

Third Party Evaluation Report FY2022  
Ministry of Foreign Affairs of Japan

# Evaluation of Japan's ODA to Lao People's Democratic Republic

January 2023

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## Preface

This report is an Evaluation of Japan's ODA to Lao People's Democratic Republic (Laos), and was commissioned to International Development Centre of Japan, Inc. by the Ministry of Foreign Affairs of Japan (MOFA) in fiscal year 2022.

Since its commencement in 1954, Japan's Official Development Assistance (ODA) has contributed to the development of partner countries while tackling global issues. Today, the international community acknowledges the necessity to improve the effectiveness and efficiency of ODA. MOFA regularly conducts ODA evaluations, of which most are conducted at the policy-level with two main objectives: to improve the management of ODA, and to ensure its accountability. These evaluations are commissioned to external third parties to enhance transparency and objectivity.

The objective of this Evaluation was to review Japan's ODA policies for Laos, and to produce recommendations and lessons learned based on the review to improve policy planning for the effective and efficient implementation of future assistance by the Government of Japan. For accountability purposes, the results in their entirety are available to the general public.

The Evaluation Team in charge of this study consisted of a chief evaluator (Ryokichi Hirono, Professor Emeritus, Seikei University), an advisor (Naonobu Minato, Visiting Fellow, Institute for International Monetary Affairs) and International Development Centre of Japan. Professor Hirono supervised the entire evaluation process and Professor Minato provided advice and input on analytical and evaluation processes. In addition, to complete this study, we have received support from MOFA, the Japan International Cooperation Agency (JICA), and local ODA Task Forces, as well as government agencies, project implementation agencies, other donors, and private companies in Laos. We would like to take this opportunity to express our sincere gratitude to all those who supported 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.

January 2023

International Development Center of Japan, Inc

Note: This English version is a translation of the Japanese Evaluation Report of Evaluation of Japan's ODA to Laos.

## Evaluation of Japan's ODA to Laos (Brief Summary)

### Evaluators (Evaluation Team)

- Chief Evaluator: Ryokichi Hirono, Professor Emeritus, Seikei University
  - Advisor: Naonobu Minato, Visiting Fellow, Institute for International Monetary Affairs
  - Consultant: International Development Center of Japan, Inc.
- Evaluation Period: FY2017-FY2021  
Period of the Evaluation Study: May 2022- February 2023  
Field Survey Country: Laos

### Background, Objectives and Scope of the Evaluation

Laos, located in the center of the Indochina Peninsula, is an important country in the Mekong region. Its stability and development are directly linked to the prosperity of the Mekong region and to the Association of Southeast Asian Nations (ASEAN) as a whole. Laos has achieved steady economic development by strengthening its economic power through the import and export of mineral resources and electricity from hydropower. However, many issues related to social and economic development remain unresolved.

Based on a review of Japan's aid policies and assistance to Laos in recent years, this evaluation aims to (i) obtain recommendations and lessons learned for the formulation and implementation of the Country Development Cooperation Policy for Laos, which is scheduled in FY2024, and (ii) fulfill accountability to the public through the publication of the evaluation results.

### Brief Summary of the Evaluation Results

#### ●Development Viewpoints

##### (1) Relevance of Policies

Japan's aid policy for Laos is consistent with Laos's development policies and needs, Japan's high-level policies, and international priorities. It was also confirmed that major donors, including Japan, have formulated their assistance policies in line with the National Socio-Economic Development Plan (NSED) of the Government of Laos and are partners in working together to achieve the country's national goal of exiting the Least Developed Country (LDC) status. Furthermore, Japan's policy reflects its comparative advantage by combining various aid modalities and planning a wide range of activities from soft to hard infrastructure, and from the policy formulation level to the community level.

(Rating: Highly Satisfactory)

##### (2) Effectiveness of Results

It can be evaluated that the inputs and activities of each project planned in line with the Country Development Cooperation Policy for Laos have generated goods and services generally as initially planned. Secondly, regarding the extent to which 'development issues (sub-targets)' were achieved through Japan's inputs and the extent to which they contributed to the achievement of 'priority areas (medium-term targets),' it can be evaluated that significant achievements were made. In particular, we can evaluate that significant direct contributions were made in the areas of strengthening of governance (mainly in the legal capacity development support),



The Second Friendship Bridge, 1,600-meter international bridge, connects Laos and Thailand on the Mekong River and contributes to the smooth transportation of people and goods, as well as economic development in the areas around the East-West Economic Corridor.

transportation and transport networks, electricity supply, basic education, urban environmental improvement (waste management), and health and medical services. It was also confirmed that relevant projects were highly appreciated by Lao government officials. Through these activities, the projects have contributed to the achievements of the four medium-term targets set forth in the Country Development Cooperation Policy for Laos. Finally, in terms of the 'final outcome' (at the level of major goals), Japan has contributed to some extent to the major objective of 'developing economic and social infrastructure aimed at exiting the LDCs category'.

The following points should be noted. Although the future economic effects of the development of the transportation network (Lao-China Railway and Vientiane-Bauten Expressway (under construction)) by China, which is considered the largest donor, are expected to be significant, the effects are still limited at the time of the evaluation due to the movement restrictions caused by the COVID-19 pandemic. The Laotian side suggested that Japan should maximize synergies with such Chinese assistance in the future by providing assistance for human resource development, social infrastructure improvement, and promotion of private investment. On the other hand, the rapid increase in external debt due to borrowing from the Chinese government has become a major issue.

(Rating : Highly Satisfactory)

### (3) Appropriateness of Processes

Japan's aid policies for Laos were appropriately formulated in line with established procedures, fully reflecting the development needs of Laos. In terms of implementation, the Embassy of Japan in Laos and the JICA Laos Office have various structures in place to respond to various sectors, and close communication between the two countries and development partners has been promoted through policy dialogue, round table processes, and sector working group meetings. In addition, it was confirmed that efforts are being made to increase aid effectiveness by combining various modalities, including technical cooperation, grant aid, and ODA loans as well as volunteer programs. During the COVID-19 pandemic, flexible measures were taken, such as establishing an online environment, securing means of communication with counterparts in Laos, and utilizing local staff, and monitoring of each project was continued. Furthermore, in addition to coordination with other donors and aid agencies, cooperation with various aid actors, including private companies and NGOs, was confirmed in a wide range of areas. The above indicates that the process is appropriately implemented to ensure the relevance of the policies and effectiveness of the results. On the other hand, as pointed out in the evaluation from diplomatic viewpoints, public relations activities to inform the international community about the effective results of Japan's ODA are limited, and there is room for improvement in order to utilize the results of ODA for diplomatic power.

(Rating : Satisfactory)

\*(note) Rating : Highly Satisfactory/ Satisfactory/ Partially Satisfactory/ Unsatisfactory

### ●Diplomatic Viewpoints

#### (1) Diplomatic Importance

It can be said that Japan's ODA to Laos is important from the following perspectives; (a) Laos is an important country in the connectivity of the Mekong region because it is located in the center of the region; (b) At international meetings, Laos often supports Japan's position and candidates in elections and votes; (c) Since Laos has friendly relations with many bordering countries such as Vietnam and China, Laos

may play an important role in the international community and the ASEAN region. In addition, Japan's assistance to Laos is consistent with the 'Free and Open Indo-Pacific' (FOIP), which is positioned as one of Japan's current foreign policies, and various action plans have been formulated and agreed upon. Furthermore, following Japan's philosophy of 'Rule of Law', Laos has developed laws and institutions with Japan's assistance.

## (2) Diplomatic Impact

The impact on Japanese diplomacy in the international community include (a) impact of gaining support for Japan in the international community, (b) impact of countering the influences of China and Russia on international affairs, (c) impacts of promoting universal values and rules that Japan aims for, and (d) impact in contributing to the evolution and development of relations among ASEAN member countries. As for the impacts on bilateral relations between Japan and Laos, it can be pointed out that (a) the expansion of pro-Japanese groups and experts on Japan and the increase in the number of Laotian visiting in Japan (b) support for Japan in times of crisis (e.g., in times of emergency disaster), (c) impacts on economic relations (priming effect), and (d) public relations (from Laos to the international community) to generate impacts.

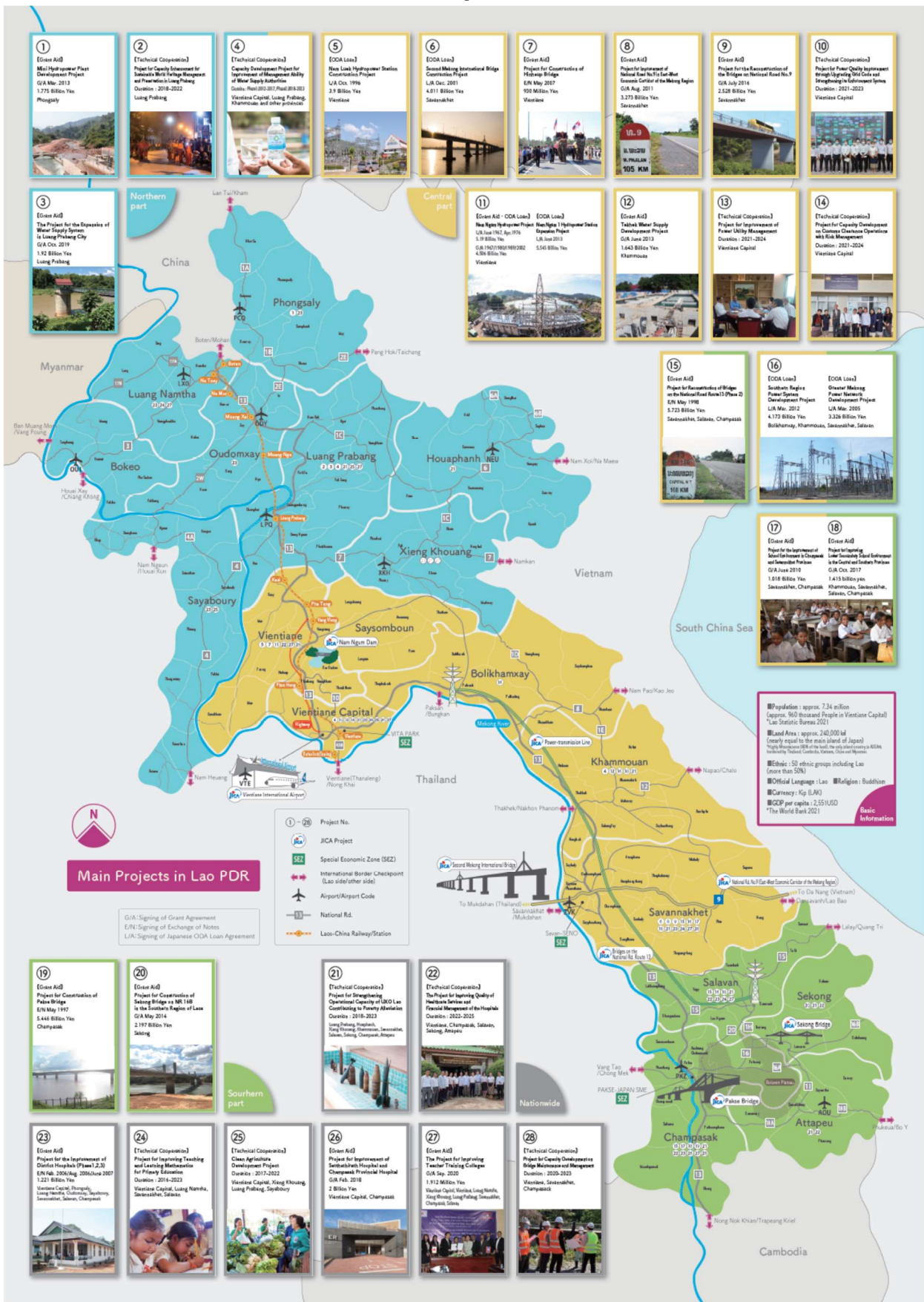
## Recommendations

- (1) Strengthen public relations to leverage the results of Japan's ODA projects as diplomatic power
- (2) Strengthen intellectual support for fiscal stability
- (3) Rather than competing with Chinese aid, strategically pursue substantial synergies by strengthening industrial and educational support

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# Map



Source : JICA ODA Map (<https://www.jica.go.jp/laos/office/others/map.html>)

# **Chapter 1 Implementation Policy of Evaluation**

## **1. Background and Objectives of Evaluation**

Lao People's Democratic Republic (hereinafter Laos), located in the center of the Indochina Peninsula, is a key country in the Mekong region. Its stability and development are directly related to the prosperity of the Mekong region and to the Association of Southeast Asian Nations (ASEAN) as a whole. Laos is also one of the key countries in new foreign policies such as the 'Free and Open Indo-Pacific Partnership (FOIP)' and the 'Japan-Mekong Connectivity Initiative'. It is therefore essential for Japan to aid Laos to demonstrate Japanese presence in the Asian region. Laos has achieved steady economic development based on the strengthening of its economic power through the import and export of mineral resources and trading in hydropower generation. However, many issues related to social and economic development remain unresolved.

As the top donor to Laos (based on OECD statistics), Japan has established a good bilateral relation with the country. A comprehensive evaluation (country evaluation) of assistance to Laos was conducted in FY2004 and FY2013 but has not been conducted in recent years. Based on a review of Japan's aid policies and assistance to Laos in recent years, this evaluation aims to (i) obtain recommendations and lessons learned for the formulation and implementation of the Country Development Cooperation Policy for Laos, which will be revised in FY2024, and (ii) fulfill accountability to the public through the publication of the evaluation results.

## **2. Scope of Evaluation**

The evaluation period covered by this evaluation is the five-year period from FY 2017 to FY 2021. The evaluation focuses on Japan's aid policy and assistance to Laos. Aid policy for Laos was revised in 2019, which is part of the period covered by this evaluation. Figure 1-1 shows the assistance policies covered in this evaluation.





