

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:	Sep, 2023 September 15 to September 19, 2023		
Current Red Flags Assigned:	3		
Current Monitoring Regime:	Enhanced Monitoring- Level II		
Previous Red Flags Assigned:	3		
Previous Red Flags Assigned Date:	2023/07		

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

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.

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.

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 (USD million)

Contract Awarded:	540.00	Cancellation (if any):	0.00
Disbursed:	111.14	Most recent disbursement (amount/date):	40.00/Jan. 25, 2021
Undisbursed:	343.86	Disbursement Ratio (%) ¹ :	24.43

5. Project Implementation Update

The project continues with three red flags. There is no sign of any significant improvements in the release of sufficient counterpart funds. The implementation, which gained pace last February 2023 (after the Government of Andhra Pradesh (GoAP) released funds and paid contractors' overdue invoices) has been struggling again. This is also having a negative 'cascading effect' on the project. Contractors either stopped or slowed the contract implementation. Although the state government has issued a budget release order of INR 4,000m (roughly USD 50m), this turned out to be grossly insufficient. As of date, a significant amount of contractor payments is overdue: contractors have delivered roughly USD102m worth of unpaid roadworks (USD36m - unpaid invoices plus USD66m - completed roadworks).

The project will possibly reach half of its targets by the scheduled project closure date (end-April, 2024). As of end-November 2023, with approximately 92 percent of implementation time elapsed, roughly a fourth of the loan has been disbursed (USD111m against a total of USD455m AIIB funding). Out of a target of 6,000km of rural roads, 2,641 km (roughly two-fifths of the target) have so far been constructed or upgraded.

The GoAP reassured their commitment to resolving the fund issues in the last two Bank review missions (January 2023 and September 2023). The July 2023 tripartite portfolio review meeting (TPRM) decided that the state government would be given another 3-month window to put the project back on track. A decision on the project continuation (or termination) would be made subsequently. The three-month window is now over. However, the Bank has yet to hear GoAP's decision. Meanwhile, continued efforts have been made from the AIIB end. Apart from meeting the GoAP top officials (Chief Secretary and Finance Secretary), the team also met a director of the Department of Economic Affairs (DEA) in end-September 2023. In early-December 2023, INF1 Director General sent a management letter to the GoAP. The letter requested GoAP's urgent action to resolve the counterpart funding issues. The Bank is yet to receive a response. There are no significant safeguard issues at this moment. The PMU is preparing and submitting the contractors' environmental and social management plans (CESMPs) for Bank's review. All pending CESMPs are completed except four and those are expected to be completed by this month. With several E&S staff onboard (six), the capacity of PMU is now sufficient to mitigate E&S risks and manage E&S impact. There have been demonstrated improvements on the ground in recent times, including the handling and recording of the GRMs.

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.

Field visits by the Bank team (during the September 2023 review) show that completed project roads are responsible for providing significant social and economic benefits to scattered, underserved, and underrepresented communities. The benefits arise from year-round motorized access to social, economic, and life-enriching services and facilities. One of the key benefits of the project includes connectivity of the poor population living in river deltas and other remote locations through the construction of high-level bridges. Without them, these rural communities would expend substantial amounts of financial resources for transporting agricultural produce (estimated to be as high as 70 percent of the crop values), suffer during medical emergencies, and are deprived of employment access.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1a: Construction of new connectivity (USD385 million)	Out of 6,000 km, approximately 2,463 km of roads have been constructed	<p>Previously a couple of environmental and social issues were flagged in the PIMR: (a) Poor PMU capacity to manage E&S tasks to mitigate E&S risks and impacts; and (b) Poor quality control and monitoring system for Contractor's Environmental & Social Management Plan (CESMPs) implementation.</p> <p>E&S risk mitigation measures have been agreed upon with the GoAP. Since then, they are being monitored continuously by the Bank.</p> <p>Out of total 80 CESMPs, 76 have already been prepared and remaining ones are in progress (expected to be completed by December 2023).</p> <p>A senior Social Development Specialist has already been working in the PMU since the beginning. Additionally, 5 social and environmental support staff have been engaged.</p>	The contract procurement progress remains satisfactory. The project has already awarded 5,947km of roads (total committed amount: roughly USD 530 million) contracts.
Component 1b: Upgradation of existing roads (USD35 million)	The target is to upgrade 1,500 km of roads. Contracts of 307 km have been awarded so far; 178 km has been completed and the rest are under implementation	Complied. No major E&S risks have been identified.	<p>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.</p> <p>As of now, 16 contracts (out of 30 packages) have been awarded and the</p>

			procurement process for the rest is in progress.
Component 2 Technical Assistance (USD 7.36 million)	<p>PMC: Contract Expired</p> <p>ESMEA: Consultants are working</p> <p>TRACS: facing procurement delays.</p>	N/A	<p>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.</p> <p>PRED has mobilized 3 road advisors, 4 field engineers, and 5 social and environmental support staff.</p> <p>ESMEA: Awarded</p> <p>TRACS: Evaluation is completed. The draft evaluation report and minutes has been unofficially shared with the AIIB.</p> <p>Financial Expert: Awarded</p> <p>External and Internal Auditor: Awarded</p>
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 USD 31.5 million almost six months ago. However, the request is yet to be endorsed by the GoI. The GoI now wants to continue the disbursement using the reimbursement method. Nonetheless, GoAP is still in favor of the advance payment method. A decision is yet to be taken on this.

6. Status of the Grievance Redress Mechanism (GRM)

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 21 grievances and reported to have resolved 17 of them. There has been a total of 16 court cases and, so far, 6 been resolved. Most of the settled complaints included land encroachment on private property, design consideration of the culverts, and road length extension. The GRC, including Project Implementation Unit (PIU) and PMU officials, visited the sites for each complaint, consulted with complaint(s) and Project Affected Person(s), and resolved them.

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. However, the project might go through a restructuring process, if a closure date extension is agreed. Once the process is completed the changed scopes will be reflected in the revised results framework as per the restructuring paper. The PRED has been submitting monthly progress reports regularly. The Bank team and PRED are also meeting biweekly or as-and-when-needed basis to monitor project results.

Remarks:

Information updates are up to June 2023.

Project Objective 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	2641	Semi Annual	PRED	
Habitations with new /upgraded connectivity	Project	number	2018	0	0		300	1	1200	471	2300	912	3300	1203	2023	3300	1895	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	600	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	1376	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	1087	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	178	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	