

**FOR  
AGENDA**

EBD/12/1

January 6, 2012

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Lao People's Democratic Republic—Poverty Reduction Strategy Paper**

Attached for consideration by the Executive Directors is the poverty reduction strategy paper prepared by the government of the Lao People's Democratic Republic. This paper and the associated joint staff advisory note (EBD/11/92, 11/15/11), will be brought to the agenda for discussion on **a date to be announced**. At the time of circulation of this paper to the Board, the authorities of the Lao People's Democratic Republic have indicated that they need more time to consider whether they will consent to the Fund's publication of this paper. Publication will only proceed upon the receipt by the Fund of the member's explicit consent. Any requests for modifications for publication are expected to be received two days before the Board concludes its consideration.

Questions may be referred to Mr. Almekinders, APD (ext. 34281).

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the Asian Development Bank, the Food and Agriculture Organization, and the United Nations Development Programme, following its consideration by the Executive Board.

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LAO PEOPLE'S DEMOCRATIC REPUBLIC  
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

# **The Seventh Five-year National Socio- Economic Development Plan (2011-2015)**

(Full Version)

(The initial session of the Seventh National Assembly,  
June 15-24, 2011, at National Assembly, Vientiane Capital)

Ministry of Planning and Investment

Vientiane, October 7, 2011

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## **PREAMBLE**

The Sixth Five-year National Socio-Economic Development Plan (2006-2010) (hereinafter called the Sixth NSEDP or the Sixth Plan) was prepared on the basis of a shared common goal, of the country's socio-economic development strategy until the year 2020, and the Resolution of Eighth Party Congress, which was endorsed at the inaugural session of the Sixth National Assembly in July 2006. The Plan was regarded as a watershed; it responded to the Party's vision of the economy as central for development pushing for an average economic growth of 7.5% per year. The government expanded into programs and individual projects to implement for implementing in each year. Although there were a number of constraints, under the leadership of the Party and the government, line ministries, provincial authorities, and the Lao people have made efforts to achieve the main targets. Lessons learned from the implementation of the Sixth Five-year NSEDP served as a basis for the implementation of the Seventh Five-year NSEDP in the next five years, 2011–2015.

The Seventh Five-year NSEDP (2011-2015) is a continuation of the Sixth Five-year NSEDP and it has an important role in realizing the Ninth Party Congress Resolution, and is regarded as a measure for achieving socio-economic development, industrialization and the modernization towards the year 2020. It is also expected to create new changes through taking firm steps, to graduate from the Least-Developed Country (LDC) status by 2020, and widen and deepen regional and international integration. The characteristic of the Seventh NSEDP is a continuation of the dynamic plan “Boukthalu Plan (Break through Strategy)” which consists of the following 4 dynamic objectives; (1) mind set ; (2) human resource development; (3) mechanism, regime, administrative rules, and; (4) poverty reduction by mobilizing resources and implementing special policies, and constructing strategic basic infrastructure. This five-year plan aims to accelerate national economic growth and to maintain the country's stability and security. It aims to bring about positive changes, emphasising the quality and sustainability of growth, achieving the Millennium Development Goals (MDGs) by 2015, and building primary foundations for the future industrialisation and modernisation of the country. The Seventh NSEDP (2011-2015) consist of the evaluation of the Sixth NSEDP (2006-2010) and the NSEDP (2011-2015). The latter presents the domestic and international environmental contexts, target settings, overall tasks to be performed, macro-objectives, sectoral and local development activities, and the implementation measures and mechanisms.

The Seventh Plan mostly rests on the administrative structure as the previous Sixth plan. The new issues which have been identified are; economic-balancing, enterprises development, Special Economic Zones, priority areas, regional and global integration, transformation to industrialization and modernization. In the Seventh Five-year NSEDP efforts have been made to break down cross-sectoral programmes into individual sector projects, as enshrined in the Investment Law.

In formulating and developing the sectoral and provincial development plans, the planners should ensure that the plans are accompanied by action plans, financial plans, and the identification of responsible personnel (directions, targets, programmes/projects and implementation measures).

Favourable conditions are expected during the implementation of the Seventh Five-year NSEDP, although some challenges and difficulties may be encountered. To achieve the Seventh Plan targets, the lessons learnt from the past will feed in to the implementation, following the directions of the Ninth Party Congress, the party leadership, the government authority at all levels, contributions from the people and support from international development partners.

## **Part I: Evaluation on the Implementation of the Sixth Five-year Socio-Economic Development Plan (2006-2010)**

The Sixth NSEDP (2006-2010) was formulated to accomplish the general goals of the Socio-economic Development Strategy until 2020 and the Resolution No.8 of the Party Congress, which was approved at the inaugural session of the Sixth National Assembly in July 2006. The plan was breakthrough strategy and met the development vision of the Party, placing the strong economy at the centre of development. The main targets and overall goals of the Sixth Plan included; average economic growth at 7.5-8% per year; growth in agriculture and forestry at 3.0-3.4%, industry at 13.0-14.0%, services at 7.5-8.0%, export at 18.1%, and import at 8.8%. The Sixth Plan also aimed to achieve revenue on average of 14.8% of GDP per annum, the total investment 32% of GDP (10% is public investment (consumption) ; and 22% is foreign and private investment); increase the population to 6.17 million in 2010; decrease the number of poverty households below 15% of the total number of households; completely halt slash-and-burn by 2007; create jobs for approximately 652,000 people; increase the attendance rate of children between 6-10 years at the primary level to 90.6%; decrease the infant mortality rate of children under the age of 1 year to 55 per 1,000 live births, and; decrease the maternal mortality rate to 300 per 100,000 live births. During the implementation of the Sixth Five-year Plan, the country faced both achievements and challenges. However, the Party leadership and the government have made strong efforts, and with support from friendly countries and development partners (who supported the government of Lao PDR) the country has overcome many obstacles and achieved the planned targets. Nonetheless, there still exist constraints and valuable lessons learnt.

### **I. Global, regional and national environment**

#### **1.Global and regional environment**

##### **[1]. Advantages**

- (1) The international relations of Lao PDR are good and tend to continuously strengthen, especially the economic integration with the ASEAN.
- (2) The export markets have been expanded, and grants and loans with preferential interest rates increased. Foreign direct investments (FDI) have considerably increased compared to previously.

(3) Innovations in science and technology, especially information technology, new materials and biotechnology, have greatly expanded, and rapid progress has been made in the transition to a knowledge-based economy.

(4) Strategic development partners have experienced strong economic development and have expanded their support in Lao PDR.

#### **[2]. Challenges and constraints**

(1) Conflicts and wars in other countries have caused adverse impacts on the socio-economic development in many countries, including Lao PDR.

(2) The economic base of Lao PDR is still weak; it is a developing country which faces steep competition at the global level. As a result, the country's regional and global integration are facing a number of difficulties.

(3) During the last five years, the world has faced phenomenal economic and financial crisis, which has impacted various countries including Lao PDR, especially the export sector and some mega investment projects.

(4) Huge demand on material resources in the region in the neighboring countries has placed strain on resources in Lao PDR, adversely affecting the environment.

## **2. National environment**

#### **[1]. Advantages:**

(1) The national and international policies indicated under the resolution of the Eighth Party Congress are responsive and aligned with the current demand.

(2) The National Assembly officially approved the Sixth Five-year Socio-economic Development Plan (2006-2010) in 2006.

(3) Central and local authorities have transformed the Sixth Five-year Socio-economic Development Plan into detailed programmes and projects and have actively implemented them.

(4) The Sixth NSEDP has been constantly supported by national and international.

(5) The country has a strong political stability and social orderliness, and the implementation of the Sixth Plan could obtain adequately acceptable results.

(6) The Central Party, Government and National Assembly together have all set up an appropriate plan responsive to the actual demands of the country.

#### **[2]. Challenges and constraints:**

(1) The threats caused by the two phenomenal natural disasters (2008 and 2009) and epidemics such as avian influenza and a new type of influenza, H1N1, somewhat affected the country's development.

(2) The global financial crisis has adversely impacted economic development, especially exports and mega investment projects. Of these, the shortage of raw materials, especially fuel, is one factor which has directly impacted the business sector.

(3) The adaptation of the Sixth NSEDP(2006-2010) was delayed by one year, and this caused a delay in development of detailed programmes and projects, creating difficulties in actual implementation.

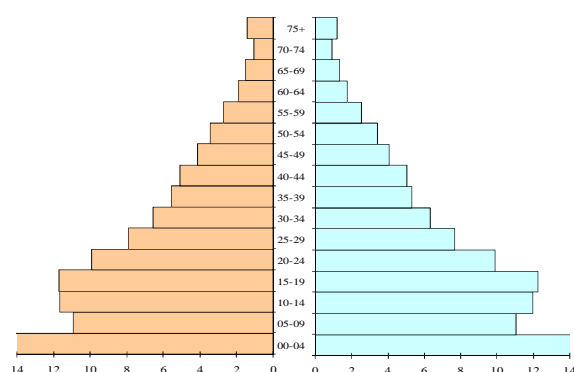
(4) Many programmes and projects lack financial support to implement. Due to disaster recovery projects, project funds were diverted, creating fund shortages in implementing the projects as planned. In addition, macroeconomic management and administration of the government agencies are still limited. As a result, there are flaws found in the rule of planning and financing in some areas.

(5) Population growth can help boost economic growth; however, without proper policies and measures, an increased labourforce and aging population can pose challenges. Therefore, appropriate policies and measures are required in order to ensure that both human capacity and social welfare are expanded to enhance skills and experience of the existing and new labour force for the sustainable benefit of all generations (see Box 1).

#### Box 1: Population expansion and its structure

According to the Census of 2005, the population increased at an annual rate of 2.1% to 1,047,000 people, compared to the previous Census of 1995 with the rate of approximately 2.5%. The population and age structure by sex is shown in a population pyramid. The pyramid shows that in 2010, the total population was approximately 6,256,197 and the pyramid has a large base, which implies that the fertility rate continues to increase. Furthermore, it is noticeable that the top part of the pyramid is slowly becoming larger compared to the one in 2005, which reflects the future issue of people the ageing population gradually increasing in the society. Thus, it is critical for us to prepare for the care, welfare, and treatment of the ageing population.

**Figure 1: Age pyramid of Lao population 2010**



Source: Department of Statistics, Ministry of Planning and Investment (estimation based on the Population Census 1995 and 2005)

(6) There still is a lack of effective monitoring systems at all levels from the central to the local levels. Information and statistical data are limited and not adequate.

## II. SIXTH PLAN ACHIEVEMENTS

During the last five years, the Lao economy has maintained rapid and sustainable growth, low inflation rate, and the national reserves have increased. It is the first time in the history of Lao PDR that national budgets have been implemented as planned. The poverty rate has reduced from 33.5% in 2002-2003 to 26% in 2009-2010. People's incomes and livelihoods have been visibly improved.. The Human Development Index (HDI) rank of the country improved from 137 in 2007 to 130 in 2008. The fundamental achievements and details are discussed below.

### 1. Macroeconomic growth

#### 1.1. Economic growth

On average, the Gross Domestic Product (GDP) during the Sixth NSEDP period was 219,853 billion kip, approximately 43,970 billion kip per year. GDP grew at an annual pace of 7.9%, which was higher than the Sixth Five-year Plan target (plan target was 7.5%). In FY 2009-2010, the value of GDP was 54,282 billion Kip which was 1.89 times higher than FY 2004-2005, . The growth in share of agriculture in GDP was 4%, industry 12.6% and services 8.4% (The growth in share of sectors in GDP is shown in Table 1). The reason behind this satisfactory growth was the overall economic direction guided by the Party; peaceful and secure political, social and economic stability; global and regional economic integration. Moreover, laws such as the Investment Promotion Law on private domestic and foreign investment have been updated which has attracted foreign capital and boosted competition. When compared to other countries in the region, Lao PDR's economic growth has been considerably higher.

**Table 1: Comparison between actual and targeted GDP growth rate in the Sixth Plan (2006-2010)**

Sector	Target (2006-2010)	Target(average % per annum)	Actual (average % per annum) <sup>1</sup>
Agriculture & Forestry	3~3.4%	3.2%	4.0%
Industry	13~14.0%	13.7%	12.6%
Services	7.5~8.0%	7.3%	8.4%
Total	7.5~8.0%	7.6%	7.9%

Sources: National Socio-Economic Development Plan 2006-2010 and Annual Statistics Yearbooks, 2005-2008.

<sup>1</sup> For fiscal year 2005/2006 to 2007/2008 is implementation, for 2008/2009 and 2009/2010 is estimated

GDP per capita in both Kip and US Dollar has increased considerably, exceeding the target of the Sixth Five-year Plan. GDP per capita reached US\$ 818 in the year 2007-2008, US\$ 906 in 2008-2009 and US\$ 1,069 in 2009-2010, which was an increase of approximately 18% from the year 2008-2009. These figures indicate that there has been an increase in the Household Consumption Index per month, doubled from 1.1 million Kip in 2002-03 to 2.2 million Kip in 2007-08, in which consumption increased from 1.7 to 2.9 million Kip in urban areas, and increased from 900 thousand to 1.8 million Kip in rural areas. In summary, average household consumption per month has risen by 14.8% per year.

**Table 2: GDP per capita (plan vs. actual)**

Period	Plan (US\$ per capita per annum)	Actual (US\$ per capita per annum)	Difference between Actual and Plan (%)
2005/2006	556	573	3.1
2006/2007	619	687	11.0
2007/2008	682	818	19.9
2008/2009	752	906	20.5
2009/2010	823	1069	29.8

Source: Department of Statistics, Ministry of Planning and Investment

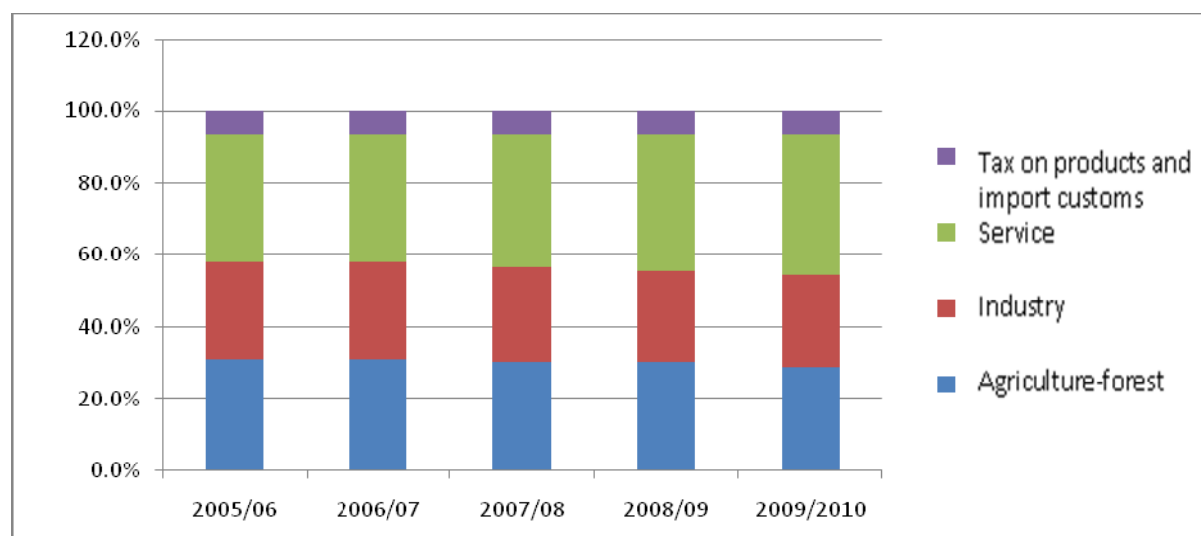
## **1.2 Economic structural changes**

The economic structure changes as an economy transforms from a subsistence agriculture economy based on raw materials to a market-oriented economy based on processing. This also has a positive impact on the potential of domestic and around countries.

Economic structure and value added in each sector has exhibited an increase, which is in accordance with the set direction. In 2008-2009, the share of agriculture and forestry sector in GDP accounted for 30.4% with value added at 14.36 trillion Kip; the industrial sector accounted for 24.9% with value added at 11.74 trillion Kip; services contributed to 38.4% with value added at 18.14 trillion Kip. In 2009-2010, it is projected that agriculture and forestry sector account for approximately 29%, industrial sector 26% and services sector 39% of the GDP. Details of the sector growth is provided in Section 3, Part 1 of this document.

In summary, over the past five years, the sectoral composition of GDP suggests that agriculture and forestry sector accounted for 30.4%, industry 26.1% and services 37.2%.

**Figure 2: Economic structure 2006 - 2010**



Sources: Department of Statistics, Ministry of Planning and Investment - from 2005-2006 to 2007-2008(the information is based on actual calculations); for 2008-2009, the figures are projections and for 2009-2010 they are initial projections based on preliminary data.

### **1.3 Financial Sector Growth**

#### **[1] Financial Status of the Banking System**

During the past five years, the banking sector has contributed to financial stability, and the foreign exchange rate has remained stable: This is reflected in the money supply growth at 23% per year which contributed to 19.6% of GDP. Foreign exchange grew and contributed to approximately 35% of GDP in 2009-2010. An increase in the money supply or M2 was contributed by the increasing numbers of foreign investors. Narrow version of the money supply (i.e. finances outside the banking system and daily savings in Kip) accounts for approximately 30% of the total money supply, while the rest of the money supply accounts for 70%. Of this, an estimated 80% of the total savings were in foreign currency during the period 2006-2008 (increased 3% compared to 2005). Both net foreign and domestic assets have increased. Foreign exchange reserves have increased, and the country holds enough stock of foreign currencies to pay for import goods and services for approximately six months. In short, the banking and finance sector is stable.

#### **[2] Banking Sector Development**

The banking sector is one of the sectors that grew rapidly and distinctly during the period of the Sixth Five-year Plan. This is because of the government made efforts to create better conditions for promoting the ease of conducting business. In particular, laws and regulations have been amended to increase business competition in global markets to encourage economic development and growth. In a short time, a number of new banks have been established which have benefitted society ; particularly, businesses have more alternatives in banking services and have access to world-class banking services and modern technologies at



lower service charges. Moreover, the government strived to open a stock market. The Lao Stock Exchange will open in early 2011. The loans to the business sector increased by approximately 85% at the end of 2008 and increased by 82.3% in March 2009 when compared to March 2008. These achievements suggest that the society has increased confidence in the banking system. At the same time, non-performing loans (NPL) have significantly decreased, from 10.52% in 2006 to 3.84% in July 2009. This is lower than the plan projections of approximately 5% of the total credit. However, the rural poor still have only limited access to institutional loans. In sum, the quality of services and access to loans have both improved and the banking system has been modernised.

### [3] Inflation

In the recent past, inflation has been effectively managed; inflation rate decreased from 8% in 2005-2006 to 4.1% in 2006-2007, increased to 7.9% in 2007-2008, and decreased to 0.74% in 2008-2009 (inflation has decreased to negative inflation in the last six months, the lowest in recorded history since 1990). In 2010, inflation is likely to increase approximately 4.71%. However, the overall consumer prices remain stable and the inflation rate during the period of the Sixth NSEDP was an average of 5.09%, which remains at a one-digit level per year, and lower than the economic growth rate.

### [4] Foreign Exchange rate

The Kip currency is gradually appreciating. In 2005-2006 the dollar Kip exchange rate (average) was 10,411.0 Kip/US\$; it shifted to 9,679 Kip/US\$ in 2006-07; 8,980 Kip/US\$ in 2007-2008; and 8,532 Kip/US\$ in 2008-09. In 2009-2010, the exchange rate was 8,372 Kip/US\$. The difference between the bank rate and market rate was about 0.25% in December 2005, which reduced to 0.01% in November 2009. In terms of Baht, the figures were 0.14% and 0.15% respectively. The appreciation of the Kip is in line with the depreciation of the US\$ and the influx of the foreign investment into country. The appreciation of the Kip is only minimally affecting the country's exports, because exports to an extent still depend on natural resources whose costs and prices are not subject to exchange rates. On the other hand, the Kip is still depreciating relative to other currencies, particularly Baht. This depreciation is partly because of the extensive trading between Lao PDR and Thailand.

## **2. Economic balance**

### **2.1 Workforce and employment balance**

The workforce structure in the economic sectors has changed corresponding to the economic restructuring and the industrialisation and modernisation strategy that has taken place. Capacity building of the workforce, improvement of the curriculum at the vocational level, the government coordination mechanism, and the employment opportunities inside and outside the country have all progressively improved.



Labour intensive sectors have collaborated with both public and private training centres with a view to provide training to unskilled workers. Training is especially for those workers who have just finished lower and upper secondary school levels to prepare them for real jobs. The numbers of those who have participated in vocational training and obtained adequate skills have increased from 5,070 in 2006 to 5,374 persons in 2007, further increased to 16,158 persons in 2008 and to 29,766 persons in 2009. In the last four years, training has been provided to 56,368 persons, an achievement of 81.33% compared to the Sixth Plan target. Taking into account the target for 2010 (currently being implemented), the total number of trainees will reach 74,069 persons, which will have exceeded the target of the Sixth Plan by 6.88% (the target in the Sixth Plan was 69,300 persons). Looking at each sector those trained in the agriculture and forest sector will total 16,152 persons, industry and construction 27,856 persons and services 30,061 persons.

Jobs have been created through improving the government coordination mechanism in accordance with the current market demand. Moreover, there has been collaboration between relevant parties (in both public and private sectors) to provide information on demand and supply. The number of employment agencies is gradually expanding; employment agencies and their affiliates have expanded from three in 2005 to nine. These agencies placed 6,404 workers in jobs in 2006, 21,099 workers in 2007, 74,992 workers in 2008, and the number of workers who were placed in jobs reached 241,949 in 2009.

Overall, 317,444 workers found jobs during the Sixth Plan, which is equivalent to 58.35% of the target (the target was 544,000 workers, with an annual average of 108,800 workers). New jobs are expected for 325,440 workers in 2010, which will result in a total of 642,884 workers employed, exceeding the Sixth Plan target by 18.2%. Of these, domestic employment will be assured for 626,691 workers; 584,589 workers for the agricultural and forestry sector, 38,435 workers in the industrial and construction sector, and 3,667 workers in the service sector. Job opportunities outside the country will be provided for 16,193 workers; 1,042 workers in the agricultural and forestry sector, 13,396 workers in the industrial and construction sector, and 1,755 workers in the services sector. The government made attempts to collect data and register people who need jobs. The number of people in need of work totalled 298,775, of which 192,904 wished to work in the agricultural and forestry sector, 74,194 in the industrial and construction sector, and 29,677 in the services sector. While the Sixth Plan targeted 390,000 persons for employment, the actual employment rate was 76.6% of the target. In cooperation with the employment agencies of other countries, it was identified that there was an estimated demand for 10,434 positions in Thailand (152 for women), 300 positions per year in Japan and 1,000 positions per year in Malaysia. Cooperation was also sought with the Ministry of Labour, Republic of Korea, in order to prepare for the export of Lao labour to Korea.

The labour structure by economic sector has been slowly transformed towards industrialisation and modernisation, the same direction as the economic structure. The share of labour in the agriculture and forestry sector has slightly declined, from 78.5% in 2005 to 75.1% in 2010, and correspondingly the share increased in the industrial and construction sector from 4.8% to 5.5%, and in the service sector from 16.7% in 2005 to 19.5% in 2010 (see Table 3). The proportion of labour shifted from the agricultural sector to the non-agricultural sectors is 0.7% annually. The services sector accounted for larger numbers of those who shifted from the agricultural sector when compared to the industrial sector.

**Table 3: Share of labour by sectors**

No.	Sector	Year		Estimate
		2005	2010	2006-2010
1	Agriculture-forestry	78.5%	75.1%	73.9%
2	Industry	4.8%	5.5%	9.3%
3	Service	16.7%	19.5%	16.9%

Source: Calculations based on Population Censuses 2005 and NSED VI (2006-2010)

## ***2.2 Balancing the Sources of Funds for Development***

### **[1]. Public investment**

The implementation of Public Investment Programmes (PIP) during the last five years suggests that funds for PIPs in each sector and locality has been effectively allocated for the government's priority 11 programmes and 111 projects. In total, 24,747 billion Kip was invested. Of this, 3,982 billion Kip was from domestic sources which accounted for 98.7% of the 5-year approval (2,150 billion Kip was invested in the economic sector, 956 billion Kip in the social sector and 876 billion Kip in the other sectors) and 20,765 billion Kip from foreign sources.

### **[2]. Attracting Official Development Assistance (ODA)**

During the last five years, given the difficult economic circumstances worldwide, Official Development Assistance (ODA) globally and in some regions marked a declining trend. However, development partners and some partner countries with close ties to Lao PDR, that have promised to assist the nation, have continuously provided assistance to support the

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2 This figure based on the last Population Censuses 2005, so will be difference in the NSED VI (2006-2010)

(Jobs in the agricultural sector 76,6%, industry 7,7% and service 15,6% in 2005.

socio-economic development policies of the Party and the Government. During these five years, funds from ODA were used for 2,251 projects in total, and as reported in the annual Foreign Aid Report of the ODA implementation, these funds amounted to US\$2,443 million, or on an annual average US\$ 488 million. Moreover, a National contribution fund (public fund) contributed US\$ 88.66 million (an annual average of US\$ 17.73 million). The implementation of grant projects has considerably contributed to the socio-economic development of the country. In general, the ODA funds have been effectively used.

### [3]. Attracting Foreign Direct Investments (FDI)

The economy attracted a total of 1,022 private (domestic and foreign) investments projects during the last five years. The approved projects during the plan period were valued at US\$ 11.01 billion, of which domestic investors made investments worth US\$ 2.2 billion. The largest share of approved funds was in the electricity sector with US\$ 3.44 billion (31.24 %), followed by the mining sector with US\$2.88 billion (25.82%), the services sector with US\$1.48 billion (13.44%) and the other sectors with US\$3.21 billion (29.15%). During 2008-2009 alone, approved projects amounted to US\$4.3 billion. The largest investment in-flows are from China, Vietnam and Thailand.

**Table 4: Private domestic and foreign investment from 2006-2010 (US\$ billion)**

Fiscal year	Total investment	Local investment
Total	11.01	2.2
2005-2006	2.70	0.4
2006-2007	1.14	0.2
2007-2008	1.22	0.3
2008-2009	4.31	0.9
2009-2010	1.64	0.3

Source: Investment Promotion Department, Ministry of Planning and Investment,

Foreign investment has significantly contributed to economic growth and reforms of the economic structure, commercial production, job creation and provincial development. Moreover, support has been provided to strengthen the private sector.

Overall, the achievements were made due to the strong measures and policies put in place by the government for attracting funds; for example, the Investment Promotion Law has been amended,, the investment approval process has been improved with the one-window approach, the power of local authorities in approving and managing foreign investments has been strengthened, based on types of projects and values of investment. The government sets

up meetings with local and foreign investors and entrepreneurs on an annual basis in order to monitor progress and discuss difficulties and solutions. Moreover, promotional activities abroad for investment promotion have been carried out to attract more foreign investors to the country.

### ***2.3 Balancing the State Budget***

The Sixth Plan targeted the share of state revenue at 14-16% of GDP and public expenditure at approximately 20-22% of GDP. Budget deficit was to be limited at approximately 6-8% of GDP.

Through the implementation of the Plan, the status of the public budget has gradually improved. Revenue collection has exceeded the target for three consecutive years. The increase in revenue is due largely to taxes and customs, which accounted for approximately 70% of the total revenue. During 2006-2010, the estimated total revenue was 38.05 trillion Kip, which accounted for 17.31% of GDP and equivalent to 105% of the Plan. Of this, the domestic revenue was 32.31 trillion Kip.

The total budget expenditure was 49 trillion Kip, which accounted for 22.29% of GDP and is equivalent to 103% of the Plan target. This has resulted in a budget deficit of 10.95 trillion Kip (after including the grants), which is an average budget deficit of 4.98% of GDP, (Plan target was 6.1% of GDP). Overall, the main expenditure item was the recurrent cost of public sector salary, which is the first priority of government. The salary index rose through three subsequent years at an annual average rate of 18.66%.

At the beginning of 2007, the amended version of the State Budget Law was put into effect. The main purpose of the amendment was to improve the budget management mechanism, by centralising three sectors, namely treasury, customs and tax, in the national budget. In mid-2007, the Audit Law was enforced. The State Audit Organisation can now directly report to the National Assembly. In general, the government's financial status has gradually improved.

### ***2.4 Balancing Imports and Exports***

The Sixth Plan aimed to benefit from trade; to stimulate economic growth through competition and effective use of the country's absolute advantage, international economic commitments (under the ASEAN Free Trade Area (AFTA), and the bilateral and multilateral trade agreements, including WTO accession.. Expansion in international trade has boosted domestic trade by opening up trade between cities and rural areas. In addition, the government has made efforts to promote commercial production and increase exports, promote cross-border trade, and promote production for both domestic consumption and export. Expansion in trade has improved human development. The living conditions of the

ethnic people have improved in many ways, through employment creation, labour migration, cross-border trade, rural electrification and others.

The overall priorities of the Sixth Plan were to increase the share of export goods that have high added value and therefore contribute to economic growth; moreover, the Plan aimed to integrate exports into each sector in order to increase employment opportunities and generate higher income to benefit the people as well as the country.

During the period 2006-2010, the export value of Lao PDR's goods was US\$ 5.69 billion which accounts for 23.4% of GDP. This demonstrates an increasing trend each year, especially the export value in 2009, which is expected to reach US\$ 1,005.3 million. This was a slight decrease compared to the value in 2008. It is anticipated that exports will reach US\$ 1,789 million in 2010, which is double the target of the first year of the Plan. The majority of the export commodities are mining products (silver, gold and copper), garments, agricultural products (coffee, corn, tea, peanuts, rice, livestock etc.), electricity, and wood and wood products.

In 2009, the largest proportion of export earnings came from mining 45% of the total export of which copper had the largest share (33% of total exports), while the share of gold and silver combined was 9.28%. The second largest share was of garments, accounting for 12.7%, which declined by 10-11% when compared to exports in 2008. Electricity accounted for 9.97% of exports, which was a slight increase compared to the 2008 figures. In addition, wood products constituted 4.9%, and coffee 2.25%. Details are shown in the Table 5 below:

**Table 5: Export structure of Lao PDR by commodities 2005-2009 (%)**

<b>Commodities</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Wood products	14.13	11.09	9.71	6.02	4.90
Coffee	1.35	1.11	3.13	1.69	2.25
Agricultural products/NTFP	3.65	2.52	1.80	4.82	9.06
Others	3.74	2.72	2.52	2.60	15.43
Garments	20.04	14.45	13.69	23.45	12.70
Electricity	17.81	11.47	9.13	9.89	9.97

Mining	39.16	56.55	59.94	51.44	45.26
Gold and silver	15.69	12.47	10.06	7.38	9.28
Copper	20.40	41.99	47.89	40.85	33.51
Other	3.07	2.08	1.99	3.21	2.47
Fuel	0.13	0.09	0.09	0.09	0.44
<b>Total export FOB:</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

*Source: Bank of Lao PDR.*

Imports to Lao PDR during the period 2006-2010 had a value of US\$6.61 billion, which accounted for 27.3% of GDP and shows an increasing trend. In 2009, the total value of imports was approximately US\$ 1,413.5 million, which was a slight increase compared to 2008. It is estimated that imports will further increase to US\$ 1,670.97 million by 2010.

The imported products were largely for investments; machinery and equipment, for activities ranging from production to construction and electricity generation (for example in 2008, these items of import accounted for 40% of the total imports, which further increased to 69.61% in 2009). Imported products also included goods for consumption such as food, medicines and clothing (for example in 2009 those imports constituted 21.87% of the total imports, which was a decrease by half compared to that in 2008). Finally, the share of raw materials and equipment for the garment sector was 4.72% of the total imports (their share fell three times compared to that in 2008). Details are shown in the table below:

**Table 6: Import structure of Lao PDR by commodities 2005-2009 (%)**

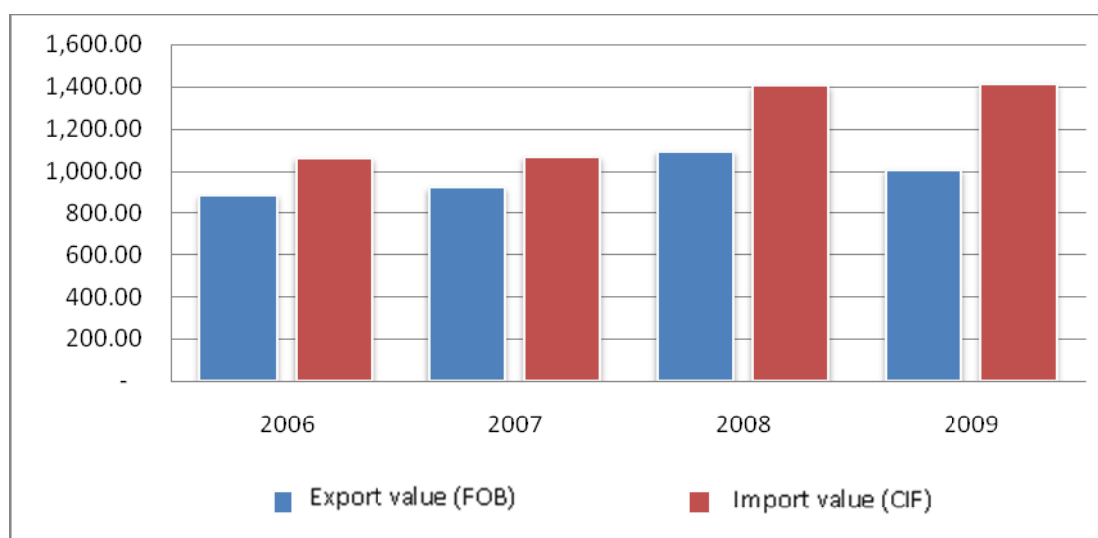
<b>Commodities</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Import for investment	44.14	46.75	55.69	40.45	69.61
Machineries and production equipment	14.35	13.44	16.62	22.46	47.23
Vehicles (50% of total)	5.33	5.65	10.91	3.92	11.10
Fuel (50% of total)	9.75	9.16	16.31	10.65	6.28
Construction/electronic equipment	14.71	18.50	11.85	3.42	5.00
Import for consumption	45.20	41.52	33.93	43.57	21.87

Materials and garment machines	7.92	9.31	7.55	12.48	4.72
Luxury products	1.14	0.99	0.95	1.44	1.20
Electricity	1.38	1.23	1.66	1.92	2.45
Fuel	0.23	0.21	0.22	0.13	0.14
<b>Total import (CIF)</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Bank of Lao PDR.

The foreign trade balance of Lao PDR remains in deficit. During the period 2006-2010, the trade deficit amounted to US\$ 0.92 billion (average deficit: US\$184 million per year), equivalent to 16.17% of the total exports. However, the improved performance of the trade sector has resulted in the trade deficit as a proportion of GDP declining from 10.79% during 2001-2005, to 3.8% during 2006-2010 (the target for 2006-2010 is 5% of GDP).

**Figure 3: Export and Imports from 2005-2009**



### 3. Sub-Regional, Regional and Main Sectoral Development

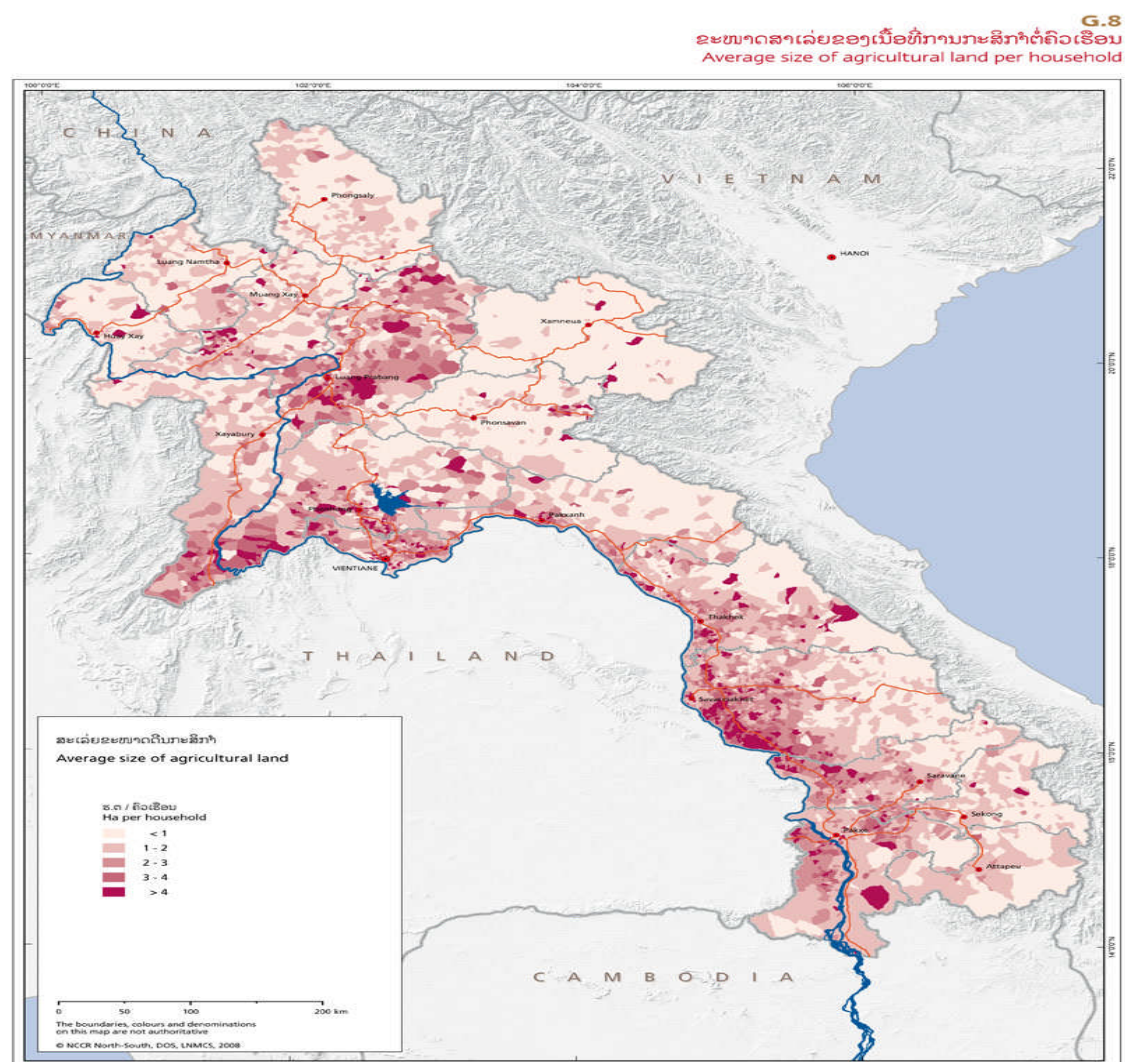
#### 3.1. Sectoral Development

##### 3.1.1. Agriculture and Forestry

The Agriculture and Forestry Sector grew at 4% and accounted for 30.4% of the total GDP in recent years. Crop and livestock production grew at 4.07%, which accounted for 88.6% of value added in the sector. Fisheries production also grew at 4.03%, and accounted for 11.4% of the value added in the sector. Overall, agriculture and forestry production has improved and supplies sufficient production for basic domestic needs.

The main area for plantations and agricultural production, particularly rice crops, is located in the central part of the country, accounting for 55% of sown area, and 57% of sectoral production. The southern part accounts for 23% (of both sown area and production) while the northern part accounts for 22% of sown area and 20% of production. Savannakhet Province has the largest area of crops (mainly rice) accounting for 22% of the area used for growing rice in the country, followed by Champassack Province (12%), Vientiane Capital (9%), Saravane Province (9%) and Vientiane Province (8%). The agricultural land per household is approximately 1.6 hectares in the country. Below is a map showing the differences in size of agricultural land per household in different provinces.

**Figure 4: Average size of agricultural land per household**



Source: Socio-Economic Atlas of Lao PDR

**Promoting Crop and Vegetable Production:** The production of some of the main food and vegetable items has been promoted, namely rice, corn, sugarcane, coffee, tea, tobacco, peanuts, soybeans, green beans, cassava, cotton, and livestock. Since 2006, locally grown rice has been sufficient for self-consumption and also enough has been produced to set aside



some for sale. On average annual rice production reached 2.9 million tonnes in 2009 (increased from 2.56 million tonnes in 2005). This is 88% of the target set by the Sixth Plan (3.3 million tonnes), which increased by 26.4% compared to the figure in 2005-2006. Paddy rice production per person as per latest available estimates is 470 kg per person per year. This is sufficient to meet the basic needs of society. However, the price of rice has fluctuated seasonally from time to time, due to issues relating to distribution.

Land yield rate increased from 3.49 tonnes per hectare in 2005 to 3.54 tonnes per hectare in 2008. Rice production was estimated to have reached 3.14 million tonnes in the planting season of 2009, of which wet seasonal rice was estimated to account for 78%, irrigated rice 14.4% and upland rice 7%.

Between 2006 to 2010, the wet seasonal rice crop was sown in an estimated 631,000 hectares, yielding 2.3 million tonnes of rice each year; and irrigated rice was sown in an estimated 89,000 hectares, yielding 423,000 tonnes. Irrigated rice production, however, has not met its target due to both internal and external factors including natural disasters, environment, oil price fluctuation, production costs and market imperfections. Areas under upland rice production have reached an estimated 110,000 hectares per year, yielding 205,000 tonnes.

Apart from rice, production of other crops has also risen significantly compared to recent years, and is able to meet the basic consumption needs of society. Buying and selling remains stable (in that there is no panic buying or selling), production is sufficient, and prices are steady. Self production of vegetables, tubers, cassava and such crops has steadily risen to replace importing.

Along with producing food for domestic consumption, the Sixth Plan also encouraged agricultural produce to be processed in factories to add value; e.g. in corn (for making animal feed) for domestic markets and exports. Corn plantation area increased by 32.7% between 2005 and 2010: from 113.8 thousand ha to 151 thousand ha. The production of this crop increased 88.3% from 403.5 thousand tonnes in 2005 to 760 thousand tonnes in 2010. It is grown mainly in the Northern provinces: Xayaboury, Bokeo, Huaphanh, Oudomxay, Luang Prabang and Xiengkhuang. Furthermore, cassava production tripled between 2005 and 2010: from 51 thousand tonnes to 161 thousand tonnes. It is being exported for processing to flour factories. Sugarcane production also tripled, from 218 thousand tonnes in 2005 to 703 thousand tonnes in 2010. In addition, coffee, vegetables and organic vegetables (cabbage, chayote, coriander and other vegetables) are grown in Pakxong and the Bolevan Plateau, again mainly for export.

**Livestock and Fisheries Production:** In order to supply larger quantities of food for consumption, there has been a shift in the production system from the traditional (natural) methods (of open grazing or feeding) towards livestock husbandry in captivity, so that the animals are better reared. Some additional steps being undertaken are: encouraging community/collective growing, controlling animal migration, supplying vaccines and

expanding veterinary services to villages (coverage of cattle vaccination is 36%, pig vaccination 26% and poultry vaccination 24%). Bird flu is well under control. The livestock and fisheries sector has modernised to an extent, and contemporary livestock farms in locales close to big cities, and in mountainous areas, have begun to emerge. In addition to meeting the urban demand, this trend has encouraged cross-border trade in livestock (cattle, pigs and poultry) and fish. The total domestic supply value of livestock and fisheries is US\$ 102.4 million (the main production is of cattle and buffaloes: 40,000 cattle and 45,000 buffaloes, respectively). In addition, production of fish seedlings has been expanded in 32 governmental stations for supplying these to farmers and to the community as a whole. The supply is able to meet 46% of the country's demand, or approximately 300 million fish seedlings.

**Forest Production:** This sector is able to supply products domestically worth US\$ 31.4 million, and for export worth US\$ 74.4 million. Reforestation and tree plantation are encouraged among all communities and government agencies, the private sector, other organisations and citizens. Commercial trees are planted: eucalyptus, teak, agar wood, and rubber. Foreign investment from Vietnam, Thailand and China has also steadily increased in the tree plantation sector. These countries are mainly investing in rubber plantations in the northern, southern and central provinces, and eucalyptus plantations in the central provinces. Although tree plantation has increased (with cooperation from all stakeholders), the up-keep of plants is still wanting due to lack of funds for supporting technical staff in local areas.

**Wood and Non-Timber Forest Products (NTFP):** There are policies, rules, laws and recommendations to guide implementation. Deforestation and illegal logging have steadily decreased each year, which has encouraged the private sector and businesses to concentrate on wood-processing to add value for export, as well as reforestation, in order to increase the quantity of wood available for production in the future. Trees may be cut only when there is a need to construct important government infrastructure where the trees are located. Additionally, cutting trees is permitted in pre-surveyed sustainable forests.

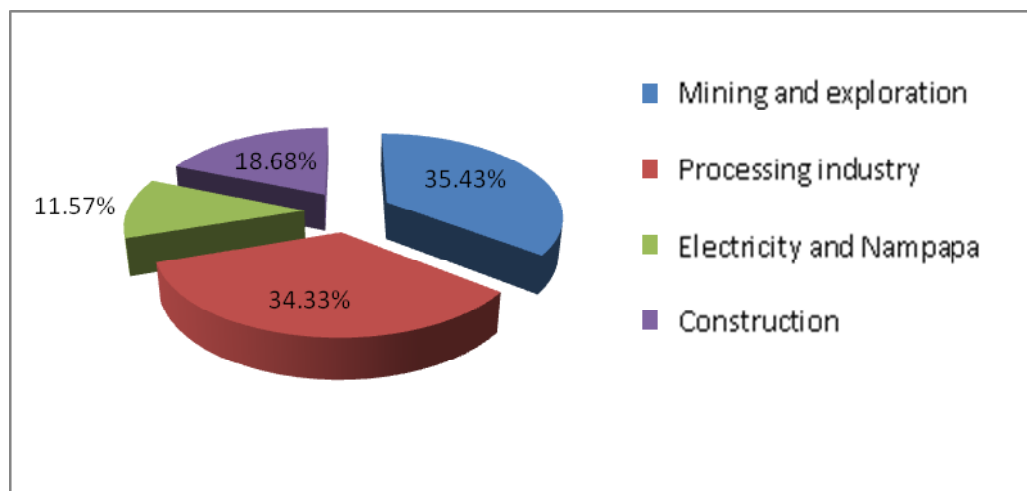
Non-timber forest produce is collected regularly. Some main products are rattan (8.1 million lines), bamboo (5.1 million lumps), fence (38 thousand bars), dried bark (for lighting firewood, 178 thousand lah, a traditional volume measure), Agarwood 180 tonnes, and other NTFP (wood oil, skin, bark, flowers, roots, tubers, etc.) 64,667 tonnes. Nowadays, reforesting and forest development has spread to all communities. Saplings planted increased by 219%, from 36 million to 113 million saplings between 2005 and 2008, used for reforesting 40,000 hectares. In 2005 14,000 hectares were planted – an increase of 191%. Degraded forested areas were regenerated in 127,000 hectares in 2008, compared to 57,000 hectares in 2005, recording a 124% increase.

### 3.1.2. Industrial Sector

During the previous years, the industrial sector grew at approximately 12.6% per annum. The average (2006-2010) share of mineral exploration in the value added in the industrial sector is

35.4%; value-added (processing) activities is 34.3%, and electricity and water sub-sectors form the rest. See figure 5 below for more detail:

**Figure 5: Average share of value added in the industrial sector 2006-2010**



*Source: Statistic Department, Ministry of Planning and Investment*

## [1]. Energy and Mining Sector

### A. Electricity Sector

- Between 2006 and 2010, average electricity production increased 21.12% (current price) and increased 9.3% (constant price) which covered 3.1% of GDP and reached 97% of the Sixth Plan target. Since 2005, five dams have been completed: Nam Mang 3 (40 MW), Nam Theun 2 (1,088MW), SeSet 2 (76MW), Nam Lik 1/2 (100MW) and Nam Ngeum 2 (615MW) which combined have a capacity of 1,919 Megawatts, which can supply energy of 8,022 GWH per annum, an increase of approximately three times compared to 2005. Of these, three dams are private investment(IPP). Presently, there are 14 dams that have minimum energy 1 MW, and if small dams are included there are 29 dams across the country, which have a capacity of 2,583.72MW and can produce energy of 11,514 GWH. Additionally, there were six hydroelectric dams to be constructed during the Sixth FiveYear Plan which are estimated to have a capacity of 662.2 MW. Of these, the dam construction that aimed to be completed in 2011 consists of SeKaman 3, Nam Ngeum 5, Nam Yon and ThatSalan; those to be completed in 2012 include Theun Hinboun extension phase and NamXong dams. Furthermore, the Hongsa Thermal Power Plant (1,878MW) is currently under the process of resettling people and completing the necessary environmental requirements. The plant is expected to be officially opened in 2011.

The length of electricity transmission lines in the country is 29,601 Km, of which 138 Km are very high pressure lines of 500 kv; 406 Km are of 230 kv (mostly for export); 2,060.9 Km are high pressure lines of 115 kv; 14,577.2 Km are medium pressure lines of 22kv, 34kv, 35kv; and 12,419 Km are low pressure lines of 0.4 kv. By August 2010, 98% of all districts, 60.48% of all villages and 72% of all households had electricity and access to a power connection.

Some power transmission lines are under construction: the NARPD Project in the north, 1,627 Km in length, is 98% complete; REP1 Project in the south, 2,472 Km in length, is 93% complete; GMS Project in Pakxong-Jiangxai-Bangyor area is 64% complete; and Paksan-Thakek-Savannakhet, 285 Km in length, is 18% complete. Additionally, there are 115KV transmission lines in NamNgeum 5 which are 142 Km in length, 230KV transmission lines in NamLik-HinHurb-ThaLard-Vientiane Capital, and 500 KV lines from the NaBong-Thai border which are under construction. Moreover, there are also medium-low lines in Sukuma District, Mounlapamok District and Pin District-TadHai area, which are being constructed.

The total private investment in the electricity sector between 2006 to 2009 was US\$2,995.5 million, which is an increase of 88.5% compared that in the plan period from 2001 to 2005.

In total, electricity production increased 9.3% per year. The electricity sector has shared 15% of total industrial production and accounted for 3% of GDP.

## B. Mining Industry

- The total mining production value amounted to 16,772.47 billion kip, with an average annual increase of 19.91% between 2006 and 2010 (at current price), which is a five-fold increase compared to the last five years (2001-2005). The sector accounts for 9.5% of GDP. Exploration and production of gold bars during the four years between 2006 and 2009 reached 33.13 tonnes (2006 produced 12.65 tonnes, 2007 produced 9.2 tonnes, 2008 produced 5.81 tonnes, and 2009 produced 5.47 tonnes) while in 2010 the aim is to reach 5 tonnes (the figures show a decline in production of gold because there have been changes each year in the amount of gold extracted from the gold ore). During these four years, the production of copper plates was 321,487 tonnes and copper dust 585,607 tonnes; and the total sale of copper reached US\$ 3,274 million. As a part of the agreement between the mining companies and government, the government received its share worth US\$ 445 million from Sepone gold mining between 2006 and 2009. In 2010, the company is expected to share US\$ 148 million with the government. Local level authorities received US\$ 500,000 annually for rural development. Additionally, Phubia Mining shared US\$ 18 million with the government

in 2010 and US\$ 200,000 annually at the local level, earmarked for spending on rural development.

The total investment value in the mining sector in five years has been US\$ 2,545.3 million, which is a five-fold increase compared to the last five years (2001-2005). Currently, there are 154 domestic and foreign companies operating in the mining sector, operating 269 projects, 49 of which are at the exploration stage and 220 of which are projects under survey process. The Kali Salt Factory completed in Thongmung Village, Saythany District, Vientiane Capital. The factory has a capacity of 50,000 tonnes per annum and will be expanded to 1 million tonnes per annum in the future. A similar factory is under construction in Thakek District, Khammouane Province. Additionally a steel factory is being set up in Vientiane Province.

- **Geology:** The most important activity in this sector is to create geo-mining and mineral maps, since minerals can be identified best with larger and more detailed maps. Mining and mineral maps with a ratio of 1:1,000,000 have now been drawn up for every province. Maps with a ratio 1:200,000 have been completed for 54.86% of Lao PDR's total geographic area, and maps having a larger ratio of 1:50,000 have been completed for Sepon, Sanakharm, and along the Mekong River Bank in the Northern provinces and target areas for exploration.

## [2]. Manufacturing

This sector is important in the industry and manufacturing due to contributed in terms of value added and job creation. The manufacturing sector have quickly growth as average of 9.4% per year between 2006 to 2010. Manufacturing is a relatively low investment sector, having a high rate of job opportunity when compared to other industrial sectors. Some of the main sectors in manufacturing have had a steady growth, such as garments and textiles, wood and food processing. The total number of manufacturing enterprises is 24,331, accounting for 19.2% of the total number of enterprises (source: Economic Census, 2006).

**Textiles and Garment:** This is one of the sectors which has experienced a positive growth rate, thereby generating employment opportunities and incomes for communities. Currently, there are 463 garment factories in the country. Of these, 39 are large sized factories, 18 are medium sized factories and 406 are small sized factories. Additionally there are some related factories including five laundry factories, 12 sewn logo factories, 10 print logo factories, and three carton production factories. The total investment of the private sector in textiles and garments between 2006 to 2009 was US\$ 15,715,000 , an increase of 84.9% compared to the previous five years (2001-2005). There are a number of pressing issues in the textiles and

garments sector which need to be addressed including lack of sufficient funds, lack of connection in production, discontinuous production, high transportation costs, and production tax.

