

## Lao PDR: Road Sector Project (IDA Grant H547-LA and PHRD TF093083-LA)

### Limited Implementation Support Mission

January 20-21, 2011

#### AIDE MEMOIRE (DRAFT)

1. An International Development Association (IDA) task team carried out a limited implementation support mission for the Lao Road Sector Project (LRSP) in Vientiane during January 20-22, 2011. The team was led by Sombath Southivong (Sr Infrastructure Specialist/Task Team Leader), and comprised Zhi Liu (Lead Infrastructure Specialist), Souphanthachack Sisaleumsak (Procurement Analyst), Nipa Siribuddhamas (Financial Management Specialist), and Thalavanh Vongsonephet (Program Assistant).
  
2. The objective of the mission was to review the status of project implementation, discuss pending issues, identify potential implementation issues, and discuss and agree on remedial actions. On January 20, 2011, the mission met H.E. Minister Sommad Pholsena, to brief him the project progress and the mission objective. A kick-off meeting, chaired by Mr Math Sounmala (Director General, Department of Planning and Cooperation- DPC), was held on January 20, 2011. This was followed by individual meetings with all departments concerned in the Ministry of Public Works and Transport (MPWT). A wrap-up meeting was held on January 21, 2011, and chaired by Mr. Onida (Deputy Director General, DPC). A list of officials met is provided in Annex 1.

<b>Overview of Project Status</b>			
<b>Project Development Objectives (PDOs)</b>	(a) to improve road services on two main national corridors and the provincial road network, (b) to rehabilitate roads damaged by Typhoon Ketsana, and (c) to establish and operationalize a contingency fund for quick disaster response in the road sector.		
<b>IDA Grant Amount</b>	US\$ 27.8 million	<b>Board Approval</b>	March 25, 2010
<b>PHRD Grant Amount</b>	US\$ 1 million	<b>Effectiveness</b>	July 1, 2010
<b>Environmental Category</b>	B – Partial Assessment	<b>Closing Date</b>	September 30, 2014
<b>IDA Disbursement</b>	\$7.93 million (28.5%)	<b>PDO Rating</b>	S (recommended)
<b>PHRD Disbursement</b>	\$0.20 million (20.0%)	<b>Implementation Progress Rating</b>	S (recommended)

### Key Findings and Agreed Actions

3. **Overall implementation progress.** Although the project recently ran into the problem of procurement irregularities in one case of civil work bidding process, the overall implementation progress was satisfactory. Disbursement of IDA grant has reached 28.5%. The implementation status, issues and agreed actions by component/subcomponent are provided in detail in **Annex 2**.

4. **Procurement of civil works for NR 1B and 6A.** The procurement of civil works for 1B has been completed with contract awarded and signed. However, evidence of likely collusive practices by some bidders was found in the bidding process for 6A. The Bank requested MPWT to review the procurement process again including the evidence found by the Bank, and to verify the bid security bank guarantees. MPWT carried out the review, confirmed the evidence of likely collusive practices, confirmed the authentication of the bid security bank guarantees, but did not find further evidence of irregularities involving other bidders. MPWT is now weighing the options if continuing to seek Bank no-objection for contract award or requesting a rebid.

5. **Environmental and social safeguards for NR 1B and 6A.** MPWT is following the Environmental and Social Operational Manual (ESOM) for NR 1B and 6A. Training on the use of ESOM was carried out during October 4-8, 2010 for relevant officers and engineers of MPWT and PDWTs involved in the NR 1B and 6A implementation. 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 regard to resettlement, detailed inventory, resettlement and compensation workplan for 1B have been completed and approved by the government, and counterpart fund for resettlement has been allocated. The inventory and compensation workplan for 6A have been completed and submitted to the government for approval. Ethnic Community Development Plans have also been applied with ethnic PAPs consulted on the RAP and the existing grievance handling committees trained. The inventory reports and compensation workplans were reviewed by the Resettlement Consultant hired by the Bank on a part-time basis.

