

Third Party Evaluation Report 2013
Ministry of Foreign Affairs of Japan

Country Assistance Evaluation of Lao PDR

February 2014
ALMEC Corporation

Preface

This report under the title of Country Assistance Evaluation of Lao PDR was undertaken by ALMEC Corporation entrusted by the Ministry of Foreign Affairs (MOFA) of Japan in Fiscal Year 2013 (JFY2013).

Since its commencement in 1954, Japan's Official Development Assistance (ODA) has contributed to the development of partner countries and finding solutions to international issues which vary with the times. Recently, more effective and efficient implementation of ODA has been required not only in Japan but also in the international community. MOFA has been conducting ODA evaluations every year mainly at the policy level with two main objectives: to improve management of ODA; and to ensure its accountability. These evaluations are conducted by third parties to enhance their transparency and objectivity.

The evaluation study was conducted aimed to review overall Japan's assistance policies for Lao PDR including Country Assistance Program (Sep. 2006) and Country Assistance Policy (Apr. 2012), and subsequently, prepare the recommendations and lessons learned for the Government of Japan to formulate future assistance policy for Lao PDR and its effective and efficient implementation. Furthermore, the study was aimed at carrying out the accountability to the people of Japan.

Associate Professor Jin Sato, Department of Pioneering Asian Studies, Institute for Advanced Studies on Asia, University of Tokyo, acting as a chief evaluator to supervise the entire evaluation process, and Associate Professor Shino Watanabe, Faculty of Liberal Arts, Saitama University being an advisor to share her expertise for the evaluation, made an enormous contribution to this report. Also, MOFA, the Japan International Cooperation Agency (JICA), and the ODA Task Force as well as the government and institutions in Lao PDR, development partners, and NGOs also made invaluable contributions. We would like to take this opportunity to express our sincere gratitude to all those who were involved in this study.

Finally, the Evaluation Team wishes to note that the opinions expressed in this report do not necessarily reflect the views or positions of the Government of Japan.

February 2014
ALMEC Corporation

Note: The English version of the Evaluation Report is a summary of Japanese Evaluation Report of "Country Assistance Evaluation of Lao PDR".

Country Assistance Evaluation of Lao PDR (Brief Summary)

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Period of Evaluation Study:

June 2013–February 2014

Country Survey

Lao People's Democratic Republic



Buses provided by Japan contribute to improve the public transportation system of Vientiane. Japan also assisted in improving the management and quality of service of Vientiane Capital State Bus Enterprise.

Background, Objectives and Scope of the Evaluation

Lao People's Democratic Republic (Lao PDR) sets achieving the Millennium Development Goals (MDGs) and graduating from Least Developed Countries (LDC) as national targets, however various outstanding issues are not yet resolved.

The objective of the evaluation is to review Japan's Official Development Assistance (ODA) to Lao PDR in comprehensive manner and to provide recommendations and lessons learned for formulating or implementing future ODA policies.

The primary scope of the evaluation of ODA in Lao PDR is same as coverage of the County Assistance Policy for the Lao PDR adopted in 2012.

Brief Summary of the Evaluation Results

● Development Viewpoints

(1) Relevance of Policies

The consistency of Japan's assistance policy for Lao PDR with development policies and needs of the Government of Lao PDR is rated very high. Its consistency with Japan's high-level policies is also high. Therefore, the relevance of policies is rated very high.

(2) Effectiveness of Results

The evaluation team confirmed that Japan's assistance policy for Lao PDR achieved the objectives set forth in the assistance policies by priority areas indicated in the objective framework and that they were effective in achieving each priority area. Therefore, it is concluded that the effectiveness of results is high.

(3) Appropriateness of Processes

The Japan's assistance policies for Lao PDR are appropriately carried out by ODA Task Forces and related organizations. Processes of sharing information and deepening mutual understanding with the Government of Lao PDR are appropriate. Collaboration with development partners, private sectors, NGOs, and other bodies is also appropriately conducted. Consequently, the appropriateness of processes is very high.

● Diplomatic Viewpoints

Evaluation Team confirmed that the diplomatic relationship between Japan and Lao PDR is important from the perspectives of the more than 50 years of friendly relations, personal and cultural interaction in the public and private sectors, and shared values at international conferences.

Main Recommendations

(1) Assistance for Achieving the MDGs

It is important that both governments collaborate to formulate development program taking into consideration the results of the MDGs progress report announced in 2013 during an opportunity such as the periodic policy dialogues or reviews of the Rolling Plan.

(2) Japan's Role as a Leading Development Partner

The evaluation team confirmed that coordination among development partners in Lao PDR is generally effective. However, some development partners point out that deliberation on comprehensive development in each sector is not adequate. As a leading development partner, Japan should enhance its presence to play a leading role in policy dialogue with the Government of Lao PDR.

(3) Continuous Assistance to Enhance the Capacity of Government Officials of Lao PDR

Japan should continue to enhance the capacity of the government officials of Lao PDR, which is still limited. Support focusing on reinforcement of administrative capacities leads not only to bolster the capacity to receive assistance, but also to develop the friendly relationship of two countries by increasing supporters of Japan within the Government of Lao PDR.

(4) Reflecting the Opinions of the Government of Lao PDR and Japanese-Affiliated Companies in Lao PDR when Formulating Country Assistance Policies

The number of Japanese-affiliated companies doing business in Lao PDR and the amount of investment from Japan has been increasing in recent years. Japan's ODA Task Force should take the information and opinions of Japanese affiliated companies into consideration to formulate future country assistance policies.

