

## Lao PDR

### Road Sector Project (IDA Grant H547-LA) and Road Maintenance Program Phase 2 (IDA Cr. 3944-LA; PHRD TF53808; AusAID TF93204)

Implementation Support Mission, September 6 - 14, 2010

#### AIDE MEMOIRE

1. An International Development Association (IDA) task team has carried out an implementation support mission for the Road Sector Project (LRSP) and the Road Maintenance Program Phase 2 (RMP2) in Lao PDR during September 6-14, 2010. The team comprised Zhi Liu (Lead Infrastructure Specialist/Task Team Leader for LRSP), Sombath Southivong (Sr Infrastructure Specialist/Task Team Leader for RMP2), Chinnakorn Chantra (Procurement Specialist), Christopher Robert Fabling (Sr Financial Specialist), Satoshi Ishihara (Sr Social Development Specialist), Phuong Thi Minh Tran (Sr Transport Sector Specialist), Phuong Thi Thanh Tran (Sr Environmental Specialist), Souphanthachack Sisaleumsak (Procurement Analyst), Khamphet Chanvongnaraz (Procurement Specialist), Nipa Siribuddhamas (Financial Management Specialist), Sybounheuang Phandanouvong (Social Development Specialist), Thalavanh Vongsonephet (Program Assistant), Malarak Souksavat (Resource Management Assistant), Manida Unkuvasapaul (Environmental Safeguard Consultant) and Phil Sayeg (Transport Consultant).

2. The **objectives** of the two missions were as follows:

- (i) To review the project completion of the RMP2 and assess its achievements and lessons learned;
- (ii) To carry out a project launching workshop for the LRSP;
- (iii) To review the implementation progress and all aspects of LRSP;
- (iv) To visit selected provinces that were implementing the Ketsana rehabilitation civil works contracts included for IDA financing under the LRSP.

3. **A summary of mission activities.** A kick-off meeting, chaired by Mr Math Soumala (Director General, Department of Planning and Cooperation- DPC), was held on September 7, 2010. The mission also had individual meetings with all department concerned in the Ministry of Public Works and Transport (MPWT). A project launching workshop for the LRSP was held on September 8-9. A wrap-up meeting, chaired by Mr Oulay Pothong Gnonphachanh (Deputy Director General, Department of Roads), was held on September 10, 2010. During August 30 to September 6, 2010, a Bank fiduciary team comprising Nipa Siribuddhamas, Souphanthachack Sisaleumsak, Khamphet Chanvongnaraz, and Malarat Souksavat visited Attapeu, Sekong, and Savannakhet Provinces, to carry out ex-post procurement and financial management review of the Ketsana rehabilitation civil works contracts that were procured and the construction of which was completed before the Effectiveness of LRSP but payments to the contractors were not made and have now been proposed by MPWT to be financed from the Ketsana Recovery Component of the LRSP. During September 11-14, Zhi Liu, Sombath Southivong and Thalavanh Vongsonephet made a field trip to Saravan and Champasack Provinces<sup>1</sup>.

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<sup>1</sup> Furthermore, Sombath Southivong made a field trip to Attapeu, Sekong, and Savannakhet during September 30- October 4.

4. **LRSP Launching Workshop.** The workshop was attended by the directors of all relevant departments of MPWT and all provincial DPWTs, IDA task team, and representatives from other donor agencies (ADB and Japan). World Bank Country Manager for Lao PDR, Ms. Keiko Miwa made an opening speech. H.E. Minister Sommad<sup>2</sup>Pholsena joined of the workshop on September 9 and made a closing remark. The workshop also included consultation sessions for the presentation by the IDA team on the draft **Implementation Completion report (ICR) for the RMP2**, and feedback from MPWT and provincial DPWTs. For the LRSP launching, all implementing departments of MPWT (including DPC, DoP, DoR, DoI, PTI, DoT) presented project and component implementation plans and current progress. The IDA task team also presented the overall project design and key aspects of the project including procurement, financial management, and environment and social safeguards.

5. The IDA task team wishes to record its appreciation for the hospitality and collaboration of the MPWT and the Provincial DPWTs extended to the team during the field visits and meetings. Annex 1 lists the names of key officials met.

6. **An overview of project status** and suggested rating for the achievement of Project Development Objective are given below:

Overview of Project Status			
<b>Project development Objectives</b>	The PDOs are (a) to improve road services on two main national corridors and the provincial road network, (b) to rehabilitate the roads damaged by Typhoon Ketsana, and (c) to establish and operationalize a contingency fund for quick disaster response in the road sector.		
<b>Original Project Cost Estimate:</b>	US\$ 27.8 million	<b>Board Approval Date:</b>	March 25, 2010
<b>Original Credit Amount:</b>	IDA Grant US\$ 27.8 million	<b>Effectiveness Date:</b>	July 1, 2010
<b>Original PHRD Amount:</b>	US\$ 1 million	<b>Original Closing Date:</b>	September 30, 2014
<b>Environmental Category:</b>	B- Partial Assessment	<b>Number of Closing Date Extensions:</b>	0
<b>IDA Disbursement Amount and %</b>	0	<b>Project Develop. Objective Rating:</b>	S (recommended)
<b>PHRD Disbursement Amount and %</b>	0	<b>Implementation Progress Rating:</b>	S (recommended)

The overall rating for achievement of the PDO is Satisfactory. Although the project has just become effective, recovery works for the Ketsana damaged roads have almost been completed as most of them were implemented through advance contracting arrangement. The compliance of the dated legal covenant for external auditor and internal control consultant is delayed (see Para. 9), but is expected within the next 2 months. No major risks to PDO achievement are identified.

