



Country Operations Business Plan

August 2008

Lao People's Democratic Republic
2009–2011

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 15 June 2008)

Currency Unit	–	kip (KN)
\$1.00	=	KN8,600
KN1.00	=	\$0.0000971

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
ADTA	–	advisory technical assistance
CDTA	–	capacity development technical assistance
COBP	–	country operations business plan
CSP	–	country strategy and program
GDP	–	gross domestic product
GMS	–	Greater Mekong Subregion
IMF	–	International Monetary Fund
Lao PDR	–	Lao People's Democratic Republic
MDG	–	Millennium Development Goal
OCR	–	ordinary capital resources
PATA	–	policy and advisory technical assistance
PBA	–	performance-based allocation
PPTA	–	project preparatory technical assistance
NSEDP6	–	Sixth Five-Year National Socioeconomic Development Plan, 2006–2010
SMEs	–	small and medium-sized enterprises
TA	–	technical assistance

WEIGHTS AND MEASURES

km	–	kilometer
kV	–	kilovolt
m	–	meter
m ³	–	cubic meter
MW	–	megawatt

NOTES

- (i) The fiscal year 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. The Sixth Five-Year National Socioeconomic Development Plan, 2006–2010 (NSED6) provides a coherent development framework for prioritizing the agriculture and natural resource, education, health (including water supply), and infrastructure sectors and accelerating reforms in key thematic areas (e.g., capacity development and governance, private sector development and regional integration). The preliminary findings¹ of the NSED6 midterm review show significant progress toward meeting the planned targets; gross domestic product (GDP) per capita reaching \$810, poverty incidence sharply declining to 22.3% from 33.5% in 2003, and steady progress toward meeting the income-related Millennium Development Goals (MDGs). The review affirms that sustainable economic growth, accelerated social development, and poverty reduction remain the strategic objectives of the socioeconomic development strategy of the Government of the Lao People's Democratic Republic (Lao PDR).

2. Sound macroeconomic fundamentals coupled with prudent fiscal management continue to steer robust economic growth on a sustainable path. Driven by the expansion of hydropower and mining, GDP growth reached 8% in 2007, above the 7.3% average growth rates of the recent 5 years and is projected to remain at 7.0%–8.0% through to 2011. While inflation reached an all time low of 4.5% in 2007, it is being aggravated by pressures from rising global food and oil prices. Headline inflation averaged 6.8% during the first 6 months of 2008 and is projected to rise beyond single digits. Although the Lao PDR is viewed to be relatively insulated from the global food price hikes, rising food prices are already impacting the urban poor. The situation is being closely monitored. The kip remained relatively stable (in a range of KN9,500–KN8,500 per dollar) throughout 2007 and the first 6 months of 2008. The increase in foreign direct investment-related imports was offset by strong export growth, resulting in a decline in the current account deficit from about 20% in 2005 to 13% in 2007. The overall budget deficit declined by more than a percentage point to 2.5% of GDP in fiscal year 2006/07 due to higher resource revenue and implementation of the revised Tax and Customs Law, which widened the tax base and increased receipts from large projects and tourism. Broad money expanded at an average of 35% in the past 2 years. While reflecting the expansion and increasing monetization of the economy, it poses a potential risk to fuel inflation. The joint (Asian Development Bank [ADB], International Monetary Fund and World Bank) debt sustainability assessment in May 2008 noted that the external public debt in net present value terms has been declining due to improved debt management and was estimated at about \$2.4 billion (60% of GDP) from 77% in 2005. The debt outlook has improved, and the ratio of debt service to revenue is estimated to have decreased from nearly 20% in 2005 to about 12% in 2007.

3. The pace of reforms is being accelerated, notably in the public financial management policy, and legal and regulatory areas. As a condition to the Nam Theun 2 Hydroelectric project, reforms in public expenditure are progressing well. Gradual progress is being made in implementing the new budget law with the centralization of the treasury, custom, and tax functions; while a new revenue-sharing distribution framework is being developed. In fiscal reforms, various tax measures including changes in turnover tax and excise tax administration and the new tax law were recently introduced. A Value-Added Tax Law was approved in 2007 and the implementation decree is being drafted. The business environment has also improved. The number of days to start businesses has significantly declined from 186 days to 14 in 2008 as implementation of the new enterprise law gains momentum. New entrants, including the

¹ The NSED6 midterm review, initiated in May 2008, is expected to be completed by September 2008.

International Finance Corporation of the World Bank Group and ANZ Bank (Australia New Zealand Banking group), into the financial market as part of implementation of the Commercial Banking Law is boosting competition. Under the banking sector reform program the nonperforming loans of the state-owned commercial banks have declined from 41% in 2002 to 6% in 2007. A financial sector strategy is being prepared.

4. Despite the substantial progress, challenges facing the Government include managing economic development to sustain and diversify sources of growth, manage inflation pressure, ensure fiscal sustainability, and generate productive employment opportunities; sustaining momentum in poverty reduction initiatives and accelerating progress in social development; and strengthening the governance agenda and developing the requisite capacities of a modern, efficient, and effective civil service. Capacity development and institutional strengthening, focusing on priority sectors, and catering to the specific needs of the Lao PDR as a weakly performing country are areas requiring immediate support.

5. ADB's country strategy and program (CSP) 2007–2011 for the Lao PDR² is aligned with the Government's NSEDP6, and focuses on (i) promoting pro-poor sustainable growth: nurturing employment opportunities through private sector development (small and medium-sized enterprise development, transition to commercial agriculture, and regional integration as the main engine of outward-oriented growth); (ii) fostering inclusive social development: accelerating progress in nonincome MDGs (education, primary health care, water supply); and (iii) addressing priority governance issues: building capacity for good governance and Nam Theun 2 Hydropower project revenue management. The core of the strategy—a move to coordinated capacity development and program and/or sector-based approaches in priority sectors—is supported by the Vientiane Declaration on Aid Effectiveness³ and its associated country action plan.⁴ The CSP is amplified by the Greater Mekong Subregion (GMS) strategy and program initiatives aimed at fostering connectivity, promoting large-scale foreign direct investment, and creating regional public goods.

6. Several important developments have taken place since the 2008–2010 country operations business plan (COBP) was prepared for the Lao PDR. These include the adoption of ADB's Long Term Strategic Framework (Strategy 2020);⁵ the successful completion of the Asian Development Fund (ADF) X negotiations, which resulted in an increased ADF resource allocation; and the adoption of the Vientiane Plan of Action for Greater Mekong Subregion Development at the 3rd GMS Summit. These recent developments promote CSP implementation by enhancing ADB's responsiveness to the country's development needs and greater sector selectivity. This COBP has been prepared to achieve the development results envisaged in the CSP and Strategy 2020 in close coordination with other development partner activities.

7. ADB's current portfolio for the Lao PDR continues to perform well. Performance indicators of the 28 active loan/ADF grant projects (totaling \$452.4 million) and 20 technical assistance (TA)

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

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

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

⁵ ADB's Strategy 2020 provides a framework for the gradual realignment of ADB operations. It prioritizes infrastructure, including rural infrastructure; environment, including climate change; regional cooperation and integration; financial sector development; and education as core areas of operations. ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

projects (\$13.52 million) remain sound with improvement in many key indicators.⁶ Average time from approval to effectiveness was 6.9 months, compared to the ADB-wide figure of 8.1 months. The contract awards ratio was 38.1% compared to ADB-wide average of 30.2% and the disbursement ratio was 37.5% compared with 25.4%. While about 56.5% of loans and grants became effective more than 90 days after signing as compared to the 58.9% of the ADB-wide average, all loan/grant covenants remain satisfactory with only one project at risk. The Government is addressing the actions agreed to at the recent portfolio reviews, particularly those relating to results monitoring, cost escalation, use of advance action, expediting TA letter signing, and late submission of audited financial statements.

II. INDICATIVE LENDING, GRANT, AND NONLENDING PROGRAMS

8. Based on the May 2008 Planning Directions issued by the President, an indicative ADF grant amount of about \$55 million/year with 20% of that earmarked for subregional projects is assumed in formulating ADF-funded grant projects for 2009–2011. This is subject to the performance-based allocation system (PBA). The indicative lending and grant amounts are consistent with the joint assessment of debt sustainability, the Government's borrowing and absorptive capacity, and the proposed use of grants. Continued robust economic growth and strengthening of the revenue to GDP ratio are expected to further improve the Government's absorptive capacity in the near term. The Lao PDR is currently eligible for 100% ADF grant financing.

