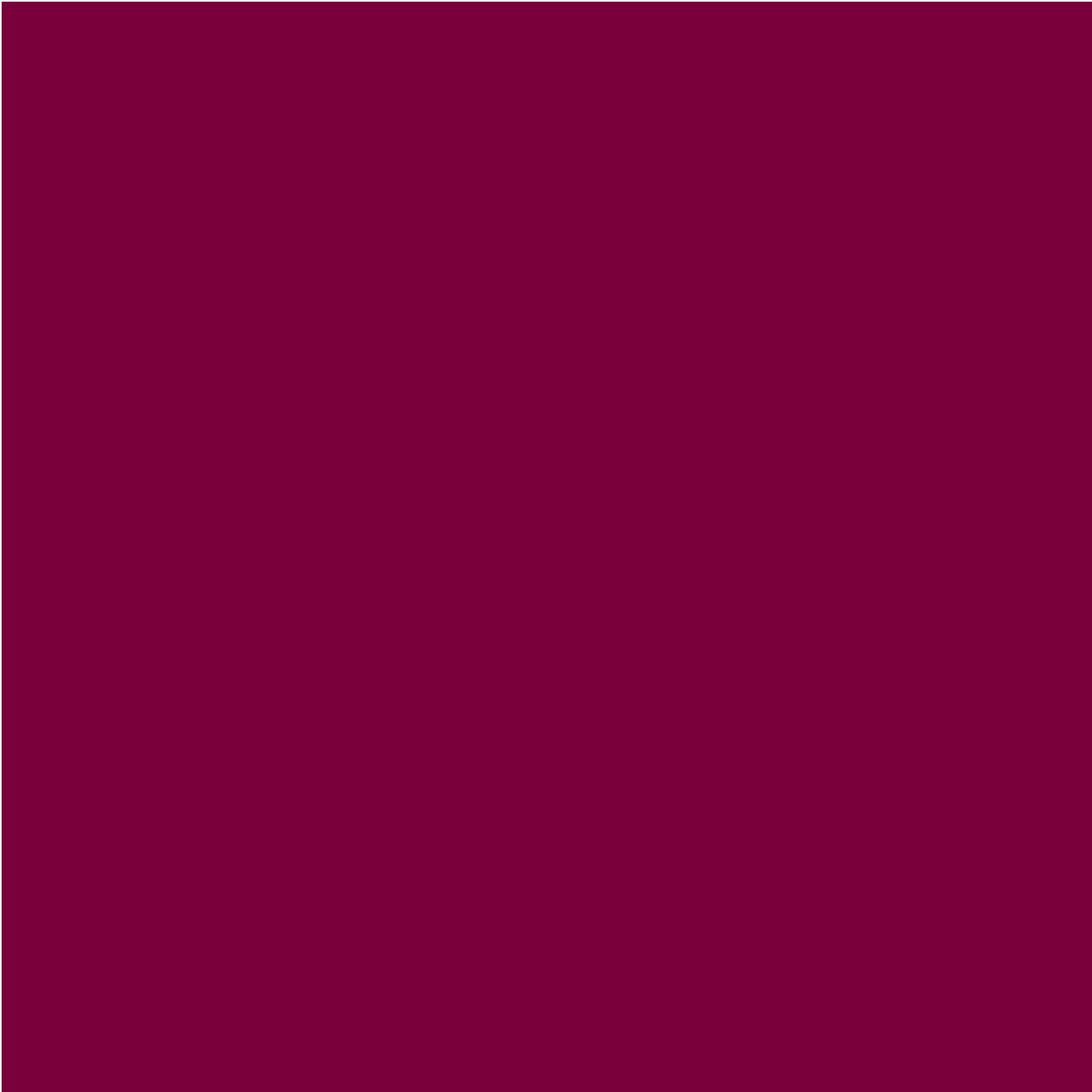


# Lao PDR





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# 1. Summary

Overall development in Laos during 2006 followed very much the same patterns as in recent years. In spite of the holding of the 8<sup>th</sup> Party Congress in March, elections to the National Assembly in April and a subsequent reshuffle of the senior posts in the Party and in the Government, the political track remains the same. Openness in society appears to be increasing to some extent, often driven by events outside the control of the authorities, like labour migration, media influences, improved communications (including Internet) and an increase in tourism. The position of the Government appears to be pragmatic, adapting to gradual changes rather than confronting them, as long as the changes are not in open conflict with Party principles. Reforms are slow, and restricted to the administrative side of government. The political sphere is left by and large unreformed, and the civil society is still surrounded by restrictions. Reforms affecting the private sector are given priority over other sectors. There are some promising signs of a shift in attitude toward reform between the previous and the present Prime Minister.

Development co-operation saw some changes in 2006. A Round Table Meeting was held in November in a very positive atmosphere. The Government was given credit by the donor community for its poverty-focussed and ambitious National Social and Economic Development Programme (NSED) 2006–2010 as well as for achievements since the last RTM. The meeting adopted, with 22 signatories, the Vientiane Declaration, a local adaptation of the Paris Declaration. Local alignment was facilitated by the establishment of joint sectoral working groups under the RTM structure, chaired by the Government.

Bilateral development cooperation followed the principles and goals outlined in the country strategy 2004–2008. Disbursements in 2006 were exactly on target (>99%). Coordination and harmonisation continue to take a substantial share of the accumulated time available to embassy staff. Public finance management also received increased attention, the reason being an initial effort to a gradual move forward toward Public Finance Management sector support and possible sector wide approaches/programme support. Rights-based approaches and human rights issues are high on the embassy's dialogue agenda and take quite a lot of time – without being accompanied by any major disbursements.

Work on quality assurance was given priority after a high turn-over of Swedish staff during the previous year and a visit by the MoFA/Sida Inspection team in May.

