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| 1. Project Data : | |
| OEDID: | C2218 |
| Project ID: | P004191 |
| Project Name: | Highway Improvement Project |
| Country: | Lao People's Democratic Republic |
| Sector: | Highways |
| L/C Number: | Credit 2218-La |
| Partners involved : | Nordic Development Fund (NDF) |
| Prepared by : | Antti P. Talvitie, OEDST |
| Reviewed by : | Alice Galenson |
| Group Manager : | Roger H. Slade |
| Date Posted : | 04/20/1998 |

2. Project Objectives, Financing, Costs and Components :
Goals/objectives : Support the Government's Development Plan; Increase the Efficiency of the Country's Road Network through Rehabilitation of Important Road Links . **Components :** (1) Rehabilitation of 233 km section of National Road between Namkading and Seno, including bridges, and 33 km section between Seno and Savannakhet; (2) procurement of maintenance equipment, materials and supplies for spot emergency improvements; (3) technical assistance to the Ministry for project implementation and transport planning, establishment of a road maintenance organization, development of maintenance strategy and medium -term maintenance program; and (4) degree courses and short-term training to Ministry staff . **Costs:** Total project costs were US\$54.2 million. Of this IDA funded US\$46.2 million (SDR 32.1 million), NDF US\$5.8 million, and the government US\$2.2 million. The loan was fully disbursed.

3. Achievement of Relevant Objectives :
 The goals were achieved. There were substantial cost over-runs in all project components except training, spending for which was resisted by the government . Cost over-runs were covered by the transfer of funds from the Second Highway Improvement project to this project . Training and technical assistance for transport planning achieved objectives marginally.

4. Significant Achievements :
 There were two significant achievements : the rehabilitation of the identified national roads with an ERR of 24% (vs. 17% at appraisal), and the conduct of the road maintenance study and the substantial progress made in implementing the subsequent reorganization of the road maintenance division .

5. Significant Shortcomings :
 The most significant shortcoming of the project is the lack of ownership by government for technical assistance and training. Instead of contributing US\$0.66 million toward technical assistance and training it ended up being completely foreign funded.

| 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 | |

7. Lessons of Broad Applicability :
 The development and organization of a competent road maintenance division is a long -term undertaking rarely

accomplished in one project and a series of projects is needed with high quality supervision and government ownership. Especially important is to learn how to transfer skills to local professionals .

8. Audit Recommended? Yes No

9. Comments on Quality of ICR :

The ICR is satisfactory; it covers all aspects of the project . However, it is silent on two important issues : First, the effect of transferring monies to this project from the Second Highway Improvement project on the objectives and components of that project. Second, sustainability and Government commitment to the aims of TA because, against what was planned, it was totally foreign funded . No audit is recommended now, but it is recommended that an audit be conducted immediately after the closing of the Second Highway Improvement project .