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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

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LAO PEOPLE'S DEMOCRATIC REPUBLIC

COUNTRY STRATEGIC OPPORTUNITIES PAPER

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CURRENCY EQUIVALENTS

Currency unit	=	Lao kip (LAK)
USD 1.00	=	LAK 927 (October 1996)
USD 1.00	=	LAK 10 850 (April 2005)
LAK 1.00	=	USD 0.00009

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 ac

ABBREVIATIONS AND ACRONYMS

COSOP	country strategic opportunities paper
MDG	Millennium Development Goal
NGPES	National Growth and Poverty Eradication Strategy
PBAS	performance-based allocation system

GOVERNMENT OF THE LAO PEOPLE'S DEMOCRATIC REPUBLIC
Fiscal Year

1 October – 30 September

COUNTRY MAP: LOCATION OF IFAD-FUNDED OPERATIONS



Source: IFAD

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

IFAD PORTFOLIO OVERVIEW

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan Acronym	Denominated Currency	Approved Loan Amount	Disbursement (As % of Approved Amount)
Casier-Sud Pioneer Agricultural Project	AsDB	AsDB	HC	18 Sep 79	15 Feb 80	31 Dec 86	L-I-22-LA	SDR	4 700 000	3
Agricultural Production Project	World Bank	World Bank	HC	12 Sep 83	08 Jun 84	31 Mar 91	L-I-130-LA	SDR	6 600 000	100
Rural Credit Project	IFAD	UNOPS	HC	10 Sep 87	22 Jun 88	31 Dec 94	L-I-207-LA	SDR	3 500 000	96
Xieng Khouang Agricultural Development Project	IFAD	UNOPS	HC	19 Apr 90	08 Mar 91	31 Dec 98	L-I-256-LA	SDR	4 100 000	63
Bokeo Food Security Project	IFAD	UNOPS	HC	19 Apr 94	07 Aug 95	30 Sep 03	L-I-351-LA	SDR	2 950 000	95
Northern Sayabouri Rural Development Project	IFAD	UNOPS	HC	04 Dec 97	30 Mar 98	31 Dec 04	L-I-459-LA	SDR	5 300 000	100
Xieng Khouang Agricultural Development Project – Phase II	IFAD	UNOPS	HC	03 Dec 98	27 Apr 99	31 Dec 05	L-I-491-LA	SDR	4 950 000	96
Oudomxai Community Initiatives Support Project	IFAD	UNOPS	HC	23 Apr 02	19 Sep 02	30 Sep 10	L-I-586-LA	SDR	10 800 000	38
Rural Livelihoods Improvement Programme in Attapeu and Sayabouri	IFAD	UNOPS	HC	19 Apr 05			L-I-660-LA	SDR	11 300 000	
Rural Livelihoods Improvement Programme in Attapeu and Sayabouri	IFAD	UNOPS	Grant	19 Apr 05			L-I-781-LA	SDR	450 000	

AsDB = Asian Development Bank, UNOPS = United Nations Office for Project Services, HC = highly concessional, SDR = Special Drawing Rights.

EXECUTIVE SUMMARY

1. **Background.** A country strategic opportunities paper (COSOP) for the Lao People's Democratic Republic was formulated in 1996. Its validity was assessed in an IFAD review in 1999 and a joint Government-IFAD country strategy review in 2000. In 2003, a new country strategy of IFAD assistance was prepared following an in-country participatory and consultative process that included: (a) a joint Government-IFAD country portfolio review in January 2003; (b) an assessment of government policies and priorities and preparation of a first draft of the country strategy, with the Government taking a lead role, between March and May 2003; (c) a participatory livelihoods study in June 2003 to reflect the perspectives and livelihood strategies of the rural poor in the draft country strategy; (d) a programming mission in June 2003 to discuss the draft country strategy with selected bilateral and multilateral development agencies and identify partnership opportunities and options for IFAD financing; and (e) a reality check workshop jointly hosted by the Government and IFAD in November 2003 and attended by representatives of government institutions, bilateral and multilateral development agencies, international NGOs, research institutions and the private sector. The finalization of the COSOP was delayed so that it could be aligned with the country's National Growth and Poverty Eradication Strategy (NGPES).
2. **Country.** The population was 5.7 million in 2004, with a population density of about 24 persons/km² and an annual growth rate of 2.6%. Of the population, 85% is rural.
3. **Economy.** The Lao People's Democratic Republic is classified by the United Nations as a least developed country, with a per capita gross national income of USD 340 in 2004, a Human Development Index (HDI) value of 0.534 and an HDI ranking of 135 out of 177 countries in 2002. In 2004, annual GDP grew at 6%, with inflation falling to about 11%.
4. **Agriculture** is the major economic sector, accounting for 49% of GDP in 2003 and growing at an estimated annual rate of 3.8%; it employs 80% of the national workforce, but retains a predominantly subsistence orientation, with rice accounting for over 90% of total crop production. Arable land represents 4% of the land area. The average size of agricultural holdings is 1.6 hectares per household. Among farm households, 18% have access to irrigation; agricultural productivity remains low. Shifting cultivation systems account for about one third of the total cultivated area.
5. **Rural development.** The core of the Government's rural development strategy is the "focal site" programme launched in 1998. This programme is intended to concentrate development resources and people from the most vulnerable areas of the country in zones with access to a full range of support and services, including technical inputs, markets, social services and road access. The objective is to reduce poverty, overcome environmental and social problems related to shifting agriculture and opium production, and improve human development.
6. **Poverty situation.** The incidence of poverty fell from 46% in 1992/93 to 39% in 1997/98 and further to 33% in 2002/03. Poverty in the Lao People's Democratic Republic is largely a rural phenomenon, with 38% of the population in the rural areas living below the poverty line in 2002/03.
7. **National Strategy for Poverty Reduction.** The NGPES is a comprehensive framework for growth and development with a medium-term operational framework for achieving the Millennium Development Goals (MDGs) by 2015. It emphasizes economic growth with equity, the development of social and economic infrastructure and human resource development. The Government is determined to leave the group of least developed countries by 2020 and reduce the share of those people living in poverty by half, from 48% of the population in 1990 to 24% by 2015. The Government is committed to: (a) sustainable economic growth; (b) accelerating human and institutional development; (c) strengthening governance; and (d) achieving environmental sustainability.

8. The **lessons learned** from IFAD's operations cover the following areas: (a) the approach to rural development; (b) agricultural development and natural resource management; (c) participatory approaches; (d) decentralization and institutional development; (e) staffing; (f) rural infrastructure development; (g) gender mainstreaming; (h) implementation support; (i) partnership and cofinancing; and (i) policies and strategies.

9. The **country strategy** will support the Government in the implementation of the NGPES and achieving the MDGs. The country strategy will be targeted at the poor and the poorest districts and at the marginalized groups in the uplands so as to maximize the poverty reduction impact. It will aim at achieving enhanced impact on reducing poverty, improved portfolio management, greater influence on pro-poor policies and institutions, strengthened partnerships and better knowledge management. IFAD's assistance should focus on the livelihood improvement aspects of rural poverty reduction, including capacity-building among the poor and their organizations, the introduction of sustainable alternatives to shifting cultivation in the uplands and the resolution of the associated land allocation issues, the promotion of market access and agricultural development led by the private sector and gender mainstreaming.

10. The main **opportunities for innovations and project interventions** for IFAD in the Lao People's Democratic Republic will involve supporting the Government in the implementation of the NGPES and reducing rural poverty in targeted geographical areas through support for community development and decentralization; agricultural development and community-based natural resource management; income diversification; and gender mainstreaming.

11. **Partnership.** There are opportunities for partnership with national and international research institutions, other development agencies and selected international NGOs, as well the private sector.

12. **Policy dialogue** with the Government will be on the subjects of: (a) the development of a pragmatic approach to land allocation and the stabilization of shifting cultivation in the upland areas based on the principle of providing sustainable livelihoods for the population in these areas and for people resettled from these areas and (b) phasing in the decentralization of authority, functions, resources and accountability for the planning, financing and implementation of poverty reduction initiatives to the provincial, district and village levels.

13. **Action areas for improving portfolio management** include: (a) improving approaches to building the capacity of local communities and institutions in participatory development, technical skills, contract and financial management, monitoring and evaluation, and reporting systems; (b) improving the accountability of local institutions in decentralized planning, financing and implementation; (c) introducing effective and innovative solutions to address staffing constraints, especially at the district level; (d) strengthening partnerships with other development initiatives in the same geographical areas and sectors so as to achieve synergy and coordination; (e) using experience and the lessons learned to improve project operations; (f) enforcing project performance assessment through regular country portfolio reviews and strengthening the role of Government agencies and IFAD's cooperating institution in providing implementation support, supervision and portfolio management; (g) using the results and impact management system to manage rural poverty reduction initiatives so as to achieve results and impact; and (h) focusing on sustainability and replicability.

14. **Country programme of work.** The country programme of work will be designed to achieve the results expected of the country strategy. The performance-based allocation system (PBAS) will determine the country allocation of IFAD resources, including highly concessional loans and grants. Based on the current PBAS assessments, the International Development Association country policy and institutions assessment rating in 2003 was 2.58; the rural sector performance rating was 3.77; the project-at-risk rating was 5; the overall country performance rating was 3.96 (ranking 14 out of 33 countries in Asia and the Pacific region), and the 2004 country score was 426 716. For 2005, the Lao People's Democratic Republic has a minimum country allocation of USD 1.0 million per year under the PBAS, mainly due to its small population.

