

Lao PDR: National Road 13 Improvement and Maintenance Project

1. Project Information

Project ID:	P000066	Instrument ID:	L0066A
Member:	Lao PDR	Region:	South-Eastern Asia
Sector:	Transport	Sub-sector:	Roads
Instrument type:	<input checked="" type="checkbox"/> Loan:40.00 US Dollar million <input type="checkbox"/> Guarantee	Co-financier(s):	World Bank
ES category:	A	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:	Liu Yang, Project Counsel; Shonell Robinson, OSD - Financial Management Specialist; Zhixi Zhu, OSD - Environment Specialist; Susrutha Goonasekera, OSD - Social Development Specialist; Rabindra Shah, OSD - Procurement Specialist		
Completed Site Visits by AIIB:	Jun, 2019 Nov, 2019 Dec, 2020 Virtual mission Jun, 2020 Virtual mission Jun, 2021 Virtual mission Jun, 2022 Virtual Mission		
Planned Site Visits by AIIB:	Dec, 2022 A joint virtual mission is planned in December 2022		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	1		
Previous Red Flags Assigned Date:	2021/09		

2. Project Summary and Objectives

The project will support national strategy and socio-economic development of Lao PDR by enhancing its road connectivity of the most critical sections of the backbone road network of the country.

The Project Objective is to improve the road condition, safety and climate resilience of critical sections of National Road 13. Specifically, the project will widen the 19 km high traffic section close to Vientiane capital city (Sikeut to Songpeuay market) from the existing two-lane to a four-lane road; and an improvement/strengthening of a 39-km section of two-lane road (Songpeuay market to Phonhong) with

Portland cement concrete pavement.

The project will use an innovative contracting model, an Output- and Performance-based Road Contract (OPBRC).

3. Key Dates

Approval:	Apr. 04, 2019	Signing:	Jun. 06, 2019
Effective:	Jul. 31, 2019	Restructured (if any):	
Orig. Closing:	May. 31, 2023	Rev. Closing (if any):	

4. Disbursement Summary (USD million)

Contract Awarded:	40.00	Cancellation (if any):	0.00
Disbursed:	10.94	Most recent disbursement (amount/date):	2.17/Jun. 21, 2022
Undisbursed:	29.06	Disbursement Ratio (%) ¹ :	27.34

5. Project Implementation Update

The project is progressing well, and the overall implementation progress remains Moderately Satisfactory (MS). The road improvement has been completed 78.79%, with 10.26% behind the original schedule mainly due to the impact of the COVID-19 (the country's COVID-19 travel restrictions were still in place until May 2022, which had caused some delays in the mobilization of contractors). Lot 2 is on track and is expected to be completed as per plan, Lot 1 has been delayed but is expected to be completed by March 2023, following a catching-up plan including mobilization of more resources from Lot 2 to Lot 1. The overall safety condition on site has been very much improved, but more effort is required to improve and maintain consistency of safety implementation. The construction of bridges and the installation of road safety measures in the near-completed section require acceleration.

The new challenge the Project is facing now is the macro-economic situation, especially with the global trends of rising prices, exceptionally high inflation, currency exchange fluctuations, and fuel shortages. Price adjustments in road contracts are a way to address the issue of rising prices. Since indexes for some construction materials, such as cement and steel, are not available in the country, a source of indexes from Thailand was used by the client. To capture the price difference between LAK and Thai Baht, these indexes are to be adjusted according to the Thai Baht prices and exchange rate difference. PMU requested the Bank to consider the possibility of converting the LAK portion of the contract into US\$. The Bank team will further discuss with the WB on this issue.

MOF has sent a request to financiers to use the project's remaining funds for improvement and maintenance of the extended 6 km of NR13 N toward the city center, which is a bottleneck for the traffic flow from the northern part of the country through NR13 N and the express way to Vientiane. The land use for the proposed 6-km extension is mostly urban, with habitation and businesses all along both sides of the road. Therefore, this should be designed as an urban road with all the necessary infrastructure and appurtenances to take care of the pedestrians and slow moving and non-motorized traffic, crossing facilities, stormwater drainage, junctions, footpaths, guardrails, and a lower design speed. Procurement options, including competitive bidding and direct contracting, are under

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.

