



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity



Ministry of Public Works and Transport
Department of Roads

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NR13N Road Project Output- and Performance-Based Road Contract Market Sounding and Request for Information

Background Information

National Road 13 is the most important highway in Lao PDR, connecting Laos with China in the North and Cambodia in the South, for a total length of 1,500 km. The total length of NR 13 North from Vientiane to Boten is 671 km. The proposed project road (NR13N) from Vientiane to Phonhong is 58 km, and is a critical stretch serving high traffic volumes. The section of NR13N close to Vientiane has a higher traffic volume, while the volume decreases for the section farther from Vientiane.

The project is proposed to be financed by the World Bank, Nordic Development Fund and Government of Lao PDR. The World Bank and Nordic Development Fund will finance about half the cost of the upgrading and rehabilitation of NR13N. The Government, through the Road Maintenance Fund (RMF), will finance the remaining half of the upgrading and rehabilitation and the maintenance of the road over a 10-year period. Payments from the Government are proposed to be backed by a World Bank payment guarantee.

Proposed Project Design and Delivery

The initial capital cost of the works for NR13N is estimated at US\$80 million, covering improvement of the quality, maintenance and safety of two sections:

- Vientiane-Songpeuay Market (km 12 to km 31): upgrade from 2 to 4-lane, with 23m right-of-way, land acquisition of 1.5m required on each side; and
- Songpeuay Market-Phonhong (km 31 to km 70): improve 2-lane, with 15m right-of-way, no land acquisition required.

NR13N will use an Output- and Performance-Based Road Contract (OPBRC) approach with an initial 3-year estimated construction period for upgrading and rehabilitation work on the road, and 10 years of operation and maintenance. The main features of the OPBRC approach for NR13N include:

- (i) OPBRC expands the role of the private sector from the simple execution of works to also include the management and maintenance of road assets over the longer term. It is proposed that the contractor for NR13N would be paid through a performance-based quarterly payment (adjusted for inflation) for bringing the road to a certain service level and then maintaining it at that level over a 10-year operations and maintenance (O&M) period. The quarterly payments over that 10-year period would come from the RMF,

managed by the Ministry of Public Works and Transport (MPWT), and are proposed to be backed by a World Bank payment guarantee.

- (ii) About half of the improvement and rehabilitation cost of the project would be reimbursed to the contractor over the initial 3-year estimated construction period through milestone payments based on completion of nominated proportions of the works, financed by the World Bank, Nordic Development Fund, and potentially other donors.
- (iii) All the contractor's remuneration would come through (a) milestone-based construction payments over the construction period, and then (b) quarterly payments over the 10-year O&M period, based on the contractor's performance in meeting or exceeding the contracted service levels.
- (iv) MPWT would provide a minimum required design for NR13N.
- (v) Bidders would be assessed on their technical and financial proposals. The financial offers will include O&M costs and amortization of the capital expenditures (improvement and rehabilitation works) that were not covered by the construction payments to the contractor during the initial construction period.

The procurement of the contract for NR13N will be carried out in accordance with international competitive approaches based on World Bank Procurement Regulations dated July 1, 2016. Procurement documents are expected to be issued in late 2017.

Request for Feedback and Information

MPWT is seeking feedback and information from potentially interested stakeholders and specifically potential bidders on a range of issues on the NR13N project to gauge the interest and improve contract delivery design. MPWT will review the feedback and information submitted and take these into account in the design of the project and contract delivery strategy. MPWT will treat all information received as confidential and there will be no attributions to specific stakeholder/potential bidder information in the project design and contract delivery.

The market sounding and request for information has been advertised on the MPWT website and in newspapers. It has also been shared with contractors' associations in a number of countries through their trade missions and Lao PDR embassies. Potential bidders who have participated in similar World Bank financed projects have also been contacted directly. Interested stakeholders and potential bidders may obtain further information and download the request for information document from the Ministry website at www.mpwt.gov.la

Please send all responses, as well as questions, to:

Mr Latsamy Aliyavongsing
NR13N Project Manager
Ministry of Public Works and Transport, Lao PDR
E-mail: sithasali@gmail.com

Responses may be submitted by email as PDF documents or written letter through a sealed envelope. MPWT would appreciate these responses and in addition any brochures or other information potential bidders may wish to provide.

Deadline for receipt of feedback is September 6, 2017.

NR13N Feedback and Request for Information

All respondents are requested to provide information on the issues below:

1. How much interest would you have in a road contract where payments to the contractor would be based on keeping the road under acceptable conditions (as assessed through performance indicators)?

(Please circle the relevant response below)

LOW	MEDIUM	HIGH
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2. How much interest would you have in a 13-year contract where the contractor would carry out road improvement and rehabilitation in the initial 3-year period, followed by a 10-year period of maintaining and operating the improved/rehabilitated road to specified conditions?

