



1. Project Data:		Date Posted : 08/14/2002	
PROJ ID: P004201		Appraisal	Actual
Project Name : Second Highway improvement Project	Project Costs (US\$M)	33.68	30.32
Country: Laos	Loan/Credit (US\$M)	30	29.89
Sector(s): Board: TR - Roads and highways (83%), Central government administration (17%)	Cofinancing (US\$M)	0	0
L/C Number: C2606			
	Board Approval (FY)		94
Partners involved :	Closing Date	06/30/2001	12/31/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
Kavita Mathur	Laurie Effron	Alain A. Barbu	OEDST

2. Project Objectives and Components

a. Objectives

The objective of the project was to increase the efficiency of Lao's transport system through specific road improvements and through strengthening of institutional capabilities to plan, manage and maintain the national highway network. The project would also support the development of local contracting capacity through the commercialization of selected state enterprises.

b. Components

Original Components:

- Implementation of maintenance program including the execution of spot improvements and periodic maintenance on about 2,000 km of the highways network;
- Development of the local contracting industry, including training and development program for the commercialization of the State Enterprise (SE) that was being created from the merger of state enterprises 13/2, 13/3 and 13/4 for the project purpose. The new enterprise would be strengthened in the areas of financial management and costing, and project equipment management;
- Upgrading of about 135 km of the Savannakhet-Pakse road to bituminous standard, including rehabilitation of 36 bridges; and
- Technical Assistance and training to strengthen the Ministry of Communications, Transport, Post and Construction (MCTPC).

Revised Components:

The project components were revised in February 1996, to cover the shortfall of funds under Highway Improvement Project for road number 13 between Namkading and Savannakhet. The original scope of works to be financed under the Credit was reduced and new targets were set.

c. Comments on Project Cost, Financing and Dates

On February 29, 1996, the Development Credit Agreement (DCA) was amended to cover US\$13.3 million of the outstanding costs of the rehabilitation of about 70 km of road 13 between Namkading and Savannakhet. This road was to be financed under the prior project, Highway Improvement Project (HIP) but due to cost over-runs was transferred to the Second Highway Improvement project. The project closed on December 31, 2001, six months after the original closing date.

3. Achievement of Relevant Objectives:

The project was reasonably successful in achieving its objectives.

- The revised physical targets for spot improvement and periodic maintenance were largely met. The ex-post economic rate of return (ERR) for most road sections is between 22% to 28%, higher than the appraisal estimate. For Seno-Ban Lak 35 section, ex-post ERR is 10%, significantly lower than the appraisal estimate.

- The investments in roads has substantially improved the road network and has resulted in: (a) reduction in vehicle operating costs on the rehabilitated sections of the road, (b) reduction in travel time, and (c) integration of regional markets within the country.
- The capacity of Transport Planning Unit (TPU) and the Road Maintenance Management Division has been strengthened through technical assistance, training and development of databases and management processes.
- The capacity of local contracting industry has also been enhanced.

4. Significant Outcomes/Impacts:

- The improvement in road network has substantially reduced the travel time from the capital city of Vientiane to the city of Savannakhet from 2 days to 5 hours.
- Significant progress was made in the practices of contracting-out, project management, and in establishing the foundation for SOEs privatization. Three State Enterprises were converted into Savannakhet Road and Bridge Construction company (SRBCC).
- The capacity of Transport Planning Unit (TPU) has been significantly strengthened. TPU provides data, advice and training to MCTPC staff to develop its transport plan. TPU also provides training and assistance to the provincial departments and conducts annual traffic counts.

5. Significant Shortcomings (including non-compliance with safeguard policies):

Some 80 meters of Road No. 13 near Namkading slipped towards the river due to poor quality of construction. The need to remedy the poor quality of works caused delays.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

1. Strengthening the capacity of institutions to properly maintain and preserve infrastructure assets requires sustained commitment by the Bank to develop a long-term sector policy framework. An sustained transport sector approach—based on a series of rehabilitation projects with increased focus on maintenance and important capacity building components—has proved to be effective in Laos. This framework has facilitated timely response to implementation issues and proved to be conducive to building Borrower's commitment towards a long-term sector development goal.
2. Contract management and timely handling of contractual disputes are critical to attaining high quality infrastructure. Some sections of Route 13S between Namkading and Savannakhet showed construction defects which were corrected during the construction phase. Additional defects appeared during the "Defect Liability Period". Subsequently with the Bank's support, MCTPC was able to reach an amicable settlement with the contractor, and the estimated liability was apportioned among the contractor and the consultants.

8. Assessment Recommended? ● Yes ○ No

Why? The project should be audited along with the Highway Improvement Project to verify the sustainability and institutional development impact of activities begun under the projects.

9. Comments on Quality of ICR:

The quality of ICR is satisfactory. However, there is lack of consistency in the cost figures presented in Annex 2. The actual/latest total project cost in the table on Project Cost by Component adds to US\$29.65 million, whereas according to Project Financing (Bank, Government and Cofinancing) the project cost adds to US\$30.32 million.