



Validation Report

Reference Number: PCV: LAO 2009-39
Project Number: 30255
Loan Number: 1795 (SF)
November 2009

Lao People's Democratic Republic: Rural Access Roads Project

Independent Evaluation Department

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
DOR	–	Department of Roads
EIRR	–	economic internal rate of return
EMDP	–	ethnic minority development plan
IED	–	Independent Evaluation Department
IUCN	–	International Union for Conservation of Nature
Lao PDR	–	Lao People's Democratic Republic
LCDC	–	Lao National Commission for Drug Control and Supervision
MPWT	–	Ministry of Public Works and Transport
OCR	–	ordinary capital resources
OFID	–	Organization of Petroleum Exporting Countries Fund for International Development
PCR	–	project completion report
RMF	–	road maintenance fund
RRP	–	report and recommendation of the President
SDR	–	special drawing rights
TA	–	technical assistance
UNDCP	–	United Nations Drug Control Programme
vpd	–	vehicle per day

NOTE

In this report, "\$" refers to US dollars.

Key Words

lao pdr, lao people's democratic republic, rural roads, transportation, feeder roads, lessons, asian development bank, independent evaluation department, performance evaluation

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PROJECT COMPLETION REPORT VALIDATION

A. Basic Project Data		PCR Validation Date:	November 2009	
Project Number:	30255/1795(SF)		Approved	Actual
Loan Number:				
Project Name:	Rural Access Roads Project	Total Project Costs (\$ million):	37.50	38.01
Country:	Lao People's Democratic Republic	Loan/Grant (\$ million) (SDR million equivalent):	25.0 SDR19.26	27.5 SDR19.03
Sectors:	Transport, roads, rural roads, feeder roads	Total Cofinancing (\$ million):	5.00	5.00
ADB Financing (\$ million):	ADF: \$25.0 million	Borrower (\$ million):	7.50	5.61
	OCR: \$0.0	Beneficiaries (\$ million):	0.00	0.00
Cofinanciers:	OPEC Fund for International Development	Others (\$ million):	5.00	5.00
Approval Date:	7 December 2000	Effectiveness Date:	16 May 2001	16 May 2001
Signing Date:	16 February 2001	Closing Date:	30 April 2005	9 April 2008
Project Officers:	Name:	Location:	From	To
	P. Valley	Headquarters	2002	2005
	P. Logan	Lao Resident Mission	2006	2008
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B. Project Description (summarized from the report and recommendation of the President)

- (i) **Rationale.** Almost all Government funds for the road sector have been allocated to major national links, usually as counterpart funding for aid-assisted projects. In contrast, the rural road network has remained underfunded. Very few of the existing rural roads are passable year-round and many are no more than tracks. As a result, there remain difficulties in gaining continuous access to market centers, and education and health centers. The selected roads for the Project comprise provincial and major local roads that feed into the national road network. Improving the rural access roads will establish effective communication between farming communities and the national and provincial roads and market centers.
- (ii) **Impact.** The Project was expected to improve rural human resources by providing all-weather access to education and health facilities, and to contribute to poverty reduction by providing access to markets and employment opportunities.
- (iii) **Objectives or expected outcomes.** The primary objective was to assist the Government in its efforts to reduce poverty by improving rural access roads in four provinces. Improving those roads would give the isolated villagers of the affected areas access to markets, and education and health facilities; and the opportunity to become involved in the transportation service industry, road maintenance industry, and other off-farm jobs. The Project would support ongoing programs to reduce opium production by providing physical infrastructure (feeder roads) that would improve the nonexistent or difficult access to markets for traditional produce. The Project was expected to increase agricultural production and improve productivity, develop human capital, and reduce poverty.
- (iv) **Components.** The Project was designed to (a) improve about 220 kilometers (km) of rural access roads; (b) build about 100 km of feeder roads in Houaphan Province identified with community assistance under the alternative development program of the Lao National Commission for Drug Control and Supervision (LCDC) and the United Nations Drug Control Programme (UNDCP); (c) support a road construction and improvement environmental impact monitoring program in

ecologically sensitive areas, particularly the National Biodiversity Conservation Area; (d) through the periodic maintenance of selected subprojects, support the objectives of the road maintenance fund (RMF) to be set up with assistance of the World Bank-financed Road Maintenance Program; and (e) strengthen community development through participatory approaches to road construction and maintenance, particularly under the feeder roads component.