6. **Provincial road maintenance:** Periodic maintenance of the provincial road no 3204 that passes through Nam Et Phou Leu protected area in Houaphan province was completed. The DPWT reported that the EMP prepared in December 2010 was fully implemented. A periodic maintenance plan included 25 contract packages for FY 10-11 and sample bidding document integrated safeguards requirement is being finalized by LRD. The Bank has commented that the list of roads in the procurement plan should be scrutinized by TED to make sure that all environmental safeguards required in the ESOM are followed. Upon receiving safeguards clearance from the TED, the Bank will consider giving NOL to the procurement plan. As for the bidding document, LRD is working with integration of E&S safeguards requirement the bidding document. The first NCB by each province in each year would need to be submitted to the Banks for prior review.

7. **Ex-post procurement and financial management review of repairs and improvement of Ketsana-damaged roads.** All works have been completed. The ex-post review by the Bank team of the awarded contracts was essentially completed. Disbursement for eligible expenditures for all contracts except two was also completed, resulting a total of US\$7.93 million IDA grant disbursement, which is 28.5% of total IDA grant. The eligibility of the remaining two contracts ( contract no 3 and 8 in Champasack) for disbursement is under Bank review and will be determined soon. ESD will follow up with LRD making sure that all safeguards form for Ketsana recovery works has been well documented. DoR will prepare a technical report and submit to the Bank.

8. **Legal covenants.** All legal covenants including two dated legal covenants are met except one (external audit consultant) which is being met. The two dated legal covenants are by no more than three months after the Effective Date (established as July 1, 2010), engage (i) external audit consultants and (ii) 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 internal audit consultant was recruited and has started work. The procurement of external auditor has been delayed. It 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 uncertain. It's now agreed by the Bank that MPWT may retain the services of the external auditor for the recently closed Road Maintenance Program Phase 2 (RMP2) to cover the external audit requirement for the first year of the LRSP implementation and then move to the hiring of an external auditor for the remaining years of the LRSP implementation. TOR for external audit to be prepared.

9. **Fiduciary Support.** Several implementing departments raised the concerns that they were now getting ready for procurement of consultants and goods funded under the project, but would need the support of procurement expertise. The mission indicated that the subcomponent of fiduciary support (B.1.f) was supposed for DPC to recruit a procurement consultant to assist all implementing departments. The mission urged DPC to immediately start the procurement process for an individual procurement consultant.

10. **Fund release from Designated Account held by MOF.** The mission was informed that there have been delays in fund release from the DA by MOF, resulting delays in the implementation of some project activities that were ready for implementation. The mission urged the MPWT Management to resolve the issue with MOF. Meanwhile, the mission will report the issue to Bank Management as similar issue also affects other IDA funded projects.

11. **Coordination and Project Progress Report.** The mission emphasized the importance of Project Progress Report, which should be due two weeks before the next full implementation support mission, tentatively scheduled for the first half of April 2011. The Report should include both physical and financial progress, output and results monitoring, environmental and social safeguard monitoring and evaluation especially the pilot use of country system for Environmental Assessment. The mission suggested that DPC organize monthly meeting participated by representatives from all agencies involved in the LRSP to follow up progress of works.

12. **Consultancy Services to DPC and DoR:** DPC is finalizing the ToR for strategic management advisory services. The ToR will be submitted to the Bank for review and NoL by 10 February, 2011. ToR for advisory services for local roads management is not yet prepared. The scope of advisory services includes support to DoR and DPWTs on strategic management of local roads development, prioritization, program planning and implementation. In addition, the consultant will also advise on how to improve quality aspect, contract management, procurement, safeguards, and monitoring and evaluation. DoR will prepare the ToR and submit it to the Bank for review on 15 February.

13. **World Bank New Policy on Access to Information.** The mission informed the MPWT that the Bank recently adopted a new policy on Access to Information, which is

publicly available in the Bank website. Under the policy, the Bank will disclose any information in its possession that is not on a list of exceptions, and the public can get more information than ever before—information about projects under preparation, projects under implementation, analytic and advisory activities, and Board proceedings. Like all other IDA funded projects, the implementation status and results (ISR) report that the Bank team used to file regularly and internally within the Bank for the LRSP implementation would become publicly available.

