



Country Operations Business Plan

August 2007

Lao People's Democratic Republic
2008–2010

Asian Development Bank

CURRENCY EQUIVALENTS

(as of July 2007)

Currency Unit	–	kip (KN)
\$1.00	=	KN9,600
KN1.00	=	\$0.0000971

ABBREVIATIONS

ADF	–	Asian Development Fund
ADTA	–	advisory technical assistance
CAP	–	country action plan
CPA	–	country performance assessment
CSP	–	country strategy and program
GDP	–	gross domestic product
GMS	–	Greater Mekong Subregion
Lao PDR	–	Lao People's Democratic Republic
LRM	–	Lao Resident Mission
MDG	–	Millennium Development Goal
NN3PC	–	Nam Ngum 3 power company
NT2	–	Nam Theun 2 Hydroelectric Project
OCR	–	ordinary capital resources
ODA	–	official development assistance
PBA	–	performance-based allocation
PPTA	–	project preparatory technical assistance
PSD	–	private sector development
PSOD	–	Private Sector Operations Department
RCSPU	–	regional cooperation strategy and program update
SEDP6	–	Sixth Five-Year National Socioeconomic Development Plan
SME	–	small and medium-sized enterprise
TA	–	technical assistance

WEIGHTS AND MEASURES

GWh	–	gigawatt hours
km	–	kilometer
Kv	–	kilovolt
m	–	meter
m ³	–	cubic meter
MW	–	megawatt

NOTES

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

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I. CONSISTENCY OF THE BUSINESS PLAN WITH THE CURRENT COUNTRY PARTNERSHIP STRATEGY

1. Sustainable economic growth, accelerated social development and poverty eradication are the strategic objectives of the poverty reduction strategy of the Government of the Lao People's Democratic Republic (the Government), as stated in the Sixth Socioeconomic Development Plan, 2006–2010 (SEDP6). The SEDP6 provides a coherent and cohesive development framework by focusing on and prioritizing the agriculture, health (including water supply), education and infrastructure sectors and accelerating reforms in key thematic areas (e.g. capacity development, governance [including public financial management], private sector development, regional integration, and natural resource management).

2. The Lao People's Democratic Republic (Lao PDR) is now witnessing a period of robust economic growth. Fueled by continued expansion in the mining and power sectors, gross domestic product (GDP) grew at 7.3% in 2006, with annual GDP growth rates projected to remain at 7.0% through to 2010; inflation has continued to drop, reaching 6.8% in 2006 and 5.3% for the first half of FY2006–2007 (October to March). The kip remained relatively stable throughout 2006 after appreciating against the Thai baht and the US dollar in 2005. Strong export growth offset increased foreign direct investment-related imports, resulting in a decline in the current account deficit from about 20% in 2005 to 13% in 2006, while the debt outlook has improved, and the ratio of debt service to revenues is estimated to have decreased from nearly 20% in 2005 to about 12% in 2006.¹ Lao PDR continues to be on track toward achieving its income-related Millennium Development Goals (MDGs), but not its non-income MDG commitments.

3. The country strategy and program 2007–2011 for Lao PDR (CSP)² of the Asian Development Bank (ADB) is aligned with and anchored in the Government's development framework, and seeks to promote pro-poor sustainable growth, foster social inclusiveness and improve governance. The strategy and associated program are highly selective and focused, featuring (i) strengthened and expanded strategic partnerships, (ii) the use of instruments that enable flexibility and responsiveness, and (iii) an emphasis on partnerships and developing capacity. The core of the strategy—a multi-partner move towards coordinated capacity development and program and/or sector-based approaches in core sectors—is supported by the Vientiane Declaration on Aid Effectiveness³ and its associated country action plan (CAP).⁴ CSP implementation is linked to a multi-partner effort to improve the quality of and access to basic education and preventive health services, to foster agricultural diversification and commercialization, and to improve the enabling environment for private sector development. Sector governance reforms are being complemented by a multi-partner initiative to enhance public financial management through the Public Expenditure Management Strengthening Program, aimed both at maintaining fiscal sustainability and enhancing the poverty impact of public spending. ADB's national program has been designed to complement the Greater Mekong Subregion (GMS) strategy and program, especially initiatives aimed at fostering connectivity, promoting large-scale foreign direct investment and creating regional public goods.

¹ World Bank. 2007. *Lao PDR Economic Monitor* Vientiane: World Bank Vientiane Office (July); Bank of Lao PDR. 2007. *Economic update on first half of the FY2006/07* Vientiane (June); ADB. 2007. *Asian Development Outlook, 2007*. Manila (April).

² ADB. 2006. *Country Strategy and Program (2007–2011)*. Lao PDR. Manila (endorsed by ADB's Board of Directors in October).

³ Localized version of the Paris Declaration on Aid Effectiveness, which was endorsed by the Government and 22 partners at the Ninth Round Table Meeting in Vientiane in November 2006.