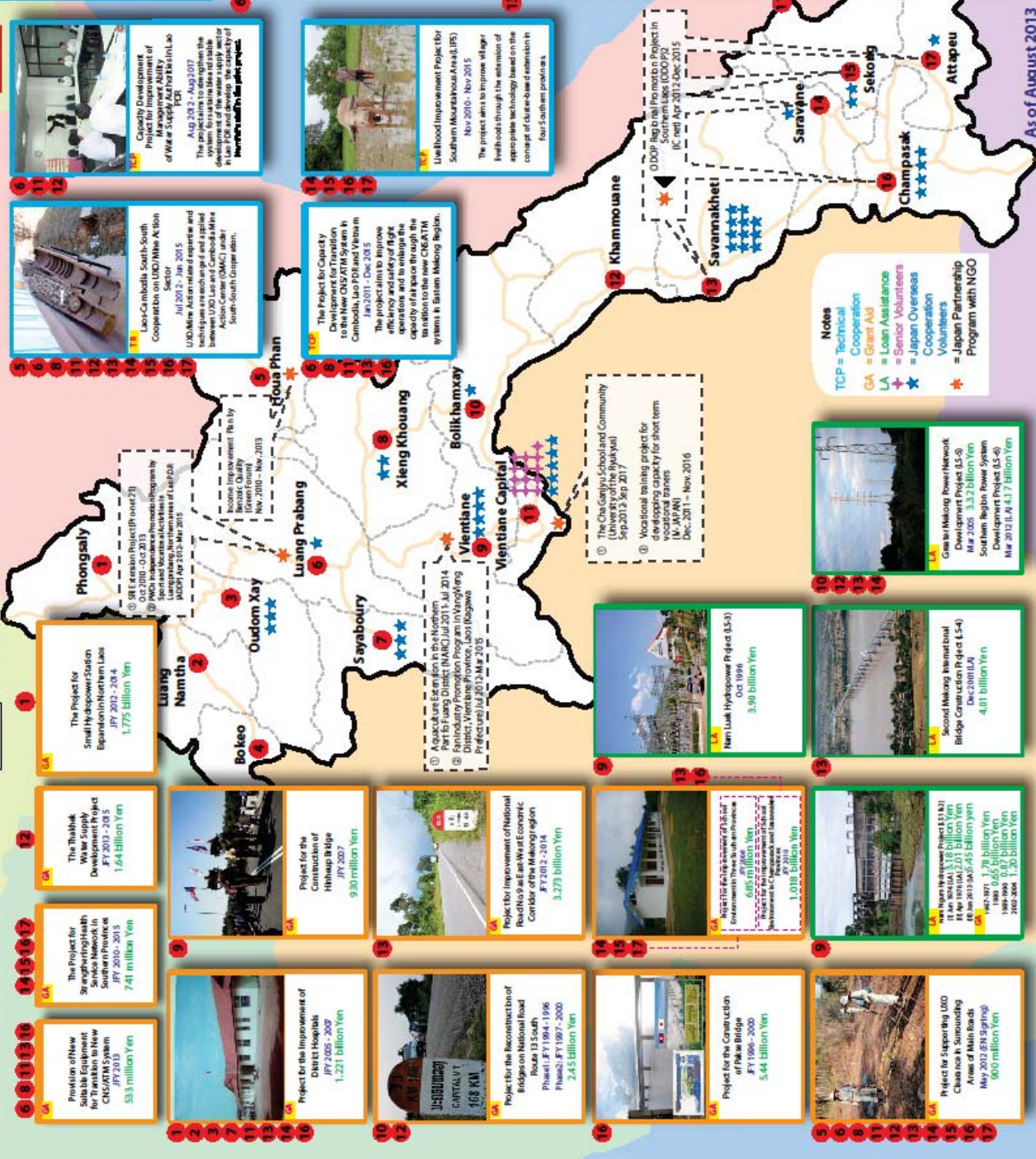
(5) Providing and Sharing Information to and with Development Partners

It is important that the Embassy of Japan in the Lao PDR and the JICA Laos Office continue to exchange information through periodic meetings, coordinating conferences, and day-to-day interactions with development partners.

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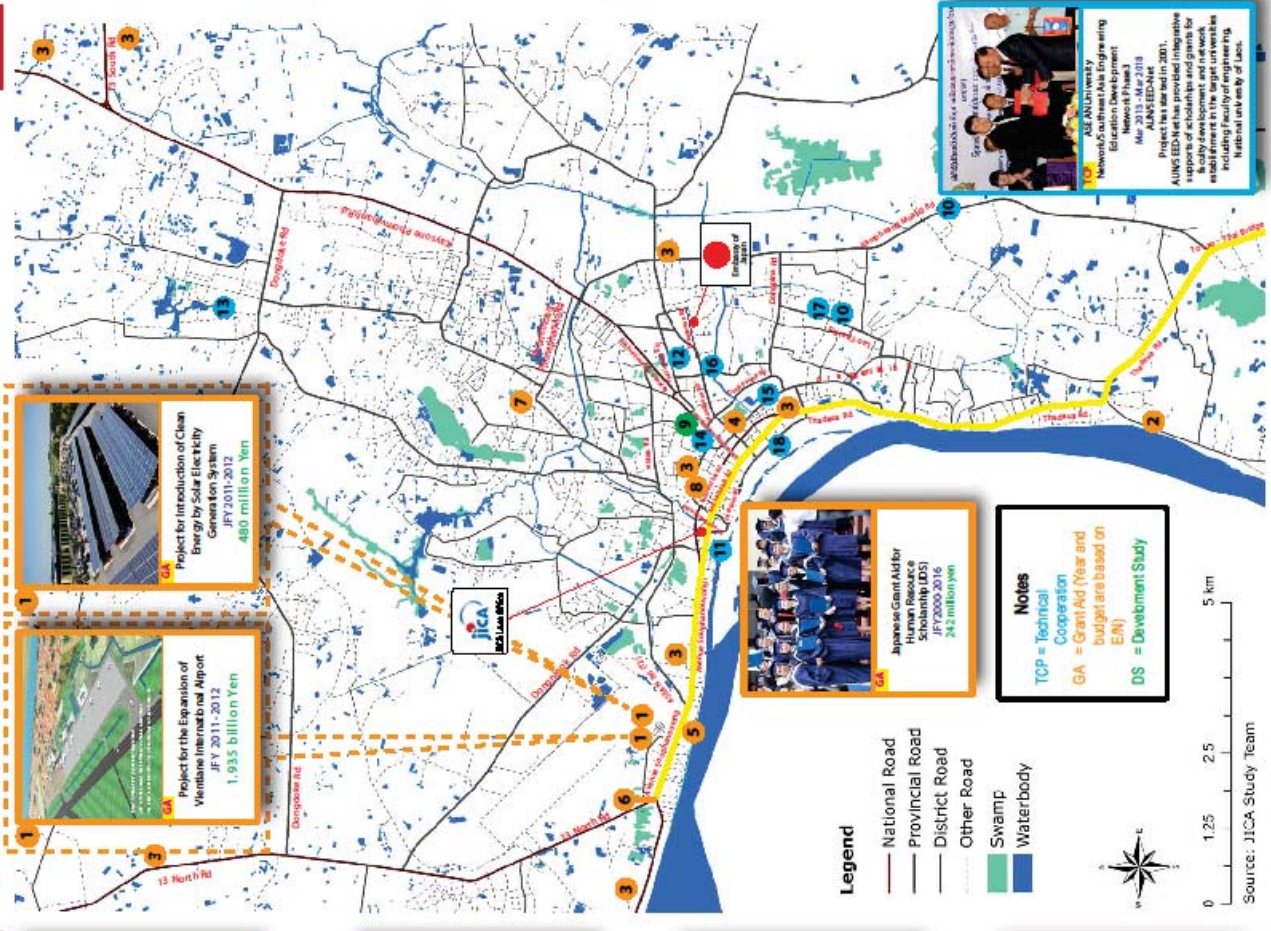
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Map of Japan's Major ODA Projects (Lao PDR)