9. An economic and sector work program forms the basis for ADB's support for policy reform, capacity building, and institutional strengthening. In consideration of the ongoing and proposed lending and grant operations and the high demand for support for capacity development and institutional strengthening, ADB is approaching this in a holistic and systematic way including the option of a cluster approach in capacity development technical assistance (CDTA) operations. In line with ADB's move to gradually delegate TA administration⁷ to executing agencies, a capacity analysis of concerned executing and implementing agencies will be conducted and necessary initiatives will be introduced accordingly.

10. The lending, grant, and nonlending program for 2009–2011 comprises 8 national ADF projects (\$139 million), and 16 GMS projects (\$352 million) which include 4 public–private operations for \$181 million financed from ADB's ordinary capital resources (OCR) (Table 1). This is complemented by 18 national TA projects totaling \$11 million or about \$3.6 million per annum and 17 GMS TA projects shared with other GMS countries for about \$15.2 million (Table 2). The overall sector distribution for the 2009–2011 indicative national grant program is agriculture and natural resources 12.5%; education 37.5%; energy 12.5%; health, nutrition, and social protection 12.5%; industry and trade 7.7%; law, economic management, public policy 11.5%; and water supply, sanitation and waste management 12.5%; and transport 12.5%. On nonlending operations, priority is given to project preparatory technical assistance (PPTA) projects.

11. To meet the overall resource requirements ADB (in addition to drawing upon the national and regional ADF allocations) will mobilize highly leveraged cofinancing operations, ADB-administered trust funds and special initiatives, and public–private partnerships; explore the

⁶ In 2007, ADB disbursed \$76.63 million, of which 0.91 million was from OCR, \$73.02 million ADF loans, and \$2.70 million ADF grants.

⁷ Revisions of the procedures and quality control of TA operations outlined in ADB. 2007. *Increasing the Impact of the Asian Development Bank's Technical Assistance Program*. Manila.

utilization of other financial instruments including hard-term⁸ ADF; and use OCR selectively for hydropower projects⁹ and private sector operations. Regional cooperation projects involving the Lao PDR will access the subregional ADF facility in addition to the country ADF allocation. Based on the revised GMS Plan of Action, regional cooperation projects will be funded from the regional indicative planning figure or the Lao PDR's indicative planning figure. Every dollar drawn from the subregional ADF facility will be matched by \$0.50 from the Lao PDR's country PBA. Required contributions from the biennial PBA will be subject to a 20% ceiling, beyond which a contribution from the PBA will no longer be mandatory.

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

12. The adjustments made to the 2008 program and the changes to the 2009–2011 pipeline were discussed and an understanding reached with the Government and stakeholders during the 2008 country programming mission. The proposed program is in line with the strategic pillars of the current CSP. The adjustments and changes made to the regional lending and nonlending programs are in line with the 2009–2011 GMS regional cooperation operations business plan.

A. Adjustments to the 2008 Program

13. The 2008 lending and grant program activities as outlined in the previous COBP are being satisfactorily implemented. At the request of the Government and based on project readiness and availability of additional ADF funds, the Agriculture Sector Development Program initially programmed for 2009 was advanced to 2008 and renamed Sustainable Natural Resources Management and Productivity Enhancement Project (SNRMPEP). Adjustments were made to the nonlending operations to reflect outcomes of the reprioritization exercise for nonlending operations in early 2008. The changes include (i) supplementary financing to the Agriculture and Natural Resources Sector Needs Assessment ADTA and piggy-backed to prepare the SNRMPEP, (ii) inclusion of a PPTA to prepare the Strengthening Higher Education Project in 2009, a CDTA for Building Lao PDR's Capacity to Develop Special Economic Zones, and a PPTA financed by the Climate Change Fund to prepare the Small and Mini-Hydropower Development Project in 2010. The updated lending and nonlending program for 2008 are in Tables 4 and 5.

B. Summary of Changes to the 2009–2011 Program

14. The following changes were made to the 2009–2010 lending and grant program of the previous COBP: (i) advanced the Agriculture Sector Development Program from 2009 to 2008 and renamed to SNRMPEP, and the Health Sector Development Program from 2010 to 2009; (ii) included the Strengthening Higher Education project in 2009; (iii) included the Small and Mini-Hydropower Development and the Rural Infrastructure Development projects in 2010. New projects for 2011 include the Technical Education and Vocational Training, the Clean Environment and Solid Waste Management, and the Transport Sector Development project. The updated lending and grant program for 2009–2011 is in Table 1.

15. The changes in the 2009–2010 nonlending program include (i) advanced the Transport Sector Development PPTA to 2009 from 2010; (ii) included a PPTA in 2009 for preparing the

⁸ Hard-term ADF loans have terms that provide a higher degree of concessionality than OCR loans, through a lower interest rate and a longer grace period. Hard-term ADF loans are similar to the hard-term window of the World Bank's International Development Assistance (IDA).

⁹ ADB classifies the Lao PDR as a Group A (ADF only) country. It also avails of OCR resources as an additional source of funding for priority revenue-generating development projects that are capable of repaying the loans. OCR resource mobilization is subject to project readiness, financial viability, and strong Government demand.

Rural Infrastructure Development Project, PATA projects for Financial Sector Assessment and Labor Market Survey, and a cluster CDTA for Capacity Strengthening of the Department of Statistics, Ministry of Planning and Investment; (iii) renamed the ADTA for Private Sector and Financial Sector Development programmed for 2010 in the previous COBP to the Financial Sector Development Program PPTA in 2010; (iv) included PPTA projects for Technical Education and Vocational Training, and Renewable Energy Development for 2010. The 2011 nonlending program includes PPTA projects for Rural Development, Power Distribution, Water Supply and Sanitation Sector program, Infrastructure Improvement for Tourism Development, and CDTA for Capacity Strengthening of the State Audit Office. The updated nonlending program for 2009–2011 is in Table 2.

IV. INDICATIVE INTERNAL RESOURCE REQUIREMENTS

16. The increased operations in the Lao PDR supported by the doubling of the ADF allocation will pose significant pressure on staff resources, capacity, and skills mix to effectively deliver the 2009–2011 program. Until additional staff resources with the adequate capacity and skills mix are addressed, the Lao Resident Mission will adjust its current staff resources to meet the expanding operations in the country. Continuous strong commitment of sector staff at ADB headquarters and effective involvement of hub staff are crucial for the satisfactory implementation of the CSP and the expanded portfolio.

V. RESULTS-BASED MONITORING

17. The Government leads the aid coordination process guided by the Vientiane Declaration on Aid Effectiveness and the associated country action plan, which translates the Paris Declaration principles into a set of country goals and objectives with a time-bound action plan and monitoring framework. The 72 actions of the country action plan are designed to accelerate NSEDP6 implementation. Based on the preliminary results of the midterm review of the NSEDP6, the Government affirmed that, given the objectives of meeting the MDG targets by 2015 and graduating from least-developed country status by 2020, the NSEDP6 remains focused on reducing poverty and accelerating the pace of social development.

18. CSP implementation is aimed at helping the Government achieve the NSEDP6 initiatives and targets in improving the quality and access to basic education and health care services, fostering agriculture diversification and commercialization, and improving the enabling environment for private sector development. Its implementation is tracked through the project design and monitoring framework and project review missions. Sector results will be reviewed during country portfolio review missions. 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. Sound progress is being made toward meeting the targets of the CSP results framework. While the CSP's sector roadmaps and results framework remain valid, a comprehensive midterm review of the CSP is scheduled for 2009.

