

Lao PDR Country Strategy

SUMMARY

This strategy provides direction to NZAID's assistance to Lao PDR over the 2005-2010 period. It sits within the framework of the Asia Strategy. It takes into account:

- NZAID's policies, strategies, capacity and comparative advantage
- the Lao government's National Growth and Poverty Eradication Strategy and national socio-economic development plan
- the context of the Greater Mekong Sub region
- the activities of other donors

The strategy is complemented by an implementation plan that details NZAID's activity in country.

The overall **goal** of the strategy is to:

pursue NZAID's mission of eliminating poverty in the Lao PDR through a focus on sustainable rural livelihoods.

This is consistent with NZAID's Asia Strategy and with the Government of the Lao PDR's National Growth and Poverty Eradication Strategy.

NZAID will achieve this goal through pursuing the following two inter-linked **objectives**:-

- Reduce poverty and promote livelihoods through building skills, and promoting income-generation and sustainable resource management.
- Empower those in poverty to understand and exercise their fundamental human rights through our partners..

Given its limited resources and reflecting its comparative advantage, NZAID will focus on a limited number of sectors and provinces through its country programme. Sustainable rural livelihoods will be promoted through the core sectors of pro-poor tourism and natural resource management. These will be complemented by trade and private sector development, NGO partnerships and human resource development. These programmes provide scope to extend the country programme footprint. Human rights and gender equity will be integrated into this sectoral work, and also through discrete activities.

New Zealand's official development assistance in the Lao PDR country programme will focus on two main geographic areas in the north – Luang Nam Tha and Xieng Khouang provinces.

In measuring the performance of the Lao PDR Country Strategy, NZAID will focus on development impact. This means that we expect that poverty will have been reduced and that communities we work with will have increased self-reliance.

The strategy will be reviewed in five years to ensure that it remains relevant to Lao PDR's needs and priorities.

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PART ONE – COUNTRY ANALYSIS

Lao PDR COUNTRY ANALYSIS

Lao People's Democratic Republic (Lao PDR) is a landlocked country in South East Asia. It has an estimated population of 5.609 million (2005)¹ and an annual population growth rate of 2.8 percent. Its population density is the lowest in Asia. Eighty percent of its population live in rural areas. The country is characterised by a rich cultural and ethnic diversity with almost half of the population belonging to ethnic minority groups. The population comprises 49 key ethnic groups and four major linguistic families. The Lao ethnic group is politically and socially the most dominant. Minority groups are concentrated in the upland areas and are physically isolated. The Lao PDR is the least developed country in the Mekong region with major humanitarian needs. The annual per capita income is about US \$500 (2005-06)² and reliance on external donor support is high. Donor funded development accounts for almost 40 percent of total public expenditure.

The Lao PDR is a Least Developed Country (LDC) with high levels of poverty as indicated by UNDP's Human Development Indicators. It is placed 133 out of 177 countries on the UNDP Human Development Index.³ This is reflected in significant food shortages each year; high food vulnerability; high infant, maternal and child mortality; low life expectancy and moderate to low levels of literacy in rural areas. Physical infrastructure such as roads, telecommunications, water and electricity is underdeveloped. The government aims to lift Lao out of LDC status by 2020. This is ambitious and the country faces major challenges to achieve this goal. Key development indicators are attached in Annex 1.

In 1986 the Government adopted the New Economic Mechanism signalling the move away from a central command system towards a market-oriented approach thus allowing the private sector a role in the social and economic development of the country. During the 1990s reforms continued more slowly with major setbacks since the Asian financial crisis. However, a renewed Government commitment accelerated the pace of reforms between 2001-2004. Growth has averaged 6 percent per year between 1991 and 2003 and the incidence of poverty levels has been reduced over the past decade. While the country is on track to meet its poverty MDG by 2015, if it is able to maintain the pace of progress, meeting the other targets will be difficult given low social indicators in health and education. Vulnerable groups especially small ethnic groups and those in upland areas are especially susceptible.