Figure 1-1 Japan's Assistance Policy for Laos

Source: Prepared by the evaluation team based on Japan's assistance policies for Laos

### 3. Evaluation Methodology

#### (1) Evaluation Viewpoints

Based on the Official Development Assistance (ODA) Evaluation Guidelines (June 2021), this evaluation was conducted for a comprehensive review from development viewpoints. In addition, the evaluation was conducted from diplomatic viewpoints, considering Japan's national interests. Table 1-1 lists the main verification criteria and contents.

Table 1-1 Evaluation Viewpoints

Evaluation viewpoint	Evaluation criteria	Main verification criteria
Development viewpoints	Relevance of policies	<ul style="list-style-type: none"> <li>● Consistency with Japan's high-level ODA policies</li> <li>● Consistency with the development policies and needs of Laos</li> <li>● Consistency with the international priority issues</li> <li>● Relevance with assistance policies of other donors</li> </ul>
	Effectiveness of results	<ul style="list-style-type: none"> <li>● Inputs to Laos (inputs)</li> <li>● Goods and services produced by the inputs (outputs)</li> <li>● Short-, medium-, and long-term effects of assistance (outcome/impact)</li> </ul>
	Appropriateness of processes	<ul style="list-style-type: none"> <li>● Appropriateness of the process for formulating Country Development Cooperation Policies</li> <li>● Appropriateness of policy implementation process</li> <li>● Appropriateness of aid implementation structure</li> <li>● Effective collaboration with other actors (companies, NGOs, etc.)</li> </ul>
Diplomatic viewpoints	Diplomatic importance	<ul style="list-style-type: none"> <li>● Meaning and Importance of Assistance to Laos</li> </ul>
	Diplomatic impact	<ul style="list-style-type: none"> <li>● Impact in bilateral and international relations, contribution to national interests</li> </ul>

Source: Prepared by the evaluation team based on the ODA Evaluation Guidebook

For the three evaluation criteria of the development viewpoint ('relevance of policy', 'effectiveness of results', and 'appropriateness of process'), a four-level rating— 'Highly Satisfactory', 'Satisfactory', 'Partially Satisfactory', and 'Unsatisfactory'—was assigned based on the ODA Evaluation Handbook (April 2022).

## (2) Implementation Procedures of the Evaluation

The implementation period of this evaluation is from April 2022 to February 2023. The evaluation team formulated an implementation plan including the evaluation scope, evaluation criteria, and work schedule, which was discussed at the first study meeting. Based on the implementation plan, in-country and field surveys were conducted. The field survey in Laos was conducted from 16–30 October 2022. At the 2nd study meeting held after the field survey, the tentative evaluation results based on the information obtained from the field survey were discussed. Thereafter, the evaluation team prepared an evaluation report draft, revised the report based on stakeholders' comments obtained at the 3rd study meeting, and submitted the final report after confirmation by the ODA Evaluation Division of the Ministry of Foreign Affairs of Japan. Figure 1-2 shows the implementation procedures and timeline.

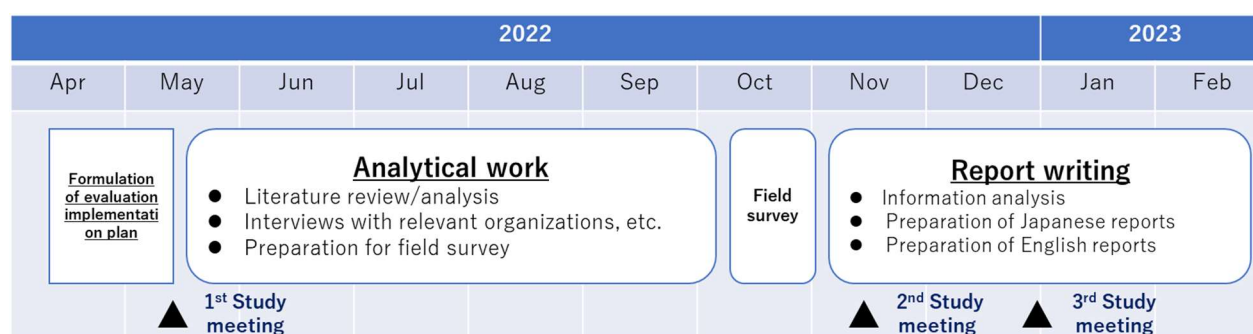


Figure 1-2 Implementation Procedures of the Evaluation

## (3) Limitations of the Evaluation

This evaluation is a comprehensive review of Japan's aid policy and assistance to Laos over the past five years. However, note that the evaluation results are based on information collected and confirmed during the limited period of in-country and field surveys. In addition, there were some limitations to obtaining information, especially in confirming the implementation process in the past.

## 4. Implementation Structure of the Evaluation

Under the guidance of the chief evaluator and the advisor, the consultant collected, summarized, and analysed the information necessary for the evaluation. Table 1-2 shows the team members involved in the evaluation. The field survey in Laos was conducted by all members except for the Deputy Team Leader and Ms Wakana Kanikawa from the ODA Evaluation Division of the Ministry of Foreign Affairs, who participated as an observer.

Table 1-2 Members of the Evaluation Team

Responsibility	Name	Affiliation
Chief Evaluator	Ryokichi Hirono	Professor Emeritus, Seikei University
Advisor	Naonobu Minato	Visiting Fellow, Institute for International Monetary Affairs
Team Leader Evaluation Analysis 1	Ryo Sasaki	Senior Researcher, International Development Center of Japan, Inc
Deputy Team Leader Evaluation Analysis 2	Yukiko Sueyoshi	Senior Researcher, International Development Center of Japan, Inc
Evaluation Analysis 3	Hiroyo Onozato	Researcher, International Development Center of Japan, Inc

## Chapter 2 Overview of Laos and Trends in ODA for Laos

### 1. Political System<sup>1</sup>

#### (1) Political Trend

Since the establishment of the Laos in December 1975, the country has been under the leadership of the People's Revolutionary Party. The party holds a party congress once every five years to decide on the policy direction for the next five years and the personnel of the party leadership, including the party secretary general, political bureau members, general secretariat members, and central committee members. In recent years, the 11th Party Congress was held in 2021, and then Prime Minister Thongloun Sisoulith was promoted to the position of Party General Secretary. At the Party Congress, the 9th Five-Year National Socio-Economic Development Plan (NSED) was discussed and approved, emphasizing the need to strengthen Party leadership, combat corruption, develop human resources, and promote environmentally sustainable development.

#### (2) Diplomacy<sup>2</sup>

Laos has a basic policy of good neighbourliness and an omnidirectional foreign policy based on the five principles of peace. Since 1975, the country has emphasized relations with socialist countries. However, in 1986, it adopted a reformist approach, expanding cooperation to include Western countries to attract foreign investment and economic assistance. The country joined ASEAN in 1997.

In particular, interaction with Vietnam has been active, ranging from high-level central government to local administrative agencies and mass organizations<sup>3</sup>. Relations with China have also been growing, and the 'Master Plan to build a Laos–China community with a shared future' (April 2019) has been signed. Relations with Thailand have been strained since 1975 because of border issues, but since the 1990s, the country's presence in terms of trade and investment has increased.

### 2. Economic Status

#### (1) Overview<sup>4</sup>

In 1986, the country embarked on the economic reforms of the 'New Economic Mechanism', which focused on the transition to a market economy and opening up of the economy. As a result, high gross domestic product (GDP) growth rates in the 5–8% range were observed from 1992 to 1996 (see Figure 2-1). Due to the 1997 Asian currency crisis, GDP growth declined to the 3% range in 1998, but has since recovered to the 5–8% range, with high GDP growth rates maintained through 2019. The factors that supported economic development include land development

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<sup>1</sup> Source: <https://www.mofa.go.jp/mofaj/area/laos/data.html> (Accessed in May 2022)

<sup>2</sup> Source: <https://www.mofa.go.jp/mofaj/area/laos/data.html> (Accessed in May 2022)

<sup>3</sup> Source: <https://www.mofa.go.jp/mofaj/area/laos/data.html> (Accessed in May 2022)

<sup>4</sup> Source: <https://www.mofa.go.jp/mofaj/area/laos/data.html> (Accessed in May 2022)

(energy, mineral resource, and agricultural plantation development), domestic and foreign private investment (mainly in power, minerals, and agriculture), government public investment and aid, and the inflow of Chinese funds associated with Chinese aid and trade expansion<sup>5</sup>. In 2020, the economy suffered a major setback due to the global outbreak of COVID-19, with GDP growth dropping to 0.5%, although this started recovering in 2021.

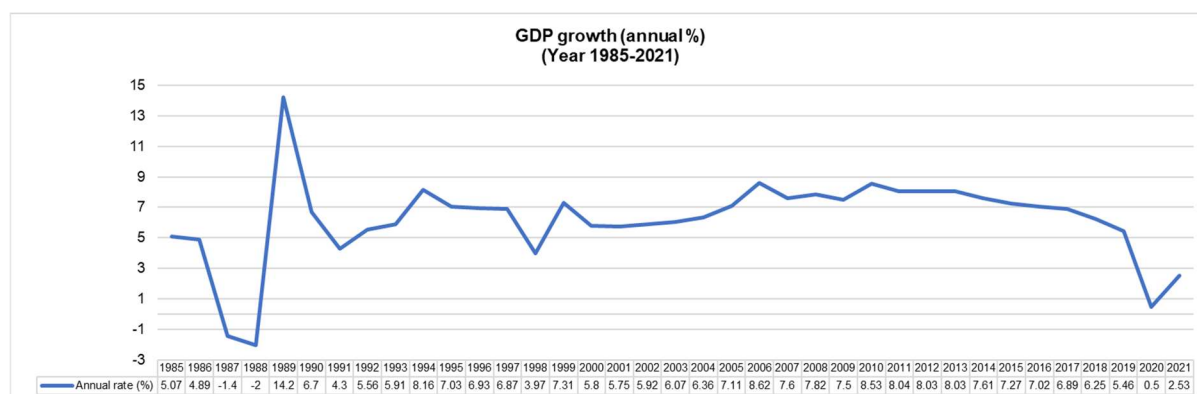


Figure 2-1 GDP Growth Rate Trends for Laos (1985–2021)

Source: World Bank (<https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2020&locations=LA&start=2000>)

## (2) Population

The population is approximately 7,338,000 people (2021)<sup>6</sup>, with an average annual population growth rate of 1.4% over the past 10 years (2011–2021)<sup>7</sup>. The urban population rate is increasing and expected to total 36.9% in 2020 (ADB, 2021)<sup>8</sup>. The population density is 31.523 persons per square kilometre (World Bank, 2020)<sup>9</sup>.

## 3. Development Policies of Laos

### (1) 2030 Vision and Ten-Year Socio-Economic Development Strategy (2016-2025)

The 2030 Vision, presented at the 10th Party Congress in January 2016 and approved in April the same year, is a comprehensive and high-level policy for Laos, which aims to almost quadruple gross national income (GNI) per capita from US\$1,554 to US\$7,037 by 2030 to position the country as an upper middle-income developing one. Laos's vision for development by 2030 is as follows:

- Make a new turn in development to become an upper middle-income developing country following knowledge-based, green, and sustainable socio-economic directions
- Increase national income per capita to four times the 2015 level
- Strengthen industry and infrastructure, which are strong pillars of industrialization and modernization

<sup>5</sup> Source: Norihiko Yamada "Laos The Tenth Congress of the People's Revolutionary Party and Vision 2030 Chapter 1: Political and Economic Situation since the Ninth Congress of the Party (Japanese only)" IDE-JETRO 2017

<sup>6</sup> Source: Embassy of Japan in Laos website (Accessed in December 2022)

<sup>7</sup> Source: ADB Key Indicators Database (<https://kidb.adb.org/>) (Accessed in December 2022)

<sup>8</sup> Source: ADB Key Indicators Database (<https://kidb.adb.org/>) (Accessed in December 2022)

<sup>9</sup> It is lower than the population density of the East Asia and Pacific region (96.3%). Source: The World Bank Data (<https://data.worldbank.org/indicator/EN.POP.DNST?end=2020&locations=LA&start=1961&view=chart>) (Accessed in December 2022)

- Realize an organized socialist-oriented market economy
- Realize a society with peace, justice, democracy, and civilization
- Reduce disparities between urban and rural areas and among people of different classes through solidarity among people of all ethnic groups
- Improve people's quality of life and well-being
- Develop human resources and provide high-quality, universal social services
- Protect people's rights under the effective rule of law and strengthen public administration in accordance with the Three-Build Directive
- Protect and utilize the natural environment effectively and sustainably
- Stabilize and strengthen the political and government system
- Promote integration at the regional and international levels

The Ten-Year Socio-Economic Development Strategy was developed at the same time as the 2030 Vision and sets forth the following overall policies through 2025 (excerpts) to further concretize the implementation of the Vision. The strategy aims to enable the country to exit its status in the Least Developed Countries (LDCs) category by 2020 and become an upper middle-income developing country by 2030, emphasizing balanced growth through economic growth and protection of the social, cultural, and natural environment. The overall directions are as follows:

- Implement the Socio-Economic Development Strategy to create a society of peace, democracy, civilization, and justice
- Be determined and put in the greatest effort to meet the criteria to shift from the LDCs category by 2020, and build a foundation for continued and stable socio-economic development
- Develop proportionally to maintain balance among economic, cultural, social, and human resources development and to protect the environment
- Ensure social harmony and order, improve governance and public administration
- Enhance cooperation, integration, and linkage at the regional and international levels, and transform the country into a connecting and transit regional services center to maximize benefits

## **(2) Five-Year National Socio-Economic Development Plan (NSEDP)**

NSEDP is a concrete implementation plan for the medium- and long-term strategies described above. The plan describes the overall goals and outcomes to be achieved over the next five years, current situation and challenges in Laos, priority activities, and indicators. The latest NSEDP is the 9th NSEDP (2021–2025) adopted at the 11th Party Congress in 2021, which sets the following overall directions. Although the goal of exiting the LDCs category by 2020, as targeted in the abovementioned Ten-Year Socio-Economic Development Strategy, has not been achieved, it remains one of the overall directions of this plan. The overall goals to be achieved are as follows:

- Continue to make comprehensive preparations to lead the country out of its LDC status

- Achieve breakthroughs in overcoming weaknesses, shortcomings, and obstacles to development and address financial and monetary difficulties
- Develop quality human resources as an important factor in promoting socio-economic development

## 4. Trends in ODA for Laos

### (1) Overview

The World Bank classifies Laos as a lower middle-income country. The amount of ODA per capita in Laos is much higher than the average for lower middle-income countries, and even higher than the average for low-income countries. The ratio of net ODA to GNI, a measure of aid dependency (see Table 2-1), is 3.55% for Laos, much higher than the average of 0.62% for lower middle-income countries. By region, Laos' aid dependency is higher than the average for Sub-Saharan African countries and the Middle East and North African countries.

