

8. Lao People's Democratic Republic

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INTRODUCTION

The Lao People's Democratic Republic (Lao PDR) was created when the Royal Lao Government was overthrown following a popular revolution in 1975. During 1975–1986, the country was run under a strict command economy. Since then, there has been a slow transition to a socialist market economy, including the adoption of the Lao PDR Constitution in 1991. The changes to the economy have led to increased urbanization, which is placing pressure on local governments to meet the growing demand for improved urban services to encourage industrial development and new investment opportunities. Table 8.1 shows relevant national statistics.

This chapter explores the issues affecting sustainable urban region development in the Lao PDR. The case studies have been chosen to illustrate different aspects of urban and regional development planning at three scales. In the Vientiane case study, attention is focused on participatory village improvements. The Luang Prabang case study looks at the achievements and problems of urban upgrading and heritage management projects working alongside each other in a medium-sized secondary town. The third study examines the broad objectives of the international East-West Economic Corridor and how it is affecting the development of the country's second city, Savannakhet, and its hinterland.

COUNTRY CONTEXT

Physical and Demographic Background

The Lao PDR is a landlocked country with an area of 236,800 square kilometers (km²). It shares borders with Cambodia, Myanmar, Thailand, Viet Nam, and

Table 8.1: Country Development Profile, Lao PDR

Human Development Index rank of 177 countries (2003)^	133
GDP growth (annual %, 2004)	6.00
GNI per capita, Atlas method (current \$, 2004)	390
GNI, Atlas method (current \$ billion, 2004)	2.2
GDP per capita PPP (\$, 2003)^	1,759
GDP PPP (\$ billion, 2003)^	10.0
Population growth (annual 2005-2010 %)#	2.16
Population, total (million, 2005)##	5.92
Urban population, total (million, 2005)#	1.28
Urban population percent of total population (2005)#	22
Population largest city: Vientiane (2005, million)	0.78
Population growth: 1 capital cities or agglomerations > 750,000 inhabitants 2000#	
- Est. average growth of capital cities or urban agglomerations 2005-2015 (%)	51
- Number of capital cities or urban agglomerations with growth > 50%, 2005-2015	1
- Number of capital cities or urban agglomerations with growth > 30%, 2005-2015	1
Sanitation, % of urban population with access to improved sanitation (2002)**	61
Water, % of urban population with access to improved water sources (2002)**	66
Slum population, % of urban population (2001)**	66
Slum population in urban areas (2001, million)**	0.70
Poverty, % of urban population below national poverty line (1998)**	26.9
Aid (Net ODA received, \$ million, 2003)^	298.6
Aid as a share of country income (Net ODA/GNI; 2003 %)*	16.1
Aid per capita (current \$, 2003)^	52.8

GDP = gross domestic product, GNI = gross national income, ODA = official development assistance, PPP = purchasing power parity.

Sources: See Footnote Table 3.1, World Bank (2005); Organisation for Economic Co-operation and Development (2003); United Nations (2004, 2005).

Yunnan Province of the People's Republic of China (PRC). Mountains cover approximately 70% of the land area is covered by mountains. Forests, which were once estimated to cover two thirds of the country, have diminished significantly in the last 30 years. The Mekong River traverses the entire length of the country from north to south. Some 1,865 kilometers (km) of its total length of 4,000 km is within the Lao PDR or on its border with Thailand and Myanmar.

The preliminary results of the 2005 national census show a total population of 5.6 million (National Statistical Center 2005). The annual growth rate of the country as a whole in 1995–2005 was 2.05%. This is lower than many of the assessments made between censuses by the Government and international agencies.

Majority of the population lives in rural areas, and different estimates put the urban population as between 17% and 22% of the total (see the section on Measuring Urbanization). The capital city, Vientiane, and many major urban areas are located in the western, less mountainous parts of the country adjacent to the Mekong River. Vientiane is an administrative prefecture¹ compris-

ing nine districts. In official documents (the basis for some estimates in Table 8.1), the population of the city is given as that of the prefecture. However, this is misleading as the contiguous urban area is only a small part of the prefecture and several districts are predominantly rural. The main urban area is limited to four districts, which have a combined population of about 340,000. In addition, parts of the urban area are in adjacent districts. Detailed village data from the 2005 census were not available at the time of writing, but based on aggregations of village populations undertaken by the author for the Vientiane Urban Infrastructure and Services Project (GHK International 2000) in 2000, the current population of these areas is estimated at about 60,000–70,000. This gives a total population of the Vientiane urban area of about 400,000.

Economic Setting

The economy of the Lao PDR is primarily based on agriculture and natural resources. Hydroelectric power is the primary foreign income earner (mostly from Thailand) and tourism is increasingly important. Real GDP growth was estimated to be 6.0% in 2004. There was 11.4% growth in the industrial sector, driven by an expansion in mining. The largest sector, agriculture, recorded growth of 3.5%. Although rice still accounts for majority of agricultural production, the production of cash crops has been increasing. The services sector grew by 7.3%, partly reflecting a recovery in tourist arrivals. Preliminary estimates indicate that the post-tsunami impact on tourism in Thailand has not had significant spillover effects in the Lao PDR (ADB 2005a).

With its membership in the ASEAN, and its commitment to further trade liberalization along the guidelines of the ASEAN Free Trade Agreement, and the World Trade Organization, the Lao PDR is striving for stronger economic integration into markets of the Greater Mekong Subregion (GMS). However, with a small population, minimal “monetarization” of the rural economy, and low demand for diversified products, the opportunity for internal market expansion appears limited. Continuing market research is needed to identify the country’s competitive advantages and develop strategies to exploit these while offering incentives for greater involvement of farmers, traders, and investors in regional market operations.

URBANIZATION ISSUES

The Lao PDR’s economic development, albeit slow, is most noticeable in urban areas as they try to gain increasing access to national and international markets. Improved roads, better and more reliable power networks, and

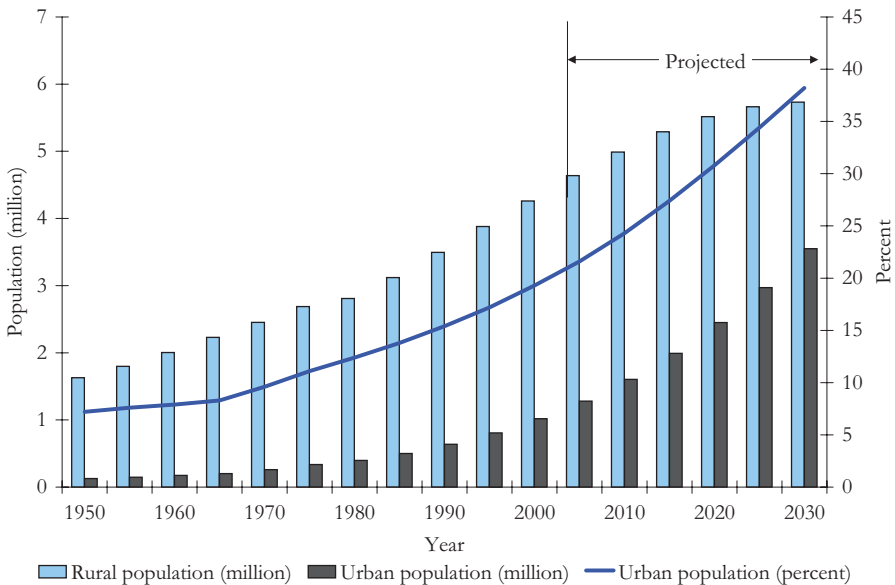
digital telecommunication are supporting this economic growth. Significant achievements have been made in urban areas through a number of large-scale infrastructure developments. At the same time, however, inadequate institutional, legal, and regulatory frameworks hinder the efficient provision and management of urban services.

The improvements have not benefited all. Critical of previous initiatives, the United Nations Development Programme (UNDP) reported (UNDP 2002) that:

“Despite more than a decade of high economic growth, following the introduction of the NEM and market oriented reforms, annual GDP per capita is just \$350.² Many of the benefits deriving from economic growth and sociopolitical reform have yet to reach a significant proportion of the population. Despite enormous capital investment in infrastructure, many households, particularly those in rural areas, lack access to basic health and education services, as well as essential household amenities, such as clean water, sanitation facilities and electricity.”

