



**Lao People's Democratic Republic**  
**Peace Independence Democracy Unity Prosperity**

**Ministry of Public Works and Transport**  
**Department of Planning and Cooperation**

**Reference No.:** /MPWT.DPC  
**Vientiane, date:**

# **Lao Road Sector Project**

## **The 1<sup>st</sup> Progress Report**

**May, 2011**



**Lao People's Democratic Republic**  
**Peace Independence Democracy Unity Prosperity**

## **Ministry of Public Works and Transport**

# **Lao Road Sector Project**

### **Project Profiles**

1. Project Name: Lao Road Sector Project (LRSP) (**P102398**)
2. Project Fund Sources:
  - A. Donor: IDA and PHRD
  - B. Counterpart: GOL and RMF
3. Project Cost:

A. IDA	M\$27.80
B. PHRD	M\$ 1.00
C. GOL	M\$ 6.38
D. RMF	M\$ 8.00
<b>Grant Total</b>	<b>M\$43.18</b>
4. Project Duration: April 2010 – July 2014
  - A. IDA Grant No.: H547-LA, Agreement signed: 1<sup>st</sup> April 2010
  - B. PHRD Grant No.: TF093083, Agreement signed: 17<sup>th</sup> May 2010
  - C. Grant Effectiveness Date: 1<sup>st</sup> July 2010
  - D. Grant Expected Closing Date: 1<sup>st</sup> July 2014
5. Project Components:

A. Road Network Improvement and Preservation	M\$32.83
B. Institutional Strengthening	M\$ 2.45
C. Disaster Recovery and Contingency Fund	M\$ 8.80
<b>Grant Budget Total</b>	<b>M\$43.18</b>
6. Executive Agencies: GOL (MPWT and MOF) and World Bank
7. Implementing Agencies: DOR, DOT, DOI, DPC, DOP, CO, PTI, STC
8. Coordination Agency: DPC

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## Message from the Director of Planning and Cooperation

Dear Ladies and Gentlemen,

This is the first time Project Progress Report produced by the Department of Planning and Cooperation. Since the official financial agreement signed to support to the Lao Road Sector Project (LRSP) on the 1<sup>st</sup> April 2010, on behalf the Head of the Infrastructure Sector Working Group Secretariat (ISWG) who is responsible to produce the single report for the infrastructure sector, We would like to submit to you the first progress report of the Lao Road Sector Project for your kind consideration.

Sincerely yours

Director General of DPC

Copy to:

- |  |  |
|--|--|
| 1. H.E. Sommad Pholsena                                | Minister of MPWT                               |
| 2. Mr. Math Sounmala                                   | DG of Department of Planning and Cooperation   |
| 3. Dr. Santisouk Simmalavong                           | Deputy Permanent Secretary of Cabinet Office   |
| 4. Dr. Bounleuam Sisoulath                             | Chair person of Science and Technology Council |
| 5. Mr. Laokham Somphet                                 | DG of Department of Roads                      |
| 6. Mr. Bounkong Noupongsamouth                         | DG of Department of Personnel                  |
| 7. Mr. Khenglith Khotngotha                            | DG of Department of Inspection                 |
| 8. Mr. Viengsavath Siphahndone                         | DG of Department of Transport                  |
| 9. Mrs. Vilaykham Phosalath                            | DG of Public Works and Transport Institution   |
| 10. Mr. Phonthip Thammalath                            | Acting General Secretary of Road Fund          |
| 11. World Bank, Lao Residence Office                   |  |
| 12. Embassy of Japan to Lao PDR                        |  |
| 13. DG of Department of International Cooperation, MPI |  |
| 14. DG of Department of External Finance, MOF          |  |

## Abbreviation

AWPB	= Annual Work Plan and Budget
DD	= Disbursement Division of DOR
CO	= Cabinet Office
DOI	= Department of Inspection
DOP	= Department of Personnel
DOR	= Department of Roads
DOT	= Department of Transport
DPC	= Department of Planning and Cooperation
DPWT	= Department of Public Work and Transport (in each Provinces)
EGDP	= Ethnic Group Development Plan
ESD	= Environment and Social Division of PTI
ESOM	= Environment and Social Operation Manual
FMM	= Financial Management Manual
FD	= Financial Division of DPC
GOL	= Government of Lao PDR.
ICB	= International Competition Bid
ICD	= Internal Control Division of DOI
IDA	= International Development Agency
IFRs	= Interim Financial Report
ISWG	= Infrastructure Sector Working Group
Km	= Kilometres
LRD	= Local Road Administration Division of DOR
LRSP	= Lao Road Sector Project
M&E	= Monitor and Evaluation
MOF	= Ministry of Finance
MPWT	= Ministry of Public Works and Transport
NCB	= National Competition Bidding
NOL	= No-Objection Letter
NRN/NR	= National Road Network
NRSC	= National Road Safety Committee
PAD	= Project Appraisal Document
PHRD	= Program Human Resources Development
PRN/PR	= Provincial Road Network
PTI	= Public Work and Transport Institute
RAD	= National Road Administration Division of DOR
RAP	= Resettlement Action Plan
RMF	= Road Maintenance Fund
STC	= Science and Technology Council
TED	= Technique and Environment Division of DOR
USD	= United States of America Dollar
WB	= World Bank Group
WREA	= Water Resources and Environment Administration

