

**National Socio-economic Plan for FY 2004-2005 :
Objectives, Targets, Priorities and Resource Needs**

By

**Mme Singkham Khongsavanh
Acting Director General, Department of General Planning
Committee for Planning and Investment**

Excellency Mr. Somsavat Lengsavad, Deputy Prime Minister and Minister of Foreign Affairs,
Excellencies,
Ladies and Gentlemen,

It is with the greatest pleasure that I take this opportunity to present to this distinguished audience the Government's Socio-economic Plans for FY 2004-2005 and to outline some of the investment priorities and resource needs that we envisage for the coming year.

You have all received the Government Reports, presented to the National Assembly during the 6th Ordinary Session (Fifth Legislature), by H.E. Mr. Boun Nhang Vorachith, Prime Minister of the Lao PDR, H.E. Dr. Thongloun Sisoulith, Deputy Prime Minister and President of CPI, and H.E. Mr. Chansy Phosikham, Minister of Finance.

The main objectives for FY 2004-2005 proposed in these Reports have been discussed by the members of the National Assembly and subsequently endorsed. The main objectives can be summarised as follows :

1. Overall objectives are on-going, and consist in continuing:
 - Strengthening political stability, social order, security and national defense.
 - Enhancing macro-economic stability and economic growth
 - Improving the management of public finance.

These are general conditions outlined in the NGPES as the preconditions for macro-stabilisation, growth and development.

2. Socio-economic objectives are:
 - Promotion of investment of all economic sectors.
 - Enhancement of essential social policies, including the raising of civil servants' salaries.
 - Strengthening of the administration system at all levels.

These objectives help us achieve the general targets.

3. Economic targets are set in this way:

The economic targets, based on last year's performance, are for

- GDP growth: 6.5 – 7 % (previous FY: 6.5 %)
- Agriculture: 3.5 – 4 % (previous FY: 3.5 %)
 - Industry : 11 – 12 % (previous FY: 11.4 %)
 - Services : 7 – 7.5 % (previous FY: 7.4 %)

GDP per capita: 437 US\$ (last year: 403 US\$)

Money supply : 17 % (Previous FY : 18 %)

Inflation : < 8 % (previous FY: 12.2 %).

4. With regard to the Budget, we expect a further reduction of the fiscal deficit from 8.4 % to less than 8 % with respect to GDP. This should be feasible as revenue collection continues to improve and expenditure management becomes stricter. Revenues are budgeted at 3,600 billion kip and expenditures at 6,007 billion kip. The ratio revenue/GDP will thus be 12.5 % and the ratio expenditure/GDP 21.9 %.
5. The Budget deficit of 2,013 billion kip will be covered by borrowing and issuing Treasury Bonds (of 100 billion kip).

6. The Government also determined the envelop for the development budget (PIP) for FY 2004 – 2005: 2,770 billion kip for 1,613 projects; from this amount, 543 billion kip come from the domestic budget and 2,227 billion kip from foreign sources.

The national contribution is much less than the previous year (788 billion kip, which was already much reduced compared the year before). The PIP budget represents now about 10 %.

One of the reasons why the PIP is reduced is that private sector investments should become more important as infrastructure development, macroeconomic stabilisation and the business environment have made important progress.

7. Priorities for the use of the development budget (PIP) have been identified in this order: first and foremost, the PIP budget will ensure that all counterpart funds are guaranteed; second; it will be used to continue national projects that will end soon which are considered to be the most efficient; third: funding for activities in the 47 poorest districts.

From of this 543 billion kip, 44% is used for paying investment debts accumulated from previous years and 25% for counterpart commitments. To avoid paying for debts in the future, the Government took strict measures as you have seen in the Government Reports.

8. The excellent performance regarding Foreign direct Investment should continue during the next year.

We expect new licences to be granted for investment projects to reach half a billion dollars, more or less at the same level as last year. However, we expect FDI inflows to continue to rising, from 305 million to 360 million US\$ in 2004-2005. These figures include cash transfers as well as in kind investments.