The Lao PDR has so far escaped serious urban environmental pollution. The Norwegian Agency for Development Cooperation (NORAD) and the United Nations Environment Programme (UNEP) (NORAD and UNEP 2001) report that “Since the towns are still small, population densities are

Figure 8.1: Trends in Urban and Rural Population, Lao PDR



low, private car ownership is minimal, and industrial activity is only emerging in a few of the largest towns. The ambient effects of industrial activities are minor and localized.” But the situation is changing and pressure for development that has the potential to damage the environment is increasing.

Measuring Urbanization

The analysis of urbanization in the Lao PDR is hampered by the lack of accurate data and ambiguity over the definition of urban. Official figures from the National Statistics Center (NSC) are based on five criteria for determining if a village can be considered urban. Under this system, a village is classified as urban if at least three of five conditions apply. The criteria are a market in the village, a road for motor vehicles to get access to the village, district or provincial government offices in the village, the majority of households in the village electrified, and a tap water supply in service for the majority of households.

Using this definition, urban villages had a population of 781,753 in 1995, which was 17% of the total population. In the population update carried out by the NSC in 2000, there were 962 urban villages with a population of 985,352, representing 20% of the total population. While this definition provides a guide to the status of villages and shows growth of 26% in the “urban” population since 1995, it is not an entirely accurate indication of truly urban areas. A village can be classified as urban but be located on its own and not part of a greater settlement or urban area. The average size of individual villages in the Lao PDR is about 500 people. In urban areas, however, villages have an average population of about 1,000.

Thus, it is difficult to assess the rate and scale of urbanization in the Lao PDR. In looking at trends, further uncertainty concerning the consistency and accuracy of data over time arises. While the trends shown in Table 8.1 and Figure 8.1 probably represent a reasonable overview of the urbanization process, the projections are at best an educated guess.

The dramatic urbanization process shown in Figure 8.2 is particularly open to question with empirical evidence on the ground suggesting a steadier growth trajectory. The urban population of the Lao PDR is expected to increase from 1.28 million in 2005 to about 3.5 million—or 38% of the total population—by 2030. During the ADB Vientiane Urban Infrastructure and Services Project (VUISP) project in 2000, anecdotal reports suggested that rapid urban-rural migration was occurring, but this was not borne out by comparison of village population records. Growth on the urban fringes was seen to be moderate but not exceptional, and some was clearly due to an outward migration of residents to the suburbs from city center locations. There is also a marked seasonal migration of workers. Managers of garment factories,

for instance, reported that many staff returned to their rural villages for several months during harvest periods.

Detailed population growth estimates in the Lao PDR have been difficult to determine due to the lack of time-series data collected using consistent methodologies. Since the national census in 1995, NSC has provided updates of the population based on a sampling of village records. In the absence of other sources, these have been used by various projects and practitioners in preparing estimates of growth rates. The outcome has been widely varying rate estimates. For instance, the recent urban sector strategy (MCTPC 2004) quoted a comparison undertaken by the Urban Research Institute, which showed growth of urban areas ranging from -7% to more than 25%. Changes in boundaries and differences in collection methods and urban definitions can probably explain these anomalies.

In the preliminary results from the 2005 census, most provinces show growth similar to the national rate (Savannakhet at 2.07%, Champasack at 1.89%), but some show quite significant variations (Luang Prabang at 1.06% and Luang Namtha at 2.40%). The situation is the same at the district level, with many districts showing a rate of about 2.0%, although again Namtha District is high at 2.4%. It should be noted that these are preliminary results, and definitive rates will only be possible when the data have been checked and verified. Detailed analysis of urban areas must also wait until data are available by village.

National Regional Development and Decentralization Policies

Regional Planning

The Government of the Lao PDR identifies three broad regions—northern, central, and southern—in its official publications. In the past, these regions have been used primarily for statistical purposes and have not been widely adopted for planning. Indeed, there has been little recognizable regional planning until recently. Previous national 5-year plans have been notable for their lack of geographic context and have tended to simply be policy statements and lists of proposed projects. The regions are large and not homogeneous; more rational and coherent alternatives have been suggested by various observers. For instance, the national program Participatory Poverty Assessment (PPA) (ADB 2001a) put forward four regions based on geographical and ethnic criteria, while the Small Towns Development Strategy (ADB 2001b) identified five regions based on physical and developmental characteristics and connectivity. However, neither of these has been adopted and the three regions prevail.

At the time of writing, the draft of the Five-Year Plan 2006–2010 was in preparation and not publicly available. However, it is understood that the Plan

will use a more region-based approach than in the past and that it will contain clear goals and objectives for the three broad regions mentioned above: in the north, a focus on infrastructure provision to realize the potentials for agriculture and tourism; in the central region, the expansion of commodity capacities and the development of high-end technologies; and in the south, accelerated development based on natural resources, agriculture, and tourism. The south illustrates the heterogeneous nature of the regions. While the southwest is a well-developed area with rich agricultural land and good infrastructure centered on the secondary town of Pakse, the southeast is mountainous, lacking in infrastructure, and has only small urban centers. There is clearly a need to distinguish between these two areas for strategic planning purposes.

National development priorities are also now set out in the Government's National Growth and Poverty Eradication Strategy (NGPES) (GOL PDR 2003). This was formally adopted in 2003 following a lengthy roundtable process. NGPES is complementary to the Five-Year Plan and it is expected that the two will be combined in future years. While NGPES recognizes the need for a regional approach, it does not have a geographical focus other than in identifying the 72 poorest districts in the country. The basis for highlighting these districts, and by implication the strategy as a whole, is the data collected under PPA, which used a small sample size (in some districts only one or two villages) and may provide a less-than-accurate picture of the distribution of poverty. The need to update and expand the poverty database will be addressed by an imminent project jointly funded by the Swedish International Development Agency, World Bank, and ADB. Another shortcoming of NGPES is the lack of acknowledgment of the role of urban centers. The strategy has a strong rural focus reflecting the nature of poverty in the Lao PDR and almost entirely ignores the fact that urban centers will be the engines for economic growth to help lift the country out of least-developed-country status.

A regional approach to development is also implicit in the Government's involvement in several multicountry initiatives. These include the Lao-Cambodia-Viet Nam Development Triangle, the Lao-Thailand-Cambodia Emerald Triangle, and the Ayeyawaddy-Chao Phraya Economic Cooperation Strategy. These are all primarily partnership agreements to foster trade and border development. On the whole, however, the contribution from the Government has been reactive rather than proactive. There are no comprehensive planning strategies for the Lao components of these areas, leaving the country vulnerable to being exploited by stronger partners, who have already formulated and implemented clear plans and strategies.

There has been little international assistance for regional planning. The exception to this is ADB's recent focus on the northern region, reflecting its position as the poorest of the three regions.

Urban Plan Preparation in the Lao PDR

The responsibility for preparing plans for urban areas lies with the URI, which has prepared 81 urban master plans—61 of these since 1995. Although the older ones need updating, they still provide a basis for guiding growth and are used by local authorities in regulating development permits. This task has been undertaken largely without the help of any international assistance—technical or financial. The output is remarkable because it has been achieved without the benefit of any appropriate digital mapping or geographic information system technology.

Decentralization

A process of decentralization of government functions has been put in train in the Lao PDR. This started on 11 March 2000, with the Prime Minister's Instruction 01/PM. The stated objectives of this are that provincial governments will become strategic development units, district governments will become budgetary and planning units, and village councils will become implementing units. The decentralization process took a significant step forward when the Local Administration Law was passed in 2003 (President's Office 2003). This law sets out the rights and duties of provincial, district, municipal, and village authorities. It thereby establishes the framework for local decision making and, to some extent, local budgeting, but these will require the issuance of further decrees and instructions to actually empower them.