## 1. Background

The Government of the Lao PDR has received financing support from the International Development Association (IDA) in the amount of 27.8 million US dollars, co-financing from the Japanese government agency called Program Human Resources Development (PHRD) amount 1 million US dollars and also the Government of the Lao PDR counterpart fund from Road Maintenance Fund (RMF) 8 million US dollars and the regular annual government budget 6.38 million US dollars. In total, the project cost is 43.18 million USD and will be used for the Lao Road Sector Project (LRSP) activities during the project life period starting from the fiscal year 2010 to 2014

The project activities are composed of three main components consisting of (a) Road Network Improvement and Preservation, (b) the Institutional Strengthening and (c) Disaster Recovery and Contingency

## 2. The Works Progress

### 2.1 Component A: Road Network Improvement and Preservation Component

The total amount of component A is US\$31.93 million; of which GOL's RMF US\$8.00 million, GOL contribution of US\$ 6.38 million and IDA US\$17.55 million). This component will finance physical works for the upgrading of two priority national roads, periodic maintenance of the provincial road network, and road safety improvements

#### 2.1.1 Component A.1: Network Upgrading

• **Component A.1: Network Upgrading** (Total US\$18.33 million; of which GOL US\$4.78 million, IDA US\$13.55 million).

- *A.1.a - National Road 1B* - Pak Nam Noy to Ban Yo, Phongsali Province (109 km) – cost US\$10.60 million (including contingencies). The Civil work procurement had been completed with contract awarded and signed. The contractor is China Yunnan Sunny Road & Bridge Co., Ltd. Company from China, the construction contract is divided into two packages with grand total of contract amount of US\$8.59 million, with **saving amount of US\$2.01 million**. Presently the contractor is mobilizing its construction equipment and start-up construction work, cumulative physical progress is 5%
- *A.1.b - National Road 6A* – Sop Bao to Ban Dan, Houaphan Province (62 km) – cost US\$5.73 million (including contingencies). the Civil work procurement had been completed with contract awarded and contract was signed on the date of 14<sup>th</sup> March 2011 the contractor is SCC-DSC-ADC Joint Venture, contract amount is US\$6,03 million .The contract amount is **USD 0.30 million exceeding over the estimated ceiling from the original financing agreement**.
- *A.1.c and A.1.d Resettlement for NR 1B and 6A* (US\$0.50 million for NR1B and US\$ 0.20 million for 6B, financed by GOL). The identified road upgrading activities will

require minor land acquisition and resettlement (about 46 households for NR1B and about 26 households for NR6A). The ESD and TED had conducted workshop in Luangprabang on 4-8 October 2010 for the relevant officials and engineers of MPWT and DPWT, The MPWT is still waiting for the issuance of certificates by the Water Resources and Environment Administration (WREA) for the Environmental Management Plans of 1B and 6A. With regards to resettlement, detailed inventory, resettlement and compensation work-plan for 1B have been completed and approved by the government, and counterpart fund for resettlement has been allocated. The inventory and compensation work-plan for 6A have been completed and submitted to the government for approval. Ethnic Community Development Plans have also been applied. Ethnic people affected by the project have also been consulted on potential impact of the road project and on the RAP. Grievance handling committees at provinces, districts and villages have been established and received an initial training on grievance handling procedures. The inventory reports and compensation work-plans were reviewed by the Bank's Resettlement Consultant, the outcome of which was found satisfactory

- *A.1.e and A.1.f Construction Supervision for 1B and 6A (Total US\$0.80 million from IDA for 1B and US\$0.50 million from IDA for 6A)* the construction supervision for NR1B and NR6A was combine into one package. The contract award to Joint-Venture between Sweroad from Sweden and Bualapha from Laos, the contract amount is US\$1,51 million the contract amount is exceeding **over the estimated ceiling from original financing agreement USD 0.21 million**, this cost overrun will need to be re-allocated at the later stage of the project implementation.
- Component A.2: Provincial Road Maintenance Program
- **A.2. Provincial Road Maintenance Program** (Total US\$12.60 million; of which RMF financing of US\$8.00 million, GOL of US\$1.60 million and IDA US\$3.00 million).
  - *A.2.a Annual Work Programs. (Total US\$12.00 million; of which RMF financing of US\$8.00 million, GOL of US\$1.00 million and IDA US\$3.00 million).* Periodic maintenance of the provincial road no 3204 that passes through Nam Et Phou Lieu protected area in Houaphan province was completed. The DPWT reported that the EMP prepared in December 2010 was fully implemented. A Periodic maintenance of the provincial road procurement was completed included 20 contract packages for FY 09-10 and sample bidding document integrated safeguards requirement were submitted to the Bank. The Bank commented that the list of roads in the procurement plan and a safeguards section of the bidding should be reviewed by TED to make sure that all environmental safeguards required in the ESOM are fully followed. Upon receiving safeguards clearance from the TED, the overall physical work was completed 100%
  - *A.2.b Construction Supervision (Total US\$ 0.60 million from GOL).* The DPWT technical staffs have been assigned to be responsible in the construction supervision for the periodic maintenance of the provincial roads

