

I. SECTORAL AND REGIONAL DEVELOPMENT

A. General Guidelines

Based on requirements and development views set out for the Sixth Plan, the development of sectors, regions and economic players (sectors) in the five-year period should directly strengthen the nation's advantages and utilize every natural resource, human resource, and knowledge of the Lao people. This process should also combine the advantages of international integration and favourable conditions for trade with other countries to implement industrialization and modernization in a better fashion. Sectors and regions need to follow the general development rules and make quantum jumps in a number of areas in order to catch up with global developments. Therefore, the development guidelines for sectors, regions and economic players of the Lao PDR share common as well as unique characteristics with other countries.

The sector-specific development guidelines for the five-year period 2006-2010 are based on the above reasons, and are as follows:

- (i) Develop sectors using more labour because the Lao PDR has an advantage in terms of human resources compared to other countries; with focus on sectors such as textiles, footwear, tourism and tourism services; and machinery and electronic products;
- (ii) Develop the core industrial sector products such as hydropower and mineral exploitation;
- (iii) Develop a number of tropical industrial trees and trees plants and animals with high economic efficiency and good consumer market; and on that basis, continue to develop the agro-processing industry; and
- (iv) Continue to bring the economic sectors to a new level of development through wide use of global developments in science and technology, especially paying attention to developments in Information Technology and Bio-Technology.

With regard to the public economic sectors, general directions have to be followed. Economic systems should include many types of ownership and many forms of production and business organizations in which the state sector and the private sector in cooperation with local communities must be established and improved in order to create the main economic pillars to be operated along with other sub-economic sectors in parallel with the participation and uplifting of the roles of the private sector in development activities, with the aims to strengthen the fundamental national economic structures and to be strong enough for integration with the regional and global economies.

The general orientations for developing types of businesses are to: (i) continue developing the state sector step-by-step, making it a decisive sector in the economy and an important force and tool for the State's macroeconomic regulation, especially with the state sector playing a key role in developing socio-economic infrastructure, ensuring the delivery of basic public services to all the people, and developing key industries; (ii) develop collective businesses with many types of cooperation, with cooperatives playing a key role, to accelerate the universal power of many individuals, specially to produce a large quantity of goods for export and for meeting the needs of society; (iii) develop individual private businesses in urban and rural areas, which will be satellites for enterprises and cooperatives; (iv) develop a variety of state capitalism in the form of joint ventures, linking the Lao state sector with domestic and foreign private sectors; and (v) make a break-through in foreign-invested enterprises, especially in key sectors and key regions.

For the development of economic players/areas, the general guidelines are to uphold the roles of the main economic players/areas that have a high capacity of capital accumulation and growth. At the same time, opportunities should be given for the development of other players/areas on the basis of their own advantages. Special importance will be given to socio-economic development in parallel with defence and security in mountainous areas and ethnic areas, with priority for border areas. The detailed directions for development of the sectors and regions are provided in the following:

B. Agriculture Development

1. Objectives

The objectives include: (i) the development of commodity production to meet local demand and to increase exports, (ii) increase the number of agricultural products for export, with the continued shift in the structure of the agriculture and rural economy towards promotion of commercial agriculture, (iii) introduce and increase the application of new technology including IT in production, preservation and processing, (iv) develop skills training in the rural areas on many aspects, (v) diversify the rural economies, especially to increase the value-added through links to other sectors to improve the people's living standards, and (vi) build new agricultural development infrastructure.

a) Development Guidelines

First, we should continue to implement the priority plans of the Government as laid out in the Sixth Five-Year Plan for rice production to reach 3.2 - 3.3 million tons by 2010, especially in the seven plains areas with existing agricultural facilities and infrastructure. Meanwhile, efforts should be made to diversify the agricultural and forestry products to meet the existing market demand; and focus on the plantation of certain industrial crops based on the potential of each region to increase the export volumes. The latter includes the plantation of such commercial crops as coffee, rubber, tea, cashew, maize, cassava, beans, tobacco and sugarcane. Attention should be paid to raising cattle with focused efforts, such as: cows and buffalos for export; and goats, pigs and fish to meet the increasing domestic market demand. It is necessary to continue to develop and establish focal areas for production in many locations and uplift the production capacity by applying new technology. Also, there should be a focus on processing industries to add value to the agricultural products for export. Over the five-year period 2006-2010, the areas of slash-and-burn rice cultivation should be reduced by introducing new livelihood alternatives, such as industrial tree plantations and commercial crops, livestock rearing, and other permanent livelihood alternatives. It is necessary to establish and implement afforestation projects and water-shed protection areas, with the tree plantations reaching 25,000-30,000 hectares and increase the forest areas to 50% of the total land territory.

b) Development Guidelines for Some Sub-sectors

Food crops and vegetables: The production volumes of food crops should continue to be increased to adequate levels to ensure food security and maintenance of food reserves. Rice production in 2010 should reach about 3.2 -3.3 million tons, with the volume of all food crops production reaching 3.8 - 4 million tons, providing for an average food availability of 450-500 kilograms per capita. Corn production should be promoted by increasing the planted area to 28,000 – 30,000 hectares, with a total production capacity of 135,000 – 140,000 tons. The low productivity land areas should be transformed for plantation of other types of tree crops. Intensive agriculture should be promoted in order to increase the productivity of this sector. The agricultural focal areas should be developed with specialization of plantations, vegetables, and fruits with special Lao characteristics (e.g. organic fruits).

Industrial trees: The general guideline for the five-year period 2006-2010 is to establish various special plantation areas for certain types of trees in order to secure the quantity of supply to domestic/local processing industries and for export. The plantation of industrial trees should be coordinated with the establishment of the infrastructure for processing industries. The focal and central investments should be organized to apply advanced technology, and new improved varieties of higher quality so as to increase the volume of exports. The plantation of such crops as rubber, coffee, tea, tobacco, cotton and cashew, should continue to be expanded in areas suitable for these types of crops.

Livestock: First, it is necessary to strive to ensure the supply of a sufficient amount of meat to domestic markets. Animal raising activities on farms should be promoted, with priority to large animal raising programs, especially big animals and poultry, through new effective breeding of high quality animals. Animal feeding should be ensured to enable the export of a larger quantity of animals. The efforts to increase the livestock should be intensified; especially big animals and poultry, with the growth reaching about 4-5% per annum. By 2010, the livestock sector should account for approximately 42 - 45 % of the total value of production of agricultural-forestry products.

Fish Production: The production of aquatic animals of high commercial value should be increased, especially fish raising in the Mekong and its tributaries. The fish processing industry should be improved and expanded to increase the value-added in this sector.

Forestry: The administration and exploitation of timber and non-timber forest products should be improved and reformed, with controls on the exploitation of timber. At the same time, tree plantation and forest protection should be promoted. The categorization of different types of forests, including the identification of ownership types (such as state-owned, collective, community and other forms of ownership) should be accomplished. The exploitation (use) of forest areas in the watersheds should be reduced by organizing strong management by the state units and increasing the forest cover. The investments should be focused on plantation in order to ensure the supply of raw materials to processing industries, such as paper and plywood mills.

The efforts on forestry plantation should be intensified to reach the level of 25,000 – 30,000 hectares. The forest cover should be increased to above 50 percent of the total land area of the country by 2010, including through mobilization of tree plantation in public places and alongside the roads.

By 2020, the forest areas should reach about 17 million hectares covering 70% of the total land area or the same level as in 1940. Efforts should continue to reduce the damage to forests in rural areas; especially the damage caused by slash and burn cultivation practices. At the same time, clear policies need to be developed to create job opportunities for local people in order to implement such guidelines. The implementation of permanent livelihood programs, such as the allocation of land and/or forests to be administered by local communities, long-term land titling programs, and tax exemptions on land use, should be continued to ensure stable livelihoods for the people. Therefore, it is essential to provide financial assistance and some production equipment to the local people. Poor households should be provided access to credit (loans); and vocational training on plantation techniques and related areas should be organized as a long-term approach. The efforts should be focused to support strongly the agriculture promotion activities with the aim to diversify the forms of production by local communities including in many sectors - agriculture, tourism and other services sectors - aiming at the eradication of poverty of the local people.

In order to achieve the above mentioned objectives in the five-year period 2006-2010, efforts should be made to invest about 11.8 thousand billion kip in the agriculture and forestry sector, which would account for 16% of the total investment.

c) Implementation Measures

It is necessary to organize to establish development regions, such as tree plantation regions and livestock production regions (rice and corn production areas have already been allocated), with special supporting policies in accordance with large-scale production guidelines by starting the implementation in areas where favourable conditions exist as a first step. In future, the line ministries and sectors and local administration authorities must urgently produce the lists of main types of trees (commercial crops) and animals with high economic value that are effective and favourable for the conditions in their areas to be included in the lists of their investment priorities. By doing so, each district should select 2 or 3 main items to be the prioritized items for development based on the local potentials.

The agricultural production should be continued, especially the production of vegetables and livestock in the plains of Vientiane, Bolikhamsay, Khammoune, Sedon, Champasak, Attapeu and in the North, with special focus on the plantation of rice, corn, and vegetables for export. Food production should be promoted in some mountainous areas to meet the consumption needs of the local communities.

The development of the regions with raw materials should be encouraged in order to sustain the supply of quality raw materials to the processing industry. Mechanisms and special policies should be identified to attract domestic and foreign investment in the seven plains and in other areas where raw materials are produced by reducing the cost of leasing land (rental), extending (prolonging) the lease (rental) period, and promoting the employment of domestic workers and skilled foreign labour.

The development of rural infrastructure should be continued, preventing and reducing natural disasters. It is necessary to invest in aquaculture, prioritize the investment in science and technology, and upgrade the capacity to compete in national and international markets. The society should be encouraged to invest increasingly in agriculture, forestry and aquaculture to reduce the level of reliance on the state budget.

It is necessary to invest in the construction of basic infrastructure for the agriculture and rural development sectors to more quickly increase their effectiveness and capacity, for example, through increased investment in the development of breeding, fertilizers, agriculture extension and other technical areas.

Investments in the construction of irrigation facilities in agriculture production areas should continue; with the supply of materials, breeding, fertilizers and pesticides to the agriculture sector ensured. Measures to increase productivity and support the development of vocational training should be introduced.

The monitoring activities should be continued and the environmental protection approaches improved. The potentials of aquaculture should be explored and the practice safe aquaculture should be promoted to avoid the out break of disease.

Land policy: The efforts on land management should be enhanced, because land is the basic requirement for agricultural production. Therefore, focus has to be placed on planning and managing the land use in various provinces and local areas.

The program of long-term land allocation to local communities should be implemented to support their production activities and to sustain the forestry development in the long-run. The people should be entitled to the ownership of land to be used for agriculture, for operating businesses and for supplying of products, within the right of land use and management. The owner has five types of rights over the land: develop/use, transfer, lease (offer for rental), inherit and use as collateral. The Government allows organizations and foreign individuals to lease (rent) land for specific (definite) periods at reasonable prices for the purpose of farming, and large-scale agriculture projects. The Government must develop mechanisms and policies to administer the land use, because land will be the biggest investment capital in the future.

The allocation of the right of land ownership must be done step by step, e.g. allowing for rental and collect the rental fee at reasonable rates, with increments according to the local context. The rental period should be on a long-term basis (e.g. 50 year for seasonal crop plantation or 70 years for long-term crops) to ensure confidence among land users and to be attractive for investment. The work to allocate the land and/or forest should be enhanced and land titling programs for agriculture purposes should be supported to promote land use in the most effective ways.

Apart from this, with regard to the effectiveness of land use, surveys should take place to identify the special purposes of land use in different sectors, such as agriculture, industry and tourism (cultural attractions). In the implementation of these measures, consideration should be given to not invest in all programs at once due to insufficient funds, and the Government may invest in prioritized focal areas first.

Credit Policies: Favourable conditions and facilitating players should be created so that local people can have easier access to credit (the loans) from the banks and to ensure that

all people have equal access to the loans. The commercial banks, especially the Agriculture Promotion Bank, should be allowed to release the loans with collateral in an appropriate, transparent and quick manner to suit the actual conditions of local communities. In future, loans should be made available for different durations (short-term, medium-term, long-term) according to the nature and seasons of activities such as tree plantation and animal raising.

The financial resources should be ensured for distribution within the agriculture sector and for the rural development schemes. In addition to the Government funds and resources from the financial institutions in the form of loans, funds should be mobilized from communities, and social organizations from within and outside the country to enlarge the investment funds in the agriculture sector.

The implementation of the activities of (money) savings groups should be continued, organizing different forms of funds including village development funds, which have been initiated by the Government and implemented since the fiscal year 2003/04. It is necessary to review and share the lessons learned to improve the works related to the administration of micro-finance, to follow the same guidelines and policies to promote agriculture and create income generation activities for local communities in parallel with the promotion of savings groups or other forms of funds. The latter should be administered in a sustainable manner and regulated in uniform ways.

Investment: The proportion of investment from the budget to the agriculture and rural development sectors should be increased, with investments in the construction of key infrastructure so that local communities are able to transform their agriculture structures and open opportunities for other business activities.

The export-oriented agriculture production (e.g. coffee, tea and rubber) must have mechanisms that can draw the attention of investors to invest in the construction of agriculture infrastructures. At the same time, credit mechanisms should be in place to reach rural communities with certain forms of financial movement in order to contribute the funds to agriculture activities in rural areas.

The policy of providing loans with variable interest to the various economic sectors should be implemented. Commercial banks and credit institutions should set the interest rates for each target group and each economic region at appropriate terms to ensure financial liquidity between the supply and demand sides based on the principle of mutual benefit to the lenders and borrowers. Borrowers operating their businesses in areas with difficulties and poor families who plant trees or raise animals in line with the Government's promotional policies should receive priority to access the loans with special interest rates, below 20 - 30% compared to regular interest rates for the same types of loan. The budgets should be made available to compensate the commercial banks

for the subsidized rates. In parallel with the regular loan interests, loan policies should be revised to consider special loans for tree planting and livestock rearing and the difference between the interest rates should be clearly identified for each type of loan.

The agriculture extension units should continue to be improved and expanded all over the country, promoting various forms of agriculture extension activities such as the extension activities provided voluntarily by the private domestic and foreign organizations operating their businesses in the Lao PDR, respecting the laws of the country, so as to assist local people to commercialize their agricultural production and to support rural development activities.