Table 1: Indicative Assistance Pipeline for Lending and Grant Products, 2009–2011

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		
2009 Loans and Grants										
National Firm										
Education										
1. Strengthening Higher Education Project	GI	ISD, GAD	SESS	2008	32.0	0.0	22.0	22.0	2.0	8.0 (Aus/Kor Rep.)
Health, Nutrition, and Social Protection										
2. Health Sector Development Program	GI	ISD, GAD	SESS	2008	32.0	0.0	22.0	22.0	2.0	8.0 (Aus/Jap)
Total					64.0	0.0	44.0	44.0	4.0	16.0
National Standby										
Energy										
1. Small and Mini-Hydropower Development Project (ADF hard term)	TI	ECO	SEID	2008	20.0	0.0	5.0 ^a	5.0	1.0	14.0 (Jap/Kor Rep., Carbon Credit)
Subregional Firm										
Energy										
1. GMS Northern Power Transmission	TI	ECO, RCI	SEID	2006	25.0	0.0	20.0	20.0	5.0	0.0
2. GMS Nam Ngum 3 Hydropower Project	TI	ECO, RCI	SEID, PSIF2	2006	52.0	47.0	0.0	47.0	5.0	0.0
Health, Nutrition, and Social Protection										
3. GMS Capacity Building for HIV/AIDS Prevention	TI	ISD, GAD, RCI	SESS	2008	5.5	0.0	5.0	5.0	0.5	0.0

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		
Transport and Communication										
4. Supplemental grant for Northern GMS Transport Network Improvement Project	GI	ECO, RCI	SEID	2007	16.5	0.0	15.0	15.0	1.5	0.0
5. Second GMS Northern Transport Network Improvement	GI	ECO, RCI	SEID	2008	40.0	0.0	20.0	20.0	2.0	18.0
Water Supply, Sanitation, and Waste Management										
6. GMS Mekong Water Supply and Sanitation Project	GI	ECO, GAD, ISD, RCI	SESS	2008	8.0	0.0	1.0	1.0	0.0	7.0
Total					147.0	47.0	61.0	108.0	14.0	25.0
Total National and Subregional					211.0	47.0	105.0	152.0	18.0	41.0
2010 Loans and Grants										
National Firm										
Agriculture and Natural Resources										
1. Rural Infrastructure Development	GI	ISD, ENV	SEAE	2009	34.0	0.0	24.0	24.0	2.0	8.0 (Fra/Ger)
Education										
2. Education Sector Development Program	GI	ISD, GAD	SESS	2009	26.0	0.0	20.0	20.0	2.0	4.0 (Aus)
Energy										
3. Small and Mini-Hydropower Development Project (ADF hard term)	TI	ECO	SEID	2008	20.0	0.0	5.0 ^a	5.0	1.0	14.0 (Jap/Kor Rep., Carbon Credit)
Total					80.0	0.0	49.0	49.0	5.0	26.0

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		
National Standby										
Transport										
1. Transport Sector Development Project	GI	ECO	SEID	2009	34.0	0.0	24.0	24.0	2.0	8.0
Subregional Firm										
Agriculture and Natural Resources										
1. GMS Flood and Drought Risk Management and Mitigation	GI	ECO, RCI	SEAE	2008	25.0	0.0	20.0	20.0	5.0	0.0
2. GMS Biodiversity Conservation Corridor	GI	ENV, RCI	SEAE	2009	37.0	0.0	20.0	20.0	2.0	15.0
Energy										
3. GMS Nabong-Udon Thani Power Transmission and Interconnection (MFF:\$100 million)	GI	ECO, RCI	SEID	2007	84.0	74.0	0.0	74.0	10.0	0.0
4. GMS Nam Ngiep 1 Hydropower Project	TI	ECO, RCI, PSD	SEID/PSIF2	2008	35.0	35.0	0.0	35.0	0.0	0.0
Health, Nutrition, and Social Protection										
5. GMS Communicable Disease Control II	GI	ISD, RCI	SESS	2009	13.0	0.0	10.0	10.0	1.0	2.0 (Aus)
Total					194.0	109.0	50.0	159.0	18.0	17.0
Total National and Subregional					274.0	109.0	99.0	208.0	23.0	51.0
2011 Loans/Grants										
National Firm										
Education										
1. Technical Education and Vocational Training Project	GI	ISD, GAD	SESS	2009	30.0	0.0	20.0	20.0	2.0	8.0 (Ger/Lux)
Transport										
2. Transport Sector Development Project	GI	ECO	SEID	2009	34.0	0.0	24.0	24.0	2.0	8.0

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		
Water Supply, Sanitation, and Waste Management										
3. Clean Environment Solid Waste Management Project (ADF hard term)	GI	ENV, ECO	SEID	2008	10.0	0.0	2.0 ^a	2.0	0.0	8.0 (Jap/Kor Rep., Carbon Credit)
Total					74.0	0.0	46.0	46.0	4.0	24.0
National Standby										
Energy										
1. Renewable Energy Development Project	TI	ECO	SEID	2010	22.0	0.0	20.0	20.0	2.0	TBD
Industry and Trade										
2. Financial Sector Development Program	GI	ISD	SEGF	2009	17.0	0.0	15.0	15.0	2.0	TBD
3. Infrastructure Improvement for Tourism Development	GI	ECO	SEID	2010	22.0	0.0	20.0	20.0	2.0	TBD
Subregional Firm										
Energy										
1. GMS Rural and Renewable Energy Project (formerly, GMS Biofuel Development Project)	GI	ECO, RCI	SEAE	2009	13.0	0.0	10.0	10.0	1.0	2.0
2. GMS Power Interconnection (Bansok-Pleiku)	TI	ECO, RCI	SEID	2008	150.0	25.0	0.0	25.0	8.0	117.0
Multisector										
3. GMS Trade Facilitation and Logistics Development	GI	ECO, RCI	TRM/ SEGF	2009	23.0	0.0	20.0	20.0	1.0	2.0
4. GMS Border Towns Development	GI	ECO, RCI	SESS	2010	13.0	0.0	10.0	10.0	1.0	2.0
Transport and Communications										
5. GMS East-West Economic Corridor II	GI	ECO, RCI	SEID	2009	23.0	0.0	20.0	20.0	1.0	2.0

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		
Total						222.0	25.0	60.0	85.0	12.0	125.0
Total National and Subregional						296.0	25.0	106.0	137.0	16.0	149.0

ADB = Asian Development Bank; Aus = Australia; ECO = sustainable economic growth; ENV = environmental sustainability; Fra = France; GAD = gender and development; Ger = Germany; GI = general intervention; Gov't = government; GMS = Greater Mekong Subregion; ISD = inclusive social development; Jap = Japan; Kor Rep. = Republic of Korea; Lux = Luxembourg; PSIF2 = Private Sector Operations Department Infrastructure Finance Division 2; 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 Social Sector Division; TI = targeted intervention.

^a = ADF hard term

Source: Asian Development Bank.

Table 2: Indicative Assistance Pipeline for Nonlending Products and Services, 2009–2011

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2009 National Firm							
Agriculture and Natural Resources							
1. Rural Infrastructure Development Project	SEAE	PPTA	TASF	800.0		0.0	800.0
Education							
2. Education Sector Development Program	SESS	PPTA	TASF	700.0		0.0	700.0
Health, Nutrition, and Social Protection							
3. Support for Health Sector Development Program	SESS	PATA	TASF	500.0		0.0	500.0
Industry and Trade							
4. Financial Sector Assessment	SEGF	RDTA	TASF	500.0		0.0	500.0
Law, Economic Management, and Public Policy							
5. Capacity Strengthening for the Department of Statistics of Ministry of Planning and Investment	LRM, ERD	C-CDTA	TASF	500.0		0.0	500.0
6. Lao Labor Market Survey	SESS, LRM	RDTA	TASF	500.0		0.0	500.0
Transport and Communications							
7. Transport Sector Development Project	SEID	PPTA	TASF	700.0		0.0	700.0
Total				4,200.0		0.0	4,200.0
2009 National Standby							
Education							
1. Technical Education and Vocational Training Project	SESS	PPTA	TASF	700.0		0.0	700.0
Subregional Firm							
Agriculture and Natural Resources							
1. GMS Biodiversity Conservation Corridor Program	SEAE	R-PPTA	TASF	1,000.0		0.0	1,000.0
2. GMS Rural and Renewable Energy Project (formerly, GMS Biofuel Development Project)	SEAE	R-PPTA	TASF	2,000.0		0.0	2,000.0

