

Country Assistance Policy
for Lao People's Democratic Republic (Lao PDR)

April 2012

1. Significance of Assistance

Located in the center of Indochina, Lao PDR shares a border with five countries: Cambodia, China, Myanmar, Thailand, and Vietnam and situated in the heart of the Mekong Region. From this sort of geopolitical condition, the “security and prosperity of Lao PDR” emerges as a precondition for the “security and prosperity of the Mekong Region” and, furthermore, as a precondition for the “security and prosperity of ASEAN as a whole.”

Lao PDR has shown a steady economic growth against the backdrop of buoyant development in the areas of mineral resources and hydroelectric power generation. On the other hand, there still remain some issues to be resolved in order to achieve the Millennium Development Goals (MDGs) and graduate from the Least-Developed Countries (LDC) index.

It is indeed meaningful to Japan, which aims for its hand-in-hand growth in Asia, to extend its assistance to Lao PDR from the perspectives of strengthening interconnection of ASEAN and narrowing gaps between its new members and old members toward setting up the ASEAN Community in 2015.

Since 1991 Japan has built good relationships with Lao PDR as the top donor of assistance to the country. For instance, Japan and Lao PDR are in a harmonious relationship in a variety of international arenas such as UN.

2. Basic Policies of Assistance (Overall goals):

Supportingfor

(1)Achieving MDGs by 2015 and

(2)Graduating from the LDC index by 2020

The Lao government declares the goal of attaining more than 8% economic growth in 7th National Socio-economic Development Plan. However, although it regards economic development as an urgent issue, it aims at a well-balanced economic growth from concern about negative effects that may be brought about by rapid economic growth.

Japan assists Lao PDR to achieve its development goals. To that end, Japan has selected the issues of “Development of Economic and Social Infrastructure,” “Agricultural Development and Forest Conservations,” “Improvement of Educational Environment and Human Resource Development,” and “Improvement of Health Care Services” as its priority

areas in light of the matters promoted by ASEAN integration, stronger connectivity and narrowing intra-regional disparities. In particular, Japan provides its assistance with greater emphasis on the promotion of environmentally compatible economic growth.

3. Priority Areas (Intermediary goals)

(1) Development of Economic and Social Infrastructure

Japan extends its assistance which is instrumental to strengthening ASEAN connectivity including development of infrastructure such as roads, bridges, and airports, environmental improvement in investment and trade such as logistics park which will enhance inroads of Japanese enterprises into the Lao market, rectifying disparities in access to electric power within Lao PDR and enhancing power export through expanding electric power in safe and stable manner with the ultimate aim of achieving a sustainable economic growth. At the same time, in order to realize a balanced economic growth, Japan provides its assistance in the fields of environmental management, water treatment plants, and urban planning that contributes to building an environmentally harmonious and comfortable society.

(2) Agricultural Development and Forest Conservations

Japan provides its assistance to increase productivity with irrigated agriculture and promote the cultivation of commercial crop with the aims of achieving a stable economic growth in Lao PDR and narrowing gaps between the urban and the rural generated by economic growth through enhancing the agricultural sector that is the key industry in Lao PDR and increasing the earnings of farmers who constitute a huge majority of poor people. At the same time, Japan extends its assistance for sustainable use of forest resources toward forest conservation and livelihood improvement toward poverty reduction.

(3) Improvement of Educational Environment and Human Resource Development

In order to develop human resources who contribute to socio-economic development, Japan gives its assistance to improve educational environment, raise the quality of teachers, and upgrade school management. In primary and secondary education, focus will be placed on science and mathematics education in which Japan has a rich body of knowledge accumulated through its experiences in a great number of countries. Assistance is given also to higher education and technical and vocational education in order to enhance the private economic sector.

(4) Improvement of Health Care Services

For achieving the health-related MDGs, Japan provides its assistance for strengthening health systems through development of human resources and improvement of health facilities to increase access to health care services with a focus on Maternal, Neonatal and Child Health (MNCH).

