

Sida Country Report 2003

Laos

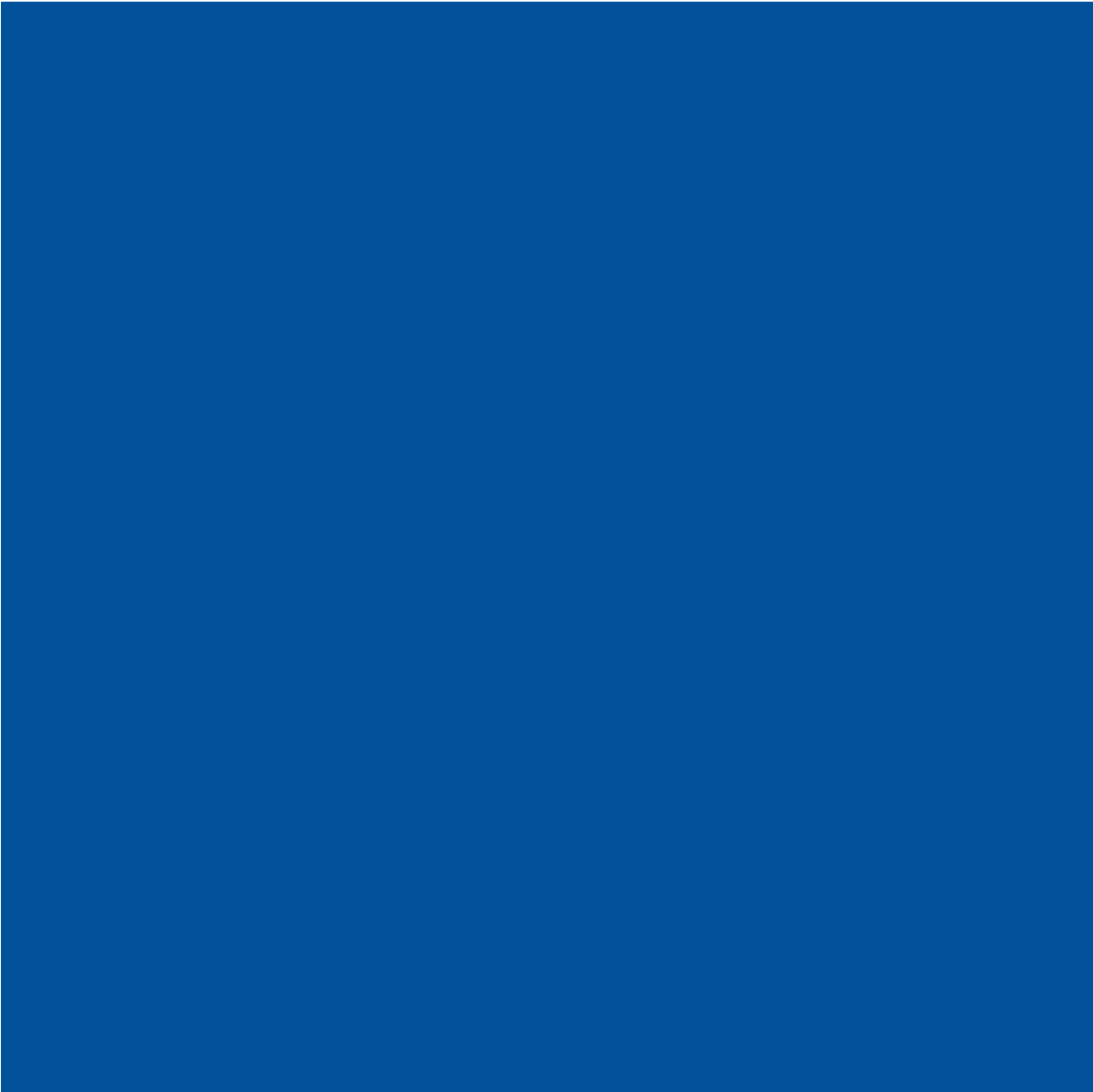


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0.Preamble

The cooperation with Laos was carefully reviewed during the country strategy process in 2003. A country analysis, a performance analysis and the strategy proposal was submitted to Sida end of 2003. The annual report for 2003 is therefore limited to a summary of major events and an update of the project achievements and results for the year.

1. Summary

Poverty in Laos has fallen significantly during the past 10 years by almost 15% to 32% according to the preliminary results of the third household survey, LECS III (2002/2003). Growth rates have been equally reasonable with approx 6% annually. The Round Table Meeting in September 2003 was the result of a consultative process to prepare the country's PRSP exercise, called National Poverty Eradication Program (later National Growth and Poverty Eradication Strategy, NGPES). The document was well received by the donor community and in October it was approved by the National Assembly.

During 2003 the macro-economic performance has been stable, but reform pace is slow. Firm decisions are needed to address the structural weaknesses in order to achieve the objectives in the NGPES.

The political regime remains stable whereas the security situation has given reason for concern with ambushes and armed conflict reported in several areas during the year. The conflict in Xaïsomboune Special Zone has anew attracted attention after reporting on the situation of the Hmong people. The UN and Amnesty International have acted accordingly on the human rights issues.

Initiatives for an increased donor coordination have been lead by UNDP with support from the Government. No sector wide approaches are yet in place.

On the Swedish development agenda a dialogue has started with the Informal Working Group on Human Rights.

Overall performance of the project portfolio is satisfactory. The disbursements for 2003 amounts to close to 180 million SEK (approx 22 million USD). Counterpart funding remains a problem in many projects.

2. Strategic Country Development Trends

2.1 Poverty Reduction

Laos is one of the poorest countries in the world with a per capita income of approx 330 USD. This means that three quarters of the population live on less than 2 USD a day. During 2002/2003 the third household survey, LECS III, was conducted. The preliminary results show that the share of population falling behind the poverty line has fallen from 46% 1992/93 to around 32% 2002/2003. However, poverty reduction and growth have not been evenly distributed. The difference between rural and urban is still significant. In addition, there is an upland/lowland as well as an ethnic/minorities dimension of poverty. The majority of the poor are found in the uplands and in some parts in the south. But, modernization and regional integration is also taking its toll on the urban population. Increasing drug use among young people and trafficking are creating new vulnerable groups. Increased movement of people across the borders and low knowledge on HIV/AIDS increases the risk for faster spread of HIV/AIDS from a low level of prevalence.

The Government of Laos presentation of its National Programme on Poverty Eradication, NPEP, to the international community at the 8th Round Table Meeting was well received. The programme was preceded by several mini-round tables for various sectors. The ambitions for accelerated poverty reduction are high. It identifies the importance of achieving macro-economic stability, a stronger private sector, regional integration and development of regional resources. But, the weaknesses of the document lie in how the policy statements will be translated into action as well as in too optimistic assumptions on future growth.

NPEP has also been extensively discussed in and approved by the National Assembly during its autumn session. The continued work with NPEP, its monitoring and integration into the national socio-economic planning process should be closely followed through a continued consultative process. The document is currently upgraded to a national strategy, National Growth and Poverty Reduction Strategy, NGPES.

Laos own development vision aims to reduce poverty faster than the UN Millennium Development Goals. To achieve the MDG poverty goal by 2015 should be possible for Laos, but with current trends it will be difficult to achieve the goals for e.g. completion of primary school,

maternal mortality or child mortality. A concerted effort to improve growth, public financial management and service delivery will be needed.

2.2 Macro-economic Development and Reform Agenda

A continued growth as well as an effective revenue mobilization are prerequisites to meet the objectives of the NPEP. In 2003 the macro-economic performance improved the second half of the year relative to the first 6 months. Real GDP is estimated to reach 5,5%, somewhat less than last year. The growth has been supported by relatively strong increases in industrial production and agriculture, but was also hampered by lower private investments and reduced tourism (due to SARS outbreak and regional tensions). Inflation has slightly increased during the year, but after the peak in May it has slowly declined to approx 15% (10,2% previous year). The inflationary pressure was partly due to the widening fiscal deficit as a result of excessive capital spending in 2001/2002 and declining revenue. Both revenue and expenditure are falling below budget targets. Several factors have influenced the decline in revenue, e.g. timber royalties falling, the reduction of the turnover tax and provinces not remitting local revenues to central level. The government response to the widening fiscal deficit was i.a. to double the petroleum tax and to have a stricter expenditure control. These measures did not fully achieve to contain the fiscal deficit during the year and the tax to GDP ratio will decline to 11.5% of GDP (13,2% in 2001/2002). The exchange rate has stabilized mainly due to stricter financial policies from expenditure and bank credit controls.