⁴ The country action plan was endorsed by the Government and development partners on 31 May 2007.

4. Given the close alignment, convergence and synergy between the SEDP6 and the CSP, their approach and strategic thrusts continue to remain current, relevant, consistent and valid for the development needs and reform measures of Lao PDR. This COBP largely supports SEDP6 and CSP implementation through ADB's performance-based Asian Development Fund (ADF) allocation, regional ADF allocations and selective ordinary capital resources (OCR) and private sector operations. The COBP will also help (i) mobilize public-private partnerships, cofinancing operations, ADB-administered trust funds, and special initiatives from ADB's Regional and Sustainable Development Department; and (ii) promote the broadened use of financial instruments and further partnerships with ADB Institute and other development partners.

II. INDICATIVE LENDING/GRANT AND NONLENDING PROGRAMS

5. The proposed 2008–2010 public sector lending/grant and nonlending program has been agreed to by the Government and ADB. An indicative ADF level of about \$20 million/year is assumed in formulating ADF-funded lending/grant projects for 2008–10. The lending/grant program consists of four national ADF projects (\$60 million), together with nine GMS projects (\$172 million), including an OCR-financed project (\$47 million). Discussions are underway regarding potential private sector support or public-private partnership arrangements for GMS power projects.

6. Country-specific allocations have been derived on the basis of the results of the 2006 country performance assessment exercise, after applying the performance-based allocation (PBA) formula. Being a highly indebted poor country, Lao PDR is currently eligible for 50% grant financing under the national program. An improved PBA rating in 2006 allowed for an additional \$7 million ADF allocation for 2007 and 2008. However, the indicative national lending program has been under-programmed for 2008 (i.e., \$20 million rather than \$27.1 million) to accommodate any volume discount associated with the possible changes to the grant framework currently being considered.⁵ The 2009–2010 lending program is also contingent upon the 2007 PBA exercise.

7. Indicative national ADF levels are sustainable within the World Bank-International Monetary Fund joint assessment of debt sustainability and the Government's borrowing capacity. Continued robust economic growth and a strengthening of the revenue-to-GDP ratio are expected to improve the Government's absorptive capacity in the medium term. Recognizing the country's debt situation, the Government has indicated that its priority would be to tap concessional official development assistance (ODA) wherever possible and use OCR selectively for projects projected to yield significant financial returns.

8. The national technical assistance (TA) program for 2008–2010 totals \$9.0 million, an average of \$3.0 million per annum. Priority has been given to project preparatory TA (PPTA) over advisory TA (ADTA). This is complemented by six GMS TA projects (primarily PPTA) totaling \$3.95 million. The TA program will be augmented where possible by accessing trust funds administered by ADB, and through cofinancing with other ODA partners. An economic and sector work program forms the basis for ADB's support for policy reform, capacity building, and institutional strengthening.

⁵ ADB is in the process of revising the framework for ADF grants. Approval of the new framework, which links grant eligibility to a country's debt situation, is still pending. The indicative grant program is based on the revised ADF grant framework as presented in the working paper considered by ADB's Board of Directors on 24 July 2007. The grant framework is subject to further change, which may affect the indicative grant program. Submission of ADF grant projects for Board consideration prior to the approval of the revised grant framework will be on a conditional basis. Should ADB's Board approve such projects, the grant agreement will not be signed until the revised grant framework is approved.

III. SUMMARY OF CHANGES TO LENDING/GRANT AND NONLENDING PROGRAMS

A. Adjustments to the 2007 Program

9. The 2007 lending/grant program activities as outlined in the CSP are being satisfactorily implemented. All the proposed lending/grant projects are under preparation as scheduled; funding shortfalls in the 2007 lending program loan savings within Operations Group 2 were identified and reallocated as follows: (i) Health Systems Development Program—\$3.0 million (Grant), and (ii) GMS Northern Transport Network Improvement project—\$27.0 million (ADF loan).

10. Adjustments were also made to the 2007 nonlending program. At the request of the Government an additional PPTA was included for Preparing the Cumulative Impact Assessment for Nam Ngum3 Hydropower Project (\$0.98 million). A TA rationalization exercise in early 2007 resulted in the number of programmed TA projects being reduced from six to four, with one TA cancelled, two merged and TA allocations reduced from \$3.2 million to \$3.06 million as follows: (i) Building Capacities in Support of the Harmonization Action Plan (\$0.6 million)—cancelled; (ii) Building Sector Program Readiness for the Ministry of Agriculture and Forestry (\$0.7 million), and the Capacity Strengthening and Policy Support for the Water Resources and River Basin Management (\$0.5 million)—merged, allocation reduced and renamed as Capacity Strengthening and Policy Support for Agriculture and Water Resources (\$0.85 million); (iii) Improved Financial Management Systems—TA allocation reduced from \$1.0 million to \$0.85 million; and (iv) Capacity Building for SME Development (\$0.55 million)—TA allocation increased from \$0.40 million to \$0.55 million.

