



Lao People's Democratic Republic
Peace Independence Unity Prosperity

FIVE YEAR NATIONAL SOCIO-ECONOMIC DEVELOPMENT PLAN VIII (2016-2020)

Ministry of Planning and Investment
Vientiane Capital

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FOREWORD

The Five Year National Socio-Economic Development Plan VIII (2016-2020) (8th NSEDP) is a means of implementing the National Strategy on Socio-Economic Development until 2025 and Vision until 2030. The 8th NSEDP aims to: (i) facilitate eligibility for graduation from LDC status by 2020; (ii) consolidate regional and international integration in the context of the launching of the ASEAN Economic Community in 2015; (iii) take further steps towards industrialization and modernization and to enhance the well-being of the people and the prosperity of the country in order to achieve the ranking as a upper-middle-income country by 2030. The 8th NSEDP implements the People's Revolutionary Party Resolution X.

The 8th NSEDP has been designed as a results-oriented plan. The Plan's Overall Objective is derived from directions from Party Resolution and Government and a thorough analysis of what was achieved in the 7th NSEDP to date, the reasons for successes and the reasons for the challenges which remain. Other evidence has also been taken into account.

The Overall Objective has at its core eligibility for graduation from LDC status and to achieve this core objective the 8th NSEDP has been designed with 3 Outcomes, each with a set of Performance Targets, achievements of which are necessary within the Plan period if the Overall Objective is to be achieved. The 3 Outcomes are based on the 3 categories of assessment required for recognition as being eligible for graduations from LDC status. In turn, the design of the 8th Plan has identified 20 Outputs, the Performance Targets of which must be achieved if the 3 Outcomes are to be achieved. Achievement of the targets of 7 of the Outputs is required to achieve Outcome 1, achievement of the targets of a further 7 Outputs is required to achieve Outcome 2 and achievement of the targets of 3 Outputs is required to achieve Outcome 3. Additional Cross-cutting Outputs have been identified and the Performance Targets of these need to be achieved for the 3 Outcomes to be reached. Broadly speaking, the Objective and Outcomes are national level measures and the Outputs are sector and provincial levels. The structure of the 8th Plan is presented in **ANNEX 1**.

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PART I:
7th NSED (2011-2015)
ACHIEVEMENTS AND
LESSONS LEARNED

PART I: 7TH NSEDP (2011-2015) – ACHIEVEMENTS AND LESSONS LEARNED

1 TARGETS AND DIRECTIONS OF THE 7th NSEDP (2011-2015)

1. The 7th NSEDP (2011-2015) aimed to achieve sustainable economic growth and poverty reduction, while gradually transforming Lao PDR into a more open, private sector led economy and prioritizing the achievement of the MDGs by 2015. The 7th NSEDP had four overall targets:

- Ensure continuation of national economic growth with security, peace and stability and ensure GDP growth rate of at least 8% annually and GDP per capita of at least USD 1,700;
- Achieve the Millennium Development Goals (MDGs) by 2015 and adopt appropriate technology, skills and create favorable conditions for graduating the country from Least Developed Country (LDC) Status by 2020;
- Ensure the sustainability of development by emphasizing economic development with cultural and social progress, preserving natural resources and protecting the environment; and
- Ensure political stability, peace and an orderly society.

2. To achieve these overall targets, the NSEDP was designed to focus attention on the following:

- National economic growth, through sustainable and inclusive economic development, poverty reduction, the modernization of the economy;
- Rural development and poverty eradication, reduction of the gaps between urban and rural areas and between rich and poor;
- Education reforms, human resource development and livelihood promotion, emphasis on the expansion of educational opportunities, the improvement of health and sanitation and training to produce skilled workers;
- Public administration, by increasing the effectiveness of public administration and rule of law at all levels and by preventing corruption;
- Competitiveness, by optimizing the use of natural resources, increasing regional cooperation and integration and developing investment promotion policies and industrialization strategies.

3. **Global and Regional Context** - the implementation of the 7thNSEDP has been in a rather challenging environment, especially given a number of international and regional incidents that have directly and indirectly impacted economic growth and unrest in society causing difficulty for peoples around the world. These include: (i) the debt and financial crisis in the United States, and countries in the European Union; (ii) increase fuel¹ and selected food prices in the world market; (iii) political unrest in the Middle East and North Africa; and (iv) devastating earthquake and tsunami in Japan in March 2011.

4. Consequently, economic growth of developed and developing countries has been slowing down. The world economic growth rate in 2010 was at 4.3% but decreased to 2.7% in 2011 and to 2.5 % in 2012; in the US, the economic growth rate decreased from 3.5% in 2010 to 2.2% in 2011;

¹Although oil prices have reduced significantly in the final year of the Plan

Japan's economic growth rate decreased from 3.3% in 2010 to 1.4% in 2011; for China, the economic growth rate decreased from 10.9% in 2010 to 9.6% in 2011. For ASEAN, the economic growth rate decreased from 5.6% in 2010 to 5.3% in 2011; in Singapore, the economic growth of 13.47% in 2010 decreased to 7.43% in 2011; Indonesia's growth was at 6.4% in 2010 and slightly increased to 6.5% in 2011; Malaysia's growth was at 4% in 2010 and increased to 5.1% in 2011; in Thailand, the economic growth was at 9.03% in 2010 and decreased to 3.2% in 2011; and in Vietnam, from 6.47% in 2010 decreased to 6.15% in 2011. For countries within the European Union (EU), the economic growth rate is expected to stay at 1.1% due to the impact of the public debt that has spread widely impacting financial institutions, production and business units of public and private sectors plus high level of unemployment in the EU. It is estimated that the EU economy will slowly recover if financial problem does not worsen and the growth rate is estimated to be around 1.3%.

5. In 2014, the world economic growth has slowly moving to positive direction from the growth rate of 2.5% in 2012 to 3.0% in 2013. The economic growth rate of many Asian countries has also increased, including Thailand 4.2%, India 5.5%, Indonesia 6.4%, Malaysia 5.4%, Vietnam 4.8% and Japan 3.2%. The US economic growth rate is projected to increase from 2.1% in 2013 to 2.6% in 2014 if the financial, real estate and unemployment problems have been tackled. The EU countries and China grow at the rate of -0.4% and 7.6% respectively.

6. **Domestic Context:** since 2010 until now, the country has enjoyed political stability, peace, social order all of which have underpinned the development and facilitated business-investment, production-services and investment. The campaign "Love nation is development", the Party members' and government officials' efforts and the motivation of all sections of the society to succeed and to welcome the IX People's Party Congress, the Vientiane 450th anniversary, the 36th Anniversary of the National Day on 2nd December and many other important national events have been driving forces for 7th NSEDP implementation. Nevertheless, there have been floods during the rainy season this year due to various storms that have passed the country causing considerable damage to cultivated areas, infrastructure and housing of local people. The Government has determined to solve the problem especially by providing finance for rehabilitation enabling continued economic growth and stability.

7. Over the past 4 years, the 7th NSEDP has been implemented while all the party, army and the people of Lao PDR implement the resolution of the IX Party Congress. Prominently, Lao PDR has had the honor to host many important international meetings such as the 7th Asia-Europe Parliamentary Meeting and the 9th Asia-Europe Summit in October and November 2012 respectively; the 6th Cambodian-Lao-Myanmar-Vietnam Summit (CLMV); and (iv) the 4th Aryavady-Chaophaya-Mekong Economic Cooperation Summit (ACMECS) between 12-13 March 2013. These are considered to be important historic events and opportunities for friendly countries and development partners to understand the development and potential of our country and the government's consistent foreign cooperation policy as well as to elevate the country's role in international arena. In addition, Lao PDR became a member of WTO on 2nd February 2013, hosted the 16th ASEAN University Games in December 2012 and celebrated the 450th Anniversary of Vientiane Capital in 2010.

2 KEY MACRO-ECONOMIC ACHIEVEMENTS OF THE 7th NSEDP IMPLEMENTATION

2.1 Economic Growth

8. The GDP growth rate increased from 8.1% during (see detailed information in Table 1.) It is estimated that in FY2014-2015, the economy will continue to grow at the rate of at least 7.5%.

9. This continuous economic growth is a result of the appropriate macro-economic management measures and mechanisms of the government, peace in the country, social order, political and economic stability, increased regional and international integration.

10. The sector composition contribution to the economic growth rate of 8.1% includes: the services sector at 3.2%, industrial sector at 3%, and the agriculture and forestry sector at only 0.8%. It is the natural resource sector which drives economic growth, with 25% of overall growth from mining and hydropower. In addition, another factor that contributed to GDP growth during the period is private domestic and foreign investments on mega projects which mainly are in natural resource sectors, covering 57% of total investment.

Table 1 Comparison between GDP Growth Rate of each Fiscal Year with the 7th NSEDP Targets (2011-2015)

Description	7 th NSEDP Targets (2011-2015)	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Average (4 years)
GDP growth	>8 %	8.1%	8.3%	8.0%	7.8%	8.5%
Agriculture-Forestry	3.5%	2.9%	2.8%	3.1%	3.0%	
Industry	15.0%	15.8%	14.4%	7.4%	8.5%	
Service	6.5%	7.8%	8.1%	9.7%	9.3%	

Source: Report on NSEDP Achievements in 2010-11 and 2013-14

11. Gross Domestic Product (GDP) per Capita: The plan for the fiscal year 2014-2015 is to achieve GDP per capita of USD 1,700 USD. During the fiscal year of 2010-2011, the GDP per capita reached USD 1,217, then increased to USD 1,349 in 2011-2012 and estimated to reach USD 1,534 in fiscal year 2012-2013 and reached USD 1,671 in 2013-2014. By the fiscal year 2014-2015, if continues to grow at the rate of at least 7.5%, the GDP per capita will reach the level between USD 1,890.

Table 2 Gross Domestic Product (GDP) per Capita

Year	Population Size (millions)	GDP (Present Value) (Billion Kip)	7 th NSEDP Target (USD/person)	Actual (USD/person)	Comparison Actual/Plan (%)
2010-2011	6.30	62,458	1,155	1,217	5.37
2011-2012	6.51	70,343	1,332	1,349	1.28
2012-2013	6.64	80,340	1,494	1,490	0.74
2013-2014	6.77	90,823	1,674	1,671 ²	-0.01
2014-2015	6.90	102,320	1,890	N.A	N.A

Source: Annual NSEDP and Lao Statistics Bureau, Ministry of Planning and Investment

Changes in Economic Structure:

12. Changes in the structure of the economy moving from agriculture to industry are in line with the directions laid down in the 7th NSEDP including agriculture sector to contribute 23.0%, industry 39% and services 38% of GDP.

²Estimated figure for a whole fiscal year.

13. In the course of 7th NSEDP implementation, actual structural changes were as follows: agriculture-forestry sector decreased from 27.9% in 2010-2011 to 26.7% in 2011-2012, to 25.5% in 2012-2013, and to 24.8 in 2013-2014 and by 2014-2015 it is estimated to decreased to 23.7%; the industry sector increased from 26.9% in 2010-2011 to 29.6% in 2011-2012, 28.0% in 2012-2013, and 27.5% in 2013-2014 and by 2014-2015 it is estimated to be increased to 29.1%; lastly the services sector decreased from 45.2% in 2010-2011 to 43.7% in 2011-2012, 46.8% of the total GDP in 2012-2013 and 47.7% in 2013-2014, and estimated that by 2014-2015 it will decreased to 47.2%.

Table 3 Changes of Economic Structure in Each Fiscal Year compared with the 7th NSEDP Targets

Description	Targets (2014-2015)	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Targets 2014-15
Amount of GDP at present value (in million Kip)	104,000	62,458	70,343	80,199	90,823	102,320
<i>Composition (%)</i>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
- Agriculture-Forestry(%)	23.0	27.9	26.7	25.2	24.8	23.7
- Industry(%)	39.0	26.9	29.6	28.2	27.5	29.1
- Service(%)	38.0	45.2	43.7	46.8	47.7	47.2

Source: NSEDP 2011-2015 and Estimation by the Lao Statistics Bureau

2.2 Inflation

14. The inflation rate has moved within the level defined in the 7th NSEDP (i.e. it is at a rate which is lower than the economic growth rate). The average inflation rate in the first 4 years of the 7th NSEDP increased to 5.84%, in which 7.42% was the inflation in 2010-2011, 5.12% in 2011-2012, 5.64% in 2012-2013. The main factors contributing to increased inflation are: food and beverage (non-alcoholic drinks) with an average price increase of 9.23%, other groups of goods and services with an increase of 7.17%, housing, water and electricity with an increase of 6.26%, goods and services increase of 4.44% (**Table 4**). In addition, inflation has been influenced by external price pressures and imbalance between domestic supply and demand. Uncertainty of fuel prices in the world market has directly affected domestic fuel price. During the FY2010-2011, the domestic fuel price increased by 20% on average and moved 17 times, 13 of which were upward movements and 4 were downward. In addition the prices of goods in neighboring countries and in the region have continued to increase, including in Thailand, Vietnam and China. Domestically, insufficient supply has caused the price of meat to rise.

Table 4 Changes in the Inflation Composition

Categories	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Average
1. Food Supply	10.39	6.97	10.37	9.17	9.23
2. Alcoholic Drinks	2.28	3.07	3.38	5.47	3.55
3. Clothing and Shoes	2.39	2.35	4.42	6.02	3.80
4. Housing, water and Electricity	3.14	9.15	9.09	3.64	6.26
5. Home Appliance	1.40	2.54	2.70	2.10	2.19
6. Health Care	2.25	1.20	1.31	1.34	1.53
7. Communication and Transport	7.90	4.88	0.43	0.65	3.47
8. Post and Telecommunication	2.41	2.13	1.71	0.85	1.78
9. Entertainment and Recreation	0.94	1.63	1.81	2.22	1.65
10. Education	0.57	0.92	2.19	1.31	1.25
11. Restaurants and hotels	3.50	7.93	8.63	8.60	7.17
12. Goods and Services	9.24	5.61	1.50	1.41	4.44
Inflation (%)	7.42	5.12	5.64	5.16	5.84

Source: Lao Statistics Bureau, MPI.

2.3 Fiscal and Monetary Policy Management

15. Foreign Exchange Rate: the exchange rate over the past 4 years has been stable. Comparing LAK to USD, the LAK in FY 2010-2011, the LAK appreciated 4.17% from 8,372.26 Kip/USD to 8,037.49 Kip/USD, in FY2011-2012 appreciated 0.33% from 8,037.49 Kip/USD to 8,010.73. In fiscal year 2012-2013, the LAK continued to appreciate 1.81% from 8,010.73 to 7,868.21 Kip/USD and in November FY2013-2014, LAK against USD is depreciated 1.92% from 7,868.21 Kip/USD to 8,022.57 Kip/USD

16. Comparing LAK to the Thai Baht, the LAK depreciated 3.39% from 257.39 Kip/Baht in FY 2009-2010 to 264 Kip/ Baht in FY2010-2011 and appreciated 3.22% from 266.44 Kip/Baht to 258.12 Kip/Baht in FY2011-2012. In fiscal year 2012-2013, the LAK depreciated 0.46% from 258.13 to 259.33 Kip/Baht and in November FY2013-2014, it is appreciated 3.53% from 259.32 Kip/USD to 250.47 Kip/Baht.

17. The appreciation of the Kip against the USD during FY2010-2011 to FY2012-2013 is attributable to the continuous inflow of fund into the country over the past few years, the depreciation of US dollars in international markets caused by the economic situation of the United States and the debt issue in Europe and in November, FY2013-2014, Kip depreciated against the USD due to the government's measures on international monetary liquidity was applied. For LAK against Thai Baht, it is appreciated, because the Baht depreciated against the US dollar.

18. Theoretically, the appreciation of a currency of one country against foreign currency will impact on the value of exports. But in the case of the Lao PDR, the appreciation of LAK impacted on the profits of export companies as their earnings are in foreign currencies but they pay salaries to local staff and other service charges in Kip. In addition, many foreign currencies are being used in the Lao PDR exposing export companies to risks from exchange rate fluctuations and impacting on cost composition and incomes that are in different currencies. Many companies have been affected especially garment factories, agro-processing and handicraft companies.

19. During July, August and September, 2013, monetary trade was not as smooth due to the Bank's reserves declined which caused huge differences between the official exchange rate and the exchange rate at the market. This has affected the state of national monetary and some business units although up to present, this issue has been resolved but continuous monitoring is needed with contingency plans prepared to address future problems.

Table 5 Foreign Currency Exchange Rate

Currency	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014 (11 months)
LAK compared with USD (LAK/USD) Rate of Change (Appreciation/Depreciation)	8,372	8,037.49 Appreciation 4.17%	8,010.73 Appreciation 0.33%	7,868.21 Appreciation 0.74%	8,022.57 Depreciation 1.92%
LAK compared with Thai Baht (LAK/Baht) Rate of Change (Appreciation/Depreciation)	257.39	266.44 Depreciation 3.39%	258.12 Appreciation 3.22%	259.33 Depreciation 0.46%	250.47 Appreciation 3.53%

Source: Monetary Policy Department, Bank of Lao PDR.

Money Supply (M2):

20. Over the last 2 years, the amount of money in circulation M2 continued to increase at a manageable level in accordance with the market mechanism. The amount of money in circulation M2 during the fiscal year 2010-2011 increased by 38% compared to the same period of the previous year. The reason for an increase in the amount of money in circulation M2 during 2010-2011 was due to credits to economic sector which increased 6,499 billion kip or 43.89%, in which credits to private sector increased to 4,787.7 billion Kip or 42.7% and credits to enterprises increased 1,296.8 billion Kip or 67.59%. In FY 2011-2012, the amount of money in circulation M2 increased 28% compared to the same period of the previous year; in FY 2012-2013, the M2 increased 20.61% compared to the same period of the previous year. In September, FY 2012-2013, the amount of money in circulation M2 increased 19.2% compared to end of FY 2012-2013 (in September 2013). The increase in amount of money in circulation was due to: 1) increase in net domestic assets coupled with banking credits to economic sector, 2) commercial banks supplied capital to economic sector and financial institutions for promotion of goods production, poverty reduction, and priority projects of the government and to purchase foreign currencies.

21. Theoretically, the increase in the amount of money in circulation M2 would impact on inflation. But in the case of Lao PDR in the short run, the increase in M2 has stimulated rapid economic growth and has slight impact on inflation. But in the long run, if M2 still continues to increase at the level of 30% like in the past, it may increase the risk to banks especially on NPL and risk to overall economic situation as well as putting pressures on inflation rate.

22. Foreign Currency Reserve: Over the past few years, foreign currency reserve has been maintained at the level sufficient for 5.11 months import on average. During FY 2010-2011, foreign exchange reserve was accumulated to USD 718.1 million, increased by 35% compared to the same period of the previous year and sufficient for 5.02 months of import. In FY 2011-2012, the balance was USD 658.57 million, reduced by 9% compared to the same period of the previous year and sufficient for 5.39 months of import, in FY 2012-2013, the balance was USD 582 million and sufficient for 5.42 months of import and during the first six months of FY2013-2014 the balance was USD 739.53 million and sufficient for 5.4 months of import (NSED target is to cover at least 6 months of import).

2.4 Investment

23. Total investment (government budget, grants-loans, domestic-foreign private investments and bank credits) amounted to 149,314.20 billion LAK which covered 118% of the 7thNSED target (127 thousand billion LAK), of which the total investment increased from 26,483.93 billion kip covering 42% of GDP in FY2010-2011 to 36,327.07 billion kip, covering 52% of GDP in FY2011-2012, 45,179.64 billion kip in FY2012-2013 and 41,323.56 billion kip in FY2013-2014, covering 45.1%. By September 2014, sectors at central and local level have implemented as follows:

1. Government investment was around 9,243.33 billion kip, or 61.6% of the plan
2. Grant – Loan (ODA) investment was about 21,317.27 billion kip or 64.6% of the plan
3. Domestic and foreign private investment was about 88,394.70 billion kip, or 124.5% of the plan.
4. Bank Credit investment was about 30,358.9 billion kip or 202.4% of the plan

2.5 Public Investment

24. During the 7th NSEDP implementation period, the government has attempted to mitigate the impacts of natural disaster impacts at provincial level from its budget in order to stimulate economic development and address poverty reduction: this policy has resulted in a gradual increase in public investment from 1,753.23 billion kip, covering 6.62% of the total investment in FY2010-2011 to 2,139.07 billion kip, covering 5.89% in FY2011-2012, 2,939.64 billion kip, covering 6.51% in FY2012-2013 and 2,411.39 billion kip, covering 5.84% in FY2013-2014. In all 4 years of the 7th NSEDP to date, public investment is valued at 9,243.33 billion kip, covering 6.19% of the total investment and equivalent to 61.6% of the 5-year plan target (5-year plan target is 12,000-15,000 billion kip or 12-15% of the total investment). The sectors and provinces allocated their budget in moderately high amount in the projects that seen effective and in line with the government's priorities:

- Economic area covered 30% of the total investment
- Social area covered 35%; while Education sector and Health sector covered 17% and 9% of the total investment respectively.
- Road and office building construction covered 35%; while road construction covered 28% and office building covered 7% of the total investment.

25. Overall, sectors and sub-national government have implemented public investment in accordance with rules and regulations. However, in some sectors and provinces, public investment has been scattered without focus. Project development still lacks analysis and does not well reflect development goals. Thus, many projects have been modified during implementation. The use of foreign funds in some sectors and at the local level still does not always go according to plan partially due to the lack of capacity of government agencies. The monitoring system of project implementation at the sector and local levels is not yet fully systematic. For the way forward, attention is to be placed on the evaluation of projects in particular evaluation of project proposals before they are included in the plan to ensure clear focus and relevance, avoiding implementing several projects at the same time and providing measures preventing and solving the debt problems that persist at present.

2.6 Grants and Loans

26. For some years, the government has been committed to the Round Table Meeting process to discuss with Development Partners grant and loan mobilization for socio-economic development. At the 10th Round Table Meeting in November 2010, although the world economy was in chaotic environment, Development Partners continued to show their commitment to support Lao PDR. During the following 3 and a half years, Lao PDR has mobilized Official Development Assistance (ODA) of 21,317.27 billion kip or about USD 2,020.62 million, equivalent to 64.60% of the plan target (the 7th NSEDP set the target of 33,000 – 35,000 billion kip or 24-26% of total investment), of which grants and loans slowly increased from 5,355 billion kip (or approximately USD 630 million) covering 20.22% of the total investment in FY2010-2011 (the plan target is USD 600 million) to 5,709 billion kip (or approximately USD 704.83 million) covering 15.72% of the total investment in the FY2011-2012 (the plan target is USD 703 million). FY2012-2013, ODA reached 6,139 billion kip (or approximately USD 354 million) or 13.59% of the total investment (the plan target is USD 775 million), and ODA reached 3,324.6 billion kip (or USD 613.52 million), covering 9.96% of the total investment in September FY2013-2014.

27. The use of grants and loans (ODA) has been focused mainly on socio-cultural and economic sectors, as follows:

- i. Grants have been allocated for the development of social and cultural sectors to achieve the Millennium Development Goals (MDG).
- ii. Loans focused on the development of economic sector and infrastructure such as energy-mining, agriculture and forestry, public work and transportation.

2.7 Domestic and Foreign Private Investment

28. The government has strived to create an enabling environment for investors. A highlight has been the opening of the one-door investment service starting from 01 October 2011, which helps facilitate fast and transparent investment, ensuring public benefits. In addition, a website has been developed to allow investors easy access to investment information. This has attracted domestic and foreign private investment of 88,394.7 billion kip or about USD 9,121.52 million, equivalent to 124.50% of the plan target (the 7thNSEDP target is 64,000-71,000 billion kip or 50-56% of total investment). Private investment increased from 15,348.70 billion kip or about USD 1,918.59 million, accounting for 57.95% of the total investment in FY2010-2011 to 21,520 billion kip or about USD 2,690 million, accounting for 59.24% of the total investment in FY2011-2012, to 24,388 billion kip or about USD 3,048.52 million, accounting for 53.98% of the total investment in FY2012-2013 and 27,137 billion kip or USD3,383 million, covering 65.67% of total investment in FY2013-2014.

29. Domestic and foreign private investment focuses mainly on energy and mining, followed by services and agriculture sectors. For the agriculture sector investment is mainly in corn promotion project, sugarcane, rubber tree and other industrial tree plantations, and coffee-tea plantations for export. Energy sector investments include hydropower projects and investments in mining include bauxite mines, establishment of processing factories for alumina and aluminum for both the domestic market and for exports, gold and other minerals mining and processing for domestic and export markets. In the service sector, investments included 5-star hotels, high-class villas, golf course, shopping malls, apartments, resorts, conferences and sport centers, comprehensive telecommunication service projects.

2.8 Bank Credits

30. The Bank of Lao PDR has carried out policies and regulations to enable commercial banks to approve loans with low cost. Loan products have been developed continuously. There are many types of credits that are in line with the need of different groups of client. At the same time, commercial banks have also taken the ownership in providing credits to effective projects by focusing on improving regulations, mechanism and procedures on lending consideration to enable easy access to funding sources while also control credit to ensure quality and manage the Non-Performing Loan to the level of not more than 3%. The credits by the Bank of Lao PDR to infrastructure projects and other long-term projects yielding benefits in the long-run has also been reduced and put on hold.

31. Over the past 4 years, banks including both public and private have released banking credits of 30,358.90 billion kip, amounting to 20.33% of the total investment, equivalent to 202.4% of the plan target (the 5-year plan target is 12,000-15,000 billion kip or 10-12% of the total investment and about 3,000 billion kip per year), of which the credit increased from 4,027 billion kip or 15.21% of the total investment in the fiscal year 2010-2011 to 6,959 billion kip, covering 19.16% of the total investment in FY 2011-2012, to 11,713 billion kip or 25.93% in FY 2012-2013 and to 7,695.90 billion kip or 17.90% in FY 2013-2014. The objective of releasing credit is to support important Government's infrastructure projects as well as supporting production, addressing poverty and generating employment for people in the rural areas; and to provide capital for commercial production, livestock and agriculture promotion, small and medium processing industry.

2.9 Budget Balance

32. Over the 4 years of 7th NSEDP implementation, the Government has improved revenue collection mechanisms to enable increased revenue collection and expenditures for administration and investment which is shown as follows:

- **Total Revenue:** Total revenue collection during the 4 years is 74,323.72 billion kip accounted for 24.4% of GDP (5 year plan target is between 19-21% of GDP). In FY 2010-2011, the revenue was at 14,309.97 billion kip covering 22.91% of GDP; in FY 2011-2012 was 17,261.75 billion kip, 24.54% of GDP, in FY 2012-2013, the revenue was 21,813 billion kip or 27.20% of GDP and in FY2013-2014, the revenue was 20,939.00 billion or 22.86% of GDP.
- **Domestic Revenue:** Overall domestic revenue collected was 55,758.84 billion kip, covering 18.31% of GDP (the Five-year plan target is 16-18% of GDP), in which for FY 2010-2011 it was 10,601.17 billion kip covering 16.97% of GDP; FY 2011-2012 was 12,709.67 billion kip covering 18.07% of GDP, in FY 2012-2013, the domestic revenue collected was 16,519 billion kip covering 20.60% of GDP and in FY2013-2014, the domestic revenue collected was 15,939 billion kip covering 17.40% of GDP.
- **Budget Expenditure:** Total budget expenditure was 86,710 billion kip, accounted for 28.47% of GDP (5-year plan target is between 22-25% of GDP). The budget expenditure in the FY 2010-2011 was 15,997.41 billion kip or 25.61% of GDP; in the FY 2011-2012 was 19,062.59 billion kip, accounting for 27.10% of GDP, in FY 2012-2013 was 26,222.00 billion kip or 32.70% of GDP and in FY2013-2014 was 24,428 billion kip or 27.76% of GDP. The budget expenditure has enabled improved livelihoods of civil-servant, army and polices as it has adjusted cost of living and providing support to civil-servant while also ensuring smooth and timely repayment of domestic and foreign debt.
- **Budget Deficit:** Total budget deficit was 12,386.28 billion kip, covering 4.07% of GDP (the five-year plan target is 3%-5% of GDP). In FY 2010-2011, the budget deficit was at 1,687.44 billion kip or 2.70% of GDP; in FY 2011-2012, it was 1,800.84 billion kip or 2.56% of GDP, in FY 2012-2013, the budget deficit was 4,409 billion kip or 5.50% of GDP and in FY2013-2014 the budget deficit was 4,489 billion kip or 4.90% of GDP.

Table 6 Summary of Revenue and Expenditure

Description	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Total
Total revenues(billion kip) % of GDP	14,309.97 22.91	17,261.75 24.54	21,813.00 27.20	20,939.00 22.86	74,323.72 24.40
Domestic revenue (billion kip) % of GDP	10,601.17 16.97	12,709.67 18.07	16,519.00 20.60	15,939.00 17.40	55,768.84 18.31
Total expenditures(billion kip) % of GDP	15,997.41 25.61	19,062.59 27.10	26,222.00 32.70	25,428.00 27.76	86,710.00 28.47
Budget deficit(billion kip) % of GDP	1,687.44 2.70	1,800.84 2.56	4,409.00 5.50	4,489.00 4.90	12,386.28 4.07

Source: Ministry of Finance

2.10 Import-Export

33. The government has improved mechanisms for international trade, especially through the establishment of information center in the form of website to provide information and facilitate import-export of goods by business sector resulting in an increased trend in import value as shown below:

- **Exports:** overall export has reached USD 9,203.88 million or about 24.07% of GDP. In FY 2010-2011, export value was USD 2,027.2million; FY 2011-2012 was USD 1,696.4 million; FY 2012-2013 was USD 1,898.38 million; and FY 2013-2014 was USD 3,581.90 million
- **Imports:** overall import value was USD 12,316.13 million or 32.21% of GDP. In FY 2010-2011, the import was at USD 2,382million and increased to USD 2,566.8 million in FY 2011-2012, USD 2,819.93 million in FY2012-2013 and USD 4,553.4 million in FY2013-2014.
- **Trade deficit:** total trade deficit was at USD 3,112.25 million accounted for 8.14% of GDP. In FY 2010-2011, the trade deficit was USD 354.8million then increased to USD 870.4 million in FY 2011-2012, USD 915.55million in 2012-2013 and USD971.5 million in FY2013-2014.

3 LABOR AND EMPLOYMENT

34. In recent years there has been improvement in labor structure with gradual movement towards industrialization and modernization as can be seen from the gradual reduction of labor in agriculture sector which declined from 75.1% in 2010 to 69% in 2014 (the target by 2015 is to reduce to 70%). In the industry sector, the employment rate increased from 5.5% in 2010 to 7.6% in 2014 (the target is to increase to 7% by 2015) and in the service sector, it also increased from 19.5% in 2010 to 23.4%³ of the total labor force in 2014 (the target by 2015 is to reach 23% of total labor force). Employment rate has a tendency to increase moving from about 12% in 2008 to 14.9% in 2010⁴. It is estimated that by 2015, the demand for labor to fill old and new posts will be 3.26 million while the total labor supply will only be 3.17 million. At present, the labor force is 3.22 million people equivalent to 98.7% of the plan target.

35. Nevertheless, comparing to the demand of the labor market it can be seen that the supply does not yet balance with the demand resulting in lacks of information system on labor markets which caused labor development planning not consistent with socio-economic plan and labor market; infrastructure for skill development, training materials including quantity and quality of training is insufficient; Investment mainly focus in the urban area and have not focused on developing processing industries, limited small and medium size enterprises promotion which have an effect of rural migration into the urban.

4 RURAL DEVELOPMENT AND POVERTY REDUCTION

36. Over the 4 years of implementation of the 7thNSEDP in the area of rural development and poverty reduction, it can be seen that each sector at national and sub-national levels have given great attention to developing village and focal areas in accordance with the 4 concepts and 4 targets together with the implementation of the 3-builds (building provinces to become strategic unit, districts to become comprehensively strengthened unit and villages to become development unit). Although there is no detailed specification in the 7thNSEDP, the 3-builds is one of the means of implementing the 9th Party Congress Resolution, which is being piloted in 51 districts and 108 targeted villages.

³ Labor and Child Labor Survey 2010

⁴Page 3, draft MDG Progress Report

37. This piloting is on-going and has contributed to strengthening local capacity and poverty reduction. Some highlights are as follows:

- 1) The process of dispatching of government experts to help work at grass root level has been strengthened. To date, 6,424 government officials have been dispatched to village and Kum Ban to work on building political base, 307 of whom are from the central level, 579 are from province and 5,438 are from district level and some are students. The political system at the village and Kum Ban level has been significantly strengthened. The proportion of villages with solid political organization with strong provincial Party unit leadership has increased to 68% of the total villages in the country.
- 2) Attention has been given to ensuring national defense and security and social order in particular in vulnerable and border areas in order to tackle all social drawbacks. According to the assessment of 2012, 76% of villages were security villages, 61% were drug free and 60% of the total villages nationwide were case free villages.
- 3) Emphasis has been on the development of economic infrastructure at grassroots level and in remote and very poor areas to create necessary condition for the people to have access to services and promote expansion of commercial production. Some families and business enterprises have become role models, production group and role models in other aspects of the production in rural areas. The highlight is the focus of the government on building necessary infrastructure such as: road access to districts, village to village, in which up to now the total road-access to village covers 81% of the total villages. If compared to the target set for 2015, road-access to all villages with essential condition is highly achievable. At present, road improvement and construction to access 6 districts including Kaleum, Dakcheung, Samouay, Saychamphone, Saysathane and Phonethonghas been completed 100%. In addition to the expansion of road-access to village, road-access to production areas has also been established. This is to support increased commercial production and sells in markets. At the same time, attention has continued to be on expanding education network, health and clean water systems to rural poor and remote areas. Based on the poverty assessment and village development criteria, the number of villages which achieved compulsory education (primary education) increased from 80% in 2011 to 88% of total villages in 2012 and health model villages increased from 24.5% in 2011 to 40.9% of the total villages in 2012.
- 4) In conjunction with the sector development, the focus has also been on provision of permanent settlement and production land and turning villages into small towns in the rural areas, developing border areas and the various government's focal areas such as: revolutionary base areas, heroic villages, remote areas, ethnic areas with hardship such as: Lao Houg, Phiengsa, Xaysomboun, Hom District and other areas. Through the implementation, it can be seen that many families in these areas have shifted from slash and burn cultivation to commercial production based on the local potentials. As a result, they have permanent production area, stable job, more income than slash and burn cultivation and a new livelihood shifting away from being total reliance on the nature and damaging the environment to the deployment of science and technology leading to significant progress in poverty reduction, and building development village, developing focal areas and new towns.

38. In summary, over the past 4 years of 7th NSEDP implementation, there have been a number of achievements in the area of building political base, rural development and poverty reduction. These include poverty reduction at the family level and remarkable achievement exceeded the target at the village level. If based on the poverty assessment in 2012 (according to the Decree on Poverty Standard and Development Standard during 2012-2015, No. 201/Govt., dated 25th April 2012), the number of poor families remains at 140,129, poor villages remain at 2,608, equivalent to 30.27% of the total villages nationwide. Currently, there are 10 provinces that are able to address poverty to the level of below 17% and 6 Provinces have reduced the number of poor villages to less than 20%. In particular, in Vientiane Capital, there is no poor village and the proportion of poor families is below 1% of the total families in Vientiane Capital. In addition, Xayabouly, Xiengkhouang, Vientiane and

Khammouane provinces have reduced the proportion of poor families to 10%. Nevertheless, if based on the preliminary estimation of the Fifth Lao Expenditure and Consumption Survey (LECS 5) using data from the first 6 months of 2013 by Lao Statistic Bureau, the poverty ratio reduced from 27.6% in 2007-2008 (LECS 4) to 20.5% in 2012-2013 and it is estimated to reduce to 17% in 2015 (the plan target is 19% by 2015). Proportion of poor households reduced from 22.2% in 2007-2008 (LECS 4) to 16% in 2012-2013 and estimated to reduce to 13% in 2015. Therefore, achieving the target of reducing the proportion of poor households to below 10% by 2015 seems to be a challenge. However, if efforts continue to be focused on poverty reduction in the focal areas of the government and with strong promotional measures, it could still be possible to achieve the target in 2015. Detailed achievements shown in the table below:

Table 7 Rural Development and Poverty Reduction Implementation Performance and Indicators

Indicators	7 th NSEDP Targets	2010-2011	2011-2012	2012-2013
Poverty ratio (%)	Below 19%	33.5% (2002-03 LECS III)	27.6% (2007-08 LECS IV)	20.5% (LECS V)
Proportion of poor families (%)	Below 10%	27.7% (2002-03 LECS III)	22.2% (2007-08 LECS IV)	16.0% (LECS V)
Budget specifically allocated for rural development and poverty reduction (billion kip)	Total 7,387.1 billion kip		896.5 billion kip	1,223.4 billion kip
Grouping of small villages into bigger villages and new community-small town within the rural areas (place)	1-2 villages grouped per province or 17-34 places nationwide	0	2	
Establishment of village development models (village)		883 (10.2%)	1,634 (19%)	
% road expansion to the poor district and villages: - Dak Chueng District, Sekong Province - Kaleum district, Sekong Province - Xaysathan district, Xayabouly Province - Phothong District, Luang Prabang Province - Xaychamphone District, Savannakhet Province	6 districts have 10% road access and the central village within Kum Ban can be accessed 100%	71.5%	81%	
% electricity use: - urban - rural	100% in urban areas and 80% in rural areas	54.3%	66.07%	

Source: Poverty ratio and proportion of poor families are based on the preliminary estimation by the Lao Statistics Bureau, using LECS5

39. Policies for rural development and sector development especially the non-resource sector are positive for sustainable development and environmental protection. But the challenge for socio-economic development and poverty reduction is the disparities between urban and rural areas, between and within regions, resulting in inequality in people's livelihoods especially those engaged in agriculture that have benefited little from the rapid economic growth of the country and region as a whole.

40. Rural livelihoods of some rural areas are also affected by agricultural land concession given for foreign direct investments which could possibly result in loss of income of the people.

41. Regions with geographical difficulties continue to be a drag on overall development performance inhibiting economic growth. To achieve poverty reduction in the future, it is necessary to develop in a focus manner and pay attention to areas vulnerable to poverty in tandem with enhanced efforts to promote the non-resource sector particularly promoting private sector that provide employment opportunities (at the international level, integration of employment generation and poverty reduction into the plan is critical factor in development planning).

42. The increasing dependency on natural resource highlights the need to diversify the economy for more choices to ensure equitable and inclusive growth. Some 77% of rural households are engaged in agricultural production activities related to crops, livestock or aquaculture. In the Northern Region, 89% of households are farmers (2010-11). At the micro level, small and medium-sized enterprises (SMEs) have important role to play in diversifying economy. However, ensuring the development of entrepreneurial and technical skills, financing for implementation and an enabling regulatory environment are major challenges for developing SME especially in agri-business production and ecotourism.

43. Tailored interventions are needed for the poorest groups, where the lack of access to infrastructure, markets and services remain barriers to growth and poverty reduction. These groups with limited opportunities for poverty reduction and economic development should receive special attention by the Government. The assistance to these groups should be implemented strategically to enable them to access to funding sources and markets, prevent child malnutrition and communicable diseases and ensure long-term investments in education and skills training, alongside the on-going efforts to improve access and infrastructure. Social welfare policy and poverty reduction must be tailored to ethnic people's specific needs and capabilities, as well as address the gender issue among the various ethnic groups in order to ensure quality human capital amongst future generations⁵.

44. Resettlement policy primarily aims at facilitating service delivery in health, education, marketing etc. to achieve development targets especially the MDGs. But this resettlement could have positive and negative impacts on their economy as the resettled areas may have problem with production area, some inadequate infrastructure especially small market yet to be developed. The impact of labor migration is still unknown due to the lack of accurate data. Nevertheless, based on experience from other countries, migrant workers may bring significant development benefits when they come back to the country because they have been trained to develop their skills which are required in the Lao labor market. Some reasons for Lao labor migration include the implementation of resettlement policy and voluntary movement. Both are likely to be one of the drivers of future economic growth, especially voluntary movement.

45. Experience shows that public services do not necessarily reach the resettled people in the first years. It is necessary to consider some measures as follows: (i) Measures to ensure necessary conditions and opportunities for resettled people to have access to comprehensive services, ensuring that the livelihood of these households is at least at the same level or better than before leaving their former houses and fields; (ii) Measures to ensure sufficient budget allocation and identification of permanent jobs before resettlement takes place to ensure that resettled people have full access to public services

46. Despite enforcing laws and regulations through several administrative means to administer the labor movement, the growth rate of urban populations is increasing (on average population growth in Vientiane is about 4.8 % per annum⁶ and about 4.3%⁷ per annum in smaller towns, which exceeds Lao's overall population growth rate of 2.2% in 2010). This shows that there is increasingly rural-

⁵MDG Report 2013

⁶More recent estimates of Vientiane spatial growth suggest over 7% pa implying a high rate of population growth: "East Asia's Changing Urban Landscape: Measuring a Decade of Spatial Growth" World Bank and Australian Aid, January 2015

⁷Urban Development and Laos, World Bank Country Overview 2012

urban migration. Nevertheless, labor migration is one of the components in stimulating economic growth (as migrant workers move to jobs with higher labor productivity) and reducing poverty, since migrant workers have received attractive wages. In addition, there are likely to be indirect benefits as labor outflow drives up agricultural wages and provides a stimulus to greater agricultural efficiency including land sales and land consolidation leading to larger farms. This is in line with the implementation of policy on agribusiness production and calls for prioritization in implementing poverty reduction whether to focus on poor persons or poor areas. Currently, the government's policy is to address poverty of the people by moving them from remote places to areas with better conditions.

47. About 73% of the population with about 12,000 villages lives in small rural villages, with the remaining 27% in urban centers or small towns. About 42% of the urban population lives in small towns ranging from 2,000 to 20,000 people. Small towns with road access for transportation and connected with economic corridors play an important role in providing opportunities for economic and human resources development in surrounding rural areas. The number of small towns has increased significantly which is evidenced by: (i) the increasing share of industry and services in the gross domestic product; (ii) an urban population growth rate of 4 % and higher and an increase in rural-to-urban labor migration in each province.

48. The free movement of labor for economic reasons is critical for economic development benefiting especially both employers and employees. People move to other place to better paid jobs, convenient location and easy access to services. With the ASEAN economic integration in 2015 under the framework of the ASEAN Community, investment is expected to increase, towns will continuously be expanding, attracting increased domestic and overseas labor movement. At the same time, land concessions and the expansion of commercial agricultural production is another factor affecting increased labor movement to neighboring countries.

49. Opening labor market freely is critical for sustainable economic development and therefore it calls for reviews of the impact of the socio-economic policy of the Government especially on the labor movement within the country and overseas. Other socio-economic impacts that need special attention are: 1) impact of commercial production and the expansion of industrial crop plantation, 2) granting of land concessions; 3) infrastructure development and construction; and 4) industrialization and urbanization as main factors driving domestic and overseas labor migration.

5 SECTOR ACHIEVEMENTS

5.1 Economic Sector Development

5.1.1 Agriculture and Forestry

50. During the past 4 years, the agriculture and forestry sector has been one of the sectors that have made many significant achievements despite the impacts from natural disasters such as: Nok Ten and Haima typhoon, fluctuation of agricultural product and production input prices, and others, which directly affected the agricultural production of the country. Nevertheless, there have been many achievements with food production, promotion of commercial productions for domestic consumption and exports, and enhancement of quality and productivity. Detailed achievements are shown below:

1) Targets already achieved and targets that will be achievable as planned:

a. Food Supply

51. **Rice production** was able to basically meet demand of the society. Average total rice production during the past 4 years was 3 million tons per annum. In FY2010-2011, the rice production was 3.06 million tons and in FY2013-2014 it was 4 million tons and equivalent to 95.23% of the

7th Plan target (the target is 4.2 million tons). More details on rice production by each type are explained below:

- **Rain fed Rice Farming System:** In 2011, wet season paddy fields were 706,028 ha yielding 2,323,195 tons; in 2013, the areas for paddy fields were 683,125 ha yielding 2.73 billion ton and it is estimated that by 2014, the total paddy field will be 772,678 ha, yielding about 3.27 million ton, exceed 10% of the 7th Five-Year plan target (740,000ha). In general, the rain fed rice farming production has constantly increased and its target set out in the plan will certainly be achievable.
- **Dry season rice:** In 2011, dry season rice cultivation area was 112,210 ha yielding 540,315 tons; in 2012, it was 107,967 ha yielding 509,920 tons, in 2013 it was 92,340 ha yielding 439,150 tons and in 2014 it is estimated to achieve 102,505 ha yielding 541,000 tons. Comparing to the five-year plan target (200,000ha), this accounted for just 51% of the five-year plan target and most like not to be achieved as planned. This may involve various concerned factors as following:
 - Climate change, low level of rainfall is anticipated comparing to the previous year, irregular rainfall which may cause the river dry out;
 - Use of irrigation system is not fully effective and canals damaged, repair of irrigation not achieved in time of the production season and unstable electricity network;
 - Water parasites that appeared around the water pump, such as irrigation in Nam Houn-Nam Suang basins, the irrigation in Ban Doan, Huay Jiem Vientiane Capital, the reservoir in Nam Tin, Bokeo Province;
 - Some areas with cold weather turn farming especially in the north;
 - The production costs are high because of the changes in the costs of production factors in parallel with low price of rice (from farmers) compared to the cost of production which caused low profit;
 - The dry season rice areas that can enable irrigated rice growing are transformed to be the areas for building residence and roads.
- **Upland rice:** In 2011, upland rice cultivation area was 106,682 ha yielding 202,250 tons; in 2012, it was 119,772 ha yielding 216,140 tons, in 2013 it was 115,725 ha yielding 240,440 tons and in 2014 it is estimated to reach 116,205 ha yielding 228,970 tons. Comparing to the five-year plan target (100,000ha), this has already met the 7th Five-Year Plan target. The upland rice production is mostly in northern provinces, particularly Huaphanh, Xiengkhouang, Sayabouly and Phongsaly.

52. **Cultivation** of food crops continued to grow moderately:

- **Corn:** production rose from 108,275 tons in FY2010-2011 to 256,000 tons in FY2013-2014, increased by 42% which exceeding 12% compared to the 7th Five-Year Plan target (228,474 tons). Provinces that cultivate corn are: Champasak, Vientiane, Oudomxay, Bolikhamxay and Luang Prabang provinces.
- **Taro:** production experienced the doubled increase from 304,120 tons in 2010-2011 to 281,055 tons in 2013-2014, covering 93% of the 7th Five-Year plan target of 303,500 tons. In the past 4 years, the production of taro has been stable at the level of 300,000 tons. Provinces that cultivate taro are Champasak, Saravane, Vientiane, Phongsaly and Xiengkhouang provinces.
- **Fruit:** production increased dramatically from 626,805 tons in 2010-2011 to 786,458 tons in FY 2013-2014, increased by 25% and exceeded the Plan target of 700,000 tons by 12.35%.
- **Vegetables:** production was about 1,225,370 tons in 2010-2011 and is estimated to reach 1,553,380 tons in 2013-2014, increased by 26% while exceeding to about

3.56% if comparing with the Five - Year Plan target (1,500,000 tons). Provinces that grow most of the vegetables are Champasak, Vientiane, Oudomxay provinces, and Vientiane Capital. The most outstanding vegetable growing projects are the organic vegetable projects due to high public demand. At present Organic vegetable grower groups have expended to 8 provinces, with 59 groups and able to supply sufficiently to meet consumption needs of the society.

53. **Livestock and Fishery** have been expanded considerably due to support transformation into new practice through provision of materials and inputs for production; provision of technical training on animal raising, animal feed storing and fodder growing; provision of vaccination against diseases resulting livestock to grow at 5% per year(target is 4-6% per year):

Buffaloes have grown at 1-2% per year, increased from 1.19 million in FY2010-2011 to 1.20 million in FY2013-2014, compared to 5 years target (1.26 million) it reached 95% of the plan.

Cows have grown by an average of 5% per year, increased from 1.52 million 2010-2011 to 1.80 million in 2013-2014, by percentage it increased by 18%, while compared to 5 years target (1.86 million) it reached 97% of the plan.

Pigs have grown at 3-5% per year, increased from 2.65 million in FY2010-2011 to 3.06 million in FY2013-2014, increased by 15%, compared to 5 years plan target (3.05 million) it exceeded the plan target.

Goats increased by an average of 4% per year from 431,000 in FY2010-2011 to 489,700 in FY2013-2014 or increased by 14%, compared to 5 years target (522,500 NATO) it reached 94% of the plan.

Poultry has grown at 7-8% per year, increased from 26.85 million in FY2010-2011 to 34.80 million in FY2013-2014, up 29%, compared to 5 years target (33,52 million) it reached 94% of the plan.

54. Due to the growing trend above, production of meat, fish and eggs increased from 296,086 tons in FY2010-2011 to 360,595 tons in FY2013-2014, compared to 5-Year Plan (379.100 tons) it reached 95% of the plan; the consumption rate of meat, fish and eggs on average reached 48 kg / person / year in 2012 (in the rural is averaging 42 kg / person / year, in urban is 56 kg / person / year) and in FY2013-2014, it is estimated to carry on to reach 51 kg / person / year.

b. Commercial Production

55. Commercial plantations have constantly expanded. The outstanding crops are coffee, cassava, maize and sugarcane. These crops have market potentials, market demand and suitable price that is satisfactory for farmers, alongside the support and promotion from the Government and private sectors including enterprises investing in agriculture and agro-processing for export. The details of each crop are as follows:

- **Coffee:** increased from 52,010 tons in FY2010-2011 to 92,045 in FY2012-2013 and it is estimated to reach 89,350 tons in FY2013-2014, or 61% exceeding the Five-Year Plan target (55,300 tons). Coffee are grown in Champasak, Saravan and Sekong province.
- **Maize:** increased by 2% or from 917,715 tons in FY 2010-2011 to 994,750 tons in 2012-2013 and expected to reach 1.04 million tons by the end of FY 2013-2014, or 94% of the Plan target (1.17 million tons); Maize are grown mostly in Sayabouly, Oudomxay, Huaphanh, Xiengkhouang and Boneo.
- **Cassava:** is one of cash-crops that have high potential for growth and with rising demands by the markets. The production of cassava increased from 743,190 tons in FY 2010-2011 to 1,254,188 tons in FY2012-2013 and it is expected to be at 1,510,000 tons by the end of FY 2013-2014. The Five-Year Plan target of 640,000 tons has already been exceeded by 870,000 tons. Provinces that grow cassava are Vientiane Capital, Vientiane and Bolikhamxay province.

- **Sugarcane:** expected to reach 1,660,000 tons in FY2013-2014 or equivalent to 77% of the Five-Year Plan target (2.15 million tons). Provinces that grow sugarcane are Savannakhet and Bolikhamxay province.
- **Tobacco:** production in FY 2010-2011 is 81,175 tons, FY2012-2013 is 56,755 tons and estimated that in FY2013-2014 will be 66,140 tons, compared to 5 years (90,000 tons) it reached 73% of plan. Tobaccos are planted in Champasak, Savannakhet, Bolikhamxay, Fun, Luang Prabang and Vientiane Province for supplying to the factories in Vientiane, Savannakhet and exports.
- **Cotton:** increased from 1,840 tons FY 2010-2011 to 3,160 tons in 2012-2013 and estimated 2013-2014 to produce 3,500 tons, compared to 5 years (4,370 tons) it reached 80% of the plan.
- **Non-Timber Forest products:** production of bamboo exceeded the five year plan target and estimated to reach about 2.16 million in FY2012-2013 (the five-year target is 0.9-1 million); production of firewood also exceeded the plan target which was totally 29,557 cubic yard in FY2010-2011 and expected to reach 40,900 cubic yards in FY2012-2013 which will exceed 5 years approximately 28,900 cubic yards (the target is 10-12 thousand cubic yards).

