

NATIONAL HUMAN
DEVELOPMENT REPORT
LAO PDR 2001

ADVANCING RURAL
DEVELOPMENT



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This report is the collaborative work of a large number of people who all contributed in their own specific ways.

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PREFACE

The UNDP bases its support to the development efforts of the Lao Government on the concept of “Sustainable Human Development”. These three words contain the essential values we are advocating for. Development indicates improvement, it indicates advancement, it indicates change; it is a continuous search to increase our standards of living. Human, because it is the people who are at the center of our thinking and our actions. And sustainable because realised improvements should continue to provide benefits to the society at large and preserve future options.

The present National Human Development Report is the second published in Lao PDR. Lao PDR is predominantly a rural society, the large majority of the people live in the rural areas and depend on agriculture and the use of natural resources for their survival. As this report demonstrates, the development situation in the rural areas is significantly worse than in the urban areas and the rural development challenges are fundamentally different from those in the urban areas. Specific attention to rural development is warranted.

With its focus on rural development the report highlights a number of key development challenges. By summarising these key challenges under “knowledge management” and “change management”, the report deliberately asks attention not only for action in the policy arena and development activities but for reflection on our understanding of development processes and the impact of our actions as well. Lao PDR is a country of extreme diversity, which not only expresses itself in the rich and various ecosystems, but also in its human context. The challenge to gain sufficient knowledge on all these different livelihood systems and human cultures is big, but without this knowledge development efforts may miss their targets and instead of reducing poverty increase the hardship of those living in the rural areas.

The large number of different ethnic groups with their very distinctive cultures demands a conscious development approach. The different perceptions of development, the various livelihood systems and the different languages not only require specific efforts to increase our understanding but also point into a direction where development strategies need to be adapted to each of these different development situations. The mixed experiences documented in this report highlight that methodologies developed elsewhere may be a good starting point, but are unlikely to be sufficiently tuned towards the development realities in the rural areas of Lao PDR. Local, Lao-specific learning and methodology development is key to improve our efforts.

A large team with representatives from the government and development agencies has been working for more than a year to produce this report. True to the nature of the report all contributed on private title. This report does not necessarily represent the view of the government nor of the UNDP on development in Lao PDR. The authors all analysed the different issues in rural development from the starting point to make a contribution to the understanding of the development situation and specific challenges. I would like to express my congratulations to the team for the excellent work delivered.

The report presents a large variety of learning lessons, both for the government and the international agencies. I sincerely hope that the publication of this report will not be the end, but that the report will be used to enrich our debate.

Finn Reske-Nielsen
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INTRODUCTION

The National Human Development Report of the Lao People's Democratic Republic for 2001 concentrates on *rural development*, a critical element of the country's surge into the modern world because the vast majority of its population continues to live in its rural areas. This presents the nation with an enormously complex, interwoven set of development challenges, many of which this Report sets out to disentangle and illuminate.

However, let us first clarify a few misconceptions about modernity and development that appear to have moved to the forefront of the development debate because of the Government's desire that Lao PDR "graduate" from the group of "least developed countries" into the middle income category on the world spectrum by the year 2020.

First, modernity is not synonymous with urbanization. Indeed, as the world's industrialized countries know all too well, rapid urbanization has often meant the multiplication of human misery, the devastation of natural resources, and other indicators of what many policy-makers term "de-development". A marked rural-urban divide does indeed exist in Lao PDR, as this Report will show. Further and more significant, that divide correlates closely with the country's poverty profile. However, development by any definition entails selecting and melding those features of urban and rural life that will move Lao PDR forward in accordance with its unique history and self-determined national goals and objectives.

Second, integration into the contemporary globalizing economy does not necessarily signify development either. It is necessary and probably inevitable. Yet again, a headlong rush towards integration may also lead to de-development. As this Report will later show, Lao PDR could well lead the world in pioneering a model of sustainable development, particularly in its use of its forests – which contain an almost unparalleled wealth of biodiversity — as well as its tapping the indigenous knowledge of its many ethno-linguistic groups – a wealth of cultural diversity almost unmatched in a country of this size.

