

**APPENDIXES**

1. Country Economic, Social and Environment Indicators
2. Poverty Indicators
3. Sector Strategies
4. Portfolio Status
5. Three-Year Pipeline
6. Economic and Sector Work Pipeline
7. Supplementary Appendix: Project Selection Briefs

**COUNTRY ECONOMIC, SOCIAL AND ENVIRONMENT INDICATORS**  
**Table A1.1: Economic Indicators**

Item	1997	1998	1999 <sup>a</sup>	2000 <sup>a</sup>	2001 <sup>b</sup>
<b>A. Income and Growth</b>					
1. GDP per capita (\$, current)	364.0	262.5	284.2	330.5	343.7
2. GDP Growth (% in constant prices)	6.9	4.0	7.3 <sup>c</sup>	5.9	6.0
Agriculture	7.0	3.1	8.2	5.1	5.3
Industry	8.1	9.2	7.9	7.5	7.5
Services	7.5	5.5	6.9	6.2	6.1
<b>B. Saving and Investment (current market prices)</b>					
	<b>(percent of GDP)</b>				
1. Gross Domestic Investment	26.2	24.9	22.7	20.5	21.0
2. Gross Domestic Saving	10.0	14.8	16.4	14.7	15.8
<b>C. Money and Inflation</b>					
1. Consumer Prices (annual average, December 1995=100)	19.3	87.4	134.0	27.0	9.0
2. Broad Money (M2) <sup>d</sup>	65.8	113.3	78.3	45.8	20.0
<b>D. Government Finance<sup>e</sup></b>					
	<b>(percent of GDP)</b>				
1. Total Revenue <sup>f</sup>	11.0	9.8	10.6	14.0	15.2
2. Total Expenditure and Net Lending	19.8	13.0	19.3	21.9	23.5
3. Overall Surplus/Deficit (-) <sup>f</sup>	(8.8)	(3.2)	(8.8)	(7.9)	(8.4)
<b>E. Balance of Payments</b>					
1. Merchandise Trade Balance (% of GDP)	(18.9)	(16.8)	(13.2)	(11.5)	(12.2)
2. Current Account Balance (% of GDP) <sup>g</sup>	(16.2)	(10.1)	(6.3)	(5.8)	(5.2)
3. Export (\$) Growth (annual percent change)	(1.4)	6.4	7.7	8.3	7.4
4. Import (\$) Growth (annual percent change)	(6.0)	(14.7)	0.3	6.6	10.6
<b>F. External Payments Indicators</b>					
1. Gross International Reserves (months of imports)	2.1	2.4	2.3	2.4	2.4
2. External Debt Service (% of exports of goods)	9.6	11.1	11.4	10.1	13.3
3. External Debt (% of GDP)	132.9	199.1	180.5	148.8	134.9
<b>G. Memorandum Items:</b>					
GDP (current prices, KN billion)	2,200.7	4,240.2	10,303.9	13,482.6	#####
GDP (current prices, \$ million)	1,747.3	1,286.4	1,449.6	1,718.5	1,890.4
Exchange Rate (KN/\$, average official rate)	1,259.5	3,296.2	7,108.2	7,845.8	8,200.0
Population (million)	4.8	4.9	5.1	5.2	5.5

GDP = gross domestic product

<sup>a</sup> Preliminary estimates by the Lao People's Democratic Republic authorities.

<sup>b</sup> Projections

<sup>c</sup> The Lao PDR authorities estimate real GDP at 7.3 percent in 1999, mainly due to significant growth in agriculture. However, the staff estimates real GDP to grow by 5.2 percent in 1999 following more modest growth in agriculture.

<sup>d</sup> Includes foreign currency deposits

<sup>e</sup> Figures are on a fiscal year basis where fiscal year ends 30 September.

<sup>f</sup> Excluding grants.

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

Sources: National Statistical Centre, Bank of Lao PDR, Ministry of Finance, Committee for Planning and Cooperation, International Monetary Fund, ADB staff estimates.

Table A1.2: Social and Environment Indicators

	1985	1990	Latest Year
<b>Population Indicators</b>			
Total Population (million)	3.62	4.14	5.22 (2000)
Annual Population Growth Rate (% change)	2.49	2.49	2.49 (2000)
<b>Social Indicators</b>			
Total Fertility Rate (births per woman)	6.7 (1980–1985)	—	5.5 (1998)
Maternal Mortality Rate (per hundred thousand live births)	750.0 (1988)	656.0 (1993)	530 (2000)
Infant Mortality Rate (below 1 year; per '000 live births)	118.0	104.0 (1995)	75.0 (2000)
Life Expectancy at Birth (years)	45.0	49.7	55.0 (2000)
Female	46.0	51.3	—
Male	—	—	—
Adult Literacy (%)	44.0	60.2 (1995)	74.0 (2000)
Female	—	47.9 (1995)	60.0 (2000)
Male	—	73.5 (1995)	82.0 (2000)
Primary School Enrollment (% of school age population) <sup>a</sup>	104.8 (1985/86)	104.8 (1990/91)	116.0 (1996/97)
Female	—	93.3	106.3
Lower Secondary School Enrollment (% of school age population)	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)	35.0 (1984)	—	43.0 (1992–1997)
Population with Access to Safe Water (%)	21.0 (1985–1988)	—	32.0 (1990–1998)
Population with Access to Sanitation (%) <sup>b</sup>	10.0 (1985–1988)	24.0 (1988–1991)	18.0 (1990–1997)
Public Education Expenditure as % of GDP	1.3 (1987/88)	1.94 (1990/91)	2.0 (1998/99)
Public Health Expenditure as % of GDP	—	0.73 (1990/91)	1.5 (1998/99)
Human Development Index	—	0.246	0.484 (1998)
Human Development Ranking <sup>c</sup>	—	141.0	140 (1998)
<b>Environmental Indicators</b>			
	1980		Latest Year
Energy Efficiency of Emissions			
GDP per Unit of Energy Use (PPP \$ per kg oil equivalent)	—	—	—
Traditional Fuel Use (% of total energy use)	72.3	—	86.5 (1996)
Carbon Dioxide Emissions (total metric tons)	0.2	—	0.3 (1996)
Carbon Dioxide Emissions (per capita metric tons)	0.1	—	0.1 (1996)
Water Pollution			
Emissions of Organic Water Pollutants (kg/day)	—	—	—
Industry Share of Emissions of Organic Water Pollutants	—	—	—
Wood (%)	—	—	—
Primary Metals (%)	—	—	—
Paper and Pulp (%)	—	—	—
Chemical (%)	—	—	—
Food and Beverages (%)	—	—	—
Textiles (%)	—	—	—
Land Use and Deforestation			
Forest Area (million ha)	—	—	8.5 (1997)
Average Annual Deforestation (million ha)	—	—	0.1 (1990–96)
Average Annual Deforestation (% change)	—	—	0.6 (1990–96)
Rural Population Density (people per km <sup>2</sup> of arable land)	—	—	474 (1997)
Arable Land (% of land area)	—	—	3.5 (1997)
Permanent Cropland (% of land area)	0.1	—	0.2 (1997)
Biodiversity and Protected Areas			
Nationally Protected Areas (km <sup>2</sup> '000)	—	—	30.8 (1999)
Percent of Total Land Area	—	—	13 (1999)
Mammals (number of threatened species)	—	—	30 (1996)
Birds (number of threatened species)	—	—	27 (1996)
Higher Plants (number of threatened species)	—	—	2 (1997)
Reptiles (number of threatened species)	—	—	7 (1996)
Amphibians (number of threatened species)	—	—	0.0
Urban			
Urban Population (million)	0.4	—	1.1 (1998)
Percentage Urban	13	—	22 (1998)
Per Capita Water Use	—	—	—
Wastewater Treated (percent)	—	—	—
Per Capita Solid Waste Generation (kg/day)	—	—	0.7 (1999)
Air Pollution			
City Population ('000)	—	—	—
Total Suspended Particulates (micrograms per m <sup>3</sup> )	—	—	—
Sulfur Dioxide (micrograms per m <sup>3</sup> )	—	—	—
Nitrogen Dioxide (micrograms per m <sup>3</sup> )	—	—	—

— = not available, ha = hectare, GDP = gross domestic product, kg = kilogram, Km<sup>2</sup> = square kilometer, m<sup>3</sup> = cubic meter, PPP = purchasing power parity

<sup>a</sup> Gross enrollment ratio is defined as the number of students 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.

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

<sup>c</sup> For 1990 and 1998, a total of 173 and 175 countries, respectively, were ranked from high to low human development, using the human development index.

Sources: *Basic Statistics of Lao PDR*, 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 and World Development Indicators, The World Bank; Human Development Report, UNDP; Human Development Indicators, 2000, UNDP.

## POVERTY INDICATORS

	1990	Latest Year
<b>QUANTITATIVE INDICATORS</b>		
Poverty Incidence <sup>a</sup>		
Number of Poor (million)	2.0 (1992/93) <sup>b</sup>	1.9 (1997/98) <sup>c</sup>
Population Share (%)	45.0 (1992/93)	38.6 (1997/98)
By Region		
Vientiane Municipality	24.4 (1992/93)	12.2 (1997/98)
North	58.4 (1992/93)	52.5 (1997/98)
Center	39.5 (1992/93)	34.9 (1997/98)
South	45.9 (1992/93)	38.4 (1997/98)
Poverty Gap <sup>d</sup>	11.3 (1992/93)	10.3 (1997/98)
Poverty Severity Index <sup>e</sup>	4.2 (1992/93)	4.0 (1997/98)
Gini Index <sup>f</sup>	28.6 (1992/93)	35.7 (1997/98)
First	9.3 (1992/93)	7.8 (1997/98)
Second	13.5 (1992/93)	11.8 (1997/98)
Third	16.9 (1992/93)	15.4 (1997/98)
Fourth	21.9 (1992/93)	20.6 (1997/98)
Fifth	38.4 (1992/93)	44.4 (1997/98)
Gender-Related Development Index Rank	—	0.469 (1998) 117 (1998)

## QUALITATIVE INDICATORS

	Frequency	
Rice Self-Sufficiency <sup>g</sup>	Annual	CPC, NSC (Biannual Socioeconomic Survey)
Small and Large Live Stock <sup>h</sup>	Annual	CPC, NSC (Biannual Socioeconomic Survey)
Division of Labor Between Genders <sup>i</sup>	Annual	CPC, NSC (Biannual Socioeconomic Survey)
Valuing Subsistence Livelihood <sup>j</sup>	Annual	CPC, NSC (Biannual Socioeconomic Survey)
Quality of Land <sup>k</sup>	Annual	CPC, NSC (Biannual Socioeconomic Survey)
Access to and quality of social services <sup>l</sup>	Annual	CPC, NSC (Biannual Socioeconomic Survey)

— = Not available, CPC= Committee for Planning and Cooperation, NSC=National Statistical Centre

<sup>a</sup> Based on headcount ratio, which measures the percentage of the population living in households with the per capita consumption less than the poverty line.

<sup>b/</sup> Staff estimate based on the July 1993 population census.

<sup>c</sup> Staff estimate based on the July 1998 population census.

<sup>d</sup> Based on the poverty gap index, which reflects the depth of poverty. The index measures the mean distance below the poverty line as a proportion of that poverty line, where the mean is formed over the entire population, counting the nonpoor as having zero poverty gap.

<sup>e</sup> Measured by the Foster-Greer-Thorbecke (FGT) index, which reflects the severity of poverty and measures the mean of the squared proportionate poverty gaps. This index takes into account inequality among the poor and is sensitive to the distribution of consumption among the poor.

<sup>f</sup> Refers to inequality of per capita real consumption, which takes into account differences in the cost of living and changes in monthly consumer prices.

<sup>g</sup> Refers to year-round availability and/or quantity of rice.

<sup>h</sup> Number of livestock and/or livestock diseases in village.

<sup>i</sup> Percentage of work load by gender.

<sup>j</sup> Market valuation of and information on items bartered.

<sup>k</sup> Productivity and soil quality.

<sup>l</sup> General health of village and quality of education.

Sources: ADB Key Economic Indicators, 2000; Human Development Indicators, 2000, UNDP; *Poverty in Lao PDR*, ADB, October 2000; *Fighting Poverty Through Human Resource Development, Rural Development and People's Participation*, Lao Government Report, November 2000.

## SECTOR STRATEGIES

### A. Agriculture and Rural Development

#### 1. Overview of Sector Constraints and Needs

1. Agriculture and forestry account for 52 percent of gross domestic product (GDP) and 85 percent of employment. Agriculture output grew by a relatively strong 5 percent per annum during the 1990s, but major annual variations in output occurred because of the country's dependence on rainfed agriculture. While the country is now self-sufficient in food, some remote areas still face seasonal food shortages. Given its resource base, location, and potential cost advantages, the domestic agriculture sector is well placed to benefit from growing regional prosperity and the increasing demand for food and other agriculture products. Institutional and policy reforms are needed to encourage commercial investment in the sector.

2. Rural development strategies are being reoriented to address the large gap between the Mekong corridor flatlands and the sloping and upland areas where most of the rural poor live. Market forces are driving development in the flatlands, and poverty has been reduced and incomes increased considerably in recent years. The uplands remain dominated by subsistence agriculture, with endemic rural poverty, limited options, and little improvement in living conditions in recent years.

3. Rural productivity is constrained by (i) human development weaknesses, especially in the remote rural areas; (ii) weak public sector institutions; (iii) formal and informal barriers to private sector investment and trade in agriculture products; (iv) poor rural transport, electricity, and communications infrastructure; (v) underdeveloped rural financial services; (vi) poorly developed marketing system linking producers, wholesalers, and retail buyers; and (vii) environmental degradation that has led to decreased soil fertility, increased erosion, and less reliable water supplies. Agricultural diversification has been largely limited to the Mekong corridor. The Government still faces the challenge of reducing shifting cultivation in the remote northern and eastern border areas, where lack of market access provides rural communities with few options.

4. Notwithstanding recent improvements, the water resource subsector is constrained by (i) the lack of a national water policy and legal support mechanism, (ii) ineffective coordination among stakeholders using water resources, and (iii) weak maintenance and rehabilitation of irrigation schemes.

5. The Government has developed new institutional initiatives to support its agricultural development strategies. Agriculture support services will be demand-driven, and upgraded capacity at the district level will directly extend productivity-enhancing technologies to farmers. District agricultural workers are being retrained as farming systems extension workers, and provincial farming systems and subject matter specialists will support these workers. The newly established National Agriculture and Forestry Research Institute will learn from—and provide technical and logistical support to—provincial and district agriculture services under a “bottom-up” system. To improve efficiency of irrigation systems, the Government plans to shift from large, capital-intensive irrigation schemes to gravity and small-scale pump schemes, and to move away from government to farmer-managed systems.

6. The Government strategies specifically target (i) reducing shifting cultivation by developing upland alternative livelihood programs; (ii) encouraging farming systems

diversification and agroforestry development; (iii) providing market access through feeder road development and market information delivery; (iv) promoting land-use zoning based on slope and land capability, and accelerating land allocation; and (v) developing rural savings and credit systems.

## **2. Major Development Partner Activities**

7. The Asian Development Bank (ADB) has supported agriculture and rural development, including two program loans in addition to technical assistance (TA) and investment support. In 1999, ADB helped the Government formulate its strategic vision for the agriculture sector, and a follow-up agriculture sector action plan. ADB has also supported poverty studies, which support Government efforts to reach the poor through rural development programs.

8. The World Bank has provided assistance in land titling (with Australia) and for area development projects. The United Nations Development Programme (UNDP) supports the rural development focal site strategy. UNDP and United Nations Capital Development Fund (UNCDF) have supported rural microfinance development. Australia, France, Germany, Japan, Sweden, the European Union (EU), and International Fund for Agricultural Development (IFAD) have also been involved in rural infrastructure development. Food Agriculture Organization (FAO) and IFAD have been involved in livestock development.

## **3. Future Role for ADB in the Sector**

9. ADB will help the Government implement the strategic vision through policy dialogue, TA, and investment support. Such support is critical to achieving country strategy and program (CSP) goals given that the poor are concentrated in rural areas, most people live in rural areas, and agriculture provides income for most people. The strategy envisages discrete interventions (i) the commercially oriented Mekong corridor, and (ii) the largely subsistence sloping land areas where most of the poor live. The focus of support will be on rural development and market linkages, with interventions to support the development of (i) rural infrastructure, (ii) agriculture productivity, and (iii) rural-urban linkages.

### **a. Rural Infrastructure**

10. Recent ADB experience with agriculture development in the Lao People's Democratic Republic (Lao PDR) highlights the importance of market access, and the need to develop transport and information links with small towns, urban areas, and larger markets. Rural electrification and water supply improvements facilitate commercial development via impacts on human development, productivity, consumer demand, and new commercial opportunities. With community participation, ADB will support the development of rural access roads, electricity and water supply, and other rural physical infrastructure to encourage investment in agriculture and other rural businesses. The community will be encouraged to decide priorities and provide labor and in-kind resources in the development process. The investments will be complemented by improved basic education, basic skills, and health standards. ADB will take a long-term approach to rural development that recognizes the interrelated impacts of social, infrastructure, institutional, and policy development.

11. Four projects are included in this area over the next three years. The proposed second rural access roads project will be processed in 2003 (project preparatory technical assistance [PPTA] in 2001) to improve market accessibility. The proposed northern area rural power distribution project will be processed in 2003 (PPTA in 1998) to improve rural electrification in

the poor northern provinces. The proposed northern community-managed irrigation project is included in 2003 as standby and in 2004 as firm will build upon achievements of the ongoing Community-Managed Irrigation Project. The proposed community fund for rural development pilot project will be processed in 2004 as standby (PPTA in 2003). It will introduce the community matching fund in selected poor provinces to encourage community participation in rural development. The PPTAs for the second decentralized irrigation development and management project and the northern rural access roads improvement project are included in the 2004 TA program. The advisory technical assistance (ADTA) for the northern regional development plan will be processed in 2002 to develop a comprehensive development action plan for the northern region. The ADTA for capacity building for a community fund will be provided in 2004.

#### **b. Agriculture Productivity.**

12. The Government's Vision for Agriculture and Forestry Development to the Year 2020 defines seven priority program areas to increase productivity: (i) strengthening the Ministry of Agriculture and Forests and local institutions; (ii) developing human resources; (iii) adjusting to internal and external business regulations; (iv) establishing conditions for liberalized external trade; (v) ensuring food security and accelerated market orientation of agriculture in the flatlands; (vi) promoting environmentally sustainable development of sloping land to reduce shifting cultivation; and (vii) enhancing irrigation management. ADB will support this initiative by focusing on institutional development and policy reform; crop diversification, including livestock and commercialization; stabilizing shifting cultivation; rural finance development; and infrastructure development. Measures to improve rural education and human capital formation will be essential to increase labor productivity in agriculture.

13. Two projects are included over the next three years. The proposed smallholders development project will be processed in 2002 (PPTA in 2000) to increase rural incomes through crop diversification. This project will closely coordinate with the proposed small towns development project in 2003 to improve market linkages (para 14). The proposed rural finance development project will be processed in 2004 and will build upon the ongoing cluster TA for Rural Finance Development. ADB will focus on the enabling policy environment as well as financial architecture and institutional capacity for sustainable rural finance services. Economic integration requires developing an appropriate financial intermediation scheme for rural areas. The PPTA for participatory livestock development will be processed in 2003 to explore potential of livestock development in the northern rural areas.

#### **c. Urban-Rural Linkages.**

14. In order to provide economic opportunities and nonfarm employment in rural areas, urban-rural linkages should be explored. Rural producers need to be integrated with urban markets, urban producers to trade with rural populations, and rural and urban populations to have easy access to international markets. This will require investments in infrastructure in small towns, and in infrastructure linking small towns to domestic and international markets. Workforce skills need to be developed to match market demands, including for quality standards. With well-planned infrastructure, concentrated rural populations can provide the scale economies needed to develop business. ADB will address the infrastructure constraints and help strengthen the legislative, institutional, operational, and enabling policy environment for small towns development through the proposed small towns development project in 2003 (PPTA in 2000) and ADTA for institutional strengthening for small towns development in 2003.

## **B. Environment**

### **1. Sector Development Constraints and Needs**

15. As most people depend directly on natural resources to live, living standards are directly linked to how well the country's natural resources are managed, protected, and developed. Sustainable natural resource-based development can help reduce poverty and, therefore, pressures contributing to environmental degradation. Challenges to sustainable development and management of the environment include (i) developing the institutional capacity, and public awareness and support needed to implement environmental commitments; (ii) strengthening capacity in environmental impact assessments, policy analysis, community mobilization, and enforcement of central and provincial agencies, and environmental management and monitoring, especially at the local level; (iii) involving community groups and other stakeholders in formulating environmental policy and regulations; and (iv) ensuring that social and environmental considerations are integrated at the early stages of development planning.

