

**ASIAN DEVELOPMENT BANK**

**COUNTRY ASSISTANCE PLAN  
(2000-2002)**

**LAO PEOPLE'S DEMOCRATIC REPUBLIC**

**December 1999**

## FOREWORD

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank (ADB) for the Lao PDR covering the three-year period 2000-2002. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The CAP was prepared by the ADB between April and June 1999, in close consultation with the Government of the Lao PDR, and other stakeholders, including non-government organizations. The CAP was discussed with the Board of Directors in October 1999. The assistance plan described in the CAP is only indicative and may be revised to reflect more recent developments.

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**CURRENCY EQUIVALENTS**  
**(as of 30 November 1999)**

Currency Unit	-	Kip (KN)
Kip 1.00	-	\$.0001299
\$1.00	-	KN7,700

**ABBREVIATIONS**

ADB	-	Asian Development Bank
APB	-	Agriculture Promotion Bank
BoL	-	Bank of the Lao PDR
COS	-	country operational strategy
GEF	-	Global Environment Facility
GMS	-	Greater Mekong Subregion
IPF	-	indicative planning figure
LRM	-	Lao Resident Mission
NGOs	-	nongovernment organizations
OIC	-	Office for International Cooperation
SCBs	-	State-owned commercial banks
SDPL	-	Sector Development Program Loan
SOEs	-	State-owned enterprises
PAR	-	public administration reform
RETA	-	Regional Technical Assistance
RTM	-	Round Table Meeting

**NOTES**

- (i) The fiscal year (FY) of the Government ends on 30 September.
- (ii) In this report, "\$" refers to US dollars.

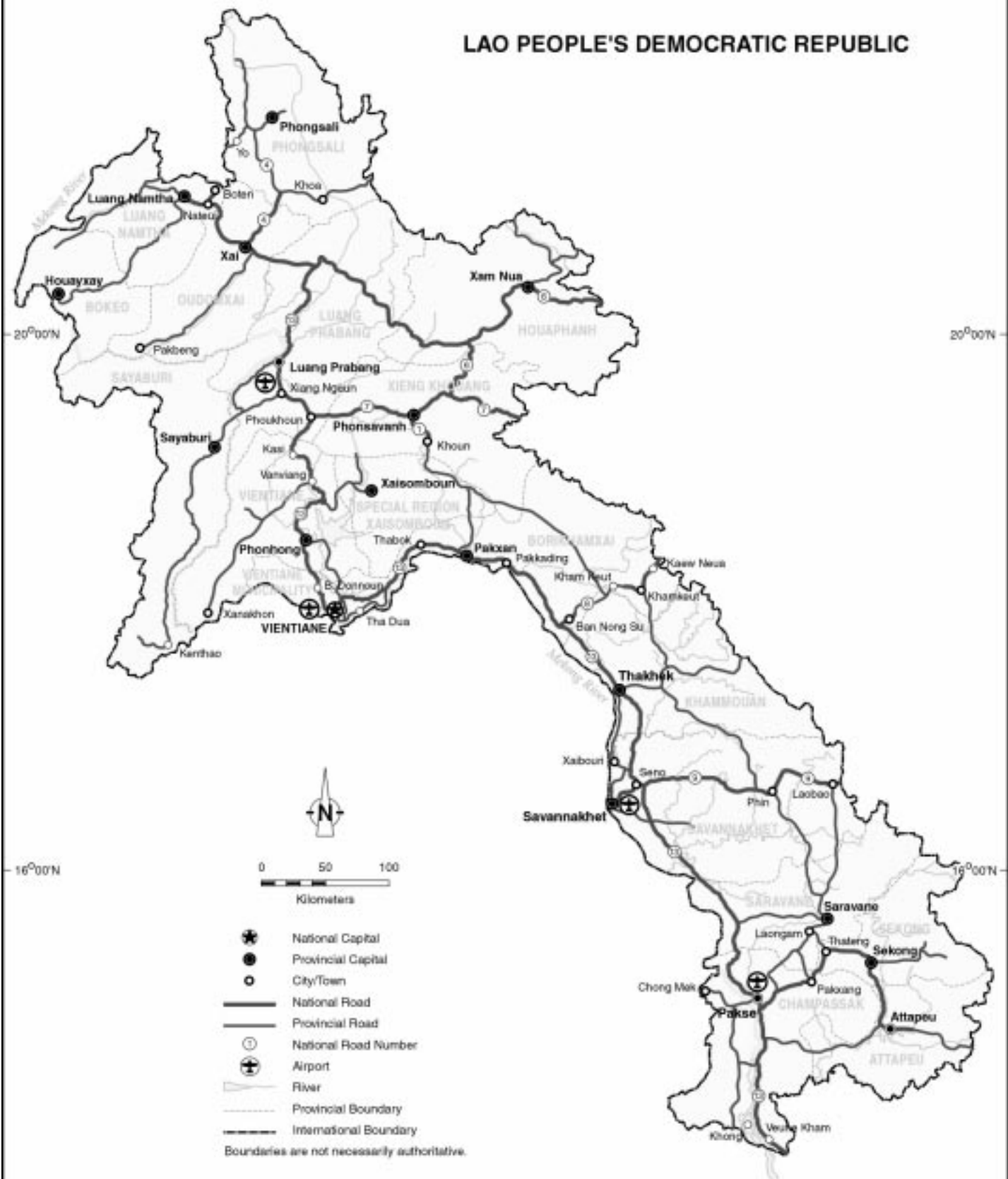
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# LAO PEOPLE'S DEMOCRATIC REPUBLIC



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## LAO PEOPLE'S DEMOCRATIC REPUBLIC

### I. Country Performance Assessment

#### A. Economic Performance Assessment

1. Throughout most of 1999, macroeconomic conditions continued to deteriorate. Expansionary monetary policy contributed to high inflation and significant exchange rate depreciation. Nevertheless, real economic growth is projected at 4 percent for 1999 with an expected strengthening of agricultural growth offsetting slower growth in industry and services. Early estimates indicate a strong increase in the 1999 dry-season rice crop. While no hard estimates are yet available for livestock production, anecdotal evidence suggests that unrecorded exports of livestock together with mechanization of crop production are increasing. Thus, recorded growth in livestock value-added should be modest. Weakness in regional timber markets is expected to continue to limit performance in the forestry sector.
2. Somewhat slower growth in industrial value-added should occur based on moderate growth in the manufacturing sub-sector (which accounts for over 75 percent of industry), a continued slump in construction, and a strong expansion of value-added in the electricity, gas, and water sub-sector. The garment industry, a principal manufacturing export and one of the three large export earners, along with timber and electricity, is expected to rebound from a slump last year based on improved prospects in European markets. The enhanced possibility of obtaining normal trading relations with the United States translates into significant potential for growth in manufacturing in the near to medium term.
3. The construction slump is related to developments in the hydropower subsector. However, hydropower export earnings are expected to grow by more than 30 percent in 2000 with the start of operations at the Nam Leuk and Huoy Ho sites. Although limited information is available, some service sector growth is expected, despite an ever-weakening banking sector, on the strength of a projected 8 percent increase in tourist arrivals.
4. Based on preliminary budget data, revenues improved from 9.8 percent of GDP in FY1998 to 10.6 percent in FY1999 because of improvements in revenue collection in the last semester of the fiscal year. In FY1998 and in the first half of FY1999, the inability of revenue collections to keep pace with inflation and nominal GDP growth caused a revenue shortfall. The use of an exchange rate of KN4000 per dollar for tax valuation purposes when the commercial bank rate was much higher was the main problem.
5. A surplus of revenues over current expenditures was achieved through further compression of current expenditures to an expected 5.1 percent of GDP in FY1999, down from 7.1 percent in FY1998. As high as 10.8 percent of GDP in FY1995, current expenditures have been continually squeezed over the past several years and have now reached unsustainable low levels. Wages and salaries of Government workers have fallen significantly in real terms and the efficiency of Government operations is suffering accordingly. Low maintenance expenditures threaten to shorten the economic life of past investments.

6. The Government managed to scale back capital and onlending expenditures from a mammoth 16.5 percent of GDP in FY1998 to a still sizeable expected 14.2 percent of GDP in FY1999. Although the ambitious irrigation investment project is still under way, it appears that direct spending from the budget for these efforts has been reduced. In total, the Government trimmed spending from 23.7 percent of GDP in FY1998 to an expected 19.3 percent in FY1999.

7. Monetary expansion continued in 1999 as the money supply grew by 133 percent. The increase in liquidity contributed to a 40 percent depreciation of the kip and a 94 percent increase in the CPI 1999. Because of this further erosion of confidence in the kip, banking and other transactions are increasingly carried out in foreign currencies. Preliminary balance of payments data suggest that FDI and ODA increased modestly in dollar terms in 1999. The current account deficit increased somewhat because of weak export growth. Debt service rose from 11.1 percent of GDP in 1998 to 11.6 percent in 1999.

8. In May 1999, the ADB, the IMF, and the World Bank expressed concern about deteriorating macroeconomic conditions in a joint letter to the Government. Four specific recommendations were made. First, fiscal revenue efforts should be intensified. Second, tight monetary and credit policy should be maintained. Third, interest rates on the Bank of Lao PDR (BoL) and Treasury bills should be raised if necessary to increase sales in an effort to absorb liquidity. Fourth, BoL and Treasury bill sale receipts should not be used to finance the budget. In September 1999, the ADB joined the IMF Article IV Mission to the Lao PDR to review and discuss macroeconomic performance. An IMF Mission returned to Lao PDR in December 1999 to assess progress on implementing the recommendations that were made in May 1999.

9. The Government made some progress in the latter part of FY1999 on improving revenue collection, particularly by revising the exchange rate used to value imports for tax purposes. The Government also adopted a budget for FY2000 that sets a revenue goal of 12 percent of GDP. The Bank of Lao PDR (BoL) temporarily stabilized the economy in April 1999 by selling KN12.4 billion in BoL bills at 60 percent interest. This effort was not sustained, however, and there was subsequent credit expansion by BoL in the third quarter. Again in the final quarter of 1999 BoL tightened monetary conditions and stabilized prices and the exchange rate. However, it is not yet certain that the Government will sustain these efforts to restrain credit.

## **B. Assessment of Socio-Environmental Performance**

### **1. Poverty Issues**

10. Findings of the Asian Development Bank's (ADB)'s study on the impact of the recent regional financial crisis in the Lao PDR suggest that the rural population, especially in border regions with Thailand, generally fared better than wage earners in urban areas. This was primarily due to the depreciation of the kip and the informal cross border trade with Thailand, in which Lao producers were paid in Thai baht.<sup>1</sup> On balance, however, it is estimated that the incidence of poverty remains significantly the same as last year's assessment, with close to half the population (around 46 percent) living in poverty. In rural areas, the incidence is 53 percent compared to 24 percent in urban

<sup>1</sup> For further details see *"The Social Impact of the Economic Crisis in the Lao PDR"*, May 1999, prepared under RETA 5799: *Social Impact Assessment of the Financial Crisis in Selected DMCS*.

areas (1996 figures). The highest incidence of poverty occurs in the Central Region, although it is also significant in the North and South. Almost all the rural poor are farmers.

11. There is clear evidence of a social services poverty trap, with wide disparities in access to and quality of services between the richest and the poorest. For education, net school enrolments for the richest/poorest are 78 percent/44 percent for the primary schools and 28 percent/4 percent for secondary schools. Only 1 percent of the poorest families make it to post-secondary studies.

