

COUNTRY REPORT
ON GMS TRANSPORT DEVELOPMENT ACTIVITIES IN LAO PDR

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At the Twelfth Subregional Transport Forum held in Danang, Vietnam, on 12-14 August, 2008.

Mr. Chair and Co-Chair,
Distinguished Delegates,
Ladies and Gentlemen,

First of all, on behalf of the Lao Delegation, I would like to express my sincere thanks and appreciation to the Ministry of Transport of the Government of the Socialist Republic of Vietnam for hosting the Twelfth Subregional Transport Forum in Danang and for the warm welcome and hospitality extended to us. I would like to take this opportunity to express our sincere gratitude to the Asian Development Bank for supporting and organizing today's forum.

Mr. Chair and Co-Chair,

Some of us may be well aware, the 12th STF is convened right at the starting point of the East West Economic Corridor, the city of Danang. This place has reminded me when the technical teams from the three countries, namely Laos Thailand and Vietnam, conducted a reconnaissance field trip of the East West Transport Corridor in 1995, which is already 13 years ago. Danang, during that time was not very much developed, with very few cars and few motorcycles in the narrow streets, crowded with bicycles and pedestrians. Danang today is becoming a very busy city, a modernized city, a lot of tall buildings, new and modern public infrastructure. The city environment is clean and green. I have been informed that the Vietnamese Government is planning to make Danang to become the industrial, commercial, and seaport city of the Central Region of Vietnam. Back in 1995, how to make the East West Transport Corridor into reality as we have witnessed today was rather an ambitious dream. Let alone the other sectors, just consider only the development of the major transport infrastructure along this corridor, just to name a few, like the Tien Sa Deep Seaport, the new bridge and the Danang bypass road, the Highway No.1, the Haivan Tunnel, the road 9 both in Vietnam and in Laos, the Mekong Bridge between Savannakhet and Mukdaharn, the Highways in Thailand. All these transport infrastructure needs huge investment to develop, probably in the order of not less than half a billion US Dollars. This was a 1995 estimate. Today the cost might be double. But under the spirit of regional cooperation, The GM Economic Cooperation, with the joint and concerted effort, mutual trust and confidence, and the strong political will of all parties concerned, particularly the Governments and People of the three countries and the valuable support and assistance from donors, with ADB as the prime lending agency and coordinator, the major transport infrastructure mentioned are now completed.

Mr. Chair and Co-Chair,

Concerning the development of the GMS transport activities in Lao PDR, it is my honor to inform the Forum in accordance with the recommended format as the followings:

Part I: Progress in Transport Infrastructure Development.

1. Road Transport Projects:

a) GMS road projects

i) The Transport Infrastructure along The East-West Economic Corridor:

- The rehabilitation of the whole Road No. 9 and the Second International Mekong Bridge were completed. Funding to upgrade and construct the road and the bridge was kindly assisted by ABD and Japan (through JICA and JBIC). In facilitating and enhancing the transportation along this road, there are needs to provide the transport logistics and the upgrading of the border facilities at the Dansavanh border crossing.

ii) The Transport Infrastructure along The North-South Economic Corridor:

Road R3-A

- The construction of R3 through the northern provinces of Laos was completed and official opening for the traffic was held during the GMS Summit in Vientiane last March, 2008. The completion of R3 was an important show case showing that the GMS member countries have helped each other in realizing the GMS Economic Cooperation, where the cost of the road was shared by Thailand for 85 km, Laos for 74 km, and PRC for 69 km.

The Fourth International Mekong Bridge.

The Mekong Bridge between Houei-Sai (Lao side) and Chiang Khong (Thai side) will remain to be the missing link of the R3 along the NSEC for at least another four more years. The F.S. of the bridge was completed under ADB-TA providing a solid ground to support the investment to construct the bridge. In addition, the Bank has extended its TA to assist in coordinating, facilitating, as well as helping in the procurement matters. If everything goes as planned, the construction of the bridge will commence by mid 2009 and will be completed in 2012. To date, funding has been obtained as grant 50% each from PR China and Thailand. Once completed about four years from now, the bridge will make it possible for the first time to travel by land directly from Southwestern China through Lao PDR to Thailand, opening up tremendous opportunities for the three countries concerned and expanded potential for yet further regional integration. And this has respond to our leaders' vision to move forward by "Strengthening Infrastructure Connectivity – A Key Ingredient to Improved Competitiveness" of our sub-region.