LAO PEOPLE'S DEMOCRATIC REPUBLIC COUNTRY STRATEGIC OPPORTUNITIES PAPER

I. INTRODUCTION¹

1. The Lao People's Democratic Republic joined IFAD in 1978. At the end of June 2005, IFAD assistance to the country consisted of nine project loans, all on highly concessional terms, in the amount of SDR 48.0 million, equivalent to USD 71.8 million, and grants of USD 2.1 million.
2. A country strategic opportunities paper (COSOP) for the Lao People's Democratic Republic was formulated in 1996 in close cooperation with the Government. Its validity was reassessed in 1999 and 2000. In 2003, a new country strategy for IFAD assistance was prepared in view of: (a) evolving changes in the social and economic situation and government policies, strategies and institutions; (b) the Government's National Growth and Poverty Eradication Strategy² (NGPES) and its implications for future IFAD assistance to the country; and (c) the IFAD Strategic Framework 2002-2006 and the regional strategy for Asia and the Pacific.
3. To enhance the participation of all stakeholders and the ownership by the Government of the country strategy, the preparation of the COSOP followed an in-country participatory and consultative process, which included: (a) a joint Government-IFAD country portfolio review in January 2003; (b) the Government's assessment of its policies and priorities and the preparation of a first draft of the country strategy between March and May 2003; (c) a participatory livelihoods study in June 2003 to reflect the perspectives and livelihood strategies of the rural poor in the draft country strategy; (d) a programming mission in June 2003 to discuss the draft country strategy with selected bilateral and multilateral development agencies and identify partnership opportunities and options for IFAD financing; and (e) a reality check workshop jointly hosted by the Government and IFAD in Vientiane in November 2003 and attended by representatives of government institutions, bilateral and multilateral development agencies, international NGOs, research institutions and the private sector. The finalization of the COSOP was delayed so that it could be aligned with the NGPES.

II. ECONOMIC, SECTOR AND RURAL POVERTY CONTEXT

A. Country Economic Background³

4. **Country.** The Lao People's Democratic Republic is a landlocked country of 236 800 km², bordered by Cambodia, China, Myanmar, Thailand and Viet Nam. It has 16 provinces, one special municipality, one special region, 142 districts, 10 868 villages and 852 500 households. The country is divided into two agro-economic zones: the flat lands (primarily populated by ethnic Lao), mainly bordering the Mekong River, and the mountainous uplands (populated by multi-ethnic groups) along its northern and eastern borders. About 4% of the land area is under cultivation, and 80% of the country is mountainous. The population was 5.7 million in 2004, with a population density of about 24 persons/km² and an annual growth rate of 2.6%. Of the population, 85% is rural, and 54% is below the age of 20. The population is composed of 49 ethnic groups belonging to four ethno-linguistic families.
5. **Economy.** The United Nations classifies the Lao People's Democratic Republic as a least developed country. In 2004, the per capita gross national income was USD 340. With a Human

¹ See Appendix I for additional information.

² NGPES is the equivalent of the poverty reduction strategy in the Lao People's Democratic Republic.

³ Most of the statistical data in this section are from the International Development Association's country assistance strategy for the Lao People's Democratic Republic dated 10 March 2005.

Development Index value of 0.534, the country is ranked 135 out of 177 countries. In 1986, the Lao People's Democratic Republic started moving from a centrally planned to a market-oriented economy under the New Economic Mechanism and embarked on a series of market-oriented reforms. The country has achieved significant progress in economic growth, institutional reform, structural transformation and macroeconomic management, creating the basic foundations of a market-oriented economy. The Lao People's Democratic Republic joined the Association of Southeast Asian Nations and the Free Trade Area of the Association of Southeast Asian Nations in 1997.

6. Real GDP grew by 6.3% per year from 1991 to 2000 and by 5.6% between 2001 and 2004. In 2004, annual growth reached 6%, with annual inflation falling to about 11%. The fiscal deficit was about 3.9%, and the current account deficit was 8.5% of GDP. Foreign direct investment was USD 184 million. Total debt service was 11.9% of the value of the exports of goods and services. The country continues to rely heavily on external support, approximately 39% of total public expenditure and 61% of the capital budget.

7. GDP growth rates over the next five years are expected to be around 5-7% per annum, with a corresponding improvement in most economic indicators. The achievement of these targets will depend on further reform of: (a) public expenditure management; (b) state-owned enterprises and the banking sector; (c) the management of natural resources; and (d) the trade regime and private sector development.

B. Agricultural Sector

8. **Agriculture**, including forestry and fishing, is the major economic sector in the Lao People's Democratic Republic, accounting for 49% of GDP in 2003, growing at an estimated rate of 3.8% and employing 80% of the national workforce. The sector retains a predominantly subsistence orientation. Crops accounted for 54%, livestock and fisheries, 36%, and forestry, 10% of the sector GDP. Forests cover 54% of the total land area, and arable land, 4%. The average agricultural holding per household is 1.6 hectares. Among farm households, 18% have access to irrigation. Shifting agriculture systems account for about one third of the total cultivated area. Agricultural productivity remains low, at about USD 199/worker-year, with an average household income from farming of about USD 200/ha. Rice accounts for over 90% of total crop production, with nearly 95% of farming households growing rice for their own use. The country needs to produce 2 million tonnes annually for rice self-sufficiency, and production needs to increase by 50 000 tonnes annually to keep pace with population growth.

9. **Rural development.** The legal and policy foundations for the rural development strategy in the Lao People's Democratic Republic lie with the Prime Minister's Office Instructions.⁴ These set out the requirements for decentralization and poverty reduction within a framework of self-development at the local level. The core of the Government's rural development strategy is the "focal site" programme launched in 1998. This programme is intended to concentrate development resources and people from the most vulnerable areas of the country in clusters or zones with access to a full range of support and services, including technical inputs, markets, social services and road access. The objective is to reduce poverty, overcome environmental and social problems related to shifting agriculture and opium production, and improve human development.

10. Legally, all land in the Lao People's Democratic Republic belongs to the state, although individuals have the right to buy and sell their land-use rights. It is estimated that there are 1.6 million land parcels in the country. During the last few years of the land reform programme, over 100 000

⁴ Prime Minister's Office Instruction 001 of March 2000 established the framework for decentralized people's self-development with the directive that provinces shall be the strategic planning units, districts shall be the planning and budgeting units, and villages (communities) shall be the implementing units. Instruction 010 of June 2001 firmly establishes the poverty focus of community self-development by initiating the process of poverty-focused and pro-poor development planning and implementation at the local level.

land titles were granted to local people in both urban and rural areas. In the next five years, the Government plans to grant land titles to about 400 000 families. The next phase of the land reform programme involves fostering the development of efficient land markets. Private investment will be encouraged when land rights are well documented and can be used as collateral for borrowing. The Government is implementing a land-use planning and land allocation programme that will have an impact on land-use and ownership among both the lowland and upland populations.

C. Rural Poverty

11. **Poverty definition.** In June 2001, the Government issued an official definition of poverty: “Poverty is the lack of ability to fulfil basic human needs, such as a lack of food (less than 2 100 calories per person per day), lack of adequate clothing, no permanent housing, inability to afford fees for health care, inability to afford payment for the education of members of the family and lack of access to transport routes.” The official rural poverty line is defined as an average household income of LAK 82 000 (USD 8), which is needed for a minimum food intake of 2.1 kcal per capita/day. The poorest are defined as those with a household income of 80% or less of the food poverty line. The upper poverty line is a household income of LAK 98 000 (about USD 9.3) per capita per month, which is needed for a food intake of 2.1 kcal per capita/day, plus additional income to cover minimal housing, clothing, health care and education costs.

12. **Poverty situation.** The incidence of poverty fell from 46% in 1992/93 to 39% in 1997/98 and further to 33% in 2002/03. Poverty in the Lao People’s Democratic Republic is largely a rural phenomenon, with 38% of the population in rural areas living below the poverty line in 2002/03. Improvements were achieved on a number of social indicators, but most social indicators still fall well below the average for East Asian countries. In terms of the Human Poverty Index, the country ranked 66 out of 95 developing countries in 2002.

13. **Distribution of poverty.** The incidence of the poor and the poorest is highest in the rural and mountainous areas, where most of the diverse ethnic groups live. The poverty rate in the uplands is 43%, compared with about 28% in the lowlands. The Gini index of per capita real consumption fell from 34.9 in 1997/98 to 33 in 2002/03.

Year	Poverty Incidence (%)	Area		Region				Priority District			Altitude		
		Urban	Rural	Vientiane	North	Central	South	1st	2nd	Other	Lowland	Midlands	Uplands
2002/03	32.9	19.6	37.6	16.4	37.3	34.7	32.4	49.5	40.9	25.7	27.7	36.9	42.7
1997/98	39.1	22.1	42.5	13.5	47.3	39.4	39.8	63.0	41.7	30.5	N.A.	N.A.	N.A.
1992/93	46.0	26.5	51.8	33.6	51.6	45.0	45.7				N.A.	N.A.	N.A.

N.A. = not available.

14. **Gender dimension of poverty.** The Gender-Related Development Index in 2002 gives the Lao People’s Democratic Republic a value of 0.528, a ranking of 107 out of 144 countries. Ethnic minority women and girls are the most disadvantaged segment of Lao society. Women work much longer hours than do men, performing 70% of the agricultural and household tasks, while rearing young children. However, Lao women have a life expectancy of 55 years at birth, two years more than men, but have an average of three years (two years in rural areas) of schooling, compared to four years for men. Women have a literacy rate of 54%, compared to 77% for men. Ethnic group women comprise 70% of the illiterate population. Girls tend to drop out of primary school after grade 1 or 2. Consequently, few women from ethnic groups speak the national language, engage in formal or non-formal business, or are employed in the manufacturing or government sectors.

15. **Key indicators of poverty** are: (a) rice production/consumption per capita; (b) ownership of large livestock per capita; (c) forest area per household; (d) household or village location greater than 6 km from a main road; (e) percentage of households or household members with no education; and (f) crude birth and death rates. For the poor, the main indicator of poverty is the degree of rice sufficiency, and the main indicator of wealth is livestock ownership.

16. **Causes of poverty.** The core determinant of poverty is the gap between the dependency ratio⁵ and household productivity.⁶ The participatory poverty assessment undertaken in 2000 identified the following major causes of poverty: (a) land related aspects, e.g. insufficient land for paddy cultivation or the production of other crops, short shifting cultivation cycles, declining soil fertility and lack of irrigation water, technical knowledge and skills; (b) loss of animals due to livestock diseases; (c) lack of cash for investment in livelihood improvements; (d) natural disasters; and (e) environmental problems. Included among additional causes of poverty are the underresourced government land allocation programme, lack of local leadership, labour shortages, low educational level, lack of health services, too many children, no roads, lack of access to markets and government support services, addiction to opium and the presence of unexploded ordnance. These causes are particularly acute for households that have moved from the uplands to the lowlands.

