

SBF Project Implementation Monitoring Report

India: Andhra Pradesh Rural Roads Connectivity Project

1. Project Information

Project ID:	000063	Investment Number:	L0063A
Member:	India	Region:	Southern asia
Sector:	Transport	Sub-sector:	
AIIB Financing Type:	Loan: 455 USD million	Co-financier(s):	Stand-alone
E&S category:	B	Borrower:	Republic of India
Red Flags Assigned:	1	Monitoring Regime:	Regular Monitoring
Implementing Agency:	Government of Andhra Pradesh Panchayat Raj Engineering Department		
Project Team Leader:	Wenyu Gu		
Project Team Members:	Gerardo Pio Parco, Senior Environmental Specialist Georgi Georgiev Dzhartov, Social Development Specialist Jurminla Jurminla, Procurement Specialist Yogesh Malla, Financial Management Specialist Haiyan Wang, Senior Finance Officer Huiqian Alba Feng, Finance associate Mengmeng He, Finance associate Liu Yang, Counsel - Investment Operations Chang Tian, Project Assistant		
Completed Site Visits by AIIB:	Jun, 2019 June 23-26, 2019 Nov, 2019 Nov. 11-16, 2019 Jan, 2021 Jan. 27 to Feb. 2, 2021 virtual mission Nov, 2020 Nov. 10,19, 2020		
Planned Site Visits by AIIB:	Jun, 2021 if international travelling is allowed		

2. Project Summary and Objectives

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 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 works and bridges to complete missing links and structures, provide approaches to educational institutions and healthcare centers, construct rural roads passing through tribal areas and upgrade earthen/gravel roads to asphalt-based roads.

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):	

4. Disbursement Summary (million)

Currency:	USD		
a) Committed:	455	b) Cancellation (if any):	
c) Disbursed:	71.138	d) Most recent disbursement: (amount / date)	40, Jan. 25, 2021

e) Undisbursed:	383.863	f) Disbursement Ratio(%) ¹ :	15.6
-----------------	---------	---	------

¹ Disbursement Ratio is defined as the volume (i.e. the dollar amount) of total disbursed amount as a percentage of the net committed volume, i.e., $f = c / (a - b)$

5. Project Implementation Update

Overall implementation progress continues to be slow. Despite good progress on procurement of civil works (about 2/3rd of the works procured and under implementation) little progress could be made during the last 15 months due to lockdowns induced by COVID-19, national elections, and state government reviews. Contractors were not allowed to start the work during the review process. Despite some improvements during the last 4-5 months, the pace of implementation is significantly slow. The team is diligently working with the implementing agency (PMU) to identify the key issues resulting into slow progress and prepare an action plan to improve the implementation progress. PMU is in the process of revising the milestones and the closing date for the 44 awarded packages. One of the key obstacles is long delays in payment to the contractors by GOAP. About US\$35 million works of contractor's bills are pending. A management letter was sent to the chief secretary to GOAP on April 15. The team is taking-up this issue with the senior officials of GOAP. The team is assisting PMU to set-up monthly targets for physical progress and strengthen the monitoring mechanisms to facilitate accomplishment of those targets.

Component s	Physical Progress	Environmental & Social Compliance	Procurement
Component 1a: Construction of new connectivity (USD385 million)	44 contracts for 4203 km roads are under implementation. About 679 km roads have been completed and in use by rural communities.	remains challenging due to PMU and PMC capacity constraints, exacerbated by the travel limitations. Implementation of CESMPs, stakeholder engagement and functionality of the GRM can be significantly improved. Nine court cases have been filed alleging various adverse E&S impacts on project affected people.	Out of 90 packages, 44 contracts signed, LOA issued for 13 packages and another 18 packages were under technical evaluation. Remaining 15 packages are at various stages of procurement. Overall, about 80% of procurement is completed.
Component 1b: Upgradation of existing roads (USD35 million)	Works are to be procured yet.	-	About 800 km of road consisting of 12 packages are under procurement process and expected to be completed by May 2021.
Component 2 Technical Assistance (USD 7.36 million)	PMC consultant is already working.	-	-
Contingencies (USD26.5 million)	0%	-	-

Financial Management:

The Project has been facing counterpart fund flow constraints throughout FY2020-21. This has caused substantial delays in the timely payments to contractors/consultants. A management letter was sent to Chief Secretary to GOAP to address the issue. Hopefully, the delayed payments can be disbursed by the end of April.

There are no outstanding IUFs. The next IUF quarter ending March 31, 2021 is due on May 15, 2021.

The project audited financial statement for FY2019-20 has been received with some delays. The external auditors have issued unqualified (clean) audit opinion and raised some internal control issues in their management letter. We are yet to receive explanations from the project on the issues raised by the external auditors.

The one key issue is that the auditors have only audited and provided their audit opinion for FY2019-20. There are expenditures totaling INR 53.49 million related to the period before this financial year. Hence, the project needs to ensure that the previous years expenditures are audited and submit the audit report at the earliest.

The project is yet to share the project internal audit report with the Bank.

6. Status of the Grievance Redress Mechanism (GRM)

The operation of the GRM is not satisfactory. The project team is supporting PMU to develop standard operational procedures, Terms of reference and communication materials for members of the grievance committees. The GRM is expected to be operational within six months, contingent on 1) appropriate staffing and resourcing of PMU and PMC and 2) onboarding of the ESMC.

7. Results Monitoring

N/A

Baseline Year: Jan. 1, 2018 End Target Year: Jan. 1, 2023

Project Objective Indicators #1

Indicator #1 Length of roads constructed / upgraded (Km)

Year	Target	Actual	Others, if any
Dec. 31, 2019	500	0.75	
Dec. 31, 2020	2300	498.74	
Apr. 1, 2021	4600	680	
Dec. 31, 2022	6300	N/A	

Project Objective Indicators #2

Indicator #2: Habitations with new /upgraded connectivity (number)

Year	Target	Actual	Others, if any
Dec. 31, 2019	300	1	
Dec. 31, 2020	1200	470	
Apr. 1, 2021	2300	580	
Dec. 31, 2022	3300	N/A	

Project Objective Indicators #3

Indicator #3: No. of people with direct access to all-weather rural roads (People'000)

Year	Target	Actual	Others, if any
Dec. 31, 2019	200	0.77	
Dec. 31, 2020	700	152.88	
Apr. 1, 2021	1300	N/A	
Dec. 31, 2022	2000	N/A	

Intermediate Result Indicators #1

Indicator #1: Length of BT roads constructed (Km)

Year	Target	Actual	Others, if any
Dec. 31, 2019	270	0	
Dec. 31, 2020	1000	250.15	
Apr. 1, 2021	1800	680	
Dec. 31, 2022	2350	N/A	

Intermediate Result Indicators #2

Indicator #2: Length of CC roads constructed (Km)

Year	Target	Actual	Others, if any
Jan. 1, 2019	230	0.75	
Dec. 31, 2020	800	248.59	
Apr. 1, 2021	1800	N/A	
Dec. 31, 2022	2450	N/A	

Intermediate Result Indicators #3

Indicator #3: Length of roads upgraded to BT roads (Km)

Year	Target	Actual	Others, if any
Jan. 1, 2020	500	0	
Apr. 1, 2021	1000	N/A	
Dec. 31, 2022	1500	N/A	

Intermediate Result Indicators #4

Indicator #4 No. of bridges to be constructed (Km)

Year	Target	Actual	Others, if any
Jan. 1, 2021	6	N/A	
Dec. 31, 2022	18	N/A	

Remarks: N/A