It is my honor to update the forum on the progress of the project as the followings:

- i) With the aim to expedite the project, Thailand has offered a grant to finance the detailed design of the bridge which is now substantially completed as schedule.
- ii) Preparation of bid documents both for the supervision consultants and for the contractor are in good progress with the assistance from ADB-TA consultants. Milestone for each activities have been reached during the Third Project Steering Committee meeting in Bangkok on the 19-20 June, 2008.

- iii) Arrangements, during construction, will follow, similarly, the good practices learned from the construction of the Second International Mekong Bridge at Savannakhet-Mukdaharn.
- iv) All parties have expressed their concern on the cost of the civil works as FOL and construction materials are increasing sky-high:
 - a. the cost estimate reported to the first PSC meeting in 2007 was about 41 MUSD.
 - b. the cost estimate reported to the second PSC meeting in March 2008 was about 47 MUSD (14 % increase).
 - c. the cost estimate reported to the third PSC meeting in June 2008 was about 59 MUSD (44% increase). Please note that only in three month gap the cost increase is 12 MUSD.
 - d. With the decreasing of the value of the USD currency, and the uncontrolled of the fuel price, by the time the civil works contract is let, according to my guesstimate, the cost would be not less than 70 MUSD(94% increase).

b) Other road projects that support or impact on GMS transport sector development

i) National Road 13 South (Southern Lao PDR)

Under the grant assistance from PR China, the construction to connect Lao NR 13S to Cambodian NR 7 was substantially completed in May this year. The location of the BCF and CCA to support the CBTA at the International Nongnokkiane-Tranpengkian border crossings between Laos and Cambodia have been jointly agreed by both sides. Funding to construct both the BCF and CCA is being sought by both parties.

ii) National Road 18A.

This road, assisted under the special soft loan of Vietnam was completed in mid 2006. This road has provided an access for the Lao Southern Provinces, such as Champassak, Saravane, Sekong, and Attapeu provinces, to the Vietnam seaports as well as to support the economic activities in the Development Triangle (Lao PDR, Cambodia, and Vietnam).

iii) National Road 2 (Portion of R9).

The Government of Thailand has extended a soft loan to construct a missing link NR2 (Portion of R9) from Muong Ngeun to Pakbeng with an amount of approximately 20 MUSD. The civil works of the project are progressing satisfactorily. The section from Pakbeng to Muong Khoa, have been rehabilitated by using the World Bank Fund. The section from Muong Khoa to Taichang will be upgraded with the special assistance from the Government of Vietnam. The technical teams of both side have agreed on the detailed engineering design of all the road and bridges component. Both parties are very much in deep concern as the cost of the civil works keep moving almost every day. Once the whole stretch is completed, it will facilitate the land transportation between the Northern Part of Thailand to the Northern Part of Vietnam, in particular with Dien Bien Phou and Hanoi, as well as it can link to Myanmar via Luang Namtha to Xiengkong to Kaeng Lap and Meitila inside the Union of Myanmar, which will open

up tremendous opportunities for the countries concerned and expanded potential for yet further regional integration.

2) Rail Transport Project:

The extension of the railway about 3.5 Km from the center of the Friendship Bridge to Thanaleng Customs Depot in Lao PDR, with the assistance from Thailand, is now substantially completed. Both sides have agreed to operate Joint Traffic Management of Railway Transport between the two countries. Train test running cum operation and management have been jointly conducted by the officials of the two authorities. The official opening of the train traffic will be scheduled soon.

With the assistance from Agence Francaise de Development-AFD, the FS of the extension of railway from Thanaleng to Vientiane Capital is in good progress. France and Thailand have indicated their interest to support in financing the cost of the civil works.

3) Water Transport

Upper Lancang-Mekong River Navigation Project-W1

The water transport on the Upper Lancang-Mekong River is increasing progressively. To facilitate the movement of goods and people in this sector along this portion of the river, there is a need to upgrade two important river ports namely Xieng Kok port in Luangnamtha Province and Ban Mom port in Bokeo Province. These two ports are not met the minimum standards for CIQ checking.