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
Education							
3. GMS Phnom Penh Plan for Development Management, Phase IV	SEOD	R-CDTA	TASF	1,000.0	PRC	500.0	1,500.0
Energy							
4. Facilitating Sustainable, Environment-Friendly Regional Power Trading in the GMS Phase II (Study on the PRC–Lao PDR–Cambodia Power Interconnection and Transmission Improvement)	SEID	R-PATA		0.0	PRC, RCIF, Sweden	2,000.0	2,000.0
Health, Nutrition, and Social Protection							
5. GMS Communicable Disease Control Project II	SESS	R-PPTA	TASF	500.0		0.0	500.0
Multisector							
6. GMS Trade Facilitation and Logistics Development	TRM, SEGF	R-PPTA	TASF	800.0		0.0	800.0
Transport and Communications							
7. GMS East-West Corridor II	SEID	R-PPTA	TASF	1,000.0		0.0	1,000.0
Total				6,300.0		2,500.0	11,300.0
Total National and Subregional				10,500.0		2,500.0	15,500.0
2010 National Firm							
Agriculture and Natural Resources							
1. Agriculture Diversification and Commercialization	SEAE	RDTA	TASF	400.0		0.0	400.0
Education							
2. Technical Education and Vocational Training Project	SESS	PPTA	TASF	700.0		0.0	700.0
Energy							
3. Renewable Energy Development Project	SEID	PPTA	TASF	700.0		0.0	700.0
Industry and Trade							
4. Financial Sector Development Program	SEGF	PPTA	TASF	600.0		0.0	600.0

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
Law, Economic Management and Public Policy							
5. Operationalizing the 7th Five Year Plan	LRM	PATA	TASF	600.0		0.0	600.0
Total				3,000.0		0.0	3,000.0
Subregional Firm							
Agriculture and Natural Resources							
1. Implementing the Core Agricultural Support II	SEAE	R-PATA	TASF	1,000.0		0.0	1,000.0
Energy							
2. Developing the Regional Transmission and Regulatory Authority	SEID	R-PATA			France	1,000.0	1,000.0
3. Lao PDR GMS Northern Power transmission II	SEID	PPTA	TASF	1,000.0		0.0	1,000.0
Multisector							
4. GMS Border Towns Development Project	SESS	R-PPTA	TASF	1,000.0		0.0	1,000.0
5. Strengthening the Coordination of the GMS Program	SEOC	R-PATA	TASF	1,000.0	RCIF	3,000.0	4,000.0
Total				4,000.0		4,000.0	9,000.0
Total National and Subregional				7,000.0		9,000.0	12,000.0
2011 National Firm							
Agriculture and Natural Resources							
1. Rural Development Project	SEAE	PPTA	TASF	700.0		0.0	700.0
Energy							
2. Power Distribution Project	SEID	PPTA	TASF	700.0		0.0	700.0
Industry and Trade							
3. Capacity Strengthening of the State Audit Office	SEGF	CDTA	TASF	500.0		0.0	500.0
Law, Economic Management, and Public Policy							
4. Capacity Strengthening for the Department of Statistics of Ministry of Planning and Investment (Cluster TA)	LRM, ERD	CDTA	TASF	500.0		0.0	500.0

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
Transport and Communication							
5. Infrastructure Improvement for Tourism Development	SESS	PPTA	TASF	700.0		0.0	700.0
Water Supply, Sanitation and Waste Management							
6. Water Supply and Sanitation Sector Program	SESS	PPTA	TASF	700.0		0.0	700.0
Total				3,800.0		0.0	3,800.0
Subregional Firm							
Agriculture and Natural Resources							
1. GMS Core Environment Program & Biodiversity Conservation Corridor Initiative, Phase II	SEAE	R-PATA	TASF	1,000.0		0.0	1,000.0
Industry and Trade							
2. GMS Sustainable Tourism Development II ^b	SESS	R-PPTA	TASF	1,000.0		0.0	1,000.0
Multisector							
3. GMS Enhancing Transport and Trade Facilitation Phase II	TRM, SEGF	R-PATA	TASF	1,000.0		0.0	1,000.0
4. Implementing the GMS HRD Strategic Framework and Action Plan, Phase II	SESS	R-PATA	TASF	700.0		0.0	700.0
Water Supply, Sanitation, and Waste Management							
5. GMS Mekong Water Supply and Sanitation Project II ^b	SESS	R-PPTA	TASF	1,200.0		0.0	1,200.0
Total				4,900.0		0.0	4,900.0
National and Subregional Total				8,700.0		0.0	8,700.0

ADB = Asian Development Bank; C-CDTA = cluster capacity development technical assistance; ERD = Economics and Research Department; Gov't = government; GMS = Greater Mekong Subregion; LRM = Lao Resident Mission; PATA = policy and advisory technical assistance; PPTA = project preparatory technical assistance; PRC = People's Republic of China; RCIF = Regional Cooperation and Integration Fund, RDTA = research and development technical assistance; R-PPTA = regional project preparatory technical assistance; R-PATA = regional policy and advisory technical assistance; 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; TASF = Technical Assistance Special Fund; TBD = to be determined; TRM = Thailand Resident Mission.

Source: Asian Development Bank.

Table 3: Summary Information on Proposed Indicative Lending/Grant Products and Services, 2009

A. Lending and Grant Products	
Project Name	Health Sector Development Program (\$22.0 million)
Objective, Components, and Outputs	<p>The program aims to support (i) increasing access to maternal and child care, (ii) improving quality of care, (iii) making health care affordable, and (iv) strengthening provincial and district management. Maternal care has become the priority of the (MOH) due to a lagging Millennium Development Goal (MDG) linked with weak obstetric services. Many clinics and hospitals cannot provide emergency obstetric care and complications of delivery are common. MOH plans to develop standards and incentives for health facilities to provide quality care. Current total health expenditure is low at about 3.2% of gross domestic product, or about \$13 per person per year. Sixty percent of total health spending is financed out-of-pocket. Cost recovery is quite high for the poor, making health care less affordable and resulting in income erosion. MOH is moving to a results-based provincial and district health system management approach as an important building block for a national sector approach. ADB has built up a strong and productive partnership with MOH since 1990 and is working closely with other partners, in particular Japan, United Nations Children’s Fund (UNICEF), World Health Organization, and the World Bank. ADB has supported the expansion of primary health care (PHC) in eight northern provinces and strengthening institutional capacity for PHC management nationwide. To improve the quality and use of services, the health system development project strengthened this further by focusing on human resource development (HRD), and introduced the results-based approach and the health equity fund. Based on this successful approach, the Government has requested assistance to scale up the health equity fund and program approach, and strengthen provincial health systems management nationwide.</p>
Expected Results	<p>The goal is to achieve the MDGs for maternal and child mortality reduction by 2015 (goals 4 and 5). Its outcome is improved performance of the public health system in terms of use and quality of PHC in the eight northern provinces and provincial health system management nationwide. The outputs include (i) increased access to services for women and children in the eight northern provinces by improving availability of emergency obstetric and child services in hospitals; (ii) increased capacity of health centers for skilled birth attendance, and expansion of the healthy villages model piloted under Japan Fund for Poverty Reduction (JFPR); (iii) affordable quality care for the poor in the eight northern provinces as a result of expanding the health equity funds for the poor to the eight northern provinces in coordination with other initiatives, and linking this to service standards and results-based incentives for the delivery of a package of services; (iv) improved human resources for health, involving implementation of the human resource policy and plan in coordination with other partners, including support for the university of health sciences, Luang Prabang family doctor school, mid-level PHC workers schools, schools for nurses and midwives, and continuous in-service training of staff and village health workers with priority for female staff in general and midwives in particular; and (v) strengthened provincial health system management nationwide. The program will support provincial health accounts, planning and budgeting, financial management, provincial aid harmonization, and monitoring and evaluation in support of the Government’s policy regarding decentralization and the results-based management approach. The component includes integrated program administration and national aid coordination, with technical matters to be implemented by concerned departments in MOH.</p>