56. **Commercial Livestock:** Commercial livestock is likely to meet the target set by the Five-Year Plan due to increasing move to industrial livestock, using improved species, especially pigs, chicken (layer), chicken (boiler), and ducks (layer), which farmed throughout the country, particularly in big cities like Vientiane Capital, Vientiane, Luang Prabang, Khammouane, Savannakhet and Champasak province. For cattle farming on plateau and upland areas, farming based on cattle stock of the village and to supply the products to domestic market and neighboring countries along the border. Also fish are raised in ponds, fed in irrigation reservoir, Mekong River and its tributaries and have expanded considerably. The number cage aquaculture has increased from 4,500 cages in 2010 to 6,800 cages in 2014 or 50,884 tons. Although overall livestock products tend to increase, if compared to actual consumption both domestically and abroad, it is still not enough especially large animal (cows) because farmers often lack the knowledge and techniques specific to outbreaks control of animal diseases, cow species are local that yield low production, enforcement of regulations on protection over pregnant cows from being killed is not strict, slaughterhouses and meat processing factories are very basic and lack of hygiene certification. There is a lack of clear policies and measures to develop livestock, lack of coordination with all parties concerned both in public and private sectors, export of large animal is mostly through across borders trade.

57. Overall agricultural products quantity has increased but most of them are still in the form of raw materials, lacking processing for value addition. In the future, efforts should be put on mobilizing investors to invest in agro-processing.

c. Forestry

- **Management of Production and Plantation Forests:** At present across the country, there are 51 National Production Areas which cover 3.1 million hectares and divided into 324 sub-areas. Up to date, survey, data collection and allocation plan have been completed in 212 sub-areas, covers an area of 2.2 million hectares. Completed the registration of tree plantation sites in 9 provinces: Luangprabang, Vientiane, Bolikhamxay, Khammouane, Savannakhet, Champasak, Saravan, Sekong and Attapeu, for the total of 530 lots on 1,026.85 ha. Collection of heartwood is increased from 56,261 kg in 2010 to 102,937 kg in 2012 and the seedling nursery reached 94.81 million, averaging 45.40 million annually. The reforestation performed in 329,941 hectares or about 8.46% of the 5-Year Plan target (3.9 million hectares), this due to transfer of responsibility from the Ministry of Agriculture and Forest to the newly established Ministry of Natural Resources and Environment on management of protected and conservation areas, the Ministry of Agriculture and Forestry is now only responsible for production area and as a result the restoration of forests has not met the planned target because it has been

implemented in the area of production forests only. Plantation over the first 2 years performed in the total of 63,746 hectares or 31,873 hectares per year which is not met the planned target. The main cause of the decline in plantation is incomplete land allocation plan for tree plantation and the government has temporarily suspended the rubber and eucalyptus plantation projects (for new projects) which caused no implementation of the plan on private business tree plantation.

d. Irrigation

58. The total irrigated areas was 409,276 ha in FY2010-2011, 405,753 ha in FY2011-2012 and 389,911 ha in FY2012-2013 or equivalent to 51% of the Five-Year Plan target (800,000 ha). The supply of irrigated water for dried-season production declined from 148,456 ha in FY2010-2011 to 145,753 ha in FY2011-2012 and 129,911 ha in FY2013-2014, achieving only 43% of the Plan target of 300,000 ha. The reason is that irrigation schemes were severely damaged during the rainy season of 2011 and timely rehabilitation could not be provided. Water supply in a form of sprinkle covered 260,820 hectares in 2010-2011 to 268,820 in 2012 and 260,000 hectares in 2014, compared to 5-Year Plan Target (500,000 hectares) it reached 52% of the plan due to rehabilitation for some irrigation system that have been damaged which enable the water supply in a form of sprinkle. The most outstanding achievement is the implementation of 11 projects on sprinkle irrigation such as in Takokkoun Technical Service Center in Bolikhamsay Province and Napork Research Center to water corn and soybeans. Experiments show that the use sprinkle can raise the productivity of the production.

e. Agriculture land management and development

Complete survey of agricultural land allocation in all 137 districts, of which 118 districts have already received the land allocation and prepared to allocate to 19 additional districts. Planning and zoning classification for agriculture, especially rice farming, vegetables plantation and Livestock to be improved for more detailed, aimed at the 7 large plains and 14 small plains.

f. Research and Technical Application

59. The number of agro-forestry technical service center has increased to 268 throughout the country. There are 64 service centers at provincial level, 123 service centers at district level and 81 service centers at Kum Ban level; however, the centers with actual performance are only 243 centers. For technical improvement, there were supplies of equipment, drying and screening machines, and drying yards for seeds, together with job creation that suites production potentials and supports from field-staff to Kum Ban regarding regular production promotion, aiming to assist local villagers to know and understand the new better plantation or livestock-husbandry techniques.

60. Production of rice species is on an expanding trend. The centers produced several rice types, rice-batch 1, rice-batch 2 and rice-batch 3. There was also production of rice that is resilient to floods. Up to date, the percentage of farmers using improved rice species has increased by 41% of the total farmers nationwide, particularly in the central and the northern regions using 80% in wet season and 100% in the dry season; and there are now 1,300 farmer groups. There is promotion of rice selection and production of good local rice species that have potentials and market demands, for instance “Kai Noy” rice and other local species.

61. In addition to rice species, the centers also focused on researching economic cash crops and vegetables such as the 450-year hybrid corn, soybean, banana, and others. The plantation areas were also enlarged for coffee, cardamom and some seedlings of fruit-trees. Research and breeding of species of aquatic animals and fish has been completed. For example, 196 million fish was bred achieving 95% against the Plan target and experiments with 8 native fish species: “Tong Dao”, local catfish, “Kot”, “Keng”, “Kare”, “Soi” and tiger fish in “Nong Tang” and “Ban Hard” ponds for the total of 1,200 fish or 60% against the Plan.

62. The breeding of large animals and production of animal feeds expanded constantly, particularly the supplies of hybrid calves as breeders, the production of native and hybrid pigs, and supplies of chicken varieties to farms and farmers. Moreover, there were supplies of animal feeds and fresh grass for cows, goats and others.

2) Under-Performance Targets:

63. Dry season irrigated rice: In FY 2010-2011, the production was carried out in the area of 112,215 ha, yielding 551,665 tons; in FY 2011-2012 it was in 108,432 ha yielding 507,700 tons, a decrease of 3.4% compared to FY 2010-2011. Some of the causes for the reduction of the production were due to damaged irrigation system as a result of Haima and Nok Ten in 2011, the rehabilitation of the irrigation system is not timely for the production season. Also water streams and rivers have been abnormally dried up, the price of rice has also fallen significantly but the production cost is high, thus influencing farmers to shift from rice to other cash crops. It is estimated that by the end of FY 2012-2013, dry season irrigated rice production will be in 92,340 ha, yielding 500,000 tons which is about 49% of the target (200,000 ha), which may be achievable but requires urgent and timely problem solving measures and directions to deal with the actual situations in each period

64. The restoration of natural forests declined from 263,593 ha in 2011 to 66,348 ha in 2012. The implementation over the past two years has been 329,941 ha, which is only 8.5% of the Five- Year Plan target (3.9 million ha) jeopardized the accomplishment as planned. One of the reasons for this decline was the transfer of responsibilities from Ministry of Agriculture and Forestry (MAF) to the Ministry of Natural Resources and Environment on forest management. Out of the three forest categories, MAF is responsible for production forests and forest restoration but the actual implementation focused mostly on production forests leading to slow restoration activities.

Registration of tree plantation sites has been completed for the total of 298 plots with 83,465 ha. But the actual tree plantation over the past two years has not been on course as only 63,746 ha or 32% of the Five-Year Plan target (200,000 ha) was completed. Achieving this target is unlikely. The reasons for the under-performance were due to: (i) allocation of rubber plantation areas has not been completed; and (ii) the government's order on temporary suspension of rubber and eucalyptus concessions (for new projects) and therefore the plantation plans by enterprises have not been implemented. Only plantation by some local people has been on-going.

Challenges

65. The agriculture sector dominates the labor market but consists of labor with low productivity, using different small plots for plantation, with limited use of machinery for agriculture development. Working in farms is considered vulnerable employment owing to low wages, with hardship conditions and limited access to social welfare and demand for rights protection from the workplace compared to other types of employment⁸.

66. Rural communities have been affected positively and negatively by various developments: the expansion of roads and mobile phone networks have been beneficial but granting of land concessions, logging and hydropower dam construction, relocation of villages and eradication of slash-and-burn farming have had mixed benefits and dis-benefits. The area for rubber, sugar, maize and cassava is expanding but all of these crops are mainly for export: food security comes from income generated by cash crops. Food for households living on hilly areas is usually collected from natural forests and through purchasing.

67. Commercial agriculture has provided necessary conditions for improving people's livelihoods especially in the areas that are lacking. However, not all households have benefited from commercial agriculture. While some of the poor can generate incomes from commercial agriculture, others still find it difficult to survive. The coping strategy to address this issue that the people have been talking

⁸Preliminary MDG Report 2013

about is collection of non-timber forest products and selling labor. These problem-solving strategies have filled the gap between household food production and consumption. There is a high level of seasonality to these coping strategies. Generally, they are most important at the time of rice shortage that is usually experienced from April on and with August being the most severe, which is the period prior to the harvest. The dependence of many rural communities on non-timber forest products for foods requires thorough study and measures to protect non-timber forest products that are rapidly decreasing.

5.1.2 Industry and Commerce

1) Processing Industries

68. Between 2011 and 2015, it can be seen that overall processing industries have significant achievements, not only development of value added but also rapid growth of job creation. The gross production value of processing industries in (2011-2015) was LAK 25,159 billion, with an average annual growth rate of 13%. Key processing industries include food processing, covering 21% of total processing production value, followed by spare parts – 18%, mineral products – 16% and beverages covering 15.5% of the total processing industry value.

a. Development of Processing Industry Infrastructure

69. At present, the total land identification and allocation for industrial zones nationwide has been 18,927 ha, out of which 13,790 ha is owned by the state and 5,137 belongs to private ownership. These areas are provided for serving existing factories that would be relocated and for newly established factories to be in the allocated industrial zones. The highlight was that in FY 2012-2013, there are 206 factories operating within these zones.

70. In Vientiane Capital City, the construction of the zones and industrial park has been completed in two areas namely 1) Vientiane Non Thong Industrial and Trade Area or (VITA Park) located on Km 22 of Non Thong village, Saysetha District, Vientiane Capital with a total land area of 110 ha. At present, over 60% of the zone has been developed with 28 companies registered with total investment value of more than USD 40.61 million; and 2) the Km 21 Vientiane Capital Industrial Park: an area of 2,000 ha has been identified, 54 ha of which are owned by the State. Currently, the development of this industrial park is in Phase I which has the total area of 140 ha. In FY 2011-2012, there were 31 factories established in the area.

b. Growth in Processing Industry Production

71. The most outstanding sectors are food and beverage processing, construction materials (cement, tiles, steel-bars, roof tiles, paints and others), garment, cigarette, shoes and etc. At present, the production of alcohol/beer meets 100% of the total demand while soft drink, cement and steel bar can supply only up to 89%, 65%, and 25% respectively. New processing industries that have emerged are silk thread and textile factory, animal feed factory, meat processing factory, Friendship sugar factory in Savannakhet province, Savannakhet Sugar Factory, 26 rubber latex processing, 11 of which are medium and 15 are small scale, “Dao Heuang” coffee processing, “Sinouk” instant coffee processing, benz oil processing, pine resin processing and potassium processing.

72. At present, there are 15 processing factories with investment value of more than LAK 50 billion including: maize drying and jatropha extraction factory, Beer Lao Ltd, Lao Asia-Pacific Brewery Ltd, Lao Indochina Tropicana, rubber and sugar factories. These factories contribute to creating jobs and income for over 160,000 people. The increased number of factories is due to an increase in domestic and foreign investors interested in investing in the country and Laos has been provided import quota and duty-free access for Lao exports to the EU countries.

2) Handicraft:

73. It is estimated that total handicraft production value is about 2,850 billion kip with the growth rate of 15% per annum. Handicrafts produced by Lao ethnic people with local characteristics have improved patterns as well as skills for selling domestically and internationally. Lao handicrafts have received many awards from many regional level competitions.

74. There are currently investments in handicraft production, establishment of business units, grouping and supports to remote areas for handicraft production. Domestic and international private investment in handicraft sector consists of 4,237 handicraft factories. Main export markets for handicrafts are Japan, EU and the United States. Cotton and worm silk textiles with natural color dye are widely popular for both domestic and overseas markets. The annual sale of handicraft increases by around 7-8% annually.

75. The increase in processing industries and handicraft factories during the past two years has led to an increase in job creation and income generation for more than 160,000 people, with the average enterprise incomes of about USD 1,000 per capita per year and annual increase in employment of 13%.

76. The reason for growth in industry processing and handicraft is due to Government's focus on development of industrial processing and handicraft to boost economic growth to the level of 8% per annum as well as increased interests from both domestic and foreign investors in factory operations in Lao PDR. Another reason is because Lao PDR is still an LDC country and thus benefits from special trade privileges granting duty-free and quota-free access to EU markets for many products, meaning 100% of products can be exported.

3) Trade:**a. Domestic Trade:**

77. Total value of good circulation is estimated to achieve 116,713.78 billion kip with the growth rate of 13% per annum.

78. Over the past period, domestic market has been widely open and constantly developed. Quantity and value of annual good circulation has increased continuously. Retail price index of each product categories has on average increased annually as follows: the retail price index for personal and luxury goods increased by 5.9%, food by 5.6%, alcohol and tobacco by 4.8%, clothes and shoes by 2.45%, household appliances increased by 2.1%, medicines by 1.9%, gasoline by 3.6%, diesel by 4.5%, Lao steel bars by 4.3% and cement by 1.8%.

79. Market development and infrastructure construction has expanded widely. Up to date there are 688 markets in throughout the country including in big cities and remote rural areas. Out of these, 434 are permanent markets while 254 are markets are mobile (2011 data). Trade centers, department stores, night markets have been developed in 4 provinces including Vientiane, Luang Prabang, Savannakhet and Champasak. Investments in construction of local markets and trade centers are mainly in the forms of concession to local and foreign investors for construction and management in accordance with the duration of the contract with the government and provinces. Overall, markets in big cities have been expanded which facilitate exchanging, buying, selling and traffic of goods and distributions to rural and remote areas.

b. International Trade:**1) Export:**

80. The gross value of exports is estimated to reach USD 15,070 million, with annual growth rate of 11% (the plan target is 18% per annum). The main export products include minerals and mining products, textiles, hydropower, timber and wood products, agricultural goods such as maize, coffee, peanuts, cassava, rice, rice-grain, cattle (cows and buffaloes) and others. The total export values are

made up of the following: 58.32% from minerals and mining products, 13.38% from processing industries, 2.77% from handicraft, 12.8% from hydropower, 4% from timber and wood products and 8.55% from agricultural products and livestock.

81. The market structure of exports from Lao PDR during the mid-term consisted of these segments: Asian 68.16% (in which ASEAN accounts for 90%), Oceania (Australia) 21.06%, Europe 9.34% and United States 1.33%. For the ASEAN market, Thailand covers 84.9% while 14.48% is Vietnam. For Asian market, China covers 59.09% and Japan accounts for 34.89%. For the European market, Switzerland accounts for 21.65%, England 20.35% and Germany 19.15%.

2) Import:

82. The gross value of imports is estimated to reach USD 17,411.04 million with the annual growth rate at 8.4%. The main imports consisted of vehicles and spare parts covering 22.79%, petrol and gas at 17.91% of total exports, construction materials at 15.52%, industrial inputs at 12.4%, electrical appliances at 8.73%, food at 5.6% and clothes was at 3.6% of total import commodities.

83. The market structure of imports during two and a half years consisted of these segments: Asian market made up 88.41% (in which ASEAN accounts for 74.55%), Europe - 9.58% and United States - 0.8%. For the ASEAN market, 82.86% of imports is from Thailand while 15.66% from Vietnam and 0.89% from Singapore. For the Asian market, 72.3% of import is from China, 15.46% is from Japan, 8.91% from South Korea and 1.6% from Taiwan. For the European market, 49.9% of import is from France, 18.14% from Belgium, 9.96% from Switzerland and 5.83% from Germany.

3) Trade Balance

84. The trade deficit is expected to be USD 2,423 million or equivalent to 16.07% of the total export value. The deficit was caused by large imports of domestic and foreign direct investment supporting equipment as well as imports of oil, vehicles, construction materials, agriculture tools, etc. Additionally, the consumption goods are also in high demand while the economy is growing under the floral market economy and gradual economic-trade integration regionally and internationally.

5.1.3 Energy and Mining

85. In the course of 4 years implementation of the NSDP VII, the global economic crisis has influenced the development of electrification and mining. Many large scale electricity development projects have either stopped or postponed. The mining operations have also experienced the low prices of minerals in some years. However with supports from various stakeholders, many targets have been achieved while there are still some areas that need further efforts:

1) Electricity

86. Total production of electricity during the period is 50,278.91 KWH, which increased 29.57% per annum. At present, throughout the country, there have been 25 projects that are under operation with production capacity of at least 1 MW and more. The total installation capacity of these projects is 3,244.6 MW. Out of these, the Government (via EDL) owns 10 hydropower dams with installation capacity of 390.7 MW covering 11.62%. The private manages 15 dams with installation capacity of 2,853.9 MW covering 88.83% of the total installation capacity.

87. The government currently has agreements with local and foreign investors for totally 71 projects with total installation capacity of 21,668 MW. Out of these, 31 projects are under the process of feasibility study, 21 projects are under development agreements and 19 projects are under the concession agreements and in the process of construction including Nam Ngyap 3A with 44 MW of capacity and will be completed by end of 2014, Nam Kong 2 (66MW) completed 70%, Nam Sim (8MW) - 20%, Nam Ngiep 2 (180 MW) - 65%, Nam Bang (36MW) - 48%, Nam Mang (64MW) - 28%, Nam Leek (65MW) and Nam Phai (86MW) - 25%, Nam Ou 2,5,6 (540MW) - 44%, Hongsa Lignite (1,878MW) - 88%, Sepien-Senamnoy (410MW) - 7%, Sayaboury Dam (1,285MW) - 31%, Nam Ngiep 1 (290MW) - 5%, Sekaman 1 (322MW) - 36%. The projects that are already completed

basic construction include Nam San 3A (44MW), Nam San 3B (45MW) and Sakaman 3 (250MW). The Government also has policy to encourage the development of hydropower for domestic consumption expected to come from 16 projects with total installation capacity of 909MW while 7 out of these have 449MW such as Huaylamphan, Nam Khan 2, Namsana, Nam Hinboun, Nam Khan 3, Xe Set 3 and Nam Jien which have completed 90%, 80%, 100%, 42%, 50%, 29% and 36% of construction respectively.

2) Development of Off-Grid Electrification

88. **Solar power:** Lao PDR has capacity in developing solar power. It is estimated that on average, annual sunlight is at the level of 5.0kwh/m²per day. At present, this kind of energy has been expanded and installed in the rural areas for more than 13,000 households in over 320 villages. A solar energy installation was completed, which links to the on-grid electricity network at parking of Wattay International Airport, with capacity of 236 Kw. At present, the study and design of another solar energy installation at the EDL Head Quarter building has been completed with capacity of 150 Kw. This is expected to be operational next year.

89. **Biomass energy:** The construction of sugarcane bio-energy station in Savannakhet was completed in 2011 with installation capacity of 3 megawatts and will increase installation capacity to 8 megawatt until 2015. The construction of biomass bio-energy and ethanol production factory in Attapeu province has been completed at the beginning of 2013 with installation capacity of 30 megawatts. In addition, the construction station to produce bio-energy from waste of 5 megawatts and biomass energy station of 50 megawatts is on-going in Sayabouly province (supported by the government of Finland).

3) Transmission Lines

90. The development of transmission lines has increasingly expanded. At present, the total length of transmission line is 47,242.08 km nationwide. The high-voltage transmission lines of 230kv (481.4km) is for connected to the neighboring countries and the national transmission system and 115kv (4,868.13km) are for connected throughout the country for national transmission system, along with the 22kv and 0.4kv for rural electrification. This is the condition or enabling factor to achieve the MDGs and to reduce poverty of multi-ethnic people, providing important infrastructure for commercial production by the people. Presently, the total households with electricity has reached 87%, exceeded the Five-Year plan target of 80%.

91. Nevertheless, the development and supply of electricity is still insufficient. The transmission lines for high and medium voltage are not yet connected throughout all regions. Some regions still import electricity from foreign countries such as: Thailand, Vietnam and China. The connection of transmission system needs to continue to targeted markets in neighboring countries especially with Thailand, Vietnam, China and Cambodia. At present, high voltage electricity grid, including 500 kv and 230 kv, is 289.8 km. There are 34 hydropower projects to produce electricity for export with total capacity of 17,263 MW, 2 of which have been completed including Theun Hinboun Expansion and Xekaman 3.

4) Mining

92. During the five-year period, the average annual growth rate of the mining sector was at 13.65%. The total value of mineral export was over USD 4 million, consisting of about 60% of the total export of the country. The production of copper plates was 329,808 tons, gold mineral was 58.48 tons, lignite was 1.65 million tons, anthracite was 752,611 tons, copper dust was 1.17 million tons, gypsum was 3.06 million tons and the production of other minerals has also been on an increasing trend. Up to date, there are 69 domestic and foreign companies that have been given exploration contract, 19 of which are at the preparation for exploration stage and construction of processing factory, and 50 of which have been extracting, processing and exports. Most of these are small and medium businesses. For large-scale projects such as Lane Xang minerals and Phu Bia Mining Ltd. are projects with production value of over USD 500 million per year. Important mines for new

exploration during the period are: Kali salt in Thong Mang, Vientiane province and potassium salt in Khammouane province.

93. At present, some large scale projects are invested by foreign companies such as:
- Gold, silver, copper in Vilabory district, Savannakhet province since 2003
 - Gold, silver, copper in Saysomboun district, Vientiane province since 2007
 - Potassium in Vientiane capital started testing in 2007
 - Lignite in Viengphoukha district in Luang Namtha province
 - Anthracite, Nhot Ou District, Phongsaly province
 - Steel in Houaphanh province
 - Bauxite in Sekong, Champasack and Attapeu which are still being surveyed evaluating mineral sources.

Challenges

94. The construction of hydropower on rivers that are tributaries of Mekong still faces problem due o lack of transmission lines to supply electricity for domestic demand and export the surplus to neighboring countries.

95. Based on the national strategy, public investment in energy sector will focus on: i) development of transmission lines connecting with GMS and ASEAN; and ii) development of alternative energy in remote areas. Private investment in energy sector should continue to be promoted to export electricity in order to increase revenues for the country.

5.1.4 Public Works and Transportation

96. Public works and transport has focused efforts on infrastructure development to facilitate socio-economic development and regional and international integration. A detail of each target is explained below:

1) Development Road Construction and Land Transportation:

97. Development road construction has made significant achievements more than other aspects as evidenced by increased road networks from 39,584 km in 2010 to 41,042 km in 2011, equivalent to an increase of 1,458 km (or 3.7%). One of the areas that received high attention is the improvement of roads such as paved roads which have increased from 5,426.67 km in 2010 to 5,702.45 km in 2013.

98. The development of transportation networks linking domestic roads with neighboring countries along the regional economic corridors, North-South Economic Corridor, East-West Economic Corridor has been implemented in accordance with the plan. It is estimated that by 2015, the transportation network will be around 1,183 km (the plan target is 920 km) exceeding the target by 263 km.

99. The construction of district main roads, rural roads connecting to focal areas and development Kum Ban (that could at least be accessible during one season) has met 81% of the Five-Year Plan target of 100%.

100. There are many projects that have been completed while many remaining ones are expected to be completed in 2015. The completed projects include: the road construction project from Nguen – Pak Beng District, the Forth Mekong bridge from Khammouane to Nakon Panom project, construction project of Road No. 13 North Nateui – Oudomxay, ADB 10,11 project, Road 6A Project to connect Sop Bao with Ban Dan, R3 road rehabilitation project, Xekamarn bridge construction project on road 16B (Dak Chueng District), road no. 2E (Khua District-Taichang), road construction project of Nam Kueng – Ban Mom village (Bokeo province), and Road No. 1D construction project

(Ministry of National Defense), Road No. 1B (Paknamnoy – Nhor village). The projects that are on-going and expected to be completed within this 7th Five-Year Plan cycle include: construction of Road No. 15B (Saravan-Lao-Vietnam border), which is now 98% completed, construction of Xekamarn 2 bridge, with 80.81% implementation rate, Road No. 16B (Sekong province – Dak Chueng District) has been 75.60% completed, Road No. 16A Pak Xong – Km 52 Attapeu with implementation rate of 58% and other projects.

101. Alongside road maintenance, there has been regular road rehabilitation with labor contribution by local people. This consists of 478 contracts with the total value of over 7 billion kip. There are also 67 contracts for 3 year lump sum road maintenance with the total contract value of about 250 billion kip.

102. The outstanding achievements in national road maintenance include: Road No. 13 South in Vientiane province with funding assistance from the World Bank amounting over 2.8 billion kip and funding from ADB 11 project amounting to 2.7 billion kip; Road No. 13 South in Bolikhamxay province with value of over 2.5 billion kip. Besides that, there has been maintenance for national, district and rural roads by using different sources of funds: 70% from Nam Theun 2, 25% from provincial fund and 5% from the road maintenance fund. Therefore in FY 2011-2012, there were 22 projects with the length of 263.02 km, amounting to over 5 billion kip and in FY 2012-2013, there are 17 projects with the length of 308.72 km, with the value of over 14 billion kip.

103. In addition the regular road maintenance, there has been emergency maintenance as well especially during the rainy season. In FY 2010/2011, the total value of emergency maintenance was 600 billion kip and in FY 2011/2012, the value was over 374 billion kip.

104. Cargo and passenger transportation services have shown an increasing sign. In FY 2010-2011, the volume of cargo transportation was 3,349,012 tons, an increase by 8.9% or 327,080 tons compared to the volume in FY 2011-2012 (which was 3,676,092). But comparing to the Plan, the implementation rate has already exceeded the target which is an annual increase of cargo transportation volume by 7%. The passenger transportation has been rather impressive. In FY 2011—2011, the total passengers were 39,523,378 people and in FY 2011-2012, there were 42,226,480 passengers, an increase of about 6.8% compared to the previous year and is in line with the Five-Year Plan target.

105. The dead rate due to road accidents in FY 2011/2012 was 11 persons/100,000 people and it is expected that this rate will be reduced to 8 persons/ 100,000 people by 2015.

2) Development of Construction and River Transportation

106. The implementation of the river banks protection projects along the Mekong River and Nam Huang in FY 2010/2011 completed construction of river banks with the length of 25.68 km. In FY 2011-2012, 16 projects were completed with the length of 26.73 km and there are still many river bank protection projects that are expected to be completed by FY 2012-2013 such as: the project in Ton Pheung District which is 84% completed, the project in Pak San Tai-Pak San Nua village, Pak San District with 50% completion rate, the project in Don village – Nalouangsaad-Sok, Pakkading District with 80% completion and the project in Thakanthin village, Thaphabad District which has been implemented by 60.45%.

107. River transportation in 2011-2012 has been quite good as evidenced in the volume of cargo transported via river transportation which was 923,000 tons, an increase by 11.6% compared to 2010-2011 and passenger transportation via river transport was 1,942,000 people, a decrease by 11.73% compared to 2010-2011.

3) Development of Construction and Air Transportation:

108. Through the implementation of the plan during the mid-term period, the air transportation service system has seen significant improvement and with a tendency for high growth especially due to big airport expansion, new airport construction and improvement of existing airports to cater to Boeing 747 type aircrafts which can already be catered for at Wattay International airport. The Luang Prabang airport expansion has been 95.66% completed. For Pakse airport expansion project Phase 2 is on-going and completed the construction bidding and hiring of consultants. The construction of Nong Khang airport in Houaphanh province started in April 2013. Besides that, Seno and Xiengkhouang airport are also being studied, surveyed and designed.

109. Air transportation service has been improved as evidenced in an increase in domestic and international flights. In 2012, there were 15,312 flights, an increase of about 16% compared to 2010. Lao Airline Company has purchased 6 new aircrafts (4 Airbus 320 and 2 ATR). A new private airline, namely Phongsavanh airline, has been opened. In 2012, there were 794,388 passengers, an increase by 23.5% compared to 2010. This also applies to cargo transportation in 2012 which was 543,263 tons, an increased by 43% compared 2010.

4) Construction and Development of Railways:

110. The volume of passenger rail transportation domestically and internationally was about 3,000 – 3500 person times /month. In FY 2011-2012, inward passenger transportation was 15,302 passengers, a reduction of 8.6% compared to FY 2010-2011 and outbound passenger transportation was 16,739 people, a reduction of 7.7% compared to 2010-2011.

111. The Lao-Thai railway project Phase 2 from Thanaleng – Ban Khamsavath village is at the construction bidding stage. The Lao-China railway project has completed the feasibility study and has been submitted to the Government for considering funding sources for implementation. The feasibility study of the Savannakhet - Lao Bao (Lao-Vietnam border) railway has been completed with the length of 217 km. In addition, other tasks completed include: the survey, marking of roads and railway station areas, monitoring and review the management and protection of preserve areas along the road and railway station from Vientiane capital- Bolikhamxay province-Khammouane and Savannakhet with the total length of 440 km.

5) Development of Urban Planning and Water Supply:

112. **Building and housing:** there were a series of activities such as construction inspection of national level projects, particularly the Km 16 SEA Game Stadium, Kean Thao international checkpoint in Sayabouly province, Pukeu international checkpoint in Attapeu province, Nong Nok Kien international checkpoint in Champasak province, the Presidential Office construction and extension (Golden Hall), and the State Audit Organization and others.

113. **Urban planning:** to ensure that city develops in accordance with the city plan in an orderly, beautiful, and clean manner with good environment and livable, there is a need to have urban planning. In 2012, there were 136 districts that had urban planning out of the total 145 districts nationwide, which is an increase of 11 districts from 125 districts in 2010. At present, the survey and design of urban planning for the remaining 9 districts are on-going and is expected that by 2015 all districts will have urban plans. The adjustment of urban plans in Phongsaly, Samneua, Phonesavanh, Thakhek and Saravane districts has been completed. At the same time, the Government has encouraged and promoted the preservation and development of unique national architecture. Besides that, the outstanding achievement was also the clearance of sheds and street restaurants in Vientiane Capital that do not meet quality standards and with no permission.

114. **Town development:** the strategic plan of town development until 2030 has been completed and was presented to the Government in September 2012. The small-town development project funded by ADB has been completed and handed over by ADB with the total value of 18.5 million in 12 districts namely: Samneua, Paek, Paksan, Vangvieng, Phongsaly, Namtha, Say, Huaysay, Sayabouly, Saravane, Lamam, and Samakkisay districts.

115. **Water supply:** by October 2012, water supply in urban areas reached 57% of the total population living in cities throughout the country. It is expected that by 2015, this target of 67% will be achieved given that there are many on-going projects, some with significant progress while others have already made significant achievements. For example: urban development along the sub-Mekong region corridor (loan and ODA negotiation completed), completion of financial contract for Pakse environment improvement project, completion of water supply and sanitation project in the North and central region completion of participatory water supply and sanitation (UN-HABITAT) phase 1 and 2, water supply and sanitation in small town and 1st district group has been progressing well over 56.20%. The Dongmakkhai water supply project has also begun the implementation and etc.

Challenges

116. Investment in transport infrastructure construction, especially roads will significantly have socio-economic impact. The economic impact includes trade linkages and access to market. Better connectivity is seen as crucial for the achievement of the MDGs through improving access to health and education facilities, as well as improved farmers' and enterprises' access to market. It is noted that only 1.3 % of people in rural areas without road access received skill training and their proportion in total trainees is only 4%.

117. Nevertheless, in the mountainous and plateau areas, the construction of infrastructure is still slow. About 55% of villages on mountainous areas do not have year-round road access. In 2011, only 39% of villages in rural areas without road access have electricity. At the same time, about two-third of those villages is far from health centers and hospital with over two hour walking distance. Despite many difficulties, there have been important achievements in the area of education especially where 69% of remote villages have primary schools located within one hour walking distance⁹.

118. Overall, provinces with high poverty rate are the ones with difficult infrastructure such as Sekong, Phongsaly and Houaphanh province. These provinces also have difficulties with road infrastructure, access to health services and no access to electricity grid. In Phongsaly, only 11% of the total villages have access to electricity grid and about 34% with year round road access. About two-third of the total villages are far from health centers and hospitals¹⁰.

119. The new transport sector strategy focuses on maintaining existing roads, improving domestic and regional connectivity as well as strengthening all types of transportation systems. However, there are still many challenges that need further attention especially in improving infrastructure as 30% of total households in the country live in the areas without year-round road access. Measure to tackle this challenge aims at improving the implementation including implementation of transport projects with better focus taking into consideration economic, social and environmental impacts, promoting the use of domestic labor and raw materials, as well as mobilizing broad based participation from private sector. As noted in Section 4, small towns with road access for transportation and connected with economic corridors, play an important role in providing opportunities for economic and human resources development in surrounding rural areas. The promotion of small-town economic roles will contribute to strengthening the non-resource sector and increasing opportunities for off-farm employment.

5.1.5 Post, telecommunication and communication

120. Postal network has been extended to 128 districts, covering 88% of the total. The modern technologies have been applied in the postal service; one of them was automatic postal service which was currently being tested in Vientiane Capital Post Office. The telecommunication services are expanded with optical fiber system to 12,304km or 72% against the target (Five Year Plan target is

⁹2011 Agriculture Survey

¹⁰Preliminary MDG Report 2013

17,192km), which add up to the total of 52,726km, covering all 18 provinces 145 districts. Telephone numbers that are subscribed including fixed line and mobile phone have reached 5.76 million, covering 88.61% of the total population which have 8% exceeded the plan target (the Five-Year plan target is 80%); of which there are 724,292 fixed line numbers are subscribed while there are 4.26 million are mobile phone. The National Internet Center was improved with data storage and internet service to become a one door service for domestic and international communication.

121. Internet network system has been connected with overseas system, such as the leasing contract with Japanese NTT for connecting internet signal with cable under the sea for direct international connection. Furthermore, there are connections with VDC Ltd, Viettel of Vietnam and CAT of Thailand for ensuring alternatives.

122. The translation from English into Lao language for the CLDR Survey Tool (Common Locate Data Repository) has been completed with 6000 words or phrases with Unicode scripts to be used with various computer and mobile phone systems. Compilation of 3,814 phrases and more than 60,000 words for English-Lao-English dictionary has been completed and sent to Google Ltd. in accordance with the Lao language development and promotion plan.

123. The design of keyboard in Lao language for various types of mobile phones including smart phones and keyboard phones such Black Berry and Nokia as has been completed with 19 modes.

English-Lao-English dictionary program has been completed as well as the program to change font to online Phetsalat for 60,000 words to enable the system to operate in Windows Server 2008 64 Bits and 32 bits.

5.1.6 Public Finance, Banking and Capital Market

1) Finance

124. In coping with challenging regional and international economic environment, the government actively implemented financial policies especially on revenue collection which has continuously increased exceeding the target and meeting the government's expenditure demand at a fairly good level. Budget expenditure can be controlled in accordance with the approved budget plan by the National Assembly. A budget deficit during the two and a half year period is still within the range set (3-5% of GDP). The debt service, particularly external debt was carried out by the Government in timely manner and in line with contractual term, resulting in improved trust by the investors towards the Government's financial status. Significant effort has been put on domestic debt service which was carried out in the form of discount and bond issuance, of which 5,379 billion kip was in a form of discount, with 1,471 billion kip reduction; 3,872 billion kip was in a form of 2 and 3 year bonds. These have contributed significantly to the reduction of the government's and also creation of smooth environment for business enterprises.

2) Banking

125. The Bank of Lao PDR has implemented tight monetary policy wisely in order to increase money supply in line with the pace of economic situation and that does not affect inflation, while ensuring the stability of kip value. The Bank of Lao PDR continues to use exchange rate as the main tool to maintain the stability of the national currency, adopting exchange policy that is based on state managed market mechanism by determining exchange rate reference of Kip to US dollars daily to provide the reference for commercial banks in determining the exchange rates within the defined areas. Foreign currency market was adjusted when necessary to ensure sufficient supply of foreign currencies to meet the demand. Quality of credits has been controlled to ensure that NPL is less than 3%. The Bank of Lao PDR has also reduced and suspended its credits to infrastructure construction projects and long-term projects with late income yielding. There have been increased dissemination of foreign currency management policy and promotion of the use of Kip through various means as well as developing and improving various rules and regulations such as: issue rules and regulations on request for transferring money to outside of the country by commercial banks, improve rules and

regulations governing foreign exchange agents, promote the use of Kips by increasing monitoring transactions of enterprises and private foreign exchange agents; ensure price tags of goods and services and domestic settlements must be in Kip; improve quality and component of the bank note, introducing new 2,000 kip notes and 100,000 kip notes into circulation in 2012; promote of transaction settlement through banking system and increase number of foreign exchange agents.

5.1.7 Development of Specific and Special Economic Zones (SEZ)

126. In order to implement and actively operationalize the new Investment Promotion Law, alongside sectoral development in the 7th Five-Year the Government has set the targets to further develop the existing SEZs that have been established and creating an enabling environment for the establishment of specific economic zones in other areas throughout the country in order to increasingly attract foreign investment to the country. Therefore the Government has issued the Decree on the organization and activities of the Lao National Committee for Special and Specific Economic Zones (NCSEZ), which acts as a secretariat to the Government in researching macro-policy, supervising and overseeing all SEZs in the country. At present, there are 10 SEZs in Lao PDR, 2 out of which are Special Economic Zones and 8 are specific economic zones. Out of the total 10 established SEZs, 7 have been upgraded from general concession investments which the Government has already improved to SEZs. There are only 3 SEZs that have been newly established, including: Phoukhyo, Thakhek and Beung That Luang SEZ.

- **Savan-Seno Special Economic Zone**

127. The focus has been on infrastructure development in the zone to move towards becoming economic, industrial-trade, financial, services and modern technology center. Up to date, the zone management has issued business license for 33 companies with total investment value of USD 29,365,000 and registered capital of USD 3,445,000. Export includes decorating components for aircraft (Mouth) amounting to USD 111,528.94. So far, there have been 194 registered labors in the zone. At the same time, the zone authority has signed the contract with a Lao-Japan joint venture company to develop infrastructure in cite B to provide quality and comprehensive facilities for private investment from Japan that will be coming from the Nikkon affiliated companies.

- **Golden Triangle Special Economic Zone**

Works completed include the road construction, river bank protection and opening unilateral international checkpoint on 29 July 2012.

- **Boten Beautiful Land Specific Economic Zone**

There has been improvement and adjustment to a new development approach which aims to building a large scale duty-free center, integrated transportation system, resorts and integrated bonded warehouses for good transfers within the ASEAN region. The Master Plan of the zone is in the process of presenting to the Government for approval.

- **Vientiane Industrial-Trade Area – Nonethong (VITA Park)**

Construction of concrete road in the zone with the length of 520 and width of 20m has been completed. At the same time, the focus has also been on building necessary infrastructure such as: water supply system, survey, design and assessment of the cost of creating a high voltage electricity network.

- **Phoukhyo Specific Economic Zone**

The marking of 20 km road area has been completed. At present, there are 4 companies which have investment contracts in the zone. Works completed thus far include initial survey of the area, clearance, identification of infrastructure area and design detailed zone plan to suit the actual situation.

- **Saysetha Development Specific Zone**

The works completed so far include survey and identification of project border area of 1,000ha and data collection on project land area. At the same time the focus has been on measuring and calculating the compensation for the people affected by the project which has so far been completed for 694.05 ha, amounting to USD 16,887,124.

- **Thatluang lake specific economic zone**

Survey, data collection on land usage rights, buildings and agricultural products in the project area are being conducted to ensure compensation to the owners who are affected by the project. At the same time, project office building and road access to the zone area has also been constructed while the development of big lake area with 50 ha is ongoing.

- **Dongphosy Specific Economic Zone**

Compensation for land and buildings of 74 families affected by the project has been completed amounting to USD 1.8 million. The marking of the area of 51.947 ha has been on-going with 96% completion rate compared to the plan. The land area of 7.65 has also been cleared and filled.

- **Long Thang Specific Economic Zone**

Compensation to 468 families out of the total 651 affected families has been completed. In addition, land re-allocation has been completed for 160 families affected by the project.

- **Thakhek Specific Economic Zone**

Compensation and re-allocation has been on-going and there are 11 companies that have signed MOUs with the planned investment of USD 286,800,000.

Challenges:

128. The Lao National Committee for Special and Specific Economic Zone has reviewed the implementation and focused on evaluation of the management of the Special Economic Zones since the establishment until present.

129. Achieving the MDGs and exiting from the LDC status requires continuous and highly efficient public investments. Environmental impact assessments will be fundamental as well as social impact assessment and indeed it may be necessary to use weighting in economic appraisals to give greater emphasis to the financial and economic gains to the poor. It will also be necessary to assess impact on gender, particularly considering the relationship between gender inequality and growth. At the same time, these analyses are important in fulfilling the condition of exiting from the LDC status.

5.2 Social Development

130. Social Development is gradually improving especially access to social services such as: education, health, information and advocacy of the Party-Government policies broadly and timely; society is peaceful, safe, people are protected and have their rights fulfilled enabling them to fully contribute to the development of the nation.

5.2.1 Education and Human Resource Development and Sports

1) Education and Human Resource

131. The Government has placed significant importance on human resources development and has allocated increased budget to education and sports which covers 17% of the total government expenditures to improve and develop education infrastructure and improve teaching-learning from

nursery, kindergarten, and primary school to university. The focus has been on achieving the MDGs, promoting children within the age of 11-14 to complete secondary school, developing new curriculum for vocational study to respond to the demand by the labor market. Many project implementations have been localized namely the development of quality education project, accelerated education for all, basic education development, dormitory building for students, school lunch and food supplements project implemented in 30 districts in 6 target provinces contributing to increased attendance rate while reduces drop-out rates, expansion and improvement of technical schools in the three southern provinces and others. In addition, block grants are provided for school administration to all primary schools nationwide based on a unit cost of 20,000 kip per student per FY 2011-2012 and increased to 50,000 kip in FY 2012-2013. For kindergarten, primary school, secondary school and high school receive 20,000 per person per year. This has gradually improves the quality and quantity of Lao education which is evidenced in the actual implementation of various targets. The target that is expected to be achieved is school enrolment rate by children between 3-5 years which increased from 22.1% in FY 2009-2010 to 33% in FY 2012-2013 and 39.1% in FY2013-2014 while the target for FY 2014-2015 is 39%. The school enrolment rate by children at the age of 5 preparing for primary school has reached 52.9% while the 2014-2015 target is 55%, net primary school enrolment rate increased from 92.7% in FY 2009-2010 to 96.8% in FY 2012-1013 and 98% in FY2013-2014 while the target for 2015 is 98%, literacy rate of the population above 15 years old has increased from 81.7% to 93.6% while the target 87%. The repetition rate of primary school students has reduced from 15.2% in FY 2009-2010 to 7.2% in FY 2012-2013 and continued to reduce to 6.9% in 2013-2014.

132. The information, communication technology (ICT) project has been implemented for improving secondary education. With support from People's Republic of China (PRC), model secondary schools are being constructed in each province and will be linked with an ICT Centre at Ministry of Education and Sports (MoES) in Vientiane. Nevertheless, enrolment rates at secondary and high school has been progressing from 75% and 43% respectively in FY 2012-2013 to 74.4% and 41.3% in 2013-2014. This indicator is one of the criteria for assessing whether the country will exit from the LDC status by 2020.

133. The targets that face significant challenge in achieving them include survival rate of primary school students which reached 71.4% in FY 2012-2013 and 77.5% in 2013-2014 while the target is to reach 95% by 2015. Although investment has been put into building more educational infrastructure, the repetition and drop-out rates still increase, in particular at primary school 1 and 2. The ratio between girls and boys at primary school is 0.95, at secondary school is 0.91, high school – 0.84, and vocational education – 0.6. Therefore it can be concluded the higher the level of education, the wider it is for the gender parity.

134. To eradicate illiteracy, mobile teaching has been piloted to teach children between 6-14 years old outside school in the remote areas in 3 provinces including Savannakhet, Khammouane and Sekong under the Education for All programme to enable the children to study. Up to date, there are 144 districts in 10 provinces that announced as completed primary level. However, the main challenge in implementing this task is the lack of teaching materials and teachers as well as limited budget.

135. In the area of vocational education, infrastructure for Vocational Education institutions has been improved in Savannakhet, Sekong and Attapue province. In addition, there is also a policy to provide allowances to students from poor families and remote areas. This has contributed to increased enrolment rate. Less than 7% of the students studying at the level of vocational and college level choose vocational education. Merely 12% choose to study agriculture and the rest study in the area of industry and services. Therefore, it results in a situation where subjects studied do not meet labor market demand as stipulated in the 7thFive-Year Plan (2011-2015).

2) Sports

136. Sports area has been gradually popular and growing. Athletes and trainers have been trained in neighboring countries before actual competition leading to stronger athletes with better experience and confidence. An outstanding achievement in the sports area is that Lao PDR has shown capacity in hosting international level sport games, for example, the 16th ASEAN University Games in 2012 which ended with enthusiastic atmosphere and great success which Lao PDR has won 32 Gold Medals, 32 Silver Medals, 46 Copper Medals; participated in the 3rd“Asian Beach Games” in Haiyang, China in 2012, the 15th Olympics Games in London and Paralympics Games in London, England in 2012; the 26th Sea Games in Indonesia in 2012 winning the total of 58 medals ranking in the 8th out of 11 countries; in addition to participating in overseas competitions, Lao PDR has also organized national Sports Games such as: the 9th National Games in 2012 in Luang Prabang with enthusiastic atmosphere and active participation from provinces and 3 ministries, in which Vientiane Capital won the most medals. At present, sports has been improving and athletes, trainers and administrators have all been gradually improving and developing their capability.

137. Even though there have been achievements in several targets, there are still risks of achieving some targets especially in training athletes to reach 15% of persons aged between 3-35.

5.2.2 Health and Nutrition

1) Health Sector Development

138. Through the implementation following the national development directions as well as directions for health sector development and targets in the 7th NSEDP, there have been considerable achievements. Health service network has been expanded especially in rural remote areas. Currently, there are 923 health centers and 859 of which provide services on birth delivery. At district level, there are 143 district hospitals, 27 of which provide Cesarean birth surgery while 3 of which relied on support from provincial medical staff, 5 of which do not provide surgery services and 103 of which could provide very basic support on birth delivery and new born child care. For provincial hospitals, they exercise their services in basic treatment, regular to emergency surgery and cesarean birth surgery that have been referred from the district hospitals. Apart from this, some provincial hospitals have been improved in some areas of expertise to upgrade the service quality to the same level as the hospitals at the central level and become the regional hospitals in the future. At the central level, there are 5 hospitals and 3 specific healthcare centers. There are 13 private hospitals or healthcare centers that officially operate (8 in Vientiane Capital and 5 in provinces). The Ministry of Health give permission to 1,054 private clinics to officially provide health services (360 in Vientiane Capital and 694 in provinces)¹¹.

139. Alongside health promotion and disease prevention for people, there has also been establishment of model health village in accordance with the 8 concepts of primary health care. To date, there are 4,533 has been established as health villages, covering 53.5% of the total villages nationwide. Under the government's 490 villages in 64 focal village clusters, there are 189 villages have been established as health villages, covering 38.6% of the total villages. In 109 villages of 51 districts under 3-build directives, there are 91 health villages established, covering 83.5% of the total villages¹². The World Health Organization has revised the estimate figures for tuberculosis in Lao PDR. The result shows that the tuberculosis prevalence rate is 514/100,000 population, tuberculosis incidence rate is 204/100,000 population, and tuberculosis mortality rate 11/100,000 population, while rate of actual identified cases is 62/100,000 population (30%)¹³. HIV/AIDS and STD has been controlled and there are totally 165 facilities nationwide that provide consultation (55 provincial level facilities, 89 district level facilities and 21 health centers). Up to date, the HIV prevalence rate in total population is 0.28% (2015 target <1%), the prevalence of HIV among women sex workers aged 15-49 is 1.20% (2015 the target <5%) and among men who have sex with men aged 15-49 is 2.44% (2015 the target <5%); in addition, rate of condom usage in women sex workers is 92.5% (2015 the target

¹¹Report on 2013-2014 Plan Implementation, Department of Healthcare.

¹²Report on Health Village Establishment 2013-2014, Department of Hygiene and Health Promotion.

¹³Report on 2013-2014 Plan Implementation on Tuberculosis, Tuberculosis Center

<95%) while there has been provision of ARV treatment to 53.4% of the adults and children who are living with HIV (2015 the target <90%)¹⁴. With regard to malaria, there was provision of 256,200 insecticide-treated mosquito nets to the households in the villages under Malaria Risky Zone 2 and 3 (8,500 of which provided to pregnant women and the rest 247,700 to regular users). Total malaria prevalence is 12,850 cases nationwide, malaria incidence rate is 7.97/1,000 population and mortality rate caused by malaria is 0.29/100,000 population¹⁵.

140. Maternal mortality rate now remains at 220 per 100,000 live births, which is assessed by the WHO in conjunction with the UNICEF and the World Bank. As these figures show, Lao PDR achieved 2015 target (260/100,000 live births). Lao PDR can clear out tetanus in mothers and infants as verified by the World Health Organization. The birth delivery rate with skilled births attendants is at the 58% while target for 2015 is 50% which interpreted the achievement exceeded the target. For child mortality rate under 1 from 1990 to 2013 declined by 49.3%, from 110 per 1,000 live births to 54 per 1,000 live births and mortality rate of children under 5 years also declined by 45.1% from 160 per 1,000 live births to 72 per 1,000 live births. Besides, there have been campaigns to raise awareness on '3 cleans' principles and increase the provision of equipment and clean water to people leading to an increase in proportion of population using clean water to 70% while the 2015 target is 80%; the proportion of population using latrines is 59% and the 2015 target is 60%.

141. Together with the achievements, there are still some targets at risks of achieving according to the plan, especially the measles immunization rate in 1 year old children which is only 55% (target is 90%). There is no update of the contraceptive prevalence rate and antenatal care rate to measure the progress. Therefore, the health sector has to identify way to solve this issue in order to assess the progress in 2015 (the target is 55% and 69%).

142. To achieve the various targets related to Health sector including the MDGs, the Health Reform Strategic Plan until 2020 has been developed. It covers 5 important areas that need further improving and strengthening. These include: human resource development, health financing, management and administration, work planning style, services, health information, monitoring and evaluation. These aim at improving the quality and expansion of health services.

2) Nutrition

143. Nutrition is one of the sectors that faces challenges in the implementation since it is associated with several sectors such as food security, food access and food consumption. To counter these, it requires effective collaboration and shared responsibilities among the concerned agencies including sector of health, education, agriculture, environment, industry and commerce, etc. This is to ensure food security and nutrition from household level to the national level.

144. In the past years, the National Committee for Nutrition was established and there has been efforts in promoting hygiene – disease prevention to change living style behavior of people according to the '3 clean' principles such as drinking boiled water, eating cooked food, using latrines. The most important aspect is promoting eating behavior of children that they should eat all food groups by providing milk and food supplements to children at schools, distribution of Vitamin A, de-worming medicines, iron and zinc for children and women in reproductive health age. Nonetheless, there are challenges in achieving several targets set in the five year plan such as achieving target of prevalence of underweight children under 5 years which has very slow progress, based on the Multiple Social Indicator Survey (MICS) 2011, achieving only 27% compared with the target of 22% by 2015; the prevalence of stunting children under 5 (chronic malnutrition) is also still lagging behind reaching on 38% but the 2015 target is 34%. Therefore, increased efforts need to be mobilized in order to achieve these targets.

¹⁴Report on 2013-2014 Plan Implementation on HIV/AIDS and STD Control and Prevention.

¹⁵Report on 2013-2014 Plan Implementation, Center for Parasitology, Entomology and Malaria Control.

