

NATIONAL CONCEPT

LAOS

Prospects for

Development Co-operation

2002 – 2004

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PREFACE

Non-government organisations have become important actors in the field of development co-operation. Not only government development agencies in western industrialised countries increasingly recognize this, but also the partner governments of the South. Praise for NGOs' proximity to the "grassroots," their flexibility and the orientation of these private agencies towards poverty is occasionally mixed, however, with criticism of the lower level of co-ordination with regard to non-governmental intervention.

We believe that co-ordination can be improved by an increasing degree of transparency in the strategic orientation of the particular organisations. At the same time, we presume that most of the external actors definitely have the intention of integrating their activities into a larger context, but that the required information is frequently not available.

We would like to close this gap with medium-term national concepts for the countries we concentrate our efforts on in the respective national languages. The national concepts are primarily oriented towards other international organisations - governmental and non-governmental - and towards national partners, who will as a result be better informed than they have been so far on sectoral areas of focus and the long-term prospects for our work in our partner countries.

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (Federal German Ministry for Economic Co-operation and Development)
DAFO	District Agriculture and Forestry Office
DDR	Deutsche Demokratische Republik (German Democratic Republic)
DED	Deutscher Entwicklungsdienst (German Development Service)
DoA	Department of Agriculture (within Ministry of Agriculture and Forestry)
DoF	Department of Forestry (within Ministry of Agriculture and Forestry)
DWHH	Deutsche Welthungerhilfe
EIU	The Economist Intelligence Unit
EU	European Union
FAO	Food and Agriculture Organization of the UN
GDI	Gender Development Index
GDP	Gross Domestic Product
GMS	Greater Mekong Subregion
GoL	Government of Lao PDR
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit/German Technical Co-operation
HDI	Human Development Index
IDA	International Development Association
IDF	International Finance Corporation
INGO	International Non-Government Organisations
IMF	International Monetary Fund
IRRI	International Rice Research Institute
LAK	Lao KIP
LDC	Least Developed Countries
LPDR	Lao People's Democratic Republic
LWU	Lao Women's Union
MAF	Ministry of Agriculture
MRC	Mekong River Commission
NGO	Non-Government Organisation
PAFO	Provincial Agriculture and Forestry Office
PIP	Public Investment Plans
PRSP	Poverty Reduction Strategy Paper
PXT	Project: Rural Development Phou Xiang Thong
PDI	Population and Development International - Asia
RTM	Round Table Meeting
TC	Technical Co-operation
UNCDF	United Nations Capital Development Fund
UNDCP	United Nations Drug Control Program
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNO	United Nations Organizations
UNV	United Nations Volunteers
UXO	Unexploded Ordnance
WB	World Bank
WFP	World Food Programme
WHO	World Health Organization
WTO	World Trade Organization

1 SITUATION OF THE COUNTRY

1.1 Basic Data

Full Country Name	Lao People's Democratic Republic
Ruling Party	Lao People's Revolutionary Party
Official Language	Lao
Population	5.3 million
Area	236.800 sq km (comparable to the size of Great Britain)
Administrative Divisions	Capital Vientiane (319.000 inhabitants), centralised state with 16 provinces, one municipality (Vientiane) and one special zone (Saysomboune)
Location	Landlocked in Southeast Asia, bordering on: PR China, PR Vietnam, Cambodia, Thailand, Myanmar
Geography	80 % highlands and mountains, 20 % lowlands along the Mekong and its tributaries
Climate	Tropical monsoon with strong rainy- (May to Oct.) and dry seasons (Nov. to April); the average monthly temperature is 18-26 °C; the average annual precipitation is 1.000-2.000 mm
Independence	22 July 1954
National Holiday	2 December 1975 (Proclamation of the LPDR)
Religion	Buddhism (Theravada) in the lowlands, Animist religions in the up- and highlands
Currency	KIP; exchange rate Jan. 2002: 1 EURO = ca. 8.500 KIP
Chief of State	Since 1998: President Gen. Khamtay Siphandone (for a five-year term)
Head of Government	Prime Minister Bounyang Vorachit
Human Development Index	Number 131 of 175 (2001)
Per Capita Income	330 US \$ (WORLD Bank, 2001)
Changes in GDP (real)	2000: 4,5 %, 1999: 5,4 %, 1998: 2,9 %; 1997: 6,9 %
Membership in International Organisations	UNO and UN-special organisations (since 1955), ASEAN (since 1997), IMF, WB, IDA, IFC as well as ADB and MRC
International Organisations present in Laos	FAO, IMF, MRC, UN/Aids, UNCDF, UNDCP, UNDP, UNFPA, UNHCR, UNICEF, UNV, WB, WFP, WHO

1.2 Population

5,3 million people live in the Lao PDR today, 80% of which live in ca. 10.000 villages in rural areas. The annual population growth is about 2,8%. Six persons make up the average household size. With 54% under the age of 54, the population is very young. Counting 21 inhabitants per square kilometre, the country is populated quite sparsely compared to the regional average.

It is difficult to speak of “the Laotian people.” Next to Bolivia, Laos is the country with the highest diversity in ethnic population groups. This diversity and the changes and blending of socio-cultural, economic and agro-ecological systems make the development process more difficult. On an ethno-geomorphological level, one distinguishes between a) the lowland Laotians (*lao loun*) living in the Mekong corridor, who depend mainly on paddy rice systems b) the midland Laotians (*lao theung* or *lao gang*) living in altitudes between 500 and 1.000 m using rain-fed paddy- and upland rice systems, and c) the highland Laotians (*lao sung*) depending on upland rice systems and maize cultivation. The groups of *lao loun* make up about 60% of the population, the *lao theung* about 30% and the *lao sung* about 10%. International linguistic classification systems speak of around 130 ethnic groups and subgroups. The four major groups are a) the Tai-Kadai, b) the Miao-Yao, c) the Austro-Asians and d) the Sino-Tibetans.

The constitution (article 8) of 1991 guarantees all ethnic groups equal rights. However, many minorities (*lao theung* and *lao sung*) are not yet actively participating in the development process. Additionally, there is a lack of independent civil-society structures.

Historical Development

During the 13th century, the Tai-Kadai peoples immigrated along the Mekong from southern China after their empire Nan Chao had been conquered and destroyed by the Mongols (Kublai Khan). The new “principalities” (*mandalas*) displaced the original Austro-Asian population settling in the area. During the 14th century, the Laotian warlord Fa Ngum founded *Lane Xang* (land of a million elephants), the first united kingdom. The kingdom prospered until the 17th century but split into three warring kingdoms in the 18th century due to throne disputes. What followed were invasions and annexations by Siam (Thailand), Burma and Annam (Vietnam). In 1827, Siam took control of large sections of Laos but had to cede all areas east of the Mekong to France (*paknam incident*) in 1893, and Laos became part of French Indochina. At the beginning of 1945, France in turn was pushed out of the entire area of Indochina, and after Japan’s military collapse (autumn 1945), Laos formed a government under Prince Souvanna Phoumma based on the anti-colonialist struggle for independence. This government proclaimed an independent state in November 1945, which, however, was

reintegrated into French colonial possession in April 1946 after Vientiane had been conquered. Not until France's defeat in the 1st Indochina War did Laos gain the status of an independent constitutional monarchy recognized by international law after the Indochina peace conference in Geneva in 1954.

In the newly formed country, three political groups emerged:

The pro-communist Pathet-Lao movement supported politically and militarily by North-Vietnam under Prince Souphanouvong ("Red Prince")

The rightist forces under Prince Boun Oum and Phoumi Nosavan supported by the USA and in alliance with the Laotian military

The neutralists under Prince Souvanna Phouma

A smouldering civil war ensued and despite another Laos conference in Geneva in 1962, Laos was drawn into the Vietnam War (2nd Indochina War). The US Air Force dropped 3 million tons of bombs on the Laotian section of the Ho Chi Minh Path without any prior declaration of war. Supported by strong northern Vietnamese alliances, the Pathet Lao managed to gain control over two thirds of the country. The fighting ceased after the Vietnam conference in Paris in 1973. After a coalition government, the Pathet-Lao took over power in 1975.