Project Name	Strengthening Higher Education Project (\$22.0 million)
Objective, Components, and Outputs	The project aims to develop a higher education system with international standards by improving equitable access, quality, and relevance; and by strengthening teaching and research capacity. It will support (i) the development of an overall policy and regulatory framework in line with the National Education System Reform Strategy, 2006–2015, (ii) the strengthening of existing public universities including the National University of Lao, Souphanouvong University in Luang Prabang, and Champasak University in Pakse, and other key higher educational institutions in terms of governance and management, facilities, and staff (administrators and faculty members); and (iii) project implementation management and coordination.
Expected Results	The project will contribute to the country objective of graduating from least-developed country status by 2020, and of integrating into the regional and global economy. The development of the higher education system with international standards can play a critical role in achieving these objectives.
Project Name	Greater Mekong Subregion Northern Power Transmission (\$20.0 million)
Impact and Major Components	The project aims to provide a more reliable and environmentally sustainable power supply to northern Lao PDR and northeastern Thailand. The Project will complete a feasibility study and project design, agreed to by ADB and the Government, that will effectively provide electricity to rural areas in northern Lao PDR with no grid access, improve the reliability of power supply, and strengthen power interconnections with Thailand. The ultimate goals of the project are to promote pro-poor economic and social development through improved access to electricity. The Project will be designed to develop and/or strengthen 115 kilovolt (kV) transmission lines across the northern provinces of Phongsali, Louangnamtha, Oudomxai, Xaignabouri, and Vientiane. It includes three new substations (115 kV and 22 kV) in Boun Neua (Phongsali), Namou (Oudomxai), and Paklai (Xaignabouri), and medium and low voltage distribution facilities for rural electrification. The project will upgrade the interconnection to Thailand from 22 kV to 115 kV and include other assistance for consulting services, operating improvements, and project benefit monitoring.
Expected Outputs and Outcomes	Expanding rural electrification is critical to develop rural areas and reduce rural poverty in the poor northern region of the Lao PDR. The Government's policy gives priority to expanding the coverage of electricity supply in all provinces to promote socioeconomic development. To reach the Government's target of 90% electrification by 2020, the provision of a reliable power supply will need to be considerably enhanced. In the northern region, ADB will continue to invest in the development of the transmission network and rural electrification. To support the national rural electrification program and improve the reliability of grid operation, a sufficient and diversified power supply will be technically necessary. The Power Sector Strategy Study for the Lao PDR recommends that in the northern regions near the border, cross-border interconnection and power trade with neighboring countries will be a more economic option. In addition, as one of the Greater Mekong Subregion (GMS) programs, the Power Interconnection Project to establish the interconnection of subregional power system has been initiated. This will provide availability of off-take power from the proposed cross-border high-voltage bulk transmission lines to meet the increasing power demands in the northern region. The project will facilitate the development of regional power exchange among GMS countries and provide reliable power supply to the northern region of the Lao PDR.
Project Name	Greater Mekong Subregion Nam Ngum 3 Hydropower Project (\$47.0 million)
Impact and Major Components	The project will involve 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. It will be a private-public partnership to address the economic growth objectives of the Lao PDR, while meeting the requirements of Thailand's power

	<p>generation sector. It will be located on the Nam Ngum River, 58 kilometers (km) upstream of the Nam Ngum River 1 reservoir in Xaysomboun province. It will operate under a concession agreement with the Government of the Lao PDR for 25 years from the beginning of commercial operations. The Nam Ngum 3 power company will enter into a power purchase agreement with the Electricity Generating Authority of Thailand for the sale of about 92% of the company's generating capacity on a take-or-pay basis over 25 years. The project will operate as a storage system with a reservoir of 3,000,000 cubic meters (m³) and a roller compacted concrete dam of 220 meters (m). The main features of the project include (i) an underground power station with 2 x 220 MW installed capacity, (ii) a 220 m high dam with a volume of 3,000,000 m³, (iii) a 105 km, 250 kV transmission line to Ban Nabong substation; and (iv) a 28 km, 200 kV transmission line from Ban Nabong substation to Thailand's national grid at Ban Dtin Hen (Pakpeng).</p>
Expected Outputs and Outcomes	<p>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. 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. Thailand's electricity market illustrates complementary features between the Thai and Lao systems, which make the trade of hydropower from the Lao PDR to Thailand advantageous. These features indicate that (i) Nam Ngum, Nam Theun, and Xe Kong are strategically located to service the electricity requirements of the northeastern region of Thailand, which has a deficit in generating capacity, in addition to metropolitan Bangkok; (ii) the peak load requirements between Thailand and the Lao PDR differ creating possibilities for time-of-day exchanges; and (iii) supply from the Lao PDR diversifies the reliance of Thailand on gas imported from Myanmar. Thus, this project is strategically located to serve the electricity requirements of Thailand's northeastern region and is also consistent with Thailand's strategy of diversifying its electricity supply sources.</p>
Project Name	Greater Mekong Subregion Capacity Building for HIV/AIDS Prevention (\$5.0 million)
Impact and Major Components	<p>The project aims to help contain the spread of HIV within the GMS. It will 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. Components and outputs include (i) a regional training program for capacity development among mid-level HIV/AIDS program managers in areas of international financing, program design and implementation, and 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, power), economic growth centers, and cross-border zones; (ii) a program of data collection, analysis, and skills transfer for conduct of economic and poverty impact assessments to support policy and program targeting; and (iii) support for HIV/AIDS surveillance programs and capacity building to develop the technical skills of epidemiologists, statisticians, social scientists for conducting, analyzing, and using surveillance data to improve program responses.</p>
Expected Outputs and Outcomes	<p>The project is expected to develop a generation of public sector managers—technical and administrative—with improved skills for HIV/AIDS prevention program development and management.</p>
Project Name	Greater Mekong Subregion Second Northern Transport Network Improvement (\$20.0 million)
Impact and Major Components	<p>By improving the efficiency of transport on the GMS Northeastern Corridor and on associated rural access roads, the project will increase economic growth and reduce poverty in two of the poorer provinces of the Lao PDR and Viet Nam. The</p>

	<p>project will allow ADB to maximize the benefits of ongoing transport sector investments in improvements to the Northeastern Corridor. The project will complement ongoing ADB-financed economic development and poverty reduction activities in the project area provinces of Houaphanh in the Lao PDR and Thanh Hoa in Viet Nam, thereby contributing to the overall economic development of the corridor. The project design and feasibility study is being prepared for about 200 km of route 217 in Thanh Hoa province in Viet Nam and about 140 km of sections of routes 6, 6A, and 6B in Houaphan Province in the Lao PDR. The project design and feasibility study will prioritize, select, and include a total of about 200 km of rural access roads linking the corridor to the hinterland in the Lao PDR and Viet Nam. Outputs will include (i) traffic forecasts for project roads; (ii) preliminary designs and cost estimates; (iii) an economic analysis of the proposed road improvements; (iv) analyses of the environmental, social, resettlement, and ethnic minority impacts of the project; and preparation of an initial environmental examination, resettlement plan, and ethnic minority specific action; (v) necessary documentation for approval of the projects by the governments of the Lao PDR and Viet Nam; and (vi) analyses and recommended improvements for implementation of cross-border movement of goods and people on the project roads.</p>
Expected Outputs and Outcomes	The project expects to increase the efficiency of transport infrastructure in the GMS Northeastern Corridor and national road networks of the Lao PDR and Viet Nam.
Project Name	Supplemental Grant for Northern GMS Transport Network Improvement Project (\$15.0 million)
Impact and Major Components	<p>The supplementary grant will provide additional financing for Grant 0082-LAO: Northern GMS Transport Network Improvement Project. The Project is facilitating regional cooperation and increased economic growth in the GMS by improving the national highway linking the Louangphrabang area with the Lao PDR to Thailand border. Improvement of this road will facilitate increased exports to Thailand of agricultural goods produced in the project area and increased tourism from Thailand to Louangphrabang and northern Lao PDR generally. The impact of the Project will be increased trade and economic growth in the project area and the region. The major components of the Project include (i) improvement of Route 4 from Xiang Ngeun to Nakha, construction of a bridge over the Mekong River on the project road, and improvement of about 100km of rural access roads; (ii) procurement of equipment for use in operating and facilitating border crossing at Kenthao and for enforcement of axle-load controls on the project road; (iii) consulting services for construction supervision and monitoring and evaluation as well as detailed design for the rural access roads; (iv) financing for periodic road maintenance of the national road network; (v) consulting services for improvement of road safety by continuing the ongoing road safety assistance program; and (vi) a program to reduce the risks of HIV/AIDS/sexually transmitted infections and human trafficking that may develop during the improvement and operation of the project road. The supplementary grant will ensure that sufficient financing is available to cover the increase in the cost of civil works due to the increase in oil prices since the project was approved in September 2007.</p>
Expected Outputs and Outcomes	The outcome of the Project will be more efficient transport on the regional and national road networks. The outputs will include improvement of 367km of Route 4 and 100km of rural access roads, resettlement and compensation of affected people, completion of periodic maintenance on national roads, improvement of road safety, and increased awareness of HIV/AIDS and human trafficking. The project will ensure completion of the improvement of Route 4.
Project Name	Greater Mekong Subregion Mekong Water Supply and Sanitation Project (\$1.0 million)
Impact and Major Components	The project aims to rehabilitate and improve water supply and sanitation services in nine towns along GMS economic corridors in Cambodia, Lao PDR, and Viet Nam. Its expected outputs include (i) expedited pro-poor water and sanitation investments in secondary towns; (ii) enhanced local and regional institutional and human resource capacity to sustain water

