

# I. THEMATIC AND CROSS-CUTTING AREAS

## A. Poverty Reduction

### 1. Poverty Situation

Poverty is multidimensional and manifests itself in different forms. It is more than a problem of inadequate income. It includes a lack of access to basic social and essential economic services and life choices, including opportunities to participate in economic, social and political processes. Also, different groups such as men and women, rural and urban dwellers, ethnic and cultural groups, may experience poverty in different ways. Inequality in the ownership of land, the distribution of wealth and income, access to economic and social goods and services as well as remunerative jobs, participation in social and political processes, and other life choices, contribute to poverty.

Quantitative data on the incidence of expenditure, consumption or income poverty (henceforth referred to as income poverty) in the Lao PDR are compiled through the Lao Expenditure and Consumption Surveys (LECS) conducted in 1992/93, 1997/98 and 2002/03. The incidence of income poverty (headcount index) has declined from 46.0 percent in 1992/93 to 39.1 percent in 1997/98. Results from the Third Lao Expenditure and Consumption Survey (LECS III) show that the incidence of income poverty declined further to 33.5 percent in 2002/03.<sup>1</sup> This impressive declining trend in poverty incidence, if continued, would enable the country to achieve the MDG target of reducing the proportion of people below the poverty line by half by 2015 (as compared to that in 1990).

Like income poverty, other dimensions of poverty have shown considerable improvements. Life expectancy has exceeded 60 years as compared to 50 years in 1990. Infant mortality declined from 120 in 1990 to 82 per 1,000 live births; under-five mortality from 163 to 115; and maternal mortality from 650 per 100,000 live births in 1990 to 350. Adult literacy rose from 43 percent to 53 percent, with both men and women sharing in the improvement. The net enrolment in primary education has increased from 61 percent to about 81 percent. Access to health services, safe water and roads has improved modestly during the past fifteen years.<sup>2</sup> In terms of the MDGs, the country

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<sup>1</sup> Source: Lao PDR Committee for Planning and Investment, National Statistics Centre and World Bank, *Lao PDR Poverty Trends, 1992/3 – 2002/3, Draft Report*, prepared by Kaspar Richter, Roy van der Weide and Phonesaly Souksavth, March 2005.

<sup>2</sup> Sources: World Bank, World Development Indicators, and National MDG Report. While there has been considerable progress, the social indicators in the Lao PDR are still well below the averages for the East

seems to be on track to achieve the target on under-five mortality, but may have difficulty in meeting the target on maternal mortality if the past trend continues. The effects of poverty on the poor families are degrading. The consequences of poverty are also detrimental to economic advancement, social harmony and political stability. The development of the productive potentials of the poor, women and other vulnerable groups, would contribute to rapid economic growth and sustainable development. It would reduce the negative externalities such as crime, the spread of diseases and environmental degradation. Poverty reduction is to be addressed through policies and programmes that help redistribute the growing opportunities, incomes, services and choices to the poor in the multi-ethnic population of the Lao PDR. Therefore, poverty reduction is seen to be economically sound, socially just and politically worthy.

The vision for poverty reduction is reflected well in the National Growth and Poverty Eradication Strategy (NGPES), which is the result of a highly participatory process that started in 1996 when the 6th Party Congress defined the long term objective as freeing the country from the status of least development by 2020 (the 2020 goal). In March 2001, the 7th Party Congress specified poverty reduction targets for 2005, 2010 and 2020 and highlighted modernization and industrialization as important means to achieve the targets within the overall framework of the 2020 goal. Graduating from the ranks of the least developed countries (LDCs) requires the eradication of poverty in a sustainable manner. The Government is committed to poverty eradication and the promotion of equity among different groups of the Lao multi-ethnic population within a rapid and sustainable economic growth framework.

## **2. Poverty Reduction Strategy**

The overall strategy is to assist the poor to help themselves to fully utilise their labour and other modest resources, improve their situation and exit poverty. The Government will help enlarge the economic opportunities, enable the provision of basic social and essential economic services, ensure security and facilitate the participation and empowerment of the poor in economic, social, political and other arenas. Only a small fraction of the poor that can not take advantage of the opportunities to help themselves due to age and other factors would require direct financial support. The Government has to continue to provide pensions to people with disabilities and those elderly individuals who did good deeds for the nation. The NGPES presented the strategic medium term framework for fighting poverty with the participation of the people through human resource development and rural development.<sup>3</sup> The different components of the poverty eradication strategy are presented briefly in the following:

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Asia and Pacific Region. Some of them are even lower than the corresponding averages for Sub-Saharan Africa.

<sup>3</sup> Government of the Lao PDR, *Fighting Poverty through Human Resource Development, Rural Development and People's Participation*, Vientiane, November 2000.

## **a) Expansion of Economic Opportunities**

Based on the experiences of many developing countries including those of the Lao PDR and its neighbours, it is recognized that rapid economic growth is necessary to reduce poverty on a sustainable basis. The people – including farmers, workers, traders, and micro, small, medium and large entrepreneurs – are the main agents that generate economic growth through their efforts and innovations. The Government is primarily a facilitator in this process. The assets and efforts of all the people including the poor are necessary for the country to maintain rapid economic growth, reduce poverty and sustain development. This is all the more significant, since the poor constitute about a third of the population of the Lao PDR. The successful countries in East and Southeast Asia mobilised the efforts of all their peoples – rich and poor, men and women, skilled and unskilled – in order to generate and sustain rapid economic growth, reduce poverty and achieve the status of newly industrialised countries (NICs). They treated their people as their most valuable resource.

More than three-quarters of the population of the Lao PDR live in rural areas and a large majority of these depend on agriculture for their main means of livelihood. As in many other countries, poverty in the Lao PDR is predominantly rural and is more severe in the remote highlands.<sup>4</sup> Experience during the past fifteen years has shown that increasing agricultural productivity and improving market access through road infrastructure have been instrumental in reducing poverty in the lowlands. Thus, the incidence of poverty in the accessible rural lowlands is significantly lower than that in other rural areas. The lesson is that increasing the productivity in agriculture and auxiliary occupations in the rural areas and improving the access to markets are critical for achieving further significant reductions in poverty over the medium term.

The Government recognizes this to be a high priority. Proposed initiatives within the Plan include the rehabilitation and construction of irrigation systems and their improved operation; introduction and wider distribution of improved seeds of crops, fruits and vegetables; protection of livestock; and sustainable management of forests and other natural resources, through community participation. Improvements in marketing and infrastructure are also planned. Provision of support services including agricultural and livestock extension and the supply of production and investment credit are planned by the Government. At the same time, private initiatives including those by foreign investors and traders from neighbouring countries to promote contract farming, especially in horticulture and tree crops are being encouraged.

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<sup>4</sup> As indicated earlier, the incidence of poverty was highest in the rural uplands and other rural areas without road access.

The informal sector comprising mostly micro and small enterprises has been an important contributor to growth in the Asian NICs, especially during the early stages. Apart from agriculture, a large proportion of the full and part-time employed in the Lao PDR are dependent on the informal sector (in mainly trade and services) in both the urban centres and the rural areas. It is quite likely that a significant proportion of these are poor. Consequently, increasing opportunities and improving the productivity in this sector are crucial for enhancing the country's economic performance and reducing poverty. Initiatives proposed in the Plan include the promotion of micro, small and medium enterprises, enlarging access to appropriate technologies, and provision of other support services including the supply of credit (both through formal institutions and informal ones including user groups) and training.

A third important area is the formal private sector including agro-processing/manufacturing, mining, construction, tourism, wholesale and retail trade, transport, and other services. Legislation and regulations have been put in place to improve the enabling environment, and to encourage both domestic and foreign private investments in the country. Private investments are vital catalysts for technological advances. They are also the engines of growth of higher productivity (remunerative) jobs, which are important vehicles for poverty reduction.

A fourth area is the provision of infrastructure – including roads and bridges, river landings/jetties, electricity, telecommunications and postal services. These are critical for the movement of people and goods, flow of essential information in a timely manner, and orderly and efficient functioning of markets including labour markets.

A fifth area relates to macroeconomic policies and the management of public finances, including public expenditure allocation. The Government has begun to pay increased attention to pro-poor macroeconomic and public expenditure policies and these will be implemented with increased vigour during 2006-2010.

Funds will be increased for poverty reduction to support the extension of credit to the poor to support the development of their production and business operations. Efforts will be focussed on increasing the incomes of the poor and reducing the gap between the rich and the poor to create a social balance. The Government will support the opening up of development and training opportunities for the poor to increase their skills and abilities for production and business including marketing; reduce the risks for poor households from accession to the AFTA and WTO; revise and supplement the policies to be completed; and step-up and implement the policies to support the poor.

## **b) Social Services**

The provision and effective use of basic social services (e.g. primary, lower secondary and adult education, basic healthcare, safe water and sanitation) is an important means to break the poverty cycle. Enhanced access to and use of basic social services is an urgent need especially in the remote highlands. The Government faces the dilemma of how to fund the high cost of providing basic social services to a small and widely scattered population that is difficult to reach. While bringing services to the people is the preferred option, bringing the people to accessible service centres and providing the services may be more practical and affordable at the present stage of development of the country. The Government has been testing this approach in selected difficult to reach areas. The challenges faced and the lessons learned will guide the further development of these areas.

Education and literacy are prerequisites for the introduction and adoption of modern productivity enhancing technologies and for competing in both domestic and world markets. Implementation of the Education for All Programme is the key plank within the Government's Education Sector Strategy and the main means for promoting primary and lower secondary education, and adult and non-formal education. More primary, secondary and pre-schools will be built and supplied with qualified teachers and the necessary equipment, to improve the population's access to education, particularly those in remote areas. The Plan also incorporates programmes to improve school participation and completion rates, and the quality of teaching and learning. Evidence from various countries in the region including the Lao PDR, shows that the education of girls and women has multiple benefits, affecting their welfare, and that of their children (the future generation) and families.

The access of the poor to basic health care is constrained by not only the availability of the services but also the ability of the poor to pay the service fees and purchase the recommended medicines. While the present system does provide for exemption of payment of the service fees by the poor, its application in practice has proven quite difficult. Also, most of the health facilities depend on service fees to cover their operating costs. The Government is exploring various options to improve the access of the poor to public health services at affordable terms.

The immediate priorities in the health sector are to (i) increase people's access to quality health care services, (ii) stop the spread of communicable diseases, and (iii) decrease maternal and child mortality rates. To do this, the Government is building and upgrading health centres and hospitals, and raising the capacity of health care professionals. Attention is to be given to the preparation and use of the policy on health monitoring and treatment for the poor.

The access to safe water and sanitation is relatively low as compared to the regional averages. The costs of the water supply schemes are quite high due to the high standards stipulated. It is necessary to explore less costly and more appropriate technologies and adopt them to the Lao situation to expand coverage of safe water more rapidly. The Government's approach has been to address the provision of the water supply services on

a cost recovery basis. In the rural areas, community ownership and operation are being tried on a pilot scale under various projects.

### **c) Security**

The third component is security including ensuring the security of people and property against violence, destruction, theft and unexploded ordnance (UXO), food insecurity, and protection against unforeseen calamities such as natural disasters. The security situation has improved consistently over the past decade, thanks to the efforts of the communities with assistance from both the local and central governments.

Unexploded ordnance or UXO is one of the major security challenges facing the poor communities in terms of access to land and markets. It is also a major risk, especially for children. There appears to be a significant correlation between the presence of UXO and the prevalence of poverty. The Government with support from a number of development partners is addressing the clearance of UXO and the rehabilitation of the cleared areas.