12. Only 36 percent of children from the poorest families complete primary school compared with one-half for the richest families. Non or uneven availability of textbooks and shortage of access to better-qualified teachers mirror these differences. Student performance rates are lower in the poorest provinces, alongside higher wastage rates and lower enrolment rates. As a result, children from poorer families have little access to skills training and employment/income-generation opportunities.

13. Patterns for healthcare access and quality are similar. Only 8 percent of the poorest use modern healthcare services, compared to 22 percent amongst the richest. About 90 percent of the poorest use self-medication, due in part to inadequate coverage and quality of services, which undermine clinic utilisation rates. As part of this vicious circle, deficient coverage of safe water and sanitation services (39 percent and 8 percent respectively in rural areas) contributes to high incidence of water-borne diseases. There is an estimated three-fold quality gap in social services provision between the richest and poorest.

## **2. Gender Issues**

14. The quality of life statistics for most Laotian women is discouraging. A total fertility rate of 5.6 births per person combined with a maternal mortality rate of 656 per 100,000 live births is the grim reality. With a high illiteracy rate (52 percent), and an average education level of only two to three years, women's educational attainment and work opportunities are severely skewed, and hampered by heavy economic, social and cultural burdens. In the context of skilled-labor shortages and the emphasis the Government places on human resource development, the Lao PDR must strive to provide the enabling environment to take advantage of this vast pool of untapped human capital.

15. In rural areas, agricultural extension and training programs need to better target women farmers. To diversify crops, increase livestock raising, protect the forests and stabilize cultivation systems, women's strong decision-making and labor roles need to be recognized and strengthened. Small-scale, village-based credit systems must be fostered and women in particular trained in how to operate and obtain benefits from the systems. Young girls need role models to encourage them to stay in school and attain skills, and society at large needs to learn the benefits of educating young women. Parents of young females should also be targeted for information campaigns to heighten their awareness on the value of educating their daughter(s).

16. Since 1986 when the New Economic Mechanism was adopted, social adjustments have not kept up with economic gains associated with the liberalization process. This is seen in weak social service delivery systems, inefficient budget allocations and patchy policy reforms. The result is that the majority of the Lao PDR's

women and girls, especially the ethnic minorities, remain below the poverty line, largely illiterate, overburdened, and malnourished. To address many of the issues facing women, the Lao PDR will have to expand opportunities for economic growth for the rural poor, especially for women, and improve social service delivery targeted at women.

### **3. Human Development**

17. Population growth rates are declining very slowly from 2.5 percent annually in the late eighties to an estimated 2.4 percent in 1997. At current growth rates, the population will rise from 4.9 million to 5.5 million by 2005. Population growth is higher in rural areas due to stubbornly high fertility rates.

18. The demographic outlook, with a 20 percent growth in population by early next century, will result in a growing demand for social services and employment opportunities. The school-age population will grow by 500,000 in ten years, with greatest demand in currently under-served rural areas. Increased pressures on primary health care services are inevitable. The tightening fiscal climate means that hard choices will be necessary to accommodate demand and deliver improved service quality.

19. Geographical features are a barrier to access and cost-efficient service delivery. Population density is low at 19 people/km<sup>2</sup> in comparison to 210 in Vietnam and 53 in Cambodia. Rural road infrastructure is rudimentary. Only one-third of the rural poor have access to complete Grade 1–5 primary school, compared to 85 percent in urban/semi-urban areas. Only 15–20 percent of rural villages have easy access to a lower secondary school. Student-teacher ratios are inefficient at primary (28:1) and secondary (15:1) levels. Schools are small, with a primary school averaging approximately 85 pupils, and lower secondary 200.

20. A similar pattern of poor areas is evident for healthcare provision. Only 23 percent of rural villages have a district hospital within 3 km, compared to 90 percent in urban areas. Low utilization rates are reported (only 15 – 20 percent of hospitals are operational) due to low demand and financial and geographical access barriers. Perceptions of unreliability, low quality and high cost of hospitals contribute to 75 percent of rural people preferring more accessible pharmacies and traditional healers.

21. With regard to child labor, the situation to date has not been serious. Traditional agricultural practices still dominate the economy while cultural practices protecting the exploitation of children still exist in society. However, there is growing concern that trafficking of children to Thailand for purposes of child labor and prostitution could increase, given the trend of increased cross-border contacts and employment opportunities.

### **4. Environment**

22. The Lao PDR's natural resources are of direct relevance to its estimated rural population of 3.9 million, 85 percent of the total population living in 12,000 villages with an average size of 300 inhabitants. Specific environmental issues that need to be addressed in the Lao PDR include the closely inter-related problems of deforestation and soil erosion, poor water resources management, and biodiversity losses. Deforestation is a continuing problem although better control than the beginning of the decade is being witnessed. Environmental issues are related with pervasive poverty (especially in the uplands), insecure land tenure, and a lack of environmental awareness

among the general public. The current high growth rate of the population is also of particular concern.

23. The Lao PDR ranks as one of the biologically richest countries in the region. The Government's policy on biological conservation is based on the establishment of protected areas and on the application of conservation practices in forest management. However, its forest conservation efforts are seriously constrained by the lack of a legal framework, the limited institutional capacity, weak human resource base and limited financial resources. Inadequate institutional capacity at all levels in the Government is a major constraint in controlling environmental degradation through uncontrolled natural resource exploitation. Clear national environmental policies, a strong supporting legal framework, and an effective monitoring and enforcement capability need to be developed.

24. To be effective, natural resources management must be closely coordinated across sectors. However, such coordination has not yet been established in the Lao PDR, because ministries and departments generally operate independently of each other. The logical planning focus for the development and protection of most natural resources is the river basin. The Lao PDR is subdivided into a number of major river basins and many more minor basins, which drain into the Mekong River. It is important that the tight ecological and geophysical interrelationships among resources like water, timber, soils, wildlife, fish, and minerals be recognized through integrated river basin development plans.

### **C. Governance: Sound Development Management**

25. The current economic crisis in the Lao PDR has been exacerbated by inadequate government capacity and commitment to create and sustain legal and regulatory frameworks and institutions required for a market oriented economy. Ineffective public expenditure management has led to high government deficits and galloping inflation impacting on resources available for health, education, and other vital sectors. There is growing recognition in the Lao PDR that governance needs to be improved to effectively implement market-oriented economic policies and appropriately respond to the challenge of alleviating poverty. The major concerns include: inadequate regulatory frameworks; importance of informal networks; highly centralized, top-down decision-making procedures; insufficient institutionalized coordinating channels; unclear roles and responsibilities of each organization; and a weak human resource base. Insufficient transparency and accountability in decision making, together with significantly low salary of Government officials, heighten the potential for corruption.

26. The Government has tried to address some of these issues in the past. Significant reforms included the adoption of a new constitution in 1991, privatization of state-owned enterprises (SOEs), and the restructuring of line ministries and agencies. Land titling has been initiated and the tax and customs system is being reformed. The main areas addressed in public administration reform (PAR) include the strengthening of personnel management, clarification and improvement of the roles of, and relationships between, the central and local administration, and improving the machinery of government. PAR started with a voluntary retrenchment program resulting in a 25 percent reduction of the number of civil servants. It also reduced the number of ministries and equivalent organizations from 23 to 16.

27. A set of decrees addressing the basic rules, which guide civil service management, has been approved. The National School of Administration and Management (NSAM) has been established for the training of civil servants. The Government also created the Department of Public Administration (DPA), which is responsible for central guidelines and policy issues regarding the organization of government at the central and local levels (although personnel policy still remains under the responsibility of the Party Central Organization Committee). The National Audit Office was also established to evaluate public spending, with the assistance of ADB. In addition, PAR was identified as one of the five national strategic priorities at the 6th Party congress in 1996. Recently, the Prime Minister established a high-level Leading Committee for PAR to establish the overall direction of the PAR program, decide about priorities and sequencing of actions, monitor the implementation of PAR process, and ensure adequate linkages to emerging socio-economic changes.

28. The role of nongovernment organizations (NGOs), especially international NGOs, in sound development management activities is becoming more important. NGOs are increasingly involved in many externally funded projects including multilateral development institutions. With the Government's stated objective of devolving greater decentralization to sub-national levels of government, the role of NGOs in support of service provision is expected to increase. However, the relationship between Government and NGOs requires a clearer and more transparent operating framework.

## **D. Implementation Assessment**

### **1. The Portfolio**

29. As of December 1998, ADB has approved 43 loans to the Lao PDR for a total of about \$767.1 million. ADB had also approved 160 TAs (115 advisory and 45 project preparatory) amounting to \$70.6 million.

30. For the year 1998, contract awards totaled \$53.8 million, while disbursements reached \$63.6 million. The disbursement ratio for ADB-financed projects (excluding fast-disbursing program loans) was 24.2 percent in 1998, compared with the Bankwide average of 19.8 percent.

31. Performance of ongoing projects in the Lao PDR is generally rated as satisfactory (Appendix 2 shows information on portfolio performance). However, with ADB moving more towards agriculture and the social sectors which are traditionally more difficult to implement than physical infrastructure projects, some difficulties in performance may be encountered in the future. ADB's Lao Resident Mission (LRM), which will begin its operations from early 2000, is expected to help ease project difficulties and improve the implementation of ADB-financed projects.

### **2. Issues in Project Implementation**

32. The Government has demonstrated in the past its willingness, albeit slowly, to adopt economic and financial policy reforms, increase the emphasis on rural development and social sector investment, and improve implementation performance. It is also recognized that limited capacity of executing agencies is a major constraint. It is necessary to closely examine and evaluate the capacity of line ministries and agencies that are responsible for the planned projects in the program. It will also be necessary to provide appropriate assistance for capacity building prior to loan processing in those

ministries which are deemed to have weak capacity. In addition, project design will need to more closely take into account the level of agencies' implementing capacity.

33. At the same time, the current economic turmoil in the region has significant implications for domestic resource mobilization, counterpart fund availability and the political willingness to continue the reform process. Measures to stabilize the economy and counterpart fund availability have been discussed at length with the Government. To-date there has been no shortfall of counterpart funds for ADB-financed projects. The Government has stated that all externally financed projects are priority for local counterpart financing. To improve project implementation performance, ADB and the World Bank are also discussing ways to help improve the Government's procurement activities.

## II. Country Operational Strategy

34. The last COS was prepared in 1996. The strategy stresses sustainable growth, policy support to promote an enabling environment for private sector activity, and human and institutional development. The main focus for ADB's past interventions in the Lao PDR was on economic growth projects in physical infrastructure. Long years of war, scattered and remote population, and mountainous terrain necessitated the provision of basic infrastructure. While at the present stage of economic development, it is still appropriate to continue to emphasize economic growth projects, there is a pressing need to increase rural productivity, reduce poverty particularly in remote and rural areas, enhance sustainable natural resources management and environmental protection, and develop human capital through initiatives in education and health sectors. The changed circumstances, especially recent economic developments in the Lao PDR, require a revisiting of the COS. It is expected that a new COS will be undertaken in 2000 in parallel with the Government's preparation of its Socio-Economic Plan for 2001-2005. In the new COS, rural infrastructure, rural finance, agriculture development, social sector service provision, and environment are expected to be more prominent. Greater community participation in the selection and design of ADB interventions will be critical. Support for the Government's decentralization policy is likely to be another feature of the new COS.

