

## **A study on Effectiveness of Thailand's Development Cooperation Projects in Laos**

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### **Abstract**

Laos has maintained constant efforts to promote rapid social and economic development by designing development plans which require resources far beyond local resource availability. ODA has been essential in filling gaps between the locally available resources and the development needs. The Lao government has been committed to observing the international aid coordination process for effectiveness as well as designing its own aid coordination mechanisms in order to maintain supports and cooperation from donors. However, such aid coordination mechanisms have been mainly related with aid flows from traditional aid providers. Thailand has emerged as an important aid provider in Laos but the effectiveness of Thailand's aid in Laos has not been systematically investigated. This study aims investigate Thailand's ODA effectiveness in Laos using TICA's technical cooperation project on use of ICT for distance education through television and multimedia stations in the Ministry of Education and Sports and NEDA's project on Paklay-Phoudoo road construction in the Ministry of Public Works and Transports as the cases. The approaches used in the study include reviews of related documents and interviews with project directors and project managers in order to identify effectiveness patterns of Thailand's ODA in Laos as well as identifying factors underlying such effectiveness patterns. The study finds that Thailand's ODA in Laos is effective in terms of relevance, partnership, achievement, satisfaction, and continuity. Several factors underline such effectiveness. First, both Thailand and Laos have long experiences in participation in traditional ODA effectiveness process. Second, both projects were formulated at time when the surrounding conditions were favorable. Third, there were strong leaderships and clear policies for national development in both ministries. Fourth, both projects shared common uniqueness; their outcomes were clear and definite within responsibility of the government sector.

Keywords: Thailand ODA in Laos, TICA, aid coordination mechanisms, economic development.

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## I. Introduction

The new phase of aid is shaped by increasing aid flows from non-traditional donors, which have been questioned in terms of their aid effectiveness. South-south cooperation is often different from traditional aid schemes in terms of both objectives and approach, existing in the combination of aid, trade, security, diplomacy, and economic development. Therefore, the current traditional methodologies and techniques for aid monitoring and evaluation are inadequate to capture the volume, type, and content of aid flows, as well as the complex outcomes resulting from partnerships based on mutual benefits. South-south cooperation effectiveness is critically important yet under-studied. Precisely, three aspects of south-south cooperation relations need to be understood in order to develop an appropriate monitoring and evaluation framework for south-south cooperation initiatives. Those three aspects are the nature of partnership, the objectives of the initiatives, and the outcomes.

Laos has been enjoying sustainable socio-economic growth. Foreign assistance has played a significant role in its growth. Thailand, as an emerging southern provider has provided significant assistance to Laos due to both regional context and similar cultural backgrounds. However, effectiveness of Thailand's assistance to Laos is also questioned similarly to assistance from other southern providers across various recipient countries. This study is devoted to identify the pattern of success of cooperation projects of Thailand in Laos, and identify factors underlie such a pattern of success based on the evaluations of one technical assistance project and one soft loan project of Thailand in Laos. The project on the use of information and communication technology (ICT) for distance education through television and multimedia stations at the Ministry of Education and Sports, which is a three-year project (2014-2016) under supports of Royal Thai Government through Thailand International Development Cooperation Agency (TICA) was selected as the technical project. The second project is a road construction project under Ministry of Public Works and Transports supported by Neighboring Countries Economic Development Cooperation Agency (NEDA) through a concessional loan scheme combined with grant.

The rest of this paper is structured as follows. Section 2 reviews definition of official development assistance (ODA) and ODA coordination mechanism towards ensuring aid effectiveness in Laos. Section 3 examines trends of Thailand's ODA to

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Laos and presents a comparison of aid effectiveness measures of northern and southern providers. Section 4 reports success patterns of Thailand's ODA projects in Laos, followed by conclusion in Section 5.