## 2. Political, economic and poverty development

Lao PDR remains a one-party state, firmly controlled by the Lao People's Revolutionary Party (LPRP) in which all political power is vested. The 8th Party Congress was held in March, and was completed in the record time of four days. A new Party Secretary was appointed when the 70-year old Choummaly Sayasone replaced the 82-year old Khamtay Siphandone. For the first time a woman, Ms. Pany Yatotu, also the Vice-President of the National Assembly, was appointed to the eleven member Polit Bureau. 15 new members were elected to the 55-member Party Central Committee, reducing somewhat the average age of the Committee. According to official releases, all new Party Committee members are "tried and tested revolutionaries". The position of the Party with respect to economic and social reforms was discussed in depth. Shortcomings were accounted for and self-critical opinions on Party performance were expressed. This transparency is a new and promising feature. On the other hand, and not surprisingly, as one of six confirmed main principles, there was "total rejection of multi-roots and multi-party system".

*National Assembly elections* were held 30 April 2006. 175 candidates – 40 women – had been approved by the Party to run for election to the 115 Assembly seats. 47 members (41 percent) were re-elected from the previous legislature. 29 women were elected (25 percent). The Lao Loum (low country) ethnic group dominates the new Assembly with 92 members (80 percent). The new legislature is on the whole younger and better educated than the previous one. Two non-Party members were elected while the remaining 113 members all represented the LPRP.

The *Cabinet reshuffle* that followed the Party Congress and the elections to the National Assembly was a simple formal affair. All nominations were cleared in advance by the Party, and the National Assembly had only one candidate for each of the 16 posts to consider. 52-year old Bousone Bouphavanh – "very young" by Lao standards and with a rapid Party career behind him – became new Prime Minister. He is expected to be achievement-oriented and willing to give his Cabinet colleagues much required space for management by results. There are two female Ministers in the new Cabinet. One occupies the "typical" female position of Minister of Labour and Social Welfare, the other is Minister/Head of the Public Administration & Civil Service Authority.

Laos is becoming increasingly integrated in the international community, especially regionally so, not least through its membership in

ASEAN. Today, Lao PDR has diplomatic relations with 121 countries, compared to 63 twenty years ago.

Openness in society appears to be increasing slowly but steadily, and within blurred but yet firmly controlled demarcations decided and watched over by the State. The changes are by and large caused by events outside the control of the authorities, like labour migration, media influences, improved communications (including Internet), a liberalised private sector and an increase in tourism. The Government's position appears to be too pragmatic and calculated, adapting to the gradual shifts rather than trying to confront them as long as the changes are not in open conflict with Party principles. Tendencies toward increased openness are also noted in some of the Lao institutions. National Assembly sessions, with increasingly vivid debates, are now broadcast/telecast live, and a complaints mechanism has been established by which citizens via telephone can contact a call centre at the National Assembly. Otherwise, the new openness is mainly reflected in the private sector. National media remain tightly controlled by the State and published information is on the whole dull and formal. The inflow of news, information and entertainment via international media (cable TV, satellite TV, Internet and regional, primarily Thai, radio) is uncontrollable, with the Government appearing to have surrendered to popular demand and market forces.

According to data published by the World Bank, real GDP growth has been around 7 percent 2004–2006. Given continued efforts in structural reform, the Lao economy is projected to continue to grow at around 7 percent a year in the near future. While this growth is driven by the mining and power sectors, the prospects for other sectors – agriculture, tourism, and to a lesser extent manufacturing – are also picking up. This is due to earlier investments in infrastructure and rapid economic growth rates in the neighbouring countries (China, Vietnam and Thailand) that has created growing demands for Lao products and boosted foreign direct investment (FDI) in these sectors.

Macroeconomic conditions have remained fairly stable. Inflation has been single digit during the last twelve months. Recently it has fallen significantly to a level below 5 percent, as food and fuel prices have started to ease. Both food and non-food inflation, anchored by a stable local currency, continued to decline. The budget deficit has narrowed to less than 3 percent of GDP this year, as wage bill increases appear to have been compensated for by lower capital spending. Foreign exchange reserves increased above the mark of 3 months of imports in March 2006, and have been pushed further by a surge in mining exports, tourism receipts and FDI (Foreign Direct Investment) inflows. The central bank continues to maintain monetary stability although imports associated with large projects continue to push up the external current account deficit as a percentage of GDP. High public external debt remained a concern, at about 80 percent of GDP. With prudent fiscal management, however, this and other vulnerabilities are expected to ease alongside the increases in FDI due to large projects. Fiscal management has improved, albeit from a low level. Tax collection in fiscal year (FY) 2005/06 has exceeded budget forecasts by 2 percent, due to the new Tax Law that widened the tax base and to the increased receipts from large projects and tourism. Estimates show that the overall budget deficit for FY 2005/06 will be about 2.7 percent of GDP. This deficit is consistent with the government's goal of maintaining macro-fiscal stability.

FDI in Laos has been growing fast in the post-Asian crisis environment. This growth continued in 2006. Actual FDI is expected to increase by 30 percent (from USD 500 million in 2005 to USD 650 million in 2006). The rapid growth has been driven by large investments in hydro-power projects. Investments in the mining sector are also rising. FDI in agriculture (mainly plantations of rubber, eucalyptus and cash crops) is expected to double this year, while services are likely to go up by more than a half.

Information about local investments in Lao PDR is very limited. In 2005, the local investment estimate was around USD 80–100 million. The majority of local businesses are micro, small and medium enterprises in various economic sectors. Some large local investors (including state-owned enterprises) have formed joint ventures with foreign companies.

The Official grants and loans (ODA) disbursements shown in the government budget in the past five years totalled USD 935 million, averaging USD 187 million per year. Though ODA inflows as a share of GDP have been declining for a couple of years (mainly due to fast economic growth), there is new momentum in donor support for policy reform implementation, side by side with continued strong support for the health and education sectors. A high degree of aid dependency has made it difficult to build sound domestic programmes, and to meet the recurrent outlays required to keep pace with rapid growth in public facilities and services.

