

**The Republic of Korea's Country
Partnership Strategy for the Lao
People's Democratic Republic
2016-2020**

The Government of the Republic of Korea

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The Republic of Korea's Country Partnership Strategy for the Lao People's Democratic Republic

I. Summary

National Socio-Economic Development Plan (NSEDP, 2016 - 2020)
<p>Graduate from "Least Developed Country" status by 2020 Transform into a middle income country by 2030</p> <p>through inclusive and sustainable development with realization of the national potential and advantage</p>



Objectives of the Republic of Korea's Development Cooperation for the Lao People's Democratic Republic
<p>The Korean Government will support the Lao Government to realize the NSEDP focusing on the following objectives:</p> <ul style="list-style-type: none"> ▪ Improved access to safe drinking water and quality of health services for expansion of social infrastructure ▪ Improved management and utilization of energy resources for economic development ▪ Improved quality of secondary and higher education and technical vocational education and training ▪ Improved agricultural productivity and comprehensive rural development



Priority Cooperation Areas and Support Plans	Water Management and Health
	<ul style="list-style-type: none"> ▪ Support improvement of access to clean drinking water and achievement of national development goal on water supply coverage ▪ Support improvement of the coverage and quality of health services and health workforce capacity
	Energy
	<ul style="list-style-type: none"> ▪ Support capacity building for efficient energy use ▪ Support improvement of electricity coverage for improved quality of life and income increase
	Education
	<ul style="list-style-type: none"> ▪ Support technical vocational education and training to foster skilled workers and improve national competitiveness ▪ Support secondary and higher education to nurture high-caliber manpower
	Rural Development
	<ul style="list-style-type: none"> ▪ Support comprehensive rural development for poverty reduction and income increase of households in rural areas

1. **(Vision)** The Government of the Republic of Korea will support the Government of the Lao People's Democratic Republic to achieve the 8th National Socio-Economic Development Strategy 2016 - 2020 which aims to realize the national vision of graduating from "Least Developed Country" status by 2020 and transforming into a middle income country by 2030.

2. **(Objectives)** Korea's Country Partnership Strategy 2016 - 2020 for Laos (CPS) will focus on **improving access to and quality of drinking water; enhancing energy efficiency and coverage; strengthening technical vocational education and training (TVET) and secondary and higher education; and promoting rural development.**

3. **(Priority Cooperation Areas)** The priority cooperation areas are selected based on Laos' development needs and Korea's strengths in development cooperation. Korea aims to allocate 70% of its bilateral ODA for Laos to the following priority cooperation areas for the 2nd CPS period.
 - **Water Management and Health** including access to clean drinking water and quality of health services

 - **Energy** including energy efficiency and electricity coverage

 - **Education** including technical vocational education and training; secondary and higher education

 - **Rural Development** including comprehensive rural development focusing on enhancing agricultural productivity and household income increase

4. **(SDGs Implementation)** Korea's development cooperation efforts for Laos will be geared toward implementation of the Sustainable Development Goals (SDGs). Laos will be an important partner for Korea's development cooperation initiatives to contribute to the implementation of the SDGs in developing countries
 - **「New Rural Development Paradigm」** : rural development strategy drawing on the success of Korean "Saemaeul Undong" (New Village Movement)

II. Priority Cooperation Areas and Implementation Strategy

A. Water Management and Health

1. Development Needs

National water resources management is an important policy issue for the Lao government. The 8th National Socio-Economic Development Plan 2016 - 2020 (NSEDP) and the National Water Resources Policy Strategy and Action Plan 2016 - 2020 are developed in this regard. The plans and strategies are focused on: **capacity building of administration; enacting regulations and strategies on water management, river basin planning, water resource distribution, and water quality management; and disaster prevention.**

Poor irrigation and embankment infrastructures are hindering agricultural and rural development. Irrigation facilities were not able to recover from the serious damages occurred during the monsoon season in 2011. In 2014, the irrigation areas (159,267 ha) only reached 53% of the targeted goal (300,000 ha).

Access to safe drinking water and sanitation is improving in Laos as the government aims to reach 90% household access to water by 2020. In 2015, the population with improved water access reached 75.7%. However, the gap between urban and rural areas still remains, and **the government is also making efforts to bridge the gap between urban and rural areas** to achieve sustainable social development. Currently, access to water in urban and rural areas is 85.6% and 69.4%, respectively, while access to sanitary facilities in rural areas is limited to 56% and urban areas reached 94.5% in 2015.

