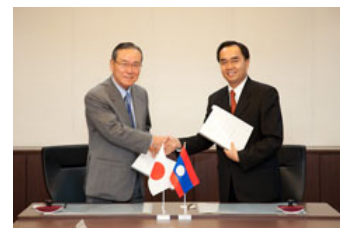


November 9, 2009

Japanese ODA Loan Signed with Laos Overcoming the Global Financial and Economic Crisis toward Reliable Growth

1. On November 9, JICA (President Sadako Ogata) signed an agreement with the government of the Lao People's Democratic Republic to provide a Japanese ODA loan for the Budget Strengthening Support Loan for up to 1.5 billion yen.
2. The objective of the loan is to encourage sustained economic growth and alleviate poverty in Laos by coordinating with the World Bank and other organizations to assist the Laotian government. Through the country's public finances, policy and institutional reforms supported by the government will receive direct assistance in the areas of public fiscal management and private sector development. The form of the support will be through coordination with the Poverty Reduction Support Operation (PRSO) 5, led by the World Bank. JICA has worked with steadfast determination to alleviate poverty in Laos, providing in the past Japanese ODA loans for PRSO 2 and PRSO 3.
3. In July 2006, the Laotian government formulated its Sixth Five-Year National Socio-Economic Development Plan, and established specific policy actions for reform focused on strengthening expenditure and revenue controls, reinforcing public fiscal management by restructuring its national bank and state-run companies, and carrying out private sector development to improve the investment climate. This Japanese ODA loan is being provided premised on the accomplishment of those policy actions. This loan is also based on an evaluation of how Laos managed these policy actions.
4. Today, there is an increasing trend in Japanese investment in Laos, with some 40 Japanese companies advancing into Laos between August 2006 and August 2007. One month after the first Lao-Japan Public and Private Sectors Joint Dialogue was held in December 2007, the Japan-Lao Bilateral Investment Agreement was concluded. The PRSO institutional reforms include revisions to the Law on the Promotion of Foreign Investment, such as an extension of the maximum investment period for foreign investors from 15 to 50 years, and a streamlined screening procedure for investor applications along with other investment improvements. By removing impediments to investment by foreign companies, it is expected that Japanese businesses will increase their investment in Laos as will companies from other countries.
5. The geographical constraint of Laos being landlocked and the large number of minority ethnicities living in the undeveloped mountainous regions has resulted in a large disparity between urban and rural areas, a point of concern. The long-term goals of removing Laos from the list of least developed countries by 2020 and membership in the World Trade Organization have been established, though to achieve these goals, measures to move Laos to a market economy through the PRSO will be indispensable. As a result of the worldwide recession, tourism income has dropped, export and resource revenues have fallen due to the drop in prices for copper and gold—Laos's main exports—and overseas direct investments have been postponed. The nation's finances and trade balance are therefore predicted to worsen, and while a range of assistance measures are being implemented or under study, the prospects for raising adequate money are not favorable. Laos is thus pressured to respond to a wide range of issues simultaneously, a task requiring complex policy management.
6. JICA has a policy to support reliable sustained economic growth while alleviating poverty in Laos through continued improvements to policy and institutions as well as to infrastructure.



Signing Ceremony

Source: Laotian Ministry of Planning and Investment

(Reference)

Reference

Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment/ Grace Period (years)	Procurement
Budget Strengthening Support Loan	1,500	0.01	40/10	Untied

Executing Agencies

Ministry of Finance

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Planned Implementation Schedule

(1) Completion of project: December 2009, with completion of the loan procedure

(2) Issuing of letters of invitation for consulting services: No consulting is planned for this project

(3) Tender announcement for initial procurement package for international competitive bidding on project construction: Not applicable