¹ Population Census, Government of the Lao PDR, 2005

² Government of the Lao PDR Annual Plan, 2005

³ UN Common Country Assessment, 2005

Donors play a significant role in Lao. Japan is the largest bilateral donor followed by China. There are enormous pressures on the small number of trained and experienced officials to coordinate the relatively large donor input. The health, education and transport sectors absorb much of the resources of the responsible ministries making it difficult for the Government to direct its own priorities. This places the development agenda at risk of being donor driven. Continued development and progress are constrained by poor infrastructure, a difficult geographic environment coupled with limited capacity at all levels of government.

Against this background NZAID must take into account its relatively modest development assistance and lack of in-country presence in order to focus and target its resources in the most effective manner with emphasis on Lao's development within the GMS.

LAO PDR'S DEVELOPMENT PRIORITIES

The National Growth and Poverty Eradication Strategy, 2004 (NGPES) is a government owned strategy that sets out the country's development vision. It is focused on assisting Lao PDR meet its MDGs by 2015. The three pillars of the strategy are to foster economic growth with equity, develop and modernize its social and economic infrastructure and enhance human resource development. Poverty alleviation is focussed on four key sectors – agriculture, health, education and transport – as well as on a number of cross-cutting issues of gender, good governance, drug control and environment.

All donor programmes are now required to fit into the NGPES framework. The NGPES is viewed as a significant step forward in focusing Lao PDR's development programme and is built around the achievement of MDG goals for the country. There are now promising moves underway to integrate the NGPES with the government's new National Socio-Economic Development Plan (2006-10). This will provide the Lao PDR with a single and complete statement on the Government's national development and economic growth priorities.

There are also encouraging steps underway by both the government and donors to explore ways of enhancing the development partnership and achieving an improved alignment and harmonisation of development assistance. The government / donor roundtable process has become an established dialogue and a tangible way for the donor community to contribute to national policy formation. Quarterly informal donor meetings and the establishment of eight sector working groups (Health, Education, Drug Prevention, Agriculture & Rural Development, Infrastructure, Macroeconomic Issues and PSD, Governance, and UXO) have multi and bilateral representation and increasing government participation. A donor coordination specialist has also recently been established at UNDP.

On the government side, the Department of International Cooperation has been moved from the Committee for Planning and Cooperation (CPC) and integrated with the Ministry of Foreign Affairs. A 2004 ODA decree is providing an improved clarification of roles.

POVERTY IN THE LAO PDR

Economic progress has resulted in a reduction in poverty in the past ten years. Data taken from the Lao Expenditure and Consumption Survey III (LECS III), 2002-2003 indicate that national poverty levels appear to have decreased from 46% 1992/3 to approximately 33.5% in 2003. The improvement in the macro-economic picture of poverty masks real disparities between rural and urban populations, between regions, between men and women and between ethnic groups. Poverty in the Lao PDR remains among the highest in the region with 80% of the poor living in rural areas and relying on subsistence agriculture and natural resources for income and food. Poverty in the uplands is estimated at 43.9% compared to 28.2% in lowland areas. A vast majority of the poor are small ethnic groups.

Food security is a top priority of the government. According to the government, achieving a basic level of food self-reliance means that the national economic system, which is based on agriculture, must be able to provide sufficient food for the population. In the year 2000 a major milestone was reached when Lao PDR achieved national rice sufficiency for the first time in its history. However, this does not mean that food is available everywhere as food vulnerability remains a problem. Vulnerability is high especially for small ethnic groups and upland communities where livelihood systems are delicately balanced and poor communications exacerbate the provision of basic services.

Many of these upland communities are the subject of government resettlement programmes to lowland areas. The need to reduce shifting agriculture, eradicate opium, and improve access and service delivery are, among other things, cited as reasons for this resettlement. The long term impact of these programmes need to be assessed in the future.⁴

Between 1990 and 2000 some improvements were achieved in child mortality, gender equality (particularly in primary school enrolment) and child malnutrition. However, many social indicators are still woefully low by regional standards. Although improvements in education showed promise in the early 1990s, this was not sustained following the financial crisis. If this trend is not reversed, Lao risks not achieving the goal of universal primary education by 2015.

