Poverty Profile
Executive Summary

Lao People’s Democratic Republic

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Japan Bank for International Cooperation
1. POVERTY AND INEQUALITY IN LAO PDR

1.1. Poverty and Inequality Measurement

The Lao Expenditure and Consumption Surveys (LECS) for the Fiscal Year of 1992/93 (FY 1993/94) and FY 1997/98 provided primary data of households to measure poverty and inequality in Lao PDR. The analysis of this poverty profile is based on the data from LECS I and II, with reference to the existing poverty and inequality analyses.

Poverty Line

In 2002, the Government of Lao PDR (GOL) defined the official poverty line as a sum of minimum food and non-food expenditures based on the result of LECS I and II with the support of Sida, WB, ADB and Statistics Sweden. The minimum food expenditure of a household is equivalent to the total cost of the basket of food items satisfying the minimum calorie requirement of 2,100 kcal per capita, the international norm defined by WHO/FAO. The food basket includes food items based on the typical diet in the country.

The food poverty line is estimated as the monthly cost of the minimum requirement of calories in the region. The non-food poverty line for each region is obtained by calculating the average non-food expenditure of households whose total per capita consumption is equal to the poverty line defined for the respective regions, and rural and urban areas.

Based on LECS II, the urban and rural poverty lines are 20,597 kips and 19,718 kips, respectively. The poverty lines by region are as follows: 22,613 kips for the Vientiane Municipality; 19,550 kips for urban areas and 17,253 kips for rural areas in the Northern region; 20,751 kips for urban areas and 19,991 kips for rural areas in the Central region; and 19,476 kips for urban areas and 19,015 kips for rural areas in the Southern region.

Poverty Indicators

In Lao PDR, households with total expenditures are below the poverty line is defined as “poor.” During the period between FY 1992/93 and FY 1997/98, the poverty head count index declined from 46.0% to 39.1%. While the poverty gap index slightly decreased from 11.2% to 10.3% for the same period, the squared poverty gap index has remained at the same level. Although the incidence of poverty declined from FY 1992/93 to FY 1997/98, it did not bring about any improvements in the household expenditure level of the poor.

The rural-urban difference in terms of the poverty incidence was remarkable; the head count index in rural areas was 42.5% in FY 1997/98 while the head count index in urban areas was 22.1%. The poverty gap indices in rural and urban areas were 11.4% and 4.9%, respectively. The rural-urban gaps still remained significant since the incidence of poverty in both urban and rural areas reduced by the same proportion.

The poverty index varied widely across regions. The incidence of poverty in FY 1997/98 was 13.5% in the Vientiane Municipality, 47.3% in the Northern region, 39.45% in the Central region, and 39.8% in the Southern region, respectively. The depth and severity of poverty also indicated prominent regional disparities: the poverty gap ratios were 2.8% in the Vientiane Municipality, 13.9% in the Northern region, 9.7% in the Central region, and 10.0% in the Southern region. Although the poverty incidence declined nationwide during the period between FY 1992/93 and FY 1997/98, degrees of decline in the poverty incidence differed from region to region. The headcount ratio of the poor in the Vientiane Municipality
declined at an annual rate of 13.5%, while the rate of decrease was 3.6% in the Central and Southern region and 2.1% in the Northern region. The poverty gap ratio and the squared poverty gap ratio in the Northern region increased for the same period, although those indices dropped in the other regions. The regional differences in poverty status has been widening across the country. In particular, in the Northern region, which has the highest incidence of poverty, the depth and severity of poverty have deteriorated.

Inequality Indicators

Compared to other Asian countries, inequality in Lao PDR is not high. The Gini coefficient, however, increased from 0.34 in FY 1992/93 to 0.38 in FY 1997/98. The Lorenz Curve shows that the consumption share of the bottom 10% of the population decreased while the consumption share of the richest 10% of the population increased for the same period. The Gini coefficients deteriorated nationwide, and in particular in the Northern region in both urban and rural areas. The worsening degree of inequality in the Northern region is attributed to regional differences in infrastructure maintenance affecting market accessibility and the resulting impact on the distribution of economic growth effects.