Average incomes in Laos are low but evenly distributed, with a per capita GDP of USD 490 in 2005 at current prices and a Gini index of 33. The Lao Gini index implies a low level of inequality, reflecting the dominance of subsistence agriculture and fairly equitable access to land. Using the national poverty line, the poverty incidence fell from 46 percent in 1992 to 33 percent in 2003, and it continues to fall. There is evidence that the poorest groups have benefited substantially from the overall poverty reduction process. Lao PDR is on track in terms of meeting the income poverty Millennium Development Goal (MDG) by 2015.

Laos lags behind on a number of non-income MDGs – life expectancy at birth is low, child malnutrition is high, infant mortality and maternal mortality are very high compared with other countries in the region. One third of the adult population, and nearly half of the females, are illiterate. Only 14 percent of the population has completed primary schooling.

The Lao Government aims to achieve rapid economic growth in order to improve the living conditions of its poor. The National Growth and Poverty Eradication Strategy (NGPES), the local equivalent of a PRSP, was adopted in 2004 as the strategic framework under which all the government's future growth and poverty programmes should be developed and implemented. During 2005, it became clear that the NGPES would be integrated into the forthcoming five-year plan for 2006–2010, called the National Socio-Economic Development Plan (NSED). After extensive consultations with provincial authorities, interest groups, private sector, donors and the Party, the Government submitted the final draft of the NSED to the National Assembly in July 2006. The NA approved the proposed NSED with some (unpublished) suggestions for changes. The final version of the NSED was shared with the donor community in the Round Table Meeting (RTM) 28–29 November 2006 and was very well received by the donors. The World Bank announced that it would recommend to its Board that the NSED would be formally approved as Laos' official PRSP.

Lao PDR remains a low HIV/AIDS prevalence country. Given increased openness and regional integration, preventive measures are needed to mitigate the risk of a future epidemic. The government policy is to raise HIV/AIDS awareness through multi-sectoral interventions, using CCM (Country Co-ordinating Mechanism) Global Fund resources and participation of international NGOs in the process.

The Lao PDR is a participant of the Paris Declaration on Aid Effectiveness. The commitment of the Government and the local donor community was reaffirmed at the RTM in November 2006 when GoL and representatives of 22 countries and international organisations signed a localised version of the Paris document, called the Vientiane Declaration.

The donor picture in Laos remains very much the same, with a fairly small number of bilateral donors, the IFIs and the UNDP setting the stage. Japan dominates among the bilateral donors, with aid commitments as large as those of all the other bilateral donors together. From a position of solitude it has made some initial movements toward harmonisation. The EC is becoming increasingly visible, as a consequence of a greater availability of resources as well as encouragement from Brussels to raise its local profile.

During 2006, alignment and harmonisation issues were initially most actively promoted by the World Bank and Sweden. The UNDP has been a cautious actor despite the organization's mandate, international rhetoric and its leading role in the local RTM set-up. Rather than taking initiatives of its own in order to push matters ahead, the UNDP has endorsed the GoL line. The ADB has been a somewhat reluctant partner, preferring to focus on its own portfolio and its effectiveness. The EC and Japan have gradually increased their engagement in aid effectiveness issues.

An interesting feature has been the appearance of "non-traditional" donors on the local stage: In the RTM held in November there was active participation by donor countries such as India, Singapore, the Republic of Korea and China – traditionally a very influential but low-key Lao partner. Vietnam kept its traditional silence in the RTM and so did the old partner Russia.

With a freer market economy, increasing domestic and foreign investments and sizeable economic growth, corruption appears to be on the increase and is becoming both a civil and a political concern. Ordinary citizens air their views, in spite of obstacles both of a cultural and political nature. The National Assembly has discussed the matter in quite frank terms in connection with a new anti-corruption law, and the Party emphasised vigilance and approved anti-corruption measures in its 8th Congress. The issue is also given attention in the draft NSEDP 2006–2010 and is included in the Vientiane Declaration.

The reform process is moving forward, but at a varying and universally slow pace in the different government sectors. The best achievements are shown in the field of financial management. They are linked to forthcoming large revenue flows to be used for poverty alleviation that are generated by electric power exports from Nam Theun II and are driven by triggers established by the lending IFIs and other donors. Fundamental frameworks for central reforms are also in place in the legal area and for decentralisation and civil service, but here the commitment to convert words into action appears to be weak, probably even more so in the political than the administrative sphere. It is open to questioning if the senior political leadership fully understands such

concepts as rule of law or good governance – and, perhaps even more so, their implications if and when implemented.

The human rights perspective is far from permeating the Lao society. The GoL, by ratifying an increasing number of international conventions relating to human rights, has entered into new obligations, and these appear to be taken seriously at the higher levels of the administration. The attitude, however seems to be one where human rights are owned and interpreted by the leadership, less by the people, and least so by individual citizens. Child rights are easier to raise and advocate than other human rights. An issue given much attention during the year relates to those members of the Hmong community –children and adults – who have taken refuge in Thailand and have been or are waiting to be deported to Laos.

# 3. Swedish development co-operation – overall assessment of the country programme

The Country Strategy (CS) for Laos is valid 2004–2008. It has poverty reduction as its overriding aim, with the more direct focus on democracy, governance reforms and human rights.

The Swedish Government states in the CS that it expects from Sida that a set of modalities for assessing progress and achievements in the mentioned areas will be developed and applied, including a set of indicators for measuring achievements on issues like human rights and governance reform processes. Results will be presented at a Mid-Term Review of the CS, scheduled for January 2007. In order to establish a process toward the requested results that was both transparent and participatory, the Embassy invited the Lao side to help move the matter forward. It took a full year to jointly interpret the common task, agree on strategic issues/areas of assessment, establish practical forms of cooperation, and get the work going and another six months to complete two agreed consultancy assignments, assessing judicial reforms and the child rights situation respectively. A third assignment, studying the human rights situation in Lao PDR 1998–2006 as reflected in the Embassy's human rights reports to the Swedish Ministry for Foreign Affairs, was also carried out during the same period. Although all three reports point at a great need for further methodological work and also refer to a severe shortage of relevant and reliable data, there are some clear general conclusions that can be drawn from the material. The main one is that, in Laos, there has been a gradual improvement in the human rights/reform/democracy situation over the years. The progress may have been slow, but it has accelerated in recent years. There are some areas where no progress is reported, not surprisingly mostly linked to the concept of political democracy. No outright negative developments were observed.