B. Summary of Changes to the 2008–2010 Program

11. While the 2008–2009 pipeline remains largely unchanged from the CSP program, adjustments were made and agreed with the Government. These include the following name changes: (i) the Northern and Central Region Water Supply and Sanitation Sector Project is now the Small Towns Water Supply and Sanitation Sector Project, (ii) the ADTA for Public Expenditure Planning for the SEDP6 Phase II is now Public Financial Management, and (iii) Basic Education Sector Development Program is now the Education Sector Development Program. GMS projects added include: GMS Nam Ngum 3 Hydropower Project and GMS Sustainable Tourism Development Project in 2008, and the GMS Capacity Building for HIV/AIDS Prevention Project and the GMS Flood and Drought Risk Management and Mitigation in 2009. The 2010 program was agreed to with the Government and includes five lending/grant and five nonlending priority projects (Tables 1 and 2).

12. The changes noted in the 2007 adjustments and the 2008–2010 pipeline are consistent with the approach and strategic directions and support implementation of the CSP, its associated results framework matrix and the sector roadmaps; consequently, no changes were warranted to the framework matrix and sector roadmaps.

IV. INDICATIVE INTERNAL RESOURCE REQUIREMENTS

13. It is anticipated that the CSP can be satisfactorily implemented with current staff resources. The internal staff resources utilized for the 2007 Lao PDR program are estimated to total about 12.5 person-years of professional staff and 5.0 person-years of national officers. By 2010 professional staff requirements should decline to about 10.0 person-years for project processing and administration and portfolio management as the number of loans/grants and TAs in the portfolio decline in line with the CSP focus and selectivity initiative. While LRM staffing has recently been boosted by the assignment of a country economist and a social sector specialist,

continuous strong commitment of sector staff is crucial to the satisfactory implementation of the CSP. Staff with skills in financial management, program development and harmonized approaches are needed to support the move towards a program-based assistance approach. Since this would primarily involve a change in the skills mix, for programming purposes staff resource estimates have been maintained at 2007 levels throughout 2008–2010.

V. RESULTS-BASED MONITORING

14. The Government leads the aid coordination process guided by the Vientiane Declaration on Aid Effectiveness and the associated CAP which translates the Paris Declaration principles into a set of Lao PDR goals and objectives with a time-bound action plan and monitoring framework. The 72 actions of the CAP are designed to accelerate SEDP6 implementation. The Government affirmed that, given the objectives of meeting the MDG targets by 2015 and graduating from least developed country status by 2020, the SEDP6 remains focused on reducing poverty and accelerating the pace of social development.

15. Annual progress of the CSP is being monitored and tracked through its results framework, the country portfolio review missions, the country programming missions, and the country performance assessment missions, with a mid-term review proposed for 2009. The results framework of the CSP remains valid despite the adjustments made to the assistance program. The adjustments are designed to help achieve the outcomes expected from the strategic priorities of the CSP and the SEDP6. A portfolio evaluation review carried out jointly by ADB with the Government, the World Bank and the Swedish International Development Agency in April 2007 concluded that ADB's portfolio performance remains sound, with overall performance above the ADB-wide average. Implementation of the CSP is on track, with the delivery of about 70%⁶ of the 2007 planned interventions.

⁶ On the basis of Board approvals to date of the 2007 programmed assistance program.

Table 1: Indicative Assistance Pipeline for Lending/Grant Products, 2008–2010

Sector Project/Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)				
						ADB			Gov't	Cofinancing
						OCR	ADF	Total		
2008 Firm Loans/Grants										
National										
Water Supply, Sanitation, and Waste Management										
1. Small Towns Water Supply and Sanitation Sector Project	TI	ISD/ECO/ GAD	SESS	2006	32.0	0.0	20.0	20.0	1.6	10.4
Subtotal					32.0	0.0	20.0	20.0	1.6	10.4
Regional										
Energy										
1. GMS Nam Ngum 3 Hydropower Project ^a	TI	ECO/PSD/ RCI/ENV	SEID/ PSIF2	2007	52.0	47.0	0.0	47.0	5.0	0.0
Industry and Trade										
2. GMS Sustainable Tourism Development Project	TI	ECO/PSD/ RCI/ENV	SESS	2006	15.0	0.0	10.0	10.0	2.0	3.0
Subtotal					67.0	47.0	10.0	57.0	7.0	3.0
Total					99.0	47.0	30.0	77.0	8.6	13.4
2009 Firm Loans/Grants										
National										
Agriculture and Natural Resources										
1. Agriculture Sector Development Program	TI	ECO/ISD/ ENV	SEAE	2008	40.0	0.0	20.0	20.0	2.0	18.0
Subtotal					40.0	0.0	20.0	20.0	2.0	18.0
Regional Standby										
Transport and Communication										
1. Second Northern GMS Transport Network Improvement	TI	ECO/RCI	SEID	2008	40.0	0.0	20.0	20.0	2.0	18.0
Energy										
2. GMS Northern Power Transmission, Phase 1	TI	ECO/RCI	SEID	2006	22.0	0.0	20.0	20.0	2.0	0.0
Agriculture and Natural Resources										
3. GMS Flood and Drought Risk Management and Mitigation	GI	ECO/RCI	SEAE	2007	22.0	0.0	0.0	0.0	2.0	20.0