1.2. Socio-economic Development Status

Access to Basic Infrastructure

There was a large gap in access to safe water between urban and rural areas. The percentage of the population with access to safe water in FY 1997/98 was 89% in the Vientiane Municipality, 77% in urban areas, and 45% in rural areas. While 32.7% of the rural population depended on surface water, the urban population had access to pipe water or wells. Regional differences in access to safe water were significant as well. In the Northern region, in particular in the border areas of China and Myanmar, the percentage of the population with access to surface water only was the highest in the country at 43.9%. The population with safe water was limited in areas with high incidences of poverty. Across the country, compared to the non-poor population, the poor had less access to safe water. In 2000, the percentage of the population with sanitation was 37.3% in the country, 67.1% in urban areas and 19.0% in rural areas. The rural population faced higher sanitation risks.

The rural electrification remained at a low level of 19%, while the electrification rate was 100% in the Vientiane Municipality and 91% in urban areas. There was a large regional difference in rural electrification. In particular, rural electrification in the Northern and Southern region was limited. The energy consumption in these areas depended on oil lamps, except in cases in which electric power including micro hydropower, diesel power, battery and so forth were available. Less than half of the poor population had access to electric power in comparison with the non-poor. GOL promoted rural electrification programs to contribute to an increase in food production, agriculture and other industry development and improvement of living standards.

Since 90% of transportation in Lao PDR depends on land transportation, road infrastructure is highly important. The density of the road network in the country, however, is relatively low compared to neighboring countries. In addition, most existing roads are not passable during the rainy season due to the inadequate development. In particular, the less developed road network in the Northern region brought about regional disparities. While differences in road access between the poor and the non-poor are negligible during the dry season, it becomes significant during the rainy season. Only 38% of the poor have access to roads in the rainy season compared to 62% of the non-poor. Less road access hinders poor households from partaking in economic activities which generate income. For this reason, road development is
perceived by GOL as a priority program for poverty reduction. In terms of public transportation, only 50% of the population in the country was linked to any scheduled public transportation such as bus services. In the Northern and Southern regions, 40% of the population had access to public transportation. The population ratio with access to public transportation among the poor was less than a half of that of the non-poor, further widening the gap.

**Industrial Structure and Employment Opportunities**

In Lao PDR, although the service sector continues to grow in urban areas, agriculture remains as the main industry, accounting for 50.8% of GDP and 85.5% of total employment. In one part of the Mekong Basin, agricultural productivity increased with the introduction of an irrigation system paving the way for market-oriented agricultural production. On the other hand, in most rural areas, agricultural households engage in subsistence agriculture. In the rural areas based on subsistence agriculture, productivity is extremely low due to a lack of infrastructure including roads and irrigation. Recently, the growing population in the mountainous areas, in particular in the Northern region, induced reduction of off-cultivation periods for traditional shifting cultivation. The shorter off-cultivation periods causes impoverished soil and soil erosion. As a result, traditional shifting cultivation faces less sustainability and lower productivity. It is expected that the livelihood of the subsistence farmers will become increasingly threatened.

**Education**

The educational level of the population of Lao PDR improved during the 1990’s. In 2001, net enrollment rates were 80% for primary education (6-10 years), 50% for lower secondary education (11-13 years), and 25.6% for higher secondary education (14-16 years). Compared to the neighboring countries, educational indicators are relatively low. Expanding basic education, improving the quality of education and training teachers remain important items on the agenda.

There is a gap in the educational level between the poor and the non-poor. The adult literacy rate among the poor was 57.1% while the non-poor population had a literacy rate of 74.5%. The average schooling years for the poor was 3.0 years, and 4.8 years for the non-poor. The percentage of the population with access to school was 43.0% for the poor and 55.6% for the non-poor.

The coverage of educational services in rural areas is limited in comparison with urban areas. In particular, a very limited population in the Northern and Southern region with high poverty incidences has access to educational services. In these regions, the dropout rate and the repetition rate are very high. Although 85% of all villages in the country have a primary school, the number of teachers who are qualified to teach curriculums for all grades is not sufficient for the existing number of primary schools. As the result, access to education is deemed to drop as students advance in the system.