Challenges

145. Although health status of the people is improved, many indicators are still lagging behind comparing with those in South-East Asia such as indicators on life expectancy, MMR, CMR, and malnutrition. Gaps between urban and rural area exists in terms of provision of health services; the implementation of user fee and free access to health care is not yet in conformity, inability to control resulting in some discouragements, the poor still do not receive health treatment at the hospital and health insurance due to inability to access. Social welfare is insufficient to cover all the people in the society. Lump sum payment scheme to hospitals is not sufficient to encourage the improvement of service quality. The turning direction to universal coverage of health insurance by 2020 is one of the main directions of the health sector reform which has been endorsed by the Prime Minister's Decree on national health insurance and the health financing strategy. For human resource development, the priority is to ensure accelerated planning, training and develop more health workers especially doctors, nurses, midwives, and village doctor for districts, health centers and village which have very limited number at this stage. The acceptance of health workers at grassroots levels to become government employee has not been adequately implemented due to limited quotas.

5.2.3 Labor and Social Welfare

1) Regulatory Framework

146. There has been an improvement and development in the legal framework to facilitate labor skill development and management of local and international workers such as revision on Labor Law; improving minimum wage for workers in business units, production and services sector to 626,000 kip; revising of Decree 343/PM on the formulation of the Law on Social Welfare, Draft Decree on Recruitment, Decree on Skill Development Fund, Decree on Labor Assistance, Decree on Disaster Protection and Management Fund, Decree on Basic Rights and Benefit Protection for People with Disability.

2) Labor

2.1 Labor Skills Development and Provision of Employment

147. The infrastructure has been improved and developed to serve the labor skill development such as the construction of the Southern skill development center in Champasack Province and Savannakhet Province; the improvement of two skill development center in the North, in Oudomxay and Bokeo, and the construction of skill development center in Attapeu Province. The upgrading of the Lao-Korea Vocational center to labor skills development institution has been completed. In total, there are 164 centers in FY2013-2014 for training and skill development. 9 of which run by the MOLSW, 52 of which is run by other ministries, 13 of which owned by mass organizations and the remaining 90 are managed by the private sector. There has been development of curriculum in car mechanic, electric and IT mechanics to upgrade the workers to be chief of labor and supervisors. There has been also publication of textbooks for 3 professions including constructors, electronic mechanic and plumbers. Labor standards have been developed for 17 professions in the areas of architecture and car mechanics which reached 85% of the target. Public and private skill training centers have been encouraged and mobilized to provide skill training to Lao labors which resulted in a total of 158,622 people trained, out of whom 71,490 were female. This is equivalent to 71.59% of the Five-Year Plan target which is 221,583 people. The composition of the trained labor includes 46,208 people (17,434 are female) from agriculture sector, 46,496 people (23,070 female) from industry sector; and about 65,921 people (30,986 are female) from service sector.

148. The recruitment centers have extended into some provinces such as Sayaboury, Oudomxay, Savannakhet, Champassak, Khammouan, Bolikhamxay, Vientiane and Luangprabang. There was Labor Expo organized in Champassak Province to create opportunities for the employers and laborers to meet and share information on labor market demand. Employment generation for Lao labor in domestic posts and for labor export has so far been successful for 207,611 people, 100,585 of whom are female. In terms of sectoral breakdown, employment in agriculture was 57,109 people,

26,396 were female; in industry area it was 95,313 people, 45,731 were female; and in service area was 55,189, 28,458 were female.

The unemployment rate has been maintained at the level of 2% as the target.

149. Provision of employment domestically could achieve for 148,549 people, 72,569 of whom are female. Provision of overseas employment could reach 59,062 people, of whom 28,061 were female.

2.2 Labor Management

150. In focusing on protecting Lao labor for secured employment, the labor sector has monitored labors in 6,097 business and projects units, exceeding the five year plan target by 74.2% (target is 3,500 units), there are total 148,440 labors. In addition, there has been an effort made in managing and protecting Lao labor rights in overseas, especially Lao workers in neighboring countries to conform to the law which have been achieved for 48,409 workers through twice attempts. The first Survey on Labor Force and Child Workers in Lao PDR has been completed. The foreign workers who employed by retail shops and by contract have been also managed and the total number of registered foreign labors is 61,093 people, of whom 49,915 hold official work permits.

3) Social Welfare Performance

3.1 Social Welfare

151. Social insurance has been improved by expanding the services widely and reaching local areas. Up to now, public social welfare has expanded branches to all provinces and social insurance enterprise has expanded its branches from 6 provinces in 2010 to 10 provinces in 2014 leading an increase in coverage of social and health insurance at 27.74% of the total population (Statistics 2012).

3.2 Retirement, handicap and disabilities

152. Effort made to carry out a campaign for donations from domestic and foreign stakeholders to contribute in relief of victims of disasters which totally received 2.39 billion kip, USD641,999, 5,768,500 baht and contribution in kinds which worth 2.91 trillion kip. Provide assistance and relief of the people who suffer from natural disasters, the resettlement and who live in deprived areas nationwide with provision of consumption and utilization goods to 202,798 households, worth 47.23 billion kip. A review on name list of the people who have contributed to the development of the nation has been conducted and special supports have been applied for 43,314 people by financial support of totally 2.43 billion kip with reference to Decree 343/PM; Mobilized social contributions in the building houses for 21 senior staff since revolution time, which worth 1.35 billion kip; build houses for 5 disable persons who are the government staff which worth 195 million kip and provide Pension based on Decree 241 / PM to 735 retirees.

Challenges¹⁶:

153. More than one third of the employed population is still poor. This ratio shows that Lao PDR still lack stable and suitable jobs. Employment cannot provide income that is higher than the poverty line to the poor people as well as their families thus does not yet meet the income component specified the definition of stable and suitable employment.

154. Unstable recruitment and employment rates are still very high in Lao PDR. The ratio between self-employed including supporting families covers 84% of the total labor force. The high ratio of unstable recruitment and employment was because the majority of labor is concentrated on three sectors namely agriculture and fishery, basic employment and in service sector including shops and sell persons. These workers consist of 70%, 9% and 6% of the total labor force in the Lao PDR respectively. In addition, 99%, 73% and 73% of workers in these three respective sectors are living in unstable employment, some are self-employed or supporting their families.

¹⁶Reference has also been made to: Labor and Child Labor Survey 2010 analysis in the preliminary MDG Progress report 2013

155. Almost everyone involved in agriculture and fishery are self-employed (55%) or providing help to families (44%). These labors are unlikely to be in a formal working system that has access to welfare or social protection projects. They are also more vulnerable especially when economic demand is low. Besides that, most of them do not have sufficient saving for themselves and families to compensate when incomes decrease during economy downturn. Those who are in security sector, having profession, clerks and office assistants have higher incomes.

156. Vulnerable employment is not confined to agriculture and extends to the informal sector. As in other developing countries in Asia, informal employment is widespread and often absorbs a greater proportion of ex-agricultural workers than the formal sector. Thus, the movement out of agriculture seldom leads to movement out of vulnerable employment since the jobs these workers often take up are characterized by similarly low pay and poor working conditions similar to those in agriculture.

Recent economic growth in Laos PDR has yet to translate into sufficient employment opportunities for decent work. Unless jobs are created to absorb the growing numbers of young people entering the workforce, these young people will tend to look abroad for economic opportunities. Laos PDR migrants are usually found in low paid and labor intensive work. Migrant workers' remittances could amount to 7% of GDP and these are important income for living for thousands of rural households. Nevertheless, their working conditions are very hard.

157. Low skills and employability are linked to the weakness in the education and training systems. The poor quality of and low demand for technical and vocational education and training (TVET) mean that young people do not receive adequate preparation for technical and managerial positions in the private sector. Recent TVET enrolment rates have been in decline. The current TVET system also lacks accepted national skill standards as a basis for the establishment of competency based courses and curricula. This leads to an inconsistent quality and coverage of TVET Programs.

157. The development of an effective framework for national skills standards is a priority and this should be designed in conjunction with the private sector.

158. Labor over 15 years of age consists of more than 79% of the total population above 15 years old. At present about 78% of them are employed while the rest is unemployed. Over 20% is outside the labor force. This is considered to be a very high rate for the country whose economy mainly relies on agriculture.

5.2.4 Information, Culture and Tourism

1) Information

159. The information sector has been actively modernizing the mass media communication system and expanding it both in quantity and quality and has been able to provide information in depth and widely to the society especially gradually changing from Analog system to a more modern Digital system. Radio stations have been improved and developed which have increased by 5 stations, from 52 stations to 57 stations. 10 of which are newly established, and based in 10 districts, 8 provinces. The Resolution IX of the Party has been disseminated through more than 100 radio broadcasts, 77 hours per day, broadcasted in Lao Loum, Hmong, Khmu, French, English, Khmer, Thai, Vietnamese Languages and preparing to broadcast in Chinese.

160. For television, there are 36 stations in total (including broadcasting network station), of which 6 stations are based at the central level and 30 TV stations in provinces and districts, being able to broadcast at least 2-3 hours (the shows that are locally produced).

2) Culture

161. To continue to build foundation for improving and developing culture sector, information and culture sectors have been actively enhancing heritage and cultural values that represent national and

mass characteristics on the basis of cultural diversity of the different ethnicities, and disseminating the Party's policies and beautiful traditions of the nation to international forum.

162. The focus has been on supporting and improving the quality of campaigns for developing cultural families, villages and village clusters (Kum Ban) which are being implemented widely in provinces all over the country. Currently, there are about 149,000 cultural families developed, exceeding the target by 49,000 families compared to the plan target (the target is >100,000 families). Up to date, there are 682,803 cultural families developed nationwide, equivalent to 52.7% of total households, 974 cultural villages exceeding the target by 274 villages (the target is >700 villages), 3,351 cultural villages developed, accounted for about 39% of total villages in the country, and about 85 cultural Kum Ban established or equivalent to 8.08%.

163. The sector has collaborated with local authorities in managing some newly discovered and improving old damaged historical sites especially completing the construction of the Vientiane city pillar pavilion at Phiawat village, Sisattanak district, Vientiane Capital, the Prabang Buddha Hall. The sector has surveyed and retrieved historical items from underground for protecting them as well as surveying for historical cultural places in the Old City of Souvannakhomkham in Bokeo Province to be proposed for national heritage site. In addition, valuable architecture and sculpture work has been researched and promoted such as: constructing statue of very important historical revolution leaders including the late President Kaysone Phomvihanh in Vieng Xay District and in Savannakhet province, continuing to construct and install the monument of Leaders Nouhak Phoumsavanh, Phoumy Vongvichit, Sisomphone Lorvanhxay, Phoun Sipaseuth, Sithonh Kommadam, Faidang Lorbriayao and Touya Xaychou.

3) Tourism

164. Tourism sector has been growing actively. In 2013, the number of tourists visiting Lao PDR was 3,779,490 million, increased by 13% compared to 2012. Revenue generated in this sector was over USD595 million; and it is expected that in 2015, the tourist arrivals will reach 4.1 million people which will generate revenue of more than USD640 million.

165. In 2013, there are 1,916 tourist attraction sites, of which 849 are natural tourist attraction sites, 435 are cultural sites and 209 are historical tourist sites. The sector completed survey registration of 1,807 tourist attraction sites throughout the country, of which 1,042 are natural tourist attraction sites, 501 are cultural sites, and 264 are historical sites. 141 tourist attractions sites have been surveyed, 230 sites are being surveyed and 496 sites are not yet surveyed while 626 sites have been operating. There are 2 tourist attraction sites that have been accepted as world heritage and 20 sites have been endorsed by the Prime Minister's Office as national tourist attraction sites.

166. At present, there are 290 tour companies and 75 affiliate companies throughout the country. Accommodation services have been expanded and improved to meet the standards including hotels and resorts. Up to date, there are 450 hotels across the country (the target is 300 by 2015) which consists of totally 14,593 bedrooms, the total number of guesthouse is 1,491 which consist of 18,367 bedrooms, the total number of restaurants is 1,380 (the target is 850 by 2015) while there 283 entertainment centers.

5.2.5 Justice

167. During the past two and a half years of implementing justice related works, there are many highlights especially the implementation of the strategy on the state governed by law in accordance with the direction of building the state from the people, by the people and truly for the people. The justice sector has been the focal point for coordinating with relevant sectors to review and comments on new draft law development and improvement of old laws totaling 68 versions, 26 ordinance drafts, 154 decree drafts, provided legal comments on over 411 drafts for negotiations and contracts. Legal disseminations have been carried for multi-ethnic people in villages and Kum Ban areas totaling 14,708 times, over 2 million listeners, more than 600,000 of which are female. The sector has

disseminated Law of Rights Protection and Benefits of Children under 18 in 990 villages and 105 schools, 201,464 listeners; printed 122,412 copies of compilations of over 90 laws and disseminated one set to each village and Kum Ban; 697,176 case free families have been developed, equivalent to 174.29% implementation rate exceeding the target by 74.29%. 5,727 villages have been certified as case free village. Capacity of the village mediation units has been strengthened in 5,534 units and able to settle 16,160 disputes at the village level out of the total of over 17,000 cases. The sector has provided training on basic law education to 28,057 people, of whom 5,813 were female and 22,266 were core personnel in villages and Kum Ban.

168. In addition, the court decisions on 5,953 cases have been implemented which is equivalent to 53.1% of the total existing court decisions, which is very low compared to the plan target of 70%. Debts and fines for the government and victims amounted to 63.28 million kip, 43 million Baht and USD 8.1 million have been collected. 85 economic disputes have been solved amounting to 18,500 million kip, 4.9 million Baht and USD 600,000. The sector also completed certification of originality of 73,898 documents, collected service charges and fees totaling 9,350 million kip.

169. Besides, there is a focus on carrying out justice activities in the grass root level and implementing three-build directive in 51 targeted districts by focusing on law development and improvement especially the development and reviewing on civil law and criminal law; worked on court records, family registration, citizenship, child adoption, legal enterprises and resolved economic disputes.

5.2.6 Population, Gender, Advancement of Women, Mothers and Children

1) Population Development

170. Population is the key factor for national development as both economic and social sectors all needs knowledgeable human resources to contribute to the development. Currently, Lao PDR has small population compared to that of neighboring countries and majority of the population is mostly youth with 57.5% of the total population are in the age of below 25. Comparing to Vietnam, Thailand and Cambodia, Lao has the most youth composition of population and will continue to increase. However, the Lao youth population still has low skill level and is not being able to meet the current development demands

171. Population below at the age of 20 and below covers about 46.7% of the total population is considered to be the core labor of the country. But the contribution rate of these labors is still very low resulting in missing an opportunity to gain from the ‘demographic dividend’. Therefore, in order to benefit from having youth population, the Party and the Government has been focusing on improving and developing human resources especially in increasing more investment on education and health sectors, so that people receive education, are knowledge and healthy. In addition, the government has also focused on developing labor skills.

172. Even though the government has put more efforts on population development, this is still a challenging issue the education level, labor skills and high maternal and infant mortality rates which calls for more investment in these areas by identifying clear work plan, financial plan and implementation measures to achieve these goals in the remaining time period of the 7th NSEDP.

2) Gender Development and Gender Equality

173. Lao Women Union (LWU) has encouraged and mobilized multi-ethnic Lao women to study the Party directions, constitution, Government laws, international laws and treaties, the resolutions of the VI Congress of Lao Women’s Union, the history of the Party, the nation, Lao women historic characteristics through different means and ways, with total participants of 623,000 people, covering 65% of the total LWU members. The LWU Historic room has been improved both on the content and appearance with 1,081 visitors, 1,067 of whom are female and 14 are male.

174. The LWU at each level has improved planning, leading and working approach especially through capacity training to 142 LWU at district level throughout the country with the total participants of 350 people. In addition, trainings on leading and managing women union related work as well as advocacy trainings have been provided to 158 participants. Officials, LWU members and multi-ethnic Lao women have increasingly received capacity enhancement on various aspects such as political theory, professions, technical, vocational, and foreign language training.

175. The preparations and organization of grass-root women union congress have been 70% accomplished to mobilize women union movement to prepare and organize the Women Union congresses at district, provincial, municipality, ministerial and central levels, leading the drafting of Law on Lao Women's Union which is completed at fundamental level.

176. In addition, 253,095 of the village women unions' members, corresponding to 41.3% of the total participants, have attended law dissemination and awareness raising on law compliances organized by the justice sector.

177. LWU has also led the implementation of the '3 Goods' campaign – good citizen, good development and good family – contributing to increasing political understanding, knowledge and skills to be able to earn income for self and families. Through the assessment of the implementation of the '3 Goods' campaign, it has been concluded as follows: there are 426,717 members of LWU who have met '3 Goods' criteria covering 81.49% of the total participants, there are 249,182 families qualified as 'good and happy families, 2,701 village women unions and 31 district women unions that met '3 goods' criteria.

178. In conjunction, the Lao Women's Union has also focused on protecting women and children's rights and benefits and promoting gender equality, which is demonstrated by the following tasks: LWU has reviewed and provided comments on various policies, laws and programs of sectors that are related to development and protection of women and children's rights, in particular the on the draft Civil Servant Law on the female civil servants retirement age. Reviewed and provided comments on the national policy on population and development, reproductive health, national socio-economic development plans, and integrating gender into each sectoral area.

179. The WU at all levels has duly carried their function in providing counseling services to women and children who encountered problems and coordinated with concerned organizations in solving the problems, mediating on issues for the women to protect and bring about their rightful benefits to women and children totaling 2,436 persons.

Disseminations and campaigns against the use of violence against women have been carried out through media and various activities to increase awareness by families and society on the issue and to end violence against women and children.

180. LWU has actively contributed to the implementation of the National Socio-Economic Development Plan as well as the MDGs by focusing in particular on the MDG 3 –Gender Equality and the target on reducing maternal and child mortality. Through collaboration with Ministry of Health, LWU organized training on basic knowledge on nutrition, preparation of food supplements for children to women at the village level and contributed to develop 1,500 health facilitators at village level (600 females and 900 males).

181. The Gender Resource and Information Center (GRID) has organized trainings on gender mainstreaming in village leadership, conducted analytical researches on women leaderships at the village level in Bolikhamxay Province. In an effort to meet the targets of increasing the number of female staff in accordance with the 9th Party Congress Resolution, the LWU has coordinated with the party's committees and organizations at various levels in determining women staff development plans. The central LWU has also defined its staff development plan aiming to train staff who are working on women related issues at all levels. LWU members as well as many Lao women have actively developed their firm political value, revolutionary quality and morale and knowledge and

capability so to suit the positions and functions entrusted by the Party and State. Consequently, the number of women in leadership level in each area covers about 5.4% against the target of 15% as determined by the 9th Party Congress Resolution. To enhance the employability, labor skill development and SMEs, the central LWU has designed training curriculum and conducted vocational training for women especially poor and deprived women. Up to date, 638 people were training, of whom 628 were female and 10 were male. Female entrepreneurs take ownership in running their own businesses contributing to creating significant employment for many women. LWU also led the LWU village and grassroots funds which consist of 3 forms: 1) Fund to help each other at provincial level; the districts, some ministries and central organizations with the participation of 35,124 members and total revolving fund of 21,824,427,000 kip; 2) Village Saving Groups of women's unions in provincial level: Phongsaly, Luang Prabang, Bokeo, Champasak and Vientiane Capital in 22 districts, having 561 groups with a total numbers of 28,349 and a total revolving fund of 121,877,071,000 kip. The objective is to support the agriculture and handicraft production, small business operation and provide assistance in the time of sickness. Many families have become role models for commercial production such as: organic rice production, weaving handicraft, bamboos and various crops production in Sangthong district, tea and water melons productions and livestock breeding in Phongsaly; 3) Micro financial institution which accepts savings for women and family development was established in 2009 with the approval by the Bank of Lao PDR and thereafter opened for services in 5 branches: Hatsayphong district branch, Saysettha district branch, Vientiane Capital branch, Phonehong district branch in Vientiane Province, Thaphabath and Bolikhan districts branches in Bolikhamxay Province. These institutions now have 2,777 clients and total deposit of 1,903,706,000 kip.

182. LWU has continued the cooperation with women's organizations of the strategic friendly countries, the world friendly countries and the ASEAN women; it succeeded in hosting the 1st ASEAN Ministerial Meeting on women, which adopted the Vientiane Declaration on "gender promotion and ASEAN women partnership for sustainable environment"; this will further uplift the Lao women's role in the international forum.

3) Promoting Advancement of Women

183. To implement the policy directions of the Party and the Government on promoting the advancement of women as specified in the 9th Party Congress and the 7th Five-Year National Socio-Economic Development Plan (2011-2015), through the implementation of work plan, there have been significant achievements such as: completed the development of the 2nd Five-Year National Strategic Plan on the Advancement of Women (2011-2015) and integrated this strategy into sector and local strategy.

184. Various campaigns and awareness raising activities have been implemented to advocate and raise awareness for government officials and people in general on understanding of gender, promoting advancement of women, the Convention on Eliminating All Forms of Discrimination Against Women (CEDAW), acting against all forms of violence to women in order to free oneself as well as the Lao society as a whole from violence against women and children and realizing gender equality between women and men enabling the country to graduate from least developed country status gradually. In addition, the website of National Commission for the Advancement of Women (NCAW) has been developed (www.laonkaw.gov.la), advocacy materials were also developed and printed such as: 6th and 7th National Periodic Report on the implementation of the CEDAW in Lao PDR and concluding observations on those reports, the CEDAW, the Doha Declaration, newsletters, notebooks, pens, bags, NCAW pins.

185. Seminars and training on gender mainstreaming into sectors and local levels have been conducted. The structure of the Lao National Committee for the Advancement of Women at the national, ministry, organizational, provincial, municipality, districts and village levels have been reorganized in conjunction with the establishment of assistance mechanism to CAW at each level in accordance with actual implementation. The sector has also been collaborating with the Central

Party's Personnel Committee on translating resolution on developing female officials and female ethnic officials, integrating gender and anti-domestic violence especially against women and children into poverty criteria and development criteria as well as carrying out dissemination campaigns and implementing in the government focused areas.

186. In collaboration with Ministry of Agriculture and Forestry, training on agriculture production techniques, such as plantation, livestock, veterinary and fishery have been conducted for officials at division and district agriculture-forestry offices at provincial and district level. There has also been training for farmers on production techniques such as plantation, livestock, veterinary, fishery, planting grass for feeding livestock, planting fruit trees, cardamom plantation, producing food supplements for pigs and chicken, biogas, processing bamboo shoots, the use of irrigation system, bamboo weaving and training of trainer on development.

4) Mothers and Children

187. The organization of the National Commission on Mothers and Children at ministry, sector and organization levels have been reorganized in 17 out of 20 offices; at the provincial level, the reorganization was completed in 14 provinces which is closely linked to the improvement of secretariat of Commission for Mothers and Children at all levels.

188. The National Commission for the Mothers and Children (NCMC) organized 2 meetings namely the 6th nationwide NCMC meeting and Annual Meeting of Full Members of NCMC 2011-2012.

189. The NCMC and the Commission for the Mothers and Children (CMC) at each level have been monitoring and reporting on the implementation of mothers and children's work as well as CRC implementation including mobilizing participations by all stakeholders including children themselves in providing comments to the draft of first report on the implementation of the 2 optional protocols of CRC (by organizing a meeting with ministries and sectors, a meeting with international organizations and embassies, 2 meetings with students from the National University of Laos and upper secondary schools in Khamkeut District, Bolikhamxay Province).

190. The NCMC has carried out dissemination campaigns on child rights, printed and distributed booklets of CRC and the 2 optional protocols, created posters and cartoons on child rights and distributed to students and other stakeholders. Books on NCMC organization and implementation, Mothers and Children Strategy 2011-2015 and Mothers and Children Action Plan 2011-2015 have also been produced.

191. In collaboration with Ministry of Health and local authorities carried out immunization campaign achieving 97% which exceeds the target of 95%.

192. Various events have also been organized such as: Walk for Health event with 2,000 participants; art exhibition; presented gifts to children with mental and physical disabilities, drug addicts on International Children's Day which was supported by government and private sectors in the amount of 460 million kip.

193. In collaboration with several stakeholders, campaign Lao Youth Stay Away from Drugs has been launched with the pilot project started in Thatkhao primary –secondary school in Vientiane Capital.

194. In collaboration with the National Commission for the Advancement of Women (NCAW), the NCMC organized talks, scientific meeting, seminar on anti-violence against women, protection and elimination of violence against women and children, seminar on building development families, villages and districts for ministries, concerned sectors, justice officials, police, court, prosecutors,

teachers and students from the National University of Laos on International Children's Day and other important days.

195. The NCMC also conducted field visits to support the work on mothers and children in 4 Southern provinces and 6 Northern provinces on the re-organization and implementation of the strategic plan and the national action plan 2011-2015; collaborated with Ministry of Planning and Investment and UNICEF to organize MDG implementation report meeting at district and village levels; organized annual meeting in 7 Southern, Middle and Northern provinces.

Advocacy campaigns and disseminations on CRC and the 2 optional protocols, Mothers and Children Strategy Plan and National Action Plan 2011-2015 were conducted nationwide to continue to integrate into sectors, districts and villages according to the vertical reporting line.

5.2.7 Adolescent and Youth development

196. In line with the direction of building the new generation to be patriotic, cherish democracy while developing their knowledge and skills to contribute to the future development of the country, the focus of the Party and the government over the past two and a half years has been on development of youth and adolescent to become capable, knowledgeable and skilled in order to meet market demand and also development and promoting increasing number of youth entrepreneurs.

197. In connection to the projects on constructing the adolescent center and youth history hall as well as construction of the youth-adolescent development center, the Lao Youth Union has focused on training and capacity enhancement for youth leaders and adolescents on theory and leadership attitude in leading the adolescent organization and its activities including camping. Adolescent camping was organized with 2,000 participants. Trainings in various fields have been conducted such as beauty salon and tailoring which was organized for youths in 2 provinces – Oudomxay and Sayabouly and in 4 districts in Vientiane Capital including Saysetha, Chanthaboury, Sikhottabong and Hatsaifong Districts. As a result, among the total trainees, there were 6 youth from deprived areas completed the training course on beauty salon and have been provided financial support to begin their own careers in order to exit from poverty status step by step. Besides, there was training on journalist and media conducted for youths from all parts of the country held in Bolikhamxay province with the total youth participants of more than 50 coming from 16 provinces and Vientiane capital.

5.2.8 Science and Technology

198. During the past period, the government has paid attention to improving and developing science and technology by allocating budget for scientific research amounting to 1% of the total annual investment to support the socio-economic development. Research was conducted on several topics such as: 35% completion of basic research on creating a model of drying stove using solar power, 50% completion of the research on efficient stoves and biomass stoves, research on production of organic fertilizer by animal waste mixed with saltpeter and waste from jethropha oil extraction and others. This information will be an important foundation for the future development especially for the formulation of the 8th Five-Year Plan (2016-2022). In addition, a number of legislations have been improved in order to provide a basis for the implementation of science-technology related work such as: the Law on Intellectual Property Rights which will be presented at the National Assembly for approval. Moreover, 6 approvals have been issued on the implementation of trademarks, copyrights, industrial patents, business cycles and rules of origin. Cooperation Plan with the Ministry of Science and Technology of Vietnam has been developed to adopt modern science and technology from overseas into the work of science and technology in the country.

199. The Science and Technology Development Strategy of Lao PDR 2013-2020 and visions to 2030 were developed and presented at the Politburo Meeting. It is currently being in the process of improvement and finalization. The Law on Electronic Translation has been endorsed by the National Assembly and will be announced for enforcement soon; a draft Law on Science and Technology was prepared and cleared by the Government Meeting and will be presented to the National Assembly for approval. Data collection was completed for producing bio-energy from waste; improving electronic

documentation and files, completed checking and inspecting weighing tools for 398 fuels trucks; new equipment and tools have been imported such as: 208,341 electric generators, 22 truck weighting scale, 137 model weight, 63 laboratory scales, 6 calipers, measuring tanks, 1 height gauge, 9 rulers, 3 rolls of tape measures, 5 stoves, 3 thermometers and etc. In addition, complaints on violating individual property rights have been solved.

200. Despite these achievements there are shortcomings and challenges especially in research to produce rice seeds with high yield.

5.2.9 Promoting People's Solidarity

201. The focus has been on provision of political training for government officials especially to disseminate the Party's directions, encouraging the process and spirit of the implementation closely linked to the solidarity, promotion policy and equality between multi-ethnic people, promoting common national spirit by all multi-ethnic groups to become solidarity forces for the protection and development of the country.

202. Campaigns and lectures have been provided to cultivate patriotism and enhance implementation spirit, maintain solidarity history to fight against changing deception of the opposition force, maintain and expand history of hard work of the Lao multi-ethnic people who have extended their support to officials who have gone to work at the grass-root level in their areas to lead production, improvement of livelihoods, organization of society to fight against the peaceful changing war by the enemy and protection of security of village foundation.

203. Equality among multi-ethnic people has been promoted raising their unity and sense of national ownership and expanding the beautiful historic characteristics of the various ethnic groups. The elders and leaders at the grassroots level of various ethnic groups have received training and have been encouraged to promote unity among the fellow villagers and the ethnic group members to actively contribute to protection and development of the country.

204. The most outstanding achievements include all relevant sectors have focused on development and expansion of economy in all areas where multi-ethnic people live, providing necessary condition and opportunity to discover potentials from all national multi-ethnic people for more economic development in the remote areas with international cooperation; people living on upland can shift from slash and burn cultivation to other types of activities for living, having commercial production, permanent housing with production land and permanent jobs and thus achieving poverty reduction, maintaining stability, creating enabling condition for people to travel and communicate with each other more easily, providing opportunity for the people to participate and contribute in the development process in the forms of finance, labor and resources due to improved infrastructure and access to public services.

5.2.10 Preventing Social Drawbacks

205. Attention was given to mobilizing, improving coordination between authorities at all levels and concerned agencies in solving social drawbacks that happened within family and society through disseminating, encouraging mobilizing people to understand and strictly follow the laws aiming at building strong family, village and towns.

206. In order to prevent any negative implication on the development process, the government paid close attention on stopping the use and selling of illicit drugs, illegal trade, burglary and other types of crimes.

207. The project of friend-help-friend was implemented to prevent negative impacts on youths and to reduce school dropout rates, avoid using of illicit drugs, prevent accidents on the road and any actions that lead to violation of law, encourage involvement of the Women's Union and Youth Union at all levels, including ethnic women, all walks of life to unite and take ownership in tackle social

drawbacks in family and society, especially the drawbacks in the area of gender to help ensuring that gender equality is gradually realized. Attention was given to solving social drawbacks and promoting good mental health for youth and adolescents through building basic infrastructure for facilitating youth development such as construction of Youth Centre, Adolescent Centre, and training center for youth and adolescents that equipped with all needed facilities. Project of friend-help-friend continued to be implemented to reduce road accidents and violation of laws by turning the attention of youth to sports.

5.3 Sustainable Development, Environmental Protection and Natural Resource Management

208. Through the implementation over the first half of the 7thFive-Year Plan, the natural resource and environment sector has seen improvements in many rules, regulations and instructions such as: Law on Land, Law on Forest (submitted for National Assembly approval in June 2013), Law on Water and Water Resources, Law on Environment Protection and improvement of the Decree on Social-Environmental Impact Assessment and Decree on Compensation and Relocation of Population. 208. A number of decrees have also been drafted, including the draft Decree on upgrading provincial conservation forest to national conservation forests (Hi Phi and La Ving La Vern mountain), draft Decree on determining 13 natural resources conservation areas, draft Decree on Pollution Control, and upgrading the Minister's approval notice on environment standards to Law on National Environment Standards. In addition, the Environment Plan for 2011-2015 was endorsed in 2011 and the draft Strategy on Early Warning and regulations on natural disaster warning which is one of the priorities in the 7thFive-Year Plan. In conjunction with the above mentioned regulations, there are some outstanding works that have been implemented during the past period which are explained in detail as follows:

1) Water Resources, Meteorology and Hydrology

- Implementation of national integrated water resource management which includes the improvement of Law on Water and Water Resources, improvement of laboratory for testing water quality, developing national water strategy and policy, improving the meteorology and hydrology database and completion of surveying and marking the area for piloting integrated water resources management for training, research, excursion and cultivating environmental consciousness for people in Vang Vieng, Vientiane province.
- River Basin committee has been established for one basin: Nam Theun-Nam Kading river basin. At present, the focus is on establishing a formal committee for Nam Ngum river basin. In addition, there has been research and initiatives to manage other priority river basins such as: Nam Torn, Nam Xong, Nam Lik, Nam Pae, Nam Chaeng-Nam Xuang, Houay Champi, and Houya Nam Xay.
- Continuation to manage wet soil areas (soil on the river area) Kiat Gno and Xe Champhone marsh and initiated and piloted survey instruction and registration of wet soil in three provinces: Champasack, Savannakhet and Vientiane Capital
- Check and improve quality of water measuring tool in meteorology and hydrology station in all over the country as well as closely monitor the weather, measure, collect data on weather, the daily level of water and issue regular warnings if weather situation deteriorates and of flood situation.
- Exchange meteorology and hydrology information with neighboring countries and countries within Asia-Pacific every 3 hours and report every hour on the information and weather situation for aviation.

2) Environment

- Study and research on environmental tax and use incomes from the development projects in the management of sustainable natural resources and environment;
- Produce manual, posters and technology transfer manual for technicians fixing cooling system nationwide;
- Complete the development of plan to control the utilization of HCFCs;
- Implement model trilateral cooperation plan in solid waste management in 6 pilot districts of three provinces: Vientiane capital, Sayabouly and Luang Prabang.
- Encourage public investment projects to conduct environmental impact assessment in accordance with the rules and regulations with transparent process. Reviewed environmental impact assessment reports of 75 projects, in which 31 were initial environmental evaluation (IEE) reports and 44 were EIA reports of 44 projects.
- Continue strengthening provincial capacity in reviewing IEE reports in order to eventually delegate to provinces to issue environment certificates to endorse the IEE, focusing on 9 provinces including: Vientiane capital, Luang Prabang, Champasack, Vientiane, Oudomxay, Xiangkhouang, Bolikhamxay, Attapeu and Khammouan.

3) Natural Disaster Management and Climate Change

- The National Strategy on Climate Change and the National Adaptation Plan of Action has been operationalized through improvement of regulations and tools to suit the actual situation of Lao PDR;
- The final draft of the results on greenhouse gasses has been completed for the decision makers in the agriculture and forestry sector;
- The sector has prepared for the Government to consider adopting the project on reducing greenhouse gasses by avoiding deforestation and degradation of forestry at the local level by New Chip Seng Group (SN-REDD+ Project) to pilot carbon trade;
- Study on potential and challenges of the Climate Change Fund have been initiated to ensure that resource mobilized from the Fund can bring maximum benefits for Lao PDR.

4) Land

- Land classification has been basically completed in 354 villages in 47 poorest districts, and at macro level has completed 372 villages in 6 districts of 6 provinces: Khene Thao district, Sayabouly province, Tha Phabaht district, Bolikhamxay province, Pak Xong district, Champasack province, Sanarmxay district, Attapue province, Lao Ngam district, Saravan province and Tha Teng district, Sekong province.
- Land registration has been completed and land titles have been issued for over 40 thousand plots (against the target of 1 million plots). This has a very high risk in not achieving the 5-year plan target.
- Technical revenue and incomes from turning land use rights over the past one year has exceeded the target at 62% (the plan target is 30 million kip) and revenues from turning land use rights have been collected exceeding the plan at 92% (the plan target is 3 billion kip) and has transferred to national treasury; incomes from land use fees have been transferred to financial sector.

209. Unsustainable exploitation of the resource base will increase Lao PDR's economic vulnerability and will eventually have an impact on its economy if natural resources remain a dominant source of growth and other sectors clearly lag behind. This is self-evident if, as is obviously the case, natural resources are either finite or, as is the case in plantation agriculture based on land concessions, there are natural limits on growth. In other words, the case for broadening the base for

growth is apparent. This will also limit the effects of any international market volatility on Lao PDR with attendant benefits on GNI and the EV Index, both of which affect Lao PDR's graduation from LDC status.

210. There is a further and obvious linkage between the natural resources sector and environment impacts. This is apparent in all natural resources sectors, including land concessions (which have attendant deforestation effects), the riparian impacts of hydropower on fish stocks and floodplain agriculture, and mining (in terms of tailings, pollution and land destruction). The protection and improvement of the environment is linked also to the third criteria for LDC graduation, the HAI, which comprises literacy and secondary education, under-five mortality rate and undernourishment in the population. The water and sanitation targets of MDG 7 are directly linked to under-five mortality rate and undernourishment.

211. Land concession and land lease have benefited in terms of employment generation, value-chain supply, technology transfer and turning land reserved for low productivity agriculture into land for commercial production. Based on the latest list, it can be seen that about 1.1 hectares have been given for concessions and lease (about 5% of the total area of the country) under 2,642 contracts. The majority of concessions involve land with less than 5 hectares (62%). Although there are only a small amount of concession projects that cover wide areas, they still take up a lot of land. These include 135 projects (5% of the total projects) but cover 89% of the total land concession areas. Lands given for concessions are in general used for plantation of staple plants, industrial plantation and mining, plantations includes rubber plantation, sugarcane, jethropha and eucalyptus¹⁷.

5.4 Enterprise Development

5.4.1 State-Owned Enterprise

212. The draft strategic plan on improvement and development of the state owned enterprises (SOE) in Lao PDR (from 2012-2020) has been completed and presented at the Prime Minister - Deputy Prime Ministers meeting. The strategic plan for the improvement and development of companies and SOE under the responsibility of Ministry of Industry and Commerce has also been accomplished. Fuel business association has been established; the focus was on inspection of fuel quality import and limited illegal fuel imports. Information and statistical data was collected on business operation of the SOEs, joint-venture state-private SOE and mixed SOE; financial and debt monitoring and fixed assets re-valuation has been conducted as well as inspection and solving debt problems. Business operation has been managed based on the cost-benefit and cost efficiency analysis and improved organizational administration in accordance with the market mechanism to allow SOEs to operate smoothly and efficiently. Up to date, there are 144 SOEs having a total registered capital of 2,766 billion kip and 18 mixed SOE (where the State has join-ventured with other parties) with a total registered capital of 800.7 billion kip. Comparing to the total enterprises in the country which are 88,845 enterprises with registered capital of 242,650 billion kip (equivalent to USD 30.2 billion), the SOEs' contribution is very small only 1.14% (comparing the registered capital).

213. Following the structural adjustment of round 1 and round 2, it can be seen that financial status of some SOEs has been slowly improving, balancing between incomes-expenditures and moving to profit making. These include Lao Airline SOE, Electricité Du Laos, Lao State Fuel, Medicine Factory No. 3 and Lao Aviation. There remains a certain number of SOE lacking efficiency in their business operation such as: DAFI and Mountainous Areas Development (Phoudoi) Enterprise. Efforts continue to improve and strengthen the targeted enterprises to ensure high business operation efficiency and progress towards meeting ISO standards by: Electricité Du Laos, Medicine Factory No. 3, Lao Airline, and Electricity Construction and Installation Company. In addition, the SOEs that run a loss,

¹⁷Schonweger, Oliver; Heinimann, Andreas; Epprecht, Michael; Lu, Juliet; and Thalongsengchanh, Palikone (2012). Concessions and leases in the Lao PDR: taking stock of land investments, Ministry of Natural resource and Environment, Universitat Bern, Swiss Agency for Development and Cooperation, and German Cooperation.

with doubtful debts, old vehicles etc. have been restructured. In this respect the provinces that have performed the best were Champasack, Bolikhamxay and Phongsaly provinces and Vientiane capital. The water supply company Nam Papa in Savannakhet has re-valuated its fixed assets.

5.4.2 Small and Medium Enterprises (SMEs)

214. SME promotion and development is one of the sectors which have made significant achievements over the last two and a half years which could be demonstrated as follows:

- Completion of the upgrading the Decree 42/PM into Law on SMEs, no. 11/NA, dated 21 December 2011;
- Established SME fund and signed contract to provide the funding to the Lao Development Bank with the amount of 14 billion kip for SME loans;
- Developed SMEs fund management regulation, no. 1163/MOIC, dated 18 June 2012;
- Issued loans to SME through 3 commercial banks with the amount of 430 million kip;
- Completion of piloting teaching curriculum in some schools and will include it into teaching curriculum of those schools at vocational and university levels;
- Established service provider networks to provide consultation on business development, with current members of 21;
- Established model enterprises in quality and quantity, currently there are 4 model enterprises;

215. In addition, the focus has been on priority work in developing SMEs such as:

- Creation of enabling environment and regulations: focus on improving the enterprise registration system, issuance of business license, and public private dialogues at provincial level under the Lao Business Forum framework. Importantly, the upgrading of the PM Decree 42/PM into Law on the Promotion of SMEs has resulted in several achievements such as: 1) improvement of enterprise registration: with more streamlined, easy and quick process but cheaper than before which was between 100,000 kip to 200,000 kip and now reducing to between 40,000 kip to 90,000 kip; the registration process is also faster than before which used to take between 60-90 days but now it takes only 3 days at the earliest and not exceeding 10 working days at the latest; 2) review the permit issuance process: in the past it required 18 copies of the documents but now only 4-6 are required and the permit issued is permanent (there is no need to renew the permit
- Improvement of accessibility by SMEs to financial sources: completed the setting up of fund and signed the contract with Lao Development Bank for the amount of LAK 14 billion to be used as loans to SMEs; SME fund management regulation no: 123/PM, dated 03 March 2010, and the regulation regarding revenue-expenses of the fund with compliance to the National Treasury regulation have been developed. Issued loans to SME through 3 commercial banks with the amount of 430 million kip.
- Establishment of new enterprises: Ministry of Industry and Commerce, in collaboration with the Ministry of Education and Sport and other concerned agencies studied and researched on development of SME curriculum and teacher's manual. Currently, the curriculum has been piloted in general schools and will be integrated into courses at vocational schools and universities.
- Increased support and enterprise development services: up to 2011-2012, the service provider network was launched to provide business development consultation, research and support for establishing "One District One Product" and create enabling conditions for SME to supply the procurement service to the government.
- Researched and defined cooperation mechanism between large and small enterprises in order to attract them in using products and services provided by domestic SMEs. In

addition, research was conducted on inventing information database on business potentials from investment by the large scale enterprises and public investments.

- Promoted increased productivity to enhance quality and standard of SME goods and services: completed the implementation of pilot project in constructing model factory in both quantity and quality to pursue 5 SME criterion and improved SME products. There are 4 role model factories established, of which one factory, namely, Indochina Cassava Flour Factory received the Best ASEAN SME Award. At present, MOIC and concerned sectors are in the process of creating a system and responsible agency for certifying SME quality and standard.
- Promotion of access to the markets and expansion of markets for SMEs: attention has been on increased production and services quality; providing information on government policies, business opportunities and markets for SMEs as well as using technical expertise in improving competitiveness of SMEs in the groups such as wood manufacturer group, Jewelry and accessories producer groups, etc. In addition, value added chain technique was applied in promoting agro-processing industry in 3 sectors such as coffee, wood and mulberry paper;
- Besides, SME promotion and development also implemented based on 13 strategic activities indicated in the Law on SME.

Challenges

216. The constraints holding back the growth of decent work opportunities need to be addressed. Among the reported constraints to establishing and expanding micro, small and medium enterprises are excessive bureaucracy and regulation, the access to finance and business development support, weak business and value chain linkages, and poor infrastructure¹⁸. Reforms in agriculture are needed to expand output through productivity gains rather than greater land use. In the micro, small and medium enterprises sector, investment and technical assistance are required to better equip Lao youth with the skills, competencies, and access to resources required to establish and run small businesses.

217. Enterprise surveys¹⁹ conducted in Lao PDR suggest an uncertain environment for private sector development, with contradictory signals. Thus, whereas firms' profits and business confidence generally are rising, many enterprises feel that nationally competitiveness is falling. This is seen as posing serious challenges now that Lao PDR is a WTO member and in view of the opening of the ASEAN Single Market from 2015 onwards.

218. Access to finance remains a serious problem (thereby confirming other assessments of the business environment) while firms apparently have little understanding of the implications of trade integration and are not taking measures to address the effects that greater openness implies. Firms are generally investing less in training, although overall firm-level investments remain broadly constant. Firms continue to use business advisory services but, at the same time, are increasingly shifting operations to the informal sector. Studies have shown that while there is a correlation between business success and membership of business associations, membership is nonetheless falling.

219. In the past, although a wide range of significant efforts are being made to overcome the problems, private sector development of the non-resource sector remains constrained by Lao's extremely poor business environment rating (163rd out of 185 countries worldwide). The urgent problems noted include resolving insolvency, protecting investors and accessing to credit. This acts as a severe barrier to private sector development overall, with pressures reinforced by the introduction of the ASEAN single market in 2015. This problem holds back growth in the non-resource sector overall.

¹⁸Doing Business in Lao PDR 2012, WB

¹⁹GIZ (2012) Enterprise Survey 2011: Volume 1, Main Report, November 2011

220. An earlier study (in 2005)²⁰ identified a range of initiatives to accelerate domestic private sector growth during the 6th NSEDP and it could be useful to review progress with the recommendations of this report. The report's key recommendations focused on addressing: (i) the foundations of a market economy (instability and uncertainty: economic, policy and other stability issues, property rights and contract enforcement, tax and customs administration: complexity, ambiguity and corruption); (ii) the enabling environment (gaps between policy and practice, administrative and regulatory processes and ambiguity, bottlenecks to business entry, ineffective business registration systems, investment incentives, barriers to competition, decentralization and accountability; (iii) attitudes to the private sector and business (official/social attitudes to private sector and investor rights), weaknesses in business associations and business media; (iv) institutional weaknesses (human resources, education and skills training, accessing finance, farming, agriculture and entrepreneurship; and (v) equity considerations.

5.5 Implementation of the Millennium Development Goals (MDGs)

221. All direct and indirect concerned stakeholders has made efforts in implementing the targets set in the 7thFive-Year NSEDP, including to achieving the 9 goals of MDGs which the Government has to report to the international communities in 2015.

222. The preparation of implementation framework on the MDG and the financial planning was completed in the year 2010, by determining certain particular points enabling the country to achieve the MDG. The said framework has defined 6 main areas namely: the accessibility to basic for MDG; the sustainable improvement of food security and sustainable environment; access to the basic education for all and gender; equal participation and empowerment of women; improving maternal and child health; providing clean water and improved hygiene in rural areas and small towns. Through two and a half years of implementation, it can be evaluated and summarized as follows:

5.5.1 MDG 1: Eradicate Extreme Poverty and Hunger

223. Based on the Lao Expenditure and Consumption Survey (LECS 5) by Lao Statistic Bureau, it can be seen that the poverty ratio has been reduced from 27.6% in FY 2007-2008 (LECS 4) to 20.5% in FY 2012-2013, compared to 2015 target of 24%, it can be inferred that this target will be achieved and even exceeded. Nevertheless, the poverty disparity ratio is still very wide.

- **Nutrition:**

224. Nutrition is associated with several factors such as having sufficient food, access to food and consumption of hygienic food with all food groups. If children have good nutrition, it will result in improvement in many areas such as: children's learning will be faster, they will be health and etc. Through the implementation of the target to reduce the ratio of underweight children under 5 years old has been progressing very slowly which requires time and increased efforts. In 2006, the ratio was 37%, the Multiple Social Indicator Survey (MICS) in 2011 found that the ratio was 27% compared with the target of 22% by 2015; the prevalence of stunting children under 5 is also still lagging behind, in 2006 it was at 40%, 2011 was 38% while the target for 2015 is to reach 34%. On average, the reduction has been only 1% per year. There are high inequities in stunting and underweight levels between children from the poorest and the richest quintiles. Stunting is more pronounced in rural areas and amongst children from ethnic groups living in remote mountainous areas, which is caused by insufficient food consumption. Nevertheless, this issue is related to many factors not just insufficient food consumption. The process of becoming a stunted child begins in uterus and continues up to two years of age with incorrect feeding. Proper care and feeding practices afterbirth are very important in reducing child malnutrition which requires coordination with many sectors in order to design policy especially to improve women's nutrition to ensure proper care and feeding for children under age of 2 years.

²⁰ Actions Needed now to Accelerate Domestic Private Sector Growth during the Next Five-Year Plan Final Draft Report, Prepared by Raymond Mallon , 17 September 2005

225. Lao PDR has a number of opportunities to accelerate the progress in reducing malnutrition. First, the country's sustained economic growth provides fiscal space for increased allocations to social sectors. Second, the country's health reforms have already identified the priorities and thus facilitating rapid implementation. Third, it can be seen that private sector especially international assistance has provided significant assistance in nutrition area such as multiple micronutrient supplementations for infants which is highly promising.

226. Overall, the country's rapid economic growth has been beneficial for the majority of the population, especially decreasing poverty headcount ratio as well as the poverty gap. However, the growth has not benefited some of the poorer groups, especially those in geographically hardship areas, where poverty rate has increased. The economic growth has also increased inequalities.

227. Therefore, equitable and inclusive growth needs to be promoted by reallocating revenues from the natural resource sector to broader economic and social development especially to the areas with difficult infrastructure such as markets and other services. In conjunction, there is a need to ensure the implementation of turning big village into rural small urban centers, allocation of geographical area and permanent jobs for multi-ethnic people.

5.5.2 MDG 2: Achieve Universal Primary Education

228. Education is very important to the development of the country. It is considered to be a supporting task that enables the achievements of other MDGs especially poverty reduction target and reduction of maternal and child morbidity target. As shown in many studies, educated mothers can raise children correctly and contribute to generating family economy. Thus, provision of basic education is very important especially for the remote and disadvantaged areas. In order to reach the target, the Education sector has collaborated with development partners within and outside the country to develop manuals and expand education infrastructure to create and expand opportunities for school age children to have access to schools. As a result, the net enrolment rate of children at primary school level increased from 92.7% in FY 2009-2010 to 96.6% in FY 2012-2013 and it is expected to reach the target of 98% in FY 2014-2015. Nevertheless, the quality of education is still low as some children enrolled in primary schools are over-aged while a small number is under-aged which may result in high repetition rate. The survival rate of primary school students reached 68% in FY 2011-2012 and 73.3% in FY 2012-2013, which is very low comparing to neighboring countries and highly challenging for the 2015 target to be achieved (95%). Significant disparities in school attendance and survival rates exist between rural areas without road access and amongst the children from the poorest group and children of mothers with no education. It is very challenging to meet the target of literacy rate in the age group of 15-24 if without clear program and projects because on average the literacy rate increases about 2% annually, reaching 94.8% in FY 2012-2013 while the target for 2015 is 99%. Secondary school enrolment rate reached 62.9% in FY 201-2011, 67% in FY 2011-2012 and 69% in FY 2012-2013. Thus it can be inferred that this target will be difficult to achieve as planned, as demonstrated in the table below:

Indicator	2010-11	2011-12	2012-13	Target 2014-15
Net enrolment rate in primary school	94.1%	95.2%	96.8%	98%
Proportion of pupils starting grade 1 who reach grade 5	68%	70%	71.4%	95%
Enrolment rate in secondary school	62.9%	64.7%	69%	75%
Literacy rate in the age group of 15-24	87%	92%	89.1%	99%

Source: Literacy rate in the age group of 15-24 in FY 2012-2013 is from LSIS

229. Human resource development at present cannot meet the demand by the society and labor market and therefore it is important and necessary to focus more attention especially on the repetition

and drop-out rates, enrollment rate in lower and upper secondary school. Transition to secondary school is one of the important priorities for exiting from the LDC status.

