

**Lao PDR**  
**Implementation Completion of Road Maintenance Program Phase 2**  
**(IDA Cr. 3944-LA; PHRD TF53808; AusAID TF93204)**  
**March 3 - 12, 2010**  
**(DRAFT) AIDE MEMOIRE**

1. Jointly with a Sida mission team led by Samer Fayadh (Sida) and accompanied by Daovong Vongsay (Sida) and Sture Hjelm (Sida consultant), an International Development Association (IDA) task team carried out an implementation completion mission for the Road Maintenance Program Phase 2 (RMP2) in Lao PDR during March 3 – 12, 2010. The task team was led by Sombath Southivong (Task Team Leader), and accompanied by Phuong Thi Minh Tran (Sr. Transport Sector Specialist), Siele Silue (Sr. Transport Sector Specialist), Helene Carlsson Rax (Sr Social Specialist), Chinnakorn Chantra (Procurement Specialist), Manida Unkuvasapaul (Sr. Environmental Specialist), Christopher De Serio (Operations Analyst) and Thalavanh Vongsonphet (Program Assistant) and Charles Melhuish (AusAID consultant). Simon Buckley (AusAID) and Mone Sysavath (AusAID) has joined the wrap-up meeting. Key issues discussed include:

- (a) the degree to which the project achieved its development objective and met the agreed key performance indicators;
- (b) prospects for the sustainability of project outcomes;
- (c) the experience and lessons learned in the procurement and implementation of the physical components of the project;
- (d) review of social and environmental safeguards;
- (e) relevance and effectiveness of the capacity building efforts represented by the technical assistance activities and the training initiatives under the program;
- (f) compliance with legal provisions; and
- (g) relevant data and documentation for the preparation of the Implementation Completion Report, including MPWT's draft Implementation Completion Report.

The task team has visited Khammouane, Savannakhet, and Saravan provinces and met Budget Department, Ministry of Finance, Department of Roads, Department of Planning and Cooperation, Department of Personnel, and Public Works and Transport Institute.

This Aide Memoire summarizes the findings of the mission. (Sida team will provide to IDA the minutes of the LSRSP-3 wrap-up, for information.)

2. H.E. Minister Sommad Pholsena met the joint mission on March 9, 2010. A wrap-up meeting, chaired by Mr Laokham Somphet, Director General of Roads Department, was held on March 12, 2010. **Annex 1** lists the key persons met by the mission. The task team wishes to record its appreciation for the hospitality and collaboration of the MPWT, consultants, and other donor agencies given during the field visit and meetings.

## Summary of Key Issues

3. *Budget Ceilings Imposed on the Road Maintenance Fund.* The mission expressed its concern regarding the recent Prime Ministerial budget circular, which essentially limits the available RMF expenditures. RMF Secretariat indicated that the Fund had submitted to MPWT its estimated expenditures for FY2009/10 (LAK290b), but during the national budget process, approved expenditure thresholds under the MPWT maintenance budget for 2009/10 were set at Kip 150bi (US\$17.75m). As it is projected that RMF income for FY2009/10 could reach LAK 263.6bi (US\$31.2m. equivalent), it is essential that GoL understand that imposing a budget ceiling on the RMF will be detrimental to the effectiveness and efficiency of the program. Setting the budget ceiling places a significant risk on the financial and physical sustainability of the road maintenance program. The budget ceiling on the dedicated RMF will discourage donors to finance road development. During meetings with MOF-Budget Division, they indicated that the National Assembly's rationale for the expenditure cap was based on the principle of fiscal discipline and macroeconomic stability in an effort to balance public expenditure across sectors. Given the level of funding that the road sector is capable of absorbing relative to other sectors of the economy, MPWT needs to strengthen its case for the removal of budget ceiling. As part of its reporting responsibilities it needs to demonstrate the positive macroeconomic benefits that are tied to or derived from the maintenance program, such as a steady or increasing net present value of road assets, income generating opportunities by road users and beneficiaries, or potential economic and social losses to society. MOF confirmed that during the mid-year budget review, RMF secretariat should request an increase in the expenditure ceiling by an additional LAK274b for this fiscal year. LAK350K/l fuel levy was submitted to the Prime Minister's office but has not yet been approved.

4. *Heavy Load Control.* Overall statistics of overloading demonstrate a strong reduction in the incidence in overloading from a high of 90% in 2001 to 27% in 2004 and 12.7% in 2009. However, following the review of information available and discussions with DOT the data obtained from the weighbridges looks rather circumspect. The 2009 data indicate relatively high levels of overloading in the north part of the country with figures of over 50% in Vientiane and 25% to 40% in provinces to the north of Vientiane. While many of the stations in the southern provinces record less than 1% overloading. While it is possible that the southern provinces have much better enforcement control this is not corroborated by visual inspections of trucks and weigh station operations during the field visit. DOT indicated that the discrepancies in data relate to equipment failures in the southern provinces. Given that the incidence of overloading is unacceptably high in many northern provinces, it is recommended that MPWT review the management and operation of the heavy vehicle loading program with the view to assessing why the incidence is so different between the northern and southern provinces, identify whether governance issues exist, and take additional measures to strengthen the enforcement regime and introduce stronger internal control mechanisms in order to prevent leakage or rent-seeking opportunities from overloading control operations.

5. *Financial Resources for Data Collection.* The mission indicated its concern that the provincial/district levels currently do not have sufficient funds to conduct the required data collection. Additionally, while US\$100,000 is available under the LRSP (the Credit is not yet Effective) for data collection on the NRN, the indicative allocation is only sufficient for one

year of collection. Furthermore, with the phasing out of Sida assistance, ensuring adequate funding for data collection will become more critical for the district and rural network. During the field visits, district offices confirmed that insufficient budget is available to collect the required data for input to PRoMMs. In discussions with the RMF Secretariat, the task team strongly recommended that RMF Secretariat, together with MPWT, review the RMF Decree to determine what measures would be necessary to provide funds from the RMF for data collection.

6. *Lao Transport Sector Strategy.* The mission was informed that the Transport Sector Strategy has been approved by MPWT and submitted to the Prime Minister. It was noted during discussions that GOL has a clear vision over the decade to 2020 to improve and increase the current rural accessibility from 64% to at least 90%. To meet this objective, it will be critical strike an appropriate balance between maintaining the quality of connectivity and expansion of road network under constrained budget scenarios. Prioritization of budgeted expenditures by MPWT will be important. The mission requested that MPWT share its Medium Term Expenditure Framework that is currently being drafted with ADB assistance.