16. Careful and sustainable management of forests and river basins is critical to the country's development. However, natural resources management faces a number of major constraints, including (i) lack of a national policy and legal support mechanism; (ii) a weak regulatory framework, and poor monitoring and enforcement; (iii) lack of systematic and transparent logging management, planning, and inventories; (iv) weak institutional capacity of central and provincial agencies; (v) inconsistent forest management through local communities; and (v) ineffective execution of the national plantation strategy.

### **2. Major Development Partner Activities**

17. Most development partners address environmental issues as part of broader development activities. ADB, Danish International Development Agency (DANIDA), Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Norwegian Agency for Development Cooperation (NORAD), UNDP, Global Environment Facility (GEF), Swedish International Development Cooperation Agency (Sida), and United Nations Environment Programme (UNEP) are supporting and/or planning technical support to improve the institutional, policy, and regulatory framework for environmental protection. The World Bank, Finland, and Sweden have been actively involved in forestry. Nongovernment organizations (NGOs) play a critical role in raising public awareness of environmental issues and in helping monitor and identify any adverse environmental impacts of development projects.

### **3. Future Role for ADB in the Sector**

18. ADB will closely work with other aid agencies, community groups, and NGOs to improve the institutional, policy, and regulatory framework for environmental management. Key areas of focus will be in (i) strengthening the social and environmental management of infrastructure developments, (ii) supporting community-based initiatives to better protect the environment (iii) supporting activities to improve upland agricultural systems; and (iv) building management capacity for sustainable river basin development.

19. In a resource-based society such as the Lao PDR, all public investments have implications for resource management and environmental protection. Community-based initiatives can play an important role in enforcing environmental monitoring and protection measures.

**a. Social and Environment Management in Infrastructure Developments**

20. In the Lao PDR, all public investments have potentially important environmental implications. Thus, efforts and measures to improve environmental management need to be incorporated into visions for sector development. ADB will ensure that consideration is given to the environmental implications of all its recommendations relating to public policies, investment strategies, and institutional reforms. ADB will strengthen institutional capacity to analyze environmental issues and policy and regulatory enforcement, including social and environmental impact assessments. Ensuring safeguards will be built into all ADB-financed infrastructure projects, and encourage adoption of safeguards as standard practice in agencies supported by ADB. ADB will conduct systematic consultations with all stakeholders on social and environment issues, and will increase capacity and transparency in environmental assessment and monitoring.

21. The proposed environmental and social management in energy and transport program loan is included in 2001 (PPTA in 2000) to help the Government develop a policy and regulatory framework, as well as effective monitoring, enforcement, and coordination mechanisms. ADB will also process the proposed Nam Ngum river basin development project in 2002 (PPTA in 2000) with a focus on sustainable river basin development. The proposed second industrial tree plantation project will be processed in 2004 (PPTA in 2001) to further promote the plantation policy. The ADTA for northern social and environmental assessment is included in 2003 to identify the environmentally and socially sensitive areas in the northern region and reflect them in future development. PPTA for energy development in northern rural areas will be processed in 2004 to develop an environment-friendly and economically viable options for electrification. ADB will also continuously be involved in subregional environmental initiatives through the Greater Mekong Subregion (GMS) program.

**b. Community-Based Initiatives**

22. Community ownership of forest resources, community awareness of the economic and social importance of forests, transparent awarding of logging concessions, and a professional civil service are important in sustainable environmental management. ADB will emphasize community consultations and involvement, and will raise public awareness of key environmental issues. Communities will be directly involved in the monitoring of social and environmental impacts of all ADB-financed infrastructure projects. Given that most of the poor rely on natural resources, incentives (including ownership arrangements) will be improved to enhance community protection of natural resources.

**C. Education**

**1. Sector Development Constraints and Needs**

23. Education and skill development are critical to achieving sustainable economic growth and reducing poverty. Without progress in education, returns on other investments in development will be diminished.<sup>1</sup> While some progress has been made in extending the primary school system, Lao PDR still lags behind neighboring countries in education quality as shown in Table 1. Public expenditure on education marginally increased from 1.9 percent of GDP in 1991

---

<sup>1</sup> World Bank. 2000. World Development Report 2000/2001: Attacking Poverty. Washington, D. C.

to about 2.0 percent in 1999, but current expenditures declined from 80 percent of total education expenditures in 1991 to 46 percent in 1999. This has adversely affected the quality of services: the primary completion rate is only 60-65 percent, 25 percent of students repeat, and 12 percent drop out each year.

**Table 1: Distribution of Total Education Budget in Selected Asian Economies**

	Year of Data	Distribution of Public Education Expenditure (% of total)		Education Expenditure as a Ratio of Gross National Product	
		Current	Capital	Total Expenditure	Recurrent Expenditure
Lao PDR	1996/97	55	45	2.9	1.6
Bangladesh	1992	80	20	2.3	1.8
China, People's Republic of	1994	90	10	2.6	2.3
Indonesia	1995	72	28	2.8	2.0
Malaysia	1994	84	16	5.3	4.4
Thailand	1994	80	20	3.8	3.0

Source: Asian Development Bank. June 2000. Education Sector Development Plan. 184-185.

24. The quality of education is particularly poor in rural areas. Females are underrepresented at all education levels, and gaps are widest in rural areas and in higher grades. Ethnic minorities also have noticeably lower level of school enrollment and completion. A recent participatory poverty assessment<sup>2</sup> found that poor villagers view education as unavailable, unaffordable, and/or secondary to securing their livelihood. To achieve universal primary education by 2015, the Government must address inadequate access to complete primary education; weak planning and management capabilities; inadequate financing of recurrent costs; and poor quality of teaching.

25. Education delivery should meet local conditions and needs. Nonformal education is also considered important. Key Government objectives are to extend access to complete primary schooling to all children; improve the quality of teaching, curriculum, and training material; improve the relevance of education to society and business; and strengthen the planning and management of education.<sup>3</sup>

## 2. Major Development Partner Activities

26. ADB has given policy advice on education sector development as well as support to improve access and teacher quality of basic, and postsecondary education. The World Bank has been involved in coverage expansion of primary and secondary education, and curriculum development. The United Nations Children's Fund (UNICEF), UNDP and United Nations Educational, Scientific, and Cultural Organization (UNESCO) and many NGOs, as well as

<sup>2</sup> Government of the Lao PDR. State Planning Committee. October 2000. Poverty in the Lao PDR: Participatory Poverty Assessment and Poverty in the Lao PDR: Quantitative and Participatory Analysis. Vientiane.

<sup>3</sup> Government of the Lao PDR. Ministry of Education. October 2001. The Education Strategic Vision up to the Year 2020. Vientiane.

Japan, France, Australia, Norway, and Switzerland have provided grant assistance to strengthen basic education.

### **3. Future Role for ADB in the Sector**

27. ADB will continue to improve coverage, quality, and relevance of basic education services. Several ADB projects in education are being implemented or prepared, including the Basic Education (Girls) Project, Postsecondary Education Project, and second Education Quality Improvement Project. Given the Executing Agency's absorptive capacity and other development partners' assistance, ADB will focus on implementing the ongoing projects over the next three years, particularly promoting multigrade education in remote areas, and teacher training. ADB, together with other major aid agencies, will emphasize the policy dialogue with the Government to redress inequalities in basic education and to make service delivery more efficient. ADB will do this by (i) developing curriculums that address (a) community needs and include training in agriculture and other income-generating skills; (b) nutrition, public health, environmental, and market economy issues; and (c) other community-life issues; (ii) allowing flexibility in school hours and holidays to fit with local agriculture cycles and periods of peak labor demand; (iii) encouraging communities to be actively involved in education project planning and implementation; and (iv) redressing imbalances between current and capital expenditure.

28. ADTAs for strengthening decentralized education, and provincial institutional strengthening in education efficiency are included in the 2002 and 2004 programs, respectively. PPTA for a basic education project will be processed in 2003, building ongoing basic education projects. ADB will address opportunities to mobilize grant cofinancing or parallel financing (with bilateral agencies, NGOs, and community groups) as an essential element of ADB education support. In line with Government objectives to increase the proportion of students attending private schools, ADB will promote increased private sector investment in education in urban areas.<sup>4</sup>

## **D. Health**

### **1. Sector Development Constraints and Needs**

29. While increased public expenditure on health (0.7–1.5 percent of GDP in 1991–1999) and substantial external assistance have helped improve coverage and health conditions, health indicators remain among the lowest in the world as shown in Table 2. Morbidity and mortality profiles are characterized by diseases that could be easily reduced by better preventive care, basic health care, and education. Preventive health care and family planning must be the highest priorities. Key concerns include (i) uneven distribution of access to health care and a network that reaches few isolated rural areas; (ii) the imbalance between capital and recurrent expenditures, which adversely affects service delivery and facility use; (iii) weak institutional capacity in policy analysis, financial management, and administration; (iv) poorly developed drugs management and distribution system in rural areas; (v) the overly high ratio of administrators to nursing and medical staff; and (vi) shortage of adequately trained medical personnel in most areas. Coverage, quality, and relevance of health services need improving, which will require adequate investments as well as further institutional reform.

---

<sup>4</sup> Government of the Lao PDR. State Planning Committee. March 2001. Public Investment Program 2001-2005. Currently, about 2.5 percent of all students attend private school. Most private schools are concentrated in Vientiane and other larger urban areas.

**Table 2: Health Indicators from Selected Asian Economies**

	Health Expenditure % of GDP (1990-1997, most recent available data)			Life Expectancy at Birth	Infant Mortality (per '000)	Maternal Mortality (per 100,000 births)	Fertility Rate (births per women)
	Total	Public	Private	1997	1997	1997	1997
Lao PDR	2.5	1.0	1.5	54	98	660	5.6
Bangladesh	3.2	1.4	1.8	58	75	850	3.2
People's Republic of China	—	2.1	—	70	32	95	1.9
Thailand	—	2.0	—	69	33		1.7
Viet Nam	2.1	1.1	1.0	68	29	105	2.4

— = not available, GDP = gross domestic product.

Source: Asian Development Bank and World Bank (various issues of reports).

30. The Government's priorities are to reduce infant and child mortality; increase life expectancy; and reduce illness and deaths from selected fatal epidemic diseases. Publicly funded health programs such as primary health care; disease control for malaria, respiratory tract infections, and tuberculosis; reproductive health and maternal care; and rural water supply address these concerns.

## 2. Major Development Partner Activities

31. ADB has been involved in giving policy advice and in investing in expanding access to quality primary health care to poor and ethnic minority communities in the northern rural areas. The World Bank, Australia, Germany, Japan, Sweden, UNDP, UNICEF, and NGOs have been involved in primary health care, disease control, birth spacing, and rural water supply.

## 3. Future Role for ADB in the Sector

32. ADB will continue to focus on primary health care, birth spacing, and health sector efficiency, and will include targeted support to isolated areas and ethnic minorities. ADB will focus on implementing the ongoing Primary Health Care Expansion Project over the next two or three years given the Executing Agency's absorptive capacity and other aid agencies' assistance. In particular, a primary health care network will be developed in remote and mountainous areas to deliver better basic health services; basic drug kits will be distributed to poor villages and a revolving fund implemented; and training will be provided to local health workers and village leaders. ADB will emphasize policy dialogue with the Government to improve coverage, quality, and relevance of primary health care services. The policy dialogue will address (i) upgrading skills to improve planning, financial management, and delivery of health services at all levels; (ii) upgrading the knowledge and skills of health personnel and district-level physicians; (iii) upgrading skills of primary health care workers to increase public awareness of health care measures; (iv) redressing the imbalances between capital and current expenditures in primary health care services; and (v) improving consultative processes, including by ensuring adequate representation of ethnic groups and women, to provide projects relevant to community needs. PPTA for a health sector efficiency and management project will

be processed in 2003. ADTA for capacity building for health sector efficiency and management is included in the 2004 program.

## **E. Urban Development and Water Supply And Sanitation**

### **1. Sector Development Constraints and Needs**

33. Limited access to potable water and sanitation services contribute to poor indicators of public health. Improvements in water supply and sanitation can significantly help reduce infant and child mortality, and improve the health and productivity of the general population. Most of the population lives in rural areas, where water supply and sanitation facilities range from basic to nonexistent. About 60 percent of households living in other provincial and small towns have some access to piped water, or direct access to a connection during part of the day. About 90 percent of households in Vientiane have access to piped water or direct access to a connection. The Lao PDR has no centralized sewage system for wastewater collection, treatment, and disposal. Latrines are usually open pits or septic tanks with on-site effluent disposal. Septic tank effluent and wastewater are often discharged into street drains or open areas, with negative impacts on the environment and public health.

34. The early to mid-1990s saw rapid increases in access water, but the sustainability of many investments is now doubtful. Consequently, the Government has shifted its focus on increasing water supply away from accessible to inaccessible high-poverty areas, and emphasizing service quality rather than quantity. Human resource and institutional development, with extensive community participation, are essential to avoid past design problems.

35. Government programs recognize the differences in rural and urban water supply system needs. Rural water supply development focuses on helping rural communities help themselves, which is crucial to sustain the rural water supply system. Government policy states that public support to urban water supply development will only be provided when local commitment to the project is clear. Government policy is to work toward full cost recovery for urban water supply and centralized wastewater systems. The Government has recently introduced policies to encourage private involvement in the sector, but detailed regulations are yet to be promulgated. It is also critical that urban development administration authorities evolve into fully functional local governments.

### **2. Major Development Partner Activities**

36. ADB has been a major aid agency in the water supply and urban development sector. EU, France, Germany, Japan, Norway, United Nations Centre for Human Settlements (UNCHS), UNDP and UNCDF have supported water supply and sanitation activities in selected towns and rural areas. The World Bank, UNICEF, and NGOs have helped rural water supplies.

### **3. Future Role for ADB in the Sector**

37. Improvements in rural water supply and sanitation with full community participation of are important for social, economic, and equity reasons. In addition, as the population grows, and an increasing proportion of the workforce is employed in industry and services, small town development will be critical in providing nonfarm economic opportunities. Since Vientiane and secondary towns have been developed as national and regional markets, efforts will be shifted to small towns to ensure linkages between rural areas and major urban economies or

subregional markets. ADB's urban sector strategy will seek to utilize existing urban potentials for broad-based development.

38. Some past ADB interventions in this sector exposed the need to improve institutional capacity, community involvement in project design and implementation, and flexibility of project design to reflect local conditions and ensure sustainability of the water supply system. Particular attention must be given to raw water sources, and watershed catchment areas. The need for drainage and sanitation development to complement water supply developments must be carefully assessed.

39. ADB support will focus on water supply and small towns development with close involvement of local communities in project design, implementation, and monitoring, and will give more attention to cost efficiency and financial sustainability of systems. Community participation in the development and operation of systems—including consultations on the community's needs, expectations, and affordability and willingness to pay for improved facilities—is a prerequisite for future ADB involvement in small town and water supply projects. Adequate time and resources are needed to ensure effective community participation and minimize future design problems. ADB interventions will recognize that sustainability can only be assured when communities are aware of the value of improved water supply systems, and have a real sense of ownership and a commitment to pay tariffs to cover the cost of the service. The proposed northern and central water supply and sanitation project will be processed in 2004 (PPTA in 2002). The proposed small towns development project will be processed in 2003 (PPTA in 2000). An ADTA for local resource mobilization in 2002 will address the need to continue to increase the institutional capacity of local authorities.

## **F. TRANSPORT**

### **1. Sector Development Constraints and Needs**

40. Substantial progress has been made in recent years in expanding transport infrastructure, especially national roads and major provincial airports. However, most rural communities still do not have year-round road access to markets, most provincial roads remain unpaved, and small airports need to be improved to ensure civil aviation safety. The lack of access roads is a main constraint to rural development and access to services and opportunities. Barriers to maximizing the economic benefits from transport development should be dismantled. Some transport infrastructure assets are underutilized because of weak domestic and international economic integration and insufficient intersectoral coordination. Close monitoring of the removal of the informal and formal barriers is essential to maximize returns on transport investments. Concerns about financial and institutional capacity to maintain existing assets are mounting. Improved analysis of recurrent cost implications is required to plan new investments. Social and environmental concerns should be also fully addressed. Government awareness of the environmental impacts of road development rose after ADB brought environmental NGOs and the Government together to monitor and mitigate such adverse impacts. ADB has provided TA to build capacity in social analysis, resettlement, and environmental management.

### **2. Major Development Partner Activities**

41. ADB and the World Bank have been the major source of external finance to support transport sector development over the last decade. ADB helped the Government prepare the Road Sector Strategic Vision, which provides a sector-wide framework for future road investments. The World Bank, in collaboration with ADB and Sweden, has supported the Road

Maintenance Program, which includes developing sustainable mechanisms for maintaining existing roads. The Road Maintenance Fund was established to manage financing of the maintenance of the road network. Australia, Germany, Japan, and Sweden have been the most significant sources of bilateral aid to the road transport sector over the past decade.

### **3. Future Role for ADB in the Sector**

42. ADB will continue to support transport development to reduce poverty, develop the private sector, and integrate the national and regional economies. ADB will focus on (i) developing economic corridors with subregional linkages and (ii) improving rural access roads to facilitate market linkage. Financing options of subregional projects where a relatively large share of benefits may accrue to other countries will be evaluated. Rural access road network development should be accompanied by adequate funding, staffing, and a system for sustainable operation and maintenance (O&M), including enhancing community participation in site selection, construction, and maintenance. The improvement of civil aviation services is also important for the growing tourism sector, service delivery, and market and economic linkages. In planning and implementing transport sector support, ADB will ensure that social and environmental concerns, and opportunities to maximize economic benefits, are integrated at early stages of the transport planning process. ADB interventions will also address transport safety.

43. The proposed second rural access roads project will be processed in 2003 (PPTA in 2001) to continue to provide market access roads in rural areas to support agriculture and rural development efforts. The follow-up project will be prepared through PPTA of northern rural access roads improvement in 2004. The proposed GMS: northern economic corridor project will be processed in 2002 (PPTA in 2001) to link Kunming and Chiang Rai through northern Lao areas. PPTA for a small airport improvement project will be processed in 2002 to facilitate economic integration by improving civil aviation safety, following the ongoing Airports Improvement Project.

## **G. Power**

### **1. Sector Development Constraints and Needs**

44. Hydropower is a major nonagriculture industry in terms of contribution to total economic output, fiscal revenue, and export earnings. Only 623 megawatt (MW) of a Government-estimated potential 18,000 MW of hydropower generation capacity have been developed. The Lao PDR has one of the lowest levels of electrification in Asia, with only 17 percent of the population and 2 percent of rural households connected to the power grid. The Government aims to accelerate power development and substantially increase electricity exports. Sector development needs (i) better and more transparent integration of social and environmental concerns and enforcement mechanisms into sector planning; (ii) higher domestic tariffs to cover financial production costs at least in urban areas, with a transparent subsidy scheme for rural poor areas; (iii) wider rural electrification coverage; (iv) more effective subregional cooperation through a diversified export market; (v) prioritized proposed hydropower generation projects and the most suitable financing schemes for them; (vi) better regulatory framework and enforcement mechanisms to encourage private sector investment; and (vii) institutional strengthening, especially in financial planning, management, and negotiation capacity with developers. In developing hydropower projects, the following risks should be carefully assessed and addressed: (i) possible adverse environmental and social impacts, (ii) consultation with community groups, (iii) risks associated with an economy heavily dependent on one commodity and a single market, and (iv) engineering and other technical risks.

## **2. Major Development Partner Activities**

45. ADB has been actively involved in the sector in policy and planning support, institutional strengthening, financing power supply and distribution, and encouraging private sector investment. The World Bank has also provided advisory services to Electricité du Laos (EdL) restructuring and has been actively involved in preparing the proposed Nam Theun 2 hydroelectric project, and rural electrification in the southern provinces. Australia, Japan, and Norway have helped strengthening EdL and the hydropower office. Australia and Japan have been involved in nongrid rural electrification. Private developers from Australia, France, Japan, Norway, Republic of Korea, Sweden, and Thailand are also involved in sector development.