## **II. The Role of Foreign Aid, Its Effectiveness, and Aid Coordination Mechanism in Laos**

### **II.A. Aid role and its effectiveness**

Most developing countries have maintained constant efforts to promote rapid social and economic development by designing development plans which require financial resources far beyond local financial resource availability. ODA is essential, filling gaps between the locally available resources and development needs (Ohno, 2003). Non-ODAs, including private company financial flows (foreign direct investment or FDI) and grants by private voluntary agencies, are also important financial resources supporting development in developing countries. Akira and Yasutami (1999) classify ODA into two main categories: grants and loans; where grants are further broken down to grant aid, technical cooperation and capital subscription and contributions to international institutions.

ODA plays a relatively greater role than non-ODA sources in the early stage of development in order to prepare infrastructure and capacity necessary for attracting FDI and promoting domestic private sector development (Hayami, 2001). Once the virtuous circle process has started, the role of ODA will decline. Many European countries and Japan had to greatly depend on foreign aid after severe damage of World War II, and South Korea and Taiwan heavily depended on foreign aid in the 1960s and 1970s. Thomas et al. (2011) raised following three main conditions for ODA effectiveness from the recipients' view points: (i) strong leadership and clear policies for national development, (ii) foreign aid investment in such infrastructure as roads and other infrastructures, and (iii) effective use of foreign aid to support human development.

However, various studies find that foreign aid or ODA can induce developing countries to become aid dependent. In general cases, aid dependency involves situations where increased ODA inflows lead the governments of recipient countries lose policy autonomy, be unable to maintain accountability and responsiveness to national citizens,

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and be unable to maintain sound budgetary management and planning (Silaphet, 2008; Thomas et al., 2011).

Therefore, Aid effectiveness has been a major concern among donating agencies and donating countries. Up to 2005, the donor community and aid recipient countries had worked together towards improving aid effectiveness through the round table meetings which were held once every three years and annual interim round table meeting process (Lao Prime Minister's Office, 2009). Since 2005, particularly after the launch of Paris Declaration, aid effectiveness has been measured in five dimensions such as (i) ownership of recipient countries in setting their own development strategies, (ii) alignment between recipient countries' development strategies and donor supports, (iii) harmonization among donor countries in order to avoid duplication, (iv) recipient countries and donor countries work together to ensure achieving expected results, and (v) recipient countries and donors are accountable to each other. Implementation of Paris Declaration has been deepened a few times along the way based on the Accra agenda for action in 2008 and the Busan high-level forum on aid effectiveness in 2011.

## **II.B Aid coordination mechanism in Laos**

The government of Laos has set development goals to graduate from the list of the least developed country status by 2020 and to become an upper middle income country by 2030. The medium development target is set in each five-year national socio-economic development plan. Currently, the country is in its final stage of implementing the 7<sup>th</sup> national socio-economic development plan, and has been enjoying a rapid economic growth at an average annual growth rate of approximately 7.5 percent over past ten years. However, Laos has been an aid dependent country. Net ODA to Laos have increased in amount and in per capita terms over the past two decades, but have declined in terms of proportion of GDP, owing to Laos' strong GDP growth. In 2000, foreign aid accounted for approximately 76.2 percent of the total government expenditure (Thomas et al., 2011). Support is needed to strengthen government systems for monitoring and reporting ODA while strengthening government's ability to improve the link between national planning and budgeting will require a higher degree of aid predictability.

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In order to maintain continuous supports and cooperation from donors in carrying its social and economic development plan, the government of Laos has been committed to improving development partnership towards aid effectiveness and transparency. Development partnership is a fundamental element to ensure the achievement of national objectives and important progress has been achieved. Right after the launch of Paris Declaration in 2005, the Lao government started to implement 8 sector working groups on aid coordination. In 2006, Vientiane Declaration was launched, followed by the Vientiane Declaration country action plan (VDCAP) was commenced in 2007 (Lao Prime Minister's Office, 2009), and full implementation of aid management platform was commenced in 2012. The recently revised VDCAP builds on the four principles of the Busan partnership agreement such as (i) ownership of development priorities by developing countries, (ii) focus on results, (iii) inclusive development partnerships, and (iv) transparency and accountability. In terms of ownership the national socio-economic development plan remains the basis for development cooperation. Engaging the private sector more in the development dialogue and efforts also remains a priority. The role of civil society organizations in promoting sustainable development has been acknowledged including their role in facilitating the meaningful inclusion of community development. Accountability and transparency have also been enhanced through the revised VDCAP and online ODA database which records and categorizes ODA commitments and disbursements.