The action plan to implement the RMF involved (a) establishing the RMF Board; (b) setting up the secretariat to the RMF, which was to include representatives of the private sector; and (c) drafting the regulatory framework. These actions were to take place before the RMF Decree was issued, after which formal appointments, opening of bank accounts, and technical and financial audits were to become operational. The Project included financing for periodic maintenance of subprojects selected through the parameters for quantified or estimated needs under the road maintenance management system in the Department of Roads (DOR).

Feeder roads in Houaphan proposed for improvement under the Project were required to meet a set of selection criteria. The main criterion used by LCDC and UNDCP to identify a feeder road, with the participation of district and provincial authorities, was that the road should improve access to areas where opium poppy is grown and/or where there is opium abuse among a substantial proportion of the population. The report and recommendation of the President (RRP) identified other criteria: (a) connect with an all-weather road and be part of a network connected to markets and local centers, (b) not have a need for expensive bridges, (c) be maintainable using labor and materials from the villages served, (d) serve the population at large and not just special interest groups, and (e) be developed with techniques using labor and basic equipment.

C. Evaluation of Design and Implementation (project completion report assessment and validation)

- (i) **Relevance of design and formulation.** The project completion report (PCR) assessment on relevance of design and formulation was correct. The project design was and remains consistent with the Asian Development Bank (ADB) policy on poverty and with the Government's strategic objective to reduce poverty by improving the rural road network in four provinces. The Government's infrastructure development plans emphasized the improvement of the national and provincial road network to allow effective access to rural areas. The rural road network was identified as one of the key areas requiring ADB assistance.¹

In addition to providing vital improvements in infrastructure, the Project was relevant to the needs of the transport sector by strengthening Government capacity to manage and implement road infrastructure projects and undertake periodic road maintenance. The Project also supported the institutionalization of the RMF and programs to reduce opium poppy production.

On the other hand, the PCR conclusions were generally premised on each road addressing the basic need for rural access. It could have provided further comment on (a) the individual rationale for each of the project roads and the appropriateness of the selected additional works, and (ii) the practicality of implementing four contracts in four different provinces in terms of impacts and administrative considerations. ADB and consultant supervision was made difficult by the distance and time involved in visiting the sites. In respect to impacts, full project benefits could not be achieved since two connecting roads could not be improved under the Project.

- (ii) **Outputs and costs as envisioned during appraisal as compared to actual costs and achievement of outputs; reasons for any deviation.** The PCR described the outputs correctly. Reasons for deviations from planned outputs are satisfactorily described, and adequate comparison is made between the estimated and actual costs of the outputs. The outputs and associated costs as estimated at appraisal and actual outputs and costs are summarized in the following table.

¹ ADB's focus in the transport sector was to (i) develop strategic corridors and subsequent economic zones, and (ii) provide rural roads to support poverty reduction efforts.

Outputs and Costs: Appraisal and Actual

Category	Performance Targets			Costs (\$ million)		
	Appraisal (A)	Actual (B)	% Ratio (B/A)	Appraisal (A)	Actual (B)	% Ratio (B/A)
Land Acquisition (hh)	1,161	345	29.7	0.30	0.04	13.3
Unexploded Ordnance Removal (km)	320	313	97.8	0.65	0.007	1.1
Road Improvement (km)	220	246	110.9	23.70	29.28	23.5
	(NR+PR)					
	100					
	(FR)					
Periodic Maintenance (km)	—	163	nc	2.00	1.78	(11.0)
Feeder Roads (km)	100	67	67.0	2.00	2.08	4.0
Consulting Services				3.20	4.10	28.1

— = not estimated, FR = feeder road, hh = household, km = kilometer, NC = not calculated, NR = national road, PR = provincial road.