With its focus on human rights, democracy and rule of law, Sweden's country strategy for Laos stands out in comparison with other donors' Lao-related strategic instruments. Whereas the international donor community can, at best, join forces around development assistance with the aim of poverty alleviation, Sweden's strong emphasis on democracy and human rights, and measurable indicators for the same, make it a difficult task to maintain the present high profile in a process of negotiation, collective bargaining and compromise on the basis of the Paris Declaration's principles of ownership, alignment, harmonization and results-based management.

The bilateral policy level dialogue with Laos on human rights mainly takes place within the bilateral Informal Working Group (IWG) on Human Rights. Two meetings were held during 2006, one in March in Luang Prabang, and one in November in Stockholm. The meeting in Luang Prabang included a visit to a resettled village and a dialogue with the villagers. Main agenda points related to work with human rights indicators and the rights-based approach to development programming. The meeting in Stockholm discussed, among other issues, the progress made and experiences gained from the work on the human rights indicators. The schedule in Sweden also offered the Lao delegates a broad two-day exposure to Swedish work on realizing human rights, primarily from the angle of child rights.

The Lao side still appears a bit uncomfortable in dealing with human rights issues, both because of a lack of understanding of the issues and unclear directives from the political leadership. The bilateral IWG approach, with its informal character and blend of competence building and mutual sharing of domestic experiences appears to be most appropriate at present.

In all its human rights-related work, the Embassy has benefited substantially from qualified and dedicated support by Sida's regional human rights adviser based in Bangkok.

The importance of reforms as a necessary vehicle for rapid and equitable socio-economic development is taking root throughout the Lao administration. The reform process is still uneven, cautious and uncertain. The weak institutional capacity and low levels of competence on the Lao side are severe development constraints and obstacles to reform. Capacity building has become an issue on every donor's agenda. There is an urgent need for harmonisation in this field if old mistakes of each donor haphazardly pumping bilateral funds into technical assistance should be avoided. Measures in this direction have been taken during the year, initiated by the World Bank, the ADB and Sida.

Quarterly Informal Donor Coordination Meetings were held throughout the year, chaired jointly by UNDP and, on rotation, a representative of other donor partners. Because of their size and nature, these meetings are informative rather than serving as arenas for dialogue. In spite of the title they are quite formal in character. The eight sectoral donor working groups have been converted from merely representing donors to having joint participation of donors and government. These groups have met with varying frequency and have shown varying ambition levels and standards. In some groups there has been discussion, in others mere sharing of information. The participation of the government is a most welcome improvement, even if the general apprehension of wrong-doing that permeates the administrative structure prevents government representatives to speak their mind.

A striking feature in Lao PDR, is the absence of traditionally "like-minded" partners of Sweden and Sida. No other Nordic countries are present in Vientiane, and neither are DFID, CIDA or the Netherlands. This absence is most strongly felt in matters relating to harmonisation, common positioning and joint dialogue. In areas relating to government reform, such as public expenditure and public management, co-operation has been good between the embassy and the local World Bank office. EU integration has been more difficult to achieve. The EC, which cannot be considered a "like-minded" partner, tries to over-emphasise its local coordinating role, perhaps encouraged by Brussels. Other EU members present in Lao PDR, viz. Germany, France and Poland, do not

belong to the like-minded group. A welcome addition to the local donor community is Switzerland/SDC who opened an office in Vientiane in 2006. SDC has a value base similar to Sida's, and an active engagement in rural development and governance issues, both key areas for Swedish co-operation.

# 4. Specific country programme overview of the Swedish development co-operation

The country allocation for Laos during 2005 initially amounted to SEK 160 million. Virtually the entire amount was disbursed, i.e. SEK 159 million or 99.3 percent. The disbursements were unevenly distributed over the year (Q1 22 MSEK or 14%, Q2 48 MSEK or 30%, Q3 19 MSEK or 12%, Q4 70 MSEK or 44%). This outcome follows very much the standard pattern of disbursements for the entire Asia Department during 2006.

With regard to key general issues, as included in the country strategy, the following achievements and comments are given:

The work toward *more focused and more problem-oriented cooperation* is ongoing. The task is so far going in the direction of more involvement, with more partners and more issues, and therefore, paradoxically, resulting in continued management of a diverse portfolio rather than concentration. The pattern described already last year has not changed, i.e. of first going through a process of continued and consolidated project administration before a better focus, concentration and more programme orientation can be achieved. With the GoL still favouring sectoral approaches in its planning, especially in NSEDP, it will be difficult for Sida to match the strategy's aim "to relate to objectives, targets and cross-cutting issues rather than to traditional sector-based projects". Other donors also remain in the fold of a sectoral development approach. The movement toward realization of the Paris Declaration's aid effectiveness agenda – strongly supported by Sweden in international fora – points to a conflict in aims and a need for reconsidered/redefined priorities.

The research team for Laos from the Stockholm School of Economics (SSE), contracted under an agreement with Sida for *macro-economic follow-up and reporting*, have been working during the year on an analysis of trends in regional development in Lao PDR from the angle of domestic and international market integration. Their report is expected to be finalised in early 2007.

NGPES, said in the strategy document "to form the basis of Sweden's policy dialogue with the Lao government" has been formally replaced by the National Socio-Economic Development Plan 2006–2010, NSEDP. The process of identifying *progress indicators* has started, led by the Committee for Planning and Investment (CPI) and supported by Japan and UNDP. The beginning of the process was transparent and participatory so far as donors were concerned, but as the work moved forward, the process became increasingly closed. The present position regarding

indicators is not known. As management by results (including monitoring by indicators) is a major issue under the Paris (and Vientiane) Declaration, there is need for improvement in this matter.