At the sector level, sector working groups (SWGs) have contributed to further align SWG activities with national and sector plans and better align plans and budgets. The SWGs together with SWG Chair and Co-chair mechanism are important platforms to promote and improve the development dialogue. Since 2012, the sector working groups have been expanded to 10 sectors; including health, education, governance, macro-economic situation, trade and private sector development, infrastructure, unexploded ordnance, illicit drug control, agriculture and rural development, and natural resource management and environment. However, the mechanisms need to be strengthened to act as strategic platforms for inter- and intra-sector collaboration. This would also require a more solid focus on supporting and strengthening the SWG secretariats.

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Given the potential changes in development financing and the aid climate as a whole, the Lao government is considering a development financing and aid assessment to identify alternative sources of finance and to establish stronger linkages in how different sources are utilized. This will provide valuable input for the budgeting of the 8<sup>th</sup> national socio-economic development plan which will be approved in early 2016, and useful guidance on the implications for ODA towards graduation from the least developed country status.

### III. Overview of Thailand's ODA to Laos, and aid effectiveness measures

Thailand emerged as a southern development assistance provider in the 1990s aiming to support developing countries and promote Thailand as a center for development cooperation (TICA's online information in 2015). Thailand prioritizes its support to its neighboring countries (Cambodia, Laos, Myanmar, and Vietnam) in order to narrow the gap in economic growth between Thailand and these neighboring countries and to support their regional integration. The key areas of cooperation are education and human resource development, infrastructure development, agriculture and rural development, community-based economic development, public health, natural resources environment and energy, and tourism development (TICA's online information in 2015).

Table 1: Thailand's ODA to Laos by category during 2010-2013

Year	Loan and Grant through NEDA (USD)	Grant: Technical Cooperation and Grant Aid (USD)		Total (USD)
		TICA	Sector cooperation	
2010	17,334,972	4,041,313	1,773,455	23,149,741
2011	14,207,407	2,536,670	699,185	17,443,262
2012	9,458,299	3,310,137	1,545,283	14,313,718
2013	30,806,909	3,862,600	858,832	35,528,341

Source: Author's calculations based on TICA online data, 2015 (Exchange rate used: THB30 per 1USD).

Laos is located in the center of the Greater Mekong Sub-region sharing a 1835 Km long border line with Thailand. Thailand's trade with Vietnam and China is transported through Laos. Laos is also an important market and investment destination for Thailand. Therefore, Thailand puts Laos as one of its priority ODA targets. Table 1 shows data on Thailand's ODA to Laos in the Akira and Yasutami (1999)

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ODA definition in terms of loan and grant during a period of 2010-2013. The loan component is administered by the Neighboring Countries Economic Development Cooperation Agency (NEDA) and the grant component comprising of technical cooperation and grant aid is administered by Thailand International Development Cooperation Agency (TICA), NEDA and each ministry (sector cooperation). In recent 10 years, there have been four NEDA-assisted projects and more than twenty TICA-assisted projects in Laos. As can be observed in the table, the loan component accounts for a major portion of Thailand's ODA to Laos, and the fluctuations in Thailand's total ODA amount were also driven by fluctuations in the loan component. The loan component is mainly used in infrastructure projects while the grant component is mainly used in education and human resource development, agriculture and rural development, and community-based economic development. The proportion of Thailand's ODA to Laos in terms of the total ODA from all the sources to Laos in 2010-2013 fluctuates between 3-5 percent, which is considerably large as a southern provider.