**Health**

For the last two decades, although the basic health status in Lao PDR dramatically improved, health indicators for the country remained deficient compared with other Asian countries. The infant mortality and maternal mortality rates were very high at 82.2 per 1,000 live births and 530 per 100,000 live births, respectively. Infectious diseases such as tetanus, malaria, and diarrhea were the main causes of the high infant mortality rate. The high maternal mortality ratio is attributed to the high number, 86.1%, of deliveries without birth attendants. The health status is very low in rural areas and in the Northern region.
The percentage of the population with access to hospitals was 84.2% for the poor and 95.7% for the non-poor. Less among the poor had access to other medical services compared to the non-poor. There was a significant gap in access to medical services between urban and rural areas and by region. While the percentage of the population with access to health centers within 4 km range was 78% in urban areas, only 54.7% of the rural population had access to health centers. Compared with 74-75% in the Central and Southern regions, only 38% of the population had a health center located within 4km from their residence. In terms of access to hospitals, 70% of the urban population had access within 4km, compared to merely 21% of the rural population. 47-48% of the population in the Central and Southern regions had access to a hospital within 4 km, while the percentage of the population with access to hospitals in the Northern region was only 14%. People in areas with limited or no access to health and medical facilities depended on self-medication including the use of traditional medicines.

1.3. Characteristics of Poverty in Lao PDR

Poverty Factors

Using the poverty analysis based on LECS II by Kakwani, N et al., (2002) as a reference, we applied the multiple linear regression analysis to identify correlations between household consumption level and socio-economic indicators. The explanatory variables, which show significant correlation to the household consumption level, are as follows: household size (negative: probability<0.01); household size-squared (positive: p<0.01); persons 0-6 years as percentage of household size (negative: p<0.01); female household head (negative: p<0.01); age of head (positive: p<0.05); and age of head- squared (negative: p<0.05). Besides them, the following explanatory variables are also significantly correlated to household consumption levels: years of schooling of head, occupation of head (employer and own account worker), ownership or access to assets (motorcycle, tractor and boat), more firewood use in village than re-growth, access to pipe water.

Vulnerable Groups in Lao PDR

Three groups can be identified as being in the high risk of poverty incidence category: ethnic minorities, low-income groups affected by the land distribution, and households with opium addicts.

Ethnic Minorities: The ethnic minorities such as Tibeto-Burmese, Mon-Khmer and Hmong-Mien are vulnerable groups with higher poverty incidences. The population in the country can be classified into four ethnic and language groups: Tai-Kadai (67%), Mon-Khmer (24%), Hmong-Mien (8%) and Tibeto-Burmese (3%). The incidence of poverty among the ethnic minorities is considerably higher than among the majority ethnic group of Tai-Kadai. While the literacy rate of Tai-Kadai was 72.8%, the ethnic minorities had low literacy rates: 0.7% for Tibeto-Burmese, 26.5% for Hmong-Mien and 36.9% for Mon-Khmer. Since literacy is one of the key determinants of people’s well-being, ethnic minorities with low educational attainment are deemed to be in the high risk of poverty category.

Low-Income Groups Affected by Land Distribution: Since 1989, farmers have been entitled with the private land property. The inefficient and unequal land distribution of the land reform had worsened rural poverty. The main objective of the land reform slightly changed from controlling the illegal cultivation in forests to stabilizing the shifting cultivation. Since there is no guideline to implement the program, land distribution is largely at the administrative officers’ discretion. The arbitrary land distribution resulted in differences in land size, land productivity and access to water. In order to avoid unequal and unfavorable
land distribution, some people migrated to other places where they resume the shifting cultivation. In addition, the shorter off-cultivation period caused soil impoverishment and erosion. The land degradation brought about a vicious circle of poverty as lower yields proved insufficient for subsistence.