Source: Asian Development Bank. 2008. *Project Completion Report for the Rural Access Roads Project*. Manila.

During implementation, currency fluctuations favored the Project. The special drawing rights (SDR) appreciated against the US dollar, while the Lao People's Democratic Republic (Lao PDR) kip depreciated. These developments resulted in extra funds, which were used for additional road improvement works involving mainly increased road length and some additional feeder road works (Section C[iii]). The periodic maintenance component financed maintenance works on 163 kilometers (km). Para. 18 of the PCR gives adequate details of the five subprojects under this component. Additional periodic maintenance was carried out under the road improvement and feeder road components using contract savings.

Further deviations from planned outputs and costs include the following: (a) feeder road construction and improvement works were carried out for 67 km instead of the expected 100 km; (b) since the civil works bids for the feeder roads exceeded the funds available by \$2 million, the 30 km Xamtai–Moung Na section was subjected to road maintenance only; (c) unexploded ordnance removal was required on 313 km and was done by the Lao Army at their direct cost; (d) the actual cost of land acquisition was lower mainly due to a very narrow right-of-way being acquired (8 meter [m] width) compared to the original estimate based on a 30 m width; and (e) resettlement required considerable assistance from ADB staff and staff consultants.

- (iii) **Project cost, disbursements, borrower contribution, and conformance to schedule (as relevant to project performance).** The various PCR sections on these topics are acceptable and give objective assessments. At appraisal, the project cost was estimated at \$37.5 million. ADB provided a loan of \$25.0 million from its Special Funds resources. The Organization of Petroleum Exporting Countries Fund for International Development (OFID) provided financing amounting to \$5.0 million (for Contract C3), and the Government funded the remaining \$5.61 million. The PCR could have further explained why OFID funding for the C3 road proved insufficient, thereby requiring additional funds from the ADB loan.² The necessary reallocation was made and approved by ADB in May 2005.

The project cost at completion was \$38.01 million. Project implementation involved no cost overruns. The depreciation of the US dollar and the Lao PDR kip, along with some low bids, generated savings of about \$4.2 million, which was used to finance additional work under the road improvement component and the increased need for consulting services (Section C[ii]). Details are given in the PCR.

² Subsequently, the Southeast Asia Department clarified that OFID funding had been insufficient owing to an increase in project scope, with the additional works increasing the cost from \$7.8 million to \$9 million.

The PCR section on disbursements was thorough (PCR, paras. 26–28). Disbursements were made from the loan account in accordance with ADB's Loan Disbursement Handbook. An imprest account was established for the project management unit, which proved to be very useful particularly for payment for the small items and the feeder roads component. Payment of major contract claims followed direct payment procedures. OFID funds were completely disbursed, while all but the equivalent of \$374,269 or 1.36% of the ADB loan amount was disbursed. Disbursements were generally as expected but were delayed due to slow resettlement procedures and delays in the payment of local counterpart funds. UNDCP provided a nominal amount for the ethnic minority development plan (EMDP) to help eradicate opium cultivation (PCR, main text, para. 60).

The section on project schedule was up to standard. The loan closing date had to be extended by almost 3 years mainly due to startup delays, design changes, lack of local financial resources, delays in OFID payments, and additional works undertaken following the availability of additional funds. The scheduled loan closing date of 30 April 2005 was extended to 30 April 2007 to complete remaining works under all contracts. The actual loan closing date was 9 April 2008. The PCR could have briefly explained the need for an additional year for disbursement liquidation and the return of the remaining funds under the imprest account to ADB. Subsequent information provided by the Southeast Asia Department indicates that it took 1 year for the records of disbursement to be reconciled.