9. With regard to Official Development Assistance (ODA) we expect the total amount of ODA to reach 417 million US\$, slightly more than last year. The 417 million US\$ will be equally shared by grants (210 million US\$) and loans (207 million US\$).

May I refer to the many detailed Tables that you have received as an Annex to CPI's Report to the National Assembly, including all data regarding the macro-economic framework (Annexes 1 and 2) and public investment plans (Annexes 3 and 4).

These are thus, Excellencies, Ladies and Gentlemen, the overall targets set for FY 2004-2005. They are perfectly in line with the directions outlined in the NGPES. In order to achieve these targets and objectives, the following measures and mechanisms have been endorsed:

- a. For the *overall context*:
 - Information about the implementation of the Socio-Economic Development Plan for 2004-2005 will be disseminated to all levels.
 - Urgent approval of the law of state budget and other economic laws according to the needs of the era.
- b. In the area of *asset management, trade and investment enhancement*, some new policies will be taken concerning:
 - Exemption of profit and turnover taxes, reduced land tax and fees for an enterprise investing in remote areas.
 - The State Decree No. 02 signed by the President will be strictly implemented and applied to all State Owned Enterprises making losses.
 - Issue of regulations relating to the trade services at borders.
- c. In the area of *production enhancement*:
 - Focus on the investment of the most effective projects, then followed by projects concerning poverty reduction, national defence and security.
 - Strongly support local production.
 - Encourage mobilisation of funds from all economic sectors including FDI.

- d. In the area of *improved governance*:
- Fully respect the Prime Minister's Decrees No. 135 and 58 in order to manage and monitor the public invested projects.
 - Enhance governance administration at all levels.
 - Pay special attention to environmental protection and the government properties.
- e. In the area of *decentralisation and government relations*:
- Encourage MCTCP together with the concerned organisations and speed up the drafting of the decree related to the unit of cost and standardisation in the construction area.
 - Improve coordination between the centre and the provinces.
 - Members of the National Assembly and its various commissions should play an active role in monitoring and reporting about the Socio-Economic Development Plan for 2004-2005 in their respective elected area.

Excellencies, Ladies and Gentlemen,

You will have noticed that these measures, mechanisms and policies outlined as priorities for the present FY are part of the NGPES framework; some of them were outlined in its policy matrices.

The same is true for the sector focus identified for FY 2004-2005 both for the economic and social sectors. The purpose of the NGPES is to provide a reference framework, in particular for sector and supporting sector priorities. These are at the base of its operational interlinkages together with cross-sector priorities and some specific national anti-poverty programmes. It is thus important to clarify what priorities will be emphasised in the coming fiscal year.

The sector focus with regard to *economic priorities*, emphasised for the present FY, can be summarised in the following way:

- A. Agriculture and Forestry:** To strongly encourage the implementation of priority food and shifting cultivation stabilisation programs in line with the directive for the modernisation of agriculture and forestry. Continue with the construction of irrigation schemes. Promote commercial production and the establishment of collective utilities, such as village development funds.
- B. Industry and Handicraft:** Emphasis will be given to the processing of finished and semi-finished goods. Investments will be encouraged for the production of cement, sugar, paper dust and mulberry for which the market has a high demand for.
- **Electricity Industries:** The Lao Electricity Enterprise will be encouraged to invest in the energy sector's development, such as the Nam Ngum 3 Dam and the improvement of transmission lines. The total production of electricity has increased by 6.5% since last year and should continue to increase.
 - **Mining:** The production and exploitation of coal, lime stone, tin ores, gold, construction stones, zinc ores, copper ores, gypsum and potassium should increase.
- C. Service sector:** The infrastructure building programme of the Government will be further implemented, and a number of roads will be built or improved. Efforts will be made to upgrade Wattay International Airport and Savannakhet Airport and to improve flight services. The postal service and telecommunication network will be expanded, so that they will also service poor areas.
- D. Trade:** Speed up negotiations with our neighbours to encourage the mutually beneficial transaction of goods and trading along common borders. Actually apply the special trading privilege granted to Laos by other countries. Promote the production of goods and pursue the holding of trade fairs,

- E. Tourism:** Cooperate with our neighbours in drawing up agreements and a clear framework for tourism. Improve immigration and travel regulations, and publicity to attract more tourists. Encourage Lao people to travel and consume more local products.