Table 2: Comparisons of aid effectiveness components

Paris Declaration <sup>1</sup>	Vientiane Declaration Country Action Plan <sup>2</sup>	Thailand's ODA effectiveness components <sup>3</sup>
Ownership	Ownership	Continuity/sustainability
Alignment	Inclusive development partnership	Coherence /relevance
Harmonization		Partnership
Managing for results	Focus on results	Achievement
Mutual accountability	Transparency and accountability	Satisfaction

Sources: <sup>1</sup>Silaphet (2008) and Thomas, et al. (2011); <sup>2</sup>Lao Prime Minister's Office (2009); <sup>3</sup>newly proposed by NIDC.

As an emerging development assistance provider, Thailand needs to maintain good practices towards ensuring its aid effectiveness. Table 2 provides aid effectiveness measures adopted by the northern ODA provides in comparison to aid effectiveness measures in Laos and ODA effectiveness proposed by Thailand as an emerging southern development cooperation provider. Aid effectiveness principles were first outlined and endorsed in Paris Declaration in 2005, comprising of 5 components such as ownership, alignment, harmonization, managing for results and mutual accountability as

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shown in Table 2. Elaborations of these components are shown in Silaphet (2008) and Thomas et al. (2011), and the summary of which is shown below.

- Ownership measures the degree to which the recipient government exercises effective leadership over the development policies, strategies and coordinates development actions.
- Alignment measures the degree to which the development partners (donors) align with the recipient government's strategies, regulations and procedures.
- Harmonization measures the degree to which various development partners seek ways to combine their assistance efforts in order to avoid duplications and enhance complementarities in their effects on development in the recipient countries.
- Managing for results measures the degree to which the recipient government and the development partners seeking to work together through a participatory process to strengthen the former's capacities towards results-based management. They will establish results-oriented reporting and assessment frameworks that monitor progress on national and sector development strategies and the effectiveness of development partner inputs/support based on agreed key indicators.
- Mutual accountability measures the degree to which the recipient government and the development partners jointly carrying out annual reviews on progress in implementing the commitments on aid effectiveness and improved development outcomes through existing and increasingly objective country level mechanisms. They will seek to formulate appropriate indicators and targets on aid effectiveness.

Vientiane declaration country action plan was developed in 2007 based on Paris Declaration in order to monitor effectiveness of aid from northern assistance providers in Laos. In that sense, the components of aid effectiveness measures in Laos are almost identical to those of Paris Declaration, except the alignment and harmonization components in the Paris Declaration were combined into inclusive development partnerships.

The newly proposed aid effectiveness components by Network for International Development Cooperation (NIDC) for Thailand's ODA share common characteristics

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of aid effectiveness measures set in the Paris Declaration. However, there are a few contrasting features between the two. The first contrast is that Thailand's ODA effectiveness measures stress explicitly on continuity and sustainability. Ownership, which is in both the Paris Declaration and Vientiane declaration country action plan, is only a part of continuity and sustainability. The second difference is that while Paris Declaration measures harmonization among donors in order to avoid duplications, Thailand stresses on partnerships involving both scope and degree of involvement of key stakeholders in the recipient country. The third difference is that Thailand does not see accountability and transparency as a stand-alone component of effectiveness. Instead, it tries to measure satisfaction levels of the recipient country government and local stakeholders (including beneficiaries).

This study applies Thailand's ODA effectiveness measures in two projects funded by Thailand's ODA in Laos. These two projects are (1) the technical cooperation project on Use of ICT for Distance Education through TV and CD/DVD/VCD Stations at the Ministry of Education and Sports, which is a three-year project (2014-2016) under supports of Royal Thai Government through Thailand International Development Cooperation Agency (TICA), and (2) a road construction project under Ministry of Public Works and Transport financed by a loan and grant aid of the Thai government through Neighboring Countries Economic Development Cooperation Agency.

Laos is located in the center of Indochina Peninsular and surrounded by Thailand, Cambodia, Vietnam, China, and Myanmar. Recent rapid economic growth in ASEAN has changed the situation favorably. Under the GMS (Greater Mekong Sub-region) cooperation scheme, GMS member countries have adopted policy to facilitate trade. The Lao government puts the education and transportation sectors as two priority sectors in the process of promoting rapid socio-economic development and poverty reduction as well as improving the country's competitiveness in this increased regional economic integration. So far, various donors (including Thailand) have provided a lot of supports to these two sectors.