### 2.1.2 Component A.3: Support to National Road Safety Strategy

- **A.3 Support to National Road Safety Strategy** (Total US\$1.00 million from IDA).
  - *A.3.a Road Safety Goods Acquisition and Installation (US\$1.00 million from IDA).* the Department of Transport had granted the approval from the Ministry of Public Work and Transport(2105/WMWT,15/2/2011),authorizing the DoT staff to coordinate with 6 provinces which are connected by NR3 and namely: Bokeo, Luangnamtha, Oudomsai, Luangprabang, Vientiane and Vientiane Capital. The DoT team visited the afore – mentioned provinces to determine together the actual need of goods for the road safety furniture, signage and any other tools and/or equipment which are necessary and applicable to control speed and drunk driving, in particular along the NR13 North and South and NR3. In addition, in early or mid June 2011 the DoT team will continue their Mission with the remaining southern provinces of five namely: Bolikamsai, Khammouanne, Savannaket, Salavan and Champasak for the same purpose. It is expected that compilation of the actual needs for road safety, after the crossed-check with ADB10 identification, will be made available and submitted to MPWT and the WB accordingly in August 2011.

## 2.2 Component B: Institutional strengthening.

**Institutional strengthening:** (Total US\$2.40 million; of which PHRD US\$1.00 million and IDA US\$1.40 million). The component aims to provide continued support and assistance to both central and local levels of the MPWT and the Provincial DPWTs in the areas of strategic planning and management, country system for environmental safeguards, internal controls and provincial capacity building.

### 2.2.1 Component B.1: Strategic Management of the Transport Sector

- **Component B.1: Strategic Management of the Transport Sector** (Total US\$1.00 million; of which PHRD US\$0.40 million, IDA US\$0.60 million).
  - *B.1.a Strategic Management Advisory Services and Capacity Development (PHRD US\$0.40 million)* MPWT is in the process of finalizing its long term Seventh Five Year Strategic Planning. This Seventh Five Year Strategic Planning of MPWT will become the integral part of the 7th National Social-Economic Development Plan (NSED) 2011-2015. Accordingly, the Strategic Management Advisory is focussing to finalize the Term of References (TOR) of the consultant to assist in the area of Strategic Management Advisory. The draft of TOR was approved by WB. Director General of DPC needs the no objections from MPWT to recruit the consultant in accordance with the procurement guidelines of WB.
  - *B.1.b Support for Strategic Management of the Provincial and Rural Road Network (IDA US\$0.20 million).* No action
  - *B.1.c ICT Development. (IDA US\$0.10 million)* the individual ICT consultants procurement are under processing of bid evaluation, the bidding committee was established since 16<sup>th</sup> March 2011, the first bidding committee meeting was held on



21<sup>st</sup> March 2011 the meeting was agreed on the consultant short list, currently already got approval from Minister and no-objection from WB to selection individual consultants.

The minute of negotiation and the draft consultant service contract for WB's prior review will be submitted and ICT's equipment procurement process will be carrying out as scheduled.

- *B.1.d URMF Data Collection (IDA US\$0.10 million).* After receiving "No Objection" from the World Bank in January 2011, PTI had finalized its URMF data collection plan. Following a kick off meeting, held at PTI in February with attendance of concerned departments (DoR, DPC and PTI) to agree on PTI's propose data collection and methodology, PTI's data collection teams had been mobilized. Field data collection was completed in March and PTI is now validating and entering data into the system. Data analysis is expected to be completed at the end of May and analysis result will be sent to DoR and concerned parties shortly
- *B.1.e Construction unit cost analysis (IDA US\$0.10 million).* During the world Bank implement support mission on 20-21 January 2011, the mission agreed to assign this activity to The Science and Technical Council (STC) in MPWT, who is currently responsible to update the Construction Unit Cost for MPWT, the concept of TOR for unit cost analysis consultant had been discussed with World Bank procurement team
- *B.1.f Fiduciary Support to Department of Planning and Coordination (IDA US\$0.10 million),* The fiduciary support mainly focuses in two areas in supporting DPC,

Firstly is supporting to strengthen the Procurement knowledge, the progress of procurement is under develop the Term of Reference (TOR) for the national procurement specialist and waiting for DG of DPC approval ( need to clarify)

Secondly is supporting to strengthen financial management, the progress of procurement process is agreed by the WB on the assistant need especially in the accounting software updating need, consultancy need, equipments and operation support totally USD80,200 and waiting for agreed on identified of needed from minister of MPWT. ( need to clarify)

## **2.2.2 Component B.2: Advisory Services and Capacity Development for Environmental and Social Safeguards**

• *B.2 Advisory Services and Capacity Development for Environmental and Social Safeguards (IDA US\$0.35 million)* There are quite a few activities has been carryout during this quarter. These activities are:

- Environmental and social safeguards advisor: After received comment from Minister on 4<sup>th</sup> February 2011, the Environment and Social Division (ESD) of PTI has been completed final draft of Term of References (ToRs) for two national Consultants and a regional/international consultant for short term and intermittent with a close assistant of WB. After that ESD/PTI has proposed this procurement method to WB for No

objection and received agreement from WB on 25<sup>th</sup> March 2011. Following that, on 19<sup>th</sup> April 2011 the selection committee has been set up by Minister. This selection committee has announced to the target environmental and social experts by sending email to the target persons. Currently on the process of evaluation of the CVs before propose for Minister Comment and hand to WB for No objection in the next step

