

## Lao PDR: Climate Resilience Improvement of National Road 13 South Project (Section 3)

### 1. Project Information

|                                   |  |                   |                               |
|-----------------------------------|--|-------------------|-------------------------------|
| Project ID:                       | P000373  | Instrument ID:    | L0373A                        |
| Member:                           | Lao PDR  | Region:           | South-Eastern Asia            |
| Sector:                           | Transport  | Sub-sector:       | Roads                         |
| Instrument type:                  | <input checked="" type="checkbox"/> Loan:30.00 US Dollar million<br><input type="checkbox"/> Guarantee   | Co-financier(s):  |                               |
| ES category:                      | B  | 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:             | Shonell Robinson, OSD - Financial Management Specialist;<br>Susrutha Goonasekera, OSD - Social Development Specialist;<br>Zhixi Zhu, OSD - Environment Specialist;<br>Rabindra Shah, OSD - Procurement Specialist; |                   |                               |
| Completed Site Visits by AIIB:    | Jun, 2020<br>Virtual Appraisal Mission completed during June 20 – July 3, 2020.  |                   |                               |
| Planned Site Visits by AIIB:      | Jul, 2022<br>Virtual Misison   |                   |                               |
| Current Red Flags Assigned:       | 0  |                   |                               |
| Current Monitoring Regime:        | Regular Monitoring   |                   |                               |
| Previous Red Flags Assigned:      | 0  |                   |                               |
| Previous Red Flags Assigned Date: | 2021/09  |                   |                               |

### 2. Project Summary and Objectives

The objective of this project is to improve the road condition, safety, and climate resilience of the southern section of the National Road 13 (Section 3) in Lao PDR.

The project is part of a larger Government program [\*see below] of rehabilitation and maintenance of the 275 km long National Road 13 south (NR13S), comprising a two-lane section, from Km 71 in Thapabath district to km 346 in Khammouane Province. The project comprises of the rehabilitation of a 78-km section of the existing two-lane NS13S highway from Km 190 to Km 268 and implemented through a 10-year Output and Performance-Based Road Contract (OPBRC) under the Design, Build, Maintain, Operate and Transfer (DBMOT) methodology.

The direct beneficiaries of the Project include approximately 103,000 people living in 151 villages in the districts along the Project corridor. AIIB will finance civil works for construction/rehabilitation portion and the Government of Lao PDR will finance the O&M, land acquisition and resettlement portion.

\* The program consists of four sections of the NR13S. A separate World Bank (WB)-supported project will cover Section 1, and a European Investment Bank (EIB)-supported project will cover Sections 2 and 4, including the construction supervision of all four sections. The Government of Lao PDR will finance the operation and maintenance of all sections.

**3. Key Dates**

|                |               |                        |               |
|----------------|---------------|------------------------|---------------|
| Approval:      | Oct. 15, 2020 | Signing:               | Feb. 10, 2021 |
| Effective:     | Sep. 10, 2021 | Restructured (if any): |               |
| Orig. Closing: | Dec. 31, 2024 | Rev. Closing (if any): |               |

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

|                   |       |   |                    |
|-------------------|-------|---|--------------------|
| Contract Awarded: | 30.00 | Cancellation (if any):                  | 0.00               |
| Disbursed:        | 2.44  | Most recent disbursement (amount/date): | 2.44/Dec. 27, 2021 |
| Undisbursed:      | 27.56 | Disbursement Ratio (%) <sup>1</sup> :   | 8.14               |

**5. Project Implementation Update**

The loan became effectiveness on September 10, 2021 and the OPBRC contract was awarded on August 27, 2021. The project is progressing well, and the overall implementation progress remains Moderately Satisfactory (MS). The works have been started in the milestones MS1, MS3 and MS13 as planned. However, the work progress achieved up to May 2022 was 6.56% with 24.33% behind the original schedule mainly due to the COVID-19 travel restrictions, resulting delays in the mobilization of resource by contractors and ISWS. Unprecedented rainfall in the month of February & March 2022 also impacted the earth works progress. The construction is expected to be back on track quickly with more resources promised by the contractor and the completion date for the construction remains in September 2024 (the construction period is 36 months).

