

## 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	Lead 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:	Chang Tian, Team Member; 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 Jun, 2020 Virtual mission Dec, 2020 Virtual mission Jun, 2021 Virtual mission Jun, 2022 Virtual Mission Dec, 2022 Virtual Joint Mission		
Planned Site Visits by AIIB:	Jul, 2023 A joint mission		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2022/06		

### 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:		Cancellation (if any):	0.00
Disbursed:	18.79	Most recent disbursement (amount/date):	1.28/Dec. 27, 2022
Undisbursed:	21.21	Disbursement Ratio (%) <sup>1</sup> :	46.97

### 5. Project Implementation Update

**The project is progressing well, and the overall implementation progress remains Moderately Satisfactory (MS).** The road improvement project is 90% complete, 7% behind the original schedule. Land acquisition and resettlement have been fully completed. The civil work on Lot 2 is on track and satisfactory, however, the civil work on Lot 1 has been delayed. The contractor has mobilized additional resources to catch up. It is expected that both lots 1 and 2 will be substantially complete before May 2023. The construction of bridges and the installation of road safety measures in the near-completed section require acceleration. The ISWS and the contractor need to verify service levels on the completed sections and ensure that service levels in the contracts are met. Road safety measures along construction sites and completed sections need to be further improved.

**Measures to improve traffic management and road safety should be strengthened further.** Despite a continuous effort by the Lao PDR Government to implement road safety enhancement actions and adequate traffic management measures, the fifth accident with two fatalities occurred on the project road (at NR13N km 55+521) on December 7, 2022. The following area will need more attention and improvement: (i) speed and drunk driving control enforcement and road safety campaigns; (ii) further improvement of traffic management and signage; (iii) closer supervision of the Implementation Support and Work Supervision (ISWS) consultant and the Project Management Unit (PMU). The proposed improvements have been carried out immediately and will be regularly monitored by PMU and PTI throughout the construction to ensure E&S compliance, which will be reflected in the Semi-Annual E&S Monitoring Report to be submitted by mid-July 2023.

**Verification of service levels of the completed road sections is crucial before commencing of operation and maintenance phase of the Output and Performance-Based Road Contract (OPBRC).** The OPBRC contract between the MPWT and the contractor stipulates the required minimum service level of the project road, which was commenced on February 28, 2023, after the completion of the rehabilitation and improvement phase, and will remain effective for seven (7) years. PMU shall closely follow up with the consultant to address numerous construction quality control issues including riding quality and drainage, before the road rehabilitation and improvement phase of OPBRC contract is completed.

<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.

**Overloading control needs to be strengthened and enforced.** Proper overloading control can help maintain the service level of the project roads. The MPWT will need to take the necessary actions to implement overloading control measures.

**The proposed use of project saving for the improvement of an additional 6 km section (Sikhai-Sikeuth) in National Road 13 North (NR13N) was discussed.** In line with previous missions' discussions about the use of project savings for improving an additional 6-km road section extended from the ongoing project road, MPWT has made good progress on the preparation of the 6-km improvement, including (i) preparing and publicly disclosing the ESIA and RAP for the additional 6-km road section on November 28, 2022; (ii) launching the bidding process for the contract for the additional 6-km road section on December 9 2022 as an advance action of its procurement, and the completion of the RAP and establishment of the resettlement committee. The target date for the completion of compensation will be by end of September 2023. The Bank, World Bank, and NDF will engage with Government in the process of revising the loan agreement in order to extend the project closing date from May 31, 2023, to March 31, 2025, and to use the savings for the improvement of a 6 km road section, with the conditions that (i) 80% of the RAP implementation be complete before the OPBRC contract can be awarded, and (ii) the government finance the financing gap for RAP implementation and the OPBRC contract. A Non-Material Project Change is needed to formalize the request for the extension and the use of the savings. Any procurement before the signature of the restructuring is at the government's risk.

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).	Civil works progress has reached 90%, with 85 % and 97 % for Lot 1 and Lot 2, respectively. Overall progress remains slightly behind schedule compared to the Contractor's Workplan (3rd revision), particularly for Lot 1. While it is expected that the remaining rehabilitation works on Lot 2 (road furnishing and bridge works) can be completed within the expected timeline, the remaining improvement works on Lot 1 are anticipated to be completed in March 2023	Environmental. The project's environmental safeguards performance rating remains Moderately Satisfactory (MS). Agreed actions during the previous mission were partially completed. PMU/ISWS has continued to supervise and monitor contractor safeguards implementation on a weekly, and monthly basis and reported to the Development Partners through monthly progress reports and periodic project meetings with PMU. Further improvements are still required, on road watering and cleaning, advance notifications to nearby residents on schedule and working time and occupational and community safety risks. The improvements have been carried out immediately and will be monitored throughout the construction.	Overall procurement performance is maintained as Satisfactory (S) and procurement risk remains low. The estimated contractual commitment stands at 69.6 million (70%) out of the total estimated value of US\$ 101 million submitted in the procurement plan. The work's contract was signed on October 18, 2019. No contractual issues are noticed, and the overall contract implementation is satisfactory with some delay.