The research programs should be enhanced and the results of scientific research and technology should be utilized increasingly to provide inputs to the agriculture sector. It is necessary to invest in agricultural research and development (R & D) by introducing appropriate policies to support research in agriculture products that can maximize economic effectiveness. Science and technology should be introduced increasingly in farming communities by providing training and encouraging local farmers to learn new knowledge in production and marketing. Policies should be introduced to support the people who have knowledge and qualifications in agriculture and create opportunities for them so that they can do the field work to directly support the farmers. It is necessary to review development programs; create favourable conditions to encourage the farmers to operate their agriculture activities; open up business opportunities; and create models of production.

The state-owned enterprises operating in the fields of agriculture and forestry should be reorganized; dissolving or consolidating the enterprises that are not profitable; and not operating their business in an effective manner. The allocation of land/forests to families and collective groups should be continued; while increasing the measures to prevent damage to the forests; supporting the development of forests; and preventing forest fires.

Enhance the measures for distributing agriculture products by actively looking for opportunities and promoting markets for such products. Support the development of markets in rural areas while opening up the opportunities for export markets. Establish the policy for product distribution by issuing sales contracts between producers, processors, brokers and farmers. Introduce strong mechanisms to reach the four target groups: farmers, scientists, business people (including commercial banking persons) and government officials to support the development of agriculture and distribution of products.

Develop markets in rural areas by reorganizing the production and distribution processes in the agriculture sector in such a way to ensure the supply of adequate quantity of products of good quality to consumers. Use measures to support the distribution of

agriculture products, identifying products with potentials to compete. Improve breeding varieties and processing technologies. Establish technical infrastructure for collective agriculture and open up commercial activities in agriculture production areas.

Implement the agriculture production policies suitable to the domestic contexts based on the reality between supply and demand. The state will not intervene in the areas of pricing of agriculture products, but will take the responsibility to adjust the prices in case of serious fluctuations by introducing appropriate instructions.

Increase the consumption of goods and increase the purchasing (buying) power of rural communities by creating job opportunities in non-agriculture sectors. Implement credit policies in rural areas by introducing payment on instalment to buy machinery, equipment, production tools and other goods.

Pay attention to the implementation of measures to prevent natural disasters such as drought, and strengthen preparedness to fight floods that can cause damage to production.

Promote and create facilitating conditions for local people to sell their products including the efforts to find export markets. Actively develop markets in rural areas and large urbanized areas. Provide market information and advice to local people and enterprises dealing with export, especially exports to Vietnam, Thailand, China and other ASEAN countries.

Enforce strict measures related to forest preservation and introduce strict measure to deal with officials or individuals involved in issues relating to exploitation of forests with inappropriate practices.

The intention of rural infrastructure development is to attract investment by considering different forms of privileges, such as the exemption of land tax for the areas used for infrastructure development and for development of public service facilities in rural areas. With regard to the policies relating to the non-agriculture sector in rural areas, the state should take the responsibility to consider and develop master plans for the development of non-agriculture sectors, which can be operated and progressed in a sustainable manner. Organize villages with specific occupations, development villages, and small-scale industrial groups in specific regions. Support the villages that specialize in certain occupations in areas of vocational skill training and knowledge in marketing. Support information dissemination activities and protection of goods produced in rural areas. Create policies to support the development of services for local communities, such as trade services, product brand development, and promotion of several varieties of goods. Support farm-based production, collective farming, and business units in rural areas by providing loans, technology and training.

C. Rural Development

The objective is to reduce the disparities between rural areas and urban centres, enhance the transport and communications networks and improve the living conditions of the rural people, especially those in mountainous and remote areas.

1. Overall Strategy

In the Lao PDR, rural poverty is directly linked to access to resources and social services. The resources include the availability and assured tenure of land, access to forest and non-forest timber resources, security of livestock, and access to agricultural inputs, credit, irrigation services and markets. The social services include education and health services, clean water and safe sanitation. The Government's rural development strategy is intended to address the essential development constraints that include: (i) inadequate infrastructure, (ii) limited and poorly developed human resources, (iii) poor health conditions, (iv) inadequate potable water and sanitation facilities; (iv) weak agricultural support and delivery services; (v) limited access to inputs and markets; and (vi) lack of access to short and medium term credit.

The overall strategy is to develop the agriculture sector as well as non-agriculture sectors in rural areas to create employment, increase incomes and restructure rural economies; while simultaneously improving the access of the rural people, particularly the poor, to basic social services. Investment assistance is to be provided for social and economic infrastructure in rural areas. Poverty alleviation will be continued, firstly for mountainous, remote, and minority areas. Industry and agriculture will be synergized to increase the value of agricultural produce, especially that for export. Private sector development, particularly the development of the domestic private sector, will be critical to successful rural development, rural non-farm employment creation and poverty reduction. The existing strong linkages of many rural areas with markets in neighbouring countries will be developed.

A strong community-based approach through a highly participatory process will continue to be encouraged and facilitated. The Government's main task is to enhance the conditions that enable the people to take charge of their destinies. The rural development strategy incorporates the improved access to essential factors of development in a comprehensive, poverty-focused planning process at the district level to ensure that all development initiatives are self-sustaining and complementary. The people's access to (i) production inputs and sustainable natural resource management technologies; (ii) national and regional markets through physical (roads and trade facilitation) and institutional linkages; (iii) human resources and community institutional development; (iv) social services; and (v) rural finance will be improved.

2. Specific Strategies

a) Off-Farm Employment

Village groups will be established to provide employment and construct new rural industries, with the central aim of transferring professional skills. The development of small scale industries, handicrafts and arts will be emphasized, with support to other non-agricultural activities. The target is to shift 15-20 percent of agricultural labour to small-scale industry, the production of handicrafts, and to the management of forestry development and forest businesses. It will be necessary to develop forestry works, employment, particularly supporting the production and upgrading the life-styles of the ethnic populations. Disaster prevention methods will be implemented, such as methods of preventing drought for rice and other grains as well as making preparations to prevent floods. Temporary migration is an important off-farm employment for rural people and hence barriers to internal migration should be removed.

b) Industry

Industrial centres in three areas will be developed to achieve results based on the concept of a nuclear city with modern infrastructure and services. The focus will be on the value-added in the larger-scale sectors such as electricity, rice, food processing, wood processing, fertilizers, textiles, mining (such as gold, manganese, iron, and bauxite), construction materials, machinery, electrical wares and high quality consumption goods, through the development of the production area and the industry groups, and empowering the economies of the areas. At the same time, the adjacent areas with advantages for supplying raw materials as well as markets for certain products will be supported.

The orientation of industrial development in the coming years is to give priority to developing the electricity and processing industries catering to domestic consumption and export, while continuing to promote mining; and developing selectively some industries producing inputs (e.g. fertilizer) and industries serving agricultural and rural economic development (such as machinery manufacture, electronics, garments, footwear and food processing).

c) Services

Investments will be made in the development of the border economic zones such as Xiengkhuang (Lao PDR - Myanmar), Boten (Lao PDR - China), Nam Kan (Lao PDR - Vietnam) and other check points (Lao PDR - Thailand). The main activities of the zones

are to provide services for import-export, tourism and border transport, generating additional employment opportunities for the rural people in the surrounding areas.

d) Infrastructure Development

The investments for infrastructure development for each area will be increased in order to modernize the overall infrastructure system. Electricity and infrastructure will be provided for education and health facilities in the rural areas. Urban infrastructure in rural towns needs to be improved to attract investments and generate off-farm employment.

e) Education

In order to improve the education of the whole population it is necessary to concentrate on equitable access, quality, relevance and management of education. Increasing primary school attendance and literacy rates particularly for people in under-served areas, such as ethnic peoples, children with special needs and girls, is an important foundation step. More schools will be built especially in rural areas, which will be supplied with the necessary equipment, supplies and qualified teachers. Accessibility to quality secondary education has to be improved to raise the number of students entering and completing secondary school and hence going on to third level education.

f) Health

The expansion of the rural health service network is the single largest health programme, utilizing about 33 percent of the total investment over the five-year period 2006-2010. This includes curative services, strengthening primary healthcare (PHC) with an emphasis on the 47 poor districts, expanding the PHC to remote areas with 150 new health centres, three regional hospitals, 13 provincial hospitals and ten type A District Hospitals (ADH) and 46 District Hospitals (DH) in poor districts, and to promote the role of women in the PHC. Increased attention is to be given to PHC with emphasis on high risk groups; child immunization; recommendations on the use of safe water, sanitation, the management; control of transmittable diseases, such as diarrhoea, malaria, dengue fever, tuberculosis, leprosy and HIV/AIDS; and close monitoring of other diseases caused by drug addiction. Prevention and health care centres were built in eight areas throughout the country.

g) Food Insecurity

Food insecurity must be addressed as a first priority, especially for the 47 poorest districts. Without food security for themselves, households have neither the time nor the

inclination to engage in other activities leading to longer-term improvement of their livelihoods. This concern will be addressed through the comprehensive district development planning system, which, together with improved accessibility, is at the core of the Government's rural development strategy. It favours a pro-active focal development area approach. Various development activities and initiatives that take place at the district or village levels will become much better integrated, enabling more effective use of limited resources and maximising benefits. Priority programmes in focal development areas or kum bans – one each in 23 districts among the 47 poorest districts – have been prepared. The focal area development plans will be completed and implemented in all kum bans in the 47 poorest districts during the Sixth Plan period (2006-2010). These will include activities and initiatives under the village development funds, private sector initiatives and projects such as the Poverty Reduction Fund (PRF). The activities and initiatives under other national programmes (e.g. UXO decontamination and sustaining opium eradication) will be better coordinated.

It is necessary to develop the various occupations and promote local wisdom and knowledge in rural areas to create job opportunities, promote income generation, and transform the economic structures in accordance with the development guidelines in the agriculture sector through comprehensive and systematic approaches. The investment activities in rural and remote areas should be mobilized by attracting all economic players (sectors) including the state and domestic and foreign private investors. The investment efforts in economic and social infrastructure in rural areas should be continued, exploring all potentials and resources to solve the problem of poverty with primary focus on the 47 poorest districts in mountainous, remote, and ethnic group areas.

D. Education

Education is a crucial priority and one of the four pillars of the poverty reduction strategy. This includes building a workforce that is knowledgeable and competent in implementing development policies and programmes and has the capability to apply the results of modern science and technologies for the benefit of the Lao society.

One of the main goals of the education policy is to develop quality human resources to meet the needs of the socio-economic development of the nation and thus contribute to poverty reduction. In order to improve the education of the whole population, it is necessary to concentrate on equitable access, quality, relevance and management of the education system. Disparities in income/poverty, physical access, residence (rural/urban), gender and language all affect educational attainment. Increasing primary school attendance and literacy rates particularly for people in under-served areas, such as ethnic peoples, girls and children with special needs, is an important foundation step.

It is necessary for the Lao PDR to (i) strengthen the education system as the cornerstone of a human resource development strategy focussed on poverty alleviation and enhancing labour productivity, and (ii) implement the principle of compulsory primary education as an important means of poverty reduction, with the development of education facilities at all levels (at the centre and in the provinces, districts and villages), paying particular attention to the ethnic areas and the disadvantaged groups.

The measures to achieve the education objectives include the following:

- Universal compulsory education at primary level and continue to increase participation at lower secondary level, ensuring that all people have the opportunity to apply their education to serve the socio-economic development programme;
- Strive to completely abolish illiteracy among the population;
- Expand vocational, technical and higher education to meet the needs of the new labour market and to improve the economic rates of return;
- Train skilled workers, technicians, professionals and intellectuals to have the capability to apply modern science and technology to serve the needs of socio-economic development;
- Raise national education standards gradually to be closer to the international standards;
- Take education as the core of human resource development and invest appropriately in education; and
- Make education a duty of all the people in the society.

1. Overall Strategy

The overall strategy in the Education sector includes:

- Adapting literacy and skills training to local needs;
- Expanding ethnic education;
- Expanding cluster schools;
- Coordinating literacy in remote areas with armed forces social activities;
- Reforming the education system;
- Using modern methods for science, languages and technology
- Developing better curriculum and textbooks;
- Promoting distance education;
- Providing an adequate supply of teachers;

- Strengthening multi-grade teaching;
- Establishing special schools for talented students;
- Strengthening institutional infrastructure;
- Improving administration and management, and decentralising management.
- Improving the policy and planning capacity;
- Increasing investment in education;
- Promoting private education;
- Mobilisation and advocacy for education;
- Strengthening Party and local leadership;
- Promote the potential for cross-border cooperation in education.

The Education for All programme is seen to be the main vehicle for expanding access to primary and lower secondary education and adult literacy. Also, accessibility to quality secondary education has to be improved to raise the number of students entering and completing secondary school and hence going on to tertiary education. The educational standards in the Universities and the number of vocational and technical colleges have to increase. More emphasis needs to be placed on scientific and technological research. The college facilities have to be improved, particularly laboratories, libraries and research centers. Additionally, teaching and lecturing standards have to be raised in tertiary education, in order to achieve regional and international recognition. All of these measures aim to increase the amount of semi-skilled, skilled and professional workers entering the workforce, which will increase foreign investment and socio-economic development.