The UXO/Mine Risk Education (MRE) teams will visit and deliver MRE training to all communities in the country. All agricultural areas considered to be “high priority” will be cleared, as well as a sizeable portion of other areas identified as “medium priority.” A national database on Mine/UXO accidents will be developed and updated regularly, to feed into the prioritisation of UXO clearance and MRE tasks.

The elimination of opium cultivation and use has been another major security challenge. The country has been successful in eliminating the cultivation of the crop. However, it has been more difficult to find alternative crops or other livelihood activities that generate adequate incomes to improve the economic status of the former poppy growers and lift them out of poverty in a sustained way. This is a festering problem that would need continued attention in the various development programmes including the targeted interventions.

Food (rice) security is a pressing concern for the population in general, and for the poor in particular. Geographic and seasonal pockets of rice scarcity persist, and many communities still lack adequate coping mechanisms. Availability of adequate quantities of rice throughout the year is the key component of food security. There have been considerable improvements in national food security in recent years resulting from substantial increases in rice production. However, food security may be still a significant concern for the poorest households. The constraints include limited distribution capacity, increasing population pressure on available lands and the prevalence of natural disasters.

Security from natural disasters such as floods and droughts is a further dimension that needs to be addressed. The stress is on the importance of community involvement and the strengthening of community resilience, in addition to material help from the Government

and the partners in development including NGOs. The Government will develop and implement the programmes for the prevention of and protection from natural disasters; regularly monitor the situation including seasonal rice scarcity and weather changes; and find methods to solve the damage and provide timely support to the victims.

#### **d) Participation and Empowerment**

The fourth category encompasses the participation of the poor in making decisions about their future and the future of their communities, on economic, social, cultural and political issues. It includes the availability of avenues for the poor to “voice” their concerns and be heard on the key issues affecting them. These are essential for their empowerment. People’s participation has been one of the important pillars in nation building over the past three decades. The Prime Minister’s Decree (no. 001) stipulates the provinces as the strategic units, the districts as the planning and fiscal units, with the villages (communities) as the implementing units. Both the public administration and the Party machinery encourage the active participation of the people in local decision-making. Measures to strengthen the capacities of the communities including the poor in articulating their priorities, implementing the programmes and monitoring the progress are included in the Plan.

Decentralisation is an important means to ensure the sustained participation of the people, including the poor and women, in local affairs. The Lao PDR has been fortunate in this regard, as the State Administration has been built on a decentralized system, with numerous authorities and responsibilities shared between the Centre and the Provinces. While the system has worked reasonably well in the last quarter of the 20<sup>th</sup> Century, it has become increasingly apparent that a comprehensive review of the existing distribution of the authorities and responsibilities between the Centre and Provinces is necessary to make the public administration respond better to the emerging opportunities and challenges in the first quarter of the 21<sup>st</sup> Century. The Government has already initiated steps to review the arrangements and the process of adjustment will continue during the Plan period.

Informed participation of the people including the poor requires improvements in the two-way (top-down and bottom-up) flow of information and communication and education. The mass media including newspapers, radio and televisions as well as telephones (landlines and mobile) are important means. The people will be provided with more information through the media and other channels to increase their ability to participate in the socio-economic development of the country. The people’s knowledge about their rights and obligations will be improved.

#### **e) Development of the Poorest Areas**

The NGPES has identified 47 poorest and 25 poor districts. The Committee for Planning and Investment (CPI) together with the Ministries of Agriculture and Forestry, Education, Health and Communication, Transport, Post and Construction and jointly with the local communities and authorities has facilitated the preparation of focal area development plans for some 33 kum bans (groups of villages) in pilot districts among the 47 poorest districts identified in the NGPES. Most of the programmes are in the areas of agriculture and rural development (sustainable livelihoods), education, health and transport/infrastructure.

The targeted interventions include such activities as focal areas development, Village Development Funds and the Poverty Reduction Fund (PRF). The Government plans to (i) diversify funds for resettlement, stop forest destruction, and eliminate opium growing areas; (ii) increase the incomes of the people in the rural and remote areas and minority ethnic people; (iii) encourage people to escape from poverty and become rich to help others who are still poor and abolish hunger (rice scarcity) and poverty; (iv) integrate the poverty reduction action plan into regional socio-economic development; (v) prepare priority projects in particular areas such as support for land zoning conditions for production and housing; (vi) support the campaign and upgrade the knowledge and responsibilities of people involved in poverty reduction at different levels in line agencies and the poor people; (vii) evaluate and publicize the types, models and effective methods which are suitable to each part and locality; (viii) develop and increase staffing; and (ix) promote agriculture, forestry and fisheries as the ways to reduce poverty. It will organize the pilot project to dispatch youth to work in the poor districts and villages, and prepare suitable policies for the youth to build confidence and volunteer for long term work in difficult areas. Boarding schools have been developed to provide opportunities for schooling for ethnic minorities in remote villages. The Government will facilitate the migration of people from remote areas to help find wage employment and better access to services.

The emphasis is on increasing investment and implementing transparent policies for poverty reduction. The priority projects in the PIP put forward development of the difficult areas, especially in the 47 poorest districts to get out of the poor status as planned. At the same time, grant aid needs to be attracted for infrastructure development in these areas.

Attention would be paid to economic development of the border economy, focusing on development of border checkpoints, along roads especially the important ones and economic corridors. Special attention would be directed to animal rearing, planting industrial trees and forestry for raw materials in the mountainous and flat terrains. Poverty reduction projects will be implemented in association with the projects for reducing slash and burn practices and turning to permanent paddy cultivation, and healthcare projects. Priority is to be given to the development of the skills of local labour. Significant investment in upgrading and improving education and healthcare development will be considered in the first instance.

**Key measures:**

- Continue work on poverty reduction in the 47 poorest districts, with focus on rapidly reducing the number of poor households by 2010. The new national standard of poverty will be set based on the international standards. Develop national strategy aiming at solving problems encountered with absolute poverty reduction and establish the mechanism and the structures for project management. In addition, strengthen staff capacity to be adequate for the implementation of the poverty reduction strategies and projects. Closely monitor the implementation at local level. Priority will be given to assist the remote areas with special difficulties. Estimate the costs and prioritize the poverty reduction projects in focal development areas to be supported by resources to be mobilized from both domestic and foreign sources. Thus, at the beginning of the Sixth five-year Plan, there is an urgent need to set up the national advisory committee on poverty reduction. Set up model development villages and conduct regular exchange of views on poverty reduction;
- Urgently complete the development of pro-poor policies. Pay special attention to the development and enforcement of the policy on health care for poor people and the special policy on access to school of children from poor families. Develop the investment policy; expand the schools in rural areas, particularly in the remote and difficult areas. Gain the support and assistance from the World Bank and other international agencies in the national poverty reduction efforts;
- Priority should be given to the difficult areas, such as the assistance on land use, production conditions and housing. Support the advocacy and increase awareness and sense of responsibility on poverty reduction at all levels. Analyse and propagate effective formats, models and methods on poverty reduction, appropriate to each region and locality. Develop and increase staff for promotion of agriculture and forestry related to poverty reduction and ensure close sectoral coordination. Conduct pilot project on sending junior staff to poor districts and villages with appropriate incentive policies to encourage their active performance.
- Undertake social mobilization for implementation of the national poverty reduction strategy. Organize the introduction of poverty reduction among mass organizations, business persons and local authorities in order to assist the poor areas, and introduce the action plan of the strategy in each period;
- Coordinate in the development of key economic sectors related to poverty reduction such as the development of eco-tourism, tours to historical and cultural sites in poor districts and areas in order to generate more income for poor people, and at the same time to preserve cultural heritage and historical areas and protect the environment;
- Review the strengths of the development format in the implementation of the Fifth five-year Plan (2001-2005) to strengthen further in the implementation of the Sixth five-year Plan (2006-2010);

- Increase the funds for poverty reduction, with a focus on the promotion of credit schemes for poor people in order to expand their production and small-scale businesses, setting appropriate interest rate and repayment periods. In addition, technical assistance and information on markets will be provided to poor people. Guarantee the price of agriculture production through Funds and continue to expand the village development fund, job opportunities and supplementary professions. The investment will be concentrated on the infrastructure in some focal development areas with high poverty incidence. Increase income of the poor in order to close the gap between the poor and the rich in the society;
- Raise the capacity of poor people for goods production and small-scale businesses. Endorse the policy on the assistance to the poor people on production and marketing the products. Reduce the adverse effects (risks) for the poor households from the country's membership in AFTA and WTO. Improve and continue the implementation of the pro-poor policies with focus on the curative and preventive health care, education, housing and access to low interest credit schemes or grants;
- Establish information system as the basis (ground) for monitoring and evaluation of the implementation of the poverty reduction strategy from the central to the local levels;
- Continue the management, social mobilization and international cooperation in the implementation of the NGPES priorities incorporated in the Sixth Five-Year Plan (2006-2010). Make poverty reduction a public responsibility and a priority of the Government;
- Conduct advocacy for raising awareness among ethnic groups. Implement the policy on care for the disabled, orphans and disadvantaged people in the society; and
- Develop and implement the strategy on prevention and protection from disasters; regularly observe the famines that occur in mid-season and the natural changes in order to solve the problems and provide help in time.

Guidelines for remote village development in the five-year period 2006-2010:

Develop and implement the socio economic development plan in remote, ethnic areas. Strive to supply necessary infrastructure for these villages. Develop infrastructure for the village groups; and reorganize the village groups to facilitate the development of agro-forestry development. Reduce the disparity of the living conditions among different ethnic groups.

Implement the land-forest allocation to local people and build capacity for ethnic groups and highland people, especially the families of ethnic minorities with a focus on effective production and, at the same time, increase the awareness on national security.

Encourage and promote permanent settlement to ensure the production. Upgrade the people's living conditions in accordance with their traditions and based on the focus village arrangement. In addition, study and consider the conditions for the development of infrastructure for these community groups such as roads, water supply, electricity, information and markets. Explore the potential of the land and labour force; and encourage forestation and plantation of industrial trees and fruit trees. Traditional handicrafts of the ethnic groups and high land people need to be promoted. Introduce the methods for earning a living. Promote agriculture, transfer of technology, and provide information focusing on active goods production.

Provide capacity building and training of staff from ethnic groups and utilize them for long-term services in their locality. Grant special authority to the older persons in the villages (the Lao National Front) and the Lao Women's Union to strengthen the solidarity among ethnic groups.

Improve and expand the program of education, health care, culture and information for ethnic groups. Increase people's awareness on preservation and promotion of cultural values and traditions of all ethnic groups. Sustain and develop spoken languages and written characters/alphabets. Teach ethnic dialects in schools where ethnic characters/alphabets already exist.

### **3. Targets**

The target for poverty reduction is to improve the quality and living standards of the people, particularly in poor and remote areas. Promote employment in rural areas, developing income generation activities while respecting the laws. Increase the access of the poor households to the services in education, health, credit, etc., so that they can improve their family situation. In addition, promote those households who have overcome poverty to help other poor families. The specific targets include the following:

- Implement the objective of poverty reduction to bring down the ratio of poor families to below 15 percent in 2010 compared with that in 2000;
- By 2010, abolish completely seasonal hunger (rice scarcity) at the household level;
- Reduce the ratio of malnourished children under five to below 30 percent;
- Accomplish the programme of Education for All;
- Provide clean water to 65 percent of the population in rural areas;
- Lower the population growth rate to 1.91 percent;

- Raise the ratio of green areas to above 50 percent of all natural areas.

