

Asian Development Bank & Lao People's Democratic Republic

FACT SHEET

Table 1. Lao People's Democratic Republic: 2014 Approved Loans, Grants, and Technical Assistance (\$ million)

Loans		Technical Assistance	Grants	Total
Sovereign	Nonsovereign			
76.00	144.00	4.35	–	224.35

– = nil.

Note: Grants and technical assistance include cofinancing.

Table 2. Lao People's Democratic Republic: Cumulative Lending, Grant, and Technical Assistance Approvals^{a, b}

Sector	No.	Total Amount (\$ million) ^c	% ^c
Agriculture, Natural Resources, and Rural Development	92	425.79	18.53
Education	32	196.42	8.55
Energy	47	507.05	22.06
Finance	35	95.30	4.15
Health	22	90.52	3.94
Industry and Trade	19	100.33	4.37
Multisector	7	24.88	1.08
Public Sector Management	55	87.52	3.81
Transport	49	457.75	19.92
Water and Other Urban Infrastructure and Services	41	312.80	13.61
Total	399	2,298.34	100.00

^a Grants and technical assistance include cofinancing.

^b Includes sovereign and nonsovereign loans and technical assistance.

^c Total may not add up because of rounding.

Table 3. Lao People's Democratic Republic: Cumulative Nonsovereign Financing by Product

Number of Projects	Amount (\$ million)
Loans	194.00
Equity Investments	–
Guarantees	50.00
B Loans	77.00
Total	321.00

– = nil.

The economy of the Lao People's Democratic Republic (Lao PDR) continues to grow vigorously. An investment boom, based on natural resources and fueled by mining and exports of hydropower, has seen gross national income double since 2006. Economic growth moderated in 2014, but is still buoyant, supported by external demand and foreign direct investment. Annual average headline inflation dropped substantially in 2014, due to reduced domestic demand and a sharp decline in global oil prices. Yet the Lao PDR remains highly vulnerable to external economic shocks.

The country is an active member of the Greater Mekong Subregion (GMS) program and the Association of Southeast Asian Nations, and became a member of the World Trade Organization in February 2013. The Asian Development Bank (ADB) has been supporting the Government of the Lao PDR since 1968, and remains one of the country's largest multilateral financiers. As of 31 December 2014, ADB has provided \$1.78 billion for 89 loans to the Lao PDR.

Cumulative disbursements to the Lao PDR for lending and grants financed by ordinary capital resources, the Asian Development Fund, and other special funds amounted to \$1.63 billion.

ADB-Supported Projects and Programs

ADB assistance in the Lao PDR is consistent with the rapidly evolving development needs of a lower middle-income country. In recent times, the priority has been on expanding access to safe, reliable, and affordable water supply, and on other municipal infrastructure and services. ADB support for urban development has improved the quality of life in the Lao PDR, while stimulating additional private investment in other economic activities.

In 2014, ADB approved three projects across the Lao PDR economic landscape. Funding of \$21 million will commercialize smallholder livestock farming in 12 districts, to meet rising domestic and regional demand for quality meat products, and to make the livestock industry more humane and environmentally sustainable. A second project, valued at \$40 million, aims to improve access to infrastructure and tourism services in four provinces, creating 27,000 new jobs. Finally, \$15 million has been allocated to strengthening governance and capacity development in public sector management. This investment aims to deliver better public services, and achieve the Millennium Development Goals for health and education.

ADB provides assistance to accelerate the Lao PDR's regional integration under the GMS program, including transnational road improvements in the North–South and East–West economic corridors. Complementary assistance packages for trade, tourism, agricultural infrastructure, and the development of small and medium-sized enterprises, have helped increase export receipts to

Table 4. Lao People's Democratic Republic: Project Success Rates

Year	Success Rate (%)	No. of Independently Evaluated Projects and Programs
2007	100.00	2
2008	50.00	4
2010	50.00	4
2011	100.00	4
2013	100.00	2
2014	100.00	1
Total	76.47	17

Note: "Year" refers to the circulation year of the project completion report (PCR). Compared with the numbers in previous years' fact sheets, the success rates reported here are based on the ratings from validated PCRs and independently evaluated performance evaluation reports only and do not include self-evaluations. With small sample size, the success rate does not necessarily represent country operations performance.

Source: PCR validation reports and project/program performance evaluation reports ratings database as of 31 December 2014.

Table 5. Lao People's Democratic Republic: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2013–2014

	2013 (\$ million)		2014 (\$ million)
	Number of Ongoing Loans (as of 31 Dec 2014)	13	
Contract Awards/Commitments ^{ab}	4.6	8.0	
Disbursements ^a	22.8	26.6	
Number of Ongoing Grants (as of 31 Dec 2014) ^c	19		
Contract Awards/Commitments ^{ab}	70.6	42.6	
Disbursements ^a	49.8	48.8	
Actual Problem Projects (%)			–

– = nil.