On December 2nd 1975, the revolutionary people's congress decided to abolish the 661-year-old monarchy and declared the "Lao People's Democratic Republic." King Savang Vattana had to renounce his throne and the Lao People's Revolutionary Party (LPRP) that had emerged from the Pathet Lao took over power. The Secretary General of the party, Kaysone Phomvihane became the head of government (1975-1992), and the "Red Prince" Souphanouvong became the first President of the State (1975-1986). What followed was a period of domestic changes and "political cleansing." Re-education camps were established and 10% of the population escaped to Thailand, France or the United States. This led to an enormous loss in expertise and all but paralysed the Laotian economy. To this day, occasional skirmishes between groups supported by exiled movements (e.g. the Hmong) and scattered units of the Laotian army occur in the remote highland- or mountainous regions.

After 1975, under Vietnamese control, the economy began to strictly follow the socialist model. Due to massive economic problems, however, a reform programme was agreed upon during the 4th party congress in 1986 (*pean pang mai* or *new economic mechanism*). The model of collectivist agriculture was abandoned and state-run companies were privatised partly or entirely. All forms of ownership, businesses, and co-operation were allowed. In 1988, a new scheme to attract foreign investments was established (*foreign investment code*). Price fixings and the limitation of the transfer of goods within the country were also abolished and an extensive tax reform was introduced. In 1990, the exchange rate of the kip

was floated. At the same time, the special concessions and benefits from the collapsing COMECON economy systems fell away.

1988 saw the issuance of an election law. 1989, a “Supreme People’s Assembly” was elected, which passed the first republican constitution on the 14th of August 1991. In 1992, elections took place (single list) for the first national assembly. Step-by-step since 1992, laws that are supposed to help establish a consistent legal system have been adopted.

Political Development

As the only permitted party in the country, the LPRP has all the power in Lao PDR. Article 3 of the constitution defines the leading role of the LPRP in the political system. Almost all top government and administrative positions are occupied by members of the Politburo and by the central committee of the LPRP. Mass organisations such as the “Lao Front for National Reconstruction,” the “Lao Women’s Union,” the “Lao People’s Revolutionary Youth Union” or the “Lao Federation of Trade Unions” serve to mobilise the population throughout the country and to make everyone toe the party line.

The highest instrument of state is the National Assembly elected every five years. The National Assembly confirms the government and adopts the national budget and all laws. The governmental machinery consists of the prime minister and 14 ministries. With the approval of the National Assembly, the president appoints the prime minister. The centralised administration is divided into 16 provinces, the municipality Vientiane and 141 districts (*Muang*) that are administrated by appointed governors. Elected principals govern the villages (*ban*). In the up- and highlands, traditional village- and clan structures are eminent. Structurally, there has been a tendency towards decentralisation.

With the help of socio-economic development plans, the Lao government sets up strategic five-year development goals. A state planning committee crafts these, and the National Assembly approves them. The development plans are implemented by means of the *public investment plans* (PIP). These depend on the availability of external funds from international donor organisations, and their operationalisation follows national sector strategies. These in turn are (formally) based on sectoral development plans by the provinces and districts.

After the death of the President, General and chairman of the LPRP Kaysone Phomvihane in 1982, the party has been following a gentle course of transition. Acceptance between the Buddhist clergy and the LPRP has begun to improve again. In 1996, the EU granted Laos the status of *most favoured nation* (MFN). In 1997, Laos joined ASEAN and is planning to join the WTO.

The domestic situation is mostly stable. Some tension exists, however, regarding the following three topics: a) there is a massive difference in development between the high- and

lowland regions, b) legitimisation of the close ties to Vietnam, and c) an increased economic domination by Thailand.

Fragmented opposition groups within and outside of the country (USA and France) do not have enough support among the population to pose a threat to the government. The government controls the media.

Laotian foreign politics aim at maintaining a balance and a positive atmosphere with its neighbouring countries: "There will be enough Chilli in the North and enough salt in the South (*ban phi Muang nong*)." Chilli and salt are the essential ingredients for every meal. The exchange with Russia has come almost to a complete standstill, but is slowly being reactivated at this time. Due to the existing 1977 bilateral Treaty of Friendship and Co-operation, there is a "special relationship" with Vietnam. The exchange, especially on a party level, continues to be very strong. Relationships with the neighbouring Cambodia and Myanmar are good, consultations and high ranking visitor exchanges take place on a regular basis. Since 1988, the PR China has resumed to play an increasingly important role. New forms of co-operation have been agreed upon (Nov. 2000). The relationship with India is also becoming more important. With the ethnically and linguistically related neighbour Thailand, relations are more complicated and unbalanced. The population welcomes the growing economic and cultural influence, but the government follows these developments critically.

Since the 6th party congress of the LPRP in 1996, the military has managed to strengthen its position and now provides 7 of the 9 members of the Politburo. The 7th party congress has not shown any signs of a change in direction, and due to the one-party system, the parliamentary elections of the spring of 2002 have not brought any major changes either.

1.5 Economic Situation

Laos belongs the LDC. A real annual per capita income of 330 US \$ (The WORLD Bank Group, 2001) places the country among Asia's poorest. Almost half of the population lives below the government's official poverty line of 5 US\$ per person per month. Income does not even reach the international poverty index of one Dollar a day. The economic structure is rudimentary, it consists of three levels: a) the economy of official statistics (in kip), b) the parallel economy of the lowland farmers and urban traders (in Thai Baht and US \$), and c) the non-monetary economic subsistence systems in the up- and highlands in the North and East.

The transition from a planned- to a market economy at the beginning of the 1990s fully met the approval of the WB, IMF and ADB, and a macro economic stabilisation- and adjustment programme was introduced, which lead to an economic upswing. The Asia crisis in 1997 and erroneous economic decisions, however, lead to a slump, and the reform process slowed down noticeably. In 2000, real economic growth amounted to 5,7%. During that year,

agriculture and forestry made up 51% of the GDP, the business sector 22% and the service sector 26%.

After a dramatic rise during earlier years, the (real) inflation of consumer prices rose to more than 100% in 1999, in 2000 the rate stayed between 7-10%. Foreign trade is chronically deficitary. In 1999, imports amounted to 527,7 million US \$ (cif), exports to 338,2 million US \$ (fob). To financially cover the excess imports, Laos mostly uses foreign direct investments and development co-operation funds. The most important export goods are luxury woods and wood products, textiles as well as electricity. Also important are coffee, tin, gypsum, spices (Cardamom), and gum benzoin (a raw material necessary for perfume production). At over 100 million US \$, income generated through tourism has become the largest source of foreign revenue.

The most important export partners are Vietnam, (43%), and Thailand (22%). The most important imported goods are machines, vehicles, mineral oil products and foods. Thailand is the most important import partner (51%), followed by Vietnam (4%) and Japan (1,6%). 75% of all Thai-imports are re-exported directly to Vietnam.

Information on the Laotian national budget are difficult to obtain. Foreign debt amounted to 2.437 million US \$ in 1998, most of this was old debt owed to the COMECON countries. Until the end of September 2000, the monetary reserves amounted to 101,19 million US \$ (not counting gold).

1.6 Situation of Specific Sectors

Agriculture

Agriculture (including forestry and fishery) forms the backbone of the Laotian economy and absorbs more than three quarters of the workforce. Only 4% of the country's area is used for cultivation. The most important product is rice, which is also the main component of the Laotian nutrition. With 600.000 ha, rice cultivation claims about 70% of the available arable land. Glutinous rice is the variety most commonly grown. For the year 1999, national statistics showed a yield of 2,2 million tons of rice (not counting crop losses). Statistically, that makes the PDR Laos self-sufficient, but large regional differences prevail. Regional crop yields in rice differ between 1,6 and 3,3 tons/ha. Frequent rice supply shortages occur in the highland and mountain regions (May to November). Two rice cultivation systems exist: a) the **paddy rice farming system** in the lowlands with access to the market and b) the **upland rice farming system** in the highlands and mountainous regions. The area ratio of both systems is 6:4. The paddy rice system includes the rain-fed- as well as irrigation farming. The upland rice system, usually accompanied by shifting cultivation, mainly serves a subsistence economy. The shifting cultivation systems are sometimes very differentiated and can actually be sustainable if the fallow periods are long enough. Due to fallow periods

becoming shorter, however, sustainability can no longer be maintained, which leads to a massive loss of wooded areas and severe damages caused by erosion.

Apart from rice, further products that are cultivated are maize, root tubers (sweet potatoes, cassava, yams etc.), fruit (bananas, mango, jackfruit, pineapple, tamarinds etc.) and vegetables (green vegetables, cabbage, pulses). In the uplands, secondary forestry products provide over 50% of the household income (IUCN, 2001). Additionally, hunting wild animals and fishing are important.