#### ***Field visits to Khammoune, Savannakhat, and Saravan Provinces***

7. *Site Inspections.* Upon visual inspection, the mission was pleased to observe that the national road network was in good condition. Members of the team visited specific works sites along provincial road 5504 in Khammoune, Road 9 in Savannakhat and Road 6901 in Saravan, and were pleased to see that the civil works were of acceptable quality. However, it was noted that the spot improvements on Road 9 have created inconsistencies in the strength of the road sections being maintained, which will likely lead to failure of other sections of the pavement at a later stage. It is recommended that closer supervision and monitoring needs to be in place to ensure the technical quality of improved sections as well as the adjacent sections. It was also observed on Road 9 that improper disposal of aggregates along the roadside or in the paddy field has resulted in negative environmental impacts. Stricter enforcement of compliance with the environmental provisions of the contract is required by the supervision consultants. Visits to several weigh stations in different provinces also identified a number of issues concerning the operational efficiency and effectiveness of weigh stations. The mission also visit a provincial road in Savannakhet, where a section of which passing through a villaged was paved since 2004. The paved section is still in good condition. The mission observed that paving sections of gravel road passing through dense populated area can significantly address health problems caused by dust. The paving can also, to larger extent, lower cost of maintenance, provided that axle load control is enforced effectively.

8. *Meetings with Provincial and District Authorities.* The mission held discussions with the provincial and district authorities. Local staff capacity has steadily improved over the project life, though MPWTs rotation policy may result in loss of local knowledge as a result of such transitions. It was observed that the decentralization of the civil works programs to provincial/district level may pose potential risks associated with low capacity, lack of equipment/facilities, insufficient fund allocation to perform due diligence in respect to supervision, quality assurance, compliance with safeguards policy, etc. The mission recommended that MPWT/RMF should allocate adequate funds to provinces/districts to

ensure the quality and quantity of works is compliance with the technical specification set in contracts.

## **Project Evaluation**

### **A. Outcome and Performance Indicators**

9. The project has accomplished many positive achievements. RMP2 was designed to continue to expand the coverage of maintenance activities on both the national and local road networks, strengthen the processes and procedures within the institutions responsible for managing the country's road inventory, while further increasing the resources available under the RMF to effectively maintain road assets. The Road Maintenance System (RMS) for the national road network has been extended to include urban roads and the Provincial Road Maintenance System (ProMMS) has been extended to cover the entire local road network (provincial, district, and rural roads) and was rolled out to cover all 17 provinces. The two maintenance systems are now being combined under the Unified Road Management Framework (URMF). There is strong evidence that the Road Maintenance Program has been effective in meeting the physical and financial targets, as well as formulating and executing a capacity development program that supports the long term objectives of the MPWT. The project also looked to enhance the capacity of private sector, and successfully introduced the concept of performance based contracting, although the contract structure needs to be reviewed. The mission requested MPWT to review and confirm the data and results presented in the Status of Agreed Outcome Indicators attached as Annex 2.

### **B. Sustainability**

10. Overall, the prospects for project outcome sustainability are considered to be fair. The mission notes several key issues that could potentially undermine the sustainability of the project:

- adherence to specifications, technical quality of civil works and inadequate construction supervision
- timing of fuel levy increases and attainment of full cost recovery for road maintenance.
- in gaining widespread public support, the ability of the RMF to communicate the benefits provided to road users, rather than simply the financial position of the fund.
- insufficient resources budgeted for data collection, inconsistencies in the quality of data collection, and reliability of information generated by URMF.
- Changes to the MPWT organizational structure regarding safeguard responsibilities will require additional capacity development.

11. *Sustainability of Civil Works.* Significant progress has been made on the amount of maintenance that has taken place on the national road network. However, there is high risk that the sustainability of the provincial roads maintained under the project may not provide adequate access or service to road users and beneficiaries in the future. The quality of maintenance works implemented during RMP2 is still below expected standards. MPWT recognizes that low quality works and inadequate management, couple with insufficient axle

load enforcement, could jeopardize the sustainability of future programmes if no remedial measures are taken. DoR needs to strengthen the capacity of LRD and RAD in monitoring the performance of DPWT in managing contracts, particularly regarding adherence to the quality of construction materials.

12. The condition of the local road network, which is largely unpaved, remains a concern, particularly as the maintainable portion of the network is between 25- 30% in most provinces, with the bulk of roads classified as unmaintainable. Primary effort has been given to periodic maintenance regravelling with little effort applied to routine maintenance. In effect, and due to significant resource constraints, this results in a cycle of regravelling every three to four years and as some roads are improved others become unmaintainable. To attain greater sustainability more emphasis needs to be placed on routine maintenance with priority given to drainage and reshaping gravel pavements on a regular basis. It is therefore important that previous investments are preserved through the proper allocation of resources that will not only preserve the asset base but also continue to support economic and social development priorities. The addition of NT2 funds will provide a valuable resource to the local road improvement program.

13. MPWT will need to be increasingly strategic in balancing resource allocations for improvement and maintenance of across the entire road network. In this respect it needs to be recognized that there is insufficient funding to support development of all roads, particularly at the local level. Consideration should be given to prioritizing support for a core network at the district level and below to ensure adequate accessibility is maintained to key centers of population and economic activity.

14. *Fiscal Sustainability.* The RMF has been highly successful in mobilizing user-generated resources to support road maintenance of the national network. The original end of project target of LAK100b was met in 2006, and 2009 projections of LAK207b far exceeds this target. However, sufficient resources to cover national road maintenance needs are only forecast to be reached at the earliest by 2015 (from an original target date of 2009), provided that timely and adequate increases to the fuel levy are introduced. Given the level of financial resources required for maintenance across the entire road network of the country, it is unlikely that sufficient funds will be available for many years, particularly as the local road network is expanded to provide all weather accessibility and basic access to remote villages.

15. Identified issues with RMF are firstly that the RMF operates purely as a financial intermediary, responsible for paying commitments when requested for approved maintenance contracts. In this respect, it has little involvement in the planning process and does not measure whether its expenditures and disbursements have positive impacts and outcomes. Additionally, decisions to commit RMF funds on various externally assisted projects are made without involving RMF administrators. A second issue is that use of RMF resources is solely committed to civil works and does not provide assistance to identify priorities for the use of the funds. Longer-term planning on the use of RMF resources need to be included in the MPWT medium term expenditure plans. Lastly, the long-term independence of the RMF is considered essential to ensuring that dedicated resources remain available for preservation of road assets.

16. NT2 Resources. MPWT received LAK15 billion during fiscal year 09/10 for the local road development, LAK 6 billion of which was allocated for maintenance of 286 km of district and rural roads, which is now completed 68% and will be fully completed by June. LAK 9 billion was allocated for improvement of basic access with a total length of 134 km in Nong, Samouay, Ta Ouy, Kaluem, and Dakcheung district in Savannakhet, Saravan, and Sekong Provinces, respectively. LRD has proposed a workplan for fiscal year 10/11 with a total requested budget of LAK 60 billion from NT2 resources, 60% of which will be allocated to improvement of basic access and the remaining 40% for maintenance of district and rural roads. LRD will prepare and submit to the World Bank a three year rolling plan for roads to be financed by NT2 revenue.

17. *Sustainability of Institutional Development Outcomes*. While the URMF offers a robust planning and monitoring tool, there has been insufficient attention and commitment to ensuring the data used in the planning process is collected regularly to ensure accuracy and uniformity. At the present time road condition data is collected every two years and traffic data every five years. Given the fact that road conditions, particularly those on gravel and earth roads, often change significantly by season, the interval of data collection is too infrequent. This results in poor prioritization since road conditions and traffic levels, the key parameters in an RMS system, are often out of date and do not reflect actual conditions in the field. Furthermore, the traffic data needs to accurately reflect the composition of traffic by differentiating growth between vehicle types as well as NMT, rather than the use of an aggregate traffic growth rate across all modes. Given the priority needs of the sector and the importance of ensuring that available resources are properly prioritized, consideration needs to be given to providing RMF resources to support the planning process. Use of resources in this way will better ensure that maintenance programs match priority needs.