## B. Poverty Focussed National Programmes

### 1. Drug Control

As a party to the three international conventions on narcotic drugs, the Lao PDR is committed to eliminating illicit opium poppy cultivation in the country. Actions towards this end include the approval of significant policies and the enactment of laws that provide the legal framework for opium elimination and the control of illicit substances. The 7<sup>th</sup> Party Congress has identified the elimination of opium and poverty as national priorities. Opium elimination in the Lao PDR is directly linked to the eradication of poverty and hunger, which is the first MDG.

Recent data shows that the Lao PDR has reached its goal of eliminating opium cultivation in the country.<sup>5</sup> Many farmers have adapted or are adapting to livelihoods without opium poppy. The main activities adopted by farmers to make a living immediately after ending opium cultivation are: growing more rice and other crops, selling their livestock and collecting non-timber forest products. Some earn more now than they used to from opium. In some areas, however, opium elimination has not been matched by the provision of alternative livelihoods. Some of the coping strategies adopted by the farmers may not be sustainable in the long-term.

It is necessary to provide appropriate and adequate assistance to the groups to prevent them from reverting back to opium cultivation.

There are 18,500 opium addicts in the eight Northern Provinces covered by the 2005 Opium Survey,<sup>6</sup> which is a decrease of 32 percent since 2003. Although the majority of opium addicts are men, a recent study on the coping strategies of former opium farmers indicates that women also gain much from the elimination of opium cultivation and use. Women have more time to be with the family, work closer to home and are better able to tend livestock, grow vegetables and go to markets. When an addicted family member stops using opium, domestic abuse drops and labour capacity rises, resulting in increased productivity and family income.

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<sup>5</sup> According to unofficial estimates, the area under opium poppy cultivation in the country for the 2005 season ranged between 900 ha and 2,900 ha with a mean value of 1,800 ha, which is a decrease of 73 percent compared to the 2004 estimate of 6,600 ha. (Much of the remaining opium cultivation may be in small gardens for self-consumption by the remaining opium addicts estimated to number about 18,500.) The cumulative decline of 26,600 ha since 1998 is quite impressive. The traditional opium poppy growers are semi-subsistence farmers from the ethnic minorities living in the highland areas where access is difficult. The opium growers are generally poorer than those living in lowland areas due to poor road access and the lack of social infrastructure such as schools and health centres. Given the easy availability, recreational and medicinal use of opium has led to widespread addiction among farmers. Addiction leads to negative outcomes in health and productivity and, in turn, increases poverty. More than two-thirds of the 47 poorest districts had opium poppy growing villages.

<sup>6</sup> United Nations Office on Drugs and Crime (UNODC), *Laos Opium Survey 2005*, June 2005.

In order to sustain opium eradication, the national strategy for the post-opium scenario called “The Balanced Approach to Sustaining Opium Elimination in the Lao PDR (2006-2009)”<sup>7</sup> was developed. The goal is to stabilize the situation in the immediate post-opium scenario and to provide assistance to areas not covered so far. This is a holistic approach which addresses all issues such as capacity building, improving household incomes and livelihoods, road access, provision of economic and social services, ethnic diversity, male and female migration, and the sustainable management of natural resources and the environment. The strategy is comprised of four main components: (i) development of alternative livelihoods to replace the socio-economic incentive to produce opium poppy, by providing sustainable assistance to improve existing livelihood strategies and increasing access to micro-credit, markets and skills training; (ii) reduction of demand for opium, which aims to eliminate the need of remaining addicts for opium by improving the capacity of communities to resolve their own drug problems, providing treatment to all remaining addicts to prevent relapse and new addictions to other illicit substances, and providing treatment to old addicts, especially those with severe diseases; (iii) increased law enforcement to stop both opium production and trafficking, by supporting capacity enhancement and the strengthening of provincial, district, village and community based drug control bodies; and (iv) enhancing civic awareness, which will ensure that the relevant communities are mobilized in community drug control and prevention. National and local campaigns for civic awareness of drug related issues will be promoted, including the dissemination of appropriate public information material for dissemination through the media.

Since the launch of the Opium Elimination Programme, the trafficking and abuse of Amphetamine Type Stimulants (ATS) have increased dramatically. Increased availability may be linked to freer movement across the country’s borders. Similarly, a reduction in opium availability may be tied to the emergence of a market for alternative drugs. ATS use and dependency greatly increases vulnerability to negative economic, social and health outcomes. Drug injecting behaviour is also linked to the spread of HIV/AIDS. The Government has formulated a Drug Demand Reduction Strategy that includes ATS. The next step is to establish the law enforcement strategy for dealing with drug trafficking. The Government in cooperation with the partners in development intends to address the task of preventing the spread of ATS and minimizing the risk of opium demand being replaced by ATS demand.

## **2. Unexploded Ordnance (UXO)**

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<sup>7</sup> Lao National Commission for Drug Control & Supervision and UNODC, The National Programme Strategy for the Post opium Scenario: “The Balanced Approach to Sustaining Opium Elimination in the Lao PDR (2006-2009),” First draft, 15 January 2005.

The UXO continues to threaten the physical safety, livelihoods and food security of people in more than 25 percent of villages in the Lao PDR. Two-thirds of the land area is contaminated with UXO, and many of the most highly contaminated villages are in remote, difficult to reach areas of the country. High incidence of poverty in rural communities is often correlated with high levels of UXO contamination. Such large-scale UXO contamination has rendered vast areas of the land unsafe for agriculture, infrastructure or other human activity. Many of the poor and vulnerable groups in remote rural communities are faced with the dilemma of tampering with UXO and risking limb and life, or continuing in impoverished conditions. Recent statistics indicate that children are increasingly at risk.

The number of UXO accidents increased steadily from 60 accidents in 2003 to 90 in 2004, and 89 so far in 2005.<sup>8</sup> While children represented 45% of victims in 2003, that proportion currently stands at roughly 60%. UXO Lao estimates that one of the main causes of this increase in accidents is related to the introduction, in 2002-2003, of low-cost, low-technology metal detectors manufactured in neighbouring countries, and a very steep rise in the trade in scrap metal. This would mean that children are one of the main collectors of scrap metal, and thus fall among the principal “victims” of this trade.

UXO contamination poses an ongoing development challenge to the Lao PDR. The Government estimates that it will take no less than ten years of concerted efforts to clear the UXO from the most highly impacted priority agricultural and development sites in the country. Community education, victim assistance and UXO survey and clearance operations are priority activities for the Government. Since 1975, UXO accidents have resulted in over 13,000 casualties, with about one-third of the victims dying from their wounds. Many of the survivors suffer severe impairment because they cannot reach the nearest hospital. The average cost of treatment for survivors can be as much as half the annual income of a rural family. Also, children with disabilities are often denied access to education due to lack of special facilities and trained teachers, trapping them in a cycle of poverty.

The UXO Lao Programme<sup>9</sup> has been the main vehicle for the implementation of the Government’s ten-year National Strategic Plan or the Safe Path Forward. The Plan outlines an annual build up process through which the UXO Lao Programme would more than double its output over a period of five years, while targeting its operations more closely on the objectives defined in the NGPES/NSEDP VI. The UXO Lao Programme launched an ambitious plan of internal reforms aimed at strengthening its capacity to

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<sup>8</sup> It is important to highlight that accident statistics compiled by UXO Lao account only for accidents that happened in the forty-odd districts (roughly 1/3 of all districts nationally) where it operates. Further, UXO Lao does not have the capacity to map out provinces and “seek” reports on accidents. It collects information on accidents that come to its attention in the context of its activities. A study on UXO victims conducted in early 2004 by Handicap International estimated that UXO Lao statistics may account for no more than 50% of all victims nationally.

<sup>9</sup> The Programme operates in nine Provinces: Huaphan, Luang Prabang, Xiengkhouang, Khammouan, Savannakhet, Saravane, Sekong, Champasak and Attapeu.

deliver on the requirements of the Strategic Plan. This “Claiming the Future” initiative represents a combination of measures, at both technical and management levels, that are intended to ensure the optimal use of resources and assets at the disposal of UXO Lao. The Programme is also making dedicated efforts to take advantage of the recent technological advances, and draw on the lessons learned and the best practices developed in similar programmes in other countries, which should increase productivity and efficiency. By the end of 2005, UXO Lao expects to have cleared over 1,500 ha of land, an increase of nearly 100% in the last three years. Other pilot initiatives currently under way, such as testing the introduction of new technologies and methodologies, should generate yet greater increases from the second half of 2006.

The foundations of the “National Regulatory Authority” (NRA) for the UXO sector in the Lao PDR were established, and the Government has appointed its National Director and staff. The first two new humanitarian UXO clearance operators were accredited in the second half of 2005 and have begun operations in the Southern provinces, with funding support from the European Union. However, as new operators enter the sector, the need for coordination and regulation increases correspondingly.

On the financial side, in February 2005, the Government approved a budget of USD 5.1 million for the UXO Lao Programme. By September 2005, the UXO Lao secured USD 3.6 million, which is the minimum funding required to maintain full operations. The NRA also operates at a reduced level of funding.<sup>10</sup> The sector requires significantly more resources and mobilization of adequate resources to continue the implementation of the Programme as planned is a high priority.

### **3. HIV/AIDS**

The Lao PDR is in a relatively fortunate situation of low prevalence of HIV/AIDS as compared to that in the neighbouring countries. At the end of 2004, the estimate of the cumulative number of people identified with HIV was 1,470, of which 835 were known to be living with AIDS.<sup>11</sup> Around 556 of the infected have died. About 62 percent of the reported HIV cases were male and 38 percent female. The HIV prevalence rate for persons between 15 and 49 years is less than 0.05 percent (estimate of UNAIDS). More than 50 percent of those infected are between the ages of 20 and 39 years. Awareness of HIV/AIDS is limited as is the access to the means of gaining information. More than 83 percent of HIV infections result from unprotected heterosexual intercourse.

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<sup>10</sup> While this may be sufficient at the present time as the NRA begins operations, current funds available will be insufficient for the year 2006, as the NRA recruits more personnel in order to fully assume its regulatory and coordination functions. The estimated funding required by the NRA in 2006 will be in the range of USD 800,000 (including an initiative to develop a national database on UXO accidents), while UXO Lao’s requirements will be approximately USD 4.9 million.

<sup>11</sup> Source: Case Reports, Ministry of Health

Low levels of awareness and limited access to prevention and protection (including condoms) heighten the risk of rising prevalence of HIV/AIDS in the country. Other factors such as the low socio-economic status of women, high levels of poverty and a widening generation gap compound the risk of the spread of the disease. Increased population mobility, internal and external labour migration and changes in lifestyles and sexual behaviour are all important ingredients for an accelerated spread of the epidemic. In recent years, the use of recreational drugs has rapidly expanded in the Lao PDR. An alarming number of sex workers are thought to be injecting drugs. International evidence shows that intravenous drug use may substantially accelerate the spread of the HIV epidemic. This means that the country could face either a small or large epidemic unless action is taken to contain and reverse the trend soon.