As described above, plans for urban areas are produced centrally. District authorities are responsible for the day-to-day administration of rural and urban areas within their boundaries, which includes the processing of planning and building permits in accordance with the master plans. In most cases, there is no separate authority for managing the main urban areas. The exceptions are Vientiane and the secondary towns (Luang Prabang, Savannakhet, Pakse, and Thakhek), which have operational Urban Development Administration Authorities (UDAAs) responsible for a range of functions. UDAAs have also recently been established in some other provincial capitals.

UNDP is supporting the decentralization process through its Governance and Public Administration Reform (GPAR) project. This is being done on a number of fronts, including the National Assembly and the legal sector, but the key areas are local administration organization, financial management, and procedures. Pilot projects concern participatory planning at the village level and implementation of the new *khum ban* (village clusters) approach. (Department of Planning and Investment 2005). GPAR is also addressing the issue of municipalities. This follows the Government's commitment to pursue the

establishment of municipal authorities, initially in Vientiane and Luang Prabang, and later in other provincial capitals (Prime Minister's Office 2005).

Regional Economic Governance and Intergovernmental Financial Relations

The planning and development of the Lao PDR has been driven from the center since the socialist regime came into power in 1975. Most administrative functions and decisions currently operate from central Government through line ministries at the provincial and district levels. While provincial authorities enjoy some decision-making powers, there is little autonomy at the district level. There are no regional authorities in the Lao PDR.

As mentioned above, the system of national 5-year plans prevails as the major tool guiding the country's growth. Although the philosophy of the 5-year plans system is one of consensus building with inputs from the provinces and districts, the principal decisions are taken and targets are set centrally. The Committee for Planning and Investment (CPI) oversees the review and combination of proposed policies, programs, and projects included in the draft 5-year plans for consideration and approval by the National Assembly.

While the process of decentralizing administration is well underway, similar processes for revenue raising and budget control are not far advanced. Significant hurdles may remain, therefore, because provisions of the Local Administrative Law appear to conflict with already existing legislation, such as the Budget Law.

The creation of UDAAAs, the designation of the Savan-Seno Special Economic Zone in Savannakhet (see below), and the move toward the establishment of municipalities are expected to spearhead the financial decentralization process.

The Role of International Aid in Supporting Regional Development

The Lao PDR benefits from a wide range of development assistance from multilateral and bilateral agencies. In 2003, the country received just under \$300 million in net official development assistance (ODA). Total external debt currently stands at about \$3 billion. Although this is 170% of GDP and, therefore, an apparently heavy burden, more than half is with the Russian Federation and is currently not being serviced.

Aid is received across all sectors. Over the past decade, ADB has been the lead agency in the urban sector. The World Bank, Danish International Development Assistance, Japan International Cooperation Agency (JICA),

and Agence Française de Développement (AFD) are also active in infrastructure and environmental planning and management, and the Australian Agency for International Development (AusAID) in land titling. Support for regional development is mostly implicit rather than specifically addressed. The exceptions to this are ADB's GMS initiatives and recent ADB technical assistance projects for the northern region and for a national urban sector strategy. ADB has also supported the decentralization process through the establishment of UDAAAs, but the bulk of the work on decentralization is being done by UNDP through its GPAR program.

The international aid program in the Lao PDR is characterized by a very clear matrix of donor activities by sector. There are some overlaps, but it is generally well understood which of the agencies is involved and which ones are taking the lead in the different sectors. This provides a transparent rationale for investment and results in minimal duplication.

GOOD PRACTICE CASE STUDIES

The case studies described here have been chosen to illustrate different aspects of urban and regional development planning at three scales. The Vientiane case study focuses on participatory village improvements. The Luang Prabang case study looks at the achievements and problems of urban upgrading and heritage management projects. The third case study examines the broad objectives of the international East-West Economic Corridor and its impacts on the country's second city, Savannakhet. The locations of the case studies are shown in Figure 8.2.

Vientiane Urban Region Village improvements

Location and Characteristics of the Region

Vientiane is the dominant and capital city of the Lao PDR. Although the city is located on the western boundary of the country, the shape of the Lao PDR is such that the capital is situated at a point that is geographically quite central. The area immediately west, north, and east of the city functions as a region based on the capital, which is a much smaller area than the official "central" region. This region is characterized by mostly

GOOD PRACTICE	
Good Governance	
Urban Management	✓
Infrastructure/Service Provision	✓
Financing and Cost Recovery	✓
Sustainability	✓
Innovation and Change	
Leveraging ODA	

Figure 8.2: Map Showing Location of the Case Studies



flat, intensively farmed land, many small urban settlements and, compared to the rest of the country, a relatively extensive road network.

The region described above equates approximately to the combination of the administrative areas of Vientiane Prefecture and Vientiane Province, plus the westernmost district of Borikhamxay Province. This represents an area with a population of about 1.1 million.³ The average annual population growth in Vientiane Prefecture in 1995–2005 was 2.79%.

Economic Base of the Region

Vientiane is essentially a market town servicing an extensive agricultural hinterland, and is the conduit through which a considerable quantity of imported goods finds their way to customers in the city and the surrounding area. Much of the industrial production centered on Vientiane is for national domestic consumption, such as pharmaceuticals, beer and soft drinks, steel fabrication works, and a range of construction material companies. Garment manufacture is the only significant export earner in the city. The service industry constitutes a major proportion of the city's economy.

The industrial survey undertaken as part of the ADB's VUIISP project in 2000 highlighted four major concerns for formal sector businesses: (a) the lack of skilled labor, (b) poor state of local infrastructure (e.g., roads, drains), (c) ambiguous government rules and regulations, and (d) lack of finance. Since 2000, infrastructure has largely been addressed through ADB, JICA, and other development partner projects, and finances are improving through significant foreign investment, notably by entrepreneurs from the PRC, Thailand, and Malaysia. The Government continues to issue many new laws and regulations, so improvement in consistency in government regulations is ongoing. The shortage of skilled labor remains a problem.

Village Area Improvements Project

VUIISP was designed in 2000 under an ADB Project Preparation Technical Assistance (PPTA) that identified a range of urban improvements with the main focus on roads, drainage, and solid waste collection. These were mostly secondary network elements designed to complement the primary infrastructure built under a previous loan project. It also included capacity-building project components in the areas of urban management and road safety. PPTA was the basis of an ADB loan for just over \$30 million approved in 2001. AFD separately funded the capacity-building element.

After completing the primary drainage infrastructure under the previous project, flooding continued to occur in Vientiane away from the main drain-

age network. Stagnant, often polluted, water continued to lie in open roadside channels due to an incomplete primary network and mostly unimproved secondary and tertiary networks. In response to this, strategic areas for the project undertaken in 2000 were identified as five low-lying locations where flooding was most frequent and extensive. In line with the recommendations in PPTA, the road and drainage improvements were divided into two components: citywide projects and village area improvement (VAI) projects. It is the latter component that is the subject of this case study.

Prior to 2000, the benefits of physical interventions in Vientiane were compromised by the absence of parallel interventions at the tertiary or village level to complement citywide infrastructure and service improvements. This absence of adequate tertiary-level infrastructure and services to support the primary and secondary networks was highlighted in public responses recorded under the PPA carried out as part of VUISP. The village area improvement component sought to address this through a demand-led, village-by-village approach to tertiary-level infrastructure improvement. PPA indicated that environmental improvements, particularly drainage improvements, were the most pressing demands of the urban poor.

The urban area covered by the project included 100 villages with about 162,000 residents within the original boundary of the Vientiane Urban Development and Administration Authority (VUDAA). Its jurisdiction has since been expanded to 189 villages. With insufficient funds to cover all 100 villages, using a selection process to prioritize the villages was necessary. Criteria used included current environmental and public health conditions, the quality and coverage of existing infrastructure, incidence and severity of flooding experienced, quality of access and availability of reasonable access throughout the year, proximity to the trunk infrastructure from which they can be served, and socioeconomic conditions. The last of these incorporated an assessment of the prevalence of the urban poor based on the results of the PPA, which was the first comprehensive study of poverty in an urban area in the Lao PDR (ADB 2000).

The result of the selection process was a long list of villages ranked in order of priority. The first 50 were initially included in the project. Ultimately, four of these villages chose not to participate because they were due to benefit directly from improvements under the citywide projects. These were replaced by four other villages from the long list.