### A Summary of Key Findings, Issues, and Recommendations for LRSP

7. **Ex-post procurement and financial management review of repairs and improvement of Ketsana-damaged roads.** The ex-post review of the awarded contracts was to establish their compliance with the applicable Procurement and FM procedures stipulated in the Financing Agreement. A total of 24 contracts were reviewed by the team

from the list of awarded contracts for national and provincial roads in Attapeu, Sekong and Savannakhet Provinces that was previously submitted by MPWT to the Bank. However, the team was unable to complete the ex-post review as the records were incomplete and not all the relevant documents were made available to the team during the visit to the field offices. The team emphasized the need for the availability of full documentation (including advertisement, pre-bid cost estimate, submitted bids, bid evaluation report, signed contract and interim payment certificate).

8. **Ketsana rehabilitation works in Saravan, and Champasack Provinces.** During the field visits, the mission held meetings with DPWTs, reviewed a sample of procurement and contract documents (2 contracts for each province), and visited the sites of several contracts. In Saravan, the mission visited 3 contracts, out of a total of 20 contracts (totaling 225 km road and 184 meters bridges, 16 billion kip or about US\$1.9 million). In Champasack, the mission visited 7 contracts, out of a total of 8 contracts (totaling 63 km plus bridges of 45 meters, and 3.9 billion kip or US\$464,000). The mission was pleased that both provinces kept a good record of documentation for all contracts. The quality of rehabilitation works varied, but all appeared to be reasonable given the low actual unit costs (ranging from \$4,000 to \$9,000 per km. The mission also interviewed a number of villagers living on the road sides. The villagers indicated that their livelihood was seriously impacted by the road damages caused by Ketsana, but they were now happy that life returned to normal. In Saravan, the mission also noticed the early damages on the newly rehabilitated roads by overloaded trucks, and raised the concerns to MPWT and DPWT.<sup>2</sup>

9. **Disbursement for Ketsana rehabilitation works.** The team advised the MPWT that disbursement for the Ketsana rehabilitation works could proceed even before the completion

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<sup>2</sup> During the subsequent field visit to Attapeu, Sekong, and Savannakhet during September 30-October 10, the mission visited about 70% of total length of roads under the Ketsana recovery contracts. Most of contracts completed in April and May, which is before the rainy season. Overall, the mission satisfied with the quality of work done although there are some defects on the roads that will be remedied by contractors before the end of the defect liability period. In Attapeu, the roads that the mission visited are in good shape, except a gravel provincial road to Phouvong district, condition of which is too rapidly worn out, on which heavy logging trucks have been used. Over loading of heavy logging trucks is the main reason causing such rapidly wear and tear. This can be confirmed by comparing two sections of the same road rehabilitated by the same contractor, but with different type and volume of traffic. The condition of the section with no or less heavy logging truck is still in good condition, while the condition of other section is only in fair condition with some potholes. In Sekong, most road sections is in good condition, except sections passing through hilly areas with steep slope where a number of pot-holes and longitudinal-deep cuts have occurred, suffering from high volume of rainfall during this rainy season. A culvert in the district road no 7615 has been washed away by the recent flash flood during this rainy season. In Savannakhet, in general, roads are in good shape, except some potholes has occurred on the a sections of the provincial road no 2.6310 in Songkhone district on which heavy truck and high traffic volume have been used. These contracts are still in their defect liability period. **The mission has discussed with DPWT concerned on how to address such defects. It was agreed that all DPWT would instruct contractors to remedy the defects before releasing the bank security or final payment before the end of defect liability period.**

of ex-post review of all contracts. However, given the concerns on the incomplete documentation in Attapeu and Sekong Provinces and to avoid the risks of mis-procurement, the team advised that MPWT may first handle the disbursement for the provinces where the documents are kept in good record.

10. **Dated legal covenant.** The Financing Agreement includes a dated legal covenant: i.e. by no more than three months after the Effective Date (established as July 1, 2010), engage external audit consultants and an internal audit consultant in adequate numbers for the purposes of building audit capacity, with appropriate experience and qualifications, and under TOR acceptable to IDA. The procurement processes for both external auditor and an internal control consultant have been slow. The external auditor appointment was supposed to be included in the audit bundle to be appointed by MOF for all IDA funded projects. However, the MOF procurement process has been slow, and it is expected that by earliest the auditor for the bundle would be mobilized by 1 December 2010. In terms of the internal audit consultant, it has taken much longer time to identify suitable consultant candidates. So far four consultants are identified and are under consideration by the MPWT.

11. **Resettlement works for NR 1B and 6A.** During the recent field visits of the IDA team and consultant, it was recognized that it is necessary to engage an independent resettlement consultant to assist the provinces in the implementation and monitoring of the RAP, to ensure full compliance with the Bank involuntary resettlement policy. A TOR has been prepared. The team urged the MPWT to speed up the procurement process to ensure the consultant is on board as soon as possible. Moreover, the MPWT suggested to have the Water Resources and Environment Administration (WREA) involved in the selection of the resettlement consultant and assisting the provinces in the implementation of the RAPs. The team supported the idea.<sup>3</sup>

12. **Implementation plans for individual components/subcomponents.** In the launching workshop, the relevant departments of the MPWT presented their implementation plans for the components/subcomponents under their responsibilities. Most of these plans were well prepared. The IDA team advised the departments to finalize the procurement plans and initiate procurement as soon as possible. **Annex 2** provides a detailed summary of the implementation status, identified issues and agreed actions for each component/subcomponent.