Sector Project/Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)				
						ADB			Gov't	Cofinancing
						OCR	ADF	Total		
Health, Nutrition, and Social Protection										
4. GMS Capacity Building for HIV/AIDS Prevention ^b	TI	ISD/GAD/ RCI	SESS	2008	10.5	0.0	5.0	5.0	0.5	5.0
Subtotal					94.5	0.0	45.0	45.0	6.5	43.0
Total					134.5	0.0	65.0	65.0	8.5	61.0
2010 Firm Loans/Grants										
National										
Education										
1. Education Sector Development Program ^c	TI	ISD/GAD/	SESS	2009	20.8	0.0	10.0	10.0	0.8	10.0
Health, Nutrition, and Social Protection										
2. Health Sector Development Program ^c	TI	ISD/GAD/ GOV	SESS	2009	20.8	0.0	10.0	10.0	0.8	10.0
Subtotal					41.6	0.0	20.0	20.0	1.6	20.0
Regional Standby										
Agriculture and Natural Resources										
1. GMS Biodiversity Conservation Corridor Program	GI	ENV/RCI/ ISD	SEAE	2009	42.0	0.0	20.0	20.0	2.0	20.0
Health, Nutrition, and Social Protection										
2. GMS Communicable Disease Control Project 2 ^b	GI	ISD/GAD/ RCI	SESS	2008	12.8	0.0	10.0	10.0	0.8	2.0
Multisector										
3. GMS Mekong Water Supply and Sanitation Project	GI	RCI/ECO/ ISD/GAD	SESS	2009	35.0	0.0	20.0	20.0	5.0	10.0
Subtotal					89.8	0.0	50.0	50.0	7.8	42.0
Total					131.4	0.0	70.0	70.0	9.4	62.0

ADB = Asian Development Bank; ADF = Asian Development Fund; ECO = sustainable economic growth; ENV = environment; GAD = gender and development; GI = general intervention; GOV = Governance; Gov't = Government; ISD = institutional capacity development; OCR = ordinary capital resources; PSD = private sector development; RCI = regional cooperation and integration; PSIF2 = Private Sector Operations Department, Structured Finance Division 2; SEAE = Southeast Asia Department Agriculture, Environment and Natural Resources Division; SEGF = Southeast Asia Governance, Finance and Trade Division; SEID = Southeast Asia Department Infrastructure Division; SESS = Southeast Asia Department Social Sectors Division; SME = small and medium-sized enterprise; TI = targeted intervention.

^a Another \$100 million is proposed from ADB's private sector operations to the project company without government guarantee.

^b ADB amounts are contingent upon an equal or higher amount of cofinancing being available.

^c ADB amounts are contingent upon an equal or higher amount of cofinancing being available with a move towards program-based approach.

Source: Asian Development Bank.

Table 2: Indicative Assistance Pipeline for Nonlending Products and Services, 2008–2010

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2008 National Firm							
Agriculture and Natural Resources							
1. Agriculture Sector Development Program Assessment	SEAE	PPTA	TASF	700.0		0.0	700.0
Law, Economic Management, and Public Policy							
2. Public Financial Management	SEGF	ADTA	TASF	1,100.0		0.0	1,100.0
Health, Nutrition and Social Protection							
3. Support for National Health Program Development	SESS	ADTA	TASF	500.0		0.0	500.0
Transportation and Communications							
4. Building Sector Program Readiness in the Transportation Sector	SEID	ADTA	TASF	700.0		0.0	700.0
	Total			3,000.0		0.0	3,000.0
2008 Regional							
Health, Nutrition and Social Protection							
1. GMS Capacity Building for HIV/AIDS Prevention	SESS	PPTA	TASF	500.0		0.0	500.0
Transportation and Communications							
2. Second Northern GMS Transport Network Improvement	SEID	PPTA	TASF	1,000.0		0.0	1,000.0
	Total			1,500.0		0.0	1,500.0
2009 National Firm							
Education							
1. Education Sector Development Program	SESS	PPTA	TASF	700.0		0.0	700.0
Health, Nutrition and Social Protection							
2. Health Sector Development Program	SESS	PPTA	TASF	700.0		0.0	700.0
Agriculture and Natural Resources							
3. Agriculture Diversification and Commercialization: Building Capacities to Realize the Potential	SEAE	ADTA	TASF	400.0		0.0	400.0
Law, Economic Management and Public Policy							
4. Consolidation of the PEMSP in the Ministry of Finance	SEGF	ADTA	TASF	700.0		0.0	700.0
Multisector							
5. Participatory Poverty Assessment (ID)	LRM	ADTA	TASF	500.0		0.0	500.0
	Total			3,000.0		0.0	3,000.0