The main stages and key activities in the consultation, design, and contract processes are shown in Table 8.2 below. (Note: Table 8.2 is a summary; many more detailed activities are involved in the process.)

The VAI program was undertaken in phases. The first phase involved only six villages and all were completed by January 2005, while the second

Table 8.2: Stages of the Village Area Improvement Process

Stage	Key Activities
Coordination with village head	<ul style="list-style-type: none"> ▪ Meet with village head for organizing orientation meeting in the village. ▪ Introduction and orientation of VAI program. ▪ Set up village committee. ▪ Assist village committee in developing outline village proposals.
Outline village proposals	<ul style="list-style-type: none"> ▪ Village committee submits outline village proposals.
Village project, commitment and selection	<ul style="list-style-type: none"> ▪ Engineers visit the sites together with village committee. ▪ Reconnaissance/walkout survey for developing scope of work for surveys. ▪ Present preliminary designs and cost estimates to village committee and villagers. ▪ Villagers and village committee to review options and select the preferred options of the village within the budget. ▪ Draft village agreement on village contributions. ▪ Village agreement signing ceremony.
Detailed design	<ul style="list-style-type: none"> ▪ Develop contract packages. ▪ Develop payment schedule. ▪ Prepare bidding documents and technical specifications. ▪ Present final designs and cost estimates to village committee. ▪ Village committee confirms that designs meet their requirements.
Bidding process and contract award	<ul style="list-style-type: none"> ▪ Bid opening and evaluation. ▪ Negotiation with reasonable lowest-priced bidder. ▪ Contract signing ceremony between contractor, VUDAA, and village committee.
Construction supervision	<ul style="list-style-type: none"> ▪ Notice to commencement of contract works. ▪ Mobilization. ▪ Construction supervision in coordination with village committee. ▪ Issue of completion certificate.

VAI = village area improvement, VUDAA = Vientiane Urban Development and Administration Authority.

phase involved 20 villages. The third phase includes 24 villages, including the four late additions to make up the target of 50 villages. In developing the village proposals into contract packages, the engineering team aimed at a contract value per village of about \$75,000. Under the VAI agreements, the villages contribute 10% of the cost of the contracts, the project loan covers 62%, and the Government meets the remaining 28%. In the initial concept, the villages' 10% was intended to be in cash or labor. To date, however, all contributions have been made in cash. During the final phase of villages, the project team aims to explore ways to use village labor, with nine villages having specifically expressed interest in this.

All the physical works carried out under the VAI program have been roads (including a small bridge) and drains. This is a close reflection of the community priorities identified during VAI village meetings. It also reflects the fact that villages in low-lying, flood-prone areas ranked highly. From discussions with villagers and their representatives, the mud and dust created

by unsealed roads were clearly near the top of their list of concerns. Initial village meetings did not include the project's engineers so the villagers were not steered toward these proposals in any way. Other potential project components were mentioned in these meetings; however, it seems probable that villagers primarily associate VUDAA with roads and drains and that they may have been somewhat blinkered to other possibilities.

Solid waste collection was generally not raised as a priority issue in village meetings. This is no doubt partly due to the fact that there were other ongoing solid waste projects in Vientiane of which the villagers were aware. However, the VAI program did include a program on sanitation and environmental health awareness, which covered solid waste handling issues.

Village Contributions

With each successive phase, the project team has developed and refined the VAI process. This has been partly based on improvements identified by the team, and is also a reflection of villagers' increasing willingness to participate. For instance, the schedules for collecting the village contribution have been amended to achieve better payment performance to contractors. In the initial group of six villages, payments were scheduled in four installments over 12 months. However, works were generally completed before the final sums were collected and it proved difficult to collect outstanding payments, particularly where any works defects were pending. In the second phase, four equal installments were scheduled over 6 months. In the third phase, the 6-month payment period was maintained, but with the proviso that 40% of the total amount due from the village was to be collected prior to the commencement of the contract.

While there was understandable resistance and skepticism among villagers at the start of the project, village committees have reported that residents are ready and willing to contribute now they have seen the success of the earlier projects in other villages. Indeed, one village in the final phase collected the total village contribution well before the contract started. The speed of collection appears to be influenced also by the relative levels of commitment and management skills of the village chiefs. In the collection of the village contributions, village chiefs and their committees have been pragmatic in determining the amount to be paid by individual households. Most have adopted a sliding scale on the basis of ability to pay, with the poorest households being exempt. Where there are relatively wealthy businesses or households in a village, they have been asked to pay, or have voluntarily paid, many times the average payments.

The inconsistent and delayed collections in the early phases caused problems for the contractors and for VUDAA. Contractors were aggrieved at the delays, while VUDAA's administration was unable to cope with ad hoc payments. A result of the contractors' concerns was that they increased their bids for subsequent contracts specifically to allow for costs of expected payment delays. The problems with payments likely deterred some contractors from bidding, probably including some of the better quality firms.

Community Liaison

An important part of the project operation is the involvement of the Lao Women's Union (LWU) in the role of monitoring and community facilitation. As well as the active participation of village LWU representatives in village meetings, two LWU appointees were assigned full-time to the project. A reflection of the importance given to this role by LWU is the fact that one of the people assigned to the project was the then vice-president of LWU.

One of the initial tasks of LWU was to explain to villagers how to participate. There has been only one previous attempt at community participation in urban improvements in Vientiane, by the United Nations Development Programme (UNDP) in the Sihom area, which was on a small and localized scale. LWU ran a series of workshops on community participation as well as providing a conduit for day-to-day liaison between residents and the project. This was important for dialogue in both directions. It enabled the villagers to voice their opinions and be heard by VUDAA and the project team, thereby overcoming a general community reluctance to confront government authorities. It also helped the engineers on the project team to communicate more effectively with residents. This also resulted in the engineers' adopting a more flexible approach to infrastructure design. LWU was also closely involved in setting up VAI committees in each village and in ensuring that women and the poor were appropriately represented on these committees. Close cooperation between LWU and the VAI team was also an important element in dealing with resettlement and other minor impacts.

Initial village meetings followed a standard format. This included a general introduction to the aims of the project, followed by discussion and agreement on priorities. To ascertain priorities, the meetings were divided into three groups: women, men, and the village committee. The results of each group were then compared and combined.

As mentioned above, participatory village-level urban infrastructure provision on this scale has not been achieved previously in the Lao PDR. The project has, therefore, been a learning process for all concerned, and its success is testament to the effective collaboration between the engineer-

ing and social development professionals, community advisors, and village representatives. The project's accomplishments are reflected in the fact that it has been mentioned in the National Assembly as an example of good participatory planning, which is one of the Government's areas of focus in its move toward decentralized planning. Its popular success is also borne out by demand. Many villages currently not in the scheme have approached the project's national project director with requests to be included.

Taking Forward the Lessons Learned

Many lessons learned during the VAI process should be used to inform the design of future projects. Many lessons were taken on board and adjustments made as the project moved from one phase to the next, while other lessons required going beyond those adjustments and were able to be made while the project was ongoing. Some key lessons and observations are described below.

One very noticeable result of the scheme is the level of interest shown by residents in the work of the contractors. This "ownership" has led to many reports by villagers to their committees about the quality of completed works. Some of these instances led to contractors being required to remedy defects. At the same time, it was necessary to explain to the local residents that the standards of road and drain construction were not the same as those for main roads in the city.

Some shortcomings of the VAI scheme could have been avoided if the VAI component was a separate project rather than an "add-on" to the much larger citywide component. The way the project was set up allowed insufficient time for the professional team to explore alternative design and construction options in the villages. An example of this is the road construction material. The double bituminous surface treatment used in all village roads may not be as sustainable as concrete construction. The latter is generally more expensive, but there could have been scope for reducing costs by utilizing existing road substructures. Alternative options for contracting arrangements should be investigated. For instance, future maintenance of roads and drains might be more sustainable if villages were able to contract VUDAA to do this.

The funding structure of the project may have contributed to the contractors' payment problems referred to above. Under the loan agreement with ADB, the Government was required to contribute 28% of the project cost in cash. The high demand on the Government's cash resources led to delays in payments of their contributions to contractors' fees. An outcome of these payment problems was that better contractors chose not to bid for contracts and the quality of work suffered.