The purpose of the economic sector focus is to further strengthen the growth context in line with NGPES priorities.

With regard to the *social and cultural sectors*, priorities for FY 2004-2005 are defined as follows:

1. **Population and Development:** Continue to implement the National Population and Development Policy, with special emphasis on reproductive health, to keep the demographic growth at 2.3%.
2. **Education:** Continue with the national socio-economic development efforts, the Education for All Plan, to ensure that every citizen has access to education.
3. **Sports and physical exercise:** Prepare for the National Games to be held in Savannakhet in 2005, and for the hosting of the SEA Games in 2009. Promote popular sports.
4. **Public Health:** Improve the services of regional hospitals and also improve the ethics of all medical personnel. Pursue disease prevention measures, prevent a HIV epidemic and prevent drug abuse.
5. **Information and culture:** Special attention will be given to improve, modernise and heighten the technical capacity of the mass media. Archaeological sites will be further protected and restored.
6. **Labour and social welfare:** The priorities are to create and improve the skills of our workforce, and additionally provide more and new employment opportunities. Implement the policy that serves civil servants.
7. **Justice and law enforcement:** Improve laws and establish new ones, extensively disseminate information and ensure the proper enforcement of laws are top priorities. A comprehensive report on the enforcement of the laws by state agents and the general public has also to be prepared.

Together with those established for the economic sector, social and cultural priorities will continue to imprint an appreciable rhythm of development throughout the country.

The NGPES outlines the importance of regional planning within the country. The Northern Development Strategy, devised within the NGPES framework, is a first approach towards an integrated regional investment programme. In the meantime, the Government outlined the country's regional development focus in the following way:

For the Northern Region:

Create the socio-economic infrastructure, necessary to integrate the regional economy, and pursue rural electrification work, especially establishing solar energy for areas with no access to the national transmission line network. Raise the standard of Souphanouvong University, open a technical vocational training institute in Houaphan. Pursue efforts to make Luang Prabang a cultural and historical tourist centre. Promote the production of commercial goods, such as cash crops, industrial trees and large animals.

For the Central Region:

Optimize the use of existing East-West Corridor infrastructure, encourage the development of the special economic Savannakhet-SENO zone and also increase border trade between Savannakhet and Lao Bao. An electricity network for 20 villages in Vientiane province will be established. Pursue efforts to make Vientiane capital an economic, political, cultural-social and modern scientific-technological centre. Improve the National University and other learning institutions. Promote the production of goods, especially the processing industry, garment making and livestock.

For the Southern Region:

Emphasise the Laos-Vietnam-Cambodia triangle and the Laos-Vietnam-Thailand emerald triangle as engines for the region's economy. Construct the 115 kv Ban Na-Attapeu electric transmission line and research the possibility of building a transmission line to export electricity to Cambodia. Construct a regional hospital in Pakse and improve Champassak University. Develop the tourist industry, and also Pakse town so that it will become a commercial centre. Increase the production of goods.

In addition to economic and social/cultural priorities and the regional focus, the Government insists on a certain number of particular tasks and priorities, in particular in relation to poverty eradication.

These tasks include stabilising shifting cultivation and terminating opium poppy cultivation as well as to direct intervention to bring relief to poor households. We insist in particular on the promotion of goods production and reducing poverty in the 47 target districts, through technical support and resources provided, to fund the construction of small scale infrastructure in various localities. In particular support is needed in providing employment for people who have given up shifting cultivation and opium poppy cultivation. During FY 2004-2005, it is expected that 27 % (52,000) of the 193,380 poor households in the country will be lifted out of their present poverty situation.

