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REPORT ON A MISSION  
TO THE  
LAO PEOPLE'S DEMOCRATIC REPUBLIC

from 9 to 15 March 1977

by

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DISCUSSION OF THE PROGRAMME OF ASSISTANCE TO THE  
LEAST DEVELOPED OF THE DEVELOPING COUNTRIES

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## I. PURPOSE OF THE MISSION

To discuss with the Lao Government the assistance programme prepared by UNIDO as part of its programme of special measures to help the least developed countries.

## II. THE MISSION

### 1. Initial contact with the Economic and Social Commission for Asia and the Pacific (ESCAP)

My mission to the Lao People's Democratic Republic was preceded by a visit to the Industry Division within ESCAP at Bangkok, so that I could acquaint myself with ESCAP's industrial activities in the country.

I learned during my talks with responsible officials of ESCAP's Industry Division and with Mr. H. Tun, a member of the Mekong Committee, that apart from the regional project for the development of the Mekong Valley, which concerns Thailand, Democratic Kampuchea, Viet-Nam and the Lao People's Democratic Republic, ESCAP has had no other contacts with the last-mentioned country since the new régime came to power in Vientiane in November 1975. Mr. Abid Husrain, the Chief of the Industry Division, said he thought that the situation would perhaps be clearer after my mission to the Lao People's Democratic Republic and suggested, for that reason, that I should stop at Bangkok for an exchange of views on my return from Vientiane.

### 2. Meeting at the UNDP Office

On Wednesday, 9 March 1977, Mr. Frederick Lyons, Officer in Charge of United Nations Programmes in the Lao People's Democratic Republic, had an initial discussion with me during which we reviewed UNIDO's programme of technical assistance to the country (woodworking, agricultural tools and wooden prefabricated bridges) and also the programme of the International Labour Office for the production of ceramics at the artisanal level. The technical assistance that the Office is giving the Lao People's Democratic Republic in this area will perhaps be taken over by UNIDO when the activities reach the industrial stage.

Mr. Lyons informed me that the Lao Government was interested in preparatory assistance for the development of a textile industry. This would involve the services of an expert on a two-month assignment to determine the types of textile units to be established and the equipment required and to prepare the project document.

In the area of regional co-operation, the Lao Government appears to be little interested in regional projects with the exception of the project for the development of the Mekong Valley (hydroelectric dam, navigation, rehousing of the population, and maintenance and repair of boats). This confirms the information I received from the Industry Division and from Mr. H. Tun of the Mekong Committee during my visit to ESCAP headquarters at Bangkok. For example, although the Government was contacted on the matter, the Lao People's Democratic Republic is not participating in the big regional agricultural machinery project (Regional Network for Agricultural Machinery), in which eight Asian countries are involved and which has its headquarters at Manila in the Philippines.

Regarding the purpose of my mission, I asked whether the authorities had any specific questions regarding the portfolio of project proposals prepared by UNIDO. Mr. Lyons replied that the Lao officials apparently had no specific questions they wished to raise. Rather, it had been the understanding of the Ministry of Industry that I would be bringing with me an offer of financial assistance to help them carry out their industrial projects, and that I would have some specific ideas to propose to aid them in overcoming the problems the country faced because of its underdevelopment and land-locked geographical position. Indeed, the Ministry was expecting that, before I returned to Vienna, I would assist them in formulating and preparing the documents concerning projects selected for financing.

In my reply I pointed out the purely indicative character of UNIDO's project proposals, which were based on available and often insufficient data and some of which had been constructed from scratch on the basis of no information at all. It was for the Lao Government to study them in the light of its own priorities. Once the selections had been made, all sources could then be explored - the UNDP indicative planning figure, the Special Industrial Services (SIS) programme, the voluntary contributions to UNIDO, the regular programme and even bilateral aid. On this last point, I added that UNIDO had already contacted donor countries in an effort to find supplementary sources of financing for the projects selected by a number of the least developed countries. The Organization was willing to continue these contacts on behalf of the Lao People's Democratic Republic, although it could not guarantee the success of this effort. Mr. Lyons noted that, in this area, UNIDO's actions paralleled those of UNDP.