discussion. The Bank advised the PMU to compare the advantages and disadvantages of different options. PMU will submit a request to the World Bank, AIIB, and NDF for review and approval. PMU requests the financiers to use IDA and AIIB funds to cover the ISWS contract and use the remaining NDF funds for RAP implementation. MPWT will allocate RF to cover the financing gaps for the implementation of RAP. The team will work closely with the World Bank, NDF and the client to finalize the project restructuring, with the consideration of a 23-month extension.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Road Improvement, Maintenance and Operation (USD 120.5 million).	see below	see below	see below
Sub-component 1.1: Road Improvement, Maintenance and Operation (USD 100 million, in which USD 39.4 million financed by AIIB).	<p>Up to the end of May 2022, the road improvement has been completed 78.79%, with 10.26% behind the original schedule mainly due to the impact of the COVID-19.</p> <p>LOT 1: Total length in 19.4 Km under OPBRC in Vientiane capital. Work on Lot 1 is ongoing in all segments with one segment (segment 5) finished. The actual work progress achieved up to May 2022 was 63.56% comparing to 86.57% in the original plan. Lot 1 has been delayed and is expected to be completed by March 2023.</p> <p>LOT 2: Total length in 37.79 Km (12.45Km) in Vientiane Capital and (25.34Km) in Vientiane Province. Work on Lot 2 is ongoing in all segments with 3 segments completed (segment 4, 5 and 8), and the actual work progress achieved up to May 2022 was 91.79% comparing to 91.17% in the original plan. Lot 2 is on track and is expected to be completed as per</p>	<p>Compliance</p> <p>ESMP is being implemented with no major outstanding issue</p>	<p>Overall procurement performance is Satisfactory and procurement risk is low. The work's contract was signed on October 18, 2019.</p>

	plan.		
Sub-component 1.2: Land Acquisition (USD 20.5 million) NDF: USD 6 million GOL: USD 14.5 million	<p>At the end of May 2022, there were 10 non-compensated affected household's remaining from Phase II, of those, only 2 have not signed the agreement. Those cases related to land measurement and land title (type of land). The Resettlement Committees met in each district, and it was agreed that these remaining AHs shall be treated on a case-by-case approach. The COVID-prevention measures make it difficult to carry out negotiations. As of end of May 2022, a total of 99.7% of AH have been compensated, 0.3% were outstanding.</p>	<p>It was agreed that these issues will be settled by the PTRI case by case with each affected household and the provincial resettlement committee in accordance with the requirements of RP. The number of outstanding cases is decreasing gradually, and it is expected that the remaining cases will also be resolved soon.</p> <p>The relocation of utilities has been completed including the relocation of electricity lines, water supply, telecommunication lines of Lao Telecom, other telecommunication cables (ETL and UNITEL) and CCTV in Vientiane Capital and Vientiane province except of fiber optic relocation. The relocation of fiber optic has been conducted for 48.6 kilometers, that represents 83.79% of the total length. Up to April 2022, six electricity poles remained, and water supply pipeline at seven locations needs to be relocated to allow the construction of culverts.</p>	N/A
Component 2: Technical Assistance and Supervision (USD 4.8 million).	N/A	N/A	N/A
Sub-component 2.1: Traffic Safety, Overloading Control and Safeguards Monitoring (WB: USD 0.7 million).	N/A	N/A	N/A
Sub-component 2.2: Management and Supervision of the OPBRC Implementation (NDF: USD 3.0 million).	N/A	N/A	N/A
Sub-component 2.3: Preparation of Future Investments (USD 1.1 million). AIIB: USD 0.6 million NDF: USD 0.5 million	The Sikeut-Sikhai section (about 6 km) of the NR13 North connecting the under-construction road section to the starting point of Vientiane urban road at km 6 has been identified by MPWT as a	N/A	N/A

	<p>priority road section for future investment.</p> <p>To use project savings for this 6 km, project restructuring is required. The conceptual design of this 6 km section is completed and the 6-km section ESIA and RAP of NR13N are expected to be finalized by June 30, 2022.</p>		
Component 3: Project Management (WB: USD 2.7 million).	N/A	N/A	N/A

Financial Management:

The overall financial management performance remained Moderately Satisfactory (MS). The mission noted significant improvement in the processing of payments to OPBRC contractors. The number of days reduced from 50-60 days to 28 days. Audit field work has also been completed and DoF expects to submit the audit report by the due date.