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
Regional							
Agriculture and Natural Resources							
1. GMS Biodiversity Conservation Corridor Program	SEAE	PPTA	TASF	1,000.0		0.0	1,000.0
Water Supply, Sanitation, and Waste Management							
2. GMS Mekong Water Supply and Sanitation Project	SESS	PPTA	TASF	450.0	UN-HABITAT	500.0	950.0
Health, Nutrition and Social Protection							
3. GMS Communicable Disease Control Project 2	SESS	PPTA	TASF	500.0		0.0	500.0
Total				1,950.0		500.0	2,450.0
2010 Firm							
Transportation and Communications							
1. Transport Sector Development Program	SEID	PPTA	TASF	1,000.0		0.0	1,000.0
Industry and Trade							
2. Sustainable Public Financial Management	SEGF	ADTA	TASF	700.0		0.0	700.0
3. Private Sector and Financial Sector Development	SEGF	ADTA	TASF	700.0			700.0
Law, Economic Management and Public Policy							
4. Operationalizing the 7 th Five Year Plan	LRM	ADTA	TASF	600.0		0.0	600.0
Regional Multisector							
1. GMS Border Towns Development	SESS	PPTA	TASF	500.0	PRC	500.0	1,000.0
Total				3,500.0		500.0	4,000.0

ADB = Asian Development Bank; ADTA = advisory technical assistance; Gov't = government; GMS = Greater Mekong Subregion; LRM = Lao Resident Mission; PEMSP = public expenditure management support program; PPTA = project preparatory technical assistance; PRC = People's Republic of China; SEAE = Southeast Asia Department Agriculture, Environment and Natural Resources Division; SEGF = Southeast Asia Governance, Finance and Trade Division; SEID = Southeast Asia Department Infrastructure Division; SESS = Southeast Asia Social Sector Division; SME = small and medium-sized enterprise; TASF = Technical Assistance Special Fund; UN-HABITAT = United Nations Human Settlements Programme.
Source: Asian Development Bank.

Table 3: Summary Information on Proposed Indicative Lending/Grant and Nonlending Products and Services, 2008

A. Lending/Grant Products	
Project Name	Small Towns Water Supply and Sanitation Sector Project (\$20 million)
Objective, Components, and Outputs	The project aims to reduce poverty and enhance the quality of life for small town residents by improving their access to quality and reliable water supply and sanitation services. It will also help support the development of small towns as key administrative and economic centers for sustainable economic growth. The project supports the Government's decentralized water supply sector policy and contributes to its sector goal of providing safe drinking water to 80% of urban residents by 2020. The project will focus on the following areas: (i) water supply development and improvement, including minor rehabilitation works of existing systems; (ii) small-scale drainage and sanitation improvement, including village-level environmental improvements; (iii) public awareness of water use and hygiene, including action to enhance community and female participation in water supply and sanitation issues; (iv) policy and institutional reforms to strengthen the regulatory framework of the water supply sector, improve cost-recovery and financial sustainability of provincial <i>nam papas</i> (water supply authorities), and enhance the sector's planning capacity; (v) capacity building and training for the regulatory authority, local water supply organizations, and village water supply and sanitation units; and (vi) project implementation assistance.
Expected Results	The project would develop water supply systems and improve sanitation conditions in about 20 priority small towns in designated poor and very poor districts of the Lao People's Democratic Republic (Lao PDR). Urban centers with populations of 2,000–20,000 people are considered small towns. On average, small towns with a projected population greater than 4,000 people by 2015 will be considered for inclusion into the project. Only minor rehabilitation works aimed to restore and improve the functionality of existing water supply systems will qualify for support under the sector project. The final number of towns will depend on the total project amount, subject to Asian Development Bank (ADB) financing and co-financiers. The project will help support the implementation of the water supply sector investment plan.
Project Name	Greater Mekong Subregion (GMS) Nam Ngum 3 Hydropower Development Project (\$47.0 million)
Objective, Components, and Outputs	The project involves the development, construction and operation of a 440 megawatt (MW) hydropower plant under a build-own-operate-transfer arrangement with a generating capacity of 2,191 gigawatt hours (GWh). The project is a private-public partnership between the Private Sector Operations Department (PSOD) and the Southeast Asia Department Infrastructure Division (SEID) to address the economic growth objectives of Lao PDR while meeting the requirements of Thailand's power generation sector. The project is located on the Nam Ngum River, 58 km upstream of Nam Ngum River 1 Reservoir in Xaysomboun province. The project will operate under a concession agreement with the Government for a period of 25 years from commencement of commercial operations. The Nam Ngum 3 power company (NN3PC) will also enter into a power purchase agreement with the Electricity Generating Authority of Thailand for the sale of about 92% of the generating capacity of NN3PC on a take-or-pay basis over a 25-year period. The project will operate as a storage system with a reservoir of 3,000,000 cubic meters (m ³) and a 220 meter (m) roller-compacted concrete dam. The main features of the project include: (i) an underground power station with 2 x 220 MW installed capacity, (ii) a dam 220 m high with a volume of 3,000,000 m ³ , and (iii) a 105 km long, 250 kilovolt (kV) transmission line to Ban Nabong substation.
Expected Results	The project is identified as one of the main projects included in the Government's power export plan to meet Thailand's electricity demand. Up to 3,300 MW will be exported to Thailand under a 1996 memorandum of understanding (MOU). The project will contribute to the Government's goal of developing the country's hydropower generating capacity for export. Foreign exchange revenues from the project's export of hydropower (estimated at about \$600 million over 25 years) can be applied by the Government to finance its priority development programs. In addition, the project will supply 8% of its generating capacity to Electricite du Laos, thereby increasing the supply of reliable domestic power. A number of aspects of the Thai and Lao PDR power systems serve to make the trade of hydropower from Laos PDR to Thailand advantageous: (i) Nam Ngum, Nam Theun and Xe Kong are strategically located to service the electricity requirements of both (a) Thailand's northeastern region, which has a deficit in generating capacity; and (b) metropolitan Bangkok; (ii) the peak load requirements between Thailand and Lao PDR differ, creating possibilities for time-of-day exchanges; and (iii) supply from Lao PDR diversifies the reliance of Thailand on gas imported from Myanmar. Thus, this project is not only strategically