Source: JICA website (<http://www.jica.go.jp/laos/english/office/others/map.html>)

Map of Japan's ODA Projects (Vientiane)



2 **6**

GA **GA**

Project for Vientiane Water Supply Development
JFY 2006 - 2008
2.87 billion Yen

Project for Construction of Primary Schools
JFY 2003-2004
75.8 million Yen

4 **5**

GA/TO **GA**

Project to Enhance the Capacity of Vientiane Capital State Bus Enterprise
GA: JFY 2011 - 2012
500 million Yen
TOP: Jan 2012 - Dec 2014

Project for Establishment of Disastrous Weather Monitoring System
FY 2004
7.36 million Yen

6 **7**

GA **GA**

Project for the Improvement of Vientiane Ms. 1 Road
Phase 1: JFY 2005
Phase 2: JFY 2006
4.64 billion Yen

Programme for Forest Information Management (FM)
JFY 2010-2012
475 million Yen

8 **9**

GA **DS**

Project for the Construction of Lao-Japan Budo Center
JFY 2008 - 2009
601 million Yen

The study of master plan on comprehensive urban transport in Vientiane capital
2007 - 2008

11 **12**

TO **TO**

Project for Establishing Public Investment Plan (PICAP)
Mar 2012 - Sep 2015

Project for the Improvement of Road Management Capacity
Cambodia
Sep 2010 - 2016

13 **14**

TO **TO**

Project for the Capacity Development of Business Persons Through Lao-Japan Human Resource
Sep 2010 - Sep 2014

Forestry Sector Capacity Development Project (FSCAP)
Oct 2010 - Sep 2014

15 **16**

TO **TO**

Project for Human Resource Development in the Legal sector
Jul 2010 - Jul 2014

Project for Sustainable Development of Human Resource for Health to Improve Maternal and Child Health
Feb 2012 - Feb 2016

17 **18**

TO **TO**

Project on Human Resource Development in IT Service Industry at NIOL
Dec 2008 - Nov 2013

Project for Capacity Development for Sector-wide Coordination in Health Phase 2
Dec 2010 - Dec 2015

3 **7**

GA **GA**

Project for the Expansion of Vientiane International Airport
JFY 2011-2012
1,935 billion Yen

Project for Introduction of Clean Energy by Solar Electricity Generation System
JFY 2011-2012
480 million Yen

10 **14**

TO **TO**

Project for Capacity Development of Business Persons Through Lao-Japan Human Resource
Sep 2010 - Sep 2014

Project for Sustainable Development of Human Resource for Health to Improve Maternal and Child Health
Feb 2012 - Feb 2016

15 **16**

TO **TO**

Project for Human Resource Development in the Legal sector
Jul 2010 - Jul 2014

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Source: JICA website (<http://www.jica.go.jp/laos/english/office/others/map.html>)

Chapter 1 Implementation Policy of the Evaluation

1-1 Evaluation Background and Objectives

Lao People's Democratic Republic (Lao PDR), with its population of 6.51 million, is a landlocked country sharing borders with Cambodia, China, Myanmar, Thailand, and Vietnam. Lao PDR is at an important geopolitical location in the Mekong region and the center of the Indochina Peninsula and seeks to become a land-linked country that joins its five neighboring countries. In the past, Lao PDR was drawn into Indochinese conflicts, and even today two-thirds of the population lives in rural areas with unexploded ordnance (UXO).¹ Lao PDR is a least developed country (LDC), and Japan assists Lao PDR as its largest donor of bilateral assistance. As a development partner, Japan has played a significant role in the history of Lao PDR's development.

This evaluation study implemented a comprehensive evaluation of Japan's Official Development Assistance (ODA) policies towards Lao PDR with the aim of providing recommendations and lessons learned for formulating and implementing future ODA policies.

1-2 Scope of Evaluation

The primary focus of this evaluation was the Country Assistance Policy for Lao PDR formulated in 2012 and included evaluation of ODA policy implementation status in Lao PDR from FY2005 to FY2013.

1-3 Evaluation Methods

For this evaluation, the Evaluation Team conducted comprehensive evaluations in accordance with ODA Evaluation Guidelines (8th Edition, May 2013) by Ministry of Foreign Affairs of Japan (MOFA) from development and diplomatic viewpoints. The criteria of development viewpoints are relevance of policies, effectiveness of results and appropriateness of processes. These three criteria are set based on the five evaluation criteria (relevance, effectiveness, efficiency, impact, and sustainability) specified by the Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD-DAC). The criteria of diplomatic viewpoints are diplomatic importance and diplomatic impact.

¹ ADB. Key Indicator for Asia and the Pacific. 2013.

Chapter 2 Overview of Lao PDR and Development Trends

2-1 Overview of Lao PDR

The economy of Lao PDR is maintaining solid economic growth. A summary of economic trends is shown in Table 2-1. Lao PDR has abundant natural resources, and since 2005, the economy has grown at more than 7% annually, supported by brisk growth in mineral resource development and hydroelectric power. Income levels are rising and Gross National Income (GNI²) per capita increased by more than 2.5 times from 2004 to 2010.

More than 70% of Lao PDR's population is engaged in agriculture, forestry, or fisheries, while 20% is engaged in services and less than 10% is engaged in industry. Composition of the Lao PDR's gross domestic product (GDP) by sector in 2012 was as follows; 26% in agriculture, forestry, and fisheries, 37% in services, and 31% in industry. Thus, each sector accounts for approximately one-third of total GDP. Growth, however, is particularly high in industry and services. Moreover, under the 7th National Socio-Economic Development Plan (NSEDP) in Lao PDR, the targets for 2015 call for industry to grow to 39% and services to 38%, and consequently, high growth rates in these sectors can be expected to continue in the coming years.