The learning process during the VAI project was ad hoc. According to the VAI team, community development consultant members of the team felt they would have benefited from more structured training, including study tours to see how the process was undertaken elsewhere. Despite this, the knowledge and skills that have been developed represent a significant resource. Unfortunately, there are doubts about how well this resource will be utilized in the future. VUDAA and the Government should make sure that these skills are disseminated and applied elsewhere. The ongoing ADB Small Towns Development Sector Project, which also includes a village improvements component, represents one such opportunity.

While there is plenty of room for improvement, including widening the scope and type of work entailed, the VAI projects have already made a significant impact on the environments in the villages concerned.

Luang Prabang Urban Improvements and Heritage Conservation

Location and Characteristics of the Region

Luang Prabang is the ancient capital of the 14th century kingdom known as Lan Xang (“a million elephants”), which included what is now the northern part of the Lao PDR and also much of north-eastern Thailand. It remained a royal residential town until 1975.

Today, Luang Prabang is an administrative district and the main urban center of the province of the same name. Located in the heart of the northern, mountainous part of the Lao PDR, it is considered by some to be the regional center for the north. Inasmuch as it has the only international airport north of the capital Vientiane, it fulfills the role of a regional transport hub. However, the difficult terrain and tenuous road system throughout this northern third of the country mean that the town has only limited ground-level connection with most of the surrounding areas. As with Vientiane, therefore, the actual region is probably smaller than the one suggested on paper. Nevertheless, Luang Prabang serves as a focal point, as well as a jump-off point, for tourism, which is a key component of the region’s economic growth.

In the Government’s 2020 Vision, developed in a roundtable process between 2000 and 2002, (UNDP/GOL 2002) Luang Prabang was identified as a “pole for the north.” However, the main development zone in the north-

GOOD PRACTICE	
Good Governance	
Urban Management	✓
Infrastructure/Service Provision	✓
Financing and Cost Recovery	
Sustainability	
Innovation and Change	✓
Leveraging ODA	

ern part of the country is now expected to be along Road No. 3, which is being improved to provide an international economic corridor from Thailand to Yunnan in the PRC. Towns on or close to this route, such as Luang Namtha and Oudomxay, will likely become the principal economic centers of the region. It is understood that in the Five-Year Plan, which was being prepared when this chapter was being written, the emphasis for the northern region is on development in Luang Namtha.

In the preliminary results from the 2005 National Census, the population of Luang Prabang Province is given as about 405,000 with the “urban” district population as 77,500. However, the district includes 132 villages of which only 58 are within the general urban area. An estimate of the urban area population using village records in 2003 was about 41,000 (ADB 2003). The average annual population growth rate for the district from 1995–2005 was 2.05%.

The urban area of Luang Prabang is situated on the bank of the Mekong River at its confluence with the Nam Khan River. The historic core of the town is located on the peninsula created by the two rivers. This area includes a large number of temples from different centuries along with many surviving vernacular buildings. The temples in particular represent some of the most sophisticated Buddhist architecture in the country (MIC 2003). Overlaid on this is the architectural legacy of the French rule of the 19th and 20th centuries in the form of numerous elegant colonial style buildings of various scale and forms. The overall result is a rich fusion of local and colonial townscapes that is unique in the Lao PDR and of international significance. Its importance was recognized by the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the town was added to the World Heritage List in 1995.

Economic Base of the Region

The underlying economic base of the Luang Prabang region is agriculture as is common for most of the Lao PDR. This includes a wide variety of vegetables and fruits as well as groundnuts. A number of nontimber forest products, including mulberry, sugar palm, and incense bark, are also being developed. Two of the local products are also processed in factories in the region. These are sesame and Job’s Tears (a grass that produces beads used in ethnic jewelry). There is little other industrial activity in the region.

Luang Prabang is the country’s principal tourist destination. Since its inauguration as a World Heritage Site, the town has seen significant development of its tourism industry. According to official sources, the number of tourist visitors to the town rose from 19,463 in 1996 to 165,222 in 2000

(Tourism Authority 2000). The SARS crisis in Asia led to a dip in arrivals in subsequent years, but the Department for Planning and Investment in Luang Prabang reports that the number of tourists has significantly increased again since then. They estimate that in 2004 the number of tourists was in excess of 250,000, but this has not yet been verified.

According to the national PPA, Luang Prabang has some of the poorest districts in the country, making it one of the poorest provinces.

Urban Improvements and Heritage Conservation

A range of infrastructure improvements were designed for the urban area through the ADB's Secondary Towns Urban Development Project (STUDP) (which also included Pakse, Savannaket, and Takhek) and implemented during the ensuing loan project in 1998–2003. The physical works included roads and drains, a road bridge over the Nam Dong on the southern side of the town, bank protection work on the Nam Khan, and an office building for UDAA. The total cost of the improvement works in Luang Prabang, excluding the office building, was just under \$4 million. The project also included some technical assistance for solid waste management (under UNDP and NORAD), and capacity-building components.

The establishment of discrete urban authorities in all four towns was one of the covenants attached to the loan from ADB. UDAAs were inaugurated under the Prime Minister's Decree in 1997 (Prime Minister's Office 1997). Much of the capacity building provided under the loan was targeted at local staff in UDAAs. In support of this, ADB also funded additional projects dealing with the organization and strengthening of UDAAs. A key part of this support was the identification and development of local revenue-raising mechanisms and financial management (also specific items in the loan covenant). While these first steps toward the decentralization of urban responsibilities were taking place and the infrastructure improvements were being planned and constructed in Luang Prabang, the protection and management of the World Heritage Site were also being addressed by another organization, La Maison du Patrimoine (MdP), supported by UNESCO and AFD. These two agencies operated side by side for 5 years. They were not always in concert, but the outcome is probably the most successful of the four ADB STUDP projects.

MdP was established following the World Heritage listing and has been supported by two phases of funding from AFD. The first phase, from 1998 to 2001 and costing \$2.2 million, focused on pilot research, some civil works, training, and planning. The second phase, worth about \$6.6 million, commenced in July 2001 and is due to be completed in 2006. This phase has four components and includes the preparation of a detailed preservation plan

(Mdp 2002), building conservation, improvements to the urban infrastructure networks, and institutional support. Mdp's responsibilities fall into two work streams. The first is an ongoing role in managing and monitoring development in the heritage zone in accordance with the conservation regulations, which involves giving advice to residents, commenting on building applications, and training local staff. The second is ad hoc activities in coordinating and running specific conservation and improvement projects.

Complementary or Competing Projects?

In the early days of the heritage project, there was a widespread lack of understanding of what Mdp was trying to achieve among local government offices, international agencies, and the public alike. This led to problems of conflicting ideas and approaches. No doubt this was partly because Mdp was still establishing itself and its advisers and staff were probably not entirely clear themselves on what were realistic targets. At the same time, there was a lack of communication and an element of elitism in the approach taken by the heritage camp. As a result, local officials and residents were unclear about who and what UNESCO and Mdp were. Moreover, there was ambiguity about who the intended beneficiaries of the town's preservation were. The situation would certainly have benefited from a more comprehensive and effective public information exercise.

The problems encountered stemmed from two areas of activity—the urban infrastructure improvements proposed under the secondary towns project and the construction of buildings and extensions by residents in the heritage zone. Both areas of conflict were probably inevitable as the program for work by UDAA was being designed and implemented while the heritage plans were still in gestation. In addition, there had been little enforcement of any kind of building code on householders in Luang Prabang (or anywhere else in the Lao PDR) up to that time. The zoning and building codes tended to be quite complex, going far beyond the level of detail of any existing regulations. This meant that it was not only the general public who found them difficult to understand but the local officials as well. The technical capacities of provincial, district, and UDAA staff in the Lao PDR was, and still is, generally low. Very few qualified urban planners or architects work outside Vientiane.