The most important cash crops are coffee, tobacco and cotton as well as sesame, peanuts and sugar cane. No alternatives have been found for the opium production in the northern mountain regions. The government increasingly supports animal husbandry (mostly cattle and poultry).

Forestry (including NTFPs such as for example benzoin) contributes 4,5% to the GDP (real) and makes up 30% of the export revenue. There is an excessive use of the wood reserves. Illegal trade with Thailand, Vietnam and China are difficult to stop. Concessions regarding the construction plans for dams increase the degree of deforestation.

Protection of Resources

Laos is south-eastern Asia's little "resource treasure chest." Biodiversity is unique and natural resources (land, forest, water) tend to still be sufficiently available. With the help of sustainable cultivation methods, the potential for their various uses could be expanded step by step and could also offer an alternative to opium production. A permanently diversified highland agriculture, the economic possibilities provided by wood- and non-wood products as well as genetic plant resources are potential areas for such development.

Population pressure and existing agricultural methods, however, limit the options for sustainable resource management. Despite of the land allocation process having advanced quite far, the lack of ownership- and land use titles additionally obstructs sustainable cultivation. The implementation of policies geared towards a decentralised, more self-dependent communal and individual use of the forests (production forests) is also poor. Because of the strong interests of the centralised government, the agencies responsible for this implementation were systematically weakened. Due to diverging political interests, guidelines regulating forest cutting rates and prohibiting the export of unprocessed wood have little effect.

Uncontrolled felling, shifting cultivation, and consumption of firewood pose an especially severe threat leading to a loss of ca. 300.000 ha of woodland each year. Forests have been reduced to 41% of their original size (1997). The Kyoto Protocol requires Laos to reforest with an obligation to bring the forest area back up to 70%. Because guidelines are inadequately implemented and controlled, however, Laos is far from being able to responsibly manage its production forests on its own.

The use of Agent Orange to defoliate trees during the Vietnam war has caused massive ecological damage, and hunting and illegal trade with game reduce the genetic diversity. The increasingly deforested mountain sides show more and more damages caused by erosion. The protection of forests and watersheds is the key to a sustainable use of the existing natural resources, in order to ultimately reach food security.

Nutrition and Health

Social indicators reflect a situation much like the one found in the sub-Saharan region. Per capita spending in the health sector amounts to 6 US \$ per year. There is one doctor per 5.000 inhabitants; vaccination programmes reach just about half of the villages. The average life-expectancy rate is only 54 years. With 96 deaths per 1.000 live births, the child-mortality rate is extremely high. The maternal mortality rate figures at around 650 cases per 100.000 births.

Especially in the areas bordering on Vietnam, duds from the Vietnam War (UXO) still kill or wound many people. In 1999, 102 cases were officially registered.

Malaria continues to be the most common disease. The number of HIV infections has risen. Only about 40% of all households have access to potable water.

Data regarding the general nutritional situation are inaccurate and contradictory. Statistics show that 11% of small children (up to the age of five) are malnourished (wasting) and 50% have chronic nutritional deficiencies (stunting). The daily food intake of the general population amounts to an average of 2.100 kcal per person, causing a caloric deficit of 280 kcal per day. Mineral deficiencies (especially iodine and iron) are very common, and the lack of vitamin A poses another serious problem.

Education

The first and second Indochina Wars have lead to an almost complete collapse of the educational system. The public school system covers eleven school years (eight of them compulsory) of which five are spent in elementary school, three in lower secondary school and three at a higher secondary school level. In reality, however, children often go to school for only about three years. The official language in the classroom is Laotian. According to a World Bank study, 43% of the Laotians are illiterate, three quarters of them women. The enrolment rate for elementary school is 77%.

The Women's Situation

Although women play a leading role in Laotian economy and society, their situation has, even after 1975, improved only marginally. In 1991, the constitution granted women equal status in society but traditional patterns continue to determine their everyday lives. Despite the fact that women make up more than 50% of the workforce, they tend to be employed in sectors with low production or pay. Women tend to work more than men but play a less important role in decision-making processes, which, however, varies greatly depending on

their ethnic background. The unbalanced distribution of work is determined partly by shifting ecological circumstances in which men are losing their roles as hunters etc. whereas traditional women's tasks such as weeding predominate due to changed living- and economic conditions.

In general, the measurable quality of life is clearly worse for women than for men. Laos takes up rank number 131 of 162 in the Human Development Index (HDI) and number 119 of 146 in the Gender Development Index (GDI). The illiteracy rate is higher among women than it is among men (53% compared to 29% for men). The relation of men to women in the workforce is 48% to 52%. 92% of the women work in the agricultural sector.

1.7 Core Problems and Potentials of Development

Poverty

The main problem, especially in the rural mountainous areas of Laos, is clearly the widespread poverty. Despite the fact that Laos has managed to lower the number of people living below the poverty line from 44,6% in 1992/93 to 39% in 1997/98, the country belongs to the poorest countries in the region.

According to the poverty report of the National Statistical Centre (SPC/ADB 2001), poverty in Laos is young (*new poverty*) and not endemic. Maladjusted land use practices in combination with external factors such as population pressure, resettlement, natural disasters, insufficiently implemented development projects etc., have lead to this type of poverty.

In comparison to the rural areas in the north and south of the country, the urban regions profited much more from the phase of economic growth. While the poverty rate in the capital Vientiane sank from 24,4% to 12,2% during the above-mentioned time period, it went only slightly down from 58,4% to 52,2% in the northern provinces. Udomxay even had to register an increase of 7,2% in the poverty rate during this period. Since ethnic minorities are barely integrated into economic cycles, they hardly profited from the positive effects of the economic growth. In general, however, the effects of economic growth on poverty reduction in rural regions have been positive. A better definition of the target groups (for example the ethnic minorities) is necessary in order for them to benefit more from the positive effects of economic growth (compare: Participatory Poverty Assessment; ADB 2001).

Geography and Infrastructure

Over 80% of PDR Laos' total area is covered by partly very craggy mountains and hills and is therefore not easily accessible. Economic development has mostly passed these remote mountainous regions by. Barren soils in the highland- and mountain areas and increasingly shorter fallow periods require innovative cultivation techniques.

Infrastructure in Laos is rudimentary. The majority of the existing dirt roads are not functional during the rainy season between May and October. Transportation by boat often offers the

only, very slow, access to the markets and services of the cities. The communication infrastructure is in a similarly unsatisfactory condition, and in rural areas, monetary cycles and methods of marketing are just beginning to form.

Population and Administration

So far it has been mostly the population of the lowlands and valleys that has participated in the development process.

The mountainous regions are sparsely and unevenly populated and therefore lack even the most basic infrastructure in some parts. The government tries to solve the problem by attempting, sometimes forcefully, to resettle the population.

The disparities between the urban and rural, low- and highland population are increasing dramatically (see above). The services the government provides, especially in the areas of education, health care or agriculture, are distributed extremely unequally. The lack of experienced and motivated staff, organisational weaknesses as well as the inefficiency of the Laotian administrative structures limit the progress of reforms.

The Political Sector and Society

Due to the government's power structures always focusing on consensus, and the constant need to balance between hardliner- and moderate forces, ideologists and pragmatists and various ethnic groups and regions, decisions are often dragged out or even renounced. Despite attempts to decentralise, over-centralisation, bureaucracy and a tendency towards subsidies are prevalent. In spite of enormous financial grants from the international community, political influence of the donors has remained nearly insignificant. Important prerequisites for the strengthening of civil society are missing.

The Economic Sector

The lack of domestic capital formation, a growing budgetary- and trade balance deficit, and an economic dependence on the development of the ASEAN nations (especially Thailand), increase the effects of the Asia crisis. Especially the loss of value of the Thai Baht, which plays a major role for the Laotian capital supply, aggravates the dimension of the inflation. In September 2001, the central committee of the LPRP identified the increase of corruption on all levels as a serious problem.

An additional problem is Laos' dependence on foreign financial donors.

The Environment

Laos' biodiversity bears a large potential for the country's development. Preserving this diversity while simultaneously making use of the natural resources presents one of the major challenges.

Especially when it comes to major infrastructural projects (the extension of hydroelectric power plants or road construction), environmental and ecological aspects play an important role and therefore need to be integrated into the country's development plans. This means that districts and communities have to become more involved and that stronger efforts are necessary regarding better awareness and a sustainable management of the environment.