⁴ Participatory Poverty Assessment, Lao Peoples Democratic Republic. ADB. 2001

Health remains a pressing social issue. Maternal and child mortality and morbidity are still high and child malnutrition is widespread. The situation is particularly stark for ethnic minority groups living in mountainous areas. Life expectancy is low at 59 years. While health indicators have improved in the past decade, they compare unfavourably by regional standards. Thus improving education and health for its people is an important priority for the government.

The prevalence of HIV/Aids in Lao is comparatively low at 0.06 percent. However there are some high-risk groups, which include commercial service women and their partners and also migrants. Other risks include low level of condom use, a lack of education and awareness of the risk factors, poor health services and the increasing problem of human trafficking.

Poverty is related to access to basic infrastructure. For example, only 38% and 17% of poor people have access to an all-weather road or electricity, respectively. Access to clean water is also limited at 37 percent of the population and access to paved roads is very poor at only 15 percent, the lowest in the region.

While roads and infrastructure can improve delivery of services, they also bring threats of logging and unsustainable development and some development programmes constrain access of upland communities to the forests and forest products they depend on. As the safety net in Lao is underdeveloped, vulnerable groups are especially susceptible. A major complication for much of the country is the severe contamination of unexploded ordnances in ten out of the eighteen provinces. This contamination compounds the poverty problem by limiting agricultural production and people's access to a sustainable livelihood.

Overall, social indicators have improved somewhat but are not commensurate with macro-economic growth and they remain low compared to other countries in the region. The reasons for this are varied. Poverty reduction measures have not been broad based and have not been sufficiently targeted to the rural areas and the poorest groups. The continuing widespread poverty and high levels of vulnerability means that poor people are not able to afford basic services. Geographic isolation and inadequate infrastructure hinder physical access and poor service quality is due to low levels of resources and low capacity of providers. Expenditure on health and education in 2003-04 were 6.5 percent and 12.6 percent of total public expenditure respectively.⁵

While increasing agricultural productivity is important, the diversification of rural livelihoods will be necessary if real and sustained progress in addressing poverty is to be achieved. A valuable development with good future prospects is the recent rise of ecotourism in a number of provinces throughout the country. This development is showing that the rural poor can successfully engage in

⁵ Committee for Planning and Investment, Lao PDR, 2005

tourism and that it can provide a viable alternative livelihood for upland communities that challenge the rationale for resettlement.⁶ It can be pro-poor and can provide real income for rural communities. It also has good prospects for being a real contributor to the Lao PDR's private sector development.

NZAID concludes therefore, that tourism, natural resource management, trade and private sector development have an important role to play in poverty reduction. Despite the tourism industry being small, and hampered by poor transport and infrastructure, the Lao PDR is increasingly becoming known as a prime destination for culture, nature and historical tourism. The government wants to encourage pro-poor community based tourism development, and improve tourism infrastructure and sub-regional tourism cooperation (NGPES). The NGPES identifies tourism as an important contributor to poverty eradication and national development. It is also a sector where Lao has a comparative advantage and where there are comparatively few donors. As a labour intensive activity tourism has the potential to generate employment and contribute to the conservation of Lao's unique natural, cultural and historical heritage. If properly managed with a pro poor focus tourism could make a significant contribution to poverty eradication.

Natural resource management is critical to reduce the risks to food insecurity and resource degradation. It is also inextricably linked to achieving the ecological and cultural focus of Lao's ecotourism development goals. UXO contamination however, is a major inhibitor for both effective natural resource management and ecotourism development. Up to 50 percent of arable land and many of the target areas for ecotourism development are affected by unexploded ordnance (UXO). The Lao PDR is one of the world's most heavily UXO-contaminated nations. Extensive aerial bombing and ground battles during 1964-1973 led to more than two million tons of ordnance being dropped on the country, with up to 30 percent not exploding. In April 2004 the National Strategic Plan (NSP) for the UXO sector was launched. The Plan aims to enable "...people from the most contaminated areas to live free from the impact of landmines and UXO...".

REGIONAL CONTEXT

Since the early 1990s Lao PDR has adopted an increased engagement within the region and internationally. It joined ASEAN in 1997 and is committed to tariff reduction under the ASEAN Free Trade Area (AFTA) to be phased in by 2008. There is growing engagement with other nations on key regional issues such as human trafficking, drug prevention and quarantine. The Lao PDR currently hosts the Mekong Secretariat. The Government has also begun the accession process to the World Trade Organisation (WTO).