- Equipment/Vehicle: the list of equipment and vehicle has been prepared with a close corroboration among ESD/PTI, TED/DoR and WB's staff. Currently on the process of propose for Minister Comment before hand to WB for No objection
- Workshop/Training: In **September 29, 2010** ESD received the agreement letter from Minister to conduct three training courses on environmental and social safeguard of the road project for DPWT and ESU throughout the country. Consequently, The ESD have conducted workshop in Napakuang, Vientiane province on 24-28 January 2011 for the relevant officials and engineers of MPWT, DPWT and ESU of eight Northern provinces. The other two training courses was delay due to delaying of financial report of the first training. However, presently at the process of requesting the budget from Department of Cooperation and Planning of MPWT. These trainings, one will conduct for the relevant officials and engineers of MPWT, DPWT and ESU of four central provinces and the other will be for four southern provinces

### 2.2.3 Component B.3: Strengthening Internal Controls

- **B.3 Strengthening Internal Controls (IDA US\$0.50 million).**
  - *B.3.a. Advisory Services and Training for Internal Controls Division. (IDA US\$0.15 million)*

Mr. Huang Hui consultant to DoI has been assigned to work with ICD during 9 Jan to 31 Mar 2011 (totally 22 days), the main objective of consultant to assess the Rules and Regulations for Internal Control Unit (RRICU) and assess the Internal Audit (IA) function, benchmarking IA's activities and process with good practices, identify the gaps and make suggestions for the improvement.

At the end of working period at Ministry, the consultant and DoI have arranged a workshop participated from concerned department within Ministry, the workshop explained clearly about roles and destination of what is the meaning of internal control, internal audit and internal inspection and differences from the external audits, especially the internal control for line ministry, department and provincial department are very important and what is experiences and finding of the consultant during his work with ministry

Draft report issued by the consultant on 18 Feb 2011 to DOI and comment from Minister and committee to consultant expected to be ready within a week, then final report will immediately issue by the consultant.

Recommendations from the consultant to DoI was adopted by Ministry, mainly on improvement of Internal Control Division organisation, sine this division have been set up by DoI and approved by Minister of MPWT in 2009, until now DoI had

assigned one and half staffs who responsible and working for division, actually the needed at least ICD 5 qualified staffs to care out the important objective of ICD and at the beginning of one or two years local consultants needed to assistant to ICD as well.

- Some facilities and office equipment have approved by the World Bank to procurement for ICD, completed procurement one vehicle, one motorbike, and some of office equipments. This procurement is the first procured item for the project as per PAD needed to be the WB's prior review. So this procurement process of one pick up is waiting for the WB approval to award contract.
- *B.3.b Technical Audits. (IDA US\$0.15 million).* This fiscal year 2010-11 will not assign the technical assistant for technical audit.
- *B.3.c Financial Audits. (IDA US\$0.15 million)* DoI submitted request to the Word Bank for comment and clearance on ToR and short list of auditing firms for financial audits who eligible and acceptable to the Bank to joining the bidding process, so far ToR has comment from the World Bank, however, the short lists of auditing firms and the draft Request For Proposal (RFP) still waiting the World Bank for comment and approval.
- *B.3.d Internal Operating Costs. (IDA US\$0.05 million)* ICD/DoI had Operating cost budget approved by the World Bank as mansion in PAD for helping ICD to care out the work under project, it is very useful to ICD which is new division within department and who has important roles and responsible to follow up of internal control work for Ministry and LRSP project as well. However, only USD50,000, it may not enough to cover for a lot of activities and for four years of project period, the request for additional operating costs to the Bank may need when necessary

## **2.2.4 Component B.4: Provincial Department Capacity Development**

### ***B.4 Provincial Department Capacity Development. (PHRD US\$0.60 million)***

The sub-component, Provincial Department Capacity Development, as stated in the PAD, will support a program of institutional capacity strengthening in contract management and technical skills development, financial management, procurement and safeguard compliance monitoring for the Provincial Department of Public Works and Transport and their District Offices of PWTs.

The training program was prepared and proposed based on the result from the training needs assessment conducted by the Management-Manpower Development Division under the Department of Personnel of MPWT. It is expected that around 98 short courses both general and technical topics and seminars with a total number of 2527 target participants will be conducted during the project implementation.

The training program was proposed to the management of the Ministry for approval. It is expected that the implementation of the training program will take place at the end of April 2011.

## 2.3 Component C: Disaster Recovery and Contingency

**Disaster Recovery and Contingency:** (Total US\$8.80 million from IDA). This component will finance the repairs and improvements of the Ketsana damaged roads in the five southern provinces and support an emergency contingency fund for quick response to the impacts of natural disasters on the national and provincial road links.

### 2.3.1 Component C.1: Repairs and Improvement of Ketsana Damaged Roads

This component will finance the repairs and improvements of the Ketsana-damaged roads in the five southern provinces and support an emergency contingency fund for quick response to the impacts of natural disasters on the national and provincial road links

- *C.1 Repairs and Improvement of Ketsana Damaged Roads (IDA US\$7.80 million).*
  - *C.1.a – Spot Rehabilitation and Periodic Maintenance of Ketsana-Damaged Roads (IDA US\$7.3 million).*

There were initially 51 contracts for spot rehabilitation and periodic maintenance works on the Typhoon Ketsana affected roads (both NRN and PRN), of which 9 contracts were for the national roads, covered 4 provinces (Saravanh, Xekong, Attapeu and Champassack) and 42 contracts for the provincial roads in 5 provinces (Savannakhet, Saravanh, Xekong, Attapeu, and Champassack) with the total contract amount of around LAK60 billion or equivalent to US\$7 million (US\$1=LAK8,500).