Table 2-1 Laos – Aid Dependency (2019)

Category	Net ODA received per capita (current US\$)	Net ODA received (% of GNI)
Lao PDR	88	3.55
Low income	77	11.37
Lower middle income	14	0.62
Middle income	11	0.21
Upper middle income	6	0.07
World	22	0.19
East Asia & Pacific	3	0.03
South Asia	8	0.43
Latin America & Caribbean	14	0.16
Middle East & North Africa	64	0.85
Sub-Saharan Africa	50	3.16

Source: Prepared by the evaluation team based on World Development Indicators (<https://data.worldbank.org/>) (Accessed in May 2022).

The total ODA for Laos ranged from US\$371 million to US\$631 million per year between 2011 and 2020. It was with US\$528 million in 2020, of which 59% is from DAC countries, 7% from non-DAC countries, and 34% from multilateral aid agencies. Figure 2-2 shows the net ODA flows of major donors to Laos.

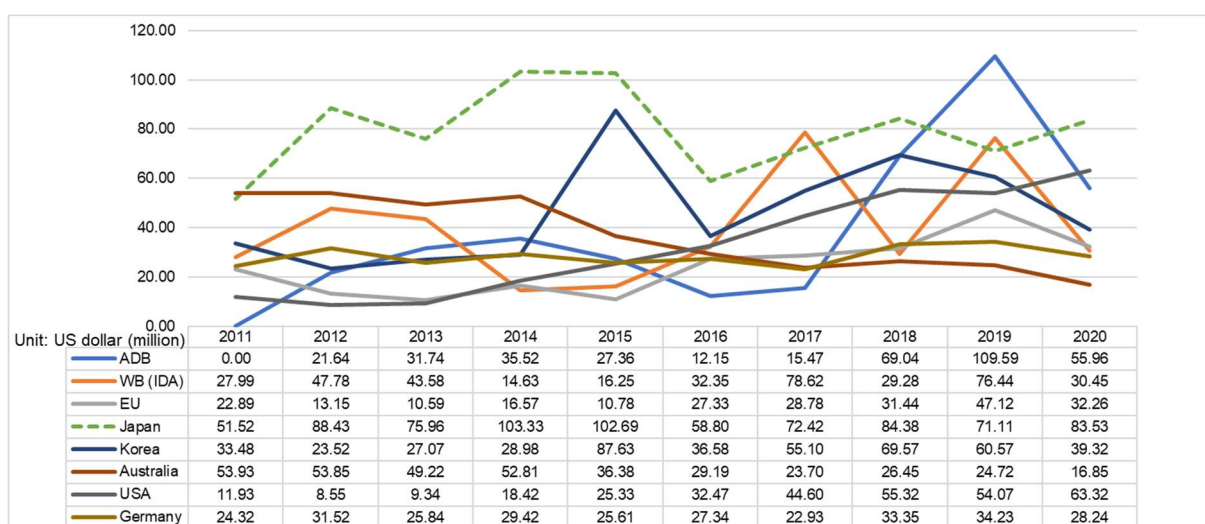


Figure 2-2 ODA flows to Laos (Net change in amount) 2011–2020

Source: OECD Dataset: GeoBook: Geographical flows to developing countries (<https://stats.oecd.org>) (Accessed on 12 May 2022)

## (2) Trends in Bilateral Cooperation

Considering the amount of aid for Laos provided by major bilateral donors over the 10-year period from 2011 to 2020, Japan is the largest donor, accounting for 23% of total bilateral aid over that period, as Table 2-2 shows. This is followed by South Korea, Australia, the United States, and Germany.

Table 2-2 Trends in ODA amount for Laos by major bilateral donors

(Net expenditure. Unit: Million US dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total(2011-2020)	Ratio(%)
Japan	51.52	88.43	75.96	103.33	102.69	58.80	72.42	84.38	71.11	83.53	792.17	23%
Korea	33.48	23.52	27.07	28.98	87.63	36.58	55.10	69.57	60.57	39.32	461.82	14%
Australia	53.93	53.85	49.22	52.81	36.38	29.19	23.70	26.45	24.72	16.85	367.10	11%
USA	11.93	8.55	9.34	18.42	25.33	32.47	44.60	55.32	54.07	63.32	323.35	9%
Germany	24.32	31.52	25.84	29.42	25.61	27.34	22.93	33.35	34.23	28.24	282.80	8%
Switzerland	26.75	20.72	24.55	20.00	19.94	21.95	24.33	21.78	21.08	21.92	223.02	7%
Luxembourg	16.53	16.69	17.76	17.60	16.17	12.41	19.26	28.99	24.66	22.26	192.33	6%
DAC Total	269.97	284.28	268.58	312.35	348.65	247.41	291.48	376.01	329.26	312.81	3,040.80	89%
Non-DAC Total	17.50	14.10	34.96	56.38	43.26	45.77	40.37	46.95	28.57	38.14	366.00	11%
Bilateral donors Total	287.47	298.38	303.54	368.73	391.91	293.18	331.85	422.96	357.83	350.95	3,406.80	100%

Remarks: Top 5 countries in aid since 2014

Source: OECD Dataset: GeoBook: Geographical flows to developing countries (<https://stats.oecd.org>) (Accessed on 12 May 2022)

Official data for China, which is not a DAC member, are unavailable. However, according to a research report published by Aid Data at William & Mary in 2021, in terms of total Other Official Flows (OOF) by China from 2000 to 2017 by recipient country, Laos ranked 10th, with total aid amounting to US\$12.36 billion.



### (3) Trends in Multilateral Cooperation

Regarding the amount of support provided by international organizations over the 10-year period from 2011 to 2020, the Asian Development Bank (ADB) and World Bank's International Development Association (IDA) accounted for 28% and 29%, respectively, as Table 2-3 shows. This is followed by the European Union (EU) with 18%; Global Fund to Fight AIDS, Tuberculosis and Malaria (commonly known as the Global Fund) with 7%; and GAVI Vaccine Alliance with 3%. From 2018, support from the Asian Infrastructure Investment Bank (AIIB) is also evident, but on a smaller scale.

Table 2 - 3 Trends in ODA for Laos from international organizations

(Net expenditure. Unit: Million US dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total(2011-2020)	Ratio(%)
ADB	..	21.64	31.74	35.52	27.36	12.15	15.47	69.04	109.59	55.96	378.47	27.8%
WB (IDA)	27.99	47.78	43.58	14.63	16.25	32.35	78.62	29.28	76.44	30.45	397.37	29.1%
EU	22.89	13.15	10.59	16.57	10.78	27.33	28.78	31.44	47.12	32.26	240.91	17.7%
Global Fund	18.50	12.86	11.94	10.80	8.23	12.86	7.04	5.05	3.61	6.91	97.80	7.2%
GAVI	0.16	2.12	4.27	8.95	1.36	4.42	4.25	5.06	6.34	3.87	40.80	3.0%
AIIB	...	...	...	...	...	...	...	0.16	0.84	...	1.00	0.1%
Others	14.94	14.76	17.67	19.20	15.20	17.19	14.36	25.70	19.79	48.53	207.34	15.2%
Multilateral Total	84.48	112.31	119.79	105.67	79.18	106.30	148.52	165.73	263.73	177.98	1,363.69	100.0%

Remarks: ADB, WB, EU, Global Fund, and GAVI are the top 5 agencies in aid since 2014.

Source: OECD Dataset: GeoBook: Geographical flows to developing countries (<https://stats.oecd.org>) (Accessed on 12 May 2022)

## 5. Trends in Japan's ODA to Laos

### (1) Japan's ODA Policies for Laos

Japan's assistance to Laos began under the Economic and Technical Cooperation Agreement signed in October 1958<sup>10</sup>. Since 1991, Japan has been the largest donor to Laos and has established good relations with the country. To accelerate socio-economic development through the promotion of foreign investment, a bilateral investment agreement between Japan and Laos came into effect in 2008, and the two countries are working to improve the investment environment through joint public-private dialogue. In addition, this bilateral cooperation was upgraded to a 'Strategic Partnership' in 2015, and the 'Japan-Laos Joint Development Cooperation Plan' was signed in 2016, strengthening the bilateral cooperative relation<sup>11</sup>.

Regarding the aim of development cooperation, Laos is located in the center of the Indochina Peninsula, and the stability and development of Laos are directly related to the stability and prosperity of the Mekong region and by extension, ASEAN as a whole. Laos is also one of the key countries in Japan's new foreign policy initiatives such as the FOIP and Japan-Mekong Connectivity Initiative, making cooperation for Laos essential from the perspective of Japan's presence in the entire Asian region.

The current ODA policy for Laos is the 'Country Development Cooperation Policy for Laos' (2019). As Figure 2-3 shows, the basic policy is to strengthen self-sustaining economic and social

<sup>10</sup> Source: MOFA. Overview of ODA for Southeast Asia - 2015 achievement. [11] Laos (P. 48)

<sup>11</sup> Source: MOFA. 2019. The Country Development Cooperation Policy for Laos.

infrastructure to exist the country's LDC status. It consists of four priority areas and nine development issues.

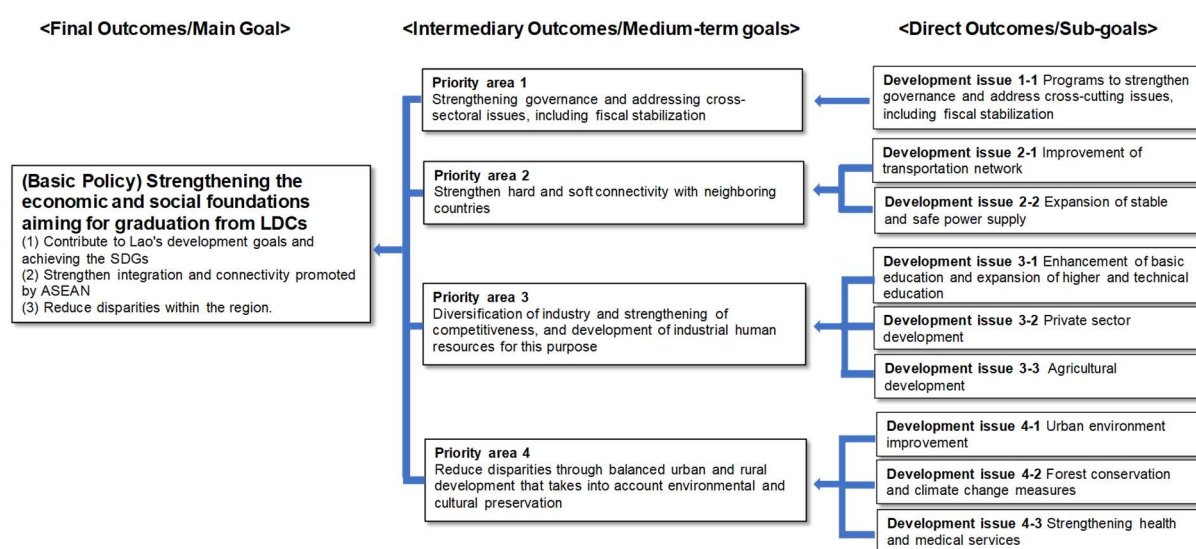


Figure 2-3 System Diagram of the Country Development Cooperation Policy for Laos (2019)

Source: Prepared by the evaluation team based on the Country Development Cooperation Policy for Laos (2019)

Remarks: Translated by the evaluation team based on the Japanese version of the Country Development Cooperation Policy for Laos (2019)

## (2) Achievement of Japan's ODA to Laos

Japan's cumulative ODA to Laos through 2020 amounts to 48.4 billion yen in Japanese yen loans, 169.5 billion yen in grant aid, and 81.8 billion yen in technical cooperation (ODA Country Data Collection 2021), as shown in Table 2-4.

Table 2 - 4 Japan's ODA to Laos by Aid Modality (Japanese FY2013–2020)

(Unit: Hundred million Japanese Yen)

Fiscal Year	Yen Loan	Grant assistance	Technical cooperation	Total
2013	150.62	62.11	30.55	243.28
2014	-	35.44	29.76	65.20
2015	102.71	44.85	35.14	182.70
2016	-	33.10	28.23	61.33
2017	-	50.21	22.54	72.75
2018	-	44.68	23.30	67.98
2019	-	25.93	28.57	54.50
2020	-	44.51	13.69	58.20

Source: ODA Country Data (2017-2021)

Remarks) 1. The classification of fiscal year and the amount are in principle based on the exchange of official documents for yen loans and grant aid. Technical cooperation is based on actual expenses in the budget year.  
 2. Total may not match due to rounding.

By sector, as Table 2-5 shows, social infrastructure and services as well as economic infrastructure and services account for the majority. In terms of total value over the past 10 years, the transportation and communication sector has accounted for the largest share, followed by the water supply and sanitation, education, and energy sectors.

