



Foreign Aid to Laos

Available statistics show that Official Development Assistance (ODA) to the Lao PDR was \$472.4 million in 2014.¹ It constituted four and 14.9 percent of the country's GDP and total expenditures, respectively.² Laos' dependency on foreign aid has decreased proportionately as its economy has expanded. Total ODA is still slightly increasing, however.

Indicators \ Year	2010	2011	2012	2013	2014
Net ODA disbursements	413.77	397.92	409.21	421.37	472.39
GDP	7,181	8,283	9,359	11,192	11,716
ODA/GDP (%)	5.76	4.80	4.37	3.76	4.03
Government expenditures	1,685.21	1,885.93	2,252.31	3,095.74	3,176.11
ODA/Government expenditures (%)	24.55	21.10	18.17	13.61	14.87

Lao ODA, GDP and government expenditures (\$ million)

Over the years, Japan, Australia and Germany as well as multilateral institutions such as the Asian Development Bank (ADB) and International Development Association (IDA) in the World Bank (WB) Group have been Laos' top donors/creditors. Recently, however, the Republic of Korea (ROK) and Thailand have ranked among major donors and creditors.

Rank \ Year	2010	2011	2012	2013	2014
1	Japan: 121.45	ADB: 71.29	Japan: 88.43	Japan: 75.96	Japan: 103.33
2	ADB: 57.33	Australia: 53.93	ADB: 66.47	ADB: 74.80	ADB: 80.42
3	IDA: 36.66	Japan: 51.52	Australia: 53.85	Australia: 49.22	Thailand: 55.45
4	Australia: 32.68	ROK: 33.48	IDA: 47.55	IDA: 43.58	Australia: 52.81
5	ROK: 27.75	IDA: 27.99	Germany 31.52	Thailand: 34.72	Germany: 29.42

Lao top donors/creditors and aid disbursements (\$ million)

Laos' donors and creditors have aligned aid strategies among themselves and with Lao government development plans through regular dialogues. The 12th Round Table Meeting in Vientiane held in November 2015 endorsed the Vientiane Declaration, which recognized Laos' strides toward graduating from Least Developed Country (LDC) status through its implementation of the Eighth National Social and Economic Development Plan. The declaration also called for Laos' diversifying of aid resources into domestic public/private funding, foreign direct investment, south-south cooperation and private sector/civil society engagement, as well as producing a transparent and accountable national budget.³

China participates in the roundtable talks, but does not disclose detailed figures on its aid activities in Laos. Chinese aid to Laos, however, has increased rapidly since President Jiang Zemin's visit in 2000. In one estimate, grants and concessional loans from China reached more than \$85 million in 2012.⁴ China's aid has recently focused on

¹ Based on OECD International Development Statistics

² Based on WB World Development Indicator and ADB Key Indicators for Asia and the Pacific

³ *The Vientiane Declaration on Partnership for Effective Development Cooperation (2016-2025)*

⁴ Phanthanousone Khenavong. 2015. "Chinese Aid to Laos". Presentation at Australian Aid Conference, ANU, February 2015



transport projects, e.g. the \$7 billion Kunming-Vientiane high-speed railway.

According to recent figures from the Ministry of Planning and Investment, aid to Laos covers various sectors with approximately a quarter each allocated to agriculture/natural resource management and infrastructure development.⁵

Sector	
Agriculture, rural development & natural resource management	28%
Infrastructure	24%
Education	19%
Health	14%
Governance	7%
UXO & illicit drug control	5%
Macroeconomics, trade & private sector development	3%

Lao ODA disbursements by sector in 2012-13

Nam Theun 2: Challenges with development assistance in Laos

In 2005, the World Bank (WB) and Asian Development Bank decided to finance the Nam Theun 2 (NT2) hydroelectric project in central Laos. The two institutions justified their support to the \$1.45 billion project for its state-of-the-art safeguard mechanisms and positive effects on Laos' capacity to manage revenues. The WB described NT2 as an opportunity where Laos could "lift its people out of poverty" and the developers could show that "a large, complex infrastructure project could be undertaken successfully in a small, poor country", and lent its full support.⁶

Five years after the project's operations began in 2010, however, NT2 shows just how ambitious WB's ideas were in a country where the media's independence and public's scrutiny on development projects are highly restricted. According to the WB, since 2010 "the government has received about \$174 million in gross revenues.... The project delivered livelihood, health and education benefits for over 6,000 resettled people."⁷ The international panel of experts (POE), formed to meet the project's concessionary agreement, however, points out in its most recent report that "a substantial proportion of the Resettlement Objectives and Provisions has not been fully achieved as yet."⁸ One ex-POE dam expert has also been quoted as saying, "[NT2] confirmed my longstanding suspicion that the task of building a large dam is just too complex and too damaging to priceless natural resources."⁹ With regard to Laos' revenue management capabilities, the WB urges in its recent report that "tax and dividend components (in addition to royalty) of the revenues still need to be allocated to the priority programs and the timeliness of reporting and audits needs to be improved."¹⁰ As of July 2016, the WB's website indicates that NT2's achievement is "moderately satisfactory," implementation progress "moderately unsatisfactory" and overall risk "high".¹¹

⁵ Based on Department of International Co-operation, Ministry of Planning and Investment, Lao PDR. *Draft Foreign Aid Implementation Report (FAIR) Fiscal Year 2012/13*, p. 10

⁶ Porter, I. et al. (eds.) 2011. *Doing a Dam Better: Lao PDR and the Story of NT2*, p. ix

⁷ WB. "Statement on the Release of the NT2 Panel of Experts 24th Report"

⁸ McDowell D. et al. 2015. *The 24th Report of the International Social and Environmental Panel of Experts*, p. 2

⁹ Leslie, J. "Large Dams Just Aren't Worth the Cost". *The New York Times*, August 24, 2014

¹⁰ WB. 2014. *Country Partnership Strategy Progress Report for Lao PDR FY12-FY16*, p. 10

¹¹ WB. "Ratings, Nam Theun 2 Social and Environment Project"