OSD - Financial Management Specialist; Md Towshikur Rahman, Team Member; Frances Larla Savella, OSD - Procurement Specialist; Chang Tian, Project admin		
Completed Site Visits by AIIB:	Jun, 2019 June 24-26, 2019 Nov, 2019 Nov. 12-14, 2019 Jan, 2021 Jan. 27 to Feb. 2, 2021 virtual mission May, 2022 May 3rd to May 10th 2022 Jul, 2022 July 28 to Aug.8, 2022 Jan, 2023 January 3 to January 8, 2023 Sep, 2023 September 15 to 19, 2023		
Planned Site Visits by AIIB:	May, 2024 May 20 to 24, 2024		
Current Red Flags Assigned:	3		
Current Monitoring Regime:	Enhanced Monitoring- Level II		
Previous Red Flags Assigned:	3		
Previous Red Flags Assigned Date:	2023/11		

## 2. Project Summary and Objectives

The objective of the project is to improve road transport connectivity in previously unserved communities by providing all-weather rural roads in all 13 districts of the state of Andhra Pradesh. The plan is to construct rural roads to provide first connectivity, construct cross drainage structures to bridge gaps on roads, provide approaches

**Project Implementation Monitoring Report (#14)**

Reporting Period From 2023/12 To 2024/03

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to educational institutions and healthcare centers, construct rural roads passing through tribal areas and upgrade earthen/gravel roads to roads with durable surfaces.

Component 1a. Construction of new connectivity consisting of:

(i)

Bituminous (BT) Roads: Construction of about 2,350 km of bitumen paved roads in locations with normal soil;

(ii)

Cement Concrete (CC) Roads: Construction of about 2,450 km of CC paved roads, in locations with soft soil; and

(iii)

Bridges and Structures: Construction of bridges and hydraulic structures (culverts and drainage channels), including 18 major bridges, to increase connectivity of the roads during the monsoon season

Component 1b. Upgradation of existing roads including:

(i)

Upgradation of about 1,500 km of existing water-bound macadam or metal roads and earthen roads into asphalt-based blacktop roads.

(ii)

Construction of culverts or small bridges (where necessary) in order to prevent flooding and isolation of the habitations during the monsoon season and to improve connectivity

Component 2. Technical Assistance consisting of:

(i)

Engagement of a Project Management Consultant firm (PMC);

(ii)

Engagement of a consulting firm to conduct technical reviews/audits of the project;

(iii)

Engagement of a consulting firm to monitor the implementation of the Environmental and Social Management Plan and other actions defined during the project preparation;

(iv)

A pilot project using modern technology;

(v)

Development of a digitized map of A.P's rural road network and connection to a geographic information system for real-time communication;

(vi)

Institutional development and capacity building of the PRED through training, workshops, and study tours in overseas locations.

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## Project Implementation Monitoring Report (#14)

Reporting Period From 2023/12 To 2024/03

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Two million people to benefit from the project. 3,300 habitations will be provided with connectivity covering previously unserved communities in 13 districts under the project.

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**3. Key Dates**

Approval:	Sep. 28, 2018	Signing:	Feb. 25, 2019
Effective:	Apr. 22, 2019	Restructured (if any):	
Orig. Closing:	Apr. 30, 2024	Rev. Closing (if any):	Dec. 31, 2024

**4. Disbursement Summary (USD million)**

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	111.14	Latest disbursement (amount/date):	40.00/May. 24, 2022
Undisbursed:	343.86	Disbursement Ratio (%) <sup>1</sup> :	24.43

**5. Project Implementation Update**

The project continues with three red flags. Previous PIMRs have indicated that the project has one main issue: counterpart funds (lack of). Although the pace of implementation improved substantially over a year ago (February 2023), after the Government of Andhra Pradesh (GoAP) paid contractor overdue invoices, the project has been struggling since. This has impacted the project's progress significantly. The GoAP has issued a budget release order of INR 4,000m (roughly USD 50m) for the last fiscal year. However, the amount was insufficient. As of date, a significant amount of contractor payments is overdue: contractors have already delivered roughly USD113m worth of unpaid roadworks (USD33m - unpaid invoices plus USD80m - completed roadworks).