18. Safeguards. Despite successful implementation of the technical assistance on safeguard capacity building, there is an institutional challenge regarding safeguard capacity of DOR. Since February 2009, ESD (including staff, vehicles, and equipment) has been moved from DOR to PTI with a wider mandate covering safeguard policy, regulations, technical guidelines, and training of all MPWT agencies including the Department of Road, the Department of Transport, the Department of Water Transport, The Department of Aviation, and the Department of Urban Development. DPWT will be responsible for planning for investment and maintenance (periodic and routine) of provincial and rural roads, including preparation of bid document, conducting the bidding process, signing of contracts, and supervision of contracts, including safeguards. DOR is responsible for (a) monitoring and evaluation of provincial and rural roads and (b) planning of investment and maintenance (periodic and routine) of the national roads, including preparation of bidding document, conducting bidding process, signing a contract, and monitoring and evaluation. The Technical and Environmental Division (TED) of DOR will be responsible for technical aspects including environmental and social safeguards.

19. The mission discussed with ESD and TED regarding the new functions and the safeguard capacity to ensure that appropriate actions and/or resources will be allocated for forging effective implementation of safeguard activities related to road works, especially those to be financed by the Bank. While some staff of TED had received safeguard training during the implementation of the SIDA TA, additional assistance including necessary

equipment, facilities, and operational budget would be necessary for TED to perform their safeguard responsibilities. The mission informed ESD and TED that the EIA decree has been approved on 16 February 2010 and there will be a series of training workshops on the Technical Guidelines for implementation of the Compensation and Resettlement (C&R) decree and the EIA decree and both ESD and TED should actively participate in the training.

20. Given limited technical and management capacity of TED at present, it was agreed that under LRSP, ESD will play a leading role in ensuring full compliance of LRSP safeguard requirements while providing safeguard training and capacity building to TED and DPWT Houpan and Pongsali.

- ESD responsibility will include:
  - (a) disclosing the C&R decree and EIA decree to all MPWT agencies and key staff;
  - (b) updating the MPWT's EIA regulation and technical/operation guidelines related to road project in line with the C&R decree and the EIA decree, including updating of ESOM as needed;
  - (c) provide training to TED and DPWT on ESOM and screening and supervision of road maintenance (ESSF and monitoring), including maintaining proper records;
  - (d) providing training and capacity building as needed to DPWT of Houpan and Pongsali on the implementation and monitoring/reporting of the RAPs and the EMP for roads A1 and 6B; and
  - (e) prepare a six month progress report on safeguard activities.
- TED will be responsible for ensuring that
  - (a) appropriate safeguard screening and EIA/SIA requirement for road subprojects to be implemented under LRSP are comply with MPWT safeguard policy and operations procedure, including ESOM,
  - (b) safeguard requirement for road projects are included in all bidding and contract documents and they are effectively implemented and/or supervised, and
  - (c) periodic monitoring of safeguards, including ensuring safeguard compliance with the safeguard policies and requirements of financing agencies.
- DPWT of Houpan and Pongsali are responsible for
  - (a) ensuring safeguard monitoring of contractors on the ground and coordination with local authorities regarding land acquisition, resettlement, and other social safeguards in line with ESOM and the Resettlement Policy Framework (RPF) and the Ethnic Group Development (EGDP) of LRSP; and
  - (b) ensuring proper disclosure of safeguard documents and/or information to local communities and authorities as required for LRSP.

21. The LRSP resources allocated for safeguard training and capacity building (\$350K) will be used to facilitate achievement of these objectives. Consultants will be hired to assist ESD, TED, and the two DPWT to supervise and monitor the implementation of safeguard activities. ESD in consultation with TED, the two DPWT and the WB will review the draft

work plan for safeguard capacity building of LRSP in line with this objective. It is anticipated that the plan will be submitted for WB no objection by the end of April 2010.

### **C. Procurement Experience During Implementation**

22. MPWT has implemented several Bank financed road projects over the past 12 years. In general, the capacity of MPWT to implement procurement based on Bank Guidelines is considered satisfactory. Under RMP2, there are several agencies/departments responsible for procurement and contract management, with the majority of procurement for road maintenance program and other civil works handled by the provincial and district departments. As there is a high degree of decentralization of procurement and contract management of civil works contracts to the Provincial level, it is noted that the DPWT's have a basic understanding of the procurement and contract management process. However, due to the lack of quality assurance, internal control and monitoring process, procurement contract management systems remain to be strengthened. Contract formats varied for projects financed from different funding sources. While all contract documents were in English, both DPWT and contractors have limited English proficiency, causing challenges for both contractors and DPWT in fully following technical and policy requirements of the contracts conditions. Important discussions and meetings related to contract implementation were not documented. For example, minutes of final inspection had not been recorded.

23. The procurement of goods and consulting services done by each concerned Department was supported by Project Monitoring Division (PMD) under DOR. In general, MPWT has used its owned staff to provide procurement support for the project's implementation, though there are a limited number of MPWT staff who are familiar with the Bank's Procurement Guidelines. MPWT's M&E system is also limited thus coordination among stakeholders needs further improvement to ensure smooth implementation. However, the mission noted that certain project training exercises on procurement and contract management were not conducted. In general, procurement was in accordance with the Bank's Procurement Guidelines; however there was one particular case (related to Component B.3.1) contract modifications were implemented without Bank prior consent. This was the result of poor coordination between all stakeholders and a lack of understanding on the policies regarding contract management. Under the next operation (LRSP), coordination needs to be strengthened.

24. Lesson Learned on the pre-qualification/pre-registration and post-qualification processes for civil works should be elaborated in the MPWT ICR. As per the Bank's Procurement Guidelines, the processes are designed to give all eligible bidders the same information and equal opportunity to compete in providing goods, works and services and the importance of transparency in the procurement process. The Bank discussed with MPWT that pre-qualification is only recommended for large and complex contracts. Based on this principle, the majority of procurement for goods and works shall apply the post-qualification process.

### **D. Financial Management**



25. Overall Performance: The overall financial performance is considered to be “satisfactory”. There were a few shortcomings but they did not prevent the project to provide timely financial information for project monitoring and external audit. The project was audited by acceptable auditor and the audit opinion (FY08) was unqualified (clean) without any major accountability issues. The Project has maintained appropriate financial management system with sufficient numbers of skilled staffs. The shortcomings are mainly systematic issues, which include the following;

- Weaknesses in internal control of certifying work progress of civil works. The IPCs issued for payments according to work progress have been certified by the engineering team involving in procurement and contract management. There is inadequate independent verification in place to ensure proper physical work progress against payments made.
- Repeating issues on auditor comments. The issues on maintaining records and documentation of advances have been repeating but there was no significant impact to the Project position.