## **3. Future Role for ADB in the Sector**

46. ADB is preparing an energy sector strategy study, which will provide the basis for ADB's interventions in the power sector. ADB will continue to provide assistance to the power sector, with special emphasis on rural electrification, which is key to rural development. ADB will support Government efforts to (i) develop capacity to manage power sector development in an environmentally and socially productive manner; (ii) support the rationalization of tariff structures, and help restructure and strength EdL to improve its financial viability; (iii) develop hydropower projects, where technically and financially feasible, for export and domestic consumption; (iv) develop transmission and distribution systems; (v) extend rural electrification; (vi) use renewable energy, where feasible; (vii) promote private sector investment in export-oriented generation projects by giving them financial support, improving their regulatory framework, and strengthening the Government's negotiation skills; and (viii) promote regional cooperation.

47. The proposed northern area rural power distribution project will be processed in 2003 to help northern rural areas gain more access to electricity. The PPTA for energy development in the northern rural area will be processed in 2004 to develop viable options for electrification including power generation in northern rural areas. Bilateral interest in providing grant assistance to power sector development exists. The ADTA for power sector development in 2002 will, inter alia, explore opportunities to mobilize grant cofinancing or parallel financing and address constraints on power sector development.

## **H. Financial sector and Business Environment**

### **1. Sector Development Constraints and Needs**

48. The banking system comprises (i) three state-owned commercial banks (SOCBs); (ii) the Agriculture Promotion Bank; (iii) three joint-venture banks; (iv) seven branches of foreign banks; and (v) one representative office. The banking system remains small and poorly developed, with total assets of about \$408 million. The four SOCBs account for 71 percent of total assets,<sup>5</sup> most of which are in foreign currency, primarily US dollars and Thai baht. The Bank of Lao PDR (BOL) is the central bank, the lender of last resort, responsible for monetary policy, reserve management, bank supervision, and the payment system. The BOL Governor is appointed by the Government, and lack the power to act autonomously.<sup>6</sup>

<sup>5</sup> Bank of Lao PDR. 2000. The Banking and Financial Sector of Lao PDR. (Second draft, p. 25). Vientiane.

<sup>6</sup> Article 5 of the Law on the Bank of Lao PDR states: "BOL shall perform other tasks as provided by law or as assigned by the Government."

49. Weakness in the banking system is a major risk to macroeconomic stability as well as a major constraint to national development, making it difficult to mobilize and allocate domestic resources, and increasing the economy's dependence on foreign resources. Formal financial institutions are concentrated in Vientiane, and the bulk of the population still has no access to the banking system. A microfinance system should be developed to serve the rural poor. One promising area is the expansion of pilot microfinance schemes targeted at the poor, especially women. Such schemes would charge sustainable interest rates and achieve high repayment rates. The private sector relies mainly on the informal financial system as access to medium- and long-term credit from the formal financial sector is very limited. The ratio of broad money to GDP is very low at 18 percent, compared with 90 percent in Thailand and 24 percent in Viet Nam. Thus, financial depth should be much improved. SOCBs remain constrained by poor loan recovery, weak management, and inadequate prudential control. Most nonperforming loans are linked with policy lending and weak performance of state-owned enterprises (SOEs), and weak financial discipline of borrowers. Basic market institutions that play a critical role in financial sector development (land mortgage and foreclosure systems, auditing and accounting professions) remain poorly developed.

## **2. Major Development Partner Activities**

50. ADB has been a major aid agency in the financial sector, including rural finance. BOL, ADB, and the World Bank, in coordination with the International Monetary Fund (IMF), are preparing a joint financial sector strategy based on consultation with the Government on future challenges and policy directions. The strategy will guide the financial sector reform and future development partner involvement in the sector. Australia has assisted SOCB audits. UNDP, UNCDF, EU, bilateral agencies, including those from France, Germany, and Sweden, and NGOs have assisted to microfinance projects.

## **3. Future Role for ADB in the Sector**

51. The evaluation of past ADB support to the financial sector, via technical assistance and program lending shows that such support has not satisfactorily generated the expected results because of lack of in-depth analysis of the political and institutional environment, complex policy agenda, inappropriate sequencing of reforms, insufficient attention paid to financial discipline to improve the flows of new lending, limited ownership by the Government and other local stakeholders, and lack of institutional memory and consistency of policy advice due to frequent changes of ADB staff.

52. The Government's ownership of financial sector reform is now much improved through various kinds of consultations over the past two years. The Government recently reconfirmed that bank restructuring is an urgent need. ADB will continue to promote financial sector development, but innovations are needed to make assistance more effective. To strength the formal financial system, ADB will rely on the ongoing consultative process, and support the joint strategy. SOCBs restructuring to improve financial discipline and corporate governance will be an ADB priority. ADB will also help expand outreach and coverage through better rural and microfinance. Thus, the financial sector strategy will be two-pronged, including (i) financial discipline and (ii) financial outreach and coverage. The proposed financial sector program loan and ADTA for strengthening corporate governance and management of SOCBs will be processed in 2002 to address this need. ADB will also focus on developing microfinance services through the proposed rural finance development project in 2004 (PPTA in 2002). ADTA for institutional strengthening for rural finance is included in 2004 to build on achievements of the ongoing cluster TA for Rural Finance Development, approved in 2000.

53. ADB's support for small and medium-size enterprises (SME) will also help develop the financial sector. Interventions to support business development will include (i) developing the market institutions needed to reduce transaction costs and risks associated with commercial investments, including credible systems for enforcing contracts and property rights, and transparent and credible accounting and financial reporting systems; (ii) developing a regulatory framework that supports efficient credit markets, including mortgage, foreclosure, and bankruptcy provisions; (iii) providing basic infrastructure to improve market access and opportunities for private investors; (iv) removing nonphysical trade barriers; (v) improving credit delivery, particularly in the rural areas; and (vi) greater openness and increased transparency in public tendering. The ADTA for enhanced environment for SME development and PPTA for SME development will be processed in 2003 and 2004, respectively. ADTA for competitiveness improvement in the economic corridor will be processed in 2003 to assess the economy's competitive potential and recommend ways to realize it. Opportunities for an increased private sector role will be developed in all sectors supported by ADB. This will include an assessment of opportunities for private involvement in the development, implementation, and operation of projects, as commercial and/or contracted suppliers of public services, including urban health, education, water supply, and sanitation.

## **I. Governance and capacity building**

### **1. Sector Development Constraints and Needs**

54. The country is still in transition from a centrally planned system to a market-based economy. The regulatory framework remains weak and the public sector continues to dominate industry and some service sectors. Institutional weaknesses limit delivery of public services, capacity to maintain physical infrastructure, and development of an institutional and regulatory environment supportive of private investment. Frequent policy and institutional change and ambiguity during the transition add to business costs. Market institutions are weak to adequately protect property rights, enforce contracts, and provide professional and financial services. Business enterprises continue to face Government officials' considerable administrative discretion and interference. Commercial transactions with the Government are often not transparent. Weak public administration has greatly reduced the development impact of past public investments and development assistance. The Government recognizes that improving the quality of public investment and services is a more urgent priority than increasing public investment. The structure and capability of the public service, and the way development agencies deliver development assistance must be changed to realize this objective. Alternative arrangements for delivering services are being trailed, including greater civil society participation through increased involvement of local authorities, private enterprise, and NGOs.

55. Recent participatory poverty assessments highlight links between good governance and poverty reduction. The poorest areas have generally had little contact with government and no, or negligible, access to basic public services such as health, education, transport, power, or markets. At the local level, strong village leaders frequently play an important role in reducing poverty. Effective governance and accountability require appropriate mechanisms, including established village leadership structures, to identify stakeholder needs and to fulfill them. The Government stresses the need to empower local communities to encourage their active participation in the development process.<sup>7</sup>

---

<sup>7</sup> Government of the Lao PDR. 2001. Interim Poverty Reduction Strategy, page 30. Vientiane.

56. The Government recognizes “governance as a vital link between economic growth and poverty reduction.”<sup>8</sup> Tangible indicators of Government commitment to improving governance include the gradual move to introduce transparent and decentralized public investment and expenditure planning processes, the recently developed national audit function, and the Government’s anticorruption decree. Progress has been made in recent years in delegating decision making, clarifying procurement procedures, increasing awareness of aid agency procedures and market principles, improving the monitoring of project implementation, and transferring public service management responsibility from the Lao People’s Revolutionary Party to the Government. Government priorities to improve governance include (i) improving the planning, management, and monitoring of public expenditure; (ii) training and managing civil servants; (iii) clarifying and streamlining procedures; (iv) implementing administrative and legal reforms; and (v) decentralizing priority setting and implementation of development activities.

57. Finally, corporate governance should be improved to ensure greater accountability to stakeholders, more efficient resource allocation, consistent enforcement of regulations, and internal incentives conducive to economic and social efficiency. The need for improved corporate governance is most pronounced in SOEs, because few private shareholding companies exist. Generally, improvements in the regulatory environment are needed to reduce administrative discretion and ambiguity, and thus reduce incentives and opportunities for corruption. Reducing red tape is particularly important in promoting small, labor-intensive enterprises that are essential to the Government’s development strategy.<sup>9</sup>

## **2. Major Development Partner Activities**

58. Most development partners prioritize governance in their development assistance strategies for the Lao PDR. ADB has been involved in public finance management. A public expenditure review is being conducted jointly by ADB, the World Bank, IMF, and the Government. The World Bank and IMF have been involved in tax reform and foreign debt management; UNDP, in public administration reform and strengthening local government agencies; bilateral aid agencies from EU, Australia, Japan, France, Germany, and Sweden, in capacity building at various agencies concerned.

## **3. Future Role for ADB**

59. Major recent ADB efforts to improve governance include (i) strengthening public financial management (including extending support to the National Audit Office, and improving expenditure planning and monitoring of official development assistance [ODA]); (ii) supporting the Government’s decentralization policy; and (iii) improving the environment for private sector development. ADB has also been supporting sectoral policy reform and institutional development through project and program loan components, economic and sector work, and policy dialogue.

60. Effective CSP implementation requires competent and honest public service institutions that are committed to deliver public services. Public service institutions must thus have systems to ensure provision of adequately skilled staff, appropriate training, and institutional structures that reward commitment and performance in serving the public. Civil servants must also be directly accountable to intended beneficiaries. Effective ODA management requires

---

<sup>8</sup> Lao PDR Government Report to the Seventh Round Table Meeting. November 2000. Fighting Poverty through Human Resource Development, Rural Development and People’s Participation, page 86. Vientiane.

<sup>9</sup> Lao PDR. 2001. Interim Poverty Reduction Strategy. page 30. Vientiane.

strengthened civil service capacity to (i) effectively manage public expenditure; (ii) provide transparency in establishing investment priorities; and (iii) ensure efficient delivery of public services. All CSP interventions should help develop an efficient and service-oriented public service.

61. ADB supports the Government's decentralization initiative, but also recognizes the challenges posed by weak institutional capacity, especially at the local level. All local projects will help strengthen local institutional capacity. To improve accountability, projects will ensure effective stakeholder consultations; design and implement efficient monitoring systems; and regularly make information on expenditures, contracting, and performance available to local communities.

62. At the central level, ADB will provide ADTAs for strengthening accounting and audit functions in the government (2003) and project implementation and performance monitoring (2002), and poverty reduction monitoring and evaluation (2004). ADB will support Government efforts to promote transparency in all public expenditure and policy decisions, focusing on mechanisms to ensure transparent procurement and secure private investment in public projects. ADTA for public service delivery efficiency will be processed in 2004. Long-term capacity-building programs will be prepared and reflected in each ADB investment, if appropriate. Continuing support to sectors will be linked to tangible progress in the appropriate public administrative reform and capacity building of the concerned agencies and local authorities.

## **J. Gender Issues**

### **1. Sector Development Constraints and Needs**

63. While women account for more than 51 percent of the workforce, most are engaged in low-productivity (and low-income) activities, and most social development indicators show marked gender inequities. Women are generally less educated than men, and suffer from poor health services, high fertility rates, inadequate birth spacing, and very high maternal mortality rates. Women's potential contribution to development is weakened by their poor levels of participation in higher value-added economic activities and decision-making positions. While new female entrants to the workforce are becoming better educated, skills constraints and cultural and administrative barriers combine to limit women's participation in higher-productivity employment.

64. The Government is committed to "guaranteeing quality health care; development, protection and participation rights of children and women; quality education and other social services to every member of society"<sup>10</sup>. Gender inequities must be reduced if the Government is to reduce poverty because: (i) most of the poor are women, and they disproportionately bears the burden of poverty due to their multiple roles and disadvantaged position; (ii) women are traditionally primary production managers, small enterprise traders, primary cash earners, small-credit users, and key agriculturists, yet their potentials have not been realized due to institutional, resource, and cultural barriers; and (iv) women are more likely to stimulate demand for better education and health delivery.

---

<sup>10</sup> Lao PDR Government Report to the Seventh Round Table Meeting. November 2000. Fighting Poverty through Human Resource Development, Rural Development and People's Participation. page 50. Vientiane.

65. During the transition to a market economy, it is essential that newly emerging market institutions provide equal opportunities and rights for women to access property rights in productive resources, especially land. The traditional strengths of women's roles could be dissipated without ensuring that women have equitable access to new market institutions and resources. Administrative and cultural bias as against women's access to productive resources must be addressed proactively.

## **2. Major Development Partner Activities**

66. Most development partners prioritize gender issues, and have had some success in reducing gender inequities. UNICEF, United Nations Population Fund (UNFPA), United Nations Development Fund for Women (UNIFEM), Australia, and Norway have substantially supported programs and projects to reduce gender inequities. NGOs have actively supported the Lao Women's Union and directly targeted women in community development activities. Successful models are needed to promote gender equity of development assistance nationwide.

## **3. Future Role for ADB**

67. ADB's recent efforts to promote gender equity have been support for education (including activities specifically targeting the education of girls) and primary health care. ADB has increasingly included analysis of gender issues in most recently approved assistance, which, however, has targeted gender inequity only in a limited way. Monitoring data to assess the effectiveness of such support is also limited.

68. ADB should address gender equity issues more carefully in its annual programming and program monitoring exercises, sector strategies and interventions, program and project design, and program and project evaluations. Improved targeting of gender inequity can make ADB's support much more effective and efficient and make the country more economically competitive. However, most aspects of ADB operations must be improved. Some priorities are discussed below.

### **a. Mainstreaming Gender Issues**

69. All ADB's operations must ensure equal participation and employment opportunities for women. Gender must be taken into account in all interventions to help identify women's development needs and priorities and to ensure the equitable delivery of project benefits to women. The capacity of central and local government development planners to integrate gender concerns in macro, sector, and regional development planning, as well as in project identification, design, implementation, and monitoring must be strengthened. The ADTA for capacity building for gender mainstreaming will be processed in 2004. ADB's individual projects will be required to include gender analysis and strategies.

### **b. Development Projects that Target Women**

70. ADB interventions in primary health care and in water supply are more likely to impact on women. ADB can also directly target girls as it has done in basic education. ADB will try to draw more women into agriculture projects so that more impacts are directed at women (for example, by focusing on vegetables, fruit, small animals, food preservation, and marketing). Rigorous gender analysis is necessary for the specific ethnic context when preparing these projects. ADB is helping strengthen the capacity of the Lao Women's Union to analyze and develop measures to address gender inequities.

**c. Stakeholder Participation in ADB-Financed Activities**

71. Women must be adequately represented in all consultations related to the design and delivery of ADB support. ADB should monitor and work with the Government to ensure adequate representation of women as employees and consultants in institutions supported by ADB.

**d. Developing Gender Equal Representation of Women**

72. Support for policy and institutional reform and development will address potential gender impacts of proposed reforms, which is particularly important in areas such as land titling and allocation, and in community forest initiatives. There is also a need to ensure adequate representation of women in the judiciary, national assembly, financial institutions, professional business services, and development agencies.

**PORTFOLIO STATUS**  
**Table A4.1: Implementation, Disbursement Performance, and Postevaluation Results—**  
**Public Sector Projects**  
 (as of 31 December 2000)

A. Project Portfolio	Net Loan Amount \$ million    %		Rating (No.)											
			Total		Implementation Progress				Development Objectives					
			No.	%	HS	S	PS	U	HS	S	PS	U		
Agriculture and Natural Resources	45.2	10.0	4	20.0	0	4	0	0	0	0	4	0	0	
Energy	77.9	17.3	2	10.0	0	2	0	0	0	0	2	0	0	
Finance and Industry	23.6	5.2	1	5.0	0	0	0	1	0	0	1	0	0	
Social Infrastructure	122.8	27.2	7	35.0	1	5	1	0	0	1	6	0	0	
Transport and Communications	182.0	40.3	6	30.0	1	4	1	0	0	1	5	0	0	
Others/Multisector	0.0	0.0	0	0.0	0	0	0	0	0	0	0	0	0	
<b>Total</b>	<b>451.5</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	<b>2</b>	<b>15</b>	<b>2</b>	<b>1</b>		<b>2</b>	<b>18</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 (\$ mn, active loans only)					451.5				451.5					
(2) Disbursed amount (\$ mn, cumulative, active loans only)					260.3				260.3					
(3) Percentage disbursed [(2)/(1)] (%)					57.65				57.65					
(4) Disbursements (\$mn, active loans only, latest year)					51.0				51.0					
(5) Disbursement ratio (%) <sup>a</sup>					21.27				21.27					
<b>C. Net Transfer of Resources<sup>b</sup> (\$ million)</b>			<b>OCR</b>		<b>ADF</b>				<b>Total</b>					
1996					80.5				80.5					
1997					81.7				81.7					
1998					59.2				59.2					
1999					38.5				38.5					
2000					41.7				41.7					
<b>D. Postevaluated Projects (by year of PPAR circulation)</b>									<b>1996–2000</b>					
<b>1. Postevaluation Rating</b> (as of 31 December 2000)									No.    %					
Highly Successful (HS)									1    33.3					
Successful (S)									0    0.0					
Partly Successful (PS)									2    66.7					
Unsuccessful (U)									0    0.0					
No Rating (NR)									0    0.0					
<b>Total</b>									<b>3    100.0</b>					
<b>2. Postevaluation Rating by Sector</b> 1996–2000 (as of 31 December 2000)			<b>HS</b>		<b>S</b>		<b>PS</b>		<b>U</b>		<b>NR</b>		<b>Total</b>	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	0	0.0	0	0.0	1	50.0	0	0.0	0	0.0	0	0.0	1	33.3
Energy	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Finance and Industry	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Social Infrastructure	0	0.0	0	0.0	1	50.0	0	0.0	0	0.0	0	0.0	1	33.3
Transport and Communications	1	100.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	33.3
Others/Multisector	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>2</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>3</b>	<b>100.0</b>

ADF = Asian Development Fund, HS = highly satisfactory, mn = million, NR = no rating, OCR = ordinary capital resources, PPAR = project performance audit report, PS = partially satisfactory, S = satisfactory, U = unsatisfactory

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

**Table A4.2: Status of Project Implementation—Public Sector Projects Only**  
(as of 31 December 2000)

Sector	Project Title	Net Loan Amount		Approval	Effectivity	Closing Date		Project	Cum Contract	Cummulative	Project Performance Rating	
		OCR	ADF	Date	Date	Original	Revised	Progress	Awards	Disbursement	Implementation	Development
		(\$ million)	(mm/yy)	(mm/yy)	(mm/yy)	(mm/yy)	(mm/yy)	(% complete)	(\$ million)	(\$ million)	Progress	Objective
AGR	Industrial Tree Plantation		10.8	Dec 93	Aug 94	Sep 01	—	90	4.1	5.1	S	S
AGR	Community Managed Irrigation Sector		13.5	Nov 96	Oct 97	Jun 04	—	72	9.9	7.0	S	S
AGR	Shifting Cultivation Stabilization		5.4	May 99	Nov 99	Dec 05	—	10	2.5	0.8	S	S
AGR	Decentralized Irrigation Development		15.6	Nov 00	—	Jun 07	—	1	0	0	S	S
ENE	Nam Leuk Hydropower		49.0	Sep 96	Jan 97	Mar 00	Mar 01	100	47.4	48.2	S	S
ENE	Power Transmission & Distribution		28.9	Sep 97	Mar 98	Jun 02	—	26	4.7	2.0	S	S
F&I	Financial Sector Program Loan 2		23.6	Sep 96	Dec 96	Oct 99	Jul 00	100	23.6	23.6	U	S
SOC	Vientiane Integrated Urban Development		17.2	Aug 95	Feb 96	Dec 00	—	97	17.0	15.9	S	S
SOC	Secondary Towns Urban Development		25.5	Jun 97	Apr 98	Jun 03	—	28	6.7	3.2	PS	S
SOC	Water Supply and Sanitation Sector		19.0	Nov 99	Jul 00	Jun 06	—	7	2.5	0.4	S	S
SOC	Primary Health Care		4.7	Jan 95	May 95	Oct 00	—	100	4.4	4.5	HS	HS
SOC	Postsecondary Education		17.5	Sep 95	Dec 95	Jun 02	—	65	11.4	7.9	S	S
SOC	Basic Education (Girls)		19.4	Jun 98	May 99	Jul 05	—	12	1.6	0.7	S	S
SOC	Primary Health Care Expansion		19.5	Aug 00	—	Jun 07	—	0	0	0	S	S
T&C	Sixth Road Improvement		25.3	Jun 93	Dec 93	Jun 99	Jun 01	93	21.9	20.7	S	S
T&C	Airports Improvement		14.6	Nov 93	Jun 94	Jun 98	Jun 01	93	14.0	14.0	PS	S
T&C	Champassak Road Improvement		42.3	Aug 95	Dec 95	30-6-200	Dec 00	98	41.3	40.9	HS	HS
T&C	Xieng Khouang Road Improvement		44.8	Sep 97	Feb 98	Jun 02	—	38	33.3	17.9	S	S
T&C	GMS: East-West Corridor		30.0	Dec 99	Sep 00	Dec 04	—	7	14.1	1.6	S	S
T&C	Rural Access Roads Project		25.1	Dec 00	—	Apr 05	—	0	0	0	S	S
<b>Total</b>		<b>0.0</b>	<b>451.5</b>						<b>260.3</b>	<b>214.3</b>		