The last Tripartite Portfolio Review Meeting (TPRM) of early-February 2024 took some important decisions, in the backdrop of three specific requests from the GoAP. The requests were: (i) continuing the advance payment mode; (ii) extending the project closing date to December 2025, and (iii) restructuring the loan components so that the entire loan amount (USD 455m) could be utilized (reducing GoAP counterpart fund proportion). The Department of Economic Affairs' (DEA) TPRM advice included: (i) disbursing GoAP's own share of pending invoices, and (ii) submitting claims for releasing AIIB's share. Subsequently, the GoAP submitted a withdrawal application (roughly USD12m) in end-March 2024 (USD8m to liquidate earlier advance and USD4m as a reimbursement). It is further understood that the GoAP submitted another withdrawal application of roughly USD8m to the DEA on April 11, 2024, which is yet to be received by the Bank.

In early-April 2024, the DEA requested the Bank to extend the project until December 31, 2024. Subsequently, the Bank has issued the notice of extension, which was already communicated. As of end-March 2024, roughly a fourth of the loan has been disbursed (USD111m against a total of USD455m AIIB funding). Out of a target of 6,000km, 2,755 km of roads (roughly two-fifths of the target) have so far been constructed and upgraded.

Currently, there are no significant safeguard issues. The PMU has submitted the contractors' environmental and social management plans (CESMPs) for the Bank's review. All pending CESMPs are

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

## Project Implementation Monitoring Report (#14)

Reporting Period From 2023/12 To 2024/03

completed except three. With the onboarding of several E&S staff (six), PMU has sufficient capacity to mitigate E&S risks and manage E&S impacts. There have been demonstrated improvements on the ground in recent times, including the handling and recording of grievances, using established grievance redressal mechanism.

The Bank team has observed (during September 2023 field visits) that completed project roads are responsible for providing significant social and economic benefits to scattered, underserved, and underrepresented rural communities. The benefits have arisen due to the year-round motorized access to socio-economic and life-enriching services and facilities. A key project benefit includes (from the construction of bridges) physical connectivity to poor population living in river deltas and other remote locations. Anecdotal evidence suggests that there has been a significant reduction in transportation costs of agricultural produce (as high as 70 percent of crop values) for these rural communities with enhanced connectivity. The physical connectivity is also helping the rural population to access medical facilities and services, and employment opportunities.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1a: Construction of new connectivity (USD385 million)	Out of 6,000 km, approximately 2,755 km of roads have been constructed	<ul style="list-style-type: none"> <li>* Previously PIMR flagged two environmental and social issues: (a) Poor PMU capacity to manage E&amp;S tasks to mitigate E&amp;S risks and impacts; and (b) Poor quality control and monitoring system for Contractor's Environmental &amp; Social Management Plan (CESMPs) implementation.</li> <li>* E&amp;S risk mitigation measures have been agreed with the GoAP. Since then, they are being monitored continuously by the Bank.</li> <li>* All CESMPs (except three) have been prepared and shared with the Bank.</li> <li>* A senior Social Development Specialist has already been working in the PMU since the beginning. Five additional social and environmental support staff have been engaged.</li> </ul>	<ul style="list-style-type: none"> <li>- The contract procurement progress remains satisfactory. The project has already awarded 5,947km of roads (total committed amount: roughly USD 538 million).</li> <li>- A revised procurement plan submitted by the project. This is currently being assessed by the Bank</li> </ul>
Component 1b: Upgradation of existing roads (USD35 million)	The target is to upgrade 1,500 km of roads. Contracts of 289 km have been awarded; 180 km has been completed and the rest are under implementation.	Complied. No major E&S risks have been identified.	<ul style="list-style-type: none"> <li>- This component, particularly, was facing procurement delays due to the non-receipts of bids. The main reasons being the locations of the sub-projects, which are widely scattered in remote areas.</li> <li>- As of now, 16 contracts have been awarded and in the recently shared procurement plan another 42 has been</li> </ul>