13. **Environmental and Social Operational Manual (ESOM).** The mission noted the improved clarity in the responsibilities for safeguard implementation among concerned agencies, namely EDS, DOR (TED, NRD, and LRD) and DPWTs. The mission suggested the MPWT to establish clear reporting arrangements for the safeguard implementation, especially in terms of meeting the reporting requirements for the use of country system for EA (OP4.00). **The Annex 3** summarizes detailed discussions on environmental safeguards.

14. **Disaster emergency contingency fund.** The MPWT informed the IDA team that a major flood has damaged some roads and bridges in Sayabury Province, and asked if the IDA US\$1 million under the emergency contingency fund component could be mobilized for the rehabilitation of the roads and bridges. The team encouraged the MPWT to mobilize the fund for eligible works, but also cautioned that the use of the fund should follow the procedures stipulated in the Financing Agreement.

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## Implementation Completion of RMP2

15. Except for the final financial audit that will be available by October 30, 2010, all remaining activities under RMP2 were successfully completed. The mission reiterated the content of a Bank's letter dated August 2, 2010 on the final disbursement status of the RMP2, stating that in accordance with the current practice of the International Development Association, further disbursements from the financing will be made for withdrawal application received at the World Bank Manila office by close of business on October 31, 2010 (disbursement deadline date) in respect of eligible expenditures made before the Closing Date (i.e. payments made or payment due for goods, works and services that have been provided prior to the Closing Date), and expenditure for the final financial audit of the project, which would be completed (report submitted and accepted by the government) before the disbursement deadline date. Should it be determined later that the audit could not be completed before the disbursement deadline date; the audit fee could be placed in an escrow account, in accordance with standard World Bank procedures on escrow accounts. Proceeds of the Financing remaining unwithdrawn after disbursements have been made in respect of these withdrawal applications will be canceled.

16. **Draft ICR.** A draft ICR prepared by the IDA team was circulated and presented to the LRSP Launching Workshop which was attended by all stakeholders involved in the project from both the Ministry and Provincial Units. Donors who collaborated with IDA in supporting the RMP2 were also invited. The draft ICR benefited from inputs provided by the agency representatives during July 2010 and by subsequent communications. The Ministry's own ICR provided valuable inputs to the IDA document. The ICR presentation highlighted the initial findings of the IDA team regarding the implementation and results of RMP2. The IDA team sought the feedback from the Government and development partners. There was general agreement on the findings of the draft ICR, as expressed by the verbal comments of many participants. The IDA team requested written comments be provided within approximately one month to enable the ICR to be revised to properly reflect the views of all stakeholders before the Bank's internal quality review process.

### Annex 1: A List of Key People Met

#### MPWT

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| 1.  | H.E Mr. Sommad Pholsena      | Minister, MPWT                           |
| 2.  | Mr Math Sounmala             | DG, DPC                                  |
| 3.  | Mr Laokham Sompheth          | DG, DoR                                  |
| 4.  | Mr Khenglith                 | DG, DoI                                  |
| 5.  | Mr. Pothong Ngonphachanh,    | DDG, Department of Roads                 |
| 6.  | Mr. Souvanny Ratanavong,     | DDG, DoP                                 |
| 7.  | Mr. Chantoula Phanalasy,     | DDG, DoI                                 |
| 8.  | Mr. Thongpheth,              | DDG, DoT                                 |
| 9.  | Mr. Sysamouth Phanthachack   | Dir, Traffic safety Div, DoT Coordinator |
| 10. | Mr. Norasack ,               | Acting Dir., LRD, DoR                    |
| 11. | Mr Sack Dalath               | Dir, RAD                                 |
| 12. | Mr Litta Khattiya            | DD, RAD                                  |
| 13. | Ms. Keoviengsanh Khamkhosy,  | Dir., DD, DoR                            |
| 14. | Ms. Phogneune Souvannavong,  | Dir., ESD, DoR                           |
| 15. | Mr. Daochinda Siharath,      | Dep. Dir, PMD, DoR                       |
| 16. | Ms. Manivone Khaygavong,     | Dep. Dir, PTD, DoR                       |
| 17. | Mr. Viengnam Douangphachanh, | RMS Team, PTI                            |
| 18. | Mr. Sengchanh Homsylahack,   | Dep. Dir, PID, CO                        |
| 19. | Mr. Viengvilay Soulinthone,  | Eg. RAD, DoR                             |

#### ADB

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| 20 | Mr Phomma | Operational Officer |
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#### Japan Embassy