As urbanization is in progress, an adequate number of waste water treatment facilities will become increasingly important. Arsenic pollution is a serious national concern and the country also faces a high risk of waterborne diseases such as typhoid and cholera. High levels of calcium and iron in tap water are another concern for water quality. In this context, **containing water pollution and improving drinking water treatment are challenging but important tasks which require a detailed plan for water quality monitoring and treatment.**

During the 7th NSEDP 2010 - 2015, 135 district hospitals and 985 health centers were under operation and health services coverage in rural and remote areas have been improved. **However, the demand for health finance and services are yet to be met and further improvements are needed for the successful development in the health sector. The latest health statistics shows that health personnel ratio is severely low with only 0.182 doctors and 0.876 nurses or trained midwife per 1,000 residents in 2012.**

The under-five mortality rate fell to 66.7 per 1,000 live births achieving the national target of 70 per 1,000 live births, but, yet to reach the international target of 57 per 1,000 live births. The maternal mortality ratio was decreased by 75%, 197 per 100,000

live birth, achieving MDGs target. Recognizing development needs, the Lao government has set challenging, but, achievable targets for under five and maternal mortality: 40 per 1,000 live births and 160 per 100,000 live births by 2020, respectively.

2. Implementation Strategy

Korea's development cooperation in Laos will focus on water resource management and health. Korea's own experience in the domestic and international water industry and improving health indicators will be shared in the process.

Korea's CPS will support:

- a. **Integration of infrastructures for water resources** including agriculture-purpose dam reservoirs, pumping stations, water supply and sewerage facilities, and **relevant capacity building** to increase agricultural productivity and improve quality of life
- b. **Expansion of and capacity building for water supply and treatment facilities** to supply clean drinking water and improve sanitation
- c. **Strengthening of water quality control and sanitation** to improve quality of life and reduce poverty
- d. **Improvement of access to and financial security for maternal and child health services**
- e. **Health inequality reduction based on good quality health services and universal health coverage**
- f. **Training system for medical personnel** to build capacity and improve health service

B. Energy

1. Development Needs

With rapid increase of electricity demand, the Lao government had established the Renewable Energy Development Strategy in Lao PDR 2010 - 2050 aiming to supply 30% of the total energy consumption through new and renewable energy such as hydro, solar, wind, and etc. by 2025.

However, a large-scale electrification plan was delayed or discontinued because of the global economic downturn during the 7th NSEDP period. **Despite the difficulties, the Lao government has surpassed the national target of 90% by 2020.** The electricity supply rate was 91.48% in 2015/16 and, currently, 38 energy projects with generation capacity of 6,258.95MW are under implementation across the country.

Nevertheless, some areas are still disconnected from the electricity transmission network and power generation capacity is unable to meet full national demand. Electricity is partly imported in border regions from neighboring countries such as Thailand, Vietnam, and China.

For the past years, Laos has relied heavily on hydroelectric power. **Recognizing the enormous cost required for expansion of the power grid in rural and remote areas, the Lao government is exploring renewable energy as a possible solution.**

The 8th NSEDP continues to focus on the development of hydro, thermal, solar, and other renewable energy and poverty reduction. **The plan aims to expand the energy industry by 32% annually, to reduce dependency on energy import to less than 20% of domestic energy consumption, and to lower deficit of trade balance from the energy sector.**

2. Implementation Strategy

Korea's development cooperation will focus on energy efficiency and access. As one of Korea's key industries, Korea will share its experience in power generation, transmission, and distribution capacity development.

Korea's CPS will support:

- a. **Electricity grid development and relevant capacity building** to improve quality of life and industrialization
- b. **Expansion of electricity transmission capacity, electricity loss reduction, and development of an electricity network** focusing on the Lao government's electricity coverage target (90%) by 2020
- c. **Hydroelectric power plant construction** to increase electricity generation capacity
- d. **Promotion of a public-private partnership** to attract private investments and induce technology transfer, job creation, and infrastructure development

C. Education

1. Development Needs

Throughout the 7th NSEDP period, the Lao government made efforts to meet the MDG's targets on education **focusing on the reduction of the dropout rate in primary education, improving enrollment rates of secondary education (11 - 14 age group), and curriculum development of Technical Vocational Education and Training (TVET).** As of 2014, Laos achieved MDG targets on universal primary education and expanded TVET facilities in the southern regions.