4) Air Transport

- Air transport plays an important role in the social-economic development of the country, even though the share is substantially small. There are regular flight schedules to and from our capital city Vientiane connected with almost all GMS capital cities.
- We would like to inform the forum that The Government of Thailand has extended a soft loan to upgrade the Pakse Airport to accommodate Boeing 737 Aircraft. The upgrading of this airport will be completed in the year 2009.
- Our Lao Airline Company will resume its regular flight from Vientiane to Savannakhet , starting from 15 August, 2008. Negotiation with Thai concerned authorities will be conducted for the right to fly from Savannakhet to Bangkok. In the future, this connection may extended to connect with Danang. But all this will be determined by the market. Therefore upgrading Savannakhet airport to an ICQ standard is very necessary.

Part II: Development in Transport-Related issues

2.1 New GMS Flagship Road Project (National Road 4)

The NR 4 starts from Ban Nakha to Nam Heuang Lao-Thai Friendship Bridge through Paklay-Sayaboury and connects with Luang Prabang about 360 Km. It will become an important link which enables the connection with the EWEC and NSEC by passing via Luang Prabang and Oudomxay Provinces which are the cross roads to Southern Yunnan Province, Northern Vietnam and Eastern Myanmar. After the completion of the F.S. financed by the ADB TA, and with the recommendations from the consultants, it is agreed that the civil works to upgrade this road will be carry out on a Design and

Build Method. Funding, approximately 90 MUSD has been concluded assisted, as grants from ADB and AusAid, as soft loans from OPEC and EDCF (Korea), and the

counterpart fund from the Lao Government. We would like to commend ADB for its remarkable coordination work to invite donors on board to realize this project

2.2 Improvement of Luang Prabang Airport

Luang Prabang, the former royal capital of Laos and the world heritage town, is becoming an important tourist attraction site. The existing airport had been upgraded with the grant assistance from Thailand and is able to accommodate only small sized aircraft. There is a need to extend the existing runway about 300 meters to accommodate the medium size aircraft, improve the airport terminal and to provide some safety instruments. With the soft loan from China Exim Bank, the extension of this airport will commence in the year 2009, as to date the Chinese consultant is carrying the detailed design of the extension works. In addition, ADB has extended its TA to carry out the feasibility of the whole complex of the improvement of air transportation in Luang Prabang. We find that the study is not in any way duplicated with the Chinese assistance. In fact, the study provides us an argument to leverage with the Chinese, and a guideline to improve the whole complex of air transport to support tourism of Luang Prabang.

2.3 Improvement of Pakse Airport

We would like to inform the forum that The Government of Thailand has extended a soft loan to upgrade the Pakse Airport to accommodate Boeing 737 Aircraft. The upgrading of this airport will be completed in the year 2009. This airport which will gradually be upgraded to an international airport which will support tourism in the southern provinces

2.4 Border Crossing issues

After all the hard works and excellent cooperation of all parties concerned together with the tireless support and assistance from the Bank, for about 10 years, the GMS Framework Agreement for Facilitation of CBTA together with its Annexes and Protocols has been completed and ratified by all parties concerned. Pilot or the Initial Implementation of the CBTA has been tested at agreed border crossing points between the country pairs, namely Dansavanh-Lao Bao (Lao PDR and Vietnam) and Savannakhet-Mukdahan (Lao PDR and Thailand). The result of the implementation has been very encouraging, and members countries are moving forward in the preparation to full implementation of the CBTA. The preparation includes, among others, training of personnel to be posted at the borders, preparation of uniform forms on immigration, customs and permits, improvement of ICT, upgrading border facilities and infrastructure, the modification of the internal laws, rules and regulations to be in line with the CBTA, improving the transport operators.