17. The **characteristics of the rural poor** in the Lao People's Democratic Republic can be identified as follows: (a) dependent on agriculture as a primary occupation; (b) highly risk adverse, with self-sufficiency strategies based on traditional methods of production, minimal use of inputs, low-quality and low-value outputs and low productivity; (c) serious labour constraints; (d) mostly ethnic groups and women living in remote and upland areas or in newly resettled villages; (e) physically and institutionally isolated, with little access to government services, roads, markets, basic education and health; (f) social isolation, with non-mainstream languages and traditional cultural and religious beliefs; (g) institutional isolation, with little linkage to the "outside" world or access to the benefits of a market oriented economy; (h) poor human capital, with low levels of educational attainment and limited access to information; (i) limited access to financial services and reliant on private moneylenders; (j) limited opportunities for off-farm employment; (k) large family size with many dependants; and (l) little knowledge of their rights and due legal processes.

18. The **strengths of the poor** include traditional village leadership and organizations, access to rich natural resources when they are still able to follow traditional livelihood systems in the uplands, and indigenous knowledge, including traditional upland crop production methods and hunting and building skills.

19. **Vulnerable groups** include: (a) ethnic groups living in remote, upland areas or resettled in the lowlands or in more accessible upland areas and receiving little outside support or services; (b) households living in areas prone to natural disasters; and (c) households, particularly woman-headed households, with a large number of dependents.

D. Constraints on and Opportunities for Rural Poverty Reduction

20. Poverty is largely a rural phenomenon in the Lao People's Democratic Republic, with 38% of the rural population living below the poverty line. Therefore, measures to improve and broaden economic and social opportunities in rural areas are critical to achieving poverty reduction targets. The major constraints to rural poverty reduction include: (a) inadequate consideration of the livelihoods of communities by the Government in policy formulation and implementation; (b) weak institutional and operational capacity to achieve intended policy objectives and impact; (c) lack of human and financial resources to provide essential services so as to enable resettled communities to

⁵ Number of children below age 15, plus the number of people over 64, divided by the number of household members aged 15 to 64. It indicates the extent to which those of working age are supporting non-working household members.

⁶ Gross revenue per day in USD earned by household members working on- and off-farm.

adapt to a new living and production environment; (d) inadequate mechanisms to transfer the technology that is available as alternatives to the traditional shifting cultivation systems and opium poppy cultivation; (e) underdeveloped rural infrastructure, social services and market access; (f) language, culture and physical barriers for ethnic communities; and (g) price controls and formal and informal interregional controls on the free movement of goods.

21. Upland populations throughout the country identified the land allocation programme as a major factor behind their increasing hardship.⁷ Due to lack of technical, financial and social services, many communities that moved down to the lowlands or to more accessible areas in the uplands are faced with increasing food insecurity to the point of malnutrition. Far too little land is allocated for shifting cultivation, and this has led to shorter fallow periods, declining soil fertility and lower productivity. To compensate for reduced self-sufficiency in rice and other crops, upland households are forced to exploit wild forest resources to provide food and generate cash, with serious adverse environmental and economic consequences. These problems impact particularly severely upon people who are already poor and upon women. The ongoing programme for opium eradication faces similar problems of a lack of resources to support, in ways that are sustainable, the development of alternatives to the cultivation of opium poppies as a cash crop.

22. Sustained productivity improvement and agricultural growth linked to markets and crop diversification, especially in the more remote and upland areas and among resettled communities, provide the main opportunity for the reduction of rural poverty. Such an approach should be based on developing the existing livelihoods of the rural poor and helping them to manage efficiently and effectively the resources and services for their own social and economic development.

23. Opportunities now exist to introduce improved upland crop production practices to replace traditional shifting cultivation systems and to improve natural resource management systems. There are opportunities for crop diversification, including the cultivation of non-timber forest products and for improved livestock production. In both regional and wider international markets, the Lao People's Democratic Republic enjoys a competitive advantage for products such as non-timber forest and agroforestry products, organically farmed produce, handicrafts and livestock.

24. To exploit these opportunities will require the provision of: (a) supporting infrastructure investments to improve the rural infrastructure and provide a more well educated and healthier population; (b) provision of staff and financial resources to maintain and operate the infrastructure; and (c) support services to enable the rural poor to adopt the improved technologies that are now becoming available for use in the uplands and to develop the local institutions required to enable them to engage in the commercial production of crops, livestock and non-timber forest products. A further opportunity exists to improve the pro-poor policy environment by further liberalizing and deregulating markets and prices and using the lessons learned from project experience to develop pro-poor policies and strategies.

E. National Strategy for Rural Poverty Reduction

25. In February 2004, the National Assembly approved the NGPES, which is the first full poverty reduction strategy prepared by the Government following a participatory and consultative process.

26. The NGPES focuses on: (a) four priority sectors: agriculture and forestry, education, health, and road infrastructure; (b) six supporting sectors: energy and rural electrification, tourism, mining, construction, small and medium-sized enterprises, and trade; (c) five cross-sector priorities: gender mainstreaming, environmental conservation, population, social security and capacity-building; and (d) three national programmes: drug control, unexploded ordnance, and HIV/AIDS and sexually

⁷ Participatory poverty assessment of 2001.

transmitted infections. For sustained economic growth and poverty reduction, the Government is committed to: (a) sustainable economic growth; (b) accelerating human and institutional development; (c) strengthening governance; and (d) achieving environmental sustainability.

27. The NGPES defines “the long-term development objective as freeing the country from the status of a least developed country by 2020”. The NGPES notes that a tripling of per capita income, requiring an annual growth rate in the economy of 7%, is consistent with achieving the 2020 target of eradicating poverty. To achieve the Millennium Development Goal (MDG) target requires a reduction of poverty incidence from 48% of the population in 1990 to 24% by 2015, an annual reduction of 150 000 people living in poverty.

28. To ensure that economic growth and modernization benefit the maximum number of poor households, the NGPES identifies 72 poor districts and 47 poorest districts for future rural poverty reduction programmes. These districts have the following general characteristics: (a) they are located in remote mountainous areas at greater than 600 m altitude; (b) they are limited areas of paddy land; (c) they have poor infrastructure and are inaccessible; and (d) they have poor access to basic education and health services. A summary of selected data on the 72 poor and 47 poorest districts follows:

NGPES District	Total Population	% of National Population	No. of Villages	No. of Poor Villages	% of Poor Villages	No. of Households	No. of Poor Households	% of Poor Households
72 poor	1 956 374	37.6	5 384	4 117	76	321 561	159 912	50
47 poorest	1 261 016	24.6	3 658	2 960	81	205 680	116 021	56

29. To achieve the stated poverty reduction targets will require, first and foremost, rapid economic growth in rural areas. The NGPES has correctly identified rural poverty as a prime concern and a community-based approach to the eradication of rural poverty as essential. Rural development is central to the Government’s poverty reduction efforts and at the core of the NGPES.

30. The rural development strategy has two major components: (a) improving access to resources essential for development and (b) putting in place a comprehensive, poverty-focused planning process at the district level. The latter will in turn require capacity-building so as to ensure that all initiatives are mutually supportive and coordinated.

31. **Improving access.** Resources for improving access include inputs and infrastructure (roads and irrigation), markets, human resources, social services (education and health services) and rural finance. Market linkages and trade facilitation are needed to help transition from subsistence to commercial farming and from an overwhelming dependence on agriculture to a more diversified rural economy. However, improving access to essential factors of development will only be effective if all the factors are mutually supportive. Under these circumstances, an area-based development approach remains the most appropriate strategy for rural poverty reduction in the context of the country. A particular challenge is the development of alternatives for pioneering shifting cultivation; hence, there is a need to support diversification into livestock, horticulture and cash crops. In addition, forestry, agroforestry and non-timber forest products offer potentially attractive alternatives. However, poor rural households must first obtain food security; hence, development planning must start from this basic reality.

32. **Capacity-building.** Particularly at the district level, staff will need to acquire skills in planning and managing development activities, including land-use planning, watershed management and the use of new agricultural technology. Villages will require functioning village institutions, including village administration committees, farmer production and market groups and operation and maintenance groups for infrastructure investments. Gender mainstreaming should be part of the capacity-building support effort.

33. **Implementation** will include the following support: (a) the introduction of participatory land-use planning and land allocation where new upland cultivation systems are introduced; (b) the strengthening of district extension agents and the establishment of farmer operated demonstrations to facilitate technology transfers to farmers; (c) the improvement of existing irrigation systems and support for the development of new systems; (d) the improvement of livestock development through networks of private village animal health workers, the strengthening of village vaccination programmes and improved livestock feeding and fodder production; (e) the introduction of changes in agricultural practice and land use to facilitate sustainable environmental management and the control of the unsustainable harvesting of non-timber forest products; (f) the development of area-based applied technology for commercial agroforestry systems, crop production and the marketing of crop and non-timber forest products; (g) the establishment of rural finance mechanisms for savings mobilization and the supply of production credit; and (h) the improvement of access to markets through the establishment of market information systems and encouragement for private sector linkages.

III. LESSONS FROM IFAD'S EXPERIENCE IN THE COUNTRY

34. The lessons learned that are relevant to IFAD's future assistance to the Lao People's Democratic Republic can be summarized as follows.

35. **Approach to rural development.** Experience in the Lao People's Democratic Republic has shown that to reduce poverty requires investment in community empowerment, improvement in the livelihoods of the poor and investment in rural infrastructure (e.g. local roads, irrigation, water supply, dispensaries, primary schools, etc.). Investment should be targeted at the poor and very poor districts and villages with vulnerable populations. The greatest needs are in the uplands and in newly resettled or merged villages.

36. **Agricultural development and natural resource management.** Three points are relevant. First, the Government should take a gradual approach to phasing out shifting cultivation and stabilizing the areas under shifting cultivation in the uplands to avoid further hardship on the poor. With appropriate technology for extension available to replace traditional shifting cultivation, the Government should allow for the time needed for the successful introduction of alternative livelihoods based on these systems among the farmers who are affected by this policy. To be successful, these interventions need to achieve rapid improvement in the food and income security of the rural poor. Second, agricultural programmes cannot merely work intensively with a very small selection of villages, but need to apply approaches that can be used over wide areas if they are to have a significant poverty reduction impact and avoid the creation of "enclaves of privilege". Third, to support agricultural development in poor communities, the generalist extension approach should be applied by staff based at the district level, while a participatory extension approach is applied in the villages. Staff from ethnic communities should be employed wherever possible.