5.5.3 MDG 3: Promote Gender Equality and Empower Women

230. Gender equality and women empowerment is generally the Government's target and in particular it is also the women's aspiration to be able to increasingly contribute to the development process and family economy. Women play an important role in family in managing resources. Gender equality and women empowerment is important factor in supporting the achievement of other MDGs. Therefore, sectoral planning must take into consideration gender issues, especially in education sector where the focus has been on expanding education service for girls by constructing girl dormitories and providing food at schools and etc. Nevertheless, there are still disparities in the school enrolment ratios of girls to boys and the disparity increases with the level of education, as show in the table below:

Indicator	2009-10	2010-11	2011-12	2012-13	Target 2014-15
Ratio of girls to boys enrolled in primary school	0.94	0.94	0.95	0.91	1
Ratio of girls to boys enrolled in lower secondary school	0.86	0.87	0.89	0.88	1
Ratio of girls to boys enrolled in upper secondary school	0.82	0.81	0.83	0.82	1
Ratio of girls to boys enrolled in higher education				0.87	1
Share of women in wage employment in the non-agriculture sectors			34%		
Proportion of seats held by women in the National Assembly				25%	

Source: Data on Ratio of girls to boys is from the LSIS

231. Literacy rate of women and men is generally related to poverty. Women literacy is lower than men especially in the rural area without road access, amongst the poorest group and ethnic groups living in very remote areas. The ratio of literate women to men in the younger population (age between 15-19 years) is better than the ratio of the age group between 20-24 years. This could be due to the higher girl school enrolment rate during the past years.

232. Share of women in wage employment in non-agriculture sectors increased from approximately 20% in 1990 to 34% in 2010 which is still low. This may be attributed to the high proportion of women in unpaid family work. The male workforce is better educated than the female workforce and it can be observed that women are mostly in non-stable employment, self-employed or engaged in unpaid family work (65%) as compared to men (35%).

5.5.4 MDG 4: Reduce Child Mortality

233. Child mortality has been decreasing significantly compared to the past due to the implementation of several activities to assist the children namely pre-neonatal care and support during and after the delivery by skilled medical personnel. In addition, there are also a number of projects such as: neonatal care project, breast-feeding project and vitamin supplements for children, immunization project and etc. These contribute to reducing the child mortality rate namely infant mortality reduced from 75 in 2008 to 68 per 1,000 live births in 2011 comparing to the 2015 target of 49 per 1,000 live births, it is rather challenging to meet the target. Under-five mortality rate decreased from 89 in 2008 to 79 per 1,000 live births in 2011, which has already reached the 2015 target of 80 per 1,000 live births. Nevertheless, comparing to neighboring countries, Lao PDR still has high child mortality rate. To achieve the target of reducing infant mortality rate as planned, there is a need for reduction of infant mortality by more than 4% annually. Immunization against measles may not

achieve the plan target also due to the current low coverage of only 55% against the target of 90%, as shown in the following table:

Indicator	2005	2008	2011	Target 2015
Reduce under-five mortality rate per 1000 live births	98	89	79	80
Reduce infant mortality rate per 1000 live births	70	75	68	49
Proportion of one-year old children immunized against measles	69		55	90

234. Comparison with 2006 MICS data suggests that the equality gap has widened or remained the same, while better-off and urban families recording improved livelihoods and faster progress. Therefore, to achieve further reductions in infant and child mortality, it calls for service provision to this segment of the population and appropriate investment in the health sector that will reach the poorest population living in the remote areas.

The biggest challenge in achieving the goal is to ensure provision of funding for maternal, neonatal and child health services in sustainable and predictable manner. Another challenge is capacity strengthening for health personnel and administration as well as improving supply and management system.

5.5.5 MDG 5: Improve Maternal Health

235. It is still very challenging for Lao PDR to meet this target. In 2008, the maternal mortality rate was 357 per 100,000 live births, while the 2015 target is 260 per 100,000 live births. Similarly, the proportion of births attended by skilled birth attendants remains low at 42% compared to the 2015 target of 50%. Contraceptive prevalence rate and antenatal care coverage progresses very slowly thus requiring focusing the funds on implementing various activities such as: free maternal and children under-five services project, reproductive health project, family planning project, immunization for women at reproductive age, training of skilled birth attendants project and etc.

Indicator	2005	2008	2011	2013	Target 2015
Reduce maternal mortality rate per 100,000 live births	405		357	220	260
Proportion of birth attended by skilled birth attendants (%)	23		42		50
Contraceptive prevalence rate (%)	38.4				55
Antenatal care coverage (%)	28.5				69

236. Disparities in delivery assistance and other related indicators are pronounced between the different population groups. Urban areas show higher safe delivery rate that is twice the national average and over six times that in remote rural areas. For ethnic groups living in areas with road access has higher The safe delivery rate was three times higher amongst the ethnic groups living in accessible areas than that among the groups living in remote areas. The difference in safe delivery is eight times between the richest and poorest quintiles, and about six times between women who have completed secondary education and those with no education. The Caesarean section rate is still low at 4% of all births. This indicates that some women whose lives could have been saved by caesarean section were not able to have this intervention.

237. Despite the positive trend of maternal and reproductive health service indicators, the country's progress towards this goal is not on track due to the following issues:

- the relatively low rate of facility-based delivery;
- The poor quality of health services. Therefore, interventions required are those that can achieve high population coverage, improve the quality of services and promote facility-based delivery. On the demand side, advocacy, mobilization and health

education activities will need to target women and men from communities in the remote rural areas, often the same groups as those in the poorest quintiles and those with the lowest education.

5.5.6 MDG 6: Combat HIV/AIDS, Malaria and Other Diseases

- **HIV and AIDS**

238. HIV/AIDS prevalence in general population remains low and thus the target is achievable. In 2012, the prevalence rate was 0.28% compared to the 2015 target of below 1% of total population; HIV prevalence among high risk group aged 15-24 reduced to 1.2% against the target of 5%, HIV prevalence among sex-workers aged 15-49 reduced to 2.44% compared to the target of below 5%.

239. Heterosexual contact fuels much of the epidemic in Lao PDR. The patterns of groups engaging in high-risk behavior influence the geographic spread of HIV. Such groups include men who migrate for work without families and returning migrant workers, especially females. The groups at highest risk are sex workers, especially those not working in entertainment establishments as clients think that they are safer when having sex with them.

240. ART coverage has increased but still needs to improve. The problem appears to be inadequate reporting, identification/ diagnostic, and increasing demand for medical treatment. To reach the national targets by 2015 on HIV and AIDS, a number of actions are recommended, amongst them, building on the momentum created by the health reforms, building partnerships with key affected populations, groups and networks, strategically addressing the needs related to mother to child transmission, securing access to treatment for all and increasing the domestic financial contribution.

- **Malaria**

241. Death associated with malaria reduced from 7.1 in 2000 to 0.3 per 100,000 population in 2011 and is expected to achieve the 2015 target which is below 0.2/100,000 population.

242. The strategy on malaria control has been quite effective leading to the widespread use of bed nets amongst adults and children. The National Bed Net Survey found that 81% of children under five years of age slept under insecticide-treated bed nets and that 98% of children slept under one kind of bed net or another.

243. Nevertheless, the malaria outbreaks in 2011 in five southern provinces have become an issue that needs special attention in order to ensure that it is not spread to other areas and pose threats to people's livelihoods. The outbreaks were associated with large-scale development projects that may transmit new kind of acute malaria and there was a possibility that it caused drug-resistance malaria amongst the local populations; and the expansion of certain livelihoods is increasing exposure to the newly virulent malaria.

- **Tuberculosis**

244. Proportion of new tuberculosis cases detected under Directly Observed Treatment Short Courses (DOTS) was 72% exceeding the 2015 plan target of 70% by 2%. Proportion of tuberculosis cases cured under DOTS is 91% exceeding the 2015 target by 6%. Tuberculosis infection rate is at the level of 151/100,000 population in 2009. In light of the 2015 target of 240/100,000 population, it is possible to achieve the target on combating tuberculosis.

245. Although prevalence of tuberculosis cases and mortality rates of tuberculosis in Lao PDR show a steady decline, the results of the first survey on the Tuberculosis outbreak in 2010-2011 found that the outbreak was nearly two times higher than previously estimated. In addition, the survey also suggested that there are many TB cases remain undiagnosed and untreated.

5.5.7 MDG 7: Ensure Environmental Sustainability

246. This goal aims to ensure environmental sustainability which is closely linked to poverty and livelihoods of the people especially in the rural areas that relies heavily on nature for living such as: collection of non-timber forest products for living and as source of income for people and subsistence agriculture. Therefore, achieving the MDG 7 is very important is ensuring sustainable development. Through over two and a half years of implementation, it can be assessed as follows:

247. **Target No. 7A:** Integrate the principles of sustainable development into country policies and programs, and reverse the loss of environmental resources

- Based on initial estimation, the forest cover target of 65% in 2015 could be achievable as planned due to the allocation of forests into three categories, completion of identifying 24 national forest conservation areas of 3.77 million hectares, 139 protection forests with areas of 8.05 million hectares, production forests with 3.10 million hectares as well as provincial and district forest conservation areas.
- Data collection on the CO₂ emission per capita per USD 1 per GDP has been initiated by defining it in the first and second National Communication on Climate Change. The next step is to continue consulting with relevant agencies to study and define the target in detail.
- Emission of Green House Gasses (GHG) is one the targets that Lao PDR aims to achieve to reduce the GHG emission to 10% in 2015.

248. **Target No. 7B:** Reduce Biodiversity Loss

- This is a challenging target because of the proportion of species threatened with extinction has increased from 115 in 2010 to 167 in 2011.

249. **Target No. 7C:** Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation

250. Proportion of population using an improved drinking water source is an achievable target as in 2011 this proportion reached 70%, compared to the 7th Five-Year Plan target of 80%. Proportion of population using an improved sanitation facility may also be achievable as in 2011, the proportion was 59% while the target is to reach 60% by 2015. Thus, it requires focused investment and increase promotion on the use of latrines as habits.

251. The implementation of MDG 7 has seen considerable progress as evidenced by new data on some target for which is still difficult to be collected and had not been done before. For targets that already have information, they have also shown progresses. But in conjunction with the achievements, there are also some shortcomings that need attention. All the targets in the MDG 7 are related to many sectors and thus requiring increased harmonized collaboration. Besides, there is also a lack of regular reporting mechanism and statistic system of some sectors is still at infancy stage and therefore needs to be strengthened in order to achieve those targets.

5.5.8 MDG 8: Develop a global partnership for development

252. The implementation of this target has made significant progress as shown in the removal of trade barriers by developed countries for Lao PD. The indicator on tariffs for Lao exports especially agriculture, clothes and textiles to developed countries have also been decreasing. Countries that have given the Most-Favored Nation (MFN) status to Lao PDR have reduced tariffs more than half of the 1990 level. In addition, countries that have given Preferential Trade Agreements to Lao PDR have reduced tariffs by more than half as well. Developed markets also admit 99% free of duty for agriculture products, clothes and garments from Lao PDR.

253. World Bank (WB) and International Monetary Fund (IMF) are of the view that Lao PDR still faces high risk of debt distress despite improved debt indicator coupled with stable and continuous economic growth. Lao PDR's external public and publicly guaranteed (PPG) debt stock had improved due to strong macroeconomic performance, strong Kip and enabling external environment.

5.5.9 MDG 9: Reduce the Impact of UXO in Lao PDR

254. From 1964 to 1973 was the period in which Lao people were impacted by bombs from the 2nd Indochina War. During these 9 years, there has been over 2.8 million tons of unexploded ordnance (UXO) out of the total 2.4 million tons of bombs dropped on Lao PDR, which on average is about 0.9 ton per one Lao person.

255. The 2010 National UXO Survey indicated some 48,375 casualties from 1964 to 2008, with the bulk of casualties between ages 15 and 35 years, 60% of the victims were killed and 40% were injured.

256. The target is increase land clearance from UXO contamination to 100,000 hectares by 2015. Up to date, 14,144 hectares has been cleared. In 2011, 4,050 hectares were cleared; in 2012, 10,094 hectares cleared and it is expected that additional 18,000 hectares will be cleared in 2013. Over 6,034 hectares have been cleared for agricultural production, in which 3,666 hectares are for agriculture, 2,368 hectares for various development projects. 186,984 UXOs have been destroyed, of which 288 were big bombs, 33,195 were cluster bombs, 191 were land mines and 153,313 were other types of UXOs. Overall, the clearance target will not be achievable by 2015.

257. The National Regulatory Authority (NRA) has identified 46 priority districts in nine Provinces as the most highly affected by UXO. The contaminated provinces are Huaphan, Xiengkhouang, Luang Prabang, Savannakhet, Saravane, Sekong and Attapeu. The 2010 survey found that amongst the total 20,493 UXO casualties, only 583 survivors claimed to have received prosthesis and assistance.

Challenges

258. The magnitude of the UXO problem remains a big challenge in the Lao PDR. The result of the 2008 National UXO Survey indicated that there are over 20,000 UXO casualties which are on average about 300 casualties per year. In addition, the most challenging is the target 9.3 - Provision of proper assistance to UXO survivors, which at present only that only 58% of the survivors have received assistance.

259. Mine risk education, management and information dissemination on UXO to public and especially to children is not yet comprehensive and clear. Therefore, there is a need to continue strengthening information dissemination to enable people to access to information on protection from residual chemicals from the bombs. In addition, community involvement should be further encouraged and promoted enabling them to better understand the impact of UXO on the socio-economic development and on poverty.

5.6 Regional and Local Development

260. The population of Lao PDR is spread across three regions, which consist of 17 provinces, 143 districts and 8,622 villages. Many provinces are on mountainous areas and difficult to access. The population mainly live in rural (72%), of which around one 10th live in rural areas without road access. Amongst the regions of the country (north, center and south), the provinces in the Centre region are the most populated, with an estimated 49% of the population. The provinces in the Northern and the Southern region account for 32% and 19% of the population respectively.

261. The 7th Five-Year Plan has determined the economic growth rate for the Northern region of not less than 9.72%, central region of 11.50% and Southern region of 12.65%; with per capita income for the North of USD 1,700, for the central of 2,200 USD and for the South of USD 1,300. In addition, it also set the poverty reduction target for the North at 8%, for the central at 3.5% and for the South at 10% while transforming the economy in accordance with the industrialization and modernization direction.

262. Through actual implementation over the mid-term period since FY 2011-2012, there has been problem caused by natural disasters such as the Haima and the Nokten storms causing major damage to economic and social infrastructures thereby limiting regional economic growth. Nevertheless, the Party and the Government have focused all efforts on rehabilitations which resulted in continuation of regional economic growth. Overall, regional development can be evaluated and assessed based on the changing economic structure that closely linked to the three main economic sectors such as: agriculture, industry and services and poverty situation.

5.6.1 Northern Region

1) Economic Growth

263. Through actual implementation over the mid-term period it can be seen that the GDP growth of the Northern region increased from 9.48% in FY 2010-2011 to 9.98% in 2011-2012 and expected to reach 10.02% in FY 2012-2013. On average, annual GDP growth rate for the North has been 9.74%, in which agriculture increased from 6.16% in FY 2010-2011 to 6.72% in 2011-2012 and expected to be 6.36% in 2012-2013; industry growth increased from 11.9% in FY 2010-2011 to 12.66% in 2011-2012 and is expected to be 13.39% in FY 2012-2013; service sector experienced reduction from 13.38% in FY 2010-2011 to 12.89% in FY 2011-2012 and is estimated to be 13.16% in FY 2012-2013. Average per capital income also increased from USD 859.85 in FY 2010-2011 to USD 957.17 in FY 2011-2012 and is estimated to be USD 1,042.89 in FY 2012-2013; the number of poor households reduced from the level of 28.6% in FY 2010-2011 to 22.35% in FY 2011-2012 and estimated to be 20.78% in FY 2012-2013.

264. The change in the economic structure in the Northern Region comprises of the followings: the agriculture-forestry sector although contributed significantly at 51.68% of regional GDP in FY 2010-2011 and 50.45% in FY 2011-2012, it is anticipated to decrease further to 49.44% in FY 2012-2013. The industrial sector structure share increased from 23.64% in FY 2010-2011 to 23.94% in FY 2011-2012 and is expected to increase to 24.50% in FY 2012-2013. The service sector increased from 24% of GDP to 25.61% in FY 2011-2012 and is estimated to be approximately 26.06% in FY 2012-2013. The Northern part has great potential but industrial development has not yet taken-off. At present, there are only some hydropower dams, small-scale mining and some handicraft and a few family-run food processing.

2) Project Implementation and the Outstanding Activities

265. The development has been focused on agriculture and rural development, urban development linked to construction of industrial, service and social foundation, aiming to reduce poverty and provincial and regional disparities. The commercial production is to be closely linked to permanent resettlement, providing stable employment to the people by organizing industrial production promotion group in order to gradually move to industrialization and modernization. The development focused on infrastructure such as: construction and repair of irrigation, roads, electricity network expansion, schools, hospitals and etc. such as:

- Construction and repair of the Nammao-Namnene irrigation systems and Nam Hin reservoir irrigation was completed. Construction of the Namseng, Namthair irrigation systems has been continued. At present, the construction of Namma-Oune and Nam Nha, Muangsing and Houay So irrigation System has started. Irrigation in Nong Sane area is being expanded.

- Construction of the Road No 2W (Muang Ngeun-Park Beng), Road No 2E (Muang Khua –Tai Chang), Road from Luang Namtha city to Luang Namtha airport No 1D (Xiangkhouang- Bolikhamxay strategic road for the national defense and security) is complete. The construction of three bypass roads in Vientxay District with three bridges has been initiated. The construction of the fourth Mekong Bridge Houayxai-Xiengkong and Mekong Bridge from Thadeua to Parkkhone has also been completed. The Mekong friendship bridge between Laos-Myanmar in Xiangkok (Long district) – Xiang Lab (Tha Khilek province) and Mekong river bridge at Na Sack village-Kokkaodor, Sayabouly district have started. Also, the improvement and upgrading of Luang Prabang Airport has been accomplished as well. The construction of Muang Xay Sport Stadium has commenced.
- The construction of transmission lines of 115 kV linking between Xiangkhouang – Xam Nue stations and Luang Prabang – Oudomxay stations have been completed. The construction of 230 kV transmission lines linking Naxaithong-Hin Herb-Luang Prabang is continued. In addition, expansion of the Northern transmission lines to rural and focal development areas is being carried out through a number of projects such as: project on expanding medium voltage (MV) and low voltage (LV) electricity networks and installation of MV-LV transformers in the focal areas of Muang Chim village; project on expanding medium voltage (MV) and low voltage (LV) electricity networks in Muang Vienthong and Phathy areas in Samneua and area 3 of Liap Ma district; completion of electricity system linking Xayabouly-Hongsa-Nguen – Xianghon-Khob districts including starting construction of the Mekong Dam in Xayabouly District and Hong Sa Lignite power plant. At the same time the renovation and restoration of the basic infrastructure which were damaged by the flood in 2011 has also been completed.
- In conjunction with infrastructure and urban development, key agricultural products as well as outstanding development of the Northern region can be summarized as follows:
- Promotion of food production especially rice production which is outstanding in Vientiane province where total production area of 66,768 hectares yield 269,960 tons of rice. In Sayabouly, the total production was 187,452 tons while in Xiang Khouang province having 58,904 ha which yield 203,688 tons.
- Promotion of commercial plantation which is linked to industrial processing using technique and machinery in the production to increase production efficiency and value. The most outstanding achievements were increased corn plantations in Sayabouly province from 328,196 tons in 2010 to 337,938 tons in 2012, in Houaphanh province from 132,137 in 2010 tons to 234,737 tons in 2012 as well as in Oudomxay, Bokeo, and Xiangkhouang province in order to supply to the markets such as: Thailand, China and Vietnam.
- Promotion of cattle and livestock farming especially cows, buffaloes, pigs with the most outstanding achievements being in Xayabouly, Xiangkhouang, and Houaphanh. At the same time, domestic and foreign private sector has been encouraged to invest in industrial plantation especially rubber plantation, tea, sugarcane in Phongsaly, Luang Namtha, and Oudomxay. A number of border trade areas have been developed. These include: border trade between Laos-China in Luang Namtha province, Laos-Thailand in Bokeo and Sayabouly province; and Laos – Vietnam in Houaphanh province. Variety of tourism activities have been developed in Luang Prabang province. Handicraft, weaving, silk rolling, bamboo weaving has all been promoted in the Northern provinces. In addition, there are also many other activities such as: cement production in Vientiane province, electricity exploration in Vientiane province, gold and minerals exploration for export in Long district, Luang Namtha and Xiangkhouang province.

266. Besides, attention has also been on active implementation to improve and enhance quality of education and health in order to achieve the MDG as well as improving tourism development in various forms namely:

- Promotion and development of eco and cultural tourism through: community tourism project, organization of festivals to attract tourists in the famous areas such as Luang Prabang, Vang Vieng, Muang Sing and Xiangkhouang, improvement of tourism infrastructure and enhancement of tourism services. Tourism and border trade have been progressing well.
- Education has been continuously improved. Educational equipment and materials have been provided to the development Kum Ban and higher education institutions.
- Community health insurance funds have been established to create enabling conditions for access to medical treatment.

267. Even though the Northern economy has been continuously growing, there has been focal area and urban development to reduce the disparity. However, the Northern region is the region with many difficulties such as: mountainous location, limited infrastructure development limiting traffics of goods between rural to urban areas, and agricultural production relies mainly on rain. Consequently, the per capita income during the mid-term period is still relatively low compared to the target of USD 1,700 in 2015. Moreover, although the proportion of poor households has reduced, it is still at the higher level than the development rate especially in Houaphanh province, which is also the province with the highest proportion of poor households compared to other northern provinces while Sayabouly has the lowest proportion of poor households.

Table 8 - 7th Five-Year NSEDP Performance in the Northern Region

No.	Description	Unit	7 th Five-Year Plan Target (2011-15)	Actual FY 2010-11	Actual FY 2011-12	Actual FY 2012-13	Actual FY 2013-14	Estimation 2014-15
1	Population size	persons		2,622,925.00	2,644,714.67	2,674,146	2,638,665	2,709,087.06
2	Population Growth Rate	%	2.00	2.18	2.03	2.61	2.27	2.50
3	GDP at Annual Prices	Billion Kip		18,909.73	21,322.79	25,747.81	28,281.77	23,642.62
4	Average GDP per Capita	USD per Capita	1,700.00	859.85	957.17	1,148.18	1,273.11	1,042.89
5	Poverty Rate	%	8.00	28.60	22.35	19.99	13.25	20.78
6	Economic Growth Rate (GDP)	%		9.48	9.98	10.18	9.42	10.03
	Agriculture	%		6.16	6.72	6.11	7.10	6.36
	Industry	%		11.90	12.68	13.41	12.43	13.39
	Services	%		13.80	12.89	14.03	10.86	13.16
7	Economic Structure	%	100.00	100.00	100.00	100.00	100.00	100.00
	Agriculture	%	42.00	51.68	50.45	45.10	44.31	49.44
	Industry	%	34.00	23.64	23.94	27.09	26.31	24.50
	Services	%	24.00	24.68	25.61	27.81	29.38	26.06

Source: Planning and Investment Divisions of each province

5.6.2 Central Region

1) Economic Growth

268. Through the implementation of the national socio-economic development over the mid-term period it can be seen that the growth rate of the gross domestic product (GDP) of the central region is decreasing due to the impact from natural disasters from 12.69% in FY 2010-2011 to 12.19% in 2011-2012 and estimated to be at 11.70% in FY 2012-2013, in which agriculture-forestry sector increased from 6.7% in FY 201-2011 and 4.22% in FY 2011-2012 and expected to reach 8.13 in FY 2012-2013; industry sector increased in FY 2010-2011 to 18.00%, then 13.9% in FY 2011-2012 and is estimated to be 17.48% in FY 2012-2013; service sector increased to 11.8% in FY 2010-2011, 20.96% in FY 2011-2012 and is estimated to be at 13.15% in FY 2012-2013. Per capita income increased from USD 1,415.76 in FY 2010-2011 to USD 1,684.86 in FY 2011-2012 and is estimated to reach USD 1,886 in FY 2012-2013; the poverty rate has also decreasing gradually from 10.10% in FY 2010-2011 to 6.81% in FY 2011-2012 and is expected to be at 5.06% in FY 2012-2013.

269. The change in economic structure of the Central region has been following a similar direction to that of the northern region. The agriculture share reduced from 34.36% in FY 2010-2011 to 32.45% in FY 2011-2012 and is estimated to reduce further to 30.32% in FY 2012-2013; industry sector increased from 35.58% in FY 2010-2011 to 36.92% in FY 2011-2012 and is estimated to be 37.99% in FY 2012-2013, and services increased from 29.96% in FY 2010-2011 to 30.63% in FY 2011-2012 and is expected to be 31.69% in FY 2012-2013. For the Central region, industry covers higher proportion. Nevertheless, the production in the central region has focused on the plain areas long Mekong River and for services sector the focus is trade including border trade, tourism and transport.

2) Project Implementation and the Outstanding Activities

270. The Central Region is the region which has potentials with regards to geographical location, production, and infrastructure, domestic and international communication. The plains have been utilized for commercial production for exports. The province with the highest rice and crop production is Savannakhet, Vientiane capital and Khammouane province. Cattle farming are in Khammouane, Savannakhet while pig breeding is conducted in Savannakhet and Bolikhamxay province. Net fishing farming is widely found in Vientiane Capital and Khammouane province. Electricity exploration is in Khammouane Province and minerals exploration for export is carried out in Savannakhet Province. Cement production is carried out in Khammouane and Savannakhet province. Two industrial parks have been established in Vientiane capital including: Industrial Park and Trade on KM 21 (VITA) with an area of 110 hectares and the Vientiane Industrial Park (VIP); two specific economic zones have been established including the Thakhek specific economic zone located near the third Friendship Bridge with an area of 1,035 hectares and Phoukhyo Specific Economic Zone in Thakhek District, Khammouane province with an area of 4,850 hectares.

271. The most prominent works are concentrated in Vientiane Capital as below:

- Completion of the Vientiane 450 years road (Dongdok-Dongphosy) 20.3 km in length
- Completion of the project of expansion of That Luang surrounding terrain.
- Completion of the construction of Chao Phothisalath Road.
- Completion of the river banks protection at Vangpho section 1, 2 and 3 Muang Park Ngum as well as river bank protection at Ban Marknao Nalong phase 2. Mekong River Banks Development and protection construction phase 1 have been completed. In addition, a number of river back protection projects have been completed such as: in Ban Nonsai (880m), ban Nongheo (77m), Ban Homtai (700m) and Khoileneman-Samphanna (2,640m).
- Completion of survey and design plans for the Nongping new city area as well as the area around 450 year road area and That Luang Lake.

- Preparation of basic infrastructure and various facilities to host the 9th Asia-Europe Summit, known as ASEM IX that Lao PDR had an honor to host and the meeting of municipalities of Francophone countries which was organized in Vientiane Capital has been completed successfully. These include the improvement of Wattay International Airport, the construction of the National Meeting Hall, and construction of 50 ASEM villas in the South Donechan has residence for the heads of state who attended the meeting.
- Completion of the river bank protection construction in Ban Donkhyo phase 2, Nong Bok District and construction of Thakek district municipality concrete road phase 2, the construction of the extended Theun Hin-Boun with production capacity of 280 MW.
- Hosted ASEAN University Game.

272. In addition, a number of constructions have been completed including the construction of the 3rd Mekong Bridge between Khammouan and Nakone Phnom and the construction of 115 kV electricity transmission line connecting between Pakson-Thakhek-Pakbor stations. The Xebangfai plateau area has been developed; roads no. 9 and 13 have been rehabilitated and maintained in order to be the center of services, tourism along the East-West corridors and the road connecting between the Central and the South. Attention was paid on rehabilitating and recovering projects that were damaged by natural disaster in 2011 in conjunction with the promotion on production to ensure food security through production of rice, maize, bananas, cigarettes, etc. Achievements in production of these crops are evident in Vientiane Capital, Bolikhamxay, Khammouan, and Savannakhet. In addition, crops plantation has been promoted to supply to factories, especially production of sugar in Savannakhet which is the most outstanding sugar production, cassava in Vientiane Capital, Bolikhamxay, and Khammouan. Besides, organic vegetables, cash crops, industrial trees plantation, cattle, buffaloes, pigs (farming), chickens, goats, and natural fish farm have also been promoted.

273. In addition, promotional policy on commercial production by all economic sectors including the people have been implemented by closely linking agriculture commercial production to the promotion of domestic and foreign investment in processing industry. The development of services, tourism, education, health, skill labor training and cooperation with foreign countries has been progressing well. All the provinces have focused on better implementation. The central province with the lowest proportion of poor households in the central region is Vientiane capital. Savannakhet and Bolikhamxay are the provinces with the highest reduction in the proportion of the poor households compared to other provinces. In the central region, the proportion of the poor households is reduced to less than the national average.

Table 9 - 7th Five-Year Plan Performance of the Central

No.	Description	Unit	Target 7 th Five-Year NSED	Actual FY2010-11	Actual FY2011-12	Actual FY2012-13	Actual FY2013- 14	Estimation FY 2014-15
1	Population size	persons	3,000,000.00	2,354,548.00	2,410,955.00	2,448,199	2,557,580	2,496,049.00
2	Population growth	%	2.00	2.09	2.43	2.18	1.92	2.38
3	GDP at Annual Prices	Billion Kip		29,694.32	35,973.43	43,826.13	49,862.32	43,025.15
4	Average GDP per Capita	USD per Capita	2,200.00	1,415.76	1,684.86	1,869.23	2,055.65	1,886.00
5	Poverty Rate	%		10.10	6.81	5.13	4.51	5.06

6	Economic Growth Rate (GDP)	%		<u>12.69</u>	<u>12.19</u>	<u>11.98</u>	<u>11.69</u>	<u>11.61</u>
	Agriculture	%		6.79	4.22	6.66	8.63	8.13
	Industry	%		18.00	13.90	15.28	15.97	17.48
	Services	%		11.08	20.96	23.49	12.63	13.15
7	Structure of the Economy	%	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
	Agriculture	%	23.00	34.36	32.45	29.12	28.12	30.32
	Industry	%	42.00	35.58	36.92	38.50	37.42	37.99
	Services	%	35.00	29.96	30.63	32.38	34.46	31.69

Source: Planning and Investment Division of each province

5.6.3 Southern Region

1) Economic Growth

274. Through the mid-term implementation of the national socio-economic development plan it can be seen that the gross domestic product (GDP) of the Southern Region increased from 11.9% in FY 2010-2011 to 12.38% in FY 2011-2012 and is estimated to increase further to 14.65% in FY 2012-2013, in which agriculture-forestry sector increased from 7.08% in FY 2010-2011 to 8.18% in FY 2011-2012 and is expected to be 8.99% in FY 2012-2013; industry sector increased to the level of 16.65% in FY 2010-2011 and then decreased to 14.10% in FY 2011-2012 and expected to increase to 17.42% in FY 2012-2013; similarly service sector increased to 16.18% in FY 2010-2011, then decreased to 13.04% in FY 2011-2012 and is expected to increase to 17.19% in FY 2012-2013. Per capita income has also been on an increasing trend from USD 851.50 in FY 2010-2011 to USD 1,059.50 in FY 2011-2012 and is estimated to be USD 1,200.75 in FY 2012-2013; poverty household ratio decreased from 27.03% in FY 2010-2011 to 19.20% in FY 2011-2012 and is estimated to decrease further to 14.41% in FY 2012-2013.

275. The Southern Region of the Lao PDR has strategic location in international economic triangle with significant potentials for growth. The structure of the Southern economy has been gradually shifting to industrialization but agriculture still remains the main sector covering more than 40.81% in FY 2010-2011, 37.97% in FY 2011-2012 and expected to be at 33.34% in FY 2012-2013.

2) Project Implementation and the Outstanding Activities

276. In conjunction with infrastructure development there are some projects that focused on production development in the Southern Region. These include:

- Construction and restoration of irrigation system, encouraging and promoting people to do irrigation rice farming and cash crop plantation such as cabbage, radish, and cardamom, as well as raising livestock such as cows, buffaloes, pigs, chicken and etc.
- Continuous development in accordance with the Master Plan on integration of economic triangle such as: completion of road construction project from Thateng District –Beng village (funding from triangle area development project), completion of Road No. 15A, continuation of road construction from Sekong – Dakchung (16B), from Sekong-Dakchung-Vietnam border and the road from the ferry pier to new Kaleum district; completion of the upgrading and renovating Pakse airport. Construction and restoration of irrigations such as: upgrading Kengkongluang irrigation phase II, Xenoy irrigation construction phase I, and improving canals of Xepian irrigation.
- Continuation of construction of medium-low voltage electricity transmission lines to 6 villages along the Lao-Thai border, Soukhouma district (completed in 4 villages) and started to construct transmission lines to 26 villages along the Lao-Cambodian border in Moulapamok district, Champasack province; completion of the construction

of Xekamarn 3 hydropower dam and continuation of Nam Kong and Xe Nam Noy hydropower dams construction.

- In collaboration with sectors, continuing to improve border trade services along the borders; development of tourism sites to attract tourists; continued attention on education and provision of educational equipment.

277. Through the implementation of these projects, the Southern provinces have developed their agricultural productions, industry as well as services which is shown as follows:

- Champasack province is the province with the lowest household poverty ratio in the Southern region and in the whole country, while Attapeu's household poverty ratio is lower than the national average of the household poverty ratio. The outstanding agriculture products include: coffee, beans, potatoes, cigarettes and vegetables with Champasak being the province with the highest production. Rubber plantation is in every Southern province. In addition, the development of important regional districts such as: Pakse district, Saysettha district, Lamarm district and Saravan district have been, facilitating improved communication and transportation of goods and passengers. Districts that play important roles in connecting between central with production areas and with consumer markets in the region such as: Samakixay, Thathom (Attapeu), Khongxedon (Saravan), Thateng (Xekong), Pakxong, Pathoumphone (Champasack) have been further developed and improved. Industrial food processing such as: coffee, tea and timber has expanded considerably; border markets have been developed in line with tourism development and promotion.

Table 10 - 7th NSEDP Implementation Performance in the Southern Region

No.	Details	Unit	Plan Targets (2011-15)	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Estimated 2014-15
1	Population	Per	1,400,000.00	1,238,525.00	1,306,635.00	1,334,889	1,362,586	1,331,666.00
2	Population growth	%	2.00	1.98	2.12	2.25	2.21	2.14
3	Nominal GDP	Billion kip		10,150.79	11,908.88	22,267.22	24,592.59	13,761.64
4	GDP per capita	USD/per	1,300.00	851.50	1,059.50	1,254.75	1,455.40	1,200.75
5	Poverty ratio	%		27.03	19.20	15.05	13.38	14.41
6	GDP growth rate	%		<u>11.90</u>	<u>12.38</u>	<u>12.54</u>	<u>12.64</u>	<u>14.65</u>
	Agriculture	%		7.08	8.18	8.75	6.70	8.99
	Industry	%		16.65	14.10	16.37	15.65	17.42
	Service	%		16.18	13.04	14.71	16.97	17.19
7	Economic structure	%	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
	Agriculture	%	30.00	40.81	37.97	37.70	38.16	36.14
	Industry	%	36.00	26.52	29.90	29.80	29.98	30.52
	Service	%	34.00	32.67	32.13	32.50	31.87	33.34

Source: Provincial Planning and Investment Departments.

278. In summary, the regional economic growth is unequal. The central region has the highest growth compared to the north and the south given its natural resource and human resource potentials as being the center of population with better infrastructure. This difference is due to the fact that the

Northern region faces difficult conditions such as: mountainous geographical location, limited infrastructure development, agriculture based on natural rainfall. Nevertheless, the northern region has potential energy, mining, and tourism as well as border trade.

Challenges

279. The variation in poverty across Laos PDR is due to many interconnecting factors, including geography, ethnicity, livelihoods, farming productivity, ownership of land and livestock, transport, infrastructure, access to markets and credit, migration patterns and urbanization. The legacy of devastation from the Vietnam War has also contributed to poverty, with over 1,100 rural villages in Laos PDR – one in six rural villages – having agricultural land affected by unexploded ordinance (UXO). Ineffective enforcement of the law and regulations affects the poor, since it increases the price for public services, lowers its quality and often restricts poor people's access to essential services.

280. Geography, farming productivity and differences in livelihood options are closely linked to variation in poverty levels throughout the country. Over half the population lives in steep mountainous districts or upland areas that are difficult to access for service delivery and are remote from markets. Rural areas still lag behind urban areas largely because of having less livelihood options, although there are some deep pockets of urban poverty. Amongst rural areas, those suited to growing rice and other crops and easier of access are less poor than the more remote areas, which are cut off from infrastructure and markets, and therefore have persistently high rates of poverty. Thus the North, with its mountainous and rugged land, remains poorer than the other regions, despite its wealth of natural resources. In contrast, Vientiane Municipality and Champasack Province in the south, with good infrastructure and numerous livelihood opportunities have the lowest poverty rates.

5.7 Public Sector Development

5.7.1 Legislative Body

281. The National Assembly is the organization that supports and promotes strengthening of the government authorities. The National Assembly is also the highest authority elected by the Lao people. Over the past years, the National Assembly, its Committees and members have actively taken forward the successes of each ordinary session of the 7th legislature to apply to actual situation of the society by meeting with citizens, local authorities, military, police and ethnic groups in each electoral area in order to disseminate the success of the meeting, Party policy direction, state regulations as well as the National Socio-Economic Development Plan. Meetings with electorates have been taken placed in 2,908 electoral points throughout the country with the participation of 98,217 people, 39,044 were women which is equivalent to 24.55% of the Five-Year plan. In addition, people's comments and issues have been collected and reported to the Party-Government organizations and related sectors to improve and solve the problems in accordance with the Government's policy and laws.

282. The National Assembly has made efforts in improving and resolving grievances in a timely manner and in accordance with its status, rights, and duties. During the past two and a half years, the NA received 1,433 cases (excluding the outstanding ones since the 6th Legislature) of which 1,031 cases have been resolved. Among these cases, 1,073 were at the central level and 632 out of which were resolved. Most of the grievances are related to land and estate issues.

283. The 3rd ordinary sessions of the 7th Legislature of the National Assembly in June 2012 adopted the Law on Election of Members of the National Assembly, the amendment of 7 Laws including Law on Civilian, Law on Prevention of the Terrorism, Law on State Property, Law on Sports and Physical Activity, Law on State Audit, Law on Cross-Border Trade and the Law on Agriculture. Members of the National Assembly also endorsed the appointment of the Present for the State Audit Organization. During 17 days of the 3rd ordinary sessions, several comments from the public were received through the National Assembly hotlines. Most of the comments were related to particularly on public, social and economic sector management.

284. The 4th ordinary sessions of the 7th Legislature of the National Assembly in December 2012 considered and approved several construction projects and the relocation of new Kaleum municipality of Sekong province, adopted 10 laws including 4 new and 6 amended ones. These laws are important tools for public, social and economic management and administration in this new era.

285. Members of National Assembly have had periodic meetings with the people in their electoral areas to disseminate policy, the constitution, laws, resolutions, and orders from the Party and Government. In particular, the National Assembly members have encouraged and advocated for the implementation of the outcomes of the 9th Party Congress, Law on Election of Members of the National Assembly, the Five-Year Plan NSEDP VII and the public investment plan during FY 2010-2011, 2011-2012 and the first 6 months of FY 2012-2013 and etc.

286. National Assembly Standing Committee has endorsed a number of activities including the replacement election of members of the 12th Constituency in Khammouane Province, ratified treaties and agreements that Lao PDR is the party to in accordance with the request from the Government such as the ratification of an Agreement on Forestry Coordination between ASEAN Governments and the Republic of Korea, Agreement on the Emergency Reserves between ASEAN+3, Multilateral Agreement on the Establishment of the International Convention for Landlocked Developing Countries, the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, WTO accession, and others.

287. In addition, the National Assembly has also considered and resolved a number of issues such as retroactive exemption on some issues for the Lao International Commercial Bank Public Ltd (BCEL Public), railway project from the China – Lao border (Boten Luang Namtha- Vientiane Capital) and Mekong hydropower project in Sayabouly province. The National Assembly also issued Lao nationality for 40 foreigners (19 female) and gave pardons to 517 prisoners, 82 of whom were female (2012) and 25 were foreigners.

5.7.2 Administrative Organizations

288. State administration has been improved in several aspects including improvement of organizational machinery and legal aspect to enable the development of state administration, social organization and population management in order to successfully operationalize the policy direction of the Party-Government. A number of legal instruments have been improved namely the improvement of public administration regulations, the management of civil population especially the birth, marriage, divorce and death registration; strategic development of the state administration, and gender promotion strategy. Apart from these, the Governance Strategy until 2020, the law on government, the law on local administration and the law on civil servants are being drafted. The most outstanding achievement is the review of the salary improvement and financial support for officials - civil servants. In addition, attention has also been on strengthening capacity of the civil servants through developing various training curriculum for newly recruited civil servants and for civil servants at each executive level. A number of authorizations and guidance note have been issued to facilitate the implementation at the local level especially the authorization on the organization and activities of village administration, authorization on population resettlement, Decree on the management and protection of religious activity.

289. Apart from the legislation improvement, a number of organizational machinery has also been improved such as: the Government's Office, Ministry of Home Affairs, Ministry of Science and Technology, Ministry of Post-Telecommunication and Communication, Ministry of Education and Sports, Ministry of Information, Culture and Tourism, Ministry of Natural Resources and Environment. Establishment of 102 associations across the country has been approved as well as 2 foundations namely the Boonxuei foundations and Mekong Wild Life and Forestry protection foundation.

290. Despite the above mentioned successes in the implementation of the public administration development plan, there are some outstanding issues such as: the dissemination and enforcement of legislation is still limited, some legislations still contain loopholes and are not tightened enough, for instance the recruitment of new civil servant is not yet in accordance with the regulations resulting in unsuitable filling for the post; the preparation of the civil servants development plan has not been systematic as it should be leading to inability to meet work requirement.

5.7.3 Judiciary

1) People's Court

291. The focus has been on political training for judges and officials of the People's Court to have the right legal attitude and be transparent, responsible and honest with the tasks. In addition advocacy, disseminations and trainings on various laws have been conducted such as: Civil Case Law, Law on Civil Procedure, case procedure for copyright and international trade in order to ensure compliance with the World Trade Organization (WTO) requirements and preparation for integration of the ASEAN Economic Community. In addition, the improvement of the content of the Law on Civil Procedure and draft on Juvenile case procedure has been completed. The People's Court has also reported to the National Assembly to consider establishing labor court committee and preparing for establishing administrative court committee.

292. The People's courts are to protect the legitimate rights, to ensure strictness, fairness and justice to protect the citizen and exercise the rights under law. During the past 2 and half years, there are totally 19,145 cases occurred, of which the court resolved and settled approximately 17,228 cases which equal to 89.99% of the total cases, the plan target is 85%. The most frequent is criminal case, consists of 9,147 cases, especially the cases concerning withhold and selling illicit drugs; besides, there are civil cases, which covers about 31.41% of total cases, especially about land disputes, trade related cases covers 5.96%, mostly concerning loan agreement. Apart from this, it has been observed that families cases are the cases occurring in many societies and tend to increase, causing impacts to the family living, customs & traditions and culture. These sorts of cases constitute 12.75%, children's cases relating to theft of civilians assets have increased to 2.09%. Therefore the capacity building for administrative authorities and tribunal staff are very important to improve the cases proceeding and prevent social problems so that they gradually decline, by upgrading trainings for the local people's courts chancellors, upgrade the judges across the country to provide clear understanding of case proceedings' procedures.

293. Along with the above mentioned achievements, there are multi-dimensional challenges in particular some cases solutions have not been satisfied resulting in noises and complains from the society and in some cases, the verdict was already made but they were appealed for re-opening of the proceedings, these show that the judgment quality is not strong. The basic infrastructure have not met the requirement, only 17 areas have permanent offices but there remains 39 areas needing people's court offices.

2) Prosecutor

294. Progress has been made in accordance with 4 programs and 19 projects in developing prosecution, particularly on capacity building on professional skills and political thinking. For instance trainings have been organized for Director, Deputy Director of the Public Prosecutor in 39 areas across the country, seminars to monitor, inspect criminal case, civil case were organized in three parts of the country which helped improving its administration to be stronger and smoother and more transparent. Moreover, research and development of 3 fundamental curriculum on public prosecutor work has been completed namely training curriculum for officials, covering 95% of total officials; curriculum on writing techniques in preparing declaration, recording sentence, monitoring law enactment; and curriculum on IT in recording statistics data with computerized system. There has been inspection of any violation of laws in place for detention, detention facilities, rehabilitation

centers and rehabilitation camps. There have been more than 5,000 prisoners, of which 159 are foreigners and 1,973 have been released. Attention has been given on monitoring the implementation of the law in court proceedings at each level; 5,375 criminal cases were solved at beginning level on trial or 89.21% of the total cases; 227 civil cases were solved at the beginning level on trial or 90.03% of the total cases; 263 criminal cases were solved at appellate level equivalent to about 92.9%; 217 civil cases at appellate level which equal to 95.17%, 29 criminal and 215 civil cases were at the final stage which equal to 85.29% and 98.17%, respectively. This shows the quality of the settlement of cases has gradually improved reducing negative social noises.

295. Besides capacity building for staff, there has been improvement in infrastructure of prosecution organization at each level as well as provision of necessary equipment such as construction of zone 1 office in Xay district, Oudomxay; zone 2 office in Phaoudom district in Boneo; zone 1 office in Sikhottabong district in Vientiane Capital. Construction of other remaining office building is scheduled in the upcoming years.

Challenges

296. Governance reform and addressing all the challenges have to continue to be further defined in the next NSEDP. One of the key priorities in the remaining plan period is to develop a roadmap that provides a coherent approach for the transfer of functions, roles, responsibilities and resources from the central ministries to sub-national administration. This road map should help inform the amendments in the existing legal frameworks needed to institutionalize the de-concentration process. Other priorities include the need to complete and get approval on the necessary legislations and or regulations related to civil service code, code of ethics of civil servants, performance management of civil servants, development of a framework for the One-Door Service at the provincial and ministry level, and the approval of the Strategy Plan on Governance.

297. Continuing capacity development support needs to be extended to improve the internal governance structure of the National Assembly and develop the capacity of its members to be able to review draft laws and scrutinize the budget and review the implementation of key Programs. Similarly further work is needed to improve and simplify the existing registration system for civil society organization to facilitate the registration of civil society organization.

298. In the legal sector some of the priorities include: developing handbook for legal terminology in Lao ensure consistency in legal drafting; developing a uniform law drafting manual; clarifying mandates of legal sector agencies; developing a code of ethics for legal sector personnel; and developing an administrative court.

299. In the Lao PDR, the major governance-related risks are in public finance management, procurement, corruption, and accountability. Issues include weak public finance mechanisms, lack of congruence of sub-national priorities with national objectives, weak capacity, inadequate financing of recurrent costs of investment projects, alleged irregularities in procurement, and reportedly rising corruption perception.

300. These could be mitigated and addressed by strengthening public finance management, instilling financial control (internal audit), enhancing external audit, curbing corruption (with the principles of the Second Governance and Anticorruption Action Plan) and reinforcing capacity. Internal and external auditing of government accounts remains weak. Government staff has inadequate knowledge of the procurement system stipulated by the government and development partners. This is due to lack of training and language difficulties, especially relating to commercial and legal terms, and frequent rotation of project staff and their replacement, often by inexperienced new staff.

301. The Poverty Environment Initiative has developed an interface with the National Assembly. The discussions are expected to lead to some important policy initiatives to strengthen environment sustainability. On-going discussions between the National GPAR Program and the Ministry of Natural

Resources and Environment are expected to give rise to new partnerships on local governance support for climate change adaptation and ensuring resilience.

302. The 7th NSEDP includes an outcome of increased effectiveness of public administration and rule of law at all levels and by preventing corruption. Progress is being in a number of areas, but defining and implementing the role of the public sector in Lao PDR still remains a challenge. To consolidate the transition to a socialist market based economy, all levels of government should concentrate on delivery of public services (at the present time, all levels of government are deeply involved in business activities).

303. This is particularly important as Laos PDR moves towards graduation as a middle income country (MIC) and thus must consider the kind of public administration and public finance arrangements that are required to sustain that income level and to ensure that the public sector is affordable, cost effective, and provides good quality services.

5.8 Implementation of “Building province as strategy devising unit, district as a strong comprehensive unit and village as a development unit

304. In pursuing the Resolutions of IX Party Congress, particularly stability building for the people’s democratic republic state, and promoting local ownerships through changing roles of central ministries-organizations to focus on macro management, delegate responsibilities linking with appropriate benefit sharing to local grassroots. Therefore, the Party’s Central Politburo issued the Resolution No: 03/PCP dated 15 Feb 2012 regarding “Building province as strategy devising unit, district as a strong comprehensive unit and village as a development unit” and the Government also issued the Prime Minister’s Instruction No: 16/PM dated 15 June 2012 regarding identification of 15 ministries, 51 districts and 108 villages for piloting from 2012 to 2013, with allocating budgets of LAK 76.78 billion kip for 346 projects.

305. Through the implementation of the Resolution No: 03/PCP of the Party’s Central Politburo and the Prime Minister’s Instruction No: 16/PM, it can be seen that the target ministries and all provinces developed legislations with regards division of responsibility between central and local level; between provinces, districts and villages, especially on benefit sharing on revenue-expenses management at the local level and budget allocation at the district level. There has been a committee in charge of supervising piloting activities in each sector and locality acting as a focal point for coordinating, supporting and monitoring actual progress of target districts and villages, particularly the division of responsibility to each level that resulted in gradual increase in local ownerships. The target ministries also dispatched their staff members to work at the local level for short and long terms in order to strengthen local capacity in the areas of governance, justice, and district/village financial management, the development of Social-Economic Development Plan and the management of public investment programs at the district level.

306. Nevertheless, the actual implementation has been slow and was not sufficiently effective due to the legislation on delegation of authority and responsibility of some sectors are still too general, some localities did not take ownership at their local level and waiting for instruction from the central level; limited capacity of district staff in developing plan and financial management; the identification of the pilot districts and villages was not in accordance with the conditions of the Resolution and the Instruction from the higher authorities; and at the same time, the dissemination of the resolution and instruction at the local level was also delayed leading to weak practical implementation by local people.

5.9 National Defense – Security

5.9.1 National Defense

307. Staffs have been re-assigned to local grass root level to build a strong political foundation coupled with rural development while also continuing to be comprehensive national defense forces at the local, Kum Ban and village level to strengthen professional capacity as well as be prepared to fight against harmful deception by not well-intentioned people. The armed forces have been gradually improved and strengthened and are able to contribute to national defense and development. In order to modernize the defense forces and meet the demand, vehicles and defense equipment were provided with improved technology. Attention has been given to monitoring and control of border, marking boundaries, providing assistance to the arm force along the border. In addition, the sector also contributed to security during the important meetings and sport games including the 9th Asia-European Summit in 2012, 16th ASEAN University Games 2012 (U16 ASEAN Games), 7th Cambodia-Lao-Myanmar-Vietnam Summit 2013 (7th CLMV Summit) and other important meetings.

5.9.2 Public Security

308. In order to ensure peacefulness and safety in the society as well as in the country as a whole, as to provide enabling environment for socio-economic development, the public security sector continued to implement various government's instructions and resolutions. The focus has been on resolving social drawbacks and actively fighting crimes. As a result, a number of gangsters who committed a crime were dismantled and punished in according to the law, which consequently led to less crimes in the big cities; Priority infrastructures have been improved such as public security headquarter camp system at district and provincial levels, mobile camping troupe, prison system, training buildings, schools, hospital, and etc. Seminars, lectures have been provided to villagers and youth to avoid wrong doing and raise awareness on self-protection; problems on illicit drugs are continued to be solved; security forces have been re-assigned to all Kum Ban throughout the country and to strengthen human resource in public security sector to ensure overall political stability; Staff are continued to be dispatched to local levels to develop villages as well as improve village security forces. Additionally, 5,000 villages were announced as case free villages and 5,200 villages as drug free. Proposal has been submitted to the government to approve the project which aims at establishment of electronic identification card (Smart Card). Besides, effort has been made to reduce accidents on the road, which resulted in a number of accident cases were quickly settled according to the law. Additionally, the sector also contributed to increased security during the important meetings and sport games including the 9th Asia-Europe Summit 2012, 16th ASEAN University Games 2012 (U16 ASEAN Games), 7th Cambodia-Lao-Myanmar-Vietnam Summit 2013 (7th CLMV Summit) and other important meetings.

