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**Country cooperation frameworks and related matters**

**Second country cooperation framework for the Lao  
People's Democratic Republic (2002-2006)**

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## Introduction

1. The first country cooperation framework (CCF) for the Lao People's Democratic Republic (1997-2000) (DP/CCF/LAO/1) was originally approved for four years but was extended in 2000 for a further year, with no additional resources (DP/CCF/LAO/1/Add.1). A country review of the CCF was carried out in November 1999, followed by a number of evaluations of ongoing projects during 2000 and 2001. UNDP continued to provide strategic support in many areas, and is considered a valued partner of the Government. The second CCF (2002-2006) has been formulated taking into consideration the results and recommendations of the CCF review, and consultations with each of the concerned government authorities, United Nations agencies, donors and non-governmental organizations (NGOs).

2. The second CCF draws on a number of documents in the design and programming of UNDP assistance, namely the report and recommendations of the Seventh Round Table Meeting (November 2000)<sup>1</sup>, the Interim Poverty Reduction Strategy Paper (March 2001), the Government's Action Programme for the Development of the Lao People's Democratic Republic 2001–2010, presented to the Third United Nations Conference on the Least Developed Countries in Brussels (May 2001), the United Nations Common Country Assessment (CCA) (December 2000), and the draft United Nations Development Assistance Framework (UNDAF) (August 2001). The CCF also reflects the six goals of the UNDP strategic results framework (SRF) for the country, the UNDP and United Nations Capital Development Fund business plans, 2000-2003, and the Regional Bureau for Asia and the Pacific Management Plan and regional cooperation framework.

3. The second CCF also covers those areas of activities where ongoing collaboration exists between UNDP and other United Nations agencies, funds and programmes, especially the United Nations Children's Fund (UNICEF), the United Nations Volunteer (UNV) programme, the Joint

United Nations Programme on HIV/AIDS (UNAIDS), United Nations International Drug Control Programme (UNDCP), the United Nations Population Fund (UNFPA), the World Food Programme, the Global Environment Facility (GEF), the Food and Agriculture Organization of the United Nations (FAO) and the World Trade Organization (WTO).

## I. Development situation from a sustainable human development perspective

4. The human development index for 2000 ranked the Lao People's Democratic Republic at 140 out of 174 countries. Since 1986, when the Government's transition process from a command to a market economy was launched under the New Economic Mechanism, the country has achieved significant social and economic progress, despite a slow-down resulting from the Asian financial crisis in 1997-1998. It is experiencing a progressive transition from a subsistence-based, rural economy to a production and services economy.

5. Between 1990 and 1997 economic growth averaged almost 7 per cent, while the incidence of poverty fell from 45 to 39 per cent. The incidences of rural and urban poverty were estimated at 41 and 26 per cent, respectively. These growth rates meant a doubling in 1997 and 1998 of the dry season paddy rice production and a one-third increase in the production of corn, coffee and cassava. Real gross domestic product (GDP) growth suffered less from the Asian crisis than in other countries in the region, but despite advances resulting from growth in the past decade, per capita GDP in the country is still very low, at approximately \$350.

6. The health situation<sup>2</sup> is characterized by low life expectancy (57 years for men and 61 years for women), high infant mortality (8.2 per cent of live births) high under-five mortality (10.6 per cent of

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<sup>1</sup> "Fighting Poverty through Human Resource Development, Rural Development and People's Participation" (November 2000)

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<sup>2</sup> Information drawn from the Common Country Assessment, December 2000, p.36

live births), high maternal mortality (530 deaths per 100,000 live births), with population growth about 2.8 per cent per year. The rate of HIV infection is low (1999 estimates show 1,200 persons infected), but is growing as a result of socio-economic development and population movements. The Government is taking determined steps to address the problem of opium production and trafficking, through a major \$80 million programme supported by UNDCP and donors.