4. Issues to be kept in mind

- (1) Pay attention to the necessity of improving governance such as administrative capacity, institutional building and the judicial system from the viewpoints of promoting development and raising the effects of assistance.
- (2) Based on the action plan for “A Decade toward the Green Mekong” Initiative, pay attention to the compatibility of environment and economic growth, sustainable development, and the necessity of measures against climate change.
- (3) Unexploded ordnance (UXO) which is still all over the country impedes the expansion of farm lands and infrastructure lands, thereby presenting a barrier in the way for socio-economic development. Hence, bear in mind the necessity of UXO clearance as a cross-sectoral issue.

Attached paper: Rolling Plan

Rolling Plan for the Lao People's Democratic Republic

As of April 2015

Basic Policy of Assistance	Assistance for achieving MDGs and leaving the category of LDC											
Priority Area 1	Development of Economic and Social Infrastructure											
Development issue 1-1 Development of transport networks	[Background and Current Situation] Transport network development is an integral element of poverty eradication and is essential to promoting economic growth in the Lao PDR, as the country is landlocked and located in the center of the Mekong Region. Public investment has been allocated to projects in this sector on a priority basis since the 1980s and national trunk roads and bridges such as National Road Rt13, Rt9, the Mekong bridge in Pakse and the 2nd Mekong Bridge have been developed with the support of the Japanese Government. However, the development of roads in provinces that link to national trunk roads and bridges and the proper maintenance of the roads and bridges are necessary because the percentage of paved roads is still only 17%. In addition, the development of air transportation is necessary to secure means of rapid transport and to promote ASEAN connectivity.					[Strategy] The possibility of assistance for the development of and technical assistance for the maintenance of trunk and local roads in provinces will be considered in the context of the synergetic effect of close coordination with other sectors so that the social and economic infrastructure that has been developed will be used more effectively. In the field of aviation, the further necessity and possibility of assistance will be considered on the basis of the results of the previous installation of facilities and provision of technical assistance.						
	Japan's Assistance Program	Program Summary	Project	Scheme	Schedule						Assistance Amount (100 million Yen)	Note
	Program for transport networks development	Assistance is provided for effective utilization of major trunk roads and bridges. Based on this principle, cooperation is given for the improvement, maintenance and operation of trunk roads in provinces. In the field of aviation, assistance is extended to the introduction of new CNS/ATM Systems that enhance air traffic safety, in addition to the development of facilities.	The Preparatory survey for the Project for the Reconstruction of the Bridges on National Road No.9	PS	before JFY2014	JFY2015	JFY2016	JFY2017	JFY2018	JFY2019		
			Project for Improvement of the Road Management Capability	TCP							7.70	
			Project for the Capacity Development for Transition to the New CNS/ATM Systems in Cambodia, Lao PDR and Vietnam	TCP							5.00	Including study costs in Cambodia and Vietnam.
			Planning Advisor to Cabinet Office, Ministry of Public Works and Transport	EXP								
			ASEAN-Japan Logistics Partnership	Ministry of Land, Infrastructure, Transport and Tourism - TA								
			ASEAN-Japan Action Plan on Environment Improvement in the Transport Sector	Ministry of Land, Infrastructure, Transport and Tourism - TA								
			ASEAN-Japan Cooperation on Natural Disaster Prevention in the Transport Sector	Ministry of Land, Infrastructure, Transport and Tourism - TA								
			The Project for Improvement of National Road No.9 as East-West Economic Corridor of the Mekong region	GA							32.73	
			Project for Construction of Sekong Bridge on NR16B in the Southern Region of Laos	GA							22.81	
			Grant Aid in the field of telecommunication and transportation	GA							0.08	
			Vientiane International Airport Terminal Expansion Project	LA							90.17	

[illegible]