In 2004-2005, it will be important to fund small and medium projects that produce commercial goods, operated by family units. For the moment, 174 small and medium-sized projects have been proposed, which will require 177.63 billion kip worth of credits. These projects will help alleviate poverty, create employment and generate income for rural people. The Government has made arrangements to ease the difficulties deriving from the payment of interest rates and commercial banks have been instructed to release 18.4 billion kip worth of credits in accordance with the Government's programme for goods production.

Excellencies, Ladies and Gentlemen,

Let me now take up Part II of my presentation: some investment priorities and resource needs for FY 2004-2005.

First, I would like to point out that we are presently involved in an important exercise aimed at preparing NGPES operationalisation, which means specifying priorities and assessing implementation costs. The outcome of this exercise will be used for the Plan of the next FY, namely 2005-2006, and later for the 5-year Plan 2006-2010. Most of the preparations – such as the workshops and seminars at province and district levels – aim in fact at preparing the Plan for FY 2005-2006. A first national workshop on prioritisation and costing of NGPES, held in October, with support from the WB and UNDP was a starting point in this exercise.

For FY 2004-2005, given our tight budget situation, we do not have much resources of our own to contribute to the implementation of identified priorities. However, there are some urgent undertakings that we have prepared, to implement the NGPES, especially in the focal development areas. These are the ones that I will briefly present in a moment.

Second, I wish to stress the on-going involvement of all our partners in most of our strategic priorities in all areas. Many of the projects will have budget implications for many years to come. Many projects are on the verge of being signed, with long-term budget implications. Others are under discussion. All these projects are vital for the implementation of the NGPES. They totally reflect our priorities. We are very satisfied with this situation, because we know that all these projects are consistently helping us achieve NGPES objectives and priorities. The foreign sources of 2,227 billion identified in the planned PIP for 2004-2005 cover most of these.

Again, I wish to refer you to Annexes 3 and 4 of CPI's Report to the National Assembly, that you have received. These Annexes contain all relevant details on the PIP for FY 2004. We will be happy to discuss these this afternoon.

However, we are only now starting the process of preparing sector-wide approaches in order to increase efficiency, to target more focused results, again in line with the priorities and the coherence developed in the NGPES. We will be able during this year to develop more in-depth operational investment plans.

Today we wish to draw your attention to the importance of supporting our focal development area approach as well as on some specific sector priorities with regard to an efficient implementation of the NGPES.

These priorities – focal development areas, and sector wide approaches, especially in health and education – will become overarching in the future. To successfully implement them and thus reach our objectives, resource needs will be high. We will be able to assume some of them, and much more, once the Nam Theun 2 and other projects provide us with more budgetary resources. For the time being, our resource needs to bridge the present gap in resource availability, are still high.

As we outline in the NGPES, we have also launched a process aimed at establishing the ratios between expected recurrent expenditures and the capital costs of various categories of projects. Workshops have been organised to familiarise ministry and provincial staff with the concepts and methodology involved in planning for recurrent costs. As we indicated, there is a need for a new approach in managing public investments. We are exploring this avenue actively, with support from JICA.

Excellencies,
Ladies and Gentlemen,

As we explain in the NGPES, the Government has adopted an *area-focused development approach*, which gives high priority to more sustainable land use and the identification and designation of agro-ecological classifications. Forest conservation is integral to this approach. In particular, the river basins and watersheds must be better managed and protected, otherwise the country will lose control of its vast hydrological resources, resulting in flooding or drought, soil erosion and other highly damaging consequences for the agricultural sector and the hundreds of thousands of dependent households.

Further, the Lao PDR's rich bio-diversity will be lost, again at great cost to the people, especially the poorest. Most rural households gather food, medicine, firewood and other products from the forests; for those in mountainous areas, forest products frequently serve as the main source of income.

Area-focused development aims at providing a whole range of alternatives for remote communities. Area-focused development opportunities include livestock-based farming, non-timber-forest-products-based upland farming systems and others already devised upland development strategies, including more viable land allocation systems. In this way, people have options to choose from in order to improve their livelihood locally without having to move. Several of our partners already work in these areas.