Households with opium addicts: Lao PDR is one of the main opium producing countries. Although GOL prohibited opium production in 1998, the estimated opium production area in 2000/01 was 17,255 ha. Opium production and addicts concentrate mainly in the Northern region (15,086 ha) and the Central region (2,169 ha). While opium is an important income source for the poor, it would be a cause of poverty for households as they lose the labor and increase expenditures to care for addicts in the family.
2. GOVERNMENT POLICIES AND PROGRAMS FOR POVERTY REDUCTION AND EQUITY

2.1. Macroeconomic Performance and Poverty

Macroeconomic Impacts on Poverty

In Lao PDR, since the socialist revolution in 1975, the planned economy based on centralization was adopted. In the 1980’s, however, the Lao economy was in a transition period to the market economy when GOL introduced the New Economic Mechanism (NEM) as a result of the transition of the former Soviet Union and the high economic growth led by foreign direct investment (FDI) in ASEAN countries. Since the introduction of NEM, the macroeconomic performance of the country grew steadily. On the other hand, the Lao economy faced serious problems including increasing budget deficits and external debts due to the remaining socialist constitution in fiscal management. The turning point for the economic liberalization of Lao PDR was the admission to full ASEAN membership in 1997. The country joined AFTA to promote free trade among member countries and agreed to phase out tariffs through 2015.

The Asian currency crisis in 1997, just after Lao joined ASEAN, induced the depreciation of kips caused high inflation rates because the fiscal and monetary policies were not effective, and the Lao economy faced various difficulties in promoting economic growth and trade liberalization. Until 2000, the tight budget policy allowed macroeconomic stabilization. It is anticipated that trade liberalization will bring about a decrease in tax revenues due to the reduction of tariff rates and an increase in trade deficits caused by the expansion of imports since the domestic economic fundamentals are vulnerable. Therefore, it is necessary for the country to promote tax reforms, industrial development and enhancement of competitiveness.

Economic Growth and Income Distribution

For the last decade, the Lao economy achieved economic growth at the annual real GDP growth rate of 5.7% despite the adverse impacts of the Asian crisis. The driving force for the favorable macroeconomic performance was the service sector including trade, transportation and communication prompted by high economic growth of other ASEAN countries. The growth of manufacturing attributed to FDI from Thailand and the USA was remarkable as well. Those high growth industrial sectors, however, are located in urban areas with better access to markets. Therefore, the economic growth based on those industries had limited effect in rural areas where most of the population lives. The agriculture sector, which accounted for more than 50% of GDP, is less modernized, and its annual rate of real growth of 4.4% for the last 10 years is below the annual rate of real growth of the entire economy.

According to the analysis by Kakwani, N., et al., (2002) based on LECS I (FY 1992/93) and LECS II (FY 1997/98), the economic growth over the period increased the degree of inequality while contributing to the improvement of the headcount ratio and the poverty gap. It means that the real growth effect on poverty reduction was lesser than expected. The growth effect led a larger increase in inequality in the Northern region with high poverty incidences. For the extreme poor, the economic growth gave rise to a larger negative impact. The growth effect increased inequality more among the urban poor than the rural poor.
Rural Economic Structure and Poverty

The negative impact of economic growth on the extreme poor, which brought about more unequal distribution among the poor, is attributed to the economic structure of rural areas where most of the poor population lives. Since the rural livelihood is based on subsistence agricultural production and barter market without currency, the impact of macroeconomic performance on the rural economy is limited. In most rural areas, infrastructure including roads and irrigation are not well-developed. In order to spread the growth effect to reduce poverty in rural areas, access from the isolated rural areas to the markets must be improved.

GOL, however, considers the agriculture sector, which accounts for the largest share in the Lao economy, as a “non-formal sector.” There is no official statistical data on employment opportunities and income sources in rural areas although the data and information are essential to establish effective policies to alleviate poverty in rural areas. GOL was not able to execute effective rural income generation and employment programs aiming at poverty reduction due to lack of information. The land reform was not effective to increase income generation opportunities in rural areas because the reform brought about the fragmentation of farmland which were rendered unproductive due to ineffective redistribution. Effective agriculture sector reform including infrastructure development with regard to diversity in rural areas must be promoted.

