

Project Implementation Monitoring Report (#5)

Reporting Period From 2023/11 To 2024/04

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 <input type="checkbox"/> Guarantee	Lead Co-financier (s):	
ES category:	B	Borrowing Entity:	Ministry of Finance, Lao PDR
Implementing Entity:	Department of Road, Ministry of Public Works and Transport, Lao PDR		
Project Team Leader:	Jin Wang		
Responsible DG:	Rajat Misra		
Responsible Department:	INF1		
Project Team Members:	Chang Tian, Team Member; Purnendu Pathak, OSD - Procurement Specialist; Victoriano Macasaquit, OSD - Social Development Specialist; David Rollinson, OSD - Environment Specialist; Nurul Mutmainnah, OSD - Financial Management Specialist; Tian Lin, Team Member; Chang Tian, Project admin		
Completed Site Visits by AIIB:	Jun, 2020 Virtual Appraisal Mission completed during June 20 – July 3, 2020. Mar, 2023 Virtual Implementation Supervision Mission Jul, 2023 Mission completed during July 26-28, 2023 Mar, 2024 Mission completed during March 11-15, 2024		
Planned Site Visits by AIIB:	Aug, 2024 Mission		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2023/10		

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 one 10-year Output and Performance-Based

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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:		Cancellation (if any):	0.00
Disbursed:	13.15	Latest disbursement (amount/date):	1.45/Jan. 05, 2024
Undisbursed:	16.85	Disbursement Ratio (%) ¹ :	43.83

5. Project Implementation Update

Overall Implementation Progress. Overall significant implementation progress has been made, the project has progressed 90.04 percent (increasing 33% compared to the last mission in July 2023). Out of a total of 15 milestones, 6 milestones have been fully completed. Other milestones are approaching in an advanced stage of completion. The overall physical progress has gradually reduced to barely 2 percent. The completion date for the construction is September 14th, 2024. The contractor has committed to complete the civil works by the end of May. ISWS will closely monitor the contractor's performance to ensure that the progress is in line with the workplan.

Disbursement and Price Adjustment. Despite that an overall progress of 90% has been achieved, the project's disbursement as of March 13, 2024, is USD 13.1 million (43.8%). The progress is relatively slow (increase 10%) after the last mission in July 2023 due to impending price adjustment*[* see below]. The contractor proposed to amend the contract to reflect the actual price adjustment. The Bank emphasized that the contract amendment will need to be carried out in accordance with the provisions of the contract based on the adequate supporting documents and discussions. The Bank suggested that both the PMU and the contractor should discuss the price adjustment issue and submit the proposed contract amendment, if any, to the Bank for review/approval. The Bank team will consult with the management. The project has made several payments to contractors in 2023 totaling USD 6.1 million and will have upcoming payments of USD 8.9 million in Q2 and 1.5 million in Q3.

Loan Savings. The PMU estimates that there will be around 4.5 million US dollars savings for the project. The savings will be used to cover price adjustment, preparation of upcoming projects, and widening/rehabilitation of 4 proposed narrow bridges along section 3 (which are needed to improve road safety aspects), of which all are subject to approval from the Bank and fund availability. The project should finalize the proposal for such savings by May 31, 2024. Progress has been made on ESMP and RP update, which has been cleared by the Bank in January

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.

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2024. The finalized report shall send to the Bank for record, and it will need to be publicly disclosed.

Project Extension. The PMU proposed to extend the closing date by two years to December 31, 2026 to complete the new activities and fully utilize the loan savings. For Bank to complete the Project Change, the Ministry of Finance will need to send the request letter to the Bank.

* Based on the price adjustment formula in the existing contract, the resulting adjustment led lower-than-expected USD part of the payment