Handicraft sector: In the previous years, handicraft products have been gradually developed in terms of decorative design and skills. Because of the product design, the handicraft market has expanded both in domestically and globally. In addition, these products have been received awards from handicraft competitions in the region. Currently, there is an establishment of handicraft business units both individual and joint, especially the rural and remote areas. The important role of this sector is to create jobs and generate income for people as well as to contribute to poverty reduction which is a policy of the party and the government.. The handicraft group was established due to the government's promotion policy.

Presently, the domestic and foreign investment in the handicraft sector is around 40 units, and selling is able to increase approximately 7-8% per year. In addition, there are 18 promoted handicraft businesses..

Construction Materials: This sector has experienced rapid growth resulting from market demand. Cement production can now supply 80% of the country's demand. The production is of international standards and is widely recognised and acceptable in the domestic market. Investments in this sector trends to increase. Presently, there are six cement factories (there were only two in the last five-year plan period, namely, the two factories at Vang Vieng). The largest factory now is in Khammuane Province. Cement production has reached 1.2 million tonnes per year. The planned target was to produce 1.3 million tonnes by 2010 which increased 44% per year. Additionally, there are factories that can supply construction materials to meet domestic demand to an extent. The factories including 24 steel factories which produce still bar and processing steel, 10 tile factories and 308 concrete factories.

Food Processing and Beverage: The production of beer, other alcoholic beverages, soft drinks and cigarettes has experienced steady growth; it now fully meets the domestic demand and the surplus can be exported. During 2006-2009, beer production achieved 5,180,179 hectolitres with an average annual increase of 14%. A second beer factory in Champassack Province, a Tiger Beer factory in Vientiane Municipality, and Savannaket beer were constructed, and are in operation. The Economic Census of 2006 suggests that the food processing sector had 15,804 business units in 2006, of which 28 units were large factories, employing more than 100 workers. Another 171 units employed 10-99 workers (classified as medium-sized units). The rest of the 15,625 units were small, employing less than 10 workers per unit. This sector has a potential to grow, because of fertile soil which supports many crops and livestock. However, food processing is still difficulties, as most farmers are not oriented towards producing for the market. In addition, there are difficulties related to scarce raw materials in some seasons, as the transport system is not adequately equipped to transport

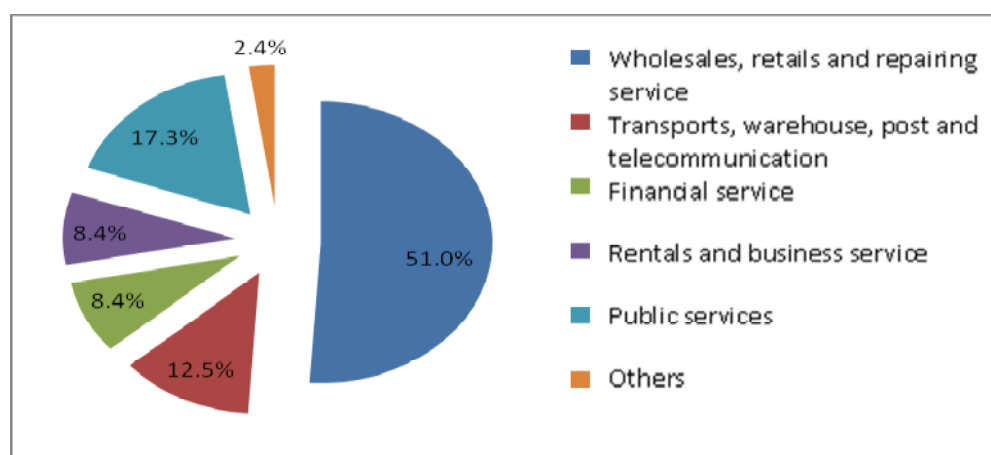
raw material over long distances. There are also market-oriented issues; many farmers find it profitable to sell their products along the border, as the price is higher compared to the price paid by the local food-processing industries. Therefore, in order to compete in the international export market, this sector must improve both product quality and standards.

In sum, the manufacturing sector has the potential to grow and supply adequate quantities of cement, steel bar/processed steel, natural fertilizer, processed food, beverages, etc. to the society. Small and medium size enterprises (SMEs) have contributed appreciably to the manufacturing sector because of an increase in business activities in manufacturing, according to the Economic Census in 2006, there are 24,331 business units accounting for 19.2% of all businesses.

### 3.1.3 Services sector

The services sector has grown at a rate slower lower than the industry sector; its annual growth rate is average at 8.4% during 2006-2010. Development of the services sector is critical for socio-economic development. During this period (average for 2006-2010), the contribution of the services sector was 37.2% to GDP. Its major components are wholesale, retail trade and repairing business, constituting 51%; public service 17.3%; and transport, warehousing, post and telecommunication 12.5%. The rest of its constituents are financial services, rental services and public services, including social and private services, hotels and restaurants, and others.

**Figure 6: Structure of service sector 2006-2010**



*Source: Department of Statistics, Ministry of Planning and Investment.*

### [1]. Internal trade

During 2006-2010, the trade sector substantially focused on local markets development, and a number of measures have been taken up to promote the movement of the goods across the

country to ensure their supply to all in the society, in both urban and rural areas to help building the foundations of a market economy. Infrastructure for trade facilities such as a market system, ( including cross-border markets), cross-border trade, shopping malls, supply systems (wholesale and retail), shops, warehousing system, vehicle parking, and boat landing spots have all improved. The quality of services too has continuously been improved; e.g. the enterprise registration process has been simplified, by shortening miscellaneous processes to facilitate businesspersons. In order to enhance participation, facilitate the the private sector to strengthen the services, trade and product circulation have been improved within the country. Trade exhibitions were arranged, and distribution systems of the agricultural products in the rural areas have been established. In all, domestic market has been widely opened and developed step by step. Product circulation has been gradually increased. From 2006-2010, the total value of product circulation was 29,395 billion Kip, which has annually increased 11%.

Trade infrastructure has been widely expanded. Up to the present, there are 628 markets ranging from urban to rural. Of which 73 are big sized markets, 156 are medium sized markets and 429 are small sized markets. Besides, there are establishments of shopping malls, supermarkets, and night-markets in four major provinces include Vientiane Capital, Luangprabang, Savannakhet and Champasack. The construction of markets and shopping malls mostly funded by the private (both domestic and foreign) investors and managed in different forms such as concession under a certain period assigned by the government and the provincial authorities according to the regulations. In short, the markets in urban are largely extended which result in the ability to distribute products into rural and remote areas. Besides, currently there are 17 international checkpoints, 43 domestic checkpoints, and 63 border-trade are between the people who live in different parts of the country. At the end of 2009, the number of enterprises, business units, and entrepreneurs are totally 122,182 who are registered and received approval to regularly operate their business activities.

This increase has also raised the value added in trade; as a result, the average annual growth in trade is estimated at 7.6% between 2006 to 2010, contributing about 51% to the value added in services.

## [2]. Communication, transport, post and telecommunication:

### a. Communication and transport

During 2006-2010, public works and transport focused on implementing 25 projects to support for the priority 11 programmes and 111 projects, especially meant for the Eighth Master Plan on Communication and Transport. There are two focal projects: (1) Construct/improve communication, transport and networking between sub-regions and regions; and (2) Construct/improve communication, transport and networking within the country.



Currently, the transportation system consists of four types: (1) Mechanised road transport with the length of 37,768 km, handling 80% of the total transport volume during 2006-2008 goods transport increased by 5-8%, and passenger transport by 8-10% annually. This mode of transport has enabled supplying goods and passenger transport to all districts throughout the country. (2) Water transport with the length of more than 3,000 km, accounting for 18% of the total transport volume. (3) In the air transport sector, there are 11 airports that handle 2% of the total transport volume and (4) Transport by train.

The road-bridge construction sector shows a better performance than others. The road network has increased by 17% during the five years (2006-2009), from 33,803 Km to 39,568 Km. On average, it increased 4.6% annually or about 1,824 Km each year. Paved roads increased from 4,582 Km to 4,882 Km, or about 7% annually. Bridge across Mekong River (Savannakhet – Moukdahan), road no. 1 in Vientiane Capital, road no. R3 (Bortan-Houisay), improvement of road no. 9 (Savannakhet-Seno), road no. 12 (Thakack-Gnommalard) have been completed. Bridge across Mekong River (Thakack-Nakonpranom) was 40% completed, road no. 2E (Meungkoua-Taijang) was 31% completed, road no. 14A was under construction. Moreover, rail way station (Dongphousy-Thalang) with length of 3 km has been completed. ADB project for small city development has been completed for 12 cities, and water supply project in northern and central parts has been completed for 69%. Despite the vast improvement and construction in the road systems, the demand for road development is yet very high since only a small proportion of the roads are paved. Most roads are constructed from natural rocks and earth, especially the provincial, district and rural roads. These roads are risky for travel in the rainy season. Also, some roads connecting provinces and districts too are not operational throughout the year. The technical standards of a majority of the national roads that fall within sub-regions and remote regions are low compared to the quality of the national roads in neighbouring countries. This impairs benefits to accrue to the country, which could otherwise be reaped by providing transit transport services. Basic techniques, material, equipment, and even transport vehicles are not yet competitive here compared to those in the neighbouring countries. As a result, coordination between domestic transportation system and international systems is weak. In sum, the basic infrastructure for communication and transport, as well as relevant services, are still insufficient in both quantity and quality.

The transport service in 2006-2010 has accomplished moving 111.9 million tonnes of cargo, 1% below the plan target. Passenger transport was 210 million persons, lagging behind the target by two percent.

#### b. Posts and telecommunication

The post and telecommunication network has well grown, and improved. The postal and telecommunication service has been growing, and is now able to provide services within the country and overseas, such as domestic and international money order, EMS/Fedex service

within the country and overseas, domestic and overseas mailing, and collection of domestic and overseas stamps. Public post boxes are gradually reaching rural areas.

There are 119 post offices throughout the country. There are 108 smaller post offices, mainly in the districts. One office has been added during the plan period. In 2009-2010, it is estimated that there will be 3 additional offices set up in the districts, adding up to 117 offices in the districts. Optical-fibre cables have been laid across 11,500 Km. There are 99 telecommunication centres at present, 38 government enterprises, 58 Lao corporations, two centres of Star-Telecom, and one centre of Milicom Lao.

All the telecommunication centres combined can provide 3.6 million connections. Of these, 149.3 thousand are for landlines (99.4 thousand have already been subscribed, a 2.7% increase over the previous year); 3.39 million are for mobile phones (2.59 million have already been subscribed, a 53% increase); and 50 thousand Vin-phone (wireless landlines) (29.57 thousand are subscribed, a 5% increase). The 2009-2010 Plan entails encouraging firms to expand more telecommunication services to rural areas, providing high quality services, and expand service from cities to villages to cover 80%.

In 2009-2010, additional optical-fibre cables will be installed to cover a total length of 13.2 thousand Km, a 15% increase over the previous year. Thus, 90% of the provinces and 80% of districts can be reached via telephones. The establishment of the new Base Transceiver Station (BTS) has enabled 2,000 receiving stations. By end-2009-2010, it is forecasted that three million connections will be subscribed, an increase of 10% over the previous year. This is achieving 48 telephone connections/100 persons. According to the projection for 2009-2010, revenue income from postal service will amount to 40.11 billion Kip, an increase by 2% over the previous year. This will contribute 4.4 billion Kip to the budget, an increase by 2% over the previous year, and will contribute to the total revenue from the post and telecommunication sector at 2,127 billion Kip, exceeding the planned target by 32%. The sector will be able to contribute 600 billion Kip to the state budget, an increase of 7% over the previous year.

Service infrastructure has expanded and improved regularly. Roads, electricity network, irrigation systems, airports and others, directly and indirectly support production, transport, trade and investment, improving people's life, national stability, and peace. Land and air transportation have expanded and synchronised within the region for supporting tourism and the telecommunication network.

In conclusion, communication and transport, warehousing, and post and telecommunication play an important role and generating revenues and critically support other sectors to grow. On average, the sector's value added has increased by 7.8% per year. Its contribution to the GDP is about 4.6%.

### [3]. Tourism

Tourism is an important sector, which creates multiple benefits and generates income for the ethnic people as well, in both cities and rural areas. It has a direct and indirect association with other economic sectors. Of recent, tourism in Lao PDR has had a rapid growth as the tourist arrival data suggest. In 2009, tourist arrivals were 2,008,363; an increase by 15.55% compared to 2008. It is estimated that this will further increase to 2,216,986 in 2010 (i.e. an approximate increase of 10.39%). Through the period 2006-2010 (combined), the number of tourists coming to Lao PDR was 8.79 million, or 1.76 million per year. The average annual increase was 15.8%. This generated US\$ 258.04 million in revenue. In the Sixth Five-year Plan period compared to that in the Fifth tourist arrival in Lao PDR increased 44.5% and revenue generated from the tourism sector was doubled.

Tourist arrivals to regions and provinces : During 2006-2008, the largest number of tourists came to the central region, i.e. 62.4% of the total tourist arrivals. This region experienced an annual increase of 22.7%. The northern region received the next largest tourist arrival, having a share of 28.2%. This region experienced an annual increase of 37.5%. In the southern region, the total tourist arrival was the least, having a share of only 9.4%. This region also experienced an annual increase of 31.9% in tourist arrivals during 2006-2008. The province receiving the largest number of tourists is Vientiane Capital, 28.7% of total tourists in the country, which is 46.1% of all tourists to the central region. This is because Vientiane Capital is where tourists first arrive it being the centre for transport and communication before travelling to other provinces. The second largest proportion of tourist arrivals is in Savannakhet province (15.5% of all tourists, and 24.9% of tourists to the central region). Tourists can now travel to Savannakhet with relative ease, as the second Friendship Bridge has been built between Savannakhet and Moukdahan (in Thailand). The third largest proportion of tourists goes to Luang Prabang Province; about 11.3% of all tourists, and 40% of tourists to the northern region (data pertain to 2008). This is because Luang Prabang is a famous world heritage city, and is also an important eco- and cultural tourism attraction.

In term of revenue generation from tourism, the largest amounts emerged from the central region: 62.39% of the total revenue generation in the tourism sector, equivalent to US\$ 160,653,188. The increase in revenues from tourism in this region was about 15% through 2006-2010. The northern region generated about 28.2% of the total revenue from tourism, equivalent to about US\$ 72,609,457. The annual increase in revenues from tourism in this region was about 22.5% through 2006-2010. The south generated about 9.42% of the total revenue from tourism, equivalent to US\$ 24,523,113 million. The annual increase in

revenues from tourism in this region was about 19.75% through 2006-2010. Seen provincial-wise, Vientiane Capital generated the largest revenue, contributing about 28.7% of the total and rising annually by about 8%. Next was Savannakhet, contributing about 15.53% of the total and rising annually by about 27%. Third was Luang Prabang, contributing about 11.26% of the total and rising annually by 24.15%.

The total number of hotels and guesthouses was 1,385 in 2008. This was an increase of about 4.1% over 2007. In this, the number of hotels was 265, increasing 25.6% over the previous year. The number of guesthouses was 1,120, staying unchanged over 2007. In 2009, the number of hotels and guesthouses was 1,484, an increase of 7.2% over 2008. In this, hotels were 357, an increase of 34.7% over 2008. Guesthouses were 1,127, an increase of 0.6% over 2008. In 2010, the number of hotels was 383, the number of guesthouses and resorts was 1,379, and the number of restaurants was 1,389. On average through 2006-2010, the number of hotel increased by 21% annually, and guesthouses by 5%.

Hotels were largely concentrated in Vientiane Capital; they being 43% of the total. Next are Champassack, with 13.2% of the hotels, and then Luang Prabang with 11.7% of the hotels in 2008. Guesthouse and resorts were also the most in the capital; at 16.5% of the total. They were 16% in Vientiane Province and 14.4% in Luang Prabang in 2008.

There were a total of 742 restaurants in 2008, which increased to 1,148 in 2009, an increase by 55%. They were mainly located in the northern region (45.3%), followed by the central region (44.5%), and then the southern region (10.2%). Vientiane Province had the largest number of restaurants at 16.4%, followed by Borikhamxay province at 13.5%, and Oudomxay 11.6%. Vientiane Capital had only 9.3% of total number of restaurants.

There were 164 entertainment centres in 2008, which was an increase by 20% over 2005, and 7.2% over 2007. The central region has the highest number of entertainment centres: they being 70% of the total. The northern region comes next (17.1%), and then the southern region (12.8%). Vientiane Capital had the highest number of the entertainment centres at 56% of the total, Champassack at 9.1%, and Huaphanh at 4.9%.

The number of tourist companies has increased double: they were 64 in 2005, 93 in 2006, 113 in 2007, 143 in 2008, and 169 in 2010. From 2005 to 2010, the number of tourists companies increased by 105 companies or double compared to 2005. Their branches have also risen: in 2005 there were 36 branches, in 2006, 44 branches, in 2007, 49 branches, and in

2008, 65 branches and in 2010, 77 branches. Between 2005 and 2008, the number of tourist companies' branches increased by 41 branches or double .

Currently there are 1,493 tourist attractions in the country, of which 849 are eco-tourism attractions, 435 cultural tourist attractions, and 209 historical tourist attractions. Of these, 626 tourist attractions have been fully developed and are opened for visitors. There are 141 places wherein surveys have been completed but the sites are yet not developed. Tourist attractions that are currently being surveyed are 230, and those not yet in any process, 496. These tourist attractions have been put on a high priority, for developing them according to the local conditions and the tourist needs. Collaboration between the National Tourist Authority (NTA) and provincial authorities is essential for achieving this goal.

The above achievements are a result of the high priority attached to implementing an open door and promotion policy on tourism. This is discussed below:

There are facilities established relating to the arrival and departure from the country; e.g. the new open international checkpoint at Muengmom Village, Tonpeung District in Bokeo Province. There are currently 22 international checkpoints, of which 18 checkpoints issue tourist visas at arrival having 30-day validity as the same visa at counsellor and embassy in abroad. In addition, visa holders can apply for an extension in every province. In the past, this facility was earlier available only in Vientiane Capital.

Visa is waived for citizens of the ASEAN, and Japan, Russia and Mongolia. Additionally, it is now possible to obtain a three-month valid visa, if a person obtains it at a Lao Embassy abroad, with a proviso to extend it for another three months. At international checkpoints, a two-month valid visa can be granted with a proviso to extend it for another two months.

The government has initiated market advocacy and promotion campaigns, which include establishing and improving information centres related to tourism at the NTA and in all provinces. It has also created tourism websites, and additionally participated in international tourism expos regularly, e.g. ITB in Berlin, Germany, TTM in Bangkok, Thailand, CITM in Shanghai, China, Trade and Tourism Expo in Nanjing, China, ASEAN Tourism Festival in Singapore, JATA in Japan, and ITE in Ho Chi Minh City, Vietnam. Lao PDR was a host country for the World Ecotourism Conference in Vientiane Capital in 2008-2009.

The government has coordinated and collaborated with culture-related sectors and local authorities to organise events and traditional festivals for promoting tourism in the country. This includes international stages, such as the Wat Phu festival in Champassack; Kottabong Stupa Festival in Khammuane; Elephant Festival in Xayaboury; Ing Hang Stupa Festival in Savannakhet; Tai Dam Ethnic Group Festival in Luangnamtha; Tuang Ethnic Group Festival in Oudomxay; and Cotton Flower Festival in Bokeo.

In additional mention above, the business sector is also an important component in the development of tourism, e.g. improvement in the quality of services. This helps attract high-income tourists, and prolong the length of tourist stay in the country. The top 10 countries sending high-spending tourists to Lao PDR are Thailand, Vietnam, China, the United States of America, France, Britain, Japan, Australia, Germany and Canada.

### 3.1.4. Regional and international economic integration

Integration of the Lao economy at the regional and international levels, by implementing open-door economic policies on an independent and mutually beneficial basis, has progressively increased economic and trade co-operation and trade negotiations at the bilateral, regional, sub-regional and multilateral levels. Multilateral trade cooperation, economic cooperation with ASEAN and the Asia region, and cooperation with ASEAN's dialogue partners and APTA have been highly successful; some examples:

Multi-lateral trade cooperation: Despite that Lao PDR has yet to become a member of WTO (though it was expected in the 6th NSEDP), negotiations for entry into it have so far been successful, albeit gradually. 700 questions raised by the WTO have been answered, and meetings with operational units for 'WTO Entrance' have been organised on five occasions. Next, field trips were conducted to China and Vietnam to prepare for WTO entrance. Preparations for WTO entrance have also entranced the capacities in many sectors: e.g. improvements in laws and regulations—Law on Value Added Tax, Law on Enterprise, Law on Intellectual Property, Law on Standards, Law on Forestry, Decree on Implementation of Tax Law, Law on Livestock and Veterinary, Law on Plant Protection, Law on Investment Promotion, National Policy on Food Safety, Decree on Procedures of Import Approval, Law on Fisheries, Provision on Fisheries, Presidential Provision on Collection of Fees and Service Fees, and Decree on Safety of Food.

Economic cooperation with ASEAN and the region: Lao PDR has signed the ATIGA, and an agreement with ACIA is under the process, both being pre-conditions for joining AFTA. They will require to be ratified by the National Assembly some time soon. Agreement has been made with the ASEAN Service Trade Agreement under ASEAN Agreement on Services for seven categories of services, and the eighth is being negotiated.

Cooperation on the scope of ASEAN and its dialogue partners: For furthering free trade, ASEAN-China negotiation was recently completed; it came into force from January 1, 2010 (between ASEAN+6 and China). An Agreement of Economic Cooperation between ASEAN and Japan was made earlier, and its implementation began from December 1, 2008, wherein predefined import-export proforma are being used. In 2009, an agreement on establishing free trade between the ASEAN, Australia and New Zealand was signed. Additionally, a 'Products of ASEAN and India' agreement was signed, an agreement on investment between

ASEAN and the Republic of Korea was made, and a feasibility study was carried out on establishment of free trade area between ASEAN+3 (EAFTA) and ASEAN+6 (CEPEA). These agreements should form the basis for furthering economic cooperation with the ASEAN, and Asia in general.

Implementation of Asia-Pacific Trade Agreement (APTA): Lao PDR is a member of APTA and has continuously participated, performed and taken part in negotiations on trade agreements, tax reduction plans, trade and service facilitation, and so on, in the Asia-Pacific region.

Bilateral Trade cooperation: This has expanded, particularly with countries nearby; e.g. Lao-Vietnam trade relations, Lao-China trade relations, and Lao-Thailand trade relations. As of now, Lao PDR has signed bilateral agreements relating to trade and economy with 18 countries, namely, Bulgaria, Thailand, Myanmar, North Korea, China, Vietnam, Cambodia, Malaysia, India, Russia, Belarus, Argentina, USA, Turkey and Kuwait.

In short, efforts to negotiate with other countries for finding support for Lao PDR to join the WTO, and also expand openness in the economy, have made significant progress. In the last five years, cooperation within the ASEAN has been fairly successful. Economic cooperation with ASEAN has been successfully achieved, as suggested in the above-mentioned negotiations and agreements. In addition, Lao PDR has jointly signed an agreement on the ASEAN-Republic of Korea economic cooperation and signed seven agreements related to ASEAN and ASEAN-China Economic Cooperation. These agreements are to gradually enhance cooperation between the ASEAN and its negotiation partner countries, to achieve the goal of establishing ASEAN Economic Association, and thus have collective markets in the future. For implementing APTA, Lao PDR has the account list of reduced import tariff on 1,803 items (within the scope of APTA), and due to these, other countries have shown their support to expand free trade within the framework of APTA.

Opening for the international trade: Trade cooperation has enhanced, creating new markets and enhancing market access in different regions. Export and import volumes and values thereof, too have increased and the spectrum widened during 2006-2010 reached 83%, up from 65% in 2005. However, the trade proportion (export plus import as a ratio of GDP) in Lao PDR is still low compared to other ASEAN members, except Myanmar (see Table 7).

**Table 7: Inter-Country Comparison on Opened Trade or Integration 2006-2010**

Countries	Opened Trade Rate (Export plus import as a ratio of GDP)
Lao PDR	<b>83.2</b>
Vietnam	159.1
Cambodia	105.6
Thailand	151.1
Philippines	85.1
Hong Kong	406.5
Malaysia	205.9
Singapore	443.2
Myanmar	52.8

Source: Department of Statistics, Ministry of Planning and Investment and WTO

Export markets and structure: In 2010, the total value of export was US\$1,789 million and import was US\$1,670 million. Of which exporting minerals covered 58% and exporting energy covered 16% of total export. Import for public projects was cover 40% of total import. In 2008, Lao PDR had traded with more than 90 countries. The (import plus export) volume was US\$ 2,495 million, or equivalent to 47.28% of the GDP. Lao PDR exported products to over 48 countries within the region and outside, totalling US\$1,091.91 million, or equivalent to 20.69% of the GDP. The main export markets were, Thailand accounting for 59.60% of the total exports (or equivalent to US\$650.78 million), Vietnam 13.37%, Australia 6.19%, and China 1.85% (for details, see Table 8 below).

**Table 8: Export Market Structure with Main Trade Partners, Year 2008**

No.	Countries	Value (Million US\$)	Percentage (%)
1	Thailand	650.78	59.60
2	Vietnam	145.99	13.37
3	Australia	67.59	6.19



4	China	20.20	1.85
5	Switzerland	10.05	0.92
6	Poland	9.61	0.88
7	Republic of Korea	9.50	0.87
8	United States of America	4.04	0.37
9	Germany	5.13	0.47
10	Netherland	4.37	0.40
11	Others	164.66	15.08
Total		1,091.91	100.00

*Source: Calculation of Department of Statistics based on data from Tax Department, Ministry of Finance and Bank of Lao PDR*

In summary, the structure of export market in the last 5 years including Asia market accounted for 67.54%, EU accounted for 20.40%, Oceania (Australia) 10%, and South America 2.02%. In this, ASEAN (10 countries) covered 53.55%, ASEAN+ 3 covered 63.03%. In Asia market, 10 ASEAN countries shared 79.29% of Asia market. Of which, Thailand was 36.09%, Vietnam was 11.37%, Malaysia 5.97% compared with ASEAN+3, China held 6.03%, Japan 1.07%, and South Korea 9.93%. Inside EU market, England covered 5.34%, France 2.3%, and Germany 3.34%. For the structure of import market during the last 5 year was from Asia countries 96%, EU 2.3%, and the rest was from North America (Canada and America) and Oceania (New Zealand and Australia). For Asia market, Lao PDR imported from 10 ASEAN countries about 81.34%. In this, Thailand had highest proportion 67.26%, followed by Vietnam 12.25%, China 8.3%, Japan 2.6%, South Korea 1.88% and Malaysia 0.6%. In EU market, Germany covered 1.04%, France 0.7%, and other countries.

### 3.1.5 Infrastructure

During the implementation of the Sixth Five-year Plan (2006-2010), construction of infrastructure was brisk. Its average annual growth was 11.26%, contributing to 4.8% of the GDP, through direct and indirect effects, trade and others investments. The passenger and goods transport have increased, (agricultural) wood production raised, national security and stability demonstrated and seamless transportation round the year ensured. Land and air transportation network within the region is working better.

Mekong River bank erosion projects have been completed, such as the one in Tonpeung district, the one Hatsayfong district, and in some other areas. Water supply projects have been completed in Dongmakhai area. Currently, there are a number of on-going projects on small-scale urban development, Phase 1. Water supply and health services projects in the northern and central parts of Laos, as well as water supply improvement projects in Kaoliew and Chinaimo area have been taken up. Construction of Nam Mung 3 hydroelectric project (of 40 MW) was completed in 2005; and Nam Lik 1 and 2 hydroelectric project was also completed. Moreover, there are several Projects that are expected to be complete in 2011 are as follows: Nam Ngum 2, Sekamarn 3, Nam Ngum 5, and Tad Salan. In 2012, several more projects will be complete, such as the expansion of Theun-HinBoon and Nam Song Dam. Electricity transmission line projects in the north, the central-south region transmission lines, medium electricity transmission lines to seven districts in Oudomxay Province were fully complete, and the one to Nalae District. Furthermore, some irrigation projects were completed, such as the project in Nam Tin, Xayaboury Province, and DongPhoSi, Vientiane Capital. In addition, irrigation improvement projects in the natural disaster-hit areas have been taken up, in addition to improving a few obsolete irrigation systems.

National investment in tourism facilities, especially those related to accommodation (hotels and guesthouses) has increased, and during 2006-2010, the investment (only FDI) in tourism was valued at US\$ 166 million [approximately US\$ 33 million was invested into only construction for accommodation (hotels and restaurants)]. In addition, investments into various tourism facilitating sectors, particularly telecommunication and transportation infrastructure, have been made, valued at US\$ 34.45 million in 2008 and US\$ 83.77 million in 2009 which was doubled of 2008.

The government's investment into tourism has mainly focussed on improving inter-provincial roads, water transport and air transport, inducting a number of new and high-technology vehicles into the transportation system, increasing flights, and expanding bus services and similar services. Investment into these sectors during 2006-2010 has had a total value of 2,060 billion Kip, which is an increase of 7.3% comparing to 2001-2005. Of this, 272 billion Kip came from domestic funding (increased 12%), and 1,788 billion Kip from international funding (increased 20%).

Luangnamtha Airport has been renovated and improved. R3 Road has been constructed and this is the road-link to other countries in that region. Additionally, Road No 12 has also been constructed. Lao-Thai Friendship Bridge 2 (connecting Savannakhet to Moukdahan in Thailand) and other roads have also been officially opened. Further, infrastructure at tourist sites has been improved, such as at Konglor Cave and Tad Kuang Xi Waterfall. Work on facilities such as public toilets, lookout sites, parking lots, and the like has been initiated on many other sites. Electricity and water supply has also been improved.

The basic infrastructure development has created opportunities to ethnic people to be able to access production, education, health care services, and markets more and more. Industry and commerce sector, investment (private and public), construction of basic infrastructures and rural electricity have been developed. The increased number of (both domestic and foreign)

tourists leading to repairing, transportation, warehouse, telecommunication, hotel, restaurant and other services have expanded.

### **3.2. Regional development**

For assessing regional development, changes in the structures of three main sectors have been viewed here: agriculture, industry and services, in addition to poverty. At the outset it needs statement that monitoring and evaluation mechanisms of programmes and projects are not yet in systematic. There is also lack of accurate statistics, Therefore, there are difficulties in evaluating, particularly with regards to each target; e.g. the budget, investment, and outcomes as well as effective of investment of priority projects under the 11 programmes and 111 projects in each region. However, the few assessments carried out the activities or projects implemented during 2006-2010.

#### **[1]. Proportion to the national economy of the north, central and the south**

In each region, the economy has grown in differentially. The level of development in the central region is higher than that in north and south, owing to enabling factors like better availability of natural and human resources, and superior infrastructure. The GDP of the central part constituted 70.7% of the country's GDP in the year 2006-2010, while that of the north constituted 15.3% and the south, only 14.1%. The north has a difficult geography: it has a lot of hills and sub-mountain terrain. It additionally lacks basic infrastructure. Here, agricultural production relies upon rainwater. However, the north also possesses some positive features: water resources to produce hydropower, mining and tourism potential as also the border development.

#### **[2]. The changes of economic structures in regions**

The economic structural change in the north: Agriculture and forestry sector constitutes a high proportion of the economy but it trends to decline. While the proportion of industry and service sector have increased as compared to 2005. Despite that the northern region has the potential for economic development; industries there have not been developed. Presently there are a few dams, some small-scale mining, handicraft and family-food processing.

The economic structural change in the central part: In this region, the economic structural change in the same direction to the northern region. The share of the agricultural sector in the GDP has decreased, whereas that of industry and services sector have risen. The service sector has highest share in the GDP. However, the production in this part is still concentrated in the lowlands (along Mekong Rivers), and the services sector is mainly trade, transport and tourism (including border trade).

The economic structural change in the south: The southern part of Laos is located at an international economic triangle, and has a high development potential. The agricultural sector has the highest share in GDP (>50%), though it appears to be on the decrease.

In conclusion, the economic structures in the three parts are matched with the overall development trend to be the industrialization. It is also seen that small-scale/family production for self-consumption, is much higher than large-scale production. However, the changes indicated that there are local potentials. In terms of regional variation, GDP per capita in the central part for fiscal year 2009-2010 was about US\$ 1,142, in the north was about US\$771, and in the south it was about US\$ 718. In 2009-2010, the average GDP per capita expected to increase compared to 2008-2009, GDP per capita in the central part will be about US\$ 1,400; in the north will be about US\$500; and in the south it was about US\$ 783. There are quite different in GDP per capita in between provinces, especially provinces have high poverty ratio, limit land producing and small enterprises. The industry and services production have focus at big cities only.

**Table 9: Estimation of Economic Structure and GDP per Capita in Each Part from 2006-2010**

	GDP Growth (%)	Economic Structure			GDP per Capita (USD)
		Agri. (%)	Industry (%)	Services (%)	
<b>North:</b>	<b>8.45</b>	<b>55.63</b>	<b>21.20</b>	<b>23.07</b>	<b>771</b>
Phongsay	6.72	53.44	25.77	20.78	720
Luangnamtha	7.81	69.74	14.52	15.73	668
Borkeo	7.65	49.04	19.07	31.92	1,004
Oudomxay	10.86	58.34	20.54	21.10	651
Luangpabang	9.36	47.00	18.00	35.00	821
Xayabouly	8.41	48.83	25.1	25.36	1,057
Houaphanh	8.97	65.6	14.14	20.24	397
Xiengkouang	7.78	53.08	32.46	14.43	852
<b>Central:</b>	<b>9.94</b>	<b>40.67</b>	<b>34.03</b>	<b>22.81</b>	<b>1,142</b>
Vientiane P.	8.69	48.55	39.54	11.91	751
Vientiane C.	11.85	19.64	44.67	35.55	2148

Borikhamxay	7.8	38.03	27.27	34.19	1,029
Khammouane	10.84	44.81	36.28	17.14	887
Savannakhet	10.5	52.33	22.4	25.27	897
<b>South:</b>	<b>10.65</b>	<b>46.87</b>	<b>24.04</b>	<b>29.09</b>	<b>718</b>
Champasack	9.76	45	26.3	28.7	1,097
Salavanh	10.14	56.86	18.41	24.73	710
Attapeu	12.28	36.01	36.36	27.6	654
Xekong	10.43	49.6	15.08	35.31	412

[3]. The successful implementation of projects and activities

a. The north:

- In this region, the development has focused agriculture and rural development, urban development relates on building industrial and services bases, and social development, all aimed towards reducing poverty and economic differences between provinces and regions. More specifically, the focus has been on building infrastructure, as stated below:
- Build and maintain irrigation systems, roads, schools, hospitals etc., e.g. the irrigation system on Nam Seng, Nam Mao-Nam Naen.
- Completed construction of Road no. R3 (Boten-Huayxay); completed building and upgrading Nam Tha-Na Lae Highway; currently constructing Road no.2W (Ngeun District-Pakbong District), Road no.2E (Khwa District-Taichang District), Road no.1D (strategic road for national defence and security between Xiangkhuang-Bolikhamxay); and completed Mekong River bank erosion protection in Thonpeung District.
- Completed installing the electricity transmission line connecting Ngoi district-Vieng Kham district in Luang Prabang Province; Completed installing medium pressure transmission line for 7 districts ( Xay-Nga-Bang-Hun-Pakbong, Namor and La districts) in Oudomxay Province; and Namtha district-Nalea district in Luangnamtha Province. Completed construction of power stations in Xay District and Namor District; completed connecting the electricity high pressure transmission line of 115 KV from China to Namor District, Oudomxay Province. Completed restoration and maintenance of the infrastructure destroyed from flooding in 2008.

- Constructed and repaired irrigation system such as the irrigation system on Nam Seng, Nam Mao-Nam Naen, and others.
- Promoted dry season crops for commercial purposes, especially production of maize in Xayaboury increased from 9,500 tons in 2005 to 328,196 tons in 2010. The maize is also grown in Oudomxay, Bokeo, Huaphanh and Xiengkhuang provinces, aimed for export to Thailand, China and Vietnam. Moreover, private and foreign investors were promoted to plant industrial crops/trees especially, rubber trees.
- Promoted and develop natural, cultural tourism sites, for example take up community tourism projects, and organise festivals and events to attract tourists in well known places like Luang Prabang, Vang Vieng, Sing district and Xiengkhuang. Moreover, improved tourism infrastructure, up-grade tourism, services, and border trade.
- Improved education, and provide educational and other materials and equipment to Kumbans.romoted higher education: Fully complete establishing Soupanouvong University at Luang Prabang.
- Established a community health security fund for enabling people to access to health services.
- In addition to the development of infrastructure and urban development, the government has achieved some outstanding production in the north such as rice and vegetable commercial production, especially in Sayabury and Bokeo. Cattles feeding reached an outstanding achievement in Sayabury while big raising has shown a success in Huaphanh. Besides, there are also some industrial tree plantation include rubber tree, tea tree, sugarcane, especially in Phonsaly, Luangnamtha and Oudomxay. Some border-trade areas have been developed such as Lao-China border trade area in Luangnamtha, Lao-Thai border trade area in Bokeo and Sayabury, and Lao-Vietnam border trade area in Huaphanh. The development in the north has been tapped in various sectors such as handicraft, fabric, silk and wood weavings. There is also a gold mining in Long District, Luangnamtha Province. The poverty has been reduced in the north according to Section 3.3.1 and Appendix 2. Sayabury Province has the lowest poverty rate compared to the poverty rate in Huaphanh Province which remains high.

## 2. The central part:

- Central region has advantage location for production and has a favourable infrastructure to connect with neighbors at both local and international levels. A large number of flat areas in the region provides an enabling condition for rice production for commercial and export, especially in Savannakhet. Cement manufacturing has widely expanded in Vientiane Province and Savannakhet Province; while two Industrial Parks have been established in Vientiane Capital including Industry and Commerce Park (at KM21) with the area of 110 ha and Vientiane Industrial Park (VIP). Infrastructure has improved in Khanthabury District (Savannakhet), Vientiane Capital and Pakse District; and industrial development zone has been established in Savannakhet.

- Government focused on build Vientiane Capital which included main construction activities as follows:

- For the preparation for the celebration of the 450 years of Vientiane Capital, the government has repaired roads, Thatluang Park, and Saysetha Park in the capital

- Build the Dongdok-Dongposy Road (450 Years of Vientiane Capital); repaired Road no.9 (Savannakhet-Seno), Road no.12 (Thakek-Yommalath); constructed road connecting Kasi District-Nan District; operated Vientiane-Nongkai Railway; completed construction of Mekong River Bridge connecting Savannakhet-Moukdahan; organised the opening ceremony for the Mekong bridge constructed from Khammuane to Nakonphanom (in Thailand); completed construction of road no. 1 Vientiane Capital. Opened an airport in Savannakhet Province; and carried on a construction of river bank erosion protection in Vientiane Capital and Anouvong Part.

- Completed construction of Nam Lik ½ dam and Namtheun 2 dam, which Namtheun 2 is currently under testing phase. Carried out a construction of Theun Hinboun dam in an extension phase, opened a cement factory in Vangvieng and another factory in Khammoune; opened sugar factory, constructed copper processing factory, tin processing factory in Savannakhet; installed electricity transmission lines in eight villages in Vientiane Capital (Ban Maknowdong, Dong Bong, Phathana, Phosay, Thadeau, Judson, Hoisa kang and Dongmakmo) and 12 focus areas in Phintadhai district.

- Completed SEA GAMES stadia and successfully hosted 25th SEA GAMES

- Additionally, complete construction project in the memory of (former) President Souphanouvong (21 March Public Park) in Khammuane province; increase/improve animal husbandry: cows, buffalos, pigs (in farms), chicken (in farms), goats, and fish (culture in nets and ponds). In services, tourism, education, public health, skill development and international cooperation (which has already been improved by the provincial authorities). The province that has lowest poverty rate is Vientiane Capital while the highest is Savannakhet and Bolikhamxay. However, on average the poverty rate in the central region stays below the national poverty line (see Appendix 2).

### 3. The southern part:

- Beside basic infrastructure development that mentioned in point 3.1.5 above, there still have some specific projects that focused on development of the southern part which are follows:

- Build and maintain irrigation systems, and promote irrigated rice, and crops such as cabbages and cardamom;

- Expand animal husbandry, like cows, buffalos, pigs, chickens, goats, and fish-culture. Continue to develop according to the Master Plan on integration of the economic triangle: road projects from ThaTeag district-BanBeng (fund from development projects for economic triangle), 15A Road Project, and Nam Se Don Bridge. Completed construction of Road

no.14A (Pakse-Cambodia border); completed construction of a road connecting Sekong-Vietnam border; upgraded and renovated Pakse Airport; constructed and repaired irrigation; promoted people to grow rice and other vegetables like cabbages, bok choy, cardamom, and promoted animal husbandry like cattle, buffalos, pigs, chickens and others.

- Continue installing electricity transmission lines to connect six Lao-Thai border villages, Sukhumma district, and start connecting with power(completed four villages), 26 villages on the Lao-Cambodia border (Mounlapamok district, Champassack Province).
- Cooperate with different sectors to improve services and trade at border checkpoints, develop tourist attractions, continue focussing on educational development, and provide materials and equipments.
- Monitor and control outbreak of Avian Influenza
- Complete national sport events in Champassack Province; aim to improve skills development and other tasks
- As a result, the southern provinces has been developed in various sectors such as agriculture and industry as well as service which results in a decline of the poverty rate in Champasack, which has the lowest poverty rate in the southern region and in the nation wide, followed by the poverty rate in Attapeu Province which is below the National Poverty Level (see Appendix 2). The outstanding products are mostly of agriculture including coffee, beans, potatoes, tobacco and vegetables. Champasack ranked as the top producer of these commodities. Rubber tree plantation spreads over the southern region. Apart from this, there are some important urban developments in Pakse, Saysetha, Lanam and Saravan Districts, especially the development of trade and transport infrastructures. Some important districts for communication between the central region, the producersand markets include Samakkeexay and Thathome in Attapeu; Kongsedon in Saravan; Thatheng in Sekong; Paksong and Pathoumphone in Champasack. Therefore, the government has paid attention to develop these districts in terms of construction and renovation of the infrastructure. Additionally, food processing showed a good potential in this region such as processing of coffee, tea and wood; border trade market has been clearly developed alongside the development and promotion of the tourism sector (see details in Section 3.1.3)

### **3.3. Social development**

- In apparel with economic development, part and government also focuses on cultural-social development in order to improve living standard of Lao people; Moreover, the government has make high effort to lift up social index to be closer to neighboring countries and region. In each year, the proportion of public investment in social sector has been increased. It is shown below:



### 3.3.1. Rural development - poverty eradication and development

#### [1]. Rural development and poverty eradication

Lao PDR has a larger proportion of poor people (poverty rate) compared to most other countries in East Asia and Pacific. According to the poverty estimate made in 2008 based on LECS4 Survey 2007-2008, the poverty rate was 27.6% . This rate is quite high when compared with the rates in neighbouring countries like Vietnam, Cambodia, and Thailand. Poverty is critical in rural and remote areas, particularly in the priority areas in the north and south. At the same time, inequality between the rich and the poor is an obstacle for poverty reduction.

According to the principles and goals of the Party and the government on the achievement of the 2010 targets of poverty reduction by 2010, the achievement of the Millennium Development Goals (MDGs) by 2015 and graduation from the least-developed country status by 2020, poverty reduction has become the primary objective and a priority of the government. The government has prepared a number of measures, programmes, funds and human resources to attain poverty reduction, through the promotion of rural development, for example, further developing village and Kumban across the country. The government has identified priority areas and special policies has been put in place for remote areas and the former revolutionary base areas.

The activities implemented made good progress and achieved satisfactory results, with a particular focus placed on building capacity of 2,760 local officials for Kumban development, and completing Kumban development plans in 133 Kumbans in 69 poor districts with a total of 1,620 projects; of these 491 projects have been approved and funded 124 billion kip by the government. Additionally, village development funds have been established in 528 villages in 54 districts with fund members consisting of a total of 34,856 families. The funds cover 46 poorest districts and 4 poor districts and have amounted to 42.53 billion Kip to date, of which 6.78 billion Kip has been saved by the people, with a total of 1,664 projects. Additionally, the Agriculture Promotion Bank provided loans worth 1,248 billion Kip to farmers to invest in agriculture, animal husbandry and small businesses to 130,000 families located in 4,152 villages in 140 districts. The Nayobai Bank released total loans worth 805.55 billion Kip to 65,431 households located in 1,171 villages in 46 districts. The Nayobai Bank has expanded its service units to 33 units across the country. The Poverty Reduction Fund (PRF) of 203 billion Kip has been distributed between 2006 and 2010 to implement 1,673 projects in five target provinces, which covered 21 poor districts, 161 Kumbans and 1,900 villages. Furthermore, there are also sources from village development funds and saving groups of the Women's Union, Lao Youth Union, Trade Union, Lao Front for National Construction, Spring Water Fund, Rice Bank, Livestock Bank, Credit Union and other sources of funds, which were supported and directed by the Lao Front for National Construction, mass organizations, international organizations and other financial institutions.

The progress made in poverty eradication has so far been satisfactory. Examples include; poverty in terms of consumption has decreased; food consumption has improved; property ownership rights have risen, etc. According to the LECS Surveys conducted between 1992-

1993 and 2007-2008, poverty trends have shown a decline at all levels: provincial, regional and national. Between 1992 and 1993, the poverty rate was 46%, which declined to 39.1% in 1997-1998, 33.5% in 2002-2003, 27.6% in 2007-2008 and 26% in 2009-2010. From these figures, it can be observed that from Fiscal Year (FY) 1992-1993 to FY 1997-1998 the poverty rate declined significantly during this 10-year period. The poverty rate in the priority areas (the poorest districts) has decreased more than other areas. Furthermore, roads, electricity, water supply, schools and hospitals in villages and Kumbans in the 47 priority (poor) districts have been developed and improved.

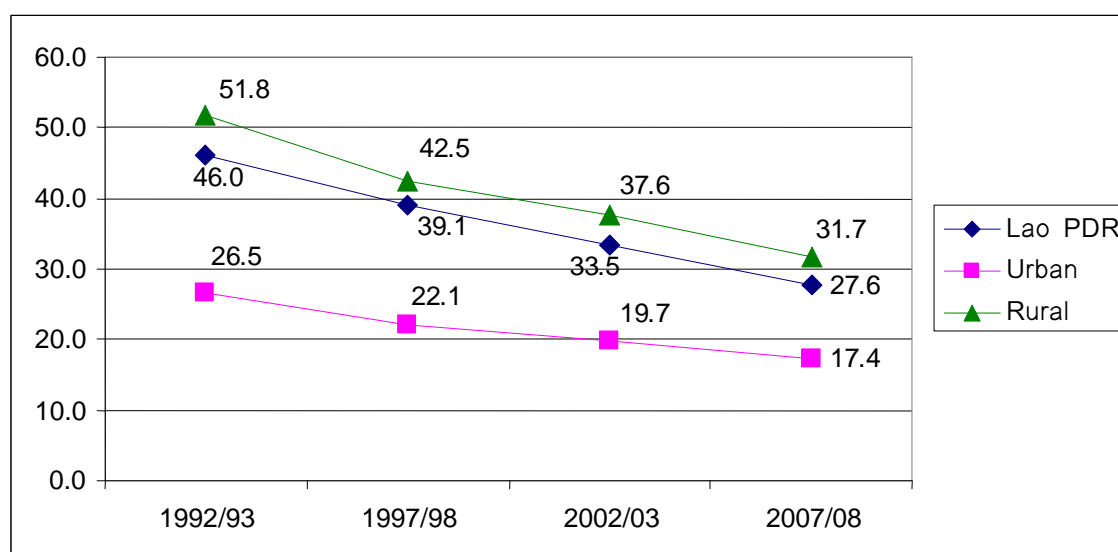
Poverty has been reduced across the country. The details are as follows:

Northern region: In urban areas, the poverty rate decreased from 30.6% in 2002-2003 to 14.6% in 2007-2008, while in rural areas, it decreased from 39.1% to 36.5% in the same period. The province with the lowest poverty rate in this region is Xayaboury where it decreased from 25% in 2002-2003 to 15.7% in 2007-2008. Poverty rates in Luang Prabang also decreased, from 39.5% in 2002-2003 to 27.2% in 2007-2008. The highest poverty rate is in Huaphanh Province at 50.5 % in 2007-08.

Central region: In urban areas, the poverty rate decreased from 20.1% in 2002-2003 to 22.2% in 2007-2008, while in rural areas, it decreased from 39.0% to 33.5% in the same period. The province with the lowest poverty rate in this region is Borikhamxay where it decreased from 28.7% in 2002-2003 to 21.5% in 2007-08. The highest poverty rate is in Xiengkhuang Province at 42% in 2007-08.

Southern region: In urban areas, the poverty rate decreased from 12.8% in 2002-2003 to 11.3% in 2007-2008, while in rural areas, it decreased from 35.5% to 25.5% in the same period. The province with the the lowest poverty rate in this region is Champassack where it decreased from 18.4% in 2002-03 to 10% in 2007-08. In contrast, The highest poverty rate is in Sekong Province at 51.8% in 2007-08 (see details in Appendix 2).

**Figure 7: Poverty ratio from 1992-1993 to 2007-2008**



However, the rate of poverty in Lao PDR is still high compared to other countries in the region. Poverty is still a problem in the northern region of the country in contrast to the central and southern regions. According to research, poverty reduction depends upon geography; for example, at the border areas shared with Vietnam the poverty rate is high at 54.5%, with Myanmar 28.2%, and with Cambodia 23.1%. At the same time, locations close to the Mekong River (areas which are fertile and better connected) have a lower poverty rate at 16.1%. Although the poverty rate has decreased by 3.8% per year, the inequality coefficient (Gini coefficient) has increased from 32.6% to 35.4%, or risen by 1.7% per year (see details in Appendix 2). Even though the inequality coefficient in Lao PDR is relatively small compared to that of other countries in the region, there is an absolute need for better income distribution and greater job creation in order to address poverty. Additionally, seasonal unemployment and underemployment in the agricultural sector contributes to poverty and needs to be addressed.

**Table 10: Percentage of Poverty indicators in Poorest Provinces (Unit: %)**

	Provinces	2002/2003 (LECs II)	2007/2008 (LECs IV)
I	Northern Provinces		
1	Huaphanh	51.5	50.5
2	Phongsaly	50.8	46.0
3	Xiengkhuang	41.6	42.0
4	Oudomxay	45.1	33.7

5	Borkeo	21.1	32.6
6	Luangnamtha	22.8	30.5
7	Luang Prabang	39.5	27.2
8	Xayabouly	25.0	15.7
II	Central Provinces		
1	Khammuane	33.7	31.4
2	Savannakhet	43.1	28.5
3	Vientiane Province	19.0	28.0
4	Borikhamxay	28.7	21.5
5	Vientiane Capital	16.7	15.2
III	Southern Provinces		
1	Sekong	41.8	51.8
2	Saravane	54.3	36.3
3	Attapeu	44.0	24.6
4	Champasack	18.4	10.0

Positive and favourable factors in poverty reduction in the recent years:

- Strong and continuous economic growth: With the shift from a centralised economy to a market economy, GDP and GDP per capita have risen at a reasonably brisk rate. This economic growth is evident from the increase in industrial and agricultural products. The number of small and large-sized factories and other establishments has increased in all non-farm sectors. Agricultural production has expanded, and crops in which there has been a significant increase in production are maize, sugarcane, yellow beans, tea, coffee, plantation (industrial tree plantation for export) and livestock especially livestock farming.
- Consumption growth per capita: The consumption per capita of the Lao people has increased steadily since 1992-1993. The growth rate in households with consumption levels above the poverty line is higher compared to the growth rate in households with consumption levels lower than the poverty line. Steady economic growth has thus ensured higher incomes for people and has become an important factor in poverty reduction. The household consumption per month increased on average by 14.8% per year. Consumption in urban areas increased approximately 12% and in rural areas 16.4%. Xayabouly Province has highest household consumption rate which increased 22.5% per year (or 2.8 times in 2007-2008

compared to 2002-2003). It was higher than the average household consumption of the whole country.

- **Poverty reduction at local levels:** The number of projects and also the budget related to rural development and poverty reduction at the provincial level, particularly in priority areas, has grown significantly. Technical divisions and local authorities have approved funds for rural development and poverty reduction through Villages and Kumban development plans. There is a separate budget earmarked for Kumban development of approximately 300-350 billion Kip each year. In FY 2008-2009, this budget was 296 billion Kip which covered 440 projects, including 164 specific government projects costing 36 billion Kip. It is due to these allocations and expenditures that the poverty rate has steadily declined.

- **Rural development:** This is a very important activity and the key priority for ensuring socio-economic development. The government has supported small-scale industries, job creation, improved communication and transportation network, and improved living conditions for rural people. To achieve this, the government has made efforts to promote market-oriented production and create enabling environment for people who are unemployed and who lack of opportunities to establish their own businesses through the provision of credits and market access. In FY 2007-2008, 51% of the villages in the country had local markets. Land policies have been implemented, which entitle long-term land-use rights for farmers, to enable them to restore forests and plant trees. In FY 2007-2008, 95% of the rural or agriculture-dependent households owned land. These policies have helped reduce the poverty rate in rural areas from 37.6% in FY 2002-03 to 31.7% FY 2007-08. Access to basic infrastructure has also gradually improved; for example, the number of villages with primary schools increased by 79% between 1997-98 and 2002-03, and by 89% between 2002-03 and 2007-08. For rural villages these numbers were 80% and 91% respectively. This is reflected in the literacy rate, which increased from 85% in FY2002-03 to 87% in FY2007-08. In addition to education, access to public health has also increased, especially in remote areas. Data for FY 2007-08 suggests that 66% of villages have medical kits, compared to only 36% in FY 2002-03. Moreover, access to other infrastructure, particularly electricity, has increased since FY 2002-03 and has exceeded the target by approximately 50%. With regard to sanitation, 78% of all households now have access to clean water.