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| 21 | Ms Akemi ISHIKAWA | Adviser |
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		<p><b>Resettlement Action Plan implementation.</b></p> <p>To support two provincial resettlement committees, one in each province of Houaphan and Phongsaly, in implementing the RAP and EGDP, a working group, at central level, comprising TED and ESD, and WREA, will be established by end September, 2010. The working group will also responsible for procurement of an individual consultant, who would assist MPWT and DPWTs for the implementation of the RAP.</p> <p>As per the recent advice from the Minister of MPWT, as minimal as possible consultant's input should be required to support the working group for implementing and monitoring the RAPs and EGDPs. The civil work will not commence until the RAP and EGDP have been completed to the Bank's satisfaction based on the certification to be provided by the consultant.</p>	<p><b>(i) Establishment of the working group</b></p> <p><b>(ii) Recruit a resettlement consultant to monitor and evaluate the RAP and EGDP implementation, using the CQS method of procurement.</b></p> <p><b>(iii) resettlement training for the resettlement committees and DPWTs in Houaphan and Phongsaly provinces</b></p> <p><b>(iv) Field work to finalize the detailed inventory and compensation plan</b></p>	<p><b>ESD, TED, WREA</b></p> <p><b>TED, ESD, WREA</b></p> <p><b>WB, ESD, TED with support from the Bank</b></p> <p><b>Resettlement committees and DPWTs, with support from TED, ESD and WREA</b></p>	<p><b>September 25, 2010</b></p> <p><b>September 30, 2010</b></p> <p><b>September 30, 2010</b></p> <p><b>From September 30, 2010</b></p>	
1.2	<b>Component A2: Provincial maintenance:</b>	The annual work plan for 2010/2011 for provincial road maintenance included 20 roads in 17 Provinces, with a total length of 481 Km and contract amount of 3,391,000 USD, of which 847,750 USD financed by	<b>LRD, TED, and ESD will visit the road no 3204 and give advice to DPWT in Houaphan on the implementation of works following the ESOM</b>	<b>LRD, TED, ESD</b>	<b>October 5, 2010</b>	

		<p>IDA, 2,261,797 USD by RMF and 281,453 USD by provincial budget. The procurement of the roads maintenance has been followed the NCB procurement method of MoF's guidelines. 19 contracts are subject to post review. Bank's no objection given on June 23, 2010 for the contract subject to prior review. As of today, the work is 35% complete.</p> <p>There is one maintenance contract for the provincial road no 3204 passing through Nam-Et Phouleu protected area in Houphan province. The mission suggested the LRD, TED and ESD closely monitor the road works ensuring that they are in compliance with the ESOM.</p>	<p><b>LRD will send all contracts to TED to review and ensure they are in compliance with ESOM</b></p> <p><b>LRD prepares a three-year rolling plan including annual work plan for 2011-2012 for the provincial Road Maintenance and submit such a plan to TED to review on safeguards aspect</b></p>	<p><b>LRD, TED</b></p> <p><b>LRD, TED</b></p>	<p><b>September 30, 2010</b></p> <p><b>March, 2011</b></p>	
1.3	<b>Component A3: Support to National Road Safety strategy</b>	DoT and NRSC-Sec are preparing a work plan covering activities for black spots improvement on road 13 S, 13 N, R3, and 9 through improving road signs, guard rail, traffic light, and other related furniture.	<b>The work plan will be submitted to the Bank for no objection</b>	<b>DoT and NRSC-Sec</b>	<b>December 15, 2010</b>	
2	<b>Component B: Institutional strengthening</b>					
2.1	<b>Component B1: Strategic management of the Transport sector</b>					

2.1.1	<b>Strategic Management Advisory Services and Capacity Development:</b>	DPC is preparing ToR for the consultant, and will proceed with the procurement after getting the Bank's no objection.	<b>DPC will submit the ToR to the Bank for review</b>	<b>DPC</b>	<b>October 15, 2010</b>	
2.1.2	<b>Strategic Management of the Provincial and Rural Road Network</b>	DOR is preparing the ToR for the consultant, and will proceed with procurement after getting the Bank's no objection.	<b>DoR will submit the ToR to the Bank for review</b>	<b>DoR</b>	<b>October 15, 2010</b>	
2.1.3	<b>ICT Development</b>	ICT Division of Cabinet Office has prepared the bidding document for the procurement of the ICT equipment and consultant for upgrading the quality of the ICT system.	<b>The ICT division will submit the bidding document to the Bank for review</b>	<b>ICT Division</b>	<b>October 15, 2010</b>	
2.1.4	<b>URFM Data Collection:</b>	The Public Works and Transport Institute (PTI) proposed to use in-house resources for data collection instead of having consultant carrying out the data collection. The mission is supportive of this proposal and informed the PTI that only IOC will be financed from IDA.	<b>PTI will prepare Work plan and submit to the Bank for review</b>		<b>October 15</b>	
2.1.5	<b>Construction unit cost analysis</b>	Under the new structure of Ministry, the responsibility for the construction unit cost analysis is not yet clearly defined.	<b>DPC will discuss internally and inform the Bank</b>		<b>October 20</b>	
2.1.6	<b>Fiduciary Support to Department of Planning and Coordination:</b>	The mission was informed that TORs for procurement and financial management consultants have been drafted.	<b>The DPC will submit TORs to Bank for review before proceeding with the procurement.</b>		<b>September 30</b>	

2.2	<b>Component B2: Advisory Services and Capacity development for Environmental and Social Safeguards</b>	After getting WREA's comments on the IEA and EMP for Road 1B and 6 A, DoR had revised and submitted the revised EMP to WREA requesting for Environmental Compliance Certificate (ECC)	<p><b>1B and 6A: Obtain ECC</b></p> <p><b>ESD submit Training program on safeguard implementation and ESOM to the Bank for review</b></p> <p><b>Review and advise on screening forms and IEE (using ESOM) Inclusion in bidding documents and contract documents for road maintenance</b></p> <p><b>Ketsana and Emergency: Post review and audit Standard guidelines</b></p> <p><b>Reporting on OP4.00 (UCS)</b></p>	<p><b>WREA, ESD, TED</b></p> <p><b>ESD</b></p> <p><b>LRD send to TED, TED with assistance from ESD</b></p> <p><b>DPWTs assisted by TED &amp; ESD</b></p> <p><b>ESD</b></p>	<p><b>Prior to site clearance</b></p> <p><b>Oct 15, 2010</b></p> <p><b>September 30, 2010</b></p> <p><b>September 30, 2010</b></p> <p><b>December 15, 2010</b></p>	
2.3	<b>Component B3: Strengthening Internal Control</b>	Department of Inspection (DOI) requested the mission to allocate additional funds to (i) send one staff member overseas for an English training course; (ii) purchase one vehicle to facilitate their internal control work at the provincial level. For item (i) the	<b>DoI prepare and submit a work plan including procurement plan of the proposed equipment and training</b>	<b>DoI</b>	<b>October 30</b>	

