

Road construction – Laos

Road out of poverty

German technical and financial cooperation projects have been implemented in rural regions of the country for 20 years. To date, KfW has funded more than 1,000 kilometres of all-weather roads, thereby triggering considerable development in the villages around these roads: incomes have risen substantially, more children are going to school, and the people are using the more accessible social infrastructure, such as hospitals for example.

Current situation

Poverty is rife in Laos, particularly in rural areas. This mountainous country in the size of former eastern Germany is very thinly populated with just seven million people. This makes it so difficult to link the widely scattered villages reliably with the cities in the given region. The roads are of poor quality, which means they are engulfed in mud and rain for up to half a year during the rainy season, cutting the mountain people off from the rest of the world. During this time they cannot take products to sell at the market, nor can they go to school or the doctor.

Moving from A to B in rural Laotian areas is expensive. This makes every journey into the regional centres costly for families who primarily live off the land. These families are unable to sell their products at competitive prices because fertilisers and seeds are much more expensive than elsewhere on account of the high transport costs. Hence work is principally a way of achieving a secure food supply, but not to generate surpluses and therefore be able to pay for attending school, visiting the doctor or electricity. Only if the rural population is permanently connected to

the regional centres all year round can they sell their products and make more money. Roads that are passable all year round – during the five-month rainy season too – enable children and young people to complete an entire school year and attend secondary schools, pregnant women can give birth to their children in hospital, and sick people may receive urgent treatment.

All-weather roads are therefore vital as a way out of poverty. This is why KfW is funding the construction of roads in rural regions of the country on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) and in conjunction with its local partner in Laos, the Ministry of Infrastructure and Transport (MPWT).

Project title	Rural Infrastructure Programme Laos
Commissioning party	Federal Ministry for Economic Cooperation and Development (BMZ)
Country/Region	Laos
Project partner	Ministry of Public Works and Transport (MPWT)





Constructed road in Laos with typical means of rural transport.
Source: KfW Office Laos.

Project approach

Some 20 years ago the German government launched the Rural Infrastructure Programme (RIP) as part of German Development Cooperation, together with its Laotian partners. KfW funds the construction, repair and maintenance of roads, bridges, bus stops, boat jetties and markets on behalf of the BMZ. In addition, the German Society for International Cooperation (GIZ) is working on improving economic and social development directly in Laotian villages. The Rural Infrastructure Programme is designed to lay the foundations in various regions of the country for bringing the more than 150,000 people living in the catchment area of the roads project out of poverty in the medium term.

From KfW's perspective, this explains why the roads are not the only focal point of the development strategy that is being elaborated and implemented together with the MPWT. It is more a case of triggering a marked improvement in economic and social conditions. The key figures for KfW are not the number of completed kilometres, but the enrolment rates at school and the sharp increases in incomes in the regions where we are working."

The regions where KfW operates number among the 47 poorest districts in Laos, and consequently they are priorities. The villages which can potentially benefit from infrastructure financing should have as many inhabitants as possible to ensure that the investment in new roads and bridges brings a return. Villages that are very isolated or in real need of help due to a very poor food supply are given particular support.

Impact

In the last 20 years, KfW has invested more than EUR 30 million in rural infrastructure, while the Laotian government has invested approximately EUR 3 million. This has led to the construction of more than 1,000 kilometres of all-weather roads as well as bridges, bus stops, boat jetties and markets in rural regions. The traffic volume in the catchment area of the roads has risen four-fold, while transport costs have sunk by one third, and journey times to the nearest market are down by an average of 40 %.

The improved mobility has triggered an economic upswing in the region: farmers today are selling three times as much produce. The number of children participating in education has risen markedly, particularly for girls. Considerably more people now have access to medical centres and doctors. In Laos as a whole, the poverty rate has fallen by more than 20 percentage points since the middle of the 1990s.

The significance of all-weather roads for development plays an even more important role in Laotian politics. The government is currently developing new financing models aimed at the long-term maintenance and preservation of the roads. The first Laotian training centre for staff at the Ministry of Transport at central and local level was opened in May 2015.

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