Due to the implementation of plans to halt slash and burn cultivation and at the same time provide people with alternative employment, there were only 76 thousand hectares of land under rotated-shifting cultivation and 3.8 thousand hectares under shifting cultivation in FY 2008-2009. In comparison to five years previously, shifting cultivation has decreased by approximately 33%. Local governance reforms have also been implemented. Capacity of a large number of civil servants has been strengthened, and they are playing important roles in the Party and the government to development. This achievement conforms with the accurate and appropriate policy of the Party concerning rural development.

- **Shifting from agricultural production to industrialisation:** A change in the economic structure in three sectors agriculture, industry and services has resulted in a change in the proportions of products produced. The Report on Poverty Assessment in Lao PDR in 2006

stated that the annual industrial growth since 2000 was 12%. It is evident that industrial growth can help increase people's income and reduce poverty.

- **Developments in education and public health for poverty reduction:** Since 2001, education and public health sectors have significantly improved. In 2005, investment in education amounted to 1,025.64 billion Kip, the impact of which can be seen in the Sixth Plan (2006-2010). The Statistical Report of 2008 suggests that the number teachers and students in public and private schools (kindergartens, primary schools, secondary schools and colleges) has increased continuously since 1990, helping raise the enrolment rate. The government has also attached a high priority to public health. In FY 2001-2005 the government approved investments for 15 projects in public health, amounting to 96 billion Kip. Twelve of these related to development of public health and living conditions. The other three related to sustainable financial systems, organisational improvement, and preparing regulations and law on public health. The Statistical Report of 2008 indicates that the number of hospitals, primary health centres, nurses and health workers has risen in numbers each year, in turn helping decrease general mortality rates, maternal mortality rates and infant mortality rates. The standard of living has improved due to these factors.
- **Infrastructure development for poverty reduction:** The government has invested in developing essential infrastructure to provide services to those in rural areas. Examples include roads, communication systems and the provision of electricity. In 2008, there were 4,923 villages which had roads accessible in both seasons. Additionally, in each district approximately 60% of villages had telephone connections and 49% of the villages had access to electricity. The energy and mining sectors have also directly (positively) impacted people living in concession areas or development project sites: they have been provided with jobs, stable housing, and other income earning options. Economic infrastructure and cultural and social activities have also expanded in locales such as NTPC 2, Num Ngurm 2, Lane Xang Minerals Limited (Sepon), as well as other projects.
- **Population growth and poverty:** The size of the population and its growth are strongly related to development. A majority of poor households are large and the rate of economic dependence in these households is higher in comparison to other households. Data from population censuses and LECS Surveys suggest that the number of large households have decreased gradually since 1985. In the 47 priority districts, between 1992-1993 and 1997-1998, poverty increased at the same rate as the increase of large-sized households. Between 1997-1998 and 2002-2003, the poverty rate reduced, together with a decrease in large-sized households. This trend was also seen in 2007-2008. Having smaller households (i.e. a slower population growth) is therefore critical to poverty reduction.

## [2]. Development of priority areas

The government has attempted to improve people's livelihoods in six priority areas for central management including Phalavek District, Ao District, Oam District, Longchang District, Sanluang Area and Nam Sian Area. The first four priority areas are in Vientiane Province while the others are in Xiangkhouang Province. Within these priority areas, the

government has constructed infrastructure to support politics; national defence and security; and promotion of commercial production. Furthermore, there has been an improvement in rural development infrastructure which has resulted in the establishment of production groups and saving groups in Champassack, Attapeu, Sekong, Huaphanh and Vientiane Provinces. An amount equivalent to 81 billion Kip has been allocated for village and Kumban establishment, roads, agricultural infrastructure, education, public health and job creation, all measures aimed to improving people's living conditions. Effort has also been made to increase production and improve the organisational structure at the local levels, thereby ensuring better livelihoods for the people.

### 3.3.2. Education and human resource development

The educational network and formal education system has continuously expanded in remote areas, especially the poor districts. Teachers possessing low qualifications have received training, particularly those who work in remote areas. Additionally, in order to produce more teachers, pedagogy institutes have increased in number. These institutes train teachers to work particularly in those areas where teachers are not available in sufficient numbers. The ultimate purpose is to gradually ensure the provision of high quality education.

Kindergartens and nurseries have expanded in number from 969 in 2005 to 1,284 in 2009, an increase of 315. The enrolment rate of children aged 3-4 years was 14.6% (an average annual increase of 3%, while the education target for all (EFA) was 10.4% in 2009-2010) and reached 36.7% for children aged 5 years (the education target for all (EFA) was 27.4% in 2009-2010). The number of primary schools increased from 8,573 in 2005 to 8,968 in 2009-2010, an increase of 395. Additionally, the enrolment rate at the primary school level has increased from 84.2% in 2005 to 93% in 2009-2010 (the education target for all (EFA) was 88.8% in 2009-2010). These data suggest that the government is working hard to provide equal opportunities in education for Lao citizens, both male and female, in urban and rural/remote areas. Particular efforts have been made to implement the National Education Reform Strategy by increasing the years of school from 5+3+3 to 5+4+3. Currently, there are 58,404 teachers in the country, an increase of 34% compared to the figure in 2005. Additionally, the number of vocational schools and universities has also increased in some areas, such as Souphanouvong University in Luang Prabang, Savannakhet University, the University of Medical Science and Champasak University. At present, there are 154 technical schools in the country that have enrolled a total of 122,026 students. The government has increased investment in education; its expenditure on this sector rose from 11.63% of the budget in 2005 to 13.21% in 2009.

### 3.3.3. Public health

The government has continued to improve people's health care in accordance with the health prevention and treatment policy 'is important things'. Public health networks have been expanded together with an increased number of medical staff each year who have worked hard to help people access quality health care services. The life expectancy of Lao people is

64.7 years (female: 67.7, male: 62.7). It is important to make strong efforts to help people access quality health facilities in order to maintain their good physical and mental health. Public health networks have continued to improve and expand in rural areas and in the remote hinterland. Trainings have been provided to medical staff at all levels; currently the number of medical staff is 9,861 an increase of 2,897. The number of primary health centres has also increased to 813. Additionally, new infrastructure has been constructed, including laboratories, hospitals, and primary health care centres; efforts have been made to build model health villages based on the 8 contents of basic health in the framework of ‘village and Kumban development’; health practitioners and nurses have been provided training in theory and given the opportunity to practice, in order to serve the public as well as to follow the code of conduct regarding treatment; vaccinations for mothers and children has reached 71% of the planned target; and issues of health, education and nutrition in the context of the flooding have been addressed.

Additionally, a clean water supply reaches 78% population; 52% of the population use hygienic latrines; 48% of schools have latrines on their campuses; 1.6 million impregnated mosquito nets have been distributed to people living in malaria-risk areas; and community health funds have been expanded. The issues of HIV/AIDS treatment and protection among target groups has been addressed, particularly, to ensure that 80% of sex workers have access to health services and protection; which has resulted in the rate of infection remaining below 1%. Additionally, approximately 92% of TB-infected people received treatment. Furthermore next work of the health insurance community fund, in 934 villages in 20 districts of 9 provinces, there are 19,211 families with 111,600 members (the insured) equivalent 3.7% of the target population of three million). It is now possible to detect and control outbreaks of Avian Influenza for 2 times and H1N1. The monitoring and warning systems for infectious diseases have significantly improved.

#### 3.3.4. Science and Technology

The laws on intellectual property, standards of fuel registration, national standards on construction materials and six standards of food and agriculture products have been adopted. Plant experiments on agar-wood have been successful. The installation of E-governance has been completed by 40%, 11 Community E-information Centres have been set up and a standard Lao Font for IT systems has been developed. 20 intellectual property disputes have been resolved and fake products have been destroyed. Research conducted on the use of used oil (agr-oil) in diesel engines has been successful. In addition, 16 Winmax poles have been installed in provinces, and it is expected that the installation of the E-governance project will be complete and in use by June 2009. A National Science Park has been constructed in Borikhamxay Province (due to cooperation between the Lao and Italian governments).

#### 3.3.5. Resources and Environment

Human resources have been strengthened in the field of macro management of national resources and environment, in order to ensure sustainable rapid economic development is goes hand in hand with utilizing and managing natural resource effectively and efficiently;



The Integrated Water Resource Management (IWRM) has been an initiative carried out in those countries which are members of the 1995 Mekong River Commission agreement on Mekong River sustainable development. Certain strategic programmes of the Mekong international committee and upper Mekong region countries were implemented in FY 2009-2010. The programmes aim to use and develop the Mekong basin sustainably for the benefit of the people of the Mekong sub-region.

Through the implementation of programs in four member countries and cooperation with the Mekong International Committee, the following results have been achieved:

In the Basin Development Program (BDP), research was completed on the basin areas of the Mekong River in Lao PDR. Projects relating to water source development have also been completed and classified in 9 priority projects at the regional level and 40 priority projects in Lao PDR which specifically address the Integrated Water Resources Management.

With regard to environmental programmes, a report on water quality in the Mekong basin has been completed. Data on soil surrounding the Mekong sub-region has been collected and recorded. Moreover, IWRM has been strengthened in four countries.

Studies on water resource management centres, flooding recovery, and flood disaster management have been carried out in member countries. Geographic and hydrograph information as well as hydrograph experiments have also been carried out.

A survey on water ways in risk areas from Luang Prabang to Pakse and Houisay to Luang Prabang has been completed. Moreover, the installation of signs along water ways has been completed and a strategic management plan on fisheries in the Mekong basin and other basins has been improved. In addition, fishing areas also have been surveyed.

Moreover, programmes are in place to study hydroelectric power potential in the Mekong basin and to define the scope of evaluation on environmental impact and guidelines on dam construction in the Mekong River. Agreement has been reached on the location of the office of the Mekong international committee which Lao PDR and Cambodia are to jointly host.

Besides the cooperation outlined above, further results achieved are as follows:

The drafting and improving of legal documents to manage environmental and water resources by developing basic infrastructure development models such as NTPC 2 and Sepon Gold Mining has continued in order to ensure both social and environmental aspects are adequately addressed.

Lao PDR has participated in the global fight against climate change by formulating a national strategy on climate change to define policies and measures on adaptation and mitigation of climate change impacts on the main sectors of the national economy including agriculture, forestry, water sources, and public health. Moreover, the strategy includes halting slash and burn cultivation, planting forest to cover 70% by 2020 and constructing warnings system such as an earthquake warning station and atmosphere station to ensure that people's lives and properties are protected.

Have be continued improving forecast and hydrograph station network to fortune weather in order to contribute to social-economic development by acting as the basis for formulating warning systems.

In 2008, Lao PDR hosted a conference on economic cooperation between Mekong sub-region countries which was attended by national leaders. . The Vientiane operation plan was adopted. Continue implementing 9 sector cooperation programmes, and working on transportation across country contract. Pay attention on implementing main programmes on environmental protection.

Additionally, Government are responsible for coordinating the implementation of six international protocols on the environment including the Climate Change Protocol (1995) the Kyoto Protocol (2003), the Stockholm Protocol (2006) and the Mekong Agreement (1995).

### 3.3.6 Labour and Social welfare

#### [1]. Labour

The Labour Law has been amended and a decree on minimum wages has been promulgated – the minimum monthly wage has increased from 290,000Kip to 348,000Kip. Additionally a decree on establishing labour recruitment agencies was issued and the decree on import and employment of migrant workers issued by the Minister of Labour and Social Welfare has been amended.

In parallel with the development of legal documents, the labour sector has also addressed the development of skills development and vocational centres in each region. At present, there are 153 skills development (training) and vocational centres which have trained 79,128 labours which exceeds the plan by 15.14%. Furthermore, jobs have been created for 556,661 people which exceeds the target by approximately 2.23%. Of these skills development and vocational centres, 4 out of 153 are under the authority of the Ministry of Labour and Social Welfare, 57 are under the authority of other government agencies, and 92 are private. The government has pledged to improve the quality of these centres in each region. Improvements have been made in the training curricula, reflected in the production of seven textbooks on

the subjects of mechanics, computer engineering, electrical engineering, car mechanics, electronic engineering, carpentry, garment making and cooking. Labour productivity has improved, as a consequence of skills imparted to both semi-skilled and fully-skilled workers. Currently, the courses offered range in length from 2 weeks to 3 years. The training centres also supply teaching and learning materials, internships and are aligned to the emerging demand.

The government has implemented labour agreements related to payrolls, working hours and a social welfare system which has been established in 1,606 work places covering 98,342 workers. It has also resolved 141 disputes between employers and workers from among 254 dispute cases, bringing a benefit of 1,684 million Kip to the workers.

## [2]. Social welfare

The government established Decree No. 70/PM, as an elaboration of Decree No. 178/PM on Public Social Welfare and in the same context integrated decrees 71/PM, 194/PM and 145/PM into Decree 343/PM. Furthermore it issued temporary regulations on public social welfare fund management were issued; and the implementation of the national programme against human trafficking and child sexual abuse was completed following approval by decree No.160/PM.

The compensation system for civil servants has been improved from five compensations in decree No.178/PM to eight compensations in decree No.70/PM. The budget contribution to the public social welfare fund increased to 16.5% of which the contribution by civil servants (employees) increased from 5% to 8% and the contribution by government (employers) was 8.5% of the treasury salary. Members of the social welfare system now pay first and are reimbursed later, which has improved the treatment system to a lump'sum payment system. Some workers are protected by a social welfare system which covers around 11.7% of the total population in Lao PDR.

### 3.3.7 Information and culture

#### [1]. Information and press:

The quality and quantity of information-related activities in Lao PDR have improved. This has been achieved through scaling up the technical and techniques of personnel. Information is now provided more efficiently to a much larger number of people both at home and abroad. The government has improved the roles and responsibilities of departments, organs, technical units, institutes, schools, provincial information and cultural divisions, as well as district information and culture offices, so that they are up-to-date with changes in Party and government policy. This was achieved through the establishment of organisations from the central to the local level. In 2008, there were 2,990 officials in the Information and Culture

sector (of which 920 were female). These included 1,161 officials at the central level (of which 410 were female) and 1,829 officials at the local level (of which 510 were female). Officials have been trained to upgrade their theoretical knowledge and expertise, both in the country and abroad. A total of 105 hold recognised qualifications, ranging from diploma to PhD (of which 30 are female).

The press and newspapers have improved significantly in quality. In particular, skills regarding the collecting and releasing of information to newspapers in a timely manner have been improved. Furthermore, newspaper and magazine circulation has expanded each year since 2005, with newspapers and magazines increasing to 20 volumes. The publication of newspapers increased to 45,368,000 copies per day and compared to 2005 the number of newspaper increased 40,246,000 copies. Newspapers are also sent to other districts far from the capital with the greatest circulation in Champassack, Savannakhet, Luang Prabang and Khammuane Provinces. In addition, the Information Sector has carried out different activities to provide increased levels information and news to society. E-news services have also improved. As communication technology has advanced around the globe, the telecommunication sector here has also adapted some of the modern technology now available; for example, the establishment of websites and connection to the Internet to provide news and information from and to different parts of the country and world.

Radio broadcasting is a long established form of communication, serving political purposes since the 1960s. The radio broadcasting technology has improved from the Analogue to the Digital system. There has been an increase in both the number of radio channels and the length of their broadcasts. Both FM1 and FM2 now broadcast for an additional two hours daily, and the quality of the programmes has improved. The number of radio stations has expanded from 14 to 43, including two broadcasting systems (FM and AM radios). Combined, their broadcasts are able to reach 90% of the country., the official website has improved in 4 languages (Lao, Mong-Lao, French and English) There is also online radio broadcasting - FM1 - which can be heard worldwide. The country can receive FM radio waves from other countries as well: China International, France International, and Australia International. There have been now approved establishing a Military Radio Station, and a Vientiane Capital Radio Station.

The television currently there are 37 television stations, an increase of 30 stations. There are 30 local stations located in provincial and district areas. There are two national television channels (including Channel 1 and Channel 3), one Vietnamese channel, two Chinese channels (CCTV4 and CCTV9), and two private channels (LaoStar and MV Lao). The coverage of television service has expanded from 60% of the country to 70%. The new National Channel 3 completed enhancing its capacity to 20 KW, and became operational during the 25th SEA Games at the end of 2009. However, there is need to improve a number of communication modes and programme content, as well as to further upgrading the technology from Analogue to Digital systems.

## [2]. Culture:

There is need to protect the Lao national culture and discourage practices which that harm traditional culture. This includes promoting art and literature at both professional and amateur levels and from the central to the grassroots level. In order to do this, efforts will be made to organise traditional festivals and art and literature competitions at the national and local levels. Different forms of art and culture, including those of ethnic groups, will be part of the agenda.

Managing the production and distribution of songs, traditional cultures and dance performances in the form of cassettes or CDs is also important, and is a task which has been carefully undertaken to ensure the quality of content and to respect culture and intellectual property rights. The government has made efforts to promote organisations, entities and individuals who write, translate and publish theories, stories, laws and curricula. There are writing competitions held regarding short stories, novels and poetry in order to provide platforms for professional and amateur writers to exhibit their creativity and innovation.

Libraries, reading rooms in offices, villages and schools, and mobile libraries have been improved and expanded significantly with a view to providing better services. The number of libraries has increased - in 2005 there were 110 libraries in the country and currently, there are 450, an increase of 340. Growth and diffusion of information and culture at the local levels has transformed the cultural lives of the rural people. Schemes promoting the establishment of cultural families and cultural villages have expanded nationwide.

There are 279,590 cultural families which exceeds the target of 253,590 families. Additionally there are 1,266 cultural villages in the country, which exceedsthe Sixth Plan target by 32%. Finally, nightclubs, guesthouses, game rooms, karaoke and advertisements are well controlled, especially in large urban areas.

The government has preserved and publicised the two national heritages areas approved as UNESCO world heritages sites (Luang Prabang and Wat Phou in Champassack). Additionally, research has been conducted on the Plain of Jars in Xiengkhuang with a view to propose it as the next UNESCO world heritage site. Efforts have also been made to restore temples, antiques and historical (cultural) sites; for example the caves used during the revolution in Viengsay district. Moreover, coordination between the central and local authorities has been improved to manage and protect newly discovered historical sites and temples. Underground excavations have also been carried out to extract antique items and preserve them in museums.

Handicrafts represent important symbols of a nation and in recognition of this,the authorities have regularly organised handicraft and fine-art exhibitions in the country and overseas. The

importance of producing and preserving important national documents has been recognised. Additionally, fourteen films (including full-length features and documentaries) were produced and disseminated through television channels in 2008.

### 3.3.8. Justice

In 2009, the government approved the governance-law development strategy in 2020, which is expansible from the resolution of the VIII Party Congress .; Comments were provided on the draft of new laws and the 49 existing laws, 20 provisions, 143 decrees; additionally, improvements were made to 189 other legal documents. Researching and compiling the traditions of 49 ethnic groups has been completed. 6,649 cases have been judged. 77,072 documents have been certified and laws have been disseminated in villages 6,730 times with a total of 1,130,821 participants. There are 332,731 families and 2,472 villages for case-free. 7,895 village mediation units have been improved; 1,450 lawyers have been trained to bachelor degree level and 337 lawyers trained at tointermediate level; and 2,687 persons completed a three-months legal training course.

Laws have been disseminated to the grass roots level with the aim of building strong districts, village groups and villages in Luangpabang, Xayabouly, Phongsaly, Oudomxay, Houaphanh, Borikhamxay, Savannaket, Saravanh, and Sekong Provinces. In some provinces, laws also were disseminated in ethnic languages such as Mong and Kamu in order to increase awareness of the law among ethnic groups.

The government played an important role in resolving economic conflict through its decision making and facilitating, with a total of 172 cases of economic conflict resolved.

### 3.3.9 Sports

Between 2006 and 2010, there was significant development and expansion of sports in terms of human resources which resulted in an increase of Lao PDR's visibility at the international level. As sports contributes to improved health of the population, it is important to encourage people who work for business units and national security and defence to play sports. As well as providing health benefits, sport can also improve friendship and cooperation. Efforts have been made to integrate sport as a regular activity of every community. Sport – including traditional sports - has been included as an activity in school curricula, as well as being part of national defence and public security institutions. The Eighth National Games were organised in Champassack Province and a Lao Sports Day has also been announced. Sport events are rotated in different locales and they are performed on important days designated by the Party and the nation. Lao PDR had the honour to host the 25th SEA Games in 2009 in Vientiane. It was an important event in the history of Laos, during which Lao athletes won 33 gold medals (despite that a target of only 25), 25 silver medals and 52 bronze medals: in total, 110 medals. The participants, mass media and other countries complemented the organisers for the preparation, the sports, the official opening and closing ceremonies and the overall facilitation of the Games.

In addition to this, Lao PDR participated in a number of international sporting events including the Second Indoor Asian Games in Macao, the 23rd SEA Games in Vietnam, the 24th SEA Games in Thailand, the Indoor Games in Vietnam, the Para Games, and the Beijing Olympic Games.

### 3.3.10 Preventing and Negative Social Consequences

In order to achieve the goals of the Sixth Five-Year Plan, the Party, the government, the national defence and public security forces, local authorities and mass organisations have all made extremely strong efforts to prevent and resolve negative social consequences. Campaigns to persuade people to unite and help each other to prevent problems in families, society and the nation (particularly regarding issues of security) have been carried out.

Local authorities at all levels and mass organisations have made efforts to organise educational and campaigning events and activities, in order to raise awareness of government policies and people's obligations. Such activities have helped to ensure the cooperation of the Lao people to achieve national harmony, and resolve issues relating to social problems, such as drug addiction in urban areas, prostitution, burglary, etc. To have encouraged the public administration strengthening in districts and villages level, which concentrate closely at the grassroots level from all sectors for developing a new lifestyle.

Negative social consequences, particularly drug abuse in urban areas, prostitution and theft are being addressed, and are gradually becoming under control. More specifically, efforts have been made to improve the quality of drug-addiction treatment centres. There are also clear strategic plans in place to prevent and protect against infectious diseases and HIV/AIDS. A National HIV/AIDS Prevention and Control Office has been established. Furthermore, effective controls have been set up to prevent transportation of drugs. New and up-to-date equipment has been installed at several immigration points and customs offices along the borders. Increased cooperation with neighbouring countries such as Vietnam, China, Cambodia, Thailand and Myanmar has been sought to this end. Success stories and lessons from domestic and international agencies (especially strategic partners) regarding the prevention and control of negative social consequences, have been studied and strategically put into effect in the Lao context.

Prevention and control of the negative social consequences has not been successful in all areas: controlling income inequality (in society), and solving family problems are two areas

which require increased efforts. Lack of initiative and capacity are also challenges, for example schools, officials and authorities at different levels often rely on others to deliver rather than taking the initiative themselves. United fronts and mass organisations lack the ability to train and persuade people, especially the younger generation. Campaigning and advertisements are still limited and sometimes ineffective in influencing positive behaviour in people. Undesirable occurrences in many organisations and agencies have thus not been effectively resolved. Lack of coordination also contributes to this problem.

### **3.4. *Harmonisation between socio-economic development, national defence and public security***

To ensure that the society and the nation have the necessary prerequisites for socio-economic development, the public security sector continues to implement orders and instructions stated in Political Bureau No. 09/CPC, directions of the Executive Committee of the Party No. 14/SCOC, and other decisions of the Central Committee (of the Eighth Party Congress) which were carried out with the aim of controlling crime. Those found guilty of criminal behaviour have been sentenced, thereby helping to reduce crime and improve justice. Efforts have also been made to educate parents and youth not to commit criminal activities, to protect their property, and to encourage and engage masses at the grassroots level to participate in national defence, public security (aimed at maintaining national independence), sovereignty, territorial integrity, sustainability, social order and security. Additionally, efforts have been made to build the capacity of people in rural areas to reduce poverty and collaborate with villages and Kumbans to ensure that development dovetails with political mobilisation and public security. Furthermore, information on national defence is provided to students through basic military training in the curricula of public vocational schools, colleges and universities.

## **4. *Roles of public administration in market economy in accordance with socialism directions***

The government and related government agencies at all levels have adopted the Eighth Resolution of the Party Congress and its policies to be a part of their own development strategies. The government, ministries, ministry-equivalents and local authorities have continued to improve their organisational structure and public administration in order to maintain macroeconomic stability and sustainability. They have also drawn up legislation, governance rules, public organisational structures and working methods. They include the following:

### **4.1 Legislature**

- The Sixth National Assembly has improved the monitoring and evaluation system of the responsibility and performance of the government at the central and local levels including through the amendment and formulation of legislation and the consideration of major issues (47 laws were approved, of which 15 are new laws in addition to the laws promulgated in 2005).



- At present, there are a total of 83 laws and 176 decrees. The National Assembly also approved the Sixth Five-Year National Socio-economic Development Plan and its annual development plans; monitored the implementation of financial regulations, inspected service sectors and public administration, conducted semi-annual evaluations of the performance of the prosecutor and the people's court; and reviewed and resolved issues and feedback from the people.
- The National Assembly members arranged more regular meetings with the people in their electoral areas; disseminate information on public programmes to the community; and introduced a hotline for people's feedback at each meeting of the National Assembly.

#### 4.2. Public administration development

- Coordination between ministries, sectors and local authorities has been improved through conducting meetings between government officials and provincial/district governors. Other approaches for developing public administration include: improving some of mechanisms for organization and personnel to becoming appropriate with actual working methods; experimenting with merging economic planning and financial sectors in over 40 districts; reshuffling responsibilities within the government according to ministries and agencies at the central level so that they can implement tasks at the macro level in symmetry with grassroots and micro levels; providing training on administration to all 140 districts; and proposing the government revise staff recruitment methods.
- The government has approved the draft of National Governance Development Strategy of Lao PDR 2020 and the Public Sector Development Strategy for 2011-2015. It has also approved and promulgated a decree on communication. Meanwhile the preliminary draft of the Government Human Resource Management Strategy for 2011-2020 has been completed.
- In at least eight ministries the three universities and the organisations under the Prime Minister's Office, the organisational structure and operational efficiency have improved. The government has also introduced centralisation in the financial system - customs, tax and treasury - to strengthen their contribution to the national budget. Furthermore, four new districts have been carved out to serve development purposes. Additionally, a single-window service has been established in a several districts.
- The human resource management within the government has gradually improved. The decree on government positions and the decree on the government's staff policy in remote areas have been approved. Additionally, a personnel organizational structure for training centres has been established, and training has been carried out in all districts.

#### 4.3. Developments on law and justice

- Numerous laws and legislations have been approved and promulgated which will result in a more efficient and effective public administration and social management. This

will help to address issues related to justice and social problems and increase people's solidarity.

- The justice and legal system has been improved, especially in terms of organisational structure and personnel through the establishment of regional courts and prosecutor's offices which integrate district courts and prosecutor's offices. Additionally, the government has implemented activities to raise legal awareness, and train law officials in order to obtain a two-year diploma. In the case of the latter, the trainees were those who had completed upper secondary school and came from the poorer districts.
- 4,775 cases or equivalent to 84.54% of all cases were monitored and resolved, to ensure security and peace and encourage people to contribute to the country's development. The government also monitored and inspected interrogational and investigational agencies. Approximately 13,898 cases, (equivalent to 80.07% of the total) were resolved at the public prosecution courts in the provinces and Vientiane Capital. Furthermore, 3,420 cases, (equivalent to 79.81% of the total) were resolved at the appellate courts. Additionally, 133 cases (equivalents to 82.09% of the total) were resolved at the high-level military prosecution courts. Finally, 3,451 cases were resolved at the supreme public prosecution courts (equivalent to 85.25% of the total).
- Moreover, monitoring and inspection of processes in both courts and judgment enforcement levels has been carried out. Implementation of the law in jails, detention centres, young offenders' institutions, etc., has been inspected, and improvements proposed. Between 2006 and 2010, research was conducted and legislation drafted regarding regulations for organisations and performance of the people's prosecutors in each level. Regulations and technical instructions regarding criminal and civil law were also examined.
- In addition, services and assistance were provided to people for example, the government assigned lawyers and judicial personnel to reconcile disputes and cases. There were 11,448 criminal and civil cases (of these 2,332 cases have been resolved, 8,641 cases are under process and 475 cases are pending). Legal assistance includes consultation, assigning lawyers to protect poor people's rights (without payment), conducting law dissemination at the village level, and providing telephone consultation.

## **5. Private sector development**

The government has made efforts to ensure the business and political environment is conducive for promoting the domestic private sector and attracting investments from overseas. This has been carried out through improvements in regulations, laws and enterprise establishment processes. Business enterprises are partially administered by the government, but the enterprises are fully self-managed in terms of finance, planning and marketing. This is to reduce excessive government intervention in the market.

Moreover, developing private sector leading to make goods and service markets, labour market, financial (capital) market, land market, technological market develop together. In particular, the financial market and stock market have been developed rapidly and commercial banks have been opened competitively. Advance clearing systems and

modernisation of the banking system have been rapid; i.e. funds transfers and electronic clearing services. Furthermore, the land market has been expanded rapidly especially in urban areas that have well-developed infrastructure including private rented land, public rented or concession land, land used for loan guarantees, and land and property markets.

a) . Policies, regulations and implementation

- Authorities have improved the functioning of public entities in economic affairs through effective reorganisation. State-owned enterprises are now fully autonomous in terms of raising and using finance, thus reducing government intervention and yet addressing the problems of bankruptcy and debts in these enterprises.
- Policies on promotion and diversification now permit different business entities to have the freedom to invest and diversify; improve government-owned enterprises; and promote family businesses of farmers and individual businesses.
- The government has implemented finance and banking policies to promote business with minimal budgetary support, but facilitated investments increasingly for private capital.
- In the long-run, the private sector plays an important role in economic development; therefore the government, is making strong efforts to promote it. Private sector organisations are competing with each other as well as establishing partnerships and other forms of cooperation with each other, depending on the situation.

b) . Improvement of laws and legislation

- The International Investment Promotion Law and other supporting policies have been improved to facilitate investments. Inappropriate and unnecessary regulations that create complexity have been eliminated. A new law on investments has been approved and put into effect.
- A number of related policies, regulations and methodologies have been improved and simplified to gain the trust and satisfaction of international investors for investing in Lao PDR.
- The government has established laws and regulations consistent with the actual situation and the market mechanism; for example, transparency in public services and administration has gradually increased, and the Party's directions have been integrated into laws and detailed policies to create a comprehensive administration and implementation mechanism.
- The labour law was adapted as basic legislation for creating vibrancy in the labour market. This has created opportunities for the private sector to expand further.
- The law on public banks, the law on insurance, the law on enterprises and other regulations have been established, including the decree on management of commercial banks

and financial institutions, the decree on administration of foreign money circulation and precious items, and the decree on credit, mortgages and others.

- The various economic sectors have cooperated with each other and played an important role in the national economic system, especially in contributing to the state budget.
- Constraints for trading within the country, experienced previously, have been gradually eased, which has stimulated the markets. This has helped to slowly integrate Lao markets into international markets on fair terms, raising the market share and benefits.
- The government has drawn up a decree on SME promotion and development, which has been adapted in the SME development strategy. The decree on SME promotion has been widely implemented. It now forms the foundation of small industry development, contributing to building capacity for competition and market access, access to credit and financial systems, as well as motivating enterprises. Six policies have been successfully implemented. These include creating enabling regulations and administration, enhancing capacities for competition, expanding domestic and international markets, improving access to sources of funds, creating friendly conditions for the establishment of businesses, and building vision and improving the quality of enterprises.

c) . Information and consultation

- The authorities have published and disseminated laws, both in the Lao language and English. They have expanded coordination and regularly organised meetings between public and private sectors to resolve business issues and implement resolutions at both central and local levels.
- They have regularly published information related to macroeconomics and sectoral issues in investment magazines and others.

Private sector development has played an important role in the development of goods and services, financial (capital) markets, land, and technology markets. There is a two-way relationship between market development and private sector development.

Goods and service markets have been established and have expanded in both quantity and quality. Markets have expanded in various forms, in turn facilitating trade expansion.

The labour market has been officially recognised as an important driving force of the economy, but it is not yet fully developed. However, labour market infrastructure has been established, such as guidance and job finding. In addition, various forms of labour services have been created.

Financial markets have been opened up for competition in banking. Currently, Lao PDR has more than 22 commercial banks (single ownership and partnership). There are a total of 65 benches from private and foreign bank in the country. Additionally, there are 5,000 micro-financial institutions operating, covering about 50% of the country's population. Advance clearing systems and modernisation of the banking system have been rapid; i.e. funds transfers and electronic clearing services. Additionally, capital market have been constructed .

Technological market: To date, a science market has not been fully established. Although intellectual property laws have been drawn up, they are not yet fully enforced.

Land markets evolved from social-economic development in urban areas and then spread to the outskirts of towns and to rural areas. They comprise of private rental markets, public rental markets, land leasing markets, and land credit markets. Infrastructure for facilitating trade and transactions in land has been developed; for example, roads, electricity, and water supply in urban areas, peri-urban areas, and rural areas.

## **6. The implementation of 11 programmes and 111 projects**

The relevant sectors and local authorities have implemented the following plans:

- National stability and security protection programme: This programme focused on implementing projects relating to social drawbacks and controlling crime; continued assigning personnel to Kumbans nationwide to ensure peace and security; attempted to strengthen grassroots agencies in rural areas and reduce poverty by establishing 'development villages' and Kumbans; as well as strengthening people's capacities, national defence, and security protection.
- Comprehensive agricultural development programme: This programme implemented key projects, such as land allocation for agriculture (currently, a project on agricultural and forest mapping has been completed for Phongsaly Province and Xayphouthong district, Savannakhet Province) and also implemented a project on improving agricultural productivity (for example best practices have been illustrated in growing rice under the Systematic Rice Intensification (SRI) approach, wherein 7-8 tonnes/ha have been reaped in Seun and Nan districts in Luang Prabang Province). In term of livestock, farms for animals have been set up in large areas, which have enabled control and/or treatment of diseases, such as blood cord disease in buffalo cattle, and Flu Type A H1N1. Regarding irrigation infrastructure, repairs of damages caused by flooding in 2008 were completed; 95% of the irrigation works and anirrigation channel of length 8,700 metres in an area of 280 ha were completed, and 57% of the Nammung 3 irrigation project, 86% of the Napok project, and 90% Sesair project were completed, among others.

- Forestry management and wood industry programme: This programme developed a mega project of reforestation and forest development, for economic purposes (i.e. producer forests) and for environmental protection. Regarding forestry management, a survey was undertaken to mark the area where the water level exceeded the reservoir's safe level in Sekong 4 hydropower project; and forest area surveys and forest area planning projects have been initiated - these are currently being planned for land-use and forest planning (for three forest types) in five provinces (Luang Prabang, Oudomxay, Luangnamtha, Phongsaly and Bokeo).
- The National Industrial Foundation Establishment and Handicraft Promotion Programme: Under this programme, mega plans such as the power industry development project were developed, studies and surveys were undertaken and 75 projects were initiated including: 45 projects under MOU, 24 projects under PDA, and 6 projects under concessions; in 2009 the Nam Theun 2 project (with a capacity in excess of 1,088 MW) and Xeset 2 project (76MW) were completed; and in 2010, 2 projects, namely Namlik 1/2 (100 MW) and Namyon project (3MW) were also completed. Currently, there are 29 dams producing hydroelectricity (2,583MW). Furthermore, the Hongsa power project (1,878 MW) has been approved; the agreement was signed in 2009 and is currently being implemented. Mining industry project: In 2009-2010, the construction of the Kali Salt Factory was completed at Thongmung Village which can now produce 50 tonnes of Kali salt 50 tonnes per year. At present, there are 154 companies which have received approval for investment in this sector comprising of 269 projects, of which 118 companies and 186 projects are of foreign origin (FDI).
- Tourism promotion and transit service programme: A master plan on tourism development and administration for Mahanatee Siphandone tourist area was completed, and administrative plans for Vang Vieng city, Viengxay district, Lor waterfall, Kuangsi waterfall, and Viengthong hot-springs were developed. Regarding tourism facilities, the government completed building roads to access the Kuangsi waterfall in Luang Prabang in 2005 and to Kong Lor Cave in Khammouane province, and completed construction of Luangnamtha airport. In addition, the government has built a tourist information centre in each province and has also completed several other sub-projects. Under the Lao tourism promotion programme and a programme on tourism integration with neighbouring countries, programmes have been conducted through the Internet, the print media, radio, television, documentaries, and videos, especially for the promotion of eco-tourism. In addition, the government has actively encouraged relevant parties to join exhibitions; hosted a number of events such as the Wat Phu festival, Inghang festival and the Elephant festival; joined the international tourism exhibition in Kunming; and completed projects on tourist attraction identification between Lao PDR, Thailand and Cambodia, among other projects.
- Household and community poverty reduction programme and halting slash and burn programme: This programme resettled people who live in development project areas; allocated land to farmers for cultivation; formulated village/Kumban development plans (participatory plans and have been drawn up in 133 Kumbans in 69 poor districts); provided credit to farmers for agricultural production, livestock and the running of small businesses

(230,287 households have benefitted from 2,132.08 billion Kip); collected information on numbers of villages and districts in order to inform the people to halt slash and burn cultivation, especially in two villages in Bounneua district, Phongsaly Province, Kornoy village in Xay district, Oudomxay province, Pha Oudom district in Bokeo Province, Thamhoi village (Nonghet district) and Xang village (Koun district) in Xiangkuang Province, , Feung, Meun, Vang Vieng, Kasi and Mad districts in Vientiane Province. At present, there are approximately 218,280 poor households, decreased by 22%, and 46 poor districts (Borikhan District has now graduated from the status of poor district), decreased by 2.12%.

- International economic cooperation and integration programme and investment promotion programme: Regional and international economic integration has been carried out through the implementation of a policy of open economic cooperation on a mutually beneficial basis; economic and trade cooperation has been extended; and trade negotiations have shifted to a large extent from the bilateral level to the regional, sub-regional and multilateral levels. The most effective negotiation is the multilateral trade negotiation within the ASEAN and the larger Asia region, negotiation for cooperation between ASEAN and its trade partners, and implementation of the Asia-Pacific Trade Agreement (APTA). The process of WTO accession has contributed to improving laws and regulations. In turn, this improvement has progressively attracted international investment. Thus, the number of projects increased to 1,022, which accounted for USD 11,01 billion in the form of investments during the sixth plan. The number of project on grants and loans was 2,251, which have a value of USD 2,443 million, averaging 488 million per annum.
- Communication transport and connectivity programme: Under this programme, construction was completed of a bridge between Savannakhet-Moukdahan, Road No. R3 (connecting Boten-Huaysay), (extending) Road no.9 (Savannakhet-Seno), and Road 12 (Thakek-Ngommalath). Railway construction between Dongphosy-Thanalang of a length of 3 kilometres was also completed, as was ‘small city development’ funded by ADB in 12 cities. A survey on designing a new airport in Luang PRabang has been fully completed. Transportation reached 111.9 million tonnes in goods and 210 million in passengers (1% below the target). Currently, there are 3.6 million telephone numbers (including 149.3 thousand landlines, of which 67% have already been subscribed – increased by 2.7% compared to the previous year and there are 3.39 million mobile phone connections, of which 67% have been subscribed – increased by 53% compared to the previous year. Telecommunication has expanded in rural areas and optical-fibre lines have extended to 13.2 thousand Km. This is an increase of 15% compared to the previous year, and covers 90% of all provinces and 80% of all districts.
- Enhance efficiency of public macro-economic management programme: Coordination has been strengthened among the relevant sectors. This is evident in the monthly monitoring reports of the economic performance. It is also included in the quarterly monitoring and quarterly progress reports which are prepared to identify strengths and remaining issues, and to resolve problems. Additionally, meetings of macro working groups (including Ministry of Planning and Investment, Ministry of Finance, Bank of Lao PDR, and Ministry of Industry and Commerce) have also been regularly organized. The uninterrupted

GDP growth of 7.9% annually is a reflection of the efficient macro-economic management. It can be further seen in the control of inflation which stays at less than one digit per annum, improvement in the public budget status, especially budget management mechanism through a centralization of Treasury, Customs and Tax.

- Human resource development programme and socio-cultural development programme: Educational reform has been undertaken to reorient the education sector both quantitatively and qualitatively through the implementation of a strategic teacher training strategic, development and improvement of tertiary education and university education; the undertaking of community-based educational development projects; and the extension of basic education school years from 11 years to 12.

In the area of health, the government has undertaken immunisation and health treatment of the people, constructed and repaired health centres, district hospitals and provincial hospitals (for example, allowed for private sector investment in the Mother And Child Hospital with 120 beds in Vientiane Capital) thereby upgrading quality health infrastructure and facilities accessible to people. Additionally, production of medicines has been promoted and currently there are 880 formulations are being produced, in addition to 228 traditional medicine formulations.

The government has attempted to protect the Lao national culture and promoted art and literature at both professional and amateur levels, through the metropolitan centres to the grassroots. Furthermore, the quality of media has been upgraded. It is important to note that the digital system has replaced the analogue system.

- Programme on upgrading efficiency of public administration: The organisational structure of eight ministries has been improved; the centralisation of customs, tax and the national treasury has been undertaken; a pilot project establishing Luang Prabang city as a Luang Prabang municipality has been carried out; and single-window service commercial and industrial projects have been implemented. The modernisation and simplification of the single-window clearance system began in Saysetha district, and the project has now extended into other districts. The new system will ultimately link different ministries and agencies for greater efficiency. E-banking, E-governance, and E-finance have been operational in some areas.

## **7. Outstanding achievements and the reasons thereof**

### **7.1. Outstanding achievements:**

- The country is politically stable, harmonious, and socially safe. The governing system, laws and regulations form the basis for stability, security and development.
- National Structure of the Economy: All the three sectors of the economy - agriculture and forestry, industry and services - have been growing steadily. As a result, the country is transforming, moving from an extraction-based economy to a commercial/value-added based economy. Such a trend has also helped diversify activities through a multiplier effect. All this is aided by a well-administered system and a well drawn-up sixth plan. Importantly,



the economy has successfully weathered two severe natural disasters and the impact of the global financial crisis.

- There has been a reduction in poverty and an improvement in the standard of living (both material and moral), a scaling up of human resources in various areas and sectors (including government officials), all social have been better to enhance ownership of people and reasonable success in the use of information technology.
- Economic cooperation with neighbouring countries, regions, international development partners and international integration have expanded horizontally and vertically, as have bilateral and multilateral integration. All these have benefitted the nation.

### ***7.2. Reasons for the achievement:***

- The reasons for achievements in different spheres stem from the successful implementation of the Sixth Plan. Some of these are summarised below:
- The political directions provided in the resolutions of the Party; for instance, the Resolution of the Eighth National Party Congress Meeting is laudable, and is the cornerstone of the Central Party. These directions have suitably steered the economy in both the internal and international context.
- In accordance with the laws and regulations, the National Assembly and Government adopted the Sixth National Socio-Economic Development Plan, while the line ministries and local authorities have translated the plan into programmes and projects and obtained funds to implement these.
- People, classes of people and businesses have supported and cooperated in the implementation of programmes and projects.
- Neighbours and international organisations have continuously supported and provided assistance.

The above have contributed to the success of the Sixth Five-Year Socio-Economic Development Plan (2006-2010), and become the essential foundations for the potential achievement of the Millennium Development Goals by 2015. Furthermore, they will lead the nation to graduation from the status of Least Developed Country by 2020.

## **III. Constraints and remaining issues in the implementation of the Socio-Economic Development Plan (2006-2010), and related causes**

### **1. Constraints and remaining issues**

#### ***1.1 . Remaining issues related with some macro targets***

- Even though the Gross Domestic Product (GDP) has increased, this increase has not been evenly distributed among the people and across the country. The majority of the growth

has emerged from mineral mining; however, the ore is exported out, and not processed locally. Since the mining structure has grown more slowly in comparison to the service sector, it is evident that industrialisation leaves much to be desired.

- Government investments have good intentions however, they sometimes lack focus and therefore effectiveness. Numerous grants and loans projects have been established but are hampered by lack of contribution from the national budget. The investment authorities have been unable to raise investment in many local sectors, the one-door service mechanism has not been widened, and monitoring of some of the approved projects is insufficient.
- The size of the national budget has been increased but the proportion of international support is still high. Domestic income is insufficient; therefore, the requirements are not adequately met. Unpaid debts, lack of means to pay back debts and inability to put a saving policy in place are existing challenges.
- The balance in the labour market and the provision of jobs to workers through the market mechanism has not been adequately planned. Therefore, the labour supply is uneven (some Lao workers out-migrate for work in neighbouring countries; at the same time, there is shortage of workers in the country, and many foreign workers are imported). Also, there are many workers who move to cities leaving behind the agricultural sector, resulting in a shortage of labour in the agricultural sector in some rural locales.
- The trends in both imports and exports are rising; however, majority of the exports are from the natural resource sector. Such an export pattern risks fluctuation in commodity prices and has little value added for the country.
- Poverty has reduced at an acceptable rate. However, when compared to economic growth, improvement has been slow.

## **1.2 Remaining issues related to sectoral and regional development**

- The use of modern technologies in agriculture, commercial agriculture, agro-processing, and market production is still in the nascent stage, and both government and farmers face challenges in progressing in this area. Additionally, stall-feeding of domestic animals and raising livestock for commercial use are not widespread. As a result, the overall level of agricultural and livestock production is low and largely dependent on nature. Protecting forests, demarking reserved forest areas and production forest areas, and allocating land for agriculture remain unfulfilled targets.
- Insufficient budget and able technicians hinder the implementation projects in many sectors. For example, there is shortage of skilled technical personnel in sectors like hydropower, minerals, modern agriculture practices, materials management, and business management: they account for approximately 10% of the workforce here, compared to 33% in Vietnam, 40% in Thailand and 84% in Singapore.
- Production and distribution of electricity is still insufficient domestically and some power is still imported from neighbouring countries. Projects relating to electricity production for export are behind schedule. The planning process has been slow; as a result,

private investments in megaprojects in the power and mineral sectors are still at the survey and ‘drawing board’ stage. Some excavation projects have also damaged the environment.

- The quality of the basic infrastructure is not yet standardised (e.g. roads, irrigation structures and office buildings). In addition, financial shortages have not permitted the maintenance of infrastructure, resulting in structures being damaged or not used effectively.
- Different production sectors are not coordinated effectively resulting in a lack of mutual support. While exports are a priority, only unprocessed raw material is exported.
- The basic educational and healthcare infrastructures are not yet standardised. Therefore, targets relating to compulsory primary education and healthcare have not yet been achieved. Moreover, the educational and healthcare services are not yet of sufficiently high quality.
- In the area of information and culture, information reporting is yet not sufficient in its content and presentation. Therefore, programme broadcasts often do not reflect the true social situation. There are also avoidable delays in preparing programmes. The technology used by the media is not sufficiently modernised and the workforce is not adequately trained in modern methods. Furthermore, maintenance of historical monuments, antiques, and other historical locales needs improvement.
- The standard of sports has not yet reached international standards; insufficient institutions and rehearsals are partly responsible for this.
- Regional development is not yet balanced as can be seen from the lack of integration between different economic sectors as well as the lack of interdependence across geographic regions. Each province is growing at its own pace quite independent of the others, and this is a limiting factor in national economic growth. There is also considerable imbalance between different sub-regions in the same province, in terms of integrated planning or a shared planning framework and projects.
- Even though a great deal of effort has been made to protect the environment, funds, human resources and law enforcement in this sector are still lacking.
- The management of civil services is generally good, but capacity-building plans are still unclear, and working methods overlap.

### ***1.3 Remaining issues in the implementation of 11 plans and 111 projects***

- The processes that determined the 11 plans and 111 projects were cleared after the approval of the Sixth Plan which was somewhat delayed. Therefore, the identification of projects and programme-management also experienced delays. For this reason, programmes and projects, and the allocation of funds were considerably delayed as well.
- The assignment of programmes and projects management was sometimes slow. Moreover, certain (single) programmes were designed for joint implementation by more than one ministry. In effect, however, this meant that there was no single authority actually

responsible for the project due to a lack of inter-authority coordination. This delayed projects and greatly reduced their effectiveness.

- The implementation of poverty reduction programmes, and putting an end to ‘slash and burn’ agricultural practices, have not yet been fully effective.
- The monitoring and evaluation system is still weak and needs to be addressed in the Seventh Five-Year National Socio-Economic Development Plan.

#### ***1.4 Remaining issues in the implementation of disaster management in 2009***

- Funds earmarked for activities to mitigate the impact of disasters, particularly Hurricane Ketsana, such as rebuilding basic infrastructure to return to normal conditions, and providing assistance to minimise the direct and indirect damage to production and services, have been less than sufficient in contrast to the actual needs.
- There is inadequate supervisory inspection and systematic reporting in regulating and utilising the government budget and other funds, to ensure transparency, efficiency, and that the funds serve the correct targets. A further challenge is the lack of full consensus.

#### ***1.5 Weaknesses and difficulties in the implementation of the Sixth Five-Year Socio-Economic Development Plan***

The unaccomplished targets of the Sixth National Socio-Economic Development Plan are stated below:

- There has been progress in rural development, trade in goods and services, and poverty reduction, but the rate of progress has been much slower than the rate of economic growth. In addition, there has been unequal development across areas with some areas developing more slowly than the others, some remaining unchanged, and several forging ahead. In this regard, attempts at eliminating slash-and-burn cultivation and creating stable jobs for people have been limited in their success
- Regulatory and development targets, which include developing technology markets, stock markets and labour markets, primary school level compulsory education targets, and gathering funds for health welfare, have not yet been reached.
- Some directions of the Party’s resolution have not been fully followed. A typical example is that of national income. Though the income achieved was higher than the set target, rural people’s incomes are still low and largely unchanged. Growth and people’s livelihoods are thus not yet synchronised. Furthermore, state enterprises and businesses require increased assistance in order to become independent. Additionally, there are imbalances between different sectors, some individual projects were not aligned with the national budget, and the capacity building and dissemination plan was underfunded or unfunded. In some sectors work has progressed, but this has occurred because of a major dependence on foreign resources. In short, domestic physical and human resources have been only marginally developed and/or put to use.

- The national educational reform, expansion of compulsory education, and growth of human resources have not matched with the rate of economic growth rate and development strategies. In the social sector there has been a low degree of improvement; for example the health sector and health services have not been enhanced, and improvement in workers' skills has not kept pace with the growth process.

## **2. Reasons for the Difficulties:**

- The implementation of Resolution 8 of the Party relating to converting work plans into projects has been time-consuming in several sectors. Some provinces started the implementation process late, well after the mid-period of the plan.
- Supervision, inspections and evaluations were not carried out regularly, and the division of responsibility in some cases is still unclear.
- The level of knowledge among government staff about planning and supervisory work relating to development plans and projects is limited.
- There were two severe natural disasters and a global economic crisis, each of which have had an adverse impact on Lao PDR's Sixth Plan.
- In a market economic mechanism, insufficient regulation can lead to ineffectiveness in implementing laws and regulations.

## **IV. Lessons Learnt**

1. Integrate the Party's decisions into programmes, projects, financial plans, and human-resource plans and include them in the law. In fact, legislation every year is a key factor for achieving success.

There were achievements in areas where the central and local authorities adequately adapted the resolutions of the Party Congress (or the Party Committee) into the projects, and as a result were able to make clear plans, improve knowledge, source funds and divide work.

2. Mobilising domestic and international resource in an effective and transparent manner is the main driver of socio-economic development.

- Any agency, province or business unit able to mobilise resources can effectively implement plans and projects and also mobilise additional resources from other sources. The ability of Lao PDR to mobilise resources for the Sixth Five-Year Plan as and to obtain assistance to combat the global financial crisis and the natural disasters in 2008 without compromising its sovereignty and economic independence while integrating regionally and globally suggests that the nation has strong resource mobilisation skills.

- During the past five years, internal resource mobilisation has been a decisive factor in ensuring development, stability and national security. This is not to say that external funds are not important: both, external and internal resource mobilisation and effective utilisation of these are important factors in the development of the national economy.

- Mobilisation of internal resources must be parallel with human resource development, and this should include persons from all ethnic communities. Furthermore, the exploration and utilisation of natural resources must be sustainable, and the agreements and operations transparent. Three decisive factors in resource mobilisation are government policy, the effectiveness of projects, and market response.

3. Transition through industrial restructuring and modernisation should be consistent with the potential in each sector and location. Including all sectors in an economy can promote faster and more inclusive economic growth, and bring about change.

- Managing economic transition is one of the most important factors in strengthening any economy. To ensure industrial restructuring and modernisation, it is essential to sustain economic growth and its direction. The government is actively engaged in establishing strategic plans, programmes and projects to encourage all sectors of the economy to play an active role to effect an economic transition and develop each province based on the principles of a market economy, under the overall control of the government.

- Economic transition must run parallel to domestic market development in order to raise production and standards of living. When access to international markets is limited due to inadequate economic integration, domestic markets must be developed sustainably for the local producers to sell their products. This will require raising people's purchasing capacities, which is possible through promoting employment in agricultural and non-agricultural sectors (including seasonal jobs), which provide people with sufficient incomes.

4. Regional and international economic integration on the basis of economic sovereignty, increased competition, and achieving both quality and quantity

- Economic integration is very important for Lao PDR since the country would deeply benefit from such integration. However, the country must be ready in all aspects to ensure effective integration. It should open its doors to international markets for increasing exports and also expand domestic markets; for example by acquiring advanced technologies and experiences from others in order to enhance the competitiveness of domestic business enterprises.

- In order to ensure smooth economic integration, there should be political and economic stability, increased foreign exchange reserves, improved and functional infrastructure, and high quality services.