37. **Participatory approaches.** Key lessons learned include: (a) community development and participatory planning should focus on strengthening the development capacity of existing village organizations, rather than creating a parallel structure, e.g. village development committees; (b) the approach to planning at the village level should be simple and focus on identifying problems and possible solutions with staff in the technical departments providing assistance and services; and (c) decentralized participatory approaches should be institutionalized into the Government systems so as to ensure institutional sustainability.

38. **Decentralization and institutional development.** Key lessons learned include: (a) the capacity of villages and village organizations represents the foundation of successful rural poverty reduction initiatives; (b) it is important to pilot decentralized approaches with a focus on districts as the epicentre of development planning and budgeting for further decentralization to the village level along with adequate devolution of human and financial resources; (c) it is important to improve the coordination of multisectoral interventions at the local level; and (d) the Government should systematically document innovations and successful experiences so as to improve decentralization policies, systems and procedures.

39. **Staffing.** Mid- and upland people belong to the Austro-Asiatic, Hmong-Mien and Sino-Tibetan ethnic groups, and their cultures and languages are totally different from those of lowland people. Hiring staff from these ethnic groups can help government staff understand the situation in these areas. Government staff should receive special training on ways of working with ethnic groups and bridging the cultural divide.

40. **Rural infrastructure development.** Three lessons come from IFAD's experience: (a) public investment in rural infrastructure should be targeted to the poor and disadvantaged areas to reduce marginalization; (b) effective arrangements for the operation and maintenance of these investments are essential for sustainability; and (c) a consistent national policy on beneficiary contributions to rural infrastructure investments, currently lacking, is essential.

41. **Gender mainstreaming.** Major lessons learned include: (a) gender training at the village level does lead to a more equal division of labour between husbands and wives; (b) specifically recruiting women to work in health and education projects can improve gender equality, but, for agriculture, this is more difficult because very few Lao women are attracted to studies in agriculture, livestock, or forestry; and (c) proactive efforts are needed to address gender inequalities in decision-making, the distribution of labour and workloads, employment opportunities and nutritional and health status.

42. **Implementation support.** Monitoring and evaluation systems must be simple and not overburden staff, who are introducing new technologies and adopting new working practices within an evolving decentralized system. All IFAD projects have had difficulty implementing crop and livestock components. For poverty reduction programmes with livelihoods components, which are inherently more difficult to implement than simple infrastructure investments, IFAD should devote more resources for implementation support because the capacity of the civil service is still weak.

43. **Partnership and cofinancing.** Key lessons learned include: (a) cofinanciers must have similar objectives and approaches; (b) the Government must actively manage cofinanciers and coordinate their activities; and (c) external development agencies need to harmonize their policies and procedures (including reporting requirements and staff incentives) in alignment with those of the Government.

44. **Policies and strategies.** Government policies and strategies for poverty reduction should be well informed so as to reflect the critical constraints faced by and the key opportunities available to local livelihood systems if rural poverty reduction is to be cost effective and sustainable.

IV. STRATEGIC FRAMEWORK FOR IFAD

A. IFAD's Strategic Niche and Proposed Thrusts

45. **Strategic niche.** IFAD's strategic niche in its future assistance to the country stems from the achievements and lessons learned from previous multisector programmes and IFAD's specific mandate for rural poverty reduction. The Lao People's Democratic Republic is at a stage of development that requires coordinated investment in several sectors in order to have a significant and sustainable poverty reduction impact. This is confirmed by IFAD project experience, supported by the NGPES rural development strategy and in line with the IFAD corporate and regional strategies.⁸

46. **Country strategy.** The proposed country strategy of IFAD assistance to the Lao People's Democratic Republic will involve promoting economic growth and sustainable livelihoods improvement among the rural poor, women and vulnerable groups through a community-based self-development approach so as to strengthen the capacity of the poor and their organizations efficiently and effectively to manage resources and services for their own social and economic development.

47. The country strategy will support the Government in the implementation of the NGPES and achieving the MDGs. The country strategy will be targeted at the poor districts and the poorest districts and at marginalized groups in the uplands in order to maximize the poverty reduction impact. It will aim at achieving an enhanced impact in the reduction of poverty, improved portfolio management, greater influence on pro-poor policies and institutions, strengthened partnerships and better knowledge management. Appendix II outlines the logical framework for the country strategy.

48. Within the government framework of a multisector rural poverty reduction strategy, IFAD's assistance should focus on the livelihood improvement aspects of rural poverty reduction, including capacity-building among the poor and their organizations, the introduction of sustainable alternatives to shifting cultivation in the uplands and the resolution of the associated land allocation issues, the promotion of market access and agricultural development led by the private sector, and gender mainstreaming. These are the areas where IFAD has the most relevant experience, that are most crucial for sustainable reductions in rural poverty, that can be addressed within the funding available and that would contribute directly to economic growth. The focus should be on the uplands or the recently resettled or merged villages in the poor and the poorest districts. Such an approach would contribute most directly and efficiently to rural poverty reduction and have an influence on pro-poor policies and institutions. However, in view of the limited funding from IFAD under the performance-based allocation system (PBAS), this will require that other development agencies cofinance the complementary investments required, e.g. in rural infrastructure and technical assistance, as part of integrated area development programmes. Therefore, partnerships with other development agencies will be most essential.

49. **Strategic thrusts.** The country strategy will include the following strategic thrusts, while specific investment programmes will be designed in accordance with strategic priorities and partnership opportunities to be identified and the resources available:

Human and social capital:

- to strengthen the capacity of poor rural households and their village-based organizations;
- to promote gender-sensitive and participatory development at the village level; and
- to transform gender relations by helping women to take a greater role in decision-making within households and communities.

⁸ See Appendix IV.

Natural, financial and physical capital:

- to improve household livelihoods (food and income security and natural resource management);
- to provide access to productive resources, improved technology, financial services and markets; and
- to develop market linkages and support market-based livelihood opportunities among the target communities.

Policy and institutions:

- to strengthen the in-country capacity for the development of effective pro-poor policies and institutions;
- to develop the capacity of key service providers for the delivery of quality services to the target group, including the introduction of a participatory and demand-driven work culture;
- to improve the accountability of public institutions and systems and the procedures of decentralization; and
- to strengthen partnerships and knowledge management with the poor, government and other like-minded development agencies.

50. **Geographic focus.** The priority of IFAD's investment in the country is to assist the poorest districts as identified through the NGPES (at present, 47), while, within the same province, one programme may also cover other districts that are in the poor category (at present, 72) so as to achieve maximum efficiency and impact. Other selection criteria are:

- (a) local government and institutions committed to poverty reduction;
- (b) no major externally financed livelihoods programme ongoing in the area;
- (c) possibility of cofinancing with other development agencies for complementary investments, e.g. in rural infrastructure, social services and technical assistance;
- (d) economic efficiency in terms of the costs, benefits and cost per beneficiary, etc.; and
- (e) satisfactory interim evaluation if a second-phase project is proposed.

51. **Target group.** The target group consists of poor and food insecure households living in the upland areas and those households that have recently moved from the remote uplands and resettled in more accessible areas. Within the target group, there are two subgroups, the poor and the poorest. The poorest, most food insecure and most vulnerable households lack sufficient physical and human assets to make use of the natural resource base and engage in productive livelihood strategies. This group includes widows with small children and new families with small children and few assets. "Poor households" also live below the poverty line, but are able to sustain their livelihoods and sometimes generate a small surplus. Both groups depend heavily on shifting cultivation, non-timber forest products and daily wage labour as sources of livelihoods. Women are an important part of the target group because of their disadvantaged position and the important role they play in society. Unemployed rural youth are part of the target group because of their potential role in economic development and the maintenance of social stability.

52. **Targeting strategy.** The targeting strategy will consist of: (a) geographical targeting at the poorest districts and at poor districts as identified in the NGPES; (b) within target districts, targeting at the poor villages, particularly those in remote and upland areas, and at newly resettled populations; (c) within target villages, participatory wealth ranking exercises or other participatory methods will be used to target the poor; and (d) self-targeting mechanisms will be used to benefit the poor and the

poorest wherever possible. In addition, the inclusion of programme interventions that will benefit all households in the targeted villages will help to avoid conflicts within village communities and ensure community solidarity and, hence, the success of poverty reduction initiatives.

B. Main Opportunities for Innovations and Project Interventions

53. The ethnic diversity, mountainous topography, predominant agrarian economy and underdeveloped rural infrastructure and markets require that the interventions of the country programme should be specific to the context of the target group and local livelihood systems and priorities. The following paragraphs present an outline of investment priorities for the country programme.

54. **Community development and support for decentralization.** IFAD assistance will focus on strengthening the capacity of the villagers and their village and community organizations, including village administration committees, through participatory community development and institutional support. This approach would enable the villages efficiently, effectively and sustainably to manage resources and services for the development of their livelihoods. The objective is to work progressively towards achieving the government policy objective of making villages the implementation unit for poverty reduction initiatives and devolving the necessary authority and human and financial resources to the districts and villages for the decentralized planning, financing and implementation of poverty reduction programmes. Improving the accountability of local institutions and service providers and institutionalizing results and impact assessment and management will be part of this process.

55. **Agricultural development and community-based natural resource management.** IFAD assistance will focus on improving household food and income security and developing market oriented agriculture in the upland areas and, particularly, in resettled and merged villages by: (a) assessing the extent to which the outcome of the land-use planning and land allocation programme is a constraint on poverty reduction, and, where further study and revision are necessary, embark on a new round of land allocation following participatory approaches; (b) improving the productivity of land, water and forest and community-based natural resource management through the piloting of a farmer- and village-based participatory extension system based on the new generalist extension approach being introduced by the National Agriculture and Forestry Extension Service; (c) promoting the adoption of new feasible and appropriate technical options for upland farming systems that represent viable and sustainable alternatives to shifting cultivation and opium poppy cultivation; (d) controlling animal diseases and improving livestock production and aquaculture; (e) promoting home-garden production; (f) using the results of revised or existing land-use zoning, where adequate, to develop improved community-based natural resource management (village forestry, non-timber forest product and fisheries management) with management plans based on simple inventory techniques; (g) promoting improved post-harvest technology and food processing; (h) promoting access to markets and private sector participation through input supply, marketing agreements, contract production, etc.; and (i) focusing on linkages between rural poverty reduction and the improvement of the environment and natural resource management, including rewarding the upland poor for the environmental services provided.