Table 2 - 5 Japan's ODA to Laos by sector (2011–2020)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
1. Social infrastructure & services	26.38	45.60	59.97	46.76	28.25	121.03	32.04	41.40	44.03	53.16	498.62
1.1 Education	13.55	14.41	8.83	20.69	8.40	14.05	21.85	7.88	11.88	27.92	149.46
1.2 Water supply & sanitation	1.34	3.07	19.55	15.42	3.57	97.34	2.28	3.01	21.94	1.80	169.32
2. Economic infrastructure and services	82.94	64.43	90.55	108.97	5.52	28.18	3.39	3.71	2.89	12.04	402.62
2.1 Energy	1.76	56.03	79.06	0.38	0.40	1.66	0.40	0.92	0.77	1.49	142.87
2.2 Transport and Communications	79.33	6.54	10.92	108.15	4.49	26.34	2.85	2.55	1.02	8.65	250.84
3. Production sectors	8.54	9.05	7.26	6.65	11.46	3.76	10.89	6.02	9.87	3.44	76.94
3.1 Agriculture, forestry and fishing	5.43	6.76	5.64	5.57	10.19	2.37	9.41	4.89	5.43	2.82	58.51
3.2 Industry, mining and construction	2.11	1.26	1.11	0.69	0.99	0.77	1.00	0.79	4.19	0.56	13.47
3.3 Trade and tourism	1.00	1.03	0.51	0.38	0.28	0.62	0.48	0.33	0.25	0.05	4.93
4. Multisector	2.12	3.70	2.35	1.69	2.65	3.84	2.39	4.06	8.52	1.69	33.01
5. Programme assistance	..	7.52	..	15.12	4.13	4.60	..	..	0.92	..	32.29
6. Food Aid	..	..	..	2.83	..	..	..	..	..	..	2.83
7. Humanitarian aid	2.03	0.26	0.08	6.08	0.02	0.01	3.15	..	6.65	..	18.28
Total (1-7)	122.01	130.57	160.21	185.26	52.03	161.42	51.86	55.18	72.88	70.33	1,061.75

Source: OECD Dataset: GeoBook: ODA by sector - bilateral commitments by donor and recipient (Accessed on 2022/5/13)

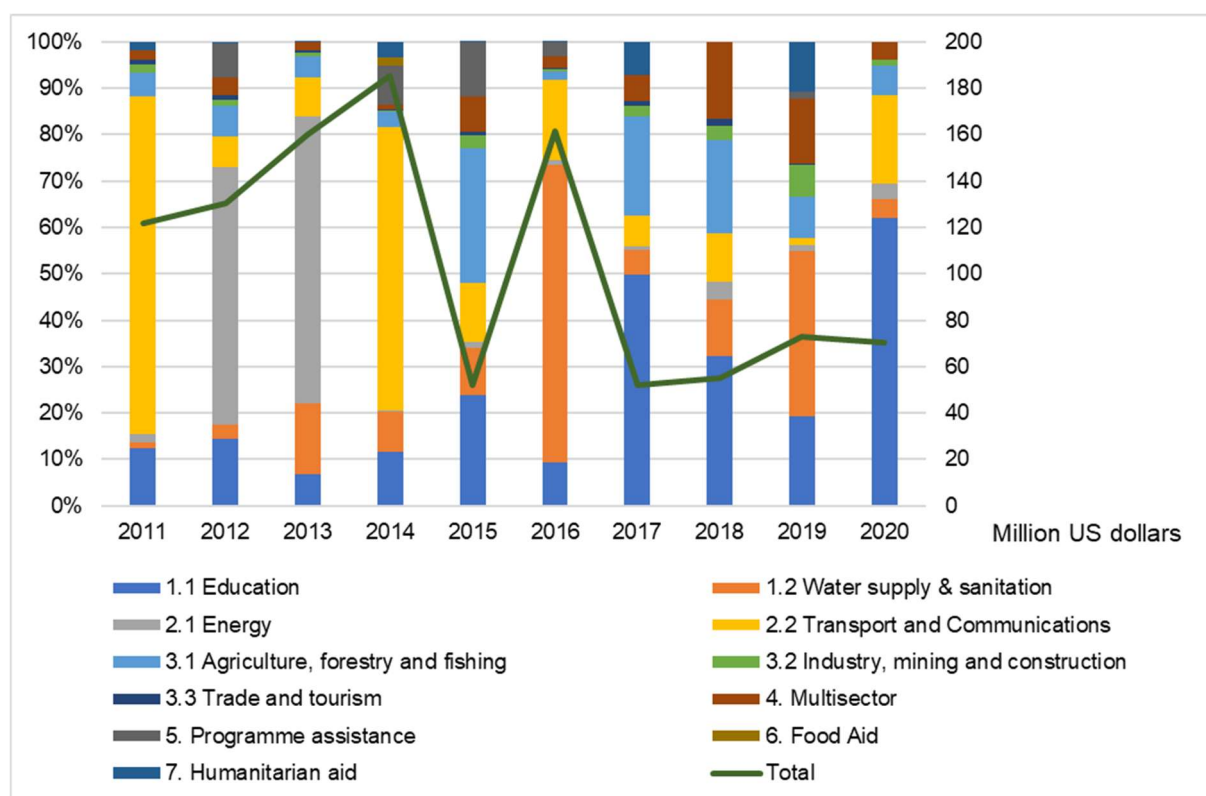


Figure 2 - 4 Japan's ODA to Laos by Sector (2011–2020)

Source: OECD Dataset

## Chapter 3 Evaluation Results

### 1. Evaluation from Development Viewpoints

Section 1 describes the results of the evaluation of the 'Relevance of Policies', 'Effectiveness of Results', and 'Appropriateness of Process' from the development viewpoint regarding Japan's ODA to Laos.

#### (1) Relevance of Policies

The 'Relevance of Policies' section reviews whether Japan's assistance policy for Laos was appropriate during the evaluation period of FY2017–2021. Japan's assistance policies for Laos here refers to the 'Country Assistance Policy' (2012) and the 'Country Development Cooperation Policy' (2019). The following items were verified in this evaluation: 'Coherence with the Development Policies/Needs', 'Coherence with Japan's High-level Policies', 'Coherence with International Priority Issues', 'Relevance to the Assistance from Other Donors', and 'Japan's Comparative Advantages'. Figure 3-1 summarizes the key development policies covered in this evaluation.

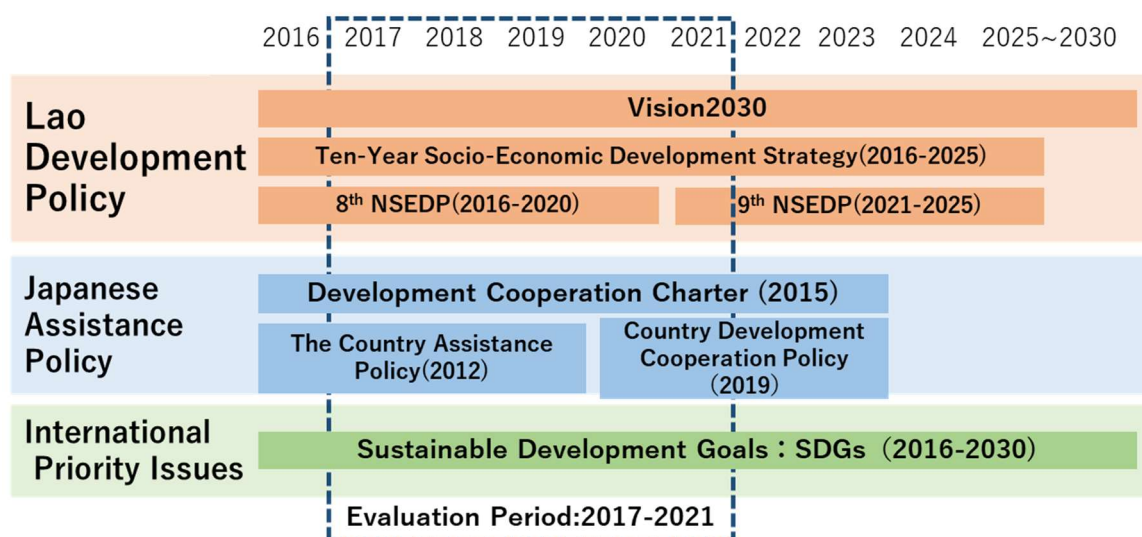


Figure 3-1 Key Development Policies during the Evaluation Period

#### i. Coherence with the Development Policies and Needs of Laos

This section reviews the 8th and 9th Five-Year NSEDPs formulated during the evaluation period. Both NSEDPs set the goal for the country to exit from its LDC status through inclusive and sustainable growth. The basic policy of Japanese assistance is stated in the 'Country Assistance Policy for Laos' (2012) as 'support for the achievement of the Millennium Development Goals and exiting from LDC status', in the 'Country Development Cooperation Policy for Laos' (2019) as 'strengthening self-sustaining economic and social infrastructure for exiting from LDC status'. Thus, Japan's assistance policies are consistent with the long-term goals of the Lao government, as its basic policies support Laos's exit from LDC status.

Within Japan's assistance policies, multi-sectoral cooperation programs are planned, such as governance, including in the financial sector, infrastructure (roads, electricity, water supply, urban

environment development, etc.), education, health, agriculture, private sector, and forestry. All these are clearly identified as outputs and priority activities in the NSEDP, and therefore, they are also consistent with the cooperation needs of Laos.

## **ii. Coherence with Japan's High-level Policies**

Japan's high-level policy in this evaluation is named the Development Cooperation Charter (2015). The Charter sets three priority issues: 'Quality growth and poverty eradication', 'sharing universal values and realizing a peaceful and secure society', and 'building a sustainable and resilient international community through efforts to address global challenges'. It was confirmed that the priority areas of the assistance policies for Laos are consistent with the priority issues of the Charter.

Another Japanese policy for Laos is the 'Revised Implementation Plan of the Vision Statement on ASEAN-Japan' adopted in August 2017. The plan has four pillars: 'Partner for Peace and Stability (politics and security)', 'Partner for Prosperity (economy and economic Cooperation)', 'Partner for Quality of Life (new socio-economic issues)', and 'Heart-to-Heart Partners (people-to-people exchange)'. The Country Development Cooperation Policy (2019) states that 'Laos is a key country geographically in the Mekong region, and its stability and development are directly linked to the stability and prosperity of the region and ASEAN'. Thus, it is noted that the assistance to Laos is also important in the assistance to ASEAN. Furthermore, it was confirmed that the policy's priority areas are consistent with the contents of the implementation plan for ASEAN.

## **iii. Coherence with International Priority Issues**

Regarding international priorities, we checked coherence with the Sustainable Development Goals (SDGs) adopted at the UN Summit in September 2015. The SDGs are 17 goals to be achieved over a 15-year period from 2016 to 2030. It was confirmed that the priority areas of Japan's assistance policy for Laos are consistent with some of the SDGs. In addition to the 17 goals, Laos adopted an 18th country goal, namely 'Freedom from UXO (unexploded ordnance)', in 2016<sup>12</sup>. In Laos, many of the bombs dropped during the Indochina War remain in wide areas and are an obstacle to the country's economic and social development. Noteworthy is that Japan has been offering continuous support through the provision of equipment and technical cooperation to the UXO clearance organization to tackle this country-specific issue in Laos.

## **iv. Relevance to the Assistance from Other Donors**

This section examines the relevance of the assistance policies of Korea, the second largest bilateral donor, followed by Japan and the ADB, the largest multilateral donor. Korea has developed a Partnership Strategy for the Laos (2016–2020), with a vision to support Laos' NSEDP goal of 'comprehensive and sustainable growth to exit from LDC status'. It plans to support four main sectors: Water supply & health, education, rural development, and energy.

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<sup>12</sup> United Nations in Laos (<https://Laos.un.org/en/sdgs>) (Accessed Oct. 2022)

ADB formulated the Country Partnership Strategy 2017–2020. The strategy has three priority areas in response to the three main outcomes of the 8th NSEDP: Infrastructure development and private sector development to support employment and income generation, improved human resource development, and sustainable natural resource management and resilience to climate change.

Thus, major donors including Japan, have formulated their assistance policies in line with Laos's NSEDP, indicating that they are partners in working together to achieve the country's national goal of exiting its LDC status. Furthermore, Laos has established a coordination mechanism among development partners to avoid the overlapping of assistance and to enhance synergies (see more details in the Appropriateness of Processes section).

## **v. Japan's Comparative Advantages**

In this section, whether Japan's assistance policy for Laos has been appropriate in terms of Japan's comparative advantage is reviewed. In interviews with Japanese and Laotian aid officials, the following aspects were mentioned as Japan's comparative advantages: Diversity of aid modalities, long-term assistance in various sectors, trusted by the Government of Laos, and assistance focusing on human resource development.

Among these, many officials recognize 'diversity of aid modalities' as a characteristic and strength of Japanese assistance, because it enables a wide range of activities from software (human-ware) to hardware (infrastructure) assistance, and from the policy formulation level to the community level. In this regard, Japan's assistance policy for Laos is planned to formulate cooperation programs combining multiple aid modalities, such as technical cooperation projects, individual experts, training, grant aid, and volunteer. Furthermore, it is believed that the policy leverages Japan's comparative advantage.

On the other hand, there is an opinion that because each project or modality has its own Terms of Reference (TOR), it is difficult to create proactive collaboration among modalities or beyond sectors outside the TOR. To leverage Japan's comparative advantage and enhance aid effectiveness, it is desirable to encourage flexible and timely activities outside the TOR and to create a mechanism to appropriately evaluate such proactive efforts.

Based on the above, it was confirmed that Japan's assistance policy for Laos is consistent with Laos's development policies and needs, Japan's high-level policies, and international priorities. Furthermore, Japan's policy reflects its comparative advantage by combining various aid modalities and planning a wide range of activities from the software to hardware, and from the policy formulation level to the community level. Therefore, the relevance of Japan's assistance policy for Laos is judged as 'highly satisfactory'.

## **(2) Effectiveness of Results**

Regarding the 'Effectiveness of Results', the evaluation will be conducted from the perspectives of 'performance of Japan's assistance to Laos (input)', 'effectiveness of Japan's

assistance to Laos (output)', and 'effectiveness of Japan's aid to Laos in terms of priority areas of assistance (outcome)'.

