

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	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:	Georgi Georgiev Dzhartov, OSD - Environment & Social Development Specialist; Liu Yang, Project Counsel; Aditi Khosla, Alternate 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		
Planned Site Visits by AIIB:	Jul, 2022 Jul 31 - Aug 05		
Current Red Flags Assigned:	2		
Current Monitoring Regime:	Enhanced Monitoring- Level I		
Previous Red Flags Assigned:	2		
Previous Red Flags Assigned Date:	2021/12		

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 the locations with normal soil;

(ii)

CC Roads: Construction of about 2,450 km of CC paved roads, in the 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 implementation of 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

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/Jan. 25, 2021
Undisbursed:	343.86	Disbursement Ratio (%) ¹ :	24.43

5. Project Implementation Update

The project continues with two red flags. The overall implementation progress continues to be slow. A recent implementation review (end-April to early-May, 2022) concluded that the project is highly unlikely to achieve its project development objectives within the current project closing date (October 2023). As of end-May, 2022 approximately two-thirds (68 percent) of the implementation time passed (project was effective in late April 2019 and is scheduled to be closed in end-October 2023) with a disbursement of approximately a fourth (24 percent) of the available funds (USD111 million against a total AIIB funding of USD455 million). Out of 6,000 km rural roads, only approximately 1,600km have so far been constructed.

Albeit COVID-19 disruptions (lost roughly 10 months of implementation time) were one of the factors for the poor progress, the main obstacle still is the lack of availability of counterpart funds. Nonetheless, positive signs regarding the counterpart funding become visible. The Government of Andhra Pradesh (GoAP) has released an amount of approximately US\$ 48 million that liquidated the Bank's earlier advances. A provision of approximately US\$100 million has been kept in the current budget of the state government. The review mission was assured by the Finance Secretary of the GoAP that the state would take necessary steps for the smooth implementation of the project including the release of adequate counterpart funds, quick payment of contractor invoices and strengthening coordination between the project and the GoAP's decision makers. The government has issued an order in this regard on June 13, 2022.

The Bank has now released an amount of US\$40 million to the project as per the advice of the central government. The implementation mission Aide-Memoire has agreed an action plan with the GoAP that is expected to facilitate the smooth implementation of the project. The plan mainly contains activities that will be implemented by Panchayat Raj Engineering Department (PRED) over a six month period. The activities include: (a) strengthening the contract management system including the preparation of detailed workplans for each contract package; (b) developing strategy for contract packages that have failed to attract bids so far; (c) preparation of a list of potential roads that will be undertaken with savings from the project; (d) preparation and implementation of a strategy for the replacement of the Project Management Consultant, after the expiry of its contract; (e) strengthening Project Management Unit's capacity in managing environmental and social risks and impacts including training GoAP staff

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.

on E&S management; (f) organizing monthly meeting with the contractors to resolve contract implementation issues.

The above issue has been highlighted to the Department of Economic Affairs (DEA) and the GOAP in a management letter. The Bank team is also working closely with the project team to help them resolve the operational and funding problems. The team also requested a tripartite meeting (to be attended by the GoAP, the DEA and the AIIB) to mainly discuss the counterpart funding issues. The team expects that the counterpart funding issue would be resolved substantially, if not fully, by mid-July.

The project will require to be restructured, mainly due to two reasons: (a) to extend the project closing date (at least to December 2024 from its current date of October 2023) to help the project to achieve its objectives fully; (b) to apportion component costs owing to cost savings mainly from depreciation of local currency and adjustments to component targets. The team is working to establish the exact amount of savings and the revised project closure date. The restructuring is expected to be completed by end-September, 2022.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1a: Construction of new connectivity (USD385 million)	Out of 6323km, only approximately 1600 km roads have been constructed.	There are a couple of environmental and social issues that need flagging in the PIMR. They are: (a) Poor PMU capacity to manage E&S tasks to mitigate E&S risks and impacts; and (b) Poor quality control and monitoring system for Contractor's Environmental & Social Management Plan (CESMPs) implementation. E&S risk mitigation measures have been agreed with the GoAP. They are being monitored continuously with the project.	The progress of contract procurement is satisfactory. The project has already awarded 5,100km of roads and 6 bridges (total committed amount: USD410 million). The Team has categorized 49 ongoing contracts (out of 76 contracts) as non-performing, including 31 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 30 percent. Procurement process of 4 bridges and 170 km of roads are currently ongoing. The procurement of remainder packages is expected to be completed by August 30, 2022.
Component 1b: Upgradation of existing roads (USD35 million)	Works are yet to be procured. A total of 800 km has been proposed for procurement (Target is 1500 km).	N/A	Procurement delays have been observed due to the non-receipts of bids. As of now, 10 contracts (out of 30 packages) have received response and are in the bid evaluation stage. Before proceeding with the rebidding, AIIB advised PMU to investigate the reasons