Note: Totals may not add up because of rounding.

^a Includes closed loans/grants that had contract awards or disbursements during the year.

^b Excludes policy-based lending/grants.

^c Includes only Asian Development Fund and other ADB special funds.

more than \$1 billion, approved foreign direct investment to \$556 million, and annual international tourist arrivals to over 4 million.

ADB also works to promote secondary and tertiary education, enhance technical and vocational education and training, and provide skills training to civil servants in the Lao PDR.

Nonsovereign Operations

As a catalyst for private investments, ADB provides direct financial assistance to nonsovereign public sector and private sector projects in the form of direct loans, equity investments, guarantees, B loans, and trade finance. Since its inception, ADB has approved \$321 million for two private sector projects in the Lao PDR's energy sector. The outstanding balance as of 31 December 2014 was \$203.01 million, representing 2.56% of ADB's total nonsovereign portfolio.

Cofinancing

Cofinancing operations enable ADB's financing partners, governments or their agencies, multilateral financing institutions, and commercial organizations, to participate in financing ADB projects. The additional funds are provided

in the form of official loans and grants, other concessional financing, and commercial financing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB's Trade Finance Program.

By the end of 2014, cumulative direct value-added (DVA) official cofinancing for the Lao PDR amounted to \$212.8 million for 27 investment projects and \$41.7 million for 52 technical assistance projects. Cumulative DVA commercial cofinancing for the Lao PDR amounted to \$499.4 million for one investment project.

Table 6. Lao People's Democratic Republic: Projects Cofinanced, 1 January 2010–31 December 2014

Cofinancing	No. of Projects	Amount (\$ million)
Projects ^a	6	565.92
Grants	3	11.64
Official loans	3	54.88
Commercial cofinancing	1	499.40
Technical Assistance Grants	11	13.71

^a A project with more than one source of cofinancing is counted once.

A summary of projects with cofinancing from 1 January 2010 to 31 December 2014 is available at www.adb.org/countries/lao-pdr/cofinancing

Partnerships

ADB's Lao PDR Resident Mission, established in 2001, actively coordinates with key development partners for cofinancing and collaboration, while playing a significant role in the national roundtable meeting process, for which it jointly chairs the macroeconomic working group and the infrastructure sector working group.

ADB recognizes that strategic engagement with civil society can increase development effectiveness, drive more innovative and efficient projects, and help to manage risks. ADB collaborates with civil society organizations in the Lao PDR to strengthen the effectiveness, quality, and sustainability of the assistance it provides. In 2014, ADB reviewed its cooperation with civil society organizations to identify approaches to strengthen engagement in policy dialogue, country programming, and projects.

Procurement

Share of ADB's Procurement Contracts

Each year, ADB provides loans, grants, and technical assistance to fund projects and activities in its developing member countries, and several billion dollars in contracts to procure goods, works, and consulting services. Most contracts were awarded on the basis of international competition, which is open to firms and individuals from any ADB member, regional or nonregional.

Procurement contracts for goods, works, and related services under loan and grant operations totaled \$6.59 billion in 2013 and \$8.58 billion in 2014. Cumulative procurement, as of 31 December 2014, was \$135.21 billion.

Procurement contracts for consulting services under loan, grant, and technical assistance operations totaled \$511.13 million in 2013 and \$555.30 million in 2014. Cumulative procurement, as of 31 December 2014, was \$9.98 billion.

Table 7. Lao People's Democratic Republic's Share of Procurement Contracts for Loan, Grant, and Technical Assistance Projects

Item	2013		2014		Cumulative (as of 31 Dec 2014)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods, Works, and Related Services	46.57	0.71	54.83	0.64	687.30	0.51
Consulting Services	8.80	1.72	3.81	0.69	51.25	0.51
Total Procurement	55.37	0.78	58.65	0.64	738.56	0.51

Goods, Works, and Related Services

From 1 January 1966 to 31 December 2014, contractors and suppliers were involved in 194,667 contracts for goods, works, and related services under ADB loan and grant projects worth \$135.21 billion. During the same period, 3,551 contracts were awarded to contractors and suppliers from the Lao PDR worth \$687.30 million.

Table 8. Top 5 Contractors/Suppliers from the Lao People's Democratic Republic Involved in Goods, Works, and Related Services Contracts under ADB Loan and Grant Projects, 1 January 2010–31 December 2014

Contractor/Supplier	Sector	Contract Amount (\$ million)
Phouthpaseuth Construction Co., Ltd.	WUS	8.05
Luangpaseuth Construction Sole Co., Ltd.	EDU	5.20
Road No. 8 Construction Enterprise Cei 18	TRA	4.60
Sengthong Construction Co., Ltd.	ANR, EDU, WUS	3.86
Others		211.06
Total		237.26

ANR = Agriculture, Natural Resources, and Rural Development; EDU = Education; TRA = Transport; WUS = Water and Other Urban Infrastructure and Services.