	and sanitation services; (iii) local upstream sector reforms; and (iv) enhanced capacity of local private sector entities in service delivery. The project is designed to (i) construct facilities to supply continuous and safe water to 200,000 residents of the nine secondary towns; (ii) develop a sanitation strategy to be adopted by each of the nine towns, covering short- and long-term actions; (iii) implement the short-term sanitation action plan, including construction of related infrastructure, in the nine secondary towns; (iv) ensure affordable and sustainable access to water supply and sanitation services by the poor urban population; and (v) strengthen institutional, technical, and financial capacity of public and private sector operators in providing water supply and sanitation services.
Expected Outputs and Outcomes	The project is expected to deliver enhanced and sustainable water supply and sanitation services in nine selected secondary towns in Cambodia, Lao PDR, and Viet Nam, resulting in an improved environment and ultimately leading to increased investment and poverty reduction.
B: Assistance Pipeline for Nonlending Products and Services, 2009	
Project Name	Rural Infrastructure Development Project (PPTA for \$0.8 million)
Objective, Components, and Outputs	The project aims to improve the socioeconomic conditions of the rural communities in the project area through enhanced livelihood opportunities and access to social services and markets.
Expected Results and Deliverables	The project will contribute to the objective of enhanced rural connectivity and improved agricultural productivity by complementing related interventions in the sector. This will be achieved by focusing on strategic rural infrastructure related interventions through a decentralized institutional framework with adequate attention on policy milestones required to sustain productive and economic rural infrastructure interventions.
Project Name	Education Sector Development Program (PPTA for \$0.7 million)
Objective, Components, and Outputs	The goal is to restore fiscal viability by rationalizing education facilities, reducing surplus staff, and promoting private sector involvement. The project aims to strengthen education management and education programs. Key reforms during project implementation include (i) restructuring schools, (ii) training staff, (iii) supporting the national education strategy and action plan for strengthening the technical education and vocational training sector, and (iv) developing the curriculum.
Expected Results and Deliverables	The program will be implemented in close cooperation with other development partners, who have collaborated with ADB including Australia, which has provided support to education sector development, learning materials development, and teacher training to supplement ADB inputs with considerable success. In urban areas, the program will aim to increase the number of school places in the poorest suburban areas, especially communities where families live in traditional homes. In rural areas, the program will provide dormitories so children from ethnic families can board at school. As well as helping more children attend school, the program will ensure that they receive quality education. This will be achieved by investing in teacher training, providing modern textbooks, modernizing science programs, and integrating information and communication technology into the school curriculum.
Project Name	Financial Sector Assessment (RDTA for \$0.5 million)
Objective, Components, and	The project aims to assess the performance of the financial sector to identify the challenges, opportunities, and gaps where ADB together with other development partners can continue to support government policy reforms. At this initial stage, the

Outputs	assessment is expected to identify the binding constraints to improve state commercial banks; improve banking supervision; and put in place the required financial infrastructure including the institutional and regulatory framework for an interbank market, credit information bureau, deposit protection fund.
Expected Results and Deliverables	Based on lessons from past ADB projects in the financial sector, the assessment will take into account the following (i) the political economy and government commitment to a comprehensive reform agenda must be carefully assessed, (ii) state bank restructuring without privatization is difficult to achieve, (iii) general lessons with regard to policy-based lending are being reconfirmed by the evaluation of this program, among which are precondition of country ownership for policy reform, need for commitment and capacity to reform, and adequate staff resources; (iv) a comprehensive capacity-development strategy is needed that covers overall policy, governance, and other incentive structures that have an impact on the effectiveness of such assistance.
Project Name	Support for Health Sector Development Program (PATA for \$0.5 million)
Objective, Components, and Outputs	The overall goal of the TA project is to contribute to improving the health of the poor to achieve the Millennium Development Goals of reducing maternal and child mortality, and malnutrition. It aims to improve health sector performance by making quality public health care available, in particular for the poor, women, children, and ethnic minorities in rural areas. Two types of support are envisaged in close collaboration with other agencies: (i) introducing structural and policy reforms to improve the functioning of the health sector, in particular for pro-poor PHC; and (ii) directly strengthening PHC in eight northern provinces, in particular in HRD, health, and nutrition.
Expected Results and Deliverables	The TA project will help (i) assess issues and opportunities for health system development; (ii) conduct a participatory planning process to set priorities in policy reform, capacity building, and investment; and (iii) prepare a program proposal and implementation memorandum for possible ADB assistance. Following the existing policy framework and programs, the TA project will focus on five areas: HRD, health financing, planning and budgeting, PHC service delivery, and health and nutrition promotion.
Project Name	Labor Market Survey (RDTA for \$0.5 million)
Objective, Components, and Outputs	The project will conduct a comprehensive survey of the Lao Labor market. It will focus on analyzing the current trends, issues, opportunities and challenges.
Expected Results and Deliverables	The survey results will contribute to the development of the national statistical system and also inform the development of the curriculum that would be developed under the technical and vocational training projects.
Project Name	Capacity Strengthening for the Department of Statistics of the Ministry of Planning and Investment, Cluster TA (C-CDTA for \$0.5 million)
Objective, Components, and Outputs	The project aims to develop the Lao PDR's institutional capacity for statistics in a comprehensive manner. It will focus on developing systems, coordination mechanisms, training, and equipment of the Department of Statistics of the Ministry of Planning and Investment. It will take a cluster approach and address the chronically weak statistical systems in a holistic manner.
Expected Results	The project will contribute to the objective of enhancing the capacity of the Lao PDR's national statistical system. Its main deliverables include training for Department of Statistics staff; and equipping the department as the national focal point for