In realizing the overarching goal to transform its landlocked state into land bridge as well as to support our leaders' vision in "Strengthening Infrastructure Connectivity—A Key Ingredient to Improved Competitiveness" of our sub-region, the Lao delegation would like to propose the forum to consider to expand the implementation of CBTA at the following border crossings:

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|------------------------------|-------------------|-----------------|
| 1. Botene-Mohan | Laos and China | along GMS R3 |
| 2. Houei Sai-Chiangkhong | Laos and Thailand | along GMS R3 |
| 3. Thananleng-Nongkai | Laos and Thailand | along VT A1 |
| 4. Vangtao-Chongmek | Laos and Thailand | along Lao NR16A |
| 5. Nongnökkiane-Trapengkiane | Laos and Cambodia | along Lao NR13S |

6. Namphao-Cau Treo

Laos and Vietnam along Lao NR8

Mr. Chair and Co-Chair
Distinguished Delegates,
Ladies and Gentlemen,

Please accept my apology for taking so much time of the forum.
In conclusion, once again, I would like to express my sincere gratitude to the Bank for its active support and efficient coordination in all GMS activities, particularly in the transport sector. I would like also to extend our thanks and gratitude to all donors who contribute their valuable assistance toward the implementation of the GMS projects in our country. Last, but not least, I would like to thank the host for the warm hospitality, the excellent arrangement and preparation made for the forum. May I wish the forum every success.

Thank you very much for your kind attention.

Lao PDR Country Report on progress of GMS projects presented at the 12th STF in Danang

Lao PDR: Country Report on Projects Included in the Plan of Action for the GMS Transport Sector (2008-2012)

(1) Project Name	(2) Indicative Timeline	(3) Estimated Total Cost (\$M)	(4) Status of Financing	(5) Status/Progress of Implementation	
Group 1: Projects that are ongoing or for immediate implementation and with identified financing		<i>Please revise/update the indicative entries under columns (2)-(4) as needed</i>		<i>Please include information on: progress of construction or project preparation (e.g., conduct and key results of pre-FS, technical/ engineering studies, FS, agency approvals).</i>	
1.	Route 3/Highway 1020: Houayxay-Chiang Khong North South Economic Corridor International Mekong Bridge. This bridge will be the fourth International Mekong Bridge	2007-2011	35.0 (June 2008 estimate 59 MUSD)	<p>PRC, Laos and Thailand signed MOU under which PRC and Thailand agreed to jointly finance the bridge 50% each as grant.</p> <p>-Cost estimate in 2007 was 41 MUSD. In March 2008, the cost was 47 MUSD. In June 2008, the cost was 59 MUSD.</p>	<p>-Detail design substantially completed and land acquisition is progressing well.</p> <p>-Lao Project management team established</p> <p>-PSC and Procurement have been established.</p> <p>-Recruitment of Supervision consultants will be finalized by 2008.</p> <p>-Civil works will commence in June, 2009.</p> <p>-Completion is targeted by 2012.</p> <p>-Project arrangement and coordination during construction will follow similar practices as of Savannakhet –Mukdaharn Bridge</p>

	(1) Project Name	(2) Indicative Timeline	(3) Estimated Total Cost (\$M)	(4) Status of Financing	(5) Status/Progress of Implementation
2.	Thakhek-Nakhon Phanom Mekong Bridge. This bridge will be the Third International Mekong Bridge	2008-2012	38.0	<p>-To be financed as a grant by Thailand under ACMECS.</p> <p>-Funding had been approved by Thai Parliament but could not implemented due to the cost increase of FOL and construction materials. DOH will resubmit a new cost estimate to the Parliament for approval.</p> <p>The new cost estimate will not be less than 55\$M.</p>	<p>-Lao and Thai sides agreed on the bridge location.</p> <p>-Detail design completed and approved by both authorities.</p> <p>-MOU for the construction of the Bridge was signed by both representatives of the two Governments, providing legal framework, among other areas, the establishment of Free Construction Zone, the Project Management Committee-PMC and Bridge Management Committee-BMC, as well as the tax and duty exemption, the immigration issues.</p> <p>-Open Tender for the construction had been called, but no contractors submitted their bids due to the low project cost estimate.</p> <p>-Both sides are working on land acquisition and the preparation for the Ground Breaking Ceremony to be ready when time has come.</p>
3.	Second GMS Northern Transport Network Improvement (Lao section)	2008-2012	40.0	To be financed by ADB (loan of \$20); Lao PDR (\$2 M); and cofinancing (\$18 M).	<p>-Second GMS Northern Transport Network Improvement (Lao section) is locally known as ADB12 Project. The project roads are mostly in Houaphanh Province(Roads 6, 6A, and 6B)</p> <p>-Field reconnaissance had been conducted by ADB and Lao Officials. Project formulation is being carried out by SEID of ADB.</p> <p>-This project is listed as very high priority of the Lao Government as it provides access for the northern provinces to Vietnam for export as well as for poverty reduction campaign.</p>