5.10 International and Regional Cooperation

5.10.1 Cooperation with Development Partners

309. Following the direction on foreign affairs, peace, independence, friendship and cooperation, the Government of Lao PDR widely open the development and economic cooperation with foreign countries enhancing effectiveness and efficiency of the cooperation with friendly countries and strategic partners to contribute to the socio-economic development in each period.

310. Overall, the cooperation with the development partners has made significant progress in all areas especially in the framework of bilateral cooperation which covers more than 60% of total cooperation. In addition, the Development Partners that provide assistance to Lao PDR within the bilateral framework have made commitment to increase their assistance comparing to the period of the 6th NSEDP implementation. Compared to the plan target, it can be seen that bilateral cooperation has basically achieved the plan target of fund mobilization and project implementation amounting to USD 887 million.

311. In the area of cooperation with financial institution, due to an improvement on debt management by Lao PDR, the cooperation has clearly moved to a new level especially the change in the form of assistance from providing technical assistance and grants within limited amount to concessional loans with larger amount than the past. The use of ODA from this cooperation is mainly for infrastructure construction, poverty reduction, and development of economic sectors to become more effective and capable of making repayment. Concessional loans from the financial institutions covers 21% or USD 306 million out of the total ODA during the past 2 and a half years. In addition, the proportion of loans from the financial institutions covers about 25% or equivalent to USD 75 million but expected to increase further in FY 2013-2014 onward.

312. Although economic situation in the European countries as well as the European Union faces significant difficulty, the Development Partners from these regions including the European Union have played an increased role especially in the area of governance as well as poverty reduction and rural development, health, agriculture, trade, education and UXO clearance. Through the actual disbursements for the implementation of ODA funded projects during the past 2 and a half years, the European Union has provided assistance to Lao PDR amounting to USD 38 million, equivalent to 3% of the total ODA. In addition, the cooperation within multi-lateral framework in particular with the international organizations within the United Nations has expanded regularly. Here the most outstanding achievement has been the endorsement by Lao PDR of the United Nations Development Assistance Framework 2012-2015 (UNDAF) which sets out the resource mobilization target for project implementation which amounts approximately USD 326 million, although 66% of which still needs to be mobilized. Up to present, the implementation and utilization of ODA within the multi-lateral framework is about 9% of the total ODA or equivalent to about USD 135 million. The utilization of ODA from the UN agencies (UN) mostly aimed at strengthening governance, legislation, health, education, UXO clearance, agriculture and nutrition, environmental protection, trade and humanitarian assistance.

313. Cooperation in the Greater Mekong Sub-region (GMS) in particular the cooperation with the Mekong River Commission (MRC) has increased especially on research work and developing program to strengthen the protection of water resources and reservoirs. Programs/projects implemented within the MRC cooperation framework are mainly projects supported by bilateral especially Australia and Germany. Over the past two and a half years, 10 projects have been implemented and 5 projects have completed the implementation with total disbursements of approximately USD 11 million.

5.10.2 Cooperation within ASEAN Framework

314. The preparation for integrating into ASEAN Economic Community over the previous period has been on-going with appropriate implementing measures in order to ensure overall readiness by 2015. The measures implemented include reduction of tariff rate in each period as specified in the Common Effective Preferential Tariff (CEPT) scheme, with Lao PDR having a total of 9,558 tariff lines in compliance with the agreed ASEAN tariff code in 2007. In 2012, there are 9,110 tariff lines with tariff lower than 5% equivalent to about 95.31% of total tariff lines, of which, 7,525 tariff lines are under 0% tariff, equivalent to 78.73% of total tariff lines. For the new ASEAN members (CLMV), there is a prolong timeframe for tariff reduction up to 2018, currently preliminary tariff list has been established and in the process of requesting for approval from the government. Lao PDR also accomplished updating ASEAN tariff code from 2002 version to 2007 and to 2012 version.

315. For trade facilitation, Lao PDR has participated in the ASEAN Pilot project 2 with Indonesia and Philippines to allow business units to issue certificate of rule of origins by themselves which is expected to be completed by 2013. Another important task is the elimination of non-tariff barriers with detailed implementation plan being developed and it is expected to start the implementation in 2013-2015. At present there are still many cases related to the non-tariff barriers that remain unresolved especially the corn export from Laos and Cambodia to Thailand. In addition, Lao PDR has

also participated in Free Trade Areas of ASEAN – China, ASEAN – Japan, ASEAN – Korea, ASEAN – India and ASEAN – Australia - New Zealand.

316. Moreover, Lao PDR also joined and initiated the implementation of the ASEAN Investment Area (AIA) in 1998. At present, ASEAN ratified ACIA which has been effective from 29/3/2012. This agreement is more comprehensive and inclusive than the previous ones as it is an open agreement, transparent and environmentally friendly. Being the party to agreement has brought about significant benefits in attracting foreign investment into Lao PDR.

317. Additionally, Lao PDR has also participated in the negotiation on ASEAN Service Liberalization. The specification of service sectors is implemented in line with WTO sector classification, totally 11 main sectors and 160 subsectors. Under the ASEAN Framework Agreement on Services, 10 main sectors and 128 subsectors will be liberalized. In Lao PDR, 89 subsectors were liberalized out of the total 128 subsectors of 10 main sectors. Regarding the negotiation on the commitment no. 9 and 10 which is on-going, additional 24 subsectors for each commitment will be liberalized by 2015 (in addition to the 89 liberalized subsectors mentioned above) to meet the target of 128 subsectors for the creation of the ASEAN community.

5.10.3 Cooperation within the framework of the Greater Mekong Sub-region (GMS)

318. During the past 2.5 years of implementation of the 7th Five-Year National Socio-Economic Development Plan, there have been many outstanding achievements under the GMS cooperation framework such as:

- Developed the Action Plan for Flood and Drought Control and Management to establish the National Early Warning Center under the ADB-GMS Program;
- Signed MOU (TA 7582) on capacity building in an area of HIV/AIDS for the target provinces along the border namely Phongsaly, Huaphanh, Bokeo, Luang Namtha, Oudomxay, Champasack, Saravane and Attapeu, with the Ministry of Health as a leading agency;
- Priority areas have been determined for economic and social sectors, health, service, eco-system, and ethnic cultural tourism to produce the report and guidance on the Social and Environmental Assessment (SEA) in the golden Quadrangle area in tourism sector;
- The 3 S areas have been identified (Sekong, Sexan and Seprok rivers) where SEA will be piloted in the area of forest conservation project which covers 3 countries such as Laos, Vietnam and Cambodia;
- Activities have been implemented under the ASEAN Sub-committee of Meteorology and Geography Program (SCMG) such as installation of the early warning system on natural disaster and activities on disaster risk mitigation;
- Capacity on monitoring of sanitary and phyto-sanitary (SPS) in the GMS has been strengthened to facilitate trade, with the Ministry of Agriculture and Forestry being the lead agency;
- The project on flood and drought risk management and mitigation was on the review process in accordance with the proposal from the relevant sectors and will be jointly implemented by the Ministry of Agriculture and Forestry and the Ministry of Public Work and Transport;
- The GMS project on initiatives to reduce impact of climate change on women has been implemented.

5.10.4 Cooperation Framework in Mekong Agreement on Sustainable Development in the Mekong River Basin

319. Achievements towards cooperation under Mekong Agreement on Sustainable Development in the Mekong River Basin 1995 can be summarized below:

- Preparation of the Draft National Action Plan on the Development in Mekong River Basin 2011-2015 has been completed through operationalizing the IWRM-based Basin Development Strategy and using integrated natural resources management. This Action Plan will be the basis for the implementation by relevant sectors at the central and local levels in managing Mekong Basin;
- Translation of the IWRM-based Basin Development Strategy into detailed program on hydropower initiation plan;
- Coordination with concerned sectors in preparing for decentralization of the International Mekong River Commission to relevant ministries and sectors.
- Preparation of implementing cross-border activity in collaboration with Thailand and Cambodia through the project on Mekong Integrated Water Resource Management (Mekong IWRN Project);
- The study on hydrology in Xebangfai has been completed which was carried out under the Information Management program pursuant to the Huahin Declaration, with a few focused activities as follows:
 - Translation of the Mekong River Development Strategy 2011-2015 into the National Mekong Action Plan;
 - Attention focused on improving the weather forecast and flood early warning system in the Mekong River basin;
 - Continuous review of the implementation of the approved regulations, in particular the regulation on information exchange and notification to inform each other, consultation and agreement issuance; the regulations on monitoring of the water usage, regulation on control of water flow in the Mekong River and regulation on water quality management;
 - Opportunity for cooperation has been identified and developed with negotiation partners, development partners and other stakeholders in managing water resources and climate change;
 - Regional and national programs have been implemented such as: the program on river basin development, program on environment, program on climate change, program on information and knowledge management, program on initiation of sustainable hydropower, program on fishery management, program on agriculture and irrigation, program on river transport, program on integrated capacity building and program on flood control and impact reduction.

5.10.5 Accession to the World Trade Organization (WTO) Membership

- To prepare for the accession to WTO during the past 2 and half years, there have been 10 Working Party Meetings and Lao PDR has responded to over 1,300 questions raised by the WTO member countries. In addition, bilateral negotiations have been concluded with 9 WTO members including Australia, Canada, China, Taiwan, EU, Japan, Republic of Korea, Ukraine and the United States.
- The achievement has been the accession to WTO membership on 2nd Feb 2013 after 15 years of preparation and trade negotiations. This achievement of WTO accession reflects the outstanding results and direction of the Party and the government in general, and of the Ministry of Industry and Commerce in particular.

- The WTO membership of Lao PDR is an integration into international economy which provides opportunities for using basic domestic production factors such as : land, water source and natural resources and etc. into production while challenges include: trade competition, business development, technology and etc. thus calling for internal improvement by all sectors to deal with the future challenges.

5.11 Summary of Sector Achievements and Challenges

320. Set out below is a summary of achievements and challenges which have been taken into account in formulating the 8th NSEDP 2016-2020.

5.11.1 Summary of Achievements

- 1) Lao PDR has political stability, with security, peace and an orderly society. The economy has been growing steadily maintaining GDP growth of at least 8% annually. This has facilitated socio-economic development especially business operations, production, services and investment. Debt issues have been dealt with and are reducing to a level that is manageable.
- 2) The implementation of the Millennium Development Goals (MDGs) has made progress in many areas namely the resettlement and allocation of stable jobs for the people, improved necessary infrastructure and social service network resulting in the reduced poverty rate to 23.2% in FY 2012-2013 (based on the result of the Lao Economic Consumption Survey LECS 5).
- 3) Electricity network has been expanded widely throughout the country and has exceeded the target of the Five-Year Plan (80%) in particular it has been extended to rural remote areas resulting in an increased proportion of families with access to electricity to 84% of the total families as of March 2013.
- 4) Incomes from selling of industrial cash crops by mountainous people, especially sugarcane, corn, tapioca, rubber etc. have significantly contributed to improving livelihoods and ensuring their food security.
- 5) The business environment has been improved including providing facilitating services to entrepreneurs in establishing businesses and requesting for tax and business registration at the same time while also reducing the business tax rate and time for import and export through the application of the tax and customs system (ASYCUDA) at the Friendship Bridge and Thanaleng border.
- 6) Vocational sector especially the various levels of vocational training have received greater attention and have been developed by both state and private sector. It could supply quality labor to the labor market to some extent, reduce unemployment rate and achieve labor balance in various sectors.
- 7) Women have played a very important role and have increasingly contributed to economic development. It can be seen from the economic growth rate which is closely linked with the female labor ratio which covers half of the total labor force. In addition, wage and skills of labors are the main factor in attracting domestic and foreign direct investment.
- 8) Lao PDR has made satisfactory achievement in international and regional cooperation. The most outstanding achievement has been the accession to WTO membership at the beginning of 2013. In addition, Lao PDR had received an honor to host the meeting on the Almaty Program of Action for the Land Locked Countries, the 9th Asia-Europe Summit and the 7th Asia-European Parliamentary meeting in October and November 2012, the 6th Cambodian-Lao-Myanmar-Vietnam Summit (CLMV) and the 4th Aryavady - Chaophaya-Mekong Economic Cooperation Summit in March 2013.

Reasons for the Successes:

321. Reasons for the successes of the implementation of the 7th Five-Year NSEDP to date can be summarized as follows:

- Political direction defined in each Party resolution especially the IX Party Congress Resolution is correct and the leadership of the Central Party is in accordance with domestic and international environments.
- National Assembly and the Government considered and adopted the National Socio-Economic Plan in accordance with rules and regulations. Sectors and sub-national governments have translated it into programs, projects with available funding for implementation.
- The Government has focused funding to various programs and projects especially rural development and poverty reduction, development of communication network, expansion of electricity to rural areas, promotion of commercial production linking it with employment generation, education and health development and overall expansion by focusing on education reform, human resource development, and promotion of living style that expands opportunities for education, improved health and sanitation, and skilled labor training especially by allocating 17% of funding to education sector and 9% to health sector.
- The people and businesses in every stratum of the society have contributed to support and participated in the implementation of programs and projects.
- International partners have continuously provided support.

All the above reasons contributed to the successful implementation of the 7th Five-Year NSEDP during the mid-term period and provide a very strong basis for the progress towards the MDGs achievements by 2015 and exiting the LDC status by 2020.

5.11.2 Outstanding Issues

322. In conjunction with the achievements, there remain shortcomings and outstanding issues including:

- 1) Political sensitization has been carried out continuously and at several levels but still does not seem to have led to in-depth awareness and understanding on the changing direction of the Party. The most obvious one is the inability to genuinely change with regards to the imagination breakthrough. The translation of various resolutions into programs, detailed, focused projects and steps that are suitable to the actual ability of each sector and local is still very slow. A resource mobilization from all sources at the central and local levels has not been that successful and the majority still waits for investment from the Government budget. The government counterpart funds, grants-loans from relevant domestic and international parties are not yet harmonized.
- 2) Although economy has steadily grown, the macro-economic situation is still vulnerable, with limited domestic savings. Many targets set out in the Five-Year Plan as well as the MDGs may not be achievable. Another important issue is the implementation of the policy on rural development and non-resource sector development which is not yet adequately defined and implemented and thus results in increased disparities between rural and urban areas, between and within regions especially in poverty and real income is not yet distributed to the people in the remote rural areas. People in the rural areas are still without stable jobs, with low income and consequently migrate into cities or abroad to look for jobs. These challenges require coordination between relevant sectors in order to achieve equitable development.
- 3) Economic growth relies mainly on exploitation of natural resources. But the management and utilization of the natural resources in many cases is still carried out in an unsustainable, wasteful and environmentally unfriendly manner. This has resulted in harmful impacts on the local people as well as impacting greatly on the environment of the country. Therefore,

consideration must be given for the future development. If the issue is not tackled urgently and timely, it may lead to the Dutch Disease²¹ in the Lao economy.

- 4) Investment from the Government budget still cannot meet development needs, and moreover it is spread across without a focus and is not yet effective. The utilization of overseas grants-loans in many projects and the coordination between sectors and sectors and between sectors and provinces are not yet effective and thus resulting in many projects not reaching the people. In practice, there has been difficulty in implementing the composition of public investment in accordance with the ratio 30-35-35% as the Five-Year Plan has determined. Planning and fiscal disciplinary has not yet been strictly implemented and thus resulting in doubtful debt which has become chronic illness and increasingly serious. Therefore, without proper solutions, the country can run into financial crisis like other countries have experienced which is difficult to tackle completely and also poses the risk for macro-economic stability as well as socio-economic development in the future.
- 5) Monitoring and evaluation of domestic and foreign private investment projects have not been done regularly and widely. The focus has been mostly on appraisal for project approval and therefore resulting in many projects not being carried out in accordance with the timeframe, just being reserved not implemented resulting in significant losses by the government. The provision of investment one-stop-service to attract domestic and foreign investment in some sectors has not been done well. Some legislation is not practical and does not promote domestic and foreign investments, such as Tax Law and Value Added Tax Law. In addition, necessary legislation is still lacking in providing special incentives to investment promotion in the revolutionary base areas or difficult areas as well as in the Special and Specific Economic Zones.
- 6) Although private sector and enterprise development has been improved and promoted (especially non-resources sectors), the competitiveness is not yet high. Investment environment in the Lao PDR still cannot respond to all investment demand as evidenced in the lack of legislation in supporting and projecting investors and access to credits. Given this situation, Lao PDR has been ranked 163rd out of 185 countries worldwide. This problem has further dragged economic growth and put pressure on being the member of WTO and integration into the ASEAN Economic Community in 2015.
- 7) Dissemination on trade integration policy is not widely resulting in limited understanding by entrepreneurs on integration and suitable response mechanism for the increased openness of the economy.
- 8) Human resource development has been promoted by both private and public sector but the quality is still low. Labor lacks necessary skills and moreover human resource development is not linked to the demand by the socio-economic development especially in the area of SME under the condition of the ASEAN Economic Integration and accession to WTO membership. Up until now, the country cannot supply skilled and disciplined labor in accordance with the needs of investors but at the same time Lao labors migrate legally and illegally to other countries.
- 9) Social-cultural area also has many achievements. However, it can be observed that social drawback have been increasing. Family disputes especially divorces have a tendency to increase causing family institution which is the fundamental cells of the society to be problematic. If this issue is not tackled appropriately, it could lead to unexpected problems in the society, beautiful culture gradually deteriorates, and Lao language is slowly changing. The most dangerous is the spread of deteriorated lifestyles, drug addicts, robbery, burglary and other social problems.

²¹The movement of natural resources happens when the fast-growing sector uses production factors jointly with other economic sectors. The booming sector attracts capital and labor resulting in increased cost of production factor. High cost of production capital in turn forces the non-resource sectors and non-tradable sectors to fall as prices of products are defined by the world market. The movement of natural resources from tradable sectors will result in further contraction of these sectors.

- 10) Market economy mechanism has not yet functioned well because the state governed by law is not yet very forceful and effective which has created loopholes for increased corruptions in various forms and levels which have in turn impacted on the trust and faith of the people to the regime.
- 11) The people's sensitivity including those of the state officials to law enforcement is still low. At the same time there have been many complaints from the people about the land use problem which directly impact the people's benefits while does not really bring benefits to the Government. Another outstanding issue is the people's dissatisfactions with the operations of the Legislative and Judiciary organization as there are many cases that have not ensured the justice in accordance with the law.
- 12) There is a slow progress in implementing breakthrough in improving management and governance regulations. The outstanding issue is concerning macro management under the Central Party Committee's Resolution no. 03/CPC. Inter-ministries coordination and the coordination between central and local level agencies are still weak, not harmonized and not supportive. At present, the government body is gradually expanding but the quality and effectiveness is still low. Social drawbacks have also been increasing.
- 13) There are many pending issues in social welfare area. There is no practical measure to overcoming the problems concerning pension as well as measures to mobilizing people from all stratum of the society to participate in the process of "gratefulness" to officials, army, police who have made significant contribution to the revolution. Moreover, there are complaints by the people on the health care service for the elders, people without shelters and underprivileged.
- 14) Commercial production is one part in improving people's livelihoods. But the people in the rural areas still rely on natural resources by collecting non-timber forest products and selling labor. The collection of non-timber forest product is not sustainable solution.
- 15) Agricultural production is dispersed and not linked to the processing industries and markets. Despite the enthusiasm of local people towards commercial production and successful demonstrations, promotion policies and measures are still unclear; technical officers who are capable and skillful are still lacking at the grassroots level and there is no leader to lead practical work. Up to present, the country still cannot clearly identify niche products that have potentials. Majority of the labor force is in agriculture sector but labor productivity is still low because machinery is not utilized in agricultural production and does not link services which result in slowness in creating primary factor for industrialization and modernization.
- 16) Agriculture service is still limited; there is a lack of veterinary or the services for phyto-sanitation. These will impact on the agriculture growth and development. In becoming the WTO member, the phyto-sanitation is very important point that the Government has to pay attention to especially focus investment on agriculture services²².
- 17) Millennium Development Goals: Although there has been progress on many fronts, some targets need special focus in order to achieve as planned especially the malnutrition, survival rate of primary school, lower secondary school enrolment rate, proportion of girls to boy in all levels of education, infant and under five mortality rate, maternal mortality rate (refer to Annex for more details).

Reasons for Shortcomings and Outstanding Issues:

323. Reasons for the shortcomings and Outstanding Issues include:

- 1) The responsibility and ownership in implementation by some central and local sectors is not fully undertaken and does not expand rightful ownership and responsibility of all parts of the

²²http://www.wto/English/tratop_e/agboxes_e.htm

society. Inter-sector coordination and between the sectors and locals is not yet smooth and in many areas is just nominal.

- 2) There is a significant demand for sector and local grass root development but the ability to supply funding is still limited resulting in ideas and actions that are illegal and not in line with regulations in order to achieve own targets.
- 3) The effectiveness of government's socio-economic development management is not yet high. The disciplinary measures especially planning-budgeting discipline is not clearly changing to the better.
- 4) External environment especially the world economic development, the fluctuation of world fuel price which is difficult to estimate, natural disaster is a barrier to socio-economic development of the country.
- 5) Development role model in local levels is still limited and not yet sufficient. Agriculture production in some local areas still faces problem of markets not being able to absorb the products and thus does not stimulate families and the people to produce for commercial purpose.

5.11.3 7th NSEDP Lessons Learned to be applied to 8th NSEDP Design

- 1) Political stability, social order and solidarity of ethnic people in the country are fundamental to the steady and firm socio-economic development.
- 2) Lessons learnt from translating the policy and resolutions of the Party and Government into the socio-economic development plan, programs and projects:
 - Sectors and provinces that translate policies, resolution and orders of the party and government in and socio-economic development plans thoroughly, regularly and widely to their staff and people to ensure common understanding will lead to better performance.
 - The harmony between national socio-economic development plans and sector and provincial development plans is key to achieve the development goal taking into account of the nature, characteristics and potential of each sector and province. But rather, if the implementation of the development projects by the sector and local is not consistent and harmonized with the goals and directions of NSEDP and with no focuses will certainly cause unsuccessful to perform the targets. Therefore, identification and consideration on development projects must be consistent with the goals and direction of NSEDP.
- 3) Lessons learnt from macroeconomic management:
 - Maintaining stable macroeconomic (such as inflation below the economic growth, manageable exchange rate, strong revenue basis and effective expenditure, trade balance, employment generation etc.) is essential factor to the socio-economic development as well as to improve people's livelihood.
 - Socio-economic development base on market economy mechanism that managed and regulated by the government with comprehensive system is a key for the development of socialist orientation.
- 4) Lessons from Sustainable Development:
 - Economic growth in the past mostly based on natural resource sector which is unsustainable, the economic development in the future should give more priority to non-resource sectors particularly development of small and medium-sized enterprises both in quantity and quality to become a firm basis for economic stability and employment generation by creating an environment for business to grow and facilitate access to funds and accelerate the development in agriculture sector to meet the demand from industry production. Improvement and development of infrastructure in rural areas are essential to improve the people's livelihood and create equal access to public and private services on gender equality basis.

- 5) Lessons learnt from public investment and promotion on the private domestic and foreign direct investments:
- Public investment:
 - Investment from public budget: given limited budget, the investment focused on building the basic infrastructure that is necessary for the development and focused on areas that benefit the country and its citizens, in which the private investor did not invest in. These investments are essential to shows ownership in improving necessary basic infrastructure or to crucially raise the government's role in developing the country. The stronger from the nation, the more attraction on funds from the outside.
 - Grants and loans (ODA): ODA is essential contribution to the development process in the country. But fund mobilization and utilization with ownership, high responsibility, transparency and high effectiveness are important factors in developing countries under the conditions of regional and international integration.
 - Promotion of private domestic and foreign direct investment:
 - Actively and responsibly improving favorable environment and fund mobilization from the private sector, preparing legislation (record, contract ...) carefully and comprehensively, and regularly monitoring and learning lessons from the plan implementation are crucial.
 - Private investment cover more than 50% of the total investment, the mobilizing and selecting quality investment in developing the country is essential element.
- 6) Lessons learnt from the process of rural development and poverty eradication of multi-ethnic people:
- Building political foundation from the grass root level and rural development shall follow comprehensively the 4 concepts and 4 targets, in a continuous and prioritized manner by boosting the economy domestically and internationally. Explore and use local potentials and uniqueness to develop rural areas and address poverty for the people; sectors, provinces and even the people in all classes shall jointly raise accountability and place emphasis on politics and development of the rural to be a battlefield for the national development and become fundamental factor for rural development and poverty eradication.
 - Organizations are responsible to create mechanism and system for inter-sectoral coordination and the coordination between the central and local government to ensure harmony in the implementation and actively performance their duties in a uniform and comprehensive system. This is to ensure that rural development and poverty eradication are achieved.
 - Pay attention on strengthening capacity and building government officials of concerned sectors to be qualified at working in the grass roots and capable to lead the people doing the actual work along with developing core officials at grassroots level or building permanent government officials to become the developers and capable to lead the people doing actual development work at the village grassroots. Additionally, effort should be made to apply government policies as appropriation.
 - Rural development and poverty alleviation need to be closely linked to the 3 build activities and shall continue to be carried out with high results.
- 7) Lessons learnt from commercial production:
- Studies related to the processing and marketing along with modern technique is a key factor to boost production.
 - The production chain and economic relations among the provinces is needed in expanding the manufacturing production under conditions of regional and international integration.

- 8) Lessons learnt from the rule of law:
- Improving and developing legislation to comply with the current conditions to protect the rights and interests of the country is necessary; disseminating laws and regulations to the people in the society is necessary for a uniform utilization.
 - Improve the organizational structure to be more simplified and suitable with actual conditions is essential.
 - Determine the roles and responsibilities of each level of organizations clearly and disseminate them with guideline to stakeholders for uniform understanding is an important factor of practical implementation with high results.
- 9) Lessons learnt in regional and international economic cooperation and integration
- Actively and responsible cooperate with friendly countries regionally and internationally on the basis of mutual benefit is crucial.
 - In the cooperation under the ASEAN Economic Community and WTO, it essential to increase competitiveness of the local firms in joining AEC, continue developing infrastructure to facilitate growth of business and human resources development, especially to start from families. Entrepreneurs have access to opportunities in terms of doing business, economic, social and culture. Take a chance of growth and efficient production resulting from labor migration between rural to urban and between countries, build capacity for human resources by provision of training for the people to learn new opportunity in the changing economy.
- 10) Lessons learnt from breakthrough on mindset and coordination between sectors and provinces, inter-sector coordination, inter-provincial coordination and vertical line sector coordination:
- Breakthrough on mindset is needed and will continue to progress further.
 - Consistent, harmonized and systematic coordination among central, sectors and localities and provinces, line sectors are necessary to achieve the national goal.
- 11) Improved monitoring, evaluation and reporting of the socio-economic development plan implementation considering actual situation is necessary tools to implement this socio-economic development plan development efficiently and verifiably.

PART II

8th NSED (2016-2020)

PART II: 8th NSEDP (2016-2020)

6 Context of 8th NSEDP

6.1 Regional, International and Domestic Context

6.1.1 Regional and International Context

324. The global economic integration and cooperation have been strengthened and widened in diversified patterns and at various levels and global economy is highly competitive. Many countries have become international organization members for instance, of: WTO, AEC and so on, increasing trade, investment and service. Development partners and international organizations will continue to provide aid to underdeveloped countries. The research and the technology and science application has helped to increase the productivity and service efficiency. Public and private sectors' investments in developing countries have significantly increased leading to economic growth in medium term. It is anticipated that the global economy will grow at the rate of 3.1% in the period 2014-2019 where Chinese growth is highest at 5.9%, then Indian and other ASEAN nations at 4.8%.

6.1.2 Domestic Context

325. Our country has political stability, the society is secured and in good order; the people are in unity and solidarity; the market-oriented economic reforms has brought social development and growth.

326. Our country has also natural resources potential i.e. : land, mineral ores, water resource and forests to be exploited for socio-economic development for instance hydropower development, agro-irrigation systems construction, clean and organic toxic-free agricultural productions, mineral processing and tourism sites development. Native intellectuals have also been developed for economic purpose. The country has geographic location advantage for commercial goods transportation in transit service perspective, to other GMS' countries: Kampuchea, China, Myanmar, Thailand and Vietnam. On top of these, legal instruments have been ameliorated and certain new ones have been created, which would engender favorable factors to facilitate socio-economic development.

327. The WTO and AEC membership will enhance opportunities to bring more investments, trade and service to Lao PDR as well as to learn experiences and lessons in technology and culture which will generate advantages for further socio-economic development of the country in the medium and long terms.

6.1.3 Challenges

Regional and International Context

328. Up till present, even though there are signs of global economic recovery at certain level from financial and economic crisis, it is expected that regional and global economic situation would keep changing in the next few years; political problems and disputes would persist and could not be solved in many regions, causing regional and global socio-economic stability obstacles.

329. The economic integration and cooperation such as the AFTA and AEC entrance will bring more competition. Global weather changes could cause natural disaster for instance storms, earthquakes, droughts, chill and floods creating socio-economic impediments all over the world.

Domestic Context

330. Our country's economic base is still fragile mostly natural and semi-natural economy; the commercial goods production is not yet developed and diversified; the production groups organizing is still limited and sensitive to external factors such as goods price change, international competition. There still exist disparities between urban and rural, inter-provincial and inter-regional developments. The gap between the poor and the rich people is still large.

331. There are limited human resources, skilled labor development, knowledge and capability among the public and private sector staff which cannot meet the requirements of the regional and international nations to be economically integrated with us. Our private sectors competitiveness is not high enough. Hence the young kids and young boys and girl's people development should be considered as important factors in the economic development process to be able to compete regionally and internationally.

332. There are limited development fund and high public debts, insufficient and weak institutions and legal frame work. Social drawbacks persist. Natural disasters such as droughts, floods are still occurring and remain as development impediments.

6.2 Long Term Plans

6.2.1 VISION 2030:

1) Based on national characteristics and situation as well as the international environment and the national development priorities, the Vision until 2030 consists of following:

- Lao PDR is ranked as a developing country with middle to high income, economic growth is inclusive, stable and sustainable; there is balance between economic development and social development including environmental protection, with a political stability and social order and social safety net.
- In a socialist market economy, all business sectors support the national economy, there is availability of industrial pillars and strong basic infrastructure system; industry and services are major share of the economic structure, while agriculture and forestry sector is sustainably developed for food security; environmental protection and natural resources utilization are more effective; promote local intellectual production, while shifting to industrialization and modernization as well as shifting into green and environmental friendly economy which contribute to climate change and external shock adaptation; macroeconomic is stable, fiscal and monetary system is more effective, smooth and facilitate business and services.
- Political and governance system is strong under the leadership of the Lao People's Party, with a clear characteristic as the government for the people and by the people, people's rights are protected under the effective rule of law, administrative system is enhance by following three build directive, the people are united as one with just and civilized society.
- Human resources development meets regional and international standards that they become a strong production power and thus capable to contribute more in the socio-economic development, the people have at least upper secondary education and have access to quality health services.
- Actively moving toward the regional and international integration with increased competitiveness in different areas.

6.2.2 Ten-year Socio-economic development strategy (2016-2025)

2) The ten year strategy takes account of the strategy to graduate from LDC status by 2020 and the strategy for transition period of LDC graduation by 2025, which will build on the work in basic infrastructural development to move toward the medium income country by 2030. The overall direction, targets and priorities are described in **Annex 3**.

6.3 Population Policy Issues²³

- 1) Lao PDR is facing considerable population growth. The official population projections show an increase of between 1.71 and 1.91 million between 2015 and 2030, and a population of between 10.25 and 10.72 million by 2050. Growth of different age groups within the population will vary sharply. Over the 8th Plan period, the number of school-aged children (5-14) is projected to decrease by 3.7%, while the working-age population is expected to increase by 10.6% and the elderly population by 10.1%.
- 2) Lao PDR has not yet completed its first demographic transition – the decline of both mortality and fertility rates to low levels, though it has been moving in this direction. The under-5 mortality rate had fallen to 79 per 1,000 live births in 2010-11, and should be able to meet its MDG target of 70, but it is less likely that the infant mortality target will be met. The total fertility rate of 3.2 (in 2008-11) was still more than 50% above replacement level.
- 3) Because the age structure still reflects the high fertility of the past, there are successively large cohorts moving up through the age pyramid. This leads to growth through “population momentum” – meaning that population will keep increasing long after fertility falls to replacement level. The changing age structure of Laos’s population is leading to what is referred to as the “demographic bonus”, meaning that the proportion of the population in the working age groups will increase, so that there are fewer dependents for any one worker. Whereas in 2015 the dependency ratio will be down to .62, by 2030 it will have fallen to .51 and by 2045 even lower (.43). It will start to rise slowly after 2050. Ageing of the population is not yet an issue for Lao PDR. The proportion of elderly is still very low (3.8%), and will only begin to rise rapidly after 2020. Even in 2050, the proportion of elderly in Laos will be lower than in Thailand today.
- 4) Lao PDR has a low population density (the lowest in ASEAN), but for good reason: much of the land is mountainous and cannot be cultivated. There appears to be roughly 1.1 hectare of arable land per household, or about 1.7 hectare of cultivable land per rural family; the latter will not decrease very much with population growth, as the population depending on agriculture is expected to remain roughly constant with increasing migration to the towns.

6.4 LDC Graduation

333. Graduation from Least Developed Country status is a key long-term objective of the Government and leadership of Laos PDR. To become eligible for graduation, a country must meet the threshold for two of the three criteria established by the United Nations: (i) a low income criterion, based on a three-year average estimate of the gross national income (GNI) per capita. In the 2012, Lao PDR was estimated to have reached 77% which is equivalent to US \$1,190; (ii) A human assets weakness criterion, based on indicators of nutrition, health (child mortality), secondary school enrolment, and adult literacy. In 2012, Lao PDR had reached 93% of the graduation threshold of this criteria; (iii) An economic vulnerability criterion, based on indicators of natural shocks, trade-related shocks, percentage of population in low-lying areas, economic concentration (production and

²³Unpublished report on demographic issues underpinning the 8th NSEDP. Report publication is expected in late February 2015 and the text will be attributed and revised as necessary.

exports), remoteness, and smallness. In 2012, Lao PDR had reached 86% of the threshold for graduation²⁴.

334. Sustained levels of economic growth, as achieved in recent years, will be necessary to reach the per capita income threshold. High levels of foreign direct investment (FDI), particularly in the natural resource sector can be expected to drive such growth. Government policies to diversify the economy beyond the extractive, natural resource-based industries are of critical importance in this regard. Based on this point the recommendations is to give more emphasis to the non-resource and private sectors in the 8th Five-Year plan.

335. Fulfilling all MDGs by 2015 is a core objective of the government and an essential part of the 7th NSEDP. Despite increases in budgetary allocations to the education and health sectors difficulties are still being faced in the achievement of MDG 1, especially the target on Hunger, MDG 4 regarding child mortality, MDGs 2 and 3 regarding secondary education and gender disparity and adult literacy. It was noted in the UNCTAD review of the status of Laos PDR graduation efforts that nutrition of children and women of reproductive age is an issue of particular importance.

336. In respect to the third criterion, it is noted that Laos PDR is moderately economically vulnerable. Significant efforts have been made to strengthen the economy including building relationship with neighboring trading partners. But there is concern that the non-resource sector is not receiving the attention it needs and it calls for ensuring an inclusive, broad based economy. Private sector development and infrastructure provision are required in the non-resource sector to create quality employment, enhance rural development and further reduce poverty. Agricultural productivity is still low and enhancing productivity is an essential ingredient for inclusive growth. Environmental management is needed not only to address the effects of climate change and to strengthen resilience to natural disasters but also to ensure that the social and environmental (and economic) impact of activities in the resource sector are fully understood.

6.5 Key Directions from Government

337. Government²⁵ has indicated that the Directions of the 8th NSEDP should be:

- 1) Ensure that continued economic growth with quality and macro stability is achieved; budgeting goes hand in hand with development targets and consistent with new environment of industrialization and modernization;
- 2) Ensure sustainable development with harmonization among the economic development and socio-cultural development and environmental protection; be prepared to handle natural disaster in timely manner; ensure integrated rural development has a strong link poverty reduction;
- 3) Strengthen human resources capacity by improving workforce skills, encouraging them to be more discipline and tolerant; increase number of technical experts and specialists; enhance technical and professional capacity of civil servants, private sectors and entrepreneurs to be enable to compete within country and abroad;
- 4) Maintain political stability, peace, and social order; solidarity, democracy, justice and civilization embedded in the society; and
- 5) Actively continue widening international cooperation with ownership in various forms in the benefit-to-all orientation, enhancing favorable conditions for regional and international integration.

²⁴UNCTAD 2012

²⁵Prime Minister's Instruction No.24/PM, dated 7/5/2014, regarding the formulation of 2030 Vision, Ten-Year Socio-economic Development Strategy (2016-2025), and the National Socio-Economic Development Plan VIII (2016-2025).

338. The lessons learned from 7th NSEDP implementation and an assessment of other key factors as described above along with the guide lines provided in the Prime Minister's Instruction have been organized into an analysis of the problems and opportunities which underpin continued Lao PDR development. The information currently available from the sources described allows the formulation of an Overall Goal and associated Outcomes of the 8th NSEDP as follows.

7 Overall Goal and Outcomes

7.1 Overall Goal and Goal Level Performance Indicators and Targets

339. The overall Goal is continued poverty reduction, graduation from Least Developed Country Status through realization of national development potential and comparative advantages, effective management and utilization of natural resources and strong regional and international integration.

Table 11 -Goal Level Performance Indicators and Targets

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines
OVERALL OBJECTIVE Reduced poverty, graduation from Least Developed Country Status with sustained and inclusive growth through promotion of national potential and comparative advantages, effective management and utilization of natural resources and strong international integration	Household poverty rate at less than 7% of total households by 2020 Baseline: 20.5% 2012/3 (LECS V)
	- Composite score adequate for eligibility for graduation from LDC status (as advised by UNCTAD) - Baseline: 2012 UNCTAD assessment of progress: Lao PDR at 86% of the requirement for graduation in terms of GNI. - GNI per capita higher than US\$1,574 by 2018 and at or higher than US\$ 1,810 by 2021
	- Real GDP Growth not less than 7.5% pa on average Baseline: average annual growth rate of 7th NSEDP (8%) (to be verified) - Non-resource contribution to GDP increases over 7th NSEDP average annual contribution by 2020 Baseline: 7th NSEDP average annual non-resource contribution to GDP (5.3%) (to be verified) - Revenue achieved at 23-25% of GDP Baseline: revenue achieved in 7th NSEDP?? - Budget deficit not more than 5% of GDP Baseline: budget deficit in 2014/5 - Investment maintained at approximately 30% of GDP (232 thousand billion Kip)
	- Gini Coefficients in 2020 improved for Lao PDR, Urban and Rural over coefficients estimated in 2013 - Baseline: Gini Coefficients estimated for Lao PDR, Urban and Rural in 2013 (36.17, 37.51 and 32.52)
	- Exports of goods and services (% of GDP) increased over % in 7th NSEDP Baseline: Exports of goods and services (% of GDP) in 7th NSEDP (??%) - Imports of goods and services (% of GDP) increased over % in 7th NSEDP Baseline: Imports of goods and services (% of GDP) in 7th NSEDP (??%)

7.2 Outcomes of the 8th NSEDP (2016-2020)

340. The proposed Overall Goal can only be achieved if specific economic, social and environmental Outcomes are achieved within the period of the 8th NSEDP. The core of the proposed Overall Goal is eligibility for LDC graduation and to achieve this, specific achievements are necessary, broadly under the qualitative headings of “low-income characteristics” and “severity of structural impediments to sustainable development.”

341. Quantitatively these specific achievements are expressed as GNI per capita (low-income characteristics) and the Human Assets Index (HAI) and Economic Vulnerability Index (severity of structural impediments to sustainable development). Outcomes which have as their basis these criteria will contribute to the achievement of the Intended Impact which has at its core the achievement of eligibility for LDC graduation.

342. The Overall Goal also acknowledges that there are associated development priorities and these include achievement of the off-track MDG targets, sustainability of economic growth, inclusive economic growth and enhanced environmental management. These are associated with the criteria of LDC graduation but need to be stated to broaden out the aims of the 8th NSEDP. Following on from this the 8th NSEDP Outcomes have been identified as follows²⁶.

- 1) **Outcome 1:** Sustained, inclusive economic growth with economic vulnerability (EVI) reduced to levels required for LDC graduation and consolidated financial, legal and human resources to support growth
- 2) **Outcome 2:** Human resources development achieved to LDC graduation criteria level and achievement of off-track MDGs through the provision and use of services which are balanced geographically and distributed equitably between social groups.
- 3) **Outcome 3:** Reduced effects of natural shocks as required for LDC graduation and sustainable management of natural resources exploitation.

Table 12 -Outcome Indicators and Targets

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines	Data Sources
OUTCOME 1 (one of three Outcomes needed to achieve the Overall Objective of the 8 th NSEDP) Sustained inclusive economic growth with economic vulnerability (EVI) reduced to level required for LDC graduation and consolidated financial, legal and human resources to support growth.	EVI – Final Index Calculation - EVI – Final Index improved over 2012 level by 2015 - EVI – Final Index improved over 2015 level by 2018 <i>Baseline: 2012 EVI – Final Index = 27.1</i>	
	Economic Vulnerability Index – Population Population (size-exposure index) increased over 2012 <i>Baseline: 2012 population sub-index for size = 42.5</i>	
	Economic Vulnerability Index – Remoteness Location – exposure index reduced over 2012 <i>Baseline: 2012 Location-exposure index = 64.3</i>	

²⁶These were a rationalization of an earlier formulation of 12 Outcomes and were agreed within MPI and subsequently discussed and agreed at a meeting of ministries / sectors (October 10th 214) which was called to discuss the structure of the 8th NSEDP.

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines	Data Sources
	Economic Vulnerability Index – Merchandise Export Concentration • Economic Structure –Exposure Index: Index for Export • Concentration reduced over 2012 Baseline: 2012 Index for Export Concentration = 27.57	
	Economic Vulnerability Index – Share of Agriculture / Forestry • Economic Structure –Exposure Index: Share of Agriculture / Forestry reduced over 2012 <i>Baseline: 2012 Share of Agriculture and Forestry Index = 52</i>	
	Economic Vulnerability Index – Instability of Exports (Trade Shock - Shock Index) • Instability of Exports (Trade Shock - Shock Index) reduced over 2012 <i>Baseline: 2012 Trade Shock – Shock Index = 17.3</i>	
	Investment and financial management resources • Investment will be achieved at approximately 30% of GDP (approximately 232 thousand billion kip) - Government budget financed investment 9-11% of total investment. - Foreign loans and grants investment 15-17% of the total investment. - Domestic and foreign private sectors' investment 53-59% of total investment. - Investment through bank credits 17-19% of total investment. • Development Planning and Budgeting integrated through operationalization of MTEF • Development Planning / Budgeting aligned though PIP rolling program	
	Legal Framework and Human Resources Development • Entrepreneur management capacity / competitiveness enhanced • Use of science and technology enhanced • Micro-enterprise / SME management capacity / competitiveness improved – Ease of Doing Business rating improves • Labour productivity raised through labour movement from agriculture to higher productivity industry and services sectors at ... • Level of education and training of those already in, or entering, the public / private workforce raised .	

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines	Data Sources
	- Urban management enhanced to improve economic roles of small towns - Regional Integration enhanced. Baseline: 2015 Ease of Doing Business by criteria	
OUTCOME 2 (one of three Outcomes needed to achieve the Overall Objective of the 8th NSEDP) Human development enhanced to LDC graduation criteria level and achievement of off-track MDGs through the provision and use of services which are balanced geographically and distributed between social groups	Human Asset Index (HAI) - Final Index Calculation HAI composite index not lower than 68 by the year 2020. <i>Baseline: Composite HAI for 2012 = 61.4</i>	
	Percentage of Population Undernourished - LDC <i>Baseline: 2012 Index for undernourishment = 71.7</i> - MDG 1 Target: Prevalence of underweight children U5 less than 22% by 2016, less than 15% in 2020 <i>Baseline: Prevalence of underweight children U5 32% in 2011/2</i> - MDG 1 Target: Prevalence of stunting in children U5 less than 34% in 2016 and 28% in 2020 <i>Baseline: Prevalence of stunting in children U5 40% in 2011/2</i>	
	Under-One and Five Mortality Definition: <i>UN - Probability per 1,000 that a new-born baby will die before reaching age five.</i> <i>Note: although targets reached Lao PDR lags behind regional indicators)</i> - Mortality rate of children under 1 year reduced to less than 30/1,000 live births by 2020 <i>Baseline: (MDG 5) Infant mortality rate (per 1,000 live births): 54 in 2014</i> - Mortality rate of children under 5 reduced to 45/1,000 live births by 2020 <i>Baseline: MDG 5) U5 mortality rate (per 1,000 live births): 72 in 2014</i>	
	Gross Secondary Enrolment Rate: <i>Definition: (WB, UNESCO) Number of pupils enrolled in secondary schools regardless of age/population in the theoretical age group for the same level of education</i> <i>Baseline: 2012 Index for Secondary Enrolment = 38.5</i>	
	Adult Literacy Rate: Definition: (UNESCO) <i>Literate people aged 15 or above as a percentage of total population of this age group, literacy is defined as If he/she can read and write, with understanding, a simple statement related to his/her daily life</i> <i>Baseline: 2012 Index for Literacy = 63.6</i>	

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines	Data Sources
	Universal Primary Education - MDG 2 Net Enrolment ratio in primary education: Target: 98% by 2016 <i>Baseline: MDG 2 Net Enrolment ratio in primary education 97% in 2013/4</i> - MDG 2 Proportion of pupils starting Grade 1 who reach last grade of primary: Target 95% by 2016 <i>Baseline: proportion of pupils starting Grade 1 who reach last grade of primary 78% in 2013/4</i>	
	Maternal Health - Post MDG 5 Maternal mortality ratio (per 1,000 live births): Target: 180 by 2020 <i>Baseline: MDG 5 Maternal mortality ratio (per 1,000 live births): 357 in 2009</i> - MDG 5 Proportion of births attended by trained health personnel: Target: One midwife per village by 2020 <i>Baseline: MDG 5 Proportion of births attended by trained health personnel: 42% in 2009</i>	
	UXO Clearance and Victim Assistance - MDG 9 Number of hectares released from UXO contamination (hectares per year): Target: 20,000 ha by 2020 <i>Baseline: MDG 9 Number of hectares released from UXO contamination (hectares per year): 6,927 ha in 2013</i> - MDG 9 Number of casualties reported as result of UXO incidents (casualties per year); Target: ?? by 2020 <i>Baseline: MDG 9 Number of casualties reported as result of UXO incidents (casualties per year): 41 in 2014</i>	
	Equality - Poverty headcount rate reduced in (i) Vientiane and region, (ii) Urban Vientiane and region and (iii) Rural Vientiane and region <i>Baseline: poverty headcount rate in (i) Vientiane and region, (ii) Urban Vientiane and region and (iii) Rural Vientiane and region estimated for 2013 (Lao Statistics Bureau)</i> - Poverty Gap reduced in (i) Vientiane and region, (ii) Urban Vientiane and region and (iii) Rural Vientiane and region <i>Baseline: poverty Gap in (i) Vientiane and region, (ii) Urban Vientiane and region and (iii) Rural Vientiane and region estimated for 2013 (Lao Statistics Bureau)</i>	

8 th NSED Design Summary	Performance Indicators, Targets and Baselines	Data Sources
	- Balanced regional and local development - Gender	
	Traditions and Culture	
	Peace, Order and Justice	
OUTCOME 3 (one of three Outcomes needed to achieve the Overall Objective of the 8 th NSED) Reduced effects of natural shocks as required for LDC graduation and sustainable management of natural resource exploitation	Economic Vulnerability Index – Victims of Natural Disasters (Natural Shock –Shock Index) Victims of Natural Disasters (Natural Shock –Shock Index) Index for Victims reduced over 2012 <i>Baseline: 2012 Index for Victims = 88.9</i>	
	Economic Vulnerability Index – Instability of Agricultural Production (Natural Shock – Shock Index) Instability of Agricultural Production (Natural Shock –Shock Index) - Index for Instability of Agriculture reduced over 2012 <i>Baseline: 2012 Index for Instability of Agriculture = 26.2</i>	
	Natural Resource Exploitation Management	
	Natural resource management	

7.3 Summary of Outputs Required to Achieve Each Outcome

343. Selected Outputs need to be achieved at sector / multi-sector level to ensure that the Outcomes are achieved and the overall goal is reached successfully. The following Outputs have been identified as being necessary for each Outcome respectively²⁷:

- 1) **Outcome 1:**
 - a. Output 1 –Sustained and Inclusive Economic Growth
 - b. Output 2 – Macro-economic Stability
 - c. Output 3 – Integrated Development Planning and Budgeting
 - d. Output 4 – Balanced Regional and Local Development
 - e. Output 5 – Improved Public /Private Labor Force Capacity
 - f. Output 6 – Local Entrepreneurs are Competitive in Domestic and Global Markets
 - g. Output 7 – Regional and International Cooperation and Integration

²⁷ Initial draft indicators and targets for each Output are shown in the draft 8th NSED log frame in Annex 1

- 2) **Outcome 2:**
- a. Output 1- Improved Living Standards through Poverty Reduction
 - b. Output 2 – Food Security Ensured and Incidence of Malnutrition Reduced
 - c. Output 3 – Access to High Quality Education
 - d. Output 4 – Access to High Quality Health Care and Preventative Medicine
 - e. Output 5 – Enhanced Social Welfare
 - f. Output 6 – Protection of Traditions and Culture
 - g. Output 7 – Political Stability, Order, Justice, Gender Equality
- 3) **Outcome 3:**
- a. Output 1 – Environmental Protection and Sustainable Natural Resources Management
 - b. Output 2 – Preparedness for Natural Disasters and Risk Mitigation
 - c. Output 3 – Reduced Instability of Agricultural Production

7.4 OUTCOME 1, OUTPUT 1: Ensuring Sustained and Inclusive Economic Growth:

344. In ensuring continued and firm economic growth, shifting into the direction of industrialization and modernization is a priority. By 2020, there is a need to attempt to structure economic sectors in the way that agriculture –forestry sector covers 19% of the total GDP, industry sector covers 34.3% of GDP and service sector covers 40.5% GDP. This needs to focus on development of economic sector with potential to create fast return and high value addition while promoting low and moderate potential sectors but have sustainable characteristics.

7.4.1 Industrial Sector:

- **Directions:**
 - To develop the industrial sector to be a high growth sector quantitatively and qualitatively, to diversify in its commercial and modern goods production to be able to meet the domestic consumption as well as for 'exports' needs and transforming it into a main sector to support the sustainable economic growth.
- **Targets:**
 - Strive to increase the industry sector's processing and handicraft sector growth rates to approximately 13% and 16% per annum on the average respectively.
 - In the next 5 years, strive to complete 15 hydroelectricity power dams such as Sayaboury Dam with installed capacity of 1285 MW (2019), Xe Pien–Xe Namnoi with installed capacity of 410 MW (2019), Sekhamane 1 with installed capacity of 322 MW (2016), Nam Ou 5 with installed capacity of 240 MW (2017) and others.
 - The electricity consumption rate shall cover 95 %
 - Strive to increase the export value to 18% on the average, limiting the import to 12% on the average and maintain the foreign trade deficit at a level possible for settlement.
 - Strive to increase the industry sector's processing and handicraft sector growth rates to approximately 13% and 16% per annum on the average respectively.
- **Priority Activities to Achieve Output:**
Industrial processing sector:

- To diversify commercial goods produced from the industrial processing sector and quantitatively and qualitatively making it a high growth sector for domestic consumption and export, using agricultural and forestry raw materials and products as production inputs; modernizing the industrial processing sector so that it is capable to compete with the international. Render it to become a basic sector of the economy to create employment for the people. Support investment factories that assemble spare parts such as: assembling vehicles and other machinery's spare parts.

Handicraft Sector:

- To develop Lao handicraft products that have potential and inheritance for each local area, having high domestic and foreign market demand and render them to be of high quality for instance: garment, silk cloths and skirts weaving, bamboo weaving and wood carving products.