2.2. Government Policies

Poverty Reduction and Equity in Socio-Economic Development Plans

In 1996, the 6th People’s Revolutionary Party Congress adopted the long-term national development goal toward the year 2020. Based on the long-term national development goal, GOL has drawn up National Socio-Economic Development Plans (NSEDP) every five years. The Government, however, does not have adequate capacity for development planning, including human resource and statistical data on production and labor. In addition, the slow progress of decentralization hampered improvements in the budget and planning processes.

The long-term development goal set in 1996 is to exit the group of Least Development Countries (LDC) by the year 2020. This goal is expected to be realized through “poverty alleviation by growth with equity.” In order to achieve the long-term goal, GOL defined eight national priority programs in the transition process. The NSEDP 2001-2005 set out the mid-term goal of economic growth at the annual GDP growth rate of 7.0-7.5% and GDP per capita of US$ 500-550 by 2005.

Government Budget and Public Expenditures

The Lao government budget is classified into current and development budgets. While the development budget, which is included in the Public Investment Programs (PIP), is planned under the Committee for Planning and Cooperation (CPC), the current budget is under the Ministry of Finance (MOF). The coordination problems between MOF and CPC including the provincial authorities have caused budget deficits due to the difficulty in matching the two lines of budget. In addition, although the bottom-up budget process was introduced under the decentralization initiatives, the budget for the line ministries is allocated in response to the sector policies rather than development needs at the provincial level. The provincial tax revenue base and the remittance of taxes and duties collected at the provincial level to the central treasury become key issues in the process of fiscal decentralization which has still to be institutionalized. Those obstacles to implement development projects properly decreased the effectiveness of the projects.
The public expenditure on the economic sector, including agriculture, industry, and transportation and communication, accounted for the largest share while the public spending on the social sector including education decreased. On the other hand, the share of the social sector in the capital expenditure grew although the economic sector still absorbed the largest portion of public investment. Reflecting the policy goal of poverty eradication, public spending on agriculture and rural development and education has expanded. The funds for this capital expenditure largely depend on foreign assistance.

Social Policies

There are two key social policies for poverty reduction: the Education Strategic Vision up to the year 2020 and the Health Strategy up to the year 2020.

The Education Strategic Vision prepared by the Ministry of Education and the donors is a basic strategy to identify the needs and the funds available, including foreign assistance, to it. The long-term goals of the vision are: improvement of access to basic education for all; an increase in enrollment rates of primary and lower secondary education; and improvement of literacy rates. GOL focuses on the construction of primary schools in villages without access to primary education since the limited access to basic education and significant regional differences have been critical issues. In order to achieve these goals, GOL must secure a sufficient number of teachers qualified, to increase enrollment rates among the ethnic minorities and females, and to enhance capacity building at the central and provincial levels for planning and implementation of programs.

The Health Strategy has set forth the basic health strategy including the basic concept, medium and long-term health goals and priority programs in order to attain the national goals to provide the universal health service by 2020. In terms of the implementation of the strategy, it is necessary to develop concrete action plans.

Policy Framework for Poverty Reduction and Equity

Since GOL promotes policy-making based on consensus building, GOL attaches importance to the participatory planning process requiring the participation of local authorities and mass organizations. In 2001, CPC prepared the Interim Poverty Reduction Strategy (I-PRSP), which covered the poverty situation in the country, the policy and strategy framework of poverty reduction, priorities regarding the poverty reduction strategy and the consultation process for a full-PRSP. I-PRSP recommended adequate poverty monitoring at the local level based on poverty indicators measured by Kakwani, N., et al., (2002). F-PRSP will be finalized as the National Poverty Eradication Program (NPEP) including the programs and projects to be implemented. Although the completion of NPEP was scheduled for March 2003, the working process is delayed.

2.3. Poverty Reduction Programs

Drug Control Programme

Since GOL believes that opium production is both cause and consequence of poverty, the drug control program has been working to eliminate opium cultivation and promote alternative crop production with the support of UN Drug Control Program (UNDCP) since 2000. Opium production is a main cash income for poor households in the Northern region. The estimated annual production volume was 123 tons. The domestic gross opium consumption accounted for 57% of the total production. Out of the domestic consumption, 47% was consumed by the addicted. GOL banned opium production in 2000. Reflecting the goal of eliminating
opium production by 2006, GOL has initiated campaigning in communities, funding addicts rehabilitation programs, enhancing the legal compliance, and so forth, in addition to implementation of alternative income generating programs through rural infrastructure development.