The deficit in the balance of payments remains. The trade and current account deficits have been similar to 2002. Imports have for a number of years exceeded the value of exports. In 2003 exports have accelerated due to strong growth in trade with China. Strong demand from Thailand and Vietnam has increased exports to ASEAN. However, a further strong growth in imports can also be expected from the lowering of tariff barriers in line with AFTA commitments and poor competitiveness of locally produced products.

Foreign direct investments have declined slightly due to e.g. bird flu, SARS, regional tensions and unpredictable government policies.

The total debt service has risen by more than a fifth in 2003 relative to last year. Laos total public debt amounts to 1,6 billion USD or 900 USD in NPV terms (net present value) (180% of goods and services exports). Based on World Bank and IMF statistics, Laos qualifies as one of the highly indebted poor countries (HIPC). Laos and Russia signed a debt-rescheduling agreement in 2003 to write off 70% of Laos' Soviet-era debt. A specific agreement on the repayment terms will follow in 2004.

Laos dependency of foreign aid is strong both in the balance of payment and budget. With continued inflows of foreign assistance the balance of payment should not experience any major problems. ODA level in Laos amounts to 64% of the governments capital expenditures and 40% of total expenditure.

Although the macro-economic situation is stabilizing the structural weaknesses need to be addressed. A reform program was initiated in late 2001 to improve the management of public expenditures, state-enterprises, state-owned banks and natural resources in order to increase

efficiency and to increase transparency and accountability of public resource use. These reforms are critical if future increases in revenue from industry (mining and hydropower) are to be used for social outcomes instead of financing losses of the state-owned banks and enterprises. Continued reforms in trade and private sector will also be needed to complete the transition to a market economy and create the prerequisites for future growth. On the expenditure side the imbalance between capital and recurrent costs needs to be reversed. The revenue mobilization is critical to future macroeconomic stability. Implementation of economic reform measures have been difficult and slow. A strong leadership and commitment to reforms in state-enterprises and public financial management is crucial. The decentralization process will also need to be carefully phased and monitored to ensure that lower levels have the appropriate capacity and understanding of the greater powers being delegated to provincial and district governments.

The governments reform program is supported by IMF's Poverty Reduction and Growth Facility (GPRF), the World Bank's Financial Management Adjustment Credit (FMAC) and AsDB's Banking Sector Reform Program Loan (BSRPL). The third review of the IMF's PRGF was postponed from January to September due to non-compliance of conditions. IMF express their concerns with revenue decline and the need for key decisions made on longer term revenue measures e.g. centralisation of customs, VAT and turn-over tax. On the WB FMAC delay have been reported but most activities are implemented and on track.

2.3 Political Development

In 2003 Laos has anew attracted attention in the international media. A journalist, Andrew Perrin from TIME magazine, managed to get into the well guarded Xaisomboune special Zone to study the conditions of the Hmong resistance fighters (who since the second Indo-China war is fighting a low intensive armed operation against the Lao government). In the article the Lao government was accused of using deliberate starvation of civilians as a mean to suppress the resistance fighters. Two other journalists tried later to enter the area, but were arrested after a shooting, which left one person dead. They were sentenced in a trial, but were then expelled from the country.

The lack of reliable information is one reason for the limited external attention on the conflict. With the TIME article the international community revisited the conflict. In August the United Nations' Committee on Elimination of Racial Discrimination adopted a decision in which the Lao government was urged to immediately halt acts of violence against the Hmong population and to ensure that these persons have access to adequate food and medical care. The Committee urged the state party to urgently submit a special report to the Committee, and also requested the Secretary General of the United Nations to draw attention of the competent UN bodies to the particularly disturbing human rights situation in the country. In October Amnesty International issued a public statement in which the Lao government was accused of using starvation as a weapon of war against civilians. Later in October, the possibility of a UN humanitarian role in Xaisomboune was discussed in the Committee on Peace and Security of the UN Secretariat.

From previous denial of the conflict in Xaisomboune the government has for the first time acknowledged that there is a problem. However, the government has not been prepared to allow a neutral fact-finding mission to take stock of the situation or to offer possibilities of resettlement in the US. The Lao government claimed that reports in foreign media were wrong. But, the authorities in 2003 reiterated its amnesty offer to those who are prepared to lay down their weapons.

The security situation in Laos, outside the Xaisomboune area, gave cause for concern already in the beginning of the year when public transports were ambushed on road 13 North between Vientiane and Luang Prabang. This happened on at least two occasions, killing more than 25 people, including some foreigners. There were indications that the ambushes were carried out by members of the Hmong ethnic group, but it has not been confirmed. These incidents made several embassies to issue warnings for travelling between Vang Vieng, a famous stop for back-packers, and Luang Prabang.

Armed conflicts were also reported from Sarabury province along the border with Thailand and in Hua Phan province in September. In this latter conflict limited but reliable information claim that military posts and public transports were attacked by groups belonging to the Hmong minority. Eyewitnesses could report of many casualties, some of them belonging to the armed forces, and injured people being taken out of the area by helicopters.

The reasons for the increase in internal disturbances in 2003 are not obvious. The government's suppression of poppy cultivation is by some observers seen as one explanation for unrest in certain areas, but it is probably only one of several factors.

Although many of these security alerts involved representatives of the Hmong minority, they may not necessarily be connected.

Furthermore, there are little indications that the ambushes and disturbances during the year would represent a wider social and political unrest. The stability of the regime is not under threat. The events have nevertheless exposed the regime for outside scrutiny in a manner the government is not used to handle. The government has indeed been much more forthcoming with relatively timely information regarding the armed attacks on public busses than in the past.

The relationship with neighbouring countries has remained good during the year. Vietnam remains the most trusted political ally and the year has seen the traditional high level visits in both directions. Senior government staff is still regularly sent on political and technical training in Vietnam.

Relationship with Thailand is also good and economic cooperation was further strengthened. The Thai initiative to enter into a new economic partnership with neighbouring countries including Laos, which was announced during the year, was received well by the Lao government. During the year, an electricity purchase agreement was eventually reached with the Electricity Generation Authority of Thailand (EGAT), one of the conditions for the realization of the hydro power project Nham Theun II. Agreement was also signed between the countries with regard to the new Mekong bridge in Sawannakhet, to be financed by a Japanese concessional credit (opened on March 2004). In October the

parties reached an agreement formalizing the labour migration. Some frictions have been observed e.g. a Thai court decided not to extradite the 16 Laotian dissidents that were on trial in Thailand for bloody raid against the Thai – Lao Chong Mak Vang checkpoint three years ago. The dissidents have asked UNHCR to be sent to a third country.

Relationship with China can now be considered as fully normalized. The year has seen a marked increase in Chinese investments in Laos.

Laos and US were brought distinctively closer this year when the two parties reached an agreement on normalization of trade relations. It is yet to be approved by the US Congress. In order to facilitate the decision by the Congress, the Lao government agreed to sign an Article 98 agreement with the USA, which means that Laos would not refer American citizens to the International Criminal Court or other international tribunals.

Laos has been an active partner in ASEAN during the year and is now preparing itself for taking over the presidency during the ASEAN summit in December 2004. The government stands firmly behind the ASEAN position with regard to membership in ASEM. This means, Laos will not accept membership unless both Cambodia and Myanmar are becoming members at the same time. Laos remains steadily behind ASEAN's policy on non-interference in domestic matters.

The domestic politics has been stable. There is no distinctive change of political direction. A few changes in the government line up have taken place. The most notable change is the appointment of one more vice Prime Minister, Mr. Bouasone Bouphavanh. Mr. Bouasone, who was elected into the Politburo only during the last Party Congress, is seen as a new, more progressive and technocratic breed of politicians. Several changes have taken place among the provincial governors. There are still no female members of the cabinet and no female governors. The National Assembly has met twice during the year in, 2–3 weeks in spring and autumn. The legislature has this year been notably more active and the debates lively. There is also a generally larger openness with live broadcasting of the proceedings. During the autumn, one member of the Swedish parliament and member of the Lao – Swedish Informal Working Group on Human Rights was attending one of the sessions. During the autumn session the National Assembly sanctioned a new law on local administration and during the spring session changes in the constitution and in some other laws is paving the way for a more independent judiciary. The most important policy initiative during the year is the approval of the NPEP, outlining the government's approach to and strategy for poverty reduction.

The human rights situation has been subject to a separate report. The human rights situation remains precarious even with some improvements over the year. It is encouraging to note that the government intends to ask the National Assembly to ratify the UN human rights covenants next year. A process of informing and educating the administration is under way. During the year a (regional) representative for the Human Rights Commission made its first visit ever to Lao PDR, on invitation from Ministry of Foreign Affairs.