The overall risk remains “substantial” due to the above systemic issues coupled with high country inherent risk.

26. External Audit Arrangement: Ernst & Young was appointed to conduct the audit of the project for 15 months period from October 30, 2008 to December 31, 2009. Given project extension to June 30, 2010, the audit for extended period is needed. As the next audit period is short (6 months period) and E&Y is one of the Bank’s acceptable auditors, the government will propose to extend the contract to the same auditor with additional cost approximately \$4,000. Even though the auditor is acceptable, the project should ensure that there is no procurement limitation. As such, the mission recommended that the team consult with the Bank’s procurement specialist before amendment of the contract. The fee will be funded from IDA 3944.

27. Disbursement: As of March 25, 2010, the project has cumulative disbursement and remaining fund available equivalent to USD 29.743 million and USD 0.916 million respectively as per detailed table below.

LOAN			Original Amount In Currency	Undisbursed Balance (in Currency)	Exch Rate	Undisbursed Balance (in USD)	SA Balance (in USD)	Total Fund Available (in USD)	Cumulative Disb (in USD)
			1	2	3	4	5	6 = 4+5	25-Mar-10
IDA39440	<a href="#">IDA</a>	<a href="#">XDR</a>	15,500,000.00	2,829.87	1.51577	4,289.43	43	4,332	23,287,762
TF53808	<a href="#">PHRD</a>	<a href="#">USD</a>	4,800,000.00	275,227.87	1	275,227.87	84,300	359,528	4,524,772
TF93204	<a href="#">AUSAID</a>	<a href="#">AUD</a>	2,617,042.00	292,114.26	0.91265	266,598.08	285,555	552,153	1,930,308
	<b>TOTAL</b>							<b>916,013</b>	<b>29,742,842</b>

28. **PLAN TO UTILIZE THE REMAINING FUNDS.** The project has planned to implement the following activities, which is expected to be completed by or before June 30, 2010 (the new closing date).

- IDA-\$4,332: It will be used for the extended period of the audit.
- PHRD -\$359,528: It will be used for improving procurement capacity of MPWT and conducting more trainings and workshops. As the existing project FM procedures are not comprehensive enough to cope with growing responsibilities, the mission recommended that the team consider to improve the procedural manual to reflect new development such as fund flow and internal control mechanism and provide more training as needed.
- AusAid-\$552,153: It will be used for civil works, which procurement process has just started.

29. **FM LESSONS LEARNT.** The lessons learnt from Financial Management aspects comprise of the following.

- **Road Maintenance Fund(RMF):** Even though the Fund is operating through the Bank's support, there is on-going issues on governances and financial sustainability that could be resolved. The Fund has faced financial liquidity from time to time and staff cannot be increased to support growth. Internal controls are weak and financial management system need substantial improvement.
- **Disbursement Division (DD):** Even though project financial management capacity is improved to be able to handle multi- projects within Department of Road, there is still some limitation. None in DD has adequate technical skills and background to tackle complex issues in accounting, financial controls, planning and budgeting. There is no real Controller function and internal audit. ACCPAC accounting software is operating well but it was not fully utilized. There is few inconsistencies for information recorded in ACCPAC database and the financial statements developed manually.
- **Recommendation for future improvement:** To ensure outcomes are effectively achieved, future supports should include FM indicators, such as number of provinces that have sufficient FM capacity; Progress of establishment of internal control and engagement of internal audit. Future consulting assignments on FM and Accounting software, services should be provided by qualified professional accountant with substantive experiences in practices as a minimum qualification.

#### **D. Review of Safeguards**

30. Review of the supervision records and discussion with ESD suggested that most of the safeguard activities identified for RMP2 were carried out through SIDA technical assistance and participation in supervision of various projects financed by WB, SIDA, and ADB. The ESSF screenings and results were sent to ESD for review and record. The subprojects do not involve land acquisition or relate directly to any particular ethnic minority groups. Dust and road safety were identified as a common issue and ESD also assist two selected communities to secure funding from other sources to carry out awareness and activities to reduce road safety risks and dust mitigation. Disclosure of the safeguard policy frameworks were made through posting of information at the Department of Public Works and Transport (DPWT) responsible for the subprojects and ESD mission to consult with local communities. Community inventory in the road right-of-way were conducted in two villages in the north, however follow-up actions could not be made due to the lack of budget.

31. Other key safeguard activities include: (a) inclusion of specific safeguard requirements in the road maintenance contract; (b) training of DOR and DPWT staff on safeguard issues and consultation with local communities; (c) development of various technical guidelines; and (e) harmonization of safeguard requirements which has later been finalized as an Environment and Social Safeguard Operation Manual (ESOM). The ESOM has been considered as an important safeguard instrument for the application of the Use of the Country System (UCS) for the Environmental Assessment Policy (OP/OD 4.01) and it will be applied during the implementation of a follow-on project (Lao Road Sector Project or LRSP). It is noted that despite a comprehensive training on environmental and social safeguard, clarity on the implementation of the Compensation and Resettlement (C&R) Decree (2005) will be necessary.

### **E. Capacity Building**

32. Progress has been made on institutional strengthening and human resources development during the project implementation. A large number of MPWT and DPWT staff members received training, mostly on technical aspects. Assessment of the human resources capacity development have been conducted, with increase score on many functions, based upon which five year HR development plan has been formulated, which will be subsequently submitted to Public Administration Civil Servant Authority (PACSA) who will consider allocation quotas for the recruitment of new staff members. DoP is also currently preparing a strategic human resources development plan covering the period up to 2020. As for Organization reform, revised mandate and role and reasonability of each Departments and DPWTs have been put in place aiming at an increase in effectiveness and efficiency and transparency in managing the sector. However, much needed is for training at district level. The mission recommended that future capacity development assessments attempt to draw a parallel between individual and organizational performance with institutional performance.

33. The ICT strategy and action plan developed under RMP2 was endorsed by MPWT ICT committee and submitted to the Minister for approval. Given that limited resources are allocated to this work, much achievement has been made including establishing an ICT division with competent staff. LAN network connectivity with all central level departments has been put in place. However, to optimize the benefit from the investment, more resources are needed to implement the action plan.