Consulting Services

From 1 January 1966 to 31 December 2014, consultants were involved in 45,584 contracts for consulting services under ADB loan, grant, and technical assistance projects worth \$9.98 billion. During the same period, 575 contracts were awarded to consultants from the Lao PDR worth \$51.25 million.

Table 9. Top 5 Consultants from the Lao People's Democratic Republic Involved in Consulting Services Contracts under ADB Loan, Grant, and Technical Assistance Projects, 1 January 2010–31 December 2014

Consultant	Sector	Contract Amount (\$ million)
Lao Consulting Group, Ltd.	ANR, WUS	9.46
Lao Transport Engineering Consult	TRA	5.45
Lao Asia Consultant Group	ANR, TRA	0.74
Accounting and Auditing Services Co., Ltd.	ANR, HLT	0.62
Indochina Research, Ltd.	EDU, HLT	0.43
Individual consultant/s		6.09
Others		4.99
Total		27.78

ANR = Agriculture, Natural Resources, and Rural Development; EDU = Education; HLT = Health; TRA = Transport; WUS = Water and Other Urban Infrastructure and Services.

Operational Challenges

The underpinnings of economic growth for the Lao PDR include mining, hydropower development, private consumption, and regional integration. However, the lack of a skilled labor force continues to constrain private sector growth and economic diversification. Inadequate connectivity between rural and urban areas limits access to business, economic, social, and cultural opportunities for those in more remote regions. Demand for improved governance, and for more balanced natural resource and environmental management, is increasing.

In 2014, the government maintained macroeconomic stability by consolidating expenditures to contain the deficit. Foreign reserves are precariously low. Both fiscal and monetary reserves must increase to respond effectively to any future shocks.

Past delays in project start-ups are being addressed by rigorously applying filters for project readiness, including ADB support for advanced actions on consultant recruitment and procurement. To address shortages of experienced financial management and procurement staff, ADB and the government conduct training on procurement, disbursement, and financial management for the implementing and executing agencies.

Future Directions

The country partnership strategy (CPS), 2012–2016 for the Lao PDR is aligned with the government's Seventh National Socio-Economic Development Plan, 2011–2015, and with ADB's long-term strategic framework, *Strategy 2020*, and the *Midterm Review of Strategy 2020 Action Plan*.

The CPS incorporates lessons and recommendations from the country assistance program evaluation, and takes into account the views and feedback from other stakeholders, including the private sector, nongovernment organizations, and development partners. It seeks to maximize efficiencies and sustainability through larger

operations, implemented over longer periods of time. The CPS also seeks to maximize synergies with the GMS program, and increase responsiveness to emerging issues in a rapidly changing economy. These issues include the need to diversify the economy in a sustainable and inclusive manner, through operations in agriculture, natural resources, and rural development; education; energy; and water and other urban

infrastructure and services. More effective private sector development and public sector management are identified as crosscutting concerns. ADB continues to support the government's socioeconomic development plan, through concessional Asian Development Fund allocations. Ordinary capital resources are available for projects that generate revenue in the Lao PDR.

About the Lao People's Democratic Republic and ADB

ADB Membership

Joined 1966

Shareholding and Voting Power

Number of shares held:	1,476 (0.014% of total shares)
Votes:	40,906 (0.310% of total membership, 0.476% of total regional membership)
Overall capital subscription:	\$21.38 million
Paid-in capital subscription:	\$1.33 million

Umesh Kumar is the Director and **Sharafjon Sheraliev** is the Alternate Director representing the Lao People's Democratic Republic (Lao PDR) on the ADB Board of Directors.

Sandra Nicoll is the ADB Country Director for the Lao PDR. The Lao PDR Resident Mission was opened in July 2001, and provides the primary operational link for activities between ADB and the government, the private sector, civil society stakeholders, and development partners. The resident mission engages in policy dialogue, country partnership strategy development and programming, and portfolio management, while also acting as a knowledge base on development issues in the Lao PDR.

The Lao PDR government agencies handling ADB affairs are the Department of International Cooperation of the Ministry of Planning and Investment, and External Finance Department of the Ministry of Finance.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2014, lending volume was \$12.92 billion (113 projects), with TA at \$158.88 million (256 projects) and grant-financed projects at \$405.34 million (17 projects). In addition, \$9.24 billion was generated in direct value-added cofinancing in the form of official loans and grants, other concessional financing, and commercial cofinancing such as B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB's Trade Finance Program. From 1 January 2010 to 31 December 2014, ADB's annual lending volume averaged \$12.10 billion. In addition, investment grants and TA funded by ADB and special funds resources averaged \$697.97 million and \$156.69 million in TA over the same period. As of 31 December 2014, the cumulative totals excluding cofinancing were \$216.21 billion in loans for 2,729 projects in 44 countries, \$6.87 billion in 256 grants, and \$3.75 billion in TA grants, including regional TA grants.

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