Table 2-1 Lao PDR's Main Economic Indicators

(Million US dollars)

Indicator/Year		2004	2005	2006	2007	2008	2009	2010
GNI	Aggregate	2,356.0	2,603.2	3,028.2	4,134.9	5,238.4	5,919.1	6,713.3
	Per capita (USD)	390	430	500	610	750	890	1,010
Economic growth rate (%)		6.3	7.0	7.6	7.9	7.3	7.5	8.5
Current account balance		-	-	-	107.3	-	9.3	29.3
Unemployment rate (%)		-	38	-	-	-	-	-
External debt balance		2,056.0	2,690.2	2,985.4	3,337.1	4,944.0	5,538.9	5,558.8
Trade amounts*	Exports	-	-	-	1,200.8	-	1,444.2	2,257.4
	Imports	-	-	-	1,140.7	-	1,580.6	2,323.6
	Trade balance	-	-	-	60.1	-	-136.5	-66.2

* Trade amounts for imports and exports are freight on board (FOB) amounts

Source: MOFA of Japan; Country Data Book (2008–2012)

² Gross National Income (GNI) is the total of the added value of goods and services newly produced by a nation in one year, and that is equal to gross domestic product (GDP) plus trade income and net income received from overseas. In 2012, Japan's GNI was USD 6,107.1 billion, the third highest in the world. Lao PDR's GNI was USD 8.4 billion, about 1/727 of Japan's GNI. (Data is from the World Bank) (<http://data.worldbank.org/indicator/NY.GNP.ATLS.CD>)

According to the Human Development Index (HDI)³ in 2012, Lao PDR's ranking was 138th out of 186 countries. In Lao PDR, one-quarter of the population are in poverty (living on less than USD 1.25 per day). Poverty rates in rural areas are twice those in urban areas, and the poverty of residents in mountainous and highland areas is particularly severe. With regard to the Millennium Development Goals (MDGs) for 2015, it will be difficult for Lao PDR to achieve goal 1 (eradicate extreme poverty and hunger), goal 2 (achieve universal primary education), goal 4 (reduce child mortality), goal 5 (improve and maternal health), and goal 9 (reduce the impact of UXO in Lao PDR).

2-2 Lao PDR's Development Plan

From 2004 to 2012, Lao PDR received a total of USD 2,013 million in bilateral assistance from donor countries that are members of the Organization for Economic Co-operation and Development (OECD).

Since 2004 (with the exception of 2011), Japan has been the largest donor country in terms of bilateral assistance, approximately 35% to 40% of total bilateral assistance each year in monetary amounts and far exceeding the aid amounts from any other country. Looking to individual assistance modalities, assistance through grant aid and technical cooperation are the main forms of assistance from Japan (see Table 2-2).

Table 2-2 Japan's Economic Cooperation to Lao PDR

(In 100 million JPY)

Year	ODA Loan	Grant aid	Technical cooperation
2004	33.26 (4.44)	30.17	32.81 (27.73)
2005	— (1.00)	42.35	28.78 (25.76)
2006	5.00 (0.50)	43.38	26.97 (23.82)
2007	5.00	51.79	24.22 (21.65)
2008	—	38.97 (0.23)	28.59 (24.61)
2009	15.00	38.81 (0.19)	34.75 (31.57)
2010	—	31.11	34.47 (27.75)
2011	41.73	41.77 (0.02)	n.a. (34.28)
Total	99.99 (5.94)	318.35 (0.44)	210.59 (217.17)

³ Human Development Index (HDI): "A composite index measuring average achievement in three basic dimensions of human development—a long and healthy life, knowledge and a decent standard of living." (UNDP, 2013)

Notes

1. Amounts for ODA Loan and grant aid are on an Exchange of Notes (E/N) basis, and amounts for technical cooperation are on an actual disbursements basis according to actual expenditures of JICA, government agencies, prefectural governments, and so on.
2. Figures in parentheses for ODA Loan are amounts cancelled debts. Totals exclude cancelled or rescheduled debts.
3. Figures in parentheses for grant aid are amounts contributed through international organizations.
4. Figures in parentheses for technical cooperation are JICA actual disbursements.
5. n.a.: No data.

Source: MOFA of Japan; *Japan's ODA Data by Country (2008–2012)*

By sector, Japan's assistance for Lao PDR since 2004 has prioritized the social infrastructure and services sector, for which assistance has been continuously provided. Assistance in the economic infrastructure and services sector, which is the second largest area of assistance, accounted for 10% to 19% of the total, except in 2005 and 2011 when ODA Loan is provided, and less than half the 20% to 60% of the social infrastructure and services sector. By subsectors, Japan's assistance has prioritized transportation and storage, education, health, government and civil society (see Table 2-3).

Table 2-3 Trends of Japan's Assistance for Lao PRD by Sector

(%)

Year	2004	2005	2006	2007	2008	2009	2010	2011
Social Infrastructure and Services	62.5	20.9	55.8	53.9	43.7	32.2	32.3	19.6
Education	28.4	8.8	4.6	11.3	12.1	20.5	21.6	8.8
Health	13.8	6.0	10.0	13.9	15.1	4.6	2.9	1.8
Population policy/program and Reproductive health	0.2	0.0	0.0	1.2	1.9	1.2	0.7	0.8
Water supply and sanitation	2.4	1.5	27.8	0.6	0.8	1.5	1.8	1.1
Government and civil society	16.0	1.2	10.3	17.2	4.6	2.3	4.1	5.9
Others	1.6	3.4	3.0	9.7	9.3	2.1	1.1	1.0
Economic Infrastructure and Services	6.0	60.1	28.0	18.9	11.4	9.8	15.2	69.8
Transport and storage	1.4	22.3	24.3	14.4	5.0	1.5	2.0	65.0
Communications	1.3	1.3	0.7	0.7	0.7	0.7	1.4	1.7
Energy	2.8	36.0	2.4	1.9	1.7	2.7	7.9	1.5
Banking and Financial Service	0.1	0.1	0.4	0.5	0.7	1.3	2.4	1.0
Business and Other Services	0.4	0.3	0.2	1.4	3.3	3.6	1.6	0.5
Production Sectors	7.2	5.2	5.0	9.9	19.0	11.1	11.1	7.2
Agriculture, Forestry, Fishing	6.0	4.2	3.8	6.9	11.8	6.4	5.1	4.6
Industry, mining, construction	1.2	0.8	1.1	2.2	5.3	3.1	4.4	1.8