— = not available, AGR = agriculture and natural resources, ENE = energy, F&I = finance and industry, GMS = Greater Mekong Subregion, HS = highly satisfactory, OTH = others/multisector, PS = partially satisfactory, S = satisfactory, SOC = social infrastructure, T&C = transport and communications, U = Unsatisfactory

**THREE-YEAR PIPELINE**  
**Table A5.1: Lending Scenarios and Triggers**

Low Case	Base Case	High Case
<ul style="list-style-type: none"> <li>• Macroeconomic instability and declining growth</li> <li>• No Improvement in state-owned commercial bank (SOCB) restructuring</li>   <li>• No improvement in social and environmental impact assessment in infrastructure investment</li> <li>• Absence of monitoring systems for contract award, submission of audited financial reports, and compliance with loan covenants</li> </ul>	<ul style="list-style-type: none"> <li>• Stable macroeconomic outlook</li> <li>• Formulation of and commitment to a SOCB restructuring plan and implementation of agreed upon interim measures</li>   <li>• Enactment and implementation of at the prime minister's decree on the social and environmental impact assessment</li> <li>• Implementation of monitoring systems for contract award, submission of audited financial reports, and compliance with loan covenants</li> </ul>	<ul style="list-style-type: none"> <li>• Significant improvement in macroeconomic management</li> <li>• Implementation of restructuring plan of the banking sector and rural finance</li>   <li>• Significant improvement in the balance between capital and recurrent expenditures in social development</li> <li>• Significant improvement in contract award, submission of audited financial reports, and compliance with loan covenants</li> </ul>

Table A5.2: Lending Pipeline, 2002–2004

Sector/Project Name	Poverty Classification	Thematic Priority	Responsible Division	Year of PPTA	Project Cost (in \$ million)					
					TOTAL	Bank			Gov't	Cofinancing (Others)
						OCR	ADF	Total		
<b>2002 Firm Loans</b>										
<b>National</b>										
<b>Agriculture and Natural Resources</b>										
1 Smallholder Development	PI	ECO/PSD	AWAR	2000	20.0	0.0	15.0	15.0	5.0	TBD
2 Nam Ngum River Basin Development	CPI	ENV	AWFN	2000	20.0	0.0	15.0	15.0	5.0	TBD
<b>Subtotal</b>					<b>40.0</b>	<b>0.0</b>	<b>30.0</b>	<b>30.0</b>	<b>10.0</b>	<b>0.0</b>
<b>Finance and Industry</b>										
3 Financial Sector Development	NC	PSD	IWFI/AWAR	2001	37.5	0.0	15.0	15.0	7.5	15.0
<b>Subtotal</b>					<b>37.5</b>	<b>0.0</b>	<b>15.0</b>	<b>15.0</b>	<b>7.5</b>	<b>15.0</b>
<b>Total</b>					<b>77.5</b>	<b>0.0</b>	<b>45.0</b>	<b>45.0</b>	<b>17.5</b>	<b>15.0</b>
<b>Subregional</b>										
4 GMS: Mekong River Tourism Infrastructure Dev't.	NC	RC/HD	AWWU	1999	12.0	0.0	10.0	10.0	2.0	TBD
5 GMS: Northern Economic Corridor	NC	RC	IWTC	2000	94.0	0.0	20.0	20.0	4.0	70.0
<b>Total</b>					<b>106.0</b>	<b>0.0</b>	<b>30.0</b>	<b>30.0</b>	<b>6.0</b>	<b>70.0</b>
<b>2002 Standby Loans</b>										
6 Rural Access Roads 2	PI	ECO	IWTC	2001	20.0	0.0	15.0	15.0	5.0	TBD
7 GMS: Telecommunications Backbone Project Phase 1	NC	RC/PSD	IWTC	2001	25.0	0.0	20.0	20.0	5.0	TBD
<b>2003 Firm Loans</b>										
<b>National</b>										
<b>Social Infrastructure</b>										
1 Small Towns Development	PI	ENV/HD	AWWU	2000	25.0	0.0	15.0	15.0	5.0	5.0
<b>Subtotal</b>					25.0	0.0	15.0	15.0	5.0	5.0
<b>Transport and Communication</b>										
2 Rural Access Roads 2	PI	ECO	IWTC	2001	20.0	0.0	15.0	15.0	5.0	TBD
<b>Subtotal</b>					20.0	0.0	15.0	15.0	5.0	0.0
<b>Energy</b>										
3 Northern Area Rural Power Distribution	NC	ECO	IWEN	1998	45.0	0.0	15.0	15.0	20.0	10.0
<b>Subtotal</b>					45.0	0.0	15.0	15.0	20.0	10.0
<b>Total</b>					90.0	0.0	45.0	45.0	30.0	15.0
<b>Subregional</b>										
4 GMS: Telecommunications Backbone Project Phase 1	NC	RC/PSD	IWTC	2001	25.0	0.0	20.0	20.0	5.0	TBD
<b>2003 Standby Loans</b>										
5 Rural Finance Development	CPI	GAD	AWAR/IWFI	2002	10.0	0.0	10.0	10.0	0.0	TBD
6 Northern Community Managed Irrigation	CPI	ENV	AWFN	2001	10.0	0.0	10.0	10.0	0.0	TBD
<b>2004 Firm Loans</b>										
<b>National</b>										
<b>Agriculture and Natural Resources</b>										
1 Rural Finance Development	CPI	GAD	AWAR/IWFI	2002	10.0	0.0	10.0	10.0	0.0	TBD
2 Northern Community-Managed Irrigation	CPI	ENV	AWFN	2001	10.0	0.0	10.0	10.0	0.0	TBD
3 Second Industrial Tree Plantation	NC	ENV/PSD	AWFN	2001	12.0	0.0	10.0	10.0	2.0	TBD
<b>Subtotal</b>					32.0	0.0	30.0	30.0	2.0	0.0
<b>Social Infrastructure</b>										
4 Northern and Central Water Supply and Sanitation	PI	ENV/HD	AWWU	2002	20.0	0.0	15.0	15.0	5.0	TBD
<b>Subtotal</b>					20.0	0.0	15.0	15.0	5.0	0.0
<b>Total</b>					52.0	0.0	45.0	45.0	7.0	0.0
<b>2004 Standby Loans</b>										
5 Community Fund for Rural Development (Pilot)	CPI	GAD	AWAR	2002	6.0	0.0	5.0	5.0	1.0	TBD
6 Small Airports Improvement	NC	PSD	IWTC	2002	20.0	0.0	15.0	15.0	5.0	TBD
7 Power Sector Development	NC	PSD	IWEN	2002	25.0	0.0	20.0	20.0	5.0	TBD

AWAR = Agriculture and Rural Development Division, AWEH = Education, Health and Population Division, AWFN = Forestry and Natural Resources Division, AWWU = Water Supply, Urban Development and Housing Division, CPI = Core Poverty Intervention, ECO = Economic Growth, ENV = Environmental Protection, GAD = Gender and Development, GG = Good Governance, HD = Human Development, IWEN = Energy Division, IWFI = Financial Sector and Industry Division, IWTC = Transport and Communication Division, NC = Not Classified, PI = Poverty Intervention, PSD = Private Sector Development, RC = Regional Cooperation, TBD = to be determined.

Table A5.3: Technical Assistance Program, 2002-2004

Sector/Project Name	Responsible Division	Type of TA	Amount (\$ '000)		
			ADB	Others	Total
<b>2002</b>					
<b>Agriculture and Natural Resources</b>					
1 Rural Finance Development (Cluster TA)	AWAR	ADTA	545.0	0.0	545.0
2 Rural Finance Development	AWAR/IWFI	PPTA	150.0	0.0	150.0
3 Capacity Building for Nam Ngum River Basin Development	AWFN	ADTA	250.0	0.0	250.0
<b>Subtotal</b>			<b>945.0</b>	<b>0.0</b>	<b>945.0</b>
<b>Social Infrastructure</b>					
4 Northern and Central Water Supply and Sanitation Sector	AWWU	PPTA	700.0	0.0	700.0
5 Local Resource Mobilization for Municipal Authorities	AWWU	ADTA	500.0	0.0	500.0
6 Strengthening Decentralized Education Management	AWEH	ADTA	500.0	0.0	500.0
<b>Subtotal</b>			<b>1,700.0</b>	<b>0.0</b>	<b>1,700.0</b>
<b>Finance and Industry</b>					
7 Strengthening Corporate Governance and Management of SOCBs II	IWFI	ADTA	600.0	0.0	600.0
<b>Subtotal</b>			<b>600.0</b>	<b>0.0</b>	<b>600.0</b>
<b>Transport</b>					
8 Small Airports Improvement	IWTC	PPTA	500.0	0.0	500.0
<b>Subtotal</b>			<b>500.0</b>	<b>0.0</b>	<b>500.0</b>
<b>Energy</b>					
9 Power Sector Development	IWEN	ADTA	400.0	0.0	400.0
<b>Subtotal</b>			<b>400.0</b>	<b>0.0</b>	<b>400.0</b>
<b>Others</b>					
10 Northern Regional Development Plan	PW3	ADTA	500.0	0.0	500.0
11 Project Implementation and Performance Monitoring	COPP/LRM	ADTA	500.0	0.0	500.0
<b>Subtotal</b>			<b>1,000.0</b>	<b>0.0</b>	<b>1,000.0</b>
<b>Total</b>			<b>5,145.0</b>	<b>0.0</b>	<b>5,145.0</b>
<b>2003</b>					
<b>Agriculture and Natural Resources</b>					
1 Community Fund for Rural Development (Pilot)	AWAR	PPTA	700.0	0.0	700.0
2 Participatory Livestock Development	AWFN	PPTA	700.0	0.0	700.0
<b>Subtotal</b>			<b>1,400.0</b>	<b>0.0</b>	<b>1,400.0</b>
<b>Social Infrastructure</b>					
3 Health Sector Efficiency and Management	AWEH	PPTA	700.0	0.0	700.0
4 Institutional Strengthening for Small Towns Development	AWWU	ADTA	500.0	0.0	500.0
<b>Subtotal</b>			<b>1,200.0</b>	<b>0.0</b>	<b>1,200.0</b>
<b>Finance and Industry</b>					
5 Enhanced Environment for SME Development	IWFI/AWAR	ADTA	400.0	0.0	400.0
<b>Subtotal</b>			<b>400.0</b>	<b>0.0</b>	<b>400.0</b>
<b>Others</b>					
6 Northern Socio-Environmental Assessment	ENVD	ADTA	600.0	0.0	600.0
7 Competitiveness Improvement in the Economic Corridor	PW3	ADTA	500.0	0.0	500.0
8 Strengthening Accounting and Audit Functions in the Government	PW3/IWFI	ADTA	700.0	0.0	700.0
9 Capacity Building for Decentralized Project Financial Management	COPP	ADTA	500.0	0.0	500.0
<b>Subtotal</b>			<b>2,300.0</b>	<b>0.0</b>	<b>2,300.0</b>
<b>Total</b>			<b>5,300.0</b>	<b>0.0</b>	<b>5,300.0</b>

ADTA = advisory technical assistance, AWAR = Agriculture and Rural Development Division, AWEH = Education, Health and Population Division, AWFN = Forestry and Natural Resources Division, AWWU = Water Supply, Urban Development and Housing Division, ENVD = Environment Division, IWEN = Energy Division, IWFI = Financial Sector and Industry Division, IWTC = Transport and Communication Division, PW3 = Programs Department (West) Division 3, PPTA = project preparatory assistance, SME = small and medium-size enterprise, SOCB = state-owned commercial bank

Sector/Project Name	Responsible Division	Type of TA	Amount (\$ '000)		
			ADB	Others	Total
<b>Stand-by</b>					
10 Basic Education Development	AWEH	PPTA	700.0	0.0	700.0
<b>2004</b>					
<b>Agriculture and Natural Resources</b>					
1 Capacity Building for Community Fund	AWAR	ADTA	400.0	0.0	400.0
2 Institutional Strengthening for Rural Finance	AWAR/IWFI	ADTA	500.0	0.0	500.0
<b>Subtotal</b>			<b>900.0</b>	<b>0.0</b>	<b>900.0</b>
<b>Social Infrastructure</b>					
3 Basic Education Development	AWEH	PPTA	700.0	0.0	700.0
4 Capacity Building for Health Sector Efficiency and Management	AWEH	ADTA	500.0	0.0	500.0
<b>Subtotal</b>			<b>1,200.0</b>	<b>0.0</b>	<b>1,200.0</b>
<b>Finance and Industry</b>					
5 SME Development	IWFI/AWAR	PPTA	700.0	0.0	700.0
<b>Subtotal</b>			<b>700.0</b>	<b>0.0</b>	<b>700.0</b>
<b>Transport</b>					
6 Northern Rural Access Roads Improvement	IWTC	PPTA	700.0	0.0	700.0
<b>Subtotal</b>			<b>700.0</b>	<b>0.0</b>	<b>700.0</b>
<b>Energy</b>					
7 Energy Development in the Northern Rural Area	IWEN	PPTA	700.0	0.0	700.0
<b>Subtotal</b>			<b>700.0</b>	<b>0.0</b>	<b>700.0</b>
<b>Others</b>					
8 Capacity Building for Gender Mainstreaming	SOCD	ADTA	400.0	0.0	400.0
9 Public Services Delivery Efficiency	PW3/PWOD	ADTA	500.0	0.0	500.0
10 Poverty Reduction Monitoring and Evaluation	PWOD	ADTA	500.0	0.0	500.0
<b>Subtotal</b>			<b>1,400.0</b>	<b>0.0</b>	<b>1,400.0</b>
<b>Total</b>			<b>5,600.0</b>	<b>0.0</b>	<b>5,600.0</b>
<b>Stand-by</b>					
11 Provincial Institutional Strengthening in Education Efficiency	AWEH	ADTA	500.0	0.0	500.0
12 Decentralized Irrigation Development and Management II	AWFN	PPTA	700.0	0.0	700.0

ADTA = advisory technical assistance, AWAR = Agriculture and Rural Development Division, AWEH = Education, Health and Population Division, IWFI = Financial Sector and Industry Division, IWTC = Transport and Communication Division, PW3 = Programs Department (West) Division 3, PWOD = Programs Department (West), PPTA = project preparatory assistance, SME = small and medium-size enterprise, SOCB = state-owned commercial bank, SOCD = Social Development Division

**Table A5.4: Lending Program and Pipeline, 2002–2004**  
(By Poverty Classification, Thematic Priority, and Sector)

Classification	2002		2003-2004	
	No.	%	No.	%
<b>1. By Poverty Classification</b>				
A. Core Poverty Intervention	1	20.0	2	25.0
B. Poverty Intervention (noncore)	1	20.0	3	37.5
C. Not Classified	3	60.0	3	37.5
<b>Total</b>	<b>5</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>
<b>2. By Thematic Priority</b>				
A. Economic Growth	1	14.3	2	18.2
B. Environmental Protection	1	14.3	4	36.4
C. Gender and Development	0	0.0	1	9.1
D. Good Governance	0	0.0	1	9.1
E. Human Development	0	0.0	1	9.1
F. Private Sector Development	3	42.9	1	9.1
G. Regional Cooperation	2	28.6	1	9.1
<b>Total</b>	<b>7</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>
<b>3. By Sector</b>				
A. Agriculture and Natural Resources	2	40.0	3	37.5
B. Energy	0	0.0	1	12.5
C. Finance and Industry	1	20.0	0	0.0
D. Social Infrastructure	1	20.0	2	25.0
E. Transport and Communications	1	20.0	2	25.0
F. Others/Multisector	0	0.0	0	0.0
<b>Total</b>	<b>5</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>

### ECONOMIC AND SECTOR WORK PIPELINE

Type/ESW Name	Year	Executing Division	Objective	Modality
<b>1 Economic Work</b>				
Development Impact of ADB-Financed Projects	2004	PW3	Strategic	SC
Country Economic Review	2003	PW3	Operational	Staff
<b>2 Thematic Work</b>				
Northern Region Development Plan	2002	PW3	Operational	ADTA
Northern Socio-Environmental Assessment	2003	ENVD	Strategic	ADTA
Country Environment Assessment	2004	ENVD	Strategic	SC
National Gender Action Plan	2002	SOCD	Strategic	ADTA
Poverty Reduction Monitoring Evaluation	2004	PWOD	Strategic	ADTA
Analysis of Ethnic Minorities	2002	PW3/SOCD	Strategic	SC
<b>3 Sector Work</b>				
Rural Finance Strategy	2002	AWAR	Operational	ADTA
Options for Community Development Fund	2002	AWAR	Operational	SC
Livestock Note	2002	AWFN	Operational	SC
Small Towns Development Strategy	2003	AWWU	Operational	ADTA
Competitiveness Improvement in the Economic Corridor	2003	PW3	Strategic	ADTA
Governance and Capacity Building Strategy	2003	PW3	Operational	SC
Private Sector Assessment	2004	PW3	Strategic	SC
Private Sector Development in the Power Sector	2003	IWEN	Operational	SC

ADTA = advisory technical assistance, AWAR = Agriculture and Rural Department Division, AWFN = Forestry and Natural Resources Division, AWWU = Water Supply, Urban Development and Housing Division, ENVD = Environment Division, PW3 = Programs Department (West) Division 3, PWOD = Programs Department (West), SC = Staff Consultant, SOCD = Social Development Division

## PROJECT SELECTION BRIEFS AND TECHNICAL ASSISTANCE CONCEPT PAPERS

### Project Selection Brief for Smallholder Development

<b>A. Data</b>	
Project Number:	31351
Country:	Lao PDR
Sector:	Agriculture and Natural Resources
Subsector:	Agriculture Support Services
Project Division:	AWAR
Contact Person in Projects Division:	R. Erickson
Programs Division:	PW3
Tentative Loan Amount According to CSP:	\$15.0 million
Proposed Lending Modality:	Project Loan
PPTA:	TA 3603-LAO: Smallholder Development
Proposed PPTA Amount:	\$750 thousand
Attached ADTA:	None
Proposed ADTA Amount:	—
Start Pre-design Phase:	TA approved in December 2000
Start Design Phase:	TA started in July 2001
Approval Year According to CSP:	Loan approval in 2002
Proposed Executing Agency:	Ministry of Agriculture and Forestry
Contact Person in Proposed Executing Agency:	Mr. Phouang Parisak Pravongviengkham
<b>B. Description</b>	
Brief Rationale of Project:	More than half of the rural population in Lao PDR is below the poverty line. Subsistence agriculture is predominant and Lao PDR's private sector and markets are underdeveloped. Opportunities for developing cash commodities are increasing with growth in urban areas and growing regional integration. The proposed project will reduce poverty and strengthen the rural economy by promoting market-oriented, diversified agricultural production on smallholder farms. This is in line with the country strategies, especially for (i) rural development and market linkages and (ii) private sector development and economic integration.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	The project concept evolved out of the ADB-financed Agriculture Strategy Study and the Government's Strategic Vision for Agriculture which both emphasized development of market-oriented agriculture and an improved environment for the growth of the private sector.
Comparative Advantage of ADB in Proposed Project:	ADB has taken a lead role in formulation of the sector strategy. ADB's role in developing the strategy places it in a key position for working with the Government to develop market-oriented agriculture and an environment conducive for the private sector.
Development Objective (thematic priority):	Economic Growth, Poverty Intervention
Environmental Classification:	B
Social Issues:	Inclusion (Lao PDR population is multi-ethnic)

— = not applicable, ADB = Asian Development Bank, ADTA = advisory technical assistance, AWAR = Agriculture and Rural Development Division, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, Lao PDR = Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, PW3 = Programs Department (West) Division III, TA = technical assistance.