Thanks to the area-focused development approach, people/communities have a possibility to establish themselves in their chosen territories as this approach aims to provide the necessary conditions for strengthening livelihood, food security and access to essential services (roads, electricity, schools, medical facilities, water, and sanitation).

The NGPES explains this approach in detail. It is one of our highest priorities in matters of poor district development. Area-focused development includes watershed management and integrated rural development; additionally, it also helps reduce shifting cultivation and poppy cultivation while enhancing local development potential, through the provision of local infrastructure, access to basic social services, encouragement of food and commodity production as well as income-generating activities. However, given limited public resources, both financial and human, implementation faces constraints.

Excellencies, Ladies and Gentlemen,

It is in relation to the priorities in the 47 poorest districts that the focal area development approach acquires all its importance. We have already identified the 10 poorest districts among the 47, where we will start concentrating our efforts in a focussed manner through a focal area approach.

For the moment, we are preparing district/focal development area profiles for 3 of them: one in the North, one in the Centre and one in the South.

The first 3 poorest districts are: Phonxay district, Luangprabang province; Phouvong district, Attapeu province, and; Khamkeut district, Borikhamxay province. Others will follow; today we wish to expose to you the way in which we are going about this and to indicate to you the type of resources needed as well as the institutional framework that we are envisaging.

The focal development area approach implies close co-ordination between all sectors involved to work together in order to focus resource allocation in specific areas or territories as part of a coherent and integrated district development plan.

May I, with your permission, quickly explain how we are to proceed in developing focal area development plans.

In the first stage, the NGPES team summarises the proposed district priorities of each sector. In the second stage, data and information collected from various ministries and four main sectors at the provincial and district level was formatted by the NGPES team from CPI, MAF, MOE, MOH and MCTPC.

In the third stage, participatory workshops are organised, together with the district governor and his deputies, and mass organisations such as the Lao Women's Union as well as development projects working in the area and private sector initiatives. Additionally, the Provincial and District Poverty Eradication Committees and the NGPES team. The workshops discuss the main challenges encountered by each district and also, identify the focal development focal area(s). The participants look for ways to address these challenges and to find the best methods to alleviate poverty in these areas. Proposed strategies and solutions to be implemented in the selected development focal areas are then discussed. Technical advice from the sectors is solicited.

The Poverty Eradication Committee of the district will be the core coordinator with the offices concerned, to implement the project activities, but development projects will be implemented by the line ministries. Two ways of implementing the activities, have been proposed:

1. The project will be operated by the district itself and monitored by the provincial sector.
2. Through the existing development projects in the areas.

Most of the funds will be provided to the people through a credit system (e.g., acquiring livestock, etc.) with very low interest rates, this will increase responsibilities and deepen ownership.

For the 3 districts and the identified focal development areas, we came up with the following results:

Regarding the two focal development areas in Phonxay district in Luang Prabang province; the focal development area in Khamkeut district (Bolikhamxay province); the focal development area in Phouvong district (Attapeu province) – please refer to attached slides.

Obviously, the cost and resource needs are just estimations, but they give us an idea of the resources involved. We have estimated the overall cost at 5.5 million US\$ for the development focal area.

Several of our partners in development including INGOs, are working in these districts already. Co-ordination with them will be important as some projects might be extended and others integrated. The Representatives from the Ministry of Agriculture and Forestry will be happy to expand as they have the official responsibility for rural development.

Several specific sector priorities have also been identified, in line with prepared proposals that they wish to submit for discussion in order to start preparation. Some of these ideas will be discussed during the discussion period. Immediate urgent needs for the education sector are schoolbooks and teacher guides especially for the 47 poor districts; for health, vaccination and mother and child; for transport, community based road access. The concerned sectors and others, will take the liberty later during the discussions to explain some these urgent needs.

I wish to remind you that we are in the process of preparing a costing exercise of the main priorities during the coming months. We already held a first workshop on prioritisation and costing; other workshops will follow. As we said many times, priorities will be defined in consultation with all stakeholders involved. Our time horizon for this exercise to yield concrete results, is FY 2005-2006.