### **F. Legal Covenants**

34. Annex 3 provides a summary of relevant project specific legal covenants and the status on compliance.

### **G. MPWT's Draft Implementation Completion Report**

35. Prior to the mission, MPWT submitted a draft Implementation Completion Report. It was agreed that PMD would ensure consistency between the Sida completion report and the IDA ICR. The initial draft is of fair quality; the following comments are provided to strengthen the next version:

- **Project Costs:** The report indicated the estimated costs at appraisal and the final costs at completion. However, an explanation of variations between the appraisal and final costs is not provided. The report can be strengthened to include justifications and/or rationales for such deviations.
- **Minor variations to project activities during implementation:** The report indicates that some project activities were either modified, incurred delays or did not take place. The report should provide some background or explanation of these changes.
- **Assessment of outcomes:** While the report provides the necessary data/information on the inputs and related outputs under the project, it can be strengthened by including a more detailed assessment of the project's outcomes. As it stands now, the section provides mostly project outputs without an analysis of the impacts of the outputs. In addition, the report indicated many factors affecting the outcomes but did not propose any measures or mitigations for future improvement.
- **Sustainability:** The report can be strengthened by providing a more analytical approach to determining the sustainability of the project outcomes and achievements. An evaluation of the likelihood of the physical sustainability of the maintenance investments, the financial sustainability of the future resources available for road maintenance, as well as the long term prospects for continuation of institutions, systems, procedures, and staff capacity developed under the program. An overall assessment made on the basis of these three criteria can provide an on whether, at this point when.
- **Safeguards:** ESD submitted the final completion report (November 2009) summarizing the safeguard capacity building activities carried out during 2004-2009 under SIDA technical assistance. The report does not fully reflect safeguard performance of RMP2 project and the safeguard information in the revised Implementation Completion Report (ICR) remain inadequate. The mission requested MPWT to revise the ICR report again to include adequate safeguard assessment as suggested in the January 2010 aide memoire.
- **Assessment of the Bank's and Borrower's performance.** The report provides a rather mechanical approach to assessing implementation performance of the Bank and Borrower. Specific examples of where the Bank or Borrower performed well or was less than satisfactory would enhance the understanding for the ratings.

### **Coordination between Road Sector and Poverty Reduction Fund**

There has been discussion on collaboration for the rural roads development between MPWT and Poverty Reduction Fund (PRF). The potentials for collaboration are (i) Road development and maintenance planning, (ii) capacity building of district road offices. It was suggested to have joined LRD and PRF field visits and joined the implementation support mission.

### **Remaining Project Activities**

*AusAID financed Civil Works.* For National road, during fiscal year 08/09, Periodic maintenance of 75 km of road 9 and road 11 in Savannakhet and Vientiane province respectively, financed by AusAid was completed, and during 09/10 the spot improvement of road 9 from KM 112 to 183 is being carried out, currently 30% of which was completed and remaining work will be completed by June 2010. With regards to provincial roads, during 08/09 there were 17 periodic maintenance contracts, with total length of 362.83 Km and 1 contract for maintenance of four bridges, all of which completed. During 09/10, there were three periodic maintenance contracts, each in Houaphanh, Xiengkhouang and Vientiane provinces, with total length of 72.5 km, currently 33% of which completed and the remaining will be completed by June 2010.

36. *Heavy Load Control Program.* As noted in previous mission Aide Memoires, DOT has procured six sets of vehicle weigh scales. At present, only two sets of weigh scales have been installed. The remaining four sets of weigh scales are awaiting installation but to date no resources have been allocated. The Minister indicated approval of the installation of one set in Savannakhet province at Mekong Bridge (station is already constructed though scale is broken). DOT proposed preparation of a short report to present to the Minister on recommendations to utilize the equipment in conjunction with a loan from the Asian Development Bank (ADB 10) which provides resources for weigh stations. The Mission requested MPWT to examine the possibility of utilizing the 4 sets of weigh scales with resources allocated under ADB 10 for weigh stations to ascertain whether in combination the resources are sufficient to construct the needed infrastructure to support the implementation and use of the weigh scales.

**ACTION: DOT to prepare the report Weigh Scale proposal, including implementation schedule, before end-March 2010.**

37. *Consulting Services for Development of the URMF.* A contract extension to March 15, 2010 for the URMF consulting services has been approved in order to enable modifications to the framework for the addition of urban roads. IDA acknowledged receipt of the draft final report and provided initial comments. The team recommended that PTI conduct a thorough review and the draft. Key points for consideration includes the need to correct issues previously identified on the EIRR outputs. It was noted that there remains a need for systematic electronic storage of data that is easily retrievable and in a format that is understandable. The URMF Manual needs to be more explicit on how to perform the analysis of RMS and PRoMMS outputs, and that clear instructions on how to modify the software if the need for adjustments or calibrations are required, as necessary.

38. *URMF Reporting Framework.* It was noted that, while the URMF is capable of producing substantive information, no comprehensive reporting template, with a consistent presentation of system outputs and road network performance indicators has been established. It was recommended that the consultant prepare a reporting template that PTI can replicate in future publications. The report can serve as a vital tool for shaping MPWT's understanding of the consequences of constrained budgets and the associated impacts/costs to the sector. The report also has the potential to facilitate higher-level buy-in of the prioritization mechanisms and effectiveness of the maintenance programs.

39. *URMF Training.* PTI proposed use of US\$8000 remaining in the project activity for training on use of the URMF.

**ACTION: The mission recommended that PTI submit its training plan to MPWT for consideration.**

40. *Technical audit.* In January 2010, DoR was requested to prepare and submit to the Bank a time bound action plan to address the issues raised in the technical audit. The mission was informed that PMD was in the process of preparing a report for the Internal Control Unit of the Department of Inspectorate to present in the Annual MPWT meeting, where all DPWTs and OPWTs nationwide will attend.

**ACTION: PMD prepares action plan, based on discussion in the annual meeting, to address issues raised in the technical audit report.**

41. *Vehicle Registration Driving License System.* The system, which aims at improving the efficiency of the existing VRDLS and vehicle data management has been developed and piloted. Technical glitches incurred during the pilot phase require some reconfiguration and testing of the ICT infrastructure and VRDLS application, which is currently being carried out. MPWT has approved the plan to fully operationalize the VRDLS, with a target date of May 2010.

42. *Financial Audit arrangements for FY09.* The financial audit of RMP II for the period from Oct 1, 2008 to Dec 31, 2009 (15 months) will be funded by SIDA. The project proposed that the audit be carried out as originally planned for the period of 15 months to coincide with the closing of the SIDA accounts.

43. As for the financial audit for the period of project extension (i.e. from Jan 1, 2010 to the October 31, 2010 grace period), the project initially proposed to utilize any remaining fund from IDA3944. However, as mentioned above, the remaining fund appears to be very small, the mission recommend (i) Since TF053808 and TF93204 did not allocate any funding for audit of the project, the project should quickly determine the audit cost and ensure that the fund shall be sufficient for audit fee of the remaining 6 months, (ii) The project should also contact the Bank's designated procurement specialist to obtain advise on extension of the audit contract as soon as the source of fund for the audit is confirmed. The current project auditor (Ernst & Young) is acceptable to the Bank.

44. *IDA Implementation Completion Report.* The mission informed MPWT that it will be drafting the ICR over the next few months and intends to hold a workshop later this year to discuss its findings.

45. *Credit and Grants Closing Date.* The Credit and Grants closing dates is to **June 30, 2010**. There is a four month grace period for disbursement of eligible expenditures of project activities completed by the closing date. The mission informed MPWT that final withdrawal applications and invoices must be submitted to IDA within the four month grace period (e.g.. October 31, 2010).

