

Project Proposal

Section 1A. Project Profile

1. Project Title

Vientiane– Thakhek–Mu Gia Railway Project (452km): Section Mu Gia–Vung Ang (103 km)

2. Project Sector

Agriculture
Energy
Environment
Health
Tourism
Trade and Investment Facilitation
Transport
Urban Development

3. Expected Year of Commencement

2025
2026
2027
2028

4. Type of Project

Sovereign (Public)

Loan
Grant
Technical Assistance

Non-sovereign (Private)

Equity
Public Private Partnership

Guarantees
Others

5. Possible Sources of Financing (not confirmed)

Development Partner/s
Government

6. Estimated Project Cost (USD)

1,600,000,000

7. A) Geographic Location: Country/ies covered

Cambodia
People's Republic of China
Lao People's Democratic Republic
Myanmar
Thailand
Viet Nam

7 B) Geographic Location: GMS Economic Corridors

North-South Economic Corridor (NSEC)
East-West Economic Corridor (EWEC)
Southern Economic Corridor (SEC)
None

Section 1B. Project Proponent and Sponsor

8. Country and Name of Organization

Lao People's Democreatic Republic

Organization

Department of Railways, MPWT

Contact Person Name

Mr. Sonthanou THONGXAYYO

Position/Designation

N/A

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Viet Nam

Organization

Department of Railways, MOT

Contact Person Name

N/A

Position/Designation

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9. Working Group Agreement

Agriculture Working Group/Working Group on Agriculture (WGA)

Energy Working Group/Energy Transition Task Force (ETTF)

Environment Working Group/Working Group on Environment (WGE)

Health Cooperation and Other Human Resources (HRD) Working Group
Tourism Working Group (TWG)
Trade and Investment Facilitation Working Group (TIFWG)
Transport Working Group/Subregional Transport Forum (STF)
Urban Development Working Group (UDWG)
GMS National Secretariat

Section 2A. Project Description and Summary

10. Provide a brief description of the project which includes

10a. Key reasons for undertaking the project (maximum of 300 words)

The objective of Laos-Vietnam Railway Project is a national strategic project that aims to develop the transportation and logistics system of the Lao PDR in order to transform the country from a Land-Locked to a Land-Linked country that would reduce the cost of transportation of good of the Lao PDR through a more cost-effective access to sea transportation towards larger Asian markets.

10b. Project's expected outcomes, activities, and beneficiaries (maximum of 300 words)

1. To invigorate economics and to increase welfares of the region where the line passes for both countries by constructing a railway that connects Vientiane~Thakhek~Mugia ~Vung Ang Port.
2. To provide passengers with convenience by introducing new railway service;
3. To increase productivity and to decrease logistic costs by transporting freight from the inland to the port;
4. To decrease operation costs by reducing operation frequencies and improving travel speed, and to decrease traffic accident;
5. To rise economic benefits by Port vitalization of Vietnam

10c. How does the project align with GMS 2030 and/or other national, regional, or sector strategies? (maximum of 100 words)

The project aligns with the GMS 2030 because it will enhance connectivity in the subregion and will contribute to develop the GMS East-West Economic Corridor. It will contribute to the movement of goods and will enhance logistics and trade between Lao and Vietnam and will have a big impact in the development and growth of the subregion. It will improve the cross-border movement of passengers also between two borders.

10d. What type and level of collaboration is needed if the project has regional or multi-country impact? (maximum of 100 words)

Given the scale of the project and that it's a cross border project benefiting two countries, a close collaboration between Lao MPWT and Vietnam MOT will be necessary to develop and implement this big infrastructure.

Section 2B. Project Selection Criteria

11. Describe how the proposed project meets the following minimum criteria:

11a. The project supports regional cooperation and integration (maximum 100 words).

Cooperation will be required between Lao PDR and Viet Nam to facilitate tourism through efficient and transparent cross-border transport facilitation. Generates increased economic activity in the East-West Economic Corridor (EWEC).

11b. The project is supported by an active working group or a national secretariat and has an identified project sponsor (maximum of 100 words).

The Project is supported by the Transport Working Group by the annual Subregional Transport Forum Meeting.

11c. The project is aligned with GMS subregional and/or national and sector strategies and is included in national investment plans (maximum of 100 words).

The project is a part of super line SKRL railway network project. The Project aligns with GMS2030 and the development of economic corridors "Economic corridors bring a wide range of benefits, far beyond what any single project can deliver". The Project will improve the quality of road infrastructure and connectivity as part of the delivery of those wider benefits.

11d. If applicable, the project may include minimum standards of project readiness and project preparation such as having strong project ownership and a clear project sponsor and having the stages of project preparation completed (feasibility study complete, source of financing identified, project is included in national investment plans, maximum of 100 words)

Initial investigative funds have been committed by Lao PDR and Directorate for Roads of Viet Nam to develop the scope of the project, its economic value and to estimate its potential cost, this means that feasibility studies have been conducted.

12. Select one or more of the aspirational criteria which the project meets and briefly describe how it meets the criteria (maximum of 100 words for each)

multi-country project with regional benefits

The project will provide economic benefits in Lao PDR and Viet Nam.

supports spatial development (economic corridors and/or city clusters)

The Project aligns with GMS2030 and the development of economic corridors “Economic corridors bring a wide range of benefits, far beyond what any single project can deliver”. The Project will improve the quality of road infrastructure and connectivity as part of the delivery of those wider benefits and it will contribute to the development of the East-West Economic Corridor.

has private sector participation

has specific and targeted impact on the poor

The alignment of the railway will pass through Lao PDR middle provinces which have a high incidence of poverty and will bring greater economic opportunity to these provinces and its people.

considers gender elements

is a green project or support the blue economy

fosters digitalization in line with the GMS Digital Action Plan

is aligned with standards of quality infrastructure

The railway standard will be built to international quality standards related to arterial railway. Good quality and consistent access will be needed to extract the best economic benefit.

Section 3. Additional Information on Project Readiness

13. Is a Business Case, Feasibility Study or Pre-feasibility Study available?

Yes

Under preparation

No

If YES:

13a. Specify the type of study that has been undertaken and by whom and the date the study was completed. (max 100 words)

- A Project Pre-Feasibility study between Lao PDR and Viet Nam was undertaken by Chung Suk Engineering was completed in 2011.
- A Project Feasibility study between Lao PDR and Viet Nam was undertaken by KOICA was completed in 2017.
- The project Review FS Lao-Vietnam project from Thakhek-Mugia (Lao-Vietnam border) was undertaken by Petroleum Trading Lao Public Company Limited was completed in 2022.

13b. Provide economic impacts that have been defined and the Economic Internal Rates of Return. (max 100 words)

The key outcomes from the Scoping Study defined the following benefits in a broad sense:

- Regional benefits to both the Lao PDR and Viet Nam, especially in the Southern provinces of Lao PDR.
- Regional and spatial development benefits.
- Targets poverty alleviation especially in the Southern Provinces in Lao PDR
- Quality infrastructure will be needed to ensure sustained economic benefits.
- Some form of PPP structure could be implemented.

The EIRR of the project has been estimated at 13%.

No detailed financial assessment has been undertaken.