Excellencies, Ladies and Gentlemen,

Let me now finish my presentation by hoping that our discussions will be fruitful and that together we will be able to implement the NGPES as we planned.

Thank you very much

**Socio-Economic Development Plan
of the Lao PDR for FY2004/2005:
Objectives, Targets, Priorities & Resource needs**

Presented by
Mrs. Singkham Khongsavanh
Acting General Director
Department of General Planning
(Committee for Planning & Investment)
RTP/NGPES Information Meeting
Vientiane, November 4, 2004

Outline Presentation

- Part I: Objectives of the Socio-Economic
Development Plan of the Lao
P.D.R. in FY 2004/2005
- Part II: Priority Areas & Resource needs

November 4, 2004

2

**Focus and Target of the
Socio-Economic Development
Plan in FY 2004/2005**

- Continue the strengthening of politics, defense, security and social order
- Further enhancement of macroeconomic stability and continued acceleration of economic growth
- Further improvement of public finance management

November 4, 2004

3

**Focus and Target of the
Socio-Economic Development
Plan in FY 2004/2005 (Con't)**

- Promotion of investment from all economic sectors
- Enhancement of crucial social policies such as the further improvement of salaries of civil servants
- Further strengthening and enhancement of the administrative system from the central to the local levels.

November 4, 2004

4

**Main Economic Targets in
FY2004/2005**

	FY03/04	FY04/05
• GDP	6.5%	6.5-7%
– Agriculture	3.5%	3.5-4%
– Industry	11.4%	11-12%
– Services	7.4%	7-7.5%
• GDP per capita (US\$)	402	438
• Money supply (M2)	18%	17%
• Av. inflation rate	12.2%	< 8%

November 4, 2004

5

**Expected Budget Plan
in FY2004/2005**

- Expected Revenues
 - Estimated in FY2003/2004 2,936.2 bln Kip
 - Expected in FY2004/2005 3,600 bln Kip
- Planned Expenditures
 - Estimated in FY2003/2004 5,464.2 bln Kip
 - Planned in FY2004/2005 6,007 bln Kip
- Budget deficit
 - In FY2003/2004 -2,064.5 bln Kip or 8.4%
 - In FY2004/2005 -2,013 bln Kip or < 8%

November 4, 2004

6

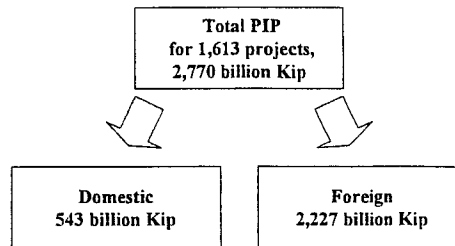
Dealing with Budget Deficit in FY2004/2005

- Projected Budget Deficit -2,013 bln Kip
 - Borrowing 1,913 bln Kip
 - Issue of bond 100 bln Kip

November 4, 2004

7

PIP Funding for FY2004/2005



November 4, 2004

8

Prioritized Budget Allocation of the Public Investment Program in FY2004/2005

1. To ensure counterpart funds,
2. To continue funding the most effective projects which are nearing completion
3. To finance activities in 47 poorest districts

November 4, 2004

9

Where Will 543 Billion Kip Go?

1. Debt payment for FY03/04 238 bln Kip
2. Counterpart fund 137 bln Kip
3. Continued projects 118 bln Kip
4. Small construction & repair 20 bln Kip
5. Technical promotion 15 bln Kip
6. Commercial production & poverty reduction funds 15 bln Kip

November 4, 2004

10

Forecast of Foreign Direct Investment in FY2004/2005

- FDI registration:
 - In FY:2003/2004 US\$533.6 million
 - In FY:2004/2005 > US\$500 million
- FDI capital flow:
 - Actual in FY2003/2005 US\$305 million
 - Planned in FY2004/2005 > US\$360 million

November 4, 2004

11

Official Development Assistance in FY2004/2005

- ODA

	FY2003/04	FY2004/05
- Total (US\$)	379 mil.	417 mil.
• Grant (US\$)	215 mil.	210.5 mil.
• Loan (US\$)	164 mil.	206.6 mil.