Wood and other forest products make up a large portion of the export revenue. Despite the government's regulations allowing a felling rate of 500.000 m³ each year, which would still be sustainable, forests are endangered due to shifting cultivation, illegal deforestation etc. still practised in the northern mountain regions. According to World Bank estimates, the Laotian forests will shrink from currently 40% to 30% by 2020 if no changes are made in current practises and legal regulations.

2 FRAMEWORK CONDITIONS FOR DEVELOPMENT CO-OPERATION

2.1 Development Goals of the Government

By the year 2020, Laos wants to no longer belong to the LDC (Least Developed Countries). In the long term, the country is aiming for a basic needs oriented, sustainable and balanced economic development. Rural development is the key to overcoming poverty. The Laotian government is increasingly devoted to advancing a development process that goes beyond a concentration on the Mekong corridor and is planning to support women and ethnic minorities in the mountain regions more strongly.

During the seventh *Donor Round Table Conference* in November 2000, the planning for the 2000 - 2002 investment programme was completed. Together with other NGOs, Deutsche Welthungerhilfe participated in the conference as an observer.

The high proportion of foreign financing of public expenses amounts to over 80% (ADB, 2001), which the Laotian government as well as most of the important donors criticize. Growing running costs of development projects and rising foreign debt limit the government's flexibility.

The socio-economic development plan for 2001-2005 defines eight development programmes. Additionally, an *interim poverty reduction strategy paper* has been compiled with the assistance of the 2001 donor round table.

In 1996, the 6th party congress formulated eight *National Priority Programmes*:

- Improvement of food security;
- Stabilisation of shifting cultivation;
- Transition from a subsistence- to a market oriented economy;
- Development of an infrastructure;
- Improvement of the socio-economic management capacities and foreign trade relations;
- Rural development;
- Development of *human resources*;
- Development of the service sector.

Quantitative goals of the 2001-2005 development plan are: a) a real economic growth (GDP real) of more than 7% (agriculture 4,4%, industry/business 9,6% and the service sector 7,5%), b) an inflation rate of consumer prices below 10%, c) an increase of state income to 13% of the GDP, d) the reduction of the budgetary deficit to below 10% of the GDP, and e) reducing the import excess to below 12% of the GDP.

The majority of the development goals of the past PIP have not been reached. Important exceptions, however, are the significantly higher national rice production and the rise in income owed to more tourism.

2.2 Objectives in the Field of Rural Development

The fields of agriculture and forestry are the core sectors of the 2001-2005 socio-economic development plan. Until the year 2020, they will continue to be the motor for economic development.

For Deutsche Welthungerhilfe's work in Laos, the six development goals named in the agricultural sector paper (October 1999) by the Ministry of Agriculture and Forestry are especially significant. With the help of a dual strategy, the two different potentials of the low- and highlands will be addressed. The main goals, partly overlapping with general development objectives, are:

- Increase of food production (especially of rice, maize, root tubers, meat and fish) in subsistence farming systems;
 - Stabilisation of shifting cultivation (through the reduction of the cultivated area);
 - Implementation of practical use oriented projects in the mountain regions of northern Laos;
- Establishment of a processing sector in the field of agriculture;
- Expansion and rehabilitation of irrigation farming;
- Development of *human resources*.

2.3 Non-Government Organisations and Partner Structures

Theoretically, the 1991 constitution permits the foundation of civil organisations and associations, however no law exists to implement the Constitution when it comes to NGOs. Since formal recognition of locals NGOs in Laos is not to be expected in the near future, Deutsche Welthungerhilfe implements its development co-operation projects in Laos with the help of government structures, which is usually not the case in other partner countries.

In terms of participatory project work, the **districts** are the ones who are most likely to offer the necessary bridging- or partner structure, because they work directly together with the villages and are responsible for providing basic government services (resource management, agriculture, healthcare etc.). Co-operation with the various departments on a district- and provincial level makes a continuous technical dialogue based on projects experience possible. In the Prime Minister's decree No. 1 of March 2000 regarding decentralisation, communities are meant to take on the role of implementers, the districts the budgeting and planning, while the provinces are responsible for the strategic socio-economic planning. This makes the villages responsible for the formulation of development goals and requires them to make their own tax plans based on the actual goods production and services. However, local know-how regarding the steering and implementation of such tasks hardly exists so far.

The principles of participatory methods are becoming more and more firmly established in Laos. The Prime Minister's decrees No. 40 and 131 propose a stronger participation of the

village inhabitants in the development process. Decentralised use and management of resources is supposed to be implemented via district structures (decrees 169 and 189).

2.4 Working Conditions for International Non-Government Organisations

Around 80 international NGOs are active in Laos, especially in the rural development- and health care sector.

Compared to neighbouring countries, the creation of stable working conditions for INGOs in Laos is progressing very slowly. However, as the government's acceptance of INGOs is growing, their number has risen continuously during the past few years. The relationship between INGOs and the government is still somewhat tense at times.

Larger NGOs such as CARE International, Concern, Medicins sans Frontiers, Norwegian Church Aid, Save the Children UK, or Save the Children Australia tend to be present with about three to ten international staff members. Their average annual project volume amounts to about 1-2 million US \$ each.

The Prime Minister's decree No. 71 of 1999 determines the administrative framework conditions for the INGOs' work. Since that time, INGOs have been falling under the responsibility of the foreign ministry, more specifically the department of international organisations. Every INGO has to register with the ministry. Activities of the INGOs are coordinated and controlled by the state and adjusted to the governmental development plans. Since there is a stronger desire to control INGOs than to control bi- and multilateral institutions and organisations, authorities claim the right to influence all matters of planning, implementation and monitoring.

Frequent changes regarding institutional responsibilities, methods and staff often lead to massive delays in timing. Specific difficulties in the course of a project cycle are:

The responsible ministry examines all project applications, which then have to be officially approved by the Ministry of Foreign affairs. All necessary project documents have to be prepared in both the English and Laotian language.

- There is an "ambiguous" principle of *ownership*, of national property of- and responsibility for development projects. A certain danger exists that project resources are redirected towards other goals and structures, which contradict the *Memorandum of Understanding* previously agreed upon.

The provinces and districts provide government staff for the projects. This serves to streamline development projects according to district strategies and to recruit experts. The staff is often unqualified and unmotivated, and there are no clear task descriptions.

The government reserves the right to influence decisions regarding the choice of INGO employees. For management positions, the government demands three suggestions and ultimately decides whether a candidate receives a visa and work permit.

The local province- and district structures keep a close watch over operational plans and insist on a tight coordination with the INGO.

Language- and script problems slow down work. The number of English-speaking staff is limited.

- The competition among international organisations regarding qualified Laotian staff is very high.

Networking among the various INGOs has not progressed very far. An official NGO-forum (1994-1996) was prohibited. Since then, only informal (but regular) meetings and sectoral working groups exist. The financial volume of international NGO projects amounted to over 7 million US \$ in 2001.

3 DEVELOPMENT CO-OPERATION PROGRAMMES OF OTHER DONOR ORGANISATIONS

The financial volume of bi- and multilateral development co-operation in Laos is considerable (compare ch.2.1). Price adjusted (V-Index 1997), however, there is a clear decline. Between 1997 and 2000, bilateral assistance sank from 136 million US \$ to 128,5 million US \$. Multilateral aid even sank from 227 million US \$ to 94 million US \$ during the same time period (- 36%). The relation between bi- and multilateral aid has reversed. In 1997, bilateral aid was 37%. In 2000, it climbed to 60% (Foreign Aid Report 2001).

Donors criticise a) the slow actual use of already approved funds (only 20%), b) missing transparency regarding the governmental influence and c) inadequate possibilities for coordination among the various donors.

Around 65% of the development co-operation funding is lost along the way. The percentage of soft loans, however, has been rising continuously (with a focus on infrastructure).

In rural regions, support has concentrated mostly on the lowlands and easily accessible mountain regions. Narrow sectoral approaches with often very costly investments dominated (e.g. JICA in the communication sector and Malaria control, and SIDA in the water-/hygiene field and road construction). However, ADB has, also due to the changed priorities of the Laotian government, announced a greater effort regarding the fight against poverty in the mountain regions of the northern provinces (ADB Country Strategy Paper 2002 – 2004). The approach in this case is supposed combine rural development measures with an improved market access.