and Deliverables	all statistical functions in the country, including computerization, coordination mechanism, operating guidelines, and a national statistical decree.
Project Name	Transport Sector Development Project (PPTA for \$0.7 million)
Objective, Components, and Outputs	The project aims to contribute to the development of the transport sector. The components will include both national and provincial roads.
Expected Results and Deliverables	The project will build on the momentum, success, and lessons from ongoing work in the sector, and aims to maximize benefits already gained in extending the road networks. It will build on past ADB support in the sector and help the Government meet its targets in the transport sector as spelt out in the NSEDP6.
Project Name	Greater Mekong Subregion Communicable Disease Control Project, Phase 2 (R-PPTA for \$0.5 million)
Impact and Major Components	The project aims to improve environmental health and reduce the burden of communicable diseases of regional importance in Cambodia, Lao PDR, and Viet Nam, thereby contributing to attaining the health-related MDGs by 2015. Project interventions are expected to result in improved prevention and containment of neglected communicable diseases in vulnerable populations, in particular the poor, women and children, and ethnic minorities in 20 provinces (6 in Cambodia, 6 in Lao PDR, and 8 in Viet Nam). The provinces will be high-priority provinces in terms of neglected communicable disease control (CDC), regional relevance, and synergies with investments in other sectors. Three main outputs are envisaged: (i) Strengthen local government environmental health promotion in 20 high-priority provinces addressing core environmental health problems using a strategic, multisector approach based on an approved local government plan, with special attention to vulnerable groups. It will involve orientation of leadership; training; documenting sources and uses of funds for environmental health and CDC activities; establishment of coordinating structures; strategic planning; and annual programs including environmental health campaigns, and healthy house and village promotion. (ii) Target interventions for control of neglected communicable diseases of regional relevance including dengue, respiratory infections, and diarrhea including surveillance and response. This includes assessment of health promotion activities and supporting improvements of these. (iii) Enhance regional cooperation for CDC and local preventive health system development, through (a) strengthened institutional capacity for regional cooperation in CDC, (b) knowledge management and human resource development, and (c) cross-border cooperation in CDC and services. This will include national and regional project management.
Expected Outputs and Outcomes	The phase II project will build on the momentum, success, and lessons from phase 1, and aims to maximize benefits gained in strengthening local capacity for environmental health and CDC, in addressing neglected communicable diseases, and in strengthening regional cooperation in these areas. Linkages have been established with regional programs that help strengthen sustainability of project investments. Through the regional public health forum, collaboration with the People's Republic of China, Myanmar, and Thailand will be increased and strengthened.
Project Name	Greater Mekong Subregion Biodiversity Conservation Corridor Program (R-PPTA for \$1.0 million)
Impact and Major Components	The Biodiversity Conservation Corridor Initiative (BCI) is the flagship program of the Core Environment Program of the GMS. Its purpose is to establish sustainable management regimes for restoring ecological connectivity and integrity in selected biodiversity areas. In phase I of the BCI (2006–2009), pilot projects are being carried out in selected sites within important biodiversity conservation landscapes, of which nine were identified by the GMS governments with support of development partners. The proposed project will be implemented during phase II of the BCI (2009–2012), and involve

	<p>preparing for scaling up biodiversity conservation activities in selected critical landscape areas of Cambodia, Lao PDR, and Vietnam, using findings of BCI pilot implementation, especially the methodology and framework of action developed in phase I. BCI activities to be undertaken include (i) poverty reduction through sustainable use of natural resources and livelihood development; (ii) clear definition of optimal land uses and harmonized land management regimes; (iii) restoration and maintenance of ecosystem connectivity; (iv) capacity building in local communities and of government staff; and (v) sustainable financing mechanisms and structures integrated with government planning and budgeting procedures.</p>
Expected Outputs and Outcomes	<p>The goal of BCI implementation is that by 2015, GMS countries will endeavor to maintain and improve the cover, condition, and biodiversity of forestland and associated ecosystems in priority biodiversity conservation landscapes and corridors. During project implementation, quick assessments will be undertaken as to whether the project is contributing to the medium-term (2009–2011) goals of the BCI, i.e., establishment of sustainable management regimes for restoring ecological connectivity and integrity in a select set of important biodiversity areas, combined with provision of natural resource goods and services contributing to improved livelihoods in and around the important corridors. At the completion of the project, which will correspond to the initial stage of phase III of the BCI, an evaluation of the project's approach, methodology, achievements, and outcomes will be undertaken, to serve as the basis of efforts to consolidate investments in all priority biodiversity landscapes and corridors during phase III.</p>
Project Name	Greater Mekong Subregion Facilitating Sustainable, Environment-Friendly Regional Power Trading, Phase II (R-PATA for \$2.0 million)
Impact and Major Components	<p>This project will contribute to the long-term objectives of the phase 1 project, which are to establish a competitive and efficient subregional power market, and minimize environmental impacts in developing power projects for regional power trade. Specifically, the project will focus on establishing the building blocks required to develop the PRC–Lao PDR–Cambodia power interconnection transmission line including: (i) assessing the transmission infrastructure and equipment needed to interconnect the PRC and Cambodia power grids via the Lao PDR for two-way or even three-way power trade; (ii) assessing how the benefits will be shared with the Lao PDR; (iii) facilitating conclusion of an agreement between Cambodia, PRC, and Lao PDR in using the Lao territory for the transmission line; (iv) reviewing feasibility studies of hydropower development in northern Lao PDR being undertaken by the China Southern Power Grid Company and determining the viability of developing these hydropower plants for export to Yunnan province or other potential hydropower sources for inclusion in the power trade; (v) identifying the social and environmental impacts of these investments and recommending mitigation measures; and (vi) recommending the required best practice rules, regulations, codes, institutional structures, and other market mechanisms developed in phase 1 for use for the interconnection.</p>
Expected Outputs and Outcomes	<p>The project is expected to deliver (i) recommended optimal configuration of the power interconnection line linking the PRC, Lao PDR, and Cambodia, taking into account cost structures, generation supply options, and social and environmental implications; (ii) proposed terms of reference and work plans for the requisite project preparatory work for key components of the transmission line and the detailed resettlement plans, environmental impact assessment, and environmental management plans; and (iii) draft agreements between the PRC, Lao PDR, and Cambodia covering the relevant rules, regulations, codes, and institutional and market mechanisms to make possible two-way or three-way power trade between the countries.</p>

Project Name	Greater Mekong Subregion Renewable Energy Development (R-PPTA for \$2.0 million)
Impact and Major Components	The project aims to contribute to sustainable rural development and rural energy security. It will provide (i) policy support for cross-border investment, contract farming, and trade; (ii) infrastructure and training support for enhanced community participation in feedstock supply, and small and medium enterprise (SME) development; (iii) research and development support for crop selection, technology choices, farming systems, and feedstock processing and marketing by facilitating partnerships among international, regional, and national centers of excellence; and (iv) strengthened capacities of national institutions on the technical, economic, and social dimensions of planning and implementation aimed at catalyzing farm development of rural renewable energy.
Expected Outputs and Outcomes	The project will help (i) harmonize policies on rural renewable energy development; (ii) increase the supply of energy in rural areas; and (iii) stimulate agricultural growth and improve income of smallholders. The project deliverables include the following: (i) a more comprehensive national rural renewable energy development strategy (for each country and a consolidated subregional strategy); (ii) a prioritized list of research and development projects to develop the needed technologies to support rural renewable energy development in the countries; (iii) a human resource development plan that would include degree and nondegree training; and (iv) a list of loan projects that provide support to rural renewable energy development that include area and feedstock development, infrastructure needs, and development of SMEs.
Project Name	GMS Phnom Penh Plan for Development Management, Phase IV (R-CDTA for \$1.0 million)
Impact and Major Components	The Phnom Penh Plan for Development Management (PPP) is a pioneering program to build capacity in public policy and development management of civil servants and institutions in the GMS countries. The goal is to improve the efficiency and effectiveness of development management to enhance economic growth and social development. Specific objectives are to (i) strengthen technical competence, and managerial and leadership capacity of GMS civil servants; (ii) improve management efficiency and effectiveness of national programs and projects; (iii) promote an enhanced understanding and awareness of and cooperative spirit in the GMS; (iv) reinforce partnerships and strengthen cooperation among GMS countries; (v) provide lifelong learning opportunities for alumni; (vi) develop institutional capacities through twinning arrangements, knowledge sharing, and technology transfer between capacity-building partners and research institutions; (vii) promote GMS-anchored research and intellectual capital development that will assist capacity-building and policy development interventions; and (viii) promote knowledge-sharing activities and encourage access to development information. The main components and outputs include learning programs (in-depth programs and short learning events), intellectual capital development (action research and journal), advocacy and knowledge-sharing activities (newsletter, website, and learning resource center), institutional networking (capacity-building partners), and establishment of a core of GMS leaders (alumni program and PPP Fellowship).
Expected Outputs and Outcomes	Phase IV will build on the momentum, success, and lessons of the previous phases and will reevaluate its key strategic thrusts to ensure continuing relevance and effectiveness. Based on the results and recommendation of the evaluation exercise, specific deliverables and results will be firmed up and may include (i) participation of approximately 300 civil servants in learning programs; (ii) fellowships for short programs at universities of international repute for up to 6 top-performing alumni of PPP learning programs; (iii) a program to support research; (iv) highly focused short learning events designed to stimulate reflection, debate, and action among GMS stakeholders; (v) lifelong learning and networking opportunities for PPP alumni; (vi) expansion of the learning resource center in Cambodia and establishment of a learning resource center in the Lao PDR to provide access to information on the GMS; and (vii) journals and research papers to disseminate information on the GMS and serve as catalysts for debate and discussion.