7. In 1995, 37.6 per cent of the population over six years of age had never been to school. Out of the same population group, over 47 per cent of females and less than 28 per cent of males, and 43.7 per cent of the rural population and 14.0 per cent of the urban population had never been to school. Nevertheless, the country has experienced steady increases in access to and the quality of education throughout the past decade. Enrolment in primary and secondary education has increased and illiteracy rates have fallen.

8. Women in the Lao People's Democratic Republic face major challenges, which are reflected in a lower quality of life and a rank of 117<sup>th</sup> in the *Human Development Report* gender-related development index. Women represent 56 per cent of the work force but continue to face widespread labour market discrimination, with less than 10 per cent of government leadership being women, although female representation in the National Assembly has grown substantially, from 9 per cent in 1997 to 21 per cent in 2000.

9. The country is custodian to some of the largest tracts of tropical primary forest in South-east Asia. Due to a wide variety of habitats, the country is endowed with rich biodiversity. The contribution of forests to GDP is estimated at 5 to 6 per cent, and wood products account for 34 per cent of export earnings<sup>3</sup>. Eighty per cent of domestic energy consumption is wood-based. Rural communities have a high level of dependency on aquatic resources and non-timber forest products. Owing to unsustainable logging practices and poor forest management, forests are rapidly degrading. Forest cover, estimated at 70 per cent of land area in the

1940s and 47.2 per cent in 1989, is rapidly shrinking, with a probable annual average loss of 1 per cent per year.<sup>4</sup> Population pressures coupled with slash and burn shifting cultivation have contributed to the problem. Wildlife populations and plant resources are also suffering from over-exploitation.

## II. Results and lessons of past cooperation

10. The first CCF was organized around three main themes: (a) integrated rural Development; (b) management of the economic transition (governance); and (c) environment and natural resource management. The country review examined the results of UNDP support and came to the conclusions outlined below.

11. In integrated rural development, UNDP assistance included extensive and substantive support to rural development plans at both the upstream and downstream levels, formulation of national programmes and policies and integrated rural access planning (IRAP). Significant results, adoption of new techniques and useful lessons were achieved in many other areas, such as through the farmers' integrated agricultural training project (UNDP), water and sanitation, aquaculture (UNDP/FAO) and micro-financing (UNDP/The United Nations Capital Development Fund [UNCDF]). Participatory approaches in village planning and development and the strengthening of administration and coordinating processes were followed through the Sekong indigenous peoples development project. These approaches will be continued in Sekong Province during the period covered by the second CCF, with Norwegian Agency for International Development (NORAD) funding. Natural resource management through community development and institution-strengthening was also successfully started in the Nam Tan watershed (UNDP/UNCDF) and in the eco-development project (UNCDF). Rural infrastructure development combined with an

<sup>3</sup> Country presentation for the Lao People's Democratic Republic to the Third United Nations Conference for Least Developed Countries, May 2001, table 1, p.45

<sup>4</sup> CCA, December 2000, p.23

HIV/AIDS awareness campaign was supported through the building of the Khenthao-Parklay road (UNCDF) from Luang Prabang to the border of Thailand.

12. In the area of management of the economic transition (governance), UNDP helped to strengthen the institutional capacity of parliamentary structures, systems and processes and to initiate the reform of judicial structures, court systems and legal procedures, through training of judges, magistrates and lawyers. It also supported ombudsman offices, equal opportunity commissions and other human rights oversight bodies. Public administration reform and tax and customs reform to raise revenues (UNDP/NORAD) also received high priority. UNDP and the International Labour Organization assisted in establishing a social security system, and promoted trade alliances through negotiation of membership with international bodies such as the Association of Southeast Asian Nations (ASEAN) (1997) and WTO. Support to the seventh round table process gave UNDP a central and much appreciated coordinating role.

