

Chapter 4 Donors Attitude

4.1 General

The largest external assistance to the road sector in Lao PDR is received from soft loans provided by the Asian Development Bank and the World Bank. The main bilateral donors in the road sector are the Swedish International Development Cooperation Agency (SIDA), Kreditanstalt für Wiederaufbau (KfW), Japanese International Cooperation Agency (JICA) and the Government of Australia.

So far, the thrust of foreign development assistance provided to the road sector has been to develop the main road network in the country, with a bias towards large scale construction projects using international contractors and equipment-based work methods. Technical assistance has focused on improving the management capacity of the roads authorities at central level in Vientiane.

Recently, however, several donors and development banks have started exploring the demands in the rural road sector and are now planning to shift its emphasis from support to the development of the trunk roads towards assistance to rural road development.

A major change of attitude was observed during the Donor Coordination Meeting arranged in Vientiane in February 1996, where most donors stated an interest in supporting the country's intentions to develop the rural road network. In relation to this support, several donors also believed that labour-based technology should play a central part in the strategy for developing and maintaining rural roads.

4.2 Donors Involved in Rural Road Works

4.2.1 SIDA Involvement

The main objectives of the Lao-Swedish development cooperation are to contribute to the alleviation of rural poverty, to strengthen the independence of Lao PDR and to promote democracy and human rights in the country. The Swedish support shall contribute to sustainable economic development, which benefits the whole Lao population.

The present agreement on cooperation in the road sector expires on 30 June 1996. Lao PDR and Sweden have agreed that the road sector should remain one of the main concentration sectors in the future bilateral cooperation also after June 1997. The Annual Review held in Vientiane in February 1996 agreed on an indicative programme for the continued cooperation.

Under SIDA's new road sector programme in Lao PDR (1997 - 2000), the focus will (i) shift to capacity building in the provinces for the development of the rural roads network supplemented by maintenance and rehabilitation activities and (ii) continued strengthening of the Ministry of Communication, Transport, Post and Construction (MCTPC) at the central level.

Swedish assistance provided as grant funds shall have a social dimension, which may be wider than that of the counterpart ministry. It is a concern that the assistance contributes to alleviation of poverty and to increased equality of opportunity between men and women.

SIDA has stated that the use of labour-based methods in road maintenance and construction can provide a means to contribute to these objectives. In the short term, additional sources of income are created for the rural population, through the employment of unskilled labour in the vicinity of the

work sites. In the long term the improved access to the rural areas through an improved road network may facilitate the development of the rural economy as well as social services.

The objective of providing equal opportunities to men and women should also permeate the capacity building process.

Three provinces have been identified for support under the next Swedish road sector support programme, Oudomxay and Luang Prabang in the Northern Region, and Khammouane in the Central Region.

4.2.2 World Bank

Public Expenditure Review

The WB has recently carried out a comprehensive review of public expenditures in Lao PDR, with the aim of, inter alia, assisting the government to prioritise the allocation of scarce public resources across and within sectors. The following analysis is made in relation to the road sector:

"Roads have been the Government's top expenditure priority, and the road system has also attracted the largest share of donor funding. This has reflected the need to upgrade the extremely rudimentary road network in this sparsely populated country, thereby contributing to link dispersed domestic markets and create trade links to neighbouring countries. In the future, the pressing needs for upgrading the country's dilapidated road network will still make transport the priority sector for public investment, but its relative share will shrink to make way for increased efforts in the social sectors. Within the sector, the emphasis should shift from the construction of national highways toward rural roads so as to allow subsistence farmers to market their surplus products."

Furthermore, the review provides the following recommendations relating to the road sector:

- o Due to the funding constraints, the government needs to focus transport expenditure on a "maintainable" core road network. Maintenance is today inefficient due to weak institutions, conflicting roles and mandates concerning central and provincial entities and problems with maintenance funding;
- o It is necessary to improve organisational effectiveness by simplifying and streamlining the decision making process in MCTPC, improving financial and reporting systems, professionalising relationships with contractors and clearly defining the responsibilities and funding of the authorities in charge of road construction and maintenance in the centre and the provinces.

Road Sector

The World Bank has for several years attempted to include labour-based road works technology in its programmes. The road component of the Luang Namtha Provincial Development Project was originally designed to construct two gravel roads (totally 152 km) where labour-based construction methods would be emphasised. As a means of developing a local and sustainable capacity to improve and maintain low-volume roads, labour-based methods would be institutionalised as part of the country's rural roads strategy. Training efforts would be coordinated with the ILO project in Oudomxay from which the WB project would benefit from courses in labour-based techniques¹.

However, due to lack of experience in labour-based road works technology among the project staff and consultants involved, this project has reverted to conventional equipment-intensive methods.

Currently, the World Bank is undertaking two parallel studies relating to the road sector.

¹ Ref: WB Staff Appraisal Report, February 1994.