2.4 Development Co-operation and Partnership

The cooperation with multilateral organizations has generally been smooth over the year. The World Bank and particularly the AsDB are expanding their portfolios in Laos based on an assessment of agreed performance criteria. Collaboration with the UN agencies is increasing gradually as well. UNDP, in cooperation with WB and ADB, was the designated lead agency for the international support to the Round Table Process. UNDP has also, with the consent of the government, taken a more forceful lead in donor coordination. IFAD continues to expand operations in Laos.

During the year EU upgraded its representation in Vientiane to embassy level and is also gradually increasing its cooperation with Laos.

Among the bilateral partners, Japan remains the major provider of development assistance, approx 25%. During the year, several large donor countries, i a Australia and Germany reduced their commitments. Whereas Switzerland is expanding its support to Laos, several smaller donors including Norway, Canada and the Netherlands, have further trimmed their portfolio. Denmark in effect closed its development cooperation programme in Laos and Belgium is in the process of doing the same.

The main forum for aid-coordination and management is the Round Table Meeting (RTM) process. So far there is no sector-wide approach in Laos, but sector coordination initiatives have started.

3. Swedish Development Co-operation

3.1 Issues for Dialogue, Crosscutting Issues and Events in Lao-Swedish Co-operation

The poverty dialogue takes mainly place within the framework of the RTM and NPEP process and in which Sweden has taken an active role and provided comments and views to the various documents during the whole process.

On human rights issues the dialogue has started with the Informal Bilateral Working Group on Human Rights (IWG). During 2003, the two first meetings of the IWG were arranged. They have been held in an open atmosphere. The purpose of IWG is foremost a venue for Sweden and Laos to exchange views and give the Lao side a possibility to learn from Swedish experiences e.g. in the light of the future ratification by Laos of the two core UN human rights conventions (International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights). Two more meetings are planned for 2004.

The human rights situation in Laos is not impressive and against this background there is need to develop relevant strategies for an increased dialogue and education both bilaterally and in coordination with other donors.

The prevalence of HIV/AIDS may not yet be alarming in Laos but is increasing and demands increased attention. The sensitisation of the subject in relevant areas has been continued and in the Roads project a HIV/AIDS component has been integrated.

Ethnicity and minority issues including resettlement have been highlighted in NPEP discussions as well as in individual projects.

Discussions on how to improve the donor co-ordination takes place within an informal donor group lead by UNDP. It has moved slowly during 2003 but initiatives for increased sector coordination will be further presented and discussed during 2004.

The main aid coordination function within the Committee for Planning and Cooperation has during 2003 moved to the Ministry for Foreign Affairs. The Department for International Cooperation stays the same with regard to staffing and functions. It is not clear what this means for the continued NPEP or National Growth and Poverty Reduction Strat-

egy which is under the CPC and which has been handled by the DIC or what implications it may have on the bilateral development cooperation.

3.2 Follow-up of Country Programme Performance

In general the performance of the projects and programmes supported is satisfactory. The disbursements amount to close to 180 million SEK for 2003 (see also annex 1) which also confirms a good pace of implementation in the programme.

One issue for concern in many projects has been the limited cash contribution from the Government to cover recurrent costs. The government has not been able to fulfil its commitments. Models are elaborated in order to increase the government's share of recurrent costs over time to 100% in projects to secure sustainability of investments. This goes primarily for computer equipment etc, but there is also need to include a budget line for training to allow for a continued human resource development. The Government must be prepared to budget for the recurrent expenditures which follow new investments and capacity building.

Natural Resources and the Environment

Co-operation and Development in the Sector

In the National Poverty Reduction Eradication Programme (NPEP), agriculture and forestry – with focus on food security and better livelihoods for all Lao people is discussed as a main sector for sustainable growth and poverty eradication.

Furthermore, environment conservation and poverty reduction is seen in the NPEP as a cross-cutting theme. A draft National Environment Strategy (NES) and Action Plan have been developed, to be discussed in National Environment Committee (NEC).

A final draft of the Forest Strategy to the year 2020 was presented in the end of 2003, and a ministry-stakeholder meeting is scheduled for the first half of 2004. The FS 2020, together with a land use and forest cover survey, will then be submitted to the Government.

In November, the International Fund for Agricultural Development (IFAD) presented its new Country Strategy for Co-operation with Laos. Of special interest for Sida and the preparations for a natural resources-based poverty alleviation programme in the uplands ("UDPAP", see below), are the possibilities for co-ordination and harmonization with IFAD activities in the Oudomxay province.

The Lao-Swedish Upland Agriculture and Forestry Research Programme (LSUAFRP/NAFRI)

Agreement period: 200110–200603

Agreement contribution: MSEK 61

During the Mid-Term Review Meeting in May, the need for additional resources to extension of technical assistance, ICT-investments, developing institutional co-operation with regional and international research organisations and universities was identified. It was also agreed to carry out an assessment of the capacity building component, with the aim to put more emphasis on broader institutional development.

The Annual Review Meeting in October was held at the recently formed Northern Region Agriculture and Forestry Research Centre outside Luang Prabang. During the meeting, a concept paper on “action research” was discussed. With this new component, the programme will implement mechanisms for scaling up the application of research recommendations.

An institutional collaboration with ISNAR (International Service for National Agricultural Research) was presented, and a project team visited ISNAR in the Netherlands in November. During this visit discussions of mutual benefiting cooperation took place. Furthermore, a discussion on the use of the ISNAR as facilitator for the production of a second phase project document in mid-2004 was initiated.

At the end of the year NAFRI was engaged in the preparations of a workshop on “Poverty Reduction and Shifting Cultivation in the Uplands” – a workshop held in Luang Prabang in the end of January 2004.

Strengthening Environment Management (SEM) through Science, Technology and Environment Agency (STEa)

Agreement period: 200001–2000412

Agreed contribution: MSEK 36,3

In February, an external review concluded that the project had made significant achievements, although less than originally planned.

Low participation in project activities by some counterparts due to competing responsibilities was a contributing factor.

The review concluded that the project had enhanced the environmental management capacity at STEa. There was a noticeable improvement in technical knowledge and skills, focusing on national policy and strategy development as well as on Environmental Impact Assessments (EIA) and Environmental Education and Awareness (EEA) activities. However, human resource levels at central and provincial levels are insufficient to effectively deliver STEa's full mandate, the challenge facing the project is to build capacity to catch up to the rapid legal and policy initiatives taken in the past few years.

The review recommended a second phase of the project with a shift towards implementation, at national and provincial level. Particularly with regard to Environmental Impact Assessments, a core business function of STEa.

In September the second STEa donor meeting was held, the documentation presented at the meeting gave a good overview of ongoing activities.

At the annual review meeting in October, the Environmental Impact Assessment component was discussed. It was decided to set up a technical working team on EIA, with members from line ministries which are involved in the EIA-process. Also in October, a training course on Environmental Impact Assessment, including field visits, was held with some 30 participants.

The second meeting of the National Environment Committee (NEC) scheduled for the end of 2003, has been postponed to the beginning of 2004. The meeting is expected to discuss, among other things, a National Environment Strategy and an Operational Manual for NEC. A visit to

Sweden in May 2004 by a high-level delegation under the leadership of the NEC Chairman Vice-Prime Minister Asang Laoly, is being prepared.

A project document for a second phase of five years, was presented by STEA in September – the proposal will be externally appraised in mid-2004.

National Forest Strategy to the year 2020 (FS 2020)

Agreement period: 200205–200412

Agreement contribution: MSEK 4,2

A second draft of the Forest Strategy 2020 was distributed for comments in October. Sida comments on the draft focused on a need for a more detailed analysis of land use and forest cover changes, on the relationship between the public and the private sector and on implementation, monitoring and evaluation mechanisms. The Forest Strategy is expected to be finalized and approved in mid-2004.

Furthermore, a preliminary draft of an implementation mechanism for the Forest Strategy has been presented, with ideas on cross-ministerial working groups as well as working groups for Ministry of Agriculture and Forestry specific issues.

IUCN – The World Conservation Union

Agreement period: 200301–200806

Agreement contribution: MSEK 5

Based on the strategic framework “Conservation for Sustainable Livelihoods”, a core support to IUCN/Laos has been agreed upon. The support will enable IUCN to work on a policy level, mainly in three core programmes: Ecosystems and people, Legal and other enabling frameworks and Administration and management.

Due to administrative problems the agreement was only signed very late in 2003, and no annual review meeting could be held during the year.

Upland Development and Poverty Alleviation Programme (UDPAP)

Planned

Indicative agreement period: 2005–2009

Indicative agreement contribution: MSEK 125

In September discussions on a “restart” of the programme were held, and a Memorandum of Understanding between Sida and the Ministry of Agriculture and Forestry was signed in February 2004. A revised project document can be expected during the second half of 2004.