## 5. Socio-economic development following market mechanism

- A market mechanism demonstrates the demand and benefits for target groups in a society. At the same time, it can also indicate directions for action and targets for business production.
- A planning process provides broad directions, information, and macro level integration. It is not a process that helps determine micro level management of the economy. The country has been able to overcome the impact of the global financial crisis, and has kept economic growth rates at a normal level.

## 6. It has been a priority to attain sustainable and quality development in economic growth, social justice, prosperity and environmental conservation.

- It is important that when establishing a democratic regime, economic growth is sustainable, the environment is conserved and cultural and human resource development is promoted. Additionally, equality should be promoted, the workforce trained, living standards improved, laws promulgated, rural development and poverty eradication furthered, and income differences between the poor and rich people and rural and urban areas minimised.
- The above issues should be incorporated at the macro policy level and actual implementation process to ensure the effectiveness of the development plan at various levels. Areas where these processes are not followed will face slow development, difficulties and possibly disputes, and are also likely to face shortage of natural resources due to the degradation of the natural resource base. Thus, both quantity and quality of growth are important.

## 7. Innovating and improving public management systems to ensure efficiency, transparency and prompt action, and government officials acting as both administrators and service providers for people, are important for the socio-economic development process.

- The lessons learnt previously suggest that innovating and improving public management systems to ensure efficiency, effectiveness, transparency and prompt action, and government officials at each level acting as administrators and service providers, contributes to achieving socio-economic development. This has to be considered as pivotal for developing capacity at both the central and local levels.
- The global financial crisis in the recent past and the floods in 2008 and 2009 have adversely affected Lao PDR. Government authorities at the and local levels have been formulating possible solutions, including mobilising human resources. The government has been working hard to overcome obstacles and take strong action in the face of challenges. In next five years, the achievement of the Seventh Plan will depend upon the capacity and

ability of the government officials at all levels to work together. In this regard, the Party and government will have to assign responsibilities to officials in conjunction with the increased and diversified roles.

- For improved implementation of the Seventh Plan it is necessary to reassign officials appropriately and clearly identify their responsibilities and obligations. There should be flexibility in drawing up a new organizational structure as well as increasing or decreasing the number of officials as necessary. In addition, there is need to respond to the needs of officials. An administrative mechanism should be established to address the issue of incentives for staff for increasing their effectiveness.

8. Socio-economic development needs to take place in conjunction with both national defence and realities at the grassroots level. This reconciliation is possible if development begins at the village level, with the four contents and four targets of the plan as its foundation.

- There are recognised achievements in addressing poverty in rural and remote areas, improved production in remote rural regions, the establishment of crime-free villages, and the setting up of role-model villages for health and peace. In contrast, rural villages where the authorities have not yet implemented the plan (at the grassroots level) face difficulties and have not achieved their targets.

9. The achievements of any development plan are critically guided by a monitoring and evaluation system. The M&E system will have to operate at the national, sectoral, local and business/unit levels. This measure also helps to protect against illegal actions, corruption and leakages.

- Achievements in socio-economic development at each phase have confirmed the need for scientific vision. It is necessary that the authorities take into account the actual ability and capacity of the human resources in different sectors and regions especially in mobilising and balancing the source of funds. Furthermore, there should be no duplication in implementing the Plan.

- The Monitoring and Evaluation system should trace usage of funds, the outcomes of the implementation process and projects, and the effectiveness of projects at each stage. Therefore, having a high quality statistical information system is necessary and is of high importance.



## **PART TWO: SEVENTH FIVE-YEAR NATIONAL SOCIO ECONOMIC DEVELOPMENT PLAN (2011-2015)**

### **I. OVERALL SEVENTH FIVE-YEAR NATIONAL SOCIO ECONOMIC DEVELOPMENT PLAN (2011-2015)**

#### **1. Anticipated advantages and challenges**

##### **1.1 Advantages**

###### **a. International Environment**

There are positive signs of economic recovery in countries in the region and at the international level (for example, China, India, Russia and Brazil). Economic growth in these countries is steady and is again becoming a driver of global economic development. ASEAN nations, Lao PDR's development partners, and international organisations have continued to support and assist the Least Developed Countries so as to reduce the development gap between them and others. Open market economies, particularly NAFTA, ASEAN+1, ASEAN +3, and East Asia countries promise to provide good opportunities for Lao PDR to access their markets. Globalisation in science and technology, international trade, cooperation and accelerated development are considered global signals of cooperation in development. These are good opportunities to attract investments for furthering the goals of the Seventh National Socio-Economic Development Plan.

###### **b. Internal Environment**

- Lao PDR's politics is stable and there is a strong social order. People stand by the solidarity of the nation, the democratic politics has been improved, and the market economy and planning are closely integrated to become development engines for furthering socio-economic development.

- The country's resources have not yet been fully utilised, particularly the natural resources such as land, forests, water, the humid weather, quantity of rain, and minerals. Minerals have not been excavated and mined in many locations. The comparative advantage of the country is mainly to use the land, forests and water for value-added production; for example utilise land for planting industrial wood with a high value, intensify rice yield rates, and promote organic (non-chemical) agriculture, thereby expanding the base of production in order to establish an economic foundation of a commercialised economy.

- The socio-economic infrastructure has developed to a certain extent, the economic structure has changed according to the plans for industrialisation and modernisation, and laws and regulations have been drawn-up and widely enforced. Each of these factors has now become the basis for the next step of development. In addition, as Lao PDR is located in the centre of

the Mekong Sub-Region, it links ASEAN and China, ASEAN and Korea, and ASEAN and Japan. This geographical positioning is suitable to construct a cross-border service centre and connect it with other regions and the wider world.

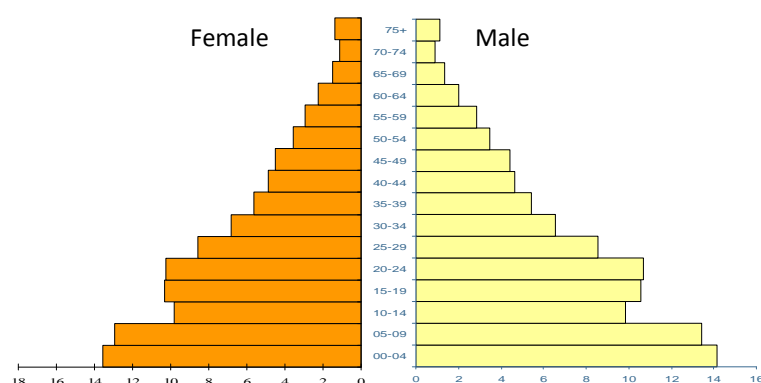
### c. Demographic Structure

According to the three previous population censuses, the population of Lao PDR has increased by approximately one million every 10 years; in 1985 Lao PDR had approximately 3.5 million inhabitants, in 1995 approximately 4.5 million inhabitants and in 2005 approximately 5.6 million. With a growth rate of 2% in the population (women between the reproductive ages have 4-5 children), it is estimated that the population of Lao PDR will be 6.9 million by 2015.

The majority of population of Lao PDR is young, with 50% of the total population under the age of 20. When classified by age group, it is estimated that in 2011, those aged 0-14 years old numbered approximately 2.38 million (of whom 1.17 million are female); those aged 15-64 years numbered approximately 3.76 million (of whom 1.89 million are female); and those aged over 65 years old numbered approximately 237 thousand (of whom 127 thousand are female). Moreover, it is also estimated that in 2015, those aged 0-14 years will number approximately 2.54 million (of whom 1.25 million will be female); those aged 15-64 years old will number approximately 4.10 million (of whom 2.06 million will be female); and those aged over 65 years will number 254 thousand (of whom 137 thousand will be female).

The Census of 2005 suggests that population of those aged under 15 decreased from 43% in 1995 to 39% in 2005. This proportion is expected to be 36% in 2015. The labour forces (i.e. those aged between 15-64 years) increased from 51% in 1995 to 57% in 2005, and it is expected to further increase to 60% in 2015. The proportion of the population aged over 65 years old is forecast to be approximately 4%. It was indicated that the economic dependency rate would be 0.68 in 2015 (down from 0.76 in 2010). This means that every 100 working-age people (15-64 years old) will support 68 (out of workforce) people.

**Figure 8: Age Group Pyramid in 2015**



The above pyramid indicates that the population in the working age group (15-64 years old) will be of a much higher proportion, thereby bringing about positive impacts on economic development. Undoubtedly a lot of effort will have to be made to empower this population through human capital inputs in order for them to be productive and contribute to national development.

## **1.2 Challenges and constraints**

### **a. Regional and International Constraints**

Despite signs of economic recovery in many countries; the global financial and economic crisis continues to slow economic growth of many countries worldwide. Furthermore, those countries which lead economically continue to use their economic strength to influence international regulations; they aggressively interfere, and impose unequal conditions on the least developed countries to their advantage.

Competition in international trade is becoming stiffer. As a result, economic cooperation in terms of regional and international economic linkages is emerging. Additionally, free trade zones, joint-marketing and economic communities such as the ASEAN Free Trade, the plan to set up ASEAN Free Trade+1 in 2012, joint market plans and ASEAN Community in 2015 are also being envisaged.

Finally, climate change and disasters appears to affect the world economy, with the economy of Lao PDR being no exception.

### **b. Internal Constraints**

The economy of the Lao PDR largely relies on natural resources, semi-processed activities and agriculture. Production for exchange is still nascent, and a majority of it takes place in independent private small units. Small units are vulnerable to external changes since their capacity to absorb the shocks of a market economy is low. This draws attention to the contradiction between local small-scale production and global economic integration and the gap between rural and urban areas.

Poverty, the status of being a Least Developed Country, limitations in the working system, and scarcity human resources combine to make it difficult for the country to establish linkages with the global economy. The international link ( $\text{openness rate} = (\text{import} + \text{export})/\text{GDP}$ ) was about 83% in 2008, which is low when compared with Vietnam for example, where it exceeds 100%. There are many requirements which must be met before linkages at the regional and global levels are established; for example the quality and quantity of human resources, the availability of capital, and strong institutions. The high debt rate and very limited capacity to compete at the global level are also constraining factors.

There are limitations at the Party, state, civil service and society as well. E.g. natural resources are put to exploitation callously without adequate analysis or monitoring/control systems, bringing about unpredicted impacts, e.g. environment impacts. The frequency and intensity of droughts, floods, typhoons and diseases has been rising in the recent years.

Investments in social sectors and basic infrastructure to create supporting conditions for young people to have quality social services; for instance, education, health care, capacity development, and skills improvement, are necessary for those groups to participate in the country's socio-economic development. Therefore, creation of a suitable environment for attracting investments in both basic infrastructure and social sectors is essential, especially for creating jobs for the youth.

## **2. Overall targets of Seventh Five-Year Socio Economic Development Plan**

- (1). Maintain economic growth in a stable and progressive manner at more than 8% per year. GDP per capita estimation for 2015 is about US\$ 1,700 per person per year at current prices.
- (2). Achieve MDGs (including poverty reduction) and party with ASEAN Community by 2015, acquire modern technologies and infrastructure, and establish a diverse economic foundation to move the country out of its Least Developed Country status in 2020.
- (3). Ensure sustainable development by integrating economic development with socio-cultural development and environment protection to the nation's advantage.
- (4). Ensure political stability, fairness, and order in the society and maintain public security; and open for regional and international integration.

## **3. General Directions and missions of Seventh Five-Year Socio-Economic Development Plans**

The missions of the Seventh Five-year Socio-economic Development Plan include maintaining national development achievements as in the previous periods and overcoming challenges. It follows the resolutions of the Party Congress especially, the resolutions of the Ninth Party Congress which are the implementation measure of SEDP until 2020 and Seventh Five-year SEDP is one more the achievement plan called "Boukthalu" in Lao. The achievement Plan including achievement in imagination; achievement in human resource development; achievement in mechanism, regime, administrative system; and achievement in poverty reduction by attracting more source of funds and promoting special policy, constructing basic infrastructure in focal areas. It should be a comprehensive development plan covering all areas, sectors, regions and localities. The major directions are as follows:

- (1) Developing a strong and stable macroeconomic foundation to ensure strongly growth; focusing on market-responsive mechanisms under the state; ensuring security; macro-economic steady and economic growth rapidly. Pushing the economic and labour structural change through industrialised and modernisation; applying modern scientific and technological methods; promoting cultural and social development; reducing poverty and scaling up human development; protecting and sustaining the environment and planning for

mitigating climate change, especially preserving and enhancing forest cover, and conserving water; raising the efficiency of the production processes; working on comparative advantages of different economic sectors; and supporting small and medium enterprises.

(2) Finding solutions to endemic poverty; giving boost to rural development and poverty reduction (in line with building capacity along the four goals and four targets); allocating land, creating stable jobs, and raising livelihoods; ensuring fairness in the society; reducing inequality between urban and rural areas, rich and poor people, and genders through encouraging knowledge and education for people; preventing diseases and providing better health care; creating basic infrastructure in villages and Kumbans; establishing more development villages; and reducing risk of unexploded ordnance (UXO).

(3) Expanding human resources, promoting Lao culture, and maintaining societal harmony, along with economic development; building upon the material and moral threads of the society; improving the capability in the civil staff through educational reforms, for instance improving and widening educational opportunities; nurturing an intellectual environment in the society through strengthening higher education and encouraging local talent, promoting better health and hygiene-consciousness; building up good management staff, high experience technical staff, and skill workers; developing human resources amongst people in localised surroundings (esp. for rural development); promoting gender equity, empowering women's roles and protecting child rights; promoting policies for empowering youth for them to become harbingers of socio-economic development; preserving and expanding the beautiful customs of the Lao people, alongside with widening international cultural exchanges; and improving the information sector.

(4) Strengthening public administration from central level to grass root level; promoting democracy through the state's legal mechanisms, where the central level is an administration component while local/grass root level is the implementation; ensuring equality and fairness in society; controlling corruption; promoting savings and avoiding unnecessary expenditures; resolving social issues uniformly across the country in a timely manner by creating structures at different levels, and delineating the roles between central and local authorities along with the direction of expanding ownership of creativities and seeking for local potentials; and implementing laws approved by the National Assembly in all sincerity.

(5) Ensuring defence and security nationwide; encouraging stable politics, peace and social order; improving mechanisms, regime and regulations regarding human migration; controlling the population; strengthening and modernizing arm force.

(6) Mobilising social forces for development; regenerating natural resources to utilise them more effectively and sustainably; expanding friendship and cooperation with countries in the region and beyond; enlarging linkages and competitive capacities at international levels through local and foreign investments; creating comprehensive infrastructure systems; and formulating policies to encourage investments into every economic sector, especially in pre-identified hubs.

(7) Promoting industrialisation and modernisation, with a focus on sectors and regions where there are supportive conditions and potentials; reducing development gaps (with other nations); implementing mega projects most effectively to create a strong industrial foundation; and encouraging SMEs, cooperative enterprise and household enterprise to utilise newer technologies for improving their productivities and higher effectiveness.

#### **4. Targets of Seventh Five-Year Socio-Economic Development Plan**

##### **4.1 Macro economic targets**

- The plan aims to ensure a GDP growth rate of at least at 8% per year. The agriculture and forestry sector is slated to grow at 3.5% annually, to form 23% of GDP by 2015; the industrial sector to grow at 15% annually, to form 39% of the GDP; and the services sector to grow at 6.5% annually, to form 38% of the GDP. It is estimated that in by 2015, the GDP per capita will be about US\$ 1,700 at current prices (exchange rate at 8,500 kip/ 1USD).
- Inflation rate will be maintained lower than the growth rate and exchange rate will be kept stable, fluctuation of kip value against major currencies will be at maximum level of 5% per annum
- Average export value increases by 18% and import increase by 5% per annum; manufacturing industry and handicraft sectors have growth rates at maximum 13% per annum and account for 15% of GDP respectively; establish household economic cooperation unit to cover 50% of total kumbans; and strive to increase the foreign currency reserves for meeting import requirements for at least 6 months.
- Economic structure moves toward the direction, It is estimated that private consumption expenditure will be about 75% of the GDP, public expenditure (consumption) 8%, investment (state and private, combined) about 32%, import about 50% and export about 35% by 2015. The plan aims to ensure rational a balance of payments (BOP) and current account balance; control inflation to keep it at less than the economic growth rate; and maintain an exchange rate (currency) stability.
- By 2015, the budget revenue target (including grants) is estimated to be at least 19-21% of the GDP, domestic revenue about 16-18%, and the budget deficit does not exceed 3-5% of the GDP per annum. The target is to increase money deposit by 25.6% annually, or 39.5% of the GDP.
- The growth process is environmentally sustainable and adheres to set standards, and where possible, job-creating. The distribution of gains would be equitable regionally and among the people.

##### **4.2 Targets of Economic Sectors**

- Rice production to reach 4.2 million tonnes, on total area of 1.04 million hectares with productivity of On average, one person can produce 450-500 kilogram of rice per year in order to ensure energy of 2,400-2,500 kilocalorie per person per day;

- Expand livestock to reach 4-6% per year, of which, cattle 2-3%, pig 4% and poultry 6%
- Turn the irrigation into the Argi-irrigation development by applying machinery and electricity, covering 60-70% of the flat and mountainous cultivation areas or 50% of the rice, commercial grains and fruit trees cultivation area;
- During the period of this five year plan, attempt to build 8 electricity power plant with capacity of 2,862 megawatt; attempt to expand 22 kv medium power grid and off-grid to rural areas that still out of electricity in order to ensure 80% of total household to have access to electricity by 2015. Taking expansion of electricity to rural area as a priority to achieve MDGs.
- Attempt to complete the link between North-Middle and South power grid with 115kv in order to balance the supply of electricity needs.
- Attempt to complete the link of power grid with neighbouring countries, especially, Thailand and Vietnam with 500kv.
- Attempt to complete 75% of producing geographical-mining map with ratio of 1/200,000 and attempt to explore and process important minerals, such as, copper plate of 86,200 tons per year, copper powder of 298,000 tons per year, gold bar of 6 tons per year, coal of 728,000 tons per year, gypsum 6000,000 tons per year.
- Attempt to attract 2.8 million tourists per year, expand 350 hotels, 850 high standard resorts and restaurants, explore and expand natural, cultural and historic tourist sites to receive another 2 world heritage sites;
- Construct and expand roads to link with regional to achieve 100% of the plan and attempt to construct district and rural highway that link to focal areas and village clusters to be able to travel at least one season in 2015; flight transport to increase 8-10% per year; supply clean water to 67% of total population in cities;
- Expand network and telecommunication service in rural area to cover 90% of total national household and construct optic fibre system of 17,192 kilometres and expand mobile phone numbers and landline numbers to cover 80% of total population.
- Expand data bases and national statistic indices to be in line with national development situation.

#### **4.3 Social targets**

- By 2015, it is expected that Lao population will reach 6.9 million people with expansion rate of 2% per year. Women in reproductive ages have 4-5 children.
- Attempt to reduce poverty rate (poor people) to lower than 19% of total population and household poverty rate to be lower than 10% of total household in 2015.

- Increase net enrolment ratio in primary education to 98% by the year 2015;
- Increase rate of students who continuously study from Year 1 to Year 5 to 95% and increase literacy rate of people in 15-24 age group to 99% ;
- Reduce child mortality rate (<5years) to 70 per 1,000 live births;
- Reduce infant mortality rate (<1 year) to 45 per 1.000 live births;
- Reduce underweight rate of children under5 years to less than 22%;
- Reduce maternal mortality to 260 per 100,000 live births;
- Increase clean water usage rate to 80% and toilet usage rate to 60% of total population;
- Control malaria, tuberculosis and HIV/AIDS according to MDGs' targets.
- By 2015, life expectancy to be 68 years, male: 66; female: 70);
- Maintain unemployment rate under 2%;
- Attempt to reduce labour ratio in agriculture-forestry sector to 70%, increase labour ratio in industry-construction-mining sector and service sector to 7% and 23% respectively. ;
- Attempt to build more than 700 cultural villages, build more than 100,000 cultural families, and build at least 4 parks in central level, 1 in each province and 1 in each district;
- Attempt to increase number of women as high ranking officials to more than 15%, increase number of women as member of National Assembly to more than 30% and increase rate of women workers to 40%.
- Effectively implement the 2nd National Strategy on pathway to security by reducing number of injury and death cases caused by UXO
- Attempt to improve a quality of life for Lao people as well as attempting to achieve MDGs (details are annexed).

#### **4.4 Targets in natural resources and environment**

- Ensure the environmental impacts of development process during the plan are minimal; develop and protect forestry to cover 65% of the total land area; and build Lao PDR as one of the greener countries in the world;
- Complete land allocation; identify development zones and land use areas, especially areas with forest cover, i.e. conservation areas, production forests, protected forests, and watersheds;



- Participate in global warming, climate change and pollution campaign. Participate in preserving mineral resources (preserve mine area of more than 65% of total area of mines), preserve land, water and air;
- Ensure high alert in preventing natural disaster, particularly, forest fire, drought, flood, and river bank and mountain erosion.
- Restore environment affected by many disasters in past years.
- Ensure water resource management by implementing at Mekong River basin and other important Mekong River branch basins
- Ensure environmental protection in cities, communities (villages), national highway, public place based on directions of ‘green, clean and beautiful’

#### **4.5 Targets on international integration**

- Expand international trade, increase international trade to GDP ratio from 83% in 2010 to 100% or more in 2015;
- Achieve target of joining the ASEAN Community in 2015, including Political and Peace, Economic and Social-Cultural as well as drug free in 2015;
- Become a member of the World Trade Organisation;
- Achieve Great Mekong Sub-region (GMS) Cooperation Plan and triangle development Lao-Vietnam-Cambodia (CLV) Cooperation Plan.
- Contribute to the establishment of drug free ASEAN in 2015
- Participate in GMS cooperation, through participating in ASEAN international commission and cooperation with Mekong sub-region countries: GMS, CLV, and CLMV.

### **5. Forecasts for macro balance**

#### **5.1 Balancing Investment**

In order to ensure the economic growth of 8% during 2011-2015, a total investment of 127 trillion Kip or 32% of the GDP would be required. Please find the detailed information as below:

- Investment from the Government budget will account for 10-12% of total investments, or equivalent to 12-15 trillion Kip (US\$ 1,500-1,800million) over the five years. The focuses of state investments are on development of key public infrastructures; implementation of government’s priority projects; co-funding to implement grant and loans projects; development of primary public utilities; supporting rural development, poverty reduction and job creation initiatives; establishing of model projects for development and

Development Villages (Kumbans phathana), development of remote areas, border areas, and other areas in acute need of resources; and promotion and preservation of the national culture.

- Official Development Assistance (ODA) will account for 24-26% of the total investments or equal to 33-33 trillion Kip (US\$ 3,500-3,900 million) over the five years. This resource would be expended to achieve Millennium Development Goals (MDGs) and other social development; e.g., human resource development, poverty reduction and improving peoples' wellbeing, higher and quality education, and health and nutrition. To achieve the mentioned targets, US\$ 780 million ODA needs to be mobilized annually.

- Private Domestic and Foreign Direct Investment will account for 50-56% of total investment, or equivalent to 64-71 trillion Kip (US\$ 7,400-8,300 million). The resource will be expended on commercial projects in which the country has a comparative advantage. These investments will help modernise the economy, create jobs, and provide/strengthen the basic infrastructure. To achieve the mentioned targets, US\$ 1,600 million needs to be mobilized annually.

- Bank Credit and Communities' Investments are expected to constitute 10-12% of total investments, or equivalent to 12-15 trillion Kip (about US\$ 1,500-1,800 million). The investments are expected to promote production in small and medium size enterprises, and boost production from households and production groups. In order to achieve these goals, the credit amount is aimed at an average 3,000 billion Kip per annum. If the stock market is launched as planned, it is believed that fresh funds could be raised, to bring about positive impacts on socio-economic development.

+ Fund allocation from the Government budget has to follow the budget law, public investment law, and management levels:

- Based on decentralisation

1. The centre (Government) manages the type I projects
2. The sectors (line ministries) at central level manage the type II projects that cover many provinces
3. The local manages the type II and type III projects that are implemented in each province.

- Based on sectors

(1). Economic sector: This sector accounts for 30% of the total investments or about 38,000 billion Kip (US\$ 4,500 million), compared to the Sixth Five-year Plan, this is an increase of about 15 times or about 6% investment in economic sectors in this five-year plan. In average in each year about 7,600 billion kip (about US\$900 million). In order to meet these requirements, it is estimated that the banks will be required to release credit equivalent to 1,220 billion Kip per year on average (or about US\$ 143 million per year), alongside domestic and foreign private investments of 6,400 billion Kip per year (about US\$ 752 million).

(2). Social sector: This sector accounts for 35% of the total investments, or equivalent to 44,500 billion Kip (about US\$ 5,240 million), which is about 8,874 billion Kip (US\$ 1,050 million) per year. Compared to the previous Five-year Plan, this is an increase of about 7 times or about 14%. These investments are meant for achieving the Millennium Development Goals. In order to meet the targets, the government must provide resources (national contribution budget) worth 2,000 billion Kip (US\$ 240 million) per year to implement ODA (grants and loans) projects.

(3). Infrastructure and construction: This sector accounts for 35% of the total investments or about 44,500 billion Kip (US\$ 5,240 million), which is about 8,874 billion Kip per year (US\$ 1,050 million). Compared to the Sixth Five-year Plan this is a 5 times increase or 18%. These investments are meant for socio-economic as well as physical infrastructure. In order to meet the targets, it is required that investments worth 8,215 billion Kip (US\$ 960 million) per year from domestic and foreign private sectors and credit from banks, are made.

+ Debt service for domestic and external borrowings will follow contractual terms, and should account for 35 % of domestic investment.

## **5.2 State budget balance**

Total revenue collection during the next five years is projected at 90,407billion Kip or approximately 19-21% of GDP or more. Compared to 2006-2010, the total revenue collection increases twice. In that, domestic revenue is projected at 66,079 billion Kip ( 16.6% of GDP or in between 16-18% of GDP), tax revenue accounts for 47.17%, customs revenue accounts for 32.39%, land use tax accounts for 1.34%, and sales of state-owned assets revenue accounts for 12.10% of total domestic revenue. Mobilizing grants to meet 24,328 billion Kip ( between 5-6% of GDP)

Public expenditure in 5 years is projected at 103,716 billion Kip ( between 22-25% of GDP), of which Public investment program in between 11-12% of GDP

Fiscal deficit is projected at 13,309 billion Kip or in between 3-5% of GDP

### **5.3 Expenditure and savings balance**

- ensure savings accumulated in the banking system reach 39.5% of the GDP per year
- maintain the state's reserves at approximately 2-5% of national revenue per year, in order to use them in urgencies: national security, natural disasters, food shortage, adverse effects on livelihoods of people, or sudden change in petroleum prices.

### **5.4 Import and Export Balance**

In order to keep import and export balance, the trend of the capital inflows from foreign countries has been studied. Especially, capital is expected to increase due to the launching of the stock market by end-2010, and inflows of revenues from the Nam Theun hydropower project (through export of electricity, 2010 onwards), it should be possible to bring about a better balance between imports and exports in the economy. It is believed that these flows will also help to increase the foreign currency reserves for meeting import requirements for at least 6 months.

### **5.5 Labour balance**

In order to ensure that the labour structure is aligned with industrialisation and modernisation adaptation and matched with sectoral growth, the proportion of workers in the agricultural sector is expected to reduce from 75.1% in 2010 to 70% in 2015. Correspondingly, the workforce proportions in the industrial sector are to increase from 5.5% to 7%, and in the service sector from 19.5% to 23% in this period. In 2015, it is estimated that the demand for labour would be about 3.26 million; however, the labour supply would be 3.17 millions. New workforce are estimated at 277,000 (on average, 55,000 workers per year); 210,000 people in agriculture sector, 14,000 in industrial sector, and 53,000 service sector. There would be additional labour requirements as well; in the next five years, in the industrial and service sectors, there are are estimated at around 190 thousand. Thus, in order to meet the demand for workers in industry and services, workers' movement away from agriculture and entry of the new entrants of around 140 thousand in these sectors are both required. For the 50 thousand that not yet enough, a policy is then required for improving the skills of workers particularly, professional vocation schools and technical training centres to build up skill workers in both quantity and quality aspects. In addition, there should be a policy of tracking domestic and foreign workers for matching labour demand with supply at different times.

## **II. DIRECTIONS and MAIN TASKS of THE FIVE YEAR SOCIO ECONOMIC DEVELOPMENT PLAN VII**

### **1. Rural Development, Poverty Reduction and graduation from the least Development Status**

[1]. Direction:

Poverty, rural development, and graduation from the least-developed country status are the core tasks of socio-economic development and political process. They are expected to have a long-term effect on the country's development. This issue has been brought continuously to the Party Congress Meetings. Resolutions of the Party Congress, particularly the Ninth Report of the Political Agenda are among the big political tasks of the Party and the Government. Poverty eradication and rural development are the key priorities of the 7th NSEDP. Therefore, the direction on poverty reduction and rural development should be focused on changing in all aspects in rural areas by paying attention to poor households, villages, and kumbans in all over the country; and also remotely located Kumbans that have minimally benefitted from various programmes until so far. The approaches are to carry out rural development, and transform the country to be green and clean, abundant in forests (including rain forests), water, and fresh air. Establishing villages and Kumban development as the starting points to carry out solutions as per the four targets and four contents set by Central Party Committee decree no. 09/CPC and additional decree no. 13/PM and no. 03/CPC dated May 30th, 2011. The contents of the decree are to encourage people to focus on strengthening capacity at grassroots level, improve the political system and national defence and security from grassroots level. Economic development and improving living standard of people are the key to achieve MDG to make grassroots level access to development in proper ratio and reduce the gap between rural and urban areas.

[2] Targets for 2015

- Poverty reduction rate (head count ratio) should be less than 19% of the population, and poor households less than 10% of the total households by 2015.
- Conduct participatory planning at the village, Kumban and district levels in order to implement poverty reduction projects in the most effective ways.
- Implement programmes through the Poverty Reduction Fund, increase the coverage of the programme by three folds..
- Integrate small scatter villages to be merged and reorganised to become bigger villages and establish new community (small town) to become a model in rural and remote areas for 1-2 towns per province.

- Resettle displaced people by developing new agricultural lands and living facilities for them on a permanent basis, completely halt (and reverse) deforestation, and stop shifting cultivation.
- Village grouping, resettlement and livelihoods cross-cutting: Continue Kumban development and village grouping (and resettling) as anti-poverty and rural / human development approaches.
- Extend the road network to poor districts so as to permit travel throughout the year, especially the districts of Dukjeing, Kaleuam, Samoua, Saisathan, Phonthong and Saichamphon. Moreover, expand road connection to focal areas and central villages of Kumbans.
- Expand rural electrification: The target is to provide access to 80% of the households across the country, and extend permanent electrical networks to all municipalities.

### [3]. Priority Programmes and Projects:

- 10 government development focal areas are Phalavek District; Longchang District; Ao District, Vientiane Province; Sanluang Area and Namsium Area, Xiengkhuang Province; Palane Village, Phongsaly Province; Navison focal area, Laungphabang Province; Laohoung-Piengsa focal area, Houaphanh Province; Nanga focal areas, Champasack Province; and 54 other focal areas of provinces.
- Projects on political training and strengthening public administrative capacity for local authorities
- Projects on developing the revolutionary areas including Vilason Village and Vilason District
- Projects of developing village volunteers in the priority districts and provinces.
- Projects of resettlement and allocating permanent production and resident lands to people: Priority is placed on 4 kumbans in Phonexay District in Luangprabang Province and 3 focal areas including Nongsane and Ponglath Areas in Kasi District, Vientiane Province; Phakbeuk in Bolikhan District, Bolikhamxay Province.. Integrate small scatter villages, which do not have any development potential or facilities, to be merged and reorganised to become bigger villages, to be the centres of economic activities and culture. They are to become small towns and focal areas for development in rural areas under the direction of establishing villages and Kumbans.
- Projects for establishing green rural areas: The activities herein include earmarking land (including forest lands) in rural areas for forestation, reserving land and forest without any activities on them for expanding green cover, selecting families to represent governments to help reserve various types of the forest, rehabilitate community forest to again become green forest emitting out oxygen. All districts in rural areas have to establish projects for

maintaining and improving the green, clean, beauty of Lao, using Lao Pilot Programme Fund and other sources.

- Project to support commercial production and services: These should be consistent with the farming heritage of the Lao people. People should be supported with funds, technologies, and marketing to ensure adequate earnings for each household. The aim will be to expand agricultural techniques, creating service centres for districts and Kumbans, expand financial services to rural areas through agencies such as Nayobai Bank, village development funds, saving groups, cooperative finance, and others. The government will promote cooperative groups for production and services, support business sectors (especially small and medium enterprises in rural areas by establishing a two-way association between the producing groups and markets), link rural markets to those at Kumbans to minimise market/price risks, and establish commodity production models in villages and Kumbans for demonstration and transfer lessons to villagers.
- Promote agricultural production relating to industrial processing and services in rural areas, by continuing to review and set the potential and ability of raise crops, livestock, and services more intensively.
- Develop basic infrastructure for socio-economic development in rural areas: The aim is to construct and expand road-access to the centre of a Kumban, between Kumbans, and for access to production areas; improve, construct and expand irrigation systems; expand telecommunications network; reach electricity connections far and wide; build schools, health centres and clean water systems; build training centres, develop skills; and strengthen transportation systems. There is a great deal of flexibility required in establishing new settlements and providing facilities to ensure that people's livelihoods are not jeopardised and that community harmony is maintained. In this regard, effort will also be made to ensure that those Kumbans in the hinterland that have not benefitted from rural development programmes until so far are especially targeted.
- Create off-farm jobs for labour force in agriculture sector (with low wage) to ensure regular jobs and incomes for the farmers which ultimately help generating incomes for rural economy. Lao PDR can draw lessons learnt from best practices in experienced countries (more than 30 countries) to implement its national development.
- Improve the quality and access to education/health in rural areas: Bring all education at least close to the district standards (both formal and non-formal); make efforts to solve the problem of teacher scarcity and unqualified teachers; establish and operate primary health insurance systems for the community, and increase access to health care services; attend to health protection and nutrition of mothers and children; and promote health education activities.
- Projects for establishment of village and Kumban development models
- Projects for improving the capacity of the government authority at the local levels

- Projects for developing of information, improving statistic of poverty of whole country.
- Projects for Skill development to the youth in rural and urban areas and other projects.

[4]. Measures

- Each sector at the central level continue to work closely with the local level, focusing on village and Kumban development and mobilising people politically at the grassroots levels according to the four concepts and four targets. Additionally, build capacities of civil servants at the district and village levels to enable them to lead people in carrying out the actual work.
- Enhance participation at the village and Kumban levels by building capabilities of the concerned staff in the local and project areas.
- Strengthen organisations responsible for implementing rural development and poverty alleviation programmes right from the central to the provincial and grassroots levels to enable them to manage, supervise, monitor and report on the actual work.
- Allocate funds for the realisation of plans and projects using various sources: government investment fund, people's contribution fund, policy banks, village development funds, asset capitalisation, grants and (foreign) loans, financial institutions, international organisations, non-government organisations (NGO), fund-raising from various business entities (both domestic and international), and domestic and foreign investors. Up to 10-15% of the total investment will be earmarked for investment in rural development and poverty reduction. In addition, the aim will be to improve regulations and management mechanisms, using the poverty development fund and community and village development fund, for being effective and directly impacting poverty and boosting rural development.
- Implement the customs and tax policy, credit policy and policies of using other suitable resources and mechanisms; encourage investors and entrepreneurs to invest in rural areas and projects that directly impact poverty; carry forward the new investment promotion law; and implement the special development policy in the priority areas.
- Study and formulate some regulations to be references for implementing rural development programs, poverty reduction and pull out the country from least developed status.
- Integrate rural development and poverty reduction projects into MDG projects and activities to ensure the common target use of fund from the government, international grants and funds from FDI.

## 2. Sectoral Development

### 2.1 *Economic sectors Development*

#### 2.1.1. Agriculture and Forest

##### [1]. Directions:



The plan aims to develop the agriculture and forestry sector more intensively in regions having the potential and suitable preconditions for industrialisation and modernisation. Next, the plan aims to ensure food security and encourage commercial agriculture for local consumption as well as export. Agricultural productivity is expected to increase with the application of newer scientific and technological methods. Besides, the plan will aim to increase the number of model families, stop shifting cultivation completely, regroup small villages located in the mountains and encourage resettlement, provide land (on permanent basis) and regular work to the landless and re-settlers, protect the remaining forests and reforest degraded areas (to make Lao PDR a green country), establish comprehensive irrigation systems, raise land yield rates by improving upon the existing methods of production, constitute production groups, and boost rural enterprises.

[2]. Targets:

Increase the agriculture and forestry sector's gross product growth rate including the value added products to 3.5% per year on average, bringing the agriculture and forestry sector's share of 23% in the year 2015. Details are as follows:

1. Food Supply:

In the five years 2011-2015, there should be sufficient production to meet food demands. Part of this will be used for consumption and reserve, and part for export as a commercial product.

The main items in the food and agricultural forestry sector comprise of:

.1. Total rice production should reach 4.2 million tonnes, grown in 1.04 million hectares by the year 2015. Break-up: 2.9 million tonnes produced in the rainy season in 740 thousand hectares, 1 million tonnes produced in the dry season in 200 thousand hectares, and 0.2 million tonnes upland production in 100,000 hectares. It is expected that the average rice productivity will reach 4 tonnes per hectare, which would average to 450-500 kg of rice per capita, per year after accounting for export of raw and processed food for export. This should ensure food-nutrition equivalent to 2,400-2,500 kilocalories per person per day by 2015.

.2. Meat and fish production: Meat product is aimed to be 221 thousand tonnes and aquatic production (fish, prawns and frogs), 157.2 thousand tonnes; in average 53 Kg per person per year, sufficient to meet the consumption needs. In urban areas it is slated at about 63 Kg per person per year, and in rural areas 48 Kg per person per year. The share of livestock and fisheries in agricultural GDP is expected to rise to 42-45%. In terms of growth this should grow by 4-6% annually, including 2-3% for cattle, 4% for pigs, and 6% for poultry. There is a need to hire-in services of 1-2 volunteers and veterinary professionals, who would be stationed in each village. Advocate for vaccination for large animals to reach 50 % all non-farmed animals and 95% of farmed animals.

.3. Corn, vegetables and fruits: Target estimates of corn production is about 228,4 thousand tonnes in 20 thousand hectares; taro and cassava, 303.5 thousand tonnes in 27.8 thousand hectares; fruits, 700 thousand tonnes in 45 thousand hectares, and vegetables products, 1.5 million tonnes in 110,000 hectares.

- Commercial Production:

2.1. Grain cultivation: Promote rice production, for example Kao kam (black rice), Kao kainoi, Kao takiat, Kao hom, new rice breed, Kao sea air 203, and Kao tadorkham and other rice breeds. Extend cultivation area by approximately 250-300 thousand hectares annually; cultivate more than 1/3 of the rice area using merchandised methods; create a marketed surplus of 500-1,000 thousand tonnes per year; produce 1,170 thousand tonnes corn for animal feeds in 213.3 thousand hectares; produce more than 55.3 thousand tonnes coffee in 65 thousand hectares; produce 29.75 thousand tonnes soybean in 17.5 thousand hectares; produce 2.15 million tonnes sugarcane in 50 thousand hectares; produce 100,000-1500,000 tonnes of rice seeds; produce 4,000-6,000 tonnes of corn seeds; produce 20,000-50,000 tonnes of soybean and other grain seeds; 5000-10,000 caw breeds; 200-300 million fish breeds; and 10,000-15,000 tree seeds and others by 2015.

2.2. Livestock: Boost cattle exports from approximately 100,000 cattle heads in 2010 to 140,000 in 2015.

2.3. Forest Products: Aim to achieve collecting 1-1.5 million lines of rattan, 0.9-1 million bamboos, fired wood 10-12 thousand La, keekang 28,500 tonnes, marknang 4,500 tonnes, etc.

2.4. Industrial Grain: At the end of the 2015, industrial trees should constitute about 80% of the total trees planted. The target is to plant industrial trees of 621 thousand cubic metres, in which 96% will be teak (equivalent to 600,000 cubic metres), 10,000 cubic metres of eucalyptus, and others.

3. Forestry:

3.1. Increase the forest cover to 65% of the total land area, regenerate the natural forest in 3.9 million hectares, and reforest 200 thousand hectares, by 2015.

3.2. Survey and classify 60% of the forest, by forest-type, and expand the certified forest area by 10% of the total production forest by 2015.

3.3. Strengthen forest management and prevent destruction of forests by making efficient use of forest funds.

3.4. Protect the environment and reduce activities that affect climate change.

4. Irrigation:

Turn the irrigation into the irrigated agriculture by applying machinery and electricity, covering 60-70% of the flat and mountainous cultivation areas or 50% of the rice, commercial grains and fruit trees cultivation area. Expand the field for livestock, fish ponds and other aquatic which are potentially demanded by the society. By 2015, the irrigated area in the dry season to be increased to 300 thousand hectares, including 200 thousand hectares for dry season irrigated rice and 100 thousand hectares for other crops, The irrigation systems

are also expected to provide water to 500 thousand hectares in the rainy season, of which watering 300 thousand hectares of seasonal rice.

#### 5. Experiment and use technology in agriculture:

There is need to strengthen the existing 216 agro-forestry technical centres to undertake research so that they are able to transfer technical knowledge and provide services to farmers. They should ultimately become service networks, serving the production needs of the users. It is envisaged that they will expand to more than 500 centres across the country by 2015. Research will also be conducted to identify good quality breeds of rice, corn, cattle and fishery .

Uplift the productivity by efficient use of land and seeds. Turn the agriculture to one that serve industrialization and modernization. The rural development should be linked with the poverty alleviation, irrigation construction and the research and development to create some model agriculture production such as: irrigated agriculture development , rice seeds production, animal quality breeds.

Research some measures for distribution and quality of sanitary and phytosanitary or SPS measures through all international borders.

#### [3]. Programmes and Focussed Projects:

- Focus on food programmes and commercial production programmes to ensure sufficient supply to the domestic market. Focus on irrigated-agriculture project which means construct irrigation with agriculture development moving around in order to improve living standard of people. The characteristics of irrigated-agriculture projects are: (1) Irrigation construction project needs to construct in the place that has water flow from high land to low land to ensure the effectiveness and efficiency of the investment. The investors have to do multi-businesses. 2). It has to process agriculture products in the project area for domestic consumption and export. 3) Establish village development in the project (irrigated) area; people can have jobs and produce foods in this area for people who residing around the project area. Irrigation-agriculture projects are as follows:

- 1. Irrigated-agriculture project at Nammong and Tanpile the left side of Ngam River which covers Vientiane's plain with the cost of 511 billion kip;
- 2. Irrigated-agriculture project in NamTurn 2 at water door no. 1, 3, and 4 which covers Sebangfai's plain, Khammouane province, with the cost of 14,033 billion kip;
- Irrigated-agriculture project in Houitout, Soui, and Lahanam which covers sebanhieng plain, Champasack Province, with the cost of 14,033 billion kip
- Irrigated-agriculture project in Namsoun which covers allocated area of Borikhan District's Plain, Borikhamsay Province, with the cost of 153 billion kip
- Irrigated-agriculture project in Senamnoy which covers Attapeu and Sekong's plain, with the cost of 289 billion kip

- Irrigated-agriculture project in Sesalalong and Sekeu which covers Savannakhet's plain with the cost of 484 billion kip
- Irrigated-agriculture project in Namsan which covers Nan District's plain, Laungphabang, with the cost of 161 billion kip
- Irrigated-agriculture project in Nammao, Namnan, and Namngeum which covers Xienghon District's plain with the cost of 357 billion kip
- Irrigated-agriculture project in Namaoun and Namgna which covers Sing District's plain with the cost of 510 billion kip
- Irrigated-agriculture project in Namlong, Sopbao District which covers plain of Meungkoune Village, Samtai District, Houaphanh Province, with the cost of 229 billion kip

#### [4]. Measures

##### 1. Application of modern techniques and technologies will raise productivity:

- Application of modern techniques and technology: Modern seed dropping machine, mechanical harvesting (and use of other machines), insecticides machine and so on, are expected to increase productivity. At the same time, it is necessary to extend rice production in areas having favourable agro-climatic and other conditions to enable efficient use of machines to reduce the cost of production and reduce number of labours.
- Since village development is linked to developments in agriculture and forestry, it is important to concentrate on agro-technologies and setting up information service centres to spread these technologies, especially in districts where resettlement is carried out.
- Agriculture production must be strongly related to processing industry and sale.

##### 2. Source of funds and tax policy:

These are from the government budget, domestic and foreign private investment fund, grants in aid and loans, bank credit, and contributions from the population.

The tax and trade policies would be favourable to developing market and market networks, ranging from wholesale to retail, and production management (including storage and transport services), cold storages, processing factories, rice-mills, small abattoirs and livestock feed factories.

There would be lessons learnt from various forms of investment in commercial tree plantations, i.e. 100% concession, form 2+3 (i.e. 40% contribution from labour and 60% from investors) and so on, to avoid adverse impacts that result in loss of benefits to the state and people. Establishing a database on the land and providing information are essential for the plantation business.

### 3. Production, processing and marketing

Agricultural production has to be related with irrigated-Agriculture; increase productivity of commercial agriculture products; set aside sufficient land for food production; and concentrate on comprehensive and systematic development of seven priority plains and mountainous areas in the north.

Improve organisation of production and economic structure from grassroots upwards by strengthening production groups in regions having developed agriculture, and establish newer forms of collective production groups as prototype, integrated with systems of service, sale-purchase, processing systems, communication, treasury and credit.

### 4. Personnel Development and Training

There is a need to develop personnel by upgrading the capacities of staff, which have village veterinary knowledge and skills, for each focussed region that lacks advisory and supervisory staff. Each group of villages needs 3-5 personnel to assist and lead villagers in the actual work. The need for development and training will be defined in detail.

Training and demonstration programmes will be regularly organised on cultivation and livestock-raising, maintenance, and newer techniques to ensure higher productivity. Moreover, it also includes measurement to resolve the risk from deserter and the climate change.

### 5. Management, legal instruments and policy

Issues, measures and policies concerning quality inspection, standards and disease prevention will be taken up.

- Review the declared legal instruments to identify missing points, weakness points and some difficulties in the management, protection, development and use of forests and land. Then, improve these legal instruments.

- Implement the policy of land and forest allocation to villagers to protect and use them; facilitate each farmer family to obtain land title; and halt slash and burn cultivation.

- Efficiently manage forests to increase green zones by covering the country with natural forest; decisively take up the problem of illegal logging and deforestation and revive protected forests, reserved forests and production forests, sustainably.

- Carryout measures to revive forests by defining zones to be revived, conserved and protected, for the nature to recuperate them; improve the quality and variety of revived forests by planting specific types of trees.

### 2.1.2. Industry and Commerce

#### [1]. Directions:

Attempt to develop industry and commerce in both quality and quantity; maintain balances between demand and supply; and enhance the capacity of industry and commerce to compete in domestic and export markets, especially in agro-processing. Small and medium enterprises have a special role here in promoting industrialisation and modernisation, in turn resulting in rapid economic growth. The aim will be to attract domestic and foreign investments to invest greater quantities in the processing industry for which industrial zones and industry-associations will be created at different levels. Attempt will also be made to promote handicraft production (a heritage to the Lao people), and also expand products already established in the markets. Economic cooperation with international agencies will be continued for ensuring the benefits of integrating the economy into the region and at international levels. The country is already preparing to be a member of the World Trade Organisation. For achieving all this, the country will try applying new technologies, and train personnel to strengthen human resources.

#### [2]. Targets for 2015:

##### 1). Processing Industry:

Strive to expand the processing industry at an annual average rate of 13% and the sector should achieve a GDP share of not less than 24 % by 2015, such as: wood processing, garment factory, food and drinks processing, construction and household factory to be coverage 80% in the total of processing industry.

##### 2). Handicrafts:

To develop and expand handicraft at 15% per year, by encourage main products, such as: cloth, cotton and silk at 20% per year, silver-gold made at 18% and wooden art at 16% per year.

##### 3). Trade:

Strive to expand the volume of trade should grow at 11% per year, on average. Exports are to grow at 18% per annum. Trade deficit should be clear out in the foreseeable periods, and a trade surplus in some year. Locally made goods should have a share equivalent to 50% in the total goods marketed in the country.

##### 4). Market Expansion:

- In the year 2015, to expand retail markets or store cover 80% groups of villages (in centre of economy and cultural rural area), to formulate the economic cooperation units for people to cover, approximately 50% groups of villages; to expand the remote area market place at 70%.

- Export market: increasing of export ratio to the market in Asia cover 60%, especially at ASEAN, China, Japan, South Korea, Taiwan; In Europe market cover 30% (Include: EU, Norway, Switzerland, and Russia ); Oceania cover 10%, in America and Africa cover 3-4%.
- Import market: Asia market is still main import cover 75%, and import from Europe about 18-19%, America about 2-3%, Oceania and Africa about 2-3%. Especially, import the equipment in industrial product with projects; to reduce import in the raw material for to encourage promoting domestic production.

#### 5). Adaptation and Price Mangement:

- To establish market organizer to research, analysis, monitor of demand and supply phenomenon or the market forecast (goods and price) to be make sure the system in each period. To be stability manage the price or it can manage in a range of punctuation and also unaffected to people living.

#### [3]. Programmes and Focussed Projects:

Support implementing of garment modernization project with the cost 38 billion kip, sugar factories, steel factories, rubber processing factories, paper factory (OJI company), Copper processing (electric line) factory, and coffee processing factory. Continue implementing projects supporting improvement on commodity inspection system (lighting), funded by loans from China (1,683 billion Kip); industry association establishment project in Vientiane Capital costing 654 billion Kip (funded by two sources, including public budget and loans from the Government of Japan); and project of seeking of market for selling Lao products and others.

#### [4]. Measures

1. Applying modern techniques into the mechanism of production, especially processing, to enhance the quality of exported products for them to have a higher value and to be able to compete in the market.

#### 2. Production, price and credit promotion:

- Attract investment and use human expertise from all sectors to construct basic infrastructure, especially for constructing various types of markets: wholesale markets, retail markets, rural markets, and bordered markets. The aim will also be to set up facilities for processing products after harvesting and storing them.
- Establish and promote funds for keeping agriculture price stable and predictable. For this, it would be useful to set up economic cooperation groups (or units) with firm links between producers and buyers. The aim is to manage goods markets and prices, with a view to maintain economic stability and protect customers.
- Facilitate a greater role for finance and credit into the market to facilitate the import and export business. Among other activities, the aim is to increase coordination between different sectors that support production and trade; in other words, support and promote a

close relationship between production and marketing (in both domestic and international markets) through advance arrangements.

- Apply all effective export promotion methods, such as exhibiting products in both domestic and foreign countries, advertising through different mass media (including through Lao embassies in foreign countries), spreading information through trade representatives, training in business information dissemination, opening more markets, developing the ‘brand names’ of products, and meeting international standards.

### 3. Building human resources and training:

- Strengthen national industry and commerce; upgrade staff and workers who have talented skill to work in production, businesses, and import-export activities.
- Hold training programmes and organise seminars for business owners (and all others associated with economic sectors) on marketing techniques, doing business in a market system, and establishing harmony with international and business laws.

### 4. The law and legal aspects:

Make the law to be ‘business-friendly’, and gradually become consistent with the economic situation in domestic and international step markets, through reviewing and improving existing laws, making new rules and regulations, and revisiting other legalities.

5. Invite foreign capital of high quality that adheres to the principles of fair business practice and environmental regulations. They should also preferably create jobs for local people and enable transfer of technology.

#### 2.1.3. Energy and mining

##### [1]. Approaches

The following approaches have been identified:

Energy and mining sector is a strategic sector in both short and long term, it is a energy sector and it is aimed to serve the society and generate incomes to accumulate capital (resources), to be expended on the country’s socio-economic development. Lift up living standard of people and become battery of ASEAN. It is a core sector of modernization and industrialization. Natural resources, including water and minerals, must be so used as effectively and to preserve and protect the environment.



Development in the power sector is focussed on using, developing, and expanding hydro sources, coal and renewable energy for environmental friendly; Expansion of lines to meet the twin objectives of supplying electricity domestically for country's development, and export.

The aim of mining development is to carryout geological and mineral surveys to do preliminary mapping and exploring of various minerals sites to assess their quantity and quality. This will help assess the investment needs. Finances will be sought from international organisations to invest in the excavation and processing of minerals. Mineral milling facilities will also be created, with the ultimate aim to produce finished and semi-finished products, and phase out exporting raw minerals in the times to come.

## [2]. Targets for 2015

### 1). Hydroelectricity:

Construct medium and large hydropower projects in the Northern, Central and the Southern parts to have enough electricity meet the domestic demand by the year 2012. During the period 2011-2015, complete construction of 8 power stations with an installed capacity of 2,862 MW which will be produce energy 15,321 GWH per year and construction of 10 additional projects adding up to 5,015 MW of hydropower and costing US\$ 11,295 million.

### 2). Expansion of electrical transmission line:

Expand medium voltage lines of 22 KV, and off-grid electricity to remote rural regions presently not having electricity, so that 80% of the total households across the country can use electricity by 2015. Carry out integration of power grids between the Northern-Central and the Southern parts of the country, with the 115 KV transmission lines systems and strive to connect 500 KV transmission line system with neighbouring countries, especially Thailand and Vietnam

### 3). Exploration and process of mine

Plot a geological-mineral map on the scale of 1/200,000; map 75% of the country's total area on a scale of at least 1/50,000.