The first exercise is a study on the "Priorities for Rural Infrastructure Development in Lao PDR", covering the sectors of rural roads, irrigation, water supply and sanitation. A preliminary report on this study was presented to the Government in November 1996. According to this report, the primary beneficiary of this study will be the Government that should find it a useful input into the formulation of its own strategy for guiding investments in rural infrastructure. The summary of this study highlight some important issues concerning the rural road sector:

- o Because rural infrastructure often consist of small, dispersed and localised units, its development is also institutionally demanding during both the investment and operational phases. As Lao PDR shifts gear from the development of the larger national, urban-oriented infrastructure to rural infrastructure, local institutions must be developed to handle the small and dispersed investments;
- o There is a need for reviewing the scope of local government authority over the allocation of budgetary resources especially for rural roads maintenance and to increase it to the level that is consistent with their responsibilities for rural roads development;
- o As the role of the central government agencies has evolved from that of a provider to a facilitator of rural infrastructure, so have the demands of central agencies for professionals that can provide technical support and monitoring. At lower levels of government, the demand for personnel is for those that can undertake community mobilisation and support project implementation.
- o As current capacity building efforts are continued into the future and strengthened, there is a concurrent need for greater involvement and promotion of the private construction industry and for better utilisation of NGOs and TA in order to ease the human resource constraint on implementation capacity;
- o On-the-job training should be provided to local private companies to upgrade their skills, particularly in contract bidding and execution. Training should be accompanied by a strategy to increase access of small contractors to bigger and better equipment and credit;
- o The need to strengthen planning and coordination at central level warrants the establishment of a unit in MCTPC to coordinate and facilitate the development of non-trunk roads;
- o Design standards require changes to increase the content of local materials and labour. Road design manuals need to revised to accommodate the option of using labour-intensive methods of road construction and maintenance in specific areas and situations where they are appropriate.

The second initiative is a plan for an IDA funded 15 million USD project to improve the core rural transport network in two provinces in the North. During preliminary discussions, Oudomxay and Phongsaly Provinces were identified as candidates for this support. However, due to SIDA's current commitment to Oudomxay Province this may be shifted to another province.

4.2.3 Asian Development Bank

ADB has previously been focusing its financial assistance to the road sector in Lao PDR to the national road network, mainly to upgrade National Road 13. However, it should be mentioned that ADB has also been quite active in (i) the privatisation process of the road sector and (ii) developing an effective maintenance system in the country, relying on the private sector.

In terms of future investments by ADB, the next projects will be the rehabilitation of National Road 7 in the North, and through co-financing, the East-west Transport Project, comprising Route 9 from Mukdahan in Thailand to Savannakhet in Lao and on to Dong Ha on the coastal highway in Vietnam. However, in 1999 ADB is planning a loan of US\$ 20 million for Rural Access Roads. ADB's technical assistance operations will be for feeder roads maintenance training to initiate action on institutionalising such maintenance operations, project management of feeder roads, and preparation for loan projects. The operations of trunk links are, thus, together with maintenance support winding

down over 1996 to 1999, and the main emphasis will be on rural access or feeder roads².

4.2.4 KfW

KfW is concerned with the limited capacity of the Government to plan, manage and implement road maintenance in the country. In this context, KfW believes that the following principles may prove helpful in assuring effective maintenance in the future:

- o mechanical routine maintenance should as much as possible be contracted out and privatised, and
- o labour-based techniques should be exploited to the fullest.

It is acknowledged by the Germans that there are great difficulties in local competitive bidding for maintenance due to reasons such as late availability of funds, delayed disbursements and less than satisfactory supervision. These are, however, to a large degree problems of institutional nature and need immediate attention. Finally, KfW believes that there is a great potential for improving routine maintenance by introducing labour-based methods as organised in their village based maintenance project in Xiengkhuang Province.

4.2.5 UNDP

In line with the government's policy, the UNDP is committed to developing the capacity of the provincial and district level administrations. Two particular initiatives are important in this respect. The first is a set of surveys that are being carried out in five provinces to assist them to define appropriate rural development programmes. These surveys involve an assessment with the provincial authorities of the existing proposals and support to the provinces in defining feasible and fundable development programmes.

The second initiative is a project to develop the capacity of the provinces to more effectively plan rural infrastructure. This project, presently operating in three provinces, but about to be expanded to a further two, is based on the concept of accessibility planning. By using a simple planning technique it allows the provinces to prioritise investments in the different rural infrastructure sectors including roads.

The latter project is important in that it links the development of the road network into the overall development of the provinces and emphasises the development of local resources both in the planning and implementation of the programme.

4.2.6 WFP

The World Food Programme is providing emergency food aid to flood damaged areas in Lao PDR. This is often organised as Food for Work Programmes in collaboration with other development organisations and NGOs operating in the rural areas. These projects normally consist of rural infrastructure development such as small irrigation schemes, water supply and village roads.

WFP appears to be quite content with the on-going collaboration with other organisations as a channel for distributing food and at the same time creating real assets in addition to providing emergency relief to flood damaged areas.

² Source: Presentation by Preben Nielsen, ADB to the Road Sector Donor Coordination Meeting, Vientiane 6-7 February 1996