The achievements to date include:<sup>12</sup>

- Awareness and open discussion on HIV/AIDS and other sensitive issues has increased among politicians and the general public;
- A second round of the National Surveillance has been carried out;
- A Capacity and Needs Assessment has been done in all provinces;
- Improvements in managing HIV/AIDS case reporting have taken place;
- More comprehensive programmes on sexually transmitted diseases (STI) prevention and treatment have been carried out in Savannakhet, Vientiane Capital, Vientiane Province, Khammouan, Luang Prabang, Luang Namtha, Oudomxay, Champasak, Saravane;
- Condom promotion has been expanded, including a pilot project on 100 percent Condom Use Programme or CUP in Savannakhet, Oudomxay and Khammouan Provinces;
- Various interventions such as awareness campaigns, peer education, life skills training in schools, community based interventions, information, education and communication (IEC), mass media campaigns and other measures have reached some vulnerable groups and the general population;
- Treatment of Opportunistic Infections has been implemented in Mahosot, Setthathirat, and Savannakhet Provincial Hospitals;
- A pilot project for anti-retroviral (ARV) treatment was implemented in Savannakhet;
- Home Based Care programmes have been implemented in Savannakhet, Vientiane Capital, Champasak and Bokeo;

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<sup>12</sup> Source: National Committee for the Control of AIDS, *National Strategic and Action Plan on HIV/AIDS/STI, 2006-2010*, Vientiane, July 2005.

- There are six functional (people living with HIV/AIDS) PLWHA self-help groups, and The Lao Network of Positive People (LNP+) has been established;
- Prevention of Mother-to-Child Transmission (PMCT) pilot projects have been implemented in big hospitals in Vientiane and in Khammouan, Savannakhet, Champasak, Bokeo, Oudomxay and Xayaboury Provinces;
- HIV/AIDS has been mainstreamed into several infrastructure development projects;
- Authorities from the Lao PDR and the neighbouring countries have initiated cooperation and cross-border activities;
- The number of multi-sectoral national partners has increased, and coordination forums met more regularly;
- Several high-level advocacy initiatives and workshops have taken place;
- The HIV/AIDS Policy and Strategic Plan has been disseminated to all provinces and they have been translated into real action;
- Several sectors have mainstreamed HIV/AIDS into their sectoral development plans;
- The National Committee for the Control of AIDS (NCCA) has been restructured and the new NCCA has held three meetings, with the Prime Minister attending one of the meetings; and
- An increased number of nationwide and provincial trainings have been carried out, in such areas as programme management, monitoring and evaluation and IEC production; and capacity building in all programme priority areas has taken place.

The main challenges that remain include the following:

- Most of the prevention, care and treatment programmes are pilot initiatives and reach only a small portion of target populations;
- Comprehensive interventions reach only a fraction of the population in need;
- There are limited interventions for certain vulnerable groups, such as migrant labour, drug users and men who have sex with men;
- Implementation capacity remains low at all levels;
- Research information is not effectively shared and applied by different partners;
- Involvement of the civil society and private sector is still very limited;
- Coordination of HIV/AIDS/STI programmes and activities is insufficient;
- High-level, multi-sectoral political commitment needs to be strengthened;
- Lack of skilled personnel, frequent turnover and heavy workload prevent many people who have been trained from implementing and utilizing what they have learned;

- Follow-up of benefits of trainings is weak;
- There is no functioning M&E system for the National Response; and
- Both human and financial resources are inadequate to tackle the epidemic.

To address the challenges, the Government has formulated the National Strategy and Action Plan on HIV/AIDS/STI for 2006-2010, with the overall goal of maintaining the present low level of HIV/AIDS in the general population, ensuring that HIV seroprevalence among vulnerable groups is lower than five percent, and scaling up the national response in order to prevent in a timely manner and minimize the impact of the HIV/AIDS pandemic on social and economic development in the country. The National Strategy and Action Plan (2006-2010) defines a reach of 90 percent as full coverage, with the creation of an enabling environment for an expanded response at all levels, an increased availability of data, capacity building and effective management as the necessary means to prevent an epidemic.

In order to maximize the use of limited resources and to ensure the coverage needed to impact on the epidemic, a vulnerability assessment was carried out. The assessment identified heterosexual transmission primarily through clients of sex workers as the main determinant of the spread of the epidemic. By 2010, the objective is to have 80 percent of sex workers using condoms with a “no condom, no sex” policy to be encouraged in entertainment venues, especially in priority provinces. The main priority is to maintain HIV seroprevalence in sex workers at less than 5 percent. The awareness of other vulnerable groups will be increased, for example, 40 percent of ethnic groups and 90 percent of the military and police in prioritized locations will be informed about HIV/AIDS/STI. Additionally, a blood safety programme is currently being implemented in Vientiane and eight other Provinces.

The vulnerability assessment identified the most vulnerable groups and provinces. The vulnerable groups include sex workers and their clients, vulnerable youth (especially in rural areas and from ethnic minorities), men who have sex with men, and intravenous drug users. Addressing vulnerability requires facilitating better access to condoms, changing beliefs and attitudes, improving access to primary healthcare and tackling sex worker-client relations. The success of interventions is also dependent on organizational change. Programme managers, decision makers and implementing organizations will have to review and adapt their approach at every level.

With support from the development partners, the Government will increase home based care, and support services. The anti-retoviral therapy will be made available in three priority provinces with at least 700 treatment slots for adults and children. In order to strengthen the link between prevention and care, the Government intends to explore the feasibility of making available more treatment options for people infected with HIV/AIDS, such as self-help groups.

It is estimated that about USD 26 million is needed to implement the five-year strategy and action plan. The Global Fund to Fight HIV/AIDS, TB and Malaria has approved the continued participation of the Lao PDR. It is important to rapidly scale-up well prioritized and targeted interventions focusing on the most vulnerable and marginalized groups. Simultaneously, it is necessary to establish an effective system to track the epidemic, and monitor and evaluate the responses and impacts of the interventions. It would require the establishment of an effective national coordination mechanism, improvement of the quality of interventions and the building of capacities at all levels. The Government appreciates the potential risks, but is constrained by limited resources and skilled personnel, in addition to the socio-cultural factors.

## **C. Gender Equality**

The long-term vision is to achieve gender equality in all spheres, including business, politics, culture, society and within the family. Women comprise half of the Lao population; and they are important economic actors, stewards of households, care givers to both children and adults, key supporters of the education, health and welfare of the members of the household and community, and crucial promoters of the cultural, moral and spiritual aspects.

### **1. Overall Strategy**

The Government recognises that it will not be able to realise the goals of reducing poverty and improving national education, health and population indicators without the active participation of all women, and particularly poor and ethnic minority women. Therefore, the Government is taking concrete steps in all key economic sectors and through national programmes to: (i) support poor women's economic activities; (ii) improve their access to basic services such as education and health and productive resources, such as extension services; (iii) involve them in local decision-making; and (iv) generally increase their involvement and take their needs into account when developing policies and plans. Under the guidance of the Lao National Commission for Advancement of Women (NCAW) which has strengthened its own capacity, it is expected that all ministries will develop strategies and action plans to promote gender equality at national, provincial, district and village levels.

The Government have begun to mainstream gender concerns through, for example:

- A number of workshops were held during 2005 to develop the National Strategy for the Advancement of Women (NSAW), and the NCAW is in the final stages of completing the drafting of the NSAW. The NSAW strives to achieve equal access

- for women to education and health facilities, to participate more in decision-making and to be knowledgeable and active in achieving the NGPES objectives;
- Developing a set of Guidelines for a National Gender Action Plan to integrate the gender strategies and action plans of ministries, agencies and mass organisations;
  - Collecting data on implementation of the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) in two provinces, Luang Prabang and Champasak, and holding workshops on the CEDAW;
  - Establishing high-level gender working groups;
  - Developing manuals on gender mainstreaming in agriculture, industry and trade sectors and on sex-disaggregated statistics by the Gender Resource Information and Development Centre (GRID);
  - Developing a gender profile which highlights key gender issues in various sectors;
  - GRID carrying out a gender assessment on gender issues in legal education and a field study to find out the working contexts for legal staff;
  - GRID in coordination with the concerned sectors organising workshops on gender mainstreaming and sex-disaggregated statistics for sectors such as the Law Faculty, the Central Party Committee Board Organization and Ministry of Foreign Affairs officials;
  - The Lao Women's Union (LWU) holding a number of meetings and workshops on vocational skills for women, to disseminate the Law on the Development and Protection of Women, and to disseminate the CEDAW Convention;
  - Implementing micro-credit and savings programmes for women and conducting an international workshop on savings activities for poverty reduction;
  - Implementing a study on gender and ICT;
  - Carrying out a study on international trade, women and family;
  - Developing a gender strategy and action plan, identifying issues or problems related to women's participation in the sectors and actions to redress them;
  - Providing gender training and capacity-building to staff;
  - Improving the gender and ethnic balance of staff at all levels;
  - Screening all new policies, programmes and projects from a gender perspective; and
  - Consulting local women in the design of new projects for poverty reduction, and ensuring that they participate in project activities, including extension services and training.

## **2. Specific Strategies**

**Agriculture Sector:** Gender concerns will be integrated in specific programmes and projects through a number of measures. Research and project planning will include:

- Gender-related data and needs assessments;
- The inclusion of women in project activities;
- The application of gender equity in extension and training services;
- The use of gender-related indicators to monitor projects;
- Affirmative action concerning the staffing of provincial and district staff, including extension workers;
- The promotion and enhancement of small and medium enterprises (SME) especially those owned by women;
- Mobilization of gender focal points in villages to promote improved agricultural practices;
- Taking into account women's traditional rights in land reallocation, land titling and the resolution of land disputes; and
- Assistance to women in accessing rural savings and credit schemes.

**Education sector:** Gender gaps in literacy, school enrolment and completion rates, particularly among ethnic minority groups, will be addressed. This is critical both to achieving the Government's education and literacy goals and the goal of poverty reduction. Accordingly, emphasis will be placed on increasing the availability, quality and relevance of primary and secondary education for girls, particularly poor and ethnic minority girls; ensuring that vocational and technical school programmes are accessible to women, particularly poor and ethnic minority women; and approaches to non-formal education that are highly beneficial to women.

Lessons will be drawn from past and current projects for increasing the number of ethnic minority teachers, improving the relevance of primary school materials and providing incentives for girls to attend school. Provinces and districts will be encouraged to develop locally appropriate materials to supplement the core curriculum, and to schedule primary and secondary school classes to encourage school attendance. Dormitories will be built for female students who live long distances from schools. Other approaches include distance learning and "bridging" courses to enable students (particularly women) to enter vocational and technical schools.

**Health Sector:** The Government has set targets for improvements in several key health indicators, in particular substantial reductions in maternal and infant mortality rates. Improving mother and child health services and women's access to primary health care, particularly reproductive health services will be essential for achieving key health goals. Further, women particularly those in poor villages and districts, must be involved to ensure the successful implementation of immunisation, clean water and other public

health programmes. Therefore, gender concerns will be addressed through all major health care initiatives. Specific measures will include:

- Training of ethnic minority women for all aspects of health services;
- Designation of a gender focal point in each provincial and district primary health centre;
- Gender and ethnic balance in village health committees;
- Gender and ethnic balance in all in-service and specialised training for health staff and health care providers;
- Incentive packages for health care workers assigned to remote districts and villages;
- Use of radio and other media to promote health education to men and young people, particularly relating to birth spacing and the prevention of STI/HIV/AIDS infection; and
- Expanding access to reproductive health services, especially for ethnic minority women.

**Transport Sector:** The Government is committed to ensuring that the needs and concerns of women are properly taken into account in planning and implementing road and other transport-related infrastructure. Therefore, local communities, including women, will be consulted in the design of transport and other infrastructure projects. The environmental and social assessments of new road construction and other infrastructure projects will include analysis of gender-related benefits and impacts. The community development projects will be designed to ensure that rural communities benefit from roads and other infrastructure projects. Gender disaggregated data will be collected to monitor the impacts of these projects. Women representatives will participate in the administration of community road maintenance funds.