- (iv) **Implementation arrangements, conditions and covenants, procurement and consultants, and related technical assistance.** The PCR sections on these issues are generally complete and give fair assessments. The Ministry of Public Works and Transport (MPWT) was the Executing Agency for the Project. The implementing agency was the DOR under the MPWT. The project management unit was headed by a project manager who reported to the DOR director general. The supervision consultant acted as the engineer for the Project. The feeder roads component in Houaphan province was implemented by DOR under the general guidance of the LCDC and supervision of the UNDCP.

The loan conditions and covenants were all complied with.

The consultants were recruited in accordance with ADB's *Guidelines on the Use of Consultants*. Consulting services were increased by about 30% to accommodate additional design and supervision works, along with other important activities as explained in the PCR. For environmental monitoring, the International Union for Conservation of Nature (IUCN) was retained to undertake independent monitoring of road works in ecologically-sensitive areas. IUCN submitted regular reports to ADB and MPWT with the request that MPWT act on their recommendations. The PCR states that issues were solved on time and met with the Project's requirements. IUCN's performance was rated as effective.

Apparently, prequalification requirements were lax in that contractors that were marginally qualified were awarded contracts. As a result, contractor management was weak, cash flow was a chronic problem, and much of the machinery was either idle or broken down.

A technical assistance (TA) grant of \$200,000 was approved along with the Project loan. The TA was designed to strengthen the environment and social division of DOR and continue support for social development and environmental management and monitoring activities. The TA completion report rated the TA as generally satisfactory.³

- (v) **Performance of the Borrower and Executing Agency.** Although the subprojects were completed to a reasonable level of quality, the completion was delayed owing to a variety of reasons—weak project management strained further by the geographical spread of the subprojects; lack of familiarity with ADB's procurement procedures; and delayed provision of counterpart funds. However, most of these issues have been addressed in subsequent projects. Despite these issues, the project design presented several implementation challenges for MPWT, to which the project

³ ADB. 2000. *Technical Assistance Completion Report on Strengthening Social and Environmental Management*. Manila (TA 3557-LAO, for \$200,000, approved on 7 December 2000).

implementation unit responded appropriately, taking into account the capacity constraints. Although the performance of both the borrower and MPWT could have been better, the completed works were of satisfactory quality. In addition, the issue of delayed counterpart funds appears to have been resolved in subsequent ADB projects. Overall, the performance of the borrower and MPWT is rated *satisfactory* with room for further improvement.

- (vi) **Performance of ADB.** ADB contributed positively towards implementing this Project in light of the complex project design and the geographically dispersed location of the subprojects. The project design could have been improved if ADB had provided more time for appraisal. From fact-finding to Board approval, the loan was processed within 9 months, which is a short time for loan processing. This has a bearing on the weaknesses in project design that could have been corrected. However, during project implementation, ADB provided adequate inputs by fielding 14 project administration missions or about 2.7 missions per year. These included 11 review missions, which satisfactorily dealt with several key issues on the environment, resettlement, risk of sexually transmitted diseases, and timely disbursement of counterpart funds. However, ADB's efforts could have been more effective in resolving specific issues, such as the use of the C3 road by the Phu Bia Mining Limited . In summary, while there remain several areas of improvement for ADB, the following points need to be taken into consideration in determining the rating: (a) the entry into the rural roads subsector is a positive step; (b) the implementation of the Project was well supported by the Southeast Asia Department; and (c) the outputs were achieved as envisaged. Thus, ADB's performance is rated "satisfactory."