		mission suggested DOI to discuss with DOP and see if the staff from DOI can be sent to an English speaking country who has good internal control systems so (s)he can obtain improvement on both English and internal control. For item (ii) the mission has given no objection to the request for the reason that the internal control division need to equip with necessary equipment in order that the division can function effectively. The division needs to visit provinces from time to time in order to provide support and conduct random check performance of provincial DPWTs and ODPWTs.				
2.3.1	<b>Advisory services and training for Internal Control Division:</b>	As part of loan covenant, an internal audit consultant should be contracted within three months of IDA Grant effectiveness.	<b>Procurement of the consultant, using method of selection of individual consultant.</b>	<b>DoI</b>	<b>September 30, 2010</b>	
2.3.2	<b>Technical Audits:</b>		<b>The procurement of the technical audit will be carried out in year 2.</b>		<b>October 2011</b>	
2.3.3	<b>Financial Audits:</b>	As part of loan covenant, an external audit firm should be contracted within three months of IDA Grant effectiveness. Thus it is urgent to have the audit firm in place as soon as possible. However, the external auditor appointment was supposed to be included in the audit bundle together with	<b>Procurement of the Financial Audit firm</b>  <b>Mobilization of the audit</b>	<b>MoF</b>  <b>MoF and DoI</b>	<b>October 30, 2010</b>  <b>December 1, 2010</b>	

		other IDA financed projects, the procurement of which is being carried out by Ministry of Finance. The bundle would be mobilized by 1 December 2010.				
2.4	<b>Component B.4: Provincial Department Capacity Development</b>	The Department of Personnel (DOP) has submitted the 3-year training plan and the first annual plan to the IDA. The scope of training includes strategic management training, technical training, fiduciary, and workshop/seminar. The mission has given no objection to the first annual work plan. The mission suggested the DOP to send the training materials relating to the Bank's safeguard and fiduciary guidelines to IDA for its review to ensure the Bank policy is consistently applied under the Project.	<b>DOP will send the training materials to IDA for its review prior to conducting the training courses.</b>  <b>DOP will request provinces to prepare their training needs assessment so DOP can update the annual year 2&amp;3 training program to meet their needs.</b>	<b>DoP</b>  <b>DoP</b>		
3	<b>Component C: Disaster Recovery and Contingency</b>	<b>Component C: Disaster Recovery and Contingency</b>				
3.1	<b><u>C.1 Repairs and Improvement of Ketsana-Damaged Roads</u></b>	The works have been implemented through 53 contracts, of which 9 contracts were for National Roads and 44 contracts were for local roads. All contracts have almost been completed, except for spot rehabilitation work of a section of the national road no 13 S (contract number CPS01-0910-PM-NR04) and two local road contracts in Saravan which are still implemented. All contracts	<b>DOR will submit all supporting documents related to the procurement and financial management to the Bank for review.</b>	<b>DoR</b>	<b>September 30</b>	

		<p>remain 1 year for defect liability period.</p> <p>Based on MPWT's request, the Bank issued letter dated August 19, 2010 of no objection to MPWT using Grant funds of the Lao Road Sector Project for making payments to the contractors under these 53 contracts. All of these contracts will be subject to ex post review by the Bank to be completed before October 30, 2010. Accordingly withdrawals of Grant proceeds will be made on the basis of Statement of Expenditures as per the disbursement procedures set out in the Financing Agreement and the Disbursement Letter. The Bank's ex post review will include a comprehensive review of the procurement, financial management, technical/quality, and safeguards procedures followed by MPWT in order to verify their compliance with the applicable guidelines and procedures of the World Bank and to determine the eligibility for financing these contracts from the Grant. In the case of serious deviations and non-compliance with the applicable guidelines and procedures, the Bank will cancel from the Grant the corresponding amount of the contract and seek a refund from the Government for the amounts already disbursed.</p> <p>The Bank fiduciary team, together with DoR,</p>	<p><b>The Bank fiduciary review team will conduct the review for Saravan and Champasack</b></p> <p><b>DoR will prepare technical report of the work done and submit to the Bank. The report should highlight the quality aspect of road works</b></p>	<p><b>WB</b></p> <p><b>DoR</b></p>	<p><b>September 27, 2010</b></p> <p><b>September 30</b></p>	
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		<p>conducted reviews in Attapue, Sekong, and Savannakhet during September 1-9. In the preliminary review, the mission found that the supporting documentation was not fully ready. DOR will review all supporting documents related to the procurement and financial management for completeness and before submission to the Bank for review.</p> <p>The mission was informed that the codes of contracts for local roads repair sent to the Bank earlier were not consistent with the codes used in the bidding documents, thus the DoR had revised and submitted to the Bank ( see annex 4). The mission had reviewed and had no objection the revised codes.</p>				
3.2	<b><u>C.2 Emergency Contingency Fund</u></b>	<p>DoR informed the mission the recent typhoon that hit Xayaboury province caused damage to road and bridge infrastructure. The DoR requested the mission to use the funds from the emergency contingency fund to repair the damage. The mission has no objection to the request, provided that DoR follow the procedures set in the PAD.</p>				
4	<b>Financial Management Disbursement</b>	<p>The initial advance of USD 2.0 million is already available in Designated Account. Based on findings from field visits 3 out of 5</p>				