Development issue 1-4 Creation of an environmentally harmonious and comfortable society	[Background and Current Situation] The urban areas that are expected to fulfill core functions in the socio-economic development of the Lao PDR have been undergoing progressive urbanization, particularly Vientiane Capital. As a result, urban-environmental deterioration problems have arisen, caused by traffic congestion and household wastewater. If such conditions are left as they are, there is concern that investment of foreign capital and industrial development may be impeded, along with concerns that they may have an adverse effect upon residents' living conditions. As core cities of each region, Savannakhet, situated on the East–West Economic Corridor, the UNESCO world heritage city of Luang Prabang, and the pivotal southern commercial city of Pakse play vitally important roles in achieving balanced development across the Lao PDR. The urban planning of these local cities is, therefore, an important issue.			[Strategy] Assistance is provided for urban development planning and infrastructure development in major cities that play important roles in the socio-economic development of the Lao PDR, particularly Vientiane Capital, Savannakhet, Pakse, Luang Prabang, and Thakhek.								
	Japan's Assistance Program	Program Summary	Project	Scheme	Schedule						Assistance Amount (100 million Yen)	Note
	Urban Environment Improvement Program	Urban areas (Vientiane, Luang Prabang, Savannakhet, Pakse, and Thakhek, etc.) fulfill important roles in economic development. Focusing on these cities, assistance is given in the formulation of urban planning to create cities where basic urban functions, industrial development, and a pleasant urban environment coexist in harmony. In addition, assistance is extended for infrastructure development in the fields of urban transport, water supply systems, and water treatment systems In such assistance, projects will be formulated and implemented while securing close coordination with the private sector. Furthermore, cooperation is given to enhance administrative capacity, where necessary, for the effective maintenance and operation of existing infrastructure.	Vientiane Capital Water Supply Expansion Project	PS	before JFY2014	JFY2015	JFY2016	JFY2017	JFY2018	JFY2019		
			The Project for Urban Development Management	TCP							2.06	
			Capacity Development Project for Improvement of Management Ability of Water Supply Authorities	TCP							3.90	
			Project for Urban Water Environment Improvement in Vientiane Capital	TCP							2.76	
			The Project to enhance the Capacity of Vientiane Capital Bus Enterprise (Phase II)	TCP								
			Laos Pilot Program for Narrowing the Development Gap towards ASEAN Integration (Environmental Management)	TCP								
			Issue-based training, etc.	TR								
			Volunteers in the field of Environmental Education	JOCV/SV								
			JICA Partnership Program in the field of Urban Development	JPP								
			Thakhek Water Supply Development Project	GA							17.25	
			The Project for Improvement of Solid Waste Management in Environmentally Sustainable Cities	GA							13.84	
			Project for Improvement of Equipment and Facilities on Meteorological and Hydrological Services in Lao PDR	GA							5.84	
			Grant Aid in the living environment sector	GA							0.10	
			Verification Survey with the Private Sector for Disseminating Japanese Technology for Low-Emission Public Transportation Systems Utilizing Electric Trikes	SSM								
			Verification Survey with the Private Sector for Disseminating Japanese Technology for New Location Information system and Traffic observation System for Urban Transport Improvement in Vientiane City	SSM								
			Feasibility Survey for Improvement of Vientiane Capital State Bus Enterprise Infrastructure in Lao PDR	SSM								
			Verification Survey with the Private Sector for Disseminating Japanese Technology of Water Purification System for Highly Turbid Water for Use in Small Town Water Supply	SSM								

