

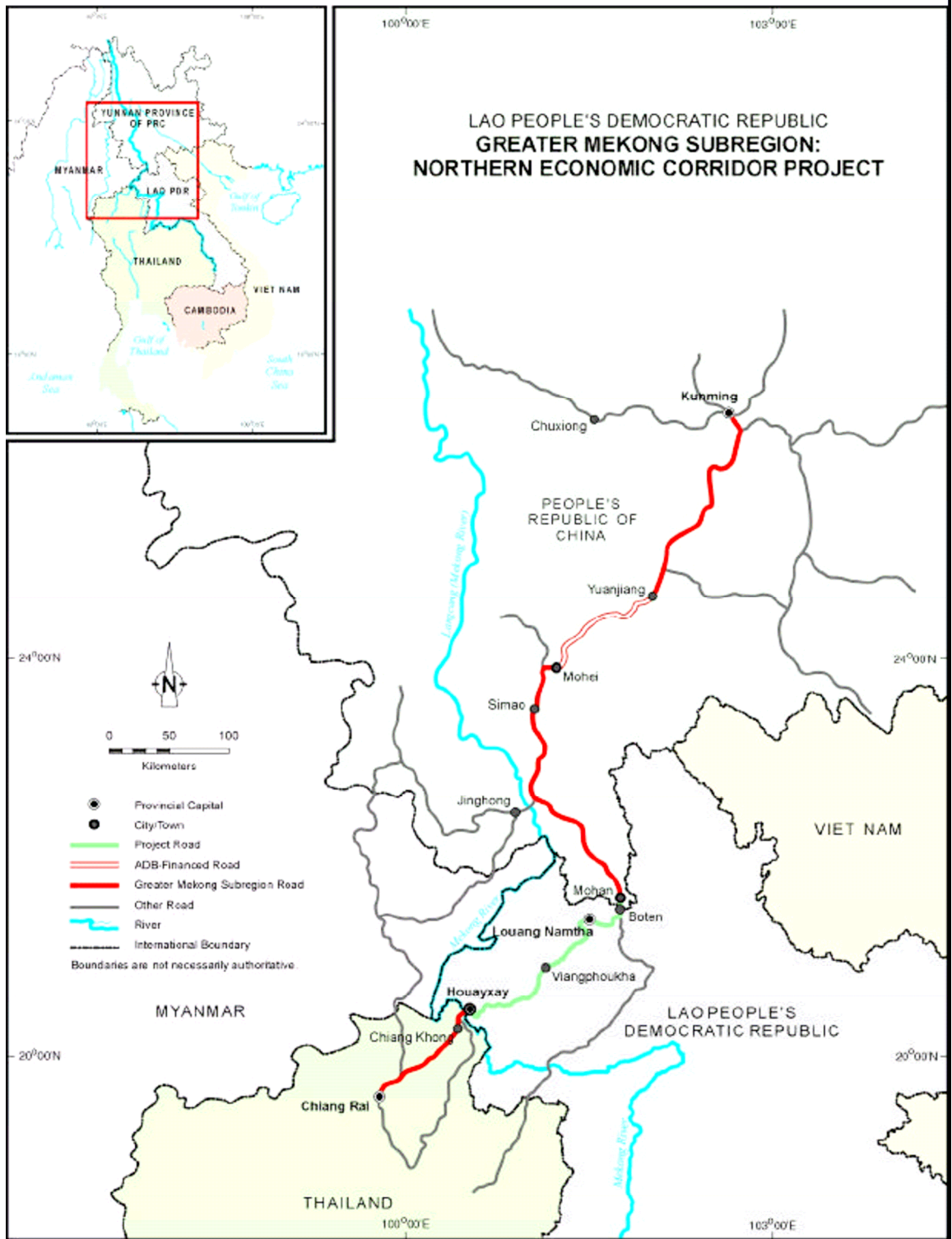
GMS Northern Economic Corridor Project

A key segment of the Northern Economic Corridor Project is the improvement of the stretch of road from Houayxay to Boten in Lao PDR. Completion of this project will provide a direct link between PRC and Thailand thereby reducing travel time and transport costs as well as opening up economic opportunities. Improvement of this transport route will also provide two remote provinces - Louang Namtha and the Viangphoukha district of Bokeo - in Lao PDR increased road access particularly during the rainy season when they are most prone to isolation. Louang Namtha is the most transport deficient province while Viangphoukha district is among the poorest areas. The Houayxay to Boten road will link them to economically vibrant areas that can stimulate their local economies.

This project encompasses the upgrading of the existing 228-kilometer road between Gouayxay and Boten as well as area development and preparation of a social action plan for the ethnic minorities who will be affected. The social action plan contains provisions for construction of community roads, small water and sanitation schemes as well as undertaking of education, HIV/AIDS awareness programs. Another integral part of this project's design is the undertaking of local capacity building programs for environmental management. These components were planned in a participatory process involving large numbers of ethnic minority groups. The project is also expected to provide residents access to markets, facilitate the extension of vital public services including employment creation and increased incomes - thus helping to reduce poverty within the area. Total project cost is estimated at US \$ 95.8 million.

The project was funded using financial and other resources from two primary beneficiaries, the PRC and Thailand and, in partnership with ADB. The multilateral role was multifaceted to ensure success of this project. First, ADB helped mobilize financial resources. Second, ADB assisted in project design to ensure not only greater regional connectivity, but also inclusion of isolated regions of the northern Lao PDR in the process of regional integration. Third, ADB assisted the Lao PDR in negotiations to promote pricing policies that would maintain newly created assets without undue fiscal burden on itself as a transit country. Fourth, special care was taken to ensure that distribution of costs and benefits across the three countries was fair: since most immediate benefits were expected to accrue to the PRC and Thailand, both countries shared two thirds of project investments and provided the Lao PDR concessional resources. Finally, the project adopted a social and environmental management plan and worked with contracting arrangements that aligned incentives of the construction firms to mitigate these risks. Similar projects that seek to coordinate regional infrastructure are under way in the region.

**Return to
Booklet**



Map taken from ADB. 2002. Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Lao People's Democratic Republic for the Greater Mekong Subregion: Northern Economic Corridor Project. Manila.

**Return to
Booklet**