	<p>Ketsana affected provinces, payments to contractors would be as following</p> <ul style="list-style-type: none"> <li>• Attapeu - direct payments from the Grant account</li> <li>• Sekong and Savanakhet - payments from DA and replenishment the DA from the Grant account</li> <li>• Others - payments from DA and replenishment the DA from the Grant Account</li> </ul> <p>LRSP is to verify the supporting documents to ensure validity and completeness. DD agreed to take the lead on this matter.</p>					
	<p><b>Interim Financial Report (IFR)</b></p>	<p>According to the covenant, IFRs are required to be submitted quarterly within 45 days after the end of the quarter. The first IFR covering the period from July to Sept will be due to be submitted by November 15, 2010. To ensure that IFR will be produced with acceptable quality and submitted timely, LRSP should establish clear the accountabilities for the unit responsible for producing the IFR.</p>	<p><b>DPC should establish clear the accountabilities for the unit responsible for producing the IFR</b></p> <p><b>DPC and DD/DoR will prepare the IFR and submit to the Bank</b></p>	<p><b>DPC and DD</b></p> <p><b>DPC and DD</b></p>	<p><b>October 30</b></p> <p><b>November 15, 2010</b></p>	
5	<p><b>Procurement:</b></p>		<p><b>DPC will coordinate with other departments to update the procurement plan and submit to the Bank by October 2010</b></p>	<p><b>DPC</b></p>	<p><b>October 2010</b></p>	

6	M&E:	No report has prepared yet	<p><b>Establish clear reporting arrangements for monitoring and evaluation</b></p> <p><b>DPC will prepare the first semi annual report and submit to the Bank in October 2010.</b></p> <p><b>DPC, with inputs from ESD, will submit a report on the Use of Country System (OP4.00)</b></p>	<b>DPC</b>	<p><b>September 30, 2010</b></p> <p><b>October 30, 2010</b></p> <p><b>December 15, 2010</b></p>	

### Annex 3. Detailed Discussions on Safeguard Aspects

#### Safeguard responsibilities

The mission acknowledged the improved clarity in the responsibilities for safeguard implementation among the concerned agencies, namely ESD, DOR (TED, NRD, and LRD) and DPWTs. A summary of responsibilities for safeguard implementation is provided in Section 5 below. However, the mission strongly recommended that clear reporting arrangements be established and that DPC takes the coordinating role in getting inputs from such reporting line for preparing the semi-annual progress reports to be submitted to the WB prior to mission. The progress reports will include, among other aspects, information on safeguard compliance by construction works and also progress of safeguard training. The mission also acknowledged the need to review and revise the ESOM in line with the new EIA decree (effective in March 2010) and the revised program for strengthening capacity of MPWT staff as indicated in Annex 2. It was however noted that the Project Financial Agreement requires a formal notification of any change in legal provision related to EA and the IDA team will inform MPWT on next step.

#### 1. Environmental compliance:

It is important that the ESSF agreed with the Bank and included in the ESOM is followed, and that all documentation and reporting requirements are being met and records of this are maintained in project files. The mission confirmed with TED and ESD on specific actions for each component as follows:

- A1. For national roads 1B and 6A: The WB has issued No objection to the TOR/RFP and to the bidding documents for the Construction supervision consultant (CSC) package and two civil work packages. These documents have satisfactorily included tasks, respectively, on supervision by CSC for environmental compliance and on implementation by contractors of mitigation measures as specified in the EMPs. With the new EIA Decree approved, the mission urged that ESD review and recommend the IEEs, which have been developed for WB appraisal, to WREA for obtaining the Environmental compliance certificate (ECC) for these two roads prior to site clearance. It was reminded that during construction, DPWTs with assistance from the CSC, will supervise environmental performance, using the Alignment sheet, and report to TED, which will be assisted by ESD
- At central level, a working group comprising TED, ESD, and WREA, will be established by end September, 2010 to guide and support provincial committees in implementing the RAPs and EGDPs. After the Bank's clearance for the revised TOR, the working group will finalize procurement of an individual consultant, who would conduct RAP and EGDP implementation monitoring and evaluation by October 15, 2010. The civil work will not commence until the RAP and EGDP have been completed to the Bank's satisfaction based on the certification to be provided by the consultant. The Bank will assist in coordination with WREA and resettlement training for the working committees in the two provinces on September 20, 2010. The trained teams will start the field work from September 27.
- A2. For provincial road maintenance: the mission was informed that there 20 civil work packages are underway and that ESUs have prepared environmental screening using ESOM. It was agreed that by Oct 15, 2010 LRD will submit to

TED, for further submission to ESD and IDA to review a report on post review of the screening process. In future safeguard screening is required to be submitted to TED for certification. The mission requested that ESD assist TED in certification and identification if IEE or EIA are needed. As appropriate, IEEs/EIAs will be required to be approved by WREA and disclosed. TED will ensure that EMP is included in TOR/RFP and BD/CD before No Objection can be issued for processing bidding. During construction, ESUs will supervise consultants and contractors, and ESD will carry out annual audit and reporting. The mission requested that the post review report pay due diligent attention to the case where an IDA mission in August 2010 noted that a borrow pit was made inside Nam Ed – Pouleu protected area and that the borrow pit was abandoned by the local authority. While an advice and temporary solution were provided to facilitate the construction, it was strongly requested by the mission that the Screening practice be used prior to commencing construction and that ESD advises DPWTs to carry out as soon as possible environmental audit for the completed work so that mitigation and rehabilitation measures can be implemented in a timely manner.