### Project Selection Brief for Nam Ngum River Basin Development

<b>A. Data</b>	
Project Number:	
Country:	Lao PDR
Sector:	Agriculture
Subsector:	Irrigation, Soil Conservation, Fisheries
Project Division:	AWFN
Contact Person in Projects Division:	Akmal Siddiq, Project Economist
Programs Division:	PW3
Tentative Loan Amount According to CSP:	\$15 million
Proposed Lending Modality:	ADF
PPTA:	TA No. 3544-LAO: Nam Ngum River Basin Development Project
Proposed PPTA Amount:	\$850,000
Attached ADTA:	Capacity Building for Nam Ngum River Basin Project
Proposed ADTA Amount:	\$250,000
Start Predesign Phase:	July 2000
Start Design Phase:	May 2001
Approval Year According to CSP:	2002
Proposed Executing Agency:	Ministry of Agriculture
Contact Person in Proposed Executing Agency:	Mr. Phouangpalisack Pavongviengkham, Deputy Permanent Secretary
<b>B. Description</b>	
Brief Rationale of Project:	The project will adopt a holistic river basin development and integrated water resources management approach rather than confining to that of watershed protection and development. It will be undertaken considering not only the issues concerning the upper watershed areas but also those pertaining to integrated water resources management for irrigation, hydropower generation, fisheries, soil and forest conservation, and flood protection throughout the river basin. Furthermore, the progress made by the Government in developing water policy and implementing the Water Law allows a more comprehensive review of the institutional arrangements than were envisaged in the recommendations made in the Nam Ngum Watershed Management Study (TA 2734-LAO). <sup>1</sup>
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	To develop and manage water resources efficiently and effectively, the Government has taken steps to introduce an integrated water resources management approach by promulgating the Water and Water Resources Law in October 1996 and by establishing the WRCC in February 1998. With a request from the Government, ADB provided a technical assistance (TA3006-LAO) <sup>2</sup> to strengthen the WRCC through preparation of the National Water Sector Profile and

<sup>1</sup> TA 2734-LAO: *Nam Ngum Watershed Management Study*, for \$800,000, was approved in December 1996.

<sup>2</sup> TA 3006-LAO: *Institutional strengthening for the Water Resources Coordination Committee*, for \$260,000, was approved in April 1997.

	Water Sector Strategy and Action Plan in 1997-98. With successful performance of that TA, ADB provided a follow-on (TA3205-LAO) <sup>1</sup> to keep the momentum and prepare a national water policy and a draft decree required to implement the Water Law.
Comparative Advantage of ADB in Proposed Project:	As described above, ADB has continuously assisted the Government in this sector since the mid-1990s by helping establish new institutes and preparing relevant plans, policies, laws, and decrees.
In Case Attached ADTA is Proposed, Indicate Rationale and Scope:	The relevant line agencies require continuous assistance in capacity building. The proposed ADTA will provide opportunities to the staff for on-the-job training by working closely with the consulting specialists as well as by participating in the specially-designed seminars/workshops, and overseas study tours.
Development Objective (thematic priority):	CPI
Environmental Classification:	ENV
Social Issues:	Given the unique nature of minority and gender issues in the Nam Ngum River Basin, project activities will be designed to address them effectively.

ADB = Asian Development Bank, ADF = Asian Development Fund, ADTA = advisory technical assistance, AWFN = Forestry and Natural Resources Division, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, Lao PDR = Lao People's Democratic Republic = PPTA = project/program preparatory technical assistance, PW3 = Programs Department (West) Division III, TA = technical assistance, WRCC = Water Resources Coordination Committee.

<sup>1</sup> TA 3205-LAO: *Implementation of the Water Sector Action Plan*, for \$300,000, was approved in June 1999.

### Project Selection Brief for Financial Sector Development

<b>A. Data</b>	
Project Number:	
Country:	Lao PDR
Sector:	Finance and Industry
Subsector:	Finance
Project Division:	IWFI
Contact Person in Projects Division:	Eric Manes, Financial Economist
Programs Division:	PW3
Tentative Loan Amount According to CSP:	\$15.0 million
Proposed Lending Modality:	Program Loan
PPTA:	Financial Sector Development
Proposed PPTA Amount:	\$400,000
Attached ADTA:	Strengthening Governance and Capacity in SOCBs II
Proposed ADTA Amount:	\$600,000
Start Predesign Phase:	June 2001
Start Design Phase:	October 2001
Approval Year According to CSP:	2002
Proposed Executing Agency:	Bank of Lao PDR
Contact Person in Proposed Executing Agency:	Mr. Dethphouvang Moularat, Director, Research Department
<b>B. Description</b>	
Brief Rationale of Project:	Lao PDR's financial system is dominated by banks, which are largely insolvent due to a lack of enforcement of financial discipline and corporate governance in the system. Financial and operational restructuring is needed to impose corporate governance in the banks and build financial discipline in the enterprise sector.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	Financial Sector Note was prepared by ADB, WB and the Government
Comparative Advantage of ADB in Proposed Project:	ADB has been a leading aid agency in the financial sector through providing two program loans and various technical assistance.
Rationale and Scope of Attached ADTA:	Capacity building for carrying out reform program, particularly the restructuring of state-owned commercial banks.
Development Objective (thematic priority):	Governance Private Sector Development
Environmental Classification:	D
Social Issues:	—

— = not applicable, ADB = Asian Development Bank, ADTA = advisory technical assistance, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, IWFI = Financial Sector and Industry Division, Lao PDR = Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, PW3 = Programs Department (West) Division III, SOCB = state-owned commercial bank, TA = technical assistance, WB = World Bank.

### Project Selection Brief for GMS: Mekong River Tourism Infrastructure Development

<b>A. Data</b>	
Project Number:	33434
Country:	Lao PDR
Sector:	Social Infrastructure
Sub-sector:	Others
Project Division:	AWWU
Contact Person in Projects Division:	L. Weidner
Programs Division:	PW3
Tentative Loan Amount According to CSP:	\$10.0 million
Proposed Lending Modality:	ADF
PPTA:	Mekong River Infrastructure Development
Proposed PPTA Amount:	\$600,000
Attached ADTA:	—
Proposed ADTA Amount:	—
Start Pre-design Phase:	October 1999
Start Design Phase:	April 2001
Approval Year According to CSP:	2002
Proposed Executing Agency:	To be determined.
Contact Person in Proposed Executing Agency:	To be determined.
<b>B. Description</b>	
Brief Rationale of Project:	The purpose of the project is to promote and strengthen subregional cooperation and tourism development within the GMS countries. The cross border inter-relatedness of the infrastructure development projects will create a unique opportunity for the GMS countries to work jointly on promoting the Mekong/Lancang River as a tourism destination. The implementation of the ongoing PPTA will result in a feasibility study which analyzes potential development projects and among these prioritizes and selects the projects which are considered highest priority in each country. Potential projects include rehabilitation of Vientiane riverfront and construction of river landings in Xieng Kak, Pak Beng, Huay Xai, tourist rest and convenience areas, water supply and sanitation facilities in Pak Beng, road link from Muang Sing to Xieng Kak, and airport facilities in Louang Namtha and Huay Xai.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	To be determined.
Comparative Advantage of ADB in Proposed Project:	To be determined.
Rationale and Scope of Attached ADTA:	—
Development Objective (thematic priority):	Regional Cooperation/Human Development
Environmental Classification Project:	To be determined
Social Issues:	To be determined

— = not applicable, ADB = Asian Development Bank, ADTA = advisory technical assistance, AWWU = Water Supply, Urban Development and Housing Division, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, GMS = Greater Mekong Subregion, Lao PDR = Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, TA = technical assistance.

### Project Selection Brief for GMS: Northern Economic Corridor

<b>A. Data</b>	
Project Number:	
Country:	Lao PDR
Sector:	Transport
Subsector:	Road
Project Division:	IWTC
Contact Person in Projects Division:	To be determined.
Programs Division:	PW3
Tentative Loan Amount According to CSP:	\$20.0 million
Proposed Lending Modality:	ADF
PPTA:	GMS: Northern Economic Corridor
Proposed PPTA Amount:	\$400,000
Attached ADTA:	None
Proposed ADTA Amount:	—
Start Predesign Phase:	TA fact-finding September 2001, TA approved November 2001
Start Design Phase:	TA project to start January 2002
Approval Year According to CSP:	Loan approval in September 2002
Proposed Executing Agency:	Ministry of Communications, Transport, Post and Construction
Contact Person in Proposed Executing Agency:	Mr. Sommad Pholsena, Director General, Department of Roads
<b>B. Description</b>	
Brief Rationale of Project:	Subregional cooperation can help the country narrow the gap between Lao PDR and other regional economies. In particular, Lao PDR needs to strengthen its role as allied link between emerging regional economies, especially southern China and Thailand. This will provide the Lao Northern Region with opportunities to access larger markets.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	Preliminary feasibility study has been completed under RETA 5728: Chiang Rai-Kunming via Lao PDR Road Improvement Project.
Comparative Advantage of ADB in Proposed Project:	To be determined
Rationale and Scope of Attached ADTA:	—
Development Objective (thematic priority):	Regional Cooperation
Environmental Classification:	To be determined
Social Issues:	To be determined

— = not applicable, ADB = Asian Development Bank, ADF = Asian Development Fund, ADTA = advisory technical assistance, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, GMS = Greater Mekong Subregion, Lao PDR = Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, PW3 = Programs Department (West) Division III, RETA = regional technical assistance, TA = technical assistance.

## Project Selection Brief for Rural Access Roads 2

<b>A. Data</b>	
Project Number:	
Country:	Lao PDR
Sector:	Transport
Subsector:	Road Sector
Project Division:	IWTC
Contact Person in Projects Division:	Sri Widowati
Programs Division:	PW3
Tentative Loan Amount According to CSP:	\$15.0 million
Proposed Lending Modality:	Project Loan
PPTA:	Rural Access Roads II (2001)
Proposed PPTA Amount:	\$500,000
Attached ADTA:	—
Proposed ADTA Amount:	—
Start Predesign Phase:	TA fact-finding September 2001, TA approval November 2001
Start Design Phase:	TA project to start January 2002
Approval Year According to CSP:	2002 (Standby) 2003 (Firm)
Proposed Executing Agency:	Ministry of Communications, Transport, Post & Construction, Department of Roads
Contact Person in Proposed Executing Agency:	Mr. Sommad Pholsena
<b>B. Description</b>	
Brief Rationale of Project:	The Project will improve about 250 km of national and provincial roads to allow access to provincial capitals and rural areas and to contribute to developing an effective internal road network. The Project will also provide about 100 km community access in the poorest districts to open up remote rural areas and to allow the benefit of the network to the poor community.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	Road sector strategy: (i) continuing development of the main network to connect all provincial capitals, serve rural community centers, promote tourism and provide cross-border linkages; (ii) strengthening institutional capacity of local government; (iii) strengthening capability of local contractors; and (iv) supporting sustainable road network in terms of maintenance, funding, heavy vehicle control, and social and environmental protection.
Comparative Advantage of ADB in Proposed Project:	ADB has involved in road sector for more than 15 years through 10 loans and has a good knowledge about the sector of the country and a good relationship with the EA and other donors.
Rationale and Scope of Attached ADTA:	—
Development Objective (thematic priority)	Economic Growth/Poverty Reduction
Environmental Classification:	B – Initial Environmental Examination
Social Issues:	Minor land acquisition and resettlement since the Project will involve strip acquisition where required.

— = not applicable, ADB = Asian Development Bank, ADTA = advisory technical assistance, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, IWTC = Transport and Communications Division, Lao PDR = Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, TA = technical assistance.

### Project Selection Brief for GMS: Telecommunications Backbone Project Phase 1

<b>A. Data</b>	
Project Number:	
Country:	Lao PDR
Sector:	Transport and Communications
Subsector:	Telecommunication
Project Division:	IWTC
Contact Person in Projects Division:	Dong-Soo Pyo, Sr. Financial Analyst
Programs Division:	PW3
Tentative Loan Amount According to CSP:	\$20.0 million
Proposed Lending Modality:	Project Loan
PPTA:	To be determined
Proposed PPTA Amount:	To be determined
Attached ADTA:	—
Proposed ADTA Amount:	—
Start Predesign Phase:	RETA 5915: Establishment of Backbone Telecoms Networks Phase I completed in May 2001
Start Design Phase:	Processing of investment loan can start in 3 <sup>rd</sup> quarter 2002
Approval Year According to CSP:	2002 (Standby) 2003 (Firm)
Proposed Executing Agency:	Ministry of Communications, Transport, Posts and Construction
Contact Person in Proposed Executing Agency:	To be determined
<b>B. Description</b>	
Brief Rationale of Project:	<p>It is proved that telecommunications investment contributes to economic growth significantly, especially in countries with low teledensity. Telecommunications are not only traded service themselves, but also act as a vehicle for trade in other service sectors. Particularly, the regional connectivity in the GMS region will enhance the economic cooperation within the regional and accelerate economic growth of each country.</p> <p>The Project will complete the backbone telecoms network connecting the four GMS countries, Cambodia, Lao PDR, Thailand, and Viet Nam, by fiber optic, which will provide unhindered and the most cost-effective communication network within the region.</p>
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	<p>Subregional Telecommunications Sector Study, a RETA completed in 1995, identified 13 fixed transmission networks linking 6 GMS countries. In 1997, the feasibility study for the east loop (a part of 13 projects) was started financed by RETA. In 1999, the scope of the east loop was adjusted as a result of the feasibility study. In 2000, RETA for the Establishment of Backbone Telecoms Networks Phase I was carried out, of which result, submitted in May 2001, showed economic and financial viability of the project.</p>

Comparative Advantage of ADB in Proposed Project:	ADB is a lead donor equipped with the integrated view on regional telecoms sector development in GMS region. Since 1995, ADB has been involved in preparing national and regional telecoms sector development plan. The 13 projects identified by RETA has been a basis for each GMS country to develop their investment plan for fiber optic telecoms networks.
Rationale and Scope of Attached ADTA:	—
Development Objective (thematic priority):	Economic Growth/Regional Cooperation
Environmental Classification:	B
Social Issues:	Provision of universal telecommunications services

— = not applicable, ADB = Asian Development Bank, ADF = Asian Development Fund, ADTA = advisory technical assistance, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, GMS = Greater Mekong Subregion, IWTC = Transport and Communications Division, Lao PDR = Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, PW3 = Programs Department (West) Division 3, RETA = regional technical assistance.

### Project Selection Brief for Small Towns Development

<b>A. Data</b>	
Project Number:	31352
Country:	Lao PDR
Sector:	Social Infrastructure
Subsector:	Urban Development and Housing
Project Division:	AWWU
Contact Person in Projects Division:	G. Cezayirli, Urban Development Specialist
Programs Division:	PW3
Tentative Loan Amount According to CSP:	\$15.0 million
Proposed Lending Modality:	Project Loan
PPTA:	Small Towns Development
Proposed PPTA Amount:	\$700,000
Attached ADTA:	—
Proposed ADTA Amount:	—
Start Predesign Phase:	April 2000
Start Design Phase:	October 2000
Approval Year According to CSP:	2003
Proposed Executing Agency:	Ministry of Communications, Transport, Post and Construction
Contact Person in Proposed Executing Agency:	To be determined.
<b>B. Description</b>	
Brief Rationale of Project:	The main objective of the Project is to support Government's efforts to improve the quality of life of the residents, especially the poor, in selected urban communities and to create a conducive physical environment for economic activities. It will include improvements in basic infrastructure and services including drainage, sanitation, solid waste management, roads, and market improvements; provision of innovative pro-poor microfinance services whereby the poor and micro and small enterprises in these towns can access microcredit and savings services; creating opportunities for private sector participation in the provision of urban services; and capacity building for viable decentralized urban management systems.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	An Urban Sector Study was completed in 1998.
Comparative Advantage of ADB in Proposed Project:	TBD
Rationale and Scope of Attached ADTA:	—
Development Objective (thematic priority):	Poverty Intervention/Environment Protection/ Human Development
Environmental Classification:	B
Social Issues:	To be determined.

— = not applicable, ADB = Asian Development Bank, ADF = Asian Development Fund, ADTA = advisory technical assistance, AWWU = Water Supply, Urban Development and Housing Division, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, Lao PDR= Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, PW3 = Programs Department (West) Division III, TA = technical assistance.

### Project Selection Brief for Northern Area Rural Power Distribution

<b>A. Data</b>	
Project Number:	
Country:	Lao PDR
Sector:	Energy
Subsector:	Power Distribution
Project Division:	IWEN
Contact Person in Projects Division:	Seethapathy Chander, Senior Project Engineer
Programs Division:	PW3
Tentative Loan Amount according to CSP:	\$15.0 million
Proposed Lending Modality:	ADF
PPTA:	
Proposed PPTA Amount:	510,000
Attached ADTA:	None
Proposed ADTA Amount:	—
Start Predesign Phase:	TA approved in 1998
Start Design Phase:	TA started in 2000
Approval Year According to CSP:	Loan approval in 2003
Proposed Executing Agency:	Electricité du Laos (EdL)
Contact Person in Proposed Executing Agency:	Mr. Hatsady Sysoulath, Deputy General Manager
<b>B. Description</b>	
Brief Rationale of Project:	Lao PDR has one of the lowest levels of electrification in Asia with only 17 percent of the population, and 2 percent of rural households, connected to the power grid. Expanding rural electrification coverage is critical to develop rural area and to reduce rural poverty in Lao PDR, especially in the poor northern region. Rural electrification will facilitate commercial development via impacts on human development, productivity, consumer demand, and new commercial opportunities.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	ADB-financed power sector strategy is under preparation. ADB's Power Transmission and Distribution Project (Loan No. 1558-LAO [SF]) is ongoing.
Comparative Advantage of ADB in Proposed Project:	Rural development and market linkages is one of the thematic priorities in ADB's strategy for Lao PDR. Rural infrastructure development including rural electrification is the key element. Geographically, ADB will primarily focus on the Northern region.
Rationale and Scope of Attached ADTA:	—
Development Objective (thematic priority):	Economic Growth
Environmental Classification:	To be determined
Social Issues:	To be determined

— = not applicable, ADB = Asian Development Bank, ADF = Asian Development Fund, ADTA = advisory technical assistance, IWEN = Energy Division West, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, Lao PDR= Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, PW3 = Programs Department (West) Division III, TA = technical assistance.

### Project Selection Brief for Rural Finance Development Project

<b>A. Data</b>	
Project Number:	
Country:	Lao PDR
Sector:	Finance
Subsector:	Rural Finance
Project Division:	AWAR
Contact Person in Projects Division:	N. Fernando
Programs Division:	PW3
Tentative Loan Amount according to CSP:	\$10.0 million
Proposed Lending Modality:	—
PPTA:	Rural Finance Development
Proposed PPTA Amount:	\$150,000
Attached ADTA:	—
Proposed ADTA Amount:	—
Start Predesign Phase:	2002
Start Design Phase:	2003
Approval Year According to CSP:	2003 (Standby) 2004 (Firm)
Proposed Executing Agency:	Bank of Lao PDR
Contact Person in Proposed Executing Agency:	Dr. Aksone
<b>C. Description</b>	
Brief Rationale of Project:	In Lao PDR, a majority of the rural households do not have reliable access to formal rural financial services. This limits their ability to participate actively in economic development. The Project will improve formal rural financial services to ease this constraint. The Project will provide support to reform and improve the services of the Agriculture Promotion Bank and develop credit unions as an alternative source of rural financial services.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	A cluster TA is now in implementation to improve awareness of policy makers on policy and institutional issues in rural finance. ADB is also preparing a rural finance strategy.
Comparative Advantage of ADB in Proposed Project:	ADB approved a cluster TA for \$2.02 million in 2000. This TA will prepare the foundation for the proposed project.
Rationale and Scope of Attached ADTA:	—
Development Objective (thematic priority):	Core Poverty Intervention/Gender and Development
Environmental Classification:	—
Social Issues:	To be identified.

— = not applicable, ADB = Asian Development Bank, ADF = Asian Development Fund, ADTA = advisory technical assistance, AWAR = Agriculture and Rural Development Division, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, Lao PDR = Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, PW3 = Programs Department (West) Division III, TA = technical assistance.