The more or less simultaneous birth of the two new authorities—UDAA and Mdp—in Luang Prabang was also a cause for confusion. Up to that point, the district authority (primarily the local Department of the Ministry of Communications, Transport Post and Construction [or DCTPC]) was responsible for day-to-day matters, such as construction permits and maintenance of urban services. In all four secondary towns, the introduction of UDAs

resulted in a division of roles between UDAA's and DCTPCs. This division was not always clear, especially because in their infancy UDAA's did not have the resources to fulfill their assigned tasks.

To some extent, the UDAA's position was also undermined by the attitude of some parties in government, who felt UDAA's were simply project implementation units for the ADB project. In Luang Prabang, the establishment of MdP added another element to an already confused situation. It is not surprising, therefore, that there was a period characterized by overlap, duplication, and conflict between the agencies. Today, the three authorities have established an effective working relationship with clear lines of consultation and cooperation. Nevertheless, ambiguities still remain and these will probably not be fully resolved until the establishment of a formal municipality in Luang Prabang.

Friction between UDAA and MdP arose because of disagreements over the design and, in some cases, the principles behind the designs of the urban infrastructure works. The issues related mostly to road widths, drainage dimensions, footpath design and materials, riverbank protection, and the treatment of natural drainage ponds. The apparent incompatibility of the two programs was the subject of a masters thesis by J. Touber (2001) (now of the Earth Institute at Columbia University) written in 2001. At that time, Touber saw the divergent objectives and approaches of the agencies as irreconcilable. Thankfully, events have demonstrated that this was probably an overly pessimistic viewpoint.

UDAA's original designs were based on established Government standards and on optimum engineering solutions. MdP, on the other hand, was concerned about appearance and environmental impacts. Both sides can probably be criticized for their initial stances; the engineering team for being unimaginative and inflexible, and the heritage experts for being unrealistic in their approach to conservation. However, at the end of the day, compromise positions were reached that, in most cases, satisfied both parties. The culmination of this, as evidenced by the result on the ground, is a notable example of how the upgrading of physical services can be achieved within an historic urban environment. The achievement is also notable because this is a "living heritage" area. The approaches required in the busy town of Luang Prabang are quite different from the more-established techniques for preserving unoccupied heritage sites.

The scaling down of some UDAA's projects resulted in cost savings, which were used to fund additional works. This was despite the fact that the materials used in the heritage area, such as bricks for footways, were more expensive than those originally planned. This suggests that there may be scope to reduce the dimensions of roads in other urban settings, and particularly in areas of built heritage.

Sustainability

While the results of the physical interventions in Luang Prabang are impressive, there are questions about the sustainability and efficacy of the achievements. The first concern is over the future of MdP, and the second is how far the investment in the urban area benefits the surrounding areas.

The combined success of the Luang Prabang projects would certainly not have been achieved without the strong hand of MdP. Working through the official powers exercised by the local authorities, MdP managed to enforce a building code far stricter than anything else operating in the Lao PDR. To sustain this level of control, MdP will have to continue its operations in some form or other. Although it has been supported financially by two phases of grant from AFD, there is no guarantee that there will be subsequent phases. A third phase is apparently being considered, but has yet to be approved.

The question mark hanging over long-term sustainability is recognized by AFD itself. In its own journal, it identifies the funding issue and risks of losing control over illegal construction (Leroux 2002). The new Heritage Law, passed on 10 December 2005, gives MdP a legal mandate through the Ministry of Culture. However, there is no parallel financing plan for its continued existence. There is talk of a tourist tax but no detailed studies have yet been undertaken on its feasibility. A related concern is the maintenance of the improvements undertaken by MdP. The responsibility for this lies with the villages themselves, and only time will tell as to whether they are willing and able to undertake and fund this work.

The preservation of the heritage area has come at a substantial cost (\$8.6 million from AFD alone), and some may ask for whom this has been undertaken. There has been significant investment by the private sector, with most of the investors from outside Luang Prabang and many from overseas. In the central heritage area, new hotel ventures, restaurants, and shops selling artifacts have displaced the local businesses. Very little of the income generated is going directly into the hands of Luang Prabang people. This position is compounded by the fact that the type of visitor is changing. Whereas it used to be mostly independent travelers using local travel services and paying for accommodation on site, tourists are increasingly arriving as part of tours arranged and bought at their overseas points of origin.

A number of ongoing and planned projects in the rural areas around Luang Prabang may facilitate the economic benefits of the heritage scheme filtering out to these parts. Some have the specific aim of attracting tourists to stay longer in the province and spend money outside the main urban area, such as ecotourism schemes under the European Union (EU) micro-project

development project (European Commission 2005), and the assistance provided by UNDP under its GPAR program to districts in identifying potential tourism activities. Others will help local communities to better manage their resources and opportunities, such as the participatory village planning being undertaken by GPAR (Department of Planning and Investment 2005), and a proposed project to assist farmers close to the urban area to better service the needs of the town under the EU's Asia-Urbs program.

A third phase of AFD funding likely includes a plan for the urban periphery. Inevitably, it will be some time before any tangible benefits from these projects can be identified and evaluated.

The achievements in Luang Prabang have received international acclaim and MDP plays host to a continuous stream of official visitors from historic towns and cities throughout Asia eager to see how it has been done. Its fame and attraction also mean that there is no shortage of interest from development partners wanting to work in the region. While this effective leverage of international assistance must be welcomed, it must also be carefully targeted. It should be remembered that the provincial authority is still struggling to meet the Government's poverty reduction targets.

Savannakhet and the East-West Economic Corridor

Location and Characteristics of the Region

Savannakhet is the largest and most populous province in the Lao PDR. In the preliminary results of the 2005 National Census, the population is given as about 800,000. This compares to 690,000 in the Vientiane Prefecture, and 600,000 in Champasack, while all other provinces have populations of 400,000 or less. The province is located in the central part of the country and is one of four provinces that span the width of the country, having borders with both Thailand and Viet Nam. The western edge of the province follows the Mekong River. From the lowland plains along the Mekong, the topography rises to the mountainous areas in the east, adjacent to Viet Nam.

The provincial capital is officially referred to as Khantabouly, which is the name of its district. However, it is also popularly known as Savannakhet. In 2003, the urban area was estimated to have a population of 63,634 making it the second most populous in the country (Mabbitt 2003). From the same

GOOD PRACTICE	
Good Governance	✓
Urban Management	
Infrastructure/Service Provision	✓
Financing and Cost Recovery	
Sustainability	
Innovation and Change	✓
Leveraging ODA	✓

source, the combined population for urban centers in the province with a population over 5,000 was 101,864, which is also second only to Vientiane. District boundaries changed between 1995 and 2005, so a population growth rate for the district cannot be derived from data thus far available from the 2005 census. The average annual growth rate of the province over this period, however, was 2.07%, which is close to the national rate.

Economic Base of the Region

The major economic activities in the region are rice farming and animal husbandry. Savannakhet Province is the largest rice-producing province in the country. The agriculture sector accounts for 80% of gross provincial product (GPP). It also has the largest number of industry-handicraft establishments of any province, although these are mostly small establishments. The industrial sector accounts for 25% of GPP. Most industry-handicraft establishments are in the sectors of wood products, garments, and food processing. Gold and copper mining started in 2004 (see below). The service sector is also significant. The major commercial activities are retail and wholesale establishments, reflecting the commodity flows crossing the Mekong River and along National Road No. 9. Many small-scale hotels and restaurants are also concentrated in the urban areas.

International Corridor and Urban Development

Savannakhet Province is within the East-West Economic Corridor (EWEC), which is one of the 11 “flagship projects” of the GMS program. The move to set up the GMS was led by ADB, and was formally established in 1992. At the GMS 1998 ministerial meeting, a commitment was made to support economic corridors. The principle behind the creation of corridors is that investments in priority infrastructure sectors, such as transport, energy, telecommunications, and tourism would focus on the same geographic space to maximize development impact while minimizing development costs (ADB 2005b).

The benefits expected from EWEC include better access to raw materials, regional development of remote border areas, growth of secondary towns, poverty reduction, greater cross-border trade, more efficient use of economic space, increased investment in agro-industries, and industrial zones and tourism (ADB 2002). EWEC runs from the Andaman Sea in the west to the South China Sea in the east, incorporating parts of the Lao PDR, Myanmar, Thailand, and Viet Nam. The main axis of the corridor is a 1,500-km road from Mawlamyine in Myanmar to Da Nang in Viet Nam. The Lao PDR section of

this axis is Road No. 9, which dissects Savannakhet Province and connects Savannakhet town on the Mekong with Dansavanh on the Viet Nam border.

