

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, 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; Liu Yang, Project Counsel; Rabindra Shah, OSD - Procurement Specialist; Victoriano Macasaquit, OSD - Social Development Specialist; David Rollinson, OSD - Environment Specialist; Nurul Mutmainnah, OSD - Financial Management 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 Jul, 2023 A joint mission		
Planned Site Visits by AIIB:	Feb, 2024 A joint mission		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2023/04		

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):	Mar. 15, 2023
Orig. Closing:	May. 31, 2023	Rev. Closing (if any):	Mar. 31, 2025

4. Disbursement Summary (USD million)

Contract Awarded:	40.00	Cancellation (if any):	0.00
Disbursed:	27.58	Most recent disbursement (amount/date):	3.21/Jun. 26, 2023
Undisbursed:	12.42	Disbursement Ratio (%) ¹ :	68.95

5. Project Implementation Update

The project is progressing well, and the overall implementation progress remains Moderately Satisfactory (MS).

The road improvement for the original Sikeut to Phonhong section has substantially completed; however, issuance of the Completion Certificate of the civil works phase of the Output and Performance-Based Road Contract (OPBRC) has not been done yet, pending the completion of the repair of outstanding defects, satisfactory achievement of the service level performance indicators, and the contractor's submission of the final report. After the completion certification has been issued, the operation and maintenance (O&M) phase will immediately commence. Regarding the preparation for the road improvement and maintenance of the additional Sykhai to Sykeuth section (6 km), it is well underway. The civil works contract has been awarded in September 2023.

Disbursement Progress. As of October 2023, the current project's disbursement is USD 27.58 million, or 69% of the total loan allocation. In 2023, the project has disbursed about USD 8.8 million and is expected to make another disbursement of USD 2.8 million in Q4 2023 for retention fee and construction progress. With this figure, it is estimated the total loan disbursement by the end of December 2023 will be USD 30.38 million (76%). PMU will submit the annual work plan and overall disbursement plan to the Bank.

The O&M Phase of OPBRC. The O&M phase will start and continue for seven years as per OPBRC contract after issuance of the completion certificate. Although O&M phase has not yet officially begun and the completion certificate has not yet been issued, the Contractor should carry out maintenance activities in order to maintain the OPBRC service level throughout the duration of the OPBRC contract. As per the legal covenants of the project, a sustainability plan, including specific actions and budget for the O&M phase, institutional arrangements, and monitoring mechanisms, has been prepared.

Verification of service levels of the completed road sections is crucial before commencing of operation and maintenance phase of the 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

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.

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.

Effective enforcement of overloading control. To ensure the sustainability of the road investments, MPWT has commissioned an overloading control study, which should be completed by December 2023. It is expected that the study will include recommendations for institutional arrangements, enforcement, and an implementation plan for overloading control. While the study is being carried out, it was agreed the MPWT put in place temporary measures to control overloading on the project road. It has been agreed that the MPWT will start implementation of overloading control on the main road network as soon as the study is completed.

Extension of NR13N (Sykhai-Sykeuth, 6 km). The World Bank, NDF, and AIIB have extended the project's closing date from May 31, 2023, to March 31, 2025 to support completion of the improvement of additional six km section from Sykhai to Sykeuth with the condition that the government finance the gap for the RAP implementation and the OPBRC contract. As for financing, the annual work plan and budget will determine the portions to be financed from different sources of funds. If there is any gap in financing (both for the RP and OPBRC implementation), the government will mobilize the Road Fund and fill the gaps. As of September 2023, the RP implementation progress reaches 90%, and the contract has awarded in September 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>The road improvement for the original Sikeut to Phonhong 58 km section is substantially completed; however, issuance of the Completion Certificate of the civil works phase of the OPBRC has not been done yet, pending the completion of the repair of outstanding defects, satisfactory achievement of the service level performance indicators, and the contractor's submission of the final report.</p> <p>The preparation for the road improvement and maintenance of the additional Sykhai to Sykeuth section (6 km) is well underway. The civil works contract has been awarded in</p>	<p>Environmental.</p> <p>The project's environmental safeguards performance rating is upgraded from Moderately Satisfactory (MS) to Satisfactory (S). Some outstanding civil works on the Original Sikeut to Phonhong Section (58km) that are related to environmental issues such as drainage works and road cleaning are minor and to be completed with specific planned dates. Some of these works involve works on carriageway open to public. Regular trainings on Occupational Health and Safety and traffic safety have been provided for contractor personnel. Weekly inspection has been carried out by ISWS.</p> <p>For the additional 6 km section, a key requirement is that the detailed design (DD) should consider all necessary actions to ensure that drainage networks can sufficiently drain rain water freely from the road without flooding neighboring land. C-ESMP will need to be</p>	<p>Overall procurement performance is maintained as Satisfactory (S) and procurement risk remains low.</p> <p>The additional 6km road improvement and maintenance contract has been awarded in September 2023.</p>

	<p>September 2023.</p>	<p>prepared and approved by PMU/ISWS before works, including site clearance, can start. C-ESMP shall meet requirements stipulated in the 6 km ESIA/ESMP and contract requirements including traffic and road safety management, identification of bypass road/s, dust control, proper barricade to divide work zones and public areas, impact on structures (house/business, etc.).</p> <p>Social. The social safeguards performance remains Satisfactory (S). There were no major issues or grievances related to RP and EGDP implementation reported.</p> <p>For the additional 6km, the PMU/PTI, ISWS and Contractor in close coordination with the Ministry of Public Safety will conduct advance notification to the public, particularly to road users using information campaign through billboards, flyers, local newspaper; social media; radio and television of the alternative routes or by-pass roads to be included in the Traffic Management plan at least 1 month prior to start of civil works.</p>	
<p>Sub-component 1.2: Land Acquisition (USD 20.5 million) NDF: USD 6 million GOL: USD 14.5 million</p>	<p>For the original 58 km section, the RP implementation is completed with all 4,617 PAHs, including the severely affected 23 households, provided with compensation and the support required.</p> <p>For the additional 6-km Sykhai to Sykeuth section, the cleared RP was disclosed on the MPWT's website on November 15, 2022 and ESIA disclosed on November 28, 2022. The RP implementation is well underway with 522 (90%) out of total 588 PAHs provided with compensation as of</p>	<p>No major issues or grievances were raised from any of the ethnic group. 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.</p>	<p>N/A</p>

	September 2023. The project aims to complete compensation payment to all PAHs by November 30, 2023.		
Component 2: Technical Assistance and Supervision (USD 4.8 million).	N/A	N/A	N/A
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 Client has proposed to reallocate the fund to road improvement activities. A Non-Material Project Change will be needed to formalize the request for the fund reallocation.	TBD	TBD
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). Most of recommended actions from last mission have been implemented, including tracking of payment processing, timely submission of interim financial report using the new simplified format, and additional guidance of accounting and internal control over advances and asset management. However, budgeting issue was identified during the last mission. The budget was finally approved in August 2023. To ensure smooth FM implementation until the closing date, the PMU needs to monitor and update commitment table and remaining balance under each source of financing and to prepare contract for external auditor to cover audit period until the project's closing date.

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. Under the 58-km original section, all 791 grievances received were settled. Most of the grievances are related to dust, clarification on compensation and lack of access to their property. For the 6-km additional section, no grievances were reported through the GRM so far.

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	21		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	3	1	3	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		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	3.4		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		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		39		Annual	MPWT	
Roads constructed or rehabilitated	Project	km	2019	0	0	0	15	0	30	19	58	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	46		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	99		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	98		40		Annual	MPWT	