

Laos

The Development Challenge: Laos is one of the poorest and least developed countries in East Asia. A recent World Bank economic report in 2003 estimated that Laos' 5.5 million people had a per capita income of just \$310 in 2002. Agriculture remains the economic mainstay, contributing 51% of the Gross Domestic Product. Social indicators in Laos, among the worst in the world, are comparable to those of sub-Saharan Africa; e.g. infant mortality in Laos is 87 per 1000 births in the latest report in 2001, compared with an average of 92 in Sub-Saharan Africa and life expectancy in Laos is 54.5 years according to 2002 reports. Available data indicates that Laos currently has a low level of HIV/AIDS. However, systematic and nationwide surveillance for HIV is not yet in place, so the future course of the epidemic is uncertain. With Laos surrounded by countries such as China, Thailand, and Vietnam that have significant numbers of HIV infections and with the current levels of international migration, it is very likely that the epidemic will continue to spread in Laos in the absence of appropriate interventions. A significant HIV epidemic would have a serious impact on development efforts in Laos.

Laos is one of the few remaining official communist states. The country's economy remains hampered by inadequate infrastructure and health and education services to support its workforce and population. While the government's stated intention is to decentralize control and encourage private enterprise, the transition from a centrally-planned and controlled economy to a more market-driven one is moving very slowly. The government recognizes that it needs considerable technical assistance, training, and donor and private sector investment if it is to modernize its economy and address critical health, education, and employment generation issues. Reforms underway in Vietnam may encourage Laos to undertake changes, including improving its human rights record, to attract outside support. The continuation of reforms in Vietnam and the increasing availability of Thai broadcasting may create greater incentives for the regime to undertake necessary reforms.

U.S. national interests in Laos remain unchanged, focusing on five main issues:

- Reducing the cultivation of opium through law enforcement, crop substitution and infrastructure development;
- Finding the remains of U.S. citizens missing in action and assisting in the removal of unexploded ordnance from the Indochina conflict;
- Promoting respect for human rights, including religious freedom;
- Encouraging movement towards a market-oriented economy; and
- Countering global terrorism.

All of these issues continue to be important, with increased support for clearing unexploded ordnances (UXO) an Embassy priority for the years ahead. The long-term U.S. interest is to encourage a transition to representative government with a significantly improved human rights record and a viable, 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 generate income in rural areas. The aim is to help the impoverished people of Laos without helping or lending credence to the one-party Communist regime. Crop substitution programs, particularly those involving sericulture, serve the dual purpose of poverty reduction and alleviating opium poppy. Supporting UXO clearance not only reduces the human toll of deaths and injuries from explosions, but also contributes to poverty reduction by making more land available for farming and new infrastructure.

The USAID Program: The Laos Economic Acceleration Program for the Silk Sector (LEAPSS) aims to develop a viable economic alternative to opium production. Crop substitution programs like this one contribute to the eradication of opium poppies and also help reduce poverty. The program provides technical assistance and training to improve the quality, quantity, and yield of cocoons and silk yarn production in Xieng Khouang and Huaphan 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 in management or coordination of production groups.

No funding is requested either for FY 2004 or FY 2005 for this program. Activities will be carried out with prior year unobligated funding.

Other Program Elements: In addition to the LEAPSS program, USAID supports five programs in Laos:

-- The War Victims Assistance Project with funding of \$2.6 million, started in 1995, to reduce the impact of UXO accidents in northern and central Laos. USAID plans to add \$500,000 CSH in FY 2004 resources to the existing grant with World Education, Inc/World Learning Consortium to allow it to continue activities into FY 2005. USAID will then issue a Request for Applications for a follow-on grant that would begin in FY 2005. In addition to reducing the human toll of deaths and injuries from explosions, UXO clearance helps reduce poverty by making more land available for farming and new infrastructure;

-- The Vulnerable Groups Inclusive Education Program, started in September 2003 with close to \$1 million, to strengthen inclusive education in Laos at both the policy and classroom levels to ensure that all children with disabilities in Laos are able to attend and achieve in school;

-- Anti-trafficking activities with funding of approximately \$750,000 started in FY 2002. This program is assisting in the drafting of anti-trafficking legislation, raising community awareness, and providing vocational and leadership training for women, children, and youth groups in Vientiane Municipality and southern Laos;

-- Regional HIV/AIDS activities implemented since 1998 seek to strengthen local capacity to monitor the spread of the HIV/AIDS epidemic. 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 expanding surveillance and interventions with high-risk populations; and

-- The East Asia and Pacific Environmental Initiative supports a small community-based wildlife management program in Laos.