All this may sound mysterious, even obfuscating. For this reason, this Report takes pains to distinguish the concept of human development – and human poverty – from earlier ideas of development and modernization. It will then proceed to examine a number of the facets of human development in the Lao PDR, notably the following:

- rural development;
- the country's ethnic diversity;
- the livelihoods of rural people,
- decentralisation and the ways in which it can enhance both local participation in rural development and thereby national development as a whole; and, finally,
- the management of rural development for poverty reduction.

To examine the challenges confronted by the rural populations of Lao PDR and the choices that both the Lao Government and the international development community face in their efforts to support these populations, we should first look briefly at the general policy environment in Lao PDR, as well as the country's macro-economic situation.

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EXECUTIVE SUMMARY

The theme of the 2nd Lao PDR Human Development Report is Advancing Rural Development, which has been chosen for two reasons. The first is that in the context of Lao PDR, rural development is of obvious importance because the large majority of the people lives in rural areas and depends on agriculture and the use of the natural resources to sustain their livelihoods. The second reason is that rural development would need specific attention because of the very specific nature of the development challenges in rural Lao PDR. The highly diversified development context in the different parts of the country runs as a red line through the report.

Rural Development as a concept opposes urban and rural aggregations. The concept of rural development is essentially being used to make a distinction between rural and urban areas as a structuring feature in the analysis of development trends and subsequently in the formulation of development policies.

Two other key concepts in this report are Human Development and Livelihood Systems. Human Development is a concept that has been developed to enable worldwide comparison between countries on criteria that would measure development to a wider extent than single item indicators as GDP. The criteria for Human Development include longevity, knowledge, security and income. Based on these criteria it is possible to both make international comparisons and to analyse the present state of development in Lao PDR as well as the trends observed in recent years.

Livelihood systems can be seen as the way in which people have organised themselves to shape the productive, societal and spiritual aspects of their lives. In a sense, livelihood systems can be seen as a local reflection of the human development concept. Although at this stage there is a start in gaining knowledge concerning the complexity of the livelihood systems in Lao PDR, it is not yet sufficient to propose a comprehensive 'model' of livelihood systems.

Two basic choices, in an effort to facilitate analysis, underlie the report. The first choice relates to the presentation of data and the creation of analytical entities. Logically, development relevant information is presented for both rural and urban areas. Various sets of data have been used and often overviews and specific calculations have been made for the purpose of this report using primary data sources. Where possible, information is presented and analysed for four regions: North, Central, South and Vientiane Municipality. Although this regionalisation may need to be refined in future efforts, all data presented do show different values and often different trends for each of the regions and hence indicate that different challenges may underlie the development process.

A second set of choices is related to the nature of the report. In stead of trying to provide all embracing descriptions and analysis, an issue-based approach was chosen. This allows a more focused and deeper analysis. By focusing on a number key issues this report will contribute more concisely to discussions on rural development. Therefore, each of the chapters looks at rural development from a specific angle.

The first chapter, then, analyses the macro-economic dimensions of rural development as well as the main policies of the Lao Government. Generally speaking, the recent macro-economic policies of the Lao Government have succeeded to stabilise the economy in the late nineties, despite the deeply disrupting impact of the Asian Financial Crisis. Also a significant reduction of overall poverty incidence has been realised. Economic growth does benefit the poor people, but economic growth benefits the rich more than the poor. This is represented by an increasing Gini coefficient and diverging growth rates for Vientiane Municipality and the other three, predominantly rural regions. Hence, economic growth is necessary but not sufficient to realise significant reductions of poverty and to combat an increasing inequity. Specific measures are needed to provide for a real 'pro-poor' focus of economic policies.

The second chapter analyses the general concept of human development, mainly through the Human Development Index and its constituent parts. The analysis of human development in the different regions of Lao PDR shows that development is not equally spread throughout the country. Significant differences in longevity, education and standard of living can be observed, which may serve to direct resources and development efforts from both the Lao Government and international agencies to the most deprived areas. The gender analysis has been included in this first chapter to highlight its importance. Although improvements have been made, virtually all indicators show that women are still in a disadvantaged development situation.

The third chapter, in fact, turns the concept of development around by looking at poverty. A number of different methodologies to analyse poverty are presented: the Human Poverty Index, the poverty lines, the vulnerability assessment and the participatory poverty assessment. All