The Department of Roads (DoR), has decided to cancel the contract no. CPS01-0910-PM-NR04 on the NR13S in Champassack Province due to its ineligibility for financing under the component and proposed the fund from the Road Maintenance Fund (RMF) for the works.

The physical progress of the remaining 8 contracts on the NRN was completed 100% by the end of July 2010.

During the Bank's explored procurement and financial management review of already awarded contracts, the deviations in procurement procedures for the contract nos. CPS-0910-EM-03 and CPS-0910-EM-08 were noted. The Bank then requested the DoR to submit necessary documentations for additional clarifications of the matter. It was finally concluded that the contract no. CPS-0910-EM-03 was not eligible for financing under the LRSP grant proceeds. There remained 41 contracts for the rehabilitation and periodic maintenance on the PRN with the total contract amount of LAK44,481,102,931 or equivalent to US\$5.233 million.

The physical and payment progress of the remaining 41 contracts was completed 99% and 96% by the end of April 2011

- *C.1.b Engineering Supervision (IDA US\$0.30 million).* A number of qualified national consultants were initially planned to be hired under this sub-component for monitoring and supervision of the civil works, ensuring that the quality of works performed and completed by the contractors are acceptable and compliant with the technical specifications and maintenance procedures specified in the contract. Due to the proposed procurement of these consultants was not approved by the Minister, the

monitoring and supervision of the works was relied on the concerned DPWTs with occasional visits to the site by the DoR's staff following up the implementation of the works. **See Appendix 4: Follow up The Physical and Payment Progress of Katsana Damaged Roads Project 09/10(LRSP)**

- *C.1.c Incremental Operating Costs for MPWT and the Five Ketsana Affected Provinces (IDA US\$0.20 million)* No action

### 2.3.2 Component C.2: Emergency Contingency Fund

- **C.2 Emergency Contingency Fund (IDA US\$1.00 million)**

No action

## 3. The Disbursement and Financial Management Progression

### 3.1 Expenditure by Categories

The totally only 17% of total fund was disbursement, almost of disbursement is the category of civil work for recovery of Ketsana typhoon damage the roads was 91%, the other civil works, consultant service and construction supervision just are starting up and in the procurement process and the last category of disaster contingency was no action

(Thousand USD)

Expenditure Categories	Project Cost Estimated					Cumulative Actual Disbursement					%
	IDA	PHRD	GOL	RMF	Total	IDA	PHRD	GOL	RMF	Total	
<b>1 Civil Works</b>	<b>22,550</b>	<b>0</b>	<b>6,380</b>	<b>8,000</b>	<b>36,930</b>	<b>8,265</b>	<b>0</b>	<b>0</b>	<b>786</b>	<b>9,051</b>	<b>25%</b>
1.1 Civil Works for NR 1B and 6A	12,250		4,780		17,030	601	0	0	0	601	4%
1.2 Civil Works for periodic maintenance	3,000		1,600	8,000	12,600	758	0	0	786	1,544	12%
1.3 Civil Works for Katsana recovery works	7,300				7,300	6,905	0	0	0	6,905	95%
2 Consultant Services (including external audits), Goods, and Operating Costs	4,250	1,000			5,250	402	52	0	0	454	9%
3 Disaster Contingency	1,000				1,000					0	0%
<b>Total Project Cost</b>	<b>27,800</b>	<b>1,000</b>	<b>6,380</b>	<b>8,000</b>	<b>43,180</b>	<b>8,667</b>	<b>52</b>	<b>0</b>	<b>786</b>	<b>9,504</b>	<b>22%</b>

More details see the Appendix 1: The Interim Financial Progress Report

### 3.2 Expenditure by Components

The component A and B network upgrade and institutional strengthening was just starting implementation, component C disaster recovery and contingency is already to disbursement so mostly the fund was disbursement for the component C especially the civil work for recovery Ketsana typhoon damage the roads

LRSP 2010-2014  
(Thousand USD)

Projec Components	Project Cost Estimated					Actual Disburesment					%
	IDA	PHRD	GOL	RMF	Total	IDA	PHRD	GOL	RMF	Total	
<b>A Road Network Improvement and Preservation</b>	<b>17,550</b>	<b>0</b>	<b>6,380</b>	<b>8,000</b>	<b>31,930</b>	<b>1,662</b>	<b>0</b>	<b>0</b>	<b>786</b>	<b>2,447</b>	<b>8%</b>
A1 Network Upgrage	13,550	0	4,780	0	18,330	903	0	0	0	<b>903</b>	5%
A2 Provincial Network Maintenance	3,000	0	1,600	8,000	12,600	758	0	0	786	<b>1,544</b>	12%
A3 Road Safety	1,000	0	0	0	1,000	0	0	0	0	<b>0</b>	0%
<b>B Institutional Strengthening</b>	<b>1,450</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>2,450</b>	<b>100</b>	<b>52</b>	<b>0</b>	<b>0</b>	<b>152</b>	<b>6%</b>
B1 Strategic Management	600	400	0	0	1,000	53	0	0	0	<b>53</b>	5%
B2 Advisory Services and Equipment for ESOM Implementation	350	0	0	0	350	23	0	0	0	<b>23</b>	7%
B3 Internal Control	500	0	0	0	500	25	0	0	0	<b>25</b>	5%
B4 Provincial Capacity Development		600			600	0	52	0	0	<b>52</b>	9%
<b>C Disaster Recovery and Contingency</b>	<b>8,800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,800</b>	<b>6,905</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,905</b>	<b>78%</b>
C1 Recovery Ketsana Damage the Roads	7,800	0	0	0	7,800	6,905	0	0	0	<b>6,905</b>	89%
C2 Emergency Contingency Fund	1,000	0	0	0	1,000	0	0	0	0	<b>0</b>	0%
<b>Total Project Cost</b>	<b>27,800</b>	<b>1,000</b>	<b>6,380</b>	<b>8,000</b>	<b>43,180</b>	<b>8,667</b>	<b>52</b>	<b>0</b>	<b>786</b>	<b>9,505</b>	<b>22%</b>