- C1. Ketsana-damaged roads: 8 out of 9 packages for NRs and 100% of LRs have been completed. The mission requested that post review of safeguard performance and audit to be carried out as soon as possible by DPWTs assisted by ESD, together with the technical quality post review. ESD will send an environmental audit form to all DPWTs. It is agreed that by end of September IDA and TED and ESD will carry out a spot-check mission. The mission requested that ESD develop a standard guideline for incorporating safeguard measures into bidding and contract documents for emergency works as specified in ESOM. Such Guideline will also be applied to the subprojects which will get funded from the Emergency Contingency Fund.

## **2. Environmental safeguard training**

The mission discussed and agreed with ESD that training program should be revisited to give priority to the arrangements for implementation and supervision of safeguard compliance, using ESOM. Target groups should include TED, DPWTs/ESUs, ESOs, construction supervision consultants, contractors, and also village leaders. There are 29 villages are affected by road 1B and 56 villages by 6A. Community-based monitoring has proven to be very effective and should be explored for application in this project, provided that the project area is much spread out. The mission suggested 4 types of training, including training for NRs 1B and 6A, for maintenance and emergency works, for community-based monitoring, and ESOM training. A revised training program will be prepared by ESD and submitted to the WB by October 30, 2010 for review and comments. The mission also noted that provincial safeguard training could be conducted in coordination with component B4.

## **3. Monitoring and reporting on OP 4.00 Use of Country System**

The mission reminded that MPWT (ESD) should prepare and submit to the WB reporting on the compliance with this OP 4.00. As defined in the Safeguard Diagnostic Review, there are 7 gaps that need gap filling measures. ESD is required to monitor the implementation status of the agreed gaps-filling measures and also the implementation of the ESOM and ESSP. The first report is expected no later than December 15, 2010.

**4. A summary of actions** is provided below:

Action	Responsibility	Timing
1B and 6A: Obtain ECC Routine supervision	WREA after ESD review and recommend TED with supervision consultant	ASAP prior to site clearance  In due course
Specific resettlement training for the resettlement committees and DPWTs in 2 provinces	WREA and ESD with support from the WB	September 20-24, 2010
Field work to finalize the detailed inventory and compensation plan	Resettlement committees and DPWTs with close guidance and support from the central working team of TED, ESD and WREA	From September 27, 2010
Recruit social consultant to monitor and evaluate the RAP and EGDG implementation	the central working team of TED, ESD and WREA	October 15, 2010
Training program on safeguard implementation and ESOM	ESD submit to WB for comments	Oct 30, 2010
Maintenance: Review and advise on screening forms and IEE (using ESOM) Inclusion in BD/CD	LRD send to TED,  TED with assistance from ESD	Prior to WB NOL to issuance of bidding docs
Ketsana and Emergency: Post review and audit Standard guideline	DPWTs assisted by ESD ESD	Sep 30, 2010  Oct 30, 2010
Establish clear reporting arrangements for monitoring and evaluation	DPC	Sep 30, 2010
Reporting on OP4.00 (UCS)	MPWT (ESD)	Dec 15, 2010

**5. Roles and Responsibilities of Key Agencies**

**(i) For 6A and 1B safeguard implementation**

**The Technical and Environment Division of the Department of Road (TED of DOR)** will take the lead in the implementation while the Environment and Social Division of the Public Works and Transport Institute (ESD or PTI) will provide training, advises, and conduct annual monitoring and reporting.

**The Provincial Departments of Public Works and Transport (DPWT)** of Phongsali and Houaphan responsible for the subproject in close coordination with TED of DOR will be responsible for carrying out the following activities:

- Disclose information and consult the Ethnic Groups on the Resettlement Action Plan (RAPs) and other details;
- Complete RAPs before starting construction;

- Include specific safeguard requirement for contractor in bidding and contract document;
- Supervise/report performance of contractors using the Alignment Sheet;

**ESD of PTI** (assisted by consultants as needed) will conduct monitoring and evaluation (M/E) for RAPs to confirm compliance with the Resettlement Policy Framework (RPF) and the Ethnic Group Development Framework (EGDF) of the project and for other major contracts using the Alignment Sheets for 6A and 1B.

**(ii) Road maintenance** - screening, preparation, implementation

All DPWTs were trained on the Environment and Social Safeguard Framework (ESSF) developed for road maintenance activities during RMP2 and is part of the Environmental Safeguard Operation Manual (ESOM)<sup>3</sup>. DPWTs in close cooperation with TED of DOR will take the lead in the implementation while ESD of PTI will provide training (as needed), advises, and conduct annual monitoring and reporting. Key activities include:

- Conduct safeguard screening using ESSF and keep the ESSF record in the project files;
- Prepare environmental impact assessment (IEE or EIA) and an Environmental Management Plan (EMP) as required by ESOM. Due attention will be given to ensure that appropriate design standard will be applied to reduce forest clearance, land acquisition is minimized and ethnic groups are properly consulted, and safety during construction and operation phase is addressed.
- <sup>1</sup>Disclose safeguard information on IEE, EIA, or EMP, RAPs, EGDP, etc.

**(iii) Emergency works**

ESD of PTI will prepare a standard guideline to be included in the contract and provide training to DPWTs staff and conduct post monitoring and reporting on the impacts during or after the works. The guidelines can be adjusted as needed. Due attention will be given to reduce impacts due to road safety, erosion, borrow pits.