D. Evaluation of Performance (project completion report assessment and validation)

- (i) **Relevance.** The Project was assessed highly relevant by the PCR. At the country level, the Project was in line with the Government's development objectives and ADB's strategy to assist the Government in its efforts to reduce poverty by improving rural access. The variations or additional works, which did not pass through the same rigor of project formulation, were mostly appropriate and supported the project objectives. In addition to the economic development rhetoric used to justify the project rationale, this Project was designed to reduce opium production. On the other hand, some weaknesses are noted at the project level.

First, some design issues arose following project preparation. A detailed design and value engineering was needed from the supervision consultant to improve the design of pavements, drainage structures, submersible crossings, and bridge crossings where these were considered necessary. The consultant's recommended design changes were reported to have resulted in cost savings for the Project. These included (a) vertical alignment design in C2, C3, and C4; (b) pavement redesign in C2; and (c) replacement of gravel pavements by paved gravel. In addition, there was a design fault agreed by ADB from the beginning. For the design of roads in hilly terrain, slopes should not exceed 10%. This is essential to ensure road safety. For the Project, grades of up to 22% were allowed initially and had to be redesigned at significant additional cost and time to lower this to a more acceptable grade. Despite this redesigning, the PCR stated that steep grades of 20% exist on three sections.

Second, the Project was also designed to have four contracts that were geographically distant from each other. This resulted in a relatively thinner spread of the resources—funds as well as human resources. In the case of contract C2, the lack of a good road between Xanakham and Vientiane reduced the overall value of the project road. Although this section is being improved now, the Project could have been more robust and useful if the C2 section had been extended up to Vientiane, since this is the economic center in the area. Moreover, since the Project was spread across the country, the resources (MPWT, ADB, and supervision consultants) faced more difficulties in managing it, leading to delays in payments. Overall, the Independent Evaluation Department (IED) considers the Project to be "relevant" at completion. Thus, although the Project was consistent with the development objectives, the project design and formulation left room for improvement.

- (ii) **Effectiveness in achieving outcome.** The PCR rates the Project as "effective." Flexibility demonstrated by both ADB and MPWT during project implementation helped achieve civil works that were more extensive than expected at appraisal. This was made possible by the depreciation of the US dollar against ADB's SDR currency. Extra funds were then used to finance variations or additional road improvement works, which helped enhance the effectiveness of the main civil works component. All activities under the periodic maintenance component of the Project were completed. Road roughness improved from between 12–20 m/km to 2.5–4.5 m/km in the four subproject roads, and the improved road conditions resulted in the reduction of transport constraints and improved access. Transport costs and travel times on the project roads have declined significantly. Accessibility for the local population is evident in the rapid growth of motorcycle traffic using the project roads. The PCR does not provide the traffic count data to substantiate this, but it does report that the cost of a trip on the Khock Khao–Na Sack road has declined from KN130,000 to KN30,000. Thus, IED concurs with the "effective" rating given in the PCR.
- (iii) **Efficiency in achieving outcome and outputs.** Neither the RRP nor the PCR gives a complete economic analysis. While the methodology is stated, sufficient data are not provided, e.g., traffic data and vehicle operating costs in either the with- or without-project cases. The costs and benefits associated with the calculation of the economic internal rate of return (EIRR) have not been provided in the PCR. It only reports that the recalculated EIRR is 12.0% overall compared with the RRP estimate of 19.7%. The lower EIRR has been attributed to slower-than-expected traffic growth. The PCR's economic analysis is drawn from the Government PCR, which was prepared by the project supervision consultants. This report explains in detail the process of EIRR recalculation. Based on the information, the Project may be considered marginal. Even with time savings benefits, the EIRR of two of the three subprojects is less than the opportunity cost of capital of 12% for ADB projects. The EIRR of 12% for the whole Project is largely due to the strong economic performance of the C2 road. This weak EIRR result is due to the relatively small volume of traffic being carried by the four roads. The 2007 traffic count survey reported 272 vehicles per day (vpd) along C1, 147 vpd along C2, 116 vpd along C3, and 33 vpd on C4. The majority of traffic comprises motorcycles. The PCR analysis assumed the time savings benefit to be 15% of the vehicle operating cost for normal and generated traffic. This is on the high side, but is acceptable given the level of improvement from an earth road to a paved road. Despite this, the EIRR was 12%, which is on the border between less efficient and efficient. While the lower EIRR on its own could have been acceptable in the range of 10–12%, the EIRR of 4% for C4 shows that the investment made in that road was higher than required, i.e., the level of traffic on the road does not merit such investment. In other words, ADB and the Government could have designed a less costly road in line with the low volume of traffic. This is seen as lowering project efficiency. The Project was completed after a delay of 3 years, which led to a delay in road users being able to avail of the benefits. Although the opportunity costs associated with this delay have not been quantified, they cannot be ignored. Overall, taking into consideration the borderline EIRR and the implementation delays, IED rates the Project as "less efficient."
- (iv) **Preliminary assessment of sustainability.** The PCR rates sustainability as "less likely" but gives no specific reasons. On the other hand, the PCR gives numerous reasons why maintenance is likely to be accomplished. The low level of traffic using the project roads is not likely to create major deterioration of the road in the short term. However, heavy vehicle traffic from Phu Bia Mining Company is likely to seriously deteriorate the C3 road. The PCR argues that the Government is committed to preserving road assets. The RMF was established in 2001, and revenues from fuel taxes and road and bridge tolls are placed in the RMF. But still the funding of the RMF has consistently fallen short of the requirements. This indicates insufficient funds are being allocated for road maintenance. Feeder road maintenance is being done by the local authorities and involves community participation. Success of maintenance depends on many factors as described in the PCR. Overall, despite positive developments on road maintenance, the adequacy of funding for road maintenance remains a nationwide issue. IED agrees with the PCR rating on sustainability of "less likely."
- (v) **Impact (both intended and unintended).** The Project, through providing improved access, has had several positive social impacts. Through interviews with local officials, residents, and business