Supported Sectors and Regions

The sectoral portfolio is mostly compatible with the directives of the *public investment plan* (PIP). The two core sectors consist of measures in the area of infrastructure improvements and agriculture and forestry.

The distribution of development aid among the various provinces is very unbalanced. The Mekong corridor has received exceedingly generous contributions during the past years (Vientiane and Vientiane Municipality, 15% of the ODA development aid).

Multilateral Co-operation

Among the multilateral donors, four groups are important: a) international financial institutions, b) EU, c) UN-institutions and d) the Mekong River Commission. Between 1997 and 2000, the overall funding sank from nominally 227 million US \$ to 94 million US \$. The largest multilateral donors in 2000 were the ADB (65 million US \$) and the World Bank (8 million US \$). The UNDP has reduced its 22 million US \$ funding from 1997 to 3,6 million US

\$ (nominal). The EU has also reduced its funding from 23 million US \$ in 1997 to only 9 million US \$ in 2000 (nominal).

Bilateral Co-operation

The largest bilateral donor of 1999/2000 by far was Japan with 90,8 million US \$ followed by China with 38,8 million US \$ and Germany with 13,6 million US \$. The largest donor from the ASEAN community was Thailand with 5,8 million US \$ (Foreign Aid Report 2001).

German Engagement

Next to the Soviet Union, the GDR was the largest donor until the end of the 1980s. In 1991, the Federal Republic of Germany resumed its bilateral development co-operation with Laos. Until the end of 1998, Germany made the following financial commitments: a) 83 million DM for financial co-operation, b) 91 million DM for technical co-operation, and c) 8 million for food security projects. All development co-operation funding was granted in the form of LDC aid only. In 1991 Laos received a remission of old debt of 57 million DM, but had to commit to use the saved funds for the protection of resources and the environment.

Since the year 2000, Laos has become a partner country for the **BMZ** (Federal German Ministry for Economic Co-operation and Development) and no longer classifies as a focus country. In the medium term, German development co-operation is supposed to focus on two sectors: rural development in the mountain regions (northern Laos) and economic reform and the establishment of a market economy with a concentration on non-formal education. Following the framework set by the national country programmes regarding bilateral development co-operation, the BMZ focuses on improving the significance, efficiency and effectiveness of development co-operation as well as the capacities to monitor and coordinate bilateral co-operation.

German Technical Co-operation (GTZ) has been implementing projects in Laos since 1993, especially in the areas of rural development and non-formal education.

Laos is one of the most important partner countries of the **DED** (German Development Service). There are currently over 30 development aid workers active in Laos, mostly in the fields of agriculture / rural development, protection of resources, and formal as well as non-formal vocational training.

European Union / European Commission (EC)

In the 1990s, the focus of development co-operation was on rural development, urban development and on the support of returning refugees from Thailand. The current 25 development projects with a volume of over 60 million Euro concentrate on rural development and health care.

The EC currently supports European NGOs in the fields of food security (B7-2010) and via the NGO title B7-6000 with a total volume of over 11 million Euro (or 18% of the entire development co-operation portfolio in Laos).

Alliance2015 Partners

Of the Alliance2015 partners, only *Concern Worldwide* has its own programme in Laos.

Since 1992, *Concern Worldwide* has been implementing development projects in Laos focusing on the resettlement and reintegration of refugees, on participatory development projects, small credit programmes and disaster preparedness. Regionally, the projects focus on the provinces of Bokeo, Khammuane and Savannaketh.

4 ACTIVITIES OF DEUTSCHE WELTHUNGERHILFE IN LAOS TO DATE

4.1 Objectives and Focus of the Engagement to Date

Deutsche Welthungerhilfe has been active in Laos since 1993. The programme in Laos follows the official Deutsche Welthungerhilfe statutes and objectives. The overall programme aims at a sustainable contribution to securing basic needs, in particular the food supply, while also protecting natural resources.

Especially disadvantaged rural households in the highland regions (*Khamu, Hmong, Tai, Tai Lue Dam*) and in the marginal rice cultivation regions of the lowlands (*Lao Loum and Kattang*) are the main **target groups**. Structural support for the districts accompanies the work.

At first, the sectoral portfolio in Laos included smaller projects in the fields of training and agricultural engineering.

Currently, the programme focuses on the *Agriculture and Food Security* support area with a concentration on integrated rural development, resource management and extension work.

In close co-operation with the Thai partner organisation PDI, Deutsche Welthungerhilfe has gained special expertise in the field of locally appropriate participatory methods in Laos. The combination of rural development and protection of resources has proven to be very successful.

During the first years, Deutsche Welthungerhilfe's work concentrated on the province of Vientiane. Since, 1997/98, however, activities have expanded to other provinces: the regional focus is now on the mountain regions of the northern provinces Udomsay and Phongsaly, since they belong to the poorest regions of the PDR Laos (compare ADB 2001).

4.2 Importance and Position of Deutschen Welthungerhilfe

Between 1993 and 2002, Deutsche Welthungerhilfe has supported over 25 projects in Laos with an overall volume of over 6 million Euro. Since the beginning of 1998, activities have been intensified, and the annual amount of granted funding has quadrupled to over one million DM since 1993. In 2001, Deutsche Welthungerhilfe ranked among the ten most important INGOs in Laos. Since, 1997, Deutsche Welthungerhilfe has been present with its own staff in Laos, currently there are four international staff members.

Compared to other INGOs, Deutsche Welthungerhilfe has expanded its engagement in Laos relatively late. It managed to create quite a large programme, however, in a relatively short period of time. At the beginning of the year 2000, after a lengthy bureaucratic process, Deutsche Welthungerhilfe was the first international NGO formally registered under the new NGO-decree.

4.3 Forms of Co-operation

Self-implemented projects as well as projects in co-operation with non-government agencies always have to be implemented in close collaboration with the government structures (usually the agricultural ministries of the provinces and districts).

The participatory approach is supposed to guarantee that village inhabitants are actively involved in the project planning and implementation process. After a project terminates, they should be able to sustain and use the structures that have been created.

The ministry of foreign Affairs (NGO department) coordinates the projects on a central level. Technical responsibility for rural development-, food security- and resource protection projects lies in the hands of the Ministry of Agriculture (MAF). Special agreements (*Memorandum of Understanding*, compare ch. 2.4) help to regulate the areas of responsibility and obligations on the part of the government, Deutsche Welthungerhilfe, and possible further partners.

Three forms of project implementation currently exist in Laos.

Government Organisations (district- and agricultural authorities, training institutions) function as project implementers for small- to medium-scale projects where they themselves are responsible for implementation and for the budget. The above mentioned weaknesses of the government structures make an intensive administrative and technical backstopping by the DWHH regional office or DED development aid workers necessary.

Example: *Hat Dokkeo: Fruit Tree Project II (LAO 12)*, *Naphok: Promotion of Compost Making (LAO 1008)*.

International Non-Government Organisations in Laos that are equipped with advantages such as language skills, familiarity with the region or special know-how are the executing agencies for larger and more complex projects. Project implementation is carried out by staff of the international NGO and with staff seconded by the districts and provinces.

Example: *Population and Development International – Asia (PDI)*:

When **Deutsche Welthungerhilfe** implements larger and more complex projects, the organisation uses DWHH's staff (international or Laotian hired staff), as well as staff provided by the districts and provinces. Throughout the duration of the project, the DWHH project manager or (in the case of small-scale projects) the programme coordinator is responsible for the budgets and outcomes of the projects.

Example: *DWHH: Community Development Project Oudomxay (LAO 1007)*.

4.4 Previously Implemented Projects

Annex 1 lists ongoing and terminated DWHH projects in Laos. Early projects tended to be short-term and focused on only one sector (e.g. non-formal training, agricultural engineering, water supply, small-scale irrigation and food aid).

Since 1996, DWHH has been supporting larger projects such as the **Fruit Tree project of the Hat Dokkeo Agricultural Station** (LAO 7, 12). The project is now in its second phase and next to training and extension work also includes a credit programme component to support and promote small- to medium-scale fruit farms. Implementation takes place together with the agricultural authorities of the provinces of Vientiane and Bolikamsay. A DED expert for fruit farming advises the station and supports it on an administrative level.

Since 1998, PDI (compare 4.3) implements the **Phou Xiang Thong Community Development for Conservation Project** (LAO 9) in 25 villages of the provinces Salavane and Champassak. By improving the living conditions of the population in the area, one tries to support and strengthen self-help organisations and aims at a sustainable use of natural resources (development for conservation). The first three year phase of the project was co-financed by the EU budget-line B 7-6000 until August 2002.