The project will aim at poverty reduction in the northern upland areas of Laos by improving people’s livelihoods and food security, primarily through the promotion of systems and practices for sustainable productive natural resources management. The project, focused on village level interventions, shall include activities that would improve conditions for marketing of upland products, and may also promote limited improvement in infrastructure and water supply/sanitation.

Co-operation in the Road Sector

Cooperation and Development in the Sector

A National Poverty Eradication Programme (NPEP) for the transport sector gives a strategic directive for the sector development. A transport planning specialist has been engaged to support Ministry of communication, Transport, Post and Construction (MCTPC) to turn NPEP into a medium term action plan. It is proposed that a rural transport policy shall be formulated in line with NPEP and be a platform for Laos to coordinate resources and effort from both local sources and donors in the development of the sector. A task force will comprise representatives from different relevant ministries to formulate the rural transport policy.

The main donors working in the sector are ADB, World Bank, JICA, Sida, NDF, and KFW. ADB and JICA are mainly supporting investment projects on national road network within framework of GMS, i.e. the construction of East-west corridor, road no 9, and the Mekong bridge in Savannakhet province; North-South corridor, highway no 3. The World Bank, NDF and Sida support MCTPC and its local road administrations in strengthening their institutions dealing with road maintenance and management.

The Road maintenance fund (RMF), established in 2002, is falling behind its revenue projection, due to the late approval of Lao government in increasing fuel levy. It was agreed that ten percent of RMF will be allocated to local road network.

Lao-Swedish Road Sector Project 2 (LSRSP 2)

Agreement period: 0101–0506

Agreed grant contribution: 151 MSEK

In general, the progress of works has been going well and capacity building at provincial level is on track. Most areas are near completion. The remaining area on community managed road will need more time. Achievements so far are satisfying. The phasing out of these activities under LSRSP II could become a bridging plan for continued cooperation.

The Lao contribution to the project is overall satisfactory except for the local contribution to training and local consultants. The internalisation of the project in Department of Roads remains a concern, and so does the under-funding of the Road Maintenance Fund. Both are issues that may be a risk for sustainable achievement of the project.

As to collaboration with World Bank (RMP1), the project is successful in reaching the capacity development targets in the provinces. MCTPC shall establish a committee to review the maintenance procedures developed under LSRSP II, aiming to implementing the procedures nationwide. The remarkable achievement during 2003 is the Road Maintenance Procedures, including Road Maintenance Management System (RMMS), Monitoring and Evaluation System, a contract follow-up system used in seven provinces, and the Financial Management System in eleven provinces.

Rehabilitation of road 8

Grant agreement period: 0102–0512

Agreed grant contribution: 30.2 MSEK

Loan agreement period: 0105–0506

Agreed soft loan: 100 MSEK

During the year an amendment to the specific agreement was made to add an additional amount of 12 MSEK to the total grant. The additional funds will cover a number of services not included in the original project, including an urgent investigation of Nam Theun Bridge, SWECO additional services, Road Safety measures, advisory support to the Ministry, and monitoring support to Sida.

The rehabilitation of Road 8 is seriously delayed. Mainly due to an inappropriate set up in management and lack of capacity in plants, equipment, and material on site of the contractor (a joint venture of Lao and Vietnamese state owned enterprise). Coordinating between two enterprises is not sufficient. The Road project has been divided into two parts. The engineer should have alerted the employer in time in order to take actions to prevent further delays. The employer has shown insufficient competence in management of the contract in relation to both the Engineer (SWECO) and the contractor. In response to such situation, the engineer is going to issue a warning letter to the contractor, expressing its concern on delays. MCTPC is required to provide Sida an action plan on how to speed up the progress of work in order to meet the deadline in March 2005.

As to HIV/AIDS Prevention Programme complementing to the Road 8 project, considerable progress has been made over the year in respect of programme start-up. Project working teams at provincial and district level, representing different stakeholders, were established. Project design, in which target groups and action plan are identified, was made based on situation analyses. A number of workshops and training on peer education have been conducted at different levels for representatives from local communities, contractors, and authorities. Pamphlets, posters, and condoms have been distributed. In spite of this achievement, much remains to be done, i.e. coordination between MCTPC and National Committee for the Control of AIDS Bureau (NCCAB), further development of a model and find a proper way to institutionalize it into Lao road industry.

Health Sector

Sida support to the health sector was phased out according to previous decisions on priority sectors and focus.

The National Water Supply and Environmental health Programme.

Agreement period: 9801–0412

Agreed contribution: 75, 4 MSEK

Sida's support to NamSaat is now under the consolidation phase that will be ended by June 2004. During the report period, the Sector Development Strategy, in which roles and responsibilities of Nam Saat are being

clarified, has been revised and now is subject to final approval from Ministry of Health.

A memorandum of understanding has been agreed between Nam Saat, Ministry of Education and Lao Youth Union aiming at improving collaboration between the parties. It allows a direct funding to MoE and LYU in strengthening hygiene promotion, sanitation awareness and sector related activities at both primary school and community environment.

Implementation of a seven steps approach, built on community participation in planning, implementation and maintenance, is seen as a major achievement and has been adopted as a guiding principal in implementing the national rural water supply and sanitation programme. A number of training and study visits for staff members at central level, provincial, district level and as well as for communities have been conducted aiming at improving their competence in different fields.

To some extent, progress on decentralization in the sector is made. Nam Saat centre which should play a role as facilitator and advisor is still not clear of its role and reluctant to fully delegate to provincial level. The delegation is further hampered by lack of competence and clear mandate at provincial level, which is responsible for implementation. Often this has led to delays in the project implementation.

National Drug Policy Programme

Agreement period: 030101–03093

Agreed contribution: 2,4 MSEK

A 10-year support to the Ministry of Health's National Drug Policy Plan (NDPP) ended in 2003 with the 9-month extension of Phase III (1 January to 31 September 2003).

The purpose of the extension was to provide more time to enable NDPP to achieve its results and improve its prospects for sustainability. A final reallocation of fund was also approved by Sida.

During the final year of NDPP III, the program was largely on track with its activities, however the SARs epidemic slowed progress in some areas in the first half of 2003, and in some cases these activities were eventually cancelled. A strong emphasis on management and consolidation has characterised the period, with concentration on financial systems, phase out and sustainable planning, and preparations of the final NDPP dissemination and documentation. On the technical side, emphasis has been on consolidation of quality assurance, regulatory and Rational Use of Drug instruments and systems, monitoring their use. A major thrust for the year was the final NDPP dissemination conference: 10 years of national drug policy implementation in Laos: lesson learnt-looking forward into the future. The consultant's final report includes suggestion for developing a new form of agreement (KTS-Contract Financed Technical Cooperation) between the MoH and Swedish institutions. The possibilities for a new cooperation will be further discussed and will mainly depend on the counterpart funding ability by the Lao government.

Governance

Co-operation and development in Public Administration Reform

A public administration reform process started in 1993 with the start of the Governance and Public Administration Reform Programme, GPAR, supported by UNDP. In April the Government presented a policy paper on governance as part of the NPEP process. The NPEP states that consolidated public sector management is fundamental to the strengthening of the overall environment for macro-economic stability and growth. The governance programme covers public service reform, central-local relations, legal framework and socio-economic framework.

Co-operation in Statistics – National Statistics Centre, NSC and Statistics Sweden

Agreement period: 200110–200412

Agreement contribution: 26 MSEK

NSC is the central bureau of statistics in Laos with a legal mandate to produce all official statistics. Swedish support to NSC started more than 10 years ago. Other important donors supporting NSC are the World Bank, AsDB and UNDP. One important task ahead is NSC's role in poverty assessment, monitoring the NPEP and MDGs. The coordination of external support and stakeholders will be an important feature in the execution of this role.

The cooperation has progressed well during 2003 in line with the three project objectives:

- A. Strengthening of statistics in the socio-economic field – production.
- B. Strengthening the infrastructure of the Lao statistical System – quality.
- C. Strengthening the NSC to become the major body for monitoring statistical activities – organisation, management.

The first objective regarding the production of socio-economic statistics has the highest priority and takes approx 60% of budget. Major activities are e.g. the household survey, LECS III and Enterprise survey, which provide information to the National accounts. The work with LECS III was continued during the year, the cleaning of the data was finalised in end 2003 and the first publication expected in early 2004.

A Mid-term review was presented and discussed during the semi-annual review in May. The review concluded that “the project has progressed according to plans, with certain delays, mainly explained by staff shortages. The organisation has developed well and enhanced its capacity considerably. Crucial outputs are coming up with regularity and quality improvements. NSC has placed itself on the map as the central statistical institution of Laos.” One important weakness identified is the shortage of staff. The organisation will depend on outside support financially and technically, both for its operation and long-term development. The recommendations were to focus on how to achieve long-term sustainability of the organisation and to embark on a strategy including both concentration on sustainable core business and explaining its role in the national statistical system.