Microfinance Program

In Lao PDR, there is no functional financial system to support production and commercial activities of the poor whereas credit demand is high in rural areas. It is because of the inefficiency attributed to the small average loan amount of US$300 and the high operation cost of rural credit. In order to promote rural microfinance, GOL, the donors and international NGOs have supported local credit institutions such as the Agricultural Promotion Bank (APB). The current key issue for microfinance in the country is to increase financial independence. The donors including ADB and UNDP have provided microfinance institutions with technical assistance.

UXO Decontamination Programme

Up to the present, severe unexplored ordinance (UXO) contamination during the Vietnam War has been known to affect over 50% of Lao territory. A great number of victims and their families have suffered from UXO accidents, and UXO contamination remains an obstacle to socio-economic development of the country, including rural development. It is believed that UXO contamination is one of the main causes of rural poverty in the county. In order to reduce the negative impacts of UXO contamination, the UXO Decontamination Programme has been implemented with the support of donors including UNDP and UNICEF. Out of the 15 provinces contaminated by UXO, 8 provinces of the Central and Southern regions have been intensively damaged. Since the current scope of the UXO Decontamination Programme is how to maintain its sustainability, the donors are supporting local human resource development and capacity building in the country.

Participatory Village Development and Sustainable Land Use Programme

In the Northern rural areas, a number of agricultural households engage in shifting cultivation. The growing population in the region requires larger shifting cultivation with shorter off-cultivation periods in order to meet an increasing food demand. The overuse of lands for shifting cultivation, however, induced lower agriculture production and environmental degradation. Since the negative impact severely affects the poor population, GOL implemented shifting cultivation stabilization programs. The conventional stabilization programs focused solely on agricultural development and lacked consideration on other resources available in rural areas. The Participatory Village Development and Sustainable Land Use Programme, which was planned as an alternative rural development, is a community-based participatory program, promoting not only the stabilization of shifting cultivation but also the introduction of paddy rice and fruit cultivation with irrigation, maximizing the use of water and forest resources and the sustainability of rural development. A pilot project of the program is planned by the Adventist Development and Relief Agency International (ADRA), an international NGO that has successfully implemented the same type of project in Thailand. Applicability of the experience with the project in Thailand to Lao PDR is of great interest to GOL and the other donors.
3. **AID FOR POVERTY REDUCTION AND EQUITY**

3.1. **Outlook for Donor’s Activities in Lao PDR**

Main Donors and Priority Sectors in Donor’s Activities

In the early 1990s, the total amount of net official development assistance (ODA) disbursement to Lao PDR increased from US$ 140 million to US$ 330 million, which accounted for 15-18% of GDP of the country. After the Asian Crisis in 1997, while the amount of ODA to the country has been decreased, ODA share in GDP has been growing due to the slowdown of economic growth.

Assistance by donors in the early 1990s was mainly allocated to the economic sector, including transportation and energy, whereas its allocation to the social sector has been decreased. Since 1998, due to the reduction of ODA by all donors except Japan, Japanese ODA increased to 40% of the total, being by far the largest share among the donors. In the late 1990’s, the donors changed their allocation pattern in the country: assistance for the social sector, including health, education, water and sanitation, governance and civil society, rapidly grew while the allocation to the economic sector dropped.

The main donors to the country are the Asian Development Bank (ADB), the World Bank (WB) and Japan. Besides them, other multilateral and bilateral donors including the International Monetary Fund (IMF), the United Nations Development Programme (UNDP), the World Food Program (WFP), the Swedish International Development Agency (Sida), GTZ, and International NGOs also provide assistance. Those donors support the GOL’s goal of poverty reduction and grant technical assistance and loans to GOL. In the late 1990s, in order to support the formation of the national poverty reduction strategy, the coordination between GOL and the donors has been institutionalized through the Round Table Meetings (RTM) and the UN Country Team (UNCT) meetings coordinated by UNDP. The Round Table Process (RTP 2000-02), which was enlarged from the RTM, functions to coordinate GOL and donors in order to promote poverty reduction in Lao PDR.