Manage to excavate some important mineral ores and process them into finished/semi-finished products before selling them, i.e. lignite (13 million tonnes/year), kali salt in Xaythany District (100 thousand tonnes/year and will be increase to 500 thousand tonnes/year), Explore and process kali salt at Nahong Village, Thakack District, Khammouane Province (sized 100 thousand tonnes per year) and expect to explore more kali salt in Nongboke village. Moreover, produce copper plates (86,200 tonnes per year), gold bars (6 tonnes per year), coal (728,000 tonnes/year), copper dust (298,000 tonnes/year), and gypsum (600,000 tonnes/year).

Strive to complete constructing a metal smelting plant in the North (Vang Vieng District), and aluminium processing plant in the South, explore and process gypsum in Khammouane and Savannakhet Provinces, Explore coal in Xiengkhouang Province, small iron mining in Phongsaly, and others.

### [3] Priority Programmes and Projects:

- Continue implementing the 22KV electrification project in six villages, Soukouma district, Champassack, costing 8.5 billion Kip from the government's budget and aimed to be complete by 2012; and complete projects for which contracts have already been signed (PDA) and work is under construction, such as Nam Geum 3 (costing 8,916 billion Kip, to be completed before 2016). Implement 500KV electrification project in 10 Northern provinces costs 535.5 billion kip. Furthermore, some mining projects are also prioritised, such as Salaco Project (Bauxite) in Champassack province; aluminium mining project in Attapeu province; Phubia mining; and gold and copper mining at Sepon (see appendix for further details) and other projects.

### [4]. Measures

#### 1). Fund mobilization for development

- Raise foreign grants and soft loans for efficient use in creating power-generating capacity and related infrastructure; invest in mineral exploitation where there is potential (maximising government benefits); and carryout fund-raising from all economic sectors in the society.

#### 2). Use new technology in conducting surveys, exploration and processing mine

- Legalise mine exploration and processing activities, and encourage the sectors to observe regulations. To maximise benefits for the state and people, use various measures against the law violators in the power minerals sector.
- 'Capitalise' certain assets in the power and mineral sector for the state to maximise benefit from them.

#### 3). Improve laws and regulations

- Improve policies, laws, regulations, coordination mechanisms and procedures. The scrutiny of documents by government officials will be faster and more transparent, to attract more investment in the sector.
- Elaborate strategic plans into programs and detailed projects to enable realisation.

#### 4). Environmental Protection and Human Resource Development:

- Using water sources, minerals and other natural resources effectively and economically, to ensure sustainability of the environment
  - Enhance the human resource capacity (in both quality and quantity) especially in the field of mining.
  - Improve organisation of the energy and mining sector, and increase efficiency of all staff at all levels from centre to local levels for its personnel to make this sector grow rapidly.
- 5). Give out mining concessions in a transparent manner following internationally set standards and maximize national benefits from them.

#### 2.1.4 Public works and Transport

[1]. Directions:

Continue developing the public works and transport sector to form the core for upgrading effectiveness in commercial production. It is to become the driving force for industrialisation and modernisation, be a facilitator of goods and people's movement all over the country, and a harbinger of national defence and social security. It can integrate regions, making the country linked from north to south and from east to west.

[2]. Targets for 2015

##### 1. Roads Construction and Inland Transportation Development

- Continue to develop communication and transportation network for better connectivity with neighbouring countries and along the regional economic corridors (such as the north-south corridor and east-west corridor), and rehabilitating existing roads to become usable round the year. Among the important targets is to create highways of length 920 Km.
- Construct district municipal roads, rural roads to connect to focal areas and some Kumban development. Effort will be made to have at least gravel pavement for all roads, usable for at least one season to reach 100% by 2015.
- Construct important roads, significant for national defence and security, environment, natural preservation, biodiversity and tourism.
- Upgrade the quality of the transport services and safety of passengers and goods in order to increase the passenger transport volume to 320 million people, which is about 9% increase each year. This works to about 18,000 million person-kilometres in 2015, i.e. about 10% increase per annum through the plan. The aim is also to increase the volume of goods transportation to about 23 million tonnes, i.e. an increase to about 7% per annum. This works to about 2.2 billion tonne-kilometres in 2015, i.e. about 7% increase per annum through the plan.

## 2. Construction of Waterway Transport

- Continue to widen and improve waterways for increasing travel by boats (through the Mekong River and its tributaries) since water travel is efficient and safe. This will require managing and standardising the riverside infrastructure up to international levels, and yet preserving the environment.
- Construct ports at suitable sites; attempt will be made to invite private investors to participate in waterways transport development.
- Raise funds for protecting the coasts of Mekong and its tributaries, especially at sites where the erosion is high; complete at least 50% of the task.
- Construct waterways systems, to be able to access the sea in Jouang, Vietnam.

## 3. Construction Development and Air Transportation:

- Improving air transportation service system: Obtain new, modern airplanes for ensuring high safety; strengthen aviation companies so that they can provide high quality services; and increase flights to a larger number of countries in Asia and Europe.
- Conducting studies to upgrade and improve existing airports, construct a new airport that can land a Boeing 747 aircraft in Vientiane Capital, and construct four airports that can land Boeing 737 aircraft (at Luang Prabang, Xiengkhuang, Savannakhet and Champassack). Effort will also be made to upgrade airports in Bokeo, Phongsaly, Huaphanh, Saravane and Attapeu, to land 30-seater planes. The aim is to meet the aviation needs between Laos and other GMS and ASEAN countries.
- Improving the air services: Up-grade infrastructure, improve flight safety, modernise aviation control, expand flight routes by opening medium and long distance routes to increase the number of passengers, and improve the entry and exit facilities.
- Aim to increase air transportation at 8-10% per year
- Aim to increase the number of flights at 4.5-6.5% per year

## 4. Development and Construction of Railway

The tasks are to:

- Strive to completely construct the infrastructures and urban services more 21 districts.
- Construct railway with complete infrastructure, capable of providing quality service; transport more goods across the border on larger numbers of container vehicles; and divert transportation from road to railway to decrease the cost.

- Continue making the master plan to survey, design and construct railways; determine inter/sub-regional integration corridor, in particular from the existing ‘station to a station’ distances in Vientiane Capital; expand connectivity eastwards to the sea (in Vietnam); and connect to China through north-south routes.
- Prepare an appraisal report for assessing the economic and technical aspects of constructing railway lines between Vientiane and the China border (north), and Thakek and Pakse (south).

## 5. Urban Development and Water Supply

- Improve the general direction plan, identify protected areas (of architectural heritage, city and natural scenery), prepare detailed drawings plan of cities and groups of villages in various districts. Continue to upgrade and standardise urban street networks and build interconnecting roads to ease traffic circulation; improve urban environment by building green zones and parks; and organise residences befitting sanitary regulations.
- Reduce road accidents to reduce death rate to five persons per 10,000 vehicles.
- Continue improving water supply in the bigger districts under the piped water (Nampapa system) to reach 65% of the total number of people residing in urban areas in the country.
- Continue to improve the water supply system in main cities and construct new systems in smaller cities and village groups. The water supply system must ensure good service, cleanliness and sustainability.

## 6. Transit Service

- Continue to construct and improve the east-west economic corridor and north-south economic corridor of the Mekong sub-region; propose constructing a railway line between Nongkai and Vientiane; initiate construction on the Lao portion of the Singapore-Kunming railway line; and initiate work on the north-south railway along Road No 13, connecting Houyay-Boten and Phoukhoun-Nonhat, Xiengkhoung Province; and making north-south and east-west lines. Moreover, International and domestic airports also will be upgraded to be more modern.
- Pursue development of special economic zones along the regional corridor and special border zones such as Savannakhet-Seno, Dansavanh (in Savannakhet province), Vientiane Capital, Huayxay-Tonpheung, Kenethao (in Xayaboury), Boten (in Luangnamtha), and Nonghat (in Xiengkhuang). Additionally, study other sites.
- Diversify and modernise production and transport service logistics along the way from east to west and from north to south (NR9, NR3, NR13); Furthermore, screening applications for goods import/export permits, facilitating taxation, arranging transport, and

assisting the incoming and outgoing container vehicles to be more modern, convenient and faster.

[3] Priority Programmes and Projects:

- Project for construction of high speed trains' railway from Borten to Vientiane Capital
- Project for construction of roads no. 1A, 1C, 1D, 1E, 1F, 1G, 1H
- Project for construction of road no. 15 B from Naping to Saravanh Province
- Project for paving of road no. 16 A
- Project for construction of highway from Vientiane Capital-Vangvieng-kasy-Luangphabang
- Project for construction-upgrading of road from Hardsa-Nampoung, Phongsaly Province
- Project for construction-upgrading of road from Viengphoukha 3 junction – Nammongla, Luangnamtha Province.
- Project for construction-upgrading of road from Namkun checkpoint to Pakhayai Village, Xiengkhoung Province
- Project for construction-upgrading of road from Houinamyoun-Vangtard, Attapeu Province
- Project for upgrading of road no. 4 from road no. 13 north to Xayabouly province to Parkline to Kantao to Nakha to be completed by 2012
- Project for construction of the third Mekong international bridge from Thakak to Nakhonpranom
- Project for construction of the fourth Mekong international bridge from Houisay to Xiengline
- Project for construction of bridge across Mekong River from Xiengngeun District to Xayabouly Province.
- Project for construction of bridge across Mekong River from Khokkaodor to Parkline District
- Project for river bank protection at Sidonyang Village, Tonpeung District, Borkeo Province

- Project for conducting survey on economic and technical aspects for construction of new international airports in Vientiane Capital and Seno.
- Project for development of Vientiane and Phongsaly provincial municipalities, and other projects

#### [4]. Measures

##### 1. Fund mobilising for development of infrastructure

- Explore raising funds (loans and grants) from domestic and foreign sources. Particular attention is to be given to sources that do not have too many commitments and conditions.
- Transform Law on Investment Promotion in to real policies and mechanisms favourable for creating an environment suitable for attracting domestic and foreign private investments, for developing roads, bridges and other infrastructure items. Effort should also be made to implement the 'Build-Operate-Transfer' (BOT) approach, and promote capitalisation of non-monetised assets.
- Explore potential new income sources, manage the revenue collected from the infrastructure users efficiently, fixed loopholes and leakages, and take legal measures against violators.

##### 2) Improve and implement laws and regulations

- Implement regulations, decrees, laws and regulations in constructing and preserving the infrastructure; carryout assessment of the standard of new constructions; and inspect and repair existing constructions. The standard needs to be considered the risk of disasters.
- Monitor and evaluate projects that use government grants and loans. M&E is to become a law, to be implemented in a transparent manner.

3) Apply modern techniques to improve the quality and efficiency of transport, physical structures, roads and bridges (both construction and repairs)

4) Build capabilities of personnel in the civil works and transport sectors, reduce excessive deployment of expatriates, improve schools and training institutes, and train government officials at local levels.

#### 2.1.5 Post and telecommunication

##### [1]. Approaches

Expand the coverage of telecommunications, postage, and high speed Internet for them to serve as important drivers of the industrial sector and sustainable socioeconomic development; additionally, become means of social integration at the sub-regional and international levels.

## [2]. Targets for 2015

- Expand the postal network into every district and village area where the conditions are favourable. Within the network, mechanisms for depositing savings should also grow in more than 50% of the post offices in districts and target areas (defined in terms of their potential to grow socio-economically). In turn, these deposited can be lent out in the form of credit to small producers, and to employees and staff of state enterprises.
- Expand telecommunication network and services to rural areas with an aim to cover 90% of the villages. and install 17,192 Km of fibre optic lines.
- Added one more digit into mobile phone numbers which from 7 digits to 8 digits. Attempt to expand mobile phone and fixed line connections to cover 80% of the total population.
- Generate revenues from The National Authority of Post and Telecommunications equivalent to 175 billion Kip, raise revenues from postal services to 10 thousand billion Kip, and aim to achieve contribution to the government equivalent to 3 thousand billion Kip.
- Make available modern technologies in mail delivery, logistics, and payments of post services; e.g. payments by credit cards, letters sent through e-mails, and financial services through e-post. Create e-online across country.
- Development a 5-digit postal code to be consistent with district plans
- Construct 3 ‘frequency-management and inspection’ stations for radio communication across the country.
- Construct international and national gateways for Internet; complete at least two gateway centres in the country; and
- Develop the Lao font for all types of electronic communication.

## [3] Programmes and Focussed Projects:

- Project on frequency management equipment granted from Vietnam
- Project on installation of disaster warning system at central and provincial levels (granted) to be completed by 2015
- Project on expansion telecommunication network, and
- Other projects



#### [4]. Measures

1. Use new technologies to build favourable conditions for the post and telecommunication and Internet entrepreneurs to carry out their business, develop infrastructure and modern technologies (ICT) to enable people to learn, and use quality services at reasonable prices.

2. Policies and laws: Improve necessary legal instruments to fit with the changing socio-economic situation in a globalised era. Disseminate policies and strategies on render post, telecommunications and ICT adequately, continuously and regularly.

Make an effort to achieve above targets. Follow up, monitor, evaluate, and periodically draw lessons for improving the strategic implementation plan.

3. Upgrade personnel in the post, telecommunication and Internet sector to be comparable with international standards, and build workers and entrepreneur's capacities to meet the expanding demand.

#### 2.1.6 Public Finance and Banking

##### 1. Public Finance

##### [1]. Approaches:

Focus on strengthening the financial sector: accumulate foreign exchange, implement macroeconomic policy in an efficient and stable manner, and seek for more domestic and foreign revenues. The aim will be to expend these revenues efficiently on the socio-economic development, and make efforts to gradually reduce budget deficit.

##### [2]. Targets for 2015

Attempt to raise the total revenue to 19-21% of the GDP in average 5 years.

Have the public expenditure at 22-25% of the GDP

Limit the budget deficit of no more than 3-5% of the GDP.

Public investment should be not less than 12% of the GDP by the year 2015.

##### [3]. Measures:

1) Apply modern technology in the in the financial sector for greater efficiency and to create cushion against unexpected externalities.

##### 2) Management and policies

- Implementing the state budget directions No.02/NA, dated 26/12/2006 and exercising financial discipline; reviewing the customs and tax laws, policies and regulations to make adjustments for unsuitable contents and add new contents yet not there; aiming to ensure

generation of larger state revenues; and boosting exports. The aim will also be to establish appropriate customs and tax policies; policies on capitalisation of state assets; and other financial policies to prepare for joining the WTO. Effort will be made to strengthen SMEs, so that they become stable sources of revenue.

- Effectively managing sources of income, collecting revenues on time, and allocating revenues to the provincial administration and the different sectors. The aim will also be to centralise foreign exchange management with the government treasury; for instance, revenues from export of timber, sale of electricity, and income from over-flight service fees.

- Defining the structure of investment with appropriate ratios; assuring reasonable balance between the capital expenditure and administrative (and other recurring) expenditure; maintaining the infrastructure; taking up issues regarding capital investment management; and discouraging the use of commercial credit for the capital expenditure.

- Taking strict measures to spend money economically in order to reduce unproductive expenditure. The aim will be to improve standards, and defining tighter requirements for administrative expenditure, according to the prevailing economic situation from time to time.

3) Upgrading the knowledge on the finance sector by organising regular training on finance and financial regulations. Entrepreneurs and others in appropriate economic units should be well versed about the knowledge on finance, through regular information dissemination processes.

## 2. Banking

### [1]. Directions:

To stabilise the national currency: Strengthening and modernisation of banking would ensure stability in the national currency and contribute to socioeconomic development.

### [2]. Targets for 2015:

- Inflation rate should not exceed the rate of economic growth.
- Maintain stability of exchange rate Ensure net foreign reserve to cover at import of more than 6 months.
- Persuade saving deposit of 25.6% per year or accounted for 39.5% of GDP.
- Attempt to increase 49% of Kip deposit of total deposit per year and no less than 50% of total deposit by 2015.
- Attempt to increase saving in order to expand credit to economic sector by 22.9% or 32.9% of GDP, focusing on small and medium enterprises.

### [3]. Measures

- 1). Stabilise the national currency through an effective implementation of the monetary policy, exchange rate, and other foreign currency management policies;
- 2). Strengthen the management of commercial banks and other financial institutions, and help them diversify;
- 3). Strengthen and stabilise the banking system in all aspects; integrate the national financial system with the international financial system.
- 4). Provide more opportunities for local people to be able to access banking system

### 3) Capital Market:

#### [1] Directions:

Facilitate all necessary conditions for capital market including stock market to be able to function effectively and efficiently and integrate countries in sub-region region and international step by step.

#### [2] Targets:

- Promote and expand public companies to register into stock market at least 10 companies by 2015
- Expand stock products to be registered into stock market such as stock
- Expand investment widely and firmly including investors in the form of individual and institution

#### [3] Measures:

- Improve and create legal instrument to manage, develop properties and stock market to be more modern which including upgrading decree on real-estate and stock market to become Law on real-estate and stock market
- Make strategic plan for developing real-estate sector for 2011-2020 to be as reference for setting direction, policy, regulation, and law on real-estate sector development
- Enhance capacity of personnel especially on effective real-estate and stock market management
- Develop Lao stock market to be more modern and move toward to provide service on selling and buying stock widely in both domestic and in the region.
- Building up human resources; provide various advertisements about real-estate and stock market

## **2.2 SOCIAL SECTOR DEVELOPMENT**

### **2.2.1 Education and Human Resource Development**

[1]. Directions:

Educational development in this plan assumes high priority. Effort will be made to expand opportunities for accessing quality education continuously. Educational policies must be implemented with a clear vision to develop all levels of education, in close conjunction with national defence and social security. Building up human resources to serve the people, and bring about gradual modernisation and industrialization in the country, closer to international standards. There is a need to continue with reforms in the national education system, uplifting its quality and widening access to opportunities for the people at large – in particular, the ethnic groups, women and those deprived of opportunities by developing curriculum, providing teaching and learning materials and provide training to teachers and other staff to make more children access to school and promote gender equity in education (to achieve MDG goals no. 2 and 3) and also to ensure a balance in education between three areas: physical education, intellectual education and behavioural education (for character building).

Develop education to be the core pillar of the society, supporting human resource and regarding people to be decisive elements in development. Effort will be made to develop human resources through imparting knowledge, revolutionary morals, good character, advanced global vision, and knowhow on health. People should continue to conserve the national culture, at the same time, acknowledge multicultural values. Various skills must be developed among the people in according to actual demand in each field of work, to improve them to become professional workers: technicians, engineers, management staff, supporting staff, etc. The purpose is to build Lao people's skills at different levels for them to be qualified and skilled and have a healthy mind, so that they can contribute to national development process.

[2].Main Targets for 2015

- Strive to get 39% of the children of age group 3-5 years to enrol in kindergartens and primary preparation classes.
- Develop kindergarten teachers' curriculum at the diploma level, to be offered at 3 more institutions (in the provinces of Vientiane Capital, Saravane and Luangnamtha).
- Increase primary-school level preparation class enrolment for 5-year old pupils to 55% by 2015
- Increase primary school enrolment 98% by 2015.
- Expand childcare centres and kindergartens to accommodate 22% more children by 2015.

- Create favourable conditions to reduce repeating and dropping-out by students at the primary education level, to 2-3% per year.
- Increase lower secondary education enrolment rate to 75% by 2015.
- Increase upper secondary education enrolment rate to 43% by 2015.
- Improve and build more classrooms to reach 55,000 which can contain 2,229,900 students and 74,300 teachers
- The number of primary school students to university student is 2,094,200 or equivalent to 30% of total population
- Create favourable conditions for increasing literacy in the age group 15-24 years to 99% by 2015.
- Strive to raise literacy in populations of age >15 years to 87% by 2015.
- Build technical school in districts that have rapid economic growth at least 3 schools
- Increase technical students to at least 50,000, of which 50% are to be women and 20% belonging to remote areas and/or poor families.
- Increase diploma and degree students and university students to 1,640 per 100,000 persons.

### [3] Programmes and Focussed Projects:

- Project on national educational reform
- Project on continuously enhancement capacity of teachers
- Project on development of policies and operational plan on teacher development and management
- Project on construction of 20 primary schools
- Project on construction and improvement of Savannakhet University
- Project on improvement and expansion vocational education in southern part
- Project on development of technology for quality of education improvement and expansion of accessing to schools, and other projects

### [4]. Measures

The following measures will be attempted:

- 1). Provision of education infrastructure, including laboratories and equipments therein, effort will be to develop new scientific branches in the teaching and research curricula, for enabling

students to obtain knowledge in diverse fields: in both theory and practice. This will help upgrade student quality, to equal that in the region and up to international standards.

2). Mobilizing fund and other provisions for the education sector:

- Raise investment in the education sector in the coming years to 18% of the budget, by seeking more funds from various sectors.
- Cooperate and attract more assistance (including lesson learnt and fund) from foreign countries and international organisations
- Expand education into remote areas, and create conditions therein for the deprived children, especially those who are poor, female, ethnic minorities and handicapped, to access education.
- Formulate a ‘support policy’ for especially talented students, inducing them to become scientists and highly skilled administrators.
- Project talented children to build them to be scientists or managers with high ability.
- Continue to apply the ‘tuition fee’ and ‘no tuition fee’ policy in the education sector at all levels and grades, and reduce fees at the kindergarten and primary school levels by increasing budgetary support.

3). Upgrade skills of teachers, professors and scientists to be in sufficient quantity and quality. A fair remuneration to teachers and incentives to the scientific community are to be considered.

4). Encourage the society to widely participate in education, create encouraging conditions for the private sector, parents and people in general, to participate in educational development. Private schools are to be further expanded and should be regarded as important components of the national education system.

5). Introduce newer technologies in the educational sector, like ICT, to match with global educational standards.

6). Link education with nutrition for establishing synergies between health, nutrition and education, Girl’s/women’s nutrition will assume special importance.

7). Integrate disaster resolving into normal school curriculum, and teaching collage curriculum. Furthermore, the new school construction needs to be considered about the natural disaster’s risks.

## 2). Sports

### [1]. Directions:

The sports movement should be actively developed and should involve more people, particularly the youth. Sport is regarded as an important component of human resource development of the international policy of the party and state, for peace, friendship and cooperation. The standard of some Lao sports and sportsmen will be uplifted to match with the Asia regional standards. Some traditional sports will be encouraged for gaining experience and internal unity. Sports and gymnastics will be encouraged in all communities, from districts to villages, and will form a part of social life activity.

### [2]. Main Targets for 2015:

The main targets comprise of:

- Conducting campaigns to obtain regular participation in sports and gymnastics from at least 75% of the total population, and building ‘sports families’ up to 25% out of the total families. It is also targeted to have 90% of the provinces and 75% districts to participate in sports.
- Infrastructure related to sports and physical exercise will be developed at the provincial level and half developed in district level.
- Training 15% of the people aged 5-35 to be sportsmen and upgrade Lao sports to the international level.
- Organising the 9th National Sports in Luang Prabang in 2011 to be completed successfully and the 10th National Sports will be held in Oudomxay in 2014
- Concentrating on developing, upgrading and selecting sports players across the country in order to prepare them for domestic and international competitions, in particular participate in the 26th SEA games in Indonesia.

### [3]. Programmes and Focussed Projects:

- Project on infrastructure construction for sports facilities
- Project on infrastructure construction for sports facilities in Luangphabang Province
- Project on infrastructure construction for sports facilities in Oudomxay Province
- Project on capacity-building for sport administrators
- Project on Lao sport players development, and other projects

[4]. Measures:

- Widen the catchment for seeking gifted sportsmen in various branches and improving their quality. In parallel, some critical training equipment and materials have to be provided to them, for strengthening the sportsmen's capacity.
- Intensify coordination with concerned parties in sports development, and upgrading sports personnel for the regional and international games.
- Explore the mass of hidden potential from the centre down to the grassroots, including social organisations, continuously for Lao sport development.
- Attract more assistance from neighbouring countries for sport development

## 2.2.2 Health and Nutrition

### 1 . Health Development

[1]. Directions:

To focus on improving conditions for people to be physically and mentally health, well equipped with knowledge and revolutionary moral fibre. to create conditions for all people to access and receive quality health services

. There should be adequate balance maintained between developments in health on the one hand, and water and sanitation on the other, centre stage health treatment for a better living of the people at large. The provide fertility knowledge to promote mother and child health (in order to achieve MDG goals no. 4 and 5 by 2015). The health treatment is the important factor for improving living standard of people.

[2].Main Targets for 2015

The plan proposes expansion in health services, in particular for people in remote areas. Additionally, the purpose is to improve the quality of services in the central and provincial hospitals by upgrading the wherewithal, equipment, and health promotion activities, for controlling and preventing epidemic. In this regard, building regional hospitals where required and sanitation, too are on the agenda.

It is expected to achieve the following targets by 2015:

#### 1) Mother and Child Health:

- Reduce maternal mortality to 260 per 100,000 live births
- Reduce infant mortality (<1 year age) to 45 per 1,000 live births
- Reduce child mortality (<5 year age) to 70 per 1,000 live births



- Chickenpox vaccination to cover 90% of children <1 year age
- Increase attended birth rate (with nurse assistance) to 50% of all women giving birth
- Increase the rate of contraception use to 55%
- Increase pregnancy consultation before delivery to 69%
- To control malaria, tuberculosis and HIV/AIDS as per the MDG commitments to the nation.

## 2) Clean Water and Sanitation:

- Ratio of the population having access to clean water would be 80% of total populations
- Ratio of the rural population having access to clean water would be 75% of total populations
- Ratio of the population having access to hygienic toilets to the total population would be increased to 60% by 2015.

## 3. Halt the spread of AIDS, fever due to mosquito-bites (malaria/dengue), and other contagious diseases:

- reduce the ratio of HIV-infected persons to total population should reduce to less than 1%
- reduce the ratio of HIV infected persons among high-risk groups (age 15-24 years) to the total population should reduce to less than 5%
- Reduce the ratio of HIV infection among prostitutes of age 15-49 to the total number of population to less than 5%
- Reduce death rate associated with malaria to 0.2 per 100,000 population
- Increase the ratio of children sleeping under mosquito nets to 95%
- Reduce the ratio of TB infection to 240 per 100,000 people
- Increase the ratio of TB infection detection and DOTS treatment to 70%
- Increase the ratio of TB infected treatment under DOTS 85%.

## [3] Programmes and Focussed Projects:

Focus on six programmes and some main projects, including a

- Project on controlling malaria, dengue and parasite
- Project on maternal and child's health care promotion
- Project on providing subsidy for giving birth and free child treatment
- Project on construction modern hospitals in Vientiane Capital, Oudomxay, Luangphabang, Savannakhet, and Champasack Provinces.
- Project on health service quality up-gradation

[4]. Measures

- 1) Apply modern technology and methods in the health services.
- 2) Use fund sources and policies in:
  - Establishing mobile medical units to travel to every village in remote rural areas, particularly those having high risk of sickness, maternal and child mortality; at least 4 trips to be made per year.
  - Investment in prevention and primary health care; continue to construct health centres which yet do not have them; and improve the existing health centres to raise their standards for providing timely health services.
- 3) Prepare health workers by organising training programmes and carrying out information, education and communication activities on:
  - Strengthening disease prevention and treatment capacity of the hospitals at various levels, and continuing construction and up-gradation of knowledge and capability of midwife nurses, especially women. An important element of the programme is to place delivery-nurses at all appropriate locations.
  - Upgrading the skills of, and appointing, medium level/diploma-holder nurses at various health centres. It is aimed to ensure that at least 4 physicians, located at districts' hospitals, will be in-charge of mother and childcare and internal health care services. Deployment of more health skilled workers from the grassroots to central and local levels is also on the agenda.
  - Strengthen health care centre to be able to treat TB, Malaria patients and other symptoms. Moreover, disseminate information on how to prevent the spreading of HIV/AIDs.
  - Creating advocacy in all sectors to participate in health insurance programmes, to meet health expenses of people, and ensure financial wellbeing of the health sector.
  - Disseminating information on health care to the people in general on understanding how to prevent disease, and take good care of their health.

#### 4) Management, Legal Instruments and Policies:

- Support health activities and regard them as if they are the society's vital activities, and establish conditions such that they facilitate extensive private sector participation in health care services.
- Provide recommendation on constructing new hospitals should consider about the risks of disasters.

## 2. Nutritional Development

### [1]. Directions:

- The approaches are, to ensure that the country's population has good nutrition, and to ascertain sufficient food supplies required for achieving the MDG goal no. 1;
- Finding lasting solutions of malnutrition or lack of basic nutrition, in particular among population groups deprived of socio-economic opportunities, women in reproductive age groups (with emphasis on those pregnant), mothers after delivery, breast-feeding mothers, babies <2 years old (and also < 5 years) and pre-school children.
- Inculcate the habit of consuming balanced food in adequate quantities, and prevent diseases/illness caused by consumption of contaminated food. Attention would be paid to ensure sufficiency in food supplies and access to them.
- Promote education on nutrition, health and clean environment and strengthen inter-sectoral and sectoral-provincial coordination, thereby integrate nutrition in with other sectors.

### [2].Main Targets for 2015

- Decreasing low-height children (shorter than the standard) <5 years age to <34%
- Decreasing malnourished underweight children <5 years age to <22%
- Decreasing the instance of anaemia among the children <5 years to 30%.
- Decreasing the instance of anaemia among reproductive age group women to 30%.
- Decreasing the instance of iodine deficiency among primary-schoolchildren to 17%.
- Decreasing the instance of iodine deficiency among reproductive age women to 9%.
- Decreasing the instance of vitamin deficiency among children <5 years to 30%.
- Incorporate Nutrition framework into poverty alleviation development plan and strengthen capacity development of sectors that dealing with food security.

### [3] Programmes and Focussed Projects:

- Project on nutrition for infants and children

- Project on including Vitamin A as a food supplement
- Project on supplementing the diet of children who suffer from malnutrition
- Project on providing other food supplements, other projects

#### [4]. Measures

- Establish/upgrade infrastructure, provide quality equipment and scale-up existing hospitals to be able to properly treat patients.
- Support medical sciences, medicine production capacity, and food safety.
- Raise investment in the health sector (especially for nutrition), make efforts to invest in the range US\$ 16-23 per person per year, and attract private investment in the sector.
- Increase public awareness to prevent and control disease and epidemic, so that the population understands and practises them in their day-day living. Three habits to be inculcated are, to eat clean food, drink clean water and live in a clean environment.
- Implement health insurance policy for fund-raising from the state personnel/civil servants, and the population in general. The aim is to continue encouraging health care with fee or without fee collection (free primary health care for the poor).

#### 2.2.3. Labour and Social Welfare

##### [1]. Directions:

The sector approach includes building the Lao workforce to possess high qualifications, ability, skill, experience and good personality, and who would be employable and observe regulations. The workers will be protected and covered by a good social welfare system. Persons deprived of opportunities and/or struck by natural disasters will be taken care of.

Additionally, ensure that quality jobs are created in sufficient numbers as proposed in MDG goals no.1 and 9.

##### [2].Main Targets for 2015

##### 1) Labour Development consists of:

- Increasing the quality and numbers in the workforce and regularly improving their skills to gradually bring them closer to the regional standards. The aim shall be to build their creativity and motivation for developing themselves. This will be achieved through training professionals in different technical branches.
- Build and develop labours skills to have both quality and quantity to go along with effectively achieve industrialisation and modernisation.

- Helping create employment and job opportunities so that workers could generate incomes and rightful benefits as per the law.
- Educating workers about the law and the need to respect it, and about rights and benefits at work. The macro level aim is to manage workers working in Lao PDR and in foreign countries, including managing foreigners working in Lao PDR.

\* Detailed targets comprise of:

- Creating a workforce of 2.77 million workers (average 55,400 workers per year) for the industrialisation and modernisation process, including about 2.10 million workers in the agricultural sector; 15,000 workers in the processing industry and construction; and 52,000 workers in the services sector.
- Reorganising the workforce: In 2015 the proportion of workers in the agriculture and forestry sector should be reduced to 70% of the total workforce. Correspondingly, the workers in industry (i.e. manufacturing, construction, energy and mining) should increase to 7%, and in the services sector to 23%.
- Limiting unemployment rate to < 2%.
- Standardising the skills of workers as per industrial standards. There would be 20 professions organised in industry, 10 in construction and 10 in service sector.
- Creating 7 skill development centres at the provincial level.
- Creating 1 skill development institution at the central level.
- Creating 3 employment service and information centres and 10 pilot centres in the provinces.
- Disseminating industrial laws in at least 600 labour units. Safety at work place will be monitored in addition to ascertaining that workers get their rights and benefits at the work place. The monitoring will be done in 3,500 business units (700business units per year) in the country.

## 2) Social Welfare Development

- Implementing a policy for persons who have done good deeds for the country properly and adequately
- Developing the existing social insurance schemes into a strong national social insurance system.
- Developing a social welfare service system for children, deprived people, and those adversely affected by natural disasters. The system would also address prevention and reduction of risks of disasters.

\* The detailed targets comprise of:

- Implementing a policy for people who have done good deeds for the country. It is estimated that 70,478 persons, including revolutionary veterans who worked prior to 1954, national heroes and fighters in the revolutionary war, are entitled to receive benefit allowances. Next, all the handicapped persons should be provided with housing to be completed constructing for 100%. Finally the plan proposes improving the quality of life of the old, poor and isolated people in 17 provinces.
- Expanding social insurance to different provinces across the country for health insurance, to cover 50% of the total population. 80% of total population have permanent residences by 2015.
- Improving early-warning systems in 5 provinces and putting in place policies to assist those affected from natural disasters and the under-privileged in a timely manner
- Implementing and expanding programs and projects of reduction of risks from natural disasters. Especially, programs and projects of prevention flood and drought.

### 3). Solution to the Unexploded Ordinances (UXO) Problem

- Making communities live safely without UXO threat, and earn their livelihood safely and reduce poverty through clearing up UXO-affected lands (for agriculture).
- Survey suspected UXO-risk villages, set up transmission centres to expand communication with the people over larger areas, train and upgrade officers on UXO clearance methods, ensure that the relevant officers are skilled, and apply the correct method for removal of the explosives.
- Remove UXO out of an area at least 12,500 ha, of which 11,875 ha will be set aside for production and 625 ha for other developments.

#### [3]. Prioritised programmes and projects:

- Project on skill development for the workforce;
- Project on construction of labour skill development centre of southern part in Champasack Province;
- Project on construction of labour skill development centre of northern part in Oudomxay Province;
- Project on construction skill development centre in Borkeo Province;
- Project on protection children from human trafficking and sexual abuse;
- Project on improving labour deployment and reducing labour migration;

- Project on development sustainable living in community of Savannakhet Province;
- Project on UXO clearance;
- Project on construction houses funded by government, local people, companies; and
- Other projects

#### [4]. Measures

The following measures will be undertaken:

- 1.) Raise funds from various quarters, including the government and the private sector (domestic and foreign), to establish skill-development and job creation funds as stated in the Labour Law, as well as creating preconditions for self-employment.
- 2.) Widen cooperation with other parties, both the domestic and foreign, to create jobs, and additionally to facilitate workers' exit to foreign countries for jobs.
- 3.) Skill development: Encourage domestic and foreign businessmen to contribute towards skills and vocational training of Lao workers in different professions. Skill impartation to women workers will be a priority.
- 4.) Disseminate laws and policies on labour development: There is need to collaborate with the concerned parties in conducting studies for preparing a labour and social welfare strategic plan, and improve the legal instruments and regulations. These must then be disseminated and the concerned sectors be advised to implement them efficiently.

#### 2.2.4 Information, Culture and Tourist:

##### 1. Information and culture

#### [1]. Directions:

The plan's aim in this sector is to promote culture, which will be fundamental for national identity and moral strength. The aim will be to cultivate revolutionary morals for facilitating people to cultivate an advanced worldview and to also adapt useful elements from other cultures. Promoting reading, writing and scientific thought will contribute to developing the personality and scientific thinking and ensure preservation of the national culture in an era of globalisation.

Enhance information and media development to be able to carry the voices of the Party's political thinking, directions, laws and regulations, so to make them highly effective.

#### [2].Main Targets for 2015

1. The targets in culture will be to:
  - Build the base for continuous development and improvement in the culture.

- Continue to diversify the fine and sound traditions, practices and culture to endow them with the national character. Inform Lao people for them to grow intellectually and materially.
- Support cultural villages and households, and link them to the establishment of developed villages and Kumbans. It is also important to upgrade monuments, locales and legacies: historic and cultural sites, revolutionary places, and the traditional and ethnic art and literature.
- Continue to survey and explore cultural values and prominent civilisation sites of ethnic groups, and maintain them in a sustainable manner. It is critical checking groups who abuse the culture and destroy the unified force of the Lao people.
- Broaden the value and importance of revolutionary leaders, improve museums (including the memorials of the former (late) presidents Kaysone Phomvihanh and Soupanouvong, and other leaders), and improve the services for guests who come to visit (whose numbers keep increasing).
- Continue to advocate the goods deeds of (past) presidents Kaysone Phomvihanh and Soupanouvong and other revolutionary leaders with the domestic and international communities, especially students and the educated lot.
- Campaign to educate the society for discouraging belief in superstitions, unscientific thoughts and other social drawbacks. Effort should be made to preserve the culture and develop sound traditions and practices along with economic development.

\*Detailed targets are as follows:

- Strive to increase cultural villages to more than 700 and cultural families to 100,000 by 2015. Construct 4 parks in the centre and at least 1 park in each provincial municipality and 1 in each district municipality.
- Conduct a survey of cultural sites, historic relics and ancient and historic sites with the aim to propose 19 sites to become national heritages and 2 sites as world heritages.
- Install President Kaysone Phomvihanh statue in the district of Viengsay and in the city of Savannakhet.
- Construct memorials of Nouhak Phoumsavanh, Phoumy Vongvichit, Sisomphone Lovanxay, Phoune Sipaseut, Sithon Kommadam, Faidang Lobriayao and Touya Xaychou.

## 2. Information

The planned tasks in the information sector encompass:

- Developing the media to be systematic and modern by deploying the digital system to ensure information flows in various areas: spreading education on revolutionary thinking and moral quality, consistent with modern era requirements, and making art and culture trickle down deep to all classes of people in the society. The educated people will become a vehicle



to carry forward the task of bringing about changes and comprehensive development directed by the Party.

- Concentrating on the improvement of essential infrastructure, and scaling up the information sector both quantitatively and qualitatively. There is need to modernise the radio broadcast system and television comprehensively, thereby transmitting and diffusing the Party directives and policies, news and entertainment nationwide. Additionally, the aim is to educate the population on nationalism so to protect and preserve the Lao motherland in the times to come.
- Upgrading journalists' and newsmen's technical knowledge for them to bring out their creativity and innovation in writing and reporting news having constructive contents. This is expected to create interest and impression among the readers. Newspapers at the central level should be promoted in such way as to become carriers of news material and substance to the entire population, and inform them about domestic and international events.

\*The detailed targets include the followings:

- Expanding the radio broadcasting stations to districts and villages to cover more than 95% of the country's total area.
- Producing radio programmes in certain ethnic languages so that the minorities acknowledge and appreciate the Party and government's policy on conservation and reconstruction of the nation.
- Increase the number of TV stations and improve TV programmes in the provinces and remote areas to be able to put programmes on air for at least 10 hours each day, and broadcast to at least 80% of the country's area.

[3] Programmes and Focussed Projects:

- Project on switching from an analogue system to a digital system for basic equipment
- Project on media development
- Project on promoting talent among producers of cultural products
- Project on promoting mental civilization and new culture life
- Projects on construction of information-culture infrastructure

[4]. Measures

1) Development and promotion

- Cultural thinking has to be ensued by widening the extant cultural worldview in the population, to be civilization and national characteristic.
- To boost all people into the development for information-culture become to highest outcome.
- Promotion of ethnic culture exchanges among minorities and support to conserve sound culture are needed with a view to build a diverse national culture.

## 2) Research and creativity

- Encourage creativity, conduct research on history and culture, and publish (and disseminate) different findings of research on culture to the entire society. This can particularly help the young generation to understand their heritage. In this regard, there is need to improve the national library and school libraries, to encourage children and other community members to read and learn.

## 3.) Dissemination

- Intensify collaboration with various concerned sectors for conservation and dissemination of the work done by the revolutionary leaders widely.
- Dissemination value of culture to people, pupils, students to have conscious and be able to identify, analysis information that benefit to themselves, families, and nation. Limit negative information that encourages people to do bad things.

## 3) Tourism:

### [1]. Directions:

Effort should be made to promote tourism as one of the important development strategies in the short- and long terms. For this, it is important to improve the services sector. Its positive spin-off should also be that goods reach places where they are otherwise not reaching. Equally important purposes are to generate incomes for people, and expand eco-tourism, historical tourism and natural tourism spots, and be sustainable. Special emphasis should be placed on making Lao PDR a 'green tourism' country. Turning the tourism sector into a modern tourist industry, open for the participation of people, attract more tourists and highest capacity investors.

### [2]. Targets for 2015

- The aim should be to increase the annual inflow of tourists to about 2.8 million and foreign exchange earnings to approximately US\$ 350 million by 2015.
- To explore and develop natural, cultural and historic tourist sites: First, build 2 world heritages and 29 national heritages; next, the following districts will be concentrated upon: Vieng Xay district (Huaphanh), Konepapheng (Champassack), Phongsavan district

(Xiengkhuang), Konglor and Namlord caves in Nakai district (Khammuane), Dongnatao district (Savannakhet), and Phoukaokway Mountain (Vientiane Capital), among others.

- Expand and improve the accommodation: Hotels and quality tourist resorts to grow; the aim is to have 300 hotels with 12,000 beds and 850 restaurants to meet the domestic and foreign tourist demand by 2015.

- Maintain a good atmosphere in Luangphabang, the world heritage site; Champassack to double the GDP compared to the present by developing tourist infrastructure and promoting Mahanathi Siphandone (Great River and 4,000 islands) to become a tourist site, building 10 cable trolleys connecting key islands, promote Bolevan Plateau to become 1 additional agricultural and livestock site

- To organize an enjoyable Lao Tourism Year 2012.

- Prepare for the hosting of the ASEAN Tourism Ministerial Tourism Conference and organise the ATF exhibition in 2013 (i.e. ASEAN Tourism Forum 2013)

### [3] Programmes and Focussed Projects:

- Project on sustainable development of tourist infrastructure, funded by ADB;
- Project on tourist site classification;
- Project on tourism infrastructure development in Mahanathi Siphandone, Champasack Province;
- Project on tourist infrastructure development in Viengxay District;
- Project on Eco-tourist at Nakhai, Khammoun, Xiengkhouang and other projects.

### [4]. Measures

1). Classify tourist sites and build network systematically between different locations, covering villages, districts and provinces. Tourism must have a precise agenda: to create new projects, integrated with the existing ones.

2). Advertise and distribute information on tourism regularly and comprehensively. The aim will be to encourage local people at tourist sites to produce souvenirs, provide accommodation and quality services, and have proper sanitation at all places.

3). Establish favourable conditions for easy entry into the country, provide other tourism related services with rapidity, and have transparency in collecting visa fees and other related levies. Effort will also be made to classify hotels and tourist spots according to laid out international standards.

4). Promote integrated tourism with neighbouring countries, for instance the GMS countries and ASEAN.

5). Focus on updating and strengthening legal instruments (in use and the ones being prepared) to ensure that they are appropriately complement socio-economic development and globalisation process. Effort will be made to carryout training of personnel in the tourism sector, equipping them with the knowledge of Lao history, culture and tradition, and extending quality services.

#### 2.2.5 Justice Sector:

##### [1] Directions:

Concentrate on developing laws and produce lawyers in both quality and quantity. Focusing on implementing strategic development of laws until 2020 and manage justice in society under laws. Disseminate laws to make all people to be aware of and respect to the laws. Give obligation and use the right of being Lao citizens under the Laws; improve working principle and organizational mechanism.

##### [2] Main Targets:

- Pay attention on making civil and criminal Law; make new law and legal documents if necessary; and also improve the existing laws and legal documents.
- Increase number of cases to be judged to ensure quickness and consistence to the laws. Certify the correct documents to have better quality and faster resolve conflicts
- Disseminate laws to reach 11,440 times; establish more than 400,000 families, 2500 villages with free of cases.
- Implement the judged cases to cover 70% of total judged cased
- Produce 8,044 lawyers (bachelor degree) and 3,000 lawyers (intermediate level); conduct 3 months training course on about laws to more than 35,000 participants.

##### [3] Priority Projects:

- Project on construction of new building of Ministry of Justice;
- Project on supporting the implementation of master plan of Law of Lao PDR unit 2020;
- Project on law development and strengthen capacity;
- Project on justice system management and raise people's awareness on law obligation;
- Project on justice development at grassroots level; and other projects.

[4] Measures:

- Improve coordination between justice sector and other sectors to be smoother
- Strengthen organizations inside justice sector in all level to provide law and justice services; continue focusing on strengthening justice sector at grassroots level and to transform into programs and projects to develop justice sector.

2.2.6. Population policy, Promotion of Gender equality, Women's Advancement, and mother and child

1. Population policy

[1]. Directions:

- During 5 years, there will be an increase in demand on quality population. Uplift Human Development Index (HDI) through promoting the health and sanitation; building capacity; intensify people's participation in the national development process; raise up patriotic and honest to the people's democratic system of government.
- To improve the quality of life of a multi-ethnic population, reduce poverty, ensure a proper balance between population growth and population distribution, ensure justice in the society, and promote Lao culture.
- To enable people to decide upon the appropriate number of offspring they wish to have (reproductive age has been determined between 20 years old and more). Couple can set birth spacing and decide number of children that they want to have through proper family planning (women between reproductive ages can have 4-5 children).
- Encourage people to be employed and able to generate income, and ensure people receive benefits according to their contribution.

[2]. Main Targets:

- Total population to reach 6.9 million by 2015, with a growth rate of 2% in the population (women between the reproductive ages can have 4-5 children)
- Households have accommodations; have land for cultivation, and proper jobs. Government officers and workers must have proper accommodation supported by their parents or families, themselves, or their organization. Development families to become strong and step out from poverty.
- All people have jobs and actively contribute to development process under the cooperation of chief of villages and other concerned government agencies

- All households are responsible for their own accommodation; government officers and workers must have proper accommodation supported by their employers or themselves
- Strengthen capacity of the families and pull out people from poverty
- Ensure a proper balance between population growth and socio-economic growth, in the urbans. To do citizen in urban have be a better welfare system.

### [3] Programmes and Focussed Projects:

- Project on information dissemination regarding population policy in target areas across country;
- Project on printing and dissemination of books,brief-lets that provide news to the people;
- Project on development of population legislations and demographic survey
- Project on population census in 2015; and other projects

### [4]. Measures:

- Conduct survey and analysis the population growth trend.
- Intensify information dissemination on family planning, child raising and sanitation
- Expand education network; health service, especially in service target areas; increase number of teachers; doctors and nurses, especially for birth delivery
- Implement policies of free child delivery and free treatment for the poor. Policy on accommodation, allowances, salaries, and annual leave.
- Improve the division of work, responsibility, management of officials/workers in each sector.

## 2. Development and Protection of Gender Equality

### [1]. Directions:

Promote gender equality to ensure that rights and benefits of women together with the children's will be protected. Favourable conditions will be created to allow women to upgrade their professional and technical knowledge, for them to be able to efficiently participate in the process of self-development and national development. Women should be employed in various services, they should have a share in the creation of new opportunities, and they should be aware about the gender role and equality in the society. To encourage 3 good things activities. Attempt will be made to eliminate all forms of discrimination and

violence against women and children. Overall development of women belonging to ethnic groups is also central in the agenda.

Grassroots missions will be continued for carrying out activities. Additionally, effort will be made to educate women on the current political thinking, and to unify them for building their confidence and strength, so that they actively participate in economic development. Art and handicraft, which women can effectively participate in, should be promoted so that they get job opportunities and generate incomes for themselves.

## [2] Main Targets

- Educating Lao women (including those belonging to ethnic groups) on political thinking so that the government and Party's directions and policies are absorbed steadily and firmly, and they are aware and conscious of possible (overt and covert) hazards. The proposed target is to reach-out to 80% of the women union members;
- Increase female staff ratio in high ranking level at least 15% in the government, the party and civil society organization.
- 20% percent of Women's Union members are upgraded in political theory and technical capacities.
- At least 50% of women are recipients of information flows.

## [3] Programmes and Focussed Projects:

- Project on upgrading political theory and strengthening technical capacity on women;
- Project on expanding of honour, reservation and well culture.
- Project on enhancing information dissemination on gender equity policy, in the leading work;
- Project on development information system on gender equity; and other projects.

## [4]. Measures

(1) Improve the coordination mechanism with concerned sectors in order to protect rights and benefits of women and children exposed to risks of sexual exploitation and human trafficking. Enhance knowledge and capacity for women and children on how to protect themselves from natural disasters.

## 2) Promotion and Dissemination

- Intensify and widen dissemination gender roles, rights and equality.
- Educate and raise awareness for women towards understanding of gender roles as well as appropriate steps in looking after their children, such as tradition that effect health condition, believe that a girl should help family rather than going to school, etc.
- Educate and disseminate ethnic women to be aware of roles of women in Lao society
- Disseminate Law on Development and Protection of women; integrate gender equity and strategic implementation into sector and provincial plan.

## 3) Women and Children Development:

- Intensifying collaboration in implementing tasks on child survival, development and protection at all level; encouraging authorities, organisations and people at all level of contribute their funds, knowledge in implementing women and child's development task.
- Enhance women's capacity by providing training and knowledge and ability.
- Encouraging women and children to be at par with men at all levels in education and equally opportunity to access to health service.

## 3. Promotion of Women Advancement:

### [1]. Directions:

The aim is to ensure that women get rights, and there is gender equality in human resource development. This should hold in the spheres of economic as well as socio-cultural development and country development.

To ensure that the strategy on promoting women advancement is implemented; equality of status within the family, women should additionally have equal access as men to education, health and job markets.

### [2].Main Targets for 2015

The main target comprises of organising women for their development in different fields: promoting gender equality and rights within families and society, widening participation of ethnic minority women in poverty alleviation, reducing slash and burn cultivation (through women's involvement), increasing women's participation in the non-farm workforce, and appointing women in decision-making positions. The target also includes improving women's nutrition.



Detailed targets are as follows:

- Appoint more women in important posts (from district mayor upwards), to 15%.
- Increase women members in the National Assembly to more than 30%.
- Increase the number of women receiving training in agricultural technologies, processing, handicraft and services to 20%.
- Increase the number of women in modern professional courses
- Increase women in the paid workforce to 40% – other things given equal, priority will be given to women in jobs.
- Increase women's participation in planning and sectoral development policies.
- Build opportunities for women and girls to access social services on equal basis, along with men.

#### [3] Programmes and Focussed Projects:

- Project on making policy and promotion of the increasing the number of female workers in labour market;
- Project on women's rights protection and women's promotion to increase the number of female worker in labour market;
- Project on capacity building for women's progress; training project on agricultural technique, food processing, and services;
  - Project on implementing a framework on anti-violation against women;
  - Project on studying and analysing roles of women and men; and other projects.

#### [4]. Measures

- Intensifying solidarity among Lao women (including ethnic groups) and various classes of people by organising periodic workshops on political thinking, the constitution, and laws.
- Coordinating with concerned stakeholders in studying training curricula and conduct training programmes for women.
- Continuing to organise meetings to disseminate laws relating to women's development and protection, as well as to intertwine the gender role in implementing sectoral and provincial development strategies.

- Intensifying research and data collection, to be used for enhancing women's participation in the development process at all levels.
- Educating parents to maintain parity in raising girl and boys in all spheres of life.

#### 4. Mother and child development

##### [1]. Directions:

Ensure implementing the Party's and government's policies regarding mother and child, including mother and child health care, and comprehensive development of children including child rights and benefit protection through the government regulations, especially regulations on child trafficking, child prostitution and other types of child sexual harassment

##### [2]. Key targets:

- Organise consultations of the Committee for Mother and Child at the central and national levels at least once a year, to review the progress on the mother and child programme at all levels.
- Organise technical meeting 3-5 times a year in collaboration with the related sectors to discuss and prepare reports on the implementation progress of the 2 Agreements on Child Rights.
- Organise at least 2 meetings a year, bringing together provincial and district officials, to monitor the implementation of the Mother and Child Programme and the Child Rights Protection Programme, at the provincial and district levels.
- Assign a team from the National Committee for Mother and Child at central level to carryout field visits to provinces, at least 10 times in a year (rotating the visits within the 16 provinces), and also assign a team from the Provincial Committee on Mother and Child to conduct inspections at the district levels at least 5-10 times a year.
- The Committee Secretariat on mother and child shall monitor project sites, at least 8 times a year, in cooperation with sectors interfacing with the mother and child programme
- Organise at least 6 training programmes a year for officers on implementation of the law regarding child-rights and benefit protection, and child-related agreements.
- Organise at least 2 dissemination meetings a year on the mother and child programme and the law on child rights and benefits protection, in addition to dissemination of information to teachers, children and youth, on child rights.

##### [3]. Priority programmes and projects

The Lao National Committee for Women and Children will focus on implementing:

- Project on dissemination of law, legislation, and protocol on children's rights;
- Project on capacity building of officials who are working on women and children's right protection activities in both central and local levels;
- Project on supporting, following up, and monitoring the implementation of policy, law, legislation, and promotion plan on mother and child's health
- Project on strengthening capacity of children and youth to implement the activities that relate to children

[4]. Measures:

- Strengthen the committee for Mother and Child for implementing policies regarding mother and child effectively and widely. Increase coordination between central and local levels through improvements in the organisational system and implementation mechanism, to deliver high quality output, suitable to the actual condition in each period.
- Increase people's participation in promoting child rights and related administration, and at each level involve maximum children in programmes meant for them.
- Mobilise funds, intellect and human power (at all levels) from social organisations, economic sectors and the people at large, to implement the mother and child programmes, and make it a responsibility of all, ranging from the household level to national.
- Disseminate policies, strategies, laws and agreements on child rights protection widely in the society.