2. Sub-Sector Strategies

a) Early Childhood Care and Education (ECCE)

ECCE programmes aim to reach an enrolment rate of 11 percent for three and four-year olds in 2010 and 17 percent in 2015, and reach an enrolment rate of 30 percent for five-year olds in 2010 and 55 percent in 2015. The proposed strategy to achieve these targets is to selectively increase and provide equitable access by: promoting coordination between the Government, community and the private sector, mobilizing communities in favour of pre-school education, promoting the development of community pre-school centres and promoting access of five-year olds to pre-school education, by establishing a special primary school class to prepare five-year old children for Grade 1.

b) Primary Education

The most important target is achieving universal quality primary education by 2015, with equitable access and completion as medium-term objectives. There are strong disparities between gender, ethnic minorities, poor and non-poor, and urban, rural and remote areas. Low enrolment and completion rates are concentrated amongst children in rural, remote and ethnic minority children in poor districts. The main targets are to:

- Convert 80 percent of incomplete primary schools to complete schools by 2010;
- Provide access to a primary school to children from all under-served villages by 2010;
- Gross Enrolment Rate to reach 95.8 percent (girls), 97.8 percent (boys), and 96.8 percent (total) in 2010;
- Net Enrolment Rate to reach 89.7 percent (girls), 91.4 percent (boys), 90.6 percent (total) in 2010;
- Reduce Repetition Rates in Grade 1 to 5 percent for both girls and boys in 2010;
- Reduce Dropout Rate in Grade 1 to 5 percent for both girls and boys in 2010;
- Reduce Dropout Rates in Grade 5 to 1 percent for both girls and boys in 2010;
- Increase the Primary School completion Rate to 75.4 percent (girls), 79.5 percent (boys), and 77.4 percent (total) in 2010; and
- Pupil-Teacher Ratio to be kept constant and not to exceed 31:1.

c) Lower and Higher Secondary Education

Secondary schools coverage is highest in urban areas and economically developed areas and lowest in rural, remote and ethnic minority areas and poor districts which contribute to a widening gap in learning opportunities. High enrolment rates, lack of classrooms and lack of teachers result in high pupil/teacher ratios in urban areas; whereas low enrolment rates and surplus classrooms, equate to low pupil/teacher ratios in rural areas. Gender disparity manifests itself more prominently in rural, remote and ethnic minority areas, while the gender disparity is reducing in urban areas. The main targets are to:

- Achieve parity between girls and boys in access to lower secondary education, particularly in ethnic minority and poor areas;
- Reach a national transition rate from Grade 5 to Grade 6 of 82.5 percent in 2010 and 85 percent in 2015;
- Achieve an attendance rate of 68.4 percent for lower secondary schools; and
- Achieve an attendance rate of 40 percent for higher secondary schools.

d) Non-Formal Education (NFE)

Only 45.2 percent of the adult population are currently considered to be literate at a basic level. A significant challenge is to achieve over 98 percent reported adult literacy rate and 61 percent tested basic adult literacy rate by 2015. The purpose of the NFE programme is to increase learning opportunities for children not enrolled in school, school dropouts and young adults, thus increasing the adult literacy rate and reducing poverty.

The Ministry of Education's (MOE's) strategy is to concentrate its actions on three main disadvantaged target groups:

- Children and young adults aged 6-14 who did not have a chance to be admitted into primary school and are willing to follow literacy and continuing education courses;
- Adults aged 15-40 who are illiterate and are willing to participate in literacy and continuing education courses; and
- Young adults and adults aged 15-24 who do not have definite vocations and are willing to participate in basic vocational training.

The targets are to: Annually enrol 20 percent of the primary dropouts in non formal primary courses; and 2 percent of the illiterate adults in adult literacy programmes.

e) General Developments for Pre-Schools, Primary and Secondary Schools

More kindergarten, primary, secondary and vocational schools need to be built, equipped with the necessary facilities and qualified teachers. Existing schools need to be renovated. Access to schools can also be improved by grouping schools and establishing self-sufficient dormitories for teachers and students. School facilities in rural remote areas in general are mostly temporary facilities lacking play and learning materials as well as basic sanitation facilities.

Kindergarten teachers need to be properly trained and a curriculum should be developed with toys and aids. Improving teachers' conditions and salaries is extremely important to support the objectives of teacher training, recruitment, deployment and especially motivation. Working and living conditions of teachers working in rural and remote areas have to be improved in order to attract teachers to those areas. The Government will gradually improve the quality of teachers and ensure that they receive appropriate training. It will reform the teaching and learning methodologies; establish a comprehensive and uniform curriculum and text-books; upgrade the training infrastructure; mobilise the creative and free ideas for the learners and students; and implement the system of monitoring and evaluation to ensure education quality.

The Government will implement the policies of exemption, reduce the tuition fees and provide scholarships to the poor students, other students in the target groups and the best students. It will create favourable conditions for education's regional and international integration; and promote decentralisation in fund utilisation and education management. It is necessary to reform and improve the Government's capacities in education management; improve the Government agencies to implement the development plans; establish a legal framework for education on monitoring and evaluation; and clearly define the responsibilities of the central and local authorities in education management.

f) Tertiary Education

In the Sixth Plan (2006-2010) period, a master plan for the development of universities, colleges, high schools and vocational training networks will be established. A university in Luang Prabang and a technical college in Luang Namtha will be constructed, where technical and managerial training such as mineral exploration and processing, agro-forestry processing and tourism will be provided. The capacities of the teachers and professors in the universities in Vientiane, Savannakhet and Luang Namtha have to be upgraded. The three national-level Universities have to be upgraded with better libraries and laboratories. The National University has to be improved so that it reaches regional and international standards. The bachelor's degree curriculum has to be improved and the master's degree curriculum has to be developed. High-level technical schools for each area of industry, middle-level technical schools for agriculture, and two or three teacher colleges should be established. Vocational schools need to be expanded and improved, by mobilising funds from all economic sectors, to enable them to receive the students who graduate from secondary schools. A policy will be established to encourage households to send their children to study abroad and then return and serve the country.

Investment in scientific research needs to be increased. The first task is to establish research centres and laboratories for the universities, with focus on research in key sectors such as electricity, minerals processing, agriculture and forestry, seeds, chemical fertilizer, organic fertilizers and animal feeds. In addition, the centres should coordinate with the ministries and projects to develop technical staff and focus on key sectors. The curriculum and teaching methods should be reformed to train high-quality workers, in particular workers to serve key economic sectors. The scientific and technological researchers should be trained in line with regional standards.

Promote vocational training for workers to increase their employability and encourage the domestic and foreign sector to take part in vocational training areas. Develop vocational high schools in Xiengkhouang, Huaphanh and Oudomxay. Curricula need to be developed for vocational and technical education that is relevant to the needs of the domestic and regional labour markets. These schools have to be supplied with proper textbooks, workbooks and other instructional materials. Additionally, businesses should be encouraged to upgrade the quality of the professional skills of business people,

particularly in the fields of business administration and management, technical knowledge and foreign languages.

3. Targets

The main targets for 2010 in the education sector are to continue to increase the level of training to achieve the ratio of 1,140 students per 100,000 people; and increase the proportion of well-trained workers at different levels to 10 percent by 2010. Gradually popularize primary and secondary education; initially this should be done in urban areas. Attention should be given to ensuring by 2010 net enrolment rates of 16 percent for kindergarten, 90.6 percent primary, 68.4 percent for lower-secondary and 40 percent for upper-secondary schools; and 90 percent of the those between 15-39 years old should be literate. Other targets include the following:

- Reduce repetition and drop-out rates by 2-3 percent per annum;
- Develop teaching/learning aids for Lao language teaching to ethnic minority children and distribute Lao language teacher guides;
- Develop primary and lower secondary cluster schools;
- Reach international standards in quality of education at all levels of education;
- Provide pedagogical assistants and in-service training for teachers and upgrade untrained teachers to achieve basic qualifications;
- Improve the central and regional management and administration of the education sector through, among others improving the regulations and raising the level of inspections, strengthening the planning capacity (including EMIS) across all levels of education delivery, appointing well trained administrators and school directors for the management of schools and institutions, and providing management and administrative training courses;
- Promote community participation in schools, by promoting the establishment of pupil-parent associations at all levels of education;
- Establish an education development fund and improve the flow of funds to schools and institutions; and
- Improve the financial management of the Provincial Education System (PES) and District Education Board (DEB) offices.

Other targets in the Education sector include the following:

- HIV/AIDS: This pandemic needs to be treated as a social issue, not just as a health issue. MOE will develop instructional and reading materials on life skills for preventing the spread of the disease;
- Drug Control: In collaboration with MOH and other ministries, MOE will develop awareness programmes to help eradicate drug use among students;

- Information and Communications Technology (ICT): The Government will encourage investment in computer technology and facilitate the use of the internet, particularly in remote and poor areas. Education and training in ICT will be promoted;
- Distance Education: The Government is planning to create a distance education centre at the National University of the Lao PDR;
- Unexploded Ordinances (UXO) Decontamination: UXO awareness is mainstreamed into standard teaching schedules;
- School Feeding Programme: MOE promotes primary school participation of poor and vulnerable children, especially girls, in food-insecure areas through a school feeding programme;
- Population: MOE is strengthening its research and instructional capacity to support the Government's policy of balancing population growth and socio-economic development;
- Health Education: MOE aims to integrate health education and promotion into the primary and secondary curriculum, and to expand school sanitation;
- Gender Equity: MOE mainstreams gender equity into virtually all its activities; and it also has a number of specific "pro-girls" activities; and
- Children with Special Needs: For children with special needs, MOE focuses on inclusive education.

E. Health

The Government is committed to improving the health status of the citizens as part of its over-arching goal of leaving the status of a least developed country by the year 2020. Some of the tasks to improve the health status of the population of the Lao PDR include reducing urban-rural health differentials, lowering mother and child mortality rates, raising life expectancy and reducing the spread of communicable diseases.

1. Current Situation

Prevention is one of the main priorities for the country. Therefore, initial coordination was made with different agencies, local authorities and line ministries in charge of cultivation and communications to promote hygienic lifestyles and protection from diseases, combat superstitions and encourage infected people to seek treatment at hospitals. Child polio was eradicated in 2000. Immunization was expanded to infants for various diseases such as cough, measles, tetanus, tuberculosis and others. Efforts aimed at protecting the people from easily transmittable diseases such as malaria, dengue fever and HIV/AIDS gave quite good results.

Another major aim is to increase treatment. Investments were made to upgrade treatment in the central and regional hospitals and expand access to medical services. At the same time, traditional (medicine) treatment systems were improved and developed. The bed occupancy at central and provincial hospitals was about 80 percent. Since 2001, the private health network was also developed. There are currently 484 private clinics, of which 244 are located in Vientiane and 240 are in the localities, which contribute to the diversification of health care services.

2. Overall Strategy

The overarching goals for the health sector are to (i) develop a nation-wide health delivery service that is fair and equal according to gender, age, social rank, tradition, religion, ethnicity, and geographic location; (ii) provide basic health services that respond to the peoples' needs and expectations and that gain the peoples' trust; and (iii) achieve substantial improvement in the peoples' health status, especially of the poor people.

The overall efficiency of the health system has to be increased, along with improving donor coordination, reviewing the relative amounts of recurrent and investment expenditures, selecting priorities, and resource mobilization. Improving the quality of the data is also required. Private investment will be encouraged in all areas of health provision.

It is necessary to strongly encourage health care by upholding prevention as a primary task and treatment as an important task to ensure the Lao people's health. The objectives are to reduce the incidence of diseases including communicable diseases such as diarrhoea, malaria, dengue fever, tuberculosis, leprosy and HIV/AIDS; reduce maternal and child mortality rates; and provide health care services and enable people to access high quality medical services. All the people should be able to live in a healthy and sound physical environment. Priority is to be given to primary health care with emphasis on

high risk groups, maternal health and family planning, child immunization, education on the use of safe water, sanitation, and the management and control of transmittable diseases, such as diarrhoea, malaria, dengue fever, tuberculosis, leprosy and HIV/AIDS, and close monitoring of other diseases caused by drug addiction.

3. Population Development Policy

In line with the Programme of Action adopted by the International Conference on Population and Development (Cairo, 1994), the Government has formulated a National Population and Development Policy (NPDP), adopted in 1999. The main policy goals of the NPDP are to:

- Support measures to achieve a rate of population growth compatible with socioeconomic development and employment opportunities available within the country;
- Ensure safe motherhood and enable couples to responsibly decide the number and spacing of their children;
- Improve the status of women and the multi-ethnic populations by improving access to education, health, social welfare and socio-economic development;
- Promote a balanced distribution of population between rural and urban areas and between different parts of the country; and
- Incorporate population factors and concerns into all social and economic policies, plans and programmes.

Two main programmes have been at the forefront of the Government's population policy: Reproductive Health and Population and Development.

The purposes of the Reproductive Health Programme include: (i) increasing the use of reproductive health services and information leading to responsible and safe sexual behaviour, and (ii) creating an enabling environment for the provision of quality, integrated services and counselling on reproductive health. Activities under this programme include special focus on ethnic groups and institutional strengthening and training.

The 'Population and Development' Programme focuses on the following inter-related outputs: (i) strengthened advocacy capacity of key organisations (e.g., the National Coordinating Committee for Population and Development or NCCPD) for the implementation of the NPDP and its Action Plan, and support to key population/gender issues; (ii) strengthened capacity of CPI and other agencies for data collection, analysis, training, research and dissemination of information on gender and population issues; and (iii) strengthened capacity of NCCPD, CPI and other organisations for the coordination and implementation of the national population programme.

The objectives are to improve the quality of the population, balancing population growth with socio-economic growth and the capacity to meet the labour force and employment

needs; and ensure equal population distribution between urban and rural areas, while ensuring that the population movement is well planned.

The target for 2010 is that the population growth will reduce to 1.85%, with the average growth in the five-year period at 1.91% (as compared to 2.12% during 2001-2005). Reduce the fertility rate from 4.5 in 2005 to 3.9 per woman in reproductive age in 2010. Reduce maternal mortality from 405 to 300 per 100,000 live births. Reduce infant mortality below one year (IMR1) from 70 to 55 per 1,000 live births; reduce IMR5 from 98 to 75 per 1,000 live births; and increase average life expectancy from 61 years to 63.5 years during the five-year period.

4. Priority Programmes and Strategies

Primary health care is the main priority aimed at increasing the standards and availability of health care in the country. The components include the following:

- (i) Information, Education and Communication (IEC) including the reorganisation of the IEC, the preparation of campaigns and the translation and dissemination of information about hygiene and proper lifestyles (the '3 cleans' of preventative healthcare: drinking boiled water, eating cooked food, and washing hands before eating and after using the toilet) in ethnic languages;
- (ii) Expansion of the Rural Health Service Network including curative services, strengthening primary health care (PHC) with an emphasis on the 47 poor districts, expanding PHC to reach more than 80 percent of villages, enabling remote and poor villages to have access to basic health care and referral services to hospitals, the construction of 150 new health centres, three regional hospitals, 13 provincial hospitals, and 10 type A district hospitals and 46 Type B district hospitals in poor districts, and promote the role of women in PHC. This is the single largest programme accounting for about a third of the total expenditure in the sector'
- (iii) Upgrading the Capacity of Health Workers, with priority to increase the number of health personnel working at the village and district levels and emphasis on the 47 poorest districts. Special efforts will be made to increase the good behaviour, morale and capacity of the health personnel at the district and village levels in parallel with the provision of essential drugs and necessary medical equipment to the district hospitals, the Health Centres, and the drug revolving funds at the village level;
- (iv) Maternal and Child Health (MCH) promotion through the MCH Centre of the Ministry of Health and its facilities in provinces. Many of the interventions, such as essential obstetric care require upgraded health facilities with delivery and operating theatres which are financed under Strategic Programme (ii) above or are subsumed under the strengthening of the MCH network;

- (v) Immunisation as the cornerstone of primary health care as it is one of the most efficient and cost-effective methods of improving health;
- (vi) Water Supply and Environmental Health comprising primarily efforts to increase access to safe water through various methods and access to latrines both at schools and in households;
- (vii) Control of Communicable Diseases such as malaria, dengue, cholera, tuberculosis and helminth, through among others the Global Fund (for funding the malaria and TB programmes);
- (viii) HIV/AIDS/STI Control through surveillance, prevention, care, support and treatment; and
- (ix) Development of Village Drug Revolving Funds as a major mechanism to provide at least some curative services for those living in remote areas so that they do not have to depend completely on unsupervised itinerant drug sellers or travel excessively long distances to access simple care;

The above components absorb the lion's share of resources in the health sector. The other supporting programmes in the sector include food and drug safety and the promotion of collaboration/complementarity between traditional and modern medicines. Also, it is necessary to improve the health management and health financing structures of the country, through among others, the introduction of health insurance and health equity funds, both of which have considerable impact on the financing of health services for the poor.