As a response to this NSC presented at the Annual Review Meeting in December its “Strategies and Measures for the official statistics of the Laos 2004–2010”. This document provides good evidence of NSCs capacity to assess its strengths and weaknesses and shows what the organisation can and wants to do in the period ahead. The document will be further discussed with the donor community as well as the Committee for Planning and Cooperation, CPC. The process and decisions with regard to this strategy document will be decisive for NSCs future operations and organisation. Sida will follow this process closely, to which future support and co-operation is related.

NSC has also during 2003 started the preparation for the population census 2005 and for which support from Sida has been requested. A management change has taken place at NSC, a new Director General has been appointed.

Support to fiscal policy and tax administration

Agreement period: 200301–200312, 200311–200612

Agreement contribution: 3 MSEK, 25 MSEK

With decreasing revenues in relation to GDP the increased attention to improved fiscal policy and strengthened tax administration is highly relevant. In NPEP the government strongly commits itself to fiscal reform as a means to increase public resources. The reasons for decreased revenue are manifold, one is the decentralisation policy which has resulted in a reduction of central government’s control on revenue collection and cash flow.

Sida has during 2003 supported the UNDP Tax and Customs bridging project while preparing for a continued support to tax administration reform. Other major development partners and stakeholders in the fiscal and customs area are IMF (Poverty Reduction Growth Facility), World Bank (Public Financial Management Adjustment Credit) AsDB (accounting) and UNDP (Customs and Public Administration Reform). The French and the Japanese support human resource development through various training programmes. The coordination of the projects takes place in a new steering committee, headed by the vice minister of MoF and with all the DG of departments.

The Lao Ministry of Finance and Sida reached in 2003 an agreement to prepare for support to the Laos Tax administration. The work was conducted with support from the Swedish Tax Agency and resulted in a project proposal covering three areas:

- Tax policy and administration
- Human Resources
- Organisation and Management

Based on the proposal and request for support Sida committed an independent appraisal mission. It concluded i a that the plans were very ambitious considering the time frame (three years), that political commitment and support are decisive prerequisites with regard to policy matters (VAT, decentralization).

In November Sida decided to support the project with 25 million SEK for a three year period as a Twinning cooperation between the Tax Department of Ministry of Finance Laos and the Swedish Tax Agency. A Specific Agreement was signed end November. One of the conditions was that the project starts with an inception period to formulate realistic objectives and performance indicators, elaborate detailed work plans and budgets for the whole period and for 2004, propose suitable forms for project follow-up and monitoring as well as an advisory mechanism with the main stakeholders. An inception report is due end March 2004. An agreement was also signed between Sida HQ and the Swedish Tax Agency with a Terms of Reference, specified by the Tax Department, for the role and task of Swedish Tax Agency.

The results and lessons learned from the previous tax project have been taken into account and transferred to the new project. Some important changes have taken place during 2003 securing commitment to reform, e.g. changes in management at the Ministry of Finance, a new Director General at the Tax Department and a new Vice-Minister have been appointed.

Important issues for the success of the tax project relates to VAT and the decentralisation policy on fiscal revenue collection. The work on VAT came to a halt during 2003 but in November with a newly appointed steering committee and working group the Government has decided to introduce VAT in 2005/2006. The decentralisation of the Lao public administration needs further clarification with respect to the fiscal area. The work is mainly conducted within the framework of the public administration reform but with coordination with the tax project and Tax Department.

*Governance Public Administration Reform,
Luang Prabang decentralization pilot project*
Agreement period: 200112–200412
Agreement contribution: 11,7 MSEK

The Luang Prabang Decentralisation project falls under the umbrella of the government's overall Governance and Public Administration Reform Programme, GPAR. It is a pilot project to implement the government's decentralization policy which was launched in 2000 with the Instruction 01/PM. The work on defining a framework for the decentralisation started in 2003.

It is the first phase of a longer term project and aims to support the assessment and development of essential capacities needed for the management of governance and public administration reforms in selected pilot offices of the provincial and district administration.

The start of the project in 2002 was slow, but this year the project has progressed well according to plans. During the mid-term review end of August some first results were reported and it was agreed to extend the project by one year until end of 2004.

The annual review meeting end of January 2004 in Luang Prabang discussed the progress and results as well as challenges and lessons learned. The testing approach has worked well with flexibility and practical solutions sought. Coordination mechanisms with GPAR central

to feed in experience have been found. So far results include the Village Management Training Course delivered in all pilot districts. This training has also been supported by broadcasting in minority languages through the Luang Prabang Radio, another Sida supported project. A manual for Villages has also been produced. Improved financial management capacity has been achieved by rolling out the new national accounting system (AsDB) to the whole province and not just the pilot offices. A study visit was conducted to Vietnam (Sida project) to study the one-stop-shop concept as a means to enhance service delivery standards.

There is a high commitment and political support for reform from the local government, but the general understanding of the decentralisation concept – why and how – will take time to understand in the administrations. This means that real changes and effects will take time to achieve.

During 2003 UNV has started up activities in Luang Prabang and formulated their project objectives, complementary to this project. It focuses on the district-village level and the participatory methods in planning in three pilot districts. A good coordination is in place. The synergies with the project remain to be seen.

The National Assembly approved a new law on local administration during their autumn session. The effects of this law is not clear at this stage, but in the work plan for 2004 is included a review of a district administration based on the new opportunities in the law.

Support to the Legal Sector and Human Rights

Introduction

In March, the government presented its priority areas for legal reform at the mini-round table meeting on Public Service Reform, People's Participation, Rule of Law and Sound Financial Management. The main task identified was the necessity to establish a complete, coherent and clear legal framework. Priority actions identified included review and amendment of the laws governing judges and prosecutors; strengthen the role of the National Assembly; harmonization of national laws with international law and commitments made by Laos there under; continued preparation for ratification of human rights treaties; etc.

The UNDP-commissioned evaluation of the Lao legal sector (Evaluation of the Implementation of the Rule of Law in Laos, 1997–2003. Lessons and Challenges) was finalised during the autumn and was subsequently approved by the Lao Government. The Evaluation presents the status of the legal sector in Laos and assess the impact of UNDP's and others' projects during 1997–2003. It also identifies key areas for future recommended support to the legal sector. The report gives a bleak picture of the current status of the legal system as well as the impact of the various co-operation projects. It however notes a couple of areas where projects have contributed to progress – one of these is the Sida financed support to the Faculty of Law. Another intervention with at least moderate success is the UNDP project "International Law" in co-operation with the Ministry of Foreign Affairs.

The implications of the Evaluation for Sida's future engagement in the legal sector in Laos are discussed below.

*Strengthening Legal Education at the Faculty of Law and Political Science,
Phases I and II*

Phase I:

Agreement Period: 0007–0403

Agreed Contribution: 12,0 MSEK

Phase II:

Agreement Period: 0312–0905

Agreed Contribution: 32,3 MSEK

The first phase of the support addressed various areas in order to improve the education provided by the Faculty. The main areas were administrative development and curriculum development, legal training, English language training, production of teaching materials and upgrading of premises, including the library. Results in all areas are satisfactory.

The formulation of the second phase of the co-operation started early 2003, and was ongoing for almost the whole year. Several stakeholder workshops and an external appraisal were carried out during the spring and summer and the finalisation of the second project proposal was completed during the autumn. The agreement for the second phase came into force in Dec. 2003. The second phase of the co-operation will increasingly focus on teaching capacity, with special focus on legal methodology and pedagogical skills. The project will also strengthen the administrative and financial management skills at the Faculty, with the aim to hand over the management of funds during the project period. Gender and human rights are two areas that have received more attention in the second phase of the project. The exchange of knowledge with other legal institutions and continued English training are also areas, which during the second phase will constitute important components of the co-operation.

Strengthening the People's Supreme Court (PSC)

Agreement Period: 0006–0406

Agreed Contribution: 1,2 MSEK

Strengthening the Office of the Public Prosecutor (Opp)

Agreement Period: 0005–0406

Agreed Contribution: 2,4 MSEK

Both of these projects have come to an end, and have been evaluated (see above).

Support to the OPP had two main objectives: strengthening the legal knowledge and capacity of the OPP through development of comprehensive curricula and training programmes; and secondly, to establish a database for collection and generation of statistics on crimes and cases. The UNDP evaluation concludes that OPP project activities so far have not yielded adequate results and project objectives have not been fully achieved. Support to the PSC has mainly consisted of different kinds of training legal as well as English language training. The project has also sought to improve knowledge through dissemination of cases and decisions in several different publications (Supreme Court Journal and an annual Casebook).