### Project Selection Brief for Northern Community-Managed Irrigation Sector Project

<b>A. Data</b>	
Project Number:	
Country:	Lao PDR
Sector:	Agriculture
Subsector:	Water resources
Project Division:	AWFN
Contact Person in Projects Division:	Toshio Kondo, Sr. Project Economist
Programs Division:	PW3
Tentative Loan Amount According to CSP:	\$10.0 million
Proposed Lending Modality:	Sector loan
PPTA:	TA program in 2001
Proposed PPTA Amount:	\$700,000
Attached ADTA:	None
Proposed ADTA Amount:	None
Start Predesign Phase:	May 2001
Start Design Phase:	June 2001
Approval Year According to CSP:	2003 (Standby); 2004 (Firm)
Proposed Executing Agency:	Department of Irrigation (DOI) within the Ministry of Agriculture and Forestry
Contact Person in Proposed Executing Agency:	Mr. Phouvieng Latvadong, Permanent Secretary
<b>B. Description</b>	
Brief Rationale of Project:	<p>Increased agricultural productivity to ensure food security and to reduce dependence on shifting cultivation is a major goal of the Government. The primary determinant of rural poverty is rice self-sufficiency. As most poor families are given paddy land that can not be cultivated due to lack of water. The provision of necessary basic water resources structure would be essential to increase agricultural productivity. The sector lending modality is justified because the Government has a well conceived investment plan for irrigation development by focusing CMI schemes; DOI has proven capacity in implementing irrigation schemes; and the policy environment within irrigation subsector is conducive to rapid expansion of CMI and sustainability of projects through community participation.</p> <p>Under ongoing Community-Managed Irrigation Sector Project (L-1488) CMI intervention has been addressing the issues related to poverty effectively.</p>
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	<p>MTR of ongoing Project was undertaken in October 2000 and concluded that Project impact on poverty reduction is already materializing. Impact of the ongoing Project has shown the increased rice yields from 1.5t/ha to 3.5t/ha in the 1999 wet season in the five completed subprojects. The most important</p>
	<p>learned are (i) implementation capacity at provincial level should be further strengthened and (ii) the numbers of subprojects should be carefully examined considering the implementation capacity. During the MTR, discussion for the preparation of proposed Project has been undertaken to keep the momentum of CMI development activities in the selected Northern provinces through incorporating lessons learned.</p>

Comparative Advantage of ADB in Proposed Project:	ADB has been involved in water resources development project as a leading donor. ADB's ongoing Project for five central provinces has been successfully implemented. ADB is in the position to continue its assistance based on the lessons learned from ongoing project to meet the Government request to continue its assistance to the sector.
Rationale and Scope of Attached ADTA:	—
Development Objective (thematic priority):	Core Poverty Intervention/Environmental Protection
Environmental Classification Project::	B
Social Issues:	<p>The Project has a potential to address social issues, among others:</p> <ul style="list-style-type: none"> <li>– community participation in the planning and implementation of project</li> <li>– carrying capacity of the community and individual household and their ability and willingness to contribute to subproject costs;</li> <li>– ethnic minority issue, especially in terms of the change in farming system from shifting cultivation to irrigation farming, and from subsistence farming to a more market-oriented one.</li> <li>– gender equity issue throughout the project preparation and implementation.</li> </ul>

— = not applicable, ADB = Asian Development Bank, ADTA = advisory technical assistance, AWFN = Forestry and Natural Resources Division, CMI = Community-Managed Irrigation, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, Lao PDR = Lao People's Democratic Republic, MTR = Mid Term Review, PPTA = project/program preparatory technical assistance, PW3 = Programs Department (West) Division III.

### Project Selection Brief for Second Industrial Tree Plantation

<b>A. Data</b>	
Project Number:	31344-01
Country:	Lao PDR
Sector:	Agriculture
Subsector:	Forestry
Project Division:	AWFN
Contact Person in Projects Division:	Snimer K. Sahni, Financial Specialist
Programs Division:	PW3
Tentative Loan Amount According to CSP:	\$10.0 million
Proposed Lending Modality:	Project Loan
PPTA:	Second Industrial Tree Plantation Project
Proposed PPTA Amount:	\$700,000
Attached ADTA:	—
Proposed ADTA Amount:	—
Start Pre-design Phase:	TA approval in 2001
Start Design Phase:	TA starts in 2002
Approval Year According to CSP:	2004
Proposed Executing Agency:	Ministry of Agriculture and Forestry, Department of Forestry
Contact Person in Proposed Executing Agency:	Mr. Xeme Samountry, Director General, Department of Forestry
<b>B. Description</b>	
Brief Rationale of Project:	Loan No. 1295-LAO: Industrial Tree Plantation Project has demonstrated the willingness and capability of both individual farmers and private enterprises to engage in production forestry through tree plantations. There are potential economic, social and environmental benefits from further development of the commercial plantation sector in Lao PDR, which is at a very early stage of development. The need for continued assistance to the sector is to (i) ensure that private sector involvement and interest in plantations is maintained and grows over time, and (ii) build links between larger scale plantation investors and small farmers, to have greater impacts on poverty reduction.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	Supporting Plantation Development in Lao PDR, March 2001, by Mark Kelly, Consultant, identifies key issues relevant to future plantation development in Lao PDR together with suggested possible contributions that could be made by ADB.
Comparative Advantage of ADB in Proposed Project:	To be determined
Rationale and Scope of Attached ADTA:	—
Development Objective (thematic priority):	Environmental Protection/Private Sector Development
Environmental Classification:	B
Social Issues:	To be determined.

— = not applicable, ADB = Asian Development Bank, ADF = Asian Development Fund, ADTA = advisory technical assistance, AWFN = Forestry and Natural Resources Division, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, Lao PDR = Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, PW3 = Programs Department (West) Division III, TA = technical assistance.

### Project Selection Brief for Northern and Central Water Supply and Sanitation

<b>A. Data</b>	
Project Number:	34197
Country:	Lao PDR
Sector:	Social Infrastructure
Subsector:	Urban Development and Housing
Project Division:	AWWU
Contact Person in Projects Division:	K. Tamaki
Programs Division:	PW3
Tentative Loan Amount According to CSP:	\$15.0
Proposed Lending Modality:	ADF
PPTA:	Northern and Central Water Supply and Sanitation
Proposed PPTA Amount:	\$700,000
Attached ADTA:	—
Proposed ADTA Amount:	—
Start Predesign Phase:	July 2002
Start Design Phase:	Oct 2002
Approval Year According to CSP:	2004
Proposed Executing Agency:	Ministry of Communications, Transport, Post and Construction
Contact Person in Proposed Executing Agency:	To be determined
<b>B. Description</b>	
Brief Rationale of Project:	The project will support the Government's efforts for an effective decentralization of the water supply sector. It will prepare a feasibility study for an expanded coverage of water supply and sanitation in the small towns under the sector-wide approach developed in the ongoing Water Supply and Sanitation Sector Project. It will include identifying the need to expand the water supply distribution system and sanitation facilities, developing selection criteria for small towns participating in the project, developing mechanisms to strengthen the regulatory framework for the urban water supply sector established under the ongoing Project, and capacity building.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	A Water Supply Sector Study was prepared by a staff consultant in 1999.
Comparative Advantage of ADB in Proposed Project:	ADB has taken a lead role in water supply sector
Rationale and Scope of Attached ADTA:	—
Development Objective (thematic priority):	Poverty Reduction/Environmental Protection
Environmental Classification:	To be determined
Social Issues:	To be determined

— = not applicable, ADB = Asian Development Bank, ADF = Asian Development Fund, ADTA = advisory technical assistance, AWWU = Water Supply, Urban Development and Housing Division, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, Lao PDR = Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, PW3 = Programs Department (West) Division III, TA = technical assistance.

### Project Selection Brief for Community Fund for Rural Development

<b>A. Data</b>	
Project Number:	None yet (project concept needs to be developed with the concerned Government agency to be identified).
Country:	Lao PDR
Sector:	Agriculture and Natural Resources
Subsector:	Rural Development
Project Division:	AWAR
Contact Person in Projects Division:	Robin Erickson
Programs Division:	PW3
Tentative Loan Amount According to CSP:	\$5 million
Proposed Lending Modality:	ADF
PPTA:	Community Fund for Rural Development
Proposed PPTA Amount:	\$700 thousand
Attached ADTA:	None
Proposed ADTA Amount:	—
Start Pre-design Phase:	TA fact-finding in April 2003, TA approved July 2003
Start Design Phase:	TA projected to start September 2003
Approval Year According to CSP:	Loan Approval in 2004
Proposed Executing Agency:	To be identified
Contact Person in Proposed Executing Agency:	To be identified
<b>B. Description</b>	
Brief Rationale of Project:	More than half of the rural population in Lao PDR is below the poverty line. Government budget for funding small-scale rural development projects is constrained. The proposed project would provide resources to match funds mobilized from communities to develop priority rural infrastructure needs.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	The project concept needs developing. The ADB-financed Agriculture Strategy Study and the Government's Strategic Vision for Agriculture both identify the need for stronger supporting rural infrastructure.
Comparative Advantage of ADB in Proposed Project:	ADB has taken a lead role in formulation of the poverty strategy. The community fund is one means by which ADB can directly address poverty in rural areas.
Rationale and Scope of Attached ADTA:	—
Development Objective (thematic priority):	Core Poverty Intervention/Gender and Development
Environmental Classification Project::	B
Social Issues:	Inclusion (Lao PDR population is multi-ethnic)

— = not applicable, ADB = Asian Development Bank, ADF = Asian Development Fund, ADTA = advisory technical assistance, AWAR = Agriculture and Rural Development Division, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, Lao PDR = Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, PW3 = Programs Department (West) Division III.

### Project Selection Brief for Small Airports Improvement

<b>A. Data</b>	
Project Number:	
Country:	Lao PDR
Sector:	Transport and Communications
Subsector:	Civil Aviation
Project Division:	IWTC
Contact Person in Projects Division:	Dong-Soo Pyo, Sr. Financial Analyst
Programs Division:	PW3
Tentative Loan Amount According to CSP:	\$20.0 million
Proposed Lending Modality:	Project Loan
PPTA:	Small Airports Improvement
Proposed PPTA Amount:	\$500,000
Attached ADTA:	—
Proposed ADTA Amount:	—
Start Predesign Phase:	Loan 1266-LAO Airport Improvement: A preliminary study will be carried out to identify necessary infrastructure improvement in minor airports to upgrade their safety and operational efficiency.
Start Design Phase:	Processing of investment loan can start in 3 <sup>rd</sup> quarter 2003.
Approval Year According to CSP:	2004
Proposed Executing Agency:	Department of Civil Aviation
Contact Person in Proposed Executing Agency:	Mr. Yakua Lopangkao, Director General Department of Civil Aviation.
<b>B. Description</b>	
Brief Rationale of Project:	The ten minor airports generally lack navigational aids, adequate length of runways, and suitable terminal buildings. The consequent poor air safety, demonstrated by recent several air accidents, has caused concern in international society and impeded the growth in tourism industry. ADB's intervention in minor airport improvement will enhance the safety and operational efficiency of small airports which have a strategic importance for passenger traffic in Lao.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	(i) As part of Loan 1266-LAO Airport Improvement Project, Lao Government will conduct the safety and operational efficiency audit for minor airports to identify infrastructure requirement. (ii) ADB will provide PPTA in 2002 to prepare an investment plan to upgrade minor airports and carry out its feasibility assessment.
Comparative Advantage of ADB in Proposed Project:	ADB is a lead donor in civil aviation sector in Lao. The proposed project is a continuation of the previous project for major airports to improve the air safety and operational efficiency. As part of the previous project, a preliminary study will be carried out.
Rationale and Scope of Attached ADTA:	—

Development Objective (thematic priority):	Economic Growth/Private Sector Development
Environmental Classification Project:	B
Social Issues:	Involuntary resettlement

— = not applicable, ADB = Asian Development Bank, ADTA = advisory technical assistance, IWTC = Transport and Communications Division West, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, Lao PDR = Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance.

### Project Selection Brief for Power Sector Development

<b>A. Data</b>	
Project Number:	
Country:	Lao PDR
Sector:	Energy
Subsector:	Power Generation
Project Division:	IWEN
Contact Person in Projects Division:	S. Chander, Senior Project Engineer
Programs Division:	PW3
Tentative Loan Amount According to CSP:	\$20.0 million
Proposed Lending Modality:	Project Loan
PPTA:	To be determined
Proposed PPTA Amount:	To be determined
Attached ADTA:	—
Proposed ADTA Amount:	—
Start Predesign Phase:	2002
Start Design Phase:	2003
Approval Year According to CSP:	2004/2005
Proposed Executing Agency:	Electricité du Laos (EdL)
Contact Person in Proposed Executing Agency:	Mr. Hatsady Sysoulath, Deputy General Manager
<b>B. Description</b>	
Brief Rationale of Project:	Hydropower is the major non-agriculture industry in terms of contribution to total economic output, fiscal revenue, and export earnings. Only 623 MW of a Government estimated potential 18,000 MW of hydropower generation capacity have been developed. Moreover, Lao PDR has one of the lowest levels of electrification in Asia with only 17 percent of the population, and 2 percent of rural households, connected to the power grid. The Government aims to accelerate power development and substantially increase electricity exports.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	ADB is currently preparing an Energy Sector Strategy Study, which will provide the basis for its interventions in the power sector in Lao PDR.
Comparative Advantage of ADB in Proposed Project:	ADB has been actively involved in the sector in policy and planning support, and institutional strengthening, in financing power supply and distribution, and in encouraging private sector investment in the sector.
Rationale and Scope of Attached ADTA:	—
Development Objective (thematic priority):	Economic Growth/Private Sector Development
Environmental Classification Project:	To be determined
Social Issues:	To be determined

— = not applicable, ADB = Asian Development Bank, ADTA = advisory technical assistance, IWEN = Energy Division West, CAP = country assistance plan, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, Lao PDR = Lao People's Democratic Republic, MW = megawatt, PPTA = project/program preparatory technical assistance.

## TA Concept Paper for Capacity Building for Nam Ngum River Basin Development

<b>A. Profile</b>	
Department, Division, RM, Officer Concerned:	AWD/AWFN/LRM Akmal Siddiq, Project Economist
Type of TA (ADTA, PPTA, RETA):	ADTA
Name of Loan Project to follow (if PPTA):	—
Country/Region (as applicable):	Lao PDR
Sector/Subsector:	Agriculture/Irrigation, Forestry, Fisheries
Poverty Classification and Thematic Priorities <sup>a</sup> :	CPI and Environment Protection
Program Year <sup>b</sup> :	2001
Expected Approval Date (mo/yr):	May 2002
Estimated Completion Date:	2006
<b>B. Concept and Design</b>	
1. Rationale (specific problem/issues to be addressed in TA)	This ADTA will be piggy-backed to the investment project: Nam Ngum River Basin Development Project. The overall capacity of the EA is limited particularly given the nature of new river basin approach to be introduced in the investment project. Staff will need better training in formulating and executing integrated water resource development and management plans.
2. Relation to Strategic Objectives (How the TA addresses the following) <ul style="list-style-type: none"> <li>• poverty reduction/thematic priorities</li> <li>• country strategy (where applicable)</li> <li>• regional cooperation</li> </ul>	The components of the investment project will be focused on poverty reduction, ethnic and gender empowerment, and economic growth. The proposed ADTA will significantly improve the quality of project implementation by increasing the capacity of the EA thus helping the project attain its main goals effectively.
3. Scope (specific major components, e.g. capacity building)	The executing agency requires continuous assistance in capacity building. The proposed ADTA will provide opportunities to the staff for on-the-job training by working closely with the consulting specialists as well as by participating in the specially-designed seminars/workshops, and overseas study tours.
4. Expected Outcome and Monitorable Indicators	A core staff of the EA will be better equipped to implement the components of investment project. The improvement in staff capacity will be monitored through a criteria laid out in the ADTA design.
5. Previous TA(s) on the Same Theme, in the sector, country, region (last five years) <ul style="list-style-type: none"> <li>• name, amount, status</li> <li>• assessment of outcome</li> </ul>	To develop and manage water resources efficiently and effectively, the Government of Lao PDR has taken steps to introduce an integrated water resources management approach by promulgating the Water and Water Resources Law (the Law) in October 1996 and by establishing the WRCC in February 1998. With a request from the Government, ADB provided a technical assistance (TA3006-LAO) <sup>1</sup> to strengthen the WRCC through preparation of the National Water Sector Profile and Water Sector Strategy and Action Plan in 1997-98. With successful performance of that TA, ADB provided a follow-on (TA3205-LAO) <sup>2</sup> to keep the momentum and prepare a national water policy and a draft decree required to implement the Water Law. These TAs have been quite

<sup>1</sup> TA 3006-LAO: *Institutional Strengthening for the Water Resources Coordination Committee*, for \$260,000, was approved in April 1997.

<sup>2</sup> TA 3205-LAO: *Implementation of the Water Sector Action Plan*, for \$300,000, was approved in June 1999.

	effective in assisting the Government to establish new institutes and prepare relevant plans, policies, laws, and decrees.
6. Executing agency, implementing agency, counterpart agency (for RETAs as applicable)	Ministry of Agriculture and Forestry
7. Cost and Financing Plan (i) ADB Financing (JSF, TASF) (ii) Sources other than JSF/TASF	\$250,000, JSF
8. Country, RETA IPF for relevant year	\$5.0 million

— = not applicable, ADB = Asian Development Bank, AFTA = advisory technical assistance, AWD = Agriculture and Social Sector Department, AWFN = Forestry and Natural Resources Division, CAP = country assistance plan, CPI = core poverty intervention, CSP = country strategy and program, JSF = Japan Special Fund, Lao PDR = Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, PWD = Programs Department (West), RETA = regional technical assistance, RM = resident mission, TA = technical assistance, TASF = Technical Assistance Special Fund, WRCC = Water Resources Coordination Committee.

<sup>a</sup> Economic growth, human development, gender and development, good governance, environmental protection, private sector development, regional cooperation, and support for Bank operations (for RETAs).

<sup>b</sup> Year of inclusion in CSP or CAP for transition period.

### TA Concept Paper for Local Resource Mobilization for Municipal Authorities

A. Profile	
Department, Division, RM, Officer Concerned:	AWD/AWWU/G. Cezayirli
Type of TA (ADTA, PPTA, RETA):	ADTA
Name of Loan Project to follow (if PPTA):	—
Country/Region (as applicable):	Lao PDR
Sector/Subsector:	Social Infrastructure/Urban Development and Housing
Poverty Classification and Thematic Priorities <sup>a</sup> :	Good Governance
Program Year <sup>b</sup> :	2002
Expected Approval Date (mo/yr):	May 2002
Estimated Completion Date:	Mar 2003
B. Concept and Design	
1. Rationale (specific problem/issues to be addressed in TA)	To help the urban local authorities improve their revenues to better perform their functions of urban development and management. To study and develop a mechanism for systematic and predictable intergovernmental transfers and measures for tapping local financial resources to finance urban development.
2. Relation to Strategic Objectives (How the TA addresses the following) <ul style="list-style-type: none"> <li>• poverty reduction/thematic priorities</li> <li>• country strategy (where applicable)</li> <li>• regional cooperation</li> </ul>	The TA will lead to revenue mobilization and improved financial management. It will also support Government's reform for decentralized urban governance whereby UDAs are entrusted greater financial and administrative autonomy.
3. Scope (specific major components, e.g. capacity building)	Review (i) intergovernmental transfers, (ii) scope for property-related taxes, user charges and fees, and (iv) scope for outsourcing private sector in urban development; and propose a realistic plan to enhance revenues and strengthen the accounting and budgeting procedures of UDAs.
4. Expected Outcome and Monitorable Indicators	Recommendations for financial autonomy, local resource mobilization, private sector participation and intergovernment transfers resulting in enhanced revenues and financial capacities at UDAs.
5. Previous TA(s) on the Same Theme, in the sector, country, region (last five years) <ul style="list-style-type: none"> <li>• name, amount, status</li> <li>• assessment of outcome</li> </ul>	(i) TA 2972: Support to Urban Development Administration Authorities (1997) for \$500,000 – Completed in July 2000, the TA assisted the newly established UDAs in the development and establishment of systems and procedures for implementation, procurement, and O&M.  (ii) TA 3331: Capacity Building for UDAs (1999) for \$600,000 —ongoing.
6. Executing agency, implementing agency, counterpart agency (for RETAs as applicable)	To be determined

7. Cost and Financing Plan (i) ADB Financing (JSF, TASF) (ii) Sources other than JSF/TASF	\$500,000 (JSF)
8. Country, RETA IPF for relevant year	\$5.0 million

— = not applicable, ADB = Asian Development Bank, ADBA = advisory technical assistance, AWD = Agriculture and Social Sector Department, AWWU = Water Supply, Urban Development and Housing Division, CAP = Country Assistance Plan, CSP = country strategy and program, JSF = Japan Special Fund, Lao PDR = Lao People's Democratic Republic, O&M = operations and maintenance, PPTA = project/program preparatory technical assistance, RETA = regional technical assistance, RM = resident mission, TA = technical assistance, TASF = Technical Assistance Special Fund, UDAA = Urban Development Administration Authority.