⁶ Tourism as a Tool for Development:: UNESCO-Lao National Tourism Authority, Nam Ha Ecotourism Project External Review . Allcock and Lyttleton. 2002

ASEAN has developed the Vientiane Action Plan (VAP), which provides a comprehensive outline of the region's development priorities. Lao, as one of ASEAN's poorest members will increasingly feature in ASEAN affairs through the implementation of the VAP and the Initiative for ASEAN Integration (IAI). As a dialogue partner of ASEAN, NZAID will ensure that its Lao programme is appropriately aligned to the VAP and IAI.

Lao is an active partner in the Greater Mekong Subregion (GMS) Economic Cooperation Program. This programme has strategic importance in terms of potential exports to rapidly industrialising neighbouring countries. The ADB initiatives designed to enhance economic relations within the six countries is contributing to improvement in infrastructure such as roads and the promotion of freer flow of goods and services in the sub-region.

The Lao PDR is the poorest GMS country and its integration into ASEAN and the GMS provides both challenges and opportunities. The level of social and economic development this integration and engagement will bring to its people will depend on how the government manages the multiple transitions it faces in the political, social and economic spheres.

PART TWO

NZAID's Response to the Development Challenge in the Lao PDR

Goal

The overall **goal** of the strategy is to:

pursue NZAID's mission of eliminating poverty in the Lao PDR through a focus on sustainable rural livelihoods.

This is consistent with NZAID's Asia Strategy and the National Growth and Poverty Eradication Strategy of the Government of the Lao PDR.

Objectives

NZAID will achieve this goal through pursuing the following inter-linked **objectives**:-

Objective One: Reduce poverty and promote livelihoods through building skills, and promoting income-generation and sustainable natural resource management.

Objective Two: Empower those in poverty to understand and exercise their fundamental human rights through our partners.

SECTORAL FOCUS

New Zealand's development cooperation with the Lao PDR comprises support through a range of NZAID programmes. Our principal involvement is through NZAID's Lao PDR country programme. Other NZAID programmes providing support to the Lao PDR include a range of regional and contestable funds as well as funds to voluntary agencies. While it is NZAID's intention to create synergies between each of these assistance options and the prospective activities of other New Zealand Government departments, the range of engagements does present an opportunity for a wider footprint than outlined in the strategy.

New Zealand's response to the development challenge in Lao PDR is guided by NZAID's Policy Framework, Asia Strategy and other thematic policies. The Asia strategy acknowledges the importance of aligning New Zealand's programme to partner country's development priorities and the need to harmonize activities with the international donor community. Both the Asia Strategy and the Lao Country Strategy recognise that New Zealand has limited resources and capacity. It is therefore imperative for NZAID to focus on sectors in which New

Zealand has comparative advantage, and can add value to development assistance provided by others.

While education and health are of critical importance to NZAID, there is already extensive donor activity in these two sectors. NZAID will therefore focus its attention on other sectors of need and maintain its long standing contribution to human resource development consistent with the poverty reduction priorities of the Lao PDR Government. This will involve a balanced investment in both the public sector and civil society. Likewise, while NZAID will not target the education and health sectors, it will address them by working collaboratively with agencies with a primary mandate in education and health.

Consequently in line with NZAID's Asia Strategy goal to eliminate poverty through a focus on sustainable rural livelihoods, NZAID will concentrate its bilateral assistance on the development of pro-poor tourism and natural resource management. This will be complemented by regional and thematic programme assistance for trade and private sector development and human resource development. This is consistent with the Lao PDR's National Growth and Poverty Eradication Strategy and its prioritisation of investment in agriculture and the rural sector in order to improve livelihoods and reduce poverty. Underpinning this is the recognition that the protection of human rights is pivotal to addressing poverty. NZAID's policy to mainstream human rights will be achieved through ensuring a rights perspective in all development programme planning and implementation.

Over the life of the strategy, NZAID will progressively focus the programme to concentrate on one primary sector, selected on the basis of strong and successful partnerships that deliver greatest development benefit to the poor.