13. In environment and natural resource management, UNDP focused on three major areas: (a) environment management for greenhouse gases reduction (GEF); (b) incorporating environmental issues and concerns into development/investment projects, hydro-power planning (UNDP/the Australian International Development Aid Bureau [AusAID]/New Zealand) and environmental management of mineral resources); (c) reducing urban pollution (solid waste management in secondary towns (NORAD); and (d) wastewater control (NORAD). UNDP also helped to prepare a master plan for tourism development.

14. The country review concluded that UNDP had made a major contribution in assisting the Government in enhancing its administrative and managerial capacity through a number of upstream projects relating to public administration, legal reform, rural development and environment management and regional and international integration, and downstream interventions targeting local institutions and communities and participatory processes for development planning and implementation. Linkages between upstream and downstream activities were achieved through projects working at both levels.

15. With respect to programme delivery, UNDP provided a total of \$20.3 million under target for resource assignment from the core (TRAC) 1.1.1 and 1.1.2 funds (\$16.6 million), TRAC 1.1.3 funds (\$1.9 million) and other core and support for policy and programme development/support for technical services resources (\$1.0 million). In addition, other resources administered by UNDP amounted to \$43.7 million (over 2.8 times core UNDP resources), consisting of government cost-sharing from loan funds from the International Fund for Agricultural Development of \$4.3 million, third-party cost-sharing of \$14.8 million from bilateral donors (Australia, Denmark, Finland, Luxembourg, Norway, Sweden, the United States) and funds and trust funds administered by UNDP from UNCDF (\$10.1 million), Capacity 21 (\$0.5 million) and GEF (\$0.2 million). Total funds administered by UNDP amounted to \$63.9 million over the five-year period of 1997–2001, an average of \$12.6 million per year.

16. Among the main lessons learned during the first CCF were: (a) the urgent need to address weaknesses identified in the evaluation report on the use of the national execution (NEX) modality, and (b) the need to strengthen UNDP support to coordination at the sectoral and project levels, including that of the United Nations system, which could be facilitated by more systematic formulation of national programmes and sectoral strategies to provide the necessary conceptual frameworks for inter-agency and interdepartmental programming and collaboration, together with more effective implementation, resource mobilization and monitoring. The latter would be facilitated through a more systematic application of the programme approach in the context of UNDP programme areas, the UNDAF and the CCF, together with the necessary training. Examples of the effective use of the programme approach were cited in UNDP support to the unexploded ordnance (UXO) programme, the opium eradication and drugs control programme with UNDCP, and the HIV/AIDS programme.

17. The UNDP country review endorsed the overall thrust of the first CCF and recommended that it be continued under the second CCF, while providing a sharper focus and greater coordination and synergy within and between thematic areas, so as to ensure greater sustainability and impact.

### III. Objectives, programme areas and expected results

18. The Lao People's Democratic Republic's overarching goal is to graduate from the status of least developed country by the year 2020, for which the following tentative benchmarks have been set: (a) by 2005, the proportion of households living under the poverty line should be reduced by half, from 39 per cent in 2000 to 20 per cent in 2010; (b) by 2005, the Lao People's Democratic Republic should no longer be an opium-producing country; and (c) by 2010, most of the population should have greater access to health and education services. Increased emphasis will be put on regional economic development, infrastructure development and implementing the government's decentralization policy, all of which should have a direct impact on poverty reduction. A condition for achieving these goals is to increase the pace of economic growth to reach a higher sustainable level, while the necessary foundations are laid for industrialization and modernization. Planned annual growth rates for the period 2001-2010 of not less than 7 per cent and investment/GDP rates of 25 to 30 per cent will help to accelerate structural changes in the economy, including a diminution in the relative share of agriculture to GDP from 51.3 per cent to 36.6 per cent, a rise in that of industry from 22.6 per cent to 31.5 per cent and an increase of that of services from 26.1 per cent to 31.9 per cent.

19. The above will be facilitated through the continuation of the eight national socio-economic priority programmes: (a) food production; (b) commercial production; (c) stabilization and reduction of shifting cultivation; (d) rural development; (e) infrastructure development; (f) foreign economic relations; (g) human resources development; and (h) and services development. These programmes respond to the major concerns of the Government about achieving permanent food security, preserving the country's natural resource base and developing the nation's human resource potential.