However, the dropout rate in primary education still remains high. Only 78% (2015) of students move on to the final year (5th grade), which is below the MDG's target of 95%. The enrollment rate of secondary school and higher education institution is relatively low and access to higher education is limited in rural areas.

Human resources development based on market needs is increasingly important in Laos considering its WTO membership ratification in 2013 and the ASEAN Economic Community (AEC) being launched in 2015 which support Laos inclusion into regional and global market integration. More efforts for quality of and access to all levels of education are needed for human development and market transformation.

Recognizing the present challenges, **the Lao government aims to improve transition to upper secondary, technical and vocation, and higher education.** In particular, the 8th NSEDP is striving for 5% of lower secondary graduates transitioning to technical school and 90% to upper secondary school; moreover, 60% of upper secondary graduates transitioning to vocational school and 20% to higher education.

2. Implementation Strategy

In past years, Korea has achieved universal primary, secondary, and higher education. Its experience will be shared to promote an effective and flexible education system in Laos. The Korean government has previously supported diverse education projects in Laos including projects on secondary school textbooks and university capacity building, and will continue to support education across all levels.

Korea's CPS will support:

- a. Improvement of girls' access to and enrollment in secondary and higher education; and improvement of quality and effectiveness of secondary and higher education** including its infrastructures such as ICT-based education facilities, research facilities, libraries, informatization and other means such as scholarships, training of teachers, teaching tools, and curriculum development
- b. Strengthening of TVET** for industrial labor force development and national competitiveness
- c. University education and research capacity development** including scholarships for master and doctoral programs
- d. Improvement of education governance and administrative capacity of educational institutes** including capacity building of policy makers, teachers and administrative staff, dispatch of experts, provision of financial and infrastructure assistance, and consulting for institutional governance

D. Rural Development

1. Development Needs

For the last five years, the average economic growth rate of Laos was 7.5%. As a result, the country was reclassified as a Low Middle Income Country (LMIC) in 2010 in World Bank Classification and reached GNI per capita of \$1,730 as of 2015. **In spite of the achievements in poverty reduction, a considerable number of people are still living below the poverty line and gaps among regions and ethnic groups are widening.**

Indicators	1997	2002	2007	2013
Population below poverty line (%)	39.1%	33.5%	27.6%	23.2%
Population living below \$1.25 PPP per day (%)	47.5%	41.2%	35.1%	30.3%
Population living below \$2 PPP per day (%)	78.8%	74.9%	68.3%	62.0%

Poverty in urban areas and regions near Thailand is declining, while rural areas and Central and Northern regions bordering Vietnam are facing a relatively higher ratio of population living in poverty with a high level of unexploded ordnance (UXO).

While Laos has been reclassified in the World Bank country income classification, the OECD still classifies the country as a Least Developed Country (LDC). The Lao government is currently aiming to graduate from LDC status by 2020 and sets the goals of 8th NSEDP 2016 - 2020 focusing on agriculture and rural development.

Poor agricultural production facilities and low productivity are remaining challenges. Considering the importance of agriculture in its economy, improving agricultural productivity will greatly affect the reduction of poverty levels in rural areas. The Lao government is currently implementing the community-based rural development policy called “Three-Builds Policy” that links three administrative levels, province-district-village, and delegates’ authority from central to regional governments.

For the implementation of the “Three-Builds Policy,” the Lao government has selected 109 pilot villages and is carrying out 943 village level development projects. However, limited budget and human resources are challenges for the effective implementation of the policy.

2. Implementation Strategy

Korea is well known for its success in government-driven, community-participatory rural development. Reflecting on its development experience and past agricultural projects in Laos, the Korean government’s support will build on the Lao government’s “Three-Builds policy.”