Pro-poor Tourism

New Zealand and NZAID have particular experience and expertise in developing sustainable, social, cultural and environmental tourism through its support for ecotourism in the Asia Pacific region. This provides scope for a useful contribution to the development of a strong and well-managed pro poor tourism industry in the Lao PDR. NZAID recognises the risks which tourism development can have, in particular on women, children, small ethnic groups and other vulnerable people. We will place priority on activities that protect community livelihoods and interests, particularly women, children, small ethnic groups and other vulnerable groups, and target the active participation of, and benefit for, the poor. In particular, activities will be designed and implemented to ensure that girls and boys are not obliged to terminate their formal education prematurely.

We will engage with the Government of the Lao PDR and its development partners in following up on the recently established National Ecotourism Strategy and Action Plan (2004-2010). In particular, NZAID intends to contribute at a strategic level to the development of pro-poor provincial tourism plans that will mitigate the negative impacts of large scale commercial tourism. Its aim is to build government awareness and understanding of responsible tourism development that safeguards the interests and participation of the poor and vulnerable as well as protects the natural environment.

NZAID will continue to support the development of sustainable tourism in Luang Namtha with a view to drawing lessons for the application of sustainable social, cultural and environmental tourism in Xieng Khouang province.

NZAID will undertake a mid term review of its contribution in order to assess progress in developing the pro-poor approach to tourism and the benefits generated for the poor.

Natural Resource Management

NZAID will support community access to, and sustainable management of, natural resources. It will look for opportunities to promote the community management of natural resources to help the poor diversify their livelihoods, tap tourism opportunities, and gain improved access to markets.

NZAID will continue support for the clearance of unexploded ordnance (UXO), in particular the establishment and management of the National Regulatory Authority, promotion of a framework for independent operators and the integration of contamination analysis in all development planning and activities.

NZAID support for UXO clearance will help facilitate local communities to pursue the diversification of their livelihoods, and where feasible and appropriate pursue the benefits of tourism development. Support for UXO clearance will give communities better access to land and resources, and give improved scope to increase productivity through the diversification of crop and livestock systems and improved access to markets.

A strong link exists between tourism development and natural resource management. NZAID will seek to promote a holistic approach to addressing the interests of both to ensure maximum access and sustainable use of resources for the poor and the opportunity to generate income, employment opportunity, and access to markets for local goods.

Trade and Private Sector Development

The Trade and Development programme aims to assist rural producers to diversify production, move into more value-added activities and link up with

more rewarding national and international markets. NZAID will identify opportunities for creating greater synergies between this assistance and that which is provided under the Lao PDR country programme.

Our engagement is at two levels. In the first instance, we will focus on creating the environment in which the Lao PDR producers can take advantage of local, national and international markets by building government capabilities in certain pro-poor sectors, particularly agriculture.

Second, we will support local initiatives, working directly with producers to develop skills and capabilities and thereby promoting income generation. While the Trade and Development programme is not part of the country programme, it will look nevertheless for spin-offs and innovative opportunities arising from the country programme's engagement in pro-poor tourism and natural resource management.

Building Human Capacity

NZAID's long tradition of supporting Mekong-wide human resource development programmes is recognised and appreciated in the region. This includes developing the English language, technical and development management capacities of staff from key government partners through the English Language Training for Officials (ELTO) programme and through programmes offered by regional institutions such as the Mekong Institute. It also includes the New Zealand Development Scholarships (NZDS) for candidates from both government and civil society.

NZAID will continue to support these initiatives from its country and GMS programmes. The choice of programmes, candidates and curriculum will be influenced by their alignment with the sectoral and thematic priorities of this country strategy, the Lao PDR's NGPES, and a commitment to support both the public sector and civil society. This approach will also apply to study under the New Zealand Development Scholarships programme where study areas will be aligned with NZAID's priority sectors.