owners along the project roads, the PCR determined that poverty has been reduced and household incomes have increased. Access to existing markets has improved and new markets have been developed. Accessibility to health care and schools has increased, while bus service frequency has increased and travel times decreased. People have moved into the project area to take advantage of new communications, the availability of electricity, as well as the new employment opportunities through local hire jobs for road maintenance. The PCR states that opium poppy cultivation has been reduced. Provincial annual economic growth increased from 4.5% before the Project to about 8.3% in 2005–2007.

The IUCN was retained by the Government to undertake independent monitoring of the Project's environmental impact and implementation of mitigation measures by contractors. IUCN's final report assessed both compliance with mitigation measures and mitigation of negative environmental impacts as "generally satisfactory."

A resettlement implementation plan for the road improvement component was approved and then implemented starting in 2001. It was updated after completion of the detailed design of each road. Considerable input was provided by ADB to ensure that the land acquisition and resettlement activities were properly undertaken.

The roads for the feeder road component were selected after the initial resettlement implementation plan was approved. After detailed design, a resettlement implementation plan was prepared along with an EMDP. This was especially important because these areas were located in or near opium-planted areas. The EMDP, which was implemented in 2003, helped develop livelihood alternatives to opium cultivation and improved health and medical services. While implementation of the EDMP and the resettlement plan appears to have been successful based on the description in the PCR, it does not confirm this sufficiently clearly.

The impact is rated "moderate." The rating could have been higher if supporting data had been made available.