In summary, the evaluation states that the PSC project objectives have not been met, and also that the project has suffered from bad management and lack of ownership.

The UNDP evaluation clearly states that the two projects have suffered from lack of commitment and ownership, and that there is need for better co-ordination and openness. The developments in the legal sector are very slow and not satisfactory at all. Unless the willingness to reform the legal system is not manifested by a concerted effort from the Lao legal institutions to assess the needs properly, Sida's continued support to the sector is jeopardised. Discussions are ongoing on how to initiate and support such a process. UNDP is the appropriate co-ordinator of donors

Dissemination of the Convention on the Rights of the Child

Agreement Period: 0209–0508

Agreed Contribution: 5,0 MSEK

The project, which is carried out by UNICEF in collaboration with the National Commission for Mothers and Children (NCMC), has the following objectives: development of a local CRC training capacity for sensitisation of Government officials on the CRC; improved knowledge and understanding of CRC amongst teachers and children for improved monitoring and implementation of the convention; and increased participation of children in identification and education of key CRC issues affecting children's safety and well being. A baseline study was successfully completed in 2002.

During 2003, the training component of the project has created a pool of trainers from various ministries. In December, the first training for teachers and Ministry of Education staff was arranged. Provincial training will follow during 2004, with the target groups being primary school teachers and provincial administration staff. The provincial activities will be continuously monitored, as the schools involved in the training are part of UNICEF's regular support programme, thus making the CRC training integrated into this work. The curriculum and training material has been designed and developed in collaboration with Mahidol University in Thailand.

Fund For Human Rights/Democracy Projects 2003–04

Agreement Period: 0303–0506

Agreed Contribution: 4,0 MSEK

The Fund is financing various activities relating to human rights/democracy.

1. Informal Bilateral Working Group on Human Rights (IWG)

During 2003, the two first meetings of the IWG were arranged. Both meetings (the first in Vientiane in February, the second in Pakse in October) have been held in an open atmosphere with plenty of opportunities for questions and comments to be raised. It is expected that during 2004, several activities will follow as a result from the discussions and deliberations within the IWG.

In connection with the two meetings in 2003, the Swedish and Lao delegations have been provided the opportunity to undertake study visits

to the provincial prison facility in Khammouan Province and to a provincial detention centre in Pakse. Visits to provincial courts, ethnic boarding schools and to provincial offices of the National Assembly have greatly increased knowledge of the situation in Laos to the Swedish, but perhaps equally important, to the Lao delegation of the IWG.

2. Support to Participatory Development Training Centre (PADETC)

PADETC is a private not-for-profit training centre, established in 1992. PADETC successfully implemented the project “Young Lao TV: The Voice of Lao Youth”, with funding from Sida during 2003. In 2004, PADETC has received support to implement the project “Quality Schools”, aiming at making 800 lesson plans in 12 primary schools in Vientiane more child-friendly.

3. Attendance at the UN Commission on Human Rights

The Fund has been used to finance the participation of five Lao officials in the UN Commission on Human Rights. Four of them are members of the delegation to the IWG mentioned above.

4. Seminars

During 2003, the Fund financed the International Symposium on Achieving Millennium Development Goals in a Multi-Ethnic Society.

Support to provincial radio

Agreement Period: 0107–0312

Agreed Contribution: 3,0 MSEK

The pilot phase of this project in Luang Prabang and Savannakhet provinces was finalised during 2003. Focus has been on upgrading and training on modern technical equipment as well as on training in journalistic skills, such as production of radio programmes, interviewing techniques, editing etc. The pilot has proved to be successful and some synergy effects have even been noted, for example with the GPAR project in Luang Prabang. The project proposal for a three-year continuation of the pilot has been appraised. After revisions of the proposal, a new procurement process will be initiated.

Co-operation in the Education Sector

The education sector receives a strong support from several donors/lending agencies. Multilateral projects are supported by AsDB, World Bank, WFP and EU. AsDB funds the Second Education Improvement Project (EQIPII, USD27 millions). The World Bank funded Second Education Development Project (EDPII, USD10 millions) has been delayed until September 2004. The project focuses on six poor provinces. One component, the Ethnic Group Development Plan (EGDP), is a social safeguard for the poor, including measures to address the language barrier for education in remote and ethnic minority areas. Sida, World Bank and UNICEF have together put the issue on language of instruction on the agenda.

France supports Primary Education Support for Laos in Champassack and Oudomxay provinces.

Inclusive education project

Agreement period: 0001–0506

Agreed contribution: MSEK 6.00

The objective of the project is to provide education to Children with Special Needs in ordinary schools. The project covers 271 schools in 18 provinces, which represents a small percentage of all schools in the country.

The Mid-Term Review in May 2002 endorsed the continuation of IE project with a slower paced and phased expansion to produce a balance between quality and quantity aspects of IE education. The National Review and Planning Meeting adopted the MTR recommendations. The recommendation regarding the quality aspect of IE was not fully addressed in the work plan 2002–2003. This issue will be addressed during the next review meeting in June 2004.

Due to the USD depreciation against the Swedish Kronor, the project budget has increased and thus an extension may be possible for continued work on education quality and integrating IE into MOE supervision and reporting structures.

A main constraint is the low capacities, frequent turn over and replacement of education and health staff at the provincial and district levels.

Advisor to Ministry of Education

Agreement period: 0302–0205

Agreed contribution: MSEK 6.3

The objective is to support the MoE in the co-ordination of projects and programmes within a common financing and policy framework and to establish favourable conditions for a sector wide approach, SWAP in order to reach the Government's Education for All (EFA) commitments.

In 2003 there was a growing understanding of the need

- (a)-for a strategic sector development plan
- (b)-for prioritising, phasing and sequencing the various development needs; and
- (c)-for dialogue with the development partners.

A strategy or 'roadmap' for reaching a SWAP agreement between MOE and the major external financing agencies was outlined in the Inception Report. The strategy involves the development of a series of steering documents developed by MOE in dialogue with the partner community. The Report was approved by MOE steering committee as a strategy for financing education sector development. Two workshops on SWAP and three study tours in Cambodia were organised to discuss different elements of SWAP.

To conclude there is some progress towards a sector wide approach, but the main constraints are the political commitment and the government counterpart funding to make the investments sustainable.

Demand Driven Approach Basic Education for All (DDA)

Agreement period: 0304–0408

Agreed contribution: MSEK 6.0

The objective of the project is to find alternative low-cost model of basic education by improving access and quality of education through community involvement. The project focuses on two pilot districts in Vientiane province.

The project activities started immediately after the signing of the Specific Agreement in April 2003. Relevant committees in MoE, district and village levels have been established and training provided. More capacity building will however be required to make them operational. Local workshops and a study tour in Lok Jumbish project, India have been organised. Village-based school mapping and micro-planning have been completed in 95% of the villages, but the process was done hastily without strong communities' ownership and participation and therefore need to be consolidated.

Village Trust Fund (VTF) has been set up in all villages and impressive money collections made for supporting school maintenance, poor children, textbooks, teaching-learning aids. The Vientiane Province Education Service, VPES, has provided a fully renovated office and Kip 50 millions¹ (USD5000) cash contribution for supporting the supervision of pedagogical advisors and Teacher Upgrading Program trainers.

The external Benchmark Assessment of Students Learning Outcomes (ASLO) in December 2003 showed a number of problems that need to be improved, i.e. content, teaching/learning materials and teaching methods simultaneously with implementation of the DDA Project.

Only a short time has elapsed since the start of the project. The demand driven concept has not yet been fully internalised in the communities' work, but all stakeholders involved have been responsive to queries and were committed to improve the communities involvement towards the education management.

The personnel in leadership position needs more support in community involvement and awareness of the concept. A better gender balance with more women would also improve the community involvement.

Teacher Training Enhancement and Status of teachers (TTEST) Project

Agreement period: 0302–1208

Agreed contribution: MSEK123.00

The year 2003 has included intensive TA input to support the capacity building of the MOE staffs and to produce key documents. The overall TTEST activities are largely on track. The major achievements include the production of draft reports on education financing, improving teachers' salaries, Training Need Assessment, Guideline for Teacher Certification, National Teacher Competencies, draft National Teacher Training Plan (NTTP), Curriculum Framework, Master Programme, Research Topics and Management Information System.

¹ The Specific Agreement requested Kip 80 millions of VPES contribution, but VPES is committed to disburse Kip142 millions, so far Kip 50 millions have been disbursed.