The approach used in this study is a qualitative study based on reviews of project documents and other related materials and interviews with project directors and managers. Section 4 below reports results of the analyses.

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## **III. A. Success patterns of Thailand's technical cooperation project and soft-loan project in Laos**

Since the early 1990s, the Lao government has emphasized the educational sector development as the core component of human resource development or labor force development, which is a crucial factor in socio-economic development. In response to such policy directives, the government agreed to increase the share of total GDP devoted to educational sector development, aiming to develop skills in the quality and quantity that are required in the labor market. The Ministry of Education and Sports has integrated such policy directives into its development plan by emphasizing on the following three main elements such as expansion of access to education, educational quality and relevance improvement, and educational management improvement (Ministry of Education and Sports, 2009).

Ministry of Education and Sports has also made a number of policy and planning instruments to guide education sector interventions. These include 2009- 2015 education sector development framework, the 2003-2015 education for all (EFA), national plan for action and the 2011-2015 education sector development plan. Additionally, the country's 7<sup>th</sup> national socio-economic development plan (2011-2015) and the national growth and poverty eradication strategy emphasize the role and importance of education. The education sector development plan sets out the national priorities to achieve the EFA goals. It commits the government to further investing in education (Ministry of Education and Sports, 2011).

Since 2006, the Ministry of Education and Sports has made two major reforms such as upgrading the basic education system to be comparable with the international standard and higher education quality improvements. Specifically, in 2009, the basic education was extended from 11 years (5 years of primary education +3 years of lower secondary education +3 years of upper secondary education) to 12 years (5 years of primary education +4 years of lower secondary education +3 years of upper secondary education) in order to raise the basic educational system in the country up to the international standard. The ministry has also taken steps to promote inclusive education. The use of ICT in the teaching-learning process is seen as an important mechanism for increasing access to quality education. Ministry of Education and Sports has established ICT Center for Education and Sports to promote the use of ICT in education throughout

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the country. The project under analysis in this study is one among many technical cooperation projects of the Thai government in Laos, particularly in the Ministry of Education and Sports administered by the ICT Center for Education and Sports. The overview and effectiveness of this project are presented below.

The project on use of ICT for distance education through television and multimedia stations in the Ministry of Education and Sports is a technical cooperation project between TICA and Lao Ministry of Education and Sports. The project period is 3 years (2014-2016). The overall objective of this project is to conduct broadcasting and to promote for learning and teaching through television and multimedia stations to remote areas that is extending the existing learning and teaching through video conferencing. Two specific objectives of the project are: (i) to establish television Channel for Education and Sports sector by adding up some hardware requirements; and (ii) to train staff in order to manage, maintain the existing equipments and systems and to produce and manage the mass media for learning and teaching purposes. This technical cooperation project can be regarded as an effective ODA project of such a southern provider as Thailand in the education and sport sector in Laos. The effectiveness of this ODA project can be shown through five measures explained in the following subsection.

### **III. B. Project effectiveness**

This ODA project is highly relevant and coherent to the policy and strategies of the government by addressing equitable access and quality improvement (reducing cost barriers for education, education facilities development; improved quality and efficiency of education Services). Specifically, the project leverages ICT infrastructure for remote learning, self training and research activities in education services and minimizing the operation costs of education services. Education development in remote areas is constrained by limited availability of qualified teachers. This project can mitigate this limited qualified teacher availability because qualified teachers will be able to provide class from Vientiane Capital to the model schools and surrounding schools in other provinces. In this context, it is fully aligned with the national education system reform strategy. Moreover, in order to leverage the previous e-government projects, the government staff in the province will be able to utilize the model schools for training

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purpose. The e-education application offers not only the real time (on-line) and course on demand (off-line) learning mechanism but also trains the teacher for increased competency. The learning progress of both students and teachers will be tracked and reported by the learning management system in order to provide more accurate statistics and reports.