The EWEC initiative will require road, rail, water transport, and air transport linkages. A bridge crossing the Mekong River from Mukdahan in Thailand to Savannakhet in the Lao PDR is being constructed through loan financing from the Japan Bank for International Cooperation. This bridge is expected to be completed in 2006, and will be a crucial part of the infrastructure for the transition of the Lao PDR from a landlocked to a “land-linked” territory. Sections of the EWEC in the Lao PDR are being upgraded with financial assistance from JICA and ADB.

A pre-investment study for EWEC was completed in 2001 under ADB technical assistance (ADB 2001c). The study developed a framework for cooperation and development in agro-industry, infrastructure, trade and investment, tourism, and industrial estates, and recommended 74 projects, including policy and institutional development initiatives. The combined total cost of proposed projects for EWEC is about \$364 million. The Government has proposed the inclusion of a project to improve the Savannakhet airport in the program. This project will make Savannakhet airport a subregional airport for Thailand as well as for the Lao PDR, and allow it to accommodate medium-sized aircraft. The EWEC proposal has been fully endorsed by the governments of the four countries concerned. In support of the infrastructure programs, several “soft” policy initiatives have also been instigated. An accord was signed in 1999 to facilitate the movement of people and goods between the Lao PDR, Thailand, and Viet Nam. Travel time along the corridor will also be reduced through the adoption of one-stop customs procedures.

Many national projects also stem from the EWEC program. In the Lao PDR, the most significant of these is the Savan-Seno Special Economic Zone (SASEZ). The intended establishment of SASEZ was declared in 2002; and in 2003, it was formally enacted through two Prime Minister’s Decrees, Nos. 148 and 177 (Prime Minister’s Office 2004a). SASEZ has been set up to take advantage of the favorable location of this zone at the central crossroads of the GMS, and to attract and promote foreign and domestic investments in compliance with the general investment policies of the Government. The overriding objectives are to foster production, export, and services growth, and to create opportunities for learning experiences in the fields of business management and administration and the use of new technology, as well as for promoting industrial, trade, and service relationships with the regional and international communities.

SASEZ is composed of two separate sites both located along National Road No. 9 in Savannakhet Province. Site A has an area of 300 hectares (ha) and is located on the northern edge of the Savannakhet urban area next to the

Mekong Bridge. Site B has an area of about 20 ha at Seno, at the junction between National Road No. 13 and National Road No. 9, some 30 km east of Savannakhet. Operations are now at the stage of land clearing and resettlement of the people occupying the land. SASEZ will be competing with similar investment promotion schemes in northeastern Thailand, but the Lao sites may have an advantage in attracting international investors through the export quotas enjoyed by the Government of the Lao PDR. It remains to be seen how soon this conceptual framework can be translated into actual investments.

Another EWEC initiative is the newly established Border Trade Zone at Danesavanh at the border with Viet Nam. This is in a relatively large area of 28 km². The zone is designed to become a commercial center for the Lao PDR and a stopping point for local and foreign tourists. Construction activities have begun to create the necessary facilities. Incentives to investors include land fee exemption for the first 11 years, tax-free for the first 7 years and 50% tax discount for the next 5 years. Across the border in Viet Nam, the newly created border town of Lao Bao is even larger than the one on the Lao PDR side.

A major new investment has been made in EWEC in recent years in the form of a gold and copper mining concession located at Sepon in the eastern part of Savannakhet Province. The gold mining company, owned by a joint venture between Oxiana N.L (Australia) and Lane Xang Minerals (Vientiane), has a total concession area of 1,947 km². Work on the gold mine started in 2002, with the first gold sent to Australia for refining in 2003. Copper production started in November 2004. The gold and copper mining operations employ about 3,000 people. Some of these are trained workers and specialists from elsewhere, but more than 1,500 local residents are employed. This is having a direct impact on incomes in the area, with average per capita incomes rising from \$64 in 2001 to \$300 in 2004 (Vientiane Times 2004). The company has also undertaken to initiate and fund livelihood projects. Silk production, mulberry tree cultivation, and pig-breeding schemes are already underway.

Impact and Sustainability

In the context of this book, the question to be asked is what the EWEC has done for this part of the Lao PDR? How has the big, broad idea of the multinational corridor affected the urban and rural areas of Savannakhet Province, and are the impacts sustainable?

Savannakhet has long been considered the second city of the Lao PDR. However, anecdotal evidence suggests that Pakse has now overtaken Savannakhet as the country's fastest-growing commercial center outside Vientiane. Although there are no GDP figures for urban areas, the change in importance is reflected in statistics gathered for the expenditure and consumption survey

undertaken by the National Statistics Office in 2002/2003 (National Statistical Centre 2004). The total investment in constructing residential, agricultural, and business buildings in Champasack Province in 2002–2003 was 25% higher than that in Savannakhet, despite having a smaller population and area.

This situation is also illustrated by the closure in recent years of the airport at Savannakhet due to insufficient passenger numbers. Pakse's recent growth can probably be largely explained by the presence of its new bridge over the Mekong completed in 2000. Although both banks of the river there are within Lao PDR territory, the bridge has also given the town direct road access to the Thai border about 40 km away. The expectation is that the bridge at Savannakhet will have an even more marked impact on the economy of the town and province, as it is part of a major corridor, rather than the less-established route that goes through Pakse. Once the bridge is completed, the direct road link from Savannakhet to Bangkok will be shorter than the one from Vientiane.

Savannakhet was one of the four secondary towns in ADB's STUDP (see Luang Prabang case study). Under the project, urban infrastructure upgrading to the value of about \$4.5 million (not including a new office building for UDAA) was completed in 2003. The individual improvement projects were as effective as they had been in the other towns, but the overall impact of STUDP was less noticeable in Savannakhet due to the scale of the town's infrastructure networks. The town's development has been guided by a somewhat overextensive road system, planned and laid out in the 1980s and early 1990s. In total there are about 200 km of road in the main urban area. This layout has encouraged urban sprawl at a very low density. Although the suburban areas are being slowly filled, the town still has the feel of a road system waiting for a city.

A product of this overgrown road network is a very expensive improvement and maintenance bill, a cost that UDAA alone cannot afford. The provincial government has recently funded the surfacing and sealing of 47 km of roads in the urban area with an eye to hosting two impending major national events in the city—the national games and party conference. As is common with other UDAAs, the one in Savannakhet is under-resourced and its revenues from building permits, event permits, and septic and solid waste collection do not match its outgoings. In 2005, the central Government provided about \$50,000 equivalent to support UDAA's activities. There is also a direct local contribution; residents were asked to pay 20% of the cost of road improvements in 2005.

With the expected spin-off from EWEC in general, and the bridge in particular, the prospects for Savannakhet urban area are good. There is a chance that the anticipated increase in economic activity and transport movements will help rekindle growth in the area. However, proactive action needs to be taken

to ensure that the town is best placed to capitalize on the opportunities. This includes preparation of urban development plans for the whole urban area, including the bridge and its approaches. The town has already suffered a shift in the center of gravity in terms of its retail operations with the construction of a new Chinese-funded market center on the northern edge of the urban area in the late 1990s. This took business away from the historic core and traditional retail center. In the development framework prepared for the town in STUDP, the need to address this negative affect on the heritage area was identified. To date, however, nothing has been done to revitalize it. The advent of the bridge and the proposed SASEZ will create an additional pull northwards; therefore, a comprehensive plan to guide the growth of the whole area is needed.

The same is true for other parts of the region. Proactive planning should be undertaken to ensure that opportunities are not missed. However, as pointed out by the recent study into urban and rural linkages (Kammeier et al. 2005), “The creation of industry and service-based border towns in a hitherto remote area may not take off as quickly as the promotion brochures suggest...it will take a number of years to see a thriving border town where so far there is not much more than some infrastructure provision and very limited investment.”

