The Asian Development Bank (ADB) has been supporting the Lao People’s Democratic Republic (Lao PDR) since 1968 and remains one of the country’s largest multilateral financiers. Over the past 5 years, the country’s economy has enjoyed a healthy rate of growth. However, a delicately balanced macroeconomic outlook, weak human resources and infrastructure, and the recurrence of natural hazards continue to pose challenges to the Lao PDR’s development.

To reduce the country’s heavy reliance on the resources sector, particularly hydropower and mining, which offer limited jobs and lack industrial linkages to the rest of the economy, economic diversification and enhanced regional cooperation are needed to expand trade, accelerate private sector investment, and generate employment.

Since 1968, ADB has committed loans, grants, and technical assistance totaling $2.91 billion for the Lao PDR. Cumulative loan and grant disbursements to the Lao PDR amount to $2.15 billion. These were financed by regular and concessional ordinary capital resources, and the Asian Development Fund.

ADB operations in the Lao People’s Democratic Republic will focus on infrastructure and private sector development to support employment and income generation, with environmental sustainability, gender equality, and good governance as crosscutting themes.
More recently, ADB assistance has increasingly focused on regional cooperation and integration to strengthen the Lao PDR’s international trade and competitiveness. The country has since become an active member of the Greater Mekong Subregion Economic Cooperation Program, the Association of Southeast Asian Nations, and the World Trade Organization.

In October 2019, ADB committed a total of $140 million in concessional loans and a grant to help the Government of the Lao PDR strengthen public financial management, enhance education to match employment prospects, and improve rural infrastructure and watershed management in the northern provinces. Under the $140 million package, ADB committed a concessional loan of $45 million to enable the government to carry out the Public Finance Reform 2025. The funding will help the Lao PDR strengthen public financial management, reform tax administration, improve medium-term fiscal planning and budgeting, and boost governance and budget credibility.

The second component of the package saw ADB commit $50 million to support the Lao PDR’s ongoing efforts to raise school enrollment levels, improve the quality of secondary education, and align post-primary education (secondary education, technical and vocational education and training, and higher education) to enhance youth employability by addressing the changing needs of the labor market.

For the third component, ADB committed a $40 million concessional loan and a $5 million grant from its disaster risk reduction fund to help the Lao PDR improve rural infrastructure and watershed management in the four northern provinces, increasing incomes and improving the quality of life for struggling farmers.

### NONSOVEREIGN OPERATIONS

As a catalyst for private investments, ADB provides financial assistance to nonsovereign projects and financial intermediaries. Total commitments from ADB’s own funds (in equity and direct loans) in 2019 amounted to $3.00 billion for 38 transactions in economic and social infrastructure, the finance sector, and agribusiness. ADB also actively mobilizes cofinancing from commercial and concessional sources. In 2019, ADB mobilized $3.28 billion of long-term cofinancing and $3.69 billion of cofinancing in trade finance, microfinance, and supply chain finance programs. Total outstanding balances and commitments of nonsovereign transactions funded by ADB’s own resources stood at $13.78 billion as of 31 December 2019.

### PARTNERSHIPS

Established in 2001, ADB’s Lao PDR Resident Mission coordinates with key development partners for cofinancing and collaboration, liaises with civil society organizations on project designs and outcomes, and contributes to the national roundtable implementation meeting process. The resident mission also collaborates with local think tanks, universities, and research institutes to develop and provide key knowledge products.

ADB jointly chairs the Lao PDR’s macroeconomic working group and the infrastructure sector working group. In November 2019, resident mission staff joined government officials and other development partners to participate in the roundtable implementation meeting in Luang Prabang City. ADB staff provided input for the outline of the next National Socio-economic Development Plan covering 2021–2025.
**FINANCING PARTNERSHIPS**

Financing partnerships enable ADB’s development partners, governments or their agencies, multilateral financing institutions, and commercial organizations to participate in financing ADB projects. The additional funds are provided in the form of loans and grants, technical assistance, and other nonsovereign cofinancing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB’s Trade Finance Program and Supply Chain Finance Program.

