

Transport Sector in Lao People's Democratic Republic

As an input to the country assistance program evaluation, this study assesses the performance of ADB's assistance between 2000 and 2009 to the Lao PDR transport sector. More specifically, the study examines the effectiveness of ADB-funded projects in achieving their development objectives and assesses their contribution to human development impacts. It identifies lessons for further development of transport sector assistance in the country. The transport sector analysis focuses mainly on the road subsector, since ADB's transport operations have been in this subsector only during the period of evaluation.

QUICK LINKS

Transport Sector in Lao People's Democratic Republic

www.adb.org/Documents/Reports/SAPE/LAO/SAP-LAO-2010-44/default.asp

Lao People's Democratic Republic: Sustainable Growth and Integration

www.adb.org/Documents/CAPES/LAO/CAP-LAO-2010-43/default.asp

ADB Management Response

www.adb.org/Documents/Evaluation/Management-Response/SAPE/MR-SAP-LAO-2010-44.pdf

Chair's Summary of the Development Effectiveness Committee (DEC)

www.adb.org/BOD/dec/DEC-Chair-Sum-10Nov2010.pdf

Being a landlocked country, the Lao People's Democratic Republic (Lao PDR) depends heavily on road transport for economic development. The increase in the road network has been accompanied by an even faster growth in the number of vehicles across the country. However, remote areas still have low traffic density due to the low level of their economic activities. The Lao PDR's development plans have consistently supported the expansion of the road network but have also recognized the limitations imposed by funding constraints.

ADB has made substantial contributions to building transport infrastructure in Lao PDR. ADB assistance amounted to \$406 million between 1983 and 2009, which forms about 45% of the total contribution by the major development agencies working in the Lao PDR transport sector.

ADB's program can be broadly divided into two categories based on the mode of lending—(i) the Lao PDR country program that has supported various levels of road improvements from national roads to rural roads contributing to the growth of the domestic economy, and (ii) the Greater Mekong Subregion (GMS) regional program that has supported mainly regional roads (national roads or highways) connecting the international borders contributing mainly to the growth in international trade.

Overall Assessment

The overall rating of ADB's program is *successful*. This rating is an outcome of several factors. First, ADB's contribution to the Lao PDR transport sector has been tangible and consistent with the country's needs. Second, the assistance has been effective in enabling positive outcomes at the local, country, and regional levels. Third, it can be attributed to having contributed to agricultural development. There remains room for improvement in other areas, such as project implementation performance, low utilization of project outputs, institutional development, sustainability, strategic positioning, and differential impacts among ethnic people.

Key Findings

ADB has been a longstanding development partner in the Lao PDR transport sector. ADB assistance, as well as the sector itself, has undergone changes over the years. Although the basic objective of providing connectivity remains, regional cooperation has emerged as an area for investment. This requires an appropriate balance between domestic needs and international aspirations. Besides contributing to this balanced development, ADB's value addition is closely linked to the institutional development efforts in the country.

Economic activities in the Lao PDR take a longer time to stimulate as compared with other countries such as India and Thailand. As a result, an integrated approach that enables complementarities with other interventions such as agriculture, trade, and tourism is needed.



Access to goods has improved in rural parts of Lao People's Democratic Republic because of an all-weather dirt road that connected the villages to the nearest town.

Similarly, the need for the maintenance of road projects has gained awareness within the government. However, it remains to be seen whether the government can deploy adequate resources to ensure sustainability. Moreover, this needs to be supported appropriately by ADB, which has yet to define a clear strategy for addressing sustainability concerns in the Lao PDR.

ADB has adopted an integrated approach to rehabilitate rural roads by combining them with agriculture interventions. This is seen as prudent, and ADB should continue this approach. While all factors mentioned are important, the two that stand out relate to better coordination between the Ministry of Public Works and Transport and the Ministry of Agriculture and Forestry, and among the transport and agriculture divisions within ADB's Southeast Asia Department.

ADB exited from the civil aviation subsector and has stayed away from the inland waterways and railways subsectors. This is considered prudent in light of funding limitations. Support to urban transport could be scaled up, given the potential demand for funds in this subsector. However, this needs to be considered within the broader constraint of funds availability.

Lessons

- Higher development effectiveness could be achieved by continuing and scaling up the assistance for provincial and rural roads.
- Geographically focused projects enable better project management and development effectiveness.
- The quality of sector and project design frameworks can be improved to ensure better measurement of outcomes and impacts.
- ADB can facilitate transfer of knowledge from other countries to the Lao PDR.
- Better due diligence during procurement of civil works contracts can avoid selection of poorly qualified contractors.
- Sector-wide solutions for road maintenance will ensure consistent sustainability.
- More detailed and careful ex-ante assessment of environmental and social impacts will ensure that propensities for negative impacts are identified correctly at the feasibility stage. External monitors have been useful and could be replicated in other projects.

Feedback

ADB Management appreciates the comprehensive analysis of ADB's assistance in the transport sector. The Management concurs with the overall assessment that ADB's program has been successful and that ADB's performance in the sector has overall been satisfactory. Management also agreed with the recommendations of the study.

The Chair's Summary of the Development Effectiveness Committee (DEC) viewed that ADB has been focusing more on regional road projects as compared to rural and provincial roads. Members acknowledge that roads have had positive impact in ameliorating rural poverty, noting that the road network has increased by 78% over the last decade, from 20,000 kilometers in 1997 to 35,558 kilometers in 2009. Members underlined the need for improving implementation of projects and reducing the large delays observed in the past. There was a need for improving coordination, strengthening the Lao Resident Mission, and having a medium to long-term strategy based on policies and programs in various sectors.

Recommendations

- **Capacity development.**
Support the government in the development of integrated capacity-building programs (instead of one-off technical assistance) in specific areas.
- **Project-readiness filters.**
Improve implementation performance of ADB transport projects by mainstreaming project-readiness filters to assess the institutional preparedness within the government for implementing a new project.
- **Coordination of assistance.**
Work in conjunction with the government to improve development agency coordination in the areas of knowledge sharing and implementation monitoring.

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