			for the contractors' disinterest to respond to the bids. PMU will try to find out the reasons and they will award as many contracts as possible before July 31, 2022.
Component 2 Technical Assistance (USD 7.36 million)	<p>PMC: Contract Expired</p> <p>ESMEA: consultants are working</p> <p>TRACS: facing procurement delays.</p>	-	<p>PMC: The contract of PMC expired in February 2022. Going forward, PMU has 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. A post-PMC strategy has been developed and agreed with the Bank.</p> <p>ESMEA: Awarded</p> <p>TRACS: PMU is procuring this consultancy using the CQS method.</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 and till today in this financial year. This has caused substantial delays in the timely payments to contractors/consultants. However, positive signs regarding the counterpart funding become visible and some progress being made.

There are no outstanding IUFs. IUF for Q4 of FY2021-22 has been submitted in compliance with AIIB requirements on June 21, 2022.

The Monthly Progress Reports have been submitted in a timely manner barring the April and May 2022. This is mainly due to the departure of the Project Management Consultants. The team has alerted PRED on this issue.

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

The results are being monitored closely by the Bank. Apart from the regular reporting, the Bank team and PRED are meeting weekly to monitor project results. The last review established the results achieved and documented in the mission outputs including the aide-memoire. So far there is no change in project scopes. However, the project will need to be restructured. Once this exercise is completed the changed scopes will be reflected in the revised results framework as per the restructuring paper.

Project Objective Indicators #1

Indicator #1 Length of roads constructed / upgraded (Km)

Year	Target	Actual	Comments, if any
Dec. 31, 2019	500	0.75	
Dec. 31, 2020	2300	499.49	
Dec. 31, 2021	4600	1059.37	
Dec. 31, 2022	6000	N/A	As of Jun-2022 1,600km achieved

Project Objective Indicators #2

Indicator #2: Habitations with new /upgraded connectivity (number)

Year	Target	Actual	Comments, if any
Dec. 31, 2019	300	1	
Dec. 31, 2020	1200	471	
Sep. 30, 2021	2300	912	
Dec. 31, 2022	3300	N/A	As of Jun-2022 981 nos. connected

Project Objective Indicators #3

Indicator #3: No. of people with direct access to all-weather rural roads (People'000)

Year	Target	Actual	Comments, if any
Dec. 31, 2019	200	0.77	
Dec. 31, 2020	700	153.64	
Dec. 31, 2021	1300	326.33	
Dec. 31, 2022	2000	N/A	As of Jun-2022, 373,000 people have direct access

Intermediate Result Indicators #1

Indicator #1: Length of BT roads constructed (Km)

Year	Target	Actual	Comments, if any
Dec. 31, 2019	270	0	

Dec. 31, 2020	1000	250.15	
Dec. 31, 2021	1800	462.14	
Dec. 31, 2022	2350	N/A	As of Jun-2022, 964km achieved

Intermediate Result Indicators #2

Indicator #2: Length of CC roads constructed (Km)

Year	Target	Actual	Comments, if any
Dec. 31, 2019	230	0.75	
Dec. 31, 2020	800	249.34	
Dec. 31, 2021	1800	597.23	
Dec. 31, 2022	2450	N/A	As of Jun-2022, 636km achieved

Intermediate Result Indicators #3

Indicator #3: Length of roads upgraded to BT roads (Km)

Year	Target	Actual	Comments, if any
Dec. 31, 2020	0	0	
Dec. 31, 2021	500	Nil	
Dec. 31, 2022	1000	N/A	
Dec. 31, 2023	1500	N/A	As of Jun-2022, no achievement

Intermediate Result Indicators #4

Indicator #4 No. of bridges to be constructed

Year	Target	Actual	Comments, if any
Dec. 31, 2021	6	Nil	DPR and design review 24 bridges completed
Dec. 31, 2022	18	N/A	As of Jun-2022, no achievement

Remarks:

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.