Not until 1999 has Deutsche Welthungerhilfe been implementing its own projects in Laos, always in close co-operation with existing village structures as well as with the agricultural departments of the districts of the province, however. Two DED extension workers support the project activities in the fields of extension services, protection of resources and beekeeping. The **Community Based Rural Development Project in Oudomxay** started in nine villages and has now been extended to 15 villages. Here too, by using natural resources in a sustainable way and improving the living conditions of the population in the area, the goal is to help protect the bordering watershed area. The implementation takes place in co-operation with the *Happel Foundation*, which co-finances the project.

Since 1999, along with the establishment of a Regional office in the PDR Laos, there has been an increase in **small scale projects limited to a certain sector** (small animal husbandry, compost making, small scale irrigation and aquaculture).

4.5 Results and Lessons Learned

The decision to react to the existing problems with a multi-sectoral approach reflects the multifaceted and complex problems that exist in rural Laos. One has to critically note, however, that the original project design of some DWHH projects was too ambitious (too many results). One of the goals for the future is that Deutsche Welthungerhilfe as well as the respective GoL representatives take care to make more realistic estimates as to which results can be reached within the Laotian context. Projects, especially those in the northern

mountain regions, are often very remote, and the staff sent by the government often does not have the required project experience and qualification. Overall, however, Deutsche Welthungerhilfe projects have proven to be appropriate for the Laotian context and have been successful in reducing poverty.

The previous regional distribution of the projects made adequate monitoring and an appropriate backstopping for the projects difficult. With the planned concentration of DWHH's work in the northern parts of the country, the effects and synergies of the projects are supposed to improve.

Furthermore, it has become clear that DWHH needs to continue to work with experienced long-term expert staff in Laos in order to implement its projects. This is particularly important because of the often remote location of the projects, which often make gaining local confidence and creating local expertise a task that requires time. It will therefore be necessary to continue to have DWHH experts (national and international) who foster the technical and conceptual qualifications of the local Laotian partners, especially on a district- and village level. Due to the positive experience with DED experts in the DWHH-implemented and financed projects, co-operation in this area will be expanded.

5 PERSPECTIVES FOR DEUTSCHE WELTHUNGERHILFE'S CONTRIBUTION

5.1 Objectives, Target Groups and Focus

As a consequence of the successes of previous projects, (compare ch. 4.1) DWHH's programme for the years 2002-2004 is going to focus more on the especially disadvantaged mountain regions of the northern provinces Phongsaly and Oudomxay. DWHH will try to position its projects more strategically on the various levels of action and will also try to make better use of important synergy effects and capacities for monitoring its projects in Laos.

With the help of sustainable resource management, Deutsche Welthungerhilfe intends to contribute to food security and reduce poverty in Laos, especially in the disadvantaged mountain regions of the North.

Current and still to be developed Deutsche Welthungerhilfe projects hereby follow the principles of:

- Poverty orientation;
- Sustainability (of the development and effects of the programme on the target group);
- Participation;

Target group- and gender differentiation

By securing an access to- and a sustainable economic use of natural resources, and by strengthening local self-help capacities, important impulses for economic development of the mountain regions are created.

In order to create improved sustainable living conditions in the rural areas, sustainable resource management has to be integrated as a cross-sectional task into the projects.

Participatory land use planning and –management on a village level guarantees that the use of natural resources on private or communal land can be regulated on a local level. Important prerequisites for this goal, however, are ownership- and land use titles that offer a certain security for long-term investments.

In terms of **target groups**, DWHH is going to concentrate more on ethnic minorities as well as on women and marginalized inhabitants of remote rural areas. The major target group is the – even by national standards- poor population in the mountain regions of Laos, which benefits from the participatory model of development co-operation. By a stronger integration of **ethnic minorities** and **women** within a gender approach, the effects of DWHH projects on the especially disadvantaged groups of the population are supposed to improve. Through the support of **self help initiatives**, DWHH focuses on working with informal structures and with formal structures on a local level.

Sectoral Focus

Due to the weakly developed infrastructure in the mountain regions, DWHH will continue to apply multi-sectoral approaches.

Rural development in the PDR Laos requires various types of intervention and approaches, which in detail are:

- **Food Security:** for one section of the target group, the question of food security is essential, and measures regarding food security therefore play an important role in Deutsche Welthungerhilfe projects. On the other hand, food security requires that the target group has access to food production and –marketing, which makes a multi-sectoral approach necessary.
- **Rural Livelihood** is a holistic approach that focuses on the target groups, is sustainable and poverty-oriented, and which concentrates on the local level with a multi-sectoral approach.
- **Natural Resource Management:** All sustainable improvements of living conditions require a sustainable use of the natural resources. In order for *natural resource management* activities to be successful, they have to be integrated into the regional context and multi-sectoral programmes, because purely technical and locally limited approaches are unable to handle and solve the complex causes and problems of soil degradation, deforestation, land use conflicts etc.

The **Agriculture and Food Security support area** forms the core of the DWHH programme in Laos. Next to food security and resource management, the *Integrated Rural Development Projects* also include income-generating activities and the improvement of the basic infrastructure (potable water, small-scale irrigation, elementary schools, road construction).

The **Crafts and Trade support area** will not become an independent project form in the medium term. Certain aspects of it, however, can be integrated into the rural development projects.

The **Social Basic Infrastructure support area** is integrated into the DWHH rural development projects. As before, the additional need for potable water- or small scale irrigation projects, especially in northern Laos, will continue to be implemented via small projects or the small projects fund.

The **Children and Youth programme support area** has so far been integrated into the existing projects as a cross-sectional task. The “hunger for opportunities and work,” however, shows that there is a great need and offers a potential for separate Children and Youth projects.

Regarding the **Emergency Aid and Rehabilitation support area**, capacities for disaster preparedness (floods and droughts) exist due to the co-operation with the ALLIANCE2015 partner CONCERN Worldwide. For years, CONCERN has successfully implemented Disaster Preparedness Programmes, which are co-financed by the Disaster Preparedness European Community Humanitarian Office (DIPECHO).

Regional Focus

In terms of a regional focus, Deutsche Welthungerhilfe will concentrate its programme on the especially disadvantaged and poorest provinces in the North (Udomsay, Phongsaly).. The

pilot projects in the province of Vientiane (fruit farming, Child and Youth Programme, organic farming) will continue, because they offer a great potential for replication.

The regional portfolio is poverty-oriented. The poverty report of the National Statistical Centre (compare ADB 2001) shows that the number of the poor in Oudomxay (+27%), Phongsaly (+6,3%) and Salavane (+21%) has risen, while it sank in other areas. A stronger focus on the North of the PDR Laos can improve the synergetic effects of the projects and makes replication of those developments that are successful easier.

5.2 Programme Volume

The volume of the national programme in Laos is determined mainly by two factors: a) the capacities for coordination and absorption of the respective government structures and b) financial capacities.

The specific political as well as administrative framework conditions limit the possibilities for expansion and only allow a step-by-step growth of the programme. The current priority is to consolidate the existing programme. In the medium term, a gradual expansion is planned. Due to their large financial volume, integrated rural development- and food security projects can usually only be implemented with the help of co-financed funding. For the 2002 – 2004 period, an average annual project volume of 1 to 1,5 million Euro is aimed at.

5.3 Prospects for Various Projects

Annex 1 shows a project overview.

A second phase is supposed to follow the ongoing first phase of the **Community Development Oudomxay** (LAO 1007) project. During the consolidation phase, the activities are supposed to spread to the hamlets adjacent to the project villages. Additionally, DWHH is planning to integrate a small-scale project in the district of Namor, which Oudomxay will manage on an administrative and technical level.

Since the beginning of the year 2002, Deutsche Welthungerhilfe has expanded its project activities to the **NGA** district. Up to 15 villages in the districts Nga and Xay are supposed to benefit from a food security programme, and the standard of living for rural households is supposed to improve.

The project follows an integrated strategy that aims at reaching food security by focusing on increasing the yield of the staple food rice, on the diversification and improvement of farming in the highland areas, the generation of additional sources of income as well as on water supply and hygiene improvement.