5. Targets

The Health sector targets by the end of the Sixth Plan (2006- 2010) include the following:

- Life expectancy at birth will rise to 63.5 years;
- Infant mortality to reduce to 55 per 1,000 live births;
- Mortality of children under five years (child mortality) to reduce to 75/1,000;
- Maternal mortality to reduce to 3300 per 100,000 live births;
- Number of people catching tuberculosis to reduce to 72 cases per 100,000 people;
- Child vaccination coverage to reach 85 percent;
- Vaccination programme to eliminate dangerous epidemics to reach 100 percent;
- Ratio of malnourished children under five to reduce to below 30 percent;
- Access to basic health care services to reach 100 percent;
- Access to safe water to increase to 75 percent of the people overall;
- Access to safe water in rural areas to increase to 70 percent of the people;

- Coverage of toilet facilities meeting sanitary standards to rise to 60 percent;
- Proportion of schools having segregated sanitary facilities to rise to 35 percent;
- For the 72 poor districts, the Ministry of Health has set the following targets for 2010:
 - 100 percent of the population in all the 72 poor districts will have access to PHC; and
 - 75 percent will have access to clean water; and
 - 55 percent will have access safe sanitation.

F. Industry and Minerals

The long-term objective is to develop the industry and minerals sector as a key part of the industrialization and modernization process, contributing to achieving the 2020 goal. The industrialization would be based on the natural resource endowments and the comparative advantages that the Lao PDR enjoys.

1. Overall Strategy

The orientation of industrial development in the coming years is to give priority to developing the electricity and processing industries catering to domestic consumption and exports, while continuing to promote mining and developing selectively some industries serving agricultural and rural economic development (such as fertilizer, machinery manufacture, electronics, garments, footwear and food processing). Also, it is planned to develop some industrial by-products to increase the proportion of home-made electronic products, automobiles, motorcycles and materials for garment and footwear manufacture.

The Government will continue either correcting or issuing clearer policies to promote the private sector and encourage foreign investors to invest more capital in developing the industries. The Government will implement development policies for industries using domestic materials in order to increase the value-added and promote potential strengths for economic development. It will establish an investment promotion policy for regional industrial development in regions with difficulties and mountainous regions.

Government will speed up the arrangements for the revitalization and development of state-owned sectors to increase the production and trade efficiency of SOEs. Unfair regulations for production and trading among economic components need to be adjusted. The Government will formulate and implement supporting programmes for small and medium sized enterprises. It will carry out the instructions of the Prime Minister on

banning the export of logs and timber; together with promoting forestation. It will work out solutions to encourage the production of high value furniture, including through the distribution of logging permits for manufacturers of furniture sold in domestic and international markets.

The Government will encourage technological transfer in production to improve the competitive ability of products, beginning with garments, leather and shoes, processing industries, handicrafts and art, to satisfy the export demand. The usage of quality control systems, and modern environmental management (ISO 9000, ISO 14000) will be increased, as well as paying attention to the product standards, packaging, and habits and traditions of each region so as to penetrate and enlarge markets.

The Government will fight against smuggled goods, imitation products, and products with imitated labels. It will simplify customs formalities and procedures for the export and import of production materials, starting with industrial production.

2. Sub-Sector Strategies

a) Electricity

In the coming five years, attempts will be made to bring some new power stations into operation to boost the electricity exports and to meet the steadily growing need of domestic production and consumption. The list of hydro projects for granting foreign investment permits will be consistent with the Power System Development Plan. The Government envisages the projects to be integrated into the emerging regional electricity market. In parallel with the development of hydroelectric plants, the electricity loading system will be constructed to decrease electricity transmission losses; the capital and operating costs will be reduced, with focus on the two big projects approved by the Government; electricity transmission lines and transformer stations will be constructed in the Northern and Southern Regions with 2,860 km of high-tension lines to transmit electricity from the Lao PDR to Thailand and Vietnam. The country will actively cooperate internationally and within the region to develop the electricity system and exchange power with other countries in the region through trading electricity and connecting the electricity grid with China, Vietnam, Cambodia and Thailand.

b) Coal Industry

The focus will be on exploiting fully all discovered and potential coal mines to balance the domestic supply and demand. The production of anthracite coal should reach about 50-60 thousand mt per year.

c) Mining and Metallurgy

More investments will be encouraged in exploiting minerals such as gold, tin and copper. The production of copper is projected to reach 45,000-50,000 mt per year, tin 2,000-2,500 mt per year, gypsum 300-400 mt per year, and gold 10-13 mt per year. The proposed growth of the total mining industry is 15 percent per year during the Sixth Plan period (2006-2010).

d) Cement Industry

In cement production, attempts will be made to reach a growth rate of over 20 percent per year; with cement production reaching 1.3 million mt by 2010. To reach the above goal, it is necessary to continue to speed-up investments in cement projects implemented during 2004-2005, as well as to seek capital to carry out new projects. The Government

will undertake research to increase production and improve the quality in some existing plants by replacing blast furnace technology with reverter furnaces.

e) Machinery

The focus is to concentrate on the manufacture of products with market advantages and competitive abilities, especially products serving agricultural and rural areas. Machinery serving construction, production lines and shipbuilding, manufacture of machine-tools, and the automobile and motor cycle industries will be developed. Production lines in the cement industry, paper, electricity, and the chemical fertilizer industry will be redesigned and improved by gradually replacing imported equipment. The focus will be on the depth of investment, renovation of equipment and technology, and modernization of some key phases in production. Advanced mechanical consumer products like refrigerators, air conditioners and civil electronic facilities will be developed through the mobilization of foreign investment. The assembly of automobiles and motor cycles will be developed to help manufacture automobiles of all kinds, particularly coaches and high quality taxis.

f) Electronics, Information Technology and Telecommunications

The development of electronic assembly, information technology, software serving administration, education and training, services to develop e-commerce, including managing finance and banking will be continued. Initially the focus will be on the manufacture of some electronic components. The idea is to concentrate on investing in depth, innovating technology, modernizing former manufacturing foundations, building new ones to meet domestic needs, reducing imports, and gradually increasing exports. The attraction of foreign investment into this field will be promoted.

g) Chemical Industry

Efforts will be made to try to speed up fertilizer production, especially for ensuring initiatives in balancing the availability of fertilizer for agricultural production. The market and efficiency for investing in manufacturing plants exploiting potash (rock salts) will be researched. There are plans to develop some industrial chemical products such as phosphates, hydrochloric acid and nitric acid for the fertilizer industry, and for the production of pesticides and rubber manufacture. An overall research on comparative advantages, demand and capital availabilities for producing some medicines for the domestic market will be carried out in order to gradually cut down imports.

h) Textile Industry

A basic change in the structure of garment products will be tried, increasing the share of high value products, to gradually meet the requirements of the fashion industry, increasing the domestic value added in the exports. The domestic market will continue to be enlarged and exports will be promoted. The Government will cooperate with experienced Vietnamese enterprises to gradually participate in the global distribution networks of trans-national groups.

i) Footwear Industry

Emphasis will be placed on modernising some phases of the manufacturing process in the shoe industry; paying attention to developing the sources of all kinds of leather and increasing the use of domestic raw materials and additional materials in order to increase the value of exports. In order to reach the above goals in the next five years, the leather and shoe industry would emphasise investments to increase product quantity and quality by introducing software into the design and sewing of shoes, diversifying products and designs, and changing from assembly to producing materials and selling products. The sources of leather will continue to be developed by strongly developing the herds of cattle and importing modern processing technologies. The system of purchasing leather will be well organized and the proportion of gathering pelt will be increased. Ranchers and leather suppliers will be encouraged to invest in leather tanning factories.

j) Beverage Industry

Investments in developing factories manufacturing juices and mineral water will be prioritized. New beer factories will be developed and the enlargement of existing beer factories will be continued to rapidly increase productivity to meet the domestic demand and to export. The total growth rate is to be about 10 percent per year.

k) Tobacco Industry

It is planned to continue investing in the renewal of equipment and technologies to improve product quality, and maintain an annual growth rate of 3-4 percent, while promoting exports. Main developments will focus on products with filters, and products of middle and high quality to both increase value and quality and decrease the negative impacts of cigarettes.

l) Cooking Oil Industry

The plan is to achieve an annual growth rate of 13 percent, concentrating on exploiting the domestic market to meet the domestic demand, while simultaneously continuing to

promote exports. The cultivation of specialized areas for oil-bearing crops will be built up step-by-step to reduce the dependence on imported raw materials.

m) Dairy Industry

The emphasis will be on investment to develop cow herds to increase the domestic capacity of milk supply.

n) Plastics Industry

It is necessary to attract economic actors to invest in this branch of producing high quality plastic products such as computer cases, televisions, and automobile and motorcycle spare parts, in order to meet the needs of consumers and plastic wrappers for industry. By 2010, it is expected that the production of plastic products will reach 8,500 mt.

3. Targets

- Growth in industrial employment is one of the key targets in reducing poverty;
- Increase the general growth of industrial exports;
- Mobilize the annual growth rate of industry at 13.2 – 14.3 percent, in which electricity production is to grow at 41.58 percent, manufacturing at 10.27 percent, and mining at 11.47 percent;
- Provide electricity to 70 percent of households;
- Construct electricity transmission lines: high voltage cables of 7,684 km, middle voltage cables of 4,332 km and low voltage cable of 3,650 km; with the low voltage system serving 1,612 villages and 125,879 households;
- Install solar and other energy systems in 1,776 villages covering 30,000 households;
- By 2010, the electricity production will be 14-15 billion kWh. The power generation capacity will be increased by about 2,000 MW in the Sixth Plan period, with the total power generation capacity reaching 2,700 MW in 2010. Some of the hydroelectricity plants that will be under construction in the Sixth Plan period are:
 - Nam Theun 2 with a capacity of 1,088 MW and output of 5.5 billion Kwh per year, to be completed by 2009;

- Sa Xa Man 3 with a capacity of 250 MW and output of 2 billion Kwh per year, to be completed by 2009;
- Nam Mu with a capacity of 105 MW and output of 281 million Kwh per year, to be completed by 2009;
- Nam Ngum 2 with a capacity of 615 MW, to be completed by 2010;
- Nam Ngum 3 with a capacity of 460 MW, to be completed by 2010;
- Set 2 with a capacity of 76 MW, to be completed by 2007;
- In cooperation with China, research and construct the NamOu 8 hydroelectricity plant in Phongsaly with a capacity of 640 MW; and
- Continue implementing hydroelectricity projects signed with China such as Nam Leuk, Nam Mang 3 and Nam Mang 5;
- Make efforts to produce two million pairs of leather shoes of different kinds by 2010;
- Continue to diversify industrial development to maintain the rapid growth of the entire industrial sector, together with raising product quality and manufacturing efficiency. The Lao PDR is efficiently integrating into the global economy by maintaining and broadening domestic and overseas market shares;
- Ensure a supply-demand balance for main industrial products such as electricity, coal, steel and fertilizer, by strengthening domestic manufacture, thereby satisfying domestic demand for industrial products;
- In the short-term, the focus will be on products which already have assured markets, and are highly competitive in meeting domestic consumption needs; and increase export turnover, with good prospects for reducing production costs;
- Concentrate all resources on developing industrial groups with competitive advantage such as electricity, mining, agro-processing, forestry, aquatic products and seafood, wood products, garments, footwear, electronics and motor vehicle assembly;
- Emphasize on developing some products in information technology;
- Encourage all economic actors to engage in investing and developing industrial production of various scales, with particular attention to attracting foreign investment. Continue increasing the industrial concentration (share) of the non-state sector and foreign investment in the total value added of the entire industrial sector;
- Build selected factories producing materials such as metals, machinery, basic chemicals and chemical fertilizers, in order to exploit the natural advantages and the plentiful labour of the Lao PDR;
- Establish and develop some industrial zones with high technology at potential places like Vientiane, Champasak, Savannakhet and Luang Prabang;

- Establish modern industrial centres of high competitive ability on a large scale at the centre of three main economic areas as the engines of national industrial development;
- Develop the industrial foundations for national defence and security;
- Promote trade, increase the export of industrial products, increase processed export products and products with a high technological content; and
- The computer-electronics branch should attempt to reach a growth rate of 17-18 percent per year during the Sixth Plan period (2006-2010).

G. Infrastructure

The long-term goal is to provide the necessary infrastructure to sustain a modern nation state, where people in all parts of the country could easily communicate and participate in development activities in the country and interact with the people and markets outside the country.

1. Overall Strategy

The main objective for infrastructure development in the Sixth Plan period (2006-2010) is to continue to maintain, improve, and develop the socio-economic infrastructure with focus on such areas as inland, international, river, and air transport, telecommunications, schools and health centres, to create favourable conditions for development. The basic demand for urban infrastructure will be met, paying attention to waste water treatment and environmental sanitation to improve and protect the environment, in the service of social and economic development, national defence and security. New infrastructure will be allocated for some areas and actions to mitigate hunger (rice scarcity) and poverty, with emphasis on maintaining the existing infrastructure to facilitate socio-economic development.

