

## SBF Project Implementation Monitoring Report

### Lao People's Democratic Republic: Lao National Road 13 Improvement and Maintenance Project

#### 1. Project Information

Project ID:	000066	Investment Number:	L0066A
Member:	Lao People's Democratic Republic	Region:	South-Eastern asia
Sector:	Transport	Sub-sector:	Roads (non-urban)
AIB Financing Type:	Loan: 40 USD million	Co-financier(s):	WB-led (IDA)
E&S category:	A	Borrower:	Lao People's Democratic Republic
Red Flags Assigned:	1 (Q1: 0)	Monitoring Regime:	Regular Monitoring
Implementing Agency:	Ministry of Public Works and Transport		
Project Team Leader:	Wenyu Gu		
Project Team Members:	Michaela Bergman, Principal Social Development Specialist Zhixi Zhu, Environment Specialist Mohammad Omar Khalid, Senior Safeguard Consultant Xiaowei Guo, Senior Procurement Specialist Shonell Robinson, Financial Management Specialist Haiyan Wang, Senior Finance Officer Mengmeng He, Finance Associate Liu Yang, Legal Counsel Chang Tian, Project Assistant		
Completed Site Visits by AIB:	Jun, 2019  Nov, 2019  Jun, 2020 Virtual mission  Dec, 2020 Virtual mission  Jun, 2021 Virtual mission		
Planned Site Visits by AIB:	Dec, 2021 Virtual mission		

#### 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. 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. 4, 2019	Signing:	Jun. 6, 2019
Effective:	Jul. 31, 2019	Restructured (if any):	
Orig. Closing:	May. 31, 2023	Rev. Closing (if any):	

#### 4. Disbursement Summary (million)

Currency:	USD		
a) Committed:	40	b) Cancellation (if any):	
c) Disbursed:	2.742	d) Most recent disbursement: (amount / date)	2.742, Apr. 7, 2020

e) Undisbursed:	37.258	f) Disbursement Ratio(%) <sup>1</sup> :	6.9
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<sup>1</sup> 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

About 23 months, 57.5% of the construction period, has so far elapsed. The overall progress is slightly behind schedule, due to the impact of COVID-19 and lack of enough manpower and equipment.

Due to the impact of COVID-19, the Time to Completion was extended for 4 months, as a result, the total construction period becomes 52 months, and it is on September 30, 2023.

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 September 2021, the Contractor had completed the concrete pavement work for three more segments including segment 4 and segment 8 of Lot 2 and segment 5 of Lot 1.</p> <p>LOT 1: Total length in 19.4 Km under OPBRC in Vientiane capital. Work on Lot 1 is being done in 5 segments with segment 5 finished. The actual work progress achieved up to August 2021 was 28.97%.</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 being done in 8 segments (2 segments have not commenced yet), and the actual work progress achieved up to August 2021 was 53.32%.</p>	<p>Compliance</p> <p>ESMP is being implemented with no major outstanding issue</p>	The contract was signed on October 18, 2019.
Sub-component 1.2: Land Acquisition (USD 20.5 million) NDF: USD 6 million GOL: USD 14.5 million	<p>At the end of August 2021, there were only 14 non-compensated affected household's remaining from Phase II, of those, only 11 have not signed the agreement, representing less than 1% of all AHs. 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. At the end of August, a total of 99.7% of AH have been compensated, 0.3% were outstanding.</p> <p>The total estimated compensations amount was LAK 29,757,934,591.00 billion for Naxaithong and LAK 11,519,690,552.00 billion for Phonhong district. These values are very close to final estimated cost, only 14 AHs are pending.</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. The remaining works include relocation of the fiber optic cable that is being relocated from the right of way after completion of the road improvement works to minimize the land acquisition. This activity has also been commenced and so far, the progress is about 65% at the end of August 2021.</p>	N/A
Component 2: Technical Assistance and Supervision (USD 4.8)	N/A	N/A	N/A

million).			
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 priority road section for future investment. To use project savings for this 6 km, project restructuring is required. MPWT has drafted a letter to be sent to MOF on the request letter to the World Bank and AIIB. The 6-km section ESIA and RAP of NR13N, the Final Evaluation Report sent 10 Aug 2021 to NDF for NO on contract negotiation. The conceptual design of this 6 km section is completed.	N/A	N/A
Component 3: Project Management (WB: USD 2.7 million).	N/A	N/A	N/A

#### Financial Management:

The Contractor has submitted his first IPC on August 11, 2021. And more IPCs will come as three more milestones will be completed in the coming months.

Due to the nature of the OPBRC model and the protracted internal processes, the bank hasn't received another disbursement request since April 9, 2020.

The Consultant has submitted Eleven (11) invoices to the PMU. The payments were also carried out for Invoices No. 01, 02, 03, 04, 05, 06, 07, 08, 09, and 10.

The FY19-20 audit report was submitted on December 31, 2020, in a timely manner. The auditors issued an unqualified opinion on the financial statements. The auditor however raised a few audit points in which the DoF should clarify.

The Interim Financial Report as of June 30, 2021, was submitted in a timely manner. However, the project team has required DoF to revise and resubmit the report mainly to correctly reflect the cash basis position of the project.

The Monthly Progress Reports have also been submitted in a timely manner. As the lift of the lock-down restriction, the functioning of the financial management system will be improved.

#### 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. However, now

new complaints are mostly related to design and construction related issues. As of end August 2021, cumulative grievance cases are 691 with 18 outstanding complaints. The PTRI is addressing the outstanding cases.

## 7. Results Monitoring

Given that several lock-down restrictions have been enacted since April 2020, the project has been delayed. Once the COVID situation improves, the construction is expected to be back on track quickly with more resources promised by the Contractor. The client has approved the revised work program with an extension of four months.

Baseline Year: May. 31, 2019 End Target Year: May. 31, 2023

### Project Objective Indicators #1

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

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

### Project Objective Indicators #2

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

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

### Project Objective Indicators #3

Climate resilience: Project road sections upgraded and improved, with climate resilient measures

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

### Intermediate Result Indicators #1

Component 1: Road Improvement and Maintenance Reduction in average International Roughness Index (IRI) for finished sections

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

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

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

## Intermediate Result Indicators #4

Component 1: Road Improvement and Maintenance Roads constructed or rehabilitated

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

## Intermediate Result Indicators #5

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

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

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

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

**Remarks:** N/A