The rural development project in the Muang Mai (Province of Phongsaly) district, **LAO 1013-01** follows a similar strategy that also focuses on improving the rice cultivation, on stabilising

farmland in the highland regions, and on generating additional income through small animal husbandry, fruit and vegetable farming and NTFPs. This strategy is supposed to reduce poverty and to improve food security for up to 1.000 families, belonging mostly to ethnic minorities in 15 to 20 villages.

This project is a continuation and expansion of **LAO 1009-00**, which Deutsche Welthungerhilfe implemented in four villages of the same region.

By promoting appropriate and sustainable cultivation methods, DWHH is also trying to contribute to the reduction of shifting cultivation. Because of the short fallow periods of by now only four years, the natural wealth of the project region has been destabilised.

The DWHH-managed **Small Projects Fund** finances small scale projects worth promoting that have a financial volume too small for direct DWHH support in the form of a separate project. A local project committee selects the suggested projects every three months considering their technical feasibility, economic efficiency and social- and ecological impact. These projects run for a maximum of one year and are implemented by the villages themselves and/or the districts and are technically overseen by Deutsche Welthungerhilfe. A regional office employee is in charge of pre-selecting the projects, extension services and assisting with the administrative work. In the medium term, DWHH plans to strengthen the small projects fund by employing a DED expert. The strong ties to the regional office are supposed to remain intact, however.

The currently ongoing smaller projects are:

1. Promotion of Small Animal Husbandry in the Saysomboune District
2. Promotion of Compost Making and –use in Naphok

To some extent these projects are pilot projects that are supposed to help develop optimal methods. In the medium term, positive experience may lead to the development of larger and more independent projects or these pilot measures may become important components of integrated projects. The expansion of the project in the district of Mai (see above) to become an integrated poverty-reduction project has been basically approved and the project is supposed to start during the second half of 2002.

5.4 Forms of Co-operation

Currently, the classic form of development co-operation with national NGOs is not possible in Laos.

Government organisations will continue to be the implementing partners for small scale Deutsche Welthungerhilfe projects with a regionally and thematically clearly defined outline. In the North, DWHH plans to implement integrated food security and rural development projects through its own structures. In the South, PDI is supposed to continue to implement the PXT project.

The long term plan for Laos is to co-operate more with national organisations just like Deutsche Welthungerhilfe does in other countries. Due to current conditions (compare ch. 2.4), however, this will only be possible to a very limited extent during the coming years. Therefore, self-implemented projects will remain the most prevalent form of project work in Laos in the medium term. In the long term, the task of the local DWHH staff is not only to secure a short-term success of the projects, but also to enable Laotian partners to plan and carry out projects themselves.

5.5 DWHH Regional Offices

In order to be able to continue the programme in Laos, the regional office in Vientiane will have to stay. Without this coordination office, the consolidation of the extensive programme in Laos is not possible. The Laotian government and the partner- and co-financing organisations have specifically expressed their wish for a regional office to ensure a more effective co-operation.

The most important tasks of the regional office are:

- The preparation of new project measures and the selection of suitable partners;
- Making sure that projects are authorized on a government level;
- Administrative, logistic and technical support for ongoing projects;
- Raising funds from co-financing sources;
- Coordination with the central office in Bonn and international government and non-government development institutions;
- Quality control and lobbying.

Due to the particular framework conditions, the amount of necessary backstopping required by the projects is comparatively high in relation to the overall programme volume. After the consolidation phase, it will perhaps be possible to reach some medium-term gains in efficiency by expanding the programme into the neighbouring countries and/or through an intensified co-operation within the **Alliance2015**.

Because of a higher project volume, the number of international staff will be raised to four. The planned integrated rural development project in the Mai/Phonsaly district will require an international project manager. Because of the complexity of the tasks and the difficult framework conditions in the North, international back-stoppers supporting the project manager are necessary at least on a temporary basis.

Because government structures are unable to supply enough qualified staff, important positions have to be filled by DWHH personnel. Additionally, a certain number of local experts that are able to back-up the various development co-operation projects technically and administratively, has to be trained. The high costs for qualified Laotian staff will be considered when the budgets for new projects are developed.

5.6 Co-operations

In order to optimise its project activities while continuing the development of the national programme, Deutsche Welthungerhilfe will closely co-operate with a number of institutions.

Government Agencies

Co-operation with government structures is institutionalised. For the coordination on a national level, collaborations with partners other than the Ministry of Agriculture and Live-stock (MAF) are also thinkable such as the:

Department of Clean Water Supply/Ministry of Health;

Ministry of Social Welfare;

International Organisations

Being an important NGO active in Laos, Deutsche Welthungerhilfe is invited to significant sector- and development forums such as round table meetings (UNDP) and ADB-NGO consultations. There is a continuous exchange on a technical level with organisations such as WB, UNICEF, IRRI, FAO, and WEP.

International NGOs

There are two INGOs with whom Deutsche Welthungerhilfe co-operates especially closely:

The **Alliance2015** partner **CONCERN Worldwide** has already been active in Laos with its own staff since 1992. In the medium term, DWHH and CONCERN are planning to intensify their co-operation in order to be able to better take advantage of synergy effects.

German Organisations

Since the beginning of its work in Laos in 1993, Deutsche Welthungerhilfe has successfully co-operated with the DED (German Development Service). Currently, three DED development aid workers are active in DWHH projects. Co-operation is supposed to expand and be formalised in the medium term. The plan is to have DED experts for technical advice in DWHH-financed projects. Regionally, the focus of the co-operation will be in the North of the provinces Oudomxay and Phongsaly, technically, it will be on rural development and food security. DWHH and DED are thinking of three to four development aid workers.

The co-operation regarding the current Hat Dokkeo project will only be continued under certain circumstances. In the medium term, an additional DED development aid expert is supposed to work the DWHH small projects fund.

During the project manager meetings in the German Embassy, Deutsche Welthungerhilfe coordinates its projects with those of the official bilateral German co-operation.

Possibilities for Co-financing

Due to the limited amount of its own funds, Deutsche Welthungerhilfe can usually only finance pilot- and initiating phases of projects. In some cases, the Happel Foundation adds to the available funding.

In the Lao PDR, as in many other countries, the European Commission is Deutsche Welthungerhilfe's most important financial partner.

In agreement with a decision of the EC development aid committee, the reduction of poverty is the most important development co-operation goal in the Lao PDR. In terms of regional concentration, the EC will also focus on the especially disadvantaged provinces in the North as well as on the southern provinces of Attapeu and Sekong where the consequences of poverty are most strongly felt. Projects targeting population groups in the northern mountainous areas have priority (EC Strategy Paper 2002-2006) because of the existing experiences and good contacts with the Laotian authorities available there.

At this time, the food security project in Nga is co-financed via the EC food security title.

Because Deutsche Welthungerhilfe is not co-operating with any local NGOs in Laos, there are currently no BMZ co-financed DWHH projects via the standard NGO-budget line. However, co-financing via the BMZ poverty-orientation budget line has been approved for the poverty-oriented rural development programme in Muang Mai/Phongsaly.

In the medium term, components (*food for work*) of ongoing projects will to a larger degree be co-financed through "in kind" food aid of the World Food Programme (WFP). The respective framework conditions have been agreed upon with the WFP until the year 2003.

5.7 Future Prospects

There are no short term solutions for the problems in Laos and the country has to depend on external assistance. According to expert opinions, no major changes regarding the political and socio-economic context are to be expected for the planning period of 2002-2004.

In the long term, however, one hopes that the Laotian government will realize the potential that development impulses coming from civil society institutions can have. Should national NGOs be approved, partnership and co-operation could quickly grow.

The long term focus of Deutsche Welthungerhilfe's work will continue to be on agriculture and food security. The gender topic, however, needs more attention in Deutsche Welthungerhilfe's projects so that equal opportunities for participation and occupation become available. So far, the potable water- and agricultural components (vegetable and fruit farming, small animal husbandry) of the projects were the ones with the most beneficial effects on the living and working conditions of women.

Depending on future framework conditions and co-financing options, DWHH is considering a moderate expansion of the programme. Some comparative advantages of Deutsche Welthungerhilfe are:

- Its technical know-how and strength, regional experience, and close relationship with the target groups;
- Its appropriate flexibility regarding planning and implementation;
- Its swiftness regarding confirmation of financing in comparison to larger bi- and multilateral donors;
- Its diverse and positive working relations with the Laotians structures on the various levels.

Because framework conditions can currently change quite quickly, the modification of the national concept by mid 2004 should be considered.