2. Sub-Sector Strategies

a) Inland Transportation

In the next five years, a number of prioritized infrastructure development projects will open up opportunities for the development of the different regions and the whole economy. The projects include inland roads and bridges over the Mekong River connecting the Lao PDR to other countries in the Mekong region, and highways between Vientiane Capital to other cities and provinces. Integrated inland infrastructure will be

further developed, with particular emphasis on major roads and roads connecting economic centres, including those being developed in remote areas, and roads for national defence and security. More paved or concrete roads will be provided. Bridges along the main roads will be constructed. The development of inland and waterway checkpoints, with connecting bridges to foreign countries and international markets, will be developed. The national roads connecting the Lao PDR to neighbouring countries will be upgraded to standard roads. Priority will be given to highways and roads stretching to borders such as some sections of the North-South road to Bokeo, Luang Namtha; some sections of the East-West road to Savannakhet; roads to provinces within the Lao-Vietnam-Cambodia economic triangle (Attapeu, Sekong and Saravane); and the provinces within Lao-Thailand-Cambodia Economic Triangle (Saravane and Champasak).

There will be an appropriate allocation of investments to assist inaccessible areas, to open up economic exchanges and border trade, to provide a conducive environment for underdeveloped areas to earn better income, reduce disparities, promote economic development in the least developed provinces, and implement the tasks of economic development as well as protection of national sovereignty. Roads will be constructed to inaccessible villages and villages without roads for big vehicles; especially villages in remote rural areas. Accessibility during both the wet and dry seasons will be secured with a focus on constructing concrete roads. The Government will ensure good rural communications systems and maintain and improve the conditions of existing roads. Efforts will continue the increases of domestic funds through the Road Maintenance Fund for road maintenance.

At present, there are only three main roads that have not been paved. These are roads to the central part of Xayaboury province (90 km), Bokeo and Xaysomboun. It is planned to construct and upgrade Thai-Lao-Teiching (Road No.2) from the Ngeun district to Pak Baeng to Epak (Thailand) and from Kua district to Teuychang (China); continue to upgrade road no. 8 from Ban Lao to KeoNeua through ODA from Sweden; road No.12 from Thakheak to Ngommallad; and the Nam Ngum Hydropower Project II; and from Ngommallad to border Kiumouya (Km 8) utilizing the funds from the Nam Ngum Hydropower Project II; upgrade and restore Road No.13 from Nateuy in Oudomxay to Pakbeang with ODA from China; Road No.18B from Attapeu to Ban Had, Contum province, Vietnam; Road No.15 from Laobong to Saravane and from Saravane to Lao-Vietnam borders; Road No.16 from Sekong to Vietnam border; Road No. 1B from Ban Muang to Road No. 2 to Phongsaly; Road no. 14 in Xaysomboun (13 km) and from Xayaboury to Paklai; Road No. 1D connecting Attapeu to Northern parts of Cambodia; Road No.4A connecting the central part of Xayaboury to Luang Prabang and to the Mekong River; and Road No.1 from Vientiane Capital to Kao Leo folk road and to the Friendship Bridge.

In addition, a study on roads along border lines would also be conducted in order to use them for both developing the economies and securing national security and defence -

such as Road No. 11 through Sanakham to Xayaboury; Road no. 14A from Pakse along the border line to Cambodia; Road No. 14B from Angkham Phondaeng to the southern triangle boundary; and Road No. 5 from Huaymo to Xaysomboun and from Xaysomboun to Thavieng.

b) Air Transport

Some essential airports will be upgraded and constructed; and more investment will be provided for training Lao aviation staff. The airports such as Pakse, Savannakhet and Luang Prabang will be upgraded to sub-regional airports to ensure air transportation between the Lao PDR and other Greater Mekong Sub-region (GMS) countries. The need to construct some new stations and airports in economic centres will be studied. Airports will be constructed to accommodate up to 2-2.5 million passengers per annum; with priority given to Wattay International Airport to accommodate big airplanes and serve about 1-1.5 million passengers per annum. An airport will be constructed in Luang Namtha.

The Government will facilitate an increase in the number of airplanes and airport equipment; improve the quality of service; secure safety during boarding; provide a modern air traffic control system; and build the capacity of staff at local airports. It will improve and maintain the national airline to make it function effectively. It will cooperate with international airlines to open up more flights to different destinations. The Government will allow more planes to use the air space of the Lao PDR; and prepare conditions to open up more flights to countries in the region.

c) Domestic waterways

A number of river routes and main river port systems will be improved and constructed. Investments will be continued in the modernization of domestic waterways; and in upgrading river ports and the quality of service along the ports to meet regional and international standards. The international waterway transportation systems on the Mekong will be researched and studied. Explorations will be carried out on the feasibility of the construction of a deep river port; and some of the loading (lifting) equipment will be replaced. Bridges will be constructed connecting Luang Prabang and Xiengman; Huayxai and Xiengkhuang (Thailand); and a friendship bridge connecting the Lao PDR and Myanmar.

d) Irrigation

Investment will be concentrated on irrigation works, especially those creating new sources of water and reservoirs in provinces subject to drought. Additionally, the focus will be on irrigation and water quality for growing aquatic products.

e) Railway Transportation

About 3.5 km of railway line will be laid from Huu Nghi Bridge to Tha Na Leng. A field survey will be undertaken, and capital will be mobilised to continue constructing the next rail link to Kham Sa Vat. Research will be initiated on the feasibility of constructing other railway lines for deployment in the next five years. The construction of the railway line with a length of 14 km stretching from the Friendship Bridge to Ban Kham Sa Vat will be continued using mobilized funds. Investment will be made in the preparation phase and sourcing of components such as a train locomotive, train compartment and driver. The Government will prepare all conditions to study, survey and construct a railway line from Thakheak to Kiew Mou Ya (Vietnam Border); and seek funding to implement this project.

f) Urban Development

The mountainous districts will be increasingly focused on with the aim of providing integrated infrastructure. It is planned to secure the beauty, cleanliness, and greenery of civilized towns. Town planning will be completed, developing a modern road system that can mitigate traffic jams. New urban areas will be developed and existing urban areas will be upgraded. Temporary, unsafe blocks and slums in urban areas will be eliminated and residential houses for low-income people will be upgraded and renovated. The renovation and decoration of houses will be promoted; restricting temporary houses along the road. Residence blocks will be upgraded and reconstructed. The demand for houses for the police will be met, as will those for resettlement. The Government will meet gradually the housing needs of low-income citizens.

The Government will develop a Land Fund through various forms of capital sources, especially in major cities and concentrated industrial areas. More sources of funds will be mobilised, such as from Land Projects and the Lottery. Funds from fiscal budgets to some major projects will be increased and mechanisms will be created that can attract funds to develop urban infrastructure. The Lao society will be turned into an investing society to invest in some areas such as water supply, drainage and residential houses. Some targeted funds such as urban development funds and resettlement funds will be established, beginning initially in the big towns and in collective industrial zones.

The Government will increase the distribution of sanitized water to the population in urban and suburban areas. It will solve the issue of waste water and solid waste in the provincial capitals, industrial centres and hospitals.

More schools, regional technical colleges and universities have to be built and the existing ones upgraded. In the next five years, all children would have access to a primary school. More health centres and hospitals will be built and upgraded around the country. The Government will ensure sufficient office space for government agencies. It will complete a number of main headquarters and national works such as the facility for the Central Committee, and the new National Assembly venue. It will emphasize the development of trade infrastructure, tourism, and high-standard health facilities.

g) Telecommunications Sector

The Government will decide on the policy to open up the telecommunications market to meet international economic commitments that the country has been participating in. Economic sectors (including the private sector) are encouraged to participate in this sector to mobilize internal and external resources. The fundamental infrastructure will be developed to support the development of the post and telecommunications sector, and new services such as the Internet and mobile phones. The Government will construct a cable line and telecommunications network from the North to the South and the East to the West linking the country with all of Asia.

h) Sports Facilities

More sports facilities, such as stadiums, sports centers and tracks will be upgraded and constructed.

3. Training

In order to provide an enabling environment to construct and maintain the infrastructure, the continuation of training of the staff of the Departments of Communications, Transport, Post and Construction, as well as of contractors and consultants, is required in the following areas:

- Working in a competitive bidding environment;
- Understanding contractual conditions and obligations;
- Understanding the technical specifications required;
- Planning and financial management;
- The procurement process;
- Control of operational costs;
- Equipment management;

- Site safety and safe working practises;
- Contract management; and
- Environmental impact assessment and mitigation.

To create an enabling business environment for the further development of the national road construction capacity, eight priorities have been identified:

- Further development of the regulatory framework;
- Management system development;
- National Transport Safety Strategy implementation;
- Capacity development of central MCTPC level institutions;
- Capacity development of local level (provincial/district) institutions;
- Financial management development;
- Procedures/routines for addressing inter-sector issues; and
- Continual development of sustainable financing mechanisms (e.g. Road Maintenance Fund).

4. Investment Allocation

The overall draft plan for infrastructure will be reviewed and the investment allocation will be adjusted to suit the realized conditions and priorities for investment projects. Resources for social investment will be mobilised and prioritized with a view to using these resources to carry out infrastructure development with a structural shift towards economic effectiveness. The build operate and transfer (BOT) projects will be publicised and domestic and foreign private investors and other economic actors will be called upon to undertake the projects. Emphasis in public investment would be on formulating large-scale infrastructure projects such as national highways, river ports, airports, and modern and large-scale transport systems. Special priority will be given to sectors investing in water supply, drainage, environmental sanitation, expressways, big towns, inland transport, municipal roads, railways, airports, and river ports. The Government will encourage other economic sectors (e.g. private sector) to invest in infrastructure. It will allow more foreign companies to invest in infrastructure including in water supply, the new mega city, and urban communications. The Government will invest in the construction of high quality health facilities.

5. Investment Management

The Government will research and propose mechanisms to separate and upgrade the roles of the Government at each process of the management of investment in the construction

of infrastructure. Decentralization of management at the actual implementation phase would be considered. Independent consulting groups will be increasingly used during the implementation of projects, especially big projects; promoting consulting organizations, construction bidders, and independent monitoring agencies. The Government will draw up a road map to eliminate collusion in construction investment.

6. Targets

- Increase access to remote areas by building firm roads;
- In the Sixth Plan period (2006-2010), construct roads with a total length of 2,300-2,400km, comprising 1,500-1,600km of asphalt-paved roads and 750-800km of paved roads. In addition, pave with asphalt all roads connecting Vientiane Capital with the provinces;
- Construct bridges with a total length of 4,000 meters, including three bridges over the Mekong River;
- Construct national roads to link provinces with Vientiane capital, and link national roads to neighbouring countries;
- Construct provincial roads to link to districts, particularly to link to the poorest areas, and pave 6 percent of roads in the country with asphalt;
- Expand telecommunications system to broadband, upgrade telecommunications system 3G to telecommunications system 4G. Expand the optical fibre cable to every district and important zones, and increase the coverage of telephone to an average of one per ten people;
- Improve service at Wattay International Airport to meet the requirements of 1-1.5 million passengers per year;
- Provide water supply to 59 percent of total households;
- Construct and arrange for successful river transportation during the Sixth Plan period (2006-2010);
- Develop and construct a railway system;
- Increase the people's access to electricity, telecommunications, education and health facilities; and
- Develop sports infrastructure.

H. Services Including Tourism

The goal of developing the services sector in the coming years is to go on diversifying and upgrading the quality of service activities to meet the demands of production, consumption and exports, contributing to economic growth, expansion of employment

and improvement of the welfare of the people. The private sector plays a major role in developing service industries

1. Overall strategy

The Government will concentrate on facilitating the development of services with a quick turnover of capital, and those that generate significant revenues to the state budget such as tourism and financial, banking, transportation and telecommunications services. It will continue to encourage the steady development of trading and services in accordance with the economic potential; improve performance and quality; increase the competitive ability of service products with the participation of many economic components; and further improve the role and efficiency of the State in governing commerce and services to satisfy the various demands in manufacturing, trading and society, contributing to economic growth, broadening markets, and promoting economic integration.

2. Sub-Sector Strategies

a) Domestic Trade and Markets

The Government will continue to develop the domestic market in the direction of satisfying all the various demands of production and consumption, assisting to sell home-made products, ensuring to stabilize commodity resources to promote exports and maintain the export markets. It will ensure the demand-supply relation for such essential products as petroleum, steel, iron, cement and fertilizer; organize trading activities to maximize the satisfaction of consumers and accommodate export development; and develop domestic commerce gradually corresponding to foreign market activities for integration into the international economy. It will formulate and implement an overall development programme, paying special attention to infrastructure development such as the market system (including border markets), trans-border economies, department stores, shops, distribution systems, distributors, warehouse systems, bus stations, and ports.

The Government will implement policies and promote the effective and convenient exchange and flow of commodities in the country. It will develop business entrepreneurs in the trade sector and increase business cooperation and joint ventures. The Government will coordinate between producers, businessmen and consumers; maintain good relationships between domestic and foreign markets; and maintain the sufficient production of commodities in order to stabilize the prices. It will promote the development of brand names, and help raise the competitiveness of Lao products in the domestic market, and in the regional and international markets.

The Government will strictly enforce measures to manage the operations of the domestic market; supporting measures to counter smuggling and trade fraud. It will prevent unauthorized service operators and secure a transparent and equal environment in business operations. It will support and monitor the enterprises operating in the trade sector for contraband and poor quality products. The Government will create an environment conducive to mountainous area markets; maintaining the growth of retail trade in these areas so as to meet the production and consumption requirements of the people; organize the distribution channels for agricultural products for mountainous people; and provide subsidies to reduce the high transport costs.

The Government will promptly construct and complete the systems and policies to meet the standards of WTO and the General Agreement on Trade in Services to make favourable conditions for negotiations and conflict resolution. It will prepare to fulfil all the conditions and carry out well the service commitments required to join the WTO, and carry out commitments of liberalising services in the ASEAN framework by the year 2010 and in the following period.

b) Financial, Banking, and Insurance Services

(Covered under Financial Sector in Chapter 2)

c) Transportation Services

The overall development policy of the transportation service sector is to build capacity, both infrastructure and human capacity, in order to enhance competitiveness; to gradually open up transportation service markets; and to attract foreign sources of funding; and the utilization of modern technology. The Government will upgrade the quality of transportation services and the safety level in commodity and tourist transportation services. It will open up and upgrade some of the airports and river ports to enhance the loading capacity of passengers and commodities. It will improve the management and modernize more loading vehicles and equipment at river ports to reduce transportation costs. The key target is to reduce the cost of moving freight and people domestically and internationally.