#### 2.2.7. Development of Teens and Youth

[1]. Directions:

The direction is to bring up young people in such a way so that they acquire a nationalistic spirit and learn to respect the regime. In terms of skills, youth should also be trained in science and technology to help the country industrialise and modernise.

- Educate the youth on political thinking, using diversified forms and procedures in order to be effective. They should be able to socialise with local as well as international people, separate good from bad, and they should uphold the competitive rules: 2 rules for solidarity, 3 being good, and 4 development rules. For the relatively younger persons, the rules are, 3 for being good and 4 for respecting elders and others.
- Educate youth so that value labour, appreciate their profession, take care of their health, and preserve, use and sustain the environment. Build up volunteer youth to help affected people

from natural disasters and to have knowledge on how to prevent them and others from the disasters.

- Train young people to be entrepreneurs, and also respond to both domestic and international labour markets.
- Encourage youth (especially girls) to participate in mass organisations, and help them become knowledgeable and capable students and intellectuals.

## [2] Main Targets

There is a need to develop young people to be physically and mentally strong and healthy for them to become the next generation's workforce and backbone of the society.

The detailed targets are as follows:

- Encourage youth to become member to youth union more than 30%;
- Establishing model youth units, following 2 rules on solidarity, 3 rules for being good, and 4 for developing and establishing youth regiments. The aim is to target 50% of both adult and younger youth units;
- Educate teens and youth inside and outside schools to have political thinking at more than 60% per year and provide skill development training for youth in all provinces;
- Creating favourable conditions for more young people to have opportunities for self-development, and complete their education;
- Collaborate with the Ministry of Education in organising mobile vocational workshops for youth in professional branches as required by the labour market, including promoting them to become entrepreneurs;

## [3] Programmes and Focussed Projects:

- Project on the career group for model youth
- Project on skill development for young workers in rural areas
- Project on promotion for talent people
- Project on provision of general training; and among others

#### [4]. Measures

- Publicise widely, accomplishments and resolutions of the General Meetings of Youth as if they are Party Resolutions, among young people with a view to induct a deeper understanding of the proceedings. The defined directions and tasks must be grouped into projects, plans and activities, to be realised periodically.
- Conduct detailed research on improving leadership, work procedures, and the coordination system between the upper and lower levels of authority, both horizontally and vertically.
- Strongly support competitive rules: 2 rules for solidarity, 3 rules being good, and 4 development rules, each of which is linked to the development of strong Party members' units capable of effectively leading.
- Deploy staff at the grassroots levels to establish and improve youth committees in the targeted villages, so that they have a mature political thinking and organisation, ensuring achievement of the 4 contents and 4 targets of grassroots development.

#### 2.2.8. Science and Technology

##### [1]. Directions:

Improve and use science and technology as a tool to stimulate and sustain development process; research into science and technology according to actual demand of the country is regarded as a priority to achieve socio-economic development. It will be aimed primarily to serve agricultural production, business and service areas, so as to bring Lao goods and services up to international standards. Some priority areas: transform governance to e-governance, and research on fuel, solar-energy, nuclear energy, and modern agriculture including seeds and new species of plants. There will be space for promotion of people's innovations, for applying science into teaching/learning, and for application of science and technology to the business sector.

##### [2]. Main Targets for 2015:

The main targets to be reached include the followings:

- Improving legislations relating technology transfer, research in sciences, and protection of intellectual property rights;
- Completing e-governance projects, expanding the network to all districts and to 20% of the villages, changing the management of all administrative offices to e-management, and accomplishing this goal in 30% of all organisations in the country;

- Establishing (measurable) national standards for domestic production and reaching international levels (e.g. ISO), and completing trade and intellectual registration aimed towards strengthening economic efficiency, competitiveness and capability;
- Researching on new technology that is environment-friendly and user-friendly (to especially) farmers, including: organic fertilisers, bio-diesel, biogas, hydro-energy, energy created from wind power, and solar energy, and nuclear power. Improve and make use of existing technology to design and building green house;
- Researching on productive rice seeds and other commercial crops for increasing the yield rates, for supplying to both domestic and export markets;
- Creating facilitating conditions for farmers to use new technologies, which help maximise efficiency with minimal costs and least time, and reduce labour using;
- Striving to carry out scientific research on biotechnology, reproductive processes, and ecology, each for contributing towards clean economic growth. It is aimed to build a national scientific park for exposing children to scientific methods and temper.
- Establish communication system, radio and TV stations through Vietnam satellite

### [3]. Programmes and Focussed Projects:

- Project on the formulation and improvement of law on intellectual property rights;
- Project on research and development of bio-energy;
- Project on research and promotion of alternative sources of energy to reduce greenhouse gas;
- Project on e-governance system establishment Phase 2;
- Project on establishing Lao satellite; and other project

### [4]. Measures

Implementation measures comprise of:

- Supporting scientific and technological research on various topics aimed at both teaching and production, thereby serving socio-economic development;
- Applying results from scientific research done elsewhere to Lao PDR for uplifting the quality of science here;
- Aiming to devote 1-2% of the national budget on research and testing on natural science and social development;

- Gathering national scientists and researchers in various fields and providing them incentives for good performance and discoveries. There is need to strengthen coordination and relationship between theory and practice. Additionally, the need to improve research and science institutions requires underscoring.

#### 2.2.9. Building Solidarity Among People by:

- Enhancing harmony between ethnic groups, economic groups, sexes and religions, and moving towards a greater solidarity in the population as well as country development. Building solidarity among people in the nation is to maintain and protect customs and culture of Lao people, fairness, value of religion; It would be instructive to educate people on political thinking, and carry forward the vision of the founders, thinkers, experienced practitioners, and those influential in the society. Children and young people would form the target audience for this.

- Generating religious tolerance by campaigning, education, unifying and encouraging each religion to conduct its activities in compliance within rules, and Decree No. 92/PM, regarding management and protection of religions.

- Persuading people, especially social organisations, to genuinely participate in socio-economic development. They would be encouraged to educate the youth, pupils and children for them to become qualified workforce possessing modern thinking, knowledge, capability and a far-reaching vision. In the times to come, these young people can then contribute to the national development.

- Creating a social environment for women to upgrade their knowledge and capability alongside men, with a view to promote gender equality. There is need to attend to the development of minority women as well, both in numbers and quality. Next, effort will be made to make Lao people aware that ‘labour’ is valuable, and it is the only source of material and spiritual wealth, order and discipline. Thus, people should learn to embrace both physical and mental labour for acquiring the spirit of helping each other. There is also need to ensure that rules and regulations are practiced, workers’ benefit is protected, and that there is fairness and rights that workers enjoy.

- Spreading information and mobilising opinion to attract Lao nationals living abroad to return and contribute to national construction (through their knowledge and wealth), thereby helping to make the country strong and wealthy.

- The State will encourage professional groups to establish associations as per the Prime Minister’s Decree No 115/PM, dated April 29, 2009. These associations are to bring about unity (among people), gather intellectual people and businesspersons (to seek possibilities of augmenting production rapidly). However, the state will not promote establishment of associations for political purposes. These activities should be carried out as permitted by the Law and in a common direction, i.e. building solidarity, patriotism, peace, independence, democracy, unity and prosperity.

- Attract more funds from donors for country development basing on directions of Party.

#### 2.2.10. Solutions to Social Drawbacks

##### 1. Solutions to social issues

###### [1]. Directions:

Social drawbacks have accompanied economic development under a market economy system. These tend to slow down the pace of development and give rise to uncertainty towards the regime. Therefore, serious attention will be paid to prevent the drawbacks and find solutions of them in the formulation of the 7th NSEDP. This would protect people obeying laws and regulations, and penalise those violating them. There is need to contain drawbacks at the outset with the help of mass organisations and people at large. All the stakeholders are expected to participate in fighting the drawbacks.

###### [2]. Main Targets

- 1). Containing and preventing corruption by educating people on political thinking and revolutionary morality, enforcing laws and regulations strictly, and conducting regular monitoring and inspections.
- 2). Reducing road accidents by using information, education and communication (IEC), making road user obey traffic regulations strictly, and trying to minimise drunk driving.
- 3). Attempting to reduce income inequality between peoples, groups of people, districts, regions, and rural and urban areas. Problems arising out of inequality need solution.
- 4). Solving the problem of unemployment by finding jobs that fit with seasons for the rural population and for returning Lao workers from foreign countries. In this regard, raising funds for skill development in different professions will be a priority.
- 5). Preventing and solving social problems like prostitution, hold-ups, and gambling, by educating people, warning them, and penalising them as per the laws.

##### 2. Solution to Drug Issues

###### [1] Directions:

Continue to curb and finally fully stop production, consumption, illegal trafficking (and other crimes) related to drugs in Lao PDR. Focusing on fighting against trafficking and put strong punishment to drug traffickers and provide treatment to drug addicted persons to ensure that Lao PDR becomes drug-free, and its policies contribute to make a drug-free ASEAN Community by 2015.



[2] Targets:

- Develop mechanisms villages such that people are able to diversify their occupations away from growing opium or similar products; target: 300 villages per year
- Treat drugs (opium) addicted people; target: 3,000 opium-addicted people annually
- Treat (amphetamine) drug-addicted people; target: 2,000 addicts annually
- Follow up the risk areas for illegal drug-planting regularly
- Increase the number of participants in training programmes, and explain the bad effects of using drugs; target: 300,000 trainees per year

[3] Programmes and projects:

- Projects on providing jobs for local people to replace opium growing;
- Project on training and dissemination about the (adverse) impacts of narcotic drugs;
- Project on drug usage reduction
- Project on improving 4 drug treatment centres and vocational training; and other projects

[4] Measures:

- Expand training and disseminating the effects of drugs widely and deeply, to let people be aware of the bad effects of drugs, and encourage people to become responsible for protecting against various kinds of drugs.
- Invest in allocating agricultural lands to ethnic people, to provide them with permanent jobs, to substitute for incomes from opium.
- Continue treating the remaining drug addicted people, and improving the National Treatment and Health Rehabilitation Centre for these people effectively.
- Continue cooperation with neighbouring countries sharing common border, against protecting illegal drug trafficking, and raise foreign aid to expand and implement the National Master Plan to control drugs trafficking.

### ***2.3. Environmental Protection, Natural Resources Management and Sustainable Development -Land Management and Development***

#### **2.3.1 Environmental Protection, Natural Resources Management**

[1]. Directions:

There should be reasonable and efficient use of natural resources to ensure that there is balance maintained between socio-economic developments on the one hand, and environmental protection, on the other. Lao PDR should be a green economy with clean development by ensuring quality, effectiveness, and outcomes of the economic development; and creating the national competitiveness by putting intellectual as the first priority. Interlink economic development with social culture, environmental protection as well as social progress and social justice. Improve income and people's livelihood by entwining economic development and poverty reduction. Attention need to be paid on economic development is to make people to be able to adapt and reduce themselves from the impacts of climate change (NAPA and NAMA). Based on country's condition, we have to ensure environment is protected through protecting forest, land, mineral resources, water source, and rich species of our national to be sustainable forever. It also can contribute to the achievement of MDG goal no. 7.

## [2]. Main Targets and Measures

### 1. Water Resource, Weather Forecast, Hydrology :

- Implementing the integrated water resource management strategy, policy, and operation plan to ensure that the water resource has been utilised efficiently, thus impacting the ecosystem the least. Additionally, effort will be made to protect watersheds.
- Establishing cooperation committees for the five rivers Nam Ngeum, Nam Theun-Kading, Xebangfay, Xebanghiang, and Sekong. In addition, effort will be made to establish a water resource management and development fund from levies imposed on parties whose activities adversely impact the environment.
- Setting up and upgrading legal and regulatory standards of the integrated water resource management in a sustainable manner.
- Synchronising the activities of Mekong River Commission (MRC) and other international partners with the activities and priorities of government agencies to develop water resources in a sustainable manner.
- Formulating policies and strategies to establish meteorological stations to forecast natural occurrences that could result in disasters, setting up equipment to monitor the weather, and providing quality information to policymakers in a timely manner.
- Use early-warning systems to forecast weather conditions/flood, drought, and other disasters.
- Improve and upgrade weather forecast and hydrology network and earthquake alert stations across country
- Improve flight forecast network to provide services on air communication

- Rehabilitate and improve hydrologic station across country which is a key of utilising for commercial agriculture production, the adaptation to climate change, food security program by basing on the direction of industrialization and modernization
- Evaluate need and to construct the early-warning systems in the risk areas such as: Laungnamtha, Xayaboury, Borikhamxay, Khammoun, Savanakheth, Saravane, Champasak , Sekong and Attapue.

## 2. Environment

- Improve organisation and strengthen technical staff from central to local levels for them to be able to effectively carryout their technical activities, e.g. planning, finance and management, and put in place (and/or strengthen) environment surveillance offices in 25 districts.
- Draft and improve laws and regulations on environmental conservation and controlling pollution basing on environmental standard and chemical management
- Promote all public investment projects to evaluate environmental impact.

Systematically, monitor, inspect and evaluate the environmental management in industrial projects and encourage investment projects to comply with the decree on environment.

- Continue resolving pending and pressing environmental issues related to domestic and foreign investment; find solutions to disposing toxic material and garbage in urban areas; and keep highways, rivers and lakes clean.
- Set up national laboratories, promote socio-economically useful research, expand scientific research in provinces and different parts of the country, construct library networks, organise workshops at the regions, provinces, and in some focus districts.
- Introduce the environmental component in the educational curricula at all levels. It is also aimed to support the ‘green process’, and raise awareness about environment in the society, e.g., saving electricity, not littering, using chemical and dangerous materials according to laid down rules, and making Lao PDR green, clean, orderly, and free of toxic materials.
- Establish and upgrade financial resources to cover environment activities, i.e. pollution-mitigation fees, to be used for effective and continuous environment protection activities.
- To implement these agreement, sub-agreement and protocol of environment which Lao PDR have jointed them. Intensify cooperation, and participate in activities and negotiations at the international level to mobilise funds and technical assistance for protecting the environment.

- To make forest area covers 65% of total land area

### 3. Weather forecast and environmental management(climate change):

- Collaborate with different sectors, namely agriculture, forestry, energy, meteorology, urban planning, industry and health to conduct interdisciplinary research on the impact of climatic change and the source of greenhouse gases, and find appropriate methods for mitigating the impact. Effort will be made to incorporate this into the Five-year Plan, and then draw up strategies to mitigate the impact of climate change, along with sectoral planning and the poverty reduction strategy.
- Improve the legal and regulatory system concerning the environment (i.e. greenhouse gases and environment-friendly technologies).
- Establish a clean development mechanism (CDM) and carbon credit (C), for ensuring maximum benefit to Lao PDR.
- Promote research and analysis together and make a data inventory relating to the weather. Additionally, effort will be made to measure weather changes, establish early warning systems, make weather forecasts, and create a national plan on mitigation of the impacts of weather changes. For facilitating this, appropriate equipment will be installed.
- Introduce atmospheric and aerial science in the teaching curricula at all levels and raise awareness in the society regarding global warming.
- Raise funds for weather forecast and management at necessary levels by urging all international development partners to contribute to the environment protection fund, and also provide technical assistance for protecting the environment and reducing greenhouse gases.

### 4. Disasters

- In addition to focussing on post-disaster activities, for instance like rescue, assistance, rehabilitation, effort will also be made to take precautionary steps to mitigate the impact of catastrophes like floods, bank erosions, droughts, and fire.
- Strengthen the capacity and participation of entities regarded central and active points in disaster management.
- Establish early warning systems and increasing the number of meteorology and hydrology stations in risk areas.
- Gather necessary information regularly and in a timely manner, so that people receive this information before a disaster strikes, and they take mitigating measures well in time.

- Create warehouses to store the necessary equipment and material for urgent help in various parts of the country and in those provinces highly exposed to risks to disaster. This is to ensure fast and timely rescue and rehabilitation of the affected people.
- Coordinate and cooperate with concerned sectors, local authorities, and state and private economic organisations for implementing the strategic plan of disaster alleviation and the UXO problem.

### [3] Programmes and Focussed Projects:

- Project on improvement of the Environmental Law, review and improvement of Law water and water resources, and drafting new law on weather forecast and hydrology;
- Project on making green environment strategy with operation plan and related mechanism to ensure sustainable environment.
- Project on development of national strategy on climate change with operation plan to addapt and reduce the impacts from climate change
- Project on supporting environmental management
- Project on enhancing capacity on human resource management and development to be able to manage clean mechanism and carbon credit
- Project on construction of National environmental laboratory to become a reference for inspection and certification on providing environmental inspection services.
- Project on preservation and development of 2 water sources basing onRAMSA protocol which are in Champhone District, Savannakhet Province and Kieudngo lake, in Patoumphone District, Champasack Province.
- Project of integrated water resources management and project on transbordering in Mekong basin, and in Mekong River brunches that have development potentials (such as Namngeum, NamThuern-Namkading, Sebangfay, Sebanghieng, Sekong, and others)
- Project on installation of national early-warning system for providing forecast services on flood, drought, and other national disasters.
- Project on improving and upgrading weather forecast and hydrology station and earthquake alert station in across country; and other projects

### [4] Measures:

- Increase dissemination of political thinking related people, policy of party and law of government, NSEDP, and resolutions from upper level.

- To make people in society be aware of the important of water resources, protecting of environment, weather forecast and hydrology, early-warning system, and preserving various species.
- Cooperate with region and international on water resources and environment, weather forecast and hydrology, the risks of disasters and early-warning system to exchange lesson learnt and attract more funds.
- Follow up, monitor, and evaluate project on water resources and environment to be more efficient and stronger to ensure sustainability
- Integrate water resources and environment, weather forecast, hydrology into school curriculum including formal education system, higher education system and university.
- Encourage people in society to open competitive on making Lao country to become green, clean, and beautiful.
- Improve and upgrade organization in charge of water resources and environment at provincial level to become an individual department and at district level to become an individual office. Additionally, work and responsibilities will be divided from central level to local level.
- Enhance capacity of water resources and environment organization as well as human resources to ensure effective and efficient water resource and environmental management.

### 2.3.2 Land Management and Development

#### [1]. Directions:

Promote using and maintaining of the land and natural resources should be done together to ensure sustainability, effectiveness of land surface and underground and having less effect to environment and society. Land (and the natural resources therein) will be the basis for industrialisation and modernisation, and a source of revenue for national development. Effort needs to be made for making people have the right to use land for earning their livelihood, building their houses, and producing agriculture products as indicated in law. Land development will also focus on forestlands; both protected and conservation forests. Turn land into capital and land is the source of wealthy for people and nation.

#### [2]. Targets

##### 1. Land allocation, zoning and classification:

- Make land classification plan (at the macro level), master plan for land use planning (at national level), land use planning (at provincial and district levels for the whole country);
- Make land classification at micro levels (detailed plans), especially land use planning at the village and Kumban levels, for the whole country;

- Hand over the responsibility on land management to organization and individual as stated in the national land allocation plan, law, and regulation
- Target to complete issuing 1 million certificates
- Do research and establish data bases about land and natural resource by using computer system.

## 2. Land Revenue:

- Collect revenues from land such as tax, rent, transaction fee, ownership transfer fee, concession fee and other inward flows indicated in the land law, to increase their share in the tax revenues to at least 15% per year.
- Increase the flow of revenues from land to 3 times the present proportion, or 5% of the all national income.
- Develop and improve Land and Natural Resources policies, regulations and laws
- Complete the improvement of the Land Law
- Improve decree, regulation and other legislation to be consistent with the existing law.

## [3] Programmes and Priority Projects:

- Project on land classification at micro levels (detailed plans), especially land use planning at the village and Kumban levels and districts;
- Project on sustainable land and water resource management;
- Project on establishing data bases on land and water resources;
- Project on land allocation and issuing land certificates;
- Project on inspection of owning government lands and lands that used to belong to migrate people, lands that illegally belong to individual and also government land for rent and concession;
- Project on reorganizing city areas, rental or concession areas and developed areas that can attract more investment;
- Project on enhancing capacity of Land Management Organization;
- Project on land tax: improving and making legislation on land and natural resources;
- Project on dissemination of policy, law, and other legislations on land and natural resources; and other projects

#### [4]. Measures

##### 1). Land use management and classification:

- Continue to survey land and collect data with a view to allocate the land, do land zoning and classification, and map the land. The plan aims to complete a Master Plan for land use management, land protection, and natural resources management at the local, regional and national levels. For drawing up this plan, the National Land Management Authority, Land Use Planning and Management Department, and local authorities are working together. The aim is to place the Master Plan before the National Assembly by 2010-2011.

- Draw map and land use development plan which can see areas that can be easily developed and difficult developed.

##### 2). Monitoring and dissemination of the legislation:

- Closely monitor individuals, groups of persons and organisations using land not in compliance with the law, and if necessary take legal action against them;
- Disseminate policies, regulations and laws related to land and natural resources nationwide by organising meetings, workshops and other public communication means, in addition to formulating them into the educational curriculum.

### **3. Enterprise development**

Enterprises play an important role on expanding production capacity and they are a key component on operating business. They supply production factors such as capital, land, labors, and technology. The enterprises are both producers and sellers. Therefore, developing enterprises is an objective and task of the 7th NSEDP by promoting various kind enterprises such as household enterprise, small-medium enterprises, mixed enterprises, and companies... to grow independently along with laws or combined in group to be ownership of economic market. There is need to create favourable conditions and facilities (including ensuring property rights) that stimulate economic entities both state and private investment for achieving rapid economic growth.

#### **3.1. State Owned Enterprises**

##### [1]. Directions:

In this sector, the approach is to strengthen state owned enterprises (SOE) and transform them into spearheading the economic sectors. They are to assume an important role in the market economy within a socialist-oriented system, and also ensure macroeconomic stability. There is a need to reform state enterprises comprehensively, stressing particularly on the areas of finance, organisation, personnel and administration, in order to fully corporatize them for high efficiency in business operations.



## [2].Main Targets

- Formulate a strategic plan for SOEs and state business development. The plan will review the SOEs' roles and responsibilities, i.e. they are to conduct a profitable business and assume a political function in line with the Party's and state's policy and direction, and in compliance with the existing laws and regulations. They must manage the state's assets responsibly and be accountable.
- Organise and develop groups of enterprises for them to become base forces in terms of assets, knowledge, intellect, and technical science, capable of competing domestically and internationally; for instance in production, services, and construction, through the planned market mechanism.
- Implement, review and inspect legal instruments related to enterprise and business, making them consistent with the Party directions, state policies and market mechanism. It is aimed to create conditions that allow business enterprises smooth operation.
- Inspect SOEs to review the organisations in general, and examine possibilities of maintaining strategic enterprises fully under state ownership. Next, the idea is to transform some SOEs into mixed or shareholding enterprises. While in general, it is contemplated that SOEs can be improved and run more efficiently, some SOEs could be considered for sale, dissolved or declared bankrupt, as the case may be.
- Seek possibilities of establishing strategic companies with 100% state investment. Next, the government will directly manage companies having a state shareholding of more than 51%. These could be in national defence, electricity-generation, construction materials, food supply, telecom, aviation, or other strategic enterprises.
- Building strong enterprises and expanding cooperation between domestic and foreign capital (i.e. mixed enterprises). The aim is to ensure that the enterprises are financially stable, technically strong, and they fully follow laws and regulations.
- Provide full autonomy to SOEs so that they can smoothly conduct their business to attain their defined targets as per the direction and law.
- Invest resources obtained from different agencies to strengthen the technical base and skills of the workforce (for the full range, from family units to formal business enterprises), with a view to respond to the market demand.
- Strive to widen and unambiguously assign responsibilities within SOEs, domestic-foreign mixed enterprises and cooperative enterprises. At the same time, the aim is to demarcate the control of governance of enterprises between the central, provincial and local levels according capital ownership, size of the enterprise and technological status.
- Attempt to build a comprehensive strategic plan for enterprise and business development.

### [3]. Measures

- Educate all concerned to make them understand the notion of a planned market economy, and build unity among them so that they efficiently implement this notion, in compliance with the Party directions and state policy.
- The approach, objectives, targets and programmes under both local and central responsibilities will be developed into detailed activities and work plans.
- Investments will be made in key sectors that provide boost to other enterprises. The aim is to mobilise and advocate all businesses to effectively participate in the economic development process.
- Develop organisation, support apparatuses that boost production, and retain qualified and skilled personnel to manage enterprises at both macro and micro levels.
- Set up coordination systems and division of responsibilities between ministries, sectors and localities for effective management, and enable enterprises to operate efficiently for them to be capable of competing in domestic and international markets.

### **3.2. *Small and Medium Enterprises (SMEs)***

#### [1]. Directions:

The strategy of SMEs requires them to upgrade and modernise so that they can be integrated into the production system. They should be able to trade their produce across, with other locales, provinces and countries. They would also be expected to compete under free trade agreement to be enforced within ASEAN by 2015.

#### [2]. Main Targets

- Strive to increase the growth of domestic product to 15% on per annum
- Attempt to achieve an annual growth of 13% in SMEs
- Endeavour to increase the rate of employment growth to more than 10% per year
- Attempt to have 85% of the total business sector workers engaged in SMEs

To achieve these targets, there is need to concentrate on the following:

- Provide a more enabling regulatory environment for business operations by reviewing and improving regulations and procedures considered as business impediments, and putting in place appropriate mechanisms for evaluating the impacts of regulations on existing and new businesses.

- Improve SME's access to funds, by creating an enabling environment for financial institutions to lend to them. The aim is to diversify financial products and services, particularly giving out credit without stringent collateral agreements, and on a long-term basis; e.g. through loan guarantees, group investment funds, or lease/purchase of machinery and equipment.
- Create new entrepreneurs by promoting and supporting youth, academics and women to become entrepreneurs, establishing a centre to incubate business (and a mechanism to provide concessions to SMEs), and provide comprehensive training and consultation to the beginners in business.
- Expand assistance and service delivery in business development.
- Strengthen SMEs by gathering and disseminating information regarding business cooperation, business and investment opportunities, and business conduction at a smaller scale, as learnt from the experiences of larger enterprises. Mechanisms, policies and incentives will be created to attract larger enterprises to source goods and services produced by the SMEs.
- Increase productivity through raising the quality and standard of goods produced by the SMEs. An operational plan will be formulated at the national level to raise the SME productivity and the quality of workers therein.
- Facilitate access to markets and expand markets for SMEs
- Strengthen entrepreneurship and build up Lao businessmen to be stronger and competitive.

### [3]. Programmes and Focussed Projects:

In order to achieve the above-mentioned targets, the SME development strategy will concentrate on implementation of 7 programmes and some prioritised projects include a project on SME development, costing 8.78 billion kip, of which 5 Billion kip is from domestic investment and 3.78 billion kip from international investment (concentrate on grants) and other projects.

### [4]. Measures

- Strengthen coordination with all economic agencies, enable conducting activities with focal points, avoid duplication of activities, and reduce the responsibility gap.
- Identify and mobilise the sources of funds and allocate them in an appropriate manner.

- Increase and pinpoint the roles and responsibilities of each of the concerned organisations at the central and provincial levels.
- Raise private and stakeholder contribution, create facilities for entrepreneurs, find new markets, and strengthen the competitiveness of Lao-made products.
- Provide trainings for Lao businessmen on vocational, law, information, and marketing
- Turn company property into capital, turn status of company Ltd. to public company to register into Lao stock market

### *3.3 Household Enterprises, Mixed Enterprises and Share-Holding Enterprises*

[1]. Directions:

Diversify the mixed enterprises, establish uniform standards for them, and bring-in accountability, ownership, and mutual benefit. The aim is to raise their efficiency and competitiveness, promote market access in domestic, region, and international.

[2]. Main Targets

- To increase enterprise units in both quantity and quality
- To focus on promoting household enterprises, mixed enterprises, and shareholding enterprises to have more roles in society, access to markets and to produce more kinds of products

[3]. Measures

- Establish an organisation or ‘specific task unit’ to manage, monitor, and support business operations of economic entities in line with industrialisation and modernisation.
- Create conditions and a business environment for enterprises to grow. This can be achieved through reviewing and improving legal instruments related to business and enterprises, for them to be consistent with the Party’s directions and state policies. The aim is to provide opportunities and a good environment for business enterprises to operate smoothly and increase their competitiveness domestically and internationally, in the state-controlled market economy.
- Train executive personnel and staff. The aim is to build the skills of the technical personnel and workers by regularly upgrading their technical and academic knowledge and capacity. Enhanced human skills will help develop strong enterprises, and extend the span of domestic enterprises to reach out in foreign countries.

- Improve legislation, policy, regulation to be suitable for real country conditions
- Modernise the enterprise registration across the country: make it short, simple and fast to register as many unregistered enterprises as possible.
- Continue to organise forums for consultation, and exchange opinions between the state and business sectors, to solve problems and obstacles that businesses face from time to time.
- Disseminate regulations related to the registration of a company and about customs regulations, and furnish the business units' information to banks so that this information can then to be used for raising loans. The aim is also to effectively enforce the law regarding business, so that the credit providers could be secured, and at the same time business units can access funds.
- Insert topics related to entrepreneurship in the formal education and teaching curricula (i.e. at the diploma level). This would help students setting up businesses.
- Improve coordination, control and transparency in business licensing processes, and strengthen organisations that assist in the business development, for them to be able to offer efficient services.
- Using modern foreign methods and techniques, and scale-up the analysis of the business sector and of value-added taxes.
- Establish a centre, which will consolidate all the legal documents and instruments related to business and private sector development, to facilitate monitoring and auditing.
- Set up a mechanism facilitating cooperation between large enterprises and SMEs for doing business and exchange experiences. This will help gradually promote SME products and services.

#### **4. The Regional and Local Development**

##### **4.1. Development by Region**

[1]. Directions:

It is imperative to build favourable conditions for different regions across the country to grow rapidly. The economic potentials of different parts of the country will be fully exploited for them to serve as the basis for development of the regions. Establishing inter-regional relationships will accelerate the growth of regions firmly and in harmony. This will also result in reducing economic differences between different parts of the country, and help the regions to become more competitive.

Another approach is to invest in setting up economic centres in the three broad regions of the country, having the necessary infrastructure and modern service facilities. There is also need to focus on industrial zones. These will be expected to have processing factories and other large industries, e.g. electricity generation, rice and other food processing, wood processing, organic fertiliser making, garment making, mineral exploitation and processing (gold, lead,

iron, bauxite...), and making construction materials, machinery, electronics goods, high quality consumption goods. It is expected that with the establishment of economic zones, there will be some diffusion effect, thereby stimulating economic development of the neighbourhood, as well as linking up with the neighbouring regions for raw materials supply and markets.

Develop core cities to boost socio-economic development in specific zones and regions, for instance Luang Prabang City and Xai District (Oudomxay Province) in the north, Vientiane Capital and Kaysone Phomvihanh District (Savannakhet Province) in the centre, and Pakse (Champassack Province) in the south. In turn, these cities will become the economic cores for industrialisation and modernisation. With modern infrastructure, they will ensure development of industrial sectors, spearhead services, and respond to international integration. Apart from being centres of the economy, governance, culture, and science and technology, these (core) cities will link one region to another (also sub-regions with a region), deploy workforce optimally, and help transform the production potential into commercial production. Simultaneously, this approach will help in getting investments from and trade with, countries in the region.

Based on the special features, potential and actual conditions, the development of different regions will be along the following lines:

#### 4.1.1. Northern Region

##### [1]. Main Targets

Economic development in the regions must be pushed forward with force. By 2015, the gross domestic product per capita must be US\$ 1,700 and the economic structure radically changed. The GDP structure should be as follows: the agriculture sector covers 42%, industry 34% and services 27%. The population growth should be maintained at 2% per year. By 2015, the total population will reach 2.7 million people, the poverty ratio brought down to less than 8% and the ratio of poor villages to less than 20%.

##### [2]. Priority Sectors

##### 1. Development of Necessary Main Infrastructure

##### + Railway

North-South line: Boten-Luangnamtha-Vientiane (ASEAN-China railway line connecting to Cambodia and Singapore through Lao PDR).

East-West lines: (1) Phoukhoun-Phongsavan-Vietnam border (connecting Singapore-Laos-Vietnam) and (2) Muang Ngeun (Thai-Lao border) and Taichang (Laos-Vietnam border).

##### + Inland Transport

Three road lines will be constructed: (1) From Lan Toui in Phongsaly Province (Lao-China border) through Oudomxay, Luang Prabang and Vientiane, (2) From Muang Att in Xiengkhuang Province (Lao-Vietnam border) to Tharthome District, and (3) From Muang Sing in Luangnamtha Province (Lao-China border) through Bokeo to Muang Kenethao in Xayaboury Province (Lao-Thai border).

The plan is also to construct 5 east-west road lines, as follows: (1) From Muang Mai (Lao-Vietnam border) to Houay Xai (Lao-Thai border), (2) From the checkpoint Parkhang (Lao-Vietnam border) to Xieng Horn (Lao-Thai border), (3) From the international check point Houayxai to Viengthong district, (4) From Namkanh checkpoint (Lao-Vietnam) to Muang Ngeun (Lao-Thai border), and (5) From Muang Mork Mai (Lao-Vietnam border) to Muang Xiang.

Roads will be constructed to connect the national highway and locales, which are considered essential, and/or have economic value.

#### + Waterway Development:

Upgrading the waterway on the northern part of Mekong will permit boats carrying goods up to 300 tonnes to sail.

#### + Airport Development:

- Upgrade the Luang Prabang Airport to 4C standard to land medium-sized airplanes (Class C: B737, A320), and its terminal building to accommodate 1.2 million trip-persons per annum. This will become the second international airport after Vientiane Airport. Vientiane Airport is to accommodate the take-off and landing of Type D airplanes (Boeing 747).

- Upgrading other northern airports, especially Luangnamtha and Bokeo, to ensure take-off and landing of 70-seater planes, and Viengsay Airport in Huaphanh for regular operations (to facilitate tourists travelling to see historic sites there). In this process, this area, which has been witness to the revolution one time, will also develop to catch up with other areas.

- Widen the construction of stations, parking space, control stations, fuel storages, telecommunications and others.

## 2. Development of 4 main sectors facilitating Industrialisation and Modernisation

### A. Agriculture-Forestry

- Support agriculture and forestry processing industry having competitive potential through setting up laboratories to cultivate seeds and do testing; plant short-duration plants and other commercial trees; and breed exotic animals.
- Support food production: Establish a centre for cultivation of good quality rice seeds in the provinces of Luangnamtha, Xayaboury and Vientiane. Corn seeds centres will be set up in the provinces of Huaphanh, Xayaboury, Luangnamtha and Bokeo. Soybean seed centres will be set up in Huaphanh and Xiengkhuang. Cassava seed centres will be set up in

Oudomxay and Luangnamtha. Apart from these, a seeds development centre for quality commercial products—potato, sugarcane, fruit trees, vegetables and tea—will also be founded. Additionally, it is planned to set up a pig-breeding centre in Muang Viengsay, and cow-breeding centres in Xiengkhuang and Huaphanh. The plan also anticipates building a pilot centre for fish breeding of river fish in Xayaboury and Vientiane provinces.

- Promote commercial agriculture and forestry production: green agriculture, develop brands, and distribution network, and attract more investor
- Set up a Commercial Trees Centre Foundation: Promote planting commercial trees in specific areas having the potential for export, for instance rubber, sugarcane, bamboo, rattan, plant-oil, animal-feed, wood and so on.

## B. Electricity Industry and Minerals

- Generate power from large-sized hydropower stations along the Mekong River and its branches, and additionally generate thermal energy from lignite (Hongsa, in Xayaboury Province).
- Concentrate on constructing small hydropower dams that have economic effectiveness
- Expand electricity networks to reach power generated in the country to foreign countries, for boosting exports and widening markets.
- Develop the electricity and mineral sectors in tandem to seek synergies if any, for boosting socio-economic development.
- Exploit the full potential of mining in the northern parts through conducting surveys for exploring mineral ores there.
- Strengthen metallurgy; develop the steel industry, and create capacities to melt metals such as iron, tin, lead, zinc, gold etc.
- Produce construction materials; focus: cement, re-enforced concrete, bricks, potash, and so on.
- Develop the chemical industry; mainly chlorides, sodium salts and potassium-based fertilisers, in Vientiane province

## C. Service, Trade and Tourism

- Develop trade relations and border trade with neighbouring countries, mainly Vietnam, China, Myanmar and Thailand, though with some countries beyond, as well.
- Establish and upgrade a transit service system along Roads No 2, 3 and 13; they are to become complete facilities for rapid and smooth operation.
- Construct a centre for exposition and sale of non-toxic products (in Luang Prabang, Luangnamtha, Houayxai, Oudomxay and Phongsaly).



- Develop tourism forgetting the highest benefits from regional and international cooperation, particularly through the GMS (rectangle) and ASEAN tourism plans, the international tourism cooperation network, the Golden Triangle, and other neighbouring countries.
- Concentrate on developing post and telecommunications for connectivity and transit service with neighbouring countries: China, Myanmar, Thailand and Vietnam.

### 3. Social Sectors

In education, the aim will mainly be towards achieving primary education targets by 2015. The plan will also aim to expand and upgrade Soupanouvong University, to be able to accommodate students from all the Northern provinces. Additionally, a professional school will be constructed in Oudomxay province. In health, effort will be made to reduce maternal and child mortality rates along with malnutrition. In health, there is need to upgrade the provincial hospital of Luang Prabang to accommodate patients from all the northern provinces. Finally, effort will be made to alleviate poverty associated with creation of villages groups, and create permanent jobs for the affected people.

### 4.Environment Sector

Watersheds and forests must be carefully protected along with biodiversity and land (top soil). Effort will be made to conserve the environment through effective protection and sustainable use of the natural resources. Investment projects linked to logging, forestlands and mining, and others will be studied in detail to assess their environmental and social impacts. Pay attention to preserve watersheds, species, and abundant forest resources for eco-tourism.

### [3]. Set Development Focal Points as per Model “1334”

- Develop ‘one’ economic centre in the northern part, in Luang Prabang;
- Develop ‘three’ industrial zones in three provinces: Vientiane, Xiengkhuang and Oudomxay provinces;
- Develop ‘three’ economic corridors: Boten-Vientiane, Houayxai-Taichang and Muang Ngeun-Nonghat;
- Development ‘four’ border economic zones: Boten, Huayxay-Tonpheung, Nonghat and Kanthao.

# Focal points for development in the Northern provinces are as follows:

\*Phongsaly Province:

- Promote cultivation of commercial industrial trees/crops for which markets are already available, for instance, cardamom, tea, seame, corn, sugarcane, Porsa (trees yielding rope-

making material and agarwood. Processing the product up to the semi-finished stage at site would be further advantageous.

- Construct processing factories for agricultural products: tea processing, powder grinding, sugar (of scale 1,000 tonnes per year), and latex primary processing, for example;
- Carry out expansion in rural electrification;
- Survey and construct Nam Ou Hydropower Station 8

**\*Luangnamtha Province:**

- Promote food crops: rice, corn, and sugarcane among others;
- Promote the rubber plantation, linked to processing;
- Concentrate on mining of coal, gold and copper;
- Expand rural electrification;
- Continue to focus on the upgrading the special economic zone Boten-Dankham;
- Construct an integrated centre for posts and telecommunications.

**\* Bokeo Province:**

- Construct/improve agricultural developments centre to produce plant seeds and superior breed animals; cultivate non-toxic plants and value adding processed goods(corn, beans);and promote cattle farming;
- Improve the natural, historic and cultural tourism sites along the Mekong River and along Road No.R3;
- Construct Mekong River bank protection in Tonpeung and Houayxai districts;
- Construct and/or upgrade roads in Pha Oudom-Parkbeng district; Pha Oudom-Muanghoun district; Banmon-Xiengkok road (in Luangnamtha Province) along northern part of Mekong; Parktha-Kornteun–Banlao road along the part of Mekongat Xayaboury border.
- Rehabilitate and upgrade existing ports for goods and passenger transportation along the Mekong River;
- Construction and expand airport system, “runway and taxi way”;
- Construct and complete the special economic zone at Muang Tonpeung;
- Modernise the post and telecommunication systems to become more efficient (especially improve connectivity with Thailand and Myanmar).

**\*Oudomxay Province:**

- Promote commercial plantations/crops (corn, soybean, peanuts and others); additionally, cultivate aromatic tea, and produce cassava powder)
- Promote industrial plantations– rubber (also for processing), growing eucalyptus, teak tree and Agarwood);
- Construct mineral-processing factories where there is ore: iron ore in Muangla, copper ore in Pakbeng, Muang Houn and Narmor, and tin and zinc ore in Narmor;
- Strive to complete construction of a cement factory and a salt-processing factory in Narmor district;
- Establish a specific economic zone linked to tourism in Pakbeng district;
- Set up a frequency modulation centre for the northern region.

**\* Luangphabang Province:**

- Transform Luang Prabang Province into an important natural, historic and cultural tourism site of Lao PDR, and conserve this (cultural and historical) world heritage for it to attract domestic and foreign tourists;
- Promote and develop products that attract tourists, typically souvenirs made from woodcarvings, bamboo and woven rattan, silver and gold. The aim is also to set up a handicraft processing base, relating to the original living styles of the people.
- Upgrade the Luang Prabang airport to be a sub-regional airport, capable of landing an Airbus 320 aircraft.
- Survey, design and construct the Mekong crossing bridge connecting Luang Prabang to Chomphet. A big river port will be constructed to transport goods and passengers from the China border to Luang Prabang.
- Carryout a study and thereafter construct hydropower projects along the Mekong;
- Construct high-speed Internet centre and information centre to disseminate information to the outside world on culture and world heritage sites. Additionally, growing flat beans (to release wax), non-toxic vegetables, and livestock are some priorities.

**\* Xayaboury Province:**

- Grow food crops: rice, corn, jobstear (a local fruit), and toxin-free vegetables for local consumption and supply to processing factories;
- Grow industrial trees: teak, rubber;
- Construct a lignite-fired thermal power station in Hongsa;

- Promote border trade in Muang Ngeun and Kenethao districts;
- Construct river bank protection along Nam Heuang;
- Construct Mekong crossing bridges in Parklai district, Thadeua in Xayaboury, and Parkkhone in Luang Prabang.

\* Xiengkhuang:

- Encourage breeding cattle for export to neighbouring countries, both as cattle heads and in processed (food/leather) form;
- Promote natural and historical tourism, particularly visiting ancient sites;
- Establish industrial zones, emphasising on mineral processing. Two priorities: process gold, and complete surveying for iron ore for mining;
- Complete Namthear irrigation project to support cultivation of rice, corn and other food plants;
- Construct a road and have telecommunication linkage between the northern region and Vietnam.

\* Huaphanh Province:

- Develop natural and cultural tourism;
- Carryout feasibility study for constructing an airport in Huaphanh;
- District and rural electrification to be completed as per targets;
- Construct Road Nos. 6A and 6B to the Vietnam border;
- Conduct feasibility study of Nam Att hydropower project;
- Construct and rehabilitate infrastructure to promote natural and historic tourism;
- Construct a road and have telecommunication linkage between the northern region and northern part of Vietnam.

\* Vientiane province:

- Support cultivation of rice [as an input to beer factories in four cities and Sanakharm district], corn [for animal food factory in Long Ngum (Thoulakom District), Vang Vieng, Kasy and Sanakharm districts], Makdeuay (wild round grains), and other plants and vegetables;

- Construct the Nam Ngum bridge in Muangkao district;
- Construct Nam Ngum II and III, Namlik 1/2, NamLeuk I, Namkene hydropower projects;
- Protect the riverbank along the Mekong;
- Establish economic-cultural focal points in Phonthong and Vang Vieng districts and modernise them, for them to become centres of tourism;
- Develop tourism in Nam Ngum reservoir area, establish a tourist service centre in Vang Vieng district, and link the central provinces with four Northern provinces.

#### 4.1.2. Central Region

##### [1].Main Targets:

Effort would be made to promote the economy, for which effort will be made to accelerate industrial development. This will deploy more workers in industry, thereby increasing the proportion of workers engaged in non-agricultural sectors here. The plan will aim to achieve a GDP per capita of US\$ 2,200 by 2015. Its constituents are expected to be as follows: agriculture 23%, industry 42% and services 35%. The population growth is expected to grow at 2% per year, with the total population reaching 3 million by 2015.

There is need to raise the potential of people in the entire society, exploring both and explicit talent, to transform the central part into a zone of rapid development, spearheading industrialisation and modernisation. It is to act as a leading force for the development of the whole country. It will also be the zone connecting the north with the south. The plan's aim is that this region becomes the central point for transit service for the Dry Seaport, Special Zone, international airport, and over-flight service.

##### [2].Priority Sectors

#### 1. Development of Main and Essential Infrastructure

- Research on construction of highways or railways connecting the north, centre and south of the country. On construction, this will help rapidly transport goods and provide quality services;
- Construct the necessary infrastructure that various provinces could share.

#### 2. Development of 4 main sectors in accordance with the principles of industrialisation and modernization

#### A. Agriculture- Forestry Sector

The aim is to cultivate rice, sugarcane, rubber and cassava, grow agarwood, eucalyptus, fruit, and other short-lived industrial trees/plants and breed silkworms and domestic animals (pigs, goat, poultry and fish).

#### B. Industry, Energy and Mining Sector

Continue to provide impetus to developing industrial sectors, such as agro-forestry, processing, electrical energy, mining, machine assembling, garment and construction. These are the priorities here and are also expected to absorb more workers.

#### C. Service, Trade and Tourism

- Comprehensively develop services (logistic) to facilitate trade and rapid cross-border transport through the Roads Nos. 8, 9 and 12;

- Trade: expand internal trade networks, and export those goods in which the country has comparative advantage: electricity, minerals, handicraft and agricultural products; transit and border trade;

- Tourism: Develop natural, cultural and historic tourist sites, and propose to UNESCO for recognising natural tourist sites on the Bolevan Plateau and Nakai Limestone Plateau as world heritages. Develop tourist sites where Dinosaur Footprints in Savannakhet and Stonewall in Khammuane are located. On the agenda are also upgrading tourist services in quantity and quality (e.g. improve access roads, transportation, accommodation, food supply, and tourist guide service, to meet the tourist market demand);and promoting and diversifying tourism in accordance with seasons, focussing on tourism integration of three countries, Vietnam, Laos and Thailand along roads No. 8,9 and 12;

- Construct an integrated centre for post and telecommunications to link with the sub-region.

#### 3. Social Sector

The plan envisages developing social sectors to complement economic development:

- + Education: It is the aim to develop professional education in the central region in various areas such as electricity, mining, handicraft, construction, tourist guidance, processing, and transit service to meet the priority requirement of the sector. The college in Savannakhet will be scaled up to become the central region's second university.

- + Health: It is the aim to modernise the central region's hospitals, for which some requirements are to increase and improve the medical equipment in Savannakhet, and in general medical staff's ethics and quality of health care service.

- + Labour: It is the aim to manage labour migration, monitor inter-sectoral shift of labour, and upgrade domestic workers' skills, to meet the labour demand in various priority sectors electricity, mining, handicraft, construction, tourist guidance, processing and transit service.

#### 4. Environment

There is need to concentrate on environmental protection, management and sustainable use of the natural resources; for instance forests, minerals, watersheds and land. Economic and human activities should have the least impact on the environment. There should be regular monitoring and inspection in areas where surveys and mining are conducted, to ensure that the project owners and investors strictly follow the contract conditions, especially the environmental component.

##### [3]. Setting Focal Development Points

The aim is to develop an economic centre in Vientiane Capital, industrial zones in Savannakhet, tourist service centre in Khammuane, and four economic corridors in the East-West and North-South lengths [namely, Banlao-Keoneua (Road No 8), Savannakhet–Dansavanh (Road No 9), Thakek-Kiewmuyar (Road No.12), and Vientiane-Savannakhet (Road No. 13 South).

The aim extends to developing special economic zones in the Savannakhet-Seno area and at the Lao-Vietnam border checkpoint at Danxai, and a free trade zone at Dansavanh (in Savannakhet) near the Lao-Vietnam border.

#Developing focal points of central provinces are as follows:

\*Vientiane Capital:

- Increase rice production, to be supplied as inputs to domestic processing factories in three districts: Hatsaiphong, Saythany and Park Ngum;
- Cultivate corn to supply to animal food factories;
- Cultivate mulberry plants for silkworm-breeding, to supply silk to domestic markets in Park Ngum, Sangthong and Saythany districts;
- Grow cassava in five districts, Park Ngum, Sangthong, Sikhottabong, Naxaythong and Saythany, to supply to processing factories;
- Develop and modernise four large markets: Morning Market, Nongchanh Market, Thatluang Market, and Sikhai Market;
- Construct and complete industrial zones, industry complexes, and the Km 21 Trading Centre, to expand goods distribution and trade network;
- Survey and construction the Vientiane-Vang Vieng Highway;
- Construct Mekong River banks protection at risky points;
- Construct a sub-regional centre for post, telecommunication and information technology, with the aim to introduce on-line transactions (e-commerce), upload data, create a national electronic centre, and acquire means to control access to Internet.

\* Borikhamxay Province

- Cultivate short-duration plants: rice, tobacco leaves, corn, cassava and other plants for local consumption and to supply to processing industries;
- Promote cattle farming
- Support construction of hydropower dams: Nam Theun 1, Expansion of HinBoon, Nam Ngiep 1, Namtheun 4;
- Conduct survey of mineral ores/stones: gold, zinc, tin and potash ores, and granite;
- Construct and/or upgrade the following roads: 1D, Vienthong-Xaychamphone-Thankthoui road connecting Vietnam, and road 1E (Khamkeuth-Nakai);
- Construct industrial zones for processing industries for rubber, agarwood, animal feed and minerals;
- Construct riverbank protection along various rivers in Thaphabad, Paksan and Parkading districts.
- Establish an integrated system for telecommunications and Internet

\* Khammuane Province

- Promote rice cultivation (promote SRI) in Sebangfay and HinBoon;
- Develop the downstream area of Nam Theun 2 Powerhouse and HinBoon to promote rice and other crops cultivation;
- Develop urban areas in Thakek district, to transform it into tourist city connected to Road No. 12;
- Make Huakhua where to a special economic zone;
- Promote transit services;
- Complete the Lao-Thai Mekong crossing bridge;
- Protect the riverbank in HinBoon district;

\* Savannakhet Province:

- Improve the research and analysis laboratory centre for new seeds and provide technical service to farmers;
- Cultivate plants and industrial trees for local consumption and processing; for instance, rice, beans, corn, sugarcane, toxic-free vegetables, cassava, cotton, silkworm (mulberry) plants, and so on.



- Survey and construct Sebanghiang 3 Hydropower Project (at Sepaul river) and Tatsalan Hydropower Project;
- Promote the natural, ecological, historic and cultural tourism alongside Road No 9;
- Establish Dansavanh border trade area and transform it into a small city and an eastern trade and service centre;
- Establish facilities for the special economic zone, Savannakhet-Seno;
- Construct a postal service centre to connect with Thailand and Vietnam, construct an Internet centre, and establish a system to integrate telecommunications and Internet.

#### 4.1.3. Southern Region

##### [1]. Main Targets

Press for rapid economic growth by establishing labour intensive processing industry, with the twin aims of increasing value addition and of raising the proportion of workers engaged in non-agricultural sectors. The endeavour is to elevate the regional per capita GDP to US\$ 1,300 by 2015. The structure of the GDP by 2015 should be as follows: agriculture has a share of 30%, industry 36%, and services 34%. The population growth should be aimed at 2% per annum. By 2015, it is expected that the population will grow to 1.4 million.

##### [2] Priority Sectors

##### 1. Main Necessary Infrastructure

- Research on the construction of highways and railways between the central and southern regions to facilitate passenger and goods transportation.
- Improve the necessary infrastructure by constructing inter-provincial roads between the southern provinces: These vertical roads are Highway 1J from Cambodia-Attapeu border through Phouvong district to Road 1I; Lamam District Road No 16; Road 1H-1G-Muang Nong-Muang Phin-Road No.9 (GMS Road). Horizontal (East-west) roads: (1) Road No 18A (Attapeu-Pathoumphone)-Road No. 13 South; (2) Road No 10B-Pakse-Road No 13 South-Vangtao checkpoint(Lao-Thai border); (3) Road No 15A (Lao-Vietnam border) to link with Road No 15B and Road No. 13 South, in Napong area, Saravane province. Also, there will be construction of roads connecting national highways and various localities considered necessary and efficient.

##### 2. Development of four main sectors contributing to industrialisation and modernisation

##### A. Agriculture-Forestry Sector

There is need to produce more crops like rice, vegetables, coffee, tea, cardamom and durian; grow more plants and industrial trees like rubber, cashew nuts and silkworm plants; and additionally, raise poultry and animals (pigs, goats and fish).

## B. Industry, Electricity and Minerals

Hydropower projects will be built on, Sekhamane 1, Sekhamane 0, Namkong 1, Namkong 2, Namkong 3, Sepian-Senamnoy, Sepian-Houay Soi, and Sekong 3, 4 and 5. A copper mining and processing project in Champassack province will also be developed. Apart from this, there are many other mining projects: bauxite (aluminium) in Attapeu and Champassack, gold in Vangtat, Attapeu, and coal in Saravane and Sekong. Other activities comprise of processing industries like wood and food processing, and handicraft (including textile and silk weaving and baked-clay pottery).

## C. Service, Trade and Tourism

- Trade: Develop a trade network connecting the southern provinces along with border trade, and export of agriculture goods, e.g. rice, coffee, tea, cardamom and vegetables.
- Tourism: Develop natural, historic and cultural tourism, for instance at Vat Phou, Khonphapheng-Leephee, Siphandone Great River area, and other similar sites.
- Communication: Set up a frequency modulation station, and establish systems to integrate telecommunication with Internet, and electronic communication systems will be integrated with those of Thailand, Cambodia, and southern parts of Vietnam.