| Components   | Physical Progress  | Environmental & Social Compliance  | Procurement   |
|--|--|--|---|
| Construction and rehabilitation of a 78 km section of the existing 2-lane NS13S highway from km 190 to km 268. | For section3, construction activities such as construction of clearing and grubbing, excavation and embankment and sub-base have been started for road construction. Slope protection of the existing bridge has also been started. Trial Stretch for the base course and asphalt binder course have | The C-ESMP has been approved and is being implemented by the contractor. Social safeguard (SS) performance rating remains Satisfactory. Under the original LRSP2, ARAPs were completed with compensation paid to all project affected households, and EGD for ethnic communities in Borikhamxay has been effectively implemented with no major issues reported. For all four NR13S sections under the AF, RAPS/ARAPs, and EGDs were successfully completed with no | The PMU of MPWT, supported by consultants, is responsible for project procurement in accordance with the provisions of the AIIB Procurement Policy and associated Interim Operational Directive. MPWT has completed the procurement and the signing of OPBRC with contractor on August 27, 2021, as a condition for the loan effectiveness. The |

<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.

|  |   |       |         |   |
|--|---|-------|---------|---|
|  | been carried out at the asphalt plant km 229+000. | major | issues. | contractor has commenced the design and construction work of the project. |
|--|---|-------|---------|---|

**Financial Management:**

The overall FM performance is deemed to be Moderately Satisfactory. Financial reporting and auditing requirements have been complied with. However, not all actions from the previous mission had been implemented; for instance, (i) long outstanding advances have not been cleared, and (ii) checklist to improve payment processing has not been finalized; and (iii) a project vehicle has also not been returned. These are outstanding issues which more attention and action are required from all implementing departments to successfully resolve the issue.

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

The GRM is in place and functioning. As of June 2022, 12 cumulative grievances cases have been received for section 3 of NR13S. All of them have been resolved with one case was resolved by the end of May 2022. There were no major issues raised.

**7. Results Monitoring**

The overall responsibility for monitoring Project results is MPWT, supported by the monitoring supervision consulting firm mentioned above. Project progress and performance will be monitored based on the result indicators, which is presented below. Since the project is in an initial implementation stage, there is no tangible achievements made on the project results. IA/PMU will make best effort to implement the project, closely monitor the project performance, and achieve the objectives and result targets.

**Project Objective Indicators #1**

Reduction in vehicle operating costs on the project road (%)

| Year          | Target | Actual | Comments, if any |
|---------------|--------|--------|------------------|
| Apr. 30, 2022 | 0      | 0      |                  |
| Apr. 30, 2023 | 0      | N/A    |                  |
| Apr. 30, 2024 | 100    | N/A    |                  |

**Project Objective Indicators #2**

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

| Year          | Target | Actual | Comments, if any |
|---------------|--------|--------|------------------|
| Apr. 30, 2022 | 1      | 0      |                  |
| Apr. 30, 2023 | 1      | N/A    |                  |
| Apr. 30, 2024 | 3      | N/A    |                  |

**Project Objective Indicators #3**

Project road upgraded and improved with climate resilience measures (Yes/No)

| Year          | Target | Actual | Comments, if any |
|---------------|--------|--------|------------------|
| Apr. 30, 2022 | No     | No     |                  |
| Apr. 30, 2023 | No     | N/A    |                  |
| Apr. 30, 2024 | Yes    | N/A    |                  |

**Intermediate Result Indicators #1**

Average International Roughness Index (IRI) for finished sections (Number)

| Year          | Target | Actual | Comments, if any |
|---------------|--------|--------|------------------|
| Sep. 10, 2021 | N/A    | 7      |                  |
| Apr. 30, 2022 | 3      | 7      |                  |
| Apr. 30, 2023 | 3      | N/A    |                  |
| Apr. 30, 2024 | 3      | N/A    |                  |

**Intermediate Result Indicators #2**

Road constructed or rehabilitated (Km)

| Year          | Target | Actual | Comments, if any |
|---------------|--------|--------|------------------|
| Apr. 30, 2022 | 25     | 0      |                  |
| Apr. 30, 2023 | 50     | N/A    |                  |
| Apr. 30, 2024 | 78     | N/A    |                  |

**Intermediate Result Indicators #3**

Kilometers of roads ready for the O&amp;M phase under OPBRC/DBMOT modality (Km)

| Year          | Target | Actual | Comments, if any |
|---------------|--------|--------|------------------|
| Apr. 30, 2024 | 78     | N/A    |                  |

**Remarks:**