Energy Sector:

- Focus on hydropower development, thermal electric power, sun energy and industrial plants energy in order to turn the power sector into a sustainable income generating sector to support various productions and to solve the people's poverty.

Construction (infrastructure)

- Upgrade roads that connect to the neighboring countries such the Mekong Sub-region corridors (GMS), Asian Highway, East-West Corridor, North-South Economic Corridor.
- The Railway Boten - Vientiane
- Create comprehensive logistic systems by focusing on 4 areas: Naoei, Savannakhet, Vientiane and Champasak.
- Upgrade domestic airports to meet the international standards and expand more routes to regional and international destinations in order to have comparable services internationally.
- Shifting away from enterprises that are state owned, like Nampapa to beprivatized for more effective and more competitive, while facilitation and advice on pricing are provided by the government.

- **Implementing Policies and Legal Instruments:**

- Set policies, design legal instruments and management mechanism and favorable means to enhance comprehensive growth of the industrial processing and handicraft sectors
- Promote industries that utilize agricultural and forest raw materials as inputs.
- Encourage the construction of the industrial research and development center, industrial products design and promote the industrial products' standards, the modern technology transfer and application in the industrial processing.

7.4.2 Service Sector:

- **Directions:**

- Develop the service sector firmly linked to production enabling high revenue for the country, creating jobs to the people; enhance land transit points in the region and provide diversified goods and services to meet domestic and international markets demand.

- **Main Targets:**

- By the year 2020, the number of tourists visiting Lao PDR should attain 4.5 million people, average stay period of more than 10 days per head and shall generate a minimum revenue from tourism of not less than 760 US millions per annum.
- Strive to generate products for tourism one district one product across the country by the year 2020, develop 25 tourism sites, survey and allocate 40 tourist sites, improve and develop 10 complete service cycle tourist sites of quality.
- Strive to design internet websites for tourism advertisements linked with ASEAN, GMS, and PATA websites, deploy tourism representatives/ liaison offices in 10 foreign countries who are main markets.
- Struggle to organize a Lao tourism great fair 3 in 2017 for “Visit Laos” tourism publicity.
- To develop the financial institutions to ensure high effectiveness and widen the services.

- **Priority Activities to Achieve Output:**

- **In Tourism:** to develop tourism based on the application of natural, cultural and historic inheritance potential in an effective and sustainable manner using social power and participation of the people; to build complete-service-cycle tourism and inter-link it to domestic and international tourist systems; to form sufficient tourist guiding personnel; transform tourism into a revenue generating sector of the country and creating employment and income to the local population.
- **Whole - Retail Sale:** Regularly provide goods to the society and in accordance with the market demand, facilitating the people’s access to the goods; to build and improve comprehensive and modern goods distribution networks to attract purchasers and spending in the country.
- **Logistic Service:** Continue to qualitatively develop goods transportation systems, so to become smooth and speedy transportation systems and sub-regional inland transit business enters, improve and construct standard roads to ensure goods transportation service and to link them to neighboring countries. To build facilities along highways such as stopping or parking lots, goods warehouses, vehicles’ stations and to build 4 logistics parks: Nateuay, Savannakhet, Vientiane Capital and Champassak; improve entry and exit check points up to international standard along transit service corridors to the borders to facilitate smooth and speedy service.
- **Finance-Banking:** Uplift the business banks and institutions efficiency to regional and international standards to engender smooth and speedy financial business in order to promote the socio-economic development.

- **Implementing Policies and Legal Instruments:**

- To promote public and private investment for focal and complete cycle tourist products development.
- Actively improve tourist sites which are already available for service to more quality sites. Support all the provinces across the country to conduct the survey and plan tourist sites development to completion in consistency with the national tourist directions to create more investment options for the public and private sector.
- Concentrate on developing and renovating tourist sites facilities to international standards and to have local uniqueness.
- To broaden and promote more domestic and foreign investors to invest in the tourist sector.

- Monitor and encourage business units to regularly contribute to the fund for tourism development and promotion.
- Support and promote the tourism surrounding sectors to actively contribute and participate and to see the importance of developing and promoting the tourism.
- Promote to arrange to have diplomatic and representative personnel for Lao tourism in countries of important targets to carry out tourist advertisement and promotion.
- To raise the Lao people's awareness of conserving their unique and proud traditions and culture.
- To promote local administrative authorities to organize functions and tourist activities such as: ethnic minorities cultural fairs, local traditions fairs and other important functions to communicate their unique culture and local way of life to Lao and foreign people so that they would know and percept some ideas to travel to visit various living places in Lao PDR.
- Put hard efforts to increase the averaged goods distribution by 12% per annum, whole –retail sale business by 9-10% on the average.
- Expand or construct more remote rural markets.
- Stabilize the markets and market service management and protect the consumers by tagging the goods quality, price and details; focus on improving the markets, goods and prices management mechanisms in an truly active manner and in compliance to market economy.

7.4.3 Agriculture and Forest Sectors:

- **Direction:**
 - Develop the agriculture-forest sector so to ensure stabile and sustainable production of food and commercial goods; expand agriculture production according each local area potential in the orientation of clean and modern and qualitative intensive agriculture; apply modern techniques and technology into production to ensure the agriculture goods supply to industrial processing and service sectors quantitatively and qualitatively linking it to the goods processing for value added enhancement; and sustainably manage the forest.
- **Targets:**
 - Food and Supplies Production:**
 - Ensure sufficient food supplies and nutrition of each kind for all the population.
 - Ensure sufficient rice production to internal consumption and as export good as per the market demand.
 - Following the government direction that 10 provinces will focus on rice production (Luang Namtha, Bokeo, Sayaboury, Vientiane, the Capital, Bolikhamxay, Khammouane, Savannakhet, Saravan and Champasak) to achieve 2.5 million tons by 2020, in the area of 600,000 hectares. Water supply from irrigation covers 315,000 hectares of which, yielding 5 tons per hectare. This can supply people's consumption of about 2.600-2.700 kcal per person per year which contributing into nutrition intake of the people (rice, flour, meat, fish, eggs and dairy).
 - Produce sweet corn production to approximately 228,000 tons, potatoes and starch roots of about 304,000 tons, fruit trees giving 800,000 tons and vegetable of 1.5 million tons.
 - Produce meat and eggs to 365,000 tons per year and fishery and aquatic animals to 215,000 tons.

- Increase livestock by 6% per year and fishery and aquatic animals breeding by 8-10% per year.

Commercial Crop Production Targets:

- Strive to increase agricultural goods production quantitatively and qualitatively to meet the domestic processing factories and exports.
- Produce rice for export of 1.5 million tons.
- Other crops: corn for animal feeds to 1.3million tons, coffee 120,000 tons, sugar canes more than 2 million tons, cassava 1.5 million tons, yellow beans 50,000 tons. Apart from these efforts must be put to produce advantageous crop products.
- Livestock Raising: Raise livestock from natural way to farming to generate cattle to 30% of total production. Focus on cattle breeders raising and improve it to produce more commercial cattle for sufficient domestic supply and export of cows and buffaloes to neighboring countries, to yield at least a meat weight of 10,000-15,000 tons equivalent in the year 2020.

- **Priority Activities to Achieve Output:**

- Promote clean and organic agriculture in each local area in order to meet the domestic market demand and export to foreign market.
- Promote production along with marketing and processing.
- Turn the population's natural livestock production to farming using scientific techniques of modern technology to uplift the productivity.
- Concentrate on improving and upgrade irrigations to permanent and robust systems with effective management.
- Upgrade the existing agriculture promotion and development centers to become comprehensive centers to be capable of demonstrate techniques of agricultural production, provide grain seeds to the people.
- Focus on the agriculture and forest according to each local potential and geographic characteristics like:
 - * In plains crops such as rice, corn, beans and peas, vegetable, tobacco and others and cattle raising (cows, buffaloes, pigs, poultry and birds) shall be promoted including: concentrate on high-potential big plains development capable to irrigated cultivation to ensure the foods and supplies security by establishing Sebangfai and Sebanghiangplains in Khammuane and Savannakhet Provinces as National rice cultivation focal points.
 - * There are 3 main plains: the plains of Boloven, Nakai and Xiengkhouang where Boloven plain is been promoted to coffee plantation, vegetables, fruit trees, flowers plants and cold weather crops; Nakai plain is suitable for fishery and fishing; Xiengkhouang Plain is promoted to grow cold weather crops, vegetables and fruits; apart from these it can be improved to plant animals' grass and hence it is suitable for cattle raising such as: cows, goats and sheep.
 - * Agro-ecological crops are promoted to cultivate in mountainous plains.
 - * Focus on mega projects to ensure food security and projects on commercial agriculture production.

- **Implementing Policies and Legal Instruments:**

- Develop and manage agricultural land for rice crops, vegetables, and livestock: land registration and prohibit conversion of irrigated rice fields into other purposes; land allocation survey and evaluation of soil quality for rice farming; complete the issuance of agricultural land titles to farmer families in priority areas no later than 2020. Clearly allocate land for planting vegetables, rearing cattle, poultry, and fishery as appropriate.
- Promote production and processing products by focusing on building modern rice mill factory and ensuring the products meet the international standards, processing factory of agriculture – forestry products.
- Apply financial and banking policies that support producers, manufacturers and entrepreneurs with access to finance on rationale basis.
- Apply policy on clean agriculture.
- Apply energy policy that will ensure stable energy supply to the mills, processing factories.
- Apply policy on market, prices and investment.
- Apply labor policy that will ensure provision of labor to agriculture – forestry sector with specialized skills and meet the international standards.
- Apply policies on intellectual property rights, standards and measures to build trust in products and ensure that there will be no violation on trademark while Agriculture – Forestry products of Laos are being protected.
- Apply policies on research and promotion of seedling unique and environmental friendly species from Laos.
- Apply policy on transport facilitation services.
- Apply policy on rural development that closely link to commercial agricultural production and sustainable food security.
- Apply policy on private investment promotion, both domestic and foreign direct investments, especially focusing on shifting into irrigated agriculture.

7.4.4 Diversify Goods and Services and Diminish Natural Resources Reliance:

345. To strongly promote investment in commercial production which is not linked to the natural resources for instance agricultural products processing industries, food and households' utensils processing factories and so on as strong bases for economic growth together with the promotion of the enterprises conducting mineral-excavating business, utilizing forest resources etc.; improve the mineral productions so that raw mineral ores are processed and value added before exporting them, in parallel, the mining areas will be upgraded for regular excavation avoiding socio-environment impacts. Develop tourist areas for clean, beautiful and environment-friendly services as well as hotel and restaurants services improvement; improve upgrade tourist sites and tourist guidance for better quality and diversification linked with handicraft and architecture productions to meet the tourists as well as to generate income to the people and the country.

7.4.5 Build Synchronized Production Chains between Big Business Enterprises and SMEs

346. Form a certain number of big enterprises to act as driving force for SMEs like complete-cycled tourist companies, SMEs supplying toxic-free vegetables, cloths weaving and bamboos interlacing machines and wood carving to various tourist areas, agro-products processing enterprises, (business groups producing raw materials inputs to processing industries) and other businesses.

7.4.6 Local and Foreign Investment Promotion in Focal Areas:

- Focus on developing Special Economic Zones (SEZ) and Unique Economic Zones (UEZ) to be economically viable and sustainable by building a model industrial complex and complete a new city as driving apparatuses which would steer the country's economy development and accelerating on SEZ consisting of 5 zones in Vientiane Capital, 2 zones in Khammouane and 1 in Savanakheth.
- Promote the investment in processing industries using more modern technology.
- Create favorable investment environment equivalent to or further than surrounding countries for instance provide one door service quicker, shorter lead time for getting investment license application and more accurate perspective investment information.

7.5 OUTCOME 1, OUTPUT 2: Macro-economic Stability:

- **Directions:**
 - We shall continue to develop the economy so that it continuously grows by strengthening and diversifying production bases and by improving strong quality services; paralleling to these, a stable macro-economic framework should be sustained; the financial and monetary policies will be improved to be in synchronization to enable the macro-economy to grow in continuous manner; monitor the economic situation to issue appropriate policies in order to maintain the inflation rate in reasonable limits; define interest and manage the exchange rates to sustain stable monetary situation and in advantageous position for competitiveness; manage the internal debts (government and public) and decreasing foreign debts step by step; improve and enforce measures to enhance financial and monetary liquidity and to gradually reduce trade deficits; increase foreign exchange reserve and ensure foreign clearance balance; building up state reserves to secure the contingencies and urgent payments: such as natural disasters, epidemics and measures to respond to the regional and international economic crisis.
- **Targets:**
 - Struggle to achieve the GDP growth of not less than 7.5% per annum.
 - Maintain inflation within the appropriate limits (in the order of 6%),
 - Sustain stable exchange rates and contain them within the manageable limits,
 - Keep the money supply M2 in consistency with the economic growth rate,
 - Strive to increase foreign exchange reserve,
 - Putting efforts to attain the internal budget revenue of 23-25% of the GDP and contain the total budget expenditure to be within 26-30% of the GDP; of which expenditure on wages should be no more than 40% of revenue; and the budget deficit to not more than 3-5 % of GDP per annum.
 - Maintain trade deficit in manageable level.
- **Implementing Policies and Legal Instruments:**
 - Design appropriate financial and monetary frameworks by decreasing the budget deficit to the economically acceptable order; limit the increase of budget expenditure in a way commensurable to a stable budget revenue increase; diminishing foreign debt to GDP ratio to the secured level according to international standards.
 - Develop sound monetary policy indirect instruments.
 - Design macro-economic and exchange rate models.
 - Uplift monetary policy performance standards to be more effective.

- Build macro-economic frameworks to monitor economic changes as support base to conduct researches and setting policies and timely rectifying measures.
- Set medium and long term strategies to sustainably control and consolidate public debts in the MOF and to regularly manage foreign debts payments.
- Issue risks prevention measures that would cause cumulative budget debts for instance: retroactive government financed projects executed in advance by private sector, off-budget debts occurrence and enterprises' loans guarantees so on.

7.6 OUTCOME 1, OUTPUT 3: Development Planning and Budgeting Aligned

- **Directions:**

- The development and funding should be consistent and synchronized and interlinked at the beginning i.e.: the funding should be in line with the country's overall development policies for instance it should focused on the achieving growth standards allowing the country to leave the underdeveloped countries status; development investment needs should be based on the budget funding capacity for each period in collaboration with the raising of foreign loans and grant aids as well as efforts to attract funds from domestic and foreign private sectors, procurement of bank credits and the general population contribution for production and service business investments.

- **Targets:**

- During the 2016 to 2020, the development fund of 232 thousands billion is needed, details as following:
 - * Public investment covers 24-28% of total investment while government budget investment covers 9-11% of the total investment; external loans and grant cover 15-17% of the total investment.
 - * Domestic and foreign private sectors investment covers 55-57% of the total investment.
 - * Investment under bank credits 17-19% of the total investment.

- **Implementing Policies and Legal Instruments:**

- Investments under the government budget are focused on socio-economic basic infrastructures such as: roads, irrigations, schools, health centers, schools, gravity water supply and agro-technical research centers; to promote techniques and technical aspects, as well as rural and remote areas development.
- Investments under loans and grants are focused on social areas linked to the people's living conditions and the people's poverty reduction, malnutrition problems solving and sanitarian conditions improvement.
- Domestic and foreign private sectors investments are focused on economic development sectors such as: investment in hydropower projects construction, SEZ and UEZ development, processing industries, construction materials and vehicles' spare parts assembling industries, tourism development and construction of railways and so on.
- Bank credits are used for SMEs investments in producing agro-products, commercial processing industries and handicraft production in order to create employment and poverty reduction.
- Develop a macro-economic coordination mechanism between MOF and MPI, Bank of Lao PDR, Ministry of Industry and Commerce and concerned parties for unanimous and synchronized collaboration.

7.7 OUTCOME 1, OUTPUT 4: Balanced Regional and Local Development

- Directions:**

- The development in the regions and local territories should be in harmony based on the potential and special characteristics of each part and each province. Should establish the districts and areas that have advantageous potential and capability of accessing to the regional countries development, as powerful models for the surrounding districts and areas, in the perspective of building the economy, so that they would obtain the development benefits. Apply the available advantageous potential regarding the economic location, hidden capacity of natural and human resources into the development of production and service sectors for higher value added. In the same time, focus on appropriate investment to push the economic development in the areas which are slow and lag behind by enhancing developments conditions.
- Strengthen and apply each area's potential to prepare positions for economic take-off by strengthening the relationship between areas, international economic development and foreign markets' demand. Modify economic structures in each area and region in the orientation of increasing the ratio of non-agricultural sectors, having advantageous potential for value added, by paying attention to develop professional handicraft and artistic handicraft as main support; carry out the objectives of diverting more labor from rural agriculture to work in the industrial and service sectors.
- Concentrate on render the allocated areas development consistent with each region and area's advantageous potential to promote intensive production and investment such as: agriculture production areas, processing industrial production areas, tourism areas, economic areas and residential areas; ameliorate basic infra-structures in the regional and international integration orientation i.e.: roads, airports, sport stadia etc.; strengthen the cooperation and exchange of experiences between the regions and areas and the provinces within the part of the country for joint development benefits; improve the investment environment to make it suitable to the actual situation in order to promote business enterprising and employment.

7.7.1 Northern Part

347. Actively promoting economic growth and achieve GDP growth rate at least 10% by 2020 in the way that agriculture sector grows on average of 6.3%, accounting for 35.75% of the GDP in 2020; industry sector increases 13.28%, accounting for 32.52% of GDP in 2020; and services sector increases 12.02%, accounting for 31.73% of GDP in 2020; strive to achieve GDP per capita of USD2,006; aim to increase share of non-agricultural sector further. The population growth on average is 2.4% per year by 2020 and projected population is about 2,879,594. There is a need to strive to reduce poverty rate to less than 7.72% by 2020.

- Agriculture Production Areas:**

- Encourage sustainable productions linked to processing by founding the production centers and pilot center for crop seeds and animal breeders, the scientific-technical promotion demonstration centers to widely promote good seeds, accelerate the kind of seeds for short-lived crops, economic plants and animals, for instance construction of good quality rice seeds center in Luangnamtha, Xayabuly and Vientiane Province; commercial seeds production center in Huaphan, Xayabuly, Luangnamtha and Bokeo provinces. Construction of cassava seeds in Oudomxay and Luangnamtha; construction of yellow bean seeds in Huaphan and Xiengkhouang provinces. Tea production factory construction in Phongsaly and Nyot Ou districts; in addition, there are economic crop seeds production centers constructions in the Northern Part's provinces such as: potatoes, banana, plants and vegetables and fruit bearing trees. Encourage the people to grow grass to supply to the cow breed raising centers in

Xiengkhouang and Huaphan provinces; construction of breed's centers in Meuangxay in Huaphan province; construction of the fishery demonstration center and fresh water fish breeds production center in Xayabuly and Vientiane provinces. All these are to meet the market demand within the region, Vientiane Capital, Vientiane Province, Xaysomboun and other provinces, tourist areas and for exports to the neighboring countries.

- Develop the economic trees cultivation areas for instance teakwood, hardwood (Mai Dou), patterned hardwood, Mai Longleng, Maijan and other high value wood trees by dividing areas for trees planting in the provinces of Luangprabang, Luangnamtha, Bokeo, Xayabuly, Vientiane and Xiengkhouang.
- Develop cultivation areas for renewable energy crops such as Oleaginous fruit trees, dispersed cultivation could be carried out in the provinces of Luangnamtha, Bokeo, Oudomxay, Xayabuly, Vientiane, Luangprabang, and in the areas along the Mekong River, in the suitable valleys. Develop the growing of bamboos and rattan in an area of 50,000 ha, taking Huaphan province as main focal area and in other areas as appropriate.
- To promote spear headed company in developing a demonstration center for latex planting and lead the support the population to grow latex in the provinces of Luangnamtha, Bokeo, Oudomxay, Xayabuly, Vientiane, Luangprabang and Phongsaly.
- To build demonstration areas according to their local natural resources special characteristics; selecting the appropriate environment conditions and requirements by dividing areas for planting in Luangprabang and Bokeo provinces i.e.: Maijan wood, sealing wax trees which could developed in other areas in the Northern provinces having suitable environment conditions.

- **Industrial Production Areas:**

- Processing Industries:

These are regarded as spear headed industries capable of generating high value for instance: industries for processed wood (planks, beams), rubber, sugarcanes, jatropha oil, sealwax, bamboos, and rattan, tea, vegetable oil and animal foods, taking district municipality of each province as a development area for industrial processing sectors as follows:

- Processing industries for processed wood products: focus on finished wood products and furniture as main products. Establish large wood processing enterprises with high capability, having quite strong industrial base and can easily carry out export for instance: Meuang Xay, Meuang Luangprabang, Meuang Xayabuly and Meuang Samneua; each province shall have 1-2 wood processing factories fabricating standard processed wood products and capable of high level competition and should have 1-2 furniture factories.
- Latex Processing Industry: promote many forms of business specially the form: "company+land+farmers' family" which transforms the agriculture, commerce and industry sectors into one common system having a variety of service forms, construct standard latex processing factories with sufficient production capacity to meet the markets' demand in the cities of Luangnamtha, Houayxay, Meuang Xay and Xayabuly.
- Processing industries of Sealwax, bamboos, rattan: construct laboratory centers breeding sealwax in the provinces of Luangprabang and Xayabuly, each province shall reserve an area of 200 ha for the center due to the fact that the Northern Part of the country is abundant in natural resources; construct handicraft centers for bamboos and rattan weaving-interlacing to produce commercial goods which are unique and value added in Huaphan and Vientiane provinces.
- Food and Vegetable Oil Processing Industries: foundation of 1-2 flour grinding factories in each province (Phongsaly, Oudomxay, Xayabuly and Xiengkhouang); Establish vegetable oil factories in the districts of Houayxay and Xayabuly.
- Animals' Products and Food Processing Industries: construct animal's feeds factories having the production capacity of 200,000 tons per year in Meuangkham and Luangprabang

districts, each province shall have 1 factory; construct an animals' feeds mixing factory of capacity of 100,000 tons per annum in Meuang Xay; build grass processing factories in Samneua and Phonsavanh.

- Sugar Canes and Tea Processing Industries: Edify sugar factories of capacity 200 tons per year in the provinces of Phongsaly and Luangnamtha, 1 factory in each province; build a tea products processing factory in the district of Phongsaly or Nyot Ou.

Electrical Power and Mining Industries:

- Focus on developing large, medium and small hydropower dams along the Mekong River's tributary branches such as: Hydropower Projects of Namtha 2, Mekong River at the Parkbeng tributary in Oudomxay province, Nam Sam in Huaphan province and Nam Ngum 4A in Xiengkhouang province. Apart from these, there will other projects to be implemented like the expansion of distribution substations, electrical networks and construction of transmission lines for remote rural electrification and concentrate also on electrical power sources development for exports.
- Strengthen the existing metal melting industries so that they be getting stronger every day, by considering the iron, lead, Aluminum, zinc, gold melting industries etc.
- The manufacture of construction materials by focusing on cement production for instance in Meuang Long, Nam Bark, Xayabuly and Viengthong, Vangvieng so on.
- Develop the chemical industries such as chlorides, sodium salt, alkali, kali fertilizer especially in Vientiane province.

• **Trade, service and Tourism Areas:**

- To develop and improve logistic service systems along the highways No. 3, 2 and 13 South so that they become complete, smooth and fast systems. To develop the types of service of quality in the provinces of Luangprabang, Luang Namtha and Xiengkhouang. Establish economic and service centers in Luang Namtha province by considering the development of agriculture, transport service, trade and tourism as focal points.
- Strengthen the trade within the area, establish the market systems in rural and mountainous areas. The combination of border's economy development with the wide opening of relation to exchange goods and frontiers crossing service such as: the Houayxai, Taichang, Nameo and Bortenso on.
- Concentrate on the national tourist centers development in Luangprabang, Combine the natural tourism with historic and ethnic minorities' traditional-cultural tourisms. Expand the tourist roads towards the centers of border economy and cross border tourism inter-linked with 4 surrounding countries and build up a base to integrate with the GMS countries' tourism.

• **Areas of Economic and Residential Development:**

- Taking urban economic zones development as core development due to the fact that the zones have modern basic infra-structures and service, industries as focal points capable of generate the high value added for instance: processing industries for agro-forest products, electricity, mineral exploitation and processing (gold, zinc, iron, bauxites..), construction materials manufacturing industries, industries' groups and goods production zones for export in order to create stimulating incentives to the Northern Part and build up the Northern Part in the development orientation 1/3/3/4 i.e. focus on the development of 1 economic center in the Northern Part in Luangprabang; concentrate on the development of 3 industrial zones in 3 provinces (Vientiane, Xiengkhouang, Oudomxay); concentrate on 3 economic corridors (Boten-Vientiane, Houayxai-Taichang and Meuang Ngeun-Nong Had) and 4 border economic cooperation zones (Boten, Houayxai-Tonpheung, Nong Had and Kenethao).

Together with the development of newly established economic zones i.e. Nongkhang Special Economic Zone and Khang Nongluang Unique Economic Zone in Meuang Pack.

- Residential Resettlement: Gather the people to the areas having favorable conditions for development, along the streets or close to the cities (suburbs), shift the poor people who live in dispersed manner in high mountainous areas down to reside in the designated areas, in order to improve the livings' base to better conditions, by promoting techniques in cultivation and animals raising, handicraft development and tourist service which will enable the displaced people to entirely participate in the production development processes and to become free from the poverty step by step. Establish focal villages groups for the residential resettlement and create jobs to the people, establishing rural towns and transform them into focal points having multi-professions, to promote processing industries, in order to divert the labor working in rural agriculture to shift to the industrial and service sectors in an increasing number. Accelerate 6 focal points development in Vientiane province (the villages groups of Ban Long Cheng, Meuang Orm, Meuang Ao and Meuang Saysomboun and the Phalavack Meuang Hom), in Xiengkhouang province (Ban Sanluang group in Muangkhoon and Ban Namsiam group in Muang Phaxay).

- **Basic infrastructure development:**

To support the international integration and to expand road network from provincial municipality to the priority districts and zones, the government focus on the urbanization in the municipalities through the development on necessary basic infrastructures as follow:

Development on land transportation infrastructure:

- Upgrade the National Road No.13 in the Northern Part (between Pakmong and Oudomxay) to connect to Road No.1B; upgrade the National Road No.19 between Hatsa and Pakha (Laos-China Border); continue constructing road to connect Att district, Huaphanh Province and Thathom District (Laos-Vietnam Border); continue constructing road to connect Sing District, Luangnamtha Province and Kanthao District, Sayaboury Province (Laos-Thailand Border) through Bokeo Province.

- Improve and construct the national roads and provincial roads for more convenience and efficiency as necessary such as pave the road to connect Xiangkok-Myanmar Bridge to R3 Road (the road that connects Bokeo to China border); pave roads with 2 layers or asphalt paving approach to connect Samneua Municipality to Nongkhang Airport; construct river bank protection in risky areas of Bokeo Province.

Development on water transportation infrastructure:

- Improve river transportation along the Mekong and protect the river bank from erosion in the target areas, apply standards that each ferry must not weigh more than 22kg of goods to transport between Huayxai and Luangprabang which is 300km long; build necessary equipment to upgrade communication between Laos, Thailand, Myanmar and China in water transportation to move toward the international standards.

Development on air transportation infrastructure:

- Build new airports in Huayxai and Nongkharng to facilitate the special economic zones development, conduct feasibility study for building the airport in Bouneua District, Phongsaly Province; expand further the airport apron, aviation traffic control station, petrol station, telecommunication and control equipment, etc. Additionally, improvement on international border checkpoints is also needed.

- Moreover, enhancing coordination and exchange knowledge on development among the regions and provinces is required in order to enjoy common benefits while improving

investment climate to promote business and employment generation suitably with actual local conditions.

7.7.2 Central Region

348. Providing advantages from being a country that locates in the Mekong Sub-region, the Central Region became a center of the national economic development particularly to transform economic structure towards the modernization direction and diversify products by providing a strong foundation to support the development of industry sector with high technology, high efficiency and high economic value addition. Among all, the most important industry sectors are electricity, mining, mineral processing and agro-processing industries as well as tourism and international trade which will help absorb more labor force into non-agriculture sector.

349. To enhance the role of Vientiane Capital as a center of economic, politics, culture, social and technical sciences and promote comparative advantages of Savannakhet Province in relation to economic cooperation with countries in the East and the West, focusing on industrial sectors that are using advanced technology and producing for export.

350. Strive to achieve high and sustained economic growth by focusing on the industrial processing sector that are labor intensive, aiming to increase labor in non-agriculture sectors. By 2020, the GDP growth rate is targeted at no less than 10,63% with agriculture sector grows on average of 6,4%, accounting for 25,58% of GDP in 2020; industry sector grows 13,05%, covering 39,94 % of GDP in 2020; and services sector grows 11,12 %, accounting for 34,48% of GDP in 2020; strive to achieve GDP per capita at USD3,784. The population is estimated to grow averaging 2,28% per year by 2020 and projected population is about 2,760,341. Poverty rate in the central is aimed to stand below 1% by 2020.

- **Agriculture and Forestry:**

- Khammouane and Savannakhet will be priority provinces for promoting rice production especially in XeBangfai and Navang in Nangbok District, the downstream areas of Yommalath and Hinboun districts, Khammouane Province; XeBanghieng flat area in Savannakhet Province, especially PhouhuaSaova in Sayboury district, Huaytuad in Champhone district and Lahanarm area. These areas will be shifted into irrigated agriculture in the future with the use of high technology, quality seeds to ensure sufficient supplies for domestic consumption and exports to overseas. In addition, there will be a promotion on plantation of sugarcane and cassava in Bolikhamxay, Khammouane and Savannakhet provinces, there will be a promotion on cultivation of tobacco for commercial in Bolikhamxay, promotion on vegetable plantation in Hadxaifong, Vientiane Capital and Bolikhan District in Bolikhamxay.

- Livestock: promote animal farming especially in Vientiane Capital, Bolikhamxay and Savannakhet provinces to prioritize on pig and chicken farming with an aim at supplying to the market demand and processing industry. Promote fish farming in Vientiane Capital and Khammouan along the Mekong and Hinboun rivers respectively.

- Continue investing in forest protection and replantation, continue decentralizing forest protection authority along with promotion of the agriculture and forestry, and provide technical advice on processing forest products (NTFP) to gradually change livelihood activities which can gradually raise income for the people who live in mountainous area.

- **Industry:**

- Create facilitating environment for attracting investments from domestic and foreign investors in industrial and commercial parks at KM21 in Vientiane Capital, Savan-Seno Special Economic Zone in Savannakhet Province and Phukiew Special Economic Zone in Khammouane to promote these zones to become centers of cooperation in economics,

industry-commerce, finance, services and modern technology development by taking advantage of the location of these zones which is in the heart of the sub-region and their land link characteristic that help facilitating regional and international integration, generating employment and providing trainings for the government officials and labors. These are to enhance competitiveness and increase number of the labor force to supply market demand of ASEAN.

- **Commerce, services and tourism**

- Apply multilateral trade policy to open door for modernization to supply for the demand under the integration condition. Develop infrastructure and markets to connect trade between provinces and districts. Open for trade relation with other markets in the region. Prioritize in developing markets along the East-West Corridors. Broaden market information sharing with entrepreneurs, and domestic and foreign investors.
- Post and telecommunication: Establish post center for sub-regional integration and develop telecommunication center as the national basic infrastructure.
- To continue developing faster logistic service on Road no. 8, 9 and 12 to facilitate trade and cross-border transportation.
- To improve and upgrade cross-border trade services especially in Savan-Laobao Checkpoint, Namphao Checkpoint and other checkpoints to deliver faster and acceptable services against the international standards in order to facilitate tourism, trade and transportation.
- To improve roads that lead to tourist sites as well as transportation and accommodation, build tour guides with quantity and quality, promote significant tourist sites in each province to make it further well known to the public, develop tourist information centers, exchange experiences in different regions on tourism, and develop regional and international tourist integration plan.
- To develop and promote tourism to be more diverse and interesting in different seasons by creating integrated tourism between three countries including Laos, Thailand and Vietnam, to be more comprehensive along Road no. 8, 9 and 12.

- **Basic infrastructure development**

- To continue improving and upgrading necessary basic infrastructure, share basic infrastructure between provinces along the East-West Corridors and Road no. 8, 9, 12 and Southern Part of Road no. 13. Improve highway in the Northern part of Road no. 13 to facilitate good transportation between Luangprabang and Vientiane Capital, and upgrade it to become a connecting road between the North and the South. Construct roads which affiliated to the East-West Corridors to support tourist integration with neighboring countries.

- **Social development**

- To develop social basic infrastructure, extend widely health and education services. Apply development assistance policy in the poor and underprivileged areas with prioritization in the underprivileged areas along the border. Increase investment in the national significant projects associated with the social sector.

7.7.3 Southern Region

351. Strive to achieve rapid economic growth by focusing on the industrial processing sector that are labor intensive, aiming to increase labor in non-agriculture sectors. By 2020, the GDP growth rate is targeted at no less than 12.13% with agriculture sector grows on average of 7.78%, accounting for 29.49% of GDP in 2020; industry sector grows 14.07%, covering 33.73 % of GDP in 2020; and services sector grows 14.87 %, accounting for 36.78% of GDP in 2020; strive to achieve GDP per

capita at USD2,169. The population is estimated to grow averaging 2.03% per year by 2020 and projected population is about 1,473,707. Poverty rate in the central is aimed to stand below 6.5% by 2020.

- **Agriculture-forestry**

- To promote and expand production areas for coffee, cashew nuts, organic vegetables, tea, pepper and fruit tree plantations in Champassak, Saravane and Sekong provinces especially to promote agro-processing industry and export production in Boliven Plateau, Paksong district. Champassak and Attapeu flats to prioritize in rice production for domestic consumption and reservation to reduce imports. Prioritize in fish farming, sericulture and beans plantation in 8 districts of Champassak along the Mekong. Promote application of new technics for animal breeding to increase animal farming in Saravane and Sekong. Promote Champassak province for cassava and jatropha plantation to produce alternative energy in the future. Promote industry trees plantation for commercial in the provinces with potentials and opportunities such as promote rubber tree plantation and industry tree plantation in Attapeu to produce paper for export through Phukeua checkpoint. Intertwine forest exploitation and forest conservation through replanting trees in the forest exploited areas. Decentralize authority on land, forestry and habitat management, and transfer knowledge on agriculture and forestry techniques to the people who live in the mountainous areas.

- **Industry**

- To develop electricity generation industry, agro-processing industry and mineral processing industry. Establish industry-garment group along major roads as identified under the Southern Asian Economic Regulation and establish it in the cities identified as the members of development triangles of Vietnam-Laos-Cambodia and Thailand-Laos-Cambodia.
- To create facilitating environment to further attract domestic and foreign investors into industry zones at Km16 in Bajieng Districts, at Km12 in Phonthong district, at Km30 in Phonthong District, and improve cross-border trade services at Vangtao checkpoint in Phonthong District and at Nongnokkien Checkpoint in Khong District to become faster and comparable with the services at the international checkpoints.

- **Commerce, services and tourism**

- To concentrate in cities/towns that play important roles in bridging the commercial production zones with the markets such as in Samakkixay (Attapeu Province), Khong Sedon (Saravan Province), Thateng (Sekong Province), Paksong and Pathoumphone (Champassak Province). This will significantly contribute in technology transfer, expansion of the market, modernization and services into the underprivileged areas in the southern region.
- To establish a shopping center at the heart of the region to facilitate trade relation between the provinces within the same region and increase export commodities at the checkpoints nearby. Pay close attention to market system at borders, especially at Vietnam and Cambodia borders, to align with the development of tourism centers of the region and between regions.
- To develop tourism centers in Pakse and along the roads that supporting tourism between regions and cross-borders such as National Road no. 18B, 14A and Road no.15 which facilitating tourism integration with Tai Nguan and the central coast tourism industry of Vietnam, and tourism industry in the North-East Provinces of Thailand.
- To focus on preserving tourist sites that accepted by UNESCO as the World Heritage Sites to attract domestic and foreign tourists such as Wat Phu Champassak, Khonphapheng-Leephee Waterfall, Four Thousand Islands and other tourist attractions such as Wat Sakhae and Saysetha Stupa.

- In conclusion, the southern region is prioritized area for creating value addition to the agricultural products by applying new technology and clean production, and promoting more processing industries to add value to potential products such as coffee, tea, rice and beans. Additionally, it requires constructions of manufacturing factories, establishment of labor skill development center to build workers with skills and principle. It is also important to improve basic infrastructure for facilitating quality and environmental friendly tourism industry and linking 4 southern provinces with other regions.

- **Basic infrastructure development**

To develop major roads of the region that lead to Vietnam-Laos and Laos-Cambodia borders. Upgrade provincial and district roads to ensure that 100% of total districts have roads to the center of the region that usable year round. Complete existing irrigation construction and renovation projects, construct additional medium and small sized irrigations, and establish water supply systems in the urban areas which are linking points. Develop basic infrastructure in 2 districts in the mountainous areas at Vietnam border and in Kaleum District.

7.8 OUTCOME 1, OUTPUT 5: Improved Public / Private Labor force Capacity

- **Directions:**

Develop workforce in both quantity and quality of various areas at different levels according to the economic structure by focusing on agriculture, industry and services areas in respect to the national development demand and build capacity for them to compete in the region especially in the ASEAN region. Build workforce to be national conscious, be a good citizen, respect laws and regulations, highly discipline, ethical, tolerant and active to their work and self-development and thereby become healthy workforce which is significantly essential for each period of the socioeconomic development.

- **Targets**

- To maintain unemployment rate at 2%
- To provide skill development to 658,000 people
- To successfully provide recruitment service for 716,193 new workforces
- To improve skill development center in Oudomxay to be testing center that issuing skill standard certificates for workers; to improve skill development center in Attapeu for better service; and to establish a new skill development center in Bokeo and Sayaboury.
- To develop new training curriculum which in line with the development direction especially training curriculum for builders, mechanics as well as curriculum on cookery, services, etc.
- To develop skill standards for 25 profession areas
- To test and issue certificate of skill standard for 10 professions in construction area, 7 profession in car mechanic, 6 profession in IT and 4 professions in tourism
- To complete 100% of labor force registration in 306 labor units that employed 100 workers or more.

- **Priority Activities and Projects to Achieve Output**

- To encourage employers to further develop basic skills of their workers
- To concentrate in developing a mechanism on Lao workers protection and management in overseas and solve any problems associated with foreign workers that arise to ensure legal compliance

- To increase international cooperation to mobilize financial and technical assistances on Lao labor skill development to improve quality of Lao labor force.
 - To widely disseminate related laws and regulations to the labors in all parts of the country
 - To focus on developing workforce to be technically expertise in their professions such as mechanics, engineers and other specific areas through international standard of learning and training courses, learning by doing and seeing in the laboratory to further improve knowledge, capability and skills before entering real labor markets
 - To promote researches and applications of sciences and technologies and issue skill standard certificates for labors to build confidence and trust for the labor and employers which will help increasing jobs and income security.
- **Implementing policies and legal instruments:**
 - To develop an appropriate policy on the foreign workers in the areas that short in domestic workers
 - To develop labor reform policy and mechanism to ensure that labor restructure follow the direction on reducing labor engagement in the agriculture sector and increasing labor engagement in industry and services sectors.
 - To improve policies on the minimum wage to be further appropriate and suitable with the economic condition in each period

7.9 OUTCOME 1, OUTPUT 6: Local Entrepreneurs are Competitive in Domestic and International Markets

- **Directions:**

Human development is key factor of the national development especially in the generation of advanced science, technology and integration. Therefore, it is essential to build human resources to be knowledgeable, competent and proficient in various areas of education and professions, build experts in specific fields to employ them in public and private organizations and thereby contribute in the national development and construction as they are capable to run private business most efficiently and effectively. At the same time, it is essential to concentrate in developing and managing technical services to build experts who specialized in each profession that can support the national development in each period.
- **Targets:**
 - To build work force in the areas of builders, car mechanics, etc.
 - To build work force in the areas of electrical engineering, civil engineering, mining engineering, geographical engineering, etc.
 - To build work force in administration and management such as business administrator, financial manager, economist, and lawyers.
 - To build technical school of at least 1 school for each province, and upgrade technical schools in some provinces, if applicable to be colleges that can provide trainings at various levels in many more ways.
 - To create more opportunities to enroll in the vocational schools and training courses for 60% graduates at general education level.
 - To build capacity for local firms especially those small and medium sized enterprises.
 - To improve and develop the existing agriculture technical service center with better quality and capacity to provide training in animal husbandry, cultivation and fishery. Currently, there are totally 185 centers nationwide.

- **Priority Activities and Projects to Achieve Output:**

- To focus on improving and updating curriculum for vocational and university education
- To improve and expand basic infrastructure for learning and teaching as well as training in different field of works
- To improve and develop coordination mechanism between public and private sectors in building skilled mechanics and technical staffs.
- To improve data collection system as necessary and disseminate the data regularly

- **Implementing Policies and Legal Instruments:**

- To reform vocational education system and vocational training that will ensure higher effectiveness and efficiency in the labor development and training.
- To develop vocational teachers in various professions (technical specialization and pedagogy) at different levels, domestically and internationally to sufficiently employ in the vocational and training institutions across the country at some level
- To develop supporting policy to promote linkage between production and employment generation of the business operators
- To develop supporting policy to encourage more secondary graduates as well as those who lack of opportunity to study to enroll in the vocational education

7.10 OUTCOME 1, OUTPUT 7: Regional and International Cooperation and Integration

1) Bilateral-multi lateral cooperation:

The direction for mobilizing the Official Development Assistance (ODA) focuses on bilateral and multilateral cooperation, cooperation that focuses on the implementation of work plans with several stakeholders to implement, mobilize fund and guarantee for fund contribution. The overall cooperation framework between Lao PDR and development partners must be in accordance with and reflecting the effective results and supporting each other and have characteristics of chain results associated with previous projects. In addition, it should also support and mobilize fund from international non-governmental organizations more and in accordance with relevant decrees and legislations in order for the mobilization and utilization of funds to be in accordance with the specified objectives and are used effectively.

- **Bilateral cooperation:**

Continue to expand the cooperation with other countries and in depth into the sectors focused by other countries; in which, pay attention to work and projects related to poverty reduction and some off-track MDGs. Focus on the necessary infrastructure development and capacity building to be the basis for the nation development and lift the country out of Least Developed Country status by 2020; at the same time, also continue to consult with other countries on loan with low interest. In addition, also open up to cooperation with some potential European countries.

According to the development direction of other countries, increasing south-south cooperation and tripartite cooperation is necessary maybe by starting from projects on training and exchanging experts in order to lead to tripartite cooperation by requesting developed countries to provide funding for the implementation of this type of cooperation.

Continue to cooperate and mobilize fund from Asian countries, from Europe and America into the implementation of the socio-economic development plan for more fund and higher results.

- **Multi-lateral cooperation:**

The direction for multilateral cooperation shows that it is necessary to continue to increase seizing effort for more cooperation in Greater Mekong Sub region (GMS) by starting from ASEAN and AESAN as negotiating partner. The GMS cooperation has been going well and there will be continuation in seizing cooperation in GMS and triangle development area. Apart from that, there is cooperation with financial institutions such as: World Bank, International Monetary Fund, Asian Development Bank, Organization of the Petroleum Exporting Countries. However, loan must be in accordance with public debt management of Lao PDR. Continue to take loan with lower and long term interest rate to support projects necessary for infrastructure development. For loan with business interest rate, there should be specific mechanism associated with economic sector with returning guarantee and not included in the ODA list. In addition, there has also been continuation in seizing fund from established international fund for addressing world emergency problems such as: Fund for AIDS and other contagious diseases, environmental fund, carbonic fund and other development funds.

Continue to seize cooperation and assistance from UN agencies to mobilize more fund for improving governance, protection and development of human resources, poverty reduction, UXO, address and response to epidemic diseases and the implementation of conventions. At the same time, also pay attention to managing assistance from international non-governmental organizations systematically in order for the incoming fund flow and the implementation funded projects to be effective and in accordance with the development direction of the country.

2) Regional and international integration (linking and integrating on trade)

- **Directions:**

- Regional and international integration for expanding the economic, social, political or stability cooperation with the region by starting from economic-trade cooperation ensuring mutual benefits to reduce development gap with other countries.
- In the process of integrating with the regional and international levels, we need to ensure the linkages within the country which is an important basis for the integration (infrastructure, road, water and air transportation, electricity coverage, telecommunication, economic corridor, economic zone and so on). At the same time, also regard the linkages as important strategy in transforming the country from not having access to the seas to a country integrated with the regional and international levels.

- **Targets:**

- Country trade open rate or integration rate.
- Proportion of the expansion of goods and passengers delivery.
- And others.

- **Priority Activities and Projects to Achieve Output:**

To ensure the efficiency of integration and creating good opportunity for the country, readiness in macro-economic stability, stable economic growth and access to domestic and foreign funding sources by business sector and readiness in banking and financial institution are necessary for the strong foundation of the integration.

Economic-trade integration: taking it as opportunity creation for market expansion both within and outside the country. Open up competition in processing industry and trade service sectors by determining on the niche market of the country, industry area, create variety of goods as well as preparing legislations, rules and laws to facilitate trade such as entering into World Trade Organization member and ASEAN Economic Community, improve access to funding source, create new entrepreneurs who are ready in all aspects, support and upgrade existing entrepreneurs to be more competitive; improve and promote Small and Medium Enterprises (SMEs) to be ready and strong, create integration between SMEs and big enterprises to create production chain. Focus on increasing external trade. Increase coordination mechanism between sectors and between local areas.

Transport integration: upgrade public works and transportation sector to be the development spearhead for linkages within the country, integration and linkages with the regional and international levels by facilitating quick services and ensure safety in creating conditions for investment, production, trade and tourism. Focus on improving and expanding infrastructure: roads: national avenues, linking roads from provinces to districts and villages; ASEAN main roads No. 3, 13 north, 13 south, road No. 2, No. 8, No. 12, No. 16 and 9; railways from Boten to Vientiane Capital, Vientiane Capital – Thakhaek – Muya, Thakhaek – Savannakhet – Champasack – Nong Nokkhien – and Champasack – Vangtao; water transportation: improve water way from the border of Laos-China-Myanmar to Houayxai, improve services of Huang-anh Ports to facilitate Lao import and export of goods with reasonable price; air transportation: improve and upgrade domestic airport and international airport to meet international standards, expand more flying routes with countries in the region, create all necessities for flight such as: quality personnel, flight radios and managing safe air traffic; develop and expand standard for logistic system in Laos.

Energy integration: develop national energy to be sustainable aiming at ensuring the power stability for domestic use (hydropower, charcoal) and being competitive in the region, focus on generating energy that is more certain, create basic rights and variety of energy business types in order to sufficiently meet requirements of consumers; research for new power sources and increase the expansion of renewable energy and other alternative energy (solar power, wind power, biomass, biogas); focus on the development and utilization of clean and environmental friendly energy in association with the protection of forests, water source forests; continue with mining that has been surveyed and mining with high quantity for the sustainability of mines. Expand electricity coverage to rural remote and hard to access areas leading to at least 90% of the total number of families in the country to have access to electricity by 2020, projects to export to foreign countries: 3 projects are under construction with the total power installation of 3,428 megawatt such as: Hongsa hot power project 1,878 megawatt, Xayyaboury hydro project 1,260 megawatt and Xekhaman with power installation of 290 megawatt. At the same time, in the next 5 years, strive for projects with PDA and CA contracts to start the construction of 24 projects, expansion rate of electricity sector at the average of 32% per year, reduce the negative balance on the export and import electricity by limiting the import of electricity to no more than 20% of the usage in the country by 2020.

Labor integration: to enable labor to adapt to changes in the regional and international labor market step by step by focusing on developing labor skills so they have knowledge, capability, creativity, discipline and with training curriculum to meet requirements of production market such as in ASEAN countries, standard of labor skills, examination and issuing certificate and organize labor skills competition regularly; increase minimum wage; determine clearly on the proportion of importing foreign labor to be able to manage labor within the country to ensure their employment; labor movement within and outside the country must be systematic and with clear mechanism to ensure employment; establish and improve social insurance network to be strong and efficient to protect rights and benefits of

labor in all sectors and careers; focus on making labor market information system, establish and strengthen the network of employment services to be able to meet labor market requirements; seriously focus on transforming labor structure by moving labor from agriculture sector with high proportion but low effectiveness to industry sector and service sector which are more effective sectors.

Culture and tourism integration: culture is the main foundation of sustainable development of the nation leading to solidarity in the society and pushing the society to expand, integrate with the regional and international levels based on preserving and protecting Lao cultures and traditions, pay attention to raise awareness of people to love Lao cultures and traditions. Culture development must be associated with tourism which is regarded as the country's opportunity to promote the cultures, history, traditions and heritage of the country to external people.

- **Implementing Policies and Legal Instruments:**

Trade integration:

- Develop legislation system in economic areas to be hand in hand with each other as well as increasing the implementation of laws.
- Policy on promoting government, private and entrepreneurs' participation by establishing forums for regular consultation.
- Policy on the development and promotion of products that are unique for the country and are able to compete with the GMS, the region and international level by creating new unique products or services and develop variety of goods based on the potential of each local area and based on the market requirements; promote and expand local economy that embrace local community innovative production.
- Policy on accessing funding source, investment attraction from within and outside of the country.

Transport integration:

- Develop and improve legislations such as management of vehicles, monitoring and managing goods and passenger's transportation with GPS system.
- Apply a policy on the development of economic corridors, north, south, east and west by linking them with goods and passengers transportation by roads, water and air effectively.
- Apply a policy on green development of cities for orderly and clean cities: no pollution and attractive for living.
- Apply a policy on communication in association with policy on production for business and production.

Energy integration:

- Apply a policy that will ensure the stability of energy by focusing on the sufficient provision and distribution of electricity to production and service areas. For out of coverage areas, there should be researches on alternative sources of power; expand electricity coverage to areas with no electricity coverage or insufficient electricity.
- Apply a policy that will facilitate improving of the people participation mechanism in the management and reducing government subsidy while moving toward privatization.
- Conduct study and develop a master plan for rural electricity and construction of small size hydropower in possible areas, solar power or diesel power generation in remote areas where hydro power is not possible.
- Apply a policy on determining electricity price.

- Apply a policy on investment in developing renewable energy and alternative power sources.
- Apply a policy on saving energy and effective use of power which is also a policy on international power integration.
- Apply a policy on environment protection by promoting the use of new technology which is environmental friendly and produce minimum amount of pollution to the environment and society, support the development and more use of clean energy.
- Apply a policy on collaboration with several sectors such as on forests and water source forests protection which needs collaboration with agriculture and forestry sector.

Labor integration:

- Apply a policy on the development of labor skills in quantity and quality by establishing national standards on labor skills in different careers and organize competition on labor skills at provincial and national levels regularly to improve and increase experience in labor skills development.
- Apply a policy on making quality database system on labor market information in nationwide.
- Apply a policy on the expansion of social insurance and health insurance for all as well as disseminating laws on social insurance to target audience.

7.11 OUTCOME 2, OUTPUT 1: Improved Living Standards through Poverty Reduction using Sam Sang-Oriented Directions:

- **Directions:**

To solve the poverty of the population and ethnic minorities across the country by enhancing robust and firm political roots and to carry out comprehensive rural development linked to the building of developed villages according to 4 statements and 4 targets: the economic development is regarded as the central task along with socio-cultural development and environment protection, to safeguard the national defense and security and to maintain political stability; to agglomerate big villages into small towns in rural areas linked to productions in the local regions and territories; to resettle the people by allocating new places to stay and permanent professions in priority manner; to pursue the people's poverty reduction by promoting commercial production and services according to their respective local potential; to put efforts in clearing the UXOs from development territories, tourist sites, agricultural production, livestock raising and the population residential areas. In parallel, pay attention to carry out the treatment, health rehabilitation and assistance to the UXOs' accident victims.