	located to serve the electricity requirements of Thailand's northeastern region, but is also consistent with Thailand's strategy of diversifying its electricity supply sources. The project is also consistent with ADB's GMS strategy to promote increased private sector participation in development and greater connectivity.
Project Name	Greater Mekong Subregion Sustainable Tourism Development Project (\$15.0 million)
Objective, Components, and Outputs	The project aims to reduce poverty in the GMS, contribute to economic growth, increase employment, and promote the conservation of the natural and cultural heritage. The specific objective of the project is to promote sustainable tourism in the lower Mekong basin countries through infrastructure improvements, community and private sector participation, and sub-regional cooperation. The project will improve high priority, tourism-related infrastructure in Cambodia, Lao PDR, and Viet Nam, promote pro-poor, community-based sustainable tourism in rural areas, and strengthen sub-regional cooperation.
Expected Results	The project will contribute to the objective of the GMS Tourism Sector Strategy of developing a pattern of tourism in the GMS that is sustainable, equitable, pro-poor, socially responsible and internationally competitive. The project will also mitigate environmental degradation, develop human resources, and promote cooperation between private and public sectors within the GMS by establishing tourism marketing and promotion boards.
B. Nonlending Products and Services	
Project Name	Greater Mekong Subregion Capacity Building for HIV/AIDS Prevention (project preparatory technical assistance [PPTA] for \$0.500 million)
Objective, Components, and Outputs	The project aims to help contain the spread of HIV/AIDS within the GMS. It is designed to support specialized human resource capacity development for the improved management of HIV/AIDS resources and programs in the GMS, particularly in relation to large infrastructure projects and the development of economic growth centers. A regional training program for capacity development among middle-level HIV/AIDS program managers in areas of international financing, program design and implementation, monitoring and evaluation, with a special focus on the managers and skills needed for prevention programs associated with infrastructure development projects (e.g. roads, railways, and power), economic growth centers and cross-border zones. The PPTA includes (i) a program of data collection, analysis, and skills transfer relating to the conduct of economic and poverty impact assessments to support policy and program targeting; and (ii) support for HIV/AIDS surveillance programs and capacity building for surveillance activities (through development of the technical skills of epidemiologists, statisticians, social scientists, etc. in the conduct, analysis and use of surveillance data to improve program responses).
Expected Results	A generation of public sector managers—technical and administrative—with improved skills for HIV/AIDS prevention program development and management.
Project Name	Support for National Health Program Development (advisory technical assistance [ADTA] for \$0.500 million)
Objective, Components, and Outputs	The goal is to help improve health indicators and achieve health-related MDG targets by 2015. The purpose of ADB support (ADTA, PPTA and program based intervention is to assist the Ministry of Health (MOH) develop a comprehensive, results-based national health program for public health sector development. The objectives are (i) to improve the use, quality and affordability of health services, and (ii) to develop an effective, efficient and equitable public health system. The technical assistance (TA), with the assistance of development partners, will help MOH (i) examine the feasibility of using a comprehensive national health program for public health system development, and (ii) develop a realistic and phased plan. Based on earlier and ongoing work, this will include: (i) further strengthening of MOH capacity for the national health program; (ii) reconfirming the long-term plan of the health sector in Lao PDR; (iii) overall conceptualization of the national health program and sector-wide aid coordination (e.g. phasing, building blocks, coordination and monitoring requirements); (iv) interministerial consultations, in particular for considering results-based program assistance, for increasing sector allocations and for improving allocative efficiency; (v) consultations with development partners to agree on supporting the national health program and sector-wide aid coordination; (vi) health financing studies; and (vii) assessing ways to advance integrated project administration and programs. The Lao PDR is facing a high burden of diseases, a large proportion of poor people, and substantial market failure in the health sector. Health is a particularly important asset for rural poor who depend on daily physical labor and lose precious assets on medical services. In this type of economy, wages lost due to ill health, excluding treatment and opportunity costs, may reduce gross domestic product by 8–9%.