56. **Income diversification.** IFAD assistance will help the target group generate and diversify their on-farm and off-farm income according to market opportunities, including: (a) crop diversification; (b) microenterprise development, including handicrafts and value added processing; (c) skills and business training; (d) the promotion of business and professional associations to facilitate processing, marketing and input supply; and (e) the development of sustainable institutions and operational systems for rural financial services in order to meet the future demands of the target population, including village-based savings and credit programmes.

57. **Gender mainstreaming.** IFAD assistance will focus on: (a) promoting the equitable representation and active participation of women in management structures, staffing and government and community decision-making processes and bodies; (b) providing gender awareness training for villagers, village leadership and government staff in order to mainstream gender concerns in all interventions and operations; (c) promoting women's equal access to training, technical support and social services; (d) strengthening the capacity of women and the Lao Women's Union to play a more important role in social and economic development at the village level; and (e) fostering the awareness and prevention of domestic violence and HIV/AIDS and sexually transmitted infections, the reduction of women's workloads and the promotion of reproductive health services.

C. Outreach and Partnership Possibilities with NGOs and the Private Sector

58. There are no local NGOs in the Lao People's Democratic Republic. International NGOs are likely to continue to play an important role in supporting rural poverty reduction initiatives. Opportunities exist for partnerships with international NGOs in the piloting and dissemination of innovative approaches to participatory development, community empowerment, agricultural development and natural resource management, the sustainable use and management of non-timber forest products and influencing government pro-poor policies and institutions. These initiatives can complement IFAD investments in improving the livelihoods of the target group.

59. With further deregulation and liberalization of markets and prices, there will be more opportunities for the private sector to participate in agricultural development. Opportunities include the promotion of agricultural development led by the private sector, the improvement of market access and linkages for the target population through small- and medium-scale traders, processors and input supply businesses, and the introduction of contract-grower programmes and buyer and supplier marketing arrangements, which could also include the provision of technical support. Other areas where greater private sector involvement can be promoted are the support for user-paid animal health workers and the establishment of supply chains for animal pharmaceuticals to service the target population.

D. Opportunities for Linkages with Other Donors and Institutions

60. In view of limited funding from IFAD under the PBAS, partnerships with other development agencies will be needed even more. Opportunities for collaboration and synergy with other donors and institutions would include alliances with like-minded development agencies so as to benefit from their strong in-country presence when engaging with the Government in discussions on policy issues, e.g. policies on the stabilization of shifting cultivation, land allocation and the provision of social services in rural areas. Consultations will be continued with other development agencies and international NGOs working in the same areas or sectors on cofinancing or other forms of collaboration in specific programmes and projects in order to maximize the poverty reduction impact, e.g., in the provision of technical assistance or in financing investments in rural infrastructure and social services as part of an area development programme.

61. There are also opportunities for partnerships with national and international research institutions in the agriculture sector and their programmes in the Lao People's Democratic Republic, such as the National Agriculture and Forestry Research Institute, the National Agriculture and Forestry Extension Service, the International Centre for Tropical Agriculture, the International Rice Research Institute, the World Agroforestry Centre and the International Potato Centre. These national and international research institutions can provide technical support to IFAD financed programmes in the following subject areas: (a) agricultural productivity improvement options, particularly upland agricultural development, including alternatives to shifting cultivation and opium poppy cultivation; (b) natural resource management; (c) technology transfer and participatory delivery approaches and mechanisms. The cooperation programme among the Government, Capacity Building International

(*Internationale Weiterbildung und Entwicklung*) and IFAD will continue to support the Government and IFAD financed projects by developing capacities in participatory approaches, decentralized planning, community development and agricultural extension.

E. Areas for Policy Dialogue

62. Discussions with the Government on policy issues related to the implementation of the NGPES will be an important part of the country programme. The experience gained through the IFAD country programme provides an opportunity for IFAD to assist the Government in using this experience and knowledge to develop new pro-poor policies and improved strategies for rural development and poverty reduction. IFAD assistance will focus on strengthening the in-country capacity for policy analysis to: (a) document the relevant lessons learned, the best practices and potentially beneficial innovations from IFAD and other rural poverty reduction programmes; (b) analyse and disseminate these lessons and assess their implications for future policy formulation; (c) feed this information into the policy-making machinery of the Government; and (d) engage in discussions with policy-makers on the impact of rural development policies on the poor and the subsequent formulation of pro-poor policies by the Government.

63. Two policy areas will have an immediate priority: (a) the development of a pragmatic approach to land allocation and the stabilization of shifting cultivation in the upland areas based on the principle of providing sustainable livelihoods for the population in these areas and for people resettled from these areas and (b) phasing in the decentralization of authority, functions, resources and accountability for the planning, financing and implementation of poverty reduction initiatives to the provincial, district and village levels.

64. IFAD will develop alliances with like-minded development agencies in engaging with the Government on policy issues that will have a direct impact on rural poverty reduction, as identified by the assessment of the sectoral framework for the rural development of the PBAS, e.g. the policy and legal framework for rural organizations, access to land, access to extension services, the investment climate for rural business, and public resource management and accountability in rural development.

F. Action Areas for Improving Portfolio Management

65. The major action areas for improving IFAD portfolio operations and management include: (a) the improvement of approaches to the building of the capacity of local communities and institutions in participatory development, technical skills, contract and financial management, monitoring and evaluation and reporting systems; (b) the improvement of the accountability of local institutions in decentralized planning, financing and implementation; (c) the introduction of effective and innovative solutions so as to address staffing constraints, especially at the district level; (d) the strengthening of partnerships with other development initiatives in the same geographical areas and sectors in order to achieve synergy and coordination; (e) the use of experience and the lessons learned to improve project operations; (f) the enforcement of project performance assessments through regular country portfolio reviews and the strengthening of the role of government agencies and IFAD's cooperating institution in providing implementation support, supervision and portfolio management; (g) the use of the results and impact management system to manage rural poverty reduction initiatives for results and impact; and (h) a focus on sustainability and replicability.

66. The Government requested that the supervision and implementation support provided by IFAD and the cooperating institution(s) should be more effective. This will require greater input for implementation support. An IFAD presence in the country would also help enhance local capacity and provide more effective support in project implementation and portfolio management.

G. Tentative Lending Framework and Rolling Programme of Work

67. The lending framework and rolling programme of work will aim at achieving the expected results of the country strategy. The PBAS will determine the country allocation of IFAD resources, including highly concessional loans and grants. The Asian Development Bank and the World Bank are providing increasing amounts of grant financing to the Lao People's Democratic Republic under their country programmes. Given the country's low income and high debt burden, there is a need for IFAD to increase its grant financing to this Member State, especially in the areas of capacity-building, institutional development and policy dialogue.

68. Based on the current PBAS assessments, the International Development Association's country policy and institutions assessment rating in 2003 was 2.58, the rural sector performance rating was 3.77, the project-at-risk rating was 5, the overall country performance rating was 3.96 (ranking 14 out of 33 countries in Asia and the Pacific region), and the 2004 country score was 426 716. For 2005, the Lao People's Democratic Republic has a minimum country allocation of USD 1.0 million per year under the PBAS, mainly due to the small population.

69. In case the Lao People's Democratic Republic is no longer a minimum allocation country when the population factor of the PBAS formula is revised, the following lending scenarios and performance triggers are proposed.

Lending Scenario	Performance Triggers ⁹	Lending Programme
Base Case	<ul style="list-style-type: none"> • Maintaining broad framework conditions (country policy and institutions assessment). • Maintaining rural development sector framework conditions. • Maintaining an IFAD portfolio free of projects that show major problems and are not improving (project at risk). 	USD 1 million per year
High Case	<ul style="list-style-type: none"> • Improving broad framework conditions (country policy and institutions assessment). • Improving rural development sector framework conditions, particularly in the areas of the policy and legal framework for rural organizations, access to land, access to extension services, the investment climate for rural business, and public resource management and accountability in rural development. • Maintaining an IFAD portfolio free of projects that show major problems, but that have been improving for three or more years. 	Full PBAS country allocation

⁹ The baseline year is 2004. The broad framework and rural development sector framework conditions refer to the PBAS.

APPENDIX I

COUNTRY DATA
LAO PEOPLE'S DEMOCRATIC REPUBLIC

Land area (km² thousand) 2002 1/	231	GNI per capita (USD) 2002 1/	310
Total population (million) 2002 1/	5.30	GDP per capita growth (annual %) 2002 1/	2.6
Population density (people per km²) 2002 1/	24	Inflation, consumer prices (annual %) 2002 1/	11
Local currency	Kip (LAK)	Exchange rate: USD 1 =	LAK 10 850
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1996-2002 1/	2.4	GDP (USD million) 2002 1/	1 680
Crude birth rate (per thousand people) 2002 1/	36	Average annual rate of growth of GDP 2/ 1982-1992	4.5
Crude death rate (per thousand people) 2002 1/	12	1992-2002	6.3
Infant mortality rate (per thousand live births) 2002 1/	87	Sector distribution of GDP 2002 1/	
Life expectancy at birth (years) 2002 1/	55	% agriculture	51 a/
Number of rural poor (million) (approximate)	n/a	% industry	23 a/
Poor as % of total rural population	n/a	% manufacturing	18 a/
Total labour force (million) 2002 1/	2.65	% services	26 a/
Female labour force as % of total 2002 1/	n/a	Consumption 2002 1/	
Education		General government final consumption expenditure (as % of GDP)	n/a
School enrolment, primary (% gross) 2002 1/	115 a/	Household final consumption expenditure, etc. (as % of GDP)	n/a
Adult illiteracy rate (% age 15 and above) 2002 1/	34	Gross domestic savings (as % of GDP)	n/a
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita 2/	2 243	Merchandise exports 2002 1/	298
Malnutrition prevalence, height for age (% of children under 5) 2002 3/	41 a/	Merchandise imports 2002 1/	431
Malnutrition prevalence, weight for age (% of children under 5) 2002 3/	40 a/	Balance of merchandise trade	-133
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2002 1/	3 a/	before official transfers 2002 1/	-116 a/
Physicians (per thousand people) 3/ 1999-2003	61	after official transfers 2002 1/	-82 a/
Population using improved water sources (%) 2000 3/	37	Foreign direct investment, net 2002 1/	24 a/
Population with access to essential drugs (%) 1999 3/	50-79	Government Finance	
Population using adequate sanitation facilities (%) 2000 3/	30	Overall budget deficit (including grants) (as % of GDP)	n/a
Agriculture and Food		Total expenditure (% of GDP)	n/a
Food imports (% of merchandise imports)	n/a	Total external debt (USD million) 2002 1/	2 665
Fertilizer consumption (hundreds of grams per ha of arable land) 2002 1/	140 a/	Present value of debt (as % of GNI) 2002 1/	89
Food production index (1989-91=100) 2002 1/	192	Total debt service (% of exports of goods and services) 2002 1/	9 a/
Cereal yield (kg per ha) 2002 1/	3 068	Lending interest rate (%) 2002 1/	29
Land Use		Deposit interest rate (%) 2002 1/	6
Arable land as % of land area 2002 1/	4 a/		
Forest area as % of total land area 2002 1/	54 a/		
Irrigated land as % of cropland 2002 1/	18 a/		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* CD ROM 2004

