

## 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; Jurminla Jurminla, 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		
Planned Site Visits by AIIB:	Jul, 2023 July 3-7, 2023		
Current Red Flags Assigned:	2		
Current Monitoring Regime:	Enhanced Monitoring- Level I		
Previous Red Flags Assigned:	2		
Previous Red Flags Assigned Date:	2022/09		

**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)

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

(ii)

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.

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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):	

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

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

**5. Project Implementation Update**

The project maintains two red flags. Highly inadequate and irregular counterpart fund flow remains the main obstacle. This is significantly affecting the implementation progress and having a 'cascading effect' on the project. Both the physical and financial progress is roughly one percent per month. With this trend, the project will not be able to reach approximately half of its targets by the scheduled closure date (end-October, 2023). As of end-2022, more than three-fourths (81 percent) of the implementation time passed (project effectiveness: late April 2019) with a disbursement of approximately one-fourth (24 percent) of available funds (USD111 million against a total of USD455 million AIIB funding). The project has received the last advance of USD40 million in May 2022. This is yet to be fully liquidated. So far an amount of USD30 million is utilized, with the payment of roughly USD5 million contractor bills still pending (end-February). The project is now eligible for the next Bank advance as the total payments cross the next Bank advance threshold (70 percent). Nonetheless, invoices of a substantial amount (roughly USD50 million) are yet to be uploaded to the financial management system of the Government of Andhra Pradesh (GoAP). Since April 2022, GoAP has been confirming its commitment to resolve the counterpart funding issues. The GoAP Finance Secretary assured the visiting Bank mission in August 2022 about the resolution of payment issues. The Bank team met the Department of Economic Affairs (DEA) during its recent review (January 2023) and apprised its Director about the ongoing impasse. The mission requested DEA's intervention and to hold a tripartite review meeting with the participation of the DEA, the Bank, and the GoAP. The project is scheduled for closure roughly within eight months. The project has lost approximately 10 months due to COVID-19 restrictions. During the recent mission, a thorough analysis of different options, ranging from non-extension of the current closing date to an extension of approximately two years, under different funding scenarios (ranging from continuing with the current level to a substantial increase of the counterpart funds) was conducted. This is being incorporated into the mission outputs. The Government of India (GoI) needs to decide on which option it wants to pursue. This has also been discussed with the DEA and the GoAP. There are no major safeguard issues at this moment. However, contractors' environmental and social management plans (CESMPs) need updating. Field visits by the Bank team show that completed project roads are providing significant social 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.

<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.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1a: Construction of new connectivity (USD385 million)	Out of 6000 km, approximately 1750 km of roads have been constructed.	<p>Previously there were a couple of environmental and social issues flagged in the PIMR. They were: (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. E&amp;S risk mitigation measures have been agreed upon with the GoAP. Since then, they are being monitored continuously with the project.</p> <p>A senior Social Development Specialist has already been working in the PMU since the beginning. 5 social and environmental support staff have been engaged. Recruitment of a senior environmental specialist is in progress.</p>	The progress of contract procurement remains satisfactory. The project has already awarded 5,331km of roads and 6 bridges (total committed amount: roughly USD410 million). The Team has categorized 21 ongoing contracts (out of 76 contracts) as non-performing, including 17 contracts with no progress since being awarded. The key reason behind this poor performance appears to be the non-availability of funds. The current physical progress is approximately 35 percent.
Component 1b: Upgradation of existing roads (USD35 million)	The target is to upgrade 1,500 km of roads. 625km has been proposed for procurement out of which only 90km has been awarded and is currently under implementation.	N/A	<p>This component, particularly, has been facing procurement delays due to the non-receipts of bids in many cases. This is mainly because the proposed interventions are widely scattered in remote areas, in many cases. As of now, 19 contracts (out of 30 packages) have received a response, 4 have been awarded and the rest are in the bid evaluation stage.</p> <p>Discussions are ongoing with the PMU on what to do with the remainder packages. Before proceeding with the rebidding, AIIB advised PMU to investigate the reasons for the contractors' disinterest to respond to</p>

			<p>the bids.</p> <p>The recent review mission has requested PRED to closely monitor the project, replace the works not getting responsive bids despite repeated calls with new works, and finish all the procurement latest by June 30, 2023 (subject to extension of the project). The Bank also indicated that no objection to awarding any civil works beyond that date will not be issued after that. PRED needs to identify about 300 km of civil works (avoiding major bridges) the works that could be taken up to replace the existing works lacking responsive bids.</p>
<p>Component 2 Technical Assistance (USD 7.36 million)</p>	<p>PMC: Contract Expired</p> <p>ESMEA: Consultants are working</p> <p>TRACS: facing procurement delays.</p>	-	<p>PMC:</p> <p>The contract of PMC expired in February 2022. Later, 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. The recruitment of one senior environmental expert is underway. For the next 2-3 months, the focus will be to integrate these experts with PMU and field PIUs to improve the project implementation progress and management of social and environmental aspects.</p>

			<p>ESMEA: Awarded</p> <p>TRACS: Evaluation is completed. The draft evaluation report 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 throughout FY2020-21, FY2021-22, and till today in this financial year. This has caused substantial delays in the timely payments to contractors/consultants. However, some sporadic positive signs regarding the counterpart funding become visible, and some progress is being made. The Monthly Progress Reports have been submitted in a timely manner.

There are no outstanding IUFs.

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

The operation of the GRM appears to have improved. The project has received a total of 16 grievances and reported to have resolved all of them. There has been a total of 13 court cases and, so far, only one has been resolved. Grievance Redressal Committees (GRCs) are reportedly formed and trained; this requires revalidation considering the long gap in civil works. This has now been worked out.

**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. 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 reports regularly. Apart from the regular reporting, the Bank team and PRED are meeting weekly to monitor project results. Although in the last mission, it was agreed that the APRRP would introduce a smartphone- or tablet-based construction supervision and monitoring system, the process is yet to start. Meanwhile, AIIB has developed a spreadsheet-based sophisticated monitoring tool and it is populated with available data. The tool is helping the monitoring of contract-wise implementation progress, consultancy contracts, and other physical activities, as well as the expenditure control under different components.

**Remarks:**

Information updates are up to December 2022.

Main reasons for the differences between targets and actual achievements exceeding 20% from 2020 to date.

1. COVID-19 lockdowns.
2. Delays in payment to the contractors of the completed works, mainly due to the non-availability of counterpart funds.

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		Semi Annual	PRED	
Habitations with new /upgraded connectivity	Project	number	2018	0	0		300	1	1200	471	2300	912	3300	1203	2023	3300		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		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		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		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		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		Semi Annual	PRED	