Sida's application of "a *rights-based perspective* in all its analyses, preparatory work and interventions" has been manifested in a number of ways although not, for reasons of capacity constraints, implemented across the entire programme. The Sida-funded and UNDP-executed decentralisation project in Luang Prabang province is now under implementation along the lines of its rights-based design. The IWG continues to have issues relating to the rights-based approach as an agenda item.

"Special efforts to strengthen the *rights of the ethnic minorities*" are visible in a number of programmes. The support to NAFRI (National Agriculture and Forestry Research Institute) is one example. Similarly, the roads programme, with its new emphasis on rural access roads in remote areas in the northern parts of the country, has first and foremost the ethnic groups as its beneficiaries. The issue is also a constant feature in the IWG meetings and in other dialogue fora. An example of long and persistent efforts, without much achievement so far, is the dialogue in the multi-donor education programme on ethnic children's right to education in their mother tongue.

The *relocation of villages*, a policy mainly affecting ethnic groups practising shifting cultivation and, in the past, engaged in growing poppy for opium production is still an issue. Consultations among donors and between donors and the Lao Government have continued on the matter and some progress in the dialogue has been made. EC's draft Indicative Programme for 2007–2010 contains a well-considered and useful set of implementation principles for uplands development, relating both to indigenous peoples' rights and the nature, extent and effects of relocation. All donors are unlikely to arrive at a joint position regarding this sensitive and controversial issue, but the referred set of principles can possibly help to create a constructive dialogue.

*HIV/AIDS issues* are highlighted especially in the education and roads programmes. Sida's regional HIV/AIDS adviser has been engaged in giving advice to these two programmes. Lao PDR is a low-prevalence country. Consultations with Sida-Stockholm in the matter have resulted in the Embassy adapting to the existing situation by applying a less vigorous HIV/AIDS intervention approach.

*Gender* is a cross-cutting issue in Sweden's development cooperation with Laos. Although gender disparities are less prominent in Laos than in many other countries, gender equality and women's rights figure in all policy dialogues conducted multi- and bilaterally. Project-specific action plans promoting equality are being developed. There are plans in place in the Faculty of Law, in STEA and in NAFRI.

Institutional development and *capacity building* are issues high on the development agenda in Laos. During the year, the Embassy has, in cooperation with Sida/UTV implemented an ambitious project to increase awareness and competence to deal with capacity building and institutional development, both among Embassy staff and within Sida-supported Lao institutions. The Embassy is now trying to use the gained knowledge to influence other donors to abandon ad-hoc or "quick-fix" solutions in favour of long-term institutional support.

The bilateral *dialogue* between Laos and Sweden has found modalities to function quite well at the administrative level, both formally and informally. There is also, however, a felt need at the Embassy for dialogue and consultations between the two governments at higher levels.

In order to proceed further and move faster with issues like reforms, democracy and human rights it would be essential to have access to the political layers of the Lao leadership.

As mentioned already, there has been considerable progress on *harmonisation and alignment* in connection with the process toward the Vientiane Declaration on Aid Effectiveness. The Embassy takes regular part in five out of the eight established sectoral working groups for aid coordination, co-chairing two of them, viz. rural development and governance. The experiences of participation are mixed so far. The *ownership* issue is still a problem. The GoL is only reluctantly shouldering the responsibility of leading a harmonized process, anxious not to upset any of the donors by formulating directives and demands.

The Department of International Cooperation (DIC), Sida, the World Bank and the ADB worked together around the concept of a *Joint Portfolio Effectiveness Review (JPER)*. The aim was to explore possibilities to streamline joint handling procedures, in the spirit of ownership, alignment and harmonisation. At the wish of DIC, the task was widened to cover a local aid effectiveness process sparked by the Paris Declaration. Even after the signing of the Vientiane Declaration, there is still a role for the group to play when it comes to the formulation of an action plan for making the declaration operational.

The Embassy is also engaged in a World Bank-led *Public Expenditure Review (PER)* activity, where other donors (ADB, EC, Japan) are also involved. The activities around the PER are both urgent and important from a poverty reduction perspective, driven as they are by the fact that the Nam Theun 2 hydro-power project will become operational in 2010 and generate revenue to be used for poverty alleviation. The World Bank is setting up a Trust Fund for pooled support to *Public Finance Management (PFM)* in Laos, and Sida is actively following progress with the aim, if feasible, to provide support.

The debt situation in Laos is constrained, as has been acknowledged by a debt sustainability assessment by IMF. As a consequence, the World Bank has adopted a policy of only giving grant assistance to Lao PDR. Hence, further *Swedish loans to Laos* are not an issue during the strategy period.

As the strategy states, the bulk of Sweden's development cooperation resources will continue to be provided on a *bilateral basis*. In the spirit of the strategy, efforts have also been made to *develop sector coordination and establish co-financing or parallel financing arrangements*, with some success. Good examples are the road sector programme and the project to implement the new forest strategy. The efforts to enhance sector coordination have so far, at least from the Embassy's perspective, not resulted in any efficiency gains, rather the contrary. Coordination is a slow, cumbersome and often frustrating process in the short term, even for those who believe in its future, long-term benefits.

In accordance with the strategy, efforts are being made to exploit *linkages between regional and national projects and programmes*. So far, there has been little involvement by the embassy in these matters. Even if consultations have taken place between Sida and ADB, especially within the Greater Mekong Sub-region (GMS) context as well as with the Mekong River Commission (MRC), and Swedish contacts are close with the Asian Institute of Technology (AIT), no tangible results have been achieved so far. The Swedish Environmental Secretariat for Asia (SEN-SA) is in regular contact with the Embassy and its staff. NAFRI is setting up cooperation with RECOFTC (Regional Community Forestry Train-

ing Centre), and SEANAFE/ICRAF (South-East Asian Network for Agro-Forestry Education/International Centre for Research on Agro-Forestry) is linking up with NUOL's Department of Forestry. Bilateral and project-based links between Laos on the one hand and Thailand, Cambodia and Vietnam on the other have also continued, e g regarding study tours, joint workshops and training in human rights, public financial management and highlands development.