More details see the Appendix 1: The Interim Financial Progress Report

#### 4. The Challenges

- The insufficiency data support from difference implementation agencies to produce the report paper
- Not functional well cooperation mechanism such as the internal implementation cooperation committee of key agency focal persons to work with the project monitoring and evaluation (M&E).
- The indicators for monitoring and evaluation are difficult to analyze and collecting data
- Lack of competence staffs to do the project M&E, Internal Control and Financial Management, project report, the DPC and DOI staffs are limited number of staffs with fewer experiences in above matters, and also limited English language knowledge

#### 5. Monitoring and Evaluation indicators

The project development objective is to improve road services on two main national corridors and the provincial road network, to recover the conditions of Typhoon Ketsana damaged roads, and to establish a contingency fund for quick disaster response in the road sector. The achievement of the objective will be measured by the following key outcome indicators by the end of the project:

- Reduced travel time on upgraded roads;

- Increased number of people connected by paved roads;
- Increased percentage of provincial road network in good and/or fair condition;
- Recovered conditions of Typhoon Ketsana damaged roads; and an emergency contingency fund established for quick restoration of passability and safety of disaster affected national and provincial roads.

MPWT will monitor performance via progress reports by each activities of the Project implemented by each Departments and Provinces against project indicators as decries in the **Appendix 2: Performance Indicators**

## **6. Way forwards/Next step**

See more details of the agreed action for next step implementation in **Appendix 3: Implement status, and Agreed Action by Components and Subcomponents**

## Appendix 2: Project Performance Indicators

### Project Components:

- A Network Upgrading (1B and 6A)
- Capacity Strengthening
- Disaster Recovery and Contingency.

No.	Performance Indicators	Baseline	Expected Annual Outcome				This period Progress	Accumulative Outcome	Data Source	Remarks
			2010/11	2011/12	2012/13	2014/15				
<b>I.</b>	<b>Outcome Indicators</b>									
1	Travel time on upgraded roads reduced (%)	NR1B (109km) 5H NR6A(62Km) 3 H	0%	0%	20%	40%	0%		DOR	Not available data collection
2	Number of people directly served by paved roads along 1B and 6A	0	0	0	13,000	26,500	0		DOR	Not available data collection
3	% of provincial roads in good and fair conditions increased	46%	50%	55%	59%	64%	0		DOR	Not available data collection
4	About 60% of Ketsana Damaged the road (include small wooden bridges) repaired and improved	5%	40%	60%	60%	60%	60%		DOR	Source from RAD and LRD
5	Emergency contingency fund established for quick restoration of passability and safety of disaster affected national and provincial roads	Contingency Fund not Establish	Fund established and functional	functional	functional	functional	No Action		DOR	



No.	Performance Indicators	Baseline	Expected Annual Outcome				This period Progress	Accumulative Outcome	Data Source	Remarks
			2010/11	2011/12	2012/13	2014/15				
	restored									
<b>II.</b>	<b>Intermediate outcome Indicators</b>									
<b>Component A</b>										
1	(i) Km upgrade on NR1B and 6A	0	0	30	80	171	Under Construction		DOR	
2	(ii) Km (periodically) maintained on priority sections of the provincial road network	0	400	800	1,200	1,600	1137		DOR	Source from LRD/DoR
3	(iii) Road safety facilities installed	0	Need identified	Goods procured	Installed	Fully installed	Under identified needed		DOT	
<b>Component B</b>										
4	(i) Knowledge and practical experiences acquired on strategic planning and management	First sector strategic plan produced		Strategic Plan updated and expanded		Strategic Plan updated and expanded	Strategic plan Consultant's TOR is approved by WB		DPC	
5	(ii) Country system for EA used and staff trained	Country system just piloted and only a few staff trained	At least 20 staff trained			Safeguard actions under the country system for EA undertaken by MPWT and DPWT	Seminar in Luanprabang on 4-8 October 2010, the topic of the Resettlement Action Plan		ESD of PTI and TED of DOR	