**Other Initiatives:** Under the NCAW, it is expected that all relevant ministries will mainstream gender concerns in their policies, planning and activities. This will ensure that women as well as men can participate fully in the country's economic development. Gender issues are also being addressed through national programmes dealing with the prevention of HIV/AIDS, trafficking in women and children and illegal drug use, in addition to national programmes dealing with population policy and UXO.

In the public service, women represent about one-third of all government employees, but not many women are in leadership positions at the national, provincial, district or village levels. Ethnic minority women are not well represented, particularly in the ranks of extension workers, health care workers and teachers. A plan will be developed to train and upgrade female staff and also to increase the number of women studying abroad, to raise their ability to acquire decision-making and leadership positions. Policies and rules will be revised in order to combat problems in recruiting and promoting female staff. In

the area of legal awareness and rights, the Lao Women's Union will continue to work with the Ministry of Justice, other ministries and external agencies to promote women's legal awareness and access to justice. Women have the right to raise issues with concerned organisations in the case where an individual or organisation stops or infringes the equality and rights of women in politics, business, culture, society and within the family. The Government is committed to correcting these imbalances and village leaders and committees will be encouraged to include more women in local decision-making.

### **3. Targets**

- Increase the number of women labourers attending training in production techniques;
- Increase the number of women attending agriculture and forestry production techniques training mainly in plantations and animal husbandry;
- Expand women's participation in the village development funds;
- Increase job opportunities for women;
- Promote SMEs of women;
- Gradually, increase the opportunities for girls in every level to be equal with boys (according to the strategy of the Ministry of Education) to reach 89 percent for primary, 63.4 percent for lower secondary, 35.5 percent for upper secondary, and 40 percent for university levels;
- Increase literacy among women aged 15-40 to 88 percent by 2010;
- Increase the number of women in Government organisations and public service organisations from the central to the local levels;
- Create opportunities for female Government officials to upgrade their knowledge of politics and management;
- Provide skills training for women in many areas such as development planning, finance, banking, business services, law, science and technology and foreign languages;
- Increase the number of women in management levels in education, public health, society and businesses:
- Increase the number of female National Assembly Members in the Sixth Plan period by 30 percent;
- Reduce the maternal mortality rate to 300 per 100,000 live births;
- Increase the rate of medical service use during childbirth including traditional medicine, to 35 percent;
- Increase women's life expectancy to 66 years;

- Expand the fertility project and HIV/AIDs prevention project and other sexually transmitted infection (STI) to cover the 47 poorest districts;
- Develop the capacities of the Lao NCAW and LWU;
- Improve the knowledge on gender for the leaders of the Lao NCAW and local organisations about gender; and
- Expand networking among the Lao NCAW and the LWU at every level.

## **D. Governance**

The Government intends to build an effective, efficient, well-trained, honest and ethical public service that is able to meet the needs of the multi-ethnic Lao people. It will ensure that all Lao people are given the opportunity to be associated in all areas of decision-making so that they can fully enjoy their constitutional rights and that they are educated and well-informed to be able to express their opinions on Government policy. It is vital that a coherent, credible and predictable legal framework is established in a transparent and participatory manner, providing efficient, effective, equitable and accessible justice and law enforcement institutions and systems. Additionally, accountable and transparent financial management practices are necessary to achieve macro-economic stability and sustainable growth, which will provide a sound basis for eradicating poverty. Improving governance will involve changing mindsets at all levels.

### **1. Governance Strategies**

The Governance Programme comprises among others reforms in four main areas: public service improvement, people's participation, rule of law and sound financial management. These are described briefly in the following:

#### **a) Public Service Improvement**

Public administration reform is one of the main priority components of the governance programme. Medium and long term training strategies have to be developed for each of the priority areas of governance. A number of laws were passed, such as the Law on the Government, the Law on Local Administration and the Law on Anti-corruption. These represent steps forward in further refining the broad framework for the organisation, administration and management of the civil service and therefore have to be fully implemented. The collection of national data and the updating of the national civil service database will continue. The recent development of job descriptions has identified the need to increase the number of civil servants, particularly at the local level.

In order to develop a professional civil service, more service-orientated civil service training programmes will be carried out to create competent, professional personnel officers. Administrative and internal management staff will also be trained further. Public sector institutions will be better coordinated for enhanced productivity and more efficient use of funds. Recruitment procedures will become more effective, objective and transparent to enhance the professionalism of the staff. Examples of good customer service, creativity and innovation in the civil service will be promoted. New salary scales for civil servants will be introduced, with appropriate increases in their levels. Measures against corruption will be increased and laws and regulations will be enforced. The tasks within administrative bodies will be monitored closely and the level of responsibility and effectiveness in the utilisation of the National Budget will be enhanced. A code of ethics will be developed and ethical conduct will be rewarded. Monitoring mechanisms would be improved, particularly the tax collection system across the country. Judiciary, customs, national tax, national treasury and national audit or national inspection services will function under the full control of the concerned central ministries.

It is necessary to extend the telecommunications network throughout the country and improve the existing structures, by gradually developing and expanding Local Area Networks (LAN) and Wide Area Networks (WAN) for the Government intranet system. An ICT development strategy has to be finalised, approved and disseminated. More small ICT units have to be established in the ministries. ICT training will be given to the staff in the priority ministries and expanded gradually to other ministries. A legal framework has to be developed to support ICT development and use.

The public will have broader access to the performance reports of government organisations. Manuals and information brochures on the organisation and mandates of government organisations will be increasingly produced and distributed, while at the same time providing information for the people on procedures and fees for public services. Forums will be created for a participatory debate on a transparent and accountable Government.

In the next five years, a core task in the public service reform is to increase the cooperation of ministries, central sectors and localities, because there are still some limitations regarding cooperation in the present management, and the effectiveness of management is rather low. Immediate action is required to review the roles and responsibilities of each ministry and central sector, in order to seek improvements (synergies) and minimize the duplication of responsibilities. The major measures to be implemented include the following:

- Appropriately adopt the role of public management among ministries, local and central sectors and all regions following the guidance to enhance the central

management; and unify the Government at the central level, beginning with the areas of revenue collection and expenditure management;

- Develop the roles and responsibilities of all ministries and sectors in accordance with the macro-management; together with stabilizing the mechanisms and staffs in order to effectively manage the task and achieve a higher level of success. The realignment of some ministries/agencies in 2006 is an important step in this direction's.
- Upgrade the competency of management mechanisms to a higher level, and expand the level of responsibility and the transparency of offices, organizations, authorities and jurisdictions;
- Modernise the fundamental administration to become modern, alter the methods of management, and integrate improved technologies into the activities of public management;
- Upgrade the level of professionalism, morality and the rationales of staff and Government officials. Enhance education, monitoring and inspection and the strict compliance of the staff and Government officials who lack knowledge;
- Continue to ensure the payment of salaries to civil servants. Assess the salary system to find the advantages and disadvantages, and evolve approaches for solving the disadvantages. Examine the ways to change the salaries and assess and select the basic minimum salary of workers to pay tax;
- Implement the policy on salaries and support the provision of incentive payments to the staff who work in remote areas;
- Examine the social insurance system by particular fields suitable to the market mechanism managed by the Government. Urgently establish the social insurance fund and system from the central to the local levels; and ensure the long term sustainability of the fund to implement the social security policy;
- Create the mechanism to manage the system of revenue generation, strictly implementing the declaration of the assets and personal income of the staffs, and Government officials, especially those higher up in the hierarchy;
- Continue enhancing the measures against corruption and unreasonable expenses; implement rational spending; ensure the transparency of management; encourage the conclusion-appraisal of the tasks within the administrative bodies; enhance the levels of responsibilities and effectiveness in the utilization of the National Budget; and encourage economical practices and combat unreasonable expenditures;
- Upgrade the technical knowledge of the officials at all levels through short-term and long-term training. Cooperate with domestic and foreign construction. Select the candidates, who have the solid political attitude, solid status, suitable qualifications and are ready to follow the new policy of the Party and the Government; and
- Resolve the issue of reluctance, non-braveness and negative attitudes of some officials in the macro-management and create the mechanisms and policies to set

it right. Strictly comply with the regulations, regime and the national law. Punish the ones who violate and infringe on the national law and regulations.

## **b) People's Participation**

In order to ensure the broad-based participation of the people in the processes for the development of government policies and strategies, the Government has to improve human security, ensure a stable and peaceful society, and increase the knowledge of the population on laws, regulations and government policies and programmes. The staff of mass media organisations will continue to be trained and provided with more specialised equipment, so that they can disseminate more up-to-date and accurate information on the Government developments to the public. The Government will ensure the regular supply of information by sources in relation to the services, policies and development plans for the people, and create conducive conditions for all the people to access information without any difficulties. A legal framework for Civil Society Associations (CSA) will be developed. The participation of women in national and local governance will be encouraged and the Lao youth will be given more opportunities to express their concerns, expectations and ideas.

The objective of bringing service delivery closer to the people will continue to be strengthened through the ongoing refinement of the Government's Decentralisation Policy and the further development of staff planning capacities at the local level. This will ensure greater input by the communities to the planning, monitoring and evaluation of development activities.

The CPI will continue to improve the planning capacity of key planning staff at local levels to promote and utilise broader and more effective participation techniques. Human capacities would be strengthened at the local level so that the provinces will be able to collect accurate data and statistics and hence formulate their own socio-economic plans. The data collection and analysis capability of the National Statistics Centre (NSC) is being strengthened to improve the accuracy and amount of information provided. Intranet and telephone communications between the central and local government agencies will be increased, and regular coordination meetings between the two will be organised.

The National Assembly members have to be better motivated, equipped, supported and informed in fulfilling their tasks and responsibilities. The capacity of the National Assembly will be strengthened in drafting, revising, amending and adopting draft of laws. The National Assembly's ability to oversee the activities of the Government and the Courts would be improved. Information on the activities of the National Assembly will be increasingly disseminated. Laws targeted at the local administration and population will be further disseminated and implemented. People's participation in defining national

priorities through their elected representatives in the National Assembly will be enhanced.

### **c) Rule of Law**

The domestic legal framework will continue to be harmonised with international law, and agencies responsible for the application of international commitments will be improved. Laws on Government, People's Courts, Public Prosecutor and Judgement Enforcement will be reviewed and amended. Priority bills stimulating socio-economic growth and implementing guidelines will be drafted. The comprehensive compilation and regular updating and dissemination of legislation through the Legal Research Centre will be continued. It is important that the public's access to the legal services is increased. The personnel of the Ministry of Justice (MOJ) need to become more efficient and effective, which will require, among others, the streamlining of activities and procedures in all areas. There is a need to work with key stakeholders and the public in formulating national laws.

The legal procedures will be rationalized and improved with declaration, enforcement, dissemination and serious studies. There will be research done to adjust, improve and add some details to the existing legal system, especially in the areas of commerce, bankruptcy, enterprise, labour, credit, state budget and land acquisition, to suit the objectives of implementing the socio-economic strategy and participating in the international economy. New laws will be formulated to suit the development objectives and facilitate participation in the international arena. The Government will emphasize the structuring of transparent authorities and relating laws and encourage the enforcement of the laws.