Priority Area 2	Agricultural Development and Forest Conservation												
Development issue 2-1 Increased productivity in agriculture and fisheries, and step-by-step development from self-sufficiency to market-oriented agriculture	[Background and Current Situation] The agriculture, forestry and fisheries sector in the Lao PDR has tremendous potential for development, due to the enormous amount of undeveloped land. It represents 30% of GDP and 80% of the labor force, thus being an essential sector that holds the key to the Lao PDR achieving stable economic growth in the future. The Lao PDR attained a 100% self-sufficiency rate for rice, a staple food, at the national level in 2000. However, there are many regions where self-sufficiency in rice has not been achieved due to increases in population and/or geographical conditions. Residents in rural areas generally engage in self-sufficient farming and fishing. Production levels depend heavily upon climate, and production techniques have not been sufficiently diffused, thereby leaving both product quality and productivity low. Also, farmers have not sufficiently formed organizations and have only limited access to rural funding and market information, which presents a serious obstacle to developing market-oriented farming and fishing industries. As a result, livelihood improvement remains a challenge in rural areas, as economic disparity has been growing between urban districts that are undergoing rapid growth and rural areas. In the Lao PDR, the administration of agriculture, forestry and fisheries comes under the jurisdiction of the Ministry of Agriculture and Forestry of the central government and the provincial/district Agriculture and Forestry offices. However, in general, the administrative capacity of both central and local government is insufficient in terms of systems, institutions, personnel and finance. Therefore, administrative services such as the formulation of effective policies and strategies suited to the Lao context, and extension activities for farmers, have not been sufficiently delivered.					[Strategy] Assistance is provided for the diversification of agricultural products and adding value, as well as the enhancement of irrigated farming, extension of production techniques and increased productivity in the agricultural and fishing industries, while taking into account agricultural development that makes effective use of Lao features, thereby increasing earnings in rural areas. Also, assistance is given to cross-border control measures against epizootic diseases.							
	Japan's Assistance Program	Program Summary	Project	Scheme	Schedule						Assistance Amount (100 million Yen)	Note	
		In order to increase the productivity of the agricultural and fishing industries, as well as the income of farmers, assistance is provided for: (1) infrastructure development, improvement and extension of farming techniques for increased productivity; (2) organizing farmers' associations, and marketing; and (3) policy formulation and	Participatory Irrigated Agriculture Development Project in Southern Areas along the Mekong River	TCP	before JFY2014	JFY2015	JFY2016	JFY2017	JFY2018	JFY2019	4.00		
			Livelihood Improvement Project for Southern Mountainous and Plateau Areas	TCP							3.90		
			Lao Organic Agriculture Promotion Project	TCP							1.78		
			Laos Pilot Program for Narrowing the Development Gap towards ASEAN Integration (Agriculture)	TCP									
			Agricultural Policy Advisor	EXP		-----							
			Issue-based training, etc.	TR									
			Volunteers in the field of Agriculture and Livelihood Improvement	JOCV/SV									
			JICA Partnership Program in the Agriculture, Forestry and Fisheries sector	JPP									

Program for agricultural and rural development and strengthening the administration of agriculture and fisheries	capacity building of administrative organizations.	Project for Strengthening Research and Development on Fisheries and Aquaculture	GA							7.14	
		Grant Aid in the Agriculture, Forestry and Fisheries sector	GA							0.11	
		Comprehensive Assistance Program for SPS-related Measures and Cross-boarder Control of Infectious Diseases	ML								
		Program for Veterinary Sanitation Measures in Asia and the Pacific Region	ML								
		Project on Controlling Animal Diseases and Strengthening Food Security under "One Health Concept" (provisional	ML								
		ASEAN+3 Program for Long and Medium-term Demand and Supply Outlook Information Development	ML								
		Improving Statistics Data on Food Processing and distribution in ASEAN region	ML								
		Program for Contributions to the Complete Transition to ASEAN+3 Emergency Rice Reserve System	ML								
		Project for Promotion of Sustainable Fisheries in Southeast Asia	ML								
		Project for support to food security in Mekong River Basin	ML								
		Survey on Crop Rotation and Food Manufacturing of Konjac in Lao PDR	SSM								
		The Study on Disaster Management Plan in Rural Areas	Ministry of Agriculture, Forestry and Fisheries - TA								
		Study on effective introduction of technologies for agriculture and rural development	Ministry of Agriculture, Forestry and Fisheries - TA								
		The High Level Official's Seminar	Ministry of Agriculture, Forestry and Fisheries - TA								