#### **i. Japan's Assistance to Laos (Inputs)**

The overall evaluation regarding (i) the extent to which financial, human, and material resources were invested in priority areas in Laos, (ii) extent to which Japan's aid performance accounted for Laos' development budget relative to other donors, and (iii) whether the inputs were sufficient to generate appropriate outputs to meet the goals and objectives originally set can be assessed as follows. It can be evaluated that the inputs and activities of each project planned in line with the Laos Country Development Cooperation Policy have produced goods and services approximately as initially planned. No project deviated significantly from the initially set goals and objectives.

Although in some cases it is difficult to provide assistance at the timing initially planned by the Laos because of the time required for the process from project selection to implementation, no type of assistance failed in a particular area. Furthermore, the Laos side highly evaluated all assistance provided. However, budget of Japan's ODA is on a declining or flat trend, making it difficult to inject large amounts of funds into Laos. This was also the case in the 1980s when Japan was the top donor among all donor countries. It will therefore be necessary to focus on areas with strategic needs and provide support in an effective, efficient, and strategic manner.

In addition, the Government of Laos recognized that Japan is a top donor compared to other ODA donors by its ODA to Laos through the bilateral cooperation framework. This consists of grant assistance, low-interest loans, and technical assistance and training programs in various fields in alignment with Laos' development goals and priority areas. In addition, one of Japan's most outstanding assistance provided has been the dispatch of experts and volunteers to provide technical assistance in various fields at the central and local levels in Laos. In particular, the Japan International Cooperation Agency's (JICA) Overseas Cooperation Volunteers have been effective in working closely with the Lao side at the community level, as evidenced by the fact that successive Lao prime ministers have accepted courtesy visits by the JICA volunteers, despite the interruption caused by COVID-19. Officials of the Government of Laos notably commented that the Government of Laos and people were sincerely grateful and expressed their appreciation for the valuable support of the Government of Japan and Japanese people.

#### **ii. Effectiveness of Japan's Assistance to Laos (Output)**

The outputs are the goods and services produced as a result of various ODA projects. For example, in the case of a road improvement project, the output may be 'X kilometres of road improved', or in the case of an education support project, the 'X number of teachers trained' or 'X number of textbooks prepared'. The overall evaluation of (i) what goods and services have been produced as a result of the inputs toward the initially set goals and objectives, and (ii) extent to which the assistance has been implemented as planned confirmed that each project planned in accordance with the Country Development Cooperation Policy for Laos has produced

approximately the same goods and services as initially planned. Each of the aid projects, organized into nine development issues (sub-targets) that comprise the four priority areas (medium-term objectives), has produced the planned goods and services, and no projects have deviated significantly from the original plan.

In addition, the high quality of construction and project implementation, which is a characteristic of Japanese aid projects, is widely recognized by counterpart government officials. Furthermore, the 'speed' of implementation in accordance with the schedule once agreed on and planned is also highly appreciated.

Regarding the impact of the COVID-19 pandemic on the implementation of aid projects, there may have been a decrease in the number of people exchange and delays in individual projects. However, the pandemic has had no major impact such as the suspension of aid projects, and aid was implemented as before by switching to remote operations from Japan. Japanese assistance in this regard included the provision of vaccines, support for cold chain development, and the provision of oxygen concentrators through emergency grant aid.

As for the impact of aid from other donors, the 'Lao-China Committee', which has jurisdiction over aid from China, states that aid from China is recognized as South-South cooperation, with approximately 50 projects implemented to date and 21 currently underway<sup>13</sup>. Presently, mainly infrastructure projects are being implemented, for example, the Mahosot Hospital Construction and Development Project and the construction of schools and educational facilities in Luang Prabang, Savannakhet, Pakse, and other areas.

### **iii. Effectiveness of Japan's Assistance to Laos in Priority Areas (Outcome)**

This section addressed the effectiveness of the policy and implementation of Japan's assistance to Laos in relation to the basic policy of Japan's assistance to Laos (the main goal). Japan's development cooperation (assistance) can be evaluated in terms of whether it made a contribution in each area. The major goals were to (i) contribute to Laos' development goals as well as achieving the SDGs, (ii) strengthen integration and connectivity promoted by ASEAN, and (iii) reduce within the region. Japan's development cooperation (assistance) can be said to have contributed to each of these to some extent.

As mentioned, the inputs, activities, and outputs have been steadily realized, and steady progress has been confirmed in the outcome indicators set for each of the nine development issues (sub-goals) that comprise the four priority areas (medium-term goals). Through the steady achievement of these development issues (sub-goals), macro socio-economic indicators related to the top four priority areas (medium-term goals), namely (i) strengthening governance including fiscal stabilization and legal system support, (ii) strengthening connectivity with neighbouring countries, (iii) industrial diversification and human resource development, and (iv) reducing inequality, are also showing steady results and improvement.

First, (i) financial stabilization and governance strengthening—including support for law

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<sup>13</sup> Source: Laos-China Cooperation Committee, October 2022



development, the dispatch of experts (advisors) for debt management and financial stabilization, and support for the enactment of the Lao Civil law—are both highly appreciated by the Government of Laos. In particular, expectations for Japan regarding debt management remain high, and support for the enactment of a civil law has become the foundation for increased private investment from Japan. In terms of (ii) strengthening linkages with neighbouring countries, the Government of Laos and local businesses and people have highly evaluated Japan's support for the construction of National Highway No. 9, which runs North-South in Laos, and the East-West Bridge, which crosses the Thai border. These have enhanced the country's connectivity with neighbouring countries. In addition, regarding (iii) industrial diversification and human resource development, assistance for the formulation of textbooks for primary education in Laos and support for teacher training have contributed greatly to human resource development. Furthermore, the support for study abroad opportunities at Japanese universities and graduate schools has finally blossomed, as evidenced by the fact that a student from this program became a minister in the current administration. Finally, (iv) in terms of reducing disparities through balanced urban and rural development, it was confirmed that steady contributions have been made in the development of regional hospitals, special economic zones, and the cultivation of business human resources. The Lao side also expressed their appreciation for the implementation of the 8th NSEDP and other projects, especially in the areas of inclusive growth and human resource development, which have been achieving the expected results.

Despite these achievements in each priority area, one external factor cited as having a negative impact on achieving the expected results was the outbreak of the COVID-19 pandemic, which significantly impacted Laos. Some indicators that had shown steady achievements and improvements in their macro indicators prior to the pandemic were heavily affected in 2020. However, some indicators returned to their original improvement trend after 2022 when the impact of COVID-19 restrictions and other factors eased. Regarding other donors' assistance, the impact of the Lao-China Railway (Kunming to Vientiane), constructed with Chinese assistance, can be mentioned, although this was considered limited at the time of this evaluation partly due to the impact of Chinese restrictions on outbound travel.

#### **iv. Specific Results (Outcomes) for Each Priority Area**

Although there are multiple projects in each priority area (medium-term objectives), the quantitative and qualitative outcomes and effectiveness of representative projects are described below. While some indicators show the impact of the COVID-19 pandemic (beginning of 2020–end of 2021), it is generally expected that the trend in earlier years (until the end of 2019) will resume to a considerable degree in the future.

<b>Priority Area 1: Strengthening Governance and Addressing Cross-Cutting Issues</b>	
<b>Development Issue</b>	<b>1-1: Strengthening Governance (legislation and financial stabilization)</b>
<b>(1) Legislation Assistance:</b> (Site visited project: The Project for Promoting Development and	

Strengthening of the Rule of Law in the Legal Sector of Laos (Technical Cooperation) (2018-2023))

- It is a great achievement that the educational materials for human resource development and training were prepared and that the judges were able to utilize these materials.
- The project was implemented for the staff of law and judicial institutions such as the Supreme People's Court, Supreme People's Prosecutor's Office, and Faculty of Law to promote the sharing of knowledge and experience among the officials of different organizations.
- Legal education is necessary for the promotion of economic activities. According to a Lao government official, 'The teaching materials developed in the project are excellent'. Investments by Japanese companies in Laos are increasing, which is creating a positive synergy effect.
- Japan has been providing assistance to promote the rule of law in Laos. The evaluation confirmed that this assistance has produced effective and indispensable results for Laos to develop as a country ruled by law and at the same time, to achieve balanced economic, social, political, and governance development.

**(2) Dispatch of Experts for Fiscal Stabilization**

- Through continuous advisory services from Japan, including Japanese university professors and JICA experts, the evaluation shows that it has contributed to the fiscal stabilization of Laos.
- Japan has made recommendations for policy and information sharing in collaboration with experts from other donors. One donor staff member commented that 'Japan has gained the trust of the Government of Laos regarding fiscal stabilization and is in an advantageous position to lead the donor community'. This is one of the results of Japan's assistance. However, the Ministry of Finance of the Laos is also having difficulty in sharing information with donor countries on external debt.
- Since debt management is considered a priority by the Government of Laos, Japan has been providing continuous support through the dispatch of advisors to stabilize its finances. At the time of this evaluation, government revenues are stable due to steady electricity exports and trade, and the government should promote industrial development and pursue export growth during this period.

**Priority Area 2: Strengthen Hard and Soft Connectivity with Neighbouring Countries**

**Development Issue 2-1: Improvement of Transportation Network**

**(1) Airport terminal expansion** (Site visited project: Vientiane International Airport Terminal Expansion Project (Loan) (2014-2020))

- Both international passenger and cargo volumes (see Figures 3-2 and 3-3) were significantly lower than in 2016, the baseline year, because of COVID-19. On the other hand, the number of domestic passengers remained unchanged, because there was no alternative means of transportation.

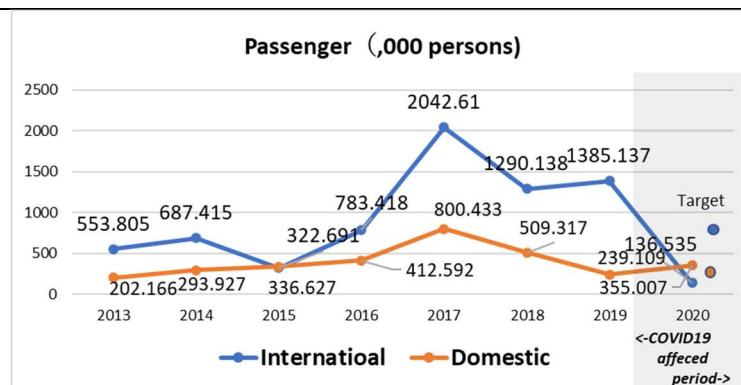


Figure 3-2 Passenger Flow at Vientiane International Airport  
Source: Department of Civil Aviation (November 2022)

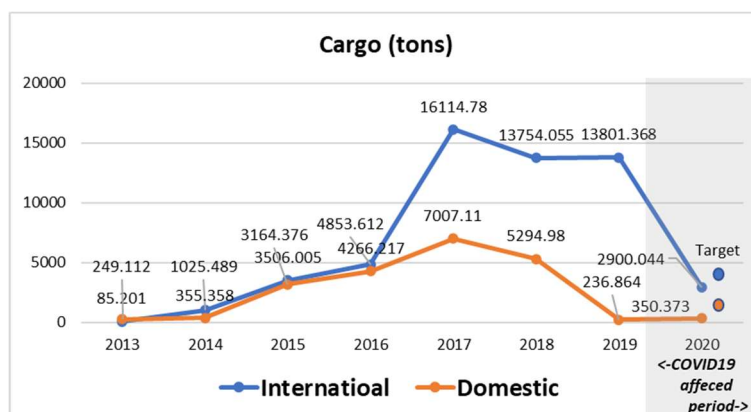


Figure 3-3 Cargo Volumes at Vientiane International Airport  
Source: Department of Civil Aviation (November 2022)

**(2) Main Road and International Bridge Rehabilitation** (Site visited projects: The Project for Reconstruction of the Bridges on National Road No.9 (Grant Aid) (2016-2019), The Second Mekong International Bridge Construction Project (Loan) (1997-2000))

- In 2011, the annual traffic volume totalled 189,207 vehicles. After the completion of the bridge, the traffic volume doubled from the 2011 figure. However, the occasional border closures caused by the COVID-19 pandemic decreased the traffic volume to 83,550 vehicles in 2021 (as of October). The border re-opened in May 2022, and the volume is gradually increasing. According to the latest report for the first six months of 2022, the total volume was 111,211 vehicles (13,612 from Laos to Thailand and 97,599 from Thailand to Laos). Multiplying this value by two yields an annual volume of 222,422 for 2022, which is expected to exceed the base year figure of 2011 (Data source: Savannakhet Province Dan Savan International Crossing (No. 007/NA. SVK), 05, July 2022).

**Development Issue 2-2: Expansion of Stable and Safe Power Supply** (Site visited project: Southern Area Power System Maintenance Project (Loan) (2011-2019))

- Stabilization of domestic electricity supply (Status of achievement of the national household electrification rate target of 90% (2020): Savannakhet Province has achieved 90% or more. Nationwide, some regions have achieved the target, while others have not.
- The Project has improved the stability of electricity supply and 97% of households have access to electricity.
- Investment promotion and industrial revitalization: Before the electricity supply was established through the project, the number of companies in the SEZ was small (about 2 companies). After the completion of the project, the number of companies has increased by more than 20.

- The remarkable results of electricity development in terms of GDP and exports are also significant.

### Priority Area 3: Diversification of Industry and Strengthening of Competitiveness, and Development of Industrial Human Resources for This Purpose

**Development Issue 3-1: Basic Education** (Site visited project: The Project for Improving Teaching and Learning Mathematics for Primary Education (Technical Cooperation) (2016-2023))

- It is a great achievement that teacher training is conducted nationwide using the math teaching materials developed through the project.
- a Government of Laos official commented as follows: 'The students will become logical and independent thinkers. We expect these students to be key players in the Lao economy'.