2/ UNDP, *Human Development Report*, 2000

3/ UNDP, *Human Development Report*, 2004

LOGICAL FRAMEWORK

Narrative Summary	Verifiable Indicators a/	Means of Verification	Assumptions/Risks
<p>Goal: Enhanced impact on economic growth and sustainable livelihoods improvement of the rural poor, women and vulnerable groups in target districts identified as the poorest and poor by the NGPES.</p>	<ul style="list-style-type: none"> • Income poverty incidence reduced by 50% from 48% in 1990 to 24% by 2015. • Increased ownership of household assets. • Reduction in the prevalence of malnutrition for children under five (weight for age, height for age and weight for height). 	<ul style="list-style-type: none"> • Lao Consumption and Expenditure Surveys. • VAM Data of WFP. • Results and impact management system (RIMS) assessments. • PBAS reviews. • MDG progress reports and reviews. 	<ul style="list-style-type: none"> • Stable social, economic and political environment. • Poverty reduction in the poor and poorest districts continues to be NGPES priority.
<p>Purpose: An increase in the food security and incomes of households in target districts in response to needs defined by communities.</p>	<ul style="list-style-type: none"> • Increase per capita grain availability to 350 kg/annum by 2010. • USD equivalent of investment in the poor targeted NGPES districts, including co-financing from other external agencies, the Government and by the private sector. • Project specific indicators. 	<ul style="list-style-type: none"> • Statistical reports of Government. • Impact surveys. • Project supervision reports. 	<ul style="list-style-type: none"> • Macroeconomic and decentralisation policies continue to support poverty reduction and community self-development. • Stable social, economic and political environment.
<p>Output: The capacity of poor households and village- and community-based organizations strengthened.</p>	<ul style="list-style-type: none"> • Number of groups operational/functional for at least 3 years, by type. • Number of women on local decision making bodies. • Number of groups with women leaders. • Number of village development plans included in local government plans. 	<ul style="list-style-type: none"> • RIMS assessments. • Mid-Term and Project Completion Reviews. • Participatory Impact Assessments. • Project supervision reports. 	<ul style="list-style-type: none"> • Government continues to support decentralised and participatory community self-development.
<p>Production and productivity of crops, livestock and natural resources by the poor and vulnerable households improved.</p>	<ul style="list-style-type: none"> • Ha of incremental crops grown. • Number of farmers adopting technology recommended by the service providers. • Number of farmers reporting production/yield increases. • Number of poor farmers reporting increased animals. • Number of households provided with long-term security of tenure of natural resources. • Ha of common property resources under improved management practices. • Shifting cultivation replaced with economically viable alternatives. • Opium production eradicated and replaced with economically viable alternatives. 	<ul style="list-style-type: none"> • RIMS assessments. • Mid-Term and Project Completion Reviews. • Participatory Impact Assessments. • Annual UNODC opium surveys. • Project supervision reports. 	<ul style="list-style-type: none"> • Proven and appropriate technology options and alternatives are available for extension. • Targeted households efficiently use market information and rural financial services.

Narrative Summary	Verifiable Indicators a/	Means of Verification	Assumptions/Risks
Improved access to sustainable rural financial services markets.	<ul style="list-style-type: none"> • % of portfolio at risk. • % of operational self-sufficiency. • % of operating cost/loan portfolio. • % of households producing for the markets. 	<ul style="list-style-type: none"> • RIMS assessments. • Mid-Term and Project Completion Reviews. • Participatory Impact Assessments. • Project supervision reports. 	<ul style="list-style-type: none"> • Government reforms of the financial and banking sector continue as planned. • Government continues to deregulate and liberalise markets and prices.
Capacity and accountability of key service providers improved and institutional and policy changes effectively achieved.	<ul style="list-style-type: none"> • Capacity of key service providers improved in their service delivery to the targeted population, including introduction of a participatory and demand-driven work culture. • Effective and accountable systems and procedures functioning for decentralised planning, financing and implementation. • Piloting and disseminating innovative approaches to poverty reduction and rural development for possible replication by Government and/or other development partners. • Number of projects where new/changed pro-poor legislation or regulations are enforced at the local and national levels. 	<ul style="list-style-type: none"> • Country Portfolio Reviews. • RIMS assessments. • Mid-Term and Project Completion Reviews. • Participatory Impact Assessments. • Project supervision reports. 	<ul style="list-style-type: none"> • Government receptive to institutional and policy changes. • Government decentralisation policy continues. • Adequate capacity of IFAD to influence government in institutional and policy changes. • Continued cooperation and coordination with other development agencies.

a/ Where appropriate indicators to be disaggregated by gender of the household head as required by the RIMS.

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS

Institution	Strengths	Weaknesses	Opportunities/Threats	Comments
National Level				
Ministry of Finance	<ul style="list-style-type: none"> • Mandate of administration of financial assistance, including loans from international financial institutions. • Mandate to manage government counterpart funds for externally financed projects. • Familiar with IFAD financed projects and procedures. 	<ul style="list-style-type: none"> • Lack of decentralised procedures for financing and financial management. • Limited number of experienced staff in managing loan disbursements. • Lack of equipment and trained personnel to operate computerised systems for accounting and loan disbursement and administration. 	<ul style="list-style-type: none"> • Willing to provide training to the finance staff in the provinces. • Willing to supervise the financial performance of externally financed projects. • Ill-equipped and ill-disposed to decentralise financial administration down to district level. 	<ul style="list-style-type: none"> • IFAD should provide operating funds through projects to enable the Ministry to provide training to project staff. • Asian Development Bank (AsDB) supporting a capacity building program in the Ministry.
Committee for Planning and Investment	<ul style="list-style-type: none"> • Mandate to plan and monitor national socio-economic development plan. • Responsible for planning and monitoring of public investment program and NGPES. 	<ul style="list-style-type: none"> • Public Investment Programme dependent on external financial and technical assistance, resulting in donor –driven approaches and initiatives. 	<ul style="list-style-type: none"> • The NGPES was approved by the National Assembly in February 2004. • All IFAD projects are part of the national and provincial public investment programme. 	
Department of International Cooperation /Ministry of Foreign Affairs	<ul style="list-style-type: none"> • Mandate for foreign aid co-ordination, portfolio management and monitoring and evaluation of foreign assistance programmes and projects. • Some capacity to interact and co-ordinate with the donor community, central ministries and provinces. 	<ul style="list-style-type: none"> • Limited capacity for adequate backstopping of rural development projects. • Heavy workload and limited number of staff. • Lack of adequate staff training, equipment and operating funds. 	<ul style="list-style-type: none"> • Experience and familiarity with IFAD financed projects and procedures. • Willing and able to co-ordinate with provincial authorities and central agencies on policy and major operational issues. 	<ul style="list-style-type: none"> • IFAD projects should provide training, equipment and operating support to the Ministry for overall project M&E and portfolio management. • IFAD should support the Ministry to document, analyse and disseminate lessons learned from IFAD and other programmes supported by external agencies as an input into policy formulation.

Institution	Strengths	Weaknesses	Opportunities/Threats	Comments
Bank of the Lao People's Democratic Republic	<ul style="list-style-type: none"> Mandated as the Central Bank to manage monetary policy. Mandate to implement banking and financial sector reforms. Mandate to regulate and co-ordinate all policy and commercial lending within the country. Responsible for banking supervision. 	<ul style="list-style-type: none"> Not yet an independent central bank. Limited ability to regulate and co-ordinate policy and commercial lending. 	<ul style="list-style-type: none"> IMF, World Bank and AsDB are working with the Bank on banking and financial sector reforms. MOU agreed between IMF, World Bank, AsDB and the Bank of the Lao People's Democratic Republic on regulation of policy and commercial lending. Familiar with IFAD-financed projects and experienced in on-lending loans from IFAD to commercial banks under on-going projects. 	<ul style="list-style-type: none"> Under an AsDB agreement banks are unable to participate in any directed credit programmes.
Ministry of Agriculture and Forestry	<ul style="list-style-type: none"> Mandate to guide and support the development of the agriculture and forestry sector (including crops, livestock, aquaculture, irrigation, agro-forestry and non-timber forest products). Experienced in supporting development of lowland agriculture with a strong focus on irrigated rice. 6,000 employees nation-wide. Mandate to co-ordinate all rural development in the country. Staff with capacity to use GIS planning tools. 	<ul style="list-style-type: none"> Few technical staff available to respond to the needs of the provincial and district offices. Few staff understands the complexity of agriculture and farming systems, especially in the uplands. Limited flexibility in the implementation of the stabilisation of shifting cultivation programme and in particular the associated land allocation. 	<ul style="list-style-type: none"> Involved in implementing donor-financed agricultural and rural development projects. Risk in implementing the land allocation programme will have adverse impacts on poverty as documented by the participatory poverty study and UNDP. Implementing the World bank financed Agricultural Development Project in four southern provinces. 	<ul style="list-style-type: none"> IFAD should establish mechanisms to institutionalise the role of the Ministry in providing technical support and staff training for IFAD financed projects/programmes at provincial and district levels.
National Agriculture and Forestry Research Institute) (under the Ministry of Agriculture and Forestry)	<ul style="list-style-type: none"> Mandate for applied research on crops, livestock and forestry. Staffed with some of the most educated technicians within the Ministry. Good resource centre for data (soils, climate, land use non-timber forest products, etc.) and for resource persons. Proven technologies for the lowland and upland agriculture developed with assistance from international research institutes 	<ul style="list-style-type: none"> Recently established with heavy workload, with a limited number of staff and with limited funds. Highly dependent on donor assistance for its operations. 	<ul style="list-style-type: none"> Being assisted by international organizations including research institutes and donors. Can provide technical support for upland agriculture development and delivery approach. A major long-term assistance being provided by Sweden geared to the development of the uplands. 	<ul style="list-style-type: none"> Donor funding available to support the continued development of viable upland agriculture and agro-forestry systems.