3. First meeting at the Ministry of Foreign Affairs

During this meeting, which was attended by representatives of the Ministries of Planning and Industry, my first task was to banish the false hopes of the Lao authorities that I was the bearer of glad tidings of financial assistance to help the Government carry out its programme of national industrialization. I made it clear that the purpose of my visit was to discuss with government officials the project proposals prepared by UNIDO as part of the special measures of assistance to the least developed countries.

I noted that during the Lima Conference the delegations taking part had declared that the least advanced, land-locked and island developing countries presented a set of problems which required special measures if these countries were to attain an acceptable level of economic development. The Conference had called on the other countries and the international organizations to mobilize a greater volume of resources so as to help this group of countries to solve their problems of economic development. The Conference had also called for appropriate measures to be taken to establish a unit within the Secretariat to deal with the special problems of the least developed countries. As a direct consequence of that recommendation of the Lima Conference, the Executive Director had set up, within the Secretariat, the Least Developed Countries Section, with responsibility for assisting in the formulation of policies and development of projects designed to increase technical assistance to the least developed countries.

As a first stage, the Section had prepared, with the assistance of the various specialized units at headquarters, a package of project proposals representing special measures of assistance to the least developed countries, including the Lao People's Democratic Republic. These project proposals were based on available and often insufficient data, and some of them had been formulated on the basis of no information at all, account being taken of the special conditions of the countries concerned. It was for the Lao Government, therefore, to study these proposals in the light of its real needs. The Government could modify them, replace some elements with other projects in which it was particularly interested, or accept or reject the entire package.

With regard to the possibilities for financing the projects selected, all sources of financing - the indicative planning figure, the SIS programme, UNIDO voluntary contributions, the regular programme and, of course, bilateral assistance - could be explored. On the subject of bilateral assistance, I stressed that UNIDO would make every

effort to submit the projects selected to possible donors for their consideration, but it could not guarantee that this effort would be successful. However, in order to show that the role UNIDO would play in contacting potential donors was not an unfamiliar one for the Organization, I mentioned as evidence of UNIDO's efforts in this area some concrete examples of results already achieved on behalf of the Lao People's Democratic Republic. These were:

A brickworks feasibility study made possible through Chinese voluntary contributions;

A brickworks construction project which had been approved under Chinese voluntary contributions, but the building-site work for which was awaiting confirmation by the Lao Government that it would defray the local costs;

A study regarding the production of prefabricated wooden bridges and the imminent return of the UNIDO expert to build the first prototype (according to information received at the UNDP Office, the Government is seeking funds to make possible the serial production of these bridges);

The provision by the Government of Austria, through CARITAS, of salt dehydration equipment worth 300,000.

On the matter of the formulation and preparation of project documents, I indicated that, if there was insufficient available expertise on the spot, UNIDO would consider sending out a specialist from headquarters or, failing that, using the limited resources available to recruit short-term consultants to assist the Government in formulating and preparing the documents concerning the projects selected.

Following my statement, Mr. Oudone Voratanouvong, Assistant to the Chief of the Department of International Organizations, expressed his pleasure at my visit and at the clarifications I had given. The Lao People's Democratic Republic, he went on, had just emerged from a long and destructive war. The assistance the country had been receiving from abroad to support its currency had been withdrawn. The United Nations had now classified the country among the world's poorest countries, and his Government accepted that. It had already begun a programme of reconstruction in which emphasis was placed on the most productive sectors of the economy in an effort to make the country self-sufficient. The Lao People's Democratic Republic would welcome international assistance. As to questions of detail, Mr. Oudone had instructed Mr. Phimmaha, Assistant Director of Industry and Crafts, to review with me UNIDO's proposals and the counterproposals of the Lao Government. Since he was to be busy with a seminar during the next two days, Mr. Phimmaha deferred our first working meeting until Monday, 14 March. He suggested that meanwhile I might visit the sites of the UNIDO projects.