- **Targets:**

- The poverty rate decreases to 15% by 2020
- The poor families rate remains at not more 7 % by 2020,
- The remaining poor Villages is lower than 10% of total villages,
- The remaining poor districts is lower than 15% of the total number of districts,
- To establish developed families more than 50% of the total number of families,
- To establish developed villages to reach more than 50% of the total number of villages across the country,
- To group big villages to form small rural towns, achieving 3 small rural towns in one district,

- To eliminate poor districts by half of the total number of districts across the country,
- To establish developed districts to accomplish more than 10%,
- To struggle to address the people's migration problem,
- To strive to diminish the number of the UXO's victims from the 45 persons per year to 25 victims per year by 2020,
- To put efforts to clear the UXOs from priority areas to serve the livings of the population and ethnic minorities and the government's socio-economic development projects to have a clear area of 30,000 hectares and provide assistance to 100% of victims.

• **Priority Activities and Projects to Achieve Output:**

- To launch staff missions down to grass-roots' areas to concentrate on transforming villages into developed units according to 4 statements and 4 targets by accelerating to counteract social drawbacks appearing in various villages and districts to secure the grass-root areas, to return the good social order and making the people enthusiastic to contribute to the development. Solve the people's poverty and improve the people's living and bringing it step by step to better conditions.
- To focus on attracting funds from various sources and conduct advocacy to raise all the parties in the society the will to widely and actively contribute to the poverty reduction.
- To ameliorate and construct necessary basic infrastructures in rural and remote areas for instance to upgrade and to construct roads in rural areas to connect villages to districts and districts to provinces to interlink within regions. Construct public and private sectors service facilities to bring them down to the population, to transport products and goods to the markets for distribution between districts, provinces and frontiers.
- To allocate residential housing and give them the means of livings for the people, particularly in the villages who have no place for production. Design good villages planning and enforce the planning's implementation consisting of village administration office (village office), village hall, village information centers and others. Supply water for the rural people's production for 2 seasons, aiming to support food and supplies production objectives as well as for commercial goods generation which are linked to the agro-irrigations development programs. Prepare to cope with climate/weather changes and reduce the damages caused by natural disasters that could occur.
- To promote intellectual economy and subsequent production of diversified commercial goods
- To encourage the people to produce diversified goods in accordance with their inheritance in various local areas to attract tourists such as agricultural and forest products and so on, to produce souvenirs, for domestic use and for exports for instance Lao silk cloths, wood and metal products which are covered of carvings and colorfully paint- coated etc.
 - To create jobs and more income generation for the people linked to tourism.
 - To concentrate in solving UXOs.
 - To concentrate on sustainable management and utilization of natural resources,

• **Implementing Policies and Legal Instruments:**

- To improve and set investment policies serving the areas of production, tourist service, education and health in the remote rural areas to clarify them in order to attract more private investments, aiming to create employment and further income generation for the people by focusing on the investments which employ rural labor as in the activities of the agriculture-forest sectors, mining, power and processing industries etc. In parallel, professional training in various specialty to upgrade labor skills and expertise for the rural

people to diminish the inflow of labor into cities and spread out more development to rural areas.

- To issue appropriate policies for customs and tax collection, credits issuance, site resources utilization, assets capitalization; to objectively promote the entrepreneurs and others in the dangerous, rural, remote and poor areas.
- To improve and issue regulations at basic and local areas to render them consistent with actual conditions by deriving them from general regulation and principle.
- To strengthen the sectors' responsibility and ownership in the implementation of the sectors' policies in details, as well as to concentrate on objective directing and supervising the staff and fund used in the actual operation in the local areas.
- To issue policies that promote the staff at central, provincial and district levels, who are carry out their field mission in remote and dangerous areas, consistent with actual situation and fit with the capacity they have.

7.12 OUTCOME 2, OUTPUT 2: Food security Ensured and Incidence of Malnutrition Reduced

- **Directions:**

Ensure food security and dietary intake of essential nutrients and safe for health which count from the production to the consumption processes, aiming at contributing to poverty reduction and livelihood improvement for the people in a sustainable manner.

- **Main targets:**

- Availability of food for the people is sufficient with essential nutrients, each person will have daily energy intake between 2,600-2,700 Kcal
- Potential agricultural products are identified, which represent local characteristics and potentially become priority products under the clean agriculture standards
- Agriculture productivity is lifted
- Animal husbandry is shifted from natural dependent characteristic into farming and industrial characteristics. The farm products share larger than 30% in the total animal products
- Forest cover 70% of total area in 2020
- 2 priority areas are identified as irrigated agriculture models for rice, vegetables, livelihood and fishery
- Allocate areas for agricultural production base on following conditions of soil and the air:
 - Large flat areas (Vientiane, Bolikhamsay, Sebangfai, Sebanghieng, Sedon, Champassak and Attapeu) are suitable for irrigated agriculture development, rice farming (priority for Savannakhet and Khammouane Provinces), and industry tree plantation
 - Plateau and mountainous areas (Bolaven, Nakai and Xiengkhuang Plateaus) are suitable for fruit tree plantation and cold weather flowers and vegetables. Nakai Plateau is suitable for fish nursery and fishery as it surrounds a huge lake. Xiengkhuang Plateau is suitable for growing graze to feed animals and suitable for cold weather trees, flowers and fruits.
 - Others

- **Priority Activities and Projects to Achieve Output:**

- To accomplish food security targets, it requires sustainable and integrated agriculture development through promotions on clean and organic agriculture which are environmental friendly. Close attention is needed on following tasks:
- Properly allocate agricultural production areas by classifying and identifying land use areas such as areas for rice farming, cash crops plantation, big animal husbandry as well as poultry and aquatic lives, and target area for tree plantation for supplying the domestic and export markets.
- Develop basic infrastructure and identify target areas for irrigation, especially in 2 priority flats (Sebangfai and Sebanghieng) as well as other flats to focus on rice farming and shift toward irrigated cultivation of the target plants (comprehensive agricultural production).
- Identify enabling and potential areas for organic farming and widening clean agriculture to ensure food safety.
- Be proactive on risks management and mitigate impacts from natural disaster.
- Expand modern and high effective agricultural production, apply advanced science and technology into the primary production
- Improve management system on the use of production factors
- Provide production technical services and promote the use of them by conduct a research on rice seeds, plant seeds and animal breeds, and experiment new technologies to upgrade productivity.
- Build rice storage/warehouse to ensure food security in anticipated events of natural disasters, food crisis, etc.
- Improve and develop a system to apply sanitary and phyto-sanitary measures
- Early create connection between agriculture development and processing industry to promote commercial production, and clearly identify tasks division between agriculture sector and industry and commerce sector in all scales of production
- Others.

- **Implementing Policies and Legal Instruments:**

- Clear and practical policies on food and nutrition are needed including policies on production area expansion and lifting productivity.
- Agriculture land identification and classification needs to be clear and appropriate with the geographical situation and temperature in each area, such as classifying agriculture land in large flats, small flats and plateau areas. Additionally, beside of prioritizing areas for rice production, land allocation for other potential types of plantations is equally essential such as plantation of industrial trees, short and long season vegetables, and high potential livestock including large and small domestic animals, aquatic lives.
- Policies on comprehensive basic infrastructure development is required such as development of irrigations, agriculture extension center to support seedling of potential vegetables, rice and livestock breeding to compete in the markets and sufficiently supply the domestic consumption. Beside these, modern laboratory center, analysis center and technical service stations with international standard are also needed to enhance competitiveness in regional and international market. At the same time, road quality needs to be improved for facilitating transportation of goods and raw materials in both seasons of the year; sufficient energy and water supply needs to be ensured for facilitating production of farmers and factories.
- Appropriate policies on credit loans to the farmers is needed by promoting establishment of production groups, collection groups and barns for storing rice, vegetables

and livestock in order to reduce production cost, increase negotiation power in supplying and pricing, and to use it as collateral to access to financial resources from financial institutions.

- Apply promotion policy on commercial production of agricultural commodities that fall under the national priorities and those of local potentials or local characterized products in order to create linkage between agricultural production and tourism industry; encourage more private participation and identify clearly types of investment in the agriculture area and clearly divide responsibilities between public, private and people's participation in each province.
- Apply policy on sanitation and phyto-sanitation with an aim at protecting any harm from and stay proactive in the situation where there are outbreaks; establish monitoring and certifying system for the relevant operators on food safety to build trust for the domestic and foreign consumers. Additionally, there is a need to ensure clean and strict inspection on imports of consumption goods as well as animal feeds and vaccines. It is also important to ensure clean animal farming areas and transfer knowledge for the farmers systematically and regularly; inspect the quality of factories and slaughter houses according to the international standards.
- Strengthen capacity of the grassroots level to enable them to transfer knowledge and provide on-job-trainings to the farmers on regular basis including techniques on plantation and animal husbandry to reduce production cost, and ensure that the products are in line with the market demand and enable regularly and timely production.
- Establish risk reduction fund to help releasing burdens for the farmers on production costs during the agricultural product price fluctuation and thus, help creating price competitiveness with foreign producers.
- Promote consumption behavior that is in line with sanitation and food nutrition principles by conducting campaigns and including these principles in the curriculum for kindergarten level onwards.
- Strengthen coordination between sectors and relevant actors to be more systematic such as the industry and commerce sector needs to pay attention at safe, clean and good standard processing and supplying of raw materials as inputs for the factories; improve and expand commodity supply to the market in the sustainable system; strengthen coordination with and increase participation from the public works and transport sector, energy and mine sector, banks and financial institutions.
- Increase cooperation and close collaboration between public and private sectors, especially business operators, enterprises, domestic and foreign firms to expand the production base and thus, enable sufficient supply of raw materials from agricultural products to the processing factories.
- Formulate and improve legislations on zoning and master plan on land use for agriculture that suit with actual development situation and the needs for sustainable agriculture development.
- Formulate and improve legislations on sanitation and phyto-sanitation as a commitment and action toward treaties that Lao PDR parties with.
- Others.

7.13 OUTCOME 2, OUTPUT 3: Universal Access to Quality Education:

- **Directions:**

- Continue reforming the education system to become stronger for the development of the people with education and capacity from kindergarten level to the vocational and university levels in response to the demand from the socio-economic development; improve and expand basic infrastructure for the education for all especially those in the remote areas;

extend education opportunities to the children, adolescents and the people in the remote areas in order to fulfill the policy on the compulsory education at primary level and then at the secondary level as a foundation for the development and upgrading of labor skills and quality; ensure incentive policy is applied to attract more students at vocational education level; likewise, improve and modify curriculum for vocational and university educations in the fields that suit the socio-economic development such as electrical, mining, processing, handicraft, mechanics and services. This is to help ensuring higher quality of the education and sufficient labor force to employ in production and services sectors that supporting the future national development, and enhance capacity to integrate and compete at the regional and international level.

- Develop capacity for athletes and gymnastic players to become professional and meet the regional and international standards step by step; encourage all people in the society in playing sports and gymnastics especially youth, women and seniority; promote and develop sports of indigenous and turn them into the national sports as appropriation.

- **Targets:**

- 55% of children between 3-5 years old enroll in pre-school
- Gross enrolment rate of children at 5 years old reach 70%
- Net primary enrolment rate reach 99%
- Primary survival rate reach 90%
- Lower secondary enrolment rate reach 85%
- Upper secondary enrolment rate reach 75%
- 30% of lower secondary graduates enroll in vocational education and 60% of graduates from upper secondary enroll in vocational education
- Literacy rate of population between 15-24 years old reach 99%
- Literacy rate of population above 15 years old reach 95%
- 30% of total population exercise and play sports-gymnastics

- **Priority Activities and Projects to Achieve Output:**

- Develop educational basic infrastructure especially extending kindergarten and primary schools in the villages without permanent schools, extending lower and upper secondary schools in the areas where possible, improve quality of the education and sports, and build vocational school for each region
- Improve quality of learning and teaching by paying attention at improving quality of the teacher, proving learning-teaching tools, build laboratory and other necessary rooms for practice to focus less on learning by theory and focus more on learning by actual experiment and practice.
- Improve educational administrative system from central to the provincial levels
- Prioritize more on scientific research and application of its results into the learning and teaching process to raise quality of the students and pupils.
- Prioritize on improving physical learning especially improve capacity for trainers and selected athlete with talent to become the national sport team

- **Implementing policies and legal instruments:**

- Continue implementing the strategies on educational reform on evidence based
- Continue implementing the national action plan on education for all and the education development framework

- Continue applying the policy on automatic graduation
- Improve policy for the staffs who work in the remote areas to be more suitable and appropriate with actual situation.

7.14 OUTCOME 2, OUTPUT 4 – Access to Health Care and Preventative Medicine

- **Directions:**

Ensure that every one has access to health care services and receives high quality medical services through improvement and extension of health basic infrastructure into the remote areas; at the same time, enhance capacity on health treatment and prevention for the hospitals by employing and develop medical staffs and nurses with skills and ethics, build them to be service minded, delivering good services and using appropriate technology to upgrade the quality of health services. Ensure sustainable finance for health sector by increasing share in the public budget and fund to cover health insurance for private and community. Ensure that safe birth delivery; ensure sufficient nutrients for children dietary – clean food with 5 groups of nutrients. Raise awareness of the community on the major issues in healthcare, sanitation as well as clean water supply and further encourage utilization of latrine in the remote areas to ensure broad use of clean water and sanitation facilities.

- **Targets:**

- Achieve 73 years old of average life span achieved
- Wasted ratio in children under five reduced to 15% and stunt ratio reduced to 28%
- Mortality rate of children under 1 year old reduced to 30/1,000 live births
- Mortality rate of children under 5 reduced to 45/1,000 live births
- Maternal mortality rate reduced to 200/100,000 live births
- 90% of population use clean water
- 80% of population use latrine
- 95% of children got immunization shots
- 80% of population covered with health insurance

- **Priority Activities and Projects to Achieve Output**

- Improve and establish health centers in the appropriate areas, upgrade district hospital capacity to carry out small case surgery, upgrade provincial and regional hospital to increase trust of the people in healthcare services
- Build and train field medical staff in the remote areas consistently; send more fresh medical graduates to the provinces for internship.
- Broadly expand private and community health insurance
- Continue establishing more health model villages
- Continue the effort on food quality and medicines inspection as well as taking measures against law violations
- Improve health information system to be accurate, fast and up to date.

- **Implementing policies and legal instruments:**

- Continue applying policies on free health treatment and ensure that the policy application is appropriate with the actual needs especially free birth delivery and healthcare for children under 5.

- Encourage more participation from all stakeholders in health treatment and healthcare services for the people
- Develop policies on health information and develop guideline on information standard
- Develop policies on quality of public health services

7.15 OUTCOME 2, OUTPUT 5: Access to Social Welfare is Extended

352. The social security system has been established and improved and more effective to ensure that rights and interest of the workers are protected. Encourage more workers, private officials to make a contribution in Health Insurance Fund. Meanwhile, apply a policy that provides benefits to the people who contribute and living in disable condition as they sacrificed in the national democratic revolution period. Promote public participation in helping disadvantaged people and victims of disasters to receive aid for relief in transparency, efficient and timely manner.

- **Targets:**
 - Coverage of insurance and health insurance to cover 80% of the population by 2020.
 - To implement a policy that provide benefits to 31,830 people with outstanding and great contribution in the national democratic revolution.
 - To establish Social Fund in all 18 provinces and to help improve the quality of life for deprived people, victims of disasters and human trafficking.
 - To establish networks for protecting rights and interests of children, prevent and combat human trafficking for 800 villages.
- **Priority Activities to Achieve Output:**
 - To disseminate regulations on social security for workers and employers in the private and the public sectors so that they understand the importance of health insurance.
 - To improve coordination among labor, health and other agencies involved in implementing tasks on modernizing and improving effectiveness of the social security.
 - To build infrastructure for disabled officials accommodation.
 - To conduct a survey on disabled and elder people across the country.
 - To implement a project on basic healthcare provision to disabled and elder people.

7.16 OUTCOME 2, OUTPUT 6: Protect Traditions and Cultures

- **Directions:**

To protect and enhance historical and valuable heritage of cultures and traditions of the nation to be with Lao society forever; enhance unique cultures of ethnicities and promote them to the society and the world to promote cultural tourism; develop civilization both physically and mentally, as well as accepting human advanced culture values selectively and in accordance with the era and being able to integrate internationally, deterring culture problems in society. Improve and develop cultural products to be variety and high quality, actively contribute to the sustainability of national socio-economic development. Develop cultural villages and cultural families to contribute to peaceful, safe and civilized society.
- **Targets:**
 - Establish cultural families by 80% of the total number of families in the country, cultural villages by 65% and cultural cluster villages by 16%.

- Restore, preserve and promote uniqueness of cultural heritage both physical and non-physical items.
 - Upgrade provincial cultural heritage, history and nature to be national heritage.
 - Create cultural parks at national and local levels.
 - Create model cultural villages to be tourist destination.
- **Priority Activities and Projects to Achieve Output:**
 - Support the restoration, preservation and enhancement of the nation's unique historical and valuable cultural heritage.
 - Disseminate and raise awareness of people of ethnicities on the nation's cultural values in big cities and communities to establish a livelihood pattern that is in line with the advanced cultures.
 - Develop a master plan for managing and protecting the Plain of Jars in Xiengkhouang Province and rock forests in Khammouane Province in order to propose them to be included in the national heritage.
 - Excavate and research on historical places in nationwide.
 - **Implementing Policies and Legal Instruments:**
 - Revise and develop legislations for the management work related to cultures and the process on registering items into national heritage.

7.17 OUTCOME 2, OUTPUT 7: Maintain political stability, social peace, order, justice and transparency

1) Enhance solidarity and unity

- **Directions:**
 - Enhance and increase awareness of people of ethnicities to understand the Party's and Government's policy directions deeply; open wide and enhance democracy according to the centralization principle strictly, strengthen the political foundation by providing training on political-thinking and regulations set by the Party-Government. Enhance creativity of students and scholars, army-police officers to be able to contribute to the democracy government with peace, independence and prosperity. Enhance the historical leadership of the Party-Government to be able to apply to the current situation, science and democracy. Take ownership in the integration and cooperation with foreign countries in accordance with the foreign affairs directions of the Party-Government.
 - Strengthen national defense and public security by promoting for each individual to take initiative in protecting public security and keeping society in order, creating trust and safety in the livelihood of people, in business and tourism; ensure the socio-economic development is carried out consistently and achieves high results.
- **Priority Activities and Projects to Achieve Output:**
 - Disseminate policy directions, laws and regulations and educate women, youth, juvenile and people of ethnicities on political thinking for their broad and deep understanding for active contribution to the country development.
 - Improve the structure of the organization and management according to the directions of building provinces to be strategic unit, building districts to be holistically strong unit and building villages to be development unit (3Builds).

- Increase coordination between central-local, local-local, government-private and other relevant parties.

2) **Deterring social problems**

- **Directions:**

- Increase public advocacy, dissemination of legislations, regulations, laws and Party-Government's policies especially for the people in rural areas with various approaches aiming to increase participation in the development process, strict adherence to the laws and regulations to deter social problems such as: corruption, burglary, human trafficking-prostitution, drugs dealing and using drugs focusing on youth in big cities in urban areas and cities in rural areas.

- **Priority Activities and Projects to Achieve Output:**

- Deterring social problems by:
 - * Provide training on political concepts and raise awareness on laws and regulations systematically and regularly.
 - * Monitor and draw lessons.

7.18 **OUTCOME 3, OUTPUT 1: Environmental protection and sustainable natural resources management**

- **Directions:**

- To ensure sustainable development, initiatives on environmental protection and disaster risks management are essential. Develop green, clean and beautiful economy for the people's well-being, health and pollution free by sustainable urbanization. Increase capacity on climate change resilience and impact mitigation.

- **Targets:**

- Land use classification is completed for all parts of the country
- Issue 400,000 land titles for all parts of the country within the next 5 years
- Forest cover reached 70% of the total area by 2020 or complete land classification, zones and recover forest cover to 70% of total area (further discussion is needed)
- Reforestation area reach 1.5 million hectare by 2020
- Research and classification on mineral resources are completed as reference for identifying potential minerals for exports as raw materials and domestic consumption, and enabling estimation on maximum and minimum quantity of the minerals as information for identifying the directions to use minerals in the most effective manner
- The water resources management is comprehensively in line with principles on integrated water resource management which is in place in 7 basins of development priorities (Nam Ou, Nam Ngeum, Sebangfai, Sebanghieng, Nam Ngiep, Nam Theun-Nam Kading and Sekong)
- Complete the design of a study on the characteristics of hydrology, physical types, chemical hazard in the river, water classification, exploitation of surface-underground, reservoirs and ground water to ensure balance and sustainable in water management and protect the ecosystem.
- Pilot program on establishment of model national natural parks in 2 areas: Nam Att-Phu Leui and Nakai-Nam Theun National Conservation Areas.

- Establish mechanisms to manage and monitor the quality of the environment across the country by setting up 1 national laboratory and 3 regional laboratories for water quality testing (North, Central, and South); establish stations for monitoring air quality in the 3 regions.

- Complete brainstorming and establishment of mechanism for creating green and clean towns, green and sustainable rural development.

- **Priority Activities and Projects to Achieve Output:**

- Develop a plan for sustainable use on natural resources and manage the use of these resources including land, forest, minerals, water resources, biodiversity...)

- Develop plans for urban and rural development bond with a good environment preservation and identification on new towns areas including residence, public areas for recreation, historical area, cultural heritage area...

- Comprehensively manage water resources, meteorology and hydrology.

- Increase research, experiments and technical staff in the environment area both with quantity and quality.

- Set up sustainable financial mechanisms and information systems.

- Implement agreements, international treaties that Laos partied in effectively and timely manner according to the international and regional cooperation framework.

- **Implementing policies and legal instruments:**

- Policies on water resources protection and management, food security, energy security and policies on the development of clean and safe city shall be harmonized and closely linked.

- Policy on increasing of the forest cover.

- Apply policy on promoting linkage between land use and land protection to ensure people's rights by law on land use for livelihood, housing and production; harmonizing land allocation, land capitalization and utilization as a sources of wealthy for the people and the nation; ensure public centralized authority and ownership; combat and minimize any actions that abuse and misuse the law on bribery

- On the policy on land allocation and land use, conduct a survey for data collection, land allocation, zoning and land classification; develop geographical map and master plan for managing, protecting, developing and using land and natural resources at the local, regional and national levels

- Apply policy on development of the finance mechanism to ensure that all rural areas enjoy benefit sharing from economic growth to reduce social drawback and environmental impacts as a result of forest invasion and non-timber forest exploitation that are not complying with the plan. Collection of natural resources fees shall be reviewed to ensure highest benefits from this source of revenue for contributing into basic infrastructural development, cultural-social and environment protection as such as fees collected as commitment of mega projects.

- Attract and mobilize more investments from both domestic and foreign investors to build green economy toward the sustainable direction

- Apply policy on strengthening capacity for the concerned sectors on natural resources and biodiversity to create a balance between natural resources protection and exploitation such as ecosystem services, land, water, and forest reconstructions.

- Apply policy on the sustainable employment generation to reduce environment degradation and ensure long-term benefits of the nations from the environment.

- Improve and formulate legislations relevant to the use and management on the natural resources; apply regulation to increase awareness for the community or the people who live in the risk areas where natural resources are exploited in order to help improving knowledge on costs and benefits from ineffective use of the natural resources.
- Issue legislation and regulations to develop the National Natural Park along with a promotion on eco-tourism places where forest and biodiversity rich.
- Inspect and monitor implementation on relevant regulations and disseminate them widely.

7.19 OUTCOME 3, OUTPUT 2: Prepare to cope with the disaster risks and climate change

- **Direction:**

- Further develop sustainable ownership to protect the environment, ready to cope and reduce the risk of various disasters, economic green people live a good, healthy, strong and safe from pollution of water, sound and air. Increase and improve the ability to adapt, to reduce the impact of climate change by reducing greenhouse gas emissions to a minimum.

- **Targets:**

- Complete the establishment and improvement of network stations and early warning systems in river basins under the priorities (Sekong Basin, Sedone Basin, Sebangfai and Sebanghieng) by modernizing 18 stations and 8 stations are for hydrology
- Enhance self-initiatives toward disaster risk management including flooding, drought, accident from the air travel, earth quake, landslide...
- Build early warning centers for Meteorology and Hydrology that can alert the people's readiness and reduce damage to a certain level.
- Complete system to track and monitor environmental and social performance and effectiveness.
- Complete mechanism for adaptation and reduction of impacts from the climate change and comprehensively mitigate greenhouse gas effects
- Establish a system to prevent and manage the disasters which can timely ensure the safety of people across the country

- **Priority Activities and Projects to Achieve Output:**

- Increase ability to adapt and mitigate the impacts from climate changing in the risk areas and areas that vulnerable to disasters; extend and develop REDD+ project periodically to reduce greenhouse gas effects.
- Establish mechanisms to manage, monitor and evaluate the impacts of water, air and sound pollution systematically and comprehensively.
- Establish mechanism on waste management, waste type identification and reduction of waste volume by promoting 4 methods (reduce, re-use, recycle and rehabilitation)
- Establish mechanisms to manage toxic chemicals and hazardous waste and water treatment system in provincial municipalities and the capital
- Increase research, experiments and technical staff in the environment area both quantity and quality.
- Establish a comprehensive early warning system (piloting tools, equipment, vehicles as well as officers who are skillful in immediate respond to the emergencies).
- Establish sustainable financial mechanisms.

- To ensure regional and global integration in accordance with the appointed roles by carrying out agreements, international treaties in effective and timely manner.
- Implementing policies and legal instruments:
- Policy that can manage disasters effectively especially natural disasters, accidents by air travel and adaptation to the climate change.
- Policy that facilitate the establishment of sustainable financial mechanism by ensuring the economic growth broadly benefits rural areas to reduce social problems and reduce the impacts on the environment
- Policies that attract private domestic and foreign investment to create a green and sustainable economy.
- Policies on sustainable employment generation for the communities to reduce the environmental impact and lengthy benefits the country.
- Improve legislation on the use and management of nature resources, regulations on informing the community and the people in the natural disaster risk areas for their understanding to let them realize gains and losses resulting from the ineffective use of naturally resources.
- Conduct an inspection, monitoring and dissemination of advertising regulations.

7.20 OUTCOME 3, OUTPUT 3: Reducing the instability of agricultural production caused by the impact of disasters (ensure about markets and prices for the agricultural products)

- **Direction:**
 - To meet the sustainable development and stable and continued economic growth, reducing the instability of agriculture production is essential to foster economic growth and promoting stable jobs for farmer. In connection to this, preparing for and anticipating the environment condition and climate change are the main factors for agriculture. Moreover, it is also important to ensure stable supply, markets and prices for the agricultural products.
- **Targets:**
 - Water level changing rate
 - Average changes in temperature
 - Identify areas that vulnerable to disasters
 - Etc.
- **Priority Activities and Projects to Achieve Output:**
 - Timely incorporate disaster management, prevention and control plan into the agriculture development programs in each level and each period of crisis
 - Develop an action plan to reduce risk from disasters in the agricultural sector
 - Strengthen the ability to response to disasters, including resolution and recovery after a disaster at all levels on timely manner
 - Create guidelines for integrating the work on climate change, disaster risk reduction and mitigation of the greenhouse gas effects and include in strategic and operational plans of Agriculture - Forest and Public Works and Transport sectors.
 - Conduct a research and data collection to map areas of potential disasters risk such as the risk area to flood, drought, breakout disease on animals and plants, risk areas to landslide.

- Provide education, research, development and improvement and shifting into the uses of seed and crop plantation that are resilient to climate change.
- Etc.
- **Implementing policy and legal instruments:**
 - Response policy and strategy on disaster and natural disaster emergency at the provincial and the district levels
 - Others.

7.21 PRIORITY CROSS-CUTTING OUTPUTS:

7.21.1 Promote local innovation and utilization of science, technology and telecommunication and management and application of ICT

- 1) **Promote local innovation along with management and utilization of science**
 - **Directions:**
 - Focus on advanced scientific researches and technology, apply regional and international good practice into the socio-economic development especially in the area of production and export delivery with the approach that save time and costs, and move toward modernization step by step; build strong and competent entrepreneurs under the conditions of regional and international integration to compete in the region by focusing on improving and developing legislations that associated with utilization and management on science and technology; concurrently, conduct scientific researches and develop technologies in respective areas of the national potentials such as organic technology and alternative energy, conduct scientific researches for education and public administration.
 - **Targets:**
 - Improve legal and regulatory system that associated with technology transfer, scientific research and copy rights protection
 - Continue conducting technological researches on utilization of the new technology such as environment friendly technology like organic fertilizer, biodiesel, biogas, hydropower, wind power, solar power
 - Continue carrying out scientific researches on mechanic technology
 - Continue carrying out scientific researches on information technology
 - **Priority Activities and Projects:**
 - Develop sciences and technology by focusing on the information technology, organic production and alternative energy that can be renewable
 - Enhance effective management and services as well as widely disseminate information on science and technology
 - Build capacity on scientific research and application on the results from the researches.
 - **Implementing Policies and Legal Instruments:**
 - Develop by-law instruments to manage and apply official information and private information, etc.
 - Implement law on intellectual property rights and disseminate it widely to all the society, and develop implementing decree to ensure that the law implementation is harmonized and suitable with the actual situation in each period

- Develop legislations related to trade mark registration as reference for the concerned implementing agencies

2) Management and application of ICT

• Directions:

- Promote basic infrastructure development for telecommunication and electronic information to provide high speed and quality services in supporting to the modernization in the services sector, facilitating e-trading and strengthening socioeconomic to be developed rapidly and firmly, and upgrade the telecommunication as a central support for ICT integration with the region and the global quality.

• Targets:

- Complete the establishment of 2 radio frequency management centers and promote the use of Lao satellite instead of the foreign one
- Complete the installation of management and services system on the .LA national codes of Internet services before 2016
- Complete the establishment of the National Center for Internet Back-up by 2018
- Create access point to broadband services for the Post Office of the community to complete 20% by 2020.
- Encourage all areas using ICT as a tool for the facilitating their operation.
- Improve communication and communication equipment for 50 central government offices, 350 local government offices, 70 district government offices and 1,000 government village offices.
- Ensure all government office, provincial department offices and district offices can connect to the Internet and extend the connection to cover 20% of the village offices across the country
- Establish learning centers on for communication and information technology in 15% of total village clusters by 2020.
- Ratio of Lao population with knowledge on computers and the Internet reached 20% and 25% of the population by 2020 respectively.
- Ratio of household with knowledge of computers and Internet reached 10% and 20% of all households by 2020 respectively.
- Increase proportion of registered users of wired and wireless high speed Internet to 20% and 25% of the population by 2020.
- Expand the optical fiber network systems across the country,
- Expand Internet portal across the country,
- Extend mobile transceiver station in both quantity and quality,

• Priority Activities and Projects:

- Develop and improve the legislations relevant to telecommunication and internet to further align with development directions under the condition of regional and international integration
- Manage the frequency of the radio wave and other telecommunication devices to enable the monitoring and avoid possible impacts on the society
- Continue implementing e-government project and satellite project to be completed as planned.

- Develop and improve the database to be more effective and up to date.
- **Implementing policies and legal instruments:**
 - Apply a policy on promoting and attractive private investment of both domestic and foreign in the telecommunication sector.
 - Apply a policy on building comprehensive telecommunication database.

7.21.2 Promote and Develop Gender Equality, Juvenile and Youth

1) Promote gender equality, development for women, advancement for women and mothers and children

- **Directions:**
 - Ensure rights and gender equality in development: in political, economic, culture-social and family development; reduce discrimination and violence against women by placing importance on child protection to ensure child survival, child development and child participation. Support and give opportunity to women to increase their participation in the development process.
- **Targets:**
 - Increase the number of women in leadership positions in the Party-Government organizations and mass organizations by at least 30%.
 - Increase the number of female members of the 7th National Assembly by 30%.
 - Create conditions for female government officials to upgrade their political-governance theory, knowledge on laws, administration, technical, socio-technical at least 40% of the total number of officials upgraded.
 - Achieve gender equality in services such as education, health and social welfare to have at least 40% of the total number of service providers.
 - Ensure gender equality in opportunities for business for their livelihood such as: land, capital, technical upgrading on new technology and infrastructure (electricity, roads and markets).
 - Reduce discrimination and violence against women.
 - Ensure women participation in decision making at high level issues.
 - Ensure women participation in decision making at family and community level according to 3 Builds directions.
 - Develop families, villages and districts associated with gender equality and nonviolence in families especially against women and children to achieve.....families, villages, districts ...
- **Priority Activities and Projects:**
 - Project on gender equality and transferring economic ownership to women aiming at eliminating all forms of discrimination against women especially violence against women.
 - Project on training of trainers to strengthen capacity for NCAW at all levels as well as the secretariats focusing on NCAW at provincial, district and village levels according to 3 Builds Policy as related to gender equality aiming at eliminating all forms of discrimination against women.
 - Project on advocacy, awareness raising and mobilizing all people in society on anti-violence against women.
 - Project on strengthening capacity for officials who implement the system to prevent and address issues on violence against women by focusing on 3 Build districts and villages.

- Project on creating developed families, villages and districts associated with gender equality and nonviolence in families especially against women and children.
- Project on reviewing Implementing policies and legal instruments: building database and studying, researching and strengthening.
- Project on monitoring, inspecting, supporting and assessing the implementation of the 8th Five Year National Strategic Plan for the Advancement of Women (2016-2020) and Action Plan on Prevention and Elimination of Violence against Women and Children in Lao PDR (2014-2020).

- **Implementing Policies and Legal Instruments:**

- Deepen understanding of policy directions and the order of the Party and Government.
- Pay attention to strengthening NCAW at all levels in organization and human resources aiming at improving the coordination mechanism especially the secretariats in transforming it into work plans, coordination, monitoring, assessment and summarizing report systematically and continuously.
- Increase the advocacy and raising awareness across the society.
- Focus on local level to monitor and support the implementation, collect information on situation and requirements of local level.
- Continue to seize technical and financial assistance from friendship countries, development partners, financial institutions, international organizations, and social organizations both within and outside the country.

2) **Juvenile and youth development**

- **Directions:**

- Make youth and juvenile of Lao ethnicities to be the nation's future, Party and nation's ideology by educating youth-juvenile to have strong political quality, protect and enhance historical culture of the nation and ethnicities, have solidarity spirit, exercise their rights and fulfill obligations of protecting the nation, public security, socio-economic development and protecting the environment; upgrade education level, technical and labor skills, science and new and modern technology and foreign languages; youth-juvenile know how to take care of their physical and mental health, raising awareness for the right attitudes, deter all social problems and limit youth's behaviors that are against regulations, protect rights and benefits of youth.

- **Targets:**

- Educate Lao youth in the armed forces and in government officials on political thinking 100%,
- Produce the Lao Youth members, juveniles and general young students by 80%
- Produce members of Lao People's Revolutionary Youth Union, juvenile and other youth at grassroots level by 60%.
- Improve and expand the organization of Lao People's Revolutionary Youth Union, juvenile and establish and strengthen the unions and associations to be able to lead, educate and consolidate youths, juveniles and Lao youth of ethnicities to be a strong force being along the side of the Party in which;
 - * Central level to district level 50%
 - * Grassroots level 30%
 - * Juvenile and posterity by 85% of the existing organizations.
- Expand Lao People's Revolutionary Youth Union members, juvenile and posterity members by 80% of the existing members by 2020.

- Improve Lao People's Revolutionary Youth Union members in government officials to be quality officials to reach 30%.
- Disseminate laws and regulations to Lao People's Revolutionary Youth Union members and the youth for their clean livelihood and good reproductive health aiming at preventing and suppressing the epidemic of HIV, malaria, drugs and other contagious diseases by 50% of Lao People's Revolutionary Youth Union and juvenile members.
- Advocate and encourage Lao People's Revolutionary Youth Union and other youth to attend upper secondary school and equivalent by at least 50% and people in their labor age to have technical training by 50% of the total number of Lao People's Revolutionary Youth Union by 2020.
- Each year, Lao People's Revolutionary Youth Union members of the appropriate age must participate in army training and public security training and serve in the obligatory army and those who don't serve in the army must be educated on laws on obligatory army by 50% of youth who have sufficient conditions to serve obligatory army.

- **Priority Activities and Projects:**

- Expand members of Lao People's Revolutionary Youth Union-Juvenile, encourage other youth to become members of Lao People's Revolutionary Youth Union and associations.
- Establish volunteer unit at ministry, provincial, district, institution, college and village levels.
- Promote technical education to youth-juveniles in urban and rural areas especially disadvantaged people, in rural remote areas, gender, ethnicities and people with disabilities.
- Support job creation for youth-juveniles in urban and rural areas.
- Focus on addressing poverty in youth.
- Pay attention to health care for youth. For example, establish information centers and health centers to disseminate information on contagious diseases such as HIV/AIDS, basic healthcare services, being cautious about having sex before appropriate age and reproductive healthcare.
- Advocate nutrition principles to youth-juveniles.
- Educate youth-juveniles on the protection of the environment by using modern technology.
- Educate, advocate and communicate information to youth-juveniles to deter social problems.
- Pay attention to deter and address socio-economic impact on youth from regional and international socio-economic integration.

- **Implementing Policies and Legal Instruments:**

- Determine policies on promoting talented Lao youth-juveniles to participate in the process of developing the country, job creation, income generation for youth and their families.
- Increase in leading the implementation of the strategy on developing youth-juveniles in association with the socio-economic development plan, the strategy on developing each region and youth and juveniles' requirements.
- Lao People's Revolutionary Youth Union at each level, each youth and juvenile must promote independence, ownership, self-reliance and self-strengthening, actively contribute to the development at grassroots level and the implementation should be associated with supporting competitive slogans set by Lao People's Revolutionary Youth Union to make it widespread at grassroots level with focus, with pilot area and must have clear success with effectiveness.

- Pay attention to improve and strengthen the organization of Lao People's Revolutionary Youth Union and Posterity Association at each level, adhere to 6 principles of change of the Party leading to Lao People's Revolutionary Youth Union strong in quantity and quality, be central leader for youth and juveniles.
- Construct and improve basic technical infrastructure and develop basic information system of youth in nationwide.
- Central Lao People's Revolutionary Youth Union is responsible for technical leading in the development of youth-juveniles and leading in coordination and collaboration with relevant sectors, enhance the role of cooperation with the Lao Front for National Construction, mass organizations, social organizations, local authorities, families and mass media to participate in the dissemination and implementation of the strategic development of youth-juvenile plan.

7.21.3 Enhance effectiveness for the public governance and administration

1) Public personnel management

- **Directions:**

Improve technical and management work with clear and comprehensive tasks division and work positions; increase role of the line ministries and central government agencies in macro management, create supporting mechanism that is simple, logical and effective; improve staff administration and management system to be more comprehensive and stronger especially to ensure that the staff recruitment suit with the positions and their qualifications in order to lift up the effectiveness in the public governance and social management; focus on developing and building government officials in all fields of work with knowledge and capacity to be at a comparable level with ASEAN country members which will help ensuring highest benefits from integrating into ASEAN and WTO membership. Develop and improve training curriculum as necessary to upgrade the government officials on regular and continuous basis, especially in the field of international relation, negotiation, services and English language as well as political concepts, revolutionary morals, ethnical, and other fields of studies in correspondence with the official positions and roles.

- **Targets:**

- Upgrade the government officials in all sectors on politics and governance, technical skills, foreign languages and technology application.
- Improve and develop training curriculum for the government officials to be more systematic and meet the international standard
- Strive to upgrade technical capacity for the government officials:
- Government official with PhD increase by 25% of 320 current PhD officials
- Government official with master degree increase by 20% of 3,602 current master officials
- Government official with bachelor degree increase by 35% of 18,232 current bachelor officials

- **Priority Activities and Projects:**

- Promote and increase opportunities for all government officials to upgrade their capacity including female staff, ethnic staff and the staff who are underprivileged.
- Promote good and healthy environment in the government workplace
- Apply more modern information technology into the government staff management
- Focus on improving the staff evaluation manual and assess the staff achievements against their responsibilities

- **Implementing policies and legal instruments:**

- Improve policy on the financial compensation for the government staff by updating it in each period to ensure reasonable policy with the actual cost of living and living condition of the staff as well as socio-economic performance in each period.
- Implement a policy on staff promotion and scaling up the payroll against the capacity and performance of the staff.
- Implement a strategy on gender equality promotion in the governance, apply regulations and policies related to women empowerment and provide opportunities for women, ethnic group and those who are underprivileged to join the work with line sectors at both central and local levels.

2) Revise, develop and implement legislation.

• **Directions:**

Develop a law system that is complete, harmonized, harmonic, clear, reliable and accessible by everybody. The service is provided to everybody transparently, fairly and in accordance with the regional and international integration era; strengthen the effectiveness of the law in the government management and the social-economic management to be widely recognized and leading to the effectiveness of the population management and people can exercise their rights and fulfill their obligations according to the laws.

• **Targets:**

- Continue to develop and improve the law system in the political and justice areas.
- Develop and improve the law system related to the protection of individual rights, rights to freedom and democracy of Lao citizen.
- Develop and improve the civil law and economic law system.
- Develop and improve the laws on education, health, information-culture, and tourism and technology science.
- Develop and improve the law system on regional and international integration.

• **Priority Activities and Projects:**

- Develop and improve the legal system on the protection of individual rights, rights to freedom and democracy of the citizen so they can exercise their rights in claiming for wrong or unfair treatments from the organization and the government authority.
- Make the laws relevant to the reality in the society. At the same time, also put special focus on raising awareness of the people, esp. ethnic group on respecting and complying with the laws and regulations set by the government as such to equip them with diligence and patience in the living of themselves and the families;
- Make the laws effective and be implemented strictly.
- Pay attention to the development of the court judgment system to ensure that the court judgments at all levels are considered in accordance with the appropriate roles and responsibilities.
- Improve the investigation unit to be more efficient, quick and transparent.
- Develop and upgrade the capacity of government officials in political quality and ethics to protect the benefits of the population and increase trust from the society.
- Strengthen the roles and responsibilities of the bar associations and notary offices to ensure justice activities are carried out properly.
- Strengthen the roles and responsibilities of prosecutors to be able to monitor and support the implementation of laws.
- Audit and assess the implementation of laws and regulations periodically such as: law on corruption, law on budget, law on investment, etc. to improve the breakthroughs in mechanism, regulations, ambitions and others.

- **Implementing Policies and Legal Instruments:**

- Develop and improve the procedures and technical standard in making laws and legislations.
- Create mechanism to review and assess the implementation of laws periodically to ensure the timely revision and improvement of the laws.
- Improve the regulations on the recruitment of court staff and judges appointment to ensure the independence and compliance with the laws.

3) Improve the structure and the government management and administration:

- **Directions:**

Continue to improve the organization and management of government administration to be concise and efficient; alongside, continue to implement the 3 Builds Policy to enhance the government policy to lift the country out of the LDC status in 2020; there is clear segregation of duties and benefits among ministries-organizations and local authorities to promote ownership in self-development; local authorities are developed holistically (political, economic, social-culture and national defense and public security areas) based on the capacity and potential of each local area for strong and sustainable development of the country.

- **Priority Activities and Projects:**

- Continue to improve the organization to be concise and in line with the current situation.
- Continue to implement the 3 Builds pilot districts to be strong holistically and expand to other districts with potential conditions. At the same time, also look at model development villages for rolling out to other villages such as in production, production group, village development fund and other funds.
- Improve the leadership capacity of ministries-organizations, provinces, district and village authorities to be able to expand the implementation of policies to local levels.
- Research and develop plans of action based on the potential of each local area and strongly support the process of social-economic development and environment protection.

4) Improve the public services to be fast and transparency:

- **Policy to facilitate the process from the government:**

There are appropriate policies to promote and strengthen business units by providing consultation and assist in the production and export quality and variety of products, improve labor skills and knowledge for business units. Promote domestic production to be strong in quantity and quality according to the international standard as well as having variety of products so that they can be competitive in the world market. In addition, there are policies to facilitate business units in carrying out their business and communicating with their business partner countries such as reducing steps and documents for setting up and running business. Revise laws and regulations related to business running to reduce the cost for business capital and promote production.

- **One door service:**

There are still some challenges in one door service for domestic and international investment in recent years such as: it is still confusing, there are still too many steps and many fees. Therefore, in the future, there should be focus on improving the overall system of the one door service for investment permission (including within Ministry of Planning and Investment and Ministry of Industry and Commerce). For instance, developing brochures in consultation with other relevant ministries to provide better understanding for companies on details of investment procedures (responsible organization, procedures, registration form, cost, timeframe and other standards), investment forms in both ministries should be revised to

include complete necessary information on investment request as well as consulting with other concerned parties to reduce unnecessary forms from the procedure.

PART III

8th NSED

IMPLEMENTATION

PART III: 8th NSEDP IMPLEMENTATION

8 MACRO-ECONOMIC FRAMEWORK AND 8th NSEDP FINANCING PLAN

8.1 Macro-economic Framework:

- Create macroeconomic framework and financial reporting system to be accurate and fast, regularly monitor the macroeconomic situation and settle public debts through macroeconomic sector working group, set up policies and measures to address timely especially impacts on local macroeconomics from economic crisis at the regional and international level.
- Continue to research and implement policies that support the development of economic sectors to be strong, consistent and reinforce each other:
 - Continue to improve, expand, upgrade efficiency and effectiveness of state owned enterprises to be strong and become basis for other economic sectors. Enterprises that are ineffective shall be terminated or shifted into other approach of doing business. Meanwhile, it is required to improve the laws and regulations including implementing mechanism that suit actual conditions.
 - Continue to improve and promote the private sector including people participation to be active in contributing into development process particularly promote active businesses with strong ownership and effort to develop their businesses to grow strong and competitive.
 - Pay attention on improving and establishing economic relations among the provinces to be stronger related and harmonized while reinforcing each other. Meanwhile, there is a need to strengthen the domestic markets for smooth and highly effective product circulation.
 - Each province shall focus on research and identify the key potentials of their own to use them in improving basic economic foundation to be strong with quality and sustainable growth.

8.2 Financing Plan

- Mobilize all sectors in the society to participate in research sources of funding for the development to meet the targets specified in the NSEDP VIII through, such as, the round table meeting to mobilize funding from external grants and loans, encourage investment from private domestic and foreign investors to contribute more actively by focusing particularly in quality investments in the economic and social sector linking closely to rural development and poverty eradication.
- Accurately identify investment proportion from the state budget and reflect the actual development and ensure that highest effective use of the budget.
- During the 2016-2020 capital requirements for the development is 232 trillion kip, of which:
 - The public investment accounts for 24-28% and the investment from state budget accounts for 9-11% of the total investment while investment from grants and loan accounts for 15-17% of the total investment.
 - Private domestic and foreign investments account for 55-57% of the total investment.
 - Money market (bank credit) and capital market investments account for 17-19% of the total investment.

8.3 Revenue and Expenditure Management:

- Continue to improve revenue collection mechanisms to be more comprehensively and accurately, collect information and comprehensively register the business units are required, address budget leakage particular caused by exemption or reduction or deduction in the revenue account that was not legal and regulatory compliant. Any legislations that are not consistent and comprehensive, they shall be exposed the proposed revision and timely updated.
- Improve tax and treasury system tailored with the actual situation by centralized a steering and clearly decentralized administration role for harmonized implementation; improve revenue-expenditure management mechanism and tools in each sector and province to be more strict and efficient.
- Ensure the expenditure management is in line with the financial plan which approved by the National Assembly, use budget to maximum efficiency. Recurrent costs shall be plan in detail and inspected systematically.

9 CAPICITY BUILDING

- Develop labor skills and create jobs that to meet market demand to support the development in each period
- Promote and encourage commercial production:
 - Encourage production and service unit using results from science and technology to improve production and services, productivity and quality of products to be able to compete domestically and internationally.
 - Meanwhile, promote close cooperation between suppliers of raw materials and producers of commercial commodities.
 - Develop promoting strategies for each product
 - Improve the technology of post-harvesting by study and develop new technology for the farmers.
 - Promote the establishment of business associations for local processing agricultural products example, farmer's group, processing group, exporter group and etc.
 - Promote access to SME loans with establishment of a project to long-term support funds for the commercial banks that interested in provision of SME loans and establish provision fund to reduce risk for the banks and motivate them to provide their services to SME more.
- To achieve certain targets in the Millennium Development Goals that are off-track and the Sustainable Development Goals (SDG)
- To achieve rural development and poverty eradication
- To increase the effective of the public administration and social management
 - Advertise and disseminate Party Congress Resolution X, NSEDP VIII (2016-2020), the policies of the party and government as well as legislations to officers, military - police, students, intelligentsia, Lao citizen, domestic and foreign businesses to be well aware and knowledge about the content of these documents to effectively implement them with concrete results.
 - Increase coordination and harmony between the government agencies (vertically and horizontally), promote public-private partnership in implementing and monitoring the NSEDP through regular consultation about the development related issues.

- Establish a framework for collaboration between the public and private sectors to jointly implement the NSEDP within its timeframe.

10 ROLL-OUT OF 8thNSEDP

- To ensure achievement of the overall objectives of the NSEDP with concrete outcomes. The Ministers, the Provincial Governors – the Capital Governor shall raise responsibility clearly by following 3 build oriented management mechanisms from the central level to the grassroots levels to facilitate the successful and effective implementation of the plan.
- Ministries, authorities at the central and local level shall translate 5-Year Plan VIII (2016-2020) into the actual action plans of sectors and provinces - grassroots as well as play a role in macro management by translating the targets, priority tasks into details that in line with their roles and ensure alignment between programs, budget and human resource plans

11 8thNSEDP MONITORING AND EVALUATION

11.1 Key elements of the 8th NSEDP M&E system

353. In order to adequately monitor and evaluate progress of the 8th NSEDP, including MDG (and SDG) achievements, the development of a Monitoring and Evaluation (M&E) Framework is considered crucial. The Department of Planning (DoP) of the Ministry of Planning and Investment (MPI) took the lead to develop a 7th NSEDP M&E Framework and building on this, the DoP / MPI will develop an M&E Framework for the 8th NSEDP which reflects the Outcome based structure of the 8th NSEDP.

354. The 8th NSEDP M&E Framework has been developed taking into account the: (i) the requirements of the Statistics Law and the Strategy for National Statistical System Development; (ii) the requirements of the draft Manual on the preparation of Socio-economic Development Plans and the way in which M&E is included in the planning process; (iii) DP comments on early drafts of the 8th NSEDP structure and content; and (iv) the requirements of the long term strategies for national development (2025 and 2030).

355. Key elements of the 8th NSEDP M&E system include:

- The design of the 8th NSEDP and its M&E Framework are integrated
- Integration of NSEDP and M&E is best achieved with the use of a “Theory of Change” approach and utilizing a Logical Framework as the core design instrument.
- Impact and Outcome levels of NSEDP M&E are MPI / MOF responsibilities and M&E organizational and institutional roles are to be clarified
- Output level of NSEDP M&E is the responsibility of ministries / sectors and their linked provincial and district activities. Output level M&E organizational and institutional arrangements also are to be clarified.
- Formulation and implementation of Activities to achieve Outputs can be linked to preparation and implementation of the PIP 3-year rolling program and this will significantly support the connection between planning and budgeting.
- Data availability and quality for Indicators and Targets at all M&E levels will need to be improved incrementally and explicit strategies will be provided for this, including data management

- Inter-agency coordination on achieving cross-sector Outputs will require strong support from coordinating ministries and other central government coordinating bodies

11.2 Monitoring

11.2.1 Responsibilities

356. The 8th NSED P M&E system is “owned” by Department of Planning, Ministry of Planning and Investment. It is proposed that the DoP / MPI focuses on the achievement of 8th NSED P Outcomes and the sectors and provinces focus on the Outputs of the sector level plans and cross-sector Outputs. In this way, DoP/MPI is responsible for monitoring and evaluating the achievement of NSED P Outcomes and Sectors remain responsible for Sector level M&E.