It is important that the public's confidence in the court system is increased. This will entail speeding up the case resolution and decision making processes, establishing courts of appeal, judges, lawyers and prosecutors, updating equipment and establishing intranet connections for justice offices at the central and local levels. The publication of the official Gazette will be resumed. Legal literacy programmes will be expanded through the mass media. Legal training and awareness campaigns will be conducted in all schools and villages to increase people's knowledge of the laws and the role of the legal sector. The publication of law books and manuals will be increased and these will be supplied to facilities across the country. A legal basis will be created for the progressive circulation of court decisions and judgements, beginning with the People's Supreme Court. Mechanisms will be created for the public to obtain easy access to them. The Lao Bar Association and Village mediation units will continue to be strengthened.

Laws and regulations governing the organisation, role and responsibilities of the Office of the Supreme Public Prosecutor and the courts at central and local levels will be

revised. The training of trainers will be undertaken in the fields of legal affairs, legal dissemination and the drafting of legislation and other legal documents. The knowledge of public prosecutors will be upgraded, improving the monitoring and control of law enforcement from the central to the local levels. The reporting system of the Central Office of the Supreme Public Prosecutor will be improved through the computerisation of data collection and statistical information. The understanding of the different organisations involved in law enforcement and penalty adjustment, particularly among prosecutors, the police, the Ministry of Justice and the Ministry of Defence will be upgraded. Prosecutors at the central and provincial levels will be trained further, particularly to improve the skills of specialised prosecutor's investigators. A computerised data/statistical information system for prisons will be set up.

The buildings for legal institutions will be completed and further training will be carried out to develop human capacities, particularly in management and record keeping. The capacity of the Faculty of Law of the National University of Laos and the Judicial Training Institute will be raised, by acquiring a strong team of staff and ensuring the provision of vehicles, equipment and materials. The Government wishes to increase bilateral cooperation with ASEAN and neighbouring countries in the area of judicial training.

The Lao Bar Association will continually be strengthened, to enable it to better provide legal services to disadvantaged groups. The office responsible for providing legal advice to women will undergo renovation and restructuring. These developments will improve the implementation of the Law on the Development and the Protection of Rights and Interests of Women. Awareness at all levels of the Government and the community will be raised, about the special needs and vulnerability of women.

The Government has prepared a draft road map/master plan for the legal sector to implement the various measures, which was discussed with stakeholders including the partners in Development in May 2006. The road map/master plan is being finalised.

#### **d) Sound Financial Management**

On tax administration, emphasis has been placed on introducing new procedures for ensuring the effective registration of taxpayers, simplification of methods used for the filing and payment of taxes, introduction of new procedures for detecting under-reported incomes, and training of tax officials in the introduction of Information Technology solutions to support the collection process. The Government will make preparations to convert the turnover tax into a fully fledged value-added tax (VAT). Income, profit, personal and excise tax rates have been revised and strengthened. GATT valuation will be adopted for controlling the undervaluation of imports which has led to revenue leakage. With regard to customs administration, the Government has taken preliminary

steps towards the establishment of a National Customs Administration by allowing the Customs Department headquarters to have more control over the seven major international checkpoints. Preliminary steps have been taken for preparing a reorganisation of the Customs Department Headquarters and field offices. The Government will continue with the reduction of customs tariffs in line with the AFTA agreement.

On the expenditure side, the Government plans to make the budgetary framework more supportive of private sector growth and investment. Also, it will support the long term policy of increasing the share of the budget expenditure allocated to the priority areas of education, health, rural infrastructure and environmental conservation. A training plan will be developed to strengthen the capacity for budget preparation and execution. Steps to prevent expenditure arrears are being taken and a reporting system on arrears will be established. Revenue projection will be improved basing the future budgets on actual performance. A cash management system between the central and key provincial treasuries will be developed. The State accounting system regulations and procedures are planned to be extended to all provinces. Measures will be taken to increase the number of businesses maintaining proper accounting records. Efforts are being made to provide more stability and clarity in the legal and regulatory framework by drafting new and amending current legislation to encourage investment from the private sector. All laws and regulations with regard to investment activities need to be translated into English and distributed.

It is necessary to create a sound and competitive banking sector capable of supporting private sector led growth and extending rural outreach. The reform of the banking sector has been underway with the support of the ADB and the World Bank and achieved positive results. The development of performance targets for the State banks, in consultation with ADB and World Bank, will continue to be undertaken. (See also the section on Banking Sector in the previous Chapter.)

To ensure the accountable and transparent management of ODA, there is a need to strengthen the Government's ownership of ODA, beyond the Ministry of Foreign Affairs. Agencies responsible for the sectoral coordination need support to guide them through more effective planning, management, evaluation and reporting of ODA. It is important to have enhanced coordination of monitoring and evaluation capacity across CPI, the line ministries and the provinces. Project documentation, accounting, procurement and reporting needs to be harmonised.

In order for the State audit organisation to adopt more modern audit methodologies, systems and procedures, the Government is reviewing the reform roadmap, identified in the "Accounting and Auditing in the Lao PDR – A Diagnostic Assessment of Current Practices and a Roadmap to International Standards." The structure for possible draft legislation would be developed further through drafting, distribution, comment and

amendment so that it can be submitted to the National Assembly and approved to provide the legal framework for the new systems and procedures. Institutional strengthening of the audit and inspection bodies will be continued as outlined in the five-year audit plan for the fiscal years 2005-2009.

## **2. Targets**

### **a) Public Service Improvement**

- Develop a cost effective and people centred public administration;
- Modernise the civil service personnel management, including the use of Information and Communication Technologies (ICT);
- Develop a productive and highly motivated public service;
- Develop an honest and ethical public service;
- Eradicate corruption;
- Enhance professionalism in the public service through training and development;
- Improve Information and Communication Technology (ICT) to enhance transparency and productivity;

### **b) People's Participation**

- Ensure a stable and peaceful society and improve human security;
- Strengthen the National Assembly;
- Promote a dynamic and participatory society;
- Promote a more open and transparent society;
- Redefine central-local relations, bringing services closer to the people;

### **c) Rule of Law and Access to Justice**

- Establish a complete, clear and coherent legal framework;
- Strengthen the informal and formal mechanisms for dispute resolution;
- Ensure predictable and transparent mechanisms for legal enforcement;
- Take initiatives to strengthen the Ministry of Justice;
- Take priority initiatives for the National Assembly;
- Take priority initiatives for the People's Supreme Court (PSC);
- Take priority initiatives for the Office of the Supreme Public Prosecutor (OSPP);
- Improve the ability of all the peoples of the Lao PDR to access the justice system;

### **d) Sound Financial Management**

- Develop a sound fiscal policy;
- Develop transparent and accountable practices for the implementation of efficient and equitable revenue collection policies;
- Develop transparent and accountable practices for expenditure planning and management;
- Modernise the accounting system;
- Develop a banking sector capable of supporting private sector led growth and extending rural outreach;
- Ensure accountable and transparent management of ODA;
- Strengthen the capacities of the audit and inspection bodies;
- Improve the efficiency in land management and administration; and
- Improve the environment for private sector development.

## **E. Natural Resources and the Environment**

The overall objective of the draft National Environment Strategy 2003-2020 is “to sustainably utilise natural resources and protect and conserve the environment to ensure the sustainable development of the country while reducing poverty and enhancing the quality of life and health of the Lao people.”

### **1. Overall Strategy**

The overall strategy includes improving environmental management, plans, policies and laws; increasing environmental education and awareness; establishing financial mechanisms and promoting investment; and improving international coordination and cooperation. This will include the development and implementation of strategies, action plans, laws and regulations related to environmental protection, such as the National Environmental Strategy, provincial environmental strategies, the Environment Education and Awareness Strategy and Action Plan, Forest Action Plan on Biodiversity, and strategies and action plans on agriculture and water resources.

Currently, the Lao PDR does not have many environmental problems, but in the future this will change as the country develops socio-economically, natural resources will reduce and waste will increase. It is therefore important that the country takes early action in maintaining and protecting its environment. In the coming years, environmental problems should be solved in the big cities and some rural areas. The national strategic plan on the environment will be prepared and implemented; policies for environmental management will be drawn up and effectively used in development projects for the

prevention of environmental damage; and environmental protection methods publicised and people's participation in environmental protection will be upgraded. Mobilizing the population to preserve the environment and prevent damage is an important measure and it is expected that this will increase investment in environmental protection methods.

## **2. Specific Measures**

Three main strategies have been identified to achieve the objectives:

- a) Improving the management of natural resources by means of increased participation and protection through:
  - Strengthening participation, especially by the poor, in the preparation and implementation of national and local plans, policies and strategies;
  - Jointly managing environmental services and resources with the poor through strengthening community management of environmental resources;
  - Protecting access to the critical resources, which the poor already have (e.g. entitlements to land, water, trees, pastures and fishing grounds);
  - Expanding the natural asset base of the poor (e.g. community forest rights);
  - Reducing subsidies for environmental services that benefit the less-poor; and
  - Undertaking ecological zoning of the Lao PDR.
  
- b) Improving the institutional framework and its capacity by means of strengthening it and raising public awareness and political commitment through:
  - Developing a sound legislative and legal framework for property rights, water resources, forestry, land management and bio-diversity;
  - Using market-based instruments as much as possible;
  - Building capacity for more effective environmental management;
  - Deepening public awareness and political commitment;
  - Improving public access to environmental information;
  - Introducing environmental education as a standard part of the curriculum; and
  - Integrating environmental concerns into private sector decision-making, including promoting industry-wide codes of conduct and environmental auditing.
  
- c) Improving the environmental management in industrial and construction sectors through:
  - Promoting environmental infrastructure and technology that benefit the poor; and

- Promoting the development of environment-friendly private sector products such as eco-tourism and technologies that are energy efficient and clean.

The Government plans to finalize and implement the national strategic plan on the environment; develop policies for environmental management and effectively use them in development projects for the prevention of environmental damage; and publicize environmental protection methods and upgrade people's participation in environmental protection. At the same time, it will mobilize the population to preserve the environment and prevent damage.

The Policy on Sustainable Development of Natural Resources will be implemented. The natural resources will be managed and utilised in a reasonable and sustainable manner to ensure high benefit from the use of land, water, forest, mineral resources and biodiversity. Master plans on the management and utilisation of land, agricultural, industrial, urban, cultural, historical and natural sites will be developed. This includes developing master plans on water resources, forests, mineral resources, biodiversity and bio-safe technology, and on the prevention and control of adverse impacts from natural phenomena. Additionally, it is necessary to develop policy, strategy, laws and regulations on land, forests and water resources use.

The Government's environmental sector will be upgraded and the staff will be given appropriate training. Provincial environmental committees will be established in all provinces. A national environmental training programme and kit needs to be developed. More environmental laboratories need to be built. A report on the state of the environment at national and provincial levels will be developed and disseminated. The National Strategy and Action Plan on Environmental Education and Awareness needs to be developed and implemented. A national plan on environmental scientific and technological research will be developed.

National, sectoral and provincial environmental protection funds will be developed. Financial mechanisms will be developed, in order to promote and enable individuals, businesses and legal entities to contribute to the National Environment Protection Fund (NEPF). A specific government budget for environmental management has to be allocated. The policies on the environment in particular the policies on taxes and expenditure and the funds for environment will be declared.

Public participation in environmental protection processes will be encouraged. Environmental studies will be integrated into formal and non-formal education, including vocational training. More environmental protection methods will be publicised and the quality of broadcasting on weather disasters, early warning and prevention plans for natural disasters will be improved. Plans will be prepared to solve the problems of natural disasters including flooding and the problems of environmental damage along the rivers,

streams and lakes. The capacity of provincial and district disaster control committees will be raised.