		<p>Social. The social safeguards performance remains Satisfactory (S). There were no major issues related to RAP reported or observed during the mission. The RAP and compensation are completed.</p> <p>The Ethnic Group Development Plan (EGDP) was also effectively implemented with no major issues received.</p>	
<p>Sub-component 1.2: Land Acquisition (USD 20.5 million) NDF: USD 6 million GOL: USD 14.5 million</p>	<p>At the end of September 2022, 100% of the RAP and compensation have been completed. The total estimated compensations amount to USD 2,276,512.88 funded by NDF and USD 11,625,007.86 funded by the Road Fund.</p>	<p>No major issues or grievances were raised from any of the ethnic villages. None of the ethnic PAHs, who are mainly found along the two-lane section of NR13, were severely affected by the project. The Public Works and Transport Institute (PTI), in collaboration with the Project Resettlement Committee (PRC), continue to monitor and report on the status of livelihood restoration of vulnerable PAHs, of whom the total number is reduced from 14 to 13 due to one of their dead. Special attention is paid to the 3 severely affected households, ensuring that the livelihood of these PAPs is at least not worse off after the project, if not improved</p>	N/A
<p>Component 2: Technical Assistance and Supervision (USD 4.8 million).</p>	N/A	N/A	N/A
<p>Sub-component 2.1: Traffic Safety, Overloading Control and Safeguards Monitoring (WB: USD 0.7 million).</p>	N/A	N/A	N/A
<p>Sub-component 2.2: Management and Supervision of the OPBRC Implementation (NDF: USD 3.0 million).</p>	N/A	N/A	N/A
<p>Sub-component 2.3: Preparation of Future Investments</p>	<p>The Sikeut-Sikhai section (about 6 km) of the NR13 North</p>	<p>For the additional 6 km section, the cleared RAP was disclosed on the MPWT's website on November 15,</p>	N/A

(USD 1.1 million). AIIB: USD 0.6 million NDF: USD 0.5 million	connecting the under-construction road section to the starting point of Vientiane urban road at km 6 has been identified by MPWT as a priority road section for future investment. A Non-Material Project Change is needed to formalize the request for the extension and the use of the savings.	2022 and ESIA disclosed on November 28, 2022. The compensation and resettlement process are required to be completed prior to the commencement of the road work. The ISWS consultant will assess and prepare a RAP completion Report for submission to the project financiers for review once the resettlement process is completed and before the work starts.	
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 financial management (FM) arrangements are in place (key staff with adequate background and experience, accounting system, and key internal controls). However, the overall quality of Project FM needs significant enhancements in three (3) areas: (1) Payment process should be kept tracked and monitored so that payments could be made timely to beneficiaries, (2) Additional guidance of accounting and payment processes and internal controls of banks, advances, and assets management should be adopted, and (3) Interim Financial Reports and Audited Financial Statements should be submitted by the deadlines as indicated in the Financing Agreement. In addition, the project should also review the staffing capacity and ensure the number of FM personnel is adequate, considering the heavy workload.

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

The GRM is accessible to people at all levels and is actively functioning. The project operates a GRM, which is managed by the Public Works and Transport Institute (PTI), and people can file a complaint through existing government structures established at the village, district, and provincial levels, as well as through PTI. MPWT has worked closely with local authorities to improve the efficiency of filing and resolution of grievances.

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

The results framework is updated to reflect the project implementation status.

**Remarks:**

N/A

Project Objective Indicators	Indicator level	Unit Measure of	Cumulative Target Values															Frequency	Responsibility	Comments
			Baseline		2019		2020		2021		2022		2023		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			
Reduction in vehicle operating costs on the project road	Project	Percentage	2019	0	0	0	0	0	0	0	0	20	10	20			20	At the end of the road improvement works	MPWT	
Increase in average IRAP star rating of the project road	Project	Number	2019	1	1	1	1	1	1	1	1	3	1	3			3	At the end of the road improvement works	MPWT	
Project road sections upgraded and improved, with climate resilient measures	Project	Yes/No	2019	No	No	No	No	No	Yes	No	Yes	Yes	Yes			Yes	At the end of the road improvement works	MPWT		

Project Intermediate Indicators	Indicator level	Unit Measure of	Cumulative Target Values															Frequency	Responsibility	Comments
			Baseline		2019		2020		2021		2022		2023		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target	Actual			
Reduction in average International Roughness Index (IRI) for finished sections	Project	Number	2019	7	7	7	3	7	3	7	3	3.5	3			3	After completion of the road improvement works	MPWT		
Kilometers of road upgraded from 2 to 4 lanes, with climate resilient measures	Project	km	2019	0	0	0	5	0	10	7	19	19	19			19	Annual	MPWT		
Kilometers of road improved on 2 lanes, with climate resilient measures	Project	km	2019	0	0	0	10	0	20	12	39	39	39			39	Annual	MPWT		
Roads constructed or rehabilitated	Project	km	2019	0	0	0	15	0	30	19	58	58	58			58	Annual	MPWT		
Kilometers of roads transferred to performance-based O&M phase under OPBRC	Project	km	2019	0	0	0	0	0	0	19	58	46	58			58	Annual	MPWT		

Grievances registered related to delivery of the project addressed, with disaggregated data by gender	Project	Percentage	2019	0	0	0	90	0	90	99	90	99	90			90		Annual	MPWT	
Total number of MPWT staff received training on OPBRC and related topics	Project	Number	2019	0	0	0	10	0	25	98	40	98	40			40		Annual	MPWT	