14. **Procurement and Anti-corruption Workshop.** In the context of found irregularities during the procurement process for NR 6A, H.E. Minister Sommad requested the mission to provide a procurement and anti-corruption workshop to the staff of MPWT and PDWTs, in order to help them understand fraud and corruption in road sector procurement and develop skills of identifying irregularities. The mission agreed to the suggestion and will plan the workshop to be held in the next full implementation support mission in April 2011.

## Annex 1: A List of Key People Met

H.E Mr. Sommad Pholsena	Minister, MPWT
Mr. Math Sounmala	DG, Department of Planning & Cooperation
Mr.	DG, Department of Inspection
Mr. Onida	DDG, Department of Planning & Cooperation
Mr. Souvanny Ratanavong,	DDG, Department of Personnel
Mr. Chantoula Phanalasy,	DDG, DoI
Mr. Thongvanh Phetthaviseng,	DDG, DoT
Mr. Bounta Kounlavong,	DoT Coordinator
Ms. Keoviengsanh Khamkhosy,	Dir., DD, DoR
Ms. Phogneune Souvannavong,	Dir., ESD, DoR
Ms. Manivone Khaygavong,	Dep. Dir, PTD, DoR
Mr. Sack Dalath,	Dep. Dir, RAD, DoR
Mr. Sisamouth Phanthachack,	Dep. Dir, TSD, DoT
Mr. Viengnam Douangphachanh,	RMS Team, PTI
Mr. Sengchanh Homsylahack,	Dep. Dir, PID, CO
Mr. Litta Khattiya	Dep. Dir, RAD, DoR
Mr. Nolasak	Director, LRD
Mr. Viengvilay Soulinthone,	Eg. RAD, DoR

## Annex 2. Implementation Status, Issues, and Agreed Actions by Components/Subcomponents

No.	Component	Status and Issues	Agreed Actions	Responsible Units	Due Date	Remarks
<b>A</b>	<b>Road Network Improvement and Preservation</b>					
<b>A1</b>	<b>Network Upgrading</b>					
A1a	NR 1B	<ul style="list-style-type: none"> <li>Contract awarded;</li> <li>Contractor to be mobilized</li> </ul>				
A1b	NR 6A	<ul style="list-style-type: none"> <li>Procurement process underway;</li> <li>BER and further clarification being reviewed by IDA;</li> <li>Evidence of likely collusive practices found</li> </ul>				
A1c	Resettlement for 1B	<ul style="list-style-type: none"> <li>Surveys and compensation details all finalized and approved by government, counterpart fund available;</li> <li>RAP implementation to be started soon</li> </ul>	Start implementation of RAP as soon as possible, and keep good record of documentation	DOR / Phongsali		
A1d	Resettlement for 6A	<ul style="list-style-type: none"> <li>Surveys and compensation details finalized and waiting for government approval</li> </ul>				
A1e	Construction supervision for 1B	<ul style="list-style-type: none"> <li>Consultant selected and contract being negotiated</li> </ul>	The Bank is currently reviewing the documents and will provide it comments by February 4, 2011.			
A1f	Construction supervision for 6A	<ul style="list-style-type: none"> <li>Consultant selected and contract being negotiated</li> </ul>	The Bank is currently reviewing the documents and will provide it comments by February 4, 2011.			
<b>A2</b>	<b>Provincial Network Maintenance</b>					
A2a	PRN maintenance	<ul style="list-style-type: none"> <li>First year work plan completed;</li> <li>Second year work plan submitted for Bank review</li> <li>LRD has prepared and submitted to the Bank for review and NoL to a sample bidding document with environmental safeguards intergrated.</li> </ul>	<ul style="list-style-type: none"> <li>TED is reviewing the safeguards screening forms for all roads in the procurement plan and will submit a letter informing the Bank on its clearance or measures to be taken to address the safeguards issues, following ESOM.</li> </ul>			