The Government will develop public transportation, and open up new routes in urban areas to attract passengers to use public transport. It will operate public communications systems in major cities efficiently and continue and maintain safety in communications in order to limit and gradually reduce the number of accidents, fatalities and injuries due to road accidents.

The Government will expand river transportation services via supporting policies to encourage economic sectors to use these types of services. Initially attention would be paid to high-profit services with wider scope for operations such as river transportation agencies. At the same time, administration reform at river ports will be implemented to reduce transportation costs.

d) Telecommunications Services

The Government will continue to diversify postal and telecommunication services of different types and forms, raising the quality and gradually reducing costs. It will help achieve a reasonable cost of calling (tariff rate) in order to make it accessible and affordable to all the people. It will increase competition within these areas in order to attract more users.

The Government will improve the control and management of the postal rate under its strict management, as postal service costs are still affected by state monopoly. For competitive services, enterprises would be empowered to determine corresponding postal rates. For services which are getting competitive, rate brackets are to be applied. A policy of efficient management would be applied to the national infrastructure network in order to make full use of the information infrastructure, as well as the management of the corresponding services.

e) Tourism Development

The Government will research and amend policies to facilitate the growth of the tourism sector, diversify funding sources, especially mobilizing private and foreign investment. It will research and develop laws/decrees on tourism as a base to complete the draft Law or Decree on tourism. It will implement effective measures to raise the quality of tourism services in response to increasing needs of both foreign and domestic tourists. The tourism infrastructure including communications and information systems, electricity, water supply, hotels and guesthouses will be improved, to provide better services to tourists. Eco-tourism will be developed and promoted. The competitiveness of tourism products for export will be enhanced. It is important to cooperate with the mass media in order to advertise and access different types of tourists. The Government will organize the International Trade fair in coordination with the Airlines, and Trade, Information and Cultural agencies, to promote the tourist sites in the country.

The Government will continue to complete the overall programme on tourism development in 939 tourist sites, 570 of which are ecological tourist sites, 257 are cultural tourist sites and 112 are historical sites. In addition, the development of 364 potential tourism sites is under way, with the attraction of investment and the development of new tourism sites to be encouraged in the Sixth Plan period (2006-2010).

Full attention would be paid to human resources development in the tourism sector. The Government will establish a tourism department in the National University in order to develop highly qualified tourist officers. The private sector would be encouraged to participate in tourism training activities. At the same time, it is necessary to coordinate with various partners in Asia to provide relevant training on tourism. The roles of the Tourism Authority at all levels would be further enhanced. In 2006 the National Tourism Authority will be upgraded to Tourism General Directorate. A National Council on Tourism will be established under the chairmanship of H.E., the Deputy Prime Minister, with the involvement of representatives from relevant line Ministries, central authorities, and leaders of certain key provinces where important tourist sites are located.

f) Information- Culture, Radio and TV

The development programmes will be prepared to ensure the communication of ideas and better news information in effective ways to all the people to achieve modern and civilized lives with culture and national characteristics. By 2010, the targets are to double the arts troupes; use the Government art troupe to carry out their performances to serve the people; and increase the Government's management of culture in particular in the media and publications.

The Government has an important role in defining the political ideas, attitudes, beauty and social values; and supporting investments in the development of a cultural basis to serve the entire population through such facilities as the cultural centre, sports facilities and libraries as centres for the districts and communities. The Government will construct cultural halls, libraries, museums, public parks and recreation places in the densely populated provinces and districts. It will continue the distribution of information and culture in the remote areas; promote the exchange of the different cultures of the ethnic people; and prevent the outdated beliefs that inhibit social development.

Priority is to be given to the preservation and development of traditional arts, focusing on the preservation of historical sites and special culture. Surveys on the cultural values of the minority people will be carried out and pilot projects will be implemented to preserve the old and best villages. The Government will reward (or provide grants to) the talented people in the cultural affairs and promote artistic development projects, with valuable ideas and arts.

The Government will promote the development of records (archives) and the preparation of stories and documentaries. It will develop the libraries in the schools and in the whole country. The Government will promote the establishment of private films and private cinemas, cultural and artistic play theatres, private collectors and museums, and participate in the preservation of some trails for trekking and cultural heritage for

intellectual stimulation. It will examine the financing mechanisms for the radio and TV, and upgrade the quality and transmission time of the radio programmes using modern technology. It will help add more time to prepare and broadcast programmes on agriculture, rural lives and ethnic minorities, in particular the use of ethnic languages to disseminate knowledge on agriculture, forestry and fisheries and raise awareness about the policies of the Government. It will facilitate the addition of more transmission time and improve the quality of TV programmes.

g) Sports

The Government will help prepare the basic plans for sports and sports mechanisms, and promote policies allowing the whole society to participate in sports activities and development. The sports exercises will be developed aiming to strengthen the bodies of the target populations; and the line agencies, organizations and social associations will be encouraged to carry out the sports exercise and activities. The Government will support all sports, in particular, swimming, running, football, volleyball, tennis and badminton. Support will be provided to the professional sports particularly for children and the youth to be carried out in health education in the schools. The Government will help improve sports education and develop professional sports suitable to the situation. It will continue to encourage and increase the development of sports for young people to have a variety of professional athletes who can take part in the regional (SEA) Games, the Olympics and other international sports events.

The Government will encourage institutions such as hotels to provide sports facilities (stadiums, swimming pools and gymnasiums) for staff and clients, as a part of their business operations, and to sponsor sports nominated by the Government. It will implement the policy for sports and promote investment and business operations training and places for tournaments. The division of work between the Government administration, the Sports Federation and the Association would be rationalized. The management of sports will be adjusted in accordance with the international principles, and the sports activities and tournaments will be handed over to the social associations and the non-governmental associations for their implementation. The Government would provide only financial support to selected activities and for the preparation of the Lao sports teams to participate in international sports events.

Opportunities will be created and policies will be implemented to promote the sports activities to prepare for the general conference for the national sports which will be held in the next five years including participation in the Olympics and regional games. Survey works will be carried out and the national stadium will be constructed to serve the national tournaments and prepare all the necessary facilities for the Lao PDR to host the 25th SEA Games in 2009.

The Government will help start the scientific study of sports which are suitable to the Lao PDR. It will promote the urgent use of the best practices from the sports sciences and technologies to select and serve the development and training given to the sports persons, in order to improve their capacities and upgrade some types of sports such as swimming and running to gain better and stable outcomes for the country within the region. The Government will help prepare the systems to develop new quality sports people, with enough numbers to replace them as needed and enough sports people to participate in each event at the SEA Games in the future.

3. Targets

- Make efforts to achieve a growth rate of 7.3 - 7.8 percent per year for the service sector during the Sixth Plan period (2006-2010). Continue transforming the sector, increasing the share of services in GDP to 29 percent by 2010;
- Try to achieve an expansion in postal and telecommunication services at the rate of 10 percent per annum; by 2010, the number of telephones will be 690,000 units with a telephone density of 10 units per 100 people, and all provinces and 80 percent of villages will be equipped with telephones;
- By 2010, about 21.5 billion mt of commodities are estimated to be transported, with an average annual increase of 8 percent. The volume of commodity rotation will be 2.08 billion mt/km, with an average increase of 10 percent per annum; the volume of passenger transportation will be 257 million, with an average increase of 11 percent per annum; the volume of tourist transport will increase on average at 12 percent per annum;
- It is estimated that by the year 2010 the sector will attract more than 1.7 million foreign tourists into the country, and 2.5 million domestic tourists. The number of foreign tourists will increase at the rate of 11-12 percent per annum. The total revenue from the sector will reach USD 200-300 million. In 2005, the average duration of tourists' stays was five days, which will be extended to eight days by 2010;
- The target is to achieve a 20-30 percent share for International Airline routes for the Lao Airlines by 2010;
- Mobilize 15 percent of the population to train for sports, 8 percent of the households in 80 percent of the provinces and districts; develop sports infrastructure (such as stadiums, swimming pools and other types of sports facilities), with 50 percent of districts having sports structures in which 90 percent are basic sports which do not belong to the Government and are gradually developed; and
- Ensure that all districts including the remotest areas have access to radios and TV. By 2010, over 95 percent of families will be able to access the National Voice of Lao (radio) and national TV channels. Provide books on basic knowledge of socio-economic development to all districts and some focal sites. There will be

around 26,000 recognized “new families” and more than 60 national parks will be established. Complete and submit applications to UNESCO to recognize Chum field and Khon Pha Pheng waterfall as world heritage sites.

I. Regional Development

1. Targets for Regional Socio Economic Development

The efforts for each area should aim to develop the general target for the area and economic sector, create the strength of each area as close as possible to the economic structure catering to the needs of the domestic and foreign markets. Then, support the level of economic expansion and develop the society in each of the areas to be strong, while simultaneously upgrading the quality of life of the people.

Develop the five-year plan for each region, with the average economic growth target of 6-6.5% for the Northern provinces, 8.5-9% for the Central provinces, and 6.5-7% for the Southern provinces. The average income of people would increase at 5% per year. By 2010, the per capita income in the Northern region would be USD 610, USD 1,000 in the Central region, and USD 930-950 in the Southern region of the Lao PDR.

The economic structure of the regions should be directed towards sharp increase in the shares of industry and services sectors in the regional GDPs.

2. General Development Guidelines

The overall development guideline is to push the implementation of the strategic plan in focused areas, and build up some focal points where the big cities would have the ability to cooperate with advanced countries in the region. Build up the development capacity of each area and all economic players (sectors), which would become the driving force for development.

This process adheres to the fuller exploitation of existing potentials such as natural resources and the labour force to increase productivity and value-added in production, and service capacity. Also, appropriate investments to support the socio-economic development of the least developed areas should be prepared. First, target to develop the infrastructure such as rural communications, irrigation, electricity, schools and primary health care to provide the facilities for economic development and upgrade the living standards.

Build up the potentials of each region in coordination and collaboration in the five-year period (2006-2010). Special attention would be given to decentralization of authority between central and provincial authorities and within the local authorities themselves, especially with regard to national and regional construction projects, in order to allocate resources - funds and labour - in the implementation of the projects, avoiding the overlapping of responsibilities.

a) Agriculture and Rural Development

Establish large agriculture processing areas, with appropriate exploitation and sustainable development of the forestry resources to be raw materials for processing industries, particularly for export.

Take advantage of the comparative advantages of natural resources and labour force of each area, and focus on high yield rice production, special rice species, short-term industrial trees and organic vegetables, aquatic cultivation, and raising of big animals to meet the demands of domestic and foreign markets. Improve fisheries performance in the rivers and conduct fish farming approaches.

Village groups will be established as the base for community development, employment generation, and creation of new rural livelihoods, with the central aim of developing small-scale industries, handicrafts and arts; and supporting the use of indigenous knowledge. The target is to shift 15-20 percent of the agricultural labour to small-scale industry and the production of handicrafts. Carry out implementation of forest management and accomplish the forest and land allocation with provision of permanent livelihoods and cultivation of rice paddy. Encourage people to cultivate cash crops in order to increase their living standards.

b) Industry

Develop industrial centers in three areas to bring about big-bang results on the basis of nuclear cities with modern infrastructure and services. Investment in the industry should be focused on value-added, large-scale industrial sectors such as electricity, food processing, wood processing, fertilizers, clothing and mining (such as gold, iron and bauxite), construction materials, machinery, electric wares and consumption goods of high quality. It should be achieved through the development of the industry groups in the area, to be the driving force of the region's economic development. At the same time, the support of the nearby areas with advantages for supplying the raw materials as well as markets for certain products need to be considered.

c) Services

Develop and expand domestic and foreign markets to increase the market base and sales. Develop and transform the multi-style of services. Create service centers in the regions or countrywide. Establish the financial service units, construction agencies, the health services, and national and regional research for science in an effective manner. Develop telecommunication and postal networks. Increase efforts to promote tourism aiming at exploiting the unique potentials of each region. Develop the border economic zones such as; Xieng Kouk (Laos- Myanmar), Boten (Laos- China), Nam Kan (Laos- Vietnam) and other check points (Laos Thailand).

The focus will be to improve and develop the infrastructure complex for each area, first of all for the cities in the region such as airport, main routes connecting Vientiane and other focal cities, international border and satellite cities, tourism sites, populous cities, etc. Connect the electricity transmission lines to districts, with priority given to the border areas and the special economic zones (areas). Develop the water supply in the urban areas. The main concern should be the provision of electricity infrastructure for education and health in the rural areas.

d) Urban Development:

Allocate and develop the four leading cities to be socio-economic development centers of the regions namely: Namtha (Luang Namtha) in the Northern region, the capital of Vientiane, Khaanthabouly (Savannakhet) in the Central region, and Pakse (Champasak) in the Southern region, which will take the leading roles for economic expansion and be in the front line for industrialization and modernization. Encourage the development of industry and services to respond to and take part in the regional and global economic integration. The main leading cities, besides taking their roles as the centers for political, economic, cultural-science and technological affairs, should also take the intermediating role to ensure coordination within and between the areas.

e) Poverty Reduction

Increase investment and implement transparent policies. The Government's priority projects should put forward development in the difficult areas, especially 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, particularly along major border crossings 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. The 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.

3. Development Strategies for Specific Regions

a) The Northern Region

Overall development guidelines: the Northern region is the most difficult compared to other regions due to inadequate infrastructure, lower level of education of the people, and limited and out-dated information. However, this region has certain potentials in agriculture, forestry, hydropower, mining and tourism. Also, it has a unique location in terms of proximity (economic relations with) to four countries (China, Vietnam, Thailand and Myanmar). Therefore, to promote the potentials of the region in the five-year period (2006-2010), the development of infrastructure should be emphasized. At the same time, participation in the regional/international economies through promotion of tradable goods is necessary, resulting in a change in the economic structure. The development policy should emphasize surplus generation through: hydropower exploitation, mineral processing, forestry, organic agricultural products and eco-tourism. Thus the specific major targets areas are hydropower, mining and tourism. So, the Government has to continue investments in the socio-economic infrastructures, create facilities for the people for goods production, and reduce poverty.

Increase the share of non-agricultural sectors in the regional GDP from 45.3 percent in 2005 to 51 percent in 2010, with the industry and construction sector accounting for 32.1 percent and the services sector 18.9 percent. The attention will be on the improvement of some big cities in this region in order to transform them into provincial capitals (such as Luang Prabang City of Luang Prabang province).

a. Development Guidelines for specific sectors

Agriculture: The plans are to use the land and forest resources, change the forest structure, prepare the areas for commercial trees and fruit trees, livestock and industrial processing, develop farming methods for the area to be able to plant trees for food, invest in small-scale irrigation, and select suitable seeds for food production at the sites.