357. DoP/MPI led NSED P M&E management will therefore be organized for, and capable of: (i) consolidating indicators, baselines and targets of NSED P Outcomes once they have been defined by the NSED P preparation process; (ii) working with the sectors, consolidating sector level Outputs which are needed to ensure achievement of NSED P level Outcomes; (iii) supporting Sectors as necessary with the identification of sector level Output indicators, baselines and targets; (iv) monitoring the achievement of NSED P Outcomes; (v) reporting the findings of the NSED P Outcome monitoring; (vi) conduct of evaluations as necessary; (vi) applying the results of NSED P Outcome monitoring and evaluation; and (vii) revising NSED P Outcomes with each change of NSED P (usually with each 5-year plan preparation).

358. Maintenance of the NSED P M&E system will be through the regular updating of the Outcome indicators, baselines and targets with the formulation of 5-year NSED Ps and also updating baselines and targets if applicable following availability of stronger data (through the availability of LSB census or survey data for example which may become available during plan implementation) or through revision of targets following a review of achievements to date (most usually through the annual plan valuation / preparation process).

359. The NSED P M&E system is credible and baselines and targets are realistic and the data on which they are based is verifiable.

11.2.2 Types of Monitoring

360. 8th NSED P M&E is exclusively results monitoring as it focuses on the target achievements which lead to Outcome achievement. The sectors are concerned with sector level Output Target achievement (i.e. results monitoring) and also implementation monitoring. 8th NSED P monitoring is only concerned with implementation monitoring if an evaluation is required to better understand target under or over achievement. In this case the NSED P monitoring would examine the implementation monitoring results of the relevant sector.

11.3 Evaluation

When is Evaluation Necessary

361. Evaluations of performance will be necessary: (i) at any time there is an unexpected result that requires further investigation; (ii) when resource or budget allocations are being made across plans, programs or policies; (iii) when a decision is being made whether or not to expand a pilot plan initiative of component program; (iv) when there is a long period with no improvement and the reasons for this are not clear; and (v) when programs or policies are reporting divergent outcomes.

Types of Evaluation

362. First, and at the strategic level, the assessment needs to be made if the plan is still applicable to the needs of the country and the intentions of the political leadership – “are we doing the right things.” OECD evaluation criteria, which are universally applied by governments and development partners, refer to plan “relevance” and this is the first type of evaluation.

363. The second type is more concerned with effectiveness (is the plan achieving its Outcomes) and efficiency (is the plan using its resources in the best possible way). This type of evaluation should also include an assessment of the sustainability of the plans achievements. The third type of evaluation is the assessment of whether the plan could be implemented in a more effective or efficient way to ensure the achievement of Outcomes. Effectiveness, efficiency and sustainability are also key evaluation criteria recommended by OECD and applied widely.

11.4 Reporting Findings

Analyzing and Reporting Data

364. Timely and accurate data is essential for effective planning and monitoring of development programs. Official population projections are about to be released, and the government needs to insist that these be used by all government agencies to ensure consistency of approach. However, official projections need to be produced for each province. A beginning needs to be made in improving the registration of vital events so that these become an effective tool for planning.

365. Reporting is required to provide information on the status of the plan and to identify the implications for the next plan period. The analysis of data collected in the monitoring process and at the NSED Outcome level is intended to: (i) clarify the reasons for problems with plan effectiveness in particular; (ii) to consider improvements in the plan implementation strategies; (iii) provide information over time on trends and directions; and (iv) help confirm or challenge the Theory of Change.

Presenting Data

366. The clear presentation of monitoring results / data is important if the lessons learned from NSED M&E are to be conveyed effectively to those who need to know. Only the most important results / data will be provided, with an appendix or a separate report for detailed technical data. Visual presentations (charts, graphs, maps) will be used to illustrate and highlight key points and “data dumps” will be avoided.

11.5 Using Findings

367. NSED M&E will be a key tool to the improvement of government services. It will: (i) provide information to the political leadership, National Assembly and to the public as a means of strengthening accountability; (ii) help formulate and justify budget requests; (iii) help make operational resource allocation decisions; (iv) trigger in-depth examinations of what performance problems exist and what corrections are needed; (v) help motivate personnel to continue making plan and program improvements; (vi) monitor the performance of development partners against performance targets; (vii) provide data for special in depth plan evaluations; (viii) help provide services more efficiently; (ix) support strategic and other long-term planning efforts (by providing baseline information and later tracking progress); and (x) communicate better with the public to build public trust

Sharing Findings

368. It is important to share the findings of NSEDP M&E. Consideration could be given to the role of the media in disseminating information about the achievements of the NSEDP and lessons learned and the continued development of e-government should also make it easier to ensure that government agencies are also well-informed. Information can also be carried on internal and external internet sites and positive reports on the achievement of 8th NSEDP Outcome #1, for example, will encourage investors.

369. As part of the process of building accountability, it is also recommended that civil society and citizen groups are engaged in the process of NSEDP M&E along with a greater role for the National Assembly. Openness and transparency is important for the M&E process to be credible and this is especially important for budget performance data.

11.6 A Sustainable M&E System

370. The NSEDP M&E process is renewable every 5-years with updates of Outcome indicators, baselines and targets at NSEDP level and at sector level as Outcomes change to support the national development progress. This process of constant renewal will help to ensure that the NSEDP system is sustainable.

371. The NSEDP M&E system will also be sustainable if there is a demand for it and as noted in the section above there are stakeholders who are becoming more and more engaged and demand for accountability is likely to increase. There must be confidence in the M&E system in that the results must be credible and trustworthy.

372. The NSEDP M&E system itself will only be sustainable if the roles and responsibilities of those concerned with the operation and maintenance of the system are clear. It is proposed that DoP / MPI has the lead role at NSEDP level, with sectors providing the sector Output performance information which leads to the NSEDP level M&E. LSB provides a supporting role at NSEDP level and at sector level (and at all government levels). It is acknowledged that the capacity of all the agencies at all levels of government which have a role in sector level NSEDP M&E is weak in places and a Training Needs Analysis is recommended for NSEDP M&E, with a training program in mid to late 2015 to create readiness for 8th plan M&E implementation.

Vientiane Capital, 25th February 2015

Annexes

ANNEX 1: 8TH NSEDP LOGICAL FRAMEWORK

8TH NSEDP – DRAFT LOGICAL FRAMEWORK

PLEASE NOTE THAT THIS LOGICAL FRAMEWORK IS NOT COMPLETE – INDICATORS AND TARGETS NEEDED TO BE REFINED, DATA SOURCES CONFIRMED AND AGENCY RESPONSIBILITIES IDENTIFIED. Comments and suggestions are welcomed

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
OVERALL OBJECTIVE Reduced poverty, graduation from Least Developed Country Status with sustained and inclusive growth through promotion of national potential and comparative advantages, effective management and utilization of natural resources and strong international integration	Household poverty rate at less than 7% of total households by 2020 Baseline: 20.5% 2012/3 (LECS V)	LECS		
	- Composite score adequate for eligibility for graduation from LDC status (as advised by UNCTAD) <i>Baseline: 2012 UNCTAD assessment of progress: Lao PDR at 86% of the requirement for graduation in terms of GNI.</i> - GNI per capita higher than US\$1,574 by 2018 and at or higher than US\$ 1,810 by 2021	2015 Estimate of eligibility - UNCTAD 2015 LDC assessment: GNI per capita		
	- Real GDP Growth not less than 7.5% pa on average <i>Baseline: average annual growth rate of 7th NSEDP (8%) (to be verified)</i> - Non-resource contribution to GDP increases over 7th NSEDP average annual contribution by			

²⁸LDC Graduation baselines are based on information provided in :”The Least Developed Countries Report” UNCTAD 2014

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	2020 <i>Baseline: 7th NSEDP average annual non-resource contribution to GDP (5.3%) (to be verified)</i> • Revenue achieved at 23-25% of GDP <i>Baseline: revenue achieved in 7th NSEDP??</i> • Budget deficit not more than 5% of GDP <i>Baseline: budget deficit in 2014/5</i> • Investment maintained at approximately 30% of GDP (232 thousand billion Kip)			
	• Gini Coefficients in 2020 improved for Lao PDR, Urban and Rural over coefficients estimated in 2013 • <i>Baseline: Gini Coefficients estimated for Lao PDR, Urban and Rural in 2013 (36.17, 37.51 and 32.52)</i>	•	•	•
	• Exports of goods and services (% of GDP) increased over % in 7th NSEDP <i>Baseline: Exports of goods and services (% of GDP) in 7th NSEDP (?%)</i> • Imports of goods and services (% of GDP) increased over % in 7th NSEDP <i>Baseline: Imports of goods and</i>	• •	•	•

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	<i>services (% of GDP) in 7th NSEDP (?%)</i>			
OUTCOME 1 (one of three Outcomes needed to achieve the Overall Objective of the 8 th NSEDP) Sustained inclusive economic growth with economic vulnerability (EVI) reduced to level required for LDC graduation and consolidated financial, legal and human resources to support growth.	EVI – Final Index Calculation - EVI – Final Index improved over 2012 level by 2015 - EVI – Final Index improved over 2015 level by 2018 <i>Baseline: 2012 EVI – Final Index = 27.1</i>			
	Economic Vulnerability Index – Population Population (size-exposure index) increased over 2012 <i>Baseline: 2012 population sub-index for size = 42.5</i>			
	Economic Vulnerability Index – Remoteness Location – exposure index reduced over 2012 <i>Baseline: 2012 Location-exposure index = 64.3</i>			
	Economic Vulnerability Index – Merchandise Export Concentration - Economic Structure –Exposure Index: Index for Export - Concentration reduced over 2012 <i>Baseline: 2012 Index for Export Concentration = 27.57</i>			
	Economic Vulnerability Index – Share of Agriculture / Forestry Economic Structure –Exposure			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	Index: Share of Agriculture / Forestry reduced over 2012 <i>Baseline: 2012 Share of Agriculture and Forestry Index = 52</i>			
	Economic Vulnerability Index – Instability of Exports (Trade Shock - Shock Index) • Instability of Exports (Trade Shock - Shock Index) reduced over 2012 <i>Baseline: 2012 Trade Shock – Shock Index = 17.3</i>			
	Investment and financial management resources • Investment will be achieved at approximately 30% of GDP (approximately 232 thousand billion kip) - Government budget financed investment 9-11% of total investment. - Foreign loans and grants investment 15-17% of the total investment. - Domestic and foreign private sectors' investment 53-59% of total investment. - Investment through bank credits 17-19% of total investment. • Development Planning and Budgeting integrated through			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	operationalization of MTEF Development Planning / Budgeting aligned though PIP rolling program			
	Legal Framework and Human Resources Development - Entrepreneur management capacity / competitiveness enhanced - Use of science and technology enhanced - Micro-enterprise / SME management capacity / competitiveness improved – Ease of Doing Business rating improves - Labor productivity raised through labor movement from agriculture to higher productivity industry and services sectors at ... - Level of education and training of those already in, or entering, the public / private workforce raised . - Urban management enhanced to improve economic roles of small towns - Regional Integration enhanced. Baseline: 2015 Ease of Doing Business by criteria			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
OUTCOME 2 (one of three Outcomes needed to achieve the Overall Objective of the 8 th NSEDP) Human development enhanced to LDC graduation criteria level and achievement of off-track MDGs through the provision and use of services which are balanced geographically and distributed between social groups	Human Asset Index (HAI) - Final Index Calculation HAI composite index not lower than 68 by the year 2020. <i>Baseline: Composite HAI for 2012 = 61.4</i>			
	Percentage of Population Undernourished - LDC <i>Baseline: 2012 Index for undernourishment = 71.7</i> - MDG 1 Target: Prevalence of underweight children U5 less than 22% by 2016, less than 15% in 2020 <i>Baseline: Prevalence of underweight children U5 32% in 2011/2</i> - MDG 1 Target: Prevalence of stunting in children U5 less than 34% in 2016 and 28% in 2020 <i>Baseline: Prevalence of stunting in children U5 40% in 2011/2</i>			
	Under-One and Five Mortality <i>Definition: UN - Probability per 1,000 that a new-born baby will die before reaching age five.</i> <i>Note: although targets reached Lao PDR lags behind regional indicators)</i> Mortality rate of children under 1 year reduced to less than 30/1,000 live births by 2020			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	<i>Baseline: (MDG 5) Infant mortality rate (per 1,000 live births): 54 in 2014</i> - Mortality rate of children under 5 reduced to 45/1,000 live births by 2020 <i>Baseline: MDG 5) U5 mortality rate (per 1,000 live births): 72 in 2014</i>			
	Gross Secondary Enrolment Rate: <i>Definition: (WB, UNESCO) Number of pupils enrolled in secondary schools regardless of age/population in the theoretical age group for the same level of education</i> - <i>Baseline: 2012 Index for Secondary Enrolment = 38.5</i>			
	Adult Literacy Rate: <i>Definition: (UNESCO) Literate people aged 15 or above as a percentage of total population of this age group, literacy is defined as If he/she can read and write, with understanding, a simple statement related to his/her daily life</i> <i>Baseline: 2012 Index for Literacy = 63.6</i>			
	Universal Primary Education - MDG 2 Net Enrolment ratio in primary education: Target: 98% by 2016			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	<i>Baseline: MDG 2 Net Enrolment ratio in primary education 97% in 2013/4</i> - MDG 2 Proportion of pupils starting Grade 1 who reach last grade of primary: Target 95% by 2016 <i>Baseline: proportion of pupils starting Grade 1 who reach last grade of primary 78% in 2013/4</i>			
	Maternal Health - Post MDG 5 Maternal mortality ratio (per 1,000 live births): Target: 180 by 2020 <i>Baseline: MDG 5 Maternal mortality ratio (per 1,000 live births): 357 in 2009</i> - MDG 5 Proportion of births attended by trained health personnel: Target: One midwife per village by 2020 <i>Baseline: MDG 5 Proportion of births attended by trained health personnel: 42% in 2009</i>			
	UXO Clearance and Victim Assistance - MDG 9 Number of hectares released from UXO contamination (hectares per year): Target: 20,000 ha by 2020			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	<i>Baseline: MDG 9 Number of hectares released from UXO contamination (hectares per year): 6,927 ha in 2013</i> - MDG 9 Number of casualties reported as result of UXO incidents (casualties per year); Target: ?? by 2020 <i>Baseline: MDG 9 Number of casualties reported as result of UXO incidents (casualties per year): 41 in 2014</i>			
	Equality - Poverty headcount rate reduced in (i) Vientiane and region, (ii) Urban Vientiane and region and (iii) Rural Vientiane and region <i>Baseline: poverty headcount rate in (i) Vientiane and region, (ii) Urban Vientiane and region and (iii) Rural Vientiane and region estimated for 2013 (Lao Statistics Bureau)</i> - Poverty Gap reduced in (i) Vientiane and region, (ii) Urban Vientiane and region and (iii) Rural Vientiane and region			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	<i>Baseline: poverty Gap in (i) Vientiane and region, (ii) Urban Vientiane and region and (iii) Rural Vientiane and region estimated for 2013 (Lao Statistics Bureau)</i> - Balanced regional and local development - Gender			
	Traditions and Culture			
	Peace, Order and Justice			
OUTCOME 3 (one of three Outcomes needed to achieve the Overall Objective of the 8 th NSEDP) Reduced effects of natural shocks as required for LDC graduation and sustainable management of natural resource exploitation	Economic Vulnerability Index – Victims of Natural Disasters (Natural Shock –Shock Index) - Victims of Natural Disasters (Natural Shock –Shock Index) Index for Victims reduced over 2012 <i>Baseline: 2012 Index for Victims = 88.9</i>			
	Economic Vulnerability Index – Instability of Agricultural Production (Natural Shock –Shock Index) - Instability of Agricultural Production (Natural Shock – Shock Index) - Index for Instability of Agriculture reduced over 2012 <i>Baseline: 2012 Index for Instability of Agriculture = 26.2</i>			
	Natural Resource Exploitation Management			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	Natural resource management			
OUTPUTS TO ACHIEVE OUTCOME 1				
Output 1 – Sustained and Inclusive Economic Growth	Industry - Industry sector's processing and handicraft sub-sectors grow at an average of 13% pa and 16% pa on average, respectively during 8th NSEDP Energy - 15 hydro-electric dams completed with at least 2,257 MW installed capacity Exports and Imports - Increase export value by at least an average of 18% pa and imports to be limited to less than an average annual increase of 12% Services Sector - Number of tourists visiting Lao PDR to reach 4.5 million pa, with average stay of 10 days - Minimum revenue from tourism of US\$760m pa by 2020 - One (tourism) product /one district policy implemented by 2020			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	- Develop 25 tourism sites and prepare an additional 40 - Tourism promotion websites developed linked to ASEAN, GMS, PATA websites - 10 tourism promotion liaison offices deployed in 10 countries with market potential - Organize /implement Visit Laos Fair in 2017 - Develop capacity of tourism industry management and labor force Agriculture and Forestry FOOD SUPPLY • 10 provinces to focus on rice production (government policy) with 2.5 million tons produced in 2020, using 600,000 ha, 315,000 ha with irrigation, with production at 5 tons per ha on average. <i>In this way, adequate food supply ensured and rice production sufficient for domestic consumption and for export according to market demand (estimated at 1.5 million tons)</i> • Sweet corn production to 228,000 tons pa, potatoes / starches 304,000 tons pa, fruit trees 800,000 pa and vegetables 1.5m tons pa. • Eggs and meat to 365,000 tons pa and fisheries to 215,000 tons pa			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	• Livestock increased by 6% pa and fisheries growth of between 8% and 10% pa COMMERCIAL CROP PRODUCTION • Rice for export produced at 1.5 m tons • Animal feed (corn) at 1.3 m tons, coffee 120,000 tons, sugar cane not less than 2 m tons, cassava 1.5m tons, yellow beans 50,000 tons and encouragement to respond to market opportunities other products • Livestock – emphasis on developing livestock industry for domestic and export markets – with target production of 10,000 to 15,000 tons of meat in 2020 FOCUS ON NON-RESOURCE SECTOR GROWTH • Focus on growth linked to non-resource sector i.e. agricultural products processing CONSOLIDATE LINKS BETWEEN LARGE INDUSTRIES AND SME's DOMESTIC AND FOREIGN INVESTMENT IN FOCAL AREAS • Focus on developing Special Economic Zones (5 in Vientiane, 1 in Khammouane and 1 in Savnakhet) and Unique Economic Zones • Investment in processing industries promoted			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	• More favorable environment for FDI created i.e. one-stop-shop consolidation, reduction in time needed for investment license applications, production of accurate investment information			
Output 2 – Macro-economic Stability	• Average annual GDP growth rate of 7.5% • Inflation managed at about 6% • Sustained exchange rate stability • M2 managed to be consistent with economic growth rate • Foreign exchange reserve consolidated • Budget revenue at 23% to 25% of GDP, total expenditure within 26%-30% of GDP • Expenditure on public salaries not to exceed 40% of revenue • Budget deficit maintained at not more than 3% to 5% of GDP pa.			
Output 3 – Integrated Development Planning and Budgeting	• Investment of 232 thousand billion in 8th NSED period • Government 9% to 11%, loans and grants (ODA 15% to 17% and private sector investment at 55% to 57%, Bank credits 17% to 19% • MTEF • PIP • Activities costing			
Output 4 – Balanced Regional and Local Development	NORTHERN REGION • Average GDP growth rate of not			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	less than 10% • Agriculture grows on average 6% pa (36% of GDP in 2020) • Industry grows on average 13% pa (33% of GDP) • Services grows on average 12% pa (32% of GDP in 2020) • GDP per capita of US\$2,006 in 2020 Poverty rate to be reduced to less than 7.72% by2020 CENTRAL REGION • Average GDP growth rate of not less than 11% • Agriculture grows on average 6% pa (26% of GDP in 2020) • Industry grows on average 13% pa (40% of GDP) • Services grows on average 11% pa (35% of GDP in 2020) • GDP per capita of US\$3,784 in 2020 Poverty rate to be reduced to less than 1% by2020 SOUTHERN REGION • Average GDP growth rate of not less than 12% • Agriculture grows on average 8% pa (30% of GDP in 2020) • Industry grows on average 14% pa (34% of GDP) • Services grows on average 15% pa (37% of GDP in 2020)			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	• GDP per capita of US\$2,169 in 2020 • Poverty rate to be reduced to less than 6.5% by 2020			
Output 5 – Improved Public /Private Labor Force Capacity	• Maintain unemployment rate at less than 2% • To provide skill development to 658,000 people • To facilitate recruitment for 716,000 people • Enhance capacity of skill development center in Oudomxay and Attapeu • Establish new skills development centers in Bokeo and Sayaboury • Develop new training curriculum in line with demand for skills • Develop skills standards in 25 professional areas • Provide certification of skills standards in selected professions • 100% of labor force registered in enterprises of more than 100 employees			
Output 6 – Local Entrepreneurs are Competitive in Domestic and Global Markets	• Develop labor force skills in high demand subjects (construction, vehicle mechanics, electrical engineering, civil engineering, mining engineering and others) • Develop capacity in administration and management • Build technical schools – 1 school for each province			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	• Upgrade technical schools • Create more spaces in vocational schools and training courses • Build capacity of small and medium sized enterprises • Consolidate capacity of existing 185 agricultural technical service centers			
Output 7 – Regional and International Cooperation and Integration	ODA • Continue to expand cooperation with other countries • Increase South-South and Tri-partite cooperation • Continue to seek cooperation through GMS • Continue cooperation with WB, IMF, ADB, OPEC with enhanced management of loan funded projects, with market arte lending only considered for revenue generating projects /programs • Continue cooperation with UN agencies • Enhanced cooperation with INGOs REGIONAL INTEGRATION ECONOMIC INTEGRATION • Emphasize readiness for AEC: support entrepreneurs, enhance capacity of SMEs (including through production chains with large firms) in line with focus on			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	increasing external trade. TRANSPORT INTEGRATION • Emphasis on improving and expanding infrastructure - linking roads between provinces / districts/ villages, ASEAM main routes, selected railways, water-way improvements from Lao PDR/PRC/ Myanmar border to Houayxai, improve services of Huang-anh port, upgrade national and international airports and expand international route connections. • Agreement and implementation of cross-border trade and transport agreements and systems ENERGY INTEGRATION • Expand electricity export through new electricity generation projects with sub-sector growth at an average of 32% pa • Reduce import of electricity to no more than 20% of domestic usage by 2020 • Expand electricity distribution to rural remote and areas leading to at least 90% households with access to electricity LABOR INTEGRATION • Developing labor skills to ensure benefits from AEC • Increase minimum wage • Manage immigrant labor • Establish and improve social			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	insurance network to protect rights and benefits of labor in all sectors • Ensure access to labor market information • Continue to transform labor structure by transferring labor from low productivity to higher productivity sectors			
OUTPUTS TO ACHIEVE OUTCOME 2				
Output 1- Improved Living Standards through Poverty Reduction	• Poverty rate decreases to 15% by 2020 • Poor households rate is not more than 7% by 2020 • Poor villages are less than 10% of total villages by 2020 • Poor districts are less than 15% of the total number of districts in 2020 • Establish developed villages to reach more than 50% of total number of villages • Group big villages to form small towns achieving 3 small towns in each district • To clear UXOs from priority areas			
Output 2 – Food Security Ensured and Incidence of Malnutrition Reduced	• 117			
Output 3 – Access to High	• 55% of children 3-5 years old			

8 th NSED Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
Quality Education	enrolled in pre-school - Gross enrolment rate of children at 5 years 70% - Net primary enrolment rate reaches 99% - Primary survival rate reaches 90% - Lower Secondary enrolment rate reaches 85% - Upper Secondary enrolment rate reaches 75% 30% of Lower Secondary graduates enroll in vocational education and 60% of graduates from Upper Secondary enroll in vocational education - Literacy rate of population between 15-24 reaches 99% - Literacy rate of population above 15 years reaches 95% 30% of population exercise /play sports			
Output 4 – Access to High Quality Health Care and Preventative Medicine	- Life expectancy reaches 73 years - U5 malnourishment ratio reduced to 15% and stunting ratio reduced to 28% - Mortality rate of children under 1 reduced to 30/1000 live births - Mortality rate of children U5 reduced to 45/1000 live births - Maternal mortality rate reduced to 200/100,000 live births 90% population have access to			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	clean water • 80% of population use latrines • 95% of children immunized • 80% population with health insurance			
Output 5 – Enhanced Social Welfare	• 80% population with health insurance • Benefits provided to 31,830 people who have made significant contributions to the nation • Social Fund established in all provinces • Establish networks in 800 villages to protect children's rights and interests and to prevent human trafficking			
Output 6 – Protection of Traditions and Culture	• Establish cultural villages at 65% of total number of villages and cultural cluster villages at 16% of total number of cultural cluster villages • Restore, preserve and promote the uniqueness of cultural heritage – physical and non-physical • Create cultural parks at national and local levels • Create model cultural villages as tourist destinations			
Output 7 – Political Stability, Order, Justice, Gender Equality				

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
OUTPUTS TO ACHIEVE OUTCOME 3				
Output 1 – Environmental Protection and Sustainable Natural Resources Management	• Land use classification is completed for all parts of the country • 400,000 land titles issued throughout the country • Forest cover reaches 70% of total area • Re-afforestation area to reach 1.5 million ha by 2020 • Research and classification of mineral resources to identify potential minerals for export • Integrated water resource management in 7 priority river basins • Comprehensive review of water quality • Pilot program on establishment of model national parks in 2 areas • Establish means of environmental monitoring by setting up 1 National Laboratory and 3 Regional Laboratories for water quality testing • Establish stations for air quality monitoring in the 3 Regions • Complete preliminary assessment of concept of Green Growth (Green and Clean Towns, sustainable development)			

8 th NSED Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
Output 2 – Preparedness for Natural Disasters and Risk Mitigation	- Complete establishment and improvement to network stations and early warning systems in priority river basins - Enhance self-initiatives for disaster risk management including flooding, drought, earthquakes, landslides - Build early warning centers for meteorology and hydrology - Complete strategy for responding to the impacts of climate change and to mitigate greenhouse gases			
Output 3 – Reduced Instability of Agricultural Production	- Reduced fluctuation in annual agricultural production (standard error of the regressed past value of agricultural production) in 2020 <i>Baseline: Standard error of the regressed past value of agricultural production 2014/5 (to be estimated)</i> - Forest Area (Km2) increased by 2020 and not less than 70% of total land area <i>Baseline: Forest Area (Km2) 2012 = 9.5 million ha, 40% (2015 target = 65%)</i>			
Cross-cutting Output 1 Local innovation and utilization of science, technology and telecommunications	PROMOTE LOCAL INNOVATION Improve legal and regulatory system associated with technology transfer, scientific research and copyright protection			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	- Continue research on new technologies (i.e. organic fertilizers, biodiesel, biogas, wind power, solar power) - Continue research and development on information technology			
	MANAGEMENT AND APPLICATION OF ICT - Complete establishment of 2 radio frequency management centers and promote the use of Lao satellite - Complete installation of management and services system for .LA internet codes (before 2016) - Complete National Center for Internet Back-up (by 2018) - Create Post Office access points for broadband services (20% coverage by 2020) - Improve ICT equipment in government offices at all levels - Ensure all government offices can connect to the Internet and extend coverage to 20% of village offices - Establish learning centers for ICT in 15% of total village clusters by 2020			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	- Ratio of Lao population with computer awareness and access to Internet reaches 20% and 25% of the total population respectively - Ratio of households with knowledge of computers and access to Internet reaches 10% and 20% of all households by 2020 respectively - Increase proportion of registered users of wired and wireless high-speed Internet to 20% and 25% of the population by 2020 - Expand optical fiber network systems nationally - Expand internet portals nationally - Improve mobile transceiver stations and increase their number			
Cross-cutting Output 2 Promote gender equality, and services to Juveniles and Youth	PROMOTE GENDER EQUALITY - Increase the numbers of women in leadership positions in Party-Government organizations and mass organizations by at least 30% - Increase the number of female members of the 7th National Assembly by 30% - Facilitate skills of female government officials - Achieve gender equality in government service providers – to at least 40% of total number by 2020			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	• Ensure gender equality in business opportunities (i.e. land, capital, technical upgrading on new technology) • Discrimination and violence against women reduced • Ensure women's participation in decision taking at family and community level as according to the 3 Build's directions. JUVENILE AND YOUTH DEVELOPMENT • Educate Lao youth in the armed forces and in government officials on political thinking 100%, • Produce the Lao Youth members, juveniles and general young students by 80% • Produce members of Lao People's Revolutionary Youth Union, juvenile and other youth at grassroots level by 60%. • Improve and expand the organization of Lao People's Revolutionary Youth Union, juvenile and establish and strengthen the unions and associations to be able to lead, educate and consolidate youths, juveniles and Lao youth of ethnicities to be a strong force being along the side of the Party in which: Central level to district level 50%; Grassroots level 30%;			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	- Expand Lao People's Revolutionary Youth Union members, juvenile and posterity members by 80% of the existing members by 2020. - Improve Lao People's Revolutionary Youth Union members in government officials to be quality officials to reach 30%. - Disseminate laws and regulations to Lao People's Revolutionary Youth Union members and the youth for their clean livelihood and good reproductive health aiming at preventing and suppressing the epidemic of HIV, malaria, drugs and other contagious diseases by 50% of Lao People's Revolutionary Youth Union and juvenile members. - Advocate and encourage Lao People's Revolutionary Youth Union and other youth to attend upper secondary school and equivalent by at least 50% and people in their labor age to have technical training by 50% of the total number of Lao People's Revolutionary Youth Union by 2020. - Each year, Lao People's Revolutionary Youth Union members of the appropriate age must participate in army training and public security training and serve in the obligatory army and those who don't serve in the army			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	must be educated on laws on obligatory army by 50% of youth who have sufficient conditions to serve obligatory army.			
Cross-cutting Output 3 Enhance effectiveness of public governance and administration	PUBLIC PERSONNEL MANAGEMENT • Upgrade the government officials in all sectors on politics and governance, technical skills, foreign languages and technology application. • Improve and develop training curriculum for the government officials to be more systematic and meet the international standard • Strive to upgrade technical capacity for the government officials: • Government official with PhD increase by 25% of 320 current PhD officials • Government official with master degree increase by 20% of 3,602 current master officials • Government official with bachelor degree increase by 35% of 18,232 current bachelor officials REVISE, DEVELOP AND IMPLEMENT LEGISLATION • Continue to develop and improve the law system in the political and justice areas. • Develop and improve the law system related to the protection of individual rights, rights to freedom			

8 th NSEDP Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	and democracy of Lao citizen. • Develop and improve the civil law and economic law system. • Develop and improve the laws on education, health, information-culture, tourism and technology science. • Develop and improve the law system on regional and international integration IMPROVE STRUCTURE OF GOVERNMENT AND ADMINISTRATION • Continue to improve the organization and management of government administration to be concise and efficient; • Alongside, continue to implement the 3 Builds Policy to enhance the government policy to lift the country out of the LDC status in 2020; • Clear segregation of duties and benefits among ministries-organizations and local authorities to promote ownership in self-development; • Local authorities are developed holistically (political, economic, social-culture and national defense and public security areas) based on the capacity and potential of each local area for strong and sustainable development of the country.			

8 th NSED Design Summary	Performance Indicators, Targets and Baselines ²⁸	Data Sources	Assumptions and Risks	Responsible Agencies
	IMPROVE PUBLIC SERVICES - Promote and strengthen business units by providing consultation and assist in the production and export quality and variety of products, improve labor skills and knowledge for business units. - Promote domestic production to be strong in quantity and quality according to the international standard as well as having variety of products so that they can be competitive in the world market. - Facilitate business units in carrying out their business and communicating with their business partner countries such as reducing steps and documents for setting up and running business. Revise laws and regulations related to business running to reduce the cost for business capital and promote production. One-stop-shop: - Focus on improving the overall system of the one door service for investment permission (including within Ministry of Planning and Investment and Ministry of Industry and Commerce).			

ANNEX 2: GLOSSARY OF TERMS

Intended Impact

Synonyms – *Intended effect / Intended influence / Intended consequences / Intended repercussions / Intended ramifications*

A statement or series of statements about what the government is trying to achieve and will hold itself accountable for within some manageable period of time.

Outcome

Synonyms – *the way a thing turns out / a consequence / conclusion*

Outcomes reflect accomplishments and are phrased as an improvement over a baseline situation, which is described in the Performance Indicators and Targets columns of the Logical Framework. Outcomes should be reasonably achievable—subject to assumptions and risks—by the end of the 8th NSED implementation period and necessary but not sufficient to achieve the Intended Impact of the plan.

Outcomes are actual or intended changes in development conditions that UNDP interventions are seeking to support. They describe a change in development conditions between the completion of outputs and the achievement of impact.

Outputs

Synonyms – *the amount of something produced / amount/quantity produced / yield*

Outputs are the specific products and services which emerge from linked Activities which use specified Inputs i.e. PIP resources. Outputs, therefore, relate to the completion (rather than the conduct) of activities and are the type of result over which sectors have a high degree of influence.

Activities

Activities are the groups of tasks carried out using 8th NSED resource allocations to produce the desired outputs. Points to note are: (i) List only those activities that represent the main steps in the transformation process, turning inputs into outputs. They should not be a restatement of an output as an action; (ii) Activities should be possible with the available inputs; and (iii) include completion dates and/or important milestones for each activity.

The list of core activities forms the basis for preparing the 8th NSED implementation schedule by sector

Inputs

Inputs are the main resources required to undertake the activities and to produce the outputs. These include consulting services, personnel, civil works, equipment, materials, and operational funds, which are provided by government, co-financiers, and others, including beneficiaries if applicable. Inputs to be listed should include, as a minimum, the following: (i) Inputs by financier and main cost categories in financial and/or physical terms; (ii) In-kind contributions from other stakeholders.

Indicators

Indicators are a specific measure that when tracked systematically over time indicate progress (or not) toward a specific target. The criteria for the design of effective indicators are often represented in the acronym “CREAM.” The letters of the acronym refer to: (i) clarity; (ii) relevance; (iii) economic (affordable to measure); (iv) adequate; and (v) monitorable.

373. Clarity implies that the indicator is expressed in such a way that it cannot be misunderstood. Relevance is very important: it is emphasised that Outcome indicators are not general – they are designed for a specific purpose and cannot be transferred from plan to plan.²⁹ Affordability of the collection and analysis of the information is also important: if it is not affordable because it will need fiscal resources which are not available, it should not be used. The indicators should be adequate in the sense that they cover all the key aspects of the part of the plan with which they are concerned. Monitorability is a measure of the adequacy of the data sources (including timing of the availability of information, frequency of availability, quality of information).

Indicator Impact - level

Performance indicators at the impact level specify the expected medium- to long-term impact at to which the present NSED or series of NSEDs will contribute. Hence, the impact level indicator includes targets beyond the scope of the 8th NSED. It is essential that the responsibility for monitoring and measuring the impact indicators is clearly defined during project processing (i.e. DoP / MPI)

Outcome - level Indicator

The outcome or end-of-project indicator defines the 8th NSED's immediate effect on or the behavioural change of beneficiaries and improvements to systems or institutions. They are the performance targets that the 8th NSED takes full accountability to deliver and they are the basis by which the 8th NSED will be judged a success or a failure. The responsibility for monitoring and measuring the outcome indicators lies with the DoP, MPI.

Output - level Indicator

Output indicators are the easiest to define. They specify the key tangible goods and services the sectors will deliver to achieve Outcomes. They define the sector's terms of accountability that have to be achieved by the end of 8th NSED implementation. It is the sector's responsibility to monitor the performance indicators at output level.

Performance Targets

The targets are quantifiable levels of the indicators that a Lao PDR wants to achieve by the end of the plan period. The formula for targets can be simply described as: *Baseline data + desired level of improvement = target performance*.

The desired level of improvement assumes a finite and expected level of inputs, activities and outputs (which are to be identified subsequently in an iterative process). Figure 10 shows that at NSED level, Outcome Indicator targets are the targets established for relevant sector level Outcome Indicators. When setting target values for selected performance indicators:

²⁹This Report acknowledges this and focuses on providing support to the process of the preparation of the M&E system of the 8th NSED, but does not design the content of the 8th NSED M&E system. This can only be done within the overall NSED formulation process.

- (i) Use ranges rather than one value, because this not only acknowledges the difficulty in setting targets, it also provides information on the expected minimum result and the possible result, e.g., between x% and y% is better than quoting y% alone. Achievements anywhere within the upper and lower boundaries ought to be considered “meeting predetermined results.” As an alternative, use the lower level range and state “at least x%.”
- (ii) Refer to results achieved elsewhere. If comparable indicator information is available for benchmarking, this should guide what is achievable.
- (iii) Set intermediate targets, if possible, that can be reached during the life of the project and immediately after. This helps check on the feasibility of an end target as well as providing a better basis for assessing the likelihood of success during project Implementation.

Baselines

Baseline data is a key factor in NSED P M&E. Baseline data enables an assessment of “where are we to-day” against which progress can be measured. The need to restate this should not be underestimated: the M&E Framework for the 7th NSED P had very limited amount of data on the baseline for the 5-year plan and without baseline data it is difficult to assess progress with the plan implementation). Many of the suggested baselines in the M&E Review referred to old data (i.e. the 2008 MDG Report) as a baseline. This is clearly an inadequate baseline for assessment of 7th NSED P MDG performance.

Baseline data can be drawn for primary source which are collected specifically for the Plan and from secondary sources which are collected for another purpose, but can be used for NSED P monitoring. Secondary sources can be drawn from within NSED P implementing organizations within government, LSB surveys, international data sources and others. The use of secondary data can reduce M&E expenditure, but care is needed to ensure that it is truly the information needed.

ANNEX 3: LONG-TERM PLANNING FRAMEWORK

LONG TERM PLANS

Vision 2030:

Based on national characteristics and situation as well as the international environment and the national development priorities, the Vision until 2030 consists of following:

- Lao PDR is ranked as a developing country with middle to high income, economic growth is inclusive, stable and sustainable; there is balance between economic development and social development including environmental protection, with a political stability and social order and social safety net.
- In a socialist market economy, all business sectors support the national economy, there is availability of industrial pillars and strong basic infrastructure system; industry and services are major share of the economic structure, while agriculture and forestry sector is sustainably developed for food security; environmental protection and natural resources utilization are more effective; promote local intellectual production, while shifting to industrialization and modernization as well as shifting into green and environmental friendly economy which contribute to climate change and external shock adaptation; macroeconomic is stable, fiscal and monetary system is more effective, smooth and facilitate business and services.
- Political and governance system is strong under the leadership of the Lao People's Party, with a clear characteristic as the government for the people and by the people, people's rights are protected under the effective rule of law, administrative system is enhance by following three build directive, the people are united as one with just and civilized society.
- Human resources development meets regional and international standards that they become a strong production power and thus capable to contribute more in the socio-economic development, the people have at least upper secondary education and have access to quality health services. Actively moving toward the regional and international integration with increased competitiveness in different areas.

Ten-year Socio-economic development strategy (2016-2025)

The ten year strategy takes account of the strategy to graduate from LDC status by 2020 and the strategy for transition period of LDC graduation by 2025, which will build on the work in basic infrastructural development to move toward the medium income country by 2030.

- **Overall direction:**
 - Translate the Xth and XIth Resolution of the Party Congress into the Socio-economic Development Strategy by following 4 breakthroughs and ensure political stability, social safety net, justice and civilization.
 - Lead the country out of LDC status by 2020 by building up the transition progresses from LDC to the lower middle income and become a developing country in the middle to high income category by 2030; there is a balance between economic development and social development and environmental protection.
 - Promote stable, firm and sustainable economic development; shift into a diversified economic structure by moving toward industrialization and modernization, promote local innovative economy, apply the most efficient way of the development to increase production capacity and lift up the quality of development by tapping national advantages by taking geographical advantage to develop the regions, sectors and zones where possible in order to create opportunities from the regional and international integration; promote equally the development of high potential and low-medium potential economic sectors taking into

consideration of the sustainability, income distribution and poverty reduction of the poor, especially agriculture production sector to contribute in the food security and to produce input materials for processing factories of both domestic consumption and export merchandises; increase productivity for agricultural sector by continuing development on agricultural infrastructure and development on the agricultural production methodology that become industrialized and modernized as well as friendly to the environment such as irrigated agriculture; improve trade, investment and business climate, increase competitiveness for the SME; and mobilize investment from all sectors into the national development to ensure a stable and sustainable growth.

- Enhance local competitiveness and build basic infrastructure for regional and international integration to be more effective in communication and service.

Priority strategies for 10 year socioeconomic development (2016-2025)

In achieving the directions and targets above, there are 8 strategies for socio-economic development as following:

- **Rural development, poverty reduction and improvement on people's living condition**

Disparity exists between rural and urban development, majority of the people live in the rural area and most of the poor live in the rural areas. Therefore, more focus will lie on the rural development by looking at both direct and indirect poverty reduction as prioritized in the following:

- Building agriculture infrastructure especially irrigation in the place where possible, allocate production land, provide technical assistance especially in an area of animal husbandry
- Build infrastructure for supplying consumption water
- Build transport infrastructure in the rural district that are currently without road access, to enable communication in the evening
- Build more primary school and deploy more primary and secondary teachers in the rural areas
- Expand electricity network to the rural area to increase electricity access
- Build rural market to promote trade in the rural area
- Promote micro finance in the rural
- Promote private investment in the rural areas to generate employment and income for rural people
- Develop rural areas with promotion on ecotourism and cultural tourism

- **Strategy for quality, inclusive and sustainable growth**

To ensure quality, inclusive and sustainable growth, it requires prioritizing in two different types of sectors: first, potential economic sectors with comparative advantage and fall under the government priorities; and second, sectors with slow to medium growth rate but have sustainable impacts on income distribution and poverty reduction. Develop potential economic sectors to boost economic growth and the national economic stability by:

- Develop high growth sectors with comparative advantage that can be economic drivers by focusing on the following sectors:
 - o Hydropower industry (construct different sizes of dams and thermal power plants)
 - o Processing industry: agro-processing industry (processing rice, wood, rubber, coffee, tea, beverage...), mineral processing industry (steel, copper, salt...),

- construction material manufacturing (cement, steel bars, bricks, wood furniture...), parts assembly, electronic equipment, garment...
- Tourism industry (natural, historical, and cultural tourisms) and tourism supporting services (tourism services, air service, land transportation, hospital, restaurants)
- Promote farm agriculture, medium to big size projects on agriculture, irrigated agriculture (to produce rice, corn, coffee, rubber, livestock...)
- Precious mineral mining (gold, copper, coal...) and limit the export of low value addition minerals.
- Develop sectors with slow to medium growth rate but have sustainable impacts on income distribution and poverty reduction by focusing on the following:
 - People and family agricultural productions to enable self-sufficient on agricultural product consumption (informal businesses)
 - Create enabling environment and facilities for SME to grow and strengthen their competitiveness (in agriculture, livestock, handicraft, restaurant business, retail business, guesthouses, consulting firms, repairmen...)
- Develop basic infrastructure for socioeconomic development by focusing on the following:
 - Improve and construct roads, railway and airway to facilitate communication between regions, provinces and facilitate international communication
 - Develop electricity sector to supply the development demand especially to support the industrialization and modernization, and ensure sufficient supply for the domestic consumption.
 - Develop water supply system for sufficient supply to the agriculture, industry and people's consumption
 - Develop the service sector especially to develop and harmonize capital markets, financial market, production market, merchandize market, labor market, security market.

- **Regional development strategy**

To make the most benefit out of the hidden potential and characteristics of each region in the sustainable manner, it requires focusing on the following:

- Classify and identify development zone for each region:
- 70% of total area is for forest cover to preserve the environment, water resources, natural tourist sites; 19% of the total area will be allocated for agricultural production for food security and industry tree plantation; and the remaining 11% will be residential areas, areas for manufacturing, mining, and the areas reserved for the national security and defense purposes.
- In achieving these areas classification, the master plan is needed for each sector to identify development zones in each region, which will provide detailed regional development plan especially in development zoning in different aspects and levels of each region such as national defense and security zone, urbanization zone, small town zone, agricultural production zone, forest conservation zone, industry zone, special economic zone, specific economic zone, tourism sites, cross border economic zone, where communication network system is installed for long-term development.

- Priority development zones and potential sectors for each region:

Northern region:

- Allocate and identify development zone by applying 1-3-3-4 model: 1 center for economic, culture, trade, services and international tourism in Luangprabang; 3 processing industry zones in Oudomxay, Xiengkhouang and Vientiane; 3 economic corridors connecting China-Laos, Thailand-Laos-China-Vietnam and Thailand-Laos-Vietnam; 4 border trade zones: Boten special economic zone, golden triangle special economic zone, Kenthao trade-economic zone and Namkan trade-economic zone.
- Develop potential economic sectors with comparative advantages: hydropower plant, coal thermal power plant, mining industry, tourism industry, transit services along north-south economic corridor, agricultural processing and production for domestic consumption and exports to China, Thailand and Vietnam such as animals, quality rice (small chicken sticky rice), cash crops (corn, soybean, cardamom, tea and coffee...), allocate flat areas both medium and small sized to grow medical herbs, promote eco-tourism, cultural and historical tourism, promote handicraft, cultural products and indigenous products for tourism and other sectors.

Central region:

- Identify development zones: build Vientiane Capital to be a center of national politics and economics, develop 5 special and specific economic zones in Vientiane Capital and 2 of them in Khammouane and one of them in Savannakhet; develop border trade zones between Laos-Vietnam; build docks in Vientiane Capital and Savannakhet; develop service system along the East-West and North-South economic corridor from Vientiane Capital to Savannakhet.
- Develop potential economic sectors: food production (rice, vegetable, and livestock) in Khammouane and Savannakhet to feed the domestic market and exports, develop hydropower plant, and promote processing industry (agroprocessing, construction materials, garment, produce and assemble parts), promote tourism and host regional and international meetings, build logistic services along the East-West corridor.

Southern region:

- Identify development zones: development of 2 economic triangles: Vietnam-Laos-Cambodia and Laos-Cambodia-Thailand economic triangles, follow the 2-4-4-6 models as follow: 2 centers of economic in Champassak and Attapeu; 4 priority industry zones in Champassak, Saravane, Xekong and Attapeu; 4 economic corridors which include 1 economic corridor along Road No.13, 2 economic corridors to connect Thailand-Laos-Vietnam, and 1 economic corridor to connect Cambodia-Laos-Vietnam; 6 cross border trade cooperation zones including 1 checkpoint in Vanthao which is Laos-Thailand Border, 2 checkpoints in Nongnökkien and Attapeu which are at Laos-Cambodia border; 3 checkpoints at Laos-Vietnam borders.
- Develop potential economic sectors: prioritize in agro-processing industry, productions of construction materials, wood processing, hydropower, mining, tourism services, host regional and international meetings, production of food such as vegetables, fruits, coffee, tea, livestock...

- **Strategy to fully achieve MDGs by 2015, move out of LDC status by 2020 and enter into the middle income countries in post 2020.**

- Prioritize in sectors that involve in the off-track MDGs in post 2015 such as targets on malnutrition of children under five, net enrolment rate at primary education, maternal mortality rate, child mortality, and some targets for UXO clearance.

- Prioritize in Post-MDG or SDG that determined by the UN for post 2015
- Prioritize in meeting the LDC graduation criteria, especially criteria on GNI, HAI and EVI
- Prioritize in meeting criteria on transition period to fully graduate from LDC and build foundation for entering middle income country status by 2030.

- **Strategy on effective people's democracy system of governance and improved effectiveness on law enforcement**

To improve the people's democracy system of governance and increase effectiveness on law enforcement, it requires implementing following strategies:

- Improve public institutional arrangement to be more simpler, firm and stronger
- Identify clear roles and responsibilities for each public agencies to increase effectiveness, efficiency and transparency in the public governance, decentralize power on macro management into the provincial authorities to value their roles and accountability
- Assess and continue implementation on the three build directive to become more evidence based: "build provinces to be strategic unit, build districts to be comprehensively strong and build villages to become development units".
- Highly value the role of NA as representatives of people's rights and power to ensure benefits for the people. NA is also the ultimate legislature to make the decision on the national level issues. Pay more attention to work on result based monitoring; improve NA's organizational structure concurrently with its roles.
- Improve laws and regulations taking into account the new period of development; improve human resource management in harmonizing with the identified directions; develop and implement the strategy on government official development throughout the country;
- Improve coordination between central and local government by clearly identifying roles, scope of authority and responsibility; increase commitment and accountability of the provincial government alongside the improvement on the supervision by the central government and their vertical government agencies.
- Strengthen judiciary in terms of organizational arrangement and personnel capacity by equipping them with modern facilities and techniques to improve their effectiveness and efficiency in supporting the socioeconomic development in the new era.

- **Strategy on environmental protection, and sustainable and effective utilization of the natural resources**

- Review necessary legislations and master plans of the environmental protection and natural resources utilization especially land, forestry, mineral, water resources, air...to ensure highest benefits from the development of socioeconomic supporting sectors in the sustainable manner between 2016-2025, by improving legislations and master plan on agriculture land, uncontaminated water resources, environmental friendly, fresh and clean air; developing high value added processing industry of products from natural resources especially wood processing, mineral processing, clean water processing...for domestic consumption and exports.
- Promote and diversify products of other economic sectors with minimal use of natural resources to create income in compensating the resources sectors of irretrievable resources especially by replantation and promoting the utilization of the replanted

trees, developing and utilizing alternative energies, applying organic agriculture approach, developing services for supporting tourism and those indirect supporting sectors for tourism to have more share in the GDP.

- **Strategy on human resources and skill development**

Human resources and skill development is the highest priority in this national socioeconomic development strategy, which is one of the four breakthroughs of the Party's resolution, it is a key and sources of production power that contribute into the national socioeconomic development. Strategies for this area include following:

- Setting the targets: strive to achieve HDI and HAI at the better than what have currently achieved. Develop Lao people with health, increased life expectancy, education, consciousness, knowledge and improved capacity to meet the regional and international standard step by step. ,

- Prioritize in human resources and skill development as follow:

- o **Education: focusing on build knowledge for the people by:**

- i) Improve and develop national education system in increasing the quality, modernized its system and promote innovative economy as well as increasing in competitiveness prepare for the regional and international integration by improving curriculum and instruction method including teaching tools, learning methods. Improve teacher's capacity scientifically and open for innovative ideas from the students by building technical staff and skilled labor in different areas, supporting innovative ideas and further improve knowledge, capacity and skills for Lao people in different areas.

- ii) Improve education access for people in the rural and remote areas especially continue improving and developing education infrastructure especially equip school with modern facilities, create opportunity for the people to access to quality education services in the fields that link with the labor market demand, encourage more participation from all stakeholders in education development especially in strengthening the private sector in different areas as well as adjusting economic and social structure that help meeting the actual market demand.

- o **Health: focus on improve people's health by:**

- i) Continue resolving malnutrition issue especially for the children to reduce stunt and wasted number of children, raise people's awareness in nutrition and health care.

- ii) Increase number of doctors in quantity and quality; improve, develop and build more hospitals at all levels to enable access to the health services of people in rural and remote area; upgrade the medical equipment and health personnel to increase the quality and modernize the services at the comparable level as the other countries in the same region; provide local health services widely to reduce number of people from using health services elsewhere.

- **Strategy on regional and international integration and connection**

- Continue following the direction on peace, independence, friendship and cooperation; open for more cooperation with other countries multilaterally at all levels taking into account the national benefits; improve and increase friendship and cooperation with socialist countries, of which continue special cooperation with Vietnam and extend the relationship with China as a neighbor country and trust worthy partner; increase relationship with other countries and tighten the cooperation with the neighbor countries, developed and developing countries as well as independent group of countries, Group of 77, francophone countries,

developing countries that are landlocked and international organizations. This aims at improving long-term partnership with the other countries and international organizations.

- Further mobilize ODA by increasing cooperation and fund mobilization from the friendly countries, international organizations and financial institutions especially the key development partners through the Round Table Process to support the socioeconomic development.
- Take initiative in regional and international integration especially with ASEAN community such as AEC, ASEAN+6, GMS countries, WTO, etc.
- Continue upgrading and developing the transport infrastructure for land, railway and air transport to connect with the neighboring countries and the countries in the same regions and the world; improve logistics and access to the seaports in the third countries.