E. Overall Assessment, Lessons, and Recommendations (validation of project completion report assessment)

- (i) **Overall assessment.** At the country and sector level, the Project remains highly relevant and consistent with ADB's policy on poverty reduction for the Lao PDR. At the project level, there remain several concerns about the adequacy of the project design and formulation. The noncontiguous selection of the four subproject roads that were geographically distant created logistical issues during the course of the Project. Likewise, the economic impact could not be maximized because of two poor connecting roads that were not immediately within the project scope.
- (ii) The Project was rated "effective" in addressing the basic issue of rural access through road improvement in four national and provincial roads. In addition, the Project provided assistance for feeder road construction and periodic maintenance of selected road sections. During implementation, the Project benefited from currency fluctuations, which enabled a number of variations and additional works to enhance the effectiveness of project outputs. However, implementation was delayed by 3 years. On account of this and the lower-than-expected traffic being carried by the four roads, the Project is "less efficient." Like all other Lao PDR roads, the project roads still remain subject to the nationwide issue of generating adequate funding for road maintenance. Thus, project benefits are "less likely" to be sustained.
- (iii) Overall, IED rates the Project as "partly successful."
- (iv) **Lessons.** The PCR notes that while all parties, including ADB, performed relatively well, the Project experienced delays and had design difficulties that can be avoided in the future. These are summarized here.

Delays were generally due to weak project management and limited assets of the contractors; design changes; cash flow problems associated with availability of counterpart funds; and limited understanding of ADB procedures and requirements by MPWT, particularly regarding resettlement.

Some of the lessons are obvious. For example, prequalification of contractors should be conducted more carefully to ensure that only qualified contractors with the required capacity are awarded contracts. ADB should continue to make every effort to ensure that MPWT staff are familiar with ADB procedures and requirements before the start of a project. It is noted that efforts have been initiated by ADB recently, and it is expected that they will bear results in the future.

Designs are often changed during implementation of a civil works project. This Project was no exception, but the faulty design of the roads in hilly terrain (Section D[ij]) should not have been accepted by ADB. Clearly design standards and design review procedures need to be strengthened.

- (v) **Recommendations.** PCRs, including this one, generally recommend that ADB continue to monitor a project until some indefinite future date. There might be good reasons for this, but the PCRs never suggest how this might be accomplished. Taking ADB staff constraints into account, it is unlikely that such monitoring can be done comprehensively.

Steep grades are an issue that requires attention not only during design and construction but also during operation. Drivers need to be educated on safe driving practices under such conditions and warning signs should be numerous and easily visible.

F. Monitoring and Evaluation Design, Implementation, and Utilization (project completion report assessment and validation)

The MPWT's PCR included a brief benefit monitoring evaluation, which provides a snapshot of the situation at project completion. It did not have any baseline data for comparison. Environmental concerns and adverse effect mitigation measures were monitored successfully by IUCN, a recognized international organization. Resettlement was monitored by ADB's Resettlement Specialist. Finally, during project implementation, the RMF was established. This fund is likely to undergo substantial changes to bring available funds more in line with needs. As a basis for future road funds in other countries, the experience in the Lao PDR would be beneficial and should be documented.

G. Other (e.g., safeguards, including governance and anticorruption; fiduciary aspects; government assessment of the Project, as applicable) (project completion report assessment and validation)

Environmental safeguards were built into the Project and were carried out in a generally satisfactory manner. With assistance from ADB, resettlement activities were successful. Initially, the Government did not provide sufficient counterpart funds. This substantially affected initial project implementation, but was corrected after 2 years.

The Government's performance will be reviewed in the future in light of the following factors:

- (i) This was ADB's ninth road project in the Lao PDR. The fact that MPWT had not become familiar with ADB's guidelines after so many years of working closely with ADB is difficult to comprehend. It also has an implication for ADB's value addition in the country.
- (ii) The lack of funding allocations for maintenance is indeed a sector issue. But it is also an important issue for the Project since the funding allocations from the RMF, as well as from the provincial governments, have not been sufficient for maintenance of the project roads, especially after flooding. In the case of C3. In addition, the issue of establishing and enforcing the responsibility for road maintenance remains important to the sustainability of the Project.
- (iii) Delayed implementation of the Project reflects poorly on MPWT and has affected the efficiency of the Project. The fact that the work was ultimately completed is not enough reason for ignoring the shortcoming in implementation efficiency.
- (iv) The comments provided by the Lao Resident Mission state that one of the reasons for inefficiency in implementation was the geographical distribution of the subprojects. However, despite the issues

faced by this Project, ADB and MPWT repeated the same project design in the subsequent project – Roads for Rural Development Project (Loan 2085).