No.	Performance Indicators	Baseline	Expected Annual Outcome				This period Progress	Accumulative Outcome	Data Source	Remarks
			2010/11	2011/12	2012/13	2014/15				
6	(iii) Knowledge and practical experiences acquired on internal controls	Internal control function not existed	Internal audit unit started	The first internal audit report produced	Second internal audit report produced	Third internal audit report produced	Engaged Internal Control Consultant and finished Procurement some goods		DOI	
7	(iv) Fiduciary and supervisory capacity strengthened at provincial level	Capacity development program not yet started	Detailed program prepared	At least 34 provincial staff trained	At least another 34 provincial staff trained	Capacity development program completed	Procurement Consultant's TOR is approved by WB		DPC	
<b>Component C</b>										
8	Length of time between declaration of disaster and payment to contractor for emergency works shortened*	Not existed	Time of payment shortened to less than 4 months	Time of payment shortened to less than 3 months	Time of payment shortened to less than 2 months	The fund established and time of payment shortened to less than 1 months	No action		DOR	

### Appendix3: Implement status, and Agreed Action by Components and Sub-components

No	Components	Status and Issues	Agreed Actions	Responsible	Due date	REMARKS
1	Component A: Road Network improvement and preservation					
1.1	Component A1: Network Upgrading:	<p>(a) With the Bank's NoL to the bidding document, MPWT is now in a procurement process for the improvement of NR 1B and 6A, using ICB procurement method. Due to changes in the price adjustment formulae, with the Bank's NoL, MPWT has extended the bidding submission date for both roads from August 30 to September 15. The Improvement of NR1 B has been divided into two contracts.</p> <p>(b) The procurement of the supervision consultant is being processed. The DoR has sent the RFP to six shortlisted firms with bid submission date of September 28, 2010. Based on shortlisted firms' request for extension of bid submission date, the DoR has granted the extension of the bid submission date to October 18, 2010</p> <p>Resettlement Action Plan implementation.</p>	<p>DoR will submit the bid evaluation report to the Bank for review.</p> <p>DoR will submit the bid evaluation report to the Bank for review</p>	<p>DoR</p> <p>DoR</p>	<p>October 30, 2010</p> <p>October 30, 2010</p>	<p>Completed Procurement process</p> <p>Completed Procurement process</p>

No	Components	Status and Issues	Agreed Actions	Responsible	Due date	REMARKS
		<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>(i) Establishment of the working group</p> <p>(ii) Recruit a resettlement consultant to monitor and evaluate the RAP and EGDP implementation, using the CQS method of procurement.</p> <p>(iii) resettlement training for the resettlement committees and DPWTs in Houaphan and Phongsaly provinces</p> <p>(iv) Field work to finalize the detailed inventory and compensation plan</p>	<p>ESD, TED, WREA</p> <p>TED, ESD, WREA</p> <p>WB, ESD, TED with support from the Bank</p> <p>Resettlement committees and DPWTs, with support from TED, ESD and WREA</p>	<p>September 25, 2010</p> <p>September 30, 2010</p> <p>September 30, 2010</p> <p>From September 30, 2010</p>	<p>Waiting IEE certificate from WREA</p>

No	Components	Status and Issues	Agreed Actions	Responsible	Due date	REMARKS
1.2	Component A2: Provincial maintenance:	<p>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 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>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</p> <p>LRD will send all contracts to TED to review and ensure they are in compliance with ESOM</p> <p>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</p>	<p>LRD, TED, ESD</p> <p>LRD, TED</p> <p>LRD, TED</p>	<p>October 5, 2010</p> <p>September 30, 2010</p> <p>March, 2011</p>	
1.3	Component A3: Support to National Road Safety strategy	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	The work plan will be submitted to the Bank for no objection	DoT and NRSC-Sec	August 15, 2011	Waiting Need assessment from road safety

No	Components	Status and Issues	Agreed Actions	Responsible	Due date	REMARKS
		related furniture.				consultant of ABD 11 project
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>	<b>DPC is preparing ToR and EOI for the consultant, and will proceed with the procurement after getting the Bank's no objection.</b>	<b>DPC will submit the ToR, EOI to the Bank for review</b>	<b>DPC</b>	<b>July 30, 2011</b>	<b>Waiting approval from minister</b>
2.1.2	<b>Strategic Management of the Provincial and Rural Road Network</b>	<b>DOR is preparing the ToR for the consultant, and will proceed with procurement after getting the Bank's no objection.</b>	<b>DoR will submit the ToR to the Bank for review</b>	<b>DoR</b>	<b>July 30, 2011</b>	

No	Components	Status and Issues	Agreed Actions	Responsible	Due date	REMARKS
2.1.3	ICT Development	ICT Division of Cabinet Office and ICT bidding committee had evaluated the CVs of 4 consultants and already got no-objection from WB  The minute of negotiation and the draft consultant service contract for WB's prior review	After approval from WB, the contract for consultant will be signed and ICT Equipment procurement process will be carried out as schedule.	ICT Division	June 15, 2011	
2.1.4	URFM Data Collection:	Field data collection is completed. PTI is now validating and entering data into the system.	Data analysis is expected to be carried out at the end of May.	TID of PTI	End Of May 2011	
2.1.5	Construction unit cost analysis	Under the new structure of Ministry, the responsibility for the construction unit cost analysis is not yet clearly defined.	DPC will discuss internally and inform the Bank	STC	October 2011	
2.1.6	Fiduciary Support to Department of Planning and Coordination:	The mission was informed that TORs for procurement and financial management consultants have been drafted.	(i) FMS DPC will submit financial specialist's TOR and EOI to bank for NOL (ii) Procure update A/C program and Equipments (iii) Procurement Specialist DPC will submit Procurement specialist's TOR and EOI to bank review and approval	DPC	June 30,2011	