**ANNEX 1 TERMINATED AND ONGOING DEUTSCHE WELTHUNGERHILFE
PROJECTS IN LAOS**

Project no.	Partner	Title	Budget	Status
LAO 1-93	International Rice Research Inst.	Applied Agric. Technology for Rice Production	25.000 DM	Terminated
LAO 2-93	Techn. College Phone Hong/ Ministry of Education/DED	Technical Education Phone Hong	140.000 DM	Terminated
LAO 3-93	Thai-German Development Foundation	Rural Development Training in Thailand	16.000 DM	Terminated
LAO 4-93	Ministry of Industry and Handicraft	Electricity Supply in Boten	38.000 DM	Terminated
LAO 5-93	Dongkamsang Agricultural School / Ministry of Education/DED	Drinking Water Dongkamsang	16.500 DM	Terminated
LAO 6-95	International Rice Research Inst./ National Agric. Research Centre	Applied Agric. Technology for Rice Production	110.000 DM	Terminated
LAO 7-95	Hat Dokkeo Agric. Station, DAE, Ministry of Agriculture & Forestry /DED	Fruit Tree Project Hat Dokkeo	139.000 DM	Terminated
LAO 8-96	DWHH/PFA	Emergency Assistance, Khammouane	24.500 DM	Terminated
LAO 9-96	PAFO Salavanne & Champasak/PDI	Phou Xiang Thong Community Development for Conservation Project	507.500 DM	Terminated
LAO 10-96	Agricultural School Champassak	Improvement of Soil Laboratory	15.600 DM	Terminated
LAO 11-97	Hat Dokkeo Agric. Station, DAE, Ministry of Agriculture & Forestry/ DED	Training and Vegetable Nursery	50.000 DM	Terminated
LAO 12-97	Hat Dokkeo Agric. Station, DAE, Ministry of Agriculture & Forestry/ DED	Fruit Tree Project Hat Dokkeo; Phase II	304.000 DM	ongoing
LAO 13-97	DWHH	DWHH coordination office	175.000 DM	terminated
LAO 14-97	PAFO Luang Nam Tha / DED	Small Scale Irrigation, Ban Kwa Sung	50.000 DM	terminated
LAO 9-98	MAF/Dep. of Forestry PAFO Salavanne & Champasak/ PDI/DWHH/EC	Phou Xiang Thong Community Development for Conservation Project (Year 2 and 3)	1.292.500 DM	ongoing
LAO 1001-98	MAF/Dep. of Forestry PAFO Salavanne & Savannaketh PDI/DWHH	Xe Bang Nouan Community Development for Conservation Project	1.325.000 DM	terminated
LAO 1002-98	Dongkamsang Agricultural School Ministry of Education/DED	Improvement of Water Supply	50.000 DM	terminated
LAO 1003-98	MAF/Dep. of Forestry	Community Based Rural development Project Oudomxay	350.000 DM	terminated

LAO 1004-99	PDI/ Rural Development Office	Promotion of Small Animal Husbandry in Xaysamboune Province	50.000 DM	terminated
LAO 1005-99	DWHH	DWHH Regional Office	520.000 DM	terminated
LAO 1006-99	DWHH	Small Project Fund	220.000 DM	terminated
LAO 1007-00	PAFO Oudomxay/ DWHH	Community Development for the Protection of the Nam Beng/ Nam Mau Watershed Area, Oudomxay province	1.300.000 DM	terminated
LAO 1008-00	Naphok Seed Station	Promotion of Compost Making	48.900 DM	terminated
LAO 1009-00	DWHH/PAFO Phongsaly	Food Security Muang Mai	96.800 DM	terminated
LAO 1010-01	MAF/Dep. of Forestry PAFO Salavanne & Champasak/ PDI/DWHH	Phou Xiang Thong Community Development for Conservation Project (Phase II)	1.998.200 DM	Approved/not implemented
LAO 1011-01	PDI/ Rural Development Office	Promotion of Small Animal Husbandry in Xaysamboune Province	49.500 €	terminated
Lao 1012-01	DWHH	Regional Office	340.000 €	ongoing
LAO 1013-01	DWHH/PAFO Phongsaly/BMZ	Food Security Muang Mai	1.419.710 €	ongoing
LAO 1014-02	DWHH/PAFO Oudomxay/EC	Food Security NGA	1.465.000 €	ongoing
LAO 1015-02	DWHH/PAFO Oudomxay/EC	Community Development for the Protection of the Nam Beng/ Nam Mau Watershed Area, Oudomxay province	1.472.000 €	ongoing
LAO 1016-03	DWHH	Small Scale Project's Fund	245.000 €	ongoing
LAO 1017-03	FPA/Lao Women Union	Small Animal Husbandry in Xaysamboune Province	40.000 €	ongoing

ANNEX 2 MAP OF LAO PDR

ANNEX 3 PREVIOUSLY PUBLISHED CONCEPT PAPERS

Technical Concepts

- Orientational Framework for the Promotion of Small-Credit Projects and Projects with Small-Credit Components, Bonn, September 1998 (available in German, English, French and Spanish)
- A Technical Concept for Promotional Programmes for Children and Adolescents (FKJ), Bonn, August 1999 (available in German, English, French and Spanish)
- Technical Concept for Rural Development. Guidelines for the Promotion of Rural Development Projects, Bonn, July 2000 (available in German, English, French and Spanish)
- Orientational Framework for Socio-Cultural Integration of Marginalised Children and Youth, Bonn, January 2001 (available in German, English, French and Spanish)
- Orientational Framework for the Promotion of Small Project Funds, Bonn, September 2001 (available in German, English, French and Spanish)
- Orientational Framework for Activities in the Area of HIV / AIDS in the Project Work of the Deutsche Welthungerhilfe, Bonn, September 2001 (available in German, English, French and Spanish)

National Concept Papers

- National Concept for the Sudan. Prospects for Development Co-operation 2000 - 2001, Bonn, November 1999 (available in German and English)
- National Concept for Peru 1999 - 2001, Bonn, December 1999 (available in German and Spanish)
- National Concept for Haiti. Prospects for Development Co-operation 2000 - 2002, Bonn, January 2000 (available in German and French)
- National Concept for Cuba. Prospects for Development Work 2000 - 2002, Bonn, April 2000 (available in German and Spanish)
- National Concept for Angola. Prospects for Development Work 2000 - 2001, Bonn, April 2000 (available in German and Portuguese)
- National Concept for Mozambique. Prospects for Development Work 2000 - 2001, Bonn, April 2000 (available in German and Portuguese)
- National Concept for Ethiopia. Prospects for Development Work 2000 - 2002, Bonn, April 2000 (available in German and English)
- National Concept for Mali. Prospects for Development Co-operation 2000 - 2002, Bonn, May 2000 (available in German and French)

- National Concept for India. Prospects for Development Co-operation 2000 -2002, Bonn, May 2000 (available in German and English)
- National Concept for Ecuador. Prospects for Development Co-operation 2000 -2002, Bonn, July 2000 (available in German and Spanish)
- National Concept for Bolivia. Prospects for Development Co-operation 2000 -2002, Bonn, August 2000 (available in German and Spanish)
- National Concept for Burkina Faso. Prospects for Development Co-operation 2000-2002, Bonn, August 2000 (available in German and French)
- National Concept for Rwanda. Prospects for Development Co-operation 2001-2002, Bonn, October 2000 (available in German, English and French)
- National Concept for Afghanistan. Prospects for Development Co-operation 2001-2003, Bonn, May 2001 (available in German and English)
- National Concept for Benin. Prospects for Development Co-operation 2001-2003, Bonn, July 2001 (available in German and French)
- National Concept for Ghana. Prospects for Development Co-operation 2001- 2003, Bonn, July 2001 (available in German and English)
- National Concept for Tajikistan. Prospects for Development Co-operation 2002 - 2004 Bonn, March 2002 (available in German and English)
- National Concept for the Philippines. Prospects for Development Co-operation 2002 - 2003, Bonn, March 2002 (available in German and English)
- National Concept for Zimbabwe. Prospects for Development Co-operation 2001 – 2003, Bonn, March 2002 (available in German and English)
- National Concept for South Africa. Prospects for Development Co-operation 2002 – 2004, Bonn, July 2002 (available in German and English)
- National Concept for Laos. Prospects for Development Co-operation 2002 - 2004 Bonn, July 2002 (available in German and English)