Before the meeting ended, I spoke of the consultative meeting on bilateral and multilateral technical assistance to be held in Vienna during the month of October 1977, noting that UNIDO would defray the expenses of participation for one delegate to the consultative meeting from each of the least developed countries. Mr. Oudone said that Vienna was too far away and that the question of the consultative meeting would be taken up after the work on the projects under consideration had been completed. As it seemed clear to me that the Minister was more interested in concrete activities than in conference speeches, I considered that there would be little point in telling him of the conclusions of our last session of the Intergovernmental Expert Group Meeting on the Industrialization of the Least Developed Countries held in Vienna from 15 to 24 November 1976.\*/

4. Final working meeting and selection of priority projects

The working meeting took place, as scheduled, on Monday, 14 March, under the chairmanship of Mr. Thongsauk Vongkham, Director of Industry and Crafts. At the outset, before the individual examination of UNIDO's project proposals and the Lao Government's counterproposals, Mr. Vongkham told me that, on the political plane, the Lao Government had adopted the ideology of Marxism-Leninism and the goal of an equitable distribution of income among the population.

In the economic arena, Mr. Vongkham continued, the Lao Government laid stress on the development of agriculture, the agro-industries, the rehabilitation of industries so as to make them the basis for future development, and the training of national personnel with the technical skills needed to exploit the country's available natural resources.

Mr. Vongkham said that following the end of the war, a year earlier, the Government had had to face a number of problems in restarting the economy. The Government relied on the assistance of friendly countries, though this assistance was not always in line with the country's objectives. The Lao People's Democratic Republic was receiving aid not only from the socialist countries but also from other friendly nations and international organizations.

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\*/ During a working lunch offered by the Resident Representative on the eve of my departure from Vientiane, Mr. Oudone told me that he had, after all, raised with the Minister of Industry the question of the participation of a Lao representative at the meeting on bilateral and multilateral assistance referred to above. The Minister of Industry agrees that the Lao People's Democratic Republic should be represented at this meeting on condition that UNIDO is willing to defray the expenses of two representatives.



Before proceeding to the consideration of specific projects, the Director of Industry asked me what contribution UNIDO could make to the efforts of the Lao Government in the light of the over-all situation he had just sketched for me. I replied that UNIDO had the technical means to assist his country in the development of agro-industries, the rehabilitation of existing factories and the training of national technical personnel.

On the matter of training, Mr. Vongkham emphasized his country's need for assistance in the advanced training of technicians. In view of the shortage of such trained personnel, the Lao People's Democratic Republic also required assistance in providing courses leading to academic degrees. I replied that this latter area fell within the purview of UNESCO, the Government itself or bilateral aid.

With regard to the financial aspects, I explained to Mr. Vongkham the different sources of financing available to UNIDO for assisting the poorest countries, and in this connexion I stressed the importance of the contacts the Organization had already made in order to locate new sources of funds, making it clear, however, that no guarantee could be given that these contacts would prove successful.

Mr. Vongkham then asked his assistant, Mr. Phimmaha, to present to me the Government's priority projects.

5. Counterproposals of the Government

(a) Furnishing of additional equipment for the project for the production of agricultural tools

Since this project is currently receiving UNDP/UNIDO assistance and a three-year extension of its activities is provided for in the UNDP programme proposals, I suggested that this assistance should be continued. As regards all the other equipment which the project would require and whose provision was not covered by the project budget, I suggested that a list including technical specifications should be submitted to UNIDO for consideration.

(b) Strengthening of the integrated woodworking project through the provision of a sawmill, a wood-drying kiln, a production unit and buildings

This project is receiving UNDP/UNIDO technical assistance and its extension for three years is among the UNDP proposals. In addition, Mr. F. Lyons, the Officer in Charge of United Nations Programmes in the Lao People's Democratic Republic, stated that a production unit would be furnished by UNDP and that negotiations were under way with Japan on the supply of a second production unit.

Conclusion: it was recommended that this case should be re-examined in detail and that, if appropriate, a list might be submitted to UNIDO covering the equipment items (and their specifications) not provided for under the UNDP and Japanese assistance.

