

Laos

The Development Challenge: The Lao People's Democratic Republic (LPDR) is among the poorest, least developed countries in Asia. With an estimated Gross Domestic Product (GDP) of \$330 per capita in 2001, agriculture remains the main economic activity. Agriculture contributes 53 percent of GDP and employs over 85 percent of the labor force. GDP growth slowed slightly to 5.5 percent in 2001, compared to 5.9 percent in 2000. This performance is strong, considering the regional slowdown and the low level of growth in Thailand, which is Laos' principal trade partner.

The Asian Development Bank assesses the economic outlook for 2003 as positive, with a growth rate of about 6 percent driven by investments in hydropower and mining, if there is a global economic recovery. Sound fiscal management has curbed hyperinflation, which averaged over 100 percent in 1998/99 to 7.8 percent in 2001. The budget gap of 8 percent has been covered with grants and concessionary loans. Capital investment accounts for 65 percent of the total budget, with constrained spending in the social sectors and for maintenance and operation of existing assets. Officially classified as a highly indebted poor country, the Lao government does not seek debt relief, since half the debt is with the Russian Federation, which is not serviced and is carried on the books at an excessive exchange rate.

Social indicators are among the worst in the world for Laos' 5.6 million people: infant mortality is 93 per 1000 births, and life expectancy is about 54 years. The country's economy is hampered by inadequate infrastructure and deficient health and education services. The disparity in socioeconomic development between the lowland communities and upland areas is growing. Limited data show low HIV prevalence, with only 846 people tested positive as of 2001. However, as a land-locked country, Laos shares borders with countries that have high levels of HIV infections, such as China, Thailand, Burma, and Vietnam. The government acknowledges its susceptibility and has taken steps in coordination with non-government organizations to increase systematic and nationwide surveillance and interventions to prevent an HIV/AIDS epidemic.

The Government of the LPDR is among the few remaining official Communist regimes in the world. The National Assembly elections of February 2002 brought in a younger and better educated electorate which is expected to accelerate economic reforms required by a modernizing society and the transition from a centrally planned and controlled economy to a market economy. The government recognizes that it needs technical assistance, training, and donor and private investment to modernize the economy and to address critical health, education, and employment generation issues. With reforms moving relatively quickly in Vietnam, Laos may be encouraged to undertake the necessary reforms, including improving its human rights record, to attract additional support. Exposure to Thai broadcasting may also create greater incentives for the regime to undertake necessary reforms.

The long-term U.S. interest in Laos is to encourage transition to democratic governance with an improved human rights record and an open, market-based economy. The United States also has a humanitarian interest in addressing the effects of the country's extreme poverty by providing assistance to improve health and income generation in rural areas. The aim is to help the impoverished people of Laos without helping or lending credence to the one-party Communist regime of 28 years. The crop substitution programs, particularly those involving sericulture (silkworms), serve the dual purpose of poverty reduction and opium poppy eradication. U.S. national interests in Laos include three residual "heritage issues": reducing opium cultivation through law enforcement, crop substitution, and infrastructure development; finding the remains of American soldiers missing-in-action; and assisting in the removal of unexploded ordnance.

The USAID Program: USAID's program in Laos focuses on two objectives: (1) develop a viable economic alternative to opium production, and (2) maintain the low levels of HIV prevalence through monitoring and prevention programs.

The first objective supports the production and marketing of raw and processed silk as a viable economic alternative to opium production. This objective is being met through the Laos Economic Acceleration

Program for the Silk Sector (LEAPSS). LEAPSS operates in Xieng Khouang and Huaphan provinces, and provides technical assistance and training to improve the quality, quantity, and yield of cocoons and silk yarn production in the two targeted provinces. Key interventions focus on strengthening the capacity of local, provincial, and national institutions to support development of the private silk sector. The program will also expand access to silk and handicraft markets, both nationally and internationally, and will strengthen coordination among silk production groups. An integral part of the program is to enhance the participation of women at all levels of decision-making within villages and management or coordination of production groups.

Other Program Elements: USAID's second objective in Laos is to maintain the presently low levels of HIV/AIDS prevalence. USAID has supported limited HIV/AIDS activities in Laos since 1998 to strengthen local capacity to monitor the epidemic and the behaviors contributing to its spread. This objective is being met through the regional Stabilize Population Growth and Protect Human Health program (498-022). Increased funding has enabled USAID to expand activities to include improving market research and strategies for condom sales, developing sexually-transmitted disease prevention and treatment programs, and expanded surveillance and interventions with high-risk populations.