The planting of trees that are suitable to the soil and climatic conditions of each area are to be encouraged, to supply raw materials for processing industries. Secure lands for rice production and ensure the rice production of 550,000 mt per year. Expand the areas for

planting corn in Luang Namtha, Luang Prabang, Xiengkhouang, Bokeo and Phongsaly, with the output to reach 120,000 mt per year for animal feed and as raw material to processing plants for export. Develop short-term commercial crops such as soybeans, beans, tobacco and sugar to cater for the local market and to supply to the markets in the Central region such as those in the Vientiane capital, and for export to neighbouring countries like China and Thailand.

The farm economy will be developed strongly, with the promotion of animal husbandry in favourable areas where there is good grassland to increase the number of cattle and buffaloes to 7,500,000 heads by 2010. This would ensure adequate production of meat and milk to meet the needs of the provinces in the Central region, and supply the raw materials to produce canned food for export.

The previous exporting of logs will be changed by supporting the Government's guidelines on wood processing, by encouraging furniture for export. Develop new forests for supply of raw materials and cover empty spaces and bare hills with trees. Continue implementation of land and forests allocation in line with the stabilization of shifting cultivation and resettlement of people in the mountainous and remote areas, so that they have stable production and livelihoods.

Draft the projects and programs to develop infrastructure such as communication, electricity and water supply, to reach village development clusters, especially those established to stop slash and burn cultivation and opium growing, to have new stable occupations. Encourage agriculture extension work, reforestation based on improved provision of technical advice, and change the out-dated methods of production to new modern ones.

In the five-year period (2006-2010), continue to strengthen the implementation of Government programs on goods production and poverty reduction. Ultimately stop slash and burn cultivation by 2007. Develop cultivation and livestock in the focal districts, through the plantation of rubber, maize, tea and sugar, and the rearing of livestock and poultry. Support the production of food, vegetables and processed agricultural products to meet the needs of the markets in the border areas in the Northern Provinces such as Xayaboury, Bokeo, Luang Namtha, Houaphanh, Phongsaly and Xiengkhouang.

The Government is to support and provide investment for the development of tourism infrastructure, allowing various economic players (elements) to take part in organizing and providing effective eco-tourism. Promote traditional handicrafts with their legacy and unique characteristics such as traditional weaving, bamboo weaving and other artefacts, which use local raw materials and skills such as wood carving, sculpture, gold and silversmith.

Persuade business units and households in each village to get involved in the production movement, establishing village funds to help and support initial investments in their business activities aiming at diverting from opium and upland cultivation by providing new employment activities.

Support domestic and foreign enterprises to establish processing of agriculture produce to meet domestic consumption needs and export to neighbouring countries.

Stabilize resettlement of the people engaged in opium and slash and burn cultivation by establishing effective stable upland rice and rice paddy cultivation in order to improve their livelihoods.

Industry: Priority is to be given to the Luang Namtha Development Centre focusing on all leading and important sectors such as the mining industry (coal, antimony, salt and copper), and tree exploitation and processing. Local and foreign enterprises will be promoted and provided facilities to increase investments in exploitation of gold and iron in Xiengkhouang and Bokeo, coal in Xiengkhouang and Phongsaly, iron sheets and bauxite in Phongsaly, and sapphires in Bokeo. The capacity of the cement plant in Oudomxay will be expanded to 80,000 mt per year, and the with completion of Namkha hydropower project in Luang Namtha and hydropower in Nam Xieng, Luang Prabang, improving the electricity supply in Oudomxay.

The Luang Namtha Industrial Zone will be constructed on 200 ha for the extraction and production of gem stones, micro-bio fertilizers, canned products, textiles and animal feed. In addition, the small-scale industry groups in the districts and villages would be promoted.

In the Northern region, industries such as wood processing, construction materials, mineral exploration and processing, and large-scale hydropower will be developed. At the same time, small-scale hydropower construction will be developed in order to provide electricity to the remote rural areas. Develop small-scale industries and handicrafts for supplying the consumers in the rural areas and the cities.

Services sector: Local commerce will be developed, establishing rural and mountainous market systems and border markets. Commodity exchanges and border area tourism will be facilitated especially in Houay Xai and NaMeo

The plan is to invest and develop high quality services in Luang Prabang and Xiengkhouang. Machinery service and equipment maintenance and other services are to be encouraged.

Service centres dedicated to service, commerce and tourism will be set up in border areas (Luang Namtha province). This is also aimed at building strong border economic areas and ensuring national defence and security. The development of a specialty production area to export to neighbouring countries will be encouraged. The feasibility of constructing a free trade area in Botem and Xieng Koc will be looked into.

Priority is to be given to telecommunications and financial, commercial and tourism services. Also, agro-forestry technical services, together with advertisement and information dissemination on tourism, culture and health are to be encouraged.

The Government will create economic and service centres in Luang Prabang to attract and increase the number of tourists into the Northern region to around 700-800 thousand tourists, which would generate an income of US 20-25 million per year. All provinces are encouraged to put forward tourism. Tours will be diversified to border areas, economic zones and cross-border tourism. This will serve as a basis for Lao tourism to integrate into the Mekong sub-region tours. All provinces are encouraged to put forward eco-tourism, culture and history; support investment in tourism infrastructure; promote the economic sectors to invest in eco-tourism; and develop the traditional products such as handicrafts and weaving with local raw materials.

b. Infrastructure development

Investments will be mobilized to upgrade national highways and roads linking to international borders, and river transportation lines and ports so as to facilitate commercial activities and tourism exchanges, while maintaining order and security along the borders.

Attention will be given to trading activities and communications in a bid to encourage export of products to neighbouring countries. Improve service in border check points to attract tourists and tourism activities aiming at developing eco-tourism as well as historical and cultural tourism in the Northern region.

Basic infrastructure and other encompassed activities such as water supply, electricity and healthcare will be developed and enhanced in the Northern main cities such as Luang Namtha, Luang Prabang, Xayaboury, Bokeo with a hope to balance the development between cities and rural areas.

In the near future transit service and tourism would take place between the Yunnan Province of China through highway R3, which is currently being constructed. Therefore, development activities along this route have to be paid attention to and encouraged.

The plans are to upgrade an airport in Luang Namtha, rehabilitate the Luang Prabang airport to reach a sub-regional level to expand flights to all GMS countries, Hong Kong and Singapore; deploy and complete construction projects on a number of routes such as R3 ; R2 . The Government will look for capital to carry out construction projects for R.4; R13; R.4A, and R.4B. Electricity network linking to different areas will be constructed to facilitate tourism routes and mining explorations.

Cooperate with China to study and construct a hydropower project with a capacity of 640 MW in Nam Ou in Phongsaly province.

Social development: Priority will be given to human resources development, with attention paid to the welfare of those that have dedicated themselves for the country. Complete the building of Souphanouvong University in Luang Prabang and some other vocational colleges. An adequate proportion of investment capital will be allocated for upgrading existing primary and secondary schools and constructing new ones. Upgrade and provide medical equipment to provincial and village hospitals. People will be vaccinated, against dangerous epidemics and infectious diseases. Stop slash and burn practices and eradicate opium growing in line with the provision of re-employment opportunities. Accomplish the poverty reduction target by 2010. Upgrade the capacity of provincial broadcasting and open postal network into all district towns. Construct and upgrade infrastructure and develop the economy at a high rate. Take lead in regional integration.

b) The Central Region

Overall Development Guidelines: The central region of the Lao PDR has plenty of natural resources, skilled labour, and a relatively complete set of infrastructure. Communications with the domestic and international routes is quicker than for other provinces. Therefore, this region could be developed faster than others. Also, there are many flat terrains suitable for developing crop cultivation and livestock rearing. The region is endowed with more irrigation networks that reach focal development sites. A significant jump in economic growth and expansion of the country could be driven by this region.

In the next five-year period (2006-2010), the Central region will play a comprehensive and central role in the development of the country. Modernize the structure of the economy, generating large commodity production volume. Put efforts to achieve economic growth at a rate of 8.5-9% per year based on the development of effective industrial sectors, especially labour-intensive processing industries aiming at increasing the proportion of labour in non-agriculture by 40-50%. Put efforts to increase the share of the Central region in the country's GDP to reach 49-54% by 2010.

Attention will be given to the improvement of some big cities of this region in order to transform them into provincial capitals, such as Khanthaboury district renamed to Kaysone district of Savannakhet.

a. Development Guidelines for Sectors

Agriculture: The plans are to enhance the potential of the fertile plains to produce high quality agricultural produce for export, such as beans, sesame, tobacco, sugar, pepper, Phala rubber, coffee and cashews, which are suitable to the soil and climatic conditions, especially in Bolikhamxay, Savannakhet, Khammouan and Vientiane Provinces.

The areas for special and good quality rice and vegetables production will be expanded; as well as cattle husbandry, the rearing of buffaloes, poultry and fishery in the Vientiane prefecture, Vientiane Province, Bolikhamxay and Khammouan will be increased. These will become the sources of raw materials for processing industries. The planting area of Phala rubber, sugar, Mai Ketsanan trees and fruit tree production in the hills in Bolikhamxay, Savannakhet and Vientiane Prefecture will be expanded.

The farm economy will be developed strongly, with the promotion of animal husbandry in favourable areas where there is good grassland to increase the number of cattle and buffaloes to 7,500,000 heads by 2010. This would ensure the adequate production of meat and milk to meet the needs of the Central Provinces, and to supply raw materials to produce canned food for export. The sector will be developed to provide raw materials for industrial processing; and preserve rice field areas to be stable and balanced and ensure the volume of rice production to achieve 550,000 mt per year. The land will be used to plant short-term crops such as yellow beans, beans, tobacco, sugar and vegetables for local markets, in such areas as Vientiane capital, Vientiane province, the special zone of Xaysomboun and tourism sites, and for export to China, Thailand and so on.

Wood exploitation will be considered with a natural balance so as to provide ecological safety. The Government will continue to protect and regenerate forest resources such as planting new trees in spacing areas. It will continue to provide land and forest allocations concurrently with the promotion of agriculture and provision of new plantation techniques and animal raising in order to (change) improve the livelihoods of the people.

Industry: In the five-year period (2006-2010), the focus will be on development of electricity, exploitation and processing of minerals to increase export products and enhance the budgetary revenues to be used for the development of infrastructure and implement the comprehensive poverty reduction strategy.

The plans are to continue to enhance the industrial sector with high technology for export, such as the electronics industry, consumer products industry, industrial processing of non-timber forest products, construction materials industry and the chemical industry. Key industrial areas will be established gradually along the main communication routes. The villages will be developed for traditional production with an aim to increase employment and exports.

Priority will be given to the development of hydropower plants, exploitation of gold, copper and iron, production of cement and paper, agriculture processing, tourism and high quality services. The investment will be mobilized for improving the infrastructure of the two big cities in the region, the Vientiane Capital and Khanthaboury district of Savannakhet province.

Investment and the modernization of the infrastructure of satellite cities in the Central region including Phone Hong (Vientiane Province) and Tha Khec (Khammouan), and other district towns will be supported so that they could link the cities and rural areas. The conditions necessary to develop cities along the East-West corridor of Savannakhet such as Outhoomphone, Atsaphangthong, Thapalanaxay, Phine and Sephone will be created linking developed and under-developed provinces [such as Ban KM52, Vieng Kham (Vientiane province), Thaphabath, Phakadinh (Borikhamxay), and Xebangphay (Kham Muon)]. Support will be provided for Nam Theun 2 and Nam Ngum 2 hydropower projects, and other small and medium-scale hydropower projects, such as Sebanghiang and others. A favourable investment environment will be created to motivate investment for exploitation of gold, copper, iron and coal. Construction of the Vientiane II cement factory (with a production capacity of 200,000 mt per year), and Savannakhet cement factory (100,000 mt per year) will be completed to meet the local needs of construction.

The plans are to urgently construct three focal areas for industry:

1. Vientiane Industry 1 with a total area of 150 ha for non-forestry products and good quality timber production for export, tailoring, handicrafts, machinery and small tools for agricultural production and electric wares;
2. Vientiane Industry 2 with a total area of 250 ha for food exports, tailoring, animal feed, vegetables, fertilizers, pharmaceuticals and consumer goods; and
3. Savannakhet Industry with a total area of 200 ha for construction materials, mining, canned food, juices and animal feed.

In addition, industrial areas would be constructed along national roads, with the extension of handicrafts to paper production villages, oil crops, weaving, and natural dyeing to provide employment and create income for the people in the rural areas.

Services: The plans are to implement the trade policy with many sectors to open services in internal trading network areas to meet regional and international economic integration, by using the ITEC Centre and the Singapore Trading Centre (under construction) in Vientiane as focal points to display Lao goods and products. Complete construction of infrastructure in the provincial and district municipalities concurrently with goods production for new domestic markets and export. The goods distribution in the provincial joint border areas will be opened widely, with a focus on investment in Savan-Seno special economic zone (Savannakhet) and other areas which link the Lao PDR with Vietnam and Thailand. The Government will support exports and the management of imported goods in the industry area in Denesavanh, and publicize the wood products, organic products, and market information to the local and foreign investors. Financial services such as banking will be improved. The goods distribution in the border areas will be opened widely, with a focus on investment for Savannakhet special economic zone and the duty free shop at Seno (Savannakhet), which link the Lao PDR with Vietnam, and other provinces with Vietnam and Thailand.

Attention will be paid to the activities for marketing, firstly via the East-West economic corridor. Exports will be encouraged by advertisement, and open access to market information for domestic and foreign investors and businessmen

The plan is to effectively exploit the potentials for tourism in the Central Region, focusing on the development of the tourism centre in Vientiane; completing the roads linking tourism within and between the provinces, firstly the roads to the South; and supporting the road links to Vietnam, Cambodia, Thailand, China and Myanmar.

The Central Region, with Vientiane capital, will be developed to be the transit route for international exchange. Savannakhet will be the gateway and the country's economic bridge. The Wattay airport is to be upgraded and modernized, increasing its status and enabling it to meet the demand for air service of the Central region.

Continue to develop other sectors such as telecommunications, financial service, banking and other kinds of service.