November 4, 2004

12

Some Measures, Mechanisms & Important Policy in FY2004/05 (1)

- Information about the implementation of the Socio-Economic Development Plan for 2004-2005 will be disseminated to all levels
- Urgent approval of the law of the state budget and other economic laws according to the needs of the new era

November 4, 2004

13

Some Measures, Mechanisms & Important Policy in FY2004/05 (2)

- Some new policies will be taken concerning:
 1. Exemption of profit and turnover taxes, reduced land tax and fees for any enterprise invested in a remote area
 2. The State Decree No. 02 signed by the President will be strictly implemented and applied to all State-Owned Enterprises making losses
 3. Issue the regulations relating to services at trade borders

November 4, 2004

14

Some Measures, Mechanisms & Important Policy in FY2004/05 (3)

- Focus on the investment of the most effective project, then followed by projects concerning to poverty reduction and national defense and security
- Strongly support local production
- Encourage the mobilization of funds from all economic sectors including FDI

November 4, 2004

15

Some Measures, Mechanisms & Important Policy in FY2004/05 (4)

- Fully respect the Prime Minister's Decrees No. 135 and 58 in order to manage and monitor the public invested projects
- Enhance governance administration at all levels
- Pay special attention to environmental protection and government property

November 4, 2004

16

Some Measures, Mechanisms & Important Policy in FY2004/05 (5)

- Encourage MCTCP together with the concerned organizations to speed up the drafting of the decree related to unit cost and standardization in the construction area
- Improve coordination between the centre and the provinces
- Members of the National Assembly and its various commissions should play an active role in monitoring and reporting about Socio-Economic Development Plan for 2004/2005 in their respective elected area.

November 4, 2004

17

Economic Priorities in FY2004/2005

1. Agriculture and Forestry
 - Food security
 - Shifting cultivation
2. Industry and Handicraft
 - Electricity industry
 - Encourage investment in the sector's development
 - Total production of electricity: 06.5%
 - Mining

November 4, 2004

18

Economic Priorities in FY2004/2005 (con't)

3. Service Sector
 - Upgrade of Wattay International Airport & Savannakhet airport
4. Trade
 - Negotiation with neighbours: along borders
 - Actually apply the special trading privilege
 - Promote the production of goods
5. Tourism

November 4, 2004

19

Social & Cultural Priorities in FY2004/2005

1. Population & Development
2. Education
3. Sport & physical exercise
4. Public health
5. Information & culture
6. Labour & social welfare
7. Justice & law enforcement

November 4, 2004

20

Regional Focus in FY2004/2005

1. Northern region
 - Create socio-economic infrastructure
 - Raise the standard of education
2. Central region
 - East-West corridor infrastructure
 - Establishment of electricity network
3. Southern region
 - Lao-Vietnam-Cambodia triangle
 - Lao-Vietnam-Thailand emerald triangle

November 4, 2004

21

Poverty Reduction Target in FY2004/2005

- Poorest household:
 - Planned in FY2003/2004 50,000 households
 - Reached in FY2003/2004 38,300 hlds only
 - Target in FY2004/2005 52,000 households
 - Poverty rate in contrast
 - In 1997/98 39%
 - In 2002/03 32%
 - Decreased 7%

November 4, 2004

22

Shifting Cultivation Target in FY2004/2005

- Shifting cultivation:
 - Planned in FY2003/2004 15,000 ha
 - Recorded in FY2003/2004 22,030 ha
 - Total remaining 65,115 ha
 - Target in FY2004/2005 20,500 ha

November 4, 2004

23

Opium Cultivation Target in FY2004/2005

- Opium cultivation:
 - Planned in FY2003/2004 4,500 ha
 - Recorded in FY2003/2004 4,300 ha
 - Five provinces have declared themselves free from opium cultivation
 - Victory over opium cultivation in the rest of the country

November 4, 2004

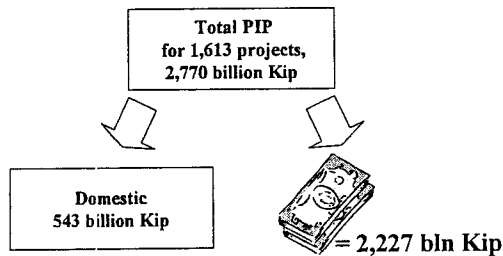
24

What are some of the project priorities for NGPES implementation in FY2004-2005 and beyond?