Institution	Strengths	Weaknesses	Opportunities/Threats	Comments
	and donor projects. <ul style="list-style-type: none"> Working on technical options for upland agriculture with the assistance from CIAT and other agencies. 			
National Agriculture and Forestry Extension Service (under the Ministry of Agriculture and Forestry)	<ul style="list-style-type: none"> Mandate to develop, promote and train in new extension methods. Experienced in supporting lowland agricultural development. Experienced in promoting integrated pest management packages for lowland rice. 	<ul style="list-style-type: none"> Limited outreach capacity and limited number of staff, with primary focus on rice production in the lowlands. Limited experienced in supporting upland agriculture development, forestry and livestock Highly dependent on donor assistance for its operations. 	<ul style="list-style-type: none"> Opportunity to implement farming systems or “generalist” extension approach. A major long-term assistance package from Switzerland is developing extension systems for the lowlands, while Sweden will support and develop upland extension systems. 	<ul style="list-style-type: none"> IFAD projects should adopt these new extension approaches.
Ministry of Communications, Transport, Posts and Construction	<ul style="list-style-type: none"> Mandate to plan and manage road construction and operation and operation and maintenance (O&M) programmes. Recently established a division of roads to support rural road development. 	<ul style="list-style-type: none"> Shortage of technical staff to support the provincial and district offices. Inadequate focus on road maintenance. 	<ul style="list-style-type: none"> A Road Maintenance Fund established with the assistance from World Bank and Sweden to provide guideline and funding for O&M of rural access roads. High risk of corruption through numerous contracts with private or state-owned construction companies. 	<ul style="list-style-type: none"> Projects with local road components should contribute to their maintenance but IFAD funds at present cannot be provided through the Road Maintenance Fund due to donor funding agreements. IFAD should seek technical support in design, construction and supervision for construction of local roads from other agencies.
Ministry of Education	<ul style="list-style-type: none"> Mandate to plan, guide and support formal and non-formal education programmes. Present in all districts throughout the country. 	<ul style="list-style-type: none"> Heavily dependent on donor assistance. Limited development of a fully efficient education programme for ethnic groups. 	<ul style="list-style-type: none"> Involved in design and construction of primary schools in a number of donor-financed projects, e.g. AsDB Basic Education for Girls Project. Risk of corruption when contracting private sector for construction. 	<ul style="list-style-type: none"> Projects should finance the construction of complete primary schools to replace temporary structures. Projects should finance the construction of dormitories at selected complete primary schools so ethnic minority children can complete their primary education.

Institution	Strengths	Weaknesses	Opportunities/Threats	Comments
Ministry of Public Health	<ul style="list-style-type: none"> Mandate to plan, guide and support public health services and water supplies. 	<ul style="list-style-type: none"> Heavily dependent on foreign aid for expending it's the network of health facilities and constructing village water supply schemes and sanitation facilities. Limited number of qualified medical staff. Lack of efficient health programmes suitable for minority ethnic groups. 	<ul style="list-style-type: none"> Involved in designing and constructing dispensaries and drinking water schemes with donor assistance. 	<ul style="list-style-type: none"> Projects should provide funding for village water supply and sanitation schemes and dispensaries but arrangements for their O&M need to be in place.
Lao Women's Union	<ul style="list-style-type: none"> A mass organization with a mandate specific to women. Widespread presence down to village level. 	<ul style="list-style-type: none"> Can lack influence in male-dominated decision making processes. Inadequate numbers of staff, equipment and operating funds for its mandated responsibilities. No technical expertise for on and off-farm income generating activities. 	<ul style="list-style-type: none"> The presence of the Lao Women's Union network down to the village level is an opportunity for community development and gender mainstreaming. 	<ul style="list-style-type: none"> Lao Women's Union should continue to play a key role in community development and gender mainstreaming. For support to on and off-farm income-generating activities Lao Women's Union should seek assistance from the technical agencies and savings and credit schemes.
Provincial and District Levels				
Provincial Departments of Planning and Investment and District Offices	<ul style="list-style-type: none"> Mandate to plan and support the provincial social and economic development programme and Public Investment Programme. Mandate to co-ordinate all provincial line agencies in the execution of the Public Investment Programme. 	<ul style="list-style-type: none"> Limited capacity to plan and co-ordinate multi-sector, multi-donor supported rural development and poverty reduction programmes. Lack of equipment and operating funds. Insufficient staff for planning and M&E functions and existing staff lack the required capabilities. 	<ul style="list-style-type: none"> Government decentralisation policy provides a good opportunity for decentralised planning, financing and implementation of rural development and poverty reduction programmes. Lack of ability of the provincial government to manage and co-ordinate donor financed activities in the same area is a danger. 	<ul style="list-style-type: none"> IFAD should provide institutional development and capacity building support to the Department to support its co-ordination role. Department should assume responsibility for community mobilisation and participatory planning under IFAD projects/programmes.
Provincial Agriculture and Forestry Offices and District Offices	<ul style="list-style-type: none"> Mandate to plan and implement agricultural and forestry development programmes, including crops, irrigation livestock, aquaculture, forestry and the management of natural resources. Adequate numbers of staff at 	<ul style="list-style-type: none"> Limited budget and few staff at district level. Limited capacity to deliver extension services and technical support in upland areas. Irrigation staff concentrated at provincial and not at district level. Lack of female and ethnic minority extension staff. Insufficient training, logistical support and 	<ul style="list-style-type: none"> The larger number of staff in forestry sections is an opportunity for supporting non-timber forest products and agro-forestry activities. A participatory extension approach based on generalist extension workers at district level should be adopted. 	<ul style="list-style-type: none"> IFAD projects should support district staff (incentives, training and transport) and deploy trained technical staff from provincial to district offices to boost capacity and motivation.

Institution	Strengths	Weaknesses	Opportunities/Threats	Comments
	provincial level	funds to motivate the work of district staff.		<ul style="list-style-type: none"> • IFAD projects should adopt a participatory extension approach. • IFAD projects should recruit more female and ethnic minority extension staff and village extension workers. •
Provincial Department of Communications, Transport, Posts and Construction and District Offices	<ul style="list-style-type: none"> • Mandate to plan and implement the rural road construction programme and road maintenance. • Stronger presence at provincial rather than district level. 	<ul style="list-style-type: none"> • Lack of capacity for construction and supervision at district level. • Shortage of equipment and operating funds. • Lack of guideline for community participation in the maintenance of local roads. 	<ul style="list-style-type: none"> • Opportunities exist to finance construction of local roads. • Effective arrangements and commitment for maintenance of local roads required. 	<ul style="list-style-type: none"> • Projects should finance local road construction and maintenance. • Projects should pilot community participation in O&M of local roads.
Provincial Education Service and District Offices	<ul style="list-style-type: none"> • Mandate to plan and implement provincial and district formal and non-formal education programmes. • Stronger presence at provincial rather than district level. 	<ul style="list-style-type: none"> • Lack of complete primary schools (Grades 1-5), especially in remote rural areas. • Many primary schools need replacement as made of temporary materials. • Shortage of competent teachers, especially in the remote rural areas. 	<ul style="list-style-type: none"> • Opportunity to increase primary school attendance by children from ethnic groups and to increase the quality of teaching. 	<ul style="list-style-type: none"> • Projects should support school classroom construction, dormitory construction and teacher training at selected complete primary schools.
Provincial Department of Public Health and District Offices	<ul style="list-style-type: none"> • Mandate to plan, implement and support village water supply schemes. • Mandate to plan, implement and support primary health care. • Staff available at provincial level to assist with project drinking water and sanitation activities. 	<ul style="list-style-type: none"> • Limited number of qualified staff and budget for operating costs, including the provision of medicines. • Limited capacity to provide nurses and training of village health workers and traditional birth attendants. 	<ul style="list-style-type: none"> • Experience of planning and implementing village drinking water supply schemes and construction of dispensaries with donor assistance. 	<ul style="list-style-type: none"> • Projects should finance village drinking water supply and sanitation schemes, the construction of dispensaries and the provision of dispensary equipment. Communities should participate in the planning, financing, implementation and O&M.
Agricultural Promotion Bank and Lao Development Bank	<ul style="list-style-type: none"> • Specialised bank for agriculture sector lending. • Greater outreach in the rural areas than other state-owned commercial banks. 	<ul style="list-style-type: none"> • Not yet operating on commercial basis. • Poor quality loan appraisal capacity. 	<ul style="list-style-type: none"> • Government restructuring the bank to make it financially sustainable. 	<ul style="list-style-type: none"> • “Targeted” or “Directed” credit can not be channelled through the banking system to specific areas due to the agreement between the Government and the

Institution	Strengths	Weaknesses	Opportunities/Threats	Comments
				AsDB...
Village Level				
Village Administrative Committees/ Village Development Committees	<ul style="list-style-type: none"> Village Administrations are the main project interlocutors at village level. Government policy of decentralisation makes the villages the basic implementing units for poverty reduction and rural development programmes. 	<ul style="list-style-type: none"> Village Administrations lack experience of development activities. Where established Village Development Committees are dormant and do not continue when project assistance ceases and are unsustainable. Villages lack control of resources for their own social and economic development and the capacity to negotiate the services available from service providers (public or private sector). Lao Women's Union not always invited to meetings of the Village Administration Committee. 	<ul style="list-style-type: none"> With decentralisation villages have the opportunity to take the lead in developing the village's resources. Some training in participatory planning and development provided to Village Administrations and Village Development Committees and their members. With decentralisation village chiefs are to be more involved in tax collection and security. 	<ul style="list-style-type: none"> Village Administrations should have a development role and manage resources and negotiate the provision of services with the service providers. IFAD projects should support and train members of the Village Administrations in participatory development and ensure that women are represented.
Users and Activity Groups and Associations	<ul style="list-style-type: none"> Many user and activity groups already exist to manage various facilities e.g. irrigation and water supply schemes and primary schools. 	<ul style="list-style-type: none"> Rules and regulations for water user associations to own, operate and maintain the relevant infrastructure are not being implemented. Failure to issue land use certificate lead to lack of incentives for farmers to invest and participate in the irrigation development. O&M groups for most other infrastructure investments have not been established in most villages. 	<ul style="list-style-type: none"> Some experience available in organising rural people to participate in planning, design, construction and O&M of rural infrastructure facilities. Opportunity to pilot cost sharing, user group formation and O&M of facilities by the users themselves. Opportunities exist to form activity groups for the production of specific crops and livestock, off-farm income generating activities and savings and credit activities (village banking). 	<ul style="list-style-type: none"> Provision of land use certificates and group formation must take place prior to funding any rural infrastructure investment. IFAD should provide support to user groups in terms of training for resources management, conflict resolution, collection of user charges and to include women in user committees.