The study of agricultural systems which are appropriate to the livelihood practices of highland and flat land people will be promoted. Local genetic resources and traditional species have to be preserved and an inventory will be drawn up of plants, animals, insects and organisms with a focus on species that can be used in agriculture and herbal medicine. It is important to develop and encourage the use of traditional knowledge and practices in using natural resources. Organic production and markets for organic products will be encouraged. The use of trade marks such as 'organic product' to guarantee the quality and uniqueness of the goods in the international markets will be encouraged.

It is necessary to continue to solve problems by conducting surveys and data collection by line ministries and local administration to improve their plans and the Sixth Plan implementation. Priority is to be given to the survey of the land for minerals and forestry; the execution of surveys on wind energy by location and livelihoods; the promotion of surveys for basic data on natural conditions and resources; and, the expansion of surveys to collect social data on culture, ethnic origin and religion of the mountainous and ethnic peoples. Environmental assessments will be undertaken on the impacts of development projects and operations on agricultural land. Surveys, assessments and evaluations will be carried out on the impacts of UXOs and yellow rain from the Indochina war, on human health and soil quality.

The use of environment-friendly technologies and production processes, and systematic environmental inspection for urban and infrastructural development projects, including industrial manufacturing and medium and large scale projects will be encouraged. The environment and social assessment regulations of infrastructure and environment quality and emission standards have to be developed and enforced.

The procedures for managing the social and environmental impacts in hydroelectricity and mining development will be streamlined. The National Policy on the Social and Environmental Sustainability of the Hydropower will be implemented. The industry and mining sectors will be encouraged to reduce and minimize pollution, and toxic and hazardous wastes. Waste treatment facilities will be established for agricultural, industrial and service projects and operations. The implementation of the Environmental Protection Law has to be encouraged. Policies and laws on urban planning and the master plan for Urban Development and Administration Authority have to be implemented. Recycling and anti-litter campaigns have to be promoted. The use of renewable energy based on local and regional conditions has to be promoted. The business sector's involvement in environmental protection, restoration and the sustainable use of natural resources needs to be promoted.

Regional and international environmental cooperation especially with neighbouring countries, ASEAN members, Mekong region countries and international organisations has to improve, in order to ensure good cooperation to deal with trans-border environmental issues and the protection of the environment. The strategic plan on the development of special economic zones and free trade areas has to be implemented.

### 3. Targets

- Ensure the balance between socio-economic development and environmental protection, so that all citizens live in a clean and nice environment;
- Develop and manage land resources exploitation and natural resources (water and minerals) in better ways;
- Coordinate policies on economics and preventive policies; develop the natural resources and the environment; ensure the proper and effective use of natural resources; ensure the activities for industrialization and modernization through saving and reducing the use of non-renewable natural resources; support the implementation of the policies on the use of land and other natural resources to generate funds for economic development;
- Focus on solving the problems of environmental damage in the industrial areas and densely populated areas;
- Efficiently check pollution levels and methods of environmental protection;
- Raise the ratio of green areas to above 50 percent of all natural areas;
- Aim to plant 25,000-30,000 ha of forest to increase the ratio of forest cover to more than 50 percent in 2010; and increase forest plantation in national parks, inter-provinces and national routes;
- Reorient forestry administration including clarifying forest areas, giving land to households and communities, increasing methods for protecting and developing forests and preventing forest fires;
- Plant trees to cover logged areas and bare hills, particularly the areas along the Mekong, while at the same time preserving the natural view;
- Develop areas for industrial trees, producing large volumes of goods such as rubber, fruit trees and special trees;
- Increase the usage of quality control systems, modern environmental management (ISO 9000, ISO 14000), as well as paying attention to product standards;
- Increase the number of companies using environment-friendly technologies and production processes;
- Support basic production entities that have just been established to use clean technologies and equipment to reduce pollution;
- Ensure that waste disposal meets environmental standards, with 20 percent of production units to get certificates on compliance with environmental standards or certificates; the production areas should have drainage systems for waste disposal as the standard to preserve the environment; and complete the basic level of improvement and upgrade the rain (storm) drainage systems in the cities as well as in the industrial and production areas;

- Provide for the needs of environmental protection linked with international economies and reduce the constraints to export to the international markets, and link the economies through the mobilization of community participation;
- Aim to clear UXO from all high priority agricultural areas by 2013;
- Put an end to slash-and-burn cultivation by 2010;
- Reduce the proportion of the population using solid fuels;
- Reduce carbon dioxide emissions from all sources;
- Reduce the consumption of ozone-depleting chlorofluorocarbons;
- Biodiversity Conservation by improving NBCA management (FS/NBSAP);
- Conserve threatened and endangered species in their habitat (NBSAP);
- Controlling Wildlife Trade (FS/NBSAP); and
- Biodiversity Management and ecologically sustainable agriculture and forestry (NBSAP).

## **F. Private Sector Development**

The vision is to make the private sector an increasingly important driving force for accelerating economic growth, generating high-paying jobs, and reducing poverty. Increased private investment will provide new income generating opportunities including many new jobs during the next five years. Private sector investment will also play a pivotal role in increasing the competitiveness of the Lao economy in regional and international markets during the period.

### **1. Overall Strategy**

The overall strategy is to create a more favourable environment to promote the private sector and to attract foreign direct investment (FDI). Existing regulations, laws and procedures will be changed to accelerate the process of setting up a business. The rate of growth of foreign investment into various projects will be accelerated. Investment activities will be varied due to an open environment for attracting foreign investments from the private sector or Lao people living overseas to be involved in commodity production for domestic and/or international markets. There will be measures for developing market types, science and technology services, intellectual products and business consultancies. There is a need to maintain the recent improvements in economic stability and sustaining social stability as private investors want stability and predictability.

## **2. Specific Strategies**

Some of the main areas contributing to the enhancement of the business environment have been identified: a) enabling policies, regulations and practices, b) improvements in the legal framework, c) information and consultation, d) a more favourable macroeconomic environment, and e) improved coordination and management capacity. These are discussed briefly in the following:

### **a) Policies, Regulations and Practices**

Policies will be drafted and issued aiming at facilitating the rapid development of the private sector, including businesses of all types and sizes. The private economic sector will be supported via an equal and fair business environment for both private and state enterprises. The business law has to be finalised, implemented and enforced. There will be immediate action on the promulgation of the law against monopolies and barriers that confront enterprises. Private enterprises do not have to obtain any further permission certificates when there is equality in operation based on rules and decrees regarding a list of permission certificates. Procedures of application and other unnecessary restrictions will be limited to build connections among state organizations and to increase outside enterprises entering the markets (e.g. enterprise registration, procedures for obtaining official stamps, tax registration, leasing land for operating business and conditions for applying for loans).

The administrative application system for business activities of enterprises within the private economic sector will be reformed. There will be a reform of the procedures such as monitoring, calculation and enterprise accounting in order to facilitate activities and increase the effectiveness of monitoring. The Government will continue the public administration reform related to business operation, improving the efficiency of monitoring and evaluation works toward creating more favourable conditions for all types of businesses. Policy makers need to respond quickly in taking concrete measures to reduce barriers to business investment.

Government administration and organizations will be disciplined to prevent the rejection of business applications. There will be an experiment to transfer the application processes to business associations and capable sectors. Regulations of the three business coordinating organizations will be announced. Regulations on such aspects as business registration, official stamp management and customs will be disseminated. Information on enterprises will be supplied to banks as a reference for granting loans. There will be an experiment on enterprise services to assist banks issuing limits on their loans. There will be campaigns on collecting funds for growing investment through selling enterprise, state and Vientiane (municipal) bonds. The priority is to reform the regulations and administrative constraints that give rise to monopolies, such as expanding the number of

tourist operators permitted to establish in a province, lifting restrictions on movements of goods between provinces and not limiting provincial contracts to local firms. Relevant Government agencies should be charged with studying and taking action to increase competition in priority areas, such as transport, logistics and freight handling. Discrimination between the state and the private sectors will be eliminated. The Government will complete the granting of land-use certificates and ensure land-use-related rights to businesses. It will review and revise the credit and banking policies with a view to expanding the target group and simplifying loan provision and allocation procedures. The overall business information system will be established and strengthened to support business operations as well as assist Government authorities in terms of monitoring and evaluation.

Small and medium enterprises (SMEs) will receive special attention and appropriate legal frameworks will be put in place at least by the end of the Sixth Plan (2010). The Prime Minister's Decree on the Promotion and Development of Small and Medium Sized Enterprises (No. 42/PM) issued on 20 April 2004, provides the overall framework for defining the directions and policies, establishment of SME support fund and support organizations, and regulations, practices and measures to promote and develop SMEs in the country. The Decree identified six priority policy areas for SME promotion and development: (i) creating an enabling regulatory and administrative environment; (ii) enhancing competitiveness; (iii) expanding domestic and international markets; (iv) improving access to finance; (v) encouraging and creating favorable conditions for establishment of business organizations; and (vi) enhancing entrepreneurial attitudes and characteristics within society. Support to SMEs will be strengthened. Traditional handicrafts will be developed and handicraft villages will be built to create jobs, generate income and develop the non-agricultural sectors in rural areas.

## **b) Legal Framework Improvement**

The Government will promote the drafting and finalizing of the legal framework that better fits the socialist-oriented economy of the Lao PDR. This will help establish a base for business development in all economic sectors. The country will have a comprehensive legal system, which is a factor for effectiveness in a market-oriented economy. Legal procedures will be rationalized and improved with declaration, enforcement, dissemination and serious studies. There will be research done to adjust, improve or add some details to the existing legal system, especially in the areas of commerce, bankruptcy, enterprise, labour, credit, state budget and land acquisition, to suit the objectives of implementing the socio-economic strategy and of participating in the international economy. New laws will be formulated to suit the development objectives and facilitate participation in the international arena.

The judicial system will be based on equality for facilitating foreign and domestic investments, in relation to building a stable environment and equity in business-

production. The regulations and policies on investments will be implemented to suit each objective. Judicial documents will be improved in order to prevent documents that are against overall regulations. There will be transparency in the application procedures, and administrative mechanisms will be based on a one-stop corridor window at the central and local levels for foreign investments.

The law related to competition will be announced in order to encourage state-owned enterprises (SOEs) to receive fair competition. For monopolistic enterprises, the Government will have rules to monitor pricing and benefits.

The establishment of a central register of all legal documents and instruments related to private sector development is a high priority. A Registry of Secured Transactions has been established in the Ministry of Finance and will require technical support for making it functional.

### **c) Information and Consultation**

The following steps will be taken: (i) acceleration of the publication of English versions of all laws and regulations with regard to investment; and publication of a newsmagazine on investment activities; (ii) regular publication of important economic documents such as the national budget; and (iii) organization of regular meeting forums by the central and local Governments with the business sectors, domestic investors and potential economic partners in neighbouring countries to facilitate their operations and resolve difficulties that may arise, and address the barriers to the further development of cross-border production networks.

### **d) Macroeconomic Environment**

The measures will include a review of the ceilings on tax-deductible investment expenditures and the approval system for imports and exports. As indicated in an earlier section, the focus of the macroeconomic reforms will be on the restructuring of the financial sector. Improved credit risk management is a priority. Complementary measures presently under study include the enforcement of the Secured Transactions Law, and amendments to the Decree on Commercial Banks.