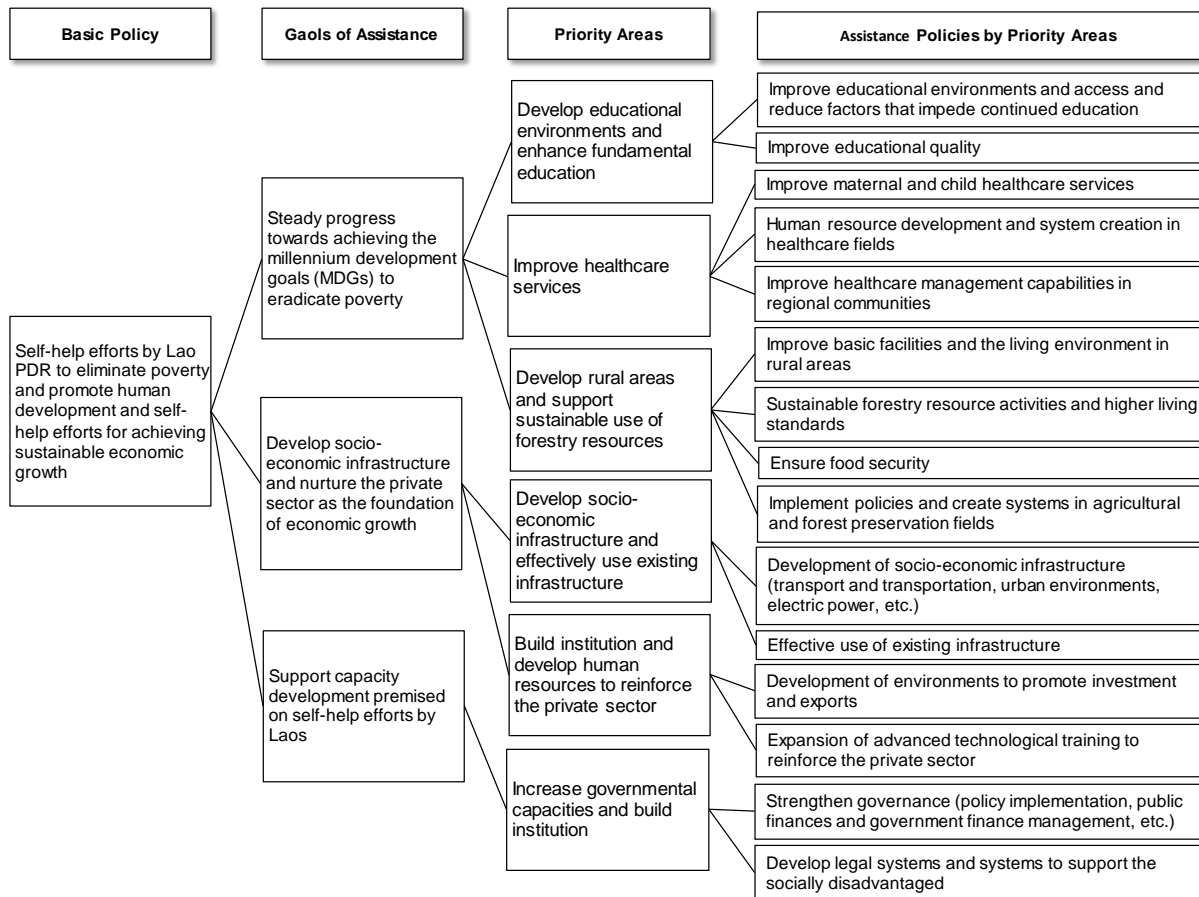
Year	2004	2005	2006	2007	2008	2009	2010	2011
Trade policies and regulations	0.0	0.2	0.1	0.3	0.4	0.7	1.0	0.5
Tourism	0.1	0.0	0.0	0.6	1.5	1.0	0.6	0.3
Multi-Sector/Cross-Cutting	0.8	5.2	3.8	0.7	0.6	1.0	29.5	1.8
Commodity Aid/General Program Assessment	19.3	3.0	2.9	11.3	13.0	40.3	10.8	-
Action Relating to Debt	-	4.5	0.0	-	-	-	-	-
Humanitarian Aid	-	-	-	-	-	-	1.0	1.7
Others	4.3	1.1	4.4	5.2	12.3	5.6	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: OECD, OECD Stats: Creditor Reporting System (<http://stats.oecd.org/>)

Chapter 3 Japan's Assistance for Lao PDR: Evaluation from Development Viewpoints

3-1 Objective Framework for Japan's Assistance Policy for Lao PDR

Before evaluating assistance for Lao PDR from the development viewpoints, the Evaluation Team created the objective framework for Japan's assistance policy for Lao PDR that systematically organizes the two assistance programs for Lao PDR under the 2006 Country Assistance Program and the 2012 Country Assistance Policy (see Figure 3-1). Based on the objective framework, the relevance of policies and the effectiveness of results were evaluated.



Source: Evaluation Team

Figure 3-1 Objective Framework for Japan's Assistance Policy for Lao PDR

3-2 Relevance of Policies

The Evaluation Team verified the following perspectives to evaluate the relevance of Japan's assistance policies for Lao PDR: the consistency with development needs in

Lao PDR, consistency with Japan's high-level policies, consistency with priority international issues, consistency with the objective framework of Japan's assistance policy for Lao PDR, relevance of assistance policies of other development partners and comparative advantage of Japan. The Evaluation Team rates the relevance very high from all of these perspectives, and consequently, it rates the relevance of policies very high.

For example, Japan's assistance policy for Lao PDR is developed with adequate reflection of Lao PDR's development policies, and evaluated that there is a very high degree of relevance with the development policies of the Government of Lao PDR, that is, development needs in Lao PDR (see Table 3-1).

Japan's assistance policy for Lao PDR is also consistent with Japan's high-level policies including ODA Charter and Medium-Term Policy on ODA, since all of those policies focus on self-help effort of developing countries. It was found out that there is a comparative advantage in Japan, because Japan's reliability for Lao people is very high. The result of the interview clarified the positive images to Japan that government of Lao PDR officials embrace, and those images support the very high degree of the relevance of Japan's ODA.

Table 3-1 Comparison of Government Policy of Lao PDR and Objective Framework for Japan's Assistance Policy for Lao PDR

Government Policy of Lao PDR	Japan's Assistance Policy for Lao PDR
<p>6th NSEDP (2006–2010) Two core national development plans were integrated by incorporating the content of the National Growth and Poverty Eradication Strategy (NGPES) into the NSEDP.</p> <p>Issues Reform of economic and employment fields, development of the investment and business environments, nurturing small and medium businesses, investment for socio-economic development (infrastructure development with emphasis on impoverished regions), expansion of trade and integration into the international economy, reform of financial and monetary systems, improvement of education and vocational training, economic growth harmonized with social development and environmental preservation, government reform,</p>	<p>Country Assistance Program Basic Policies (1) Support the self-help efforts of Laos for the poverty reduction and human development (2) Support Laos's efforts towards realizing voluntary, independent, and sustainable economic growth, with a view to integration into the global and regional economies</p> <p><u>Goal of Assistance 1:</u> Support Laos in its steady steps towards the achievement of the Millennium Development Goals(MDGs) with a view to promoting the reduction of poverty from the standpoint of "human security" Priority Area 1. Improving basic education Priority Area 2. Improving healthcare services Priority Area 3. Developing rural regions and sustainable use of forestry resources</p> <p><u>Goal of Assistance 2:</u> Support foundation building for the economic growth with a view to promoting economic growth constituting the driving force for independent, sustained growth Priority Area 4. Developing socioeconomic infrastructure and effectively utilizing existing infrastructure Priority Area 5. Institutional building and human resources development for enhancing the private sector</p>

Government Policy of Lao PDR	Japan's Assistance Policy for Lao PDR
stabilization of socio-economic conditions Quantitative Targets Economic growth rate: 7.5% - 8.0% Per capita GDP: USD 700-750	<u>Goal of Assistance 3</u> : Support capacity development which is a prerequisite for self-help efforts by Laos to achieve poverty reduction and economic growth Priority Area 6. Improving administrative ability and institution building
7th NSEDP (2011–2015) Targets (1) Achieve stable economic growth (GDP growth rate: 8%, per capita GDP: USD 1,700) (2) Achieve the MDGs' by 2015 and graduate from least developed countries (LDCs) by 2020 (3) Achieve sustainable economic development harmonized with cultural and social development, preservation natural resources, and environmental preservation (4) Maintain political stability, peace, and social order and enhance Lao PDR's roles in international society	Country Assistance Policy Basic Policies of Assistance (Overall Goals) (1) Achieving MDGs by 2015 (2) Graduating from the LDC index by 2020 Priority Areas (Intermediary goals) (1) Development of Economic and Social Infrastructure (2) Agricultural Development and Forest Conservations (3) Improvement of Educational Environment and Human Resource Development (4) Improvement of health care services 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.