<sup>a</sup> Economic growth, human development, gender and development, good governance, environmental protection, private sector development, regional cooperation, and support for Bank operations (for RETAs).

<sup>b</sup> Year of inclusion in CSP or CAP for transition period.

## TA Concept Paper for Strengthening Decentralized Education Management

<b>A. Profile</b>	
Department, Division, RM, Officer Concerned:	AWD/AWEH/Y. Hirosato
Type of TA (ADTA, PPTA, RETA):	ADTA
Name of Loan Project to follow (if PPTA):	
Country/Region (as applicable):	Lao PDR
Sector/Subsector:	Social Infrastructure/Education
Poverty Classification and Thematic Priorities <sup>a</sup> :	Human Development/Good Governance
Program Year <sup>b</sup> :	2002
Expected Approval Date (mo/yr):	January 2002
Estimated Completion Date:	September 2002
<b>B. Concept and Design</b>	
1. Rationale (specific problem/issues to be addressed in TA)	The Government issued a prime minister's decree on decentralization in April 2000. In order to strengthen the capacity for implementing the decentralization decree in the basic education sector with good governance, the Government has requested ADB to assist the MOE in developing a long term decentralization strategy and capacity building plan, and operational guidelines on decentralized education management. In particular, the institutional, human resource, and management capacity of PESs and DEBs are weak and need to be strengthened to support and sustain the investments to be made in the basic education sector. The TA will complement the efforts to strengthen the capacity of PESs and DEBs in delivering teacher training, school construction, community assistance programs under the proposed Second Education Quality Improvement Project and the ongoing Basic Education (Girls) Project.
2. Relation to Strategic Objectives (How the TA addresses the following) <ul style="list-style-type: none"> <li>• poverty reduction/thematic priorities</li> <li>• country strategy (where applicable)</li> <li>• regional cooperation</li> </ul>	In the long term, the TA will strengthen the capacity of PESs in setting a higher priority for allocating recurrent budget to the basic education sector, which will contribute to poverty reduction through human development. It will also contribute to good governance by increasing transparency, efficiency, and accountability to allocate the funds to PESs, DEBs and communities/ villages while strengthening the capacity of MOE in monitoring and supervising the decentralized education management process. Therefore, the TA is in line with the CSP's strategic focus on poverty reduction, social development, and good governance.
3. Scope (specific major components, e.g. capacity building)	The TA will cover the following four components: (i) review of policies, laws, and regulations that regulate the basic education system, and based on the review, any modifications to strengthen the decentralization efforts; (ii) preparation of a long term (2002-2010) strategic plan for the decentralization of basic education system; (iii) preparation of a long term capacity building plan based on the institutional and training needs assessment; and (iv) development of operational guidelines on

	decentralized education management (planning, budgeting, and staffing) for PESs and DEBs.
4. Expected Outcome and Monitorable Indicators	On completion of the TA, the following outputs are expected: (i) a long term (2002-2010) strategic plan for the decentralization of basic education system; (ii) a long term capacity building plan; and (iii) operational guidelines on decentralized education management.
5. Previous TA(s) on the Same Theme, in the sector, country, region (last five years) <ul style="list-style-type: none"> <li>• name, amount, status</li> <li>• assessment of outcome</li> </ul>	ADB assisted the Government in developing the Education Sector Development Plan under TA No. 3014-LAO: Education Sector Development Plan, for \$ 530,000, approved in 1998. The plan, which published by ADB in July 2000, analyzed the status of education governance, planning and administration. ADB also supports Public Expenditure Review (ongoing) including the education sector, and recommends that the capacity of PESs and DEBs in planning, budgeting, and staffing need to be strengthened under the decentralized education management.
6. Executing agency, implementing agency, counterpart agency (for RETAs as applicable)	MOE (in cooperation with PESs and DEBs)
7. Cost and Financing Plan <ul style="list-style-type: none"> <li>(i) ADB Financing (JSF, TASF)</li> <li>(ii) Sources other than JSF/TASF</li> </ul>	(i) \$500,000
8. Country, RETA IPF for relevant year	\$5.0 million

ADB = Asian Development Bank, ADTA = advisory technical assistance, AWEH = Education, Health and Population Division, AWD = Agriculture and Social Sectors Department, CAP = country assistance plan, CSP = Country Strategy and Program, DEB = District Education Bureaus, JSF = Japan Special Fund, Lao PDR = Lao People's Democratic Republic, MOE = Ministry of Education, PES = Provincial Education Services, PPTA = project/program preparatory technical assistance, RETA = regional technical assistance, RM = resident mission, TA = technical assistance, TASF = Technical Assistance Special Fund.

<sup>a</sup> Economic growth, human development, gender and development, good governance, environmental protection, private sector development, regional cooperation, and support for Bank operations (for RETAs).

<sup>b</sup> Year of inclusion in CSP or CAP for transition period.

### TA Concept Paper for Strengthened Governance and Management in SOCBs 2

A. Profile	
Department, Division, RM, Officer Concerned:	IWD/IWFI/LRM/ Eric Manes
Type of TA (ADTA, PPTA, RETA):	ADTA (Piggy Back)
Name of Loan Project to follow (if PPTA):	
Country/Region (as applicable):	Lao PDR
Sector/Subsector:	Finance / Banking
Poverty Classification and Thematic Priorities <sup>a</sup> :	Pro-poor growth / governance and private sector development
Program Year <sup>b</sup> :	2002
Expected Approval Date (mo/yr):	May 2002
Estimated Completion Date:	May 2003
B. Concept and Design	
1. Rationale (specific problem/issues to be addressed in TA)	State-owned Commercial Banks (SOCB) undergoing fundamental financial and operational restructuring as part of financial sector program loan. Key issue in ability of SOCBs to undertake operation turnaround is lack of good management and poor corporate governance. TA will focus on providing management inputs to SOCBs undergoing restructuring (e.g. management contracts, twinning, etc.). Operational improvements will be condition for phased financial restructuring of SOCBs identified as key loan condition for Financial Sector Program Loan
2. Relation to Strategic Objectives (How the TA addresses the following) <ul style="list-style-type: none"> <li>• poverty reduction/thematic priorities</li> <li>• country strategy (where applicable)</li> <li>• regional cooperation</li> </ul>	Country strategy emphasizes poverty reduction through growth and private sector development. Financial discipline is needed to ensure limited resources are used efficiently and to develop robust private sector. Banks should enforce financial discipline by being oriented to performance and accountable for results.
3. Scope (specific major components, e.g. capacity building)	Financing of management inputs to SOCB operational restructuring, (e.g. management contracts, twinning arrangements). Capacity building for SOCB staff in operational areas such as risk management, accounting and auditing, international operations.
4. Expected Outcome and Monitorable Indicators	Operational improvements in SOCBs. Compliance with Governance Enhancement Contracts and prudential regulations.
5. Previous TA(s) on the Same Theme, in the sector, country, region (last five years) <ul style="list-style-type: none"> <li>• name, amount, status</li> <li>• assessment of outcome</li> </ul>	PPTA to prepare financial sector program loan, including formulation of restructuring program. / \$400,000 / proposed
6. Executing agency, implementing agency, counterpart agency (for RETAs as applicable)	Bank of Lao PDR

7. Cost and Financing Plan (i) ADB Financing (JSF,TASF) (ii) Sources other than JSF/TASF	\$650,000 of which \$600,000 will be financed by the TA (JSF) and the remainder will be financed by the Government. Cofinancing will be sought.
8. Country, RETA IPF for relevant year	\$5.0 million

ADB = Asian Development Bank, ADB = advisory technical assistance, CAP = country assistance plan, CSP = country strategy and program, IWD = Infrastructure, Energy and Financial Sectors Department, IWFI = Financial Sector and Industry Division, JSF = Japan Special Fund, Lao PDR = Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, RETA = regional technical assistance, RM = resident mission, SOCB = State-owned commercial bank, TA = technical assistance, TASF = Technical Assistance Special Fund.

<sup>a</sup> Economic growth, human development, gender and development, good governance, environmental protection, private sector development, regional cooperation, and support for Bank operations (for RETAs).

<sup>b</sup> Year of inclusion in CSP or CAP for transition period.

### TA Concept Paper for Power Sector Development

<b>A. Profile</b>	
Department, Division, RM, Officer Concerned:	IWD/IWEN/S. Chander
Type of TA (ADTA, PPTA, RETA):	ADTA
Name of Loan Project to follow (if PPTA):	—
Country/Region (as applicable):	Lao PDR
Sector/Subsector:	Energy/Power
Poverty Classification and Thematic Priorities <sup>a</sup> :	Economic Growth
Program Year <sup>b</sup> :	2002
Expected Approval Date (mo/yr):	September 2002
Estimated Completion Date:	August 2003
<b>B. Concept and Design</b>	
1. Rationale (specific problem/issues to be addressed in TA)	Hydropower is the major non-agriculture industry in terms of contribution to total economic output, fiscal revenue, and export earnings. Only 623 MW of a Government estimated potential 18,000 MW of hydropower generation capacity have been developed. Moreover, Lao PDR has one of the lowest levels of electrification in Asia with only 17 percent of the population, and 2 percent of rural households, connected to the power grid. The Government aims to accelerate power development and substantially increase electricity exports. Key challenges in developing the sector include the need for: (i) better and more transparent integration of social and environmental concerns and enforcement mechanisms into sector planning; (ii) increasing domestic tariffs to cover financial production costs at least in urban areas with a transparent subsidy scheme for the rural poor area; (iii) expanding rural electrification coverage; (iv) more effective subregional cooperation through diversifying the export market; (v) prioritizing the proposed hydropower generation projects and developing the most suitable financing scheme for them; (vi) improving the regulatory framework and enforcement mechanisms to encourage increased private sector investment; (vii) institutional strengthening, especially in financial planning, management, and negotiation capacity with developers.
2. Relation to Strategic Objectives (How the TA addresses the following) <ul style="list-style-type: none"> <li>• poverty reduction/thematic priorities</li> <li>• country strategy (where applicable)</li> <li>• regional cooperation</li> </ul>	ADB strategy emphasizes active involvement in the power sector in policy and planning support, and institutional strengthening, in financing power supply and distribution, and in encouraging private sector investment in the sector.
3. Scope (specific major components, e.g. capacity building)	Address the abovementioned constraints in the power sector development. Details will be developed in consultation with other possible cofinanciers and the Government.
4. Expected Outcome and Monitorable Indicators	To be determined
5. Previous TA(s) on the Same Theme, in the sector, country, region (last five years) <ul style="list-style-type: none"> <li>• name, amount, status</li> <li>• assessment of outcome</li> </ul>	ADB is currently preparing an Energy Sector Strategy Study.

6. Executing agency, implementing agency, counterpart agency (for RETAs as applicable)	Electricité du Laos
7. Cost and Financing Plan (i) ADB Financing (JSF, TASF) (ii) Sources other than JSF/TASF	\$400,000 (JSF)
8. Country, RETA IPF for relevant year	\$5 million

— = not applicable, ADB = Asian Development Bank, ADBTA = advisory technical assistance, CAP = country assistance plan, CSP = country strategy and program, IWD = Infrastructure, Energy and Financial Sector Department, IWEN = Energy Division, JSF = Japan Special Fund, Lao PDR = Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, RETA = regional technical assistance, RM = resident mission, TA = technical assistance, TASF = Technical Assistance Special Fund.

<sup>a</sup> Economic growth, human development, gender and development, good governance, environmental protection, private sector development, regional cooperation, and support for Bank operations (for RETAs).

<sup>b</sup> Year of inclusion in CSP or CAP for transition period.

## TA Concept Paper for Northern Regional Development Plan

<b>A. Profile</b>	
Department, Division, RM, Officer Concerned:	PWD/PW3/G.H. Kim
Type of TA (ADTA, PPTA, RETA):	ADTA
Name of Loan Project to follow (if PPTA):	—
Country/Region (as applicable):	Lao PDR
Sector/Subsector:	Others
Poverty Classification and Thematic Priorities <sup>a</sup> :	Good Governance
Program Year <sup>b</sup> :	2002
Expected Approval Date (mo/yr):	March 2002
Estimated Completion Date:	December 2002
<b>B. Concept and Design</b>	
1. Rationale (specific problem/issues to be addressed in TA)	The Government plans to half the poverty by 2005. To achieve this ambitious target, there is a need to develop and implement well-formulated broad-based development plan in the Northern area, which have the highest poverty incidence. This is particularly critical considering the scattered and remote population combined with a large portion of non-monetized economy.
2. Relation to Strategic Objectives (How the TA addresses the following) <ul style="list-style-type: none"> <li>• poverty reduction/thematic priorities</li> <li>• country strategy (where applicable)</li> <li>• regional cooperation</li> </ul>	ADB will primarily focus on northern region provinces, which have the highest poverty incidence. Development of comprehensive regional development plan is critical to ensure relevant geographically focused development.
3. Scope (specific major components, e.g. capacity building)	Preliminary the project will include: analyzing development potential in Northern region, review the existing and planned development activities, and prepare a comprehensive northern region development plan.
4. Expected Outcome and Monitorable Indicators	Preparation of Northern Regional Development Plan.
5. Previous TA(s) on the Same Theme, in the sector, country, region (last five years) <ul style="list-style-type: none"> <li>• name, amount, status</li> <li>• assessment of outcome</li> </ul>	(i) SSTA 3266-LAO: Preparation of Public Investment Program, approved in September 1999. (ii) ADTA 3627-LAO: Institutional Strengthening of Public Investment Management, approved in January 2001.
6. Executing agency, implementing agency, counterpart agency (for RETAs as applicable)	Committee for Planning and Cooperation
7. Cost and Financing Plan <ul style="list-style-type: none"> <li>(i) ADB Financing (JSF, TASF)</li> <li>(ii) Sources other than JSF/TASF</li> </ul>	\$500,000 (JSF)
8. Country, RETA IPF for relevant year	\$5 million

— = not applicable, ADB = Asian Development Bank, ADTA = advisory technical assistance, CAP = country assistance plan, CSP = country strategy and program, JSF = Japan Special Fund, Lao PDR = Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, PWD = Programs Department (West), PW3 = Programs Department (West) Division 3, RETA = regional technical assistance, RM = resident mission, SSTA = small scale technical assistance, TA = technical assistance, TASF = Technical Assistance Special Fund.

<sup>a</sup> Economic growth, human development, gender and development, good governance, environmental protection, private sector development, regional cooperation, and support for Bank operations (for RETAs).

<sup>b</sup> Year of inclusion in CSP or CAP for transition period.

## TA Concept Paper for Project Implementation and Performance Monitoring

<b>A. Profile</b>	
Department/Division/RM/ Officer Concerned:	COPP/PW3/LRM/ Teng Zhijia
Type of TA (ADTA/PPTA/RETA):	ADTA
Name of Loan Project to follow (if PPTA):	—
Country/Region (as applicable):	Lao PDR
Sector/Subsector	Others
Poverty Classification and Thematic Priorities <sup>3</sup>	Good governance
Program Year <sup>4</sup> :	2002
Expected Approval Date (mo/yr):	March 2002
Estimated Completion Date	March 2004
<b>Part B: Project Concept and Design</b>	
1. Rationale (Problem/issues to be addressed in TA. Please be specific)	Sustainable economic growth through infrastructure investments is given high priority in the Government economic development strategy. The Government's and donors' past investments and operations have a positive contribution to the country's economic development. To enhance the development impact, timely and effective monitoring and evaluating project implementation and performance are important and necessary. However, there is lack of an effective independent monitoring and evaluation system and a capable permanent team/unit to monitor and evaluate the project planning, implementation and management of the increasing investment projects. The Government fully recognizes the urgent needs to establish an independent workable monitoring and evaluation system and build up a capable professional team/unit for undertaking the tasks and responsibilities.
2. Relation to strategic objectives (How the TA addresses the following) <ul style="list-style-type: none"> <li>• Poverty reduction, thematic priorities</li> <li>• Country strategy (where applicable)</li> <li>• Regional cooperation</li> </ul>	Country strategy emphasizes that the Government and ADB need to be more accountable for their investment, with more transparency, accountability, and stakeholder involvement in all stages of planning and implementation. A workable mechanism and adequate capability of the Government to monitor and evaluate the investment performance in all stages of planning and implementation could help improve the efficiency, effectiveness, transparency and accountability of the investment.
3. Scope (major components, e.g., capacity building. Please be specific)	Assisting the Government in establishing and strengthening a new capable department of investment monitoring and evaluation in CPC; Strengthening a CPC training center to be established for investment planning, implementation and management; Providing trouble-shooting assistance during transition period.

<sup>3</sup> Economic growth, human development, gender and development, good governance, environmental protection, private sector development, regional cooperation, and support for Bank operations (for RETAs).

<sup>4</sup> Year of inclusion in CSP or CAP for transition period.

4. Expected outcome and monitorable indicators	Documented guidelines, procedures and performance evaluation criteria for investment projects monitoring and evaluation; Operational new department of investment monitoring and evaluation in CPC; Strengthened CPC training center for investment planning, implementation and management; Timely trouble-shooting assistance in investment planning, implementation, and management during transition period.
5. Previous TA(s) on the same theme, in the sector/country/region (last five years) <ul style="list-style-type: none"> <li>• name/amount/status</li> <li>• assessment of outcome</li> </ul>	<ul style="list-style-type: none"> <li>• ADTA 2857-LAO: Institutional Strengthening of the Procurement Monitoring Office-Phase II / \$400,000/ approved in Aug. 1997;</li> <li>• SSTA 3266-LAO: Preparation of Public Investment Program/ \$150,000/ approved in Sept. 1999;</li> <li>• ADTA 3285-LAO: Strengthening the Capacity of Aid Co-ordination and Monitoring/ \$680,000/ approved in Oct. 1999;</li> <li>• ADTA 3626-LAO:Capacity Building in Project Financial Management / \$400,000 / approved in Jan. 2001;</li> <li>• ADTA 3627-LAO: Institutional Strengthening of Public Investment Management / \$500,000 / approved in Jan. 2001</li> </ul> <p>Progress has been made, supported by a series of ADB ADTAs, in establishing, enhancing, rationalizing and improving ODA-funded investments planning, financial management, procurement management, aid co-ordination and monitoring. However, there is still considerable scope for further improvement in monitoring and evaluating public investment planning, implementation and management in a systematic, professional and sustainable manner.</p>
6. Executing agency/ implementing agency/ counterpart agency (for RETAs as applicable)	Committee for Planning and Cooperation
7. Cost and Financing Plan <ul style="list-style-type: none"> <li>(i) Bank financing (JSF/TASF)</li> <li>(ii) Sources other than JSF/TASF</li> </ul>	\$600,000 of which \$500,000 will be financed by the TA (JSF) and the remainder will be financed by the Government.
8. Country/RETA IPF for relevant year	\$5 million

— = not applicable, ADB = Asian Development Bank, ADTA = advisory technical assistance, COPP = Project Coordination and Procurement Division, CPC = Committee for Planning and Cooperation, JSF = Japan Special Fund, Lao PDR = Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, LRM = Lao Resident Mission, ODA = official development assistance, PW3 = Programs Department (West) Division 3, RETA = regional technical assistance, RM = resident mission, SDP = sector development program, SPC = State Planning Committee, TA = technical assistance, TASF = Technical Assistance Special Fund.

<sup>a</sup> Economic growth, human development, gender and development, good governance, environmental protection, private sector development, regional cooperation, and support for Bank operations (for RETAs).

<sup>b</sup> Year of inclusion in CSP or CAP for transition period.