Investment Priorities & Resource Needs for FY2004/2005

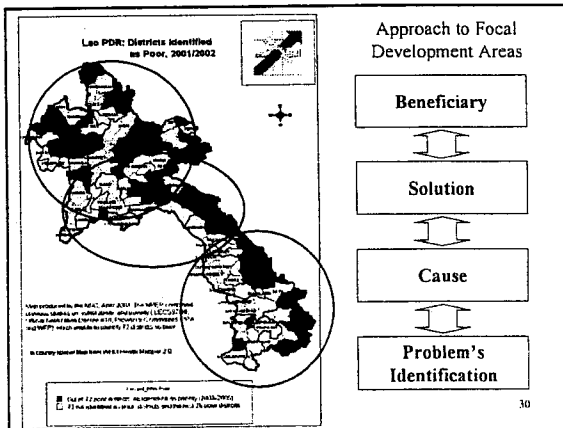
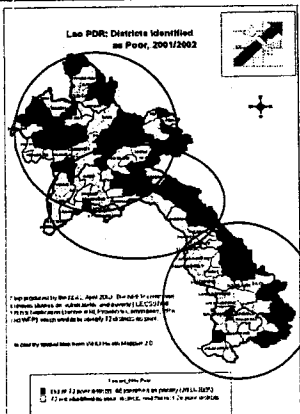
1. Exercise aimed at preparing NGPES operationalisation
 - Annual plan for FY2005/2006
 - Five year plan 2006-2010
2. On-going involvement of all partners in most of strategic priorities

PIP Funding for FY2004/2005



Focal Development Area

- Integrated forest conservation
- Provided alternatives for remote communities
- Government's policy of providing development options
- Watershed management
- Enhancing local development potential



Lao PDR: Districts Identified as Poor, 2001/2002

Workshops & Participation

- Provincial authorities
 1. 4 main sectors
 2. Poverty committee
 3. Mass organization
 4. NGO & ODA Projects
 5. Private sector
 6. Local people
- District authorities
 - Same as above

31

Lao PDR: Districts Identified as Poor, 2001/2002

Pilot Project in 2 Focal Development Areas, Phonxay district (LPB)

Main Sector	Priority	Est. Cost
Infrastructure	Improvement of road net	US\$669,550
Agriculture	Livestock promotion	US\$592,500
Education	Primary school construction	US\$183,500
Health care	Primary health care	US\$45,000
Total		\$1,490,500

32

Lao PDR: Districts Identified as Poor, 2001/2002

Pilot Project in Focal Development Area, Khamkheut district (BLKX)

Main Sector	Priority	Est. Cost
Infrastructure	Road construction	US\$680,000
Agriculture	Livestock promotion	US\$205,000
Education	Primary school improvement	US\$171,000
Health care	Primary health care	US\$132,000
Total		\$1,188,000

33

Lao PDR: Districts Identified as Poor, 2001/2002

Pilot Project in Focal Development Area, Phouong district (ATP)

Main Sector	Priority	Est. Cost
Infrastructure	Bridge construction	\$2,250,000
Agriculture	Livestock promotion	US\$500,000
Health care	Primary health care	US\$55,000
Education	Primary school improvement	US\$53,000
Total		\$2,858,000

34

Lao PDR: Districts Identified as Poor, 2001/2002

Summary of Pilot Projects in Focal Development Areas by Main Sector

Main Sector	Est. Cost
Infrastructure	\$3,599,550
Agriculture	\$1,297,500
Education	\$407,500
Health care	\$232,000
Total	\$5,536,550

35

Thank You

November 4, 2004

36