Source: Prepared by Evaluation Team from Ministry of Planning and Investment of Lao PDR, *National Socio-Economic Development Plan (2006-2010)*, *The Seventh Five-year National Socio-Economic Development Plan (2011-2015)*; MOFA of Japan, *Country Assistance Program, Country Assistance Policy*

3-3 Effectiveness of Results

With regard to the effectiveness of results of Japan's assistance policy for Lao PDR, the Evaluation Team verified the following perspectives; the proportion of assistance from Japan within the development budget of Lao PDR, verification of effectiveness of priority issues in the objective framework of Japan's assistance policy for Lao PDR (see Figure 3-1) and the effects of assistance on Lao PDR's development needs. The Evaluation Team rates the effectiveness high from all of these perspectives, and consequently, rates the effectiveness of results high.

Total Japan's ODA for Lao PDR from 2004 to 2012 was USD 699 million. Japan is the largest donor country to Lao PDR and makes substantial contributions, although

the proportion of Japan's ODA within the Lao PDR's fiscal expenditures is declining because of economic growth in Lao PDR (see Table 3-2).

Table 3-2 Effects of Japan's ODA Funds in Lao PDR

In million US dollars

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net ODA funds received from Japan	71.7	54.1	64.1	81.5	66.3	92.4	121.5	48.5	98.7
Lao PDR's GDP	2,366.4	2,735.6	3,452.9	4,222.9	5,443.9	5,832.9	7,181.4	8,226.9	9,298.9
Expenditures ¹ by the Government of Lao PDR	482.4	663.6	770.2	935.1	1,082.6	1,235.0	1,681.0	1,900.1	2,269.2
Net development assistance received by Lao PDR	269.9	301.9	363.7	396.1	495.6	419.0	413.8	396.7	431.7
Percentage of GDP accounted for by ODA funds from Japan ²	3.0	2.0	1.9	1.9	1.2	1.6	1.7	0.6	1.1
Percentage of Government of Lao PDR expenditures accounted for by ODA funds from Japan ²	14.9	8.1	8.3	8.7	6.1	7.5	7.2	2.6	4.4
Percentage of net development assistance received by Lao PDR accounted for by net ODA funds received from Japan ²	26.6	17.9	17.6	20.6	13.4	22.0	29.4	12.2	22.9

Notes: 1. Converted from Lao PDR currency to US dollars (LAK1=USD 0.0001)

2. Calculated by the Evaluation Team.

Sources: Ministry of Foreign Affairs, *Japan's ODA Data by Country*, Works Bank, *World Development Indicator 2013*; 2012 development assistance fund amount data is from Ministry of Planning and Investment (MPI) of Lao PDR, *Foreign Aid Implementation Report FY2011-2012*

Interviews conducted in Lao PDR revealed that Lao people are aware of Japan's considerable development assistance, and many interviewed Lao people expressed deep gratitude. The basic policy of Japan's assistance policy for Lao PDR is "self-help efforts by Lao PDR to eliminate poverty and promote human development and self-help efforts for achieving sustainable economic growth" (see Figure 3-1). The Evaluation Team rates the effectiveness of results of Japan's ODA high because of the performance of Japan's ODA in the past and also the steady achievement of the basic policy of the objective framework.

However, it was difficult to collect information that provides accurate quantitative data on the effectiveness of results in order to verify the perspective of achievement of each target of the priority areas and assistance policies by priority areas under the objective framework. Therefore, efforts go no further than preparing project evaluation reports and summarizing the effectiveness of results. In order to evaluate the effectiveness of results accurately, it would be necessary to set evaluation indicators, that is, numerical targets to make quantitative assessments in the future.

The objective framework includes three goals of assistance. In order to achieve the second goal “develop socio-economic infrastructure and nurture the private sector as the foundations of economic growth” in particular, creation of networks and collaboration among the organizations in the Mekong region are important. However, development needs on the country level is often much more reflected than that of the regional level in the formation process of Japan’s assistance policy and plans for Lao PDR. Also, Japan’s country-based project budget allocations made the intervention at regional level difficult. Based on a proposal from the JICA Office in Cambodia, discussions were held in 2013 to coordinate areas that require priority support among local JICA offices in neighboring countries. The regional coordination is crucial to enhance the effect of the assistance to Lao PDR as a land-linked country.

3-4 Appropriateness of Processes

The Evaluation Team verified the following perspectives to evaluate the appropriateness of processes of Japan’s assistance policy to Lao PDR; appropriateness of measures and approaches to the issues specified in the objective framework (see Figure 3-1), appropriateness of measures and approaches to understanding of needs in Lao PDR and conducting continuous dialogue, appropriateness of implementation systems of ODA Task Forces and related domestic organizations, appropriateness of periodic understanding of policy implementation status and assistance processes, and the appropriateness of collaboration with other donors, international organizations, the private sector, NGOs, and other bodies. The Evaluation Team rates the degree of appropriateness high from all of these perspectives. Consequently, it rates the appropriateness of processes high.

Systems are established for annual policy dialogues between the Governments of Japan and Lao PDR in order to take into consideration development policies and intentions of the Government of Lao PDR. As a result, the Evaluation Team rates the appropriateness of measures and approaches to issues indicated in Japan’s assistance policy for Lao PDR high.

The Evaluation Team determines that the appropriateness of measures and approaches for understanding needs and engaging in ongoing communication are appropriate, as adequate level of communications are maintained with the Government of Lao PDR. Enhancement of administrative capacities and ownership of Lao PDR will be issues for future consideration. It is important for Japan to continue to assist the Government of Lao PDR in planning and implementing the development program in line with the NSEDP. Implementation of assistance tailored to the needs of recipient country governments is one of policies of Japan’s ODA.

To summarize, the Evaluation Team rates the appropriateness of processes very high.