(1) Project Name		(2) Indicative Timeline	(3) Estimated Total Cost (\$M)	(4) Status of Financing	(5) Status/Progress of Implementation
4.	Thanaleng-Nong Khai Railway Extension	2008-2010	5	Thailand through NEDA has assisted a 30/70 grant cum soft loan in Thai Baht 98 Millions towards the cost of the first 3.5 from the middle of the Friendship Bridge to Thanalaeng.	<ul style="list-style-type: none"> -The extension of the First 3.5 km across the border between Thailand and Lao PDR was completed recently. -Train test running had been conducted for two weeks. -Official Hand-Over and normal train transport operation will soon be opened. -The Agreement on Joint Traffic Working over Railway between Laos and Thailand signed at the sideline of the 3rd GMS Summit in Vientiane on the 30th March 2008. -Two Lao and Thai Railway Authorities are now discussing on the implementation rules and regulations based on the agreement.
5.	Savannakhet Airport Improvement	2008- 2011	17 (preliminary)	TBD	<ul style="list-style-type: none"> -Lao Airline will resume its regular flight from Vientiane to Savannakhet starting 15 Aug. 2008. -Upgrading the Passenger Terminal and some necessary equipment are needed. -There is a plan to connect Savannakhet with Suvannaphoum Airport in Bangkok. -Other Airlines are welcome, but this airport only can accommodate small aircrafts, similar to ATR 72, not more. -This is to support trade, investment and tourism along the EWEC and Savan-Seno Special Economic Zone.

(1) Project Name		(2) Indicative Timeline	(3) Estimated Total Cost (\$M)	(4) Status of Financing	(5) Status/Progress of Implementation
6.	Northern GMS Transport Network Improvement	2007-2013	88.5	Financed by ADB (\$27 M); OPEC Fund for International Development-OFID (\$11 M); Australia AusAid (\$14.5 M); Korea KOICA (\$22.4 M); and Lao government (\$13.6 M).	<p>-This road starts from Lao-Thai Nam Heuang Friendship Bridge across Sayabouly Province to Luang Prabang with a total length of approx. 300km. There will be a Mekong Bridge at Tha Deua and Pakhone. This road will enable the connection between NSEC and EWEC as well as promote tourism of the World Heritage City-Luang Prabang.</p> <p>-Funding is now secured, our deep gratitude to ADB for its outstanding coordination with several donors to support the investment for this road.</p> <p>-To date, the project is on tendering process and civil works will start by the upcoming dry season,</p>
Group 2: Projects for later implementation and/or projects requiring financing					
7.	GMS East-West Corridor II (Lao section)	2012-2015	23.0	Included in ADB indicative pipeline for 2011- \$20M; Lao government \$1M; cofinancing \$2 M	

(1) Project Name		(2) Indicative Timeline	(3) Estimated Total Cost (\$M)	(4) Status of Financing	(5) Status/Progress of Implementation
8.	Route 14A: Junction Route 16 – Lao PDR/Cambodian border	TBD	33.0	TBD	-This road portion had been identified as high priority by the Japanese Study on the Southern Road Network funded by JICA. This road will promote tourism to the World Heritage site Wat Phou Champassak. -To date, no progress on the improvement of the road as there is no funding.
9.	Route 16A:Junction Route 16 - Junction Route 11	TBD	34.0	TBD	-This road portion had been identified as high priority by the Japanese Study on the Southern Road Network funded by JICA. - This road is an active candidate for grant/soft loan assistance in the upcoming support from Japan.
10.	Thanaleng-Vientiane Railway	2008-2010	TBD	TBD	
11.	Bridge over Mekong between Xieng Kok and Kyaing Lap including Access Road from Tarlay-Kyainglap	TBD	34.0	TBD	
12.					

Other Projects that Government May Consider as High Priority

(1) Project Name	(2) Indicative Timeline	(3) Estimated Total Cost (\$M)	(4) Status of Financing	(5) Status/Progress of Implementation