35. ADB's program, which has been formulated for 2000-2002 in close consultation with the Government, duly takes into account the aforementioned future strategic considerations (see para. 82). Specifically, the strategic concerns for the Lao PDR during the program period include:

- (i) **Supporting Policy Reform:** Over the longer term, projects will need to be evaluated for their impact on policy and institutional reform rather than simply the transfer of resources or the creation of physical assets. The Sector Development Program Loan (SDPL) modality, which emphasizes policy reform and needed institutional capacity building prior to investment interventions will be pursued in the agriculture, financial and other sectors. Initiatives including Social Development Fund and Rural Finance projects will also be developed;
- (ii) **Increasing Rural Development Focus:** With 85 percent of the population living in the rural areas and over 52 percent of the GDP derived from agriculture, a sharper rural focus is proposed in the program.

To ensure sustainable rural development, effective natural resource management and environment protection will be emphasized; and

- (iii) **Attacking Poverty:** Poverty reduction efforts will be increased over the program period to the rural areas where 90 percent of the poor reside. This will be achieved by promoting rural and small town development (stimulating off-farm employment opportunities), rural access roads (enhancing agriculture opportunities and social sector service provision), small scale irrigation projects (stimulating increased productivity and economic growth), and rural finance (increasing access to credit, which have a direct impact on the poor and improve income distribution); supporting investments in social services including primary/preventive health, basic and secondary education (increasing human capital and productivity of the poor); strengthening the Government's monitoring and evaluation capacity of poverty reduction activities; and assisting the Government in developing the institutional capacity to reduce poverty through enhanced decentralization activities.

### III. Sector Strategies

#### A. Agriculture

##### 1. Agriculture and Rural Development

36. Agriculture and forestry account for 52 percent of GDP in 1997. This sector also accounts for about 85 percent of employment and 35 percent of the country's foreign exchange earnings. More direct support for agriculture is needed in order to raise rural incomes.

37. Productivity in the sector is still hampered by a number of institutional and systemic constraints including: (i) weak public sector institutions and human resources, particularly in the country's remote provinces; (ii) generally unsupportive environment for private sector involvement in agricultural development; (iii) poor transport and communications infrastructure which severely hinder economic development and the integration of markets and public services at the national and provincial levels; (iv) trade restrictions on many agricultural products entering neighboring countries; (v) variability of rainfall and flood along the Mekong River; and (vi) lack of diversification in agricultural production targeting major neighboring markets.

38. ADB's recently completed *Agriculture Strategy Study*, identified an undeveloped rural finance and commercial banking system in support of agriculture as one major constraint facing the sector. The reforms supported by most donors so far have not tackled rural finance issues. The main constraints include the lack of an enabling policy environment, poor financial architecture and weak institutions. The Agriculture Promotion Bank (APB) continues to provide subsidized credit below market rates. This undermines sustainable rural finance as well as overall financial market development. Given the institutional structure in the Lao PDR and the present stage of economic development, ADB's strategy will include a focus on the policy environment and attempt to reorient APB's operations towards sustainable banking practices. Without an appropriate financial institution which can effectively reach most rural areas, it is difficult to mobilize significant domestic resources to raise the quality of life for much of the Lao PDR rural population.

39. Two projects are included to address some of the stated constraints in the sector over the next three years. A loan for *Agriculture Rural Finance Development* will be processed in 2001 (PPTA in 2000). The project will build upon the findings and recommendations of the ADTA, *Consultations on Rural Finance Policy Issues* in 1999. The *Agriculture Sector Development Program* will be processed in 2002 (PPTA 2000). The program will seek to strengthen the policy environment, and enhance the Ministry of Agriculture and Forestry's institutional capacity, skill levels, and delivery of services, to be followed by more project oriented work. Crosscutting issues related to rural poverty, gender, mass organization and possible NGO involvement, and environmental protection are specifically to be addressed in ADB operations in the agriculture sector. In addition, ADB operations will address rural infrastructure constraints, particularly access to electricity and roads (see: paras. 49 and 53).

## **2. Forestry and Natural Resources**

40. Over 11 million ha, or 47 percent of the Lao PDR's total land area are covered by forests. It is estimated that on average 148,000 ha or about 1 percent of the total forest area is lost annually, through shifting cultivation activities and inadequately regulated logging practices. It is estimated that approximately 6 percent of the Lao population practices shifting cultivation as a traditional form of agriculture. These activities are predominately in the mountainous regions of the country. The mountainous landscape of the country and the absence of alternative sustainable means of living in upland areas contribute to the persistence of shifting cultivation.

41. The forestry sector plays a key role in promoting rural development. However, it is faced with a number of major constraints including: (i) a weak framework for forestry regulations including enforcement measures; (ii) inconsistent implementation of sustainable forest management activities through local communities; and (iii) ineffective execution of the national plantation strategy.

42. The irrigation and water resources sub-sector also faces a number of constraints including: (i) lack of a national water policy and legal support mechanism; (ii) ineffective coordination amongst stakeholders utilizing water resources; and (iii) lack of available credit for maintenance and rehabilitation for irrigation schemes.

43. ADB will process two projects in the sector over the next three years. The *Decentralized Irrigation Development and Management* loan will be processed in 2000 (PPTA 1999). The project will focus on decentralizing irrigation management to local water user groups and provide necessary investments to rehabilitate existing water schemes. A loan for *Nam Ngum Watershed Development* will be processed in 2002 (PPTA in 2000). This project will address environmental concerns, rural infrastructure, capacity building and sedentary farming practices for upland farmers in the Nam Ngum river basin. The project could also be merged with potential hydropower projects in the basin, thereby providing a more holistic development of the watershed.

## **B. Infrastructure**

### **1. Energy**

44. The Lao PDR is estimated to have close to 20,000 MW of hydroelectric power generation potential. To date only 413 MW has been developed. Export of electricity to

Thailand and the subregion represents a major source of foreign exchange. Sustainable development of the energy sector is at the core of Government's long-term development strategy. Domestically, with an annual per capita commercial energy consumption in 1993 of less than 50 kilograms of oil equivalent, a per capita electricity consumption of 103 kilowatt-hours in 1997 and an electrification ratio of only 16 percent, the Lao PDR ranks near the bottom of countries in the region in energy consumption. With only one out of every six households having access to electricity, economic growth, rural development, and improvement in the quality of life remain a significant challenge.

45. Key concerns of ADB in this sector include: (i) the current uncertainty of energy demand by Thailand for Lao generated hydropower production; (ii) increasing domestic tariffs in line with the economic cost of production to improve the financial situation of Electricite du Laos; (iii) improving the sector's capacity to meet demands for rural electrification and those posed by subregional cooperation; (iv) continued support for private sector participation in the sector; (v) solicitation and review of foreign investment proposals in a transparent manner; and (vi) mitigating the negative social and environmental impacts of hydropower projects.

46. ADB will support mechanisms to increase the Government's monitoring and enforcement capabilities in respect of logging activities in and around hydropower developments. Ensuring that development of these projects will not lead to the degradation of the surrounding natural resource base and the unnecessary displacement of the local population is critical to continued ADB involvement in the sector. To assist the Government in this regard, ADB will help develop an integrated approach to hydropower and environment protection. ADB is considering Nam Ngum river basin development as a pilot approach for this purpose (see: para. 45).

47. ADB will also help increase access to electricity, which is a key element in poverty reduction, particularly in the rural areas. To this end, the *Northern Area Rural Power Distribution Project* is included in the 2001 program (PPTA in 1998). A *Power Sector Strategy Study* is planned for 1999/2000 and will provide the basis for ADB's interventions in the power sector in the Lao PDR over the next 5-10 years.

## 2. Transport

48. As a result of market reforms and economic liberalization since 1986, traffic demand is accelerating, albeit from a low base, by 8-10 per cent per annum. Despite increasing externally financed investments, the paved portion of the entire road network is only 14 percent. As the paving of the country's key national network will approach completion by 2005, there is a need for better balance between construction of the major network and maintenance of existing road assets. The development of local road contractors' capability also needs to be addressed.

49. In spite of the relatively satisfactory performance of this sector, key concerns related to the sector include the need for: (i) increased maintenance funding and planning and management of road maintenance; (ii) enhanced road sector revenues, and collection efficiency; (iii) privatization of the road construction and maintenance industry and of transport operations; (iv) adequate financial control and monitoring of ongoing projects in the Ministry of Communications, Transport, Post and Construction; and (v) mitigation of the negative social and environmental impacts of road projects, particularly in rural areas.

50. ADB's future focus in the transport sector will, therefore, be two fold: (i) developing strategic corridors with subregional linkages; and (ii) focusing on the provision of rural roads to assist poverty reduction efforts. However, such rural road network development should be accompanied by adequate funding, staffing, and system for sustainable operation and maintenance, including enhancing community participation in the construction and maintenance of rural roads.

51. Within the planned program is the *Rural Access Roads Project* in 2000 (PPTA in 1998). The sector loan will be linked with the specific area development priorities of the Government and support agriculture development efforts, as the latter cannot succeed without market access for agricultural products. A follow-up PPTA in 2001 *Rural Access Roads II* is also planned. The ADTA *Road Infrastructure for Rural Development (1998)* is providing the sector-wide framework for future rural roads investments. ADB's 1999 program in the transport sector also includes the financing of the flagship *GMS: East-West Transport Corridor Project* (see para. 76).

### 3. Banking and Finance

52. The finance sector is underdeveloped in the Lao PDR. There is a need to consolidate efforts in the banking sector and strengthen the rural credit and savings systems to facilitate domestic resource mobilization in support of the private sector. A number of constraints exist in the sector including: (i) weak banking regulation and supervision; (ii) poor management of state-owned commercial banks (SCBs) resulting in insolvency; (iii) restricted role of private banks and branches of foreign banks with limited operations, and resources; and (iv) low level of banking skills and lack of management expertise at all levels including managing directors and members of the board.

53. ADB's strategy in the financial sector of the Lao PDR is to mobilize domestic resources for productive investments that will promote sustainable private sector-led economic growth. The financial institutions will also need to achieve efficient financial intermediation. This will require a number of elements. BoL must strengthen monetary management using market instruments and enhance its capacity to enforce prudential regulations. SCBs will need to develop sound banking systems and practices and enhance bank management and technical skills. It will be critical that the SCBs restructure their organization, capital structure and operations, and build a strong foundation for sustainable commercial operations. Over the medium term, the SCBs should explore the eventual divestment of Government ownership and control and increased private sector participation in the banking sector.

54. ADB will process the *Financial Market Sector Development* in 2002 (PPTA in 2001). The project will continue ADB's involvement in the banking and financial sector through institutional capacity building of BoL and SCBs for sound banking practices. It is expected to strengthen the financial market infrastructure and institutions needed for the development of the financial sector, including the interbank markets, money market mechanisms and channels for rural finance. An ADTA, *Restructuring Commercial Bank Operations* in 2000 will assist reorienting banks will promote adherence of banks to the planned prudential regulations and good corporate governance activities.

## C. Social Infrastructure and Environment

### 1. Health

55. Key health indicators in the Lao PDR remain disappointing. Infant mortality rates are high at around 102 per 1000, maternal mortality rates are 656 per 100,000 and under-five child mortality rates are 182 per 100,000. Child malnutrition rates remain high at 40 percent, which is amongst the highest in the world. Disease patterns are characterized by high malaria prevalence (1 case per 30 people each year), diarrhea and respiratory infections. Immunization rates, though improving, are still low especially in the remoter rural areas.

