

Signing of Japanese ODA Loan Agreements with the Lao People's Democratic Republic

—Supporting Poverty Reduction and Airport Expansion toward Achieving the Millennium Development Goals and Graduating from Least Developed Country Status—

Today, the Japan International Cooperation Agency (JICA) signed Japanese ODA loan agreements with the Government of the Lao People's Democratic Republic (Lao PDR) in the capital of Vientiane to provide up to a total of 9.517 billion yen for two projects.

Driven by the development of natural resources, the economy of the Lao PDR has attained steady GDP growth, recording approximately 8.0 percent per year over the past several years, and the poverty rate [1] dropped from 45.0 percent in 1992 to 20.5 percent in 2012. Nevertheless, development in the Lao PDR still faces challenges due to geographical conditions—the Lao PDR is the only ASEAN country that is landlocked—and the long-term effects of the civil war from the 1950s till the 1970s, and the country remains one of the world's Least Developed Countries (LDCs) with a per capita GNI of US \$1,270 in 2012. Aiming to achieve the Millennium Development Goals (MDGs) by 2015 and rise above its LDC status by 2020, the Lao PDR faces pressing development issues that include strengthening its fiscal and public financial management (particularly in the education and health sectors), managing revenue from the natural resource sectors, diversifying industry and improving competitiveness. In addition, given that the Lao PDR is landlocked and 80.0 percent of its land is occupied by mountains, air transportation is positioned as an indispensable means for strengthening connectivity with ASEAN countries, promoting international tourism and acquiring foreign currency. Due to the economic growth of recent years, the demands of air transportation has increased rapidly at Vientiane International Airport, and the Lao PDR has therefore prioritized passenger terminal development in the airport.



Phouphet Khamphounvong (right), minister of Finance, and Koichi Takei, chief representative, JICA Laos Office, shake hands after signing the loan agreement.

Taking into account these circumstances, the Japanese ODA loan agreements were signed for the two projects described below.

(1) Support for policy and institutional reform

Through policy dialogue and other means, JICA will provide support to implement policy and institutional reforms in areas that have been identified as issues such as strengthening fiscal and public financial management (particularly in the education and health sectors), managing revenue from the natural resource sectors, diversifying industry and improving competitiveness to achieve the goals of the Seventh National Socio-Economic Development Plan (2011 - 2015) formulated by the Government of the Lao PDR.

The Ninth Poverty Reduction Support Operation will support the above-mentioned policy and institutional reforms through an evaluation of the Government's achievement of the predetermined policy actions. In particular, the knowledge that has been accumulated through Japan's technical cooperation and grant aid for the education and health sectors in the Lao PDR will be utilized to support steady implementation of policy and institutional reforms by the Government of the Lao PDR, particularly in those sectors.

(2) Support for substantial improvements in air transportation services

In Vientiane International Airport, the number of passengers passing through the international terminal in 2012 reached about twice the planned capacity, resulting in such problems as difficulty in increasing the number of flights during peak travel times, and inadequate office space, limiting the number of new airlines. In addition, about 50 years have passed since the domestic terminal was constructed and it severely suffers from aging.

Given these circumstances, there is a need to meet the growing demands of air transportation as well as a need to improve efficiency and safety of the airport by expanding the international terminal and constructing a new domestic terminal.

In addition to increasing the capacity for air transportation, the Vientiane International Airport Terminal Expansion Project will introduce the eco-airport concept to reduce the effects on the environment that comes with airport operation, and carry out passenger terminal development using an environmentally-friendly design and energy-saving technologies.

JICA will assist with development in the Lao PDR that all people in the country can enjoy through supporting socioeconomic infrastructure, social sector and policy and institutional reforms by mobilizing its technical cooperation, ODA loans and grant aid.

Reference

Terms and Amounts of Loans

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
Ninth Poverty Reduction Support Operation*	500	0.01	-	40	10	General untied
Vientiane International Airport Terminal Expansion Project	9,017	0.70	0.01	30	10	General untied

* Preferential terms (standard) apply.

(1) Ninth Poverty Reduction Support Operation

(a) Background and Necessity

Aiming to rise above LDC status, the Lao PDR has included in its Seventh National Socio-Economic Development Plan the achievement of the MDGs as a target, and an emphasis is placed on both the education and health sectors as areas where there is uncertainty as to whether the MDGs can be reached.

This project will substantially improve the policies of the Government of Lao PDR, including those for public financial management and the social sector (education and health), as well as supporting sustainable development in the country.

(b) Objective and Summary

This project will support institutional reform (public financial management, social sector development and the like) that is a focus of the Government of the Lao PDR to promote policy reform along with policy dialogue with donors, including Japan, thereby contributing to poverty reduction and economic growth in the Lao PDR. This will be done using knowledge accumulated through Japanese technical cooperation and grant aid in the education and health sectors.

This project is cofinanced by the World Bank and the European Union (EU). The financing will be used to import general commodities into the Lao PDR.

(c) Executing Agency

Ministry of Finance

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(d) Planned Implementation Schedule

(i) Completion of project: March 2014 – with completion of the disbursement

(ii) Issuing of letters of invitation for consulting services: No hiring of consultants is planned for this project.

(iii) Tender announcement of initial procurement package for international competitive bidding on project construction: No work in conjunction with tendering is planned for this project.

(2) Vientiane International Airport Terminal Expansion Project

(a) Background and Necessity

The Seventh National Socio-Economic Development Plan formulated by the Government of the Lao PDR makes strengthening connectivity for a smooth flow of people and goods a policy for public works and the air transportation sector. Air transportation is positioned as an indispensable transportation means for international tourism and acquiring foreign currency, and the Plan calls for substantial improvements in transportation services with the goals of increasing the annual volume of air transportation by 8.0 to 10.0 percent and the annual number of flights by 4.5 to 6.5 percent. This project is a priority in the Seventh National Socio-Economic Development Plan and will make substantial improvements in airport operational efficiency and safety in the Lao PDR.

(b) Objective and Summary

The objective of the Project is to meet the future demands of air transportation and to improve operational efficiency and airport safety by expanding the international and domestic airport terminals, thereby contributing to economic growth in the Lao PDR.

(c) Executing agency

Department of Civil Aviation, Ministry of Public Works and Transport

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(d) Planned Implementation Schedule

(i) Completion of project: June 2018 – when the facilities are put into service

(ii) Issuing of letters of invitation for consulting services: December 2013 (already sent)

(iii) Tender announcement for international competitive bidding on project construction: December 2014

Note:

[1] The ratio of people living below the poverty line to the overall population.

- [Project Map \(PDF/494KB\)](#)

Project Map of Vientiane International Airport Terminal Expansion Project