# 5. Office and administrative issues

The Ministry for Foreign Affairs/Sida Inspection Team visited the Embassy in May. The overall assessment was positive. The team also presented some observations and recommended actions for quality assurance, both in respect of administration/finance and programmes. Action has been taken to implement the recommendations and, wherever feasible, have them included in revised Embassy Working Orders.

After the arrival of the new programme officer for governance in January 2006, there were no further changes among the sent-out staff during the year. All in all, the total number of staff remained at 16, with five Swedish sent-out staff and three NPOs. The staff is coping with the workload, but barely so. More engagement in non-disbursing development co-operation activities, in particular those relating to the Paris Declaration agenda and human rights issues, is taking an increasing share of available time. Prioritised efforts to improve alignment, harmonisation, coordination and aid effectiveness definitely mean a substantial and hard-to-cope-with increase in the workload of the Embassy in the short-term perspective – and “short-term” may here mean at least the remaining strategy period.

With rapidly increasing numbers of tourists coming to Laos, consular matters are steadily growing in numbers, even more so the complicated cases. The administrative workload is therefore a matter of continued and increasing concern in the office. A sustainable permanent solution – rather than present valuable but insufficient ad hoc arrangements – is most wanted.

# Annex 1

## Key Data on Lao PDR

|                               |    |                                                |                |
|-------------------------------|----|------------------------------------------------|----------------|
| <b>General</b>                | 1  | Total population (2005)                        | 5.6<br>million |
|                               | 2  | Annual population growth rate % (2005)         | 2.40           |
|                               | 3  | Area (square km)                               | 236 800        |
|                               | 4  | Human Development Index, rank (2005)           | 133            |
|                               | 5  | Gender-related Development Index, rank (2003)  | 102            |
| <b>Economy</b>                | 6  | DAC list                                       | LDC            |
|                               | 7  | GDP/capita in US Dollar (2005 estimate)        | 491            |
|                               | 8  | GDP USD Million (2004)                         | 2 745          |
|                               | 9  | GDP Growth % per year (2005 estimate)          | 7.2            |
|                               | 10 | Total debt service in % of export revenues     | 9.0            |
|                               | 11 | ODA per capita in USD (2003)                   | 29             |
|                               | 12 | Present value of debt in USD million (2004)    | 1 961          |
|                               | 13 | Poverty incidence % (2005)                     | 33.5           |
| <b>Social development</b>     | 14 | Life expectancy at birth, years (2005)         | 61             |
|                               | 15 | Maternal mortality per 100.000 births (2005)   | 350            |
|                               | 16 | Infant mortality per 1000 births (2005)        | 70             |
|                               | 17 | Child mortality per 1000 births (2003)         | 91             |
|                               | 18 | Adult literacy rate in % (2005)                | 73             |
|                               | 19 | Primary completion rate, total in % (2003)     | 73.7           |
|                               | 20 | Primary completion rate, female in % (2003)    | 69.3           |
|                               | 21 | Prevalence of HIV, % of population aged 15-49) | 0.1            |
| <b>Democratic development</b> | 22 | Political rights (2005)                        | 7.0            |
|                               | 23 | Civil rights (2005)                            | 6.0            |
|                               | 24 | Status of freedom                              | not free       |
|                               | 25 | Corruption Perception Index (2006)             | 2.6            |
|                               | 26 | Corruption Perception Index, rank (2006)       | 111            |
|                               | 27 | Parliamentary seats held by women in % (2006)  | 25.2           |

### Sources:

ADB Country Strategy and Program Lao PDR 2007–2011  
 National Human Development Report: Lao PDR 2006  
 WDI Online  
 Human Development Report  
 Transparency International  
 State of the World's Children

# Annex 2

## Current Planning Overview

| Outcome and forecast in TSEK            |                                                 |            |                | Status: I, P, A and C (agr end > 200600 or Outcome < 0)<br>Region/Country: Laos<br>Other: |                |  |  |
|-----------------------------------------|-------------------------------------------------|------------|----------------|-------------------------------------------------------------------------------------------|----------------|--|--|
| Responsible Unit                        | (All)                                           |            |                |                                                                                           |                |  |  |
| Allocation Frame                        | (All)                                           |            |                |                                                                                           |                |  |  |
| Allocation Account                      | Main Sector                                     | Status     | Outcome 2006   | Forecast 2006                                                                             | Forecast 2007  |  |  |
| 15514 Laos                              | 01 Health                                       | Agreed     | 1 701          | 1 701                                                                                     | 4 700          |  |  |
|                                         | <b>01 Health Total</b>                          |            | <b>1 701</b>   | <b>1 701</b>                                                                              | <b>4 700</b>   |  |  |
|                                         | 02 Education                                    | Agreed     | 27 660         | 27 767                                                                                    | 34 645         |  |  |
|                                         |                                                 | Completed  | 0              | 0                                                                                         | 0              |  |  |
|                                         | <b>02 Education Total</b>                       |            | <b>27 660</b>  | <b>27 767</b>                                                                             | <b>34 645</b>  |  |  |
|                                         | 03 Research                                     | Agreed     | 0              | 0                                                                                         | 15 000         |  |  |
|                                         | <b>03 Research Total</b>                        |            | <b>0</b>       | <b>0</b>                                                                                  | <b>15 000</b>  |  |  |
|                                         | 04 HR & Democratic governance                   | Indicative | 0              | 0                                                                                         | 9 000          |  |  |
|                                         |                                                 | Planned    | 0              | 0                                                                                         | 7 000          |  |  |
|                                         |                                                 | Agreed     | 35 323         | 34 899                                                                                    | 33 052         |  |  |
|                                         |                                                 | Completed  | 2              | 2                                                                                         | 0              |  |  |
|                                         | <b>04 HR &amp; Democratic governance Total</b>  |            | <b>35 325</b>  | <b>34 901</b>                                                                             | <b>49 052</b>  |  |  |
|                                         | 07 Infrastructure                               | Agreed     | 52 620         | 54 575                                                                                    | 39 574         |  |  |
|                                         |                                                 | Completed  | 0              | 0                                                                                         | 0              |  |  |
|                                         | <b>07 Infrastructure Total</b>                  |            | <b>52 620</b>  | <b>54 575</b>                                                                             | <b>39 574</b>  |  |  |
|                                         | 08 Trade, business & fin. syst                  | Agreed     | 1 112          | 999                                                                                       | 545            |  |  |
|                                         | <b>08 Trade, business &amp; fin. syst Total</b> |            | <b>1 112</b>   | <b>999</b>                                                                                | <b>545</b>     |  |  |
|                                         | 09 Natural resources&environm.                  | Planned    | 0              | 0                                                                                         | 6 000          |  |  |
|                                         |                                                 | Agreed     | 37 924         | 37 885                                                                                    | 18 531         |  |  |
|                                         |                                                 | Completed  | 345            | 345                                                                                       | 0              |  |  |
|                                         | <b>09 Natural resources&amp;environm. Total</b> |            | <b>38 269</b>  | <b>38 230</b>                                                                             | <b>24 531</b>  |  |  |
|                                         | 11 Other                                        | Agreed     | 2 226          | 2 562                                                                                     | 2 761          |  |  |
|                                         |                                                 | Completed  | 0              | 0                                                                                         | 0              |  |  |
|                                         | <b>11 Other Total</b>                           |            | <b>2 226</b>   | <b>2 562</b>                                                                              | <b>2 761</b>   |  |  |
| <b>15514 Laos</b>                       | <b>Total</b>                                    |            | <b>158 913</b> | <b>160 736</b>                                                                            | <b>170 807</b> |  |  |
| 155391 Global Dev. Programs, UTV        | 11 Other                                        | Agreed     | 303            | 303                                                                                       | 507            |  |  |
|                                         | <b>11 Other Total</b>                           |            | <b>303</b>     | <b>303</b>                                                                                | <b>507</b>     |  |  |
| <b>155391 Global Dev. Programs, UTV</b> | <b>Total</b>                                    |            | <b>303</b>     | <b>303</b>                                                                                | <b>507</b>     |  |  |