56. Unlike education, which has a broad network of 8,000 village primary schools, public health facilities are much more centralized. The health sector is faced with a number of constraints. The central Government has little experience of planning and managing provincial, district and village healthcare systems, including innovative measures to optimize utilization of existing facilities. Drugs and medical supplies systems, including management and distribution system are in need of urgent strengthening. The critical issue is to strengthen planning and management capacity at lower levels of the system to ensure that development strategies take account of local realities and that district/village authorities can implement health care programs. Preventive health care and family planning must be of the highest priority in the Lao PDR. This can be achieved in partnership with other donors, targeted on disadvantaged regions and minority groups. ADB assistance in this area is expected to continue and be expanded.

57. ADB will build on its interventions in the health sector over the program period with the *Primary Health Care Expansion Project* in 2000 (PPTA in 1998). The focus will be on expanding access to quality primary and preventive health care provision including issues surrounding women's health. An ADTA, *Capacity Building for Health Management at the Provincial and District Level* in 2000 will focus on strengthening capacity of health services provision in selected provinces and districts. A PPTA in 2001, *Health Sector Efficiency and Management* will target the need for increased efficiency in the management and provision of health services.

### 2. Education

58. Recent years have seen significant enrolment growth in primary and secondary schools. Current enrolments are 820,000 and 153,000 for primary and secondary levels respectively. Upper secondary enrolment is around 58,000. The gross enrolment rate for primary education is around 116 percent while the net enrolment is about 76 percent (only 72 percent for girls). The net enrolment for lower secondary is only 15 – 20 percent, which is low by regional standards. The net enrolment rates for primary and secondary education are lowest in rural areas due to barriers to access and cost constraints. Females are under-represented at every level of education, especially in rural areas.

59. There is a serious gap in the quality of education between urban and rural areas. In rural primary schools, only 60 percent of students have books. Only 60 percent of teachers are trained, mainly concentrated in urban and peri-urban areas. Posting and retaining better-qualified staff in rural areas is problematic. To compound matters,

instructional hours are at best only 20 – 24 hours per week, between half and two-thirds of international norms. As a result, primary completion rates are only around 60 – 65 percent and estimated at 55 percent in rural areas.

60. A key policy objective of the Government and ADB is to improve the efficiency of resource utilization in education. Over-age children number around 250,000 (nearly two-fifths of enrolment in primary schools), creating a demand for additional staff and facilities. Staff utilization rates are inefficient due to patchy deployment policies and small school size. Repetition rates in primary schools are high (25 percent), alongside significant dropout (estimated at 12 percent per annum). Administrators represent 15 – 20 percent of the education service staff.

61. ADB will process the *Second Education Quality Improvement Project* in 2001 (PPTA in 1999). ADB, other multilateral and bilateral donors are focusing considerable resources on basic education including lower secondary education. Building on these efforts in basic education, the project aims at providing important continuity in the education system. The *Social Development Fund*, a stand-by project in 2002 (PPTA in 2001), will target the remote and under-served areas by providing demand-driven social investments including education and health. An ADTA, *Strengthening Decentralized Education Management* in 2001 will assist the Government in its decentralization efforts in education services provision. A PPTA in 2002, *Education Sector Development* will focus on Government's education policy and structural reforms including institutional strengthening to enhance effectiveness and efficiency in the sector.

### 3. Urban Development

62. ADB is the lead donor in urban development and water supply and sanitation sectors. Despite the progress so far made in the water supply and sanitation sector, there are still some key strategic constraints that need to be addressed: (i) decentralizing water authority to the provinces with clear regulatory authority; (ii) strengthening provincial water authorities and establishing operational frameworks; (iii) expanding the absorptive capacity of the local municipal authorities; and (iv) increasing tariffs to assist in financial sustainability.

63. In the small towns sub-sector there are a number of overarching concerns. The sub-sector still requires strengthening of the legislative, institutional, operational and enabling policy environment. This is critical if urban development administration authorities (UDAAs) are to evolve into fully functional local governments or municipalities. A coherent policy and regulatory framework at the central level is essential if they are to operate as planned. Training of central government staff in managing decentralized structures is also needed.

64. ADB will continue to help Vientiane through a follow-up project, *Vientiane Urban Development II* project in 2001 (PPTA in 2000) with possible cofinancing with the French Government. However, ADB's assistance in urban development in the future will focus on provincial towns improvement and rural water supply and sanitation. ADB will process a *Rural Water Supply and Sanitation* project in 2002 (PPTA in 2000). The project is expected to expand coverage under the sector-wide approach developed in the *Water Supply and Sanitation* project in 1999. Recognizing the need to continue to increase the institutional capacity of local authorities, a follow-up ADTA, *Capacity Building for Selected Local Municipal Authorities II* is programmed in 2001.

#### 4. Environment

65. Given the importance of natural resources to the country's economy, there are a number of priority areas that require urgent action. They include: (i) strengthening of environmental impact assessment process and national environment action plan; (ii) introduction of improved agricultural systems in the uplands and lowlands; (iii) establishing and strengthening watershed management in areas with existing and planned hydropower developments; (iv) strengthening of the management of protected areas; (v) reforming institutional arrangements to effectively address environmental concerns; and (vi) capacity building at the central and local levels. There is also a critical need to establish institutional mechanisms to increase the Government's monitoring and enforcement capabilities as regards logging activities related to hydropower development.

66. ADB's operational thrust in the environment sector over the medium term will focus on: (i) capacity building for environmental planning and management, with a particular emphasis on hydropower development; (ii) supporting activities in improving agricultural systems in upland and lowlands; and (iii) building management capacity for sustainable river basin development. ADB will process the *Nam Ngum Watershed Development* project in 2002 (PPTA in 2000) with a focus on environmental and sustainable river basin development. An on-going ADTA for *Strengthening Social and Environmental Management* (1998) is targeting key central agencies in building capacity for policy and technical planning with a focus on hydropower development.

67. ADB is also exploring potential feasibility for mini-hydro schemes which are environmentally friendly, and may qualify for the use of the Global Environment Facility (GEF). ADB is also finalizing an *Environmental Strategy* which will provide ADB, Government and other donor agencies with a prioritized environmental action plan over the medium-term.

#### D. Governance Dimensions of ADB Operations

68. The persistent human resource limitation in the Lao PDR has evolved into an institutional capacity constraint that threaten to impede sustainable economic and social development. The structures and procedures of legislation, regulation, policy and project implementation and resource management face severe capacity constraints. ADB has been undertaking a number of initiatives to promote effective governance and capacity building in the Lao PDR. Major recent ADB efforts include: Strengthening Economic and Financial Management (1993); Institutional Strengthening of the Procurement Monitoring Office (1995 and 1997, in two phases); Establishing Municipal Administration Systems (1995); Establishing an Aid Coordination and Monitoring System (1995); and Establishing National Audit Office (1998). In addition, ADB has been supporting policy reform and institutional development at the macro and sector levels through specific components of project and program loans, economic and sector work, and policy dialogue.

69. ADB will continue to take a series of initiatives for capacity building and governance based on a long term strategy. They include: (i) improving transparency and accountability of Governmental functions (*Institutional Strengthening of the National Audit Office* (2000), and *Establishing Internal Audit Functions in Government* (2002)); (ii) enhancing efficiency in the utilization of external assistance (*Strengthening Aid Coordination and Monitoring System II* (1999)); (iii) supporting the Government's

decentralization policy (*Capacity Building for Selected Local Municipal Authorities II* (2001)); and (iv) strengthening institutional capacity in sectors in which ADB is involved (i.e., education, and health). Furthermore, ADB is finalizing a *Governance Issues Paper*. The paper will highlight the strengths of the present system and major constraints, and formulate a roadmap for building on the existing strengths, and reducing the impediments to effective good governance. The paper will form the basis of ADB's future operational support in this area.

#### **E. Gender Dimensions of ADB Operations**

70. ADB's strategy places particular emphasis on gender issues. In a situation of labor-scarcity such as that of the Lao PDR, efficient and effective development and utilization of the untapped labor pool is essential for economic development. Women, especially those who live in remote and minority areas, are the most disadvantaged, illiterate and over-burdened in society. Relief from household poverty and food insecurities would represent a vital step. Women are traditionally primary microeconomic production managers, small enterprise traders, primary cash earners, small-credit users, and key agriculturists. They also play a key role in the development of the extremely weak social infrastructure, particularly in education and health.

71. To achieve these potential benefits a number of interventions over the program period are planned. They include: *Primary Health Care Expansion Project* in 2000, which will have an increased focus on women's health; *Second Education Quality Improvement Project* in 2001, which will include components to target girls and young women; *Agriculture Rural Finance Development Loan* in 2001, which will focus on women in the provision of micro finance; and *Social Development Fund* in 2002 (stand-by), which will have a demand-based, pro-poor approach.

72. A number of gender-oriented TA activities are also planned during the program period. These include: Strengthening *the Lao Women's Union at the Provincial and District Levels* (ADTA in 2000); *Capacity Building for Selected Local Municipalities Authorities II* (ADTA in 2001); *Capacity Building for Health Management at the Provincial and District Level* (ADTA in 2000); *Strengthening Decentralized Education Management* (ADTA in 2001); and *Poverty Assessment Study* (ADTA in 2002).

#### **F. Private Sector Operations**

73. In the absence of a strong domestic investment base, foreign direct investment can play a major role in the development of the Lao PDR. Private investors have shown interest in a number of sectors including: hydropower, agriculture, transport, finance, light manufacturing and service industries. Regional cooperation projects in infrastructure identified under the Program of Economic Cooperation in the Greater Mekong Subregion (the GMS Program) are also attracting interest from the private sector. However, at the moment investors are cautious about making investments due to the current macro-economic instability and less than satisfactory enabling environment for the private sector in the Lao PDR. In addition to commercial risks, foreign investors are also concerned about sovereign and legal risks in the Lao PDR. Investors indicated, among other constraints, the uncertainty and lengthy process in obtaining necessary approvals and licenses. Streamlining and strengthening the procedures for foreign investment approvals, and for promotional activities are being contemplated by the Foreign Investment Management Committee. This would enhance the climate for foreign investment and increase investors' confidence. However,

bureaucratic delays and structural impediments are stalling the process. Several initiatives under the GMS Program are addressing issues related to private sector development (Subregional Working Groups on tourism, trade facilitation, and investment; proposed regional technical assistance [RETA] for pre-investment study on the East-West Economic Corridor).

#### **IV. Regional Cooperation**

74. The GMS Program is of strategic importance to the Lao PDR. The Government has demonstrated continued commitment towards the program, particularly in the transport and energy sectors. ADB assistance has played a catalytic role in the development of hydropower exports to Thailand. Further assistance in this sector will be facilitated when energy demand strengthens in Thailand. In the transport sector, the *GMS: East-West Corridor Project* (1999) is considered a high priority project. The Government of Japan is a major partner in the project, with OECF and JICA expected to co-finance significant project components. ADB is actively investigating possibilities in enhancing development along this corridor (e.g., rural development, light industry and manufacturing) in order to stimulate greater economic growth, cross-border trade and tourism. ADB is also facilitating the removal of non-physical barriers to transnational movement of goods and people, with particular emphasis on cross-border trade and tourism. Cooperation is also in progress in other sectors covered under the GMS Program such as human resource development and the environment. Ongoing GMS RETA projects such as *Poverty Reduction and Environmental Improvement in Remote GMS Watersheds* (1997), and *Strengthening the Capacity for Addressing the Health and Education Needs of Ethnic Minorities in the GMS* (1997) may lead to loan projects in the Lao PDR in the future. A GMS RETA for the *Mekong River Tourism Infrastructure Project* (1999) is expected to result in a loan project in the Lao PDR in 2002 (stand-by).