DPWT will carry out the works with due diligence given due attention on safety aspect.

DPWT, TED of DOR, and ESD of PTI will keep proper records on safeguard performance of each event.

**6. Safeguard Strengthening Program (Component B.2)**

Table A1 below summarizes key activities and budget for the safeguard capacity building program while Table A2 summarizes work schedule. This program will be implemented by ESD of PTI and TED of DOR.

**7. Implementation Progress to Date**

- A draft TOR for a Technical Consultant (national or regional) and a draft assignment of a Selection Committee and Equipments/vehicle Procurement Committee were prepared (to follow on WB/MPWT regulation/guidelines) and they will be proposed to the Minister for approval.

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<sup>3</sup> ESOM will be reviewed and revised to be in line with the new EIA decree which is effective in March 2010. ESD of PTI will discuss this aspect with the Department of Environment and Social Impacts Assessment (DESIA) of the Water Resources and Environment Administration (WREA).

- ESD of PTI has drafted a proposal to revise the procurement method for Consulting Services to ESD.
- Implementation support to resettlement on road 6A&1B
- ESD conducted meetings with TED of DOR and other agencies to discuss a plan to carry out training workshops for TED, ESOs and ESUs responsible for implementation of the two priority roads (6A and 1B). The provincial stakeholder involvement (e.g. PPWT, PWREA, FAPO, etc) will be invited to participate in the workshops.
- ESD of PTI and TED of DOR has reviewed the IEE, EMP, ECDP, RAP of Road 6A&1B.
- ESD of PTI developed and updated the PowerPoint presentation of ESOM, PI, RAP, IEE, EMP, ECDP & etc.

**Table 1: Program Activities and Budget (in US\$)**

Activities	Per PAD	Revised Estimated Budget (\$)			Outputs	Remarks	
	Total \$	Total	ESD	TED			
<b>I. ESM</b>	<b>180,000</b>	<b>150,000</b>	<b>150,000</b>	<b>0</b>			
1.1 Update ESOM	20,000	20,000	20,000	0	Updated ESOM in line with EIA decree and C&R technical guideline (TG) and Public Involvement (PI) guideline	Per EIA decree and C&R decree, including consultation. NC/RC consultants will be hired	
1.2 Institutional support	100,000	100,000	100,000	0	Updated MPWT and/or DOR regulations and TGs: EIA/IEE; C&R; TG; PI;	Review of MPWT regulations and guidelines, especially those related to social aspect of roads, including consultation and translation of document; NC/RC will be hired.	
1.3. External ES capacity	30,000	30,000	30,000	0	MPWT/DPWT staff understand and can implement the EA/SA process and comply with C&R decree	Training of MPWT (at national and provinces) on the EIA, C&R TG, PI process; To be conducted by ESD in cooperation with WREA	
1.4 International training for ESD	<del>300,000</del>	0	0	0	0	ESD need one car for M/E and vehicle for training	This budget will be allocated to 1 vehicle for 1 ESD under
<b>II. Capacity building</b>	<b>100,000</b>	<b>100,000</b>	<b>40,000</b>	<b>60,000</b>			
2.1 ESOM training	15,000	15,000	15,000	0	DPWT understand and can implement ESOM (revised)	Countrywide; 6 time in Year 2 and 3; conducted by ESD	
2.2 Specialized training (by IC)	25,000	25,000	25,000	0	DOR and DPWT understand and the can implement the internal safeguard regulations and TGs	Training on the updated/new regulations to DOR and DPWT staff; To be conducted by ESD	
2.3 Strengthening ESOs and ESUs	60,000	60,000	0	60,000	ESOs and ESUs has capacity to monitor and report on the safeguard	In-depth training for the project staff at national and local level responsible for	

					contractor performance	timely completion of RAPs, including conducting field survey. ESD will provide training to TED and ESOs/ESUs.
<b>III. Equipment /vehicles</b>	<b>70,000</b>	<b>100,000</b>	<b>35,000</b>	<b>65,000</b>		
3.1 M/E	60,000	90,000	30,000	60,000	Vehicles and equipment available for use	1 car for ESD including driver; Motorcycles, camera, computers, GPS, etc.*
3.2 GIS software and hardware	10,000	10,000	5,000	5,000	The system that improve planning capacity of ESD and TED	The system should be connected and compatible
<b>Total</b>	<b>350,000</b>	<b>350,000</b>	<b>225,000</b>	<b>125,000</b>	Increased capacity and submission of reports	
Notes: * Highest priority will be given to ESOs and ESUs responsible for implementation of the two priority roads (1A and 6B). Other priority would be given to those with high commitment and also responsible for the subproject for road maintenance.						

**Table 2. Work Schedule**

Tasks/Activities	2010		2011				2012				2013				2014	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1. Implement RAPs																
ESD provide in-depth training on RAPs and EGDF to TED and the two priority roads																Budget is allocated under 2.3 for TED
TED, ESU, ESD disclose/consult PAs and conduct detailed survey and RAP																Budget is allocated under 2.3 for TED

2. Procurement of vehicles, equipment															Budget is allocated under 3.1 for TED and ESD
3. ESU, ESO, TED (assisted by SPN consultant) supervise and report safeguard performance during civil works execution															
4. ESD M/E civil works and reporting															
5. ESD/WREA training on C&R and EIA decree and PI															
6. ESD/WREA update MPWT regulations and TGs, PI and ESOM															
7. ESD training on the updated regulations, TG and regulations															
8. ESD training on regulations, TGs, and ESOM, focus more on social															
9. Annual Report															

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