Project Name	Greater Mekong Subregion Trade Facilitation and Logistics Development (R-PPTA for \$0.8 million)
Impact and Major Components	The purpose of the project is to advance the agenda of trade and transport facilitation in the GMS. It has four components: (i) strengthen sanitary and phytosanitary measures (SPS) surveillance and risk management, (ii) enhance laboratory capacity in the GMS to support implementation of surveillance, risk analysis, and inspection, (iii) ensure SME compliance with SPS measures, and (iv) targeted logistics development. In turn, these components will provide the following outputs: (i) a phased regional plan for surveillance and risk management, supported by estimated costs and resource requirements (discussed with the GMS countries); (ii) laboratory needs assessment in the GMS including an assessment on (a) developing a public and private sector testing and diagnostic infrastructure; (b) preparing a plan for accreditation and mutual recognition; (c) reviewing the need for development of GMS SPS reference laboratories; (d) assessing staff and equipment needs; (e) assessing sustainability and affordability of laboratories; and (f) determining training programs in specified laboratory techniques for laboratory staff; (iii) options and feasibility to support the private sector, particularly the SMEs in obtaining hazard avoidance compliance to meet export requirements, and to meet the food safety requirement of domestic markets; and (iv) identified key logistics bottlenecks that require investment.
Expected Outputs and Outcomes	Results include acceptance of regional plans, preparation for the plan on GMS laboratory capacity building, identification of various loan components, and completed needs assessments.
Project Name	Second Greater Mekong Subregion East-West Corridor II (R-PPTA for \$1.0 million)
Impact and Major Components	The project aims to improve two sections of the transport network in central Viet Nam and southern Lao PDR to provide more efficient and cost-effective movement of passengers and goods within the GMS (specifically between Quang Nam province in Viet Nam and Sekong province in the Lao PDR). The PPTA will undertake a feasibility study and preliminary project design to develop a project to rehabilitate and upgrade transport links and facilities that is both economically and technically feasible, and socially and environmentally acceptable. The scope of activities will be based on ongoing activities and could support improvements to (i) National Highway (QL) 606 in Viet Nam, from Thanh My to Dak Ngan; and (ii) Route 16 in the Lao PDR from Dak Chung on the Viet Nam–Lao PDR border west to Sekong.
Expected Outputs and Outcomes	These improvements would complete the highway network connecting Pakse in the Lao PDR, to Da Nang in Viet Nam. From Pakse connections are available to Thailand, and from Da Nang connections are available to Ha Noi and Ho Chi Minh City on major highways. Other deliverables of the project 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 Viet Nam–Lao PDR border on the project road; and (iv) updating the evaluation of the road subsectors in Viet Nam and the Lao PDR done under previous TA projects. Consideration of project sustainability will include a review of road maintenance finance in both countries.

ADTA = advisory technical assistance; CDTA = Capacity Development TA; GMS = Greater Mekong Subregion; PATA = policy and advisory technical assistance; PPTA = project preparatory technical assistance; R-PPTA = regional project preparatory technical assistance. Source: Asian Development Bank.

Table 4: Assistance Pipeline for Lending and Grant Products, 2008

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		
National Loans and Grants										
Agriculture and Natural Resources										
1. Sustainable Natural Resources Management and Productivity Enhancement Project	GI	ECO, ENV	SEAE	2007	30.0	0.0	20.0	20.0	2.0	8.0 (IFAD, Finland)
Water Supply, Sanitation, and Waste Management										
2. Small Towns Water Supply and Sanitation Sector Project	TI	ISD, ECO	SESS	2006	35.0	0.0	23.0	23.0	2.0	10.0 (Australia)
Total					65.0	0.0	43.0	43.0	4.0	18.0
Subregional Loans and Grants										
Trade and Industry										
1. GMS Sustainable Tourism Development Project	GI	ECO, RCI	SESS	2005	11.0	0.0	10.0	10.0	1.0	0.0
Total					11.0	0.0	10.0	10.0	1.0	0.0
Total National and Subregional					76.0	0.0	53.0	53.0	5.0	18.0

ADB = Asian Development Bank; ADF = Asian Development Fund; ECO = sustainable economic growth; GI = general intervention; GMS = Greater Mekong Subregion; Gov't = Government; IFAD = International Fund for Agriculture Development; ISD = inclusive social development; OCR = ordinary capital resources; RCI = regional cooperation and integration; SEAE = Southeast Asia Department Agriculture, Environment and Natural Resources Division; SESS = Southeast Asia Department Social Sectors Division; TI = targeted intervention.

Source: Asian Development Bank

Table 5: Assistance Pipeline for Nonlending Products and Services, 2008^a

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
Agricultural and Natural Resources							
1. Agriculture Sector Development Program (piggy-backed to the Sustainable Natural Resources Management and Productivity Enhancement Project)	SEAE	PATA	TASF	700.0		0.0	700.0
2. Supplementary Financing to TA 4843-LAO: Agriculture and Natural Resources Sector Needs Assessment	SEAE	PPTA	TASF	245.0		0.0	245.0
Education							
3. Strengthening Higher Education Project	SESS	PPTA	TASF	600.0		0.0	600.0
Energy							
4. Small and Mini - Hydroelectric Power Development Project	SEID	PPTA	Climate Change Fund, CEFP	700.0		0.0	700.0
Health, Nutrition, and Social Protection							
5. Support for National Health Program Development	SESS	PATA	TASF	500.0		0.0	500.0
Industry and Trade							
6. Strengthening Public Financial Management Project	SEGF	PATA	TASF	1,100.0		0.0	1,100.0
Law, Economic Management, and Public Policy							
7. Building Lao PDR's Capacity to Develop Special Economic Zones	LRM	CDTA	TASF	700.0	UNIDO	150.0	850.0
8. Building Capacities to Improve Aid Effectiveness	LRM	CDTA	TASF	600.0	UNDP	0.0	600.0
Transportation and Communications							
9. Building Sector Program Readiness in the Transport Sector	SEID	PATA	TASF	700.0		0.0	700.0
Total				5,845.0		150.0	5,995.0

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
Standby							
Water Supply, Sanitation, and Waste Management							
1. Clean Environment Solid Waste Management Project	SEID	PPTA	Climate Change Fund/CEFP	600.0		0.0	600.0
Subregional							
Agricultural and Natural Resources							
1. GMS Flood and Drought Risk Management and Prevention	SEAE	R-PPTA	JSF	2,000.0		0.0	2,000.0
Energy							
2. GMS Nam Theun 2 Social Safeguards Monitoring	SEID	R-PATA	TASF	400.0		0.0	400.0
3. GMS Rural and Renewable Energy Project	SEID	R-PPTA	TASF	1,000.0		0.0	1,000.0
4. GMS Power Interconnection (Bansok–Pleiku)	SEID	R-PPTA	TASF	1,000.0		0.0	1,000.0
Health, Nutrition, and Social Protection							
5. GMS Capacity Building for HIV/AIDS Prevention	SESS	R-PPTA	TASF	500.0	AusAID	5,000.0	5,500.0
Transportation and Communications							
6. Second Northern GMS Transport Network Improvement	SEID	R-PPTA	TASF	1,500.0		0.0	1,500.0
Water Supply, Sanitation, and Waste Management							
7. GMS Mekong Water Supply and Sanitation	SESS	R-PPTA	JSF	400.0	RCIF Multi-donor Trust Fund Water Financing Facility	500.0 300.0	900.0 300.0
Total				6,800.0		5,800.0	12,600.0
Total National and Subregional				12,655.0		5,950.0	18,595.0

ADB = Asian Development Bank; ADTA = advisory technical assistance; AusAID = Australian Agency for International Development; CDTA = Capacity Development TA; CEFP = clean energy financing program; GMS = Greater Mekong Subregion; Gov't = government; LRM = Lao Resident Mission; PATA = policy and advisory technical assistance; PPTA = project preparatory technical assistance; PRC = People's Republic of China; RCIF = regional cooperation and

integration fund; R-PPTA = regional project preparatory technical assistance; 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; TASF = Technical Assistance Special Fund; R-PPTA = regional project preparatory technical assistance; R-PATA = regional policy and advisory technical assistance.

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

Source: Asian Development Bank.