(Please circle the relevant response below)

LOW	MEDIUM	HIGH
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3. How much interest would you have in the project if remuneration to the contractor consisted of quarterly payments during the 10-year operation and maintenance period? [Additionally, about half of the improvement and rehabilitation cost of the project would be reimbursed to the contractor through milestone-based payments based on completion of nominated proportions of the works, financed by the World Bank, Nordic Development Fund, and potentially other donors.]

(Please circle the relevant response below)

LOW	MEDIUM	HIGH
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4. How much interest would you have in the project if the quarterly payments came from MPWT's Road Maintenance Fund?

(Please circle the relevant response below)

LOW	MEDIUM	HIGH
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5. How much would your interest in the project increase if the quarterly payments were guaranteed by the World Bank?

(Please circle the relevant response below)

LOW	MEDIUM	HIGH
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6. In your opinion, what would be a reasonable period, following completion of the improvement and rehabilitation works (estimated at 3 years), during which no contract transfer would be allowed?

(Please circle the relevant response below)

2 years	3 years	4 years	5 years	Longer (please nominate)
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7. Considering the bidding process to select the contractor for the project, how important would it be to carry out a prequalification of candidates?

(Please circle the relevant response below)

NOT IMPORTANT	SOMEWHAT IMPORTANT	VERY IMPORTANT
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8. Once the bidding documents and draft contract have been issued to the bidders, how many days should be given for them to prepare their bids?

(Please circle the relevant response below)

60 days	90 days	120 days	Longer (please nominate)
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9. What kind of security package would you look for from the Government in such a case (if any)?

INSERT RESPONSE

10. **Without** a World Bank payment guarantee, what would be your view of the loan parameters for a contractor borrowing for this project?

(Please insert your responses below)

a.	Loan availability	
b.	Tenor	
c.	Interest rate	
d.	Other (please nominate)	

11. **With** a World Bank payment guarantee, what would be your view of the loan parameters for a contractor borrowing for this project?

(Please insert your responses below)

a.	Loan availability	
b.	Tenor	
c.	Interest rate	
d.	Other (please nominate)	

12. Tell us any other factors the contract design should consider?

INSERT RESPONSE

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For those respondents who may be potential bidders for NR13N, the following basic information is requested so that MPWT can better understand the prospective market for the project. However, all respondents are welcome to comment on any issues they see as relevant. All responses will be confidential but MPWT may incorporate some non-attributed elements of the feedback into the project.

13. What is the core business of your company?

INSERT RESPONSE

14. How long have you been established as a business in your core business and or other business?

INSERT RESPONSE

15. What is your average annual turnover for the last three years?

INSERT RESPONSE

16. What is the total number of staff employed by your company and how many of these are technical staff related to construction?

INSERT RESPONSE

17. Provide key equipment required for such a project, as well as equipment already held?

INSERT RESPONSE

18. Provide your experience in similar projects/contracts:

a. Number and size (length, cost and period) of successful contracts carried out

INSERT RESPONSE

- b. Cost of highest contract value carried out

INSERT RESPONSE

- c. Experience in design, construction, maintenance and operation of major roads

INSERT RESPONSE

19. Existence of an in-house design team of engineers and, if so, how many?

INSERT RESPONSE

20. Key risks that would influence your decision to participate in bidding for NR13N (please circle as many as relevant)?

- a. Availability of local labor
- b. Inflation
- c. Local equipment availability
- d. Financing for the project
- e. Proposed OPBRC payment regime
- f. Remittance of funds
- g. Other (comment below)

INSERT RESPONSE

21. What payment structure would you expect during the 3-year construction period (please circle the relevant response below)?

- a. Input based for actual work done
- b. Output based on per kilometer (or other milestone) completed of upgrading and rehabilitation work
- c. Sectional payments for layers of pavement completed
- d. An advance payment to support mobilization of the contractor

e. Other (comment below)

INSERT RESPONSE

22. What payment regime would you expect during the 10-year O&M period (please circle your response or comment below)?

- a. Quarterly payments for service levels achieved as proposed above?
- b. Other periods for service levels achieved?

INSERT RESPONSE

23. The successful bidder may need time after signing the contract with MPWT to finalize their financing for the project. How long would you expect would be needed for financial close (please indicate the number of days/weeks/months below)?

INSERT RESPONSE

24. Would you bid as (please circle your response or comment below):

- a. Single bidder?
- b. Joint venture?
- c. Consortium?
- d. If bidding would be as a consortium or joint venture, would you team with local contractors and what aspects would you subcontract?

INSERT RESPONSE

Thank you for your responses.