This ODA project involves a wide range of stakeholders; i.e., concerned departments of the Ministry of Education and Sports (such as (i) ICT Center for Education and Sports, (ii) Information and Media Center for Education and Sports, (iii) Research Institute for Education and Science, (iv) Department of Secondary Education, and (v) Department of Non-Formal Education), provincial education and sports departments, model secondary schools in 18 provinces throughout the country, and provincial ICT Center for Education and Sports.

The project operates according to the project plan. It improves the ICT infrastructure for education. In the first year, all equipments for television program production and equipment for receiving stations were procured according to the plan. Study visits in Thailand for education sector leaders and project management team were completed, and all short-term and long-term trainings were also conducted according to the plan. By the end of March 2015, about 60 percent of the short-term trainings were completed. These study visits and trainings were expected to contribute to human resource development and capacity building which will in turn improve the quality of education service and improve the education administration and management capability. The outcomes of this project will help the Ministry of Education and Sports improve access to high quality education in remote areas.

According to interviews with the project director, it was found that leaders of the Ministry of Education and Sports are highly satisfied with the project as the project is highly relevant to the actual needs of the education and sports sector. The project director, managers, and staff in the project sites and trainees find it convenient in the process of training and technology transfer as well as ease in communication due to language and culture similarities.

Although this project has not yet been completed, interviews with the project director indicated that the outcomes of this ODA project are expected to be continued beyond the project period. There are several reasons for this argument. First, the project

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activities and outcomes fit the actual needs of the education and sport sector and Lao society. Second, the project has been built upon existing structure involving a wide range of stakeholders; i.e., concerned departments of Ministry of Education and Sports, provincial education and sports departments, model schools and provincial ICT centers, which are within the routine administration apparatus of the Ministry of Education and Sports. Third, the capacity building is comprehensive involving teachers, administrators, IT officials and media producers. Both short-term and long-term capacity building were included in the project for addressing urgent project needs as well as a long term demand for education sector management. Fourth, technology continues to grow and society becomes more familiar to this teaching-learning method. Fifth, the use of ICT in education sector has received strong policy supports.

The Ministry of Education and Sports promotes ICT Center for Education and Sports at both central and provincial levels as a key and central ICT mandate for education and sports which is under direct supervision of Minister is the key enabler to support all ICT facilities and systems for Lao Education and Sports and is responsible for formulating ICT policies and ICT strategic planning in the macro management and monitoring of all ICT resources and activities (complete structure from the central to provincial levels). Using ICT resources, the ICT center is conducting e-learning through video conferencing for secondary education via ICT Centers to promote quality of and access to education services delivery and e-learning for primary and secondary education in term of equal access to digital education resources and information including the course on demand and in term of distributions of digital education resources in the form of CD/VCD to remote areas.

However, changes in personnel arrangement and securing of sufficient budget for facility maintenance and continuous curriculum development can pose challenges in continuity of the project activities beyond project completion.

#### **IV. Thailand's ODA Effectiveness in the Lao Public Works and Transport Sector**

The Ministry of Public Works and Transport has set the national transport policy in the national socio-economic development plan comprising the following two overall objectives: (i) to provide an enabling, safe, and efficient transport throughout the country with low transport cost, and (ii) to transform from a land-locked country to a

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land-bridge country in the GMS by providing efficient and reliable transport infrastructure and facilities, particularly on transit transport routes and facilitating cross border transport of goods and people between and among neighboring countries (Ministry of Planning and Investment, 2011).

Such policy objectives indicate that building national road systems for linking to international transport corridors is inevitable for transforming Laos into a “and-linked” country thereby countering the negative effects of being landlocked. ODA from both northern providers and southern providers has been an important source for supporting such road network development objectives as well as improving trade facilitation to further reduce delays in trade-related border crossing towards regional and international integration. Some examples of these completed and awaited to be completed ODA projects in the transport network development are shown below.

