

AID-FOR-TRADE: CASE STORY

ASIAN DEVELOPMENT BANK

ADB's Greater Mekong Subregion (GMS) East West Corridor

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EXECUTIVE SUMMARY

The Greater Mekong Subregion (GMS) East West Corridor Project aimed to improve National Road 9 linking landlocked areas in northeast Thailand to the Viet Nam coast via Lao People's Democratic Republic (PDR). It is part of a wider East West Economic Corridor initiative covering Lao PDR, Viet Nam, Thailand, and Myanmar.

The project is a flagship initiative of the GMS Economic Cooperation Program that aims at promoting development through closer economic linkages.¹ The program implements high priority subregional projects in transport, energy, telecommunications, environment, trade and so forth supported by ADB and other donors. Substantial progress has been achieved in terms of implementing GMS projects over the past 12 years, during which, infrastructure projects worth around US\$4 billion have either been completed or are being implemented.

The road improvements were completed in 2005, and the total project cost at completion was \$40.9 million in Lao PDR and \$29.2 million in Viet Nam. Benefits from the road project include increase in the average number of vehicle crossings, shorter travel time, and increase in the average value of traded goods passing through the project road.

ISSUES ADDRESSED

The economic corridor approach to development was adopted by the GMS countries during the GMS Ministerial Meeting held in 1998. One of the primary goals of economic corridor development is to develop a highly efficient transport system that allows goods and people to move around the subregion without excessive cost or delay. Such an improvement in the transportation network is seen to promote further

¹ The GMS Strategic Framework entitled, "Building on Success: A Strategic Framework for the Next Ten Years of the Greater Mekong Subregion Economic Cooperation Program" articulates a vision of a Mekong subregion that is more integrated, prosperous and equitable. See http://www.adb.org/documents/books/building_success/default.asp

economic growth and regional development.

As a road project, the East West Corridor addressed the need to improve access to transit and subregional trade between Lao PDR, Thailand and Viet Nam. The project did this by interconnecting existing transport networks that link national economic centers. Poverty reduction is also addressed through a rural road connection in Lao PDR.

Furthermore, the road project is supplemented with other interventions, such as the creation of a Cross-border Transit Agreement, to ensure that economic activities grow along the transport corridor.

OBJECTIVES PURSUED

The project aimed to increase economic cooperation and facilitation of trade among Lao PDR, Thailand, and Viet Nam by improving transport infrastructure in the East West Corridor and by lowering nonphysical barriers to movement of goods and people mitigated in Lao PDR and Viet Nam side of the borders of the project roads.

DESIGN AND IMPLEMENTATION

The project components include the i) reconstruction of an 83 km highway link between the Thailand and Lao PDR border, and Dong Ha (National Highway 9); (ii) rehabilitation of a 105.8 km stretch of highway between Dansavanh (Lao PDR) and the Lao Bao (Viet Nam) border crossing (Route National 9); and, (iii) and implementation of agreements that will facilitate cross-border transport of goods and people. To support both transport and trade facilitation, the project incorporated the Cross-Border Transport Agreement (CBTA), which is a GMS-wide instrument covering various aspects of cross-border transport facilitation—customs inspection, movement of persons, transit traffic, and road and bridge design standards.

For the Lao PDR component, the Ministry of Public Works and Transport (MPWT), formerly Ministry of Communication, Transport, Post, and Construction, was tasked as the Executing Agency (EA), while project implementation was the responsibility of the project management unit (PMU) within MPWT. The PMU was headed by a project manager and supported on a full-time basis by technical and administrative staff. Implementation of the component was assigned to the Department of Roads within MPWT, which set up an office under a project manager at the contractors' camp at Xepon.

For the Viet Nam component, the Ministry of Transport (MOT) was the EA. Overall control of the Project was the responsibility of the vice minister of MOT responsible for foreign funded projects. PMU-85, an agency of MOT based in Vinh City with a project office in Dong Ha, was tasked as the Implementing Agency.

PROBLEMS ENCOUNTERED

Issues emanating from the Project are (i) the delay in implementation of the CBTA which has impeded the immediate growth of cross-border traffic, and (ii) the lack of complementary investments from Lao PDR and Viet Nam and capacity development to transform the transport corridor into an economic corridor. Nevertheless both issues can be addressed in time with the full implementation of the CBTA and the increase in economic activity and investments along the road projects.

FACTORS FOR SUCCESS / FAILURE

The success of the project can be attributed to the selection and implementation of physical infrastructure improvements that have been appropriate to the needs at the national level and the subregional level, and the support of national institutions for planning and implementation. Further development and sustainability of the project can also be attributed to the implementation of the CBTA.

RESULTS ACHIEVED

Project-level results, as envisaged at appraisal and as part of design changes, were substantially achieved or

exceeded in both country components. The rural road component was expanded from three to nine rural roads, and has enhanced mobility and access by poor households. The improvement of National Road 9 from Dong Ha (Viet Nam) to Kaysone Phomvihane (Lao PDR) reduced vehicle operating costs and enabled faster vehicle speeds and shorter travel times. There was a considerable amount of design changes done during implementation to accommodate heads stemming from emergency flood repairs in the Lao PDR among other road works that helped enhance project effectiveness. Modest gains were also made in promoting tourism and cross-border trade and investment among Lao PDR, Thailand, and Viet Nam.

The Project was useful in developing an efficient national and regional transport system and in simplifying custom procedures aimed at strengthening bilateral trade and regional cooperation. Average trade value during 2006–2007 amounted to \$142 million compared to \$93.5 million during 1999–2000. Most goods passing through the project road comprise bilateral trade, but it is expected that with the implementation of the remaining phases of the CBTA, savings in customs and immigration processing times will improve and regional impacts will become stronger. Border facilities provided by the project are likely to be maintained and continue to contribute to transport facilitation and enhanced trade as well.

Specific project accomplishments include the following:

- Average travel time between Savannakhet and Dansavanh has dropped from 10–12 hours to 2.5-3.0 hours. Travel time between Dong Ha and Lao Bao was cut from four hours to two hours.
- Time to cross the border from Lao Bao to Dansavanh was reduced from 487 minutes (before the Project) to 151 minutes (after the project). Estimated processing time taken to cross border from Lao Bao to Dansavanh reduced from 228 minutes to 60 minutes.
- Estimated total time taken to cross border from Dansavanh to Lao Bao reduced from 71 minutes (before the project) to 48 minutes (after the project). Estimated processing time taken to cross border from Dansavanh to Lao Bao reduced from 45 minutes to 29 minutes
- Average number of vehicles crossing per day increased from 130.8 vehicles per day (vpd) in 2000 to 142 vpd in 2006 and 152.2 vpd in 2007.
- Average trade value through Lao Bao has escalated and cross-border trade value peaked at US\$ 148.5 million in 2007.
- In June 2009, the Cross Border Transport Agreement (CBTA) among GMS member countries was implemented allowing Viet Nam, Lao PDR and Thailand to issue licenses to 500 trucks to operate cross border transport of goods along the corridor without transshipment costs.

LESSONS LEARNED

The development of transport corridors is a holistic strategy that strengthens subregional and individual economies both by improving the quality and reach of intraregional infrastructure (i.e. transport, energy, and telecommunications) and by taking full advantage of the ancillary economic benefits from these investments.

CONCLUSION (applicability to other programs)

ADB supports a number of broad-based regional and subregional cooperation initiatives to accelerate the development of participating countries, of which the GMS initiative is the most prominent example. The East West Corridor project and ADB's over-all support to the GMS program has created a demonstration effect that is being replicated in other subregions in Asia.