However, some of the actions from the previous missions have not been completed, such as (i) finalization of the checklist to improve payment processing, (ii) asset registers and advances have not been improved as recommended and (iii) IFRs submitted requires revision as information was not complete, it is important to review thoroughly and ensure information is complete before submitting to the Bank.

6. Status of the Grievance Redress Mechanism (GRM)

GRM is in place and currently the Public Works and Transport Research Institute (PTRI) is managing it. Implementation Support and Work Supervision (ISWS) has been monitoring the segregated GRM data. Previously, most of the complaints were related to resettlement impacts and compensation payments. Now, the new complaints are mostly related to design and construction related issues. As of end of May 2022, cumulative grievance cases are 750 with 20 outstanding complaints. The PTRI is addressing the outstanding cases.

7. Results Monitoring

The country's COVID-19 travel restrictions were still in place until May 2022, which had caused some delays in the mobilization of contractors. The construction is expected to be back on track quickly with more resources promised by the Contractor.

Project Objective Indicators #1

Road condition: Reduction in vehicle operating costs on the project road (Percentage)

Year	Target	Actual	Comments, if any
May. 31, 2020	0	0	
May. 31, 2021	0	0	
May. 31, 2022	20	10	
May. 31, 2023	20	N/A	

Project Objective Indicators #2

Road safety: Increase in average IRAP star rating of the project road (Number)

Year	Target	Actual	Comments, if any
May. 31, 2020	1	1	
May. 31, 2021	1	1	
May. 31, 2022	3	1	
May. 31, 2023	3	N/A	

Project Objective Indicators #3

Climate resilience: Project road sections upgraded and improved, with climate resilient measures (Yes/No)

Year	Target	Actual	Comments, if any
May. 31, 2020	NO	NO	
May. 31, 2021	YES	YES	
May. 31, 2022	YES	YES	
May. 31, 2023	YES	N/A	

Intermediate Result Indicators #1

Component 1: Road Improvement and Maintenance Average International Roughness Index (IRI) for finished sections (Number)

Year	Target	Actual	Comments, if any
May. 31, 2019	/	7	
May. 31, 2020	3	0	
May. 31, 2021	3	3	
May. 31, 2022	3	4	
May. 31, 2023	3	N/A	

Intermediate Result Indicators #2

Component 1: Road Improvement and Maintenance Kilometers of road upgraded from 2 to 4 lanes, with climate resilient measures (Km)

Year	Target	Actual	Comments, if any
May. 31, 2020	5	0	
May. 31, 2021	10	2.96	
May. 31, 2022	19	12	
May. 31, 2023	19	N/A	

Intermediate Result Indicators #3

Component 1: Road Improvement and Maintenance Kilometers of road improved on 2 lanes, with climate resilient measures (Km)

Year	Target	Actual	Comments, if any
May. 31, 2020	10	0	
May. 31, 2021	20	18.46	
May. 31, 2022	39	34	
May. 31, 2023	39	N/A	

Intermediate Result Indicators #4

Component 1: Road Improvement and Maintenance Roads constructed or rehabilitated (Km)

Year	Target	Actual	Comments, if any
May. 31, 2020	15	0	
May. 31, 2021	30	21.42	
May. 31, 2022	58	46	
May. 31, 2023	58	N/A	

Intermediate Result Indicators #5

Component 1: Road Improvement and Maintenance Kilometers of roads transferred to performance-based O&M phase under OPBRC (Km)

Year	Target	Actual	Comments, if any
May. 31, 2020	0	0	
May. 31, 2021	0	0	
May. 31, 2022	58	46	
May. 31, 2023	58	N/A	

Intermediate Result Indicators #6

Component 2: Technical Assistance and Supervision Grievances registered related to delivery of the project addressed, with disaggregated data by gender (Percentage)

Year	Target	Actual	Comments, if any
May. 31, 2020	90	98	
May. 31, 2021	90	99	
May. 31, 2022	90	93	
May. 31, 2023	90	N/A	

Intermediate Result Indicators #7

Component 2: Technical Assistance and Supervision Total number of MPWT staff received training on OPBRC and related topics (Number)

Year	Target	Actual	Comments, if any
May. 31, 2020	15	98	
May. 31, 2021	25	98	
May. 31, 2022	40	98	
May. 31, 2023	40	N/A	

Remarks:

N/A