CROSS-CUTTING THEMES

In programme planning and implementation in the Lao PDR, NZAID will emphasise a number of cross cutting issues as follows:

Promoting human rights

New Zealand believes that sustainable poverty reduction and human development demand respect for human rights at all levels of government and civil society. The Lao PDR Government, along with other governments including New Zealand, has signed up to a number of human rights instruments as part of

its international commitments (see Annex 2). NZAID will encourage the Lao PDR Government to improve its adherence to these instruments and support processes that facilitate greater access of citizens (particularly the poor) to justice and the exercise of their rights in communities where we work.

We will support initiatives that strengthen the rights and voice of the poor, paying special attention to achieving gender equity and empowering women and girls, people living with disabilities, small ethnic groups and indigenous peoples. We will work with the government and others to ensure that the interests of the poor are reflected in government strategies related to the two priority sectors of pro-poor tourism and natural resource management.

This means ensuring that there is in-country ownership of the strategies and that the poor are empowered to benefit from their implementation. One way of achieving this is to establish strategic partnerships with international agencies and civil society groups. The adoption of a rights perspective to development will mean that poor people are not only seen as recipients of aid but people with the right to make choices and the capacity to improve their lives.

Promoting Gender Equity

Women and girls continue to be disadvantaged, particularly in regard to access to education. Low educational levels affect women's health. In addition, poorly educated women have fewer opportunities for social, economic and political participation. Greater gaps and inequalities are found in rural areas especially among women of small ethnic groups.

Promoting gender equality is an important national goal, as reflected in the national constitution and law as well as in the framework of the national machinery for the advancement of Lao Women. Gender equality and equity are highlighted in the agenda of the National Growth and Poverty Eradication Strategy, MDGs, and National Strategy of the Lao Women's Union and the Lao NCAW.

NZAID will take concrete steps in all areas covered by this strategy to support poor women's economic activities, improve their access to basic services, and national decision making. We will support discrete anti-trafficking activities that protect women and girls

Addressing vulnerability

As we develop initiatives in pro-poor tourism, natural resource management, and trade and development, NZAID will factor in, and where appropriate mitigate, the impact of HIV/AIDS, human trafficking, dislocation from land, internal and external migration, potential or existing conflict, and UXO contamination. Particular consideration will be given to impact on minority

groups, indigenous peoples and those living with disabilities. Recent research on the impact of resettlement will also be taken into account and alternative strategies will be promoted as appropriate. NZAID's programme of building skills and support for rural livelihoods will address these challenges as will its contribution to the UNIAP in curbing trafficking.

The Lao PDR has suffered prolonged periods of conflict over recent decades. Recognising that the poor are often most vulnerable and conflict can hinder their efforts to escape poverty and wipe out hard-won development gains NZAID will ensure that the risks of conflict have been assessed and programmes are designed and implemented to prevent conflict and build peace.

Protecting the environment

In its natural resource management and tourism programmes, environmental protection to ensure sustainable livelihoods is paramount.

GEOGRAPHIC FOCUS

At a provincial level New Zealand's official development assistance in the Lao PDR will focus on two main geographic areas in the north – Luang Namtha and Xieng Khouang provinces.

Luang Namtha province positioned against the China border and with large numbers of small ethnic groups, has been the focus of ecotourism development over recent years. NZAID has played a major role in this with its support of the Nam Ha project. Xieng Khouang province to the north of Vientiane and famous for the Plain of Jars remains one of the poorest provinces with some of the highest concentrations of UXO in the country. NZAID has been contributing to UXO clearance in the province since 2003.

NZAID will build on its existing relationships in Luang Namtha and Xieng Khouang, with a view to supporting pro-poor tourism, natural resource management (including UXO clearance) and linking producers to markets. The anticipated establishment of World Heritage status in Xieng Khouang will lead to a considerable increase in tourism and related industries. This poses both a threat and an opportunity to local livelihoods and will be an important factor in determining the focus of NZAID's activities.

While NZAID will offer support to a discrete number of activities outside the two focal provinces, such activities must contribute to the overall sectoral and thematic focus of New Zealand's official development assistance programme.

OPERATING PRINCIPLES

In implementing this strategy NZAID will follow the operating principles outlined below:

Alignment

New Zealand's ODA in Lao PDR is aligned with the National Growth and Poverty Eradication Strategy and strategies for the sectors in which the programme is active. NZAID will contribute through the donor Working Groups and will participate as appropriate and consistent with our non-residence status and limited human and financial resources permit.