### TA Concept Paper for Health Sector Efficiency and Management

<b>A. Profile</b>	
Department, Division, RM, Officer Concerned:	AWD/AWEH/V. de Wit
Type of TA (ADTA, PPTA, RETA):	PPTA
Name of Loan Project to follow (if PPTA):	—
Country/Region (as applicable):	Lao PDR
Sector/Subsector:	Health/Primary Health Care
Poverty Classification and Thematic Priorities <sup>a</sup> :	Poverty Project Human Development/Gender
Program Year <sup>b</sup> :	2003
Expected Approval Date (mo/yr):	October 2003
Estimated Completion Date:	December 2004
<b>B. Concept and Design</b>	
1. Rationale (specific problem/issues to be addressed in TA)	ADB has been assisting MOH to expand PHC coverage in northern Lao PDR, and strengthen PHC management nationwide. Overall, the PHC system that has been put in place remains of poor quality and underutilized, in particular by the poor, thus not achieving basic standards of equity, efficiency and effectiveness. Main reasons are (i) serious underfunding of the health sector resulting in poor quality of care due to staff, supplies and supervision constraints; (ii) inadequate targeting of limited resources; (iii) fragmentation of management, services and funding due to lack of integration of vertical programs in provincial plans; and (iv) limited management capacity with inadequate delegation of authority.
2. Relation to Strategic Objectives (How the TA addresses the following) <ul style="list-style-type: none"> <li>• poverty reduction/thematic priorities</li> <li>• country strategy (where applicable)</li> <li>• regional cooperation</li> </ul>	PHC development mostly benefits the poor, women and children.  ADB is a leading donor in the health sector.
3. Scope (specific major components, e.g. capacity building)	To prepare the SDP to help finance provincial health plans. The PPTA will (i) facilitate a consultative process between the central and provincial Governments and donors to agree on provincial to agree on provincial strategies, plans and funding; and (ii) conduct the studies and prepare the documentation for the SDP loan.
4. Expected Outcome and Monitorable Indicators	The ensuing project will help to achieve provincial health sector targets, including reduction of infant and maternal mortality and fertility, and program targets.
5. Previous TA(s) on the Same Theme, in the sector, country, region (last five years) <ul style="list-style-type: none"> <li>• name, amount, status</li> <li>• assessment of outcome</li> </ul>	(i) PPTA for PHC Expansion, for \$750,000, provided a high quality project proposal fully owned by the Government.  (ii) ADTA for PHC Capacity Building, for \$800,000, provided essential policy reform support in PHC development and financing.
6. Executing agency, implementing agency, counterpart agency (for RETAs as applicable)	Ministry of Health/Provincial Health Offices.

7. Cost and Financing Plan (i) ADB Financing (JSF, TASF) (ii) Sources other than JSF/TASF	\$700,000 (JSF)
8. Country, RETA IPF for relevant year	\$5 million

— = not applicable, ADB = Asian Development Bank, ADTA = advisory technical assistance, AWD = Agriculture and Social Sectors Department (West), AWEH = Education, Health and Population Division, JSF = Japan Special Fund, Lao PDR = Lao People's Democratic Republic, MOH = Ministry of Health, PHC = primary health care, PPTA = project/program preparatory technical assistance, PWD = Programs Department (West), PW3 = Programs Department (West) Division 3, RETA = regional technical assistance, RM = resident mission, SDP = sector development program, SSTA = small scale technical assistance, TA = technical assistance, TASF = Technical Assistance Special Fund.

<sup>a</sup> Economic growth, human development, gender and development, good governance, environmental protection, private sector development, regional cooperation, and support for Bank operations (for RETAs).

<sup>b</sup> Year of inclusion in CSP or CAP for transition period.

### TA Concept Paper for Basic Education Development

<b>A. Profile</b>	
Department, Division, RM, Officer Concerned:	AWD/AWEH/Y. Hirosato
Type of TA (ADTA, PPTA, RETA):	PPTA
Name of Loan Project to follow (if PPTA):	—
Country/Region (as applicable):	Lao PDR
Sector/Subsector:	Social Infrastructure/Education
Poverty Classification and Thematic Priorities <sup>a</sup> :	Poverty Intervention/Human Development/Gender and Development
Program Year <sup>b</sup> :	2003/2004
Expected Approval Date (mo/yr):	February 2004
Estimated Completion Date:	November 2004
<b>B. Concept and Design</b>	
1. Rationale (specific problem/issues to be addressed in TA)	The Government aims to achieve a goal of universal primary education by 2015. To achieve this goal, there is need to address the issues including inadequate access to complete primary education especially by female ethnic minority groups in remote areas, weak planning and management capabilities, inadequate financing of recurrent costs, and poor quality of teaching and learning environment. In order to adequately address these persistent issues, it is proposed to adopt a sector development program approach, in which ADB will emphasize the need for policy reforms to (i) redress existing inequalities in basic education and imbalances between recurrent and capital expenditures; and (ii) provide more efficient delivery of education services including teacher training, school construction, and community assistance programs. In particular, the investments being made under the Basic Education (Girls) Project which promotes multigrade education in remote areas need to be sustained and further supported.
2. Relation to Strategic Objectives (How the TA addresses the following) <ul style="list-style-type: none"> <li>• poverty reduction/thematic priorities</li> <li>• country strategy (where applicable)</li> <li>• regional cooperation</li> </ul>	The ensuing loan will contribute to reduce poverty by helping the poor, and ethnic minority groups (especially females) in increasing their access to complete primary and lower secondary education with better quality.
3. Scope (specific major components, e.g. capacity building)	The ensuing loan will comprise program loan and project investments. The program loan will support policy and institutional reforms including provision of recurrent expenditure (teacher salaries) in a phased manner if warranted. Project investments will cover the following three components: (i) increasing access to primary and lower secondary education by the poor, and ethnic minority groups (especially, by female groups) in remote areas; (ii) improving the quality, efficiency and relevance of primary and lower secondary education through the delivery of in-service teacher training; and (iii) strengthening the capacity of Provincial Education Services, District Education Bureaus, and communities/villages in managing the decentralized education system in selected provinces and districts.

4. Expected Outcome and Monitorable Indicators	On completion of the ensuing loan, it is expected that (i) recurrent expenditure for education including teacher salaries will be increased above 1.8 percent of GDP; and (ii) primary net enrollment rate will be increased to 85 percent and lower secondary enrollment to 60 percent.
5. Previous TA(s) on the Same Theme, in the sector, country, region (last five years) <ul style="list-style-type: none"> <li>• name, amount, status</li> <li>• assessment of outcome</li> </ul>	Previous TAs are: TA No. 2557–Lao: Women’s Education Project, for \$380,000, approved in 1996. The ensuing project was approved in 1998. TA No. 3294–Lao: Second Education Quality Improvement Project, for \$600,000 approved in 1999. The ensuing project is expected to be approved as a firm loan for 2002.
6. Executing agency, implementing agency, counterpart agency (for RETAs as applicable)	Ministry of Education
7. Cost and Financing Plan <ul style="list-style-type: none"> <li>(i) ADB Financing (JSF, TASF)</li> <li>(ii) Sources other than JSF/TASF</li> </ul>	\$700,000
8. Country, RETA IPF for relevant year	\$5.0 million

— = not applicable, ADB = Asian Development Bank, ADTA = advisory technical assistance, AWD = Agriculture and Social Sectors Department (West), AWEH = Education, Health and Population Division, JSF = Japan Special Fund, Lao PDR = Lao People’s Democratic Republic, PPTA = project/program preparatory technical assistance, PWD = Programs Department (West), PW3 = Programs Department (West) Division 3, RETA = regional technical assistance, RM = resident mission, SSTA = small scale technical assistance, TA = technical assistance, TASF = Technical Assistance Special Fund.

<sup>a</sup> Economic growth, human development, gender and development, good governance, environmental protection, private sector development, regional cooperation, and support for Bank operations (for RETAs).

<sup>b</sup> Year of inclusion in CSP or CAP for transition period.

### TA Concept Paper for SME Development

<b>A. Profile</b>	
Department, Division, RM, Officer Concerned:	IWD/AWD IWFI/AWAR LRM E. Manes
Type of TA (ADTA, PPTA, RETA):	PPTA
Name of Loan Project to follow (if PPTA):	SME Development
Country/Region (as applicable):	Lao PDR
Sector/Subsector:	Financial/Enterprise Sector
Poverty Classification and Thematic Priorities <sup>a</sup> :	Pro-poor growth / private sector development
Program Year <sup>b</sup> :	2004
Expected Approval Date (mo/yr):	April 2004
Estimated Completion Date:	February 2005
<b>B. Concept and Design</b>	
1. Rationale (specific problem/issues to be addressed in TA)	SME Sector is small, inefficient and lacks access to resources. Policy environment is tilted toward government owned or government connected enterprises due to unaccommodating legal and regulatory system and bureaucratic red tape. Access to finance and access to input and output markets is limited for the SME sector. Banks do not lend to SME because of perceived high transaction costs and lack ability for SME to prepare bankable financial projects. No alternative sources for finance at present. SMEs have difficulty with market knowledge and client contact. Government has no focal point for SME development and private sector has no client oriented support and lobby mechanisms.
2. Relation to Strategic Objectives (How the TA addresses the following) <ul style="list-style-type: none"> <li>• poverty reduction/thematic priorities</li> <li>• country strategy (where applicable)</li> <li>• regional cooperation</li> </ul>	Most private sector enterprises are SME. Prospect for future economic growth with equity and broad based employment generation dependent on ability of SMEs to enter and operate in a commercially oriented policy environment throughout the country. Given country size, rural nature and low population density, SME promotion is a centerpiece for private sector development.
3. Scope (specific major components, e.g. capacity building)	Suggestions for improvement in legal and regulatory environment for SME start-ups and expansion of existing SMEs (such as adjustments in the commercial code and enterprise law). Review and proposal of systems to help SMEs prepare bankable projects and obtain market information. Assistance to banks in appraisal of SME projects. Review of accounting framework for application to SME. Creation of and assistance to focal point in Government for SME development
4. Expected Outcome and Monitorable Indicators	Strategy for SME development owned by Government  Focal point in Government concerned with SME development. Higher awareness of issues facing SMEs. Inventory of legal and regulatory issues that require attention. Suggestions for better system for appraising SME projects in banks. Suggestions for SME based accounting system.
5. Previous TA(s) on the Same Theme, in the	No TAs in last five years for SME development

sector, country, region (last five years) <ul style="list-style-type: none"> <li>• name, amount, status</li> <li>• assessment of outcome</li> </ul>	
6. Executing agency, implementing agency, counterpart agency (for RETAs as applicable)	To be determined. Possibly Prime Minister's Office, Ministry of Finance or Ministry of Industry and Handicrafts.
7. Cost and Financing Plan <ul style="list-style-type: none"> <li>(i) ADB Financing (JSF, TASF)</li> <li>(ii) Sources other than JSF/TASF</li> </ul>	\$750,000 of which \$700,000 to be finance by Bank JSF. Cofinancing will be investigated.
8. Country, RETA IPF for relevant year	\$5 million

ADB = Asian Development Bank, ADBA = advisory technical assistance, AWAR = Agriculture and Rural Development Division, AWD = Agriculture and Social Sectors Department, IWD = Infrastructure, Energy and Financial Sectors Department, IWFI = Financial Sector and Industry Division, JSF = Japan Special Fund, Lao PDR = Lao People's Democratic Republic, LRM = Lao Resident Mission, PPTA = project/program preparatory technical assistance, RETA = regional technical assistance, RM = resident mission, SME = small and medium-size enterprise, TA = technical assistance, TASF = Technical Assistance Special Fund.

<sup>a</sup> Economic growth, human development, gender and development, good governance, environmental protection, private sector development, regional cooperation, and support for Bank operations (for RETAs).

<sup>b</sup> Year of inclusion in CSP or CAP for transition period.

### TA Concept Paper for Northern Rural Access Roads Improvement

<b>A. Profile</b>	
Department, Division, RM, Officer Concerned:	IWD/IWTC/S. Widowati
Type of TA (ADTA, PPTA, RETA):	PPTA
Name of Loan Project to follow (if PPTA):	Northern Rural Access Roads Project
Country/Region (as applicable):	Lao PDR
Sector/Subsector:	Transport/Roads
Poverty Classification and Thematic Priorities <sup>a</sup> :	Poverty - Poverty Intervention Thematic - Economic Growth
Program Year <sup>b</sup> :	2004
Expected Approval Date (mo/yr):	November 2004
Estimated Completion Date:	December 2005
<b>B. Concept and Design</b>	
1. Rationale (specific problem/issues to be addressed in TA)	<p>During the last five years Lao PDR has achieved considerable economic growth and reduced incidence of poverty from 45 to 38.6 percent. However, significant disparity was identified in the incidence of poverty across regions as well as between urban and rural areas. The incidence of poverty is highest in the northern region. While economic growth has helped reduce poverty, the better-off benefited more than the poor. Interventions are needed in the rural northern area more than in other areas.</p> <p>The economy of the area depends largely on the performance of rural sector. Lack of access has greatly inhibited development of the agriculture sector, the mainstay of the national economy and sustenance of still largely subsistence-oriented rural population. Transport for access to markets and a regular supply of agricultural inputs and extension services are severely limited or impossible. Many district centers are several days walk from national roads. Schools, health centers, and other facilities experience chronic lack of staff and supplies as a result of poor access.</p> <p>The Project will improve national and provincial roads in the poorest provinces in the northern region of the country to allow access of provincial capitals and district/community centers and to contribute to developing an effective internal road network. The Project will also provide community access and miscellaneous facilities in the poorest districts to open up remote rural areas and to allow the benefit of the network to the poor community.</p>
2. Relation to Strategic Objectives (How the TA addresses the following) <ul style="list-style-type: none"> <li>• poverty reduction/thematic priorities</li> <li>• country strategy (where applicable)</li> <li>• regional cooperation</li> </ul>	<p>The Project will contribute to poverty reduction and economic growth by improving transport efficiency, providing better access to employment opportunities and social facilities.</p> <p>The proposed TA will also explore possibilities of poverty intervention in the project scope and/or under JFPR facilities. Possible economic development and income generating activities complementary to the</p>

	<p>road improvement will be explored. Capacity building, particularly for local contracting industry and local government, will also be included in a comprehensive program.</p> <p>The scope of the study will be further defined based on the findings of ADTA: Northern Regional Development Plan (2002) and ADTA: Northern Socio-Economic Assessment (2003).</p> <p>The study will be consistent with the ADB's Country Strategy and Program and road sector strategy of (i) continuing development of the main network to connect all provincial capitals, serve rural community centers, promote tourism, and provide cross-border linkages; (ii) strengthening institutional capacity of local government; (iii) strengthening capacity of local contractors; and (iv) supporting sustainable road network in terms of maintenance, funding, heavy vehicle control, and social and environmental protection.</p>
3. Scope (specific major components, e.g. capacity building)	<p>The scope of the TA will be (i) reviewing the reports of ADTA: Northern Regional Development Plan (2002), ADTA: Northern Socio-Economic Assessment (2003), and DOR's Strategic Direction for Road Development<sup>5</sup>; (ii) preparing development priority and selection of the roads; (ii) preparing a feasibility study including economic analysis, benefits distribution analysis and poverty impact ratio for the selected roads; (iii) proposing poverty reduction and economic development interventions to be included; and (iv) reviewing and assessing capacity of local government and local contractors and proposing strategies and actions for improvement.</p>
4. Expected Outcome and Monitorable Indicators	<ul style="list-style-type: none"> <li>• Inception Report: 1<sup>st</sup> month – work plan and review related documents;</li> <li>• Interim Report: 4<sup>th</sup> month – development priority and road screening</li> <li>• Draft Final Report: 7<sup>th</sup> month - Tripartite Meeting</li> <li>• Final Report: 8<sup>th</sup> month</li> </ul>
<p>5. Previous TA(s) on the Same Theme, in the sector, country, region (last five years)</p> <ul style="list-style-type: none"> <li>• name, amount, status</li> <li>• assessment of outcome</li> </ul>	<ul style="list-style-type: none"> <li>• TA 2862-LAO: Management Information System II, for \$700,000, approved on 9 September 1997 and Supplementary, for \$280,000, approved on 14 March 2000. Completed. Outcome: Improved MCTPC capacity for procurement, consultant selection, project management, project coordination, and assistance in developing domestic contracting industry (privatization of SOEs)</li> <li>• TA 2889-LAO: Rural Access Roads Improvement, for \$600,000, approved on October 1997. Feasibility Study satisfactorily completed.</li> </ul>

<sup>5</sup> Prepared under ADB-TA 3070: *Road Infrastructure for Rural Development*, for \$720,000, approved on 17 September 1998

	<ul style="list-style-type: none"> <li>TA 3070-LAO: Road Infrastructure for Rural Development, for \$720,000, approved on 17 September 1998. Medium-term road investment satisfactorily completed.</li> </ul>
6. Executing agency, implementing agency, counterpart agency (for RETAs as applicable)	Ministry of Communications Transport Post and Construction; Department of Roads; Department of Communications Transport Post and Construction.
7. Cost and Financing Plan (i) ADB Financing (JSF, TASF) (ii) Sources other than JSF/TASF	Bank Financing: \$700,000 (JSF)
8. Country, RETA IPF for relevant year	\$5.0 million

ADB = Asian Development Bank, ADTA = advisory technical assistance, CAP = country assistance plan, CSP = country strategy and program, DOR = Department of Roads, JSF = Japan Special Fund, Lao PDR = Lao People's Democratic Republic, MCTPC = Ministry of Communications Transport Post and Construction, PPTA = project/program preparatory technical assistance, RETA = regional technical assistance, RM = resident mission, SOE = State-owned enterprise, TA = technical assistance, TASF = Technical Assistance Special Fund.

<sup>a</sup> Economic growth, human development, gender and development, good governance, environmental protection, private sector development, regional cooperation, and support for Bank operations (for RETAs).

<sup>b</sup> Year of inclusion in CSP or CAP for transition period.

## TA Concept Paper for Energy Development in the Northern Rural Area

<b>A. Profile</b>	
Department, Division, RM, Officer Concerned:	IWD/IWEN/S. Chander
Type of TA (ADTA, PPTA, RETA):	PPTA
Name of Loan Project to follow (if PPTA):	Energy Development in the Northern Rural Area
Country/Region (as applicable):	Lao PDR
Sector/Subsector:	Energy
Poverty Classification and Thematic Priorities <sup>a</sup> :	Economic Growth
Program Year <sup>b</sup> :	2004
Expected Approval Date (mo/yr):`	September 2004
Estimated Completion Date:	September 2005
<b>B. Concept and Design</b>	
1. Rationale (specific problem/issues to be addressed in TA)	Lao PDR has one of the lowest levels of electrification in Asia with only 17 percent of the population, and 2 percent of rural households, connected to the power grid. Expanding rural electrification coverage is critical to develop rural area and to reduce rural poverty in Lao PDR, especially in the poor northern region. Rural electrification will facilitate commercial development via impacts on human development, productivity, consumer demand, and new commercial opportunities.
2. Relation to Strategic Objectives (How the TA addresses the following) <ul style="list-style-type: none"> <li>• poverty reduction/thematic priorities</li> <li>• country strategy (where applicable)</li> <li>• regional cooperation</li> </ul>	Rural development and market linkages is one of the thematic priorities in ADB's strategy for Lao PDR. Rural infrastructure development including rural electrification is the key element. Geographically, ADB will primarily focus on the Northern region.
3. Scope (specific major components, e.g. capacity building)	Develop viable options for electrification including power generation in the northern rural area.
4. Expected Outcome and Monitorable Indicators	Feasibility study for electrification in northern area.
5. Previous TA(s) on the Same Theme, in the sector, country, region (last five years) <ul style="list-style-type: none"> <li>• name, amount, status</li> <li>• assessment of outcome</li> </ul>	PPTA for Northern Area Rural Power Distribution Project is ongoing.
6. Executing agency, implementing agency, counterpart agency (for RETAs as applicable)	Electricité du Laos
7. Cost and Financing Plan <ul style="list-style-type: none"> <li>(i) ADB Financing (JSF, TASF)</li> <li>(ii) Sources other than JSF/TASF</li> </ul>	\$700,000 (JSF)
8. Country, RETA IPF for relevant year	\$5 million

ADB = Asian Development Bank, ADTA = advisory technical assistance, CAP = country assistance plan, CSP = country strategy and program, IWD = Infrastructure, Energy and Financial Sector Department, IWEN = Energy Division, JSF = Japan Special Fund, Lao PDR = Lao People's Democratic Republic, PPTA = project/program preparatory technical assistance, RETA = regional technical assistance, RM = resident mission, TA = technical assistance, TASF = Technical Assistance Special Fund.

<sup>a</sup>Economic growth, human development, gender and development, good governance, environmental protection, private sector development, regional cooperation, and support for Bank operations (for RETAs).

<sup>b</sup>Year of inclusion in CSP or CAP for transition period.