3-5 Overall Evaluation from a Development Viewpoints

Having examined the relevance of policies, effectiveness of results, and appropriateness of processes, the Evaluation Team determines that Japan's assistance for Lao PDR has comprehensively a satisfactory result.

The relevance of Japan's assistance policy for Lao PDR is rated very high based in particular on the adequate reflection of Lao PDR's development policy. The Evaluation Team also determined that the comparative advantage of Japan such as the continuity of assistance, and the high Japan's reliability for Lao people are aligned with the optimal status of ODA intended by Japan.

The effectiveness of results is also rated high based on the steady achievement of the basic policy of the objective framework for Japan's Assistance Policy for Lao PDR—"self-help efforts by Lao PDR to eliminate poverty and promote human development and self-help efforts for achieving sustainable economic growth"—as well as the high levels of gratitude concerning Japan's assistance revealed through the interviews.

The appropriateness of processes is rated very high based on the implementation of policy dialogues regularly, appropriate implementation of processes from project formulation to execution, and appropriate collaboration with other development partners, the private sector, NGOs, and other organizations. Japan's ODA is highly valued by the Government of Lao PDR and other development partners, but it would be better to elaborate the methodologies to monitor status of implementation with regard to the "effectiveness of results" and "appropriateness of processes" for the sake of visibility of Japan's ODA.

Chapter 4 Evaluation from Diplomatic Viewpoints

In this chapter, the Evaluation Team analyzes the relationship between Japan's cooperation with Lao PDR and diplomatic viewpoints of the diplomatic importance and diplomatic impact. The evaluation was conducted based on various documents relating to diplomacy with Lao PDR released by MOFA, statements by government officials in the two countries, and information received from experts, news reports, and other sources.

The Evaluation Team confirmed that the diplomatic relationship between Japan and Lao PDR is important from the perspectives of the more than 50 years of friendly relations, personal and cultural interaction in the public and private sectors, shared values at international conferences, and Lao PDR's geopolitical position.

4-1 Diplomatic Importance

The message of the Lao PDR ambassador to Japan on the occasion of the 50th anniversary of the establishment of diplomatic relations between Japan and Lao PDR in 2005 stated that since Lao PDR joined ASEAN in 1997, a close and cooperative bilateral relationship has been built in international society such as the United Nations. The message further stated Lao PDR supports Japan becoming a permanent member of the United Nations Security Council.

At a Japan-Lao PDR Summit Meeting held in November 2013, Japan's Prime Minister and Lao PDR's Prime Minister reaffirmed the traditionally friendly relations between the two countries. The two leaders made joint statement that the two countries share the view that Japan and Lao PDR will advance their Comprehensive Partnership⁴ in the fields of political and security issues, economic relations and development cooperation, people-to-people and cultural exchange, the 60th anniversary of the establishment of diplomatic relations between Japan and Laos, and the regional and international cooperation.

In light of Lao PDR's central geographical position within the massive Mekong region market, which has a population of approximately 250 million, security and prosperity in Lao PDR is a prerequisite for security and prosperity in the Mekong region as well as a prerequisite for security and prosperity throughout East Asia. This geographical environment of Lao PDR indicates that Lao PDR's development within the development of the Mekong region as a whole is quite important for the economic development of the entire region. In addition, raising socio-economic development in Lao PDR, which is comparatively behind other ASEAN member countries, and

⁴ (http://www.mofa.go.jp/mofaj/kaidan/page3_000542.html)

reducing gap within the region are important issues for the stability in and the development of ASEAN.

In March 2010, President Choummaly Sayasone of the Lao PDR, Secretary General of the Lao People's Revolutionary Party paid the first official visit to Japan for the Lao PDR president. At a Japan-Lao PDR Summit Meeting with then Prime Minister Hatoyama, both sides exchanged views on a wide range of issues related to the bilateral relations and cooperation as well as regional and international issues of common interest. The two leaders issued a joint statement to strengthen their Comprehensive Partnership.

4-2 Diplomatic Impact

Lao PDR was one of the first countries to which Japan dispatched Japan Overseas Cooperation Volunteers in 1965, and since then, many Japanese youth have been dispatched in Lao PDR. In addition, 50 or more Laotian students come to Japan each year to study with scholarships from the Government of Japan. The development through these exchanges of the next generation of human resources that will serve as bridges between the two countries and the deepening of mutual understanding between the two countries⁵ are meaningful for promoting friendly relations.

Lao PDR is seen to be a partner country that supports Japan's diplomatic initiatives. It values Japan as a peaceful country with regard to its security policy of proactively contributing to regional and international peace and security.

The Agreement between Japan and the Lao People's Democratic Republic for the Liberalization, Promotion and Protection of Investment⁶ was signed in January 2008 to reinforce economic relations of the two countries.⁷ As a result, Japan and Lao PDR are obligated to afford national treatment, most-favored nation treatment, and prohibition of performance requirements. The agreement is highly significant for increasing transparency, legal stability, and foreseeability for investors.

⁵ Congratulatory Message from Minister of Foreign Affairs Machimura to Deputy Prime Minister and Minister of Foreign Affairs Somsavat Lengsavad on the Occasion of the 50th Anniversary of the Establishment of Diplomatic Relations between Japan and Lao PDR.
(http://www.mofa.go.jp/mofaj/area/laos/j_laos_50/mess_machi.html) (in Japanese)

⁶ The investment agreement guarantees most-favored nation treatment and national treatment when investors (companies, etc) from one signatory country (Japan) acquire and operate assets (companies, securities, real property, etc.) in the other signatory country (Lao PDR) and includes provisions on liberalization of remittances and compensation in the case of expropriation. The purpose of the agreement is to protect and promote investment activities by investors.

⁷ (<http://www.mofa.go.jp/region/asia-paci/laos/agree0801.pdf>)

Chapter 5 Recommendations and Lessons Learned

The Evaluation Team found through its evaluation that Japan's development assistance to Lao PDR has high levels of relevance of policies, effectiveness of results, and appropriateness of processes. The Evaluation Team makes recommendations concerning the formulation of assistance policies for Lao PDR, the effectiveness of assistance, and the assistance implementation process and indicates lessons learned through the evaluation in order to further strengthen the comprehensive partnership between the two countries.

5-1 Recommendations concerning Policy Formulation

(i) Assistance for Achieving the MDGs

The Millennium Development Goals--Progress Report for the Lao PDR--was announced by the Government of Lao PDR and the United Nations in 2013. The progress report made it clear which of the nine MDGs for Lao PDR can be achieved and which goals will be significantly delayed. Goals that will be particularly difficult for Lao PDRs to achieve are goal 1 (eradicate extreme poverty and hunger), goal 2 (achieve universal primary education), goal 4 (reduce child mortality), goal 5 (improve maternal health), and goal 9 (reduce the impact of UXO in Lao PDR).