(c) Extension of the plywood plant through the provision of a drying kiln and a particle-board production unit

It was proposed to await the findings of the Czechoslovak firm POLYTECHNA, whose team of six technicians was expected to arrive at Vientiane on 16 March to study this sector.

(d) Construction of a cement plant in the Lao People's Democratic Republic at a cost of \$US 32 million

The completion of this project is expected to require four years, proceeding in two phases:

Phase 1: Limestone analyses and the furnishing of the analytical equipment for a total value of \$US 800,000.

Phase 2: Construction of the cement plant, involving the erection of the buildings, furnishings and the installation of the production equipment.

A feasibility study for this project has been carried out by the Asian Development Bank, whose final report will be ready within a month.

In my reply I expressed doubt that UNIDO would be able to find a source prepared to contribute the \$US 32 million required for this project. Nevertheless, I indicated that, through the agency of its Investment Co-operative Programme Office, World Bank/UNIDO Co-operative Programme, UNIDO would be able to assist the Lao Government in locating an investor. In the event of success, the potential investor would have to negotiate the operation with the Lao Government in the light of the country's investment code.

Mr. Lyons, the representative of the UNDP Office, added that the Asian Development Bank, which had carried out the feasibility study, should first be asked to go on to the investment phase and that UNIDO should be contacted only if the effort to work through the Bank proved unsuccessful.

Conclusion: the Lao Government accepted the second suggestion.

(e) Prospecting for anthracite coal deposits

This project was withdrawn immediately as being outside the competence of UNIDO.

6. Projects selected from among those proposed by UNIDO

- (a) Establishment of a community pilot centre for the processing of foodstuffs (more information is desired by the Lao authorities).
- (b) Establishment of a foodstuffs test and control laboratory.
- (c) Improved conservation of timber in rural zones through the use of a mobile cylinder for pressurized impregnation.
- (d) Establishment of a pilot printing shop.
- (e) Establishment of standardized workshops.
- (f) Finally, the Lao Government mentioned its need for training fellowships and indicated a desire to learn what UNIDO could provide in this area.

I replied that, for training in fields that were in harmony with the objectives of field projects under the indicative planning figure, the "fellowships" component provided for in the respective project documents was to be used. For training in other areas, the financing would have to come from UNIDO's regular programme or from the SIS programme.

The Director of Industry then declared that all the projects selected during the meeting would be submitted to the Political Bureau for its consideration. The projects finally approved by the Political Bureau would be the subject of an official request to UNIDO through the UNDP Resident Representative at Vientiane.

7. Other matters

In addition to the discussions on the project portfolio, the questions of recruitment and of the brickworks construction project were raised during the meeting with the Director of Industry.

On the subject of the recruitment of international experts I said that UNIDO was prepared to do all it could to meet the wishes of the Lao Government. For its part, to facilitate our task, the Lao Government should decide as soon as possible on the candidacies of experts submitted to it.

The Director of Industry replied that the Lao Government would like to see the experts' posts filled by technicians from the socialist countries. However, as it understood that UNIDO recruited its experts internationally without regard to the political systems of the countries concerned, the Government had thought it desirable not to express its preferences on this matter in writing.

I replied that the Government was free to express preferences regarding the national origin of the experts to be recruited, but that it should specify such preferences clearly in order that an effort might be made to satisfy its wishes. Otherwise, the result would be a vicious circle.

On the matter of the erection of the brickworks, for which the financing has been approved by UNIDO from China's voluntary contributions, but on which work at the construction site cannot begin until the Lao Government confirms its willingness to defray the local costs, Mr. Vongkham said that the Government had still to resolve the problems concerning local costs, the markets for the bricks to be produced and the system of roads.

I replied that the Government should in any case inform UNIDO of the preliminary problems to be solved at the local level before the brickworks could be built. If no immediate solutions could be found for these problems, the execution of the project would have to be put off until later so that, meanwhile, the funds that had been assigned to it might be released for other purposes.

Mr. Vongkham promised to take up the two points mentioned above in meetings of higher-level bodies.