**Development Issue 3-2: Private Sector Development** (Site visited project: The Lao-Japan Center)

**Development Issue 3-3: Agriculture Development** (Site visited project: Participatory Agriculture Development in Savannakhet Province (Technical Cooperation) (2017-2022))

- Lao-Japan Center is a symbolic bilateral project between Japan and Laos, which contributes to the development of business human resources.
- The 'Participatory Agriculture Development in Savannakhet Province' project is being implemented in a few areas. No ex-post evaluation has yet been conducted of the 'Project for the Improvement of Irrigated Agriculture in Tha Ngon'.

### Priority Area 4: Reduction of Disparities Through Balanced Urban and Rural Development that Takes Into Account Environmental and Cultural Preservation

**Development Issue 4-1: Urban Environmental Improvement (waste management):** (Site visited project: The Project for Improvement of Solid Waste Management in Environmentally Sustainable Cities (Grant) (2014-2016))

- The target indicator for 2020 was achieved and the outcome of this project was confirmed, as Figures 3-4 and 3-5 show.

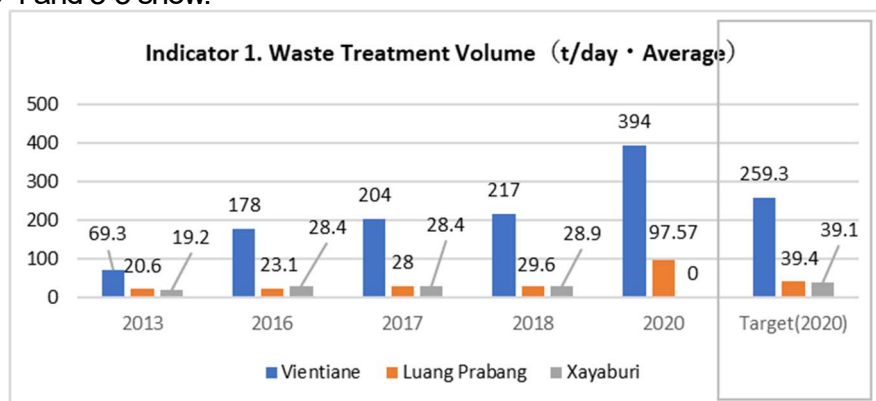


Figure 3-4 Amount of Collected Waste at the Waste Treatment Facility Constructed by Japan

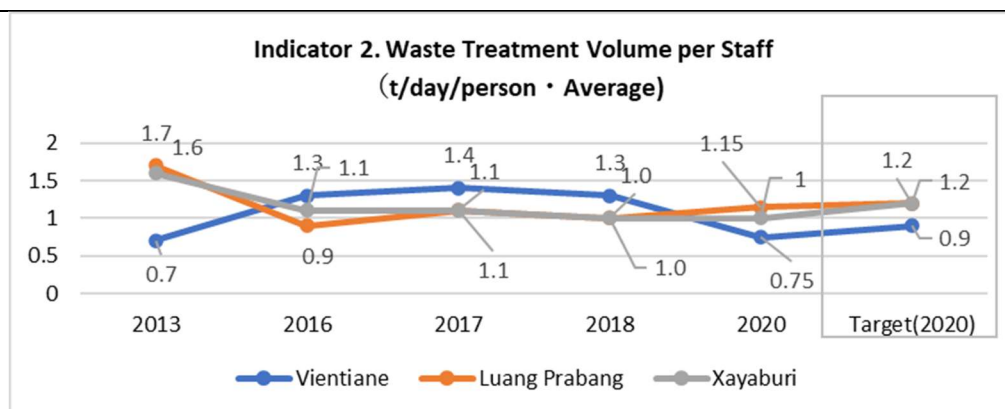


Figure 3-5 Changes in the Amount of Collection per Worker  
Source: Department of Housing and Urban Planning, Ministry of Public Works and Transport

**Development Issue 4-2: Forest Conservation and Climate Change Measures** (Site visited project: The Project for Improvement of Equipment and Facilities on Meteorological and Hydrological Services (Grant) (2013-2017))

- As Table 3-1 shows, the outcome indicators of the project have steadily improved, and the target values for three years after the project completion date were generally achieved. The project has improved the country's meteorological and hydrological observation capacity. This has enabled people to receive advance warning of heavy rainfall and flooding through social networking services (SNS) and radio broadcasts, thereby reducing the risk of natural disasters that could affect people's lives as well as agriculture and transportation. However, the interview with the Department of Meteorology and Hydrology confirmed that several weather stations do not automatically transmit data to weather monitors, and that there are some issues with their maintenance and management systems.
- In the meteorological field, in addition to Japan's cooperation in the maintenance of automated meteorological and hydrological observation equipment and the introduction of a mutual communication system for meteorological observation data targeting 18 meteorological stations nationwide and 4 southern river basins, other aid organizations are also providing support and coordination. Specifically, the World Bank and ADB are supporting the maintenance of equipment at 20 meteorological stations nationwide, and the Food and Agriculture Organization of the United Nations (FAO) is supporting the maintenance of rainfall observation equipment. In addition, the Department of Meteorology and Hydrology is receiving financial support from the Mekong River Commission (MRC) fund. Through its support to the MRC, the Korea International Cooperation Agency (KOICA) is also collaborating with the Laos Department of Meteorology and Hydrology to observe the flow rate of the Mekong River. Table 3-1 shows the results after the project was implemented.

Table 3-1 Changes Before and After Project Implementation

Main indicators	Base year (2013) Before the project implementation	Actual results (2020) 3 years after the project completion
Automatic meteorological observation will be conducted at 18 meteorological stations.	Not implemented	Implemented at 17 stations
Water level observation intervals at the 4 target rivers will be 1 hour.	12 hours by visual inspection by observers	1 hour at 8 stations
Flood arrival times are predicted for the four target rivers.	Not possible	Possible at 8 stations

Source: JICA. Ex-post evaluation (internal evaluation) result sheet: Grant Assistance. The Project for Improvement of Equipment and Facilities on Meteorological and Hydrological Services (2013-2017) (October 2020)



**Development Issue 4-3: Strengthening of Health Care Services** (Site visited project: The Project for the Improvement of Setthathirath Hospital and Champasak Provincial Hospital (Grant) (2018-2021)<sup>14</sup>

- The outcome indicators of this project (number of outpatients, number of diagnostic imaging tests, number of surgeries), shown in Figure 3-6, have steadily improved although some influences of COVID-19 are evident between 2020 and 2021.
- According to the Government of Laos, this project has led to improved skills and knowledge of health care workers, improved service standards in hospitals, and improved health care service delivery to the community.

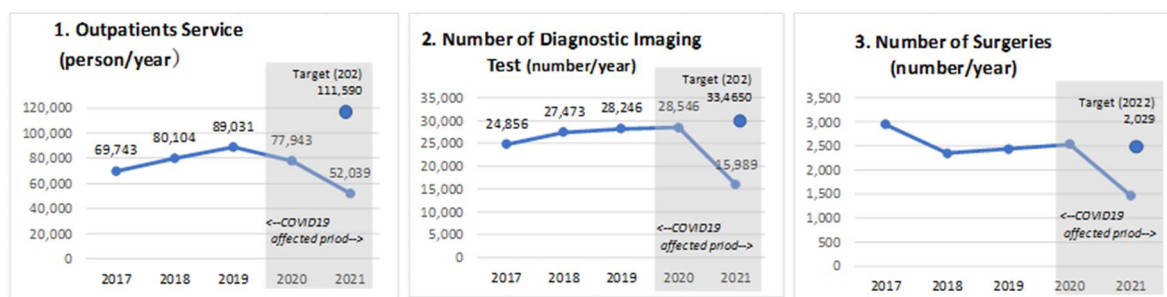


Figure 3-6 Number of Outpatients, Diagnostic Imaging Tests, and Surgeries at Hospitals Supported by Japan

Source: Data provided by Setthathirath Hospital (October 2022)

Indicators such as the neonatal mortality rate and number of tuberculosis cases have improved nationwide over time. This project and other efforts to strengthen health care services have contributed to this improvement.

### (e) Overall Effectiveness of Japan's Assistance to Laos

To conclude, we note that the evaluation shows that effectiveness is 'highly satisfactory' regarding 'whether Japan's assistance policy and implementation in Laos have been effective against the basic policy of Japan (the major objective)'. As mentioned in the previous section, the four priority areas (medium-term objectives) have been steadily realized, and despite the impact of the COVID-19 pandemic during the period covered by this evaluation, Japan has contributed to the major objective of 'developing economic and social infrastructure aimed at overcoming LDC status'. In addition, to evaluate the effectiveness of this project, four points are noteworthy, including the ripple effects of Japan's assistance.

**First**, although the spillover effects of Japanese assistance and private investment are limited, private investment from Japan has been increasing steadily, though not rapidly, due to the construction of roads and bridges connecting with neighbouring countries, development of industrial parks, development of human resources (including business personnel and basic personnel who have completed primary education), and establishment of civil law. Thus, it is concluded that a 'priming effect' has been realized.

**Second**, regarding the spillover effects of Japanese assistance on trade and other areas,

<sup>14</sup> Site visits were conducted only to Setthathirath Hospital. The Exchange of Notes (E/N) was signed in 2018. The facility was handover completed in 2021.

Japan's long-term assistance for power generation beyond the period covered by this evaluation has covered domestic power generation and exported it to neighbouring Thailand. The income from this sale of electricity has kept the trade balance at a small deficit that is almost balanced. The fact that the trade balance is almost balanced is highly commendable and can be attributed to Japan's longstanding assistance. However, the Government of Laos considers the sale of electricity to Thailand and other countries part of regional cooperation, hence diplomatic considerations are evident. While the balance of payment is taking a breather from the sale of power, domestic industrial development to increase exports and create an industrial structure that can earn foreign currency should be promoted.

**Third**, and this can be considered a ripple effect of Japan's assistance, it was confirmed that Japan, which has long been promoting multi-faced and effective cooperation with Laos, has gained the deep trust and good friendship of the Government of Laos and its people. As other donors favourably commented in the field survey, Japan is in a position where it is expected to play a leadership role among other donors and international organizations in the future of Laotian aid. Japan should make the most effective use of its position and ensure that the scale and areas of assistance are appropriate. In addition, an aid strategy aligned with the international environment and the transformation of both Laos and Japan over the next 10 years needs careful consideration.

**Fourth**, Laos, however, maintains an attitude of being aware of its own problems and making improvements at its own pace and in its own way, and it is important for Japan to stand by the country in this regard. Japan's long-time efforts to create a civil law to support legal reform is a good example here, and it is hoped that Japan will maintain this 'leaning on' type of support as its basic stance toward Laos.

### **(3) Appropriateness of Processes**

The appropriateness of the processes was verified from following five perspectives: 'Appropriateness of the ODA policy formulation process', 'appropriateness of the ODA implementation process', 'appropriateness of the ODA implementation system', 'appropriateness of monitoring and evaluation and information disclosure', and 'effective collaboration with other donors and diverse aid actors (companies, NGOs, etc.)'. This enabled assessing whether certain processes were followed to ensure the relevance of policies and effectiveness of results.

#### **i. Appropriateness of the ODA Policy Formulation Process**

The Embassy of Japan in Laos and the JICA Laos Office, which comprise the ODA Task Force, took the lead in formulating the Country Development Cooperation Policy for Laos (2019), and prepared a draft to reflect the needs of the Government of Laos. The draft was reviewed and commented on by the relevant section offices within the Ministry of Foreign Affairs of Japan and JICA Headquarters, and then discussed and commented on by line ministries and agencies. Subsequently, public comments were solicited and responded to appropriately, and their contents were made available on the Ministry of Foreign Affairs of Japan website.

According to interviews with officials from both countries<sup>15</sup>, the drafting process involved sufficient coordination and communication between the two parties in advance. In 2016, prior to developing the draft, the Government of Japan and Government of Laos agreed on the 'Japan-Laos Joint Plan for Development Cooperation', which outlines a cooperation policy to achieve the Lao government's goals of ensuring sustainable development and exiting its LDC status to achieve the SDGs, as set forth in the 8th NSEDP. That this cooperation policy was the basis for determining the priority areas of the 'Country Development Cooperation Policy for Laos' confirms that the needs of the Lao government were reflected through an appropriate process.

## **ii. Appropriateness of the ODA Implementation Process**

In Laos, the Embassy of Japan and JICA Laos Office, which are members of the ODA Task Force, play a leading role. It was confirmed that the needs of Laos are continuously being assessed through policy dialogue and sector working group meetings. JICA has been implementing sectoral approaches and initiatives to increase the effectiveness of its assistance by combining various aid modalities such as technical cooperation, grant aid, ODA loans, and volunteer activities<sup>16</sup>. In addition, JICA as a whole is working to expedite the procurement process by ensuring that aid is provided at the appropriate time<sup>17</sup>. Furthermore, according to interviews with international organizations<sup>18</sup>, Japan's support differs from that of other donors in that even in the case of emergency assistance, it has a long-term vision focusing on the reconstruction of affected areas and provision of psychosocial care for those impacted. This enables a relatively long project period and facilitating operations that match the speed of the Laotian side. Finally, based on the effects of Japan's ODA to Laos over the years, local officials suggested that it would be beneficial to further utilize local resources such as Laotian human resources and networks, and the Laotian companies that have been established<sup>19</sup>.

## **iii. Appropriateness of the ODA Implementation System**

The ODA Task Force consists of the Embassy of Japan, JICA Laos Office, and Japan External Trade Organization (JETRO) Vientiane Office. Its functions include the (i) research and analysis of development needs, (ii) formulation and study of aid policies, (iii) formulation and selection of candidate projects for aid, (iv) strengthening of coordination with development partners in Laos, (v) strengthening of coordination with Japanese counterparts in Laos, (vi) review of Japanese ODA, and (vii) information disclosure and publicity<sup>20</sup>. The system was designed to fulfill these roles adequately. In Laos, an appropriate structure has been established with a clear division of roles among ODA Task Force members and regular meetings. In addition to the ODA Task Force, regular meetings are held with the participation of the Japan Foundation.