20. The Government's report to the Seventh Round Table Meeting (November 2000) focused on its strategic approach to poverty alleviation and identified three sets of priorities to reduce poverty:

(a) intersectoral priorities (rural development, macroeconomic priorities and governance and public administration, including decentralization); (b) sectoral priorities (agriculture, forestry and livestock, education, health and road infrastructure); and (c) support strategies, including the UXO decontamination programme, the drug control programme, HIV/AIDS, population issues, gender equity and environment.

21. UNDP assistance will support some of these priorities, particularly those which conform to the six corporate UNDP SRF goals of capacity-building for poverty reduction, namely: (a) creation of an enabling environment; (b) economic and social policy development; (c) environmental management; (d) advancement of the status of women and gender equality; (e) programmes focused on the safety of specific target groups; and (f) United Nations system coordination. Flexibility will also be built into the programmes to allow for changes in government priorities.

22. UNDP assistance will support the implementation of General Assembly resolution 53/192 (December 1998) on operational activities for development. Each project will contribute to capacity-building through: (a) the provision of high-level policy advice; (b) the development and implementation of national programmes; (c) resource mobilization; (d) aid coordination; and (e) networking and knowledge management.

23. The programme approach will be used more systematically, with national programmes and strategies providing the conceptual framework for identifying the role of UNDP and other United Nations system support, and linkages with partners will be strengthened.

24. UNDP assistance will be conceived as support to the UNDAF objectives to attain certain political, economic, social, cultural and development goals included in international declarations signed by the Government, and the country-level implementation of the programmes of action of United Nations international conferences and conventions. A chart of the relationship between global, national, UNDAF and UNDP goals may be found following chapter IV of the present document.

## A. Policy development and monitoring

25. UNDP will provide inputs at the upstream policy level to strengthen the instruments of governance, policy development and management capacity, as follows:

(a) *National Human Development Reports (NHDRs)*. As a tool for public awareness-raising and policy dialogue on specific themes relating to human development in the country, workshops and public information activities will be organized to ensure adequate dissemination and debate on the issues raised in NHDRs. Links will also be maintained with the regional projects on support to NHDRs and statistics for NHDRs;

(b) *Support to policy development*. UNDP will support the development of policies, strategies and action plans linked to the Government's poverty reduction objectives in the framework of the round table process, geared to achieve a high level of synergy between national planning, investment and resource mobilization;

(c) *Aid coordination and round table process follow-up*. Support will be provided in the area of aid coordination and management and to follow up on the Seventh Round Table Meeting, held in November 2000. This will include the implementation of the recommendations of the sectoral round table meetings on strategic vision papers for 2010 and 2020, relating to macroeconomic reform, rural development, agriculture, forest resources, education, health and roads. UNDP will also assist in the organization of sectoral or thematic working groups to facilitate implementation and coordination of national programmes, and preparations for the Eighth and Ninth Round Table Meetings, scheduled for 2002 and 2004, respectively. UNDP will play an active role in United Nations system coordination, in the formulation, implementation and monitoring of the UNDAF, in collaboration with United Nations agencies, and will support the implementation of United Nations conventions and world conference plans of actions;

(d) *Environmental policy and management*. In order to expand national capacity to comply with global environmental conventions, regulatory

regimes and funding mechanisms for environmentally sustainable development, UNDP, in partnership with various donors and agencies, will assist the Government in: (i) the development of the regulatory framework of the Environmental Protection Law; (ii) the formulation of a biodiversity strategy and action plan and an agro-biodiversity project; (iii) climate change enabling activities (GEF); (iv) the development of eco-tourism; and (v) human resources development through the GEF Capacity Development Initiative. Close links will be maintained with Swedish International Development Authority-financed assistance in environmental management. Full use will also be made of the regional projects providing support to the Mekong River Commission and the preparation process in Asia and the Pacific for Rio + 10 process, and of the Mekong River Basin Wetland Biodiversity Conservation and Sustainable Use programme;