8. Exchange of views, at ESCAP, Bangkok, with the agencies of the United Nations  
fully involved in the assistance programme in the Lao People's Democratic Republic

En route to Vienna I stopped at Bangkok, Thailand, to inform the Industry Division within ESCAP of the results of my discussions at Vientiane. Mr. Abid Hussain expressed appreciation for the visit and said he would like to see the contact between UNIDO and ESCAP maintained as regards the following up of the projects selected by the Lao Government.

During my stay at Bangkok the Industry Division arranged a meeting with the International Trade Division, which has developed a programme of assistance for the least developed, land-locked and island countries. After briefing them on the objectives and results of my mission to the Lao People's Democratic Republic, I noted that my visit to the International Trade Division was of a fact-finding nature, the purpose being to acquaint myself with the activities in which that Division was engaged in order to determine possible areas of co-operation and avoid a duplication of effort.

The spokesmen for the Division told me that it was engaged in helping the least developed countries of the region to:

- Expand their international trade;
- Start key industries;
- Establish transit and transport facilities;
- Promote exports;
- Find markets;
- Identify the products to be produced, putting the accent on products which combine high value and low volume so as to avoid heavy transport and transit costs;
- Promote international trade and transport.

As far as the Lao People's Democratic Republic was concerned, the Division was helping to facilitate the movement of goods bound for Laos at the port of Bangkok and to improve the possibilities for the transit of goods between Bangkok and Vientiane.

D. Conclusion

My mission to the Lao People's Democratic Republic was very productive. It allowed me to get to know the requirements and priorities of the Lao Government in the area of technical assistance.

During my discussions with Lao authorities, I deduced that, in the area of technical assistance, the Government prefers, as far as possible, equipment, turn-key industries, grants in aid to enable it to carry out its projects and training opportunities for Lao nationals at all levels. In view of the increased needs of the Lao People's Democratic Republic for assistance as it strives to reconstruct its economy after a long war of liberation, I recommend that UNIDO should take whatever preliminary steps are necessary to find sources of financing for the projects selected under the heading of the country's industrial development effort.

III. PERSONS CONTACTED

UNDP, Vientiane

Mr. R. Reifenrath, UNDP Resident Representative  
in the Lao People's Democratic Republic

Mr. F. Lyons, Officer in Charge of the United Nations  
Programme in the Lao People's Democratic Republic

Lao Government, Vientiane

First meeting

Mr. Oudone Voratanouvong, Assistant to the Chief  
of the Department of International Organizations,  
Ministry of Foreign Affairs

Mr. Bounthong Vongsaly, Assistant Chief of the  
Division of Economic and Social Affairs, Department  
of International Organizations, Ministry of Foreign  
Affairs

Mr. Soukhala, Chief of the Bureau of Economic Affairs,  
Department of International Organizations, Ministry  
of Foreign Affairs

Mr. Bounleuang Chindavona, Ministry of Planning  
and Co-operation

Mr. Phimmaha Panyanouvong, Directorate of Industry  
and Crafts, Division of Planning, Ministry of  
Industry and Commerce

Second and final working meeting

Mr. Thongsauk Vongkham, Director of Industry and  
Crafts

Mr. Phimmaha Panyanouvong, Directorate of Industry and Crafts, Division of Planning, Ministry of Industry and Commerce

Mr. Maligna Saignavong, Division of Economic and Social Affairs, Department of International Organizations, Ministry of Foreign Affairs

ESCAP, Industry Division, Bangkok

Mr. Abid Hussain, Chief of the Division

Mr. Luong-the Sieu, Regional Adviser

Mr. Haq, Regional Adviser

Mr. H.G.R. Reddy, Regional Industrial Adviser

Mekong Committee

Mr. H. Tun, Bureau of the Mekong Committee

International Trade Division

Mr. Prok Amranand, Chief of the Division

Mr. Lars Romberg, Manager, Project for Assistance to the Least Developed and Land-locked Asian Countries