### **e) Coordination and Management Capacity**

The coordination and management capacities will be improved in such areas as the enforcement of the laws concerning bankruptcy, secured lending, dispute resolution and debt recovery; and enforcement of the Tax Law. The tax officials will be trained and strict penalties will be applied to businesses and individuals that do not comply with the Tax Law. The quality and professionalism of the public service provision will be raised and corruption reduced; and also it will be easier for businesses to comply with regulations, to pay customs duties and taxes. Management and analytical capacities have to be developed in order for the Government to be able to evaluate what is working and what is not; and also to respond to lessons from experience and changing circumstances. Relevant senior officials at central and provincial levels must take immediate actions to resolve the constraints that can effectively be resolved by Government actions. They should be held accountable for progress in increasing business investment. The Government needs to regularly consult with the local authorities, civil society and the business community to identify major constraints, and to develop actions to address these constraints. The Government needs to prepare, distribute and discuss periodic reports on progress with plan implementation, emerging bottlenecks and actions taken to address these bottlenecks.

### **3. Foreign-Invested Sectors**

A favourable environment will be created to attract foreign direct investment (FDI), especially from the main companies in Asia. It is necessary to be aware that FDI is an organic part of the economy and will be further developed in parallel with the country's socio-economic development process. The present situation of the Lao PDR indicates that foreign investments have played a key role in developing the country's economy and they will be major factors for development in the next decades. Despite the abundance of natural resources in the country, the discovery and utilization of such resources has not been made due to the lack of funds, skilled labour and management capacity. If the country manages to explore and utilize these resources, it will strengthen commodity production.

In general, there are limitations in attracting foreign direct investment due to the lack of a domestic workforce with technical capacity. Human resources development requires an extended period of time. A solution at the initial stage may be to import international labour required to support projects receiving foreign direct investments. Clearer labour policies will be issued to promote the private sector and foreign investors to invest more capital in developing the industries. Foreigners working for enterprises investing in the country have to contribute to commodity production. Employees and technical workers are urged to prepare for meeting the needs of foreign investments. Thus, there is an urgent need to train technical workers.

The Sixth Plan (2006-2010) will translate programmes into actions and methods for economic development that incorporate foreign investments. There will be an immediate materialization of laws related to foreign investments. The 5th National Assembly already made some changes to the mechanisms, policy, plans, procedures for granting investment permits, etc. These will be monitored regularly for further improvement and to enlarge the investment environment. This will create fast investment procedures, which will become simpler. Based on occupation types and regional specialty, a development plan will be determined in order to attract foreign investment. For example, foreign investment will be attracted in hydro-electricity, mining, food processing, cattle rearing and export industries.

A list of projects that require foreign investment will be compiled within each period of the five-years in relation to the granting of foreign investment permits. A supporting committee will be assigned to inform potential investors in capable countries to attract foreign investment. Major cities should set up meetings for discussion and report on the foreign investments that suit the capacities, strengths and priorities of the local people as well as the country. Senior Government leaders should arrange meetings with local and international investors/enterprises to receive feedback, in order to improve the public investment environment. The difficulties that confront the enterprises should be addressed and solved immediately in order to encourage and facilitate production and

business operations. Regular budgets will be injected into enterprise activities to enhance integration, discussion and assistance, solving difficulties that confront foreign investors.

The Government will conduct regular assessments of enterprise business operations for every economic sector (e.g. private and state sectors), and has policies to reward people with great achievements with medals. Regulations and services will be improved and disseminated in order to simplify investment, and shorten the time for granting investment permits. The effectiveness of investment promotion will be improved and there will be a new method to gain awareness about investments with ownership and suitability for local conditions and types of enterprises. The policies on investment priorities will be reviewed, including the regulations on granting investment permits, especially land acquisition fees, transportation and telecommunications service charges and others, to build a more favourable investment environment in the Lao PDR. Projects with permission can be implemented immediately and new project registration will be speeded-up.

Directions on minimizing service costs will be extended in order to obtain equal returns from both domestic and international investments. Land acquisition fees and some previous exemptions will be reviewed. Procedures and administrative permits relevant to foreign investments will be improved and the time involved for granting permits will be shortened. There will be open registration for investments and a limitation on certificates that are barriers to foreign investments.

#### **4. Targets**

- Reform the laws and regulations involved in setting up enterprises and streamline the process;
- Finalisation, implementation and enforcement of the implementing regulations for the Business Law;
- Improve the quality and professionalism of public service provision;
- Increasing transparency;
- Hold regular meetings between the central and local level Government and the private sector;
- Reform regulations and administrative constraints that give rise to monopolies such as: lift restrictions on the movement of goods between provinces; and abolish limitations on restricting provincial contracts to local firms;
- Lift some restrictions on foreign workers;
- Reform the tax system, setting up proper monitoring agencies;
- Increase foreign investment;

- Continue to develop regulations and business operation laws and improve the business licensing processes; reduce unnecessary procedures; and increase fast and convenient services to businesses and entrepreneurs;
- Promote the establishment of enterprises, cooperatives and family businesses in all areas permitted by the Government; Increase people's access to financing.

## **G. Science and Technology**

The long-term objective is to make the Lao PDR a technologically advanced nation, with highly skilled people and enterprises able to compete effectively in regional and global markets; and contribute and benefit from such participation. The technology of Lao PDR needs to rapidly catch up with the rest of the region, by identifying, transferring and adapting existing appropriate technologies from neighbouring and other countries. Increased FDI will contribute to this process.

### **1. Overall Strategy**

The overall strategy is to facilitate international integration on science and technology and methods to reduce the disparities in science and technology between the Lao PDR and the regional and global levels; and promote international cooperation. The strategy and master plan on socio-economic development would aim at strengthening the fields of natural sciences to support industrialization and modernization and the overall socio-economic development of the country. Importance is to be given to research in basic sciences for technological development, the exploitation of natural resources, and the protection of the environment. In addition to the selection of basic technology, there will be increased focus on the transfer of new technology, which has the decisive role to upgrade sectoral technologies effectively for economic development. Also, it is necessary to develop standards to evaluate technology levels in the production and services sectors.

### **2. Specific Strategies**

The outcomes of science and technology policies implemented in the Fifth Plan (2001-2005) will be evaluated to identify successes and lessons learned to be selected and used for production and business plans in the Sixth Plan period (2006 –2010). The adoption of new technologies and best practices from science and technology for daily production and livelihoods will be supported. The science and technology research will be coordinated with teaching and practical production based on the transformation of the present basic science research institutions and through new research institutions for the schools and the universities.

The Government will focus on the establishment and development of national science and technology; increase knowledge, mastering and quality; customize modern technology from foreign countries to the local conditions of production, service and infrastructure areas in order to reduce the time for technology transfer and adoption to accelerate its use. It plans to improve research on science and technology; examine and use best practices in science and technology for production and businesses; upgrade the technologies in the main production and services sectors, focusing on increasing the effectiveness and competitiveness of economic sectors; and increase the contribution of science and technology to the growth of each sector, each product, each area and the economy of each region of the country.

The capacities of domestic science and technology will be improved including the ability to learn and apply the regional and global innovations in science and technology. The Government will provide funds for national research projects for use in socio-economic development. It will develop modern science and technology, first in some focal sites and in the fields needed for high technical qualifications. The science and technology activities will be socialized to support their wider development. The development of human resources in the fields of science and technology will be continued; the creative ideas and best practices in science and technology will be promoted; the best researchers and scientists will be encouraged and recognized; the opportunities for selection, learning and exploitation will be increased; and the technologies gained from foreign countries will be developed for appropriate application in the Lao PDR.

The adoption of new technologies including the upgrading of technologies in the production and service sectors will be supported; with particular attention given to the production sector, in accordance with the AFTA agreement, which aims to upgrade labour efficiency and productivity, and improve economic competitiveness. Importance is to be given to enhancing the access of the rural, remote and difficult areas to the techniques and outcomes of science and technology.

In the five-year period 2006-2010, priority is to be given to the development of science and technology to serve agricultural production and natural wetland resources, support research, select and use improved varieties of seeds and animals that provide high yields and high value, to serve the needs of the agricultural economies and the rural areas. Modern technologies for integrated farming will be used, expanding employment opportunities, producing the consumer products and exports, providing the raw materials to the processing industries and upgrading the capacity for economic competition.

In agriculture, the focus will be on (i) research and application of the high productivity and high value crop and animal varieties and (ii) research and application of post-harvest and agro-processing technologies. The Government will support the testing and adoption of improved rice production and livestock rearing methods. Also, the development of bio-technology will be initiated and promising results applied in production. In industry

and construction fields, the focus will be on research and application of modern technologies to increase the competitiveness of goods and services. Modern methods of science and technology will be harnessed to predict the weather and other natural phenomena; and disseminate the information widely to the public to reduce the damages from natural disasters.

Research centres will be established and the production of improved varieties of rice, corn, industrial trees, animal species, poultry and fish will be promoted in the provinces of Vientiane, Luang Namtha and Champasak. The number of staff in science areas will be increased based on the needs of the sectors in each region. First, the research centre and laboratories for the universities in Vientiane will be established, with focus on research in the key sectors such as electricity, minerals processing including iron, agriculture and forestry, chemical fertilizer, organic fertilizer and animals feeds. The centre would coordinate with the ministries and projects to develop technical staff and focus on key sectors.

The Government will continue to research the changes in mechanisms to manage science and technology aiming to mobilize the funds for the formation and improvement of professional skills; empower domestic labour to quickly adapt to the rapidly changing and stronger mechanisms in science and technology management; upgrade the quality and capacities for trade in technology products; select and widely use the tender procedures on science and technology to ensure competition, equality and openness; operate the mechanisms for self-mastering and self-responsibilities for the public agencies for science and technology; organize and research the use and development of technology for the activities in suitable forms of business mechanisms; enhance the science and technology of business units; and declare the law on intellectual property rights preservation and the law on the transfer of technology.

During the Sixth Plan period (2006-2010), it is necessary to promote and prepare policies on the transfer of new technology, encourage innovations and upgrade the technologies in production and services in the economic sectors; and ensure the efficiency and competitiveness of the economy for better economic integration. The investment in scientific research will be increased; researchers and highly qualified scientific staff will be developed; and the data (information) on science and technology will be upgraded. The Lao PDR will widely cooperate in scientific research and train researchers in the science and technology of regional countries and the world. First, in cooperation with the neighbouring countries, the Government will motivate the Lao peoples to develop the use of science and technology. It will improve the organization of people and attract foreigners to invest in the development of science and technology in the country. It will motivate the expatriate experts, particularly the excellent Lao experts who permanently live abroad to return to teach and organize activities on science and technology.

Research will focus on health, environmental impacts on health, infectious diseases and HIV/AIDS prevention. The research results will be used for the effective examination of the outcomes of natural resources utilization and environmental protection. The use of new technologies for monitoring and solving environmental pollution will be promoted. Domestic and foreign technologies will be assessed for use in food processing, upgrading the health of the general population, and protecting biodiversity and the environment.

### **3. Technology Market Development**

It may be necessary to review and revise the drafts of new legal documents on intellectual property, technology transfer and contracting to ensure intellectual property rights, declaration, and the transfer of research results. The Government intends to simplify procedures, and if deemed necessary, reduce tax, especially personal income tax imposed on qualified domestic or foreign experts working in the country. It will apply measures to reduce the transaction costs for technology transfer to the Lao PDR. An information system for science and technology will be established domestically and internationally to facilitate access to eligible persons and enterprises. Basic information about intellectual property rights and copyright registration will be disseminated for people and organizations to register their science-technology products for industrial (patent) rights. There will be preferred conditions for building consulting organizations, technology services for all economic sectors, market fairs for 'technology', and regular seminars to introduce new outcomes of Lao and foreign technologies to mass customers. This will help enlarge the outcomes from science and technology, and contribute to the foundations of the technology market development.