3.2. **Aid for Poverty Reduction and Equity**

**Multilateral Aid**

**IMF:** IMF supports PRSP prepared by GOL under the cooperation with WB and ADB. IMF committed to grant the Poverty Reduction Growth Facility (PRGF) equivalent to US$ 40 million in March 2001, when GOL submitted I-PRSP. The main objective of PRGF is to attain macroeconomic stabilization and poverty reduction by economic growth with equity. PRGF supports policies including: i) prudent monetary and fiscal policies, ii) reform of state-owned commercial banks, iii) promotion of private sector activities, iv) improvement of public sector finances.

**WB:** WB prepared the Country Assistance Strategy for Lao PDR (CAS 2000-01) in March 1999. The main objectives were: i) assisting GOL in stabilizing the economy; ii) returning the economy to a sustainable growth path to reduce poverty; iii) focusing on social service delivery and investments in infrastructure; and, iv) harnessing the country’s productive potential. WB set priority areas including health, education, rural development, natural resource management and so forth. In addition, WB is supporting the Poverty Reduction Fund Project.
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ADB: ADB agreed with GOL on “the Poverty Reduction Partnership Agreement” to set national goals for poverty reduction. ADB formulated assistance strategies for Lao PDR aiming at poverty reduction through community-based participation of the poor and expansion of opportunities. Based on the main assistance areas of: i) sustainable economic growth, ii) inclusive social development, iii) good governance, ADB has focused mainly on supporting rural development, human resource development, environmental management, private sector development, regional economic integration, governance and so forth. In 2000, ADB implemented Participatory Poverty Assessment through the rural poor, government officers, state statistical office staff, mass organizations, and academicians, in order to analyze poverty determinants and review government policies related to poverty. ADB has been playing a significant role for donor coordination in the country through dialogues with other donors in terms of co-financing. ADB has been implementing the shifting cultivation stabilization programme including a poverty reduction component.

UNDP: The main objective of UNDP assistance to Lao PDR is poverty reduction. The UNDP’s priority interventions are: i) governance, ii) livelihoods and environment, iii) resources, partnership and coordination, iv) UXO decontamination. The UNDP’s right-based approach is reflected in its poverty reduction policies. Besides ADB, UNDP is another main player for donor coordination in Lao PDR. UNDP is making efforts to coordinate between donors and GOL through RTP and UNCT.

Bilateral Aid

Japan International Cooperation Agency (JICA): JICA’s priorities in assistance to Lao PDR includes: i) human resource development, ii) fulfillment of basic human needs, iii) agriculture and forestry promotion, iv) infrastructure and energy development. JICA also provided technical assistance for the Integrated Agriculture Development Master Plan, the Health Sector Master Plan and so forth. In addition, in 2002, JICA supported GOL with technical assistance for policy making on economic policies including poverty reduction.

Swedish International Development Agency (Sida): For assistance to Lao PDR, Sida formulated the Country Strategy for Development Cooperation (CSDC 1999-03). In CSDS, the main targets of Sida assistance to the country are i) sustainable growth for poverty and inequality reduction, and ii) democratic development and respect for human rights. The priority of Sida in the country is poverty reduction in rural areas through assistance for the road and natural resource sectors. In cooperation with UNDP, Sida supports legal system development and the UXO decontamination program.

NGO Activities

In Lao PDR, development of civil society in the country is limited and few local NGOs are active in the country. On the other hand, mass organizations, which is recognized in the constitution, are implementing grass-root activities instead of NGOs. The mass organizations is deemed to play important roles in promoting the participatory process for formulation of PRSP.

After the adoption of the New Economic Mechanism, the number of international NGOs has rapidly grown. The total amount of aid by international NGOs in 1999 was US$ 12 million. Some international NGOs are promoting localization strategies in order to increase participation and self-reliance of the Lao people through capacity building and empowerment of local staffs.