The annual review in October 03 contained advisory and important critiques on specific TTEST components. It invited the project committee to carefully examine the project feasibility within the Lao context by adding the following:

- (1) a quantitative projection of teacher need and supply for different categories of teachers and of need for pre- as well as in-service and upgrading training,
- (2) a systematic reflection on the implications for the education system as a whole of the teacher training measures being proposed,
- (3) a costing of NTTP implementation, and
- (4) an operational plan specifying the practical steps to be taken to get the NTTP implemented. These have been taken seriously and where applicable, progress is reported.

Additional work on NTTP has progressed and study visits to Vietnam and Malaysia have been completed. The national report and recommendations on teacher education curriculum review is awaiting the final decisions of the MOE before submitting to the Prime-Minister Office.

The Professional Development Programme to improve key trainers' competency has been developed in detail. The first 3 operational studies (cluster schools, classroom performance, and recruitment of teachers) have been submitted as a preliminary draft.

The counterpart funding is a problem. The MOE disbursement of the counterpart funding during the fiscal year 2002–2003 was about one fourth of its commitment according to the Specific Agreement. The MOE has requested Sida to reduce the MOE counterpart funding for TTEST. Sida maintains the level of commitment agreed upon in the Specific Agreement.

The bi-annual government/donors meetings on macro-financial policy monitoring as referred to in SA has not been initiated yet.

Higher Education and Research

National University of Laos (NUOL)

Agreement period: 200301–200512

Agreed contribution: MSEK 25,5

Preparatory courses for 60 proposed MSc- and PhD-candidates, from the five faculties included in the research co-operation, to improve their proficiency in English and computer skills have been carried out during 2003.

A consultant has been contracted to upgrade financial management skills, a computerised financial management system is in place and administrative staff, both at the Central Financial Department and at the faculties, have received training in the handling of funds.

As part of the ICT planning activities seven students from NUOL have received training in Communication Systems Design in Sweden. An international ICT-workshop was held at NUOL in August. A draft Master plan and Policy for ICT-development at NUOL has been prepared, as well as an application for ICT-support 2004–2005.

Consultancy Fund

Agreement period: 0201–0506

Agreed contribution: MSEK 9,0

The Consultancy Fund has been extended until June 2005. This fund is still utilised for many purposes, especially for financing the Lao officials to participate in Sida's International Training Programmes, as well as for financing Lao Government officials' international travel to participate in other international seminars of special interest to Sida. During the reporting period, a number of components have been phased out.

The utilisation of the Consultancy Fund could go ahead after having received approval from the Department of International Co-operation, which was then under the Committee for Planning and Co-operation. But, since mid-year 2003 this department has been transferred to the Ministry of Foreign Affairs. After this transfer, we have experienced a rather slow respond for different activities. One of the main reasons could be due to the new and different work routines. We expect they will settle down in the very near future and thereby, improve these routines.

3.3 Brief Account of Sida Support to Regional Co-operation Programmes of Relevance for the Country

Natural resources and the environment

Laos is included in Sida's co-operation with the Asian Institute of Technology (AIT in Bangkok) on aquatic management (Aqua Outreach Programme, AOP). The AOP is working together with the "Regional Development Co-ordination", under the Department of Livestock and Fisheries, in six provinces on multi-sectorial capacity development with focus on water related issues – such as support to private distribution of fry as well as to the cultivation of fish.

Furthermore, within a Master Scholarships Program at AIT, 13 students from Laos have participated in training related to natural resources management and energy related matters. A continued support for the period 2004–08 has been decided upon, in total covering approximately 130 students.

Sida is supporting the Mekong River Commission (MRC), with as from mid-04 its new headquarters located in Vientiane – Sida has indicated that there is a risk of discontinuity in operations as a result of this relocation. In a joint review by Sida, Danida and SDC carried out in 2003, MRC was considered to be "on track", however, with some remarks regarding the use of international consultants, comprehensive travelling and varying quality on studies and reports produced.

Swedish Environment Secretariat in Asia (SENSA in Bangkok) has in particular two focal subject matter areas of special interest for discussion on interaction with the bilateral support to Laos and regional initiatives: Illegal logging and trade in forest, non-timber forest products and wildlife as well as chemical safety.

Higher education and research

Laos is included in the Regional co-operation for livestock based sustainable farming systems in the lower Mekong region (MEKARIN).

Four MSc-students from Laos graduated in 2003, and one PhD-student

continued his studies at the Swedish University of Agricultural Sciences. One Master-level training course was held at NAFRI.

Faculty of Social Sciences at the National University of Laos is part of the South-East Asian Conflict Studies Network (SEACSN). The 3rd National Workshop on Conflict Resolution was held in July. Two Laos-based projects received support through the Research and Exchange Programme.

3.4 Office and Administrative Issues

During the year three out of five expatriates have been changed. A new National Programme officer in charge of the road and water sanitation programmes was also employed. A new part-time secretary, mostly dealing with consular issues, started in October 2003.

A Quality Assurance Team visited the Embassy in September in order to ensure that the Embassy had the necessary resources, skills and systems to get full delegation. A follow-up action plan was sent in and full delegation was given. Part of the action plan is to establish a project committee.

In October the Embassy hosted the regional head of administration seminar.

The Embassy had a new telephone net installed from MoFA Stockholm during the autumn.

The number of visa applications to Sweden and other consular issues has increased compared to 2002. The applications for residence permit have also increased which means more work with interviews. Also the visa applications to the other Nordic countries increased during the year.

During the period the embassy concluded six months' period of local EU Presidency.

Annex 1

Land Facts – Lao PDR

Official name:	Lao People's Democratic Republic
Population:	5.5 million (2002)
Population growth:	2.5% (2002)
Life expectancy:	53 years
Infant mortality rate:	90/1000 lives
Maternal mort. rate:	650/100000 lives
Literacy rate:	64% (2003)
Net enrolment rate:	76%
Below poverty line:	32%
Ethnic groups:	47 groups (Tai-Kadai family is making up about 66% of the population (of which 30% are ethnic Lao). The Mon-Khmer family is making up the second biggest group with 23.5% of the population, 7,5% Hmong-Mien and 2,5% Tibeto-Burman.
Surface:	236,800 sq.m
Capital:	Vientiane
Language:	Lao plus 38 ethnic minority languages
Religion:	Majority is Buddhism, 85%, some catholics also. There are some ethnic minority groups worshipping spirit.
Political system:	People's Republic and single-party system
National Day:	2 nd December
President:	HE Mr. Khamtay Siphandone
Head of Govt:	HE Mr. Boungnang Vorachit, Prime Minister
Foreign Minister:	HE Mr. Somsavat Léngsavat
Political parties:	Lao People's Revolutionary Party
Latest election:	end of year 2002
Next election:	2007
Membership:	ASEAN, WB, IMF, IFC, ADB, UN
Currency:	Kip (Kip 1,000 is equivalent to SEK 0.70)

GDP/Capita:	US\$ 330 (2002–03)
Annual GDP growth:	5.5% (2003)
Industry growth:	8.6% (2003)
Inflation rate:	15% (2003)
Foreign debt:	US\$ 1.6 billion or US\$ 900 million NPV
Current debt service:	7.5% (2002)
Current A/c B/s:	– 3.4% (including official transfers)
Exchange reserve:	US\$ 2007 million or 3 months' of import
Export:	US\$ 366 million (2003)
Annual export growth:	17.2% (2003)
Import:	US\$ 507 million (2003)
Annual import growth:	8.6% (2002 to 2003)
FDI inflow:	US\$ 155 million (2002)
ODA inflow/GDP:	7%
Main trade:	ASEAN, Europe/EU, Australia, Japan, China
Most important:	Timber & wood products, garments, coffee, electricity, industries mining, gold re-export
Tourism:	620,000 tourists (2003)
Swedish exports:	US\$ 393,000 (2003; mainly machinery parts)
Swedish imports:	US\$ 3.7 million (2002-03; mainly garments)
Swedish relation:	Ambassador of Lao PDR to Sweden – Mr. Phou Rasphon
with Lao PDR	Ambassador of Sweden (Thailand) – Mr. Jan Nordlander Chargé d' Affaires of Sweden in Lao PDR – Mrs. AnnLis Åberg
Political relations:	Sweden acknowledged Laos in 1955 (8 December). On 22 June 1965 Laos was accredited to the Swedish Ambassador in Thailand. A Swedish Embassy was established in Vientiane in 1978.
Bilateral agreements:	Agreement on Promotion and Mutual protection of investments (29 August 1996). Agreement on General Terms and Condition for Development Cooperation (2001-2006). Agreement of Development Cooperation between Sweden and Lao PDR, 1999-2004 and 2004-2006.
Trade and investments:	The Swedish export to Laos amounted to 393.000 USD (2003) whereas the import from Laos accounted for a higher share, 3,7 million USD the same year. There are only a few Swedish investments in Laos.
High-level visits:	Since 1995 several visits have taken place. The last high-level visit from Sweden was the vice Prime-minister Lena Hjelm-Wallén in December 2000 in connection with the EU-ASEAN meeting for Ministers for Foreign Affairs.