### 3. Social Sector:

- Education: Expand schools for vocational education in different disciplines: electrical engineering, handicraft, construction, tourist guidance, processing (of various kinds, to meet the priority sector demand); develop the university at Champassack to be capable of receiving more students, while ensuring quality; and upgrade each province's vocational school(s).
- Health: Continue to update and modernise medical equipment in the hospital(s) in Champassack, raise health-care ethics, and improve the efficiency of medical services.
- Labour: Focus on skill development in various areas such as training in modern agricultural production, handicraft, construction, electrical engineering, repair, tourist guidance, and processing, to elevate the workers' competences and efficiency.

### 4. Environment Sector:

It will be a priority to protect the natural environment and promote sustainable use of natural resources; e.g. forests and watersheds, and making sure that human activities impact the environment the least. Rehabilitation of degraded forests will also be a priority. It will be the aim to establish an early warning system and protection against natural disasters, especially floods, wherein research and planning for efficient rescue operations will also find place.

### [3]. Focal Points Setting

An economic centre will be established in Champassack; industrial zones will be set up in Attapeu, Sekong and Saravane; and Develop 4 economic corridors which will be initiated at

Champassack-Veunkham (Cambodia border), Vangtao-Champassack-Saravane (Vietnam border), and the junction of Road No 13 South at Ban Hat (Lao-Vietnam border). The aim will also be to develop border economic zones: at Vangtao in Champassack Province, Phoukeua and Phouvong in Attapeu, Darktaork in Sekong, and Lalai in Saravane.

Development of focal points in the southern provinces is as follows:

#### Champassack Province

- Promote coffee plantation, toxin-free plants, tea, and fruit trees in the Bolevan Plateau area(Pakxong district); rubber and cashew nut plantation and fruit trees in the Bolevan Plateau area and on plains; rice, fish, silkworm(breeding),and beans planting along the Mekong River (across eight districts), and livestock, cassava and maknyao (a local fruit), where suitable.
- Develop natural tourist sites in the small islands south of Siphandone– the protected areas of Mekong large catfish and tiny islands. The sites of culture and the ancient temple Vat Phou, Champassack will be developed, along with those of eco-tourism in the area.
- Give out concessions for bauxite mining.
- Construct infrastructure to facilitate construction of industrial zones at Km 16 of Barchiang district, Km 12 of Phonthong district, Km 30 of Sanasomboun district, and the border trade and service zone at Vangtao in Phonthong district and at Nongkokkian Khong district. Construct a bridge on the Mekong, at the connecting point of Ban Hart-Done Khong and Huakhonglam-Doneson, and construct an inland waterfront (small quay) at Huakhong-Ban Natan, aiming to serve tourism in that area.
- Construct a third bridge on the Sedone River, continue construction of the road to Pakxong-Houaykong (connecting to Ban Mai in Attapeu Province), continue asphaltting road No.14C from Muang Moun to Ban Pakouay (connecting the Emerald Triangle project), and the road connecting Banset-Bansot-Napakiap to link the Economic Triangle Project.
- Improve the waterway along the Mekong (from Ban Mai Singsamphan, down the stream to Khone Island, Muang Khong) and waterway along Sedone River.
- Upgrade the Pakse airport for it to be able to offer international standard services.
- Construct a radio management station, and establish a telecommunication system, to connect with Thailand and Cambodia.

#### Attapeu Province:

- Complete and make operational the Sepian Irrigation Project to water 1,500 hectares.
- Cultivate rice in the plain areas; additionally, grow rubber and industrial trees (for paper);

- Initiate constructing the Sekhamane 1 Hydropower Project, and survey the Sepian-Houaysoy Hydropower Project area, Namkong 1, 2 and 3, and Sepian-Senamnoy.
- Explore gold ore at Vangtat; additionally, look for copper ore, bauxite, lead and zinc.
- Construct Road No 18A Attapeu-Pathouphone, Road No 1J Sekhamane Bridge from Attapeu to Cambodia border, and the road connecting Attapeu-Champassack and Attapeu-Sekong.
- Carryout studies to improve the Attapeu Airport.
- Construct a 200-bed hospital in the region.
- Establish an integrated system for telecommunication linkage with Vietnam.

#### SaravaneProvince:

- Cultivate rice and industrial plants (coffee, cassava, sweet potatoes, corn, banana and rubber), and raise cattle;
- Construct the Lao-Vietnam border market (in Samouay district), and develop processing of agricultural products;
- Continue the Kengkongluang project in Lakhone Pheng district;
- Construct Road No 15B (Saravane-Napong), Road No 1G (at the junction 15B-Savannakhet border),Road No. 15A in Toumlan district;
- Construct bank protections on Mekong and Sedone rivers;
- Explore mineral ores: tin, gypsum, coal, iron, copper and gold;
- Complete the construction of a cement factory.

#### Sekong Province:

- Encourage intensive agriculture in Thateng and Lamam districts
- Promote livestock farming;
- Support growing coffee; crops(for making flour);and industrial plants– taro, cassava, potatoes, soybean and peanuts and vegetable for both commercial and local consumption;
- Construct Sepian-Senamnoy irrigation project;
- Construct roads connecting Sekong-Kaleum and Sekong-Dakcheung-Vietnam border;
- Construct hydropower project at Houaylamphan, Sekhamane 4, Sekong 3, Sekong 4, Sekong 5, and Houay Dark-emeun;

- Support mineral surveys: gold, bauxite, iron and coal;
- Survey and construct the road to the Lao-Vietnamese border, and develop natural, historic and cultural tourism.

## **4.2. Geographically Development**

### **1) Mountainous and Remote Areas**

Alleviate poverty by finding jobs to people in the interior areas to the maximum, using government budgets efficiently.

Construct the socio-economic infrastructure, create conditions facilitating production, and upgrade the knowledge base and capacities of poor households (and poor areas), so that people themselves find solutions to poverty and steadily improve their living conditions.

Resettle and rehabilitate people living in targeted areas on a permanent basis by continuing to allocate land and forests to them and fully halting slash and burn cultivation. The aim extends to sustainable forest management and balancing between the use and protection of a resource.

Develop land potential for commercial agriculture, for instance growing industrial trees and fruit-bearing trees for local consumption and export, and reforest to produce raw materials for modern industrial processing.

Develop natural, native ethnic, cultural, and historic tourism. At the same time, attempt to widen trade with neighbouring countries will be made.

### **2) Plains:**

Develop infrastructure with a view to achieve modernisation for boosting production and exports. It will be the attempt to integrate local areas with the larger region, aimed at improving agricultural products and livestock management (value adding and raising of quality products). Attention will also be paid to food security at overall country, by reorganising production, diversifying professions, and using land efficiently. All this effort will be supported by technological up-gradation, improving seed varieties (for rice, industrial plantations, fruit trees, – for which land will be allocated), developing processing industries, and breeding animals.

Develop the industrial sector in a leading role; in parallel, high quality technology will help improve the production base to strengthen industrialisation and modernisation.

Develop the main and supporting sectors, such as finance, tourism, education, health, science and technology, and high value added and efficient service.

Create high quality human resources for them to catalyse the development needs, especially in the leading sectors.

### 3) Border Areas

Develop border areas, starting from selecting districts having a favourable environment. In this regard, it is a good strategy to begin with towns on the national highway. The aim is to: Improve and reallocate a city's suburbs, proceeding with developing 6 factors: roads, electricity, water supply, posts, telecom, and public transport. Construct markets as centres of trade in order to bring together sub-urban people and border areas. Establish infrastructure at the border economy, such as at Xiengkok (Lao-Myanmar border), Boten (Lao-China border), Namkanh-Taichang (Lao-Vietnam border), Boten (Lao-Thai border), and Nadan Phoukeua-Vangtat (Lao-Cambodia-Vietnam border). Create conditions in business operations for export and import, tourism and cross border transit service. Upgrade highways that link to border checkpoints and roads systems that lead to border checkpoints, at the junctions of Lao-Vietnam-Cambodia (Saravane, Attapeu, Sekong and Champassack); and Lao-Thailand-Cambodia (Saravane, Champassack). If the situation is favourable, construct roads along the borders to enable monitoring and inspection, and additionally, stimulate the development in the areas. Allocate resources for more difficult development activities, widen border exchanges, and create favourable conditions for enabling poor areas to carry out activities for generating more income. Pay attention to social welfare, and reduce the differences in development between different areas. Carry forwards economic development in remote area, in parallel to protecting the country's sovereign.

## 4.3 Urban Development

### 1. City centre set-up

The prefecture must be the centre point for development, and crossroad of the district. The aim is to plan a city's improvement and rearrange the habitat; develop the town for it to have an industrial zone and an economic zone centre; accelerate communication networks in the suburbs; encourage development of small towns, having characteristics to be town (as against an over-grown village); promote products which carry an identity of the town location; become a place to accommodate workers wanting to migrate and/or change occupations to non-farm work; generate jobs for the local people in parallel with promoting more rural workers to be engaged in industry and services sectors. Developing city centre has to consider reducing disaster's risk and adapting with climate change.

- North: Create Luang Prabang as a centre for the Northern provinces, and build up Muang Xay province in Oudomxay and Muang Pek in Xiengkhuang to be the industrial centres linked to other areas. For this to happen, investments will be made for extending communication facilities, electricity, piped water, and health systems in potential towns such as Xamneua (Huaphanh) and Phongsaly, for them to be hubs for information dissemination, local product utilisation, facilitation for shifting people towards the centre point, and ensuring adequate balance in development.

- Centre: Vientiane and Savannakhet shall be the key supports for the central zone's economic development, investment promotion, and modernisation of surrounding districts

such as Viengkham (Vientiane Province), Paksan (Borikhamxay Province), and Thakek (Khammuane Province). Also, the aim is to fund the development of districts along the East-West economic corridor, such as Outhoumphone, Athsaphangthong, Thaphlanexay, Muang Phin and Xeponé.

- South: Pakse (Champassack Province) is to be developed as an economic, technical and science centre – a bridge linking the central and northern regions and the neighbouring countries. Investments will also be made in infrastructure in the nearby districts and provinces. More specifically, the targets are: Saravane, Samakhixay and Saysettha (Attapeu Province) and Lamane (Sekong Province). The districts will act as bridges between the development centres, commercial production areas and local markets which are Saysettha and Samakhixay (Attapeu Province), Kongsedone (Saravan Province), Thateng (Sekong Province), and Pakxong and Outhoumphone (Champassack Province).

## 2. District infrastructure developments, and rearranging border districts and border checkpoints

Evolve an urban plan, providing for water supply and waste water management (including waste disposal), electricity, posts and telecommunication, road and bridge networks, and environmental protection. Construction works must closely be linked to the provision of services.

The initial focus will be on the development of districts and border checkpoints (districts having adequate development and a strong economy) and then gradually diffusing the development process to other areas. National roads shall be the main strategic link to improve and restructure smaller cities alongside. Effort will be made to carry out the “Six-factors programme”: roads, electricity, water, post, mass transportation and telephone. It will be the attempt to do the following: extend electricity and drainage in the prefecture (and the province), encourage development of suburban areas to attract and settle the population in the suburbs (and surroundings), establish a market to be the commercial centre, and export processed goods to China and the ASEAN countries.

- North: Develop main checkpoints, namely, Boten (Luangnamtha), Huayxay-Tonpheung (Bokeo), Nonghat (Xiengkhuang) and Kenethao (Xayaboury); and develop and upgrade checkpoints to the national level at Namngeun (Ngeun District, Xayaboury), Nameo (Huaphanh), and Lantoui and Taichang (Phongsaly).

- Centre: Develop main checkpoints at Namphao (Khamkeuth District, Borikhamxay), Namphout (Thakek, Khammuane), and Dansavanh (Savannakhet); and develop and upgrade checkpoints to the national/international level at Banvang (Vientiane Province).

- South: Develop main checkpoints at Vangtao-Chongmek (Champassack) and Phoukeua (Attapeu).

Increase checkpoint areas and international checkpoints where appropriate; improve the streets and the infrastructure in the checkpoint areas such as electricity, water, and others; monitor and control tax collection and transit goods inspections systems at the border;

improve the working method to be fast and precise, using modern technology and streamlining inspection steps for goods and vehicles coming in and out through the checkpoints; and transform the whole system into a single window and single inspection system.

#### ***4.4 Establishment of developed villages and target areas***

##### **4.4.1 Establishment of developed villages**

The aim is to create village groups or zones where the conditions are potentially advantageous. These can then be invested into, for them becoming modern town(s) heralding economic development, and producing goods and services of high value in large quantities. By the same token, effort will be made to invest in infrastructure in areas which are still sluggish, especially rural roads, irrigation, electricity, schools, and basic health facilities, aiming to exploit the economic potential and improving the living conditions of the population in the area.

Finally, effort will be made to establish an inter-area dependence and complementary. This will help create (and utilise) efficiently, power sources, buildings, and the project management monitoring action plans.

##### **+ People's displacement and relocation**

Encourage relocation of people living in remote areas to set up a conglomeration to alleviate poverty. The approach is to select a zone suitable for development, such as along the road and/or not far from the city (or a suburb), relocate the dispersed populations living in mountainous area, provide them basic needs, and provide them with modern techniques in agriculture, livestock, handicraft and services including tourism, to encourage their active participation in modern economic activities and gradually escape poverty.

Allocate funds to implement priority programmes to develop poor and inaccessible areas deploying integrated poverty reduction approaches. It will be attempt to attract international donors' grant-in-aid to assist construction of rural infrastructure, wherein poor villages and groups of villages shall be the focal points to alleviate poverty.

Develop industries in rural areas using the possible potential in natural and agricultural resources following industry and modernization goal, using methods "company+ labour+



market” where companies deploy local workers in the one hand, initiate work based on receiving orders from buyers.

At the same time, effort will be made to carry out relocation of people from remote locations and providing permanent jobs for them to improve in their livelihoods. Prior to relocation of poor people, careful surveys, planning and policy analyses will be carried out, such that the relocation is smooth and comfortable to the beneficiaries.

+ Set up agricultural production zones linked to the processing industry, and accord priority to production for export

Promote intensive cultivation in areas having high potential for, rice production, short-duration industrial tree plantation, chemical-free vegetables, aqua-life and livestock. The produce will be both locally consumed and exported, especially, rice, coffee, meat, fish, wood products, Non-timber forest produce, and minerals. It will be the utmost effort to ensure sustainable exploitation and development of forestry resources while securing raw materials to supply to processing industries (to process for export)

Set up focal villages for settling relocated people from elsewhere and generate jobs for them; and establish small towns in rural areas to be centres of non-farm activities with varied emphasis (e.g. handicraft and non-agricultural activities, for local consumption and export). The ultimate aim is to reorient rural/agricultural workers towards industry-handicraft and services sectors.

#### 4.4.2 Development of Target Areas

Develop 6 focal areas in Vientiane Province (Kumban Longcheng, Muang Ome, Muang Ao, Muang Xaysomboon, Phalavek and Muang Home); 2 in Xiengkhuang Province (Kumban Sanluang, Phoukhoun District and Ban Namsiem, Phasay District); and some more in the South. The aim is to allocate permanent jobs build the necessary infrastructure: typically, all-season access roads linking the villages and groups of villages to the outside, thereby improve the mobility and living conditions of the people therein. In terms of activities, promote commercial production, set up model villages and families, upgrade the quality of education and health with access for all, promote and safeguard the cultural heritage (of the locals, including ethnic people); and put in place an efficient (local) administration, allowing for quality and greater transparency.

#### **4.5 Development of Special Economic Zones**

For implementing the new law on investment, it is imperative to introduce a special development strategy alongside the extant sector development strategies. In the next five years, the government will focus on developing the existing Special Economic Zones, and create a favourable business environment to set up Specific Economic Zones in other areas, bearing in mind that the neighbouring countries are important locales for both market and attracting foreign direct investment. The priority will be to set up processing industries for export, and create and/or improve E-Commerce systems (to promote Lao products), especially in China, Vietnam, Thailand and other ASEAN countries.

Efforts to develop Special Economic Zones:

- Develop special economic zone at Boten (Luangnamtha province) as a commercial centre for export, thereby attracting Chinese and other foreign investment. The aim is to promote export activities, especially through customising export products to meet the market demands in China and elsewhere to earn foreign currencies.
- Develop an all-round specific economic zone at Tonpheung, Bokeo province, to become a centre for industry, commerce, finance, services, tourism and production for export. The aim is develop a new modern town, and support rapid development in the northern region.

Develop the Savan-Seno Special Economic Zone for it to be the centre for economic cooperation, industry, commerce, finance, services, and modern technology. Its strategic location as on a transit road of the sub-region to regional and international locations is an advantage. It can be a source of generating jobs, skills development (including management skills), lesson learnt, gaining experience, contributing to lift up living condition of people

The Five-year Plan 2011-2015 also aims to set up more special economic zones (SEZ) where business and strategic environment is favourable, such as in Champassack, Thakek (Khammuane), Huaphanh and Xayaboury.

In addition to SEZs, it is important to set up other economic zones to be the basis for development of the region (including ‘industrial division’ in Vientiane Capital). The plan aims to develop Border Economic Cooperation Areas and Border Trade Centres at Kenethao (Xayaboury), Nonghat (Xiengkhuang), Khamkeuth (Borikhamxay), Thakek (Khammuane), Dansavanh Free Trade zone (Savannakhet), and in Champassack province, to attract investors from Southeast Asia and developed countries, using the country’s natural resources, in order to develop unique products capable of exporting products to Southeast Asia and international markets. Effort will also be made to utilize domestic and foreign resources to develop light industries and produce household goods for the domestic market.

Develop the 'triangle development area', Cambodia-Lao-Vietnam (CLV):

- Set up a Border Economic Cooperation Area between Lao PDR and Vietnam at Phoukeua (Attapeu Province) to be a border-trading zone for export, and be a specific commercial marketplace to attract Vietnamese and other investors. It is the aim to generate incomes in foreign currency, in return for supplying goods according to the demand of the Vietnamese and other markets.
- Develop Darktaork checkpoint in the northeast for it to become a special economic zone with support from other international checkpoints; set up an industrial zone at Dakcheung with an access road to Danang seaport (in Vietnam) to attract foreign investment; and set up a tour services system (with emphasis on marketing local products).
- Set up an Economic Cooperation Area (or a commercial centre) at the border at Samouay district, Saravane province, to attract foreign investors in processing industries for products having unique identity and competitive edge. The aim is to produce consumer goods to supply to the triangle development area, domestic markets and exports.
- Set up an Economic Cooperation Area in Phouvong District, Attapeu Province, at the Lao-Cambodia border to produce for exporting products in which Lao PDR has the potential and advantage to penetrate the Cambodian market, and also to attract investors from Vietnam, Cambodia, and other countries.

Measures:

- + Improve and upgrade the quality and efficiency of the management system for it to be strong and modern, using advanced information technology in management;
- + Intensify the propagation and campaign using various means mass media, printed material and electronic media and disseminate information. This could be done through Lao PDR embassies and consular offices located in foreign countries, state agencies, seminars, trade fairs, other activities in cooperation with countries in the sub-region, international organisations, financial institutions, or direct meeting with investors.
- + Create favourable environment for investment with focus on developing infrastructure, utility systems, and sewerage and waste management, to creat enough both quality and quantity of labour force.
- + Upgrade the skills of the workforce, staff and employees, and create a mechanism to provide efficient service.
- + Ensure sustainability, by developing the industrial zones in compliance with social development and environment protection. For this, careful studies on the environment and human aspects will be done before approval. Effort will also be made to promote these non impact sector, using the clean technology and a green zone and recycle polluted water and other waste in the industrial zone.

## 5. Public sector development

Enhance people's democracy; ensure that the legislation is enforced by and for the people to be in accordance with economic development along with market mechanism and international integration; Improve and implement on decentralising administrative management among central and local levels and sector line ministries, between vertical line and horizontal line, and handing over the clear responsibilities to local level by in compliance with the central direction on macro-management (improve, making laws and regulations; set policies, national development strategies, issue regulations on government and social management and so on), provide convenient, quick and realistic services to people; For the local level will build province as strategic unit, district as strengthening unit, and village as implementing unit.

### 5.1. Legislation Organization:

- Directions:

Increase effectiveness of law enforcement and increase roles of public administration; decentralise administrative management in compliance with the central direction on macro-management and enhance roles and responsibilities of local authorities and justice representative agencies to maximise benefits for the people and to shortened and improve quality of work; increase coordination within the representative agencies to ensure the benefits of the people; increase people's participation in monitoring process on public and social administration.

Public Inspection Authority monitors and inspects the performance of public administration organisations, researches and resolves problems for the government on timely manner.

- Main targets

Increase roles and enhance capacity of Nation Assembly for effective implementation of work by:

- Improving the organisational structure of National Assembly to be relevant with its roles especially the working performance National Assembly's member in each electoral area, National Assemble Office, and National Assembly office in each electoral area to be more effective.
- Enhancing capacity of National Assembly as well as the members regarding to national issues to be addressed in National Assembly meeting each time should be more suitable with reality, effective, can be implemented, and integrate to international.
- Increase roles of inspection, implementation of provisions and Laws in each organization to be mach with the issues raised by society. Support and follow up the inspection results and effective solve problems. “

- Make mechanism and regulation to increase the coordination between members of National Assembly at central and at each electoral area and government sectors, Lao National Construction, mass organization at central and local levels.

- Priority Programmes and Projects:

- Project on upgrading knowledge on Law to NA members
- Project on improving coordination on solving the disputes of people
- Project on studying on method and scope of dissemination of Laws
- Project on facilitating people's participation in monitoring process and method on supply information for NA members; and other projects

- Measures:

- Increase training to improve knowledge and capacity of the high-level officers and service officers; enhance their roles and responsibilities; create opportunity for them to participate more in development
- Improve and create monitoring and evaluation mechanism of the National Assembly on the performance of the government agencies, local authorities, justice agencies, lawyers, and prosecutors; increase people's participation in monitoring the performance of the NA's members, the NA's members committee in electoral areas.

## **5.2 Public Administrative Organization**

- Directions:

Improve quality of work of administrative organizations by simplifying public administration rules and regulation, shortening administrative procedures of both central and local level administration in order to ensure effective implementation, improving a human resource management system and making it universal system for all government offices across the country, especially upgrading political credentials, technical skill, virtue and merit; ensure justice and solid enforcement of law to protect right and benefit of people

- Targets:

- Improve the law of the government, law on local authority, personnel laws and other regulations and develop them to become firm references for social administration;

- Strive to turn civil service regulation to become law in the next 5 years; and also improve salary system and other remunerations.
  - Improve organisational structure of the government and local authority for it to become more simple and rational; use modern technology and innovative approaches in the administration work
  - Attempt to develop training curricula and organise trainings for administrators at district and village level regularly
  - Improve public organisational structure and improve local authority to resolve the problem of overlapping tasks between line ministries and other government organisations at both central and local levels.
- Priority programmes and projects:
- Project on enhance capacity of public administration at district level
  - Project on making curriculum, textbooks and conducting training to government officials
  - Project on making curriculum, textbooks and conducting training to staff at village level
  - Project on inspection and improvement of determination of job titles/job descriptions at central and local level
  - Project on printing and disseminating the governance development strategy of Lao PDR and public administrative development strategy until 2020; other projects
- Measures
- Improve public system, public regulation, the services of the government organizations and local authorities to become more systematic through implementation of laws and legislations
  - Pay attention on develop knowledge and capacity of civil servants at each level by making civil servants management strategy and training development strategy and civil servants development strategy to contribute to social-economic development of the country.
  - Review and define clear criteria on selecting and building up by the continuous system heritage staff to replace the vacant positions of both party and government in coherence period; develop civil servants management system to be more efficient by applying relevant modern technology.

### **5.3 Judge Organization:**

#### **1. People's Court**

##### **- Directions:**

Make a great effect on protecting the effectiveness, strictness, fairness of Laws. Ensure, people are accessed to justice and are protected by laws. Furthermore, attention was paid to the quality of court on reviewing, making, improving roles and responsibilities of court to ensure transparency of investigating and judging of people's courts at each level.

##### **- Targets:**

- Strive to develop people's court systems to gradually move towards regional and international standards;
- Establish comprehensive system administrative court, labour and children court;
- Provide technical training 4 series per year each series 45-60 participants
- Provide training for judges for 1 time/50 participants/year (6 months period)

##### **- Priority Programmes and Projects**

- Project on construction of basic infrastructure of people's court at each level;
- Project on strengthen capacity of the national people's court;
- Project on providing necessary equipment to people's court; and other projects

##### **- Measures:**

- Increase organisation management, improve and make rules on implementation of Law on people's court
- Make the technical base in people's court to be more strong to ensure effective macro-management
- Pay attention on reviewing, sharing and exchanging information on Lao PDR laws with region and international laws.

#### **2. Prosecution:**

##### **- Directions:**

Pay attention on transforming and disseminating Law on Prosecution (New amended version), developing and enhancing quality of inspecting the implementation of Law; Enhance quality of human resources to have high technical knowledge and capacity and improve organizational structure and its administration to be more strong and smoother.

- Main Targets:

- Reorganisation and settlement of cases: Strengthen the apparatus for settlement of cases securely and efficiently, and restructure, especially the prosecutor at the zone and regional level, to allow the latter to function according to the law. Resolve up to 90% of the remaining and new cases by 2015.
- Human resource development: Establish the supreme prosecutor's qualifications, political credentials, virtue (chanhnatham), and merit (chanhnaban); train staff on technical skills to guarantee continuity of work, produce three fundamental curricula: in administration (for various audiences), and for the prosecutor and the assistant prosecutor
- Provision of equipment and information: Provide necessary equipment to facilitate functioning and settlement of cases; build infrastructure, particularly in the office of the people's prosecutor, at every level according to the function.

- Priority Projects:

- Project on improvement of prosecution's information in all over the country;
- Project on following up the implementation of law in courts;
- Project on construction of basic infrastructure of prosecution organization at each level; and other projects

- Measures:

- Make monitoring mechanism to working performance of officials inside prosecution organization to be able to monitor whether the investigations of officials are based on the Law
- Collaborate with related parties on review and improve the regulations, guidelines that relate to monitor and manage the implementation of laws.

## **6. National defense and security**

### **6.1 National Defence**

[1]. Directions:

Strengthen and upgrade combat readiness and capability of the army, focus on infrastructure improvement, equipment, techniques and vehicles, gradually modernise weapons, and upgrade the living conditions of the armed forces.

Build strong armed forces with qualities of combat effectiveness, revolutionary virtue and heroic spirit; train soldiers to be tough and on high alert; make a clear distinction between the friendly and the unfriendly; be decisive in overcoming difficulties (to safeguard the national



sovereignty and social order); actively grasp and execute the defence strategies for national defence; be decisive, courageous and smart, be ready for sacrifice; and obey orders and observe discipline.

Resolutely believe in the foreign policy of the Party; continue implementing the multi-directional, multi-part and multi-form relationships; create a favourable external environment for protection and socio-economic development of the country, thus contributing to the struggle of progressive people of the world; sustain and/or increase cooperation with the armed forces of friendly and strategically located countries (including those with neighbouring countries); actively participate to activities under the ASEAN framework to combat international terrorism, transnational crimes and similar activities.

## [2] Targets:

- Send armed forces personnel to strengthen grassroots in cooperation with villages and village groups (as an integrated system); have strong professionalism; and alert village communities to be wary of anti-social elements and be ready to combat them.
- Assign modern vehicles in sufficient numbers along with technical equipment for the armed forces for national defence.
- Build and improve facilities for the armed forces: offices, training camps and living quarters to improve the living condition of the personnel.
- Gradually modernise the armed forces to contribute to the country's protection and development mission with honour.
- Increase cooperation with foreign countries; e.g. socialist countries, friendly strategic countries, neighbouring countries, and countries under the ASEAN development framework.
- Increase the leadership of the leading committee, including on central and local armed forces.

## [3] Priority Programmes and Projects:

To achieve targets mentioned above, it is need to focus on following projects:

- Project on construction of national road no. 1D
- Project on construction of new road from Samhor-Park Namsiemp, Xiengkhuang Province
- Project on construction of new road and upgrading road from King Village –Phousamsao-Done Village, Xienghon District
- Project on construction of new road and upgrading road from Hardsa-Nampoug, Phongsaly Province
- Project on constructing army engineering school; and other projects

#### [4] Measures

- Increase the number of vehicles and equipment to support the armed forces in target areas, mountainous areas and border areas in order to carryout combat under all possible circumstances, and establish political security and social order.
- Study and build necessary national defence and industrial bases to match with the actual situation in the country; furnish the armed forces with sufficient logistics, bearing in mind multi-interest characteristics of the national defence industry; assign staff and improve national defence businesses and bases to support socio-economic development, thus enhancing the defence capability in cases of necessity.
- Increase the forces' capacity for protecting the borders and aerial space; place emphasis on the management of national defence (with special reference to resettling people in border areas); create 'defence economic zones' in strategic areas and build socio-economic infrastructures the along borders, especially at checkpoint areas; and establish patrol path access roads to the border and military posts to patrol the border.
- Create a sound political stance: re-haul the organisation of the armed forces to increase their combat readiness, for them to be capable of facing adversaries in all possible circumstance to safeguard the political stability and social order.
- Set up/improve a new system of income management, upgrade financial mechanism to support national defence, and improve the living conditions of the forces – both materially and morally.

### 6.2 Security

#### [1] Directions:

Build and improve the security forces to be strong in term of political and ideological virtues and merit. The forces must have the right technical skills to maintain security and social order. Effort will be made to build the security forces at the village level upwards, to assure security at all levels. Finally, it will be the aim to regulate immigration, exercise control over citizens and maintain a firm order.

#### [2] Main Targets:

- Assure social safeness and security, thus creating favourable conditions for social and economic development.
- Ensure that the security forces are self-sufficient, have permanent residence, and have satisfactory security in their camps; create district and province level security camps; construct a hospital equipped with modern wherewithal; and build a centre to implement the Party's policies and address human rights issues.

- Mobilise the social potential as a security obligation nationwide.
- Find solutions to social evils and have increased the number of crime-free villages.
- Gradually modernise security forces to meet the emerging situations, now and in the future.

### [3] Priority Programme and Projects:

To achieve the above targets, the following projects need to be implemented:

- Project on construction of prison camp in Phonsaly Province
- Project on construction of prison camp in Savannakhet Province
- Project on construction of prison camp in Xiengkhouang Province
- Project on construction of police practice centre
- Project on construction of building of Dontil police faculty.

### [4]. Measures

- Mobilise people to contribute to national defence and security, bearing in mind that national defence and security are a fundamental duty and responsibility of all.
- Provide technical equipment to implement the national programme on checking violators of the law, eradicating narcotic vices, ensuring communications security, and keeping fire extinction services on alert. The aim is also to increase the capability of emergency squads to combat natural calamities and terrorism.
- Continue assigning personnel at the grassroots level in order to continuously develop the village and advance the militia-security forces at the village and village-group levels, as an integrated system having strong professional skills.

## **7. International and regional cooperation**

### **7.1 Cooperation with development partners**

Continue to advance the foreign policy on peace, independence, friendship and cooperation, and have open and multi-pronged relationships with other countries and regions, keeping national interests at the fore; create a favourable external environment for socio-economic development and protection of the country (by actively participating in activities linked to the regional and international arena); enhance the internal potential for heralding a new era of development; continue to increase solidarity and cooperation with other socialist countries

(including special solidarity and all-round cooperation with Vietnam, and a long-time relationship with People's Republic of China – them being good neighbours, friends and trustworthy partners); expand association with other friendly countries sharing a common border; actively participate in ASEAN activities based on the principle of common benefit, mutual assistance, and the fundamental principles of ASEAN; and further deepen cooperation with developed and emerging economies, the non-aligned movement, G77, francophone countries, landlocked developing countries, and international organisations.

Through the round table process, promote cooperation, mobilise ODA from friendly countries, international organisations and financial institutions to contribute to the socio-economic development. A particular focus shall be on the main development partners such as:

- Bilateral development partners: Japan, France, Republic of Korea, European Union, Kuwait, the Middle East countries and socialist countries like People's Republic of China, and Vietnam, former Socialist Republic of Hungary, and so on.
- International financial institutions, particularly the ADB, World Bank, IFAD, etc.
- Multilateral Development Partners
- International Non-governmental Organisations

## ***7.2 Cooperation within ASEAN the framework***

(1) Achieve the objective of building the ASEAN Economic Community by 2015, focusing on the following tasks:

- Develop a legal system supporting creation of a common market and basic facilities such as those for movement of goods, provision of services, investment, capital-flows, and labour migration
- Improve the effectiveness of ASEAN Coordination
- Prioritise sectors expected to be integrated into the ASEAN, and expand integration of the agricultural sector
- Create an enabling and favourable environment for competition; in particular, developing human resources, bringing about professionalism, creating proficiency in foreign languages, learning lessons on competitiveness, promoting intellectual property, building transport infrastructure (to connect Lao PDR with the ASEAN road- and railway routes, to the sea through connecting to ports in Vietnam, and air); improving tax/duty collection, and strengthening E-Commerce

- Support equitable development, particularly implementation of ASEAN SMEs Development Strategic Goals, and the Initiatives for ASEAN Integration (IAI)
- Deepen integration with the ASEAN and world economy: harmonising external relations with member countries, and obtaining assistance for strengthening industries within CLMV (Cambodia, Laos, Myanmar and Vietnam) countries, to enable them to be a part of the international division of economic activities.
- Disseminate ASEAN's activities to both public and private sectors in the business circles, to reap all its benefits, and thereby be prepared for full accession to the ASEAN Community by 2015.
- Allocate budget for ASEAN activities consistent with the actual work.

(2) To focus on fulfilling obligations under the AFTA Agreement, which include the following tasks:

- Tax exemption on 80% of all imported goods by 2012-2013 (within ASEAN), and remove the list of sensitive items by 2015 and explore the possibility of applying preferential tariff for some of these items by 2018.
- Lift non-tariff barriers by 2015. However some items will continue to be taxed until 2018.

\*The implementation measures are as follows:

- Improving and facilitating import-export procedures to ensure transparency and reliability, and reducing the processing time
- Ensuring uniformity, improving trade and customs clearance, and facilitating the flow of information in order to help clearing system for the buyers and sellers.

### ***7.3 Cooperation within the GMS framework***

To promote cooperation between countries within the Great Mekong Sub-region (GMS) framework by focusing on 'GMS Development' within the Vientiane Action Plan for 2009-2012 to foster the economic growth, alleviate poverty, promote social development and protect the environment. The focus of the Vientiane Action Plan is to implement priority projects in transportation, energy, agriculture, investment, trade facilitation, human resource development, environment and tourism. The focus tasks:

Completing GMS linkage roads: Construct the Mekong Bridge in Bokeo Province; complete the North-South corridor in the northern part of Laos; upgrade the Luang Prabang-Tha Ho (Vietnam) road; seek assistance in expanding railways from Tha Na Leng; and construct the second East-West linkage route in Khammuane Province

- The implementation measures and support to these tasks are as follows:
- Transforming transportation corridors into economic corridors;
- Encouraging private sector to get involved in the transport sector and facilitating training in transport-related activities;
- Addressing the adverse impacts of transport development
- Infusing confidence in the macro economy and political stability; ensuring transparency in performing assigned jobs, particularly commercial documents; and enhancing the capacity of forecasting socio-economic situations, and reliability of the information
- Strengthening institutions in order to facilitate and expedite their services
- Promoting competition between domestic business units and making them more competitive in world market
- Assisting business entities in diversifying their production for creating added value
- Disseminating information such as, the process of Lao PDR's integration, and Lao PDR's benefits and obligations. To aim overall sectors to understand on right, benefit and challenges for integration.

#### ***7.4 Cooperation under the Mekong Agreement Frame regarding Sustainable Development of Country Members of Mekong River Basin***

Continue implementing Mekong Protocol 1995 regarding sustainable development of Mekong River Basin through the implementing the Strategy 2011-2015 of the International Mekong River Commission and implementing prioritised projects efficiently; strive to ensure that the country members share ownership in the International Mekong River Commission; integrate strategic framework and programmes of the Mekong Protocol into the implementation framework of the national socio-economic plan; encourage an implementation and dissemination of related regulations; expand cooperation on development and management of water resource with the other country members of Mekong River Basin to maximize the benefits of the country.

# Related measures for implementation and promotion of this work include:

- Disseminate regulations that have been already approved by the ministerial committee of the International Mekong River Committee and formulate technical guidance for the implementation
- Strengthen capacity of human resource in the sectors that relating to water resource development and management

- Translate the strategy of the International Mekong River Committee into detailed programmes and projects by integrating it into the implementation framework of the national socio-economic development plan
- Continue cooperation with other country partners under Mekong Agreement regarding water resource development and management

### **7.5 Preparations for the accession to WTO**

Attention shall be paid to opening up markets to a greater extent and seeking capital and technology to further Lao PDR's industrialisation and modernisation. Additionally, the aim will be to concretise the objectives of the 7th Socio-economic Development Plan, and the Socio-economic Strategic Plan by 2020.

#To prepare for accession to the WTO, the following tasks will be focused on:

- To increase coordination between ministries and sectors, hold discussions with the relevant sectors to make progress in elaborating legal acts, and provide answers (and also make policies) in response to WTO's questions. This process will include prioritising the main time-bound tasks, while planning for monitoring, evaluation and seeking for guidance in a timely manner, from all sectors.
- To revise the legal acts and improve existing regulations, to be consistent with WTO's regulations – in particular, the Law on Standards, Intellectual Property, and Food Security and so on.
- To develop markets for export goods, such as garments, coffee, and agricultural products.
- To strengthen the backward and forward linkages in industry in Lao PDR. The process will also reduce excessive dependence on imports. This issue is a part of the processing will be done in the country, adding value and retaining it in the country. Additionally, the product will be considered 'made in Lao PDR' under the 'rules of origin of WTO'. Lao PDR will hence be able to fully use its priorities and preferences.
- To increase the awareness on integration into World economy and accession to WTO among public servants, scholars, business people and the general public, for them to be prepared through training schemes, workshops, and publicity under various forums.

## **8. Industrialization and Modernization**

[1]. Directions for industrialisation and modernisation in Lao PDR

Provide a boost to the strategy of industrialisation and modernisation (which is an urgent and long term duty along the path to building the nations' prosperity and people's well-being); embrace modern styles of livelihood and utilise untapped natural and social potentials to optimise benefits; identify sectors and regions having favourable conditions and potential and can help to narrow the country's development gaps with other countries by generating

financial resources, experience and knowledge (to enhance economic competitiveness); focus on the main potential sectors (agro-processing, hydropower, tourism, mining and construction materials); and develop sectors that establish the foundations of industrialisation and modernisation, i.e. human resource development, use of science and technology, infrastructure development, and transition services.

## [2]. Steps towards the industrialisation and modernisation

The concept of industrialisation and modernisation was embraced in 1975, when the country gained independence. It had been referred to in all the resolutions of the Lao Revolutionary Party since its Third Congress. After the 7th Party Congress, the strategy of industrialisation and modernisation by 2020 was formulated. Subsequently, at the 8th Party Congress, it was stipulated that, “we shall actively strive to gradually industrialise and modernise the country in order to achieve the long-term vision of the Party.” With regards to the development steps for the two decades 2001-2020, they are defined in the Strategy on Industrialisation and Modernisation, as follows:

First step: Between 2001 and 2005, strengthen the industrial sectors and their related sub-sectors to maintain competitiveness beyond 2008 by applying AFTA regulations.

Second step: Between 2006 and 2010, create and improve prerequisites for having a strong and reliable governance system, have adequate human resources and a good socio-economic infrastructure, maintain a stable macro economy, alleviate poverty and eradicate shifting/slash-and-burn cultivation, develop select leading industrial sectors that constitute the basic foundation for the development of electricity, education, and quantitative and qualitative use of science-technology.

Third step: Between 2011 and 2020, create favourable conditions for industrialisation and modernisation in the main areas, along with some potential and leading industrial sectors.

## [3]. The content and objectives of the Five-year Plan:

### 1. Change in the economic structure

The economic structure has been modified to be in line with industrialisation and modernisation, which can be in the structure of the GDP: in 1985, the agricultural sector constituted 70.7%, industry 10.9% and services 18.4% (inclusive of indirect taxes). In the fiscal year 2009-2010, the share of the agricultural sector reduced to 29% of the GDP, the share of industry increased to 25.5%, and that of services to 39.2% (exclusive of indirect taxes). Following this trend, by 2015 effort will be made to alter the economic structure further through reducing the share of agro-forestry sector to about 23% of the GDP. The share of industry will rise to 39% and the share of services 38% (inclusive of taxes).



## 2. Modernisation

Use of modern techniques and technology shall be promoted in the production sectors to increase productivity and promote workers' earnings. Research will be focused on for effective use of technology for enhancing productivity; bio techniques and bio-agriculture shall be expanded; and technology for improving traditional production shall be exploited (to ensure food security and mitigate the impact of natural disasters).

- Technology in agro-processing, construction material, energy, and mining shall be used to reduce costs and save on energy consumption.
- Integrated comprehensive logistics systems will be used.
- In the socio-cultural field, the proportion of people using digital devices (including Internet) shall substantially increase.
- In the financial-banking sector, modern technology in providing integrated services, using electronic means for banking through postal services, and credit cards shall be made more popular.

## 3. Greater economic competitiveness and focused development on some sectors:

- To industrialise and modernise the agricultural sector by placing emphasis on expanding Agri-irrigation (comprehensive Agriculture Development) and mechanisation, and forming/strengthening 'producers' groups'. Investments will be made on research centres for new plant species and popularising fertilisers and insecticides, among other methods of agricultural modernisation methods.
- In industry, the focus will be on the production of construction materials and steel, exploring and processing minerals and gems, tapping hydropower and coal-based energy, processing of highly valued wood, and establishing industrial zones, among others.
- In public works, the focus will be on building railways, roads and waterways, upgrading and expanding airports, and creating integrated service zones (Logistics).
- In telecommunications and information, the focus will be on increasing the frequency of the ICT Network, e-applications, television, radio signals, Internet, long distance communication, fax services, etc.
- In governance and socio-culture, the focus will be on increasing the proportion people using information technology (computers), increasing payments made by credit cards, e-learning, e-banking and e-commerce.
- In national defence and public security, the focus will be on increasing modern defence, surveillance equipment, and radar and telescope system.

#### [4]. Measures

1). To promote domestic products (in particular, from small and medium-sized manufacturing and business units), effort will be made to enable local units utilise newer techniques and technologies that would help raise productivity, expand existing businesses, and promote production on a mass scale. These efforts are expected to enhance the nation's economic competitiveness and at the same time harmonise with the region and global economy. All this effort will increase people's incomes.

2) To effectively utilise natural resources for ensuring its sustainable exploitation; at the same time, foster new scientific techniques in agricultural production, use energy saving devices, and economise on raw material use per unit output.

3) To relocate industrial factories where they are close to sources of raw material; where their social and environmental impact would be minimal; and where a larger localised workforce could be deployed, so that workers do not unnecessarily have to out-migrate for work.

4) It will be the attempt to develop large cities as 'growth centres' for fostering and attracting investment to and from surrounding neighbourhoods, i.e. cities to act as centres of industrial diffusion. By doing so, cities will help promote rural development, to gradually narrow down the rural-urban development gaps. The policy will aim to create industrial processing zones and specific zone for both domestic consumption and export.

5) To follow an open-door policy on cooperation at the regional and global levels. It is expected that such integration would attract investment, development assistance, and loans in various sectors and regions having the potential to grow. There would be special effort to attract large projects, since they have a strong foundation for fostering economic growth. The cooperation between countries would aim to promote modern infrastructure: railway routes, highways, airports, and road transportation, along with good loading and unloading systems, and so on.

### **III. Measures and mechanism for the implementation of the VII five year Socio-Economic Development Plan.**

#### **1. Enhance the macro economic growth**

- Continue mobilising funds up to about 32% of the GDP through contributions from all, including the economic sectors and international agencies by formulating policies that would attract investments in addition to attracting ODA; public investment and investment promotion from domestic and foreign, credit from bank and fund from people; and increase cooperation with friendly countries and international organisations.

- Attempt to expand SME and family enterprises; establish rural producers' groups similar to rural enterprises. All sectors including local authorities are to take up the responsibility of generating maximum incomes at both, the central and local levels; scrupulously implement the law on taxes and customs to bridge gap in revenue collection; and strengthen controlling of smuggling of commodities.

-Implement key directions and measures to enhance economic growth and maintain its stability. It is important to ensure the different macro balances, including those relating to flow of funds, budget, export-import, debt service, monetary and fiscal balances (inflation, exchange rate, etc.), labour balance, and balance between the supply and demand of raw materials (for business). Implement pricing policy to serve the market mechanism and management of prices of some essential products; establish complementary relationship between the planning process and the market economy; implementing the national saving measures widely and efficiently; study and be vigilant about the regional and global economic trends, as well as climate change and natural disasters.

-Mobilise, explore and utilise the economy's sources to beef up the state's budget, augment ODA, increase private domestic and foreign investment, bank credit, and people's savings. It is additionally the aim to enhance investment effectiveness, and reduce leakages and wastages in public funds.

-Increase the proportion of public investment from the state budget and use these revenues more effectively; invest in focused programmes and government's priority projects; enforce legal instruments and regulations relating to management of public investment, especially while evaluating projects before conducting comprehensive feasibility studies; closely monitor procurement procedures; monitor, evaluate and apply the 'standardised unit cost principles' in construction; refrain from implementing projects not approved by the National Assembly; seek to resolve debt-related matters; and comply with planning and financial regulations.

-Strive to seek grants and loans from bilateral and multilateral cooperation agencies, financial institutions, and (old and new) domestic and foreign development partners. For this, detailed programmes and projects require to be drawn up to comply with the assistance requirements.

-Ensure effective and efficient implementation of projects (so that they can be seen in the basic indicators of project implementation), in order to build confidence among development partners.

-Seek financial assistance from ADB for not less than US\$ 75 million per year, including soft loans and business loans to support private investment, and loans from economic cooperation development fund. The aim extends to seek assistance from the World Bank amounting to US\$ 80 million per year.

-Look for financial assistance from large donors such as Japan, and new donors like Kuwait and India, and additionally seek assistance from other donor countries.

-Attempt to attract private domestic and foreign investment through policies, promotion mechanisms. The one-door service is to be created. Next, responsibilities and duties of sectors are to be clearly identified.

-Draw up a list of new investment projects to systematically attract private investment. Preference will be given to large projects, in particular in irrigation/agriculture, construction of railways, highways, airports and modern hospitals, operations of mineral processing plants, running of tourism projects, and other projects initiated in the 6th Five-year Plan.

-Promote and assist investors permitted to operate their business in the country. Businesses that cannot get to initiate operations within a set time frame shall have their licenses revoked and/or contracts terminated, and the project shall be offered to other potential investors.

-Comprehensive and detailed information shall be provided through varied media, especially websites and other means, for investors to do analyses and decide whether to invest.

-Regular national level meetings will be convened for disseminating information to, and share lessons from, investment promoters; improve the management of investments at both central and local levels; and put in practice management mechanisms, policies and measures related to attracting and approving investment projects.

-Encourage investment in specific economic zones such as Boten, Ton Phuon, Savan-Seno and others, in order to 'cluster' investments in one place to form synergies, and also facilitate monitoring.

## **2. Measures to achieve MDG targets (9 goals, 20 targets and 63 indicators, and 218 interventions)**

The 9 MDG goals consist of: 1. Eradicate extreme poverty and hunger (3 targets, 9 indicators), 2. Achieve universal primary education (1 target, 3 indicators), 3. Promote gender equality and empower women (1 target, 4 indicators), 4. Reduce child mortality rates (1 target, 3 indicators), 5. Improve maternal health (2 targets, 6 indicators), 6. Combat HIV/AIDS, malaria, and other diseases (3 targets, 14 indicators), 7. Ensure environmental

sustainability (4 targets, 7 indicators), 8. Develop a global partnership for development (8 targets, 17 indicators), and 9. Reduce unexploded ordnance (UXO) (3 targets, 3 indicators).

In order to achieve the above goals which are the basic factors for releasing Lao from the status of least developed country (LCD) by 2020, we need to pay attention on related measures below:

- Sectors and localities absorb, are aware of MDGs, especially, the goals, targets, indicators and activities that belong to our own responsibility which include allocating work, clear responsibility to their own staff. The staff have to follow law, implement work plan and activities, manage fund and report regularly.
- Government assigns and allocates work to line ministries/organizations and localities to be responsible for achieving goals, targets, indicators and activities in 5 year and annually with clear legislation and timely. Line ministries/organizations and localities assign and allocate work to 8 units that have been established. The units are responsible for following up and monitoring performance of individuals and organizations regularly
- Encourage (sustainable and environmental friendly) production to ensure food security with safety and quality; promote labour-intensive industries; and gradually up-grade capacities and skills of workers to reach international standards to increase income especially among the poor.
- Improve educational and health services commensurate with the demand, both quantitatively and qualitatively. Ensure equality in education for all and access to public services adequately; attempt to promote socio-cultural development widely for it to spread nation-wise.
- Establish and expand public health service network to people who residing in rural and remote areas. Ensure all people are protected from disease and are treated. Create facilities for 'mother and child health', to achieve reduction on maternal and child mortality rates.
- Attempt to remove UXOs from risky areas to promote production and raise people's livelihoods.
- Manage use of natural resources to obtain maximum benefits from these, yet maintain sustainability of these resources.
- Apply newer approaches, especially in conducting research and experiments in health, education, and other services, and use modern equipments (e.g. medical equipment), produce quality medicines, and apply modern technologies in disease prevention and cure.
- Improve monitoring system on implementation of each of the goals and conduct monitoring regularly to learn lessons, and seek timely solutions.
- The related government organizations (Ministry of Foreign Affairs, Ministry of Planning and Investment, Ministry of Finance) collaborate with international organizations to mobilize and allocate funds to implement activities that contribute to achieve goals, targets

and indicator. The method of allocating funds is introduced to normal people to ensure transparency and accountability. From now to 2015, the funds need to mobilize achieving MDG is USD 6.3 billion, of which USD 4.4 billion need to be mobilised from ODA, from government about USD 630 million, from other parties in society about USD 1.27 billion. Additionally, coordinate with development partners and neighbouring countries to select international experts and apply some good models for the implementation activities to achieve each goal. Create a good relationship with development partners and attend meeting regularly. Integrate disaster risk reduction strategy and adaptation to climate change into sector development plans.

### **3. Measures on rural development, poverty eradication and environmental protection to achieve sustainable development**

- Strive to allocate land and forest to landless farmers for permanently settling them; and invest in implementation of projects on poverty reduction at the Kumban, or priority area levels
- Increase the development of people at the grassroots and rural areas, and eradicate poverty at those levels (following the 4 contents and 4 targets on village establishment and Kumban development), though undertaking participatory planning at the local levels; and build capacities of staff at the district and provincial levels.
- Develop labour markets by establishing labour market networks and expand it widely to reach the poor who face frequent unemployment or breaks in work, to create incomes and improve livelihoods.
- Raise awareness among people at all levels for them to participate in water and environment management; continue classifying and allocating land, for benchmarking socioeconomic development; up-date weather changes regularly and participate in related activities; and invest in projects related to environmental issues to solve the problems in a timely manner.

### **4. Measures on promoting commercial production**

- Promote use of modern technologies; improve production capacities; expand production to areas having enabling conditions and reduce unit costs in production; use pesticide and herbicides to protect crops; control diseases among livestock
- Improve the policies on tax, customs and trade to create a conducive environment for market expansion for wholesale and retail; improve storage (e.g. set up warehouses, cold storages), and processing food facilities (e.g. bakeries); increase the number of agro-processing factories, rice milling factories, slaughterhouses, and animal feed factories, and up-grade the quality of existing industries.

- Promote irrigated agriculture to increase agriculture production; allocate some agricultural land to produce food; focus development in the 7 plains and in some small plains in the north and mountainous areas.
- Build human resource capacities among the government staff for them to become skilled in veterinary sciences; assign staff to local areas where there is need, to serve those areas, to make a needs-assessment in each target area with 3-5 Kumbar staff to assist in the assessment.
- Use modern technologies in production processes, especially in the processing industry, to improve the quality of export products and create higher value addition, thereby becoming competitive in the market.
- Formulate policies relating to promoting commercial production, pricing and loans: policies on attracting investments in infrastructure, such as wholesale and retail markets for agricultural products, rural markets, markets in border areas; create warehouses and facilities for storage and processing. Mobilise funds for stabilising the prices of agricultural products by establishing two-way links between the producers and traders. Manage markets and prices to maintain economic stability and protect the consumer. Establish mechanisms and formulate policies on finance and credit. Additionally, continue advocacy, set up exhibitions, and develop brand names for the products, to match with the international standards.
- Encourage promotion of enterprises, thus increasing the production base of the society by promoting the development of enterprises and businesses, especially SMEs, rural businesses and others, in order to improve productivity and quality; acquire appropriate technologies and meet domestic needs; become competitive initially in the sub-region, and gradually come closer to international standards.
- Build a close relationship between production, processing and distribution domestically and internationally; and establish regional industrial centres to ensure a harmonised relationship between enterprises, wherein growth of SMEs is anticipated.

## **5. Applying policy on industrialisation and modernisation, and promoting the use of science and technology**

- Industrialise and modernise all public and private sectors through elaborate programmes and projects with the aim to develop all sectors consistent with the ground reality. The use of modern technologies and lessons from neighbouring countries in fostering production and generating revenue are critical here.
- Develop new findings in science and advanced technology, and select the necessary and appropriate technologies to the extant economic situation of the country. In this regard, attention will be paid to production and processing of agricultural products, developing modern industry and this is engine development (or constituting the driving force of the country), and enhance the capacity to become economically and socially more competitive;

e.g. in providing medical tools, quality medicaments, and modern technology to prevent and treat various diseases.

- Develop energy and power industries to ensure sufficient energy for domestic demand and energy security. The aim is to achieve rural electrification, and additionally find investments for mining sector in line with the policy of value-addition and producing semi-finished and finished products. Further, the aim is to promote processing industries for agricultural products.