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<sup>15</sup> Interviews were conducted with JICA Southeast Asia Section 1 (July 2022), JICA Laos Office (August 2022), and Ministry of Planning and Investment of Laos (October 2022).

<sup>16</sup> JICA Southeast Asia Section 1 (July 2022), JICA Laos Office (August 2022)

<sup>17</sup> JICA Laos Office (August 2022)

<sup>18</sup> Interviews with International organizations (October 2022)

<sup>19</sup> Interviews with Laos government officials, international organization officers (October 2022), JICA experts (September 2022)

<sup>20</sup> <https://www.mofa.go.jp/mofaj/gaiko/ODA/seisaku/taskforce.html>



As a framework for aid coordination, there is a round table process in Laos, and 10 sector working groups have been established (infrastructure, health, macro-economics, agriculture, trade and private sector development, education, governance, natural resources and environment, illicit drug control, and UXO clearance)<sup>21</sup>. Japan participates in all groups and co-chairs the health, infrastructure, and illicit drug control (biennial) groups<sup>22</sup>. Japan has earned the trust of the Government of Laos through its longstanding close support for the country, and has established good relations with related organizations in diverse fields, positioning Japan to formulate aid policy and implement the related processes in a comprehensive and cross-sectoral manner.

#### **iv. Appropriateness of Monitoring and Evaluation and Information Disclosure**

Projects implemented by both the Ministry of Foreign Affairs and JICA are monitored and evaluated at predetermined times. However, from 2020, travel restrictions due to the COVID-19 pandemic affected the monitoring of aid policies through policy dialogues.

Information related to ODA projects is disclosed on the Ministry of Foreign Affairs of Japan website, the ODA mieru-ka site (website for the visualization of ODA), JICA project website, and JICA Library portal site, which are accessible to the public.

In terms of information dissemination, public relations activities in Laos are promoted through press releases for the media and through SNS, which are widely used by the Laotian people.<sup>23</sup> However, as noted in ‘2. Evaluation from diplomatic viewpoints’, the interviews conducted during the field study with some development partners indicated there is little information in the English documents shared externally regarding Japan’s ODA, making it difficult for external organizations to understand the details of Japan’s strategy in this regard. Some development partners also thought that ‘Japan is providing very good assistance, and it would be a great waste if the country did not strengthen its public relations activities to make this better known in Laos’.

This public relations point needs to be consciously improved, not only in Laos, but also in Japan’s ODA in general. In other words, a clear public relations strategy is needed to convert the outcomes of Japan’s ODA into diplomatic power.

#### **v. Effective Collaboration with Other Donors and Diverse Aid Actors (Companies, NGOs, etc.)**

It was confirmed that in Laos, the Embassy, JICA office, and JETRO office are ensuring cooperation and coordination with other donors, international organizations, NGOs, and private companies (Laotian companies and Japanese companies). As described in ‘Appropriateness of the ODA implementation system’, Laos has an aid coordination mechanism called the Round Table Process, where sectoral working groups are formed in each field and meet regularly to share

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<sup>21</sup> Source: Documents provided by JICA Laos Office (August 2022), Ministry of Planning and Investment - Lao People’s Democratic Republic National Round Table Process website (<https://rtm.org.la/sector-working-groups/overview/>) (Accessed on 21 November 2022)

<sup>22</sup> Source: Embassy of Japan in Laos (November 2022)

<sup>23</sup> JICA Laos Office posts news on Facebook 150 times per year (not including Japan embassy’s share). Number of followers is 23,000 persons for JICA Laos Office (as of 10 November 2022), which is higher than the number of followers (number of ‘Likes’) for other development partners (e.g., UNDP Laos 21,000, ADB Laos 3,000, KOICA 10,000). Source: JICA Laos Office (November 2022)

information with other donors and aid agencies and to coordinate aid to avoid the duplication of efforts<sup>24</sup>. The JICA Laos office has established a system for NGO and private sector partnerships, and is working with JETRO to identify new business opportunities and needs.

As described above, processes to ensure the relevance of policies and effectiveness of the results thereof are being appropriately implemented. However, as pointed out in the evaluation of diplomatic viewpoints, public relations activities to inform the international community of the effective results of Japan's ODA are limited, and there is room for improvement in terms of using the results of ODA for diplomatic power. Based on the above, the appropriateness of the process is judged to be 'Satisfactory'.

## 2. Evaluation from Development Viewpoints

Following the evaluation of the development viewpoints in the previous section, this section evaluates diplomatic viewpoints in terms of 'diplomatic importance' and 'diplomatic impact'.

### (1) Diplomatic Importance

#### i. Importance of Japanese ODA to Laos

Japan's ODA to Laos is important for the following reasons.

**First**, Laos is an important country in the connectivity of the Mekong region because it is located in the center of the region (see Figure 3-7). Therefore, it is important for Japan to support Laos. Laos is also politically stable among the Mekong countries and plays the role of a 'buffer' in the region. Thus, for Japan, it makes sense to aid Laos to maintain stability in the region as a whole and to have the country function as a 'buffer'.



Figure 3-7 Map of ASEAN Member Countries

Source : Prepared by the evaluation team based on MOFA's ASEAN map (<https://www.mofa.go.jp/mofaj/area/asean/index.html>)

**Second**, Laos often supports Japan's position and candidates in elections and votes at

<sup>24</sup> JICA Southeast Asia Division I (July 2022)

international meetings, such as in the election of board members and officers of international organizations as well as in the adoption of resolutions. As a recent example, Laos supported Japan's proposition at the International Whaling Commission (IWC). This confirms that Japan has built a good relation with Laos through effective ODA. Therefore, it is meaningful for Japan to continue to gain support from Laos for the future to secure Japan's benefits in the international community. On the other hand, the Government of Laos emphasizes balanced diplomacy with other countries, which is being carefully considered at the upper levels of the government. This is considered normal behaviour for a small country to survive in the international community. However, except in such cases, Laos has on many occasions expressed its support for Japan's position and candidates.

**Third**, note that while Laos has friendly relations with many of its bordering countries such as Vietnam and China, it is traditionally a pro-Japan country. In Laos, Japanese JICA Overseas Cooperation Volunteers pay a courtesy call on the Prime Minister every year. This is a rare case in other countries, which demonstrates Laos' pro-Japan attitude. Also noteworthy are the emerging results of private-sector exchanges. For example, students returning from Japan have become ministers.

## **ii. Laos' Role in the International Community and the ASEAN Region**

Laos' role in the international community and ASEAN region is as follows.

**First**, Laos has set a goal to 'exit its LDC status', which is expected to be achieved by 2024. The population size of Laos is small; however, if the country's economic growth continues to stabilize and connectivity within the region improves, it will become an important market in the Mekong region.

**Second**, 2024 will be an important year for Laos as the Chair Country of ASEAN, when its skills and coordination capabilities will be tested among regional powers. It is important for Japan to support Laos as the Chair Country, as it will help strengthen the relations between ASEAN countries and Japan.

**Third**, Laos set, as its 18<sup>th</sup> SDG goal, its freedom from UXO. It can be said that Laos is at the forefront of the problem of unexploded ordnance including landmines. On the other hand, the fact that Laos is the world's largest UXO-contaminated country is not widely known worldwide. In the recent unstable international situation, Laos could take the lead by sharing its experience in this area. Therefore, public relations activities both within and beyond Laos will become an important part of the project. Japan has been supporting the disposal of unexploded ordnance in Laos in cooperation with Japanese and international NGOs and private companies, and has provided a combination of grant aid, technical cooperation, and grassroots grants. By supporting Laos' leadership in the international community, Japan can also demonstrate its presence as a peaceful nation.

## **iii. Leveraging the Outcomes of Japan's ODA to Laos for Diplomacy**

In terms of utilizing the outcomes of Japan's ODA in the diplomatic arena, the following points are noted. Through Laos, the outcomes of Japan's ODA could be disseminated to the Mekong or ASEAN regions. For example, sharing the experience of the development support for the legal system in Laos with countries in the Mekong or ASEAN regions could help to improve the entire region. In fact, the results of Japan's projects for development support for the legal system have already been publicized and disseminated within the region. The second example is the waste management support project. In addition to Laos, similar projects are being implemented with Vietnam, Cambodia, and Myanmar. These have become multilateral cooperation projects, which are important for the entire ASEAN region. The third example is the Second Mekong International Bridge Project supported by Japan, which is benefiting Laos, Thailand, and Vietnam. Thailand is particularly benefiting from the project, and the three countries also profit from the trade between Thailand and Vietnam, as Laos is able to collect the toll when passing through the Lao side of the Bridge. Thus, the outcomes of ODA in the Mekong and ASEAN regions could be a diplomatic asset for Japan. Publishing the outcomes of ODA is also important. Again, it is important to emphasize the need for a clear structure for public relations to leverage the outcomes of ODA and transform these into diplomatic power.



Materials Developed for Legal Support  
Source : JICA ODA mieru-ka site



The 'Second Mekong International Bridge'  
connecting Savannakhet, Laos, and Mukdahan,  
Thailand.

#### iv. Importance of Bilateral Relations with Laos

Based on Japan's diplomatic philosophy, the strategic positioning of Laos and its importance can be summarized as follows.

**First**, Japan's assistance to Laos is consistent with FOIP, one of Japan's current foreign policy initiatives, and various action plans have been formulated and agreed on. It is also consistent with ASEAN Outlook on the Indo-Pacific (AOIP), which was formulated and agreed on by ASEAN through its own initiative.

**Second**, One of Japan's national interests is the maintenance and development of the international public interest, and the 'Rule of law' is one of its principles. Following this philosophy and with Japan's assistance, Laos has developed laws and institutions including the establishment of the Civil Code. Through the improvement of the investment environment based on the law, there has been a positive impact including increased investment. Such cases are expected to have ripple effects on other countries and regions, and are considered one of Japan's diplomatic assets.

**Third**, As the ASEAN countries gradually show economic development and economic

takeoff, Laos is still in the process of graduating from its status as an LDC; therefore, it needs more assistance than any other Southeast Asian country. In particular, Japan has been the top donor to Laos for many years, and the country continues to have high expectations for assistance. In response, the "Joint Japan•Laos Development Cooperation Plan for the Sustainable Development of Laos" was formulated in 2016, Based on this plan, the 'Action Plan for Advancing the Strategic Partnership between Laos and Japan' was formulated in 2020. We expect that assistance will be provided in alignment with this plan.

**Fourth**, Laos understands Japan's diplomatic philosophy. Although China's presence has increased in Laos in recent years, it has established firm relations with Japan through the ASEAN framework in terms of ASEAN's unity. Maintaining a strong relation with Laos will contribute to strengthening Japan's diplomatic position.

## **v. Importance to Japan's National Interests**

According to the National Security Strategy (2013) and in the current revised version (2022 Cabinet Decision Document), Japan's national interests can be summarized into three points: i) Japan's sovereignty and independence, ii) Japan's prosperity, and iii) the maintenance and protection of international order. Each of these points is described below based on the information obtained through this evaluation.

### **i) Japan's Existence**

As stated in the Constitution, ODA is important for building relations of trust with Asian countries. Furthermore, ODA to Laos has contributed to strengthening Japan's foundation. According to Lao officials, Japan's support for Laos is consistent with its key foreign policies of FOIP and ASEAN's AOIP. Based on Lao foreign policy of peace, independence, friendship, and cooperation, and on the principles of win-win solutions, there were comments that all assistance from abroad including from developed countries, developing countries, and regional and international organizations was valuable and helpful to Laos, and greatly appreciated.

### **ii) Japan's Prosperity**

Stability in the ASEAN and Mekong regions is important for Japan's economy, and it could also be called 'scaffolding'. The interviews with officials of the Government of Laos and Japan confirmed that developing Laos' industry, infrastructure, and human resources through ODA is important for Japanese companies to encourage them to expand their business overseas. Overall, the economic development of Laos will lead to the stability and development of Japan.

### **iii) Maintenance and Protection of International Order**

The Government of Laos emphasizes balanced diplomacy when voting in an international forum, and for example, in recent years for Laos supported Japan's position in the IWC and other international forums. Here, Japan's ODA has contributed to strengthening its position regarding the maintenance and advocacy of the international order, which Japan claims in the international

community.

## **(2) Diplomatic Impact**

The diplomatic impact can be summarized as follows.

### **i. Impact in the International Community**

#### **i) Impact of Gaining Support for Japan in the International Community**

ODA has had a significant impact on bilateral diplomatic relations between Japan and Laos. Japan has long been the largest donor (top donor), and a high level of trust has been built over the past 60 years. As proof of this trust, Laos has supported Japan in many international elections, as mentioned in the section on diplomatic importance. However, Japan needs to understand that Laos does not always support Japan in international affairs, but tries to strike a balance so as not to antagonize any country for the sake of Laos' existence.

#### **ii) Impact of Countering the Influences of China and Russia on International Affairs**

As mentioned, Laos is considered a pro-Japanese country, and certainly, Japan's ODA has contributed to its promotion. Amid the long-term trend of increasing competition between the US and China, the recent Ukraine crisis with Russia has coincided with a major destabilization of the international order. Against this backdrop, the possibility of unpredictable political or security events for Japan has also increased. Under these circumstances, it is of great significance to Japan that Laos, a socialist country, remains a pro-Japan country. Strengthening friendly bilateral relations with Laos through Japan's ODA could be a factor in preventing or mitigating any crisis related to China or Russia.

#### **iii) Impacts of Promoting Universal Values and Rules that Japan Aims for**

Japan continues to provide assistance to Laos in the governance sector, particularly in the area of justice, which is highly appreciated by the Government of Laos. Cooperation in promoting the rule of law has encouraged Laos to develop into a nation governed by this philosophy. In general, there is significant room for improvement in the area of governance in socialist countries, and it is important for Japan to continue to maintain its knowledge of governance in Laos and support the rule of law through research and personnel exchanges in law and judicial affairs. This would also serve as a message to other socialist countries.