**Annex 1: A List of Key People Met****MPWT**

1.	H.E Mr. Sommad Pholsena	Minister, MPWT
4.	Mr. Laokham Sompheth,	DG, Department of Roads
5.	Mr. Souvanny Ratanavong,	DDG, DoP
6.	Mr. Chantoula Phanalasy,	DDG, DoI
7.	Mr. Thongvanh Phetthaviseng,	DDG, DoT
12.	Mr. Bounta Kounlavong,	DoT Coordinator
16.	Mr. Sengdarit Khattygnasack,	Dir., LRD, DoR
17.	Ms. Keoviengsan Khamkhosy,	Dir., DD, DoR
18.	Ms. Phogneune Souvannavong,	Dir., ESD, DoR
19.	Mr. Daochinda Siharath,	Dep. Dir, PMD, DoR
22.	Mr. Thongdene Khammany	Dep. Dir, DD, DoR
23.	Ms. Manivone Khaygavong,	Dep. Dir, PTD, DoR
24.	Mr. Sack Dalath,	Dep. Dir, RAD, DoR
25.	Mr. Sisamouth Phanthachack,	Dep. Dir, TSD, DoT
27.	Mr. Viengnam Douangphachanh,	RMS Team, PTI
29.	Mr. Sengchanh Homsylahack,	Dep. Dir, PID, CO
32.	Mr. Litta Khattiya,	Dep. Dir, RAD, DoR
34.	Mr. Viengvilay Soulinthone,	Eg. RAD, DoR

**RMF:**

Mr. Chanthaphone Phanvisouk,	Head of Secretariat, RMF
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Status of agreed outcomes indicators:						
Indicators	Measurement					
	<i>Insert the measured value, or a qualitative indicator, or a brief explanation of why indicators are not available, together with the date of the information</i>					
	Baseline Value		Progress To Date		End-of-Project Target Value	
	Number or text	Date	Number or text	Date	Number or text	Date
<b>PDO indicator(s)</b>						
Roads in good and fair condition as a share of total classified roads(Percentage) - Core Indicator	32.00%	06/30/2005	44.40%	01/08/2010	36.00%	06/30/2010
	Comments: 48% is the average condition of entire road network with a total length of 37322 km, of which 7233 km of Nr, 7255 km of Pr, and 22834 km of district and rural roads.		Comments: 44.4 % if the an average condition of entire road network including 7233km of national roads, 7255 km of provincial roads, and 22883 km of district and rural roads. IDA funds only finance NR and PR network.		Comments: 40% is an average condition of entire road network, made up of 80% for NR 30% for PR and 25% for district and rural roads	
Direct project beneficiaries(Number) - Core Indicator	0		3840000			06/30/2010
	Comments:		Comments: with increases in revenue for RMF and improved institutions and capacity of staff members of MPWT, DPWT, and OPWT in managing maintenance of road network, road users nation wide are beneficiary of the project outcome.		Comments:	
80% of paved national Road Network (3771 km) remains in excellent to good condition; and 30% of the Provincial Road Network (6,476km) remains in good condition (Text Description) - Custom Indicator	73% of NRN; 23% PRN	09/01/2004	83% of paved NRN in excellent and good condition, 51% PRN good and fair condition.	01/08/2010	80% NRN; 30% PRN	06/30/2010
	Comments:		Comments:		Comments:	
Domestic budget including revenues from users is sufficient to fund routine maintenance on at least 90% of the National	80% for routine; 6 % for periodic and rehabilitation	09/01/2004	Routine maintenance for 91% of maintainable NR and periodic maintenance for	01/08/2010	90% for routine (N); 8% periodic (N&P) by RMF	06/30/2010



road Network and periodic maintenance and rehabilitation on at least 8% of the N (Text Description) - Custom Indicator			7% of NR and 10% of PR are funded by domestic budget.			
	Comments:		Comments: With more than 50% or 3600 km of National road network are maintained through three years performance based contracts, financed by RMF, including all type of maintenance need except emergency maintenance, domestic source of fund allocated to periodic maintenance actually exceed the target. But it is difficult to measure percentage of domestic funds allocated for periodic maintenance in a conventional way, since the scope of performance contract has not distinguished between routine and periodic		Comments:	
<b>Intermediate outcome indicator(s)</b>						
2,000 km of National Roads and 2,000 km of Local Roads at the national level are subject to periodic maintenance by end of project (Text Description) - Custom Indicator	500km National; 450km Provincial	09/01/2004	1,974 km of NR, 2313 km of PR received periodic maintenance	01/08/2010	2000km National/ 2000km provincial	06/30/2010
	Comments:		Comments:		Comments:	
RMF annual revenue reaches LAK 100 billion by 2008(Text Description) - Custom Indicator	LAK 34 billion	09/01/2004	LAK 206.5 billion recorded for FY08/09	01/08/2010	LAK 100 billion	06/30/2010
	Comments:		Comments:		Comments:	
An integrated vehicle and driver registration system is established at MCTPC and the provinces(Text Description) - Custom	Established in one province	09/01/2004	Minister approved the system	01/08/2010	established at MPWT and the provinces	06/30/2010
	Comments:		Comments: The system will be operational zed by May 2010		Comments:	

Indicator						
Current level of compliance is retained (incidence of overloading exceeding 20 percent stays less than 10 percent) for the duration of the project (Text Description) - Custom Indicator	<10%	09/01/2004	12.5% reported by DOT	01/08/2010	<10%	06/30/2010
	Comments:		Comments:		Comments:	
Road safety audits are mainstreamed for the National Road Network by September 30, 2007(Text Description) - Custom Indicator	ongoing for one road	09/01/2004	Road safety audit function has been established in DoT and audit training has been provided to DoT, DoR, and DPWTs. Audits carried out for NR 13N, 9, R 1 and 5 in Vientiane, 8 and Road 3.	04/02/2009	Audits mainstreamed for NRN	09/30/2007
	Comments:		Comments:		Comments:	
A program of hazardous locations improvements is implemented by September of each year(Text Description) - Custom Indicator	As per annual work program	09/01/2004	Not Applicable. Hazardous locations improvement is no longer part of IDA RMP2 Project	04/15/2006		06/30/2010
	Comments:		Comments:		Comments: project activity cancelled	
Performance levels in priority MCTPC/DCTPC functions attain the targets specified in the capacity building strategy by EOP (Text Description) - Custom Indicator	No indicator established	09/01/2004	Capacity assessment has been completed. A 5-year training program has been developed. Overall monitoring framework with indicators to measure performance has	01/08/2010	A monitoring and evaluation framework together with indicators and milestones for the road sector to be in place and used as tool for strategic management of the MPWT	06/30/2010

			been developed.			
	Comments:		Comments:		Comments:	
Development partners in transport sector have a harmonized approach to institutional and capacity development in the sector. (Text Description) - Custom Indicator	Donor partners do not actively harmonize their approach	01/02/2006	Technical infrastructure working group established, chaired by the Minister and participated by all donors involved in the sector, meet twice a year.	01/08/2010	Key transport development partners have discussed and agreed on a harmonized approach.	12/31/2009
	Comments:		Comments:		Comments:	
Establishment of a national association of private sector firms, contractors, and transport service providers.(Text Description) - Custom Indicator	Minimal stakeholder representation for private sector firms, contractors, and transport service providers	07/01/2004	Measures to strengthen commercial practices identified, creation of industry associations with due compliance of provisions of the decree on associations recommended, and action plan developed, improvement in the interaction of public and private sectors was reviewed and action plan was established.	01/08/2010	National association of private sector firms, contractors, and transport service providers is established and operational.	06/30/2010
	Comments:		Comments:		Comments:	
Business systems and process modernization(Text Description) - Custom Indicator	New procurement, contract management, planning, financial management,	07/01/2004	Financial management system will require software updated in two years in line with MoF,	01/08/2010	Installation, testing and piloting of new systems are functional and effective at selected	06/30/2010

	and environmental management system developed.		contract management to be developed, and environmental management plan developed.		provincial, district offices and at the central level of MCTPC	
	Comments:		Comments:		Comments:	
Staff skill and demonstrated ability to: use new planning/financial applications; comply with environmental/social safeguards; undertake (Text Description) - Custom Indicator	low capacity at HQ, provincial, district offices of MCTPC	10/27/2006	An organization capacity development plan developed, DoP staff trained on evaluation, monitoring, implementation of training to the staff of MPWT, DPWT and OPWT s.	01/08/2010	increase capacity at HQ, provincial, district offices of MCTPC	06/30/2010
	Comments:		Comments:		Comments:	