Other Donors: Donor coordination is uneven. Main bilateral donors include Japan, Germany, Sweden, France, Australia, and Norway. Bilateral donor efforts focus primarily on education, health, rural development and environment. The World Bank and the Asian Development Bank work 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.

**Laos
PROGRAM SUMMARY**

(in thousands of dollars)

| Accounts | FY 2002 Actual | FY 2003 Actual | FY 2004 Current | FY 2005 Request |
|---|-------------------|-------------------|--------------------|--------------------|
| Child Survival and Health Programs Fund | 1,000 | 1,000 | 0 | 0 |
| Development Assistance | 1,000 | 1,000 | 0 | 0 |
| PL 480 Title II | 513 | 405 | 0 | 0 |
| Total Program Funds | 2,513 | 2,405 | 0 | 0 |

| STRATEGIC OBJECTIVE SUMMARY | | | | |
|---------------------------------------|-------|-------|---|---|
| 439-004 Economic Development | | | | |
| DA | 1,000 | 1,000 | 0 | 0 |
| 439-005 HIV/AIDS | | | | |
| CSH | 1,000 | 0 | 0 | 0 |
| 439-XXX ANE Regional HIV/AIDS Program | | | | |
| CSH | 0 | 1,000 | 0 | 0 |

Acting Mission Director,
Leon Waskin

Data Sheet

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|-------------------------------------|--|
| USAID Mission: | Laos |
| Program Title: | Economic Development |
| Pillar: | Economic Growth, Agriculture and Trade |
| Strategic Objective: | 439-004 |
| Proposed FY 2004 Obligation: | \$0 |
| Prior Year Unobligated: | \$994,000 DA |
| Proposed FY 2005 Obligation: | \$0 |
| Year of Initial Obligation: | FY 1999 |
| Year of Final Obligation: | FY 2006 |

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 2004 Program:

LEAPSS (\$994,000 DA Prior Year Unobligated). Current LEAPSS activities are expected to continue in FY 2004 using existing resources. The 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 degumming. The program will continue work on expanding access to silk and handicraft markets, both nationally and internationally, and strengthening coordination among silk production groups. Given a recent much higher leaf yield in the districts of Kham, Sop Bao, and Xam Tai which resulted in greater than anticipated progress in achieving LEAPSS objectives, the Consortium is now in a position to begin handing over some project activities to the Lao government, the private sector, and the beneficiaries. This transition will take longer in the areas where the yield is lower due to less than optimal climate and soil conditions. Principal Contractors, Grantees, or Agencies include World Education, Inc./World Learning Consortium.

FY 2005 Program:

No new activities are planned at this time.

Performance and Results: The mid-term evaluation in March 2002 concluded that the program has met targets and has provided significant benefits to participating households. To date, the LEAPSS Program has helped over 355 families initiate silk production micro-enterprises. This comes in addition to the 156 families who have received additional assistance from the project to improve their existing silk production activities. Project beneficiaries have realized a 30% increase in income from the sale of silk and silk products. The Consortium attributes this rise to a general increase in activity and interest in the silk sector by the beneficiaries themselves. In the next two years, silk producers presently participating in the LEAPSS Program can expect to see more direct benefits and as much as a 100 percent increase in income arising from silk sector activities. In addition to the directly target beneficiaries above, LEAPSS has also strengthened the technical and managerial capacity of government program coordinators at the local and national levels to support private silk sector activities. 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. The training and program activities are aimed at enhancing the role of women in all components of the silk sector. By the end of this objective, this program will have helped to develop a viable economic alternative to opium production in two provinces by improving the quality, quantity, and yield of cocoons and silk yarn production.

US Financing in Thousands of Dollars

Laos

| | |
|---------------------------------------|-------|
| 439-004 Economic Development | DA |
| Through September 30, 2002 | |
| Obligations | 2,491 |
| Expenditures | 1,356 |
| Unliquidated | 1,135 |
| Fiscal Year 2003 | |
| Obligations | 0 |
| Expenditures | 349 |
| Through September 30, 2003 | |
| Obligations | 2,491 |
| Expenditures | 1,705 |
| Unliquidated | 786 |
| Prior Year Unobligated Funds | |
| Obligations | 994 |
| Planned Fiscal Year 2004 NOA | |
| Obligations | 0 |
| Total Planned Fiscal Year 2004 | |
| Obligations | 994 |
| Proposed Fiscal Year 2005 NOA | |
| Obligations | 0 |
| Future Obligations | 1,000 |
| Est. Total Cost | 4,485 |