Expected Results and Deliverables	The project will help (i) reconfirm and if needed update the overall long-term health sector development plan for Lao PDR, (ii) provide analytical underpinning for the proposed sector financing, (iii) reach agreement on the concept and phasing of the national health program and aid coordination, (iv) prepare the road map for developing a national health program in Lao PDR, and (v) strengthen MOH capacity.
Project Name	Public Financial Management (formerly Public Expenditure Planning for SEDP6, Phase II)(ADTA for \$1.1 million)
Objective, Components, and Outputs	The project aims to contribute to improved allocational efficiency of public resources according to the Government's development and poverty reduction policy objectives, approaching international good practice standards in public financial management. This is a follow-on TA for Public Expenditure Planning for NGPES, which was implemented from 2006 to August 2007, and which provided the framework for medium-term fiscal planning and medium-term expenditure planning (MTEF). It pilot-tested an indicative MTEF approach in two sectors (health and education). In addition to providing advice to the Ministry of Finance (MOF) in drafting of the new Budget Law, it also disseminated the 2006 approved budget law and its implications on a nationwide scale. The new TA project proposes to build on the initial work of the Public Expenditure Planning for NGPES project and extend the application of the MTEF to more sectors.
Expected Results and Deliverables	The outcome of the project would be (i) improved quality of fiscal planning, and (ii) improved capacity within the relevant MOF departments and government agencies involved in the fiscal planning process.
Project Name	Greater Mekong Subregion 2nd Northern Region Transport Network Improvement (PPTA for \$1.0 million)
Objective, Components, and Outputs	The project aims to improve two sections of the transport network in northern Lao PDR to provide more efficient and cost-effective movement of passengers and goods (i) provincially (within Houaphan and Xieng Khouang provinces), (ii) nationally (between northern and central Lao PDR), and (iii) within the Greater Mekong Subregion (specifically between Thanh Hoa province in Vietnam and northern Lao PDR). The PPTA will undertake a feasibility study and preliminary project design to set out a project to rehabilitate and upgrade transport links and facilities that is both (i) economically and technically feasible, and (ii) socially and environmentally acceptable. The scope of activities will be based on ongoing activities and could support Route 6 in Houaphan and Xieng Khouang provinces (from Ban Loi on the Lao-Vietnam border west to Xam-Nua, then southwest to the intersection with Route 1C, improvement of which is being financed by KfW Development Bank). The PPTA will study two priority sections of Route 6 with a length of about 125 km. The two sections will link Louangphrabang to Thanh Hoa in Viet Nam via Routes 1C and 7 in Lao PDR and Route 217 in Viet Nam.
Expected Results and Deliverables	Activities will include (i) undertaking analyses of transport links to determine the economic and technical feasibility, and social and environmental acceptability, of upgrading existing roads; (ii) preparing a matrix setting out an overall ranking of components and options for combinations of components to form logical projects for a range of funding levels; (iii) a review of facilities at the Lao PDR-Viet Nam border on the project road; and (iv) updating the evaluation of the road sub-sector in Lao PDR done under previous TAs. Considerations of project sustainability will include a review of the activities of the revenue mobilization framework (RMF) and a critical analysis of projections for RMF revenues and expenses required to maintain the national road network.
Project Name	Agriculture Sector Development Program Assessment (PPTA for \$0.700 million)
Objective, Components, and Outputs	This will build upon the findings of TA4843: Agriculture and Natural Resources (ANR) Sector Needs Assessment with the objective of developing an investment and policy support program to promote the continuing ANR sector transition towards greater intensification, commercialization and agroindustrialization. The PPTA will devise measures to capture added value within the ANR sector for Lao processors, producers and smallholders such that the sector's contribution to national poverty-reduction is increased. The PPTA will review (i) all aspects of national governance that affect ANR performance; (ii) sector strategy and policy making (including regional strategies within the sector as a whole, plus production targets, national food security, etc.); (ii) the institutional architecture of the ANR sector; and (iv) specific ideas for possible subproject investments that may especially support sector modernization (e.g. livestock).
Expected Results and Deliverables	Sector development program loan designed to support continuing ANR sector transition. Likely components include governance reform (ANR sector and business and legal environment), sector strategy and policy analysis (including food security), enhancement and rationalization of trade and investment regimes, institutional support and capacity building (including agriculture education), and possible subproject investments (in, for example, livestock, environment and/or biodiversity, etc.).