#### **V. Donor Activities and Aid Coordination**

75. External assistance is one of the main sources of financing for the Government (see Appendix 3). Since the Lao PDR is considered a least developed country, grant assistance dominates external assistance. Almost 60 percent of all assistance is grant aid. The major challenge facing the Lao PDR is to enhance efficiency in utilization of external assistance. The biannual Round Table Meetings (RTM) between the Government and aid agencies has been held for the purpose of coordinating external assistance. The seventh RTM is expected to be held in Vientiane in mid 2000. ADB will help assist the Government prepare a Public Investment Program for 2001-2005, which will be presented during the next RTM.

76. ADB has been the lead multilateral donor in the Lao PDR in a number of sectors including energy, transport, water supply and sanitation and finance. ADB has closely coordinated its program with that of other major donors, particularly with the World Bank, to minimize duplication and avoid waste of scarce sources. UNDP and other United Nations agencies have been an important multilateral grant provider to Lao PDR since mid-1980s. Among bilateral sources of assistance, Japan is the largest grant aid donor country, with transport and development administration as principal target areas. Other important bilateral sources are Australia, France, Germany, Sweden, Switzerland, Thailand, and the USA. In addition, international NGOs are playing an increasingly important role in rural development and drug reduction programs. ADB is also closely coordinating with the IMF in carrying out policy dialogue on macroeconomic management.

ADB's LRM which will be established in early 2000 will facilitate donor coordination and effective policy dialogue with the Government of the Lao PDR.

77. The Office for International Cooperation (OIC) under the Prime Minister's Office is responsible for coordinating external aid. There is a need for the Government to be more proactive in coordinating external aid to the Lao PDR. To enhance capacity of OIC, ADB will provide follow-up assistance for *Strengthening Aid Coordination and Monitoring System II* (1999). ADB will continue to support the Government in upgrading the capability of OIC so that it can carry out efficient coordination among sector agencies and donors.

## **VI. Cofinancing and Catalyzing External Resources**

78. Given ADF constraints and the need to increase resource mobilization, cofinancing has become an important component in ADB operations. In the past, ADB succeeded in mobilizing significant amount of cofinancing for energy sector projects. With the planned shift in operational focus, the size of individual cofinancing is expected to be smaller. Hence, the need for more systematic efforts for mobilizing cofinancing. A number of potential co-financiers are being identified and approached for projects programmed in 2000-2002. These are: rural finance (AusAid), irrigation (CfD, JICA), rural electrification (CfD), rural road (Sweden), social development fund (AusAid), primary health care (AusAid, Sweden, UNICEF), rural water supply and sanitation (CfD, JICA, Sweden, UNICEF), Vientiane urban development (CfD), and education (UNICEF). The possibility of cofinancing with yen loan facilities from Japan will also be actively pursued. ADB will endeavor to mobilize about \$5-10 million a year in joint and parallel cofinancing over the program period. A leveraging ratio of 10-15 percent is expected to be achieved. A *Cofinancing Strategy Study* will be prepared in 2000 to identify and develop potential cofinancing activities over the medium term including commercial cofinancing in the strategic sectors in which ADB is involved.

## **VII. ADB's Operational Program**

79. The lending program for the Lao PDR during 2000-2002 comprises of 11 projects amounting to approximately \$205 million or an average \$68 million annually. The proposed program will depend on country performance including the Government's ability to restore macroeconomic stability, demonstrated commitment to implement policy and institutional reforms, absorptive capacity and effectiveness in using ADB's resources and continued improvements in the governance dimensions of ADB operations. The TA Program, which has an indicative planning figure of \$5.5 million annually, focuses on good governance, capacity building and policy support. The TA pipeline for 2002 will be further developed and refined in close consultation with the Government. The proposed program for lending and TA is set out in Appendix 4.

80. A comparison of past operations (1993-1998) versus the planned program of ADB reveals interesting findings. The 2000-2002 program will significantly increase its focus on agriculture and rural development activities where 85 percent of the population resides. Projects in health, and water supply and sanitation sectors (with an increased rural focus) also gain increased prominence. The transport sector remains approximately the same. However, rural access roads will be the focus for ADB operations in the transport sector with continued support for the strengthening of subregional links. The energy sector is significantly downsized in scope and will focus primarily on rural power distribution, unless strengthening of electricity demand in Thailand calls for ADB assistance in facilitating regional power projects. Overall, targeting poverty reduction

through economic growth projects and poverty reduction interventions in rural areas will be at the core of the program. The proposed project mix during the program period is set out in Appendix 5.

**Table 1: Lending and Technical Assistance Program, 1998-2002**

A. Public Sector Lending Program										
	1998 (Actual)		1999		2000		2001		2002	
	(Nb.)	(\$ million)	(Nb.)	(\$ million)	(Nb.)	(\$ million)	(Nb.)	(\$ million)	(Nb.)	(\$ million)
Lending Program <sup>a</sup>	1	20	3	55.6	3	50	4	75	4	80
ADF	1	20	3	55.6	3	50	4	75	4	80
CCR	-	-	-	-	-	-	-	-	-	-
Lending Pipeline <sup>b</sup>			3	55.6	3	50	4	75	6	105
ADF			3	55.6	3	50	4	75	6	105
CCR			-	-	-	-	-	-	-	-

B. Technical Assistance Program										
	1998 (Actual)		1999		2000		2001		2002	
	(Nb.)	(\$'000)	(Nb.)	(\$'000)	(Nb.)	(\$'000)	(Nb.)	(\$'000)	(Nb.)	(\$'000)
TA Program <sup>a</sup>	9	4,770	11	5,670	9	5,800	7	4,900	3	2,100
TA Pipeline <sup>b</sup>			11	5,670	9	5,800	7	4,900	3	2,100

<sup>a</sup> The Programs is comprised of the firm projects.

<sup>b</sup> The Pipeline consists of the Program (firm projects) and standby projects.

## VIII. Economic and Sector Work

81. A new COS for the Lao PDR is planned for year 2000 (see: para 36). A number of Economic and Sector Work initiatives, which will feed into the preparation of a new COS, are currently being completed or planned in 1999/2000. They include: *Agriculture Sector Strategy Study*, *Education Development Plan*, *Primary Health Care Strategy*, *Rural Infrastructure Strategy*, *Power Sector Strategy Study*, *Banking and Financial Sector Market Development*, *Governance Strategy*, *Environment Strategy*, and *Cofinancing Strategy*. The studies will take a comprehensive reassessment of the constraints and lessons learned from ADB's past operations in the various sectors. They will also identify ADB's subsector strategy and priorities, policy reforms, institutional development, financial sustainability and potential investment agenda for a series of projects over the medium term. In addition, the *Development Impact Study* will be an initial attempt to assess the overall effectiveness of ADB involvement in the Lao PDR. A major study on poverty assessment is also to be initiated during the program period. A participatory process comprising the Government, donor agencies, NGOs and civil society will be pursued in preparation of the COS.

## IX. Local Cost Financing

82. Under ADB's existing local cost financing policy, the Lao PDR is eligible for the maximum local cost financing permissible (i.e., 80 percent of total project costs). The actual percentage financed by ADB has varied over sectors and has declined over the years mainly due to efforts for mobilizing co-financing. The Government's contribution has remained on average at about 20 percent. While the Government is trying to increase revenue generation, the scope is limited in the near future because of the low domestic

savings potential and the small tax base. The Government thus remains substantially dependent on external assistance to finance its development budget. ADB also recognizes the financial constraints facing the country given the current economic crisis. ADB would, therefore, continue to consider local cost financing of projects while encouraging the Government to progressively increase its share of such costs.

**LAO PDR**  
**COUNTRY PERFORMANCE INDICATORS**

Item	1995	1996	1997 <sup>a</sup>	1998 <sup>a</sup>	1999 <sup>b</sup>
<b>ECONOMIC INDICATORS</b>					
<b>A. Income and Growth</b>					
<b>I. Income and Growth</b>					
1. GDP per Capita (current prices, \$)	377	395	362	261	283
2. GDP Growth (constant 1990 prices, %)	7.0	6.9	6.9	4.0	4.0
Agriculture	3.1	2.8	7.0	3.7	NA
Industry	13.1	17.3	8.1	8.5	NA
Services	10.2	8.5	7.5	4.8	NA
<b>II. Saving and Investment (current prices, % of GDP)</b>					
1. Gross Saving	11.5	12.4	10.1	16.1	13.3
2. Gross Domestic Investment	24.5	29.0	26.2	26.1	23.5
<b>III. Money and Inflation (annual % change)</b>					
1. Consumer Price Index	19.4	13.0	19.3	90.1	130.2699
2. Total Liquidity (M2)	16.4	26.7	65.8	113.3	133
<b>IV. Government Finance (% of GDP) <sup>c</sup></b>					
1. Revenue	12.2	13.0	10.9	9.8	11.34475
2. Expenditure	21.9	22.1	19.8	23.7	20.60235
3. Overall Fiscal Deficit <sup>d</sup>	-9.7	-9.1	-8.8	-13.9	-9.2576
<b>V. Balance of Payments</b>					
1. Merchandise Trade Balance (% of GDP)	-15.4	-20.0	-18.9	-16.4	-12.9636
2. Current Account Balance (% of GDP) <sup>e</sup>	-13.0	-16.6	-16.1	-10.0	-10.2365
3. Merchandise Exports (growth, %)	4.1	2.5	-1.2	7.6	3
4. Merchandise Imports (growth, %)	4.4	17.1	-6.0	-14.6	-2.89331
<b>VI. External Payments Indicators</b>					
1. Gross Official Reserves (\$ million)	92.5	166.7	135.5	114.0	125
(months of imports of goods)	1.9	2.9	2.5	2.5	2.793296
2. External Debt Service (% of exports of goods and services)	5.7	5.9	9.0	11.1	11.56475
Total External Debt (\$ million)	2,056.8	2,177.6	2,322.1	2,442.2	
Total External Debt (% of GDP)	116.9	118.2	119.2	120.2	
Debt in Convertible Currencies(\$ million)	675.1	802.8	955.3	1,066.7	
3. Total Debt Stock (% of GDP)	114.8	117.9	132.9	189.0	173.7185
<b>Memorandum Items:</b>					
GDP (current prices, KN billion)	1,419.1	1,725.7	2,200.7	4,260.2	10202.35
Exchange Rate (KN per \$, average)	818.6	926.2	1,259.6	3,296.2	7119.533
Population (million)	4.60	4.71	4.83	4.95	5.07

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Staff estimates based on partial data and/or projections

<sup>c</sup> From 1993 and onwards, figures are on a fiscal year basis where fiscal year ends September 30.

<sup>d</sup> On cash basis, excluding grants.

<sup>e</sup> Excluding official transfers.

Sources: National Statistical Centre, State Planning Committee; National Budget Department, Ministry of Finance; Bank of Lao PDR; International Monetary Fund; staff estimates.