|                    |                                                 |                          |                     |                |                |                |
|--------------------|-------------------------------------------------|--------------------------|---------------------|----------------|----------------|----------------|
| 15551              | Research                                        | 03 Research              | Planned<br>Agreed   | 0              | 0              | 12 000         |
|                    |                                                 | <b>03 Research Total</b> |                     | 13 576         | 13 576         | 402            |
| <b>15551</b>       | <b>Research</b>                                 | <b>Total</b>             |                     | <b>13 576</b>  | <b>13 576</b>  | <b>12 402</b>  |
| 15561              | Non-governmental organisations                  |                          |                     |                |                |                |
|                    | 01 Health                                       |                          | Agreed<br>Completed | 31<br>-20      | 31<br>-20      | 0              |
|                    | <b>01 Health Total</b>                          |                          |                     | <b>11</b>      | <b>11</b>      | <b>0</b>       |
|                    | 02 Education                                    |                          | Agreed<br>Completed | 98<br>-13      | 98<br>-13      | 0              |
|                    | <b>02 Education Total</b>                       |                          |                     | <b>86</b>      | <b>86</b>      | <b>0</b>       |
|                    | 04 HR & Democratic governance                   |                          | Agreed<br>Completed | 1 920<br>-30   | 1 920<br>-30   | 732            |
|                    | <b>04 HR &amp; Democratic governance Total</b>  |                          |                     | <b>1 890</b>   | <b>1 890</b>   | <b>732</b>     |
|                    | 05 Conflict, peace & security                   |                          | Agreed<br>Completed | 19<br>-7       | 19<br>-7       | 0              |
|                    | <b>05 Conflict, peace &amp; security Total</b>  |                          |                     | <b>12</b>      | <b>12</b>      | <b>0</b>       |
|                    | 07 Infrastructure                               |                          | Agreed<br>Completed | 15<br>-1       | 15<br>-1       | 0              |
|                    | <b>07 Infrastructure Total</b>                  |                          |                     | <b>13</b>      | <b>13</b>      | <b>0</b>       |
|                    | 08 Trade, business & fin. syst                  |                          | Agreed<br>Completed | 3<br>-5        | 3<br>-5        | 0              |
|                    | <b>08 Trade, business &amp; fin. syst Total</b> |                          |                     | <b>-2</b>      | <b>-2</b>      | <b>0</b>       |
|                    | 09 Natural resources&environm.                  |                          | Agreed<br>Completed | 0<br>-13       | 0<br>-13       | 0              |
|                    | <b>09 Natural resources&amp;environm. Total</b> |                          |                     | <b>-13</b>     | <b>-13</b>     | <b>0</b>       |
|                    | 11 Other                                        |                          | Agreed<br>Completed | 93<br>-1       | 93<br>-1       | 0              |
|                    | <b>11 Other Total</b>                           |                          |                     | <b>92</b>      | <b>92</b>      | <b>0</b>       |
| <b>15561</b>       | <b>Non-governmental organisations</b>           | <b>Total</b>             |                     | <b>2 089</b>   | <b>2 089</b>   | <b>732</b>     |
| <b>Grand Total</b> |                                                 |                          |                     | <b>174 881</b> | <b>176 703</b> | <b>184 447</b> |

|                                     |              |                                                                                                                |  |
|-------------------------------------|--------------|----------------------------------------------------------------------------------------------------------------|--|
| <b>Outcome and forecast in TSEK</b> |              | <b>Status: I, P, A and C</b> (agr end > 200600 or Outcome < 0)<br><b>Region/Country: Laos</b><br><b>Other:</b> |  |
| <b>Responsible Unit</b>             | <b>(All)</b> |                                                                                                                |  |