The recently completed projects include the road construction project from Nguen – Pak Beng District, the third Mekong bridge from Khammouane to Nakhon Phanom project, construction project of Road No. 13 North Nateui–Oudomxay, ADB 10 project, R3 road rehabilitation project, Xekamarn bridge construction project on road 16B (Dak Chueng District), road no. 2E (Khua District-Taichang), road construction project of Nam Kueng–Ban Mom village (Bokeo province), Road No. 1D construction project (Ministry of National Defense), and the Paklay-Phoudoo road construction project. The projects that are on-going and expected to be completed within this 7th Five-Year Plan cycle (2015) include construction of Road No. 15B (Saravan-Lao-Vietnam border), construction of Xekamarn 2 bridge, Road No. 16B (Sekong province–Dak Chueng District), Road No. 16A Pak Xong–Km 52 Attapeu, Road No. 1B (Paknamnoy–Nhor village), the ADB11 project and other projects.

The above mentioned infrastructure projects are important in the development of transportation networks linking domestic roads with neighboring countries along the regional economic corridors, North-South Economic Corridor, East-West Economic Corridor has been implemented in accordance with the plan. So far, road construction has made significant achievements more than other aspects as evidenced by increased road networks from 39,584 km in 2010 to 41,042 km in 2011, equivalent to an increase of 1,458 km (or 3.7 percent). One of the areas that received high attention is the improvement of roads such as paved roads which have increased from 5,426.67 km in

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2010 to 5,702.45 km in 2013 (Ministry of Planning and Investment, 2013). Thailand's ODA also has contributions to this road infrastructure development in Laos. The Paklay-Phoudoo road construction project under supports of NEDA was one example of Thailand's ODA contributions to infrastructure development in Laos.

### **IV.A. Project overview**

The Parklay-Phoudoo road construction project was a project under administration of the Department of Roads, Ministry of Public Works and Transport receiving financial supports from the Thai government through NEDA with the total amount of approximately USD23.93 million (or THB718 Million). Out of this total amount, 80 percent was grant and 20 percent was soft loan. The project was an eighteen-month project (December 2012–June 2014). The scope of work of the project included a 32.20 km-long road construction and Phoudoo checkpoint office construction.

The Paklay-Phoudoo road construction project was highly relevant or coherent with the government's infrastructure development policy and strategy for improving domestic road network as well as enhancing the role of Laos in enhancing regional cooperation and integration as has been highlighted in the Almaty Program of Action for Landlocked countries, the 7<sup>th</sup> Asia-Europe Parliamentary Meeting, the 9<sup>th</sup> Asia-Europe Summit, the 6<sup>th</sup> Cambodian-Lao-Myanmar-Vietnam Summit (CLMV) and the 4<sup>th</sup> Aryavady - Chaophaya-Mekong Economic Cooperation Summit (ACMEC).

Laos has the national socio-economic development plan as core development plan. In the sixth national socio-economic development plan (2006–2010), transforming Laos from a landlocked to a land-linked country was a key strategy towards realizing the national growth and poverty eradication, and the plan posted the vision for setting Laos as regional logistics service hub in GMS. This strategy has been re-emphasized in the seventh national socio-economic development plan (2011-2015). Improved transport and connectivity is also important for the ASEAN Economic Community preparation as a single market from 2015 onwards.

In terms of actual development results, investments in transport infrastructure and, in particular, in roads are seen as having both economic and social impacts. The economic impacts include trade linkages and improved farmers and enterprises' access

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to markets, while better connectivity is important to achieve the millennium development goals through improving access to health skill development and education facilities.

The Paklay-Phoudoo road construction project is a part of the Chiangmai-Vientiane economic corridor, which is further connected to Myanmar. In that sense, this project is strongly coherent to the development policy and strategy of Laos.

This project involved all necessary stakeholders in the planning and implementation process. Department of Roads, Ministry of Public Works and Transport is the project owner while the Xayabouly provincial government and Paklay district government were local project partners, which helped the Department of Road in project planning and implementation supervision and facilitation at the local level. In order to maintain transparency and technical specifications, Department of Road hired three consulting companies (i.e., Panya Consultant Company Limited, Lao Consulting Group Company Limited, and Index International Group Company Limited) to undertake project design and construction supervision. The actual construction works of both road and checkpoint office were done by VH. Karnchang Public Company Limited.