**LAO PDR**  
**COUNTRY PERFORMANCE INDICATORS**

	1985	1990	Latest Year
<b>POPULATION INDICATORS</b>			
Total Population (millions)	3.62	4.14	4.95 (1998)
Annual Population Growth Rate (% change)	2.49	2.5	2.4 (1997)
<b>SOCIAL INDICATORS</b>			
Total Fertility Rate (births per woman)	6.7 (1980-1985)	N/A	5.6 (1995)
Maternal Mortality Rate (per hundred thousand live births)	N/A	750 (1988)	656 (1993)
Infant Mortality Rate (below 1 year; per '000 live births)	118	N/A	102 (1996)
Life Expectancy at Birth (years)	45	49.7	53 (1996)
Female	46	51.3	54 (1996)
Adult Literacy (%)	44	N/A	60 (1995)
Primary School Enrollment (% of school age population) <sup>a</sup>	104.8 (1985/86)	104.8 (1990/91)	116.0 (1996/97)
Female	N/A	93.3	106.3
Lower Secondary School Enrollment (% of school age population) <sup>a</sup>	27.3 (1985/86)	31.8 (1990/91)	36.4 (1996/97)
Female	22.9	25.7	30.2
Child Malnutrition (% of under age 5)	35 (1984)	N/A	40 (1990/96)
Population Below Poverty Line (%)	N/A	N/A	46.1 (1992/93)
Income Ratio of Highest 20% to Lowest 20%	N/A	N/A	N/A
Population with Access to Safe Water (%)	21 (1985-1988)	37 (1988-1991)	52 (1990-1996)
Population with Access to Sanitation (%) <sup>b</sup>	10 (1985-1988)	24 (1988-1991)	28 (1990-1996)
Public Education Expenditure as % of GNP	1.3 (1987/88)	1.9 (1990/91)	2.9 (1996/97)
Public Health Expenditure as % of GDP	N/A	0.7 (1991)	1.7 (1996/97)
Human Development Index	N/A	0.246	0.465 (1998)
Human Development Ranking <sup>c</sup>	N/A	141	136 (1998)
<b>ENVIRONMENTAL INDICATORS</b>			
	<b>1980</b>	<b>1995</b>	
Energy Efficiency of Emissions			
GDP per unit of energy use (1987 \$ per kg oil equivalent)	N/A	9.6	
Traditional fuel use (% of total energy use)	89.6	85.1	
Carbon dioxide emissions (total metric tons)	0.2	0.3	
(per capita metric tons)	0.1	0.1	
Water Pollution			
Emissions of organic water pollutants (kg/day)	N/A	N/A	
Industry share of emissions of organic water pollutants	N/A	N/A	
Wood	N/A	N/A	
Primary Metals	N/A	N/A	
Pulp and Paper	N/A	N/A	
Chemical	N/A	N/A	
Food and Beverage	N/A	N/A	
Textiles	N/A	N/A	
Land Use			
Cropland (% of land area)	3.0	4.0	
Permanent Pasture (% of land area)	3.0	3.0	
Forest area (thousand sq. km.)	N/A	N/A	
Annual deforestation (Thousand sq. km.)	N/A	N/A	
Annual deforestation (Average % change)	N/A	N/A	
Nationally protected area (% of total land area)	N/A	10.6 (1994)	
Threatened species			
Mammals	N/A	25.0 (1994)	
Birds	N/A	23.0 (1994)	
Higher Plants	N/A	5.0 (1994)	
Freshwater			
Access to safe water (Urban % of population)	N/A	40.0	
Access to safe water (Rural % of population)	N/A	39.0	
Urbanization			
Access to sanitation in urban areas (% of urban population)	N/A	30.0	

a Gross enrollment ratio is defined as the number enrolled in a level of education, whether or not they belong in the relevant age group for that level, expressed as a percentage of the population in the age group 6-10 years for primary school, 11-14 years for lower secondary school, and 14-16 years for upper secondary school.

b Percentage of population with reasonable access to sanitary means of excreta and waste disposal, including outdoor latrines and composting.

c For 1990 and 1995, a total of 173 and 174 countries, respectively, were ranked from high to low human development, using the Human Development Index as basis.

Sources: National Statistical Centre; Ministry of Public Health; Ministry of Education; Ministry of Agriculture and Fishery; Social Development Assessment and Strategy, the World Bank, 1995; World Development Report, the World Bank, various issues; Human Development Report, UNDP, various issues; FAO Production Yearbooks, various issues; and staff estimates.

**LAO PDR**  
**PORTFOLIO PERFORMANCE**  
**Table 1: Implementation, Disbursement Performance and Postevaluation Results**  
**Public Sector Projects only**  
(As of 31 December 1998)

A. Project Portfolio	Net Loan Amount (\$ million) <sup>a</sup> (%)		Rating (No.) <sup>a</sup>									
			Total		Implementation Progress				Development Objectives			
			(No.)	%	HS	S	PS	U	HS	S	PS	U
<b>1. Public Sector Projects</b>												
Agriculture/Natural Resources	25.7	6.8	2	12.5	0	2	0	0	0	2	0	0
Energy	80.7	21.3	2	12.5	0	2	0	0	0	2	0	0
Finance	24.4	6.5	1	6.3	0	1	0	0	0	1	0	0
Transport and Communications	131.4	34.7	4	25.0	0	4	0	0	0	4	0	0
Social Infrastructure	116.0	30.7	7	43.8	2	4	0	1	2	5	0	0
<b>Total</b>	<b>378.2</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>2</b>	<b>13</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>14</b>	<b>0</b>	<b>0</b>
<b>B. Disbursements</b>	<b>OCR</b>				<b>ADF</b>				<b>Total</b>			
1. Total funds available for withdrawal (\$ million, active loans only)					378.2				378.2			
2. Disbursed amount (\$ million, cumulative, active loans only)					141.8				141.8			
3. Percentage disbursed [(2)/(1)] (%)					37.5				37.0			
4. Disbursements (\$ million, active loans only, latest year)					63.6				63.6			
5. Disbursement ratio (%) <sup>b</sup>					24.2				24.2			
<b>C. Net Transfer of Resources<sup>c</sup></b>	<b>OCR (\$ million)</b>				<b>ADF (\$ million)</b>				<b>Total (\$ million)</b>			
Net Transfer in 1995					53.3				53.3			
Net Transfer in 1996					80.5				80.5			
Net Transfer in 1997					81.7				81.7			
Net Transfer in 1998					59.2				59.2			
<b>D. Postevaluated Projects</b>			<b>1968-1977</b>		<b>1978-1987</b>		<b>1988-1998</b>		<b>1968-1998</b>			
<b>1. Postevaluation Rating (As of 31 December 1998)</b>			(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)		
Rated Generally Successful			1	50.0	3	42.9	0	0.0	4	44.4		
Rated Partly Successful			1	50.0	3	42.9	0	0.0	4	44.4		
Rated Unsuccessful			0	0.0	1	14.3	0	0.0	1	11.1		
<b>Total</b>			<b>2</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>9</b>	<b>100.0</b>		
<b>2. Postevaluation Rating by Sector</b>			<b>GS</b>		<b>PS</b>		<b>US</b>		<b>Total</b>			
1968-1998 (As of 31 December 1998)			(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)		
Agriculture/Natural Resources			0	0.0	1	25.0	1	0.0	2	22.2		
Energy			2	50.0	2	50.0	0	0.0	4	44.4		
Finance and Industry			0	0.0	0	0.0	0	0.0	0	0.0		
Transport and Communications			2	50.0	0	0.0	0	0.0	2	22.2		
Social Infrastructure			0	0.0	1	25.0	0	0.0	1	11.1		
<b>Total</b>			<b>4</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>	<b>1</b>	<b>0.0</b>	<b>9</b>	<b>100.0</b>		

<sup>a</sup> HS: Highly satisfactory; S = Satisfactory; PS = Partially satisfactory; U = Unsatisfactory.

<sup>b</sup> Ratio of disbursement during the year over the undisbursed net loan balance less cancellations at the beginning of the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

<sup>c</sup> Includes private sector projects for countries with private sector operations.

**LAO PDR  
PORTFOLIO PERFORMANCE**

**Table 2: Status of Project Implementation  
Public Sector Projects Only  
(As of 31 December 1998)**

Sector <sup>a</sup>	Project Title	Net Loan Amount		Approval Date (mm/yy)	Effectivity Date (mm/yy)	Closing Date		Physical Progress (% complete)	Cum Contract Awards (\$ million)	Cummulative Disbursement (\$ million)	Project Rating <sup>*</sup>	
		OCR (\$ million)	ADF			Original (mm/yy)	Revised (mm/yy)				Implementation Progress	Dev Objectives
AGR	Community Managed Irrigation Sector		14.313	Nov 96	Oct 97	Jun 04		14	4.057	1.801	S	S
AGR	Industrial Tree Plantation		11.341	Dec 93	Aug 94	Sep 01		25	2.375	3.064	S	S
ENE	Nam Leuk Hydropower		49.566	Sep 96	Jan 97	Mar 00		55	40.540	32.452	S	S
ENE	Power Transmission & Distribution		31.108	Sep 97	Mar 98	Jun 02		0	2.397	0.569	S	S
F&I	Financial Sector Program Loan II		24.445	Sep 96	Dec 96	Oct 99		51	13.502	12.370	S	S
SOC	Northern Provincial Towns Water Supply		12.658	Nov 93	Jun 94	Sep 99		100	12.377	12.560	HS	S
SOC	Vientiane Integrated Urban Development		17.872	Aug 95	Feb 96	Dec 00		49	11.923	3.898	S	S
SOC	Secondary Towns Urban Development		27.375	Jun 97	Apr 98	Jun 03		13	4.098	1.427	S	S
SOC	Education Quality Improvement		13.862	Sep 91	Mar 92	Jun 98	Dec 98	98	13.255	10.835	S	S
SOC	Primary Health Care		4.798	Jan 95	May 95	Oct 00		72	2.728	2.925	HS	HS
SOC	Postsecondary Education		18.498	Sep 95	Dec 95	Jun 02		50	7.080	3.659	S	S
SOC	Basic Education (Girls)		20.977	Jun 98	-	Jul 05		0	0.000	0.000	U	HS
T&C	Sixth Road Improvement		25.965	Jun 93	Dec 93	Jun 99		39	21.909	13.680	S	S
T&C	Airports Improvement		14.767	Nov 93	Jun 94	Jun 98	Jun 00	63	13.688	10.134	S	S
T&C	Champassak Road Improvement		43.011	Aug 95	Dec 95	Jun 00		65	38.376	26.393	S	S
T&C	Xieng Khouang Road Improvement		47.649	Sep 97	Feb 98	Jun 02		3	29.073	5.997	S	S
<b>Total</b>			<b>378.205</b>						<b>217.378</b>	<b>141.764</b>		

<sup>a</sup> Sector:  
 AGR: Agriculture and Natural Resources  
 ENE: Energy  
 F&I: Finance and Industry  
 SOC: Social Infrastructure  
 T&C: Transport and Communications

<sup>b</sup> HS: Highly satisfactory; S = Satisfactory; PS = Partially satisfactory; U = Unsatisfactory

**LAO PDR**  
**OVERALL EXTERNAL ASSISTANCE**  
(\$ million)

External Source	Past 3 Years (1995-97)	1999
	Annual Average <sup>a</sup>	Program <sup>b</sup>
	Loan/Credit/TA	Loan/Credit/TA
<b>A. Multilateral Assistance</b>		
ADB	79.4	55.6
EU	10.0	-
IMF	8.7	15
UNDP	10.4	3
World Bank	60.4	30-60
Others (NGO)	12.5	-
<b>Subtotal (A)</b>	<b>181.4</b>	<b>103.6 - 133.6</b>
<b>B. Bilateral Assistance</b>		
Australia	14.0	13
France	12.6	10
Germany	21.4	14
Japan	78.1	95
Netherlands	2.0	-
Norway	3.3	-
Sweden	13.8	10
Switzerland	4.6	-
Thailand	4.5	-
USA	8	-
<b>Subtotal (B)</b>	<b>162.3</b>	<b>142</b>
<b>Total (A+B)</b>	<b>343.7</b>	<b>245.6-275.6</b>
Memo items:		
External Assistance as % of Regular Expenditure	-	-
External Assistance as % of Development Expenditure	-	-

<sup>a</sup> On Disbursement Basis

<sup>b</sup> On Commitment Basis

Source: UNDP Report (1998), each agency's report and staff estimates.