| Allocation Frame                            | Allocation Account                     | Main Sector                             | Outcome 2006                  | Forecast 2006  | Forecast 2007  |                |
|---------------------------------------------|----------------------------------------|-----------------------------------------|-------------------------------|----------------|----------------|----------------|
| Inside country allocation                   | 15514 Laos                             | 01 Health                               | 1 701                         | 1 701          | 4 700          |                |
|                                             |                                        | 02 Education                            | 27 660                        | 27 767         | 34 645         |                |
|                                             |                                        | 03 Research                             | 0                             | 0              | 15 000         |                |
|                                             |                                        | 04 HR & Democratic governance           | 35 325                        | 34 901         | 49 052         |                |
|                                             |                                        | 07 Infrastructure                       | 52 620                        | 54 575         | 39 574         |                |
|                                             |                                        | 08 Trade, business & fin. syst          | 1 112                         | 999            | 545            |                |
|                                             |                                        | 09 Natural resources&environm.          | 38 269                        | 38 230         | 24 531         |                |
|                                             |                                        | 11 Other                                | 2 226                         | 2 562          | 2 761          |                |
|                                             |                                        | <b>15514 Laos</b>                       | <b>Total</b>                  | <b>158 913</b> | <b>160 736</b> | <b>170 807</b> |
|                                             | <b>Inside country allocation Total</b> |                                         |                               |                |                | <b>170 807</b> |
| Outside country allocation                  | 155391 Global Dev. Programs, UTV       | 11 Other                                | 303                           | 303            | 507            |                |
|                                             |                                        | <b>155391 Global Dev. Programs, UTV</b> | <b>Total</b>                  | <b>303</b>     | <b>303</b>     | <b>507</b>     |
|                                             |                                        | 03 Research                             | 13 576                        | 13 576         | 12 402         |                |
|                                             |                                        | <b>15551 Research</b>                   | <b>Total</b>                  | <b>13 576</b>  | <b>13 576</b>  | <b>12 402</b>  |
|                                             |                                        | 15561 Non-governmental organisations    | 01 Health                     | 11             | 11             | 0              |
|                                             |                                        |                                         | 02 Education                  | 86             | 86             | 0              |
|                                             |                                        |                                         | 04 HR & Democratic governance | 1 890          | 1 890          | 732            |
|                                             |                                        |                                         | 05 Conflict, peace & security | 12             | 12             | 0              |
|                                             |                                        |                                         | 07 Infrastructure             | 13             | 13             | 0              |
|                                             | 08 Trade, business & fin. syst         |                                         | -2                            | -2             | 0              |                |
| 09 Natural resources&environm.              | -13                                    |                                         | -13                           | 0              |                |                |
| 11 Other                                    | 92                                     |                                         | 92                            | 0              |                |                |
| <b>15561 Non-governmental organisations</b> | <b>Total</b>                           |                                         | <b>2 089</b>                  | <b>2 089</b>   | <b>732</b>     |                |
| <b>Outside country allocation Total</b>     |                                        |                                         |                               |                | <b>13 641</b>  |                |
| <b>Grand Total</b>                          |                                        |                                         | <b>174 881</b>                | <b>176 703</b> | <b>184 447</b> |                |

# Annex 3

## List of strategic documents received:

Lao PDR: National Socio-Economic Development Plan 2006–2010  
(Committee for Planning and Investment, Vientiane, October 2006)

Government of Lao PDR: Strategic Plan on Governance – 2006–2010  
(Vientiane, November 2006)

Government of Lao PDR: Vientiane Declaration on Aid Effectiveness,  
November 2006

Lao PDR/Ministry of Foreign Affairs: Foreign Aid Report 2004/2005  
(Vientiane August 2006)

National Human Development Report: INTERNATIONAL TRADE  
AND HUMAN DEVELOPMENT: Lao PDR 2006 (CPI/NSC and  
UNDP)

Lao PDR – Donor & Development Partner Profiles (Draft for Review);  
Office of the UN Resident Coordinator, June 2006

Lao PDR: Country Strategy and Program 2007–2011 (Asian Develop-  
ment Bank, September 2006)

Lao PDR – European Community Country Strategy Paper for the  
Period 2007–2013 Draft – October 2006

European Community: National Indicative Programme (2007–2010)  
Laos (Draft – October 2006)

United Nations Development Assistance Framework (UNDAF) – Lao  
PDR – 2007-2011; Full Draft 5 June 2006 (United Nations, Vientiane)

Country programme document for the Lao PDR 2007–2011 (United  
Nations, Vientiane, October 2006)

LAO PDR: Baseline Study for the Preparation of a National Anti-  
Corruption Strategy Parts One and Two - Draft version; UNDP Region-  
al Centre in Bangkok, July 2006)

Update on the Lao PDR Nam Theun 2 (NT2) Hydroelectric Project  
(World Bank/ ADB, October 2006)

Japan's Country assistance Program for Lao PDR (Japan, September 2006)

Australian Aid: Promoting Growth and Stability (A White Paper on the Australian Government's Overseas Aid Program (Australian Government AusAID, April 2006)

Australia's Overseas Aid Program 2006-07 (9 May 2006)

Lao PDR Economic Monitor, issues April 2006 and November 2006  
(The World Bank Vientiane Office)

The Political Culture of Corruption in the Lao PDR by Martin Stuart-Fox (Asian Studies Review March 2006, Vol. 30)

Report on the Two-day Governance and Anti-Corruption Workshop for Senior Public Officials in Laos 24-25 May 2006 (Tan Tay Keong, Lee Kuan Yew School of Public Policy, Singapore – unpublished)

Mänskliga Rättigheter i Laos 1998-2006: Trender, Förändringar och Indikatorer by Helene Carlsson-Rex (Vientiane, December 2006, unpublished)

Consultancy Report on Human Rights in the Legal Sector of Lao PDR by Dr. Jayampathy Wickramaratne (Vientiane, June-July 2006, unpublished)

Assessment of Child Rights in Lao PDR, including the Identification and Application of Strategic Indicators, with Special Attention paid to the Right of Education and Juvenile Justice by Dr. Urban Jonsson (Vientiane, December 2006, unpublished)



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