Harmonisation

Through participation in the Quarterly Donor Meetings and Working Groups, and through working closely with civil society, NZAID will seek opportunities to harmonise its ODA with that of other development partners. During the period of this five year strategy, NZAID will explore opportunities for greater harmonisation with other donors with a particular focus on delegated cooperation arrangements where they provide mutual benefit.

Policy Engagement informed by Lessons Learned

NZAID's engagement in Lao PDR will focus on policy issues and grass-roots programme activities. Engagement in policy dialogues will contribute to enhanced programme delivery at the grassroots. NZAID's experience of supporting programme activities at the grassroots will inform our inputs to national policies, strategies and regulatory frameworks.

Programme Learning

The lessons we learn from NZAID's engagement in Lao PDR will be integrated with those learnt from our engagement across the Greater Mekong Sub region, Southeast Asia and other areas of the world. Our experience in Lao PDR will inform, and be informed by, our engagement with bilateral, regional and multilateral development partners. In particular, we will apply lessons learned from our eco-tourism programmes in Indonesia, the Philippines, Cambodia and the Pacific and from value-chain interventions in Papua New Guinea and Cambodia. We will also use our learning to contribute to national, regional and international fora and vice-versa.

Complementarity and Coherence

NZAID will maximize the synergies between programmes funded from the Lao PDR bilateral allocation and those funded under regional and multilateral allocations. We will also maximize synergies with contestable funding through New Zealand NGOs and the private sector. Where other New Zealand government agencies are involved in Lao PDR we will promote good development practice based on the poverty reduction priorities of the Government of Lao PDR.

MODALITIES

NZAID's position as a non resident donor makes the implementation of the country strategy challenging. Engagement in donor coordination and policy dialogue is constrained without a full time presence in-country. In planning the implementation of the strategy NZAID will establish a Forward Assistance Programme outlining the key components of the country programme and the modalities to be used in their implementation.

In general NZAID will commit to a long term programme planning approach and larger and more comprehensive contributions than has been characteristic of the Lao PDR programme in the past. The modalities used for NZAID engagement in-country will comprise:

- Strategic partnerships with government agencies, bilateral, regional and multilateral donors. The aim of these partnerships will be to forge long term and significant relationships in order to maximize synergies between programmes and leverage the size and impact of the NZAID contribution.
- Strategic long term partnerships with selected NGOs and other civil society groups that hold common goals and interests. This cooperation will give scope to pursue more dynamic three way partnerships between NZAID, partners and government, and in so doing more effectively bring the NGO partner into dialogue with government on its contribution to the Lao PDR's development.
- The level of NZAID engagement with its partners will vary according to the mechanisms used for the disbursement and management of funds. Ideally NZAID will seek an active engagement at a strategic level, contribute to programme planning, monitoring and evaluation, and help represent issues and learning arising from programme work in the government and donor policy dialogue.

RESOURCES AND MANAGEMENT

NZAID's programme in Lao PDR is constrained by limited human and financial resources. We are aware that we cannot do everything and that our resources need to be used in the most efficient way possible. Therefore, we will support fewer and larger programme activities, with a longer time frame managed by development partners based in Lao PDR, including a small number of civil society groups. Our intention is to focus our human resources on programme learning and policy engagement in Lao PDR.

Programme Allocation

The Lao country programme allocation is NZ\$2 million in the 2005-2006 financial year and is expected to grow to NZ\$3.5 million per annum by 2008. In addition Lao PDR will benefit from funding from regional, thematic and multilateral sources including the Voluntary Agency Support Scheme, the Trade and Development Programme, the Asia Development Assistance Facility, and support for the Mekong Institute and the Phnom Penh Plan for Development Management. The footprint of NZAID's country programme in Lao PDR may be expanded through these mechanisms.

MEASURING PERFORMANCE

NZAID's performance under this strategy will be measured according to the extent to which our assistance has achieved development impact:

Development Impact – our development partners have reduced poverty and those in poverty have increased self-reliance.