At the macro level of EWEC, it is not easy to identify tangible results and assess sustainability. Also, it is probably too early to expect to see any major impacts. The next few years will show whether the GMS initiatives have really benefited the local communities in the Lao part of the corridor.

LESSONS LEARNED

General

It would probably be wrong to claim that the case studies presented in this chapter represent “good practice.” However, they do provide lessons on what can be achieved using the approaches and procedures described and, to a certain extent, what cannot. Sustainability is probably the objective that international and bilateral donors talk about the most but achieve the least. It is not surprising, therefore, that the sustainability of the three case studies is far from clear-cut. One benchmark of sustainability is replicability. In this respect, these projects will score differently because replicability is likely directly inversely proportional to the scale of the projects.

A factor affecting the sustainability of these and other projects is that lessons are mostly not learned. There is generally a very poor level of information exchange between agencies and practitioners in urban and regional

development. This holds true for international agencies, national and local governments, and consultants. There is a clear need, therefore, for better transfer of information and knowledge. In the Lao PDR, the Government still suffers badly from compartmentalization with little communication between and within sectors. International advisers should lead the way in improving integration and continuity. Consultants should be encouraged to compare notes more readily; there is a role here for development partners to facilitate and coordinate this.

A prime example of this can be seen in Vientiane. At the time of writing, ADB's Small Towns Development Sector Project (STDSP) was just embarking on works in the first tranche of four small towns. The projects in the towns include a village-upgrading component very similar to the VAI scheme described in the Vientiane case study. As explained in the case study, the VUISP team learned many lessons in developing and refining their VAI scheme, which should be passed on to the STDSP team. The VUISP team is keen to propagate their procedures, but thus far have not been asked to do so.

Another overriding issue for urban and regional planning that these case studies have highlighted is the division between "spatial" and "economic" planning, common in many countries with socialist/communist regimes in their past or present. In the Lao PDR, all strategic economic and development planning is undertaken by or for CPI, which is part of the Prime Minister's Office. It is the General Planning Department in CPI that prepares the national socioeconomic development plans.

On the other hand, the Ministry of Communications, Transport, Posts and Construction (MCTPC) undertakes all spatial planning. Urban plans, infrastructure plans, and urban sector strategies all come within their domain. The problem lies in the fact that these two sets of outputs rarely come together. In interviews carried out for this chapter, it was apparent that senior officers in CPI were unaware of key studies and plans undertaken for MCTPC, including the Small Towns Development Strategy and the recent Urban Sector Strategy and Investment Plan, both of which included broad-reaching recommendations for the whole country.

This situation is compounded by the fact that "soft" outputs from primarily "hard" technical assistance projects, such as ADB's urban projects, are often overlooked or not followed through. For example, plans for urban areas and recommendations on the planning system were presented to MCTPC and ADB as part of the projects for Vientiane, the secondary towns, and the small towns. The fate of these reports has been to disappear onto shelves, never to be seen by other agencies either in or outside the Government. This must surely undermine the impact, effectiveness, and probably the sustainability of these major interventions.

Overall, existing policy and action are having only minor and gradual impacts on the conditions found in both urban and rural parts of the Lao PDR. There is no clear overall strategy for intervention and the traditional top-down processes will not lead to truly responsive solutions. In particular they will not, on their own, achieve significant or effective impacts on the livelihoods of the poor in these towns and their surrounding hinterlands. There is a need to review and improve existing procedures and to build on initial experiences in community-based procedures.

Lessons from the Specific Case Studies

Many lessons learned are incorporated in the text of the case studies. Some key issues are summarized below.

The key finding in the Vientiane case study is that small-scale projects supported at the village level are a feasible and effective approach to urban upgrading. Overall project design needs to be considered, as the VAI scheme would probably have been more efficient if it had been a discrete project rather than part of a much bigger package. These small-scale interventions are highly replicable and, if properly managed, they should be generally sustainable.

In common with many developing countries, there is a tendency in the Lao PDR to view the environment and the cultural heritage as discrete sectors to be taken care of by their respective government departments. In fact, the protection of environmental and cultural heritage resources can only be achieved through an integrated approach involving all development sectors. The situation in Luang Prabang today shows what can be achieved when urban improvements and conservation are tackled together. However, this has required very close control by an agency heavily dependent on international staff and support. There is uncertainty as to how sustainable this will be. The Luang Prabang case also raises the question as to how widespread the benefits of urban heritage preservation will be. By intensively supporting a small, exclusive heritage zone, there is a possible danger of accentuating the urban/rural divide.

EWEC demonstrates that multinational regional planning initiatives can bear fruit. The parts of the Lao PDR on and close to this corridor look set to benefit significantly from the initiative. At the same time, complementary local initiatives should be enacted to capitalize on the potential benefits. If these are not in place, there is a danger that the advantages will be enjoyed elsewhere, mostly outside the country. The Lao PDR should have clear spatial and economic strategies established to be in a position to balance the moves of its more powerful neighbors.

STRATEGIES TO ENHANCE SUSTAINABLE URBAN REGION DEVELOPMENT

Action to enhance sustainable urban region development in the Lao PDR will need to focus on improving strategic planning and on the development of inclusive, participatory local planning. In response to this, a strategy is outlined below with the two components development management and community planning (Table 8.3).

Development management involves addressing the need for improved planning and management at all levels and in all sectors leading to better-targeted interventions. Most activities of development management are already taking place; therefore, the objective must be to improve the institutional approach with a view to achieving responsive urban and regional management—responsive, that is, to the issues of urban and regional development and particularly to the needs of the poor.

A key aspect of this will be establishing a clear hierarchy of planning authorities. To this end, the clarification of the roles of UDAs and municipalities needs to be given priority. This needs to be supported by extensive

Table 8.3: Strategy Components

	OBJECTIVES	TOOLS	PRODUCTS	OUTCOMES
Development Management	Sustainable development through responsive urban and regional management	Strategic planning Institutional awareness and capacity building – planning and financial management techniques, including community involvement	Strategies for growth Strategic transport plans Economic strategies Tourism strategies Regional Strategy Responsive town plans	<i>Urban area and regional improvements:</i> Primary regional and local infrastructure Secondary infrastructure Community services Strengthened town economies Benefits to rural hinterlands
	Sustainable development through empowering the poor	Decentralization Demand-led infrastructure planning Consensus building and partnerships Microfinance strategies	Community-led village improvement programs Village groups (self-help groups, joint-liability groups) Village-led procurement Improved access to credit Subsidies to the poor to ensure access to services	<i>Village improvements:</i> Tertiary infrastructure Community facilities Improved economic stability Enhanced advocacy capacity Sustainable improvements

capacity building in the provinces and districts. Strategic regional plans must also be put in place to guide growth and investment. Development management will have some direct effects on the lives of the people in poor communities, but it will have mainly an indirect impact on poverty.

Community planning involves addressing the urgent need for improvements in the living conditions of the poor, utilizing the knowledge and skills of the poor themselves. There is little coordinated community planning taking place in the Lao PDR and efforts should be made to build on the VUISP experiences in Vientiane and the GPAR work in Luang Prabang. The objective is to facilitate the involvement of under-serviced communities in determining their own priorities, thereby empowering the poor. The outcomes of community planning should have a direct impact on poverty.

The two elements differ in one key aspect. That is, that development management already happens within an established framework of policy and action, while community planning does not. Some nongovernment organizations may claim that it is taking place, but there is no coordinated, nationwide program. The needs are, therefore, fundamentally different. In development management, the aim is to improve existing processes and enhance capacities for coordinated and responsive management. In community planning, the aim is to introduce new methodologies and develop mechanisms for integrating community involvement into the process of local area improvement. While the two elements will need to be addressed separately, the ultimate aim must be to combine them into a seamless system for managing sustainable growth and improving the livelihoods of the population.

Notes

¹The terms “prefecture” and “municipality” have both been used when describing the grouping of nine districts comprising the Vientiane City administrative area. However, as yet there are no administrative entities known as “municipality” in the Lao PDR. For this reason, prefecture is the preferred term here.

²GDP per capita was \$350 in 2002, and increased to \$375 by 2003.

³Extracted from 2005 National Census, Preliminary Results.