### Annex 3 - SUMMARY STATUS OF COVENANT COMPLIANCE

(Ref: Schedule 6 of Development Credit Agreement, IDA Cr. 3944-LA  
for Road Maintenance Program-Phase 2 (RMP-2) between Lao PDR and IDA dated 27<sup>th</sup> August 2004)

As of 13 November 2009

Paragraph	Description of Covenant	Responsible	Due Date for Donors	Current Status	Remark
			(prepared by IDA)		(prepared by DoR/MPWT)
ARTICLE I — General Conditions - Definitions					
Section 1.01	Prepare and furnish to the Association <i>a report</i> , of such scope and in such detail as the Association shall reasonably request, <i>on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance</i> by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit	PCC, DoR	Not later than six months before the Closing Date ( <i>31 March 2009</i> ) or such later date as may be agreed between the Borrower and the Association	C	Draft Implementation Report issued November 2009
ARTICLE III — Execution of the Project					
Section 3.02.(b)	<i>Update the Procurement Plan</i> in accordance with guidelines acceptable to the Association, and furnish such update to the Association for approval	PMD/DoR	Not later than 12 months after the date of the preceding Procurement Plan	C	Submitted on 15 May 2007 and 11 September 2008
ARTICLE IV — Financial Covenants					
Section 4.01.(b)-(i)	<i>have the financial statements</i> referred to in paragraph (a) of Section 4.01 for each fiscal year (or other period agreed to by the Association, <i>audited</i> , in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association	PDD/DoR	Annually	C	Financial audit for FY2008-09 ongoing and to be issued end December 2009
Section 4.01.(b)-(ii)	furnish to the Association (A) <i>certified copies of the financial statements</i> referred to in paragraph (a) of Section 4.01 for such year (or other period agreed to by the Association, as so audited, and (B) <i>an opinion on such statements by said auditors</i> , in scope and detail satisfactory to the Association	PDD/DoR	as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association).	C	Submitted as scheduled
Section 4.02.(b)	The first <i>FMR</i> shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the	PDD/DoR	not later than 45 days after the end of the first calendar quarter after the Effective	C	Submitted as scheduled

	Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnish to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter		Date (24 January 2005); and subsequently not later than 45 days after each subsequent calendar quarter.		
Section 4.03	<i>have the records and accounts of the RMF, which records and accounts reflect its operations, resources and expenditures, for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association, and furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors of such scope and in such detail as the Association shall have reasonably requested</i>	RMF	not later than 31 March in each year, commencing 31 March 2005, and until completion of the Project	C	Final report will be submitted by end of July 2010
<i>SCHEDULE 4 — Implementation Program— Section A: Project Management</i>					
1	Maintain, the <i>Road Maintenance Advisory Board and a Secretariat</i> , with competent staff in adequate numbers, including, a Head of Secretariat, a technical manager, a financial manager, and an accountant, all with qualifications and under terms of reference acceptable to the Association	RMF	compliance to be confirmed <i>annually</i>	C	Compliance confirmed
2	Maintain, with <i>competent staff in adequate numbers headed by a Project Director</i> , the following units: the Project Monitoring Division, the Road Administration Division, the Planning and Technical Division, the Environmental and Social Division, and the Disbursement Division, all of the Department of Roads, the Department of Transport, the Manpower Development Division of the Personnel Department of MCTPC and the DPWTs, all with qualifications and under terms of reference acceptable to the Association	DoP, DoT, PAD/DoR	compliance to be confirmed <i>annually</i> until completion of the Program	C	Compliance confirmed
3	Maintain in the <i>Planning and Technical Division of the Department of Roads of MPWT, a Road Management Team</i> for purposes of operating a computerized system for preparation and economic analysis of road maintenance and rehabilitation programs (RMS), with competent staff in adequate numbers who possess skills in database management, mapping, road and traffic data collection highway planning and economics, routine maintenance planning monitoring and	PTI	compliance to be confirmed <i>annually</i> until completion of the Program	C	Compliance confirmed  (RMS transferred to the PTI, as advised 8 <sup>th</sup> September 2008)

	evaluation systems, and a working knowledge of the English language, with qualifications and under terms of reference acceptable to the Association				
4	Establish and thereafter maintain until completion of the Program, a <i>Program Review Panel (PRP)</i> for the purposes of achieving the development objectives of the Program, mobilization of the required financial resources, including cost-sharing arrangements and RMF revenues and allocations, and coordination of donors supporting the Program, comprising the Vice-Minister MCTPC, Directors General of DoR, DoT and DoP, Chairman of the RMFAB, Director General of International Cooperation Department, Ministry of Foreign Affairs, Director General of External Finance Relations Department, Ministry of Finance, and at least two Provincial Vice-Governors	DoP, PAD/DoR	PRP established and confirmed in October 2004. Continuity of PRP to be reconfirmed <i>annually</i>	C	Reconfirmed October 2009
5	Establish and thereafter maintain until completion of the Program, a <i>Project Coordination Committee (PCC)</i> responsible for the management and coordination of the various activities and implementing entities under the Project, chaired by the Director General of DoR and comprising the Director of each MPWT Division involved in the implementation of the Program, the Head of the RMF Secretariat, and at least three DCTPC Directors	DoP, PAD/DoR	PCC appointed and confirmed in October 2004. Continuity of PCC to be reconfirmed <i>annually</i>	C	Reconfirmed
6	Through MCTPC enter into <i>Agreement with each Province providing for the respective responsibilities</i> in the carrying out of the Project or any part thereof, acceptable to the Association	DoP, PAD/DoR	MoA signed in October 2004	C	Complied with
<i>SCHEDULE 4 — Implementation Program—Section B: Project Implementation</i>					
8 (a)	<i>Dissemination of safeguards framework and guidelines</i> to relevant local population at least 60 days prior to the initiation of any works in form and substance acceptable to the Association. ESD sent a formal letter requesting DPWT compliance with this covenant. ESD follow up during the training and supervision visits and report. Information on the sub-projects are disseminated to the public and local communities through various means including posting at DPWT office, advertisement in local newspaper, and meeting with community and their leaders	ESD/DoR now ESD/PTI and TED/DoR	By 5 <sup>th</sup> February 2007	C	Complied with