IFAD'S CORPORATE THRUSTS AS RELATED TO THE PROPOSED COUNTRY PROGRAMME

IFAD Strategic Framework	IFAD Regional Strategy	National Growth And Poverty Eradication Strategy	Millennium Development Goals	COSOP
To achieve the greatest possible impact in enabling the rural poor to overcome their poverty through:	To focus on in less favoured areas through:	Free from the state of underdevelopment and graduate from the group of Least Development Countries by 2020 through:	Millennium Declaration of September 2000:	Enhanced impact on reducing poverty in target districts identified as the poorest and poor by the NGPES.
Human and Social Capital				
<ul style="list-style-type: none"> Strengthening the capacity of the rural poor and their organizations. 	<ul style="list-style-type: none"> Enhancing capabilities of marginalised group in uplands and mountainous areas. Enhancing women's capabilities to transform gender relations. 	<ul style="list-style-type: none"> Building up new village-based institutions that involve active participation of upland communities in development resource planning and management and farmers, in production, processing and marketing. Expanding equitable access to quality education, health services and markets for marginalised upland communities within 72 poor districts. 	<ul style="list-style-type: none"> MDG (2) Achieve universal primary education. MDG (3) Promote gender equality and empower women. MDG (4) Reduce child mortality. MDG (5) Improve maternal health. MDG (6) Combat HIV/AIDS, malaria and other diseases. 	<ul style="list-style-type: none"> To strengthen the capacity of poor rural households and their village-based organizations. To promote gender sensitive and participatory development at the village level. To transform gender relations by helping women to take a greater role in decision-making both within households and communities.
Natural, Financial and Physical Capital				
<ul style="list-style-type: none"> Improving equitable access to productive natural resources and technology; and Increasing access to financial services and markets. 	<ul style="list-style-type: none"> Enhancing access to assets, technology, financial services and markets. Enhancing the productivity of staple food and high-value commodities in less favoured areas through sustainable agricultural technologies. Expanding the capabilities of the poor and the vulnerable through greater access to self-help, local accumulation, new skills and technology. Expanding non-farm employment and income-generating opportunities. 	<ul style="list-style-type: none"> Enhancing access to credit and financial services for the rural poor; improving land access through a more participatory and community based Land Use Planning /Land Allocation. Facilitating sustainable management of natural resources with the involvement of all stakeholders, while protecting the environment and maintaining socio-economic development for the poor. Creating more jobs and raising rural incomes by developing rural industry, services and other off-farm activities. Increasing competitiveness of niche agricultural products in differentiated domestic and international markets, 	<ul style="list-style-type: none"> MDG (1) Eradicate poverty and hunger. MDG (7) Ensure environmental sustainability. 	<ul style="list-style-type: none"> To improve household livelihoods (food and income security and natural resource management). To provide access to productive resources, improved technology, financial services and markets. To develop market linkages and support market-based livelihood opportunities amongst the target communities.

IFAD Strategic Framework	IFAD Regional Strategy	National Growth And Poverty Eradication Strategy	Millennium Development Goals	COSOP
		<p>while improving processing capability in order to raise product quality and better meet domestic and export demand.</p> <ul style="list-style-type: none"> • Developing infrastructure to create opportunities and enable access to public services in poor areas. • Increasing productivity, reducing production costs, and promoting diversification in upland agricultural, forestry, livestock/fisheries and non-timber forest products production and quality. • Strengthening upland applied research and technology transfer and improving the extension system, paying special attention to the needs and livelihood systems of farmers in mountainous areas. 		
Policy and Institutions				
<ul style="list-style-type: none"> • Harnessing and disseminating knowledge to a broad spectrum of national and international partners. • Supporting the development of national partnerships among the poor, governments, the private sector and civil society. • Building regional and international coalitions. • Helping to establish institutions and policy frameworks in support of the poor. 	<ul style="list-style-type: none"> • Reforming property and tenure rights of various marginalised minorities and indigenous peoples. • Strengthening policy dialogue with governments to replicate and scale up projects and programmes that have demonstrated impact. • Developing strategic partnership with like-minded partners to build coalitions of the poor and to formulate pro-poor policies. 		<ul style="list-style-type: none"> • MDG (8) Develop a global partnership for development. 	<ul style="list-style-type: none"> • To strengthen in-country capacity for developing effective pro-poor policies and institutions. • To develop the capacity of key service providers for delivering quality service to the target group, including introduction of a participatory and demand-driven work culture. • To improve the accountability of public institutions and systems and procedures of decentralisation. • To strengthen partnerships and knowledge management with the poor, government and other like-minded development agencies.

APPENDIX V

ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED

Agency	Sector	Investment Since 1997	Area	Complementary/Synergy Potential
AsDB	Agriculture, irrigation, rural development and social infrastructure.	USD 253.4 million	Emphasis on northern provinces, with an ongoing project in Houaphanh, which aims to stabilise shifting cultivation. Two other relevant projects: Community Managed Irrigation and Basic Education for Girls.	Source of lessons learnt concerning rural development and alternatives to shifting cultivation and opium production, participatory irrigation management and provision of primary education in rural areas.
AFD	Rural development.	USD 19.5 million	Phongsaly, South Sayaburi, Champassack and Vientiane.	Possible source of lessons learnt from its experience from agricultural and rural development, especially in South Sayabouri.
AusAID	Primary health care, livestock and rural development.	USD 43.4 million	Houphanh, Phongsali, Sayabouri and Luang Prabang.	Possible source of lessons learnt from the systems and methodology developed under its programmes.
EC	Rural development, including livestock.	USD 47 million	Luang Prabang, Luang Namtha and Phongsali.	Possible source of lessons learnt from its experience from agricultural, livestock and rural development.
Luxembourg	Rural development and health	N/A	Vientiane, Bolikhamxai and Oudomxai.	High as source of lessons learnt as a co-financer of the on-going IFAD Community Initiatives Support Project in Oudomxai.
FAO	Food security, integrated pest management, agricultural support system, gender analysis, non-timber forest products and natural resources management.	N/A.	In selected provinces.	High as a source of expertise and methodology for food security, integrated pest management, agricultural support system, gender analysis, non-timber forest products and natural resources management.
GTZ	Rural development.	USD 40.5 million	Xieng Khouang, Luang Namtha and Bokeo.	High as a source of lessons learnt from Bokeo and the food for work project to support new villages in Attapeu. GTZ is co-financing the new IFAD programme in Sayabouri as part of the Integrated Rural Development in Mountainous Areas in Northern Lao People's Democratic Republic and will provide the TA required.
JICA	Health, education, environment, agriculture forestry, fisheries and transport.	USD 367.3 million	Vientiane Province, Vientiane Municipality, Oudomxai, Xieng Khouang, Khammouane, Luang Prabang, Savannakhet, Attapeu, Sekong, Champasach and Luang Namtha.	Possible source of lessons learnt from the systems and methodology developed under the various programmes.
SIDA	Natural resources management, forestry and upland agriculture, extension systems, infrastructure (roads and clean water).	USD 41.4 million	Oudomxai, Luang Prabang, Khammouane and the Central Government (Ministries of Education, Finance and Agriculture and Forestry and the Committee for Planning and Investment).	High, as the systems and methodology developed under its programmes highly relevant, especially in upland agricultural development, new extension systems and the approach for the establishment of the Road Maintenance Fund.

APPENDIX V

Agency	Sector	Investment Since 1997	Area	Complementary/Synergy Potential
UNDP	Environment, livelihoods and gender mainstreaming, microfinance.	USD 64.4 million	Sekong, Sayabouri and Oudomxai.	Lessons learned from co-financing the Northern Sayabouri Rural Development Project. Possible, to reflect field experience in policy dialogue with Government.
UNFPA	Gender mainstreaming and reproductive health services.	USD 4.0 million ^a	National and in Saravane, Sekong and Attapeu.	Very high in view of the importance of women in social and economic development and UNFPA's expertise in the provision of reproductive health services. Will consider providing equipment, staff and volunteer training and drug revolving funds in Attapeu under parallel funding.
UNODC	Alternative development to opium production.	USD 15.6 million	Nationwide with emphasis on northern provinces.	Lessons learned from co-financing in Xieng Khouang Possible in Sayabouri where a drug demand programme is on-going which would complement the IFAD programme's rural development activities including introduction of alternatives to the cultivation of opium poppies.
World Bank	Agricultural Development Project.	USD 120.1 million	Four southern provinces.	Minimal as only operating in nine village in one programme district in Attapeu (Saysetha). Activities will end in 2005 apart from the proposed construction of one irrigation scheme.
WFP	Emergency relief, food for work, school feeding.	USD 6.22 million ^b	Vulnerable and food insecure districts in the country, which are largely comparable to those identified as the poorest by the National Growth and Poverty Eradication Strategy.	High, a natural co-financing partner in reducing rural poverty through food-for-work activities. All three programme districts in Attapeu are priorities for WFP.
Other Bilateral Agencies	All sectors	459.33 million	Covering almost all provinces in the country.	Possible, depending on the provinces and the focus of their programmes.
International Non-Governmental Organisations	Rural, community and human resource development, non-timber forest products and humanitarian relief.	N.A.	Covering almost all provinces in the country, including Sayabouri and Attapeu.	Examples are: (i) ADDRA (with AusAid funds) have installed many drinking water supply schemes in Attapeu. (ii) In Sayabouri possible source of lessons learnt from the recently completed CARE activities (Hongsa district). Possible opportunities for collaboration with CARE in Sayabouri district, if there is a second phase after 2006 for which CARE is seeking funds. (iii) Depending on the fund availability Save the Children Australia hopes to continue support for primary health care in Sayabouri after 2005 under parallel funding.

^a Third country programme 2002-06 only.

^b Current project only.