## **6. Human resource development, staff capacity building**

- Priority will be placed on developing human resources by allocating funds and putting efforts on human development, in order to gain knowledge, capacity and skill, and have proper discipline. High priority will be attached to developing morality (coupled with material progress), acquiring proper revolutionary virtues such that human development and socioeconomic development complement each other. To begin with, effort will be made to assess the size and quality of the workforce required.
- To harmonise economic development with socio-cultural development for achieving prosperity and material wellbeing.
- Qualitatively and quantitatively develop human resources in different faculties: professional workers, technicians, engineers, administrators, managers and others to match with demand for development. Particularly, creating employment and upgrading the quality of labour force and their skills for them to come closer to international standard. Improve the mechanism in education and health services to be consistent with the prevalent situation and qualitatively and quantitatively meet the demands. In addition, socio-cultural development is to be enhanced and expanded throughout the country. Establish and expand health services network to reach out to the population, especially in remote areas, and ensure people access in prevention and treatment.
- All sectors and large business entities will be encouraged to train their staff and workers to ensure sufficient workers for different programmes and projects. Workers' expertise will be the deciding factor for their job allocation.

## **7. Measures on coordination between sectors relating to cross-cutting issues**

# Each related organization has to pay attention on the following details:

- Agriculture and Forestry Sector is the key coordinating sector, to work with other sectors (at the central and local authority levels). Ensure food security at the household level on the one hand, and provide clean and safe agricultural products, on the other.
- Ensure food security including producing various seasonal agriculture products and produce by basing on the adaptation on climate change



- Health Sector is identified as the central coordinating sector to work with related other sectors at the central and local levels for health and nutrition; Establish the monitoring and evaluation system and network with other sectors; establish the nutrition surveillance system; and disseminate information on nutrition, especially on quality control and food safety.
- National Land Management Authority: Coordinate with related sectors in promoting and implementing the Land Management Law, increase land allocation, license land use, and give land to the landless, and small and medium farmers.
- Water Resource and Environment Organization: Coordinate with related sectors within the central and local authority on natural resource management and exploration, reduce environmental degradation, and reduce pollution. Implement programmes and activities on adaptation to climate change
- Education Sector: Develop and integrate child nutrition issues and the measure for reduce disaster risk into both formal and informal schooling system, as well as coordinate with related sectors to conduct surveys on nutrition in schools and focus greater attention on gender equality in all education levels.
- Labour and Social Welfare Sector: Coordinate with related sectors in training workers, and concentrate in training youth in both rural and urban areas, especially women. The sector should also take up UXO issues on priority to eradicate poverty and human safety.
- Mass Organisations: Bring nutrition issues into their work plan as well as disseminate information about nutrition, importance of gender equality, and addressing social drawbacks (particularly drug problems in such a way that people understand them). Involve the ethnic people in solving social drawbacks.

## **8. Enhance the role of public administration**

- Improve the effectiveness, efficiency, transparency and duty (of civil servants), to serve people, by establishing concise and reasonable mechanisms, and eliminating unnecessary bureaucracy. Fight corruption and others drawbacks in the government's organisational structure; and induce government officials to join in the development and building the nation.
- To renew economic sectors to be in line with the set directions and objectives by upholding the role of effective state management of the economy, ensuring continuous growth and stability, enhancing equity and justice in the development process, gradually narrowing down development gaps between the urban and rural areas, accurately ensuring just and fair distribution of revenues between different sections in the society, and formulating accurate and clear policies emphasising on the quality and responsibility and not solely on funding.
- To ensure a balance of the macro economy, in particular balance of capital, balance of labour, balance of budget, and monetary balance.

- Increase reserves in public and private sectors and the entire banking system to ensure sufficient sources of funding for development; at the same time, maintain macroeconomic stability.
- Promote integrated, planned market-oriented mechanism, eliminate all forms of reliance on others, avoid waste through taking precautions a priori, and carefully calculate costs and effectiveness of investment projects
- Ministries and government organisations must play a crucial role in macro-management, as well as be responsible for their own ministries. Improve and disseminate relevant laws and policies to the current circumstances; assess, inspect and help local and micro units in carrying out their duties.
- Enhance the implementation and enforcement of rules, regulations and measures approved by government, and fight corruption in a determine manner.

## **9. Implementation of the VII five-year socio-economic plan and decentralization**

### **9.1 Decentralisation and responsibility at each level**

To ensure concrete achievement of the objectives of socio-economic development, ministers, head of agencies equivalent to ministers, governors, and the Mayor of Vientiane will hold the responsibility in providing guidance to entities that are under their responsibility, to accomplish their assigned tasks from the centre down to grassroots levels, and successfully perform their tasks. Each level has the following responsibilities:

- The government: Report on the status of NSEDP implementation, public investment plan and budget plan in National Assembly Meeting and also issues the Implementation Decree of the National Socio-economic Development Plan, after the National Assembly approves it. Into the detail, by each annually year and every 5 year.
- The Ministry of Planning and Investment issues detail guideline to gives instructions on how to implement the National Socio-Economic Development Plan and Public Investment Plans (PIP) after the government issues the Implementing Decree. Moreover, the ministry is in charge of summarising, compiling, evaluating and reporting the status of NSEDP implementation, annual investment, and mid-term review to government regularly.
- The Ministry of Finance supplies public budget; manages and monitors the outflows (and the state budget) to make the public investment projects of different ministries, agencies and localities. Summarise and compile information on status of the implementation of total budget plan for reporting to government regularly. The public investment budget plan of each quarter need to be sent to Ministry of Planning and Investment before 10th of the month (end of quarter) to report to government regularly.
- Line ministries and central organizations are responsible for summarising, compiling and reporting the implementation of NSEDP, budget plan, and public investment plan that

fall under their supervision quarterly, semi-annually, annually, mid-term, and 5 years to Ministry of Planning and Investment regularly and also responsible for implementation of public investment plan in compliance with the law and in effective way.

- In the event that a line ministry or central organization implements a project in local area, the line ministries have to coordinate with those local authorities.

- In case of line ministries and central organizations assigns a local authority to run a project, the handing over of the project will begin at early stage, starting from the appointment of the project manager.

- The local authority is directly responsible for implementing a PIP to become operational in its domain, in compliance with the laid down laws. In the event that the concerned line ministry or agency assigns a local authority to implement a PIP, the latter will coordinate with relevant sector. In the event that the province has surplus revenue, it can use this amount for implementing PIP, provided that it complies with Articles 25 and 35 of the Law on Public Investment. In the event that the province cannot generate revenues as planned in a specific fiscal year, the Law on State's Budget will come into effect. The local authority summarises, compiles, and regularly report on the status of implementation of the National Socio-Economic Development Plan and public investment projects that fall under their supervision to the Ministry of Planning and Investment, other relevant ministries and other organizations, after coordinating with the relevant sectors.

## 9.2 Coordination between vertical-horizontal lines for implementing programmes and projects

# Increase the quality of implementing the Seventh Socio-economic Development Plan Management:

- Ensure achieving the set objectives of the plan with measurable results. Ministers, heads of governmental agencies, governors and the Mayor of Vientiane Capital will exercise their responsibilities in providing guidance to the relevant sectors under their supervision. They will help provide guidance to overcome constraints, shortfalls, make recommendations, and raise issues 'bottoms-up', from the grassroots level upwards.

- Simplify regulations in the administration, and highlight success stories in effective administrative practices to make status of social-economic in each province be secured.

- Create conditions for different ministries, equivalent ministries and departments to work in tandem where the projects require: e.g. agriculture and environment, industry and environment, and all with the Leading Board on Rural Development and Poverty Eradication.

- The Ministry of Planning and Investment will take the initiative in coordinating with the Ministry of Finance and the Central Bank of Laos to provide guidance for monitoring the growth in GDP and direct investment in conjunction with the harmonised and balanced economic-finance-monetary policy, while ensuring stability in the macro economy. Effort will made to strengthen the national statistics system by appointing sufficient numbers of

statistics staff for collecting data and providing necessary information for analysing and reporting on socio-economic development policies. It will also aim to establish statistical units within line ministries and at local levels, to centralise the socio-economic information system within the Department of Statistics at the Ministry of Planning and Investment.

- The Ministry of Planning and Investment will act as a “think-tank” agency of the government to coordinate with line Ministries, relevant sectors and local levels, for assessing the situation on the implementation of the Socio-economic Development Plan, to be incorporated into periodic reports of the government.

- Coordination between the centre, sectors, provinces and local authorities will be regularly ensured and coordination between different socio-cultural sectors harmonised. Every sector will define its development policy, systematically exchange information, and have development plans for all levels.

- The Seventh Five-year Plan shall have a clear implementation framework and will be monitored and evaluated in a systematic manner. All sectors and local authorities will put in place a system of monitoring the implementation of the Plan in addition to reporting on good performances and weaknesses of the macro management authority and of the government, to respond in an effective and timely manner. In this regard a plan of activities shall be drawn up to monitor, support, control and assess activities from the central, provincial and district levels, through a combination of financial and human resources. The Ministry of Planning and Investment plays a central role in coordinating with the line ministries, relevant agencies and local authorities in monitoring the status of the macro balances and the development status.

### 9.3. Translating the Seventh Five-year Socio-economic Development Plan into actual sectors at the grassroots level

- Line ministries and agencies at the central level will contribute to macro management of their own sectors by translating the objectives and programmes of the Five-year Plan into Annual Plans consistent with programmes, financial plans and implementation measures. In addition, a concrete framework shall be put in place to disseminate, propagate, and assign responsibilities to provinces and districts. Staff at all levels will be trained professionally to carry out their duties.

- The provincial authority consolidates the national, regional and local programmes (and projects) into harmonised local development plans. The aim will be to implement large national projects in local settings; encourage, monitor, control, and recommend methods of mobilising people for their active participation; and coordinate incorporation of regional projects into provincial projects and consider them to be a part of the province’s investment by assuming responsibility, and participating in their construction and maintenance.

- Transforming districts into planning and financial units will enable them to effectively carry out their activities according to their roles and responsibilities.

- Enhancing cooperation across sectors in the provinces to ensure a coordinated line of operation: a one-door policy, monitoring, evaluation, and reporting of performance.
- The central government, provincial authorities and district authorities will assign precise responsibilities of the annual realisation of plan activities and define clear responsibilities of the line ministries vis-à-vis those of the provincial authorities, between the provinces in the same region, and between provinces and districts.
- There will be intense consultation between the state and the business sector for eliciting participation from both domestic and business sectors, in formulating and implementing annual and six-monthly plans. The consultations will extend to finding ways to overcome impediments that the business sectors face.

#### 9.4 Monitoring and assessing the implementing the 7th Socio-economic development plan

Monitoring and evaluation constitutes an important task, particularly in terms of lessons learned, which would help improve the plan on a yearly basis and be consistent with achieving the set objectives. All governmental agencies from the central to local levels shall be closely involved and will actively participate in the monitoring and evaluation process, as the success of the Plan (including meeting MDG targets and Brussels Action Plan for Least Developed Countries) would depend on its monitoring and evaluation.

The monitoring shall be conducted at two levels: (1) monitoring the ‘pull-in’ factors and performances (in other words, monitoring of the implementation), and (2) monitoring of general outcomes (in other words, monitoring of the impacts). The government has the wherewithal to monitor pull-in factors: public expenditures (including foreign aid), expenditures on civil services, and output indicators (e.g. rice area irrigated, provision of plant seedlings, numbers of livestock, numbers of schools and hospitals, numbers of villages having clean drinking water, distance of habitats from the newly constructed roads, etc.)

At the local level, the country’s general strategy will translate into detailed specific tasks. The provincial authorities will elaborate their province-level strategies, which would contribute to implementing the overall national goals. In addition, the province as a whole and each sector individually (in the provinces), will coordinate closely and regularly with the macro management authorities at the centre, to monitor implementation at the provincial level. The province shall comprehensively and accurately collect and collate data in a systematic manner for the central authority to interpret. For that reason, the province shall have a good information system, for which it will be linked to district office.

# Appendices

**APPENDICES 1: Some implementation main indicators and the 6th five-year plan**

No.	Indicators	Unit	2006-2010 (plan)	2006-2010 (Actual)
1	Total population* (End of Priod)	Thousand persons	6,168	6,256
2	GDP growth rate	%	>7.5	7.9
	Agriculture	%	3-3.4	4.0
	Industry	%	13-14	12.6
	Service	%	7.5-8	8.4
3	Shares of GDP	%	100	100.0
	Agriculture	%	36	30.4
	Industry	%	36.4	26.1
	Service	%	27.6	37.2
	Gross tax of products and import customs	%	-	6.3
	Income or GDP per capita*** (at last year of plan)	Million Kip	9.72	8.7
	Income or GDP per capita (at last year of plan)	US\$	823	1,069
5	Revenue	Billion Kip	36,243	38,055
	Revenue (excl. grants)	Billion Kip	30,685	32,310
	Grants	Billion Kip	5,558	5,745
6	Expenditures	Billion Kip	46,683	49,008
7	Budget deficit			
	Budget deficit incl.	Billion Kip	-10,440	-10,953
	Budget deficit excl. grants	Billion Kip	-15.998	-16.698
8	Broad money (M2)**	Billion Kip	57,625	49,949

	Inflation rate (end of period or 9/2010)	%	7.0	8.14
	Inflation rate (average 5 years)	%	7.0	5.1
9	Exchange rate			
	Kip/US\$* (average 5 years)	Kip/USD	11,179.8	9,198.2
	Kip/US\$* (end of period)	Kip/USD	11,681	8,372
10	Trade balance	<b>million</b>	-1,325	-621.6
	Exports*	US\$ million	<b>4,031</b>	5,690.8
	Imports*	US\$ million	4,671	6,612.5
11	Current account balance (CAB)	US\$ million	-72	29
12	Total investment (PIP+PI)	Billion Kip	73,940	62,747
	Public Investment (PIP)	Billion Kip	23,590	24,747
	Private Investment (PI)	Billion Kip	50,350	38,000
13	Ratio to GDP			
	Broad money (M2/GDP)	%	24.44	22.7
	Revenue (+grants)/GDP	%	14-16	17.31
	Revenue (excl. grants)/GDPR	%	14.03	14.5
	Expenditure/GDP	%	20-22	22.29
	Budget deficit/GDP	%	-6-8	-4.98
	Budget deficit (+grants)	%	-6.86	-4.36
	Budget deficit (excl. grants)	%	-8.61	-7.44
	Current account balance (CAB)/GDP	%	na	-0.80
	Trade deficit/GDP	%	-5.7	-3.80

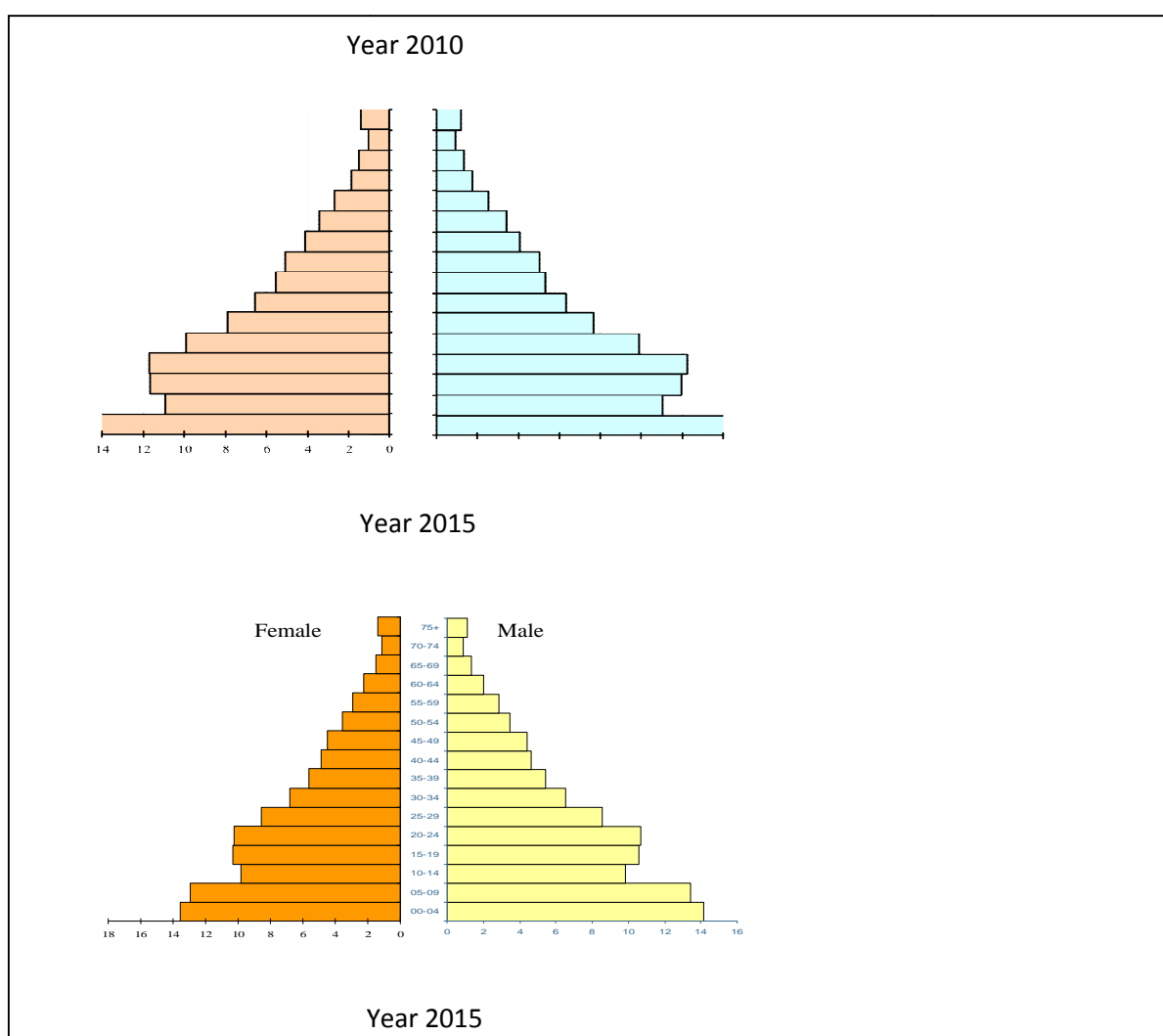


	Export/GDP*	%	20.08	23.5
	Import/GDP*	%	28.57	27.3
	Total investment/GDP	%	32.0	28.5
	Public Investment Programs/GDP	%	10	8.4
	Private Investment/GDP	%	19.46	20.2
	Total investment/GDP	%	10	8.4

Note:

1. \* Calendar year data
2. Export-import values of 2010 are projected data based on the export-import trend in 2001-2009 sourced from Bank of Lao PDR.
3. Calculating for GDP(constant price) of 5-year plan (2006-2010) is base on year 1990, for actual figure is the base year on 2002.
4. Revenue from grants and budget balance are sourced from socio-economic plan 2009-2010.
5. \*\* Broad money (M2) between 2009 and 2010 is the planned figure.
6. \*\*\* 2009-2010 data is the data of 5-year plan (2006-2010) and the projected data of 2009-10

## APPENDICES 2: Age Pyramid of Lao Population in 2010 and 2015



Age groups	Year 2010		Year 2015	
	Female	Male	Female	Male
<b>0-14</b>	<b>1.161.664</b>	<b>1.190.880</b>	<b>1.252.619</b>	<b>1.291.622</b>
<b>15-64</b>	<b>1.845.850</b>	<b>1.824.046</b>	<b>2.060.779</b>	<b>2.043.170</b>
<b>65+</b>	<b>125.545</b>	<b>108.201</b>	<b>137.257</b>	<b>116.930</b>
Source: Department of Statistics, Ministry of Planning and Investment (estimation based on the Population Census 1995 and 2005)				

**APPENDICES 3: Main Targets and Actual Implementation of the Sixth Five-year National Social-Economic Development Plan (by year)**

No.	Indicators	Units	2005/06 (Actual)	2006/07 (Actual)	2007/08 (Actual)	2008/09 (Actual)	2009/10 (Actual)
<b>1</b>	<b>Total population</b>	<b>%</b>	<b>5,746</b>	<b>5,868</b>	<b>5,990</b>	<b>6,111</b>	<b>6,186</b>
<b>2</b>	<b>GDP growth rate</b>	<b>%</b>	<b>8.2</b>	<b>8.0</b>	<b>7.8</b>	<b>7.6</b>	<b>7.9</b>
	<b>Agriculture</b>	<b>%</b>	<b>2.0</b>	<b>7.1</b>	<b>4.9</b>	<b>3.0</b>	<b>3.0</b>
	<b>Industry</b>	<b>%</b>	<b>13.3</b>	<b>6.6</b>	<b>9.0</b>	<b>16.6</b>	<b>17.7</b>
	<b>Service</b>	<b>%</b>	<b>9.7</b>	<b>9.2</b>	<b>9.5</b>	<b>6.9</b>	<b>6.7</b>
<b>3</b>	<b>Shares of GDP</b>	<b>%</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
	<b>Agriculture</b>	<b>%</b>	<b>31.2</b>	<b>31.0</b>	<b>30.3</b>	<b>30.4</b>	<b>29.0</b>
	<b>Industry</b>	<b>%</b>	<b>26.7</b>	<b>26.8</b>	<b>26.0</b>	<b>24.9</b>	<b>26.0</b>
	<b>Service</b>	<b>%</b>	<b>35.7</b>	<b>35.7</b>	<b>37.0</b>	<b>38.4</b>	<b>39.0</b>
	<b>Gross tax of products and import customs</b>		<b>6.4</b>	<b>6.5</b>	<b>6.6</b>	<b>6.3</b>	<b>6.3</b>
<b>4</b>	<b>Amount of GDP</b>	<b>Billion kip</b>	<b>34,222</b>	<b>39,345</b>	<b>44,777</b>	<b>47,225</b>	<b>54,282</b>

<b>5</b>	<b>Income or GDP per capita</b>	<b>Million kip</b>	<b>5.96</b>	<b>6.71</b>	<b>7.48</b>	<b>7.73</b>	<b>8.70</b>
		<b>USD</b>	<b>537.0</b>	<b>687</b>	<b>818</b>	<b>906</b>	<b>1,069</b>
<b>6</b>	<b>Revenue</b>	<b>Billion kip</b>	<b>5,108</b>	<b>6,134</b>	<b>7,312</b>	<b>8,365</b>	<b>11,136</b>
	<b>Revenue (excl. grants)</b>	<b>Billion kip</b>	<b>4,412</b>	<b>5,460</b>	<b>6,617</b>	<b>7,222</b>	<b>8,599</b>
	<b>Grants</b>	<b>Billion kip</b>	<b>696</b>	<b>674</b>	<b>695</b>	<b>1,143</b>	<b>2,537</b>
<b>7</b>	<b>Expenditures</b>	<b>Billion kip</b>	<b>7,402</b>	<b>8,074</b>	<b>9,694</b>	<b>10,465</b>	<b>13,373</b>
<b>8</b>	<b>Budget deficit</b>						
	<b>Budget deficit incl.grants</b>	<b>Billion kip</b>	<b>-2,294</b>	<b>-1,940</b>	<b>-2,382</b>	<b>-2,100</b>	<b>-2,237</b>
	<b>Budget deficit excl. grants</b>	<b>Billion kip</b>	<b>-2,991</b>	<b>-2,614</b>	<b>-3,077</b>	<b>-3,243</b>	<b>-4,774</b>
<b>9</b>	<b>Broad money (M2)</b>	<b>Billion kip</b>	<b>5,203</b>	<b>6,101</b>	<b>8,867</b>	<b>10,780</b>	<b>18,999</b>
	<b>Inflation rate (end of period or 9/2010)</b>	<b>%</b>	<b>4.7</b>	<b>5.6</b>	<b>3.2</b>	<b>3.9</b>	<b>8.4</b>
	<b>Inflation rate (average 5 years)</b>	<b>%</b>	<b>8.0</b>	<b>4.1</b>	<b>7.9</b>	<b>0.7</b>	<b>4.7</b>
<b>10</b>	<b>Trade balance</b>	<b>Million kip</b>	<b>-178.16</b>	<b>-141.94</b>	<b>-311.26</b>	<b>-408.25</b>	<b>117.97</b>
	<b>Exports*</b>	<b>Million kip</b>	<b>882.0</b>	<b>922.7</b>	<b>1,091.9</b>	<b>1,005.3</b>	<b>1,788.9</b>
	<b>Imports*</b>	<b>Million kip</b>	<b>1,060</b>	<b>1,064.6</b>	<b>1,403.2</b>	<b>1,413.5</b>	<b>1,671.0</b>

<b>11</b>	<b>Current account balance (CAB)</b>	<b>Billion kip</b>	<b>51</b>	<b>107</b>	<b>91</b>	<b>-132</b>	<b>Na</b>
<b>12</b>	<b>Total investment (PIP+PI)</b>	<b>Billion kip</b>	<b>10.654,15</b>	<b>13,632.29</b>	<b>14,342.00</b>	<b>15,385.92</b>	<b>16,200.27</b>
	<b>Public Investment (PIP)</b>	<b>Billion kip</b>	<b>3,649</b>	<b>2,614.6</b>	<b>3,442</b>	<b>3,329.9</b>	<b>5,125.3</b>
	<b>Private Investment (PI)</b>	<b>%</b>	<b>7,005.2</b>	<b>11,017.7</b>	<b>10,900</b>	<b>12,056.0</b>	<b>11,075.0</b>
<b>13</b>	<b>Ratio to GDP</b>						
	<b>Broad money (M2/GDP)</b>	<b>%</b>	<b>15.2</b>	<b>15.5</b>	<b>19.8</b>	<b>22.8</b>	<b>24.9</b>
	<b>Revenue (+grants)/GDP</b>	<b>%</b>	<b>14.9</b>	<b>15.6</b>	<b>14.7</b>	<b>17.7</b>	<b>20.5</b>
	<b>Revenue (excl. grants)/GDP</b>	<b>%</b>	<b>12.9</b>	<b>13.9</b>	<b>13.2</b>	<b>15.3</b>	<b>15.8</b>
	<b>Expenditure/GDP</b>	<b>%</b>	<b>20.3</b>	<b>20.6</b>	<b>19.8</b>	<b>22.2</b>	<b>24.6</b>
	<b>Budget deficit/GDP</b>	<b>%</b>					
	<b>Budget deficit (+grants)</b>	<b>%</b>	<b>-5.4</b>	<b>-5.0</b>	<b>-5.4</b>	<b>-4.5</b>	<b>-4.1</b>
	<b>Budget deficit (excl. grants)</b>	<b>%</b>	<b>-7.4</b>	<b>-6.7</b>	<b>-6.9</b>	<b>-6.9</b>	<b>-8.7</b>
	<b>Current account balance (CAB)/GDP</b>	<b>%</b>	<b>-7.2</b>	<b>1.4</b>	<b>2.5</b>	<b>1.7</b>	<b>-2.4</b>
	<b>Trade deficit/GDP</b>	<b>%</b>	<b>-5.0</b>	<b>-3.4</b>	<b>-5.9</b>	<b>-7.3</b>	<b>-5.2</b>
	<b>Export/GDP*</b>	<b>%</b>	<b>24.9</b>	<b>21.9</b>	<b>20.7</b>	<b>17.9</b>	<b>18.2</b>
	<b>Import/GDP*</b>	<b>%</b>	<b>29.9</b>	<b>25.3</b>	<b>26.6</b>	<b>25.1</b>	<b>23.4</b>

	<b>Total investment/GDP</b>	<b>%</b>	<b>31.1</b>	<b>34.6</b>	<b>32.02</b>	<b>32.6</b>	<b>29.9</b>
	<b>Public Investment Programs/GDP</b>	<b>%</b>	<b>10.7</b>	<b>6.6</b>	<b>7.7</b>	<b>7.1</b>	<b>9.5</b>
	<b>Private Investment/GDP</b>	<b>%</b>	<b>20.5</b>	<b>28.0</b>	<b>24.34</b>	<b>25.5</b>	<b>20.4</b>

Remark:

1. " \* " Carlanda Year Figure↵
2. Volume of import--- export 2010, is estimate from trend 2001-2009 , from BOL.
3. Revenue from grant and budget difisit↵, is from annual NSEDP 2009-2010
4. " \*\* "Monetary supply↵ (M2) in 2009 and 2010 is plan↵

**APPENDICES 4: Matrix of Poverty, Inequality, Poverty Intensity and Poverty Gaps in Society**

No.	Provinces and regions	Average household consumption/month		Poverty ratio		Poverty gap		Poverty intensity		Inequality	
		2002/2003	2007/2008	2002/2003	2007/2008	2002/2003	2007/2008	2002/2003	2007/2008	2002/2003	2007/2008
	Lao PDR	1,089.4	2,170.7	33.5	27.6	8.0	6.5	2.8	2.3	32.6	35.4
	Urban	1,703.0	2,950.2	19.7	17.4	4.1	3.4	1.3	1.1	34.8	36.3
	Rural	854.3	1,826.1	37.6	31.7	9.2	7.7	3.2	2.8	30.3	33.4
I	North	975.5	1,975.7	37.9	32.5	9.4	7.7	3.3	2.7	30.7	35.2
1	Phongsaly	762.5	1,258.6	50.8	46.0	11.8	11.8	4.0	4.2	22.2	29.8
2	Luangnamtha	1,028.6	1,654.6	22.8	30.5	4.1	6.1	1.1	1.8	25.4	30.1
3	Oudomxay	802.6	1,734.9	45.1	33.7	10.8	8.6	3.6	3.3	24.7	31.6
4	Bokeo	821.8	1,279.0	21.1	32.6	5.3	7.9	1.9	2.8	29.1	28.9
5	Luangphabang	1,116.9	2,177.6	39.5	27.2	10.4	5.5	3.7	1.6	31.5	31.6
6	Huaphanh	939.2	1,471.5	51.5	50.5	13.9	13.6	5.2	4.9	28.9	28.3
7	Xayaboury	1,100.6	3,035.4	25.0	15.7	5.8	3.0	1.9	0.9	34.6	42.0
II	Central*	1,236.7	2,389.1	35.4	29.8	7.1	6.9	2.6	2.5	31.0	34.0
1	Vientiane Capital	1,898.9	3,183.1	16.7	15.2	3.4	3.4	1.0	1.2	36.0	38.0

2	Xiengkhuang	1,043.5	2,191.0	41.6	42.0	8.4	13.4	3.0	6.0	31.5	38.0
3	Vientiane	1,189.5	1,857.5	19.0	28.0	12.3	6.2	5.5	2.0	31.5	32.1
4	Borikhamxay	961.5	2,019.1	28.7	21.5	3.4	4.3	0.9	1.3	27.9	33.9
5	Khammuane	872.3	1,871.8	33.7	31.4	5.5	6.7	1.5	2.2	28.9	31.5
6	Savannakhet	960.7	2,365.0	43.1	28.5	7.7	6.1	2.6	2.1	31.3	34.2
III	South	909.3	1,948.0	32.6	22.8	7.6	5.6	2.5	2.1	31.4	32.2
1	Saravane	683.8	1,455.9	54.3	36.3	13.1	9.1	4.3	3.3	27.1	30.0
2	Sekong	803.7	1,518.7	41.8	51.8	11.8	19.1	4.7	9.3	30.7	37.9
3	Champassack	1,053.3	2,299.5	18.4	10.0	3.6	1.6	1.1	0.4	29.9	28.7
4	Attapeu	837.9	1,759.7	44.0	24.6	11.6	4.6	4.1	1.3	29.4	32.4



**APPENDICES 5: Targets of the 7th Five-year Socio-economic Development Plan (2011-2015)**

No.	Items	Targets
1	Total Population in 2015 (1000 persons)	6.9
2	GDP (at current price) in 2015 (billion USD)	101.400
	GDP (at current price) in 2015 (million USD)	11,929
3	Economic or GDP growth rate(On average each year)	>8%
	Agriculture	3.5%
	Industry	15%
	Service	6.5%
4	Structure of GDP 2015	100%
	Agriculture	23%
	Industry	39%
	Service	38%
5	Income or GDP per capita in 2015 ( million kip)	14.5
	Income or GDP per capita in 2015 (USD)	1,700
6	Trade sector	
	Export rate per year	18%
7	Banking sector	
	Inflation rate	<8%
	Exchange rate (kip/USD)	8,500(+/-5%)
	Saving ratio to GDP	39.5%
8	Financial sector	
	Revenue to GDP	19-21%
	Expenditure to GDP	22-25%
	Budget deficit to GDP	3-5%
	State savings to national revenue	2-5%

9	Investment	
	Total investment to GDP	32%
	Investment ratio to GDP:	
	PIP	10-12%
	Grants and loans	24-26%
	Internal and external investments of private sector	50-56%
	Credit loans and social investment	10-12%
	Public investment budget allocation:	
	Investment in economic sector	30%
	Investment in social sectors	35%
	Investment in infrastructural construction (roads and buildings)	35%
10	Labour and employment:	
	Available labour force (million persons)	3.26
	Labour supply (million persons)	3.17
	Share of labour force in agricultural sector	70%
	Share of labour force in industrial sector	7%
	Share of labour force in service sector	23%
11	Social targets	
	Life expectancy	67 years
	Men	66 years
	Women	68 years
	Poverty ratio	19%
	Prevalence of underweight children who aged under 5	22%
	Proportion of poor households with access to electrification to total households	80%

# APPENDICES 6: Goals, Targets and Indicators in MDGs

## \* Goal 1: Eradicate Extreme Poverty and Hunger

No.	Indicators	1990	2000	2005	Target by 2015	Responsible agencies
Target 1A: Reduce by half the proportion of people living on less than a dollar a day between 1990-2015						
1	Proportion of population below the national poverty line (%)	46 (1992)		27.6 (2008)	24	Rural development and poverty eradication office, Ministry of Planning and Investment, Ministry of Finance, Ministry of Agriculture and Forestry, Ministry of Health, Water Resource and Environment Administration, and other agencies
2	Poverty gap ratio (%)	12 (1992)		8 (2002)	6	
3	Proportion of the poorest population actual consumption (%)	9 (1992)		8 (2002)		
Target 1B: Reduce half of malnutrition population in 1990 by 2005						
4	Underweight children under 5 years of age ratio (%)	44 (1993)	40	37 (2006)	22	Rural development and poverty eradication office, Ministry of Planning and Investment, Ministry of Finance, Ministry of Health, Water Resource and Environment Administration
5	Children under 5 years of age shorter than standard height ratio, (%)	48 (1993)	42	40 (2006)	34	
6	Proportion of population below					

	minimum level of dietary energy consumption	32 (1993)	28	22 (2006)	21	
Target 1C: Achieve full and productive employment and decent work for all, including women and young people						
7	GDP growth ratio to employed labour (%)			8,5		Ministry of Planning and Investment, Ministry of Labour and Social Welfare, Ministry of Finance, Ministry of Education, and Ministry of Agriculture and Forestry
8	Employment rate (%)			49		
9	Self-employment ratio (incl. family support) to total employment (%)			88		

Source: Progress report on implementation of MDGII of Lao PDR 2008, Population Census 1995, 2005, LECS1, LECS2, LECS3, LECS4, MICs

**\* Goal 2: Achieve universal primary education**

No.	Indicators	1990	2000	2005	Target by 2015	Responsible agencies
Target 2: Ensure that all boys and girls complete a full course of primary schooling by 2015						
1	Net primary enrolment rate (%)	58 (1991)		89.2 (2008)	98	Rural development and poverty eradication office, Ministry of Planning and Investment, Ministry of Finance, Ministry of Agriculture and Forestry, Ministry of Health, Water Resource and Environment Administration, and other agencies.
2	Proportion of pupils starting grade 1 who reach grade 5 (%)	47.7 (1991)		67 (2008)	95	
3	Literacy rate, population between 15-24 years (%)		78.5 (2001)	84	99	

Source: Annual progress report of Ministry of Education, Population Census 2005, National Survey on Literacy 2001.

**Goal 3: Promote Gender Equality and Empower Women**

No.	Indicators	1990	2000	2005	Target by 2015	Responsible agencies
Target 3: Eliminate gender disparity at all levels						
1	Enrolment ratio of girls to boys					Rural development and poverty eradication office, Ministry of Planning and Investment, Ministry of Finance, Ministry of Agriculture and Forestry, Ministry of Health, Water Resource and Environment Administration, and other agencies.
	Primary level (%)	77 (1991)		86 (2006)	100	
	Lower secondary level (%)	66 (1990)		78 (2006)	100	
	Upper secondary level (%)	56 (1991)		74 (2006)	100	
	Tertiary and post graduate students	49 (1991)		62 (2006)	100	
	Literacy ratio of women to men, between 15-24 years (%)	81.5 (1995)		None	100	
2	Share of female employment in agricultural sector (%)	38 (1995)		50 (2006)	None	
3	Share of female members in the National Assembly (%)	6.3		25 (2008)	None	

Source: Annual progress report of the Ministry of Education, Population Census 2005, National Literacy Survey, Economic Survey 2007.

**\*Goal 4: Reduce Children Mortality**

No.	Indicators	1990	2000	2005	Target by 2015	Responsible agencies
Target 4: Reduce by two thirds the mortality rate among children under five, by 2015						
1	Under 5 mortality rate, per 1,000 live births			98	80	Ministry of Health, Ministry of Education, Ministry of Planning and Investment, Lao Revolution Youth Centre, Lao Women Union, Lao National Centre
2	Infant mortality rate, per 1,000 live births			70	49	
3	Immunization ratio for infant against measles (%)			69	90	

Source: Population Census 1995, 2005 and Reproductive Survey 2000.

**Goal 5: Improve Maternity Health**

No.	Indicators	1990	2000	2005	Target by 2015	Responsible agencies
Target 5A: Reduce by three quarters the maternal mortality ratio						
1	Maternity mortality rate (per 100,000 live births)			405	260	Ministry of Health, Lao Revolution Youth Centre, Lao Women Union
2	Attended birth rate (%)			23	49	
Target 5B: Achieve universal access to reproductive health						

1	Contraception rate			38	55	Ministry of Health, Ministry of Education, Lao Revolution Youth Centre, Lao Women Union
	Reproductive rate			76		
2	Pregnancy check-up coverage rate			28.5	69	
3	Self-contraception rate (unmet need for family planning)			27	50	

Source: Population Census 1995, 2005 and Reproductive Health Survey 2000 and 2005.

#### **Goal 6: Combat HIV/AIDS, Malaria and Other Diseases**

No.	Indicators	1990	2000	2005	Target by 2015	Responsible agencies
Target 6A: Halt and begin to reverse the spread of HIV/AIDS						
1	Number of HIV patients in the entire population (%)			0.1 (2007)	< 1	Ministry of Health, Lao Revolution Youth Centre, Lao Women Union
	Number of HIV patients in the population between 15-24 years (%)			None	< 5	
	Number of HIV patients in the population between 15-49 years (%)			2 (2004)	< 5	
2	Use of condoms in young female groups (%)			54.4 (2004)	None	

Target 6B: Halt and begin to reverse the incidence of malaria and other major diseases.						
1	Mortality rate associated with malaria, per population of 100,000 persons			0.4 (2006)	0.2	Ministry of Health, Lao Revolution Youth Centre, Lao Women Union
	Prevalence rate associated with malaria patients, per 1,000 persons			3 (2006)	None	
	Proportion of children using mosquito net (%)			87 (2006)	95	
	Prevalence rate associated with TB, per 100,000 persons			306	240	
	Proportion of tuberculosis cases detected under directly observed treatment (DOTS) (%)			72 (2007)	70	
2	Proportion of tuberculosis cured under DOTS (%)			90 (2007)	85	

Source: AIDS Treatment Centre, World Health Organization, UNAIDS, MICs2, MICs3.

**\*Goal 7: Ensure Environmental Sustainability**

No.	Indicators	1990	2000	2005	Target by 2015	Responsible agencies



Target 7A: Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources						
1	Forest coverage area (%)		42 (2002)		65	Ministry of Agriculture and Forestry, Water Resource and Environment Administration, National Science and Technology Organization, Ministry of Education, other concerned public organizations
	Oxygen consumption rate			18 (2006)	None	
	Proportion of rivers for consumption				None	
Target 7B: Reduce the bio-diversity loss						
1	Proportion of wood and animal species that being assaulted and becoming extinct			1.6 (2004)		Ministry of Agriculture and Forestry, Water Resource and Environment Administration, National Science and Technology Organization, Ministry of Education, other concerned public organizations
Target 7C: Reduce by half the proportion of people without sustainable access to safe drinking water and basic, by 2015						
1	Proportion of population with access to clean water (%)			74 (2008)	80	Ministry of Education, Ministry of Health, and other concerned public organizations
	Proportion of population that use toilet (%)			49 (2008)	60	

Source: Department of Forestry, Ministry of Agriculture and Forestry, Water Resource and Environment, Ministry of Health.

**\*Goal 8: Develop a Global Partnership for Development**

(This goal is still under the process of determining the indicators. Thus, it is not persuasive to achieve this goal as yet).

No.	Indicators	1990	2000	2005	Target by 2015	Responsible agencies
Target 8a: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system						
1	Customs rate imposed on exports of agricultural, garment and textile for market development to comply with in Lao LDR.				None	Ministry of Industry and Commerce, Ministry of Finance, Ministry of Planning and Investment, Ministry of Public Work and Transports, Science and Technology Organization
	MFN status			8	None	
	Trade preferential agreements			6	None	
2	Shares in exports of agriculture, garment, and textile (in value) for market development that have been applied the tax exemption.			99	None	
3	Import tax per 1 container (US\$)			1,690	None	
4	Export tax per 1 container (US\$)			1,420	None	
Target 8b: Address the special needs of the least developed countries						
1	Share of bilateral assistances from OECD for social services.			35 (2004)	None	Ministry of Industry and Commerce, Ministry of Finance, Ministry of Planning and Investment, Ministry of Public
	Share of bilateral assistance from OECD for development				None	

	Development assistance ratio to GDP, per capita (US\$)			1,060 (2006)	None	Work and Transports, Post and Communication Organization, Science and Technology Organization
	Development assistance ratio to GNI			12 (2006)	None	
	Assistance ratio for trade capacity building				None	
	Grants ratio for least developed country: Lao PDR			1.5 (2006)	None	
	OECD’s assistance ratio to GDP			5.4 (2006)	None	
Target 8c: Deal comprehensively with the debt problems						
1	% debts service to exports of goods and services			35 (2004)	None	Ministry of Industry and Commerce, Ministry of Finance, Ministry of Planning and Investment, Ministry of Public Work and Transports, Post and Communication Organization, Science and Technology Organization
Target 8d: Cooperate with public sector to ensure that people have access to use of new technology						
1	Number of landlines per 100 persons			1.6 (2006)	None	Ministry of Industry and Commerce, Ministry of Finance, Ministry of Planning and

	Number of mobile phones per 100 persons			13.5 (2006)	None	Investment, Ministry of Public Work and Transports, Post and Communication Organization, Science and Technology Organization
	Internet connection per 100 persons			0.08 (2006)		
	Access to radio		46 (2002)			
	Access to television		41 (2002)			

Source: International assistance report, UN, OECD

**\*Goal 9: Reduce Unexploded Ordinance (UXO) Risk**

No.	Indicators	1990	2002	2005	Target by 2015	Responsible agencies
Target 9A: Ensure removing UXO from agriculture production areas by 2020						
1	Increase UXO pollution-free area (ha)		842	4,114		UXO Clearance Committee, Ministry of Labour and Social Welfare and local authorities
Target 9B: Reduce number of death and injurious people from UXO to 50%						
1	Reduce number of death and injurious people from UXO (persons)			300	150	UXO Clearance Committee, Ministry of Labour and Social

				(2008)		Welfare, and local authorities
Target 9C: Ensure treatment and rehabilitation to people who get injure from UXO basing on UXO Protocol						
1	People who get injure from UXO received better assistances (persons)				20,439	UXO Clearance Committee, Ministry of Labour and Social Welfare, and local authorities

*Source: Department of Forestry, Ministry of Agriculture and Forestry, Water Resource and Environment, Ministry of Health.*

## **APPENDICES 7: Definitions**

1) National Socio-Economic Plan: Meaning strategic guidance with the aim of achieving socio-economic development proposed by the government and approved by the National Assembly.

The National Socio-Economic Plan is a tool to expand and implement the Party's strategic plan and to periodically manage the government's economy through policy, regulation, plan of action, and project detailed work plan, to achieve the party's highest goal. For example, building the nation to become prosperous, strong, socially civil and just, and people prospering and secure.

+ The National Socio-Economic Plan consists of the following:

Long-term plan is the plan that provides overall strategic guidance, identifies roles and strategic objectives for a period of 10 years or more; in other words, is a development strategy.

Medium-term plan is a development plan that is for less than 10 years, for example: core development plan, and five years development plan.

Short-term plan is a development plan that disaggregates the medium-term plan into detailed plans having concrete action with a clear way forward, as well as the roles. These are yearly development plans.

+ The socio-economic plan consists of:

National Socio-economic Development Plan

Sectoral and central level agency development plan

Sub-regional or economic zone development plan

Provincial and the Capital City socio-economic development plan

District socio-economic development plan

Municipal socio-economic development plan

- Village or Kumban (village cluster) socio-economic development plan

2). Breakthrough or Pkou Ta Lou Plan: It is a plan that changes regularly and ensures the achievement of the current and planned objectives, particularly the achievement of certain elements, as intended. These dynamic plans can bring about changes in the people's livelihoods, which would influence the economics and politics. The 7th Five-year National Socio-economic

Plan will continue to have a socio-economic focusing at priority areas, and be inclusive, quick and sustainable. Dynamic Plan for the 7th Plan consists of four objectives: (1) Breakthrough in imagination: first of all we need to turn from central-oriented to market-oriented under management of government. Economic development is the centre, create harmonization of economic development and social-culture development, expand capacity of economic sectors to strengthen capacity for production which is able to complete with international, ensure continuous and sustainable development; (2). Breakthrough in human resource development: dynamic in high quality of education. Invest in education and public health as plan; Utilize more intellectual; Build skill labours and technicians; build businessmen, executives, managers to be in apparel with economic development along with market mechanism and international integration. Use labour force properly and motivate them. Ensure shift more agricultural labours to industry and service sectors; (3). Breakthrough in mechanism, regime, and administrative rules: first, make administration and services be more effective and transparent, build facilities for competition in compliance with law and industrialization and modernization; improve coordination to be more modern, effective, relevant with international. This dynamic objective relevant with being member of ASEAN and preparing to be member of WTO; and (4). Breakthrough in poverty reduction by seeking for sources of funds and implementing special policy, and constructing basic infrastructure focally: ensure inland transportation (including railway), air transportation, and waterways transportation going smoothly and connecting to each other from central to local and connecting to neighbouring countries and international. Moreover, ensure people can access to electric network, telecommunication, water supply, and other necessary things.

3). Public Investment Allocation: This would mean allocation of public investment (domestically and overseas development assistance (ODA)) to sectoral and local projects based on government's policy, attributes, special criteria of each sectors, and local community, as set out in the basic index or socio-economic index.

4). Budget allocation norm:

The budget allocation of public investment fund for the local community based on government's regulation in that period, these are:

1. Strategic Development Plan
2. Poverty level and development
3. Price index
4. Agreement to work with the public income
5. Geographical area
6. Number of Population

## 7. Numbers of administration

5). Asset Capital: This means there is some potential (natural resources, copy rights or other rights) to use these assets by assessing their value and its future benefits/returns into capital to be used in the present development.

6).Industrialisation and modernisation: It is to strengthen the high productivity and high quality production. This will imply a dramatic shift in the industrial production enterprise, services, and socio-economic management. The production was previously dependant only on manual work and rudimentary tools, and this means, a shift towards more modernised industrial production. The ultimate outcome expected, is to shift away from a low-productivity agriculture production society dependant on natural resources, towards a more industrialised production society.

For Lao PDR, the shift to industrialisation and modernisation is a way forward, and part of the development process and the only way to lift the country out its least developed country status and enter a socialist era.

7). Engine of development: It means main sector and mechanism to spearhead development.

8). Engine of industry: It is the main industry that drives different industrial sectors

9). Project Calling Lists: Project lists that have gone through preliminary feasibility assessment (Project Profile), and will be presented to domestic and international investors. This is for the purpose of identifying projects that need development and fund mobilisation.

10). Sustainable Development Plans: It is a comprehensive plan that is co-related, flexible and informative. Its implementation is in consistent with economic, social-cultural development and environmental protection.

11). Sustainable Development:It is a development that is stable, continuous and has limited negative impact on the society and environment.

12. Agri-Irrigation/Comprehensive Agricultural Development: It consists of construction of irrigation projects and comprehensive agricultural development, resulting in improvement in the standard of living of people.

1). Irrigation projects need to build on spots where there is flowing water from upstream to downstream. This is to assure investment efficiency and effectiveness. Investors must have comprehensive businesses from the very outset.

2). Agro-processing factories must be located at such locales as to supply for domestic consumption and export.

3). The irrigation/project area must have Ban Pattana (development villages), for job creation and food production for people around the project area.



13. GDP: Gross Domestic Products: It is the total value of goods and services produced (include production by foreigners domestically) by a country in a year.

14. GDP per Capita: It is total value of goods and services produced within a year divided by the average population within the same year.

15. Mega Projects: It is a project or group of projects that have total value of more than 50 billion Kip/US\$50 million.

16. Least Developed Country (LDC): LDCs are countries that exhibit lowest social-economic development index compared to other developing countries. United Nations' social-economic council has identified standards and conditions of LDCs as follow:

1. A country's population must not exceed 75 million.
2. Gross National Income (GNI) of less than US\$750 per annum.
3. Human Asset Index (HAI) of less than 58.
4. Economic Vulnerability Index (EVI) of more than 38.

Countries may 'graduate' out of LDC classification when 2 out of 3 indicators exceed standards as follow:

1. Achieve GNI per capita of more than US\$ 900 per annum
2. Achieve HAI of 64 (2006 conditions)
3. Achieve EVI of 38

However, in principle, UN's social-economic council accesses and identifies new standards every 3 years, by revising standards. Some examples below:

<b>LDC Alleviation Standards in 1990s</b>	<b>LDC Alleviation Standards in 2000s</b>
1. GNI per capita:  - GNI per capita equivalents to GDP per capita for developing country  - Graduate criteria: more than US\$700 (1991), more than US\$800 (1994), more than 900 (1997)  2. Human Asset Index (HAI)  Based on average of 3 indicators:	1. GNI per capita:  Graduate criteria: more than US\$1,035  2. Human Asset Index (HAI)  Based on average of 3 indicators:  a. Nutrition: calories consumption per person per day- Graduate criteria: more than US\$700 (1991), more than US\$800 (1994),

a. Nutrition: calories consumption per person per day b. Health: average life expectancy c. Education: attendance rate for primary and secondary and adult literacy Graduate criteria: more than 52 (1991,1994 and 1997) 3. Economic Diversification Index (EDI) Based on average of 4 indicators: a.Share of production sectors in GDP b.Share of labour force in industrial sectors per participated labour force c.Energy consumption per person per year d. UNCTAD's export index Graduate criteria: more than 25 (1991), more than 29 (1994 and 1997)	more than 900 (1997) 2 b.Health: child fatality rate (less than five years old) c.-Education: primary and secondary rate of attendance and adult literacy Graduate criteria: more than 68 3.Economic Diversification Index (EDI) Based on average of following indicators: a. Share of production and service sectors in GDP b. UNCTAD's export index c. Instability of agricultural production d. Instability of export of goods and services. e. Population size (in logarithm) Graduate criteria: less than 31
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Source: updated 2009 ref: [www.unohrrls.org/en/ldc/related/59/](http://www.unohrrls.org/en/ldc/related/59/)

In order to be eligible for graduation out of LDC, a country has to achieve US\$1,086

Current list Least Developed Countries (last updated: 29 January 2009, LDCs have totally 48 countries), comprising of 33 countries in Africa Continent, 9 countries in Asia Continent, 1 country in America Continent, and Oceania Continent 5 countries which have details below:

Africa Continent (33 countries)	Asia Continent (9 countries)	America Continent ( 1 country)	Oceania Continent (5 countries)
<ul style="list-style-type: none"> <li>• Angola</li> <li>• Benin</li> <li>• Burkina Faso</li> <li>• Burundi</li> <li>• Central African Republic</li> <li>• Chad</li> <li>• Comoros</li> <li>• Democratic Republic of the Congo</li> <li>• Djibouti</li> <li>• Equatorial Guinea</li> <li>• Eritrea</li> <li>• Ethiopia</li> <li>• Gambia</li> <li>• Guinea</li> <li>• Guinea-Bissau</li> <li>• Lesotho</li> <li>• Liberia</li> <li>• Madagascar</li> <li>• Malawi</li> <li>• Mali</li> <li>• Mauritania</li> <li>• Mozambique</li> <li>• Niger</li> <li>• Rwanda</li> <li>• São Tomé and Príncipe</li> <li>• Senegal</li> <li>• Sierra Leone</li> <li>• Somalia</li> <li>• Sudan</li> <li>• Togo</li> <li>• Tanzania</li> <li>• Uganda</li> <li>• Zambia</li> </ul>	<ul style="list-style-type: none"> <li>• Afghanistan</li> <li>• Bangladesh</li> <li>• Bhutan</li> <li>• Cambodia</li> <li>• East Timor</li> <li>• Laos</li> <li>• Myanmar</li> <li>• Nepal</li> <li>• Yemen</li> </ul>	<ul style="list-style-type: none"> <li>• Haiti</li> </ul>	<ul style="list-style-type: none"> <li>• Kiribati</li> <li>• Samoa</li> <li>• Solomon Islands</li> <li>• Tuvalu</li> <li>• Vanuatu</li> </ul>