8 (b)	Undertake any required <i>safeguard actions</i> . ESSF for the sub-projects prepared and sent to ESD for record; Specific safeguards requirements included in bidding documents for N and P roads; safeguard responsibility included into the ToR for supervision consultant and independent technical audit; DPWTs sent results; ESD conduct training, supervision, and monitoring	ESD/PTI	By 5 <sup>th</sup> February 2007	C	Complied with
9 (a)	Furnish an <i>updated rolling 3-year plan and annual work plans on road and bridge preservation works</i> covering the national and provincial road networks, for the succeeding calendar year	PTI	By 31 March 2005 and <i>each year</i>	C	Submitted December 2008
9 (b)	Furnish compiled reports from all DPWT's on actual <i>physical operations and expenditures incurred for emergency and routine maintenance works</i> implemented during the previous fiscal year (i.e., all works, not only RMP-2)	RAD/DoR LRD/DoR	By 1 November 2005 and <i>each year</i>	C	Complied with
10 (a)	Furnish report with an <i>assessment of existing heavy transport load control</i> facilities and operations, any need for expansion	TCD/DoT	By 1 December 2005	PC	Ongoing
10 (b)	Furnish a <i>heavy transport load control time-bound action implementation plan</i> , and implement the action plan.	TCD/DoT	By 1 December 2005	C	Submitted as scheduled
13	Adopt and thereafter implement a detailed <i>Human Resource Development Plan including performance indicators</i> .	DoP, PAD/DoR	31 October 2005	C	Complied with
14	Approve a detailed <i>Information and Communication Technology Plan</i> for MPWT and DPWTs	CO	31 May 2005 (revised due day by 30 December 2007)	C	Awaiting operation
15	Design and submit for comments a draft plan for undertaking <i>improved organizational arrangements</i> at MPWT and DPWTs aimed at efficient management of the Program	DoP, PAD/DoR	By 30 June 2005 (revised due day by Dec. 30, 2007)	C	Complied with
17	Prepare, furnish time-bound action plan for: (i) <i>increasing funding of provincial road preservation</i> , (ii) <i>appropriate allocation to road safety</i> ; and (iii) <i>restructuring/strengthening of RMF management</i>	DoR,DoT,RMF	30 September 2005 (revised due date by 30 September 2007)	C	Submitted 12 January 2009
18 (b)	Prepare and submit a (6-monthly) <i>report integrating results of the monitoring and evaluation of implementation of the Project</i> , and measures recommended to strengthen the achievements	PMD/DoR	By 30 April and 31 October of each year or such later date as may be agreed between the Borrower and the Association	C	Submitted as scheduled. (2 <sup>nd</sup> Semi-Annual Report for 2008-09 in preparation)

Note: Status option— C: *Complied with*; PC: *Complied Partially*; TBC: *To Be Confirmed* ; NC: *Not Complied with*; NYD: *Not Yet Due*



## Annex 4 - Summary of Issues/Actions during Supervision of RMP2

Source/ Agency	Project Element	Topic/Status	Area Requiring Action	By Whom	Date
PHRD TF053808	Component B1.2	<b>Support to RMF Secretariat.</b> A final report was submitted at the end of October 2008 and distributed to all relevant implementation agencies. The consultant has proposed to carry out an additional two man-months input in order to complete a more in depth analysis.	<ul style="list-style-type: none"> <li>Strengthening RMF secretariat through recruiting more financial and technical staff to meet the minimum requirement of the secretariat function, advising the board on technical and financial areas.</li> </ul>	MPWT and RMF board.	
PHRD TF053808	Component B1.3	<b>Road and Traffic Surveys.</b> The consultant services have been completed and the data collected are being used by the RMS TA.	A two phased approach to the next data collection is being proposed, with the first phase due to commence in August – consultant procurement is to begin in April 2010.	PTI	
PHRD TF053808	Component B2.1	<b>Road Transport Management.</b> The VRDLS pilot implementation at Thongpong and Vientiane Capital was completed in December 2008.	The VRDLS I has been accepted following the Pilot program but is yet to become operational for Thongpong. Pending issues include public announcement, transferring plan from the old to new system and final report submission, MoFA's approval of Vehicle ID card format. The VRDLS is planned to become operational in June, 10.	DoT, Thongpong	June 30, 2010
Cr. 3944	Component B2.2	<b>Heavy Vehicle Management (Goods).</b> Six sets of Permanent load control equipment have been purchased; two of which were installed in Vientiane Capital and Khammounane respectively, replacing old mobile scales.	<ul style="list-style-type: none"> <li>Identify additional funding for building four new stations, in Sayabouly, Houaphanh, Salavan and Attapeu provinces.</li> <li>Develop an action plan/status report covering the recommendations in the consultant's HTM review report.</li> <li>Develop an action plan to strengthen monitoring overloading control preformed by DPWT</li> <li>Identify funding for purchasing computer for each of the weigh station</li> </ul>	DoTt	March , 2010
	Component B3.1	<b>Institutional capacity building:</b> Business process improvement, which is one of the five main tasks to be delivered by the consultant, has not fully been achieved. US\$ 70 000 was deducted from the consultant's contract.	<ul style="list-style-type: none"> <li>MPWT takes note of lessons learned , using it as a case study to improve capacity in project design and contract management.</li> <li>Prepare an action plan to achieve the remaining task to improve the business processes.</li> </ul>	DoP, DoR	March , 2010
	Component B3.5	<b>Strengthening of service delivery:</b> Consultants were mobilized in May 2009 and completed the assignment by end December 09. The consultants reviewed and made recommendation and action plan including templates for (i) industrial practices and sustainable funding, (ii) Industry association and capacity building, (iii) interaction of private and public sectors.	<ul style="list-style-type: none"> <li>Identify in detail of key actors in pursuing the action plan</li> </ul>	DoR, DoP	March 2010
	Technical audit	<b>Technical audit for 08/09 was conducted,</b> with a number of main key findings and recommendations including involving the DoR in auditing the procurement phase of all maintenance program, reinforce a central registry of contractors, need to upgrade the current technical specification and methods of measurement of the work	<ul style="list-style-type: none"> <li>Prepare a time bound action plan to address the issues raised and recommendations made in the report</li> </ul>	DoR	February , 2010

Source/ Agency	Project Element	Topic/Status	Area Requiring Action	By Whom	Date
		quantity, need to ensure that quality of the works are controlled and meet the requirements of the contracts, need to revise the bidding documentation for performance based contracts, need to ensure the all bidding in competitive, DPWT to be fully accountable for the maintenance of roads under their responsibility			
	Draft completion report	MPWT has hired a consultant to prepare a project completion report. The draft report has been completed.	<p>The structure of the report need to extend the section on lessons learned to include the analysis of shortcomings and proposed solution for improvement.</p> <p>The consultant should focus on the implication of shortcomings and pending issues of RMP2 and prepare a comprehensive recommendation to be applied under the Lao Road sector project. The report should also include a chapter on the performance related to safeguard.</p>	DoR	February 2010