The economy of the Lao People's Democratic Republic (Lao PDR) continues to grow vigorously. The country is rich in resources and has dynamic mining and hydropower industries, but economic diversification is needed.

The Government of the Lao PDR must strive for strong macroeconomic management, including foreign debt control, a sound fiscal framework, and effective budget management. While the government has consolidated expenditures to contain the national deficit, it needs to increase fiscal and foreign reserves to absorb any future shocks.

The Asian Development Bank (ADB) has been supporting the Government of the Lao PDR since 1968, and remains one of the country's largest multilateral financiers. As of 31 December 2016, ADB had provided $2.52 billion in loans, grants and technical assistance to the Lao PDR.

### ADB-SUPPORTED PROJECTS AND PROGRAMS

Since starting operations in the Lao PDR, ADB has responded to the country's changing development priorities—from an early emphasis on agriculture in the 1980s; to roads and transport in the 1990s; to education, energy, and regional integration in the 2000s. The Lao PDR is now an active member of the Greater Mekong Subregion (GMS) Economic Cooperation Program.
Cooperation Program, the Association of Southeast Asian Nations, and the World Trade Organization. ADB assistance to the Lao PDR is consistent with the rapidly evolving development needs of a lower middle-income country. Under its national socioeconomic development plans, the government has adopted a policy to transform the Lao PDR from a landlocked to a landlinked country, and is aiming to be eligible to graduate from least-developed country status by 2020.

In 2016, disbursements to the Lao PDR for lending and grants financed by ordinary capital resources, the Asian Development Fund, and other special funds totaled more than $46 million.

ADB also approved four new loans for the country in 2016, as well as additional financing for two ongoing projects. It committed $27 million to rehabilitate and maintain 327 kilometers of national and local roads in the provinces of Salavan, Xekong, and Attapu, while also strengthening governance and capacity for road asset management.

ADB approved grant and loan assistance of $39.9 million to improve the quality of education, expand access to higher education programs, and strengthen the governance and management of higher education institutions in the Lao PDR, aligning with employer demand for higher skills.

ADB also approved a $25 million grant for a project that will help realign the country’s technical and vocational education and training programs with labor market needs. The project will upgrade teaching and learning environments in eight vocational colleges, and strengthen teacher competencies to deliver high-value skills training.

To complement the two education projects, ADB provides a technical assistance to strengthen the capacity of the Ministry of Labor and Social Welfare to develop the employment service system helping the graduates access to employment opportunities in the formal sector.

A regional health initiative, which includes an $8 million grant and a $4 million loan for the Lao PDR, will improve health outcomes in households and communities across 12 provinces of the country. The project is focused on improving responses to emerging diseases and other major public health threats.

NONSOVEREIGN OPERATIONS

As a catalyst for private investments, ADB provides direct financial assistance to nonsovereign public sector and private sector transactions in the form of direct loans, equity investments, guarantees, B loans, and trade finance.

Since its inception, ADB has approved $321 million for two private sector transactions in the Lao PDR’s energy sector. Total outstanding balances and commitments of ADB’s private sector transactions in the country as of 31 December 2016 was $181.5 million, representing 1.9% of ADB’s total nonsovereign portfolio.

COFINANCING

Cofinancing operations enable ADB’s financing partners, governments or their agencies, multilateral financing institutions, and commercial organizations to participate in financing ADB projects. Additional funds are provided in the form of official loans and grants, technical assistance, other concessional financing, and commercial cofinancing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB’s Trade Finance Program.

From 1970 to the end of 2016, cumulative direct value-added (DVA) official cofinancing for the Lao PDR amounted to $370.8 million for 33 investment projects and $45.2 million for 54 technical assistance projects. Cumulative DVA commercial cofinancing for the Lao PDR amounted to $499.4 million for one investment project.
In 2016, the Lao PDR received $12.8 million grant cofinancing from the Strategic Climate Fund for the Greater Mekong Subregion Biodiversity Conservation Corridors, loan cofinancing of $531 million from the Government of the Republic of Korea for the Pakse Urban Environmental Improvement, and loan cofinancing of $9 million from the OPEC Fund for International Development for the Second Northern Greater Mekong Subregion Transport Network Improvement.

A summary of projects with cofinancing from 1 January 2012 to 31 December 2016 is available at www.adb.org/countries/lao-pdr/cofinancing.

**PARTNERSHIPS**

ADB established its Lao PDR Resident Mission in 2001. The resident mission actively coordinates with key development partners for cofinancing and collaboration, while playing a significant role in the national roundtable meeting process. ADB jointly chairs the macroeconomic working group and the infrastructure sector working group. In November 2016, the resident mission significantly contributed to the success of the Round Table Implementation Meeting in Vientiane Province. This included the endorsement of the Vientiane Declaration on Partnership for Effective Development Cooperation.

ADB collaborates with civil society organizations in the Lao PDR to strengthen the effectiveness, quality, inclusiveness, and sustainability of the assistance it provides. In 2016, ADB organized a consultation meeting with civil society organizations to help prepare the new country partnership strategy (CPS), 2017–2021 for the Lao PDR.