**LAO PDR  
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**

Sector/Project Name	Strategic		Responsible Division	Year of PPTA	PROJECT COST (\$ million)					
	Dev't Objectives <sup>a</sup>				TOTAL	Bank			Gov't	Cofinancing (Others)
	Primary	Secondary				OCR	ADF	Total		
<b>2000 FIRM LOANS</b>										
<b>Agriculture and Natural Resources</b>										
1. Decentralized Irrigation Development and Management	ECO	POV	AWFN	1999	25	0.0	15.0	15.0	5.0	5.0
Subtotal					25	0.0	15.0	15.0	5.0	5.0
<b>Social Infrastructure</b>										
2. Primary Health Care Expansion	HD	GAD	AWEH	1998	20.0	0.0	15.0	15.0	4.0	1.0
Subtotal					20.0	0.0	15.0	15.0	4.0	1.0
<b>Transport and Communication</b>										
3. Rural Access Road	ECO	POV	IWTC	1998	25.0	0.0	20.0	20.0	5.0	TBD
Subtotal					25.0	0.0	20.0	20.0	5.0	TBD
<b>Total</b>					<b>70.0</b>	<b>0.0</b>	<b>50.0</b>	<b>50.0</b>	<b>14.0</b>	<b>6.0</b>
<b>2001 LOAN PIPELINE</b>										
<b>Agriculture and Natural Resources</b>										
1. Agriculture Rural Finance Development	GAD	POV	AWAR	2000	12.0	0.0	10.0	10.0	2.0	TBD
Subtotal					12.0	0.0	10.0	10.0	2.0	TBD
<b>Energy</b>										
2. Northern Area Rural Power Distribution	ECO	POV	IWEN	1998	30.0	0.0	20.0	20.0	5.0	5.0
Subtotal					30.0	0.0	20.0	20.0	5.0	5.0
<b>Social Infrastructure</b>										
3. Second Education Quality Improvement	HD	GAD	AWEH	1999	25.0	0.0	20.0	20.0	4.0	1.0
4. Vientiane Urban Development II	ENV		AWWU	2000	35.0	0.0	25.0	25.0	5.0	5.0
Subtotal					60.0	0.0	45.0	45.0	9.0	6.0
<b>Total</b>					<b>102.0</b>	<b>0.0</b>	<b>75.0</b>	<b>75.0</b>	<b>16.0</b>	<b>11.0</b>
<b>2002 LOAN PIPELINE</b>										
<b>Agriculture and Natural Resources</b>										
1. Agriculture Sector Development	POV	GAD	AWAR	2000	25.0	0.0	20.0	20.0	5.0	TBD
2. Nam Ngum Watershed Development	ENV		AWFN	2000	20.0	0.0	15.0	15.0	5.0	TBD
Subtotal					45.0	0.0	35.0	35.0	10.0	TBD
<b>Finance and Industry</b>										
3. Financial Market Sector Development	ECO		IWFI	2001	30.0	0.0	25.0	25.0	5.0	TBD
Subtotal					30.0	0.0	25.0	25.0	5.0	TBD
<b>Social Infrastructure</b>										
4. Rural Water Supply and Sanitation	HD		AWWU	2000	30.0	0.0	20.0	20.0	5.0	5.0
Subtotal					30.0	0.0	20.0	20.0	5.0	5.0
<b>Total</b>					<b>105.0</b>	<b>0.0</b>	<b>80.0</b>	<b>80.0</b>	<b>20.0</b>	<b>5.0</b>
<b>STANDBY</b>										
5. Social Development Fund	POV	GAD	AWEH	2001	6.0	0.0	5.0	5.0	1.0	TBD
6. Tourism Development	HD	ENV	AWWU	1999	25.0	0.0	20.0	20.0	5.0	TBD

<sup>a</sup> ECO = Economic Growth; ENV - Environmental Protection; GAD = Gender and Development; HD = Human Development  
and POV = Poverty Reduction

**LAO PDR**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			Bank	Others	Total
<b>2000 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Agriculture and Natural Resources</b>					
1. Agriculture Sector Development	AWAR	PPTA	700.0	-	700.0
2. Agriculture Rural Finance Development	AWAR	PPTA	600.0	-	600.0
3. Nam Ngum Watershed Development	AWFN	PPTA	800.0	-	800.0
Subtotal			2,100.0	-	2,100.0
<b>Finance and Industry</b>					
4. Restructuring Commercial Bank Operations	IWFI	ADTA	600.0	-	600.0
Subtotal			600.0	-	600.0
<b>Social Infrastructure</b>					
5. Capacity Building for Health Management at the Provincial and District Level	AWEH	ADTA	700.0	-	700.0
6. Rural Water Supply and Sanitation	AWWU	PPTA	700.0	-	700.0
7. Vientiane Urban Development II	AWWU	PPTA	600.0	-	600.0
Subtotal			2,000.0	-	2,000.0
<b>Others</b>					
8. Strengthening the Lao Women's Union at the Provincial and District Level	PWOD	ADTA	400.0	-	400.0
9. Institutional Strengthening of the National Audit Office	PW3	ADTA	700.0	-	700.0
Subtotal			1,100.0	-	1,100.0
<b>Total</b>			<b>5,800.0</b>		<b>5,800.0</b>
<b>2001 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Agriculture and Natural Resources</b>					
1. Second Industrial Tree Plantation	AWFN	PPTA	700.0	0.0	700.0
Subtotal			700.0	0.0	700.0
<b>Transport and Communication</b>					
2. Rural Access Roads II	IWTC	PPTA	700.0	0.0	700.0
Subtotal			700.0	0.0	700.0
<b>Finance and Industry</b>					
3. Financial Markets Sector Development	IWFI	PPTA	700.0	0.0	700.0
Subtotal			700.0	0.0	700.0
<b>Social Infrastructure</b>					
4. Capacity Building for Selected Local Municipal Authorities II	AWWU	ADTA	700.0	0.0	700.0
5. Strengthening Decentralized Education Management	AWEH	ADTA	700.0	0.0	700.0
6. Health Sector Efficiency and Management	AWEH	PPTA	700.0	0.0	700.0
7. Social Development Fund	AWEH	PPTA	700.0	0.0	700.0
Subtotal			2,800.0	0.0	2,800.0
<b>Total</b>			<b>4,900.0</b>	<b>0.0</b>	<b>4,900.0</b>
<b>2002 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Finance and Industry</b>					
1. Establishing Internal Audit Functions in Government	IWFI	ADTA	700.0	0.0	700.0
Subtotal			700.0	0.0	700.0
<b>Social Infrastructure</b>					
2. Education Sector Development	AWEH	PPTA	700.0	0.0	700.0
Subtotal			700.0	0.0	700.0
<b>Others</b>					
3. Poverty Assessment Study	PWOD	ADTA	700.0	0.0	700.0
Subtotal			700.0	0.0	700.0
<b>Total</b>			<b>2,100.0</b>	<b>0.0</b>	<b>2,100.0</b>

**LAO PDR  
LENDING PROGRAM BY TYPE AND SECTOR, 2000-2002**

Classification	2000 (Firm)		2001-2002	
	No.	%	No.	%
<b>I. By Type</b>				
A. Economic Growth	0	0.0	1	12.5
B. Projects Directly Aimed at Social Concerns	1	33.3	4	50.0
C. Projects Directly Aimed at Environmental Concerns	0	0.0	2	25.0
D. Economic Growth-oriented Projects with Social and/or Environmental Concerns	2	66.7	1	12.5
<b>Total</b>	<b>3</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>
<b>II. By Sector</b>				
A. Agriculture and Natural Resources	1	33.3	3	37.5
B. Energy	0	0.0	1	12.5
C. Finance	0	0.0	1	12.5
D. Transport and Communications	1	33.3	0	0.0
E. Social Infrastructure	1	33.3	3	37.5
F. Others/Multisector	0	0.0	0	0.0
<b>Total</b>	<b>3</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>

## LAO PDR

PROJECT PROFILE				
<b>1. Project Name:</b> Decentralized Irrigation Development and Management			<b>2. Sector/Subsector:</b> Agriculture and Rural Development/Irrigation	
<b>3. Dev. Objective:</b> Primary: ECO Secondary: POV				
<b>4. Rationale:</b> <p>The Government has adopted a program to transfer the operation and maintenance of all irrigation systems in the country to beneficiary farmers. This is expected to result in improved efficiency in use of water resources and increased food productions, which are national objectives. It will also increase farm incomes. The Project is intended to support the first phase of a nationwide Irrigation Management Transfer (IMT) program. A sector approach will be adopted.</p>			<b>5. Beneficiary Participation in Formulation:</b> <ul style="list-style-type: none"><li>• Provincial workshops will provide opportunities to the public and private sector agencies to contribute to developing an IMT Program.</li><li>• Consultation meetings at village level will be held with male and female farmers.</li><li>• Selection of subproject will be made adopting a consultative approach with stakeholders in selected provinces.</li></ul>	
<b>6. Objectives and Scope:</b> <p>The project will transfer medium- and large-scale irrigation systems in the country on the basis of the following activities: (i) A master plan and strategy for nationwide IMT program suitable for external financing to be developed; and (ii) Detailed plans for IMT program in selected provinces in the Mekong flood plains expected to cover 10 provinces. And the systems will be rehabilitated and transferred to the water users associations who will be responsible for operation and maintenance. The project will support the government's efforts to reduce poverty in the project areas through extension support for better agronomic practices and supplementary income generating activities. The project will have a component to strengthening the government institutions at provincial and district levels to implement the proposed IMT subproject.</p>				
<b>7. Estimated Cost &amp; Financing Plan (\$):</b>  Loan Project Cost (\$m)				<b>Remarks</b>
<b>Financing (Source)</b>	<b>FC</b>	<b>LC</b>	<b>Total</b>	
Bank	9.0	6.0	15.0	
Cofinancing	3.0	2.0	5.0	
Borrower		5.0	5.0	
<b>Total</b>	12.0	13.0	25.0	
<b>8. Estimated Benefits and Beneficiary Groups:</b> <p>The Project is expected to support a nationwide IMT program and specifically in rehabilitating of irrigation systems in selected provinces. The rehabilitation of the irrigation schemes and active agricultural extension activities will provide better farm income and improve living conditions of the beneficiary farmers in the selected irrigation schemes by supplying irrigation water for dry season and supplementary irrigation water in wet season.</p>				
<b>9. Executing Agency:</b> Department of Irrigation, Ministry of Agriculture and Forestry			<b>10. Project Implementation Period:</b> Start: 2001 End: 2005	
<b>11. Environment Category:</b> B			<b>12. Processing Year:</b> 2000	