Korea's CPS will support:

- a. **The Lao government's efforts to develop a detailed mid-to-long term plan based on and institutionalization of the "Three-Builds Policy"** which is being implemented in 109 villages
- b. **Comprehensive rural development** in the Lao context with focus on poverty reduction, income increase, and case model development for villages, districts, and provincial levels
- c. **Agricultural extension on processing, packaging, logistics, and sales**
- d. **UXO removal** for safe rural development

III. Assumptions

The following critical assumptions may affect the Republic of Korea's strategy and approach to development cooperation in the Lao PDR.

1. Although the economy has steadily grown, **people in rural areas are still without stable jobs, have low incomes, and consequently migrate to cities to look for decent work.** These challenges require coordination between relevant sectors in order to achieve equitable development.
2. **The impact of climate change and its extent** are a serious concern. **Change of weather patterns and possible natural disasters such as severe droughts and floods** linked to long-term climate change have seriously affected agriculture production and water resources management. Rural development and water resource management projects need to continue to support and take the on-going climate and weather pattern changes into account to meet the local needs for effective project implementation.

IV. Country Partnership Strategy (CPS) Evaluation Framework

Lao PDR National Socio-Economic Development Plan (NSEDP) Transform into a middle income country by 2020 through inclusive and sustainable development and strengthening national competitiveness				
CPS Strategic Goals				
Priority Area	Goals	Expected Challenge	Performance by Priority Area	Evaluation Index
Water Management and Health	<ul style="list-style-type: none"> Improvement of health environment through expansion of water supply facilities and access to safe drinking water Universal health coverage for healthy lives Improvement of quality of health services by capacity building for health workers 	<ul style="list-style-type: none"> Shortage of clean drinking water supplying facilities Low access to health services Low health budget Shortage of and lack of capacities in health workers Low quality of health services 	<ul style="list-style-type: none"> Improved water supply and drinking water coverage Increased proportion of institutional births Increased proportion of pregnant women receiving prenatal care Increased proportion of children receiving immunizations Increased proportion of people relieved from out-of-pocket burden Increased proportion of people living within 4km from health facilities Increased number of health workers with strengthened capacities 	<p>CPS Conformity (whether a project has been appropriately identified and developed in accordance to CPS goals)</p> <p>Project Implementation Status (whether projects aligned with CPS has been implemented)</p>
Energy	<ul style="list-style-type: none"> Improved electricity coverage for better quality of life Improvement of energy efficiency 	<ul style="list-style-type: none"> Low electricity coverage Poor electricity infrastructure and network shortage of technical workforce 	<ul style="list-style-type: none"> Increased electricity coverage Establishment of an electricity development plan for efficient electricity use and future electricity demands 	
Education	<ul style="list-style-type: none"> Improvement of access to and quality of secondary and higher education Improvement of vocational education and training 	<ul style="list-style-type: none"> Poor educational infrastructure Lack of experienced teachers and professors 	<ul style="list-style-type: none"> Development of advanced technical workforce based on the ASEAN standards Strengthened capacities of higher education institutions and development of advanced master and doctoral degree workforce 	
Rural Development	<ul style="list-style-type: none"> Promotion of comprehensive rural development to increase income level and reduce poverty Improvement of efficiency for agricultural techniques 	<ul style="list-style-type: none"> Developmental gaps between urban and rural areas Poor infrastructure in rural communities 	<ul style="list-style-type: none"> Increased rural income Increased agricultural productivity Reduced proportion of population below the poverty line 	
Assumptions		<ol style="list-style-type: none"> Coordination between relevant sectors is needed for provision of stable jobs and increase of income level in rural areas Project capacity to prepare and respond to impacts of climate change and their extents is improved 		

V. Mid-Term Allocation Plan

At least 70% of Korea's ODA will be dedicated to the priority cooperation areas. Some flexibility will be applied in order to accommodate urgent humanitarian needs and socioeconomic changes in Laos.

Also, resource allocation will be adjusted based on program implementation, interim monitoring, policy dialogues, and other possible changes in circumstances.

Budget allocation could also be adjusted during budget discussions and project planning stages, and is subject to parliamentary decision.

VI. Partnership Plans

1. Partnership with other development partners

The Korean government will continue to strengthen cooperation with key development partners recognizing the division of labor in Laos and actively participate in the development partners' consultation council and relevant working group meetings.

2. Partnership with the private sector

Networking with local and domestic NGOs and private enterprises is being promoted, and more attention will be given to promote Corporate Social Responsibility (CSR) and ODA projects.