Japan's assistance policy for Lao PDR includes support for achieving MDGs and graduating from the LDC as basic policies of assistance. Current Japan's assistance provides in accordance with these basic policies. In addition, priority areas and policies for addressing development issues are formulated. It is important that both governments jointly formulate the program based on the results of the progress report at the time of the regular policy dialogues or review of the Rolling Plan.

5-2 Recommendations to Raise the Effectiveness of Assistance

(i) Japan's Role as a Leading Development Partner

Some other donor countries and international organizations pointed out that frequency of participation by the new development partners in donor collaboration is not adequate. The Government of Lao PDR and most of donor countries unanimously acknowledge that collaboration is conducted smoothly, however, some development partners commented that deliberation on comprehensive assistance for individual sectors is inadequate, and pointed out that it is often no more than the coordination of projects and targeted regions. Therefore, Japan, as the leading developing partner, should respond to the expectations of other development partners by playing a driving

role in policy dialogue with the Government of Lao PDR. For example, Japan could encourage the Government of Lao PDR to discuss with other donors (development partners) as to how comprehensive development will be conducted by sectors including healthcare, education, forestry, and others to realize the Lao PDR's vision for the future. Since the Government of Lao PDR highly evaluates Japanese policy advisors, the Evaluation Team recommends those policy advisors should lead discussions of comprehensive development.

(ii) Continuous assistance to enhance the capacities of government officials

The interviews conducted by the Evaluation Team revealed that capacities of Lao PDR central government officials are gradually increasing, but that of officials responsible for foreign assistance is limited by restrictions on financial resources for human resource development, a shortage of human resources, and other factors. In some ministries and agencies, few officials serve as contacts for all development partners, creating obstacles to the implementation of assistance and may become one factor impeding effective and efficient assistance.

This evaluation determined that there have been unmistakable effects from the human resource development assistance that Japan has conducted on a continuous basis. It was also discovered that the nearly all the Lao PDR students (administrative officials) who come to Japan to study or for training reinstate in their previous positions after their studies or trainings in Japan are finished. They work in important posts as career bureaucrats in government ministries and agencies, and many are active as contacts for Japanese assistance programs. As a result, these Japan supporters contribute actively to strengthening ties with Japan after their return to Lao PDR.

In this way, assistance that focuses on reinforcing administrative capacities in particular should be continued not only because it increases the capacity to receive assistance, but also because it can be expected to increase Japan supporters within the Government of Lao PDR, maintain friendly relations with Japan, and have effects promoting development. For these reasons, continuous assistance to enhance the capacities of government officials should be provided.

5-3 Recommendations Concerning Assistance Implementation Processes

(i) Reflecting the opinions of the Government of Lao PDR and Japanese-affiliated companies in Lao PDR when formulating country assistance policies

The assistance implementation process involves adequate exchanges of opinions between Japan and the Government of Lao PDR. It is expected that more efficient and advanced policy dialogue and program or project formulation, implementation, monitoring, and evaluation can be achieved while maintaining close relations with the Government of Lao PDR.

In recent years, the number of Japanese-affiliated companies in Lao PDR and investment from Japan has been increasing. Opinions from the private sector should be taken into consideration during the next revision of country assistance policy to further encourage investment from Japan in Lao PDR. It is expected that various opportunities to exchange information among ODA Task Force and Japanese-affiliated companies in Lao PDR and the Japan-Lao Public and Private Sectors Joint Dialogue will be utilized.

(ii) Providing and sharing information to and with development partners

Some of Lao PDR’s development partners indicated that they have not received Japan’s assistance information, while many other partners indicated that close communications and information sharing is adequate. Some projects such as a road management project are carried out with close exchanges of information with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the World Bank while maintaining a complementary relationship. Going forward, it is important that the Embassy of Japan in Lao PDR and the JICA Laos Office PDR continue to disseminate and share information with these partners at regular meetings, donor coordinating conferences, and day-to-day interactions.

The priorities of these recommendations and expected responsible organizations are set forth in the table below.

Table 5-1 Recommendations and Anticipated Responding Organizations

	Recommendation	Responding Organization			Response Period
		MOFA	Embassy of Japan	JICA	
Recommendations concerning policy formulation	5-1-1 Assistance for achieving the MDGs	◎	○	○	Short term
Recommendations to raise the	5-2-1 Japan’s role as a leading development partner		◎	○	Medium term

	Recommendation	Responding Organization			Response Period
		MOFA	Embassy of Japan	JICA	
effectiveness of assistance	5-2-2 Continuous assistance to enhance the capacities of government officials for carrying out Lao PDR's development	◎	○	○	Medium term
Recommendations concerning the assistance implementation process	5-3-1 Reflecting the opinions of the government of Lao PDR and local Japanese-affiliated companies during the next country assistance policy revision	○	◎		Medium term
	5-3-2 Providing and sharing information to and with development partners	○	◎	○	Short term

Notes: ◎ : Responding organization ○ : Supporting organization
Response periods. Short term: 1–2 years, medium term: 3–5 years
Source: Evaluation Team

5-4 Lessons Learned

(i) Importance of clarifying goals at a prior stage and setting specific indicators

The Japan's assistance policy for Lao PDR does not contain quantitative targets or evaluation indicators, and as a result, this country assistance evaluation was not able to perform quantitative evaluations of the degree of attainment of goals. Many qualitative effects were identified through interviews, while the quantitative effects were assessed based on document reviews and interviews. Since Lao PDR's growth and improvement of issues cannot be attributed solely to the results of assistance from Japan, however, it is difficult to quantify the effects and influences of Japanese assistance, and quantitative data could not be found. It is important, however, to clarify goals in the prior stages of country assistance policies and setting measurable indicators to the extent possible for individual cooperative programs within Rolling Plans for properly evaluating ODA at policy levels.

(ii) Importance of continued assistance for removing unexploded ordnance

Assistance for the removal of unexploded ordnance (UXO) can realize "building societies in which everyone can live with dignity by protecting and empowering individuals and communities that are exposed to actual or potential threats"⁸ as stated

⁸ MOFA of Japan, 2. *Regarding the Perspective of "Human Security", Japan's Medium-Term Policy on Official Development Assistance*, February 2005 (<http://www.mofa.go.jp/policy/oda/mid-term/policy.pdf>)

in the “human security” designated as a principle of Japan’s international cooperation. Such assistance, along with projects going on in neighboring Cambodia, is also a foundation for the socio-economic development in the Mekong region.

Japan has ratified the Convention on Cluster Munitions, which obligates party countries to support unexploded ordnance removal efforts. When considering the significance of Japan’s diplomatic policies within the context of proactive promotion of peace diplomacy, the active use of ODA as a means of assisting the removal of UXO and continued assistance within assistance policy are important.