Annex 2

Swedish Development Co-operation with Lao PDR

Fiscal Year 2003

Planning Overview

Agreement ID	SECTOR/PROJECT	S T A T	Period agree- ment	Amount agree- ment	Amount planned agree- ment	Disb'd up to & incl 2002	Disb'd 2003 per end Dec	Estim'd 2003	Estim'd 2004	Estim'd 2005	Estim'd 2006
1. Budget allocated per country											
1A. Development Cooperation Agreement											
AGRIC. FISHERY AND ENVIRONMENT											
A4400018	Environment STEA	A	0101-0412	106,5	195,0	29,1	23,8	23,8	30,2	46,3	51,0
	NAFRI	A	0110-0603	36,3		17,8	9,5	9,5	9,0		
	National Forest Sect Strat	A	0205-0412	61,0		9,7	12,3	12,3	18,6	20,3	
	IUCN	A	0301-0806	4,2		1,6	2,0	2,0	0,6		
	STE A II	A	0301-0806	5,0					2,0	1,0	1,0
	Upland/Natural Res Progr	P	0504-1006		85,0					15,0	25,0
		P	0506-1101		110,0					10,0	25,0
INFRASTR. PRIV.SECT. URB. WATER/SAN.											
A4400021	Road 8, TA	A	0102-0512	256,5	160,0	149,8	55,2	55,2	41,4	49,8	35,0
A4400019	LSRSP II	A	0101-0506	30,2		7,8	4,7	4,7	7,0	7,8	
A4400006	Water and Sanitation	A	0101-0506	151,0		87,9	39,2	39,2	26,4	2,0	
	Repair of Bridge at Road 8	A	9801-0412	75,3		54,1	11,3	11,3	3,0		
	LSRSP III	I	0401-0506		10,0				5,0	5,0	
		I	0501-1006		150,0					35,0	35,0
SOCIAL SECTORS											
26900055	National Drug Policy II	A	9601-0106	171,1	7,0	34,0	25,7	25,7	26,9	39,8	36,5
A4400020	National Drug Policy III	A	0101-0403	15,0		15,0					
A4400035	TTEST/EQUIP II	A	0101-0403	16,2		13,6	2,0	2,0			
A4400013	Inclusive education I	A	0203-0812	123,0		2,1	17,9	17,9	20,0	35,0	35,0
A4400034	Inclusive education II	A	0010-0208	1,0		1,0					
A4400027	Particip. Action Research II	A	0201-0506	6,0			2,8	2,8	2,7		
A4400039	Demand driven approach****	A	0111-0305	1,6		1,6					
A4400032	Dep of Planning, MoE	A	0304-0502	2,0			1,2	1,2	0,9		
	Driven Driven Approach II	A	0203-0509	6,3		0,7	1,8	1,8	2,2	0,4	
	Inclusive Education III	P			4,0				1,1	2,9	
		P			3,0					1,5	1,5
DEMOCRATIC GOVERNANCE & HR											
A4400028	Nat Statistics Centre IV	A	0110-0506	127,0	72,0	23,3	26,1	26,1	30,8	36,8	36,0
A4400016	Faculty of Law & Pol Scien	A	0110-0506	26,0		9,4	7,3	7,3	9,5		
A4400015	Prosecutor Office	A	0007-0405	12,0		6,2	3,7	3,7			
A4400017	Supreme Court	A	0005-0406	2,4		2,0	0,4	0,4			
A4400008	Provincial Radio I	A	0006-0406	1,2		1,0	0,2	0,2			
	Dissimination of CRC	A	0107-0312	3,0		1,6	1,4	1,4			
	Support to tax authority	A	0209-0508	5,0		0,8	0,6	0,6	1,6	0,8	
A4400030	Adm reform Luang Prabang	A	0311-0704	25,0					8,0	9,0	8,0
	Tax Project Preparation	A	0112-0506	11,7		2,0	7,9	7,9	1,7		
	Tax Project-Bridging Period	A	0210-0303	2,7		0,3	1,6	1,6			
	Faculty of Law-Phase II	A	0212-0309	3,0			3,0	3,0			
	Provincial Radio II	A	0312-0906	35,0					5,0	6,0	6,0
	Adm reform Luang Prabang	P	0403-0709		14,0				3,0	5,0	6,0
	StatisticsV Final Phase	P	0501-0712		10,0					3,0	3,0
	Legal Sector Reform-Prep	I	0501-0712		18,0					6,0	6,0
	Legal Sector Reform	I	0401-0412		2,0				2,0		
	Juvenile Justice & CRC	I	0501-0906		20,0					5,0	5,0
		I	0501-0906		8,0					2,0	2,0
RESEARCH COOPERATION											
	National University of Lao	A	0301-0506	25,5	35,0	0,2	2,5	2,5	18,0	24,5	15,0
	Information, Com, Tech*****	A	0301-0506	16,0			1,1	1,1	10,0	4,5	
	Resarch Coop & ICT	P	0501-0812	9,5		0,2	1,4	1,4	8,0		
					35,0					20,0	15,0
OTHER											
A4400008	Consultancy Fund	A	0201-0506	9,0	1,5	3,0	1,6	1,6	3,5	4,5	4,5
	Contract Financed TC	P							1,5	1,5	1,5
TOTAL DISB DEV.COOP.AGR.				695,6	470,5	239,4	134,9	134,9	150,8	201,7	178,0

Planning Forecast - Budget allocated for Laos		Actual Planned amounts 2003-2006				
		2002	2003	2004	2005	2006
1. Annual Amount		160,0	160,0	160,0	160,0	160,0
2. Balance Brought Forward		-	-	25,1	34,3	-
3. Total Available		160,0	160,0	185,1	194,3	160,0
4. Act/Planned disbursements		241,7	134,9	150,8	201,7	178,0
5. Balance carried forward		(81,7)	25,1	34,3	(7,4)	(18,0)
6. Item 4. as % of item 3.		151,1	84,3	81,5	103,8	111,3

Agreement ID	SECTOR/PROJECT	S T A T	Period agree- ment	Amount agree- ment	Amount planned agree- ment	Disb'd up to & incl 2002	Disb'd 2003 per end Dec	Estim'd 2003	Estim'd 2004	Estim'd 2005	Estim'd 2006
1B. Outside Development Cooperation Agreement											
	INFRASTR. PRIV.SECT. URB. WATER/SAN.			100,0	-	18,0	37,0	37,0	45,0	-	-
	Soft Credit Road 8	A	0105-1512	100,0		18,0	37,0	37,0	45,0		
	SOCIAL SECTORS			-	-	-	-	-	-	-	-
	DEMOCRATIC GOVERNANCE & HR			4,0	-	0,4	1,2	1,2	2,0	2,0	2,0
	Demo/HR fund 02 & 03	A	0303-0506	4,0		0,4	1,2	1,2	2,0	2,0	2,0
	OTHER			1,2	1,7	7,9	4,1	4,1	4,6	2,9	-
171/99Asien	Long-term expat PO-02	A	0001-0412			2,9	1,8	1,8	1,1	1,1	
172/99Asien	Long-term expat PO-03	A	0001-0412			2,2	1,6	1,6	1,1	1,1	
	Long-term expat PO-04	A	0108-0307			1,5					
62/01 Laos	Long-term national PO-02	A	0105-0412			0,5			0,3	0,3	
	Long-term national PO-03	A	0301-0412						0,2	0,2	
A4400033	Country Strategy Studies	A	0203-0406	1,2		0,8	0,2	0,2			
A4400025	LAO-SAK-LOK01	A					0,5	0,5	0,2	0,2	
	Grant Evans	P			0,2				0,2		
	Harmonisation	P			1,0				1,0		
	Rights Based Approach	P			0,5				0,5		
	TOTAL			105,2	1,7	26,3	42,3	42,3	51,6	4,9	2,0
TOTAL ESTIMATED DISB COUNTRY ALLOCATION				800,8	472,2	265,7	177,2	177,2	202,4	206,6	180,0
PREL COUNTRY ALLOCATION								180,0	180,0?		
1. Outside country allocation											
NGO											
Economic reforms											
"U" Credits											
Humanitarian aid											

Comments

All amounts in MSEK. 1 USD = 8.14 SEK (May 2003).

****Incl planned phase 2.

***** Incl planned new ICT project

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



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