Components	Physical Progress	Environmental & Social Compliance	Procurement
<p>Construction and rehabilitation of a 78 km section of the existing 2-lane NS13S highway from km 190 to km 268.</p>	<p>Out of a total of 15 milestones, 6 milestones have been fully completed. Other milestones are approaching in an advanced stage of completion. The overall physical progress has gradually reduced to barely 2 percent.</p>	<p>Improvement has been made on the environmental and social management, particularly on regular conduct of E&S monitoring, this is through proper coordination and regular updating using social medias between PTI, ISWS and Contractor. No serious accidents or injuries also occurred at the construction site.</p> <p>During the conceptual design phase, 499 Project Affected Households (PAHs) were estimated for Section 3, however, it was reduced to 262 PAHs during the detailed design phase. The Project has fully compensated the 262 PAHs in 14 villages in Pakkading district, Bolikhamxay province and 2 villages in Hinboun District, Khammouane Province since March 2022. An additional 2 PAHs were affected during the construction period due to the installation of traffic sign board and walking path/access. Compensation amount has been confirmed and paid. As of March 11, 2024, the Project has completed compensation to 267 PAHs. The Livelihood assistance to eligible PAPs, there are total twenty-one (21) PAHs that has provided special support based on the Livelihood restoration plan.</p> <p>The project also submitted and finalized the ESMP and ARAP for the rehabilitation and construction of new bridges in the villages of Houay Xambounnyai, Houay Deua2, Nam Sang and Nam Thone, Pakkading District, Bolikhamxay province. The final ESMP and ARAP has been disclosed on the MPWT website</p>	<p>MPWT has completed all the procurement and the signing of OPBRC (contract value of USD 29,690,305.78) with contractor on August 27, 2021. Based on the price adjustment formula in the existing contract, the resulting adjustment led lower-than-expected USD part of the payment. The contractor proposed to amend the contract to reflect the actual price adjustment. the Bank emphasized that the contact amendment will need to be carried out in accordance with the provisions of the contract based on the adequate supporting documents and discussions. The Bank suggested that both the PMU and the contractor should discuss the price adjustment issue and submit the proposed contract amendment, if any, to the Bank for review/approval. The Bank team will consult with the management.</p>

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		since April 5 2024. The Project has also prepared Topographical Survey report and Hydrology report for the construction of slope erosion along the Nam Kading river, Pakkading District, Bolikhamxay Province.	
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Financial Management:

The overall FM performance is rated as Satisfactory, mainly due to timely submission of IFR of July-December 2023, budget for O&M which has been prepared, and project effort to improve disbursement progress as well as processing time for long payment time to contractors.

The project confirms that USD 6.02 million will be allocated from counterpart funds (RF) to finance the Operation and Maintenance (O&M) every quarter for seven years. The budget is targeted to be approved by Q3 2024 and ready for payment in Q4 2024, assuming the construction works are complete by June 2024. The project shall closely coordinate with RF and other related stakeholders to ensure that the allocated amount, as agreed, will be timely available. As for FY2023 audit, the project needs to submit the audit report to the Bank by June 30, 2024.

6. Status of the Grievance Redress Mechanism (GRM)

As of March 20, 2024, a total of 21 grievances received by the Project through WhatsApp, Facebook and from the field interviews of local people during site visits and monitoring. The grievances were related to dust generation, traffic management, access to local houses, excavated soil blocking drainage, erosion and land sliding, many potholes and water stagnant on road surface. No grievances received from the laborers. All 21 GRMs received have been solved.

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:

Project Indicators	Objective	Indicator level	Unit Measure	Cumulative Target Values												Frequency	Responsibility	Comments	
				Baseline		2021		2022		2023		2024		End Target					
				Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target				Actual
Reduction in vehicle operating costs on the project road	Project	%	2021	0	0	N/A	0	N/A	0	N/A	100	N/A		100		First-year of Operation	MPWT		
Increase in average IRAP star rating of the project road	Project	Number	2021	1	1	N/A	1	N/A	1	N/A	3	N/A		3		First-year of Operation	MPWT		
Project road upgraded and improved with climate resilience measures	Project	Yes/No	2021	No	No	N/A	No	N/A	No	N/A	Yes	N/A		Yes		First-year of Operation	MPWT		

Project Intermediate Indicators	Indicator level	Unit Measure	Cumulative Target Values												Frequency	Responsibility	Comments	
			Baseline		2021		2022		2023		2024		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target				Actual
Reduction in average International Roughness Index (IRI) for finished sections	Project	Number	2021	7	7	N/A	3	7	3	1.6	3	1.61		3		Annual	MPWT	
Road constructed or rehabilitated	Project	km	2021	0	0	0	25	5	50	45	78	53		78		Annual	MPWT	
Kilometers of roads ready for the O&M phase under OPBRC/DBMOT modality	Project	km	2021	0	0	0	0	0	0	0	78	0		78		Annual	MPWT	