**Project Implementation Monitoring Report (#14)**

Reporting Period From 2023/12 To 2024/03

			proposed. The procurement plan is currently being assessed by the Bank
Component 2 Technical Assistance (USD 7.36 million)	PMC: Contract Expired  ESMEA: Consultants are working  TRACS: facing procurement delays.	N/A	<ul style="list-style-type: none"> <li>- PMC: The contract of PMC expired in February 2022 and subsequently, PMU decided to use a team of experienced resource persons and contract staff (as required) to provide need-based project management support to PMU and PIU in areas such as engineering design, progress monitoring, contract management, safeguards, and quality assurance.</li> <li>- PRED has mobilized 3 road advisors, 4 field engineers, and 5 social and environmental support staff.</li> <li>- ESMEA: Awarded</li> <li>- TRACS: Evaluation is completed. The draft evaluation report and minutes has been unofficially shared with the AIIB. This is being delayed due to the counterpart fund issue.</li> <li>- External and Internal Auditor: Awarded</li> </ul>
Contingencies	N/A	N/A	N/A

**Financial Management:**

The Project has been facing liquidity constraints since its inception. This has caused substantial delays in the timely payments to contractors/ consultants. PRED requested another advance of USD31.5m in March 2023. However, the request to continue the ‘advance method’ was not endorsed by the GoI. This was further discussed during the February 2024 TPRM, and the DEA advised the GoAP to follow the reimbursement mode. Following the guidance, the GoAP started disbursing some payments and submitted a withdrawal application of roughly USD12m to the Bank in end-March 2024. This comprised earlier advance balance liquidation (roughly USD8m) and reimbursement of the remaining amount (roughly USD4m).

**6. Status of the Grievance Redress Mechanism (GRM)**

**Project Implementation Monitoring Report (#14)**

Reporting Period From 2023/12 To 2024/03

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The operation of the GRM has improved. The Grievance Redressal Committees (GRCs) are formed and functioning in 13 Districts. The project has received a total of 22 grievances and is reported to have resolved 19 of them. There has been a total of 16 court cases and, so far, 8 have been resolved.

Most of the settled complaints included land encroachment on private property, design consideration of the culverts, and road length extension. The unresolved grievances and court cases are mainly linked to the encroachment of private land and properties. The implementing agency is working to resolve them.

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

The results are being monitored closely by the Bank. So far there is no change in project scopes. The PRED has been submitting monthly progress reports regularly. The Bank team and PRED are also meeting biweekly or on an as-and-when-needed basis to monitor project results.

**Remarks:**

Information updates are up to March 30, 2024.

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Project Objectives Indicators	Indicator level	Unit Measure of	Cumulative Target Values															Frequency	Responsibility	Comments
			Baseline		2018		2019		2020		2021		2022		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			
Length of roads constructed / upgraded	Project	KM	2018	0	0		500	0.75	2300	499.49	4600	1059.37	6000	1749.37	2023	6000	2755	Semi Annual	PRED	
Habitations with new /upgraded connectivity	Project	number	2018	0	0		300	1	1200	471	2300	912	3300	1203	2023	3300	1952	Semi Annual	PRED	
No. of people with direct access to all-weather rural roads	Project	People'000	2018	0	0		200	0.77	700	153.64	1300	326.33	2000	383.95	2023	2000	737	Semi Annual	PRED	

Project Intermediate Indicators	Indicator level	Unit Measure of	Cumulative Target Values															Frequency	Responsibility	Comments
			Baseline		2018		2019		2020		2021		2022		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			
Length of BT roads constructed	Project	KM	2018	0	0		270		1000	250.15	1800	462.14	2350	875.65	2023	2350	1639	Semi Annual	PRED	
Length of CC roads constructed	Project	KM	2018	0	0		230	0.75	800	249.34	1800	597.23	2450	873.73	2023	2450	1116	Semi Annual	PRED	
Length of roads upgraded to BT roads	Project	KM	2018	0	0		0	0	500	nil	1000	nil	1500	nil	2023	1500	180	Semi Annual	PRED	DPR and design review 24 bridges completed
o. of bridges to be constructed	Project	Nos.	2018	0	0		0		0	nil	6	nil	18	1	2023	18	1	Semi Annual	PRED	