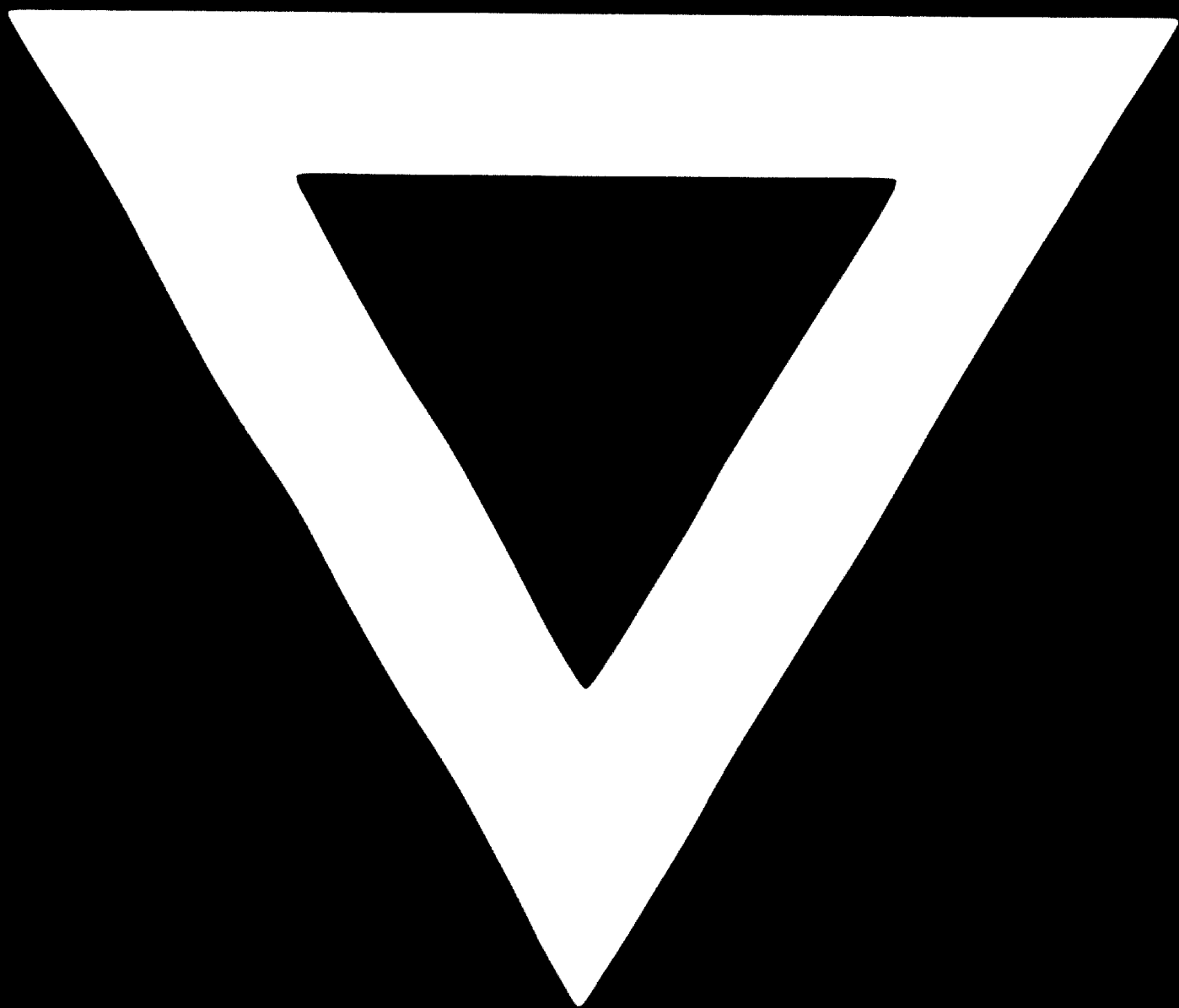
Mr. S.P. Upadhyay, Acting Chief, Unit for the Least Developed, Land-locked and Island Developing Countries

Experts present in the  
Laos People's Democratic Republic

Mr. Lennart, Project Manager, Production of Agricultural Tools

Mr. Boretti, Project Manager, Integrated Woodworking

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