The local citizens were also participated in the project implementation through providing labor in road and checkpoint office construction. They also contributed their land and removed their houses and other fixed assets from the construction site without any compensation. Such in-kind contribution of the local citizens was amounted to about 625 thousand US dollars.

This project contributes to increasing the road network including linking the domestic road network to the region. It is a part of road connection between Laos and Myanmar through Thailand (Chiangmai-Vientiane Economic Corridor). In that sense, this road construction project contributes to improving trade between Xayabouly province and Thailand and Myanmar. It is also a gateway for tourists from Thailand and Myanmar to visit Luang Phrabang city and other tourist destinations in the northern provinces of Laos. Therefore, this project greatly contributes to socio-economic development achievement of Laos.

In terms of project implementation, this project was conducted smoothly and was completed one month ahead the schedule.

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The national and local authorities confirmed their high satisfaction with this ODA project as the project was highly relevant to the actual needs in socio-economic development and regional integration. According to the interviews with the project manager, it was found that the consultants and the contractor worked hand in hand and followed standard practices in the project planning and implementation.

Specific sustainability issues in the road sector involve securing sufficient fund for routine and emergency maintenance. The construction works of this project were completed and the road and Phoudoo border checkpoint facilities were handed over to the Lao government in June 2014. So far, no maintenance requirements have been reported. Nevertheless, as the Paklay-Phoudoo road is a national road linking Laos (through Xayabouly province) to Thailand and Myanmar, the government has committed to put this road maintenance plan in the national road maintenance fund administered by the Ministry of Public Works and Transport. The government introduced the national road maintenance fund since 2001. The sources of revenue of this fund consist of fuel tax, road toll, bridge toll, heavy vehicle levy, penalty on overloading vehicle, and international transit toll. Although the fund meets about 50 percent of the total maintenance costs each year, existence of this road maintenance fund shows strong commitment of the Lao government in maintaining road infrastructure in good conditions for supporting economic production and trade within the country and the region. This commitment attracts supports from international community in filling the gap between the road maintenance expenditures and the national road maintenance fund.

## **V. Conclusion**

Laos requires a large amount of external fund to fill the gap between the locally available fund and the expenditures required for promoting rapid development. Along the increased foreign direct investment over recent two decades, ODA from both traditional donors and emerging southern providers has been crucial for the government in maintaining stable public services to support sustainable socio-economic development and regional cooperation and integration of Laos. Thailand has been an important emerging southern provider in Laos as well as the three new ASEAN countries such as Cambodia, Myanmar and Vietnam. This study investigates Thailand's

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ODA effectiveness in Laos taking TICA's technical cooperation project on use of ICT for distance education through television and multimedia stations in the Ministry of Education and Sports and NEDA's project on Paklay-Phoudoo road construction in the Ministry of Public Works and Transports as cases. Judging from these two projects, Thailand's ODA in Laos has been effective. Several factors can be said as underlying factors of this effectiveness. First, both Thailand and Laos have long experiences in participation in traditional ODA effectiveness process. Laos has been participating in the round table meeting process since the 1990s and has been in the process of Paris Declaration and sector working groups process as well as enacting Vientiane Declaration Country Action Plan for aid effectiveness. With such experiences, Thailand and Laos had made adequate consultations in the process of project planning, implementation and monitoring.

Second, both projects were formulated at time when they were really necessary and the surrounding conditions were favorable. Use of ICT for distance education through television and multimedia stations assists the Ministry of Education and Sports in addressing both equitable access to education and education quality improvement. However, the project would not be possible without advancement and penetration of ICT in society at large. The Paklay-Phoudoo road construction project would not have been economically justified without active regional road network development and regional economic integration.

Third, there were strong leaderships and clear policies for national development in both ministries.

Fourth, both projects shared common uniqueness; their outcomes were clear and definite within responsibility of the government sector. This suggests that ODA projects which produce public goods can be more effective than those which are aimed at promoting the production and distribution of private goods by local residents. Therefore, it is necessary to evaluate effectiveness of ODA projects of the latter's nature.

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