(e) *Rural development planning, monitoring and evaluation*. Continued support will be provided to the National Rural Development Programme and for strengthening the capacity of national, provincial and local authorities. In particular, an effective legal and policy framework for decentralized policy and management and for building capacities of local authorities and communities to manage increased resources will be developed. The Sekong indigenous people's project will serve as a pilot project in this area (UNDP, UNV, Capacity 21 and NORAD);

(f) *Advancement of women and gender equity*. UNDP will ensure that concerns for gender equity and the advancement of women are mainstreamed through all projects. It will continue to support the gender resource information and development project to promote awareness and develop capacity to promote gender-sensitive and equitable socio-economic development (UNDP, Norway, UNFPA). UNDP will also support, through the United Nations Development Fund for Women, the establishment of a national commission for the advancement of women, as well as an interministerial working group to prepare reports on country-level compliance with the Convention on the Elimination of All Forms of Discrimination against Women and to participate in the regional project on promoting gender equality in the Asia-Pacific region. The interregional project on trafficking in women and children will continue, although additional assistance will be required to

provide employment opportunities and training to reduce the pressures on families and individuals from being drawn into this trade. Close links will be maintained with the Asian Development Bank-assisted Gender Action Plan, to assist in its implementation;

(g) *Regional and international integration and trade promotion.* UNDP will continue to assist the Government in strengthening the capacity of the country to contribute to and benefit from ASEAN and other regional groups, as well as in its negotiations on accession to WTO.

## B. Institutional development

26. To complement the above-mentioned support to policy development and monitoring, as a starting point for good governance for poverty reduction, UNDP will continue to assist in strengthening selected institutions through:

(a) *Support for the rule of law.* Parliamentary structures, systems and processes will be strengthened through a second phase of support to the National Assembly, in order to increase its effectiveness to perform its legislative and oversight functions and improve its accountability vis-à-vis its constituents (UNDP and possible other partners). The administration of justice will be an area of focus, so as to provide clear parameters for the enjoyment of human rights and the exercise of responsible citizenship, while helping to make the judicial system fair and efficient, through the training of judges and prosecutors and Ministry of Justice staff, strengthening capacity in legal drafting, implementation and enforcement and training of public prosecutors on human rights. The capacity of the Government to engage in the process of signing, ratifying, implementing and monitoring of international legal instruments and treaties to which it is or plans to be a signatory will be strengthened;

(b) *Public administration reform.* In order to assist in establishing an efficient and accountable public sector, UNDP will give high priority to strengthening public administration, through a second phase of the governance and public administration reform project (UNDP), which aims

at improved efficiency, accountability and transparency in the civil service and in the delivery of public services, through the implementation of priority civil services reforms on pay, management, anti-corruption policies, codes of ethics and standards of conduct, policy-making and management capacity of senior civil servants. Public administration reform at the provincial level will also be assisted in selected provinces;

(c) *Micro-finance development.* Subject to ongoing negotiations with the Government, UNCDF and UNDP will support the National Bank and the Ministry of Finance in creating the necessary conditions for sustainable micro-finance services, through the establishment of a micro-finance institution with a branch network in several provinces. Other donors interested in the promotion of micro-finance and in coordinating approaches and inputs include the World Bank and the French Development Agency;

(d) *Information and communications technology.* UNDP, in collaboration with the UNV programme, Australia and Japan, will facilitate the development of a strategy for information and communications technologies (ICT), through the establishment of an appropriate policy, legal and regulatory framework.