No	Components	Status and Issues	Agreed Actions	Responsible	Due date	REMARKS
2.2	Component B2: Advisory Services and Capacity development for Environmental and Social Safeguards	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:</b></p> <p><b>Obtain ECC</b></p> <p>ESD submit Training program on safeguard implementation and ESOM to the Bank for review</p> <p>Review and advise on screening forms and IEE (using ESOM)</p> <p>Inclusion in bidding documents and contract documents for road maintenance</p> <p>Ketsana and Emergency:</p> <p>Post review and audit Standard guidelines</p> <p>Reporting on OP4.00 (UCS)</p>	<p>WREA, ESD, TED</p> <p>ESD of PTI</p> <p>LRD send to TED, TED with assistance from ESD</p> <p>DPWTs assisted by TED &amp; ESD</p>	<p>Prior to site clearance</p> <p>July 15, 2011</p> <p>September 30, 2010</p> <p>September 30, 2010</p>	<p>Completed</p> <p>Completed</p>



No	Components	Status and Issues	Agreed Actions	Responsible	Due date	REMARKS
				ESD	December 15, 2010	
2.3	Component B3: Strengthening Internal Control	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 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.	(i) Consultants (ii) Purchase Equipment (iii) Purchase one vehicle (iv) English Course (v) Visit province Time to time	DoI	October 30	
2.3.1	Advisory services and training for	As part of loan covenant, an internal audit consultant should be contracted	Procurement of the consultant, using method of selection of	DoI	September	

No	Components	Status and Issues	Agreed Actions	Responsible	Due date	REMARKS
	<b>Internal Control Division:</b>	<b>within three months of IDA Grant effectiveness.</b>	<b>individual consultant.</b>		<b>30, 2010</b>	
<b>2.3.2</b>	<b>Technical Audits:</b>		<b>The procurement of the technical audit will be carried out in year 2.</b>		<b>October 2011</b>	
<b>2.3.3</b>	<b>Financial Audits:</b>	<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 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.</b>	<b>Procurement of the Financial Audit firm</b>  <b>Mobilization of the audit</b>	<b>DoI</b>  <b>MoF and DoI</b>	<b>October 30, 2010</b>  <b>December 1, 2010</b>	

No	Components	Status and Issues	Agreed Actions	Responsible	Due date	REMARKS
2.4	<b>Component B.4: Provincial Department Capacity Development</b>	<p>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.</p> <p>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.</p>	<p>DOP will send the training materials to IDA for its review prior to conducting the training courses.</p> <p>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.</p>	<p>DoP</p> <p>DoP</p>		
3	<b>Component C: Disaster Recovery and Contingency</b>	<b>Component C: Disaster Recovery and Contingency</b>				
3.1	<b>C.1 Repairs and Improvement of Ketsana-Damaged Roads</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	DOR will submit all supporting documents related to the procurement and financial management to the Bank for review.	DoR	September 30	

No	Components	Status and Issues	Agreed Actions	Responsible	Due date	REMARKS
		<p>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 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</p>	<p>The Bank fiduciary review team will conduct the review for Saravan and Champasack</p> <p>DoR will prepare technical report of the work done and submit to the Bank. The report should highlight the quality aspect of road works</p>	<p>WB</p> <p>DoR</p>	<p>September 27, 2010</p> <p>September 30</p>	<p>Completed</p>

No	Components	Status and Issues	Agreed Actions	Responsible	Due date	REMARKS
		<p>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, 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	C.2 Emergency Contingency	DoR informed the mission the recent typhoon that hit Xayaboury province caused damage to road and bridge				No Action

No	Components	Status and Issues	Agreed Actions	Responsible	Due date	REMARKS
	Fund	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.				
4	Financial Management  Disbursement	<p>The initial advance of USD 2.0 million is already available in Designated Account.</p> <p>Based on findings from field visits 3 out of 5 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>DPC should establish clear the accountabilities for the unit responsible for producing the IFR</p> <p>DPC and DD/DoR will prepare the IFR and submit to the Bank</p>	<p>DPC and DD</p> <p>DPC and DD</p>	<p>October 30</p> <p>November 15, 2010</p>	

No	Components	Status and Issues	Agreed Actions	Responsible	Due date	REMARKS
	Interim Financial Report (IFR)	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.				
5	Procurement:		DPC will coordinate with other departments to update the procurement plan and submit to the Bank by October 2010	DPC	June 2011	
6	M&E:	The M&E report is including in Progress report	Establish clear reporting arrangements for monitoring and evaluation  DPC will prepare the first semi	DPC	September 30, 2010	

No	Components	Status and Issues	Agreed Actions	Responsible	Due date	REMARKS
			<p data-bbox="1037 264 1447 325"><b>annual report and submit to the Bank in October 2010.</b></p> <p data-bbox="1037 427 1447 528"><b>DPC, with inputs from ESD, will submit a report on the Use of Country System (OP4.00)</b></p>		<p data-bbox="1697 264 1854 325"><b>October 30, 2010</b></p> <p data-bbox="1697 496 1854 557"><b>December 15, 2010</b></p>	