Development issue 3-2 Expansion of higher and technical education that is instrumental in strengthening the private sector and the transition to a market economy	[Background and Current Situation] Twenty years have passed since the transition to a market economy. However, the private sector has not yet fully grown. Therefore, the development of engineers and management personnel who support the private sector is important, as well as the development of administrative officials who will assume responsibility for promoting the private sector. To that end, long-term measures are required, and the National University of Laos is expected to play an important role in this process. One essential task for the Lao PDR is to strengthen higher education while taking into account industry-academia collaboration. Likewise, with an increase in foreign investment and the development of special economic zones, it will become increasingly necessary to supply labor markets with people who have basic academic and technical abilities. To meet this need, vocational training and technical education in various fields will be required.			[Strategy] Assistance, such as the establishment of MBA courses, is also offered through projects implemented by the Lao–Japan Human Resource Cooperation Center for the development of business people. In addition, assistance is extended, targeting primarily those who have completed early secondary or higher education, to cultivate human resources with basic academic abilities and capabilities of responding to changes in labor market demands.									
	Japan's Assistance Program	Program Summary	Project	Scheme	Schedule						Assistance Amount (100 million Yen)	Note	
	Higher and Technical Education Quality Improvement Program	Assistance is primarily provided to the National University of Laos in order to strengthen the private sector and develop people for the transition to a market economy. Assistance is also provided to business people.	Project for the Capacity Development of Business Persons through Laos-Japan Human Resource Development Institute	TCP	before JFY2014	JFY2015	JFY2016	JFY2017	JFY2018	JFY2019	4.97	This is the total amount including amounts to other countries.	
			ASEAN University Network / Southeast Asia Engineering Education Development Network (AUN/SEED-Net) Project Phase3	TCP							39.34		
			Advisor to Savannakhet University for Development of Industrial Human Resource	EXP									
			Issue-based training, etc.	TR									
			Volunteers in the field of higher education	JOCV/SV									
			In-Country Training in the field of higher and technical education	ICT									
			JICA Partnership Program in the field of higher and technical education	JPP							1.41		
			Japanese Grant Aid for Human Resource Development Scholarship	GA							47.13		
			Skills Evaluation System Promotion Program	Ministry of Health, Labour and Welfare - TA									
			Special Program for Capacity Building in the Food Industry in ASEAN Least Developed Countries	ML									

Priority Area 4	Improvement of Health Care Services											
Development issue Strengthening health systems to improve maternal and child health services	[Background and Current Situation] The state of health in the Lao PDR is characterized by a low life expectancy and a high fertility rate. Maternal and child health in particular is still a pressing issue because maternal mortality and child and infant mortality rates are high for the Southeast Asia region. Local residents lack awareness of public health and hygiene. Furthermore, it is still very difficult to access basic medical services because of undeveloped infrastructure, especially in mountainous areas. The main causes of child death are infectious diseases, including pneumonia and diarrhea, followed by non-infectious diseases affecting neonatal infants caused by premature birth. 60% of pregnant women do not receive antenatal care, and 80% of deliveries occur at home without skilled birth attendants; mothers do not have the opportunity to access necessary and proper healthcare services for safe delivery and neonatal care.				[Strategy] In the field of health, assistance is provided to develop human resources and strengthen institutional capacity for appropriate policy-making and implementation at central level and improve access to public health care services at local level, particularly targeting the CLV "Development Triangle Area," in order to improve maternal and child health toward achieving the Millennium Development Goals (MDGs). Assistance is also provided to enhance the service quality of health facilities and accessibility to quality health services, strengthen safeguards, and improve public health and sanitation in order to achieve the goal of UHC.							
	Japan's Assistance Program	Program Summary	Project	Scheme	Schedule						Assistance Amount (100 million Yen)	Note
	Maternal and Child Health Improvement Program	Assistance is provided to enhance the capacity of the Ministry of Health and provincial-level authorities to implement maternal and child health services, particularly in the southern provinces.	Capacity Development for Sector-wide Coordination in Health Phase 2	TCP	before JFY2014	JFY2015	JFY2016	JFY2017	JFY2018	JFY2019	2.59	
			Project for Strengthening Integrated Maternal, Neonatal and Child Health Services	TCP						3.61		
			Project for Sustainable Development of Human Resource for Health to Improve Maternal, Neonatal and Child Health Services	TCP						2.62		
			The Project for Development of Innovative Research Technique in Genetic Epidemiology of Malaria and Other Parasitic Diseases in Lao PDR for Containment of Their Expanding Endemicity	TCP						4.00		
			Project for Improving Quality of Health Care Services	TCP		-----	-----	-----	-----			
			Health Policy Advisor	EXP		-----	-----	-----				
			Issue-based training, etc.	TR								
			Volunteers in the field of improvement of maternal, neonatal and child health services and improvement of health management at communities	JOCV/SV								
			JICA Partnership Program in the field of Health Care Services	JPP								
			The Project for Strengthening Health Service Network in Southern Provinces	GA						7.41		
			Grant Aid in the medical and health sector	GA						0.89		
			Ninth Poverty Reduction Support Operation	LA						5.00	This is also listed in Basic Education Improvement Program	