#### **iv) Impact in Contributing to the Evolution and Development of Relations among ASEAN Member Countries**

As already mentioned, Laos is located in the center of the Mekong region and will host the ASEAN Summit in 2024. For Japan to strengthen relations with ASEAN member countries and maintain its influence in the region, Laos should be positioned as an important base for spreading the effects of Japan's ODA to neighbouring countries.

Although it cannot be said that Laos has a large influence on the region as a whole due to the size of its population and economy, it is promoting omnidirectional diplomacy and does not have

diplomatic problems with any country. This means that Japan can be expected to contribute to diplomacy in terms of cooperation within the region.

In addition, the connection of the southern province of Salavan with Savannakhet province through a power transmission line has made it possible to export electricity from Salavan to Thailand through Savannakhet. National Highway No. 9 is also part of the Asian Highway, an important road in the connectivity of the Mekong region. The Pakse Bridge and National Highway No. 16, which connect Thailand and Vietnam, are important roads in terms of connectivity with Cambodia. Support for the development of this infrastructure has had a tangible impact on promoting cooperation among countries in the ASEAN region.

### **Discussion 1 : Lao's Relationship with China and Russia**

Certainly, Laos did not always behave the same way as Japan and the rest of the mainstream international community in voting on the Ukraine-related resolutions of the UN General Assembly in 2022. However, Laos' position in those votes was quite difficult. It is assumed that it was difficult for Laos to adopt the same voting behaviour as Japan partly because 10 of the 13 Political Bureau members of the People's Revolutionary Party, the party in power in Laos, once studied in Russia (former Soviet Union).

In addition, the completion of the Lao-China Railway, a long-cherished wish of Laos, and the facts that the construction project promoted employment and this was a time when China's presence was conspicuous through the provision of vaccines and dispatch of medical teams through China's so-called 'COVID-19 diplomacy', contributed to Laos not necessarily behaving the same way as the mainstream international community in casting its ballot.

## **ii. The Impacts on Bilateral Relations Between Laos and Japan (Private sector)**

### **i) The Expansion of Pro-Japanese Groups and Knowledgeable and the Increase in the Number of Laotian Visiting in Japan**

Japan's ODA has significantly impacted Laos in fostering its pro-Japanese sentiment. Support for studying in Japan is ongoing, and the quality of Japanese education is considered high. The reputation of former students in Japan is high. As such, one of the achievements of the Phankham administration at the time of this evaluation was that former students who studied in Japan became the Minister of Health and Minister of Education and Sports.

The Lao-Japan Institute (LJI), established in Vientiane with Japan's assistance, provides Japanese language and business education and has become a center for private sector exchange between the two countries. It has achieved significant results in fostering pro-Japanese and knowledgeable people. In addition, the number of visitors to Japan from Laos continuously increased until 2019. However, after 2020, the number of visitors significantly decreased due to the impact of COVID-19. However, from 2023 onward, the number of visitors will likely increase again.

For reference, the Chinese Confession Institute was established approximately five years ago with support from China. Comments during the field survey indicated that the Chinese Confession Institute might have been modelled after the LJI. While the Chinese Confession

Institute provides long-term training for approximately 1,000 Chinese language teachers (B.A.) (LJI's language program provides training for 100 students each year), it does not appear to have started a business education program yet.

## **ii) Impact of Support for Japan in Times of Crisis (e.g., During Emergency Disaster)**

At the time of the Great East Japan Earthquake in March 2011, the Japanese Ambassador to Laos was summoned to the Ministry of Foreign Affairs of Laos the day after the disaster occurred, where he was handed a cheque for about 10 million yen. According to an official of the Ministry of Foreign Affairs of Japan, 'That was the first time Japan was provided with financial assistance from Laos, and it was probably difficult for the Lao side to immediately prepare a donation. However, we felt that Japan's ODA to Laos to date had been well received'. Donations were also received from ordinary Laotians and banks. In the summer of the same year, the then-President of the Laos visited Natori City, Miyagi Prefecture, the disaster-stricken area, and handed over 20 million yen in donations. Considering Laos' economic situation, this was a significant donation.

## **iii) Impacts on Economic Relations (Priming Effect)**

Comparing Lao trade in 2016 (the year before the period under evaluation) and 2020 (the latest available data), the overall trend is a steady increase in both exports and imports, but with a slight decrease in both, which peaked in 2019 due to the impact of COVID-19. Comparing 2016 and 2020, exports to both Thailand and China increased slightly (before adjustment with the GDP deflator). In contrast, imports from China nearly doubled. In trade with countries in the Mekong region, Thailand has an overwhelming presence in both exports and imports, but China's growth in trade with Laos has been remarkable. Lao trade with Japan has remained slight in both exports and imports.

In terms of foreign direct investment (FDI), China and Thailand accounted for the majority from 2016 to 2018, at approximately 60% and 30%, respectively, with Japan accounting for a smaller share. By sector, FDI is concentrated in power generation (53%), mining (27%), and agriculture (16%). According to the Embassy of Japan in Laos, there are 164 Japanese companies in Laos and 107 companies registered in Japanese Chamber of Commerce and Industry in Laos, mostly in the manufacturing and service industries. Although this is a small number compared to other ASEAN countries, the number of Japanese companies entering the Lao market is gradually increasing.

Regarding the improvement of the investment environment, the Doing Business section of the World Bank's publication shows improvements in electricity and the business environment, areas in which JICA has been long cooperating. Specifically, it is clear from the various interviews that Japan's ODA has contributed to a stable electricity supply through the construction of roads, international bridges, international airports, and power facilities, and Japan's ODA has had a 'priming effect' in supporting private investment. In addition, JICA has continued to provide assistance in the customs sector, and its assistance has also contributed to improving the environment, which has also served as a 'priming effect'.



Another ‘priming effect’ is that Japanese language education has been provided at LJI and other institutions with Japan’s assistance, and human resource development has long been carried out. A further ‘priming effect’ can be attributed to the fact that Japan’s assistance has led to the development of the Lao Civil Code, and it was noted that it is attracting investment from China.

The major Laotian cities of Vientiane, Savannakhet (Savannakhet), and Pakse are located on the border with Thailand, and many labour-intensive manufacturing industries have established operations in these areas because of the availability of Thai road infrastructure and low wages in Laos. The majority are in the sewing industry and in electrical and electronic components, and others are in toys and cosmetic brushes. Some companies are expanding in the agricultural sector, including herbal medicines, vegetables, coffee processing, and livestock farming. In some cases, Japanese-affiliated companies also own factories in neighbouring countries such as Thailand, creating an international division of labour. In this case, the advantage of owning a factory in Laos is the relatively low labour cost. That said, Japanese companies face the following management problems in Laos: (1) Difficulty securing human resources such as engineers, (2) difficulty procuring raw materials and parts locally because of the underdevelopment of the domestic sub-sector industry, and (3) difficulty developing new customers due to the small domestic market.

As noted above, the Lao-China Railway (Kunming, China to Vientiane, Laos, approximately 1,000 km long) opened in December 2021 (see Discussion 2). The opening of this railroad is expected to have a significant long-term impact on the Lao economy. In discussions with Lao government officials, there was an opinion that Japan should not compete with China in the development of transportation infrastructure, but rather continue to support the diversification and advancement of industries, including industrial human resource development, and continue to expect support for the effective utilization of its well-developed transportation network.

### **Discussion 2: Opening of the Lao-China Railway**

In December 2021, the Lao-China Railway (connecting Kunming, China to Vientiane, Laos, a 10-hour trip covering 1,035 km) opened. The opening is expected to have a significant impact on the Laotian economy. However, at the time of this study, the growth in the number of passengers and cargo traffic from China was limited, partly due to measures to prevent COVID-19 in China.

Reportedly, the day before the opening of the Lao-China Railway, there was a telephone conversation with the President of China, indicating that China also attaches great importance to this railway. While China has been implementing infrastructure projects such as railroads and highways for its own policy purposes, the Lao-China Railway was a Lao initiative, and there is information that China was at first reluctant. It is understood that China became more active only after the launch of the One Belt, One Road policy.

The Chinese government is said to have a long-term plan to connect this railroad to Thailand via Laos and then to Indonesia by sea. If the One Belt, One Road policy can connect southern China to the sea, thereby increasing trade and passengers, it will be beneficial to Laos, which will be one of the transit points.

#### **iv) Public Relations Creating Impacts (From Laos to the International Community)**

As part of its public relations efforts, JICA Headquarters disseminates information on projects in Laos through its public relations magazine, English website, and SNS, as well as at international conferences and seminars. Through multilateral project cooperation (including international conferences and study tours) in the Mekong and ASEAN regions in several sectors such as law development, waste and wastewater management, and water supply, Laos counterparts have participated in sharing and disseminating the outcomes and issues of their projects.

In Laos, the Embassy of Japan and JICA office are making efforts to publicize projects through SNS. In addition, JICA has prepared various public relations materials and distributed them to Lao government officials and development partners. A development partner visited by the evaluation team during the field survey commented, 'During the COVID-19 outbreak, news of the Japanese government's emergency assistance was widely reported in the Laotian media, and a sense of relief spread among the Laotian people through SNS as well. A sense of solidarity was also created through SNS, on which the US and Japanese ambassadors publicized their activities'.

On the other hand, in interviews conducted during the field survey, some development partners noted that 'Japan is providing very good assistance, and it would be a waste if public relations activities are not strengthened to make it more widely known in Laos'. Some partners also pointed out that there is little information on Japan's ODA in English documents shared externally, making it difficult for external organizations to understand the details of Japan's ODA strategy. For example, one of the development partners interviewed commented that although Luxembourg's aid is small compared to that of Japan, Luxembourg's aid in Laos is widely known for its support to the health sector in the central region. Regarding Chinese aid, there are many buildings and signs in the capital Vientiane and Savannakhet, which rendered China's assistance instantly recognizable.

Furthermore, according to the results of a public opinion survey on Japan (Ministry of Foreign Affairs of Japan, 2021), only 12% of respondents in Laos selected 'development cooperation in the international community' as a reason for trusting Japan, the lowest percentage among other ASEAN countries. Furthermore, in response to the question asking about 'areas in which you would like to know more about Japan', the top response was 'development cooperation (ODA)' and 'tourism information' (both at 30%). Therefore, although Japan has been the top donor in Laos for many years, there is room for improvement regarding the level of awareness of Japan's ODA.

Although Japan has been promoting its assistance to Laos through various media, for the results of Japan's ODA projects to be widely and continuously known by and visible to the Laotian people and to further spread this visibility to the international community, more innovative efforts are needed.

## Chapter 4 Recommendations

Based on the findings of the evaluation described in the previous section, the following recommendations are made regarding future development cooperation with Laos:

### **Recommendation 1 : Strengthen Public Relations to Leverage the Results of Japan's ODA Projects as Diplomatic Power**

Development partners in Laos have pointed out that ‘Japan is doing good things but not enough publicity’, a point that has long been highlighted in the ODA evaluations of other recipient countries including other Asian countries. In light of the recent revision of the National Security Strategy, Japan should prepare to formulate a ‘public relations strategy to leverage ODA achievements as diplomatic power (Indo-Pacific Region Version)’. This would extend to activities that extend beyond public relations for individual projects and utilizing the results of Japan’s ODA projects as diplomatic power. This is a recommendation for foreign policy including ODA policy, although it was triggered by the Laos country evaluation.

There is also room for improvement regarding the publicity of individual projects to contribute to using the results of ODA as diplomatic power. Specifically, while it is commendable that public relations activities employing SNS and so on are being actively conducted in Laos, it is not enough to simply monitor the number of information outputs and access. Efforts are also needed to investigate whether these public relations activities are really effective. For example, the effects of public relations on key persons such as government officials in recipient countries and development partners as well as influencers as beneficiaries and the public should be measured and evaluated.

Furthermore, public relations should also be incorporated into the implementation process as a clear mechanism, rather than relegating it to the individual efforts of those involved. For example, mechanisms such as dispatching/allocating a public relations specialist to the project team or allocating a percentage of the project budget to public relations could be considered. (Based on ‘Appropriateness of Processes’ as noted on page 32 and ‘Diplomatic Impact’ as noted on pages 41-42.)

### **Recommendation 2: Strengthen Intellectual Support for Fiscal Stability**

Other donors pointed out that Japan is in an excellent position to lead the donor group because of the strong trust it has garnered from the Government of Laos. Japan needs to effectively leverage this trust and their position, play an active role in the donor group, and strengthen cooperation for to stabilize public finances, such as by implementing appropriate tax collection and systematically managing external debt. Specifically, Japan could hold issue-specific donor meetings and play a liaison role with donor countries that are not yet members of the DAC. (Based on ‘Evaluation of Effectiveness of Results’ as described on page 25.)

### Recommendation 3: Strategically Pursue Substantial Synergies with Chinese Aid

Rather than competing with transport infrastructure support such as the Lao-China Railway, which is now in operation, Japan's ODA should aim to strategically create synergies by strengthening industrial and educational support (to supply human resources to those industries) to ensure the effective use of that transport infrastructure. Specifically, industrial and educational support at the primary and higher levels (e.g., vocational training and industrial human resource development) could be prioritized in the next Country Development Cooperation Policy for Laos. However, Japan's basic stance regarding cooperation, 'support that is close to the Laotian government', should be maintained. (Based on 'Diplomatic Impact' as described on pages 41-42.)

Table 4-1 Recommendations of This Evaluation and Corresponding Organizations, Timeframe, and Importance

Recommendation	Organization	Timeframe	Importance
1. Strengthen Public Relations to Leverage the Results of Japan's ODA Projects as Diplomatic Power	•Ministry of Foreign Affairs of Japan •Embassy of Japan in Laos, JICA Laos office	Short-term (1-2 years)	Highly important
2. Strengthen Intellectual Support for Fiscal Stability	•JICA Headquarters, JICA Laos office	Mid-term (4-5years)	Important
3. Strategically Pursue Substantial Synergies with Chinese Aid	•ODA task force (Embassy of Japan in Laos, and JICA Laos Office, etc.)	Long-term (10 years)	Important