Project Name	Building Sector Program Readiness in the Transport Sector (ADTA for \$0.700 million)
Objective, Components, and Outputs	The objective of the TA is to improve the capacity of the Ministry of Communications, Transport, Post and Construction (MCTPC) to develop new policies and implement institutional and policy reforms in the transport sector, as well as improve its capacity for project implementation. The TA will build on the work done under previous TAs and coordinate with other development institutions active in the transport sector. Areas of institutional and policy reform to be considered include sector harmonization and road safety.
Expected Results and Deliverables	The results of the TA will include (i) more efficient operation of the transport sector through implementation of policy reforms and institutional strengthening of the transport sector, and (ii) more effective implementation of MCTPC projects.

ADTA = advisory technical assistance; GMS = Greater Mekong Subregion; PPTA = project preparatory technical assistance; TA = technical assistance.
Source: Asian Development Bank.

Table 4: Assistance Pipeline for Lending/Grant Products, 2007

Sector Project/Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)				
						ADB			Gov't	Cofinancing
						OCR	ADF	Total		
2007 Firm National Loans										
Industry and Trade										
1. Small and Medium Sized Enterprise Development Program	TI	PSD/ISD	SEGF	2006	14.3	0.0	10.0	10.0	1.3	3.0 ^a
Health										
2. Health Systems Development Project	TI	ISD/GAD	SEAE	2006	14.3	0.0	13.0	13.0	1.3	0.0
Subtotal					28.6	0.0	23.0	23.0	2.6	3.0
Regional										
Transportation and Communications										
1. GMS Northern Transport Network Improvement	TI	ECO/RCI	SEID	2005	89.5	0.0	27.0	27.0	15.5	47.0 ^b
Subtotal					89.5	0.0	27.0	27.0	15.5	47.0
Total					118.1	0.0	50.0	50.0	18.1	50.0

ADB = Asian Development Bank; ADF = Asian Development Fund; ECO = sustainable economic growth; GAD = gender and development; Gov't = Government; ISD = institutional capacity development; OCR = ordinary capital resources; PSD = private sector development; RCI = regional cooperation and integration; SEAE = Southeast Asia Department Agriculture, Environment and Natural Resources Division; SEGF = Southeast Asia Governance, Finance and Trade Division; SEID = Southeast Asia Department Infrastructure Division; SESS = Southeast Asia Department Social Sectors Division; SME = small and medium-sized enterprise; TI = targeted intervention.

^a Cofinancing from European Commission.

^b Cofinancing of 10.0 million from the OPEC Fund, \$14.0 million (grants) from the government of Australia, and \$23.0 million from the Government of the Republic of Korea.

Source: Asian Development Bank.

Table5: Assistance Pipeline for Nonlending Products and Services,^a 2007

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2007							
Law, Economic Management, and Public Policy							
1. Improved Public Financial Management Systems (ISD)	SEGF	ADTA	TASF	850.0		0.0	850.0
Agricultural and Natural Resources							
2. Capacity Strengthening and Policy Support for Agriculture and Water Resources Management (ISD)	SEAE	ADTA	TASF	850.0		0.0	850.0
3. GMS Flood and Drought Risk Management and Mitigation	SEAE	PPTA	JSF	2,000.0		0.0	2,000.0
Energy							
4. Preparing the Cumulative Impact Assessment for the Nam Ngum 3 Hydropower project	SEID/PSIF2	ADTA	JSF	980.0		0.0	980.0
Industry and Trade							
5. Capacity Building for SME Development (ISD)	SEGF	ADTA	JSF	550.0		0.0	550.0
Total				5,230.0		0.0	5,230.0

ADB = Asian Development Bank; ADTA = advisory technical assistance; Gov't = government; GMS = Greater Mekong Subregion; ISD = institutional capacity development; JSF = Japan Special Fund; PSIF2 = Private Sector Operations Department, Structured Finance Division 2; PPTA = project preparatory technical assistance; SEAE = Southeast Asia Department Agriculture, Environment and Natural Resources Division; SEGF = Southeast Asia Department Governance, Finance and Trade Division; SEID = Southeast Asia Department Infrastructure Division; SME = small and medium-sized enterprise; TASF = Technical Assistance Special Fund.

^a Does not include ADB-administered trust funds including Japan Fund for Poverty Reduction.

Source: Asian Development Bank.