Infrastructure: Priority is to be given to the Vientiane Municipality, particularly the roads within the Municipality and the roads linking it with other provinces. The rail road from Vientiane to Nong Khai will be constructed. The roads No. 8 and No. 12 (section Thakek Gnommalat) to the sea port in the central part of Vietnam will be rehabilitated and Road No.11 will be constructed. In addition, adequate funds will be allocated for road rehabilitation, mainly the provincial roads, bridges, and irrigation head-works to assure 80-90 percent usage of the irrigated areas.

The public health and education infrastructure such as Savannakhet agriculture and forestry schools will be constructed and improved, as will be the agricultural research centre (seed varieties) in Vientiane Province to provide saplings to the central part and support the other provinces as well.

The telecommunications and post office networks will be developed. The water supply will be upgraded. The housing and activities for the removal and disposal of waste materials in the cities and municipalities will be developed, and the quality of the environment in the cities will be improved.

Social development and poverty reduction: The plans are to enhance the role of the central facilities for public health, education, science and technology and activities for social affairs; comprehensive development of the school and university systems, vocational schools, skill training centres (including for carpenters); and improve and increase status of the provincial and district hospitals.

Implement the supportive policy and mobilize investment in the poor remote, rural and border areas. By 2010, overall slash and burn cultivation will be generally stopped. The resources will be mobilized to improve rural roads, electricity network, small-scale irrigations and water supply for people. Land for plantations and production will be allocated to the people along the provision of cultivation techniques and saplings. These improvements will contribute to the reduction of poverty by 2010.

c) The Southern Region

Overall Development Guideline: The Southern region is located in the two-triangle development areas - Laos – Vietnam – Cambodia triangle and Laos – Thailand – Cambodia triangle. At the same time, it is located on the East – West economy road (East-West Corridor) connecting Kuangnya-Champasack-Oudone-Bangkok. There are various natural resource potentials in the Southern provinces, particularly good soils in the plains that are very vast and fertile, water and mining resources.

In the five-year period (2006-2010), the Southern region will play its role and exert efforts to achieve economic growth at an average rate of 6.5-7 % per year contributing 21-23 % of the country's GDP, with a per capita income of USD 930. Attention will be given to the improvement of some big cities of this region in order to transform them into provincial capitals such as Pakse city of Champasak province.

a. Development guidelines for Sectors

Agriculture: In the Southern Region, the focal areas for development over the next five years are the production of food stuffs, large animals (cattle, buffalo and pigs), and the plantation of Phala rubber, coffee and pepper for export. The Government will continue to construct infrastructure, including roads for transportation and agricultural production, and develop the rural economies.

The focus will be to push forward intensive cultivation of high-yielding rice on 190,000-195,000 ha, with the plains of Champasak accommodating high quality rice for export. Intend to increase the rice output to 630,000-650,000 mt of which 250,000-300,000 mt are for export. The cultivation of beans, corn, vegetables and fruit trees are to be encouraged in suitable areas, as appropriate.

For plantations, the focus will be on using short-gestation industrial trees, enlarging the farms. The markets for produce such as Phala rubber, coffee, tea, mangoes, cashew nuts and Mai Ketsana will be increased, initially in the more favourable provinces such as Champasak, Saravane and Sekong.

Traditional farming methods will be integrated with the new more productive techniques, extending the number of animals, and promoting cultivation along with animal farms, livestock poultry and fisheries. Increase the numbers of cattle and buffaloes to 550,000-570,000 head, and the number of pigs, sheep and goats to 380,000-400,000 head by 2010.

The exploitation of forests would be done concurrently with environmental preservation and rehabilitation of forests; allocating land and forest to communities, and promoting permanent employment for the mountainous people. The Government will deliver agriculture and forestry technical advice, and help stop slash and burn cultivation and opium growing by 2007. It will develop new rural communities as groups of villages and community groups; and support organizations and investment in infrastructure for the rural communities. The thrust will be to reduce the number of poor households in general by 2010.

The forest cover will be increased and secured by paying attention to reforestation, maintaining natural eco-balance along with management and preservation of forests.

Industry: The main priorities are the development of the electricity industry, agro-processing and mineral exploitation. The Government will urgently prepare to construct the Xexet 2 (in Saravane) and Sekong 3, Sekong 4 and Sekong 5 hydro power projects; and implement the projects for copper, bauxite, charcoal, and gold exploitation and processing (in Sekong, Saravane and Champasak).

The focus will be on the development of some industrial and processing sectors such as paper mill, coffee, tea processing for export and rubber processing; with priority measures to provide improved production of good quality wood in Attapeu; and construction of the processing plant in Sekong to provide high quality wood products.

Attention is to be given to investment promotion and incentives to build a canaries plant to produce high quality canned foods (tea, coffee, canned meat and fruit juice), ensure exports from Champasak; and construct chemical fertilizer plants in Attapeu and Saravane to supply the Southern markets.

The Government will ensure that raw materials are available for the Saravane and Champasak cement factories to operate at full capacity. Investment funds will be attracted and mobilized for the exploitation of big projects such as: hydropower projects, bauxite mining and the production of aluminium and other mineral products; and to establish a focal site for industry.

Also, attention will be given to the development of traditional handicrafts such as weaving, silk, cardamom, rice by products, processed corn for domestic and export markets, and tourism.

The necessary resources will be found to invest in the infrastructure for the industrial site at Pakse with an area of 250 ha, to support the production of construction materials, beverages, canned goods, tailoring, animal feed, machinery components and spare parts for agricultural tools. Help will be provided to set up groups for industry and small-scale handicrafts along the North-South and East-West roads and in the cities in the two economic triangle areas of Vietnam-Laos-Cambodia and Laos-Thailand-Cambodia. Also, assistance will be provided to mobilize production capacity to secure efficient production of agricultural products, including through provision of agricultural services to the rural communities.

Services: The Government will invest in the construction of the Southern Trading Centre at Pakse and central markets in the provinces to be the links for goods delivery within the region and supply goods on a larger-scale to the border. Attention is to be given to the development of border markets particularly those bordering Vietnam and Cambodia, developing tourism within and between the areas.

The Government will help extend the trading network to the remote areas; construct trading centres in the districts; link trade with other areas; develop a marketing system, particularly the rural and border markets; promote trade and improve services at the border check points with Vietnam and Cambodia; and establish more border check points

to support the exchange of goods between the Southern Provinces and the neighbouring countries.

The Government will support the development of tourism between the local provinces and with the three neighbouring countries - Vietnam, Cambodia and Thailand. A sub-regional tourism service centre will be developed in Pakse to encourage tourism along the border and across the border on the national highway no. 18 B, 14 A and 15 linking to tourism service in Thaighuan, coastal areas in the Central part of Vietnam, North-East part (Easan) of Thailand, some tourism sites in Savannakhet, Khammuan and Vientiane Capital. About 130,000-150,000 tourists are expected to be attracted to the Southern region.

Infrastructure and urban development: The Plans are to develop the district roads and roads to Vietnam and Cambodia, with attention to roads connecting to the sea ports through these countries. Improve the core national highways and roads connecting provinces. Continue to construct rural communication lines connecting the remaining villages.

The Pakse Airport will be rehabilitated to be the sub-regional airport with links to Hong Kong, Singapore, Vietnam and Myanmar. The routes connecting various areas to checkpoints at Vietnam, Cambodia and Thailand borders will be extended, such as Road No. 16 from Sekong to the Lao-Vietnam border and the border check point of Ber-EE; Road No. 14 A from Muong Cao to the Lao-Cambodia border; Road No. 14B to the Lao-Cambodia border; Road No. 15 from Napong to the Lao-Vietnam border; and Road No. 1J from Attapeu to the Lao-Cambodia border. At the same time, projects for the improvement of provincial and district roads will be implemented, ensuring that all the districts have road access to the centre in all seasons. The irrigation projects will be repaired and completed and the construction of additional small and medium-scale irrigation schemes will be considered, if necessary.

The focus will be on investing in the development of some important districts in Pakse (Champasak province) as the central core for economic, scientific and technical development, and links for economic exchange with the Central and Northern Regions of the country and neighbouring countries. Investment in infrastructure development for the districts around Pakse, like Saravane city (Saravane province), Xaysethat (Attapeu) and Laman (Sekong), would be promoted as they would take their roles as connecting routes between centre and consumer production areas and markets for internal consumption such as Samakhysay, Thathom (Attapeu); Khongsedon (Saravane); Thateng (Sekong), and Parksong, Phathumphone (Champasack).

The Government will continue to construct classrooms and schools for the village groups; enlarge the high schools, vocational schools and universities, and upgrade the technical

worker schools. It will upgrade and construct different schools, with priority given to kindergarten in difficult areas. Investment in upgrading technical capability and extending authority of education sector for Champasak Technical School will be considered. The vocational college will be transformed into Upper Technical College to build up the technical and managerial staff for core economic sectors of the region.

The Government will improve the health centres, build hygiene centres in villages to provide health checks, upgrade and transform provincial hospitals to be regional ones, employ more mobile medical staff, and cooperate with the military medical units and others to enhance the quality of primary health services to the people in the region. Investment will be made to upgrade the Champasak hospital to be the large Southern hospital and provide medical services and health care, particularly at the village level.

The radio and TV stations will be extended, and the broadcasting system in the larger villages and village groups will be established. The cultural activities in communities and villages will be increased, enhancing the cultural bases of the villages, and promoting the traditions and heritage of the Lao PDR.

4. Targets and Methods for Development.

a) Targets and Investment Requirements

The targets and investment needs for development in the three regions during the five-year period (2006-2010) is presented in Table VIII.1.

Table I-1 Regional GDP Growth Targets and Investment Needs

Item	Northern Region	Central Region	Southern Region	Total
GDP Growth	6-6.5%	8.5-9%	6.5-7%	7.5-8%
GDP Per capita USD (2010)	610	1,000	930-950	
Region's share in country's GDP (2010)	25-28%	49- 54%	21-23%	95-105%
Investment Needs (billion kip)	20,698 (28%)	36,960 (50%)	16,262 (22%)	73,920 (100%)
Public Investment (billion kip)	8,778 (38%)	6,468 (28%)	7,854 (34%)	(100%)
Private Investment (billion kip)	11,919 (23%)	30,492 (60%)	8,408 (17%)	(100%)

b) Mechanisms to Mobilize Investment Funds

The Government has to take the lead and direct the provincial authorities in drafting their master plans on socio economic development. Importantly, priority projects should be approved based on the real needs and ability of each local area, within the framework of the Five-Year Plan. At the same time, the Government in collaboration with the Provinces would review the incentive mechanisms in order to improve appropriately and correspondingly the mobilization of investments from different players in each region in accordance with the following directions:

- Make transparent and simplify the private investment license approval;
- Implement special treatment for land use, tax exemptions, etc., to encourage domestic and foreign investors invest in important production and services sectors such as electricity, mineral processing, wood processing, agriculture processing for export, tourism, commerce, banking and financial service, etc; and
- At the same time, encourage private investors to invest in public services and utilities such as irrigation projects, public transportation, health services and education.

In the allocation of investment funds, special consideration should be given to the needs of remote areas in the country and the difficulties they face keeping in mind the appropriateness and efficiency of the investments. Government credit needs to be diversified to mobilize investment funds for provincial development of infrastructure, in particular special treatment and incentives will be given to rural road projects, roads and bridges, irrigations, infrastructure for tourism, trading zones within the economic zones in borders, and infrastructure for public health, community education and the villages in the poor regions. Official Development Assistance (ODA) from international organizations will be channelled appropriately to the areas according to their needs and the use of it should be effective in helping to reduce poverty by developing necessary skills of local people at the site for participation in economic development. For rural and mountainous areas, village groups are required to set up according to the Party and government policy.

c) Human Resources Development

One of the basic problems encountered in socio-economic development is the quality of the human resources. In the five-year period (2006-2010), the policies for human resources development should be along the following lines:

- Upgrade the standards including the health, intellect and quality;
- Mobilize all energies and issue the policies to prioritize the development of the capacities and establish human resources with focus;

- Proper policies for economic development of the regions need to be worked out. First of all investment should be provided for physical infrastructure, development of education curriculum, building up and upgrading the capacities of the teachers and professors at the universities in Vientiane, Luang Prabang and Champasak;
 - Establish 2-3 high technical schools for industry, 3-4 agriculture technical colleges, and 2-3 pedagogic schools in each region;
 - Apply policies that promote students' participation in the key sectors in the region;
 - Support bright but poor students for their further study;
 - Special conditions should be created for the teachers and technical staff working in remote areas and the border areas in order to increase the quality of labour force in those areas and to close the knowledge gaps;
 - Apply policies that promote highly qualified and temporary foreign labour, particularly foreign workers or Lao workers in foreign countries in the key economic sectors of the region, particularly the technicians in control of modern technology;
 - Coordinate in producing Lao technicians to be up-to-date with global developments and to meet the long-term needs of the country in socio-economic development;
 - Intensive science and technology development, particularly the technology that serves the advancement of economic sectors in each region;
- d) Establish science research and transfer of the national technology research centres in Vientiane;**

First, establish the research centres and laboratories at the University in Vientiane, with a focus on the key sectors such as electricity, minerals, agricultural processing, iron products, chemical and organic fertilizers, and animal feeds concentrate. In addition, the centres should coordinate with the ministries and projects to develop technical staff and focus on key sectors; and

Establish the centres for research and production of rice and maize seeds, industrial trees, poultry and fish breeding in Vientiane, Luang Namtha and Champasak Provinces. In addition, the training of staff on science and technology will be based on the needs of the staff in each sector in each region.

- e) Improve Coordination in the administration and management of regional development**

In order to achieve the regional development plan, the Government will pay special attention to coordination mechanisms between regional and sectoral development. This will be based on the effective use of natural and human resources. It is necessary to establish a supervisory committee on regional development with efficient mechanisms under the direct leadership of the Government. Some main elements are as follows:

- The broad vision in developing the integrated strategy for regional socio-economic infrastructure development is to aim to profit from the integration of economic growth within the region. Based on the agreement between the provinces in the region, the priority programs and projects on infrastructure construction will be developed;
- Coordinate between the investment in development of the region where raw materials exist and the processing factories, especially those that produce goods for local consumption and for export;
- Increase coordination in management, monitoring and evaluation of the implementation of the projects financed by the Government budget;
- Implement the policies and promote export enterprises; and
- Coordinate the activities in data and information provision, economic and market forecasting, and trade and investment promotion.

The long-term goal is to achieve a balance between regions and among provinces within the regions, building upon the natural and human resources in each area.