**PROCUREMENT**

Each year, ADB provides loans, grants, and technical assistance to fund projects and activities in its developing member countries; and several billion dollars in contracts to procure goods, works, and consulting services. Most contracts are awarded on the basis of international competition, which is open to firms and individuals from any ADB member, regional or nonregional.

**Share of ADB’s Procurement Contracts**

**Goods, Works, and Related Services**

ADB’s procurement contracts in Asia and the Pacific for goods, works, and related services under loan and grant operations totaled $11.09 billion in 2015 and $11.42 billion in 2016. Cumulative procurement since 1966 was $158.68 billion covering 206,915 contracts.

In the Lao PDR, 4,137 contracts worth $844.72 million were awarded to contractors and suppliers within the same period.

**Consulting Services**

ADB’s procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations totaled $655.31 million in 2015 and

**OPERATIONAL CHALLENGES**

Development challenges in the Lao PDR include (i) a highly concentrated production and export structure, (ii) limited human capital and quality of education, (iii) infrastructure gaps, (iv) inefficient governance and public sector management, and (v) environmental degradation.

Recent ADB-financed projects include development programs for higher education, technical and vocational education and training, health, sustainable urban transport, and road governance. Regional projects include biodiversity and health improvement, corridor town development, and road improvement in the country’s northern region.

Project start–up delays are being addressed by rigorously applying filters to improve project readiness. These filters include the preparation of detailed engineering designs and ADB support for advanced actions on consultant recruitment and procurement. To address shortages of experienced financial management and procurement staff, ADB and the government conduct training on procurement, disbursement, and financial management for implementing and executing agencies.
FUTURE DIRECTIONS

The overarching objective of the current CPS for the Lao PDR is inclusive and sustainable economic growth with associated poverty reduction. Inclusive growth focuses on rural areas, where the majority of the country’s poor resides. Growth is pursued by developing road and energy infrastructure, enhancing value chains, improving access to markets and social services, and forging stronger rural–urban linkages. Sustainable growth in rural areas is supported through improved natural resources management.

The current CPS aims to promote the central themes of private sector development, sound governance, gender equity, and regional cooperation and integration. It is designed to focus on four core sectors: (i) agriculture, natural resources, and rural development; (ii) education; (iii) energy; and (iv) water and other municipal infrastructure. In response to government requests, ADB has provided loans to other sectors including health, transport, and industry and trade.

The new CPS, 2017–2021 will continue ADB’s development progress in the Lao PDR.

ABOUT THE LAO PEOPLE’S DEMOCRATIC REPUBLIC AND ADB

ADB Membership
Joined 1966

Shareholding and Voting Power
Number of shares held: 1,476 (0.014% of total shares)
Votes: 41,083 (0.310% of total membership, 0.475% of total regional membership)
Overall capital subscription: $19.84 million
Paid-in capital subscription: $1.24 million

Kshatrapati Shivaji is the Director and Mahbub Ahmed is the Alternate Director representing the Lao People’s Democratic Republic (Lao PDR) on the ADB Board of Directors.

Yasushi Negishi is the ADB Country Director for the Lao PDR. The Lao PDR Resident Mission was opened in July 2001 and provides the primary operational link for activities between ADB and the government, the private sector, civil society stakeholders, and development partners. The resident mission engages in policy dialogue, country partnership strategy development and programming, and portfolio management, while also acting as a knowledge base on development issues in the Lao PDR.

The Lao PDR government agencies handling ADB affairs are the Department of International Cooperation of the Ministry of Planning and Investment, and External Finance Department of the Ministry of Finance.

ABOUT THE ASIAN DEVELOPMENT BANK

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB’s main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. In 2016, lending volume was $16.35 billion (126 projects), with technical assistance at $169.03 million (225 projects) and grant-financed projects at $526.75 million (31 projects). In addition, $14.06 billion was generated in direct value-added cofinancing in the form of official loans and grants, other concessional cofinancing, and commercial cofinancing such as B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB’s Trade Finance Program. From 1 January 2012 to 31 December 2016, ADB’s annual lending volume averaged $13.74 billion. In addition, investment grants and technical assistance funded by ADB and special funds resources averaged $562.24 million and $154.91 million in technical assistance over the same period. As of 31 December 2016, the cumulative totals excluding cofinancing were $247.28 billion in loans for 2,935 projects in 44 countries, $7.75 billion in 296 grants, and $4.06 billion in technical assistance grants, including regional technical assistance grants.

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Useful ADB websites
Asian Development Bank
www.adb.org

Asian Development Outlook
www.adb.org/publications/series/asian-development-outlook

Annual Report
www.adb.org/documents/series/adb-annual-reports

Depository Libraries
www.adb.org/publications/depositories

To access a complete list of development and economic indicators, visit:

Statistics and Databases
www.adb.org/data/statistics

In this publication, “$” refers to US dollars. Figures are estimated by ADB unless otherwise cited. Data are as of 31 December 2016 unless otherwise indicated. Fact sheets are updated annually in April.