- The social and economic outcomes of those in poverty have improved as a result of our support.
- The poor in areas where NZAID is active have increased their income and are exercising greater control over their natural resources.
- People living in rural communities where NZAID is active have increased opportunities to achieve their rights and to participate in their own development.

We aim to achieve development impact through enhancing both our engagement with various stakeholders and our agency capability:

Engagement – New Zealand has added value to the efforts of the Lao PDR Government and the international community.

- New Zealand's ODA is aligned with the Government of the Lao PDR National Growth and Poverty Eradication Strategy and relevant sectoral strategies.
- NZAID's engagement in the Working Groups has led to improvements in sectoral policies and in the practices of the international community and our Lao PDR partners.
- NZAID is perceived as making a positive contribution to processes of engagement with our development partners in New Zealand and in the Lao PDR.

Agency Capability – NZAID’s development assistance in Lao PDR is efficient, effective and responsive.

- NZAID has achieved synergies across the range of programmes that make up New Zealand’s official development assistance to the Lao PDR.
- NZAID is perceived to have listened and responded to the voices of the poor in the delivery of its official development assistance to the Lao PDR.
- New Zealand’s Official Development Assistance focuses on pro-poor tourism and the management of natural resources, and is complemented by activities that harness trade for development and build government capacity.
- New Zealand’s Official Development Assistance protects and promotes rights and gender equity, addresses vulnerability, and is primarily delivered in Luang Namtha and Xieng Khouang.
- NZAID is learning from engagements with, and adding value to, our development partners and this is leading to more effective development assistance in the Lao PDR

NZAID will undertake and support monitoring, reviews and evaluations to assess the performance and effectiveness of activities supported in its Lao PDR Programme. Evaluation activities are expected to provide information for three key purposes: accountability, learning and improvement. The core values that guide other NZAID work will also underpin these evaluation activities. It is intended that participatory approaches to measuring performance be used wherever possible. NZAID will seek to support joint monitoring, review and evaluation with other development partners and, over time, intends to make a positive contribution to the evaluation capability and capacity of our partners.

Data gathered in reviews and evaluations of individual programme activities will contribute to assessing development impact outcomes. Reviews of the functioning of the Working Groups and reviews of New Zealand-Lao PDR development cooperation will provide input into assessment of engagement outcome and of the agency capability outcomes as above.

The results will inform decisions about the future allocation of NZAID resources. Such decisions will be taken in light of our wish to promote mutual openness, trust, respect and accountability between NZAID and our development partners.

The Lao PDR Strategy will be reviewed after 5 years to ensure that it remains appropriate to Lao PDR’s needs and priorities. The results of regular monitoring will be fed into the Asia Strategy review process.

ANNEX 1

Key Development Indicators

<i>Indicators</i>	<i>Value</i>	<i>Year</i>
Total population	5,609,000	2005
Population density	24 person/sq km	2005
Population growth rate	2.5 % per year	2005
Population in rural areas	80%	2000
GDP per capita	USD \$ 500	2005
HDI	0.48	1999
Infant Mortality rate	82.2 deaths/1,000 live births	2000
Life expectancy	59 years	2000
Under-five mortality rate	106 deaths/1,000 live births	2002
Maternal mortality rate	530 deaths/100,000 live births	2002
Net enrolment ratio in primary education	81.8%	2003-04
Literacy rate in the age group 15-24 years old	78.5%	2001

Source:

Millennium Development Goals Progress Report Lao PDR, Government of Lao PDR and the United Nations, January 2004

Committee for Planning and Investment (CPI), Lao PDR, 2005

Population Census, Government of the Lao PDR, 2005

ANNEX 2

Human Rights Instruments to which the Lao PDR has agreed or has signed.

CCPR-International Covenant on Civil and Political Rights
(Signature only: 07 December 2000)

CEDAW-Convention on the Elimination of All Forms of Discrimination against Women
(Ratification: 13 September 1981)

CERD-International Convention on the Elimination of All Forms of Racial Discrimination
(Accession: 24 March 1974)

CESCR-International Covenant on Economic, Social and Cultural Rights
(Signature only: 07 December 2000)

CRC-Convention on the Rights of the Child
(Accession: 07 June 1991)