USAID supports four other activities in Laos through regional and global programs. With FY 2002 Regional Other Vulnerable Children Carry-over funds, USAID will design a program to address critical needs of poor, vulnerable children in FY 2003. The Leahy War Victims Fund supports the Laos War Victims Assistance program, which was initiated in 1990. This program has provided more than \$7.0 million since 1990 to support emergency care facilities, train emergency care staff, and to educate Laotian students about unexploded ordinances. The East Asia and Pacific Environmental Initiative supports a small community-based wildlife management program in Laos, which is implemented through Conservation International. USAID's worldwide human capacity development program trains physicians in the primary specialties of pediatrics and internal medicine to improve the institutional capacity in Laos. USAID's partner is Case Western University.

Other Donors: The World Bank and the Asian Development Bank focus on poverty reduction, agriculture, natural resources management, rural energy, environment, transportation, communications, and social infrastructure. They also provide assistance to the financial sector and state-owned enterprise reforms needed to create an enabling environment for private sector development. The main bilateral donors include Japan, Germany, Sweden, France, Australia, and Norway. Bilateral donor efforts focus primarily on education, health, rural development and environment. USAID coordinates assistance activities with other donors as appropriate.

**Laos
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2001 Actual	FY 2002 Actual	FY 2003 Prior Request	FY 2004 Request
Child Survival and Health Programs Fund	0	1,000	1,000	1,350
Development Assistance	0	1,000	1,000	0
PL 480 Title II	0	513	0	0
Total Program Funds	0	2,513	2,000	1,350

STRATEGIC OBJECTIVE SUMMARY

439-004 Economic Development				
DA	0	1,000	1,000	0
439-005 HIV/AIDS				
CSH	0	1,000	0	0
1/ 439-XXX ANE Regional HIV/AIDS Program				
CSH	0	0	1,000	1,350

1/ USAID plans to obligate \$1,000,000 in FY 2003 and \$1,350,000 in FY 2004 under the regional Stabilize Population Growth and Protect Human Health program (498-022) for HIV/AIDS activities in Laos.

Data Sheet

439-001: No Summary and/or Pillar information entered for this SO.

Data Sheet

439-002: No Summary and/or Pillar information entered for this SO.

Data Sheet

USAID Mission:	Laos
Program Title:	Economic Development
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	439-004
Status:	Continuing
Proposed FY 2003 Obligation:	\$1,000,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$0
Year of Initial Obligation:	FY 1999
Estimated Completion Date:	FY 2005

Summary: The Laos Economic Acceleration Program for the Silk Sector (LEAPSS) program provides assistance to expand the production of raw and processed silk as a viable economic alternative to opium production in Xieng Khouang and Huaphan provinces. The program builds on and expands activities initially developed under the Lao-American Crop Control Program.

Inputs, Outputs, Activities:

FY 2003 Program:

Development of silk production and marketing (\$1,000,000 DA). In FY 2003, the LEAPSS program will provide technical assistance to improve the volume and quality of silkworm eggs, maintain mulberry plantations, and introduce training in hand-powered reeling to increase the production of silk threads and the consistency and quality of the silk thread and de-gumming. The program will continue work on expanding access to silk and handicraft markets, both nationally and internationally, and strengthen coordination among silk production groups. The implementing partner is World Education, Inc./World Learning Consortium.

FY 2004 Program:

Current LEAPSS activities are expected to continue in FY 2004 using existing resources. The program will increase the productivity and profitability of the silk sector in Laos.

Additional assistance to Laos in FY 2004 is expected to focus on regionally-funded HIV/AIDS activities.

Performance and Results: USAID has trained government program coordinators at the local and national levels to strengthen technical and managerial capacity to support private silk sector activities. Training includes local and regional study tours of the silk sector to address marketing and policy issues which affect the development of the Lao silk industry and identify initiatives towards resolution. The program has established local nurseries for mulberry saplings and, through a micro-credit program, made fencing available to project families to protect mulberry fields. Construction of Media Centers in villages facilitates information dissemination to expand and improve silk production and income. Centers provide space for village training programs and meetings, and allow the display of a variety of development materials. Training and program activities have been provided to enhance the role of women in all components of the silk sector.

The mid-term evaluation in March 2002 concluded that the program is meeting targets and has provided important benefits to participating households.

US Financing in Thousands of Dollars

Laos

439-004 Economic Development	DA
Through September 30, 2001	
Obligations	1,500
Expenditures	850
Unliquidated	650
Fiscal Year 2002	
Obligations	991
Expenditures	506
Through September 30, 2002	
Obligations	2,491
Expenditures	1,356
Unliquidated	1,135
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2003 NOA	
Obligations	1,000
Total Planned Fiscal Year 2003	
Obligations	1,000
Proposed Fiscal Year 2004 NOA	
Obligations	0
Future Obligations	0
Est. Total Cost	3,491

Data Sheet

439-005: No Summary and/or Pillar information entered for this SO.

Data Sheet

439-XXX: No Summary and/or Pillar information entered for this SO.