## C. Support to selected national programmes

27. UNDP will also support the implementation of specific national programmes that have succeeded in mobilizing substantial funding:

(a) *UXO programme.* UNDP will continue its support to the largest United Nations-assisted UXO Trust Fund in the country, involving annual disbursements of \$3.5 million, from Australia, Canada, Denmark, Finland, Japan, Luxembourg, the Netherlands, New Zealand, Norway, the United Kingdom and the United States, plus bilateral parallel contributions from Belgium, the European Union and Germany. The programme promotes awareness and decontamination in areas affected by unexploded ordnance, estimated at 30 per cent of the 2 million tons of bombs dropped during the Indo-China War between 1964 and 1973. Fear of

becoming disabled impedes the full utilization of agricultural areas forests and wetlands;

(b) *HIV/AIDS prevention and control programme*. UNDP will continue to work with other donors (Australia, Canada, France, Japan, Luxembourg, New Zealand, Norway, the United Kingdom, UNAIDS, UNICEF, UNFPA, UNV and the Elton John Foundation), in support of the national HIV/AIDS/sexually transmitted diseases Trust, and UNAIDS, so as to raise awareness of the multisectoral consequences of the pandemic and to maintain the current low level of prevalence. Close links will be maintained with the UNDP regional project on HIV/AIDS and mobility.

and other donors, in the form of cost-sharing and/or co-financing and to present sound project proposals likely to attract the necessary funding.

32. UNDP will strengthen its communication, advocacy and networking roles. Each programme and project will give greater priority to this area, so as to raise public's awareness. This will be complemented by updating the UNDP web site, publications and media events. The capacity of the country office staff will be strengthened through training, reorganization, information and communication technologies and networking with other UNDP country offices in the region. Exchange of best practices, including extended use of the Subregional Resource Facility (SURF) in Bangkok, will continue.

## **IV. Management arrangements**

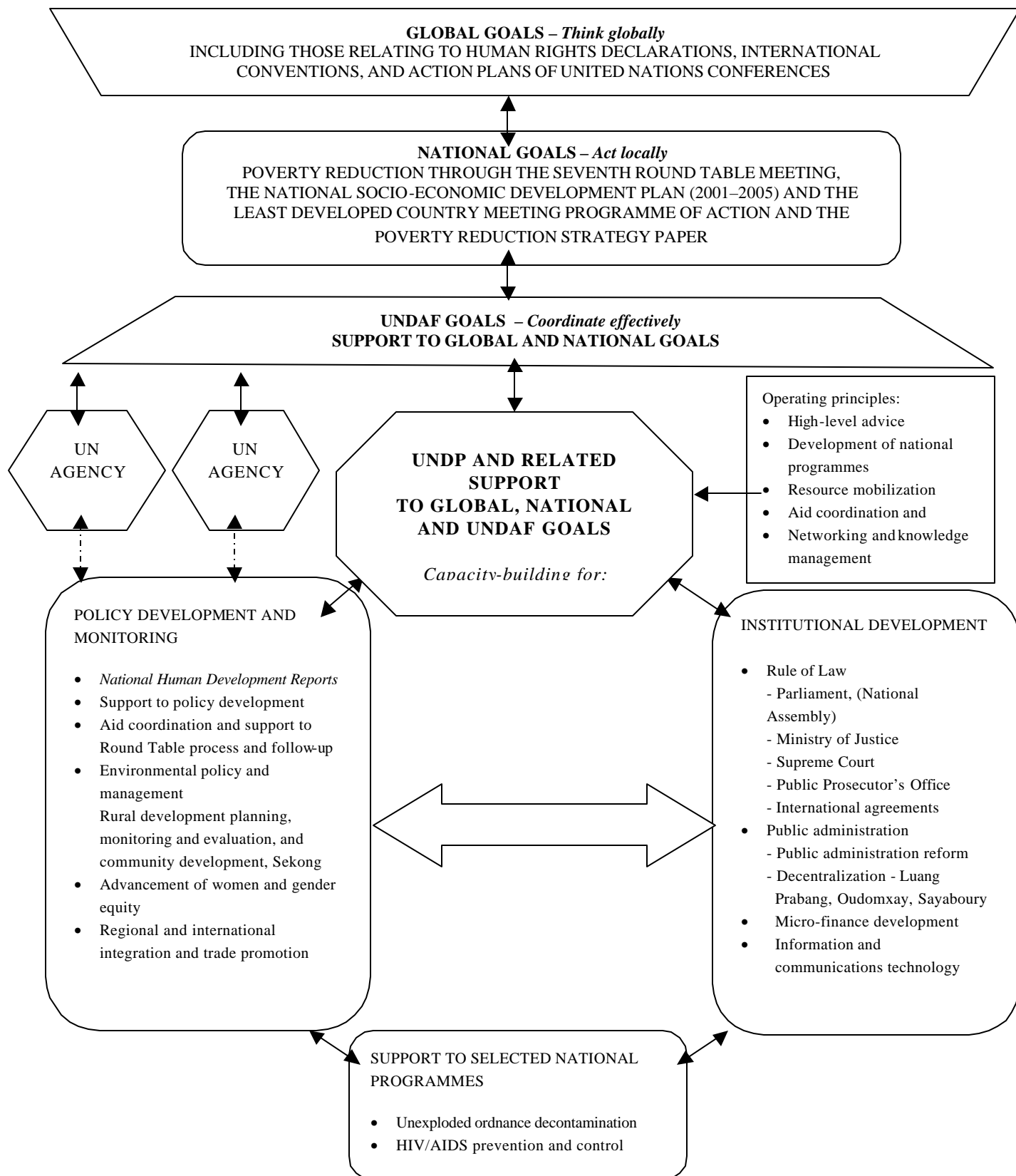
28. Appropriate documentation will be prepared for the formulation of UNDP support to programme areas (strategic areas of support) that are consistent with the UNDP SRF and the corresponding government national programmes. Projects will be designed so that they relate to broader poverty reduction and UNDAF goals, while ensuring coordination with other partners and UNDP regional projects.