## LAO PDR

PROJECT PROFILE				
<b>1. Project Name:</b>  Rural Access Roads Project			<b>2. Sector/Subsector:</b>  Transport/Roads	
<b>3. Dev. Objective:</b> Primary: ECO      Secondary: POV				
<b>4. Rationale:</b>  The Project aims to help the Government in the development of some 300 km of Rural Access Roads in seven provinces of Xaignabouli, Houaphan, Vientiane, Xaisomboun Special Zone, Bolikhamxai, Xekong and Attapeu, resulting in reliable market access to the farmers, development of human resources in these areas, and poverty alleviation.			<b>5. Beneficiary Participation in Formulation:</b>  Affected communities to be consulted in drawing up of Resettlement Action Plan.  Beneficiaries consulted in selection of rural access roads included in the study.	
<b>6. Objectives and Scope:</b>  The objective of the Project is to provide rural communities with access to markets, social services and employment opportunities. The Project will comprise the improvement of about 300 km of roads in selected provinces.				
<b>7. Estimated Cost &amp; Financing Plan (\$):</b>				<b>Remarks</b>  Feasibility study was completed in May 1999 under TA No. 2889-LAO.  Second phase of the feasibility covering detailed engineering, environment impact assessment, resettlement plan and economic reevaluation to be funded under Loan No. 1533-LAO(SF): Xieng Khouang Road Improvement Project.
Loan Project Cost (\$m)				
<b>Financing (Source)</b>	<b>FC</b>	<b>LC</b>	<b>Total</b>	
Bank	20.00	-	20.00	
Cofinancing	-	-	-	
Borrower	-	5.0	5.0	
<b>Total</b>	<b>20.00</b>	<b>5.0</b>	<b>25.00</b>	
<b>8. Estimated Benefits and Beneficiary Groups:</b>  Rural communities will have access to markets, social services and employment opportunities.				
<b>9. Executing Agency:</b>  Ministry of Communications, Transport, Post & Construction			<b>10. Project Implementation Period:</b>  Start: 2001 End: 2004	
<b>11. Environment Category:</b> B			<b>12. Processing Year:</b> 2000	

## LAO PDR

PROJECT PROFILE				
<b>1. Project Name:</b>  Primary Health Care Expansion			<b>2. Sector/Subsector:</b>  Health	
<b>3. Dev. Objective:</b> Primary: HD      Secondary: GAD				
<b>4. Rationale:</b>  Despite recent progress, the health status of people in the Lao PDR remains very poor. The under-five mortality rate (U5MR) is estimated to be about 160 per 1,000 live births and large discrepancies remain among income classes. Fertility rates in the Lao PDR are among the highest in Asia with an average woman having 6.8 children during her reproductive life. The basic health services that could make a substantial impact on the high mortality and fertility rates are still not reaching a large segment of the rural population. Vaccination, prenatal care, birth spacing, vitamin A supplementation, and early treatment of reproductive tract infections, pneumonia, and diarrhea, are still not available because of an underdeveloped primary health care system. The project will help expand the primary health care system and increase its effectiveness so that basic services are available to the entire population.			<b>5. Beneficiary Participation in Formulation:</b>  Beneficiaries will be interviewed as part of focus group discussions at the community level. They will also be questioned about their use of services as part of household surveys and asked about the quality of health services as part of a health facility survey. Discussions will also take place with beneficiaries about their experience on financing health services.	
<b>6. Objectives and Scope:</b>  The objectives of the project are to increase access to primary health care (PHC), improve the management support for PHC, and to test alternative financing and organizational approaches. The proposed project will have four components: (i) expansion of PHC services in the project area with the aim of greatly increasing access to high quality basic health services, including reproductive health care; (ii) development of the MOH's ability to successfully manage PHC services, through strengthening of capacity at the district, provincial, and central levels; (iii) testing of new approaches to health care financing and management such as user charges in hospitals, social health insurance, and use of the private sector; and (iv) strengthening of selected referral hospitals so as to allow wide implementation of successful innovative financing and management approaches.				
<b>7. Estimated Cost &amp; Financing Plan (\$):</b>				<b>Remarks</b>
Loan Project Cost (\$m)				
<b>Financing (Source)</b>	<b>FC</b>	<b>LC</b>	<b>Total</b>	
Bank	5.0	10.0	15.0	
Cofinancing		1.0	1.0	
Borrower		4.0	4.0	
<b>Total</b>	5.0	15.0	20.0	
<b>8. Estimated Benefits and Beneficiary Groups:</b>  Primary health care services will be available to the entire population with significant improvements in health and fertility rates.				
<b>9. Executing Agency:</b>  Ministry of Health			<b>10. Project Implementation Period:</b> Start: 2001 End: 2006	
<b>11. Environment Category:</b> C			<b>12. Processing Year:</b> 2000	

**LAO PDR**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**

Sector/Project Name	Strategic Dev't Objectives <sup>a</sup>		Responsible Division	Year of PPTA	PROJECT COST (\$ million)					
	Primary	Secondary			TOTAL	Bank		Gov't	Cofinancing (Others)	
						OCR	ADF			Total
<b>2000 FIRM LOANS</b>										
<b>Agriculture and Natural Resources</b>										
1. Decentralized Irrigation Development and Management	ECO	POV	AWFN	1999	27.8	0.0	17.8	17.8	5.0	5.0
Subtotal					27.8	0.0	17.8	17.8	5.0	5.0
<b>Social Infrastructure</b>										
2. Primary Health Care Expansion	HD	WID	AWEH	1998	24.0	0.0	20.0	20.0	4.0	0.0
Subtotal					24.0	0.0	20.0	20.0	4.0	0.0
<b>Transport and Communication</b>										
3. Rural Access Road	ECO	POV	IWTC	1998	35.0	0.0	25.0	25.0	5.0	5.0
Subtotal					35.0	0.0	25.0	25.0	5.0	5.0
<b>Total</b>					<b>86.8</b>	<b>0.0</b>	<b>62.8</b>	<b>62.8</b>	<b>14.0</b>	<b>5.0</b>
<b>2001 LOAN PIPELINE</b>										
<b>Agriculture and Natural Resources</b>										
1. Agriculture Rural Finance Development	GAD	POV	AWAR	2000	12.0	0.0	10.0	10.0	2.0	TBD
Subtotal					12.0	0.0	10.0	10.0	2.0	TBD
<b>Energy</b>										
2. Northern Area Rural Power Distribution	ECO	POV	IWEN	1998	30.0	0.0	20.0	20.0	5.0	5.0
Subtotal					30.0	0.0	20.0	20.0	5.0	5.0
<b>Social Infrastructure</b>										
3. Second Education Quality Improvement	HD	GAD	AWEH	1999	25.0	0.0	20.0	20.0	4.0	1.0
4. Vientiane Urban Development II	ENV		AWWU	2000	35.0	0.0	25.0	25.0	5.0	5.0
Subtotal					60.0	0.0	45.0	45.0	9.0	6.0
<b>Total</b>					<b>102.0</b>	<b>0.0</b>	<b>75.0</b>	<b>75.0</b>	<b>16.0</b>	<b>11.0</b>
<b>2002 LOAN PIPELINE</b>										
<b>Agriculture and Natural Resources</b>										
1. Agriculture Development	POV	GAD	AWAR	2000	25.0	0.0	20.0	20.0	5.0	TBD
2. Nam Ngum Watershed Development	ENV		AWFN	2000	20.0	0.0	15.0	15.0	5.0	TBD
Subtotal					45.0	0.0	35.0	35.0	10.0	TBD
<b>Finance and Industry</b>										
3. Financial Market Sector Development	ECO		IWFI	2001	30.0	0.0	25.0	25.0	5.0	TBD
Subtotal					30.0	0.0	25.0	25.0	5.0	TBD
<b>Social Infrastructure</b>										
4. Rural Water Supply and Sanitation	HD		AWWU	2000	30.0	0.0	20.0	20.0	5.0	5.0
Subtotal					30.0	0.0	20.0	20.0	5.0	5.0
<b>Total</b>					<b>105.0</b>	<b>0.0</b>	<b>80.0</b>	<b>80.0</b>	<b>20.0</b>	<b>5.0</b>
<b>STANDBY</b>										
5. Social Development Fund	POV	GAD	AWEH	2001	6.0	0.0	5.0	5.0	1.0	TBD
6. Tourism Development	HD	ENV	AWWU	1999	25.0	0.0	20.0	20.0	5.0	TBD

<sup>a</sup> ECO = Economic Growth; ENV - Environmental Protection; GAD = Gender and Development; HD = Human Development, POV = Poverty Reduction and WID = Women in Development

**ASIAN DEVELOPMENT BANK**

**Country Assistance Plan  
(2000-2002)  
Pipeline Update**

**LAO PEOPLE'S DEMOCRATIC REPUBLIC**

**June 2000**

**LAO PDR**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**

Sector/Project Name	Responsible Division	Type of TA	Amount (\$')	
			Bank	Others
<b>2000 TECHNICAL ASSISTANCE PROGRAM</b>				
<b>Agriculture and Natural Resources</b>				
1. Agriculture Sector Development Project	AWAR	PPTA	700.0	-
2. Rural Finance Development	AWAR	ADTA	2,020.0	-
3. Nam Ngum River Basin Development	AWFN	PPTA	800.0	-
4. Towards Implementing the Agriculture Strategy Study	AWFN	ADTA	100.0	-
5. Financial Management and Market Development Support for Water Users	AWFN	ADTA	750.0	-
Subtotal			4,370.0	-
<b>Finance and Industry</b>				
6. Strengthening Corporate Governance & Management of State-Owned Commercial Banks	IWFI	ADTA	900.0	-
Subtotal			900.0	-
<b>Social Infrastructure</b>				
7. Primary Health Care Capacity Building	AWEH	ADTA	800.0	-
7. Small Towns Development Project	AWWU	PPTA	700.0	-
Subtotal			1,500.0	-
<b>Transport</b>				
8. SSTA For Assessing a Concession Agreement for the Lao Component of the Chiang Rai to Kunming Highway	IWTC	ADTA	150.0	-
9. Management Information System in MCTPC (Supplementary)	IWTC	ADTA	280.0	-
11. Strengthening the Social & Environmental Mgt. In the Road Sector	IWTC	ADTA	200.0	-
Subtotal			630.0	-
<b>Others</b>				
10. Strengthening the Lao Women's Union at the Provincial and District Level	PWOD	ADTA	400.0	-
11. SSTA for a Participatory Assessment of Poverty in the Lao PDR	PW3	ADTA	150.0	-
Subtotal			550.0	-
<b>Total</b>			<b>7,950.0</b>	<b>-</b>
<b>2001 TECHNICAL ASSISTANCE PROGRAM</b>				
<b>Agriculture and Natural Resources</b>				
1. Second Industrial Tree Plantation	AWFN	PPTA	700.0	-
Subtotal			700.0	-
<b>Transport and Communication</b>				
2. Rural Access Roads II	IWTC	PPTA	700.0	-
Subtotal			700.0	-
<b>Finance and Industry</b>				
3. Financial Markets Sector Development	IWFI	PPTA	700.0	-
Subtotal			700.0	-
<b>Social Infrastructure</b>				
4. Capacity Building for Selected Local Municipal Authorities II	AWWU	ADTA	700.0	-
5. Strengthening Decentralized Education Management	AWEH	ADTA	700.0	-
6. Health Sector Efficiency and Management	AWEH	PPTA	700.0	-
Subtotal			2,100.0	-
<b>Total</b>			<b>4,200.0</b>	<b>-</b>
<b>2002 TECHNICAL ASSISTANCE PROGRAM</b>				
<b>Finance and Industry</b>				
1. Establishing Internal Audit Functions in Government	IWFI	ADTA	700.0	-
Subtotal			700.0	-
<b>Social Infrastructure</b>				
2. Education Sector Development	AWEH	PPTA	700.0	-
Subtotal			700.0	-
<b>Others</b>				

3. Poverty Assessment Study	Subtotal	PWOD	ADTA	700.0	-
				700.0	-
<b>Total</b>				<b>2,100.0</b>	-

\* Approved.

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<b>Total</b>
700.0
2,020.0 *
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750.0
4,370.0
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150.0 *
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