ADB began cofinancing operations in the Lao PDR in 1973. Since then, sovereign cofinancing commitments for the Lao PDR have amounted to $375.28 million for 34 investment projects and $49.03 million for 56 technical assistance projects. Nonsovereign cofinancing for the Lao PDR has amounted to $499.4 million for one investment project.

In 2019, the Lao PDR received $4.46 million in grant cofinancing from the European Union for the sustainable rural infrastructure and watershed management sector.

A summary of projects with cofinancing from 1 January 2015 to 31 December 2019 is available at www.adb.org/countries/lao-pdr/cofinancing.

**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 $12.38 billion in 2018 and $14.27 billion in 2019. Cumulative procurement since 1966 has been $194.28 billion covering 219,119 contracts.

In the Lao PDR, 4,886 contracts worth $1.15 billion have been awarded to contractors and suppliers since 1966.

**Consulting Services**

ADB’s procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations totaled $7.06 billion in 2018 and $7.45 billion in 2019. Cumulative procurement since 1966 has been $13.4 billion covering 63,327 contracts.

In the Lao PDR, 841 contracts worth $88.35 million have been awarded to consultants since 1966.

**OPERATIONAL CHALLENGES**

The Government of the Lao PDR has made vigorous efforts to contain the country’s large fiscal deficit and reduce public debt by implementing laws on public procurement and public debt management, and introducing a medium-term budget framework.

It is also working to bolster revenue collection and expand its revenue base. However, further steps are needed to reduce the fiscal deficit and improve the country’s public debt sustainability.

ADB continues to assist executing agencies in accelerating contract awards and disbursement through closer collaboration with agency project teams. The bank has been holding clinics for project staff covering procurement, safeguards, financial management, and disbursement. It is also providing direct advice on consultant recruitment procedures. The Lao PDR Resident Mission has taken measures to improve the quality of audited project financial statements to ensure that project funds are used for their prescribed purposes.

Extreme weather events also pose challenges for development. Floods in 2018 and 2019 inflicted heavy damage on agricultural production and infrastructure in six of the Lao PDR’s central and southern provinces, and revealed the country’s weak capacity to cope with natural hazards and its fragile resilience to climate change. ADB works closely with the government to assist communities in recovering and rebuilding after disaster events.

**FUTURE DIRECTIONS**

To graduate from least-developed country status in 2024 and achieve the Sustainable Development Goals by 2030, the Lao PDR is incorporating measures into its forthcoming National Socio-economic Development Plan to achieve sustainable and inclusive growth, expand quality human resources, foster sustainable
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: 40,590 (0.305% of total membership, 0.469% of total regional membership)
Overall capital subscription: $20.41 million
Paid-in capital subscription: $1.27 million

Sameer Kumar Khare is the Director and Bayrammuhammet Garayev is the Alternate Director representing the Lao People’s Democratic Republic (Lao PDR) on the ADB Board of Directors.

Sonomi Tanaka 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 and Debt Management Department of the Ministry of Finance.

ABOUT THE ASIAN DEVELOPMENT BANK
ADB is a multilateral development bank owned by 68 members, 49 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 2019, lending volume was $20.47 billion (133 projects), with technical assistance at $237.31 million (252 projects) and grant-financed projects at $844.07 million (31 projects). In addition, $11.86 billion was generated for sovereign and nonsovereign cofinancing in the form of loans and grants, B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB’s Trade Finance Program. From 1 January 2015 to 31 December 2019, ADB’s annual lending volume averaged $17.41 billion. In addition, investment grants and technical assistance funded by ADB and Special Funds resources averaged $702.60 million and $202.27 million over the same period. As of 31 December 2019, the cumulative totals excluding cofinancing were $296.28 billion in loans for 3,221 projects in 44 countries, $10.23 billion in 409 grants, and $4.72 billion in technical assistance grants, including regional technical assistance grants.

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Asian Development Outlook
www.adb.org/publications/series/asian-development-outlook
ADB Data Library
data.adb.org

Notes:
ADB welcomed Niue as its 68th member in March 2019.
Figures are estimated by ADB unless otherwise stated. “$” refers to United States dollars.
Data are updated as of 31 December 2019 unless otherwise indicated.