			<p>Upon receiving the letter, the Bank will consider for NoL to the procurement plan</p> <ul style="list-style-type: none"> <li>The first NCB by each province in each year would need to be submitted to the Banks for prior review.</li> </ul>			
A2b	Maintenance supervision	<ul style="list-style-type: none"> <li>By provincial departments</li> </ul>				
<b>A3</b>	<b>Road Safety</b>					
<b>A3a</b>	<b>Road safety goods</b>	<ul style="list-style-type: none"> <li>No action taken yet, pending on the procurement of road safety consultant funded under the on-going ADB project</li> </ul>	Coordinate with ADB to speed up the procurement of road safety consultant	DOT		
<b>B</b>	<b>Institutional Strengthening</b>					
<b>B1</b>	<b>Strategic Management</b>					
B1a	Strategic management consultancy	<ul style="list-style-type: none"> <li>First draft TOR prepared;</li> <li>First draft TOR reviewed by Bank team;</li> <li>TOR being revised</li> </ul>	Complete the draft TOR DPC will submit the ToR to the Bank for review and NoL	DPC	February 10	
B1b	Local road consultancy	<ul style="list-style-type: none"> <li>TOR to be drafted</li> </ul>	Draft the TOR	LRD	February 10	
B1c	ICT	<ul style="list-style-type: none"> <li>e-Government consultant TOR drafted</li> </ul>				
B1d	URMF data collection	<ul style="list-style-type: none"> <li>Ready to implement but waiting for MOF to release fund from DA</li> </ul>	Coordinate with MOF to release fund from DA	PTI through MPWT Management		
B1e	Unit cost analysis	<ul style="list-style-type: none"> <li>No action taken yet</li> </ul>	Start drafting of TOR	Council of Science and Technology		
B1f	DPC fiduciary support	<ul style="list-style-type: none"> <li>First draft TOR prepared;</li> <li>First draft TOR reviewed by Bank team;</li> <li>TOR being revised</li> <li>FMS training proposed by DPC</li> </ul>	Immediately start procurement of a procurement consultant  FMS training shall be conducted using budget allocated under the training master plan	DPC  DOP+DPC		

<b>B2</b>	<b>ESOM</b>	<ul style="list-style-type: none"> <li>• One training completed;</li> <li>• Equipment procurement plan completed</li> </ul>	Procurement plan will be submitted to the Bank for review and NoL	ESD		
<b>B3</b>	<b>Internal Control</b>					
B3a	IC consultancy	Individual consultant on board and work started	Make sure to incorporate relevant requirements specified in the Pad Annex 11 (Measures to Strengthen Internal Controls and Accountability) in the Internal Control Framework being developed with the assistance of the consultant.	DOI		
B3b	Technical audit	TOR to be prepared				
B3c	Financial audit	TOR for retaining RMP2 audit to be prepared				
B3d	IOC					
<b>B4</b>	<b>Provincial Capacity Development</b>	<ul style="list-style-type: none"> <li>• First year training program underway;</li> <li>• But rate of expenditures too low due to low costs per training</li> </ul>				
<b>C</b>	<b>Disaster Recovery and Contingency</b>					
<b>C1</b>	<b>Recovery of Ketsana damaged roads</b>					
C1a	Recovery civil works	<ul style="list-style-type: none"> <li>• All contracts completed;</li> <li>• Fiduciary post-review by Bank team completed;</li> <li>• Eligible expenditures for all contracts, except two contracts, disbursed</li> <li>• Eligibility of the remaining two contracts being considered</li> </ul>				
C1b	Engineering supervision	<ul style="list-style-type: none"> <li>• Done by Provincial Departments;</li> <li>• IDA fund not used</li> </ul>	DoR shall prepare a technical report and submit to the Bank			
C1c	IOC	<ul style="list-style-type: none"> <li>• Incurred but not yet processed for disbursement</li> </ul>				
<b>C2</b>	<b>Emergency Contingency</b>	<ul style="list-style-type: none"> <li>• Not triggered yet</li> </ul>	Inform provinces the availability of the contingency fund and procedure	DPC/DOR		

	<b>Fund</b>		for mobilizing the fund			
--	-------------	--	-------------------------	--	--	--