29. A results-based monitoring system will be developed to include reports, project reviews with stakeholders, site visits, and the UNDP results-oriented annual reports system. Monitoring of results and impact, as well as of coordination efforts, will take place in the context of UNDAF monitoring procedures.

30. UNDP will promote the full use of the NEX modality and of United Nations specialized agencies and NGOs, to provide support where appropriate. Training will be provided to strengthen NEX efficiency, and regular auditing will be carried out.

31. Ongoing partnerships with other donors will be enhanced, including coordination with UNV/the Netherlands Volunteer Development Agency and NGOs, where appropriate. Sharing of information and lessons learned in different projects will be encouraged. UNDP will continue to use core resources to attract funding from The Government

RELATIONSHIP BETWEEN GLOBAL, NATIONAL, UNDAF AND UNDP GOALS



## Resource mobilization target table for the Lao People's Democratic Republic (2002-2006)

<i>Source</i>	<i>Amount</i> <i>(In thousands of United States dollars)</i>	<i>Comments</i>
<b>UNDP regular resources</b>		
Estimated carry-over	428	Includes carry-over of TRAC 1.1.1, TRAC 1.1.2 and earlier AOS allocations.
TRAC 1.1.1	7 000	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS	916	
<b>Subtotal</b>	<b>8 344<sup>a</sup></b>	
<b>UNDP other resources</b>		
Government cost-sharing	-	
Third-party cost-sharing	12 500	
Funds, trust funds and other	31 000	
	Of which:	
UXO Trust Funds	17 500	
Capacity 21	500	
GEF	1 000	
UNCDF	7 500	
UNV	1 500	
SNV	3 000	
<b>Subtotal</b>	<b>43 500</b>	
<b>Grand total</b>	<b>51 844<sup>a</sup></b>	

<sup>a</sup>Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: AOS = administrative and operational services; GEF = Global Environment Facility; SNV = Netherlands Volunteer Development Agency; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the poor; UNCDF = United Nations Capital Development Fund; UNV = United Nations Volunteer programme; and UXO = Unexploded Ordnance.