Others													
(Others)	Japan's Assistance Program	Program Summary	Project	Scheme	Schedule						Assistance Amount (100 million Yen)	Note	
	Governance Strengthening Program	Assistance is provided to develop human resources and financial statistics in the Ministry of Finance. Assistance is also provided to develop management techniques for public investment projects, and human resource development at central and local levels of the Ministry of Planning and Investment (MPI), thereby strengthening public financial management. At the same time, support is extended for building the capacity of personnel and institutions in judicial affairs and the administration of justice, in order to develop judicial systems appropriate to social and economic conditions while considering the transition to a market economy governed by the rule of law.	Project for Human Resource Development in the Legal Sector (Phase 2)	TCP	before JFY2014	JFY2015	JFY2016	JFY2017	JFY2018	JFY2019	4.51		
			Project for Establishing Public Investment Plan under NSEDP	TCP						3.77			
			Financial Statistics and Policy Advisor	EXP									
			Volunteers for the strengthen governance capacity of provinces and counties	JOCV/SV									
			Regional Seminar on Good Governance for Southeast Asian Countries	Ministry of Justice - TA									
	Others		Laos Pilot Program for Narrowing the Development Gap towards ASEAN Integration (LPP)	TCP								12.50	
			Project for Strengthening Management Capacity of UXO Lao	TCP									
			Advisor for Strengthening Training Management Capacity and Promoting Poverty Reduction through UXO Clearance in Lao PDR	EXP									
Project for Acceleration of UXO Clearance for Rural Development and Poverty Eradication			GA							8.64			
Grant Aid in the field of UXO Clearance			GA							1.58			
Volunteers in the field of emotional education and culture development			JOCV/SV										
Volunteers in the field of sports, budo etc.			JOCV/SV										
Grant Aid in the field of sports			GA							0.06			

Legend: [PS] = Preparatory Survey, [TCP] = Technical Cooperation Project, [EXP] = Expert, [CTR] = Country-focused Training, [TR] = Issue-based Training / Training Program for Young Leaders, [JOCV] = Japan Overseas Cooperation Volunteers, [SV] = Senior Volunteers, [JPP] = JICA Partnership Program, [xx-TA] = Technical Assistance implemented by organizations other than MOFA and JICA, [GA] = Grant Aid (other than specific grant aid schemes listed below), [LA] = Loan Aid (ODA Loan), [ML] = Multilateral Cooperation, [SSM] = Support for Small and Medium sized Enterprise, Solid Line [-----] = Schedule, Dash Line [- - - -] = Tentative Schedule