These issues will need to be reflected in the PCR for Roads for Rural Development Project (Loan 2085).

H. Ratings	PCR	IED Review	Reason for Disagreement/Comments
Relevance:	Highly Relevant	Relevant	Although the Project remains consistent with the development priorities, there is room for improvement in project design and formulation (Section D[i]).
Effectiveness in Achieving Outcome:	Effective	Effective	
Efficiency in Achieving Outcome and Outputs:	Efficient	Less Efficient	The overall project EIRR of 12% is a borderline case. The EIRR of two out of the four subprojects is low. The implementation performance was found to have room for improvement.
Preliminary Assessment of Sustainability:	Less Likely	Less Likely	
Borrower and Executing Agency:	Satisfactory	Satisfactory	
Performance of ADB:	Satisfactory	Satisfactory	
Impact:	Not rated	Moderate	There are signs that the effects were substantial, but additional data are needed to support this.
Overall Assessment:	Successful	Partly Successful	
Quality of PCR:		Partly Satisfactory	

I. Comments on PCR Quality

The PCR provided reasonable detail on project outputs. For example, the PCR identified road sections covered by the periodic maintenance component. However, it could have been further strengthened by (i) adding an assessment of road conditions under the periodic maintenance component, (ii) providing a list of the variations and additional works, and an assessment of their linkage to the project rationale, and (iii) discussing traffic count and origin-destination survey results. In addition, Appendix 10 is incomplete despite detailed information available in the Government PCR. This, combined with the following issues, has resulted in a partly satisfactory rating of the quality of the PCR:

- (i) the abbreviations section of the PCR contains errors;
- (ii) the alignment of the rows in Section B of the basic data is incorrect;
- (iii) in the basic data (Section 9[b]), the category needs to describe project component;
- (iv) the report contains numerous minor errors, especially in the first few pages;
- (v) an appendix on monitoring the socioeconomic impact of the Project would have contributed substantially to understanding its positive effects;
- (vi) the PCR (para. 40) states that "overall, the performance of the contractors was satisfactory." However, para. 11 of the PCR states that "all contractors faced financial problems throughout the construction period and mobilization of construction equipment was slow." These statements are contradictory and indicate room for improvement in the PCR; and
- (vii) Appendix 10 (economic reevaluation) of the PCR does not provide sufficient details, e.g., it states "The revised annual growth rates for normal traffic are shown in Table 1." However, there is no Table 1, and the PCR does not provide traffic details anywhere.

J. Recommendation for the Independent Evaluation Department Follow-Up

The PCR suggested that a project performance evaluation be undertaken in 2009. The Independent Evaluation Department is in the process of carrying this out.

K. Data Sources for Validation

Data sources for the preparation of the validation report included the RRP, PCRs of ADB and Government, back-to-office reports of review missions, and minutes of the Management Review Meeting, the Staff Review Committee meeting, and Board discussions.

REGIONAL DEPARTMENT'S RESPONSE TO THE PROJECT COMPLETION REPORT VALIDATION REPORT

On 9 October 2009, Director, IED2, Independent Evaluation Department (IED), received the following comments from the Lao PDR Resident Mission, Southeast Asia Department.

We have reviewed IED's earlier draft Project Completion Report Validation Report circulated to us on 31 August 2009 and its final draft that was sent to us for review on 2 October 2009. We appreciate that most comments we made to IED on the earlier draft including those related to the performances of the executing agency and ADB have been adequately incorporated in the final draft. However, we note that our views on efficiency in achieving outcome and output were only partly considered and that the rating on the foregoing was retained at "less efficient."