

**MANAGEMENT RESPONSE TO THE PROJECT PERFORMANCE EVALUATION REPORT  
FOR THE CHAMPASACK ROAD IMPROVEMENT PROJECT  
IN THE LAO PEOPLE'S DEMOCRATIC REPUBLIC  
(Loan 1369-LAO[SF])**

On 9 February 2006, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. Management notes OED's very positive assessment, both in terms of the overall project rating, and the performance of ADB and the Borrower. OED's findings not only confirm the findings of the Project Completion Report (PCR) Mission but go one step further in rating the Project highly successful. The Project Performance Evaluation Report's (PPER) more in-depth assessment also reveals some aspects of the Project, which failed to meet expectations. It is on those aspects that Management focuses its response.

**A. Overall Assessment**

2. The PPER considers the overall project highly successful, largely because economic internal rates of return have exceeded appraisal predictions, transport costs and journey times have reduced significantly, socioeconomic indicators are positive in the main areas, road maintenance costs have halved, and subregional cooperation has been enhanced; and all this has been achieved within Project budget and with minimal implementation delay. In addition, two complementing technical assistance (TA) grants, one to provide training for road maintenance at provincial level and a second for assisting the executing agency (EA), Ministry of Communications, Transport, Posts and Construction (MCTPC), in establishing a management information system, were both adjudged to be successful.

3. Despite the documented successes, the PPER (i) rightly calls into question the reason for truncating Contract D, Nasenphan to Veun Kham 6.9 km short of the Cambodian border; (ii) cites the poor performance of the pavement in Contract C, Phiafay to Nasenphan; (iii) questions the whereabouts of the roads targeted for periodic maintenance under the loan; and (iv) calls for greater efforts in ensuring sustainability of the investments, and in promoting increased awareness in road safety and the transmittal of HIV/AIDS. Taking each of these aspects in turn, Management's response is as follows:

- While the PCR sheds little light on the missing 6.9 km, stopping construction activities short of an international border is not an uncommon occurrence in the Greater Mekong Subregion (GMS), and is usually borne out of an apprehension of where the exact border location occurs.
- The premature deterioration of the pavement in Contract C is attributed to the inclusion of unsuitable material in forming the road sub-base. This calls into question the judgment of the contractor and

the diligence of the supervision consultant, and highlights once again the importance of the relationship between these two parties. The inclusion of unsuitable material in a pavement layer will usually result in a soft spot developing and the early formation of potholes. If this is not detected during the defects liability period, usually 12 months after substantial completion of the road, then only increased maintenance effort on the part of the MCTPC will prevent rapid deterioration and subsequent failure of the pavement.

- ADB's willingness to finance periodic road maintenance is an acknowledgement of the inability and often reluctance of many developing member countries (DMCs) to allocate sufficient resources to this task. The perception that newly constructed roads is maintenance free for the first three or four years is still widely held, despite evidence to the contrary. In the case of the Project, it would appear that insufficient effort was taken in tracking the periodic maintenance inputs provided under this component, hence the inability to determine whether planned targets were achieved.
- OED's concerns on road safety and the spread of HIV/AIDS are acknowledged and both these areas have been accorded heightened attention in subsequent road projects in Lao PDR and throughout the GMS. It is a sad fact that improved geometric standards and smoother running surfaces lead to higher speeds and an increase in the number and severity of road accidents. While road safety features are intrinsic in all ADB road project designs, their degree and extent are governed by various factors including traffic densities, level of public awareness, and government's commitment to invest in such measures. It is also an established fact that roads crossing international borders are often conduits for the spread of sexually transmitted infections (STIs), and campaigns for heightened awareness particularly at trucking stops are also a feature of ADB road transport projects.

## **B. Lessons Learned**

4. Management fully supports the findings of the PPER and lessons deduced from the same. The observations are accurate and informative, and will greatly help in raising awareness among future project formulation and administration teams. The reminder that such infrastructure projects are best initiated within the overall context of the GMS framework in order that complementarities can be derived is noted, as is the need for closer monitoring of activities during project implementation to ensure that loan proceeds have been used as intended.

5. We also appreciate the stance taken by OED on the benefit monitoring and evaluation (BME), particularly the acknowledgement that many DMCs have neither the aptitude nor the resources to undertake this work after the project completion. Observations on the need to develop synergies by initiating projects in parallel is acknowledged as is the importance of a clear demarcation of responsibilities between the supervision consultant and the contractor to avoid

the sort of disputes encountered on Contract C. Comments on subregional cooperation and the facilitating role played by efficient transport and communication links is also noted and appreciated. In this regard, efforts will be increased to expedite border dispute resolution between Lao PDR and Cambodia to enable connectivity of this strategic transport link.

### **C. Conclusion**

6. Management agrees with the report's conclusion that the Project has made a significant contribution towards subregional cooperation in the GMS, and that numerous socioeconomic benefits have been derived for communities living within the zone of influence of the Project. We also concur with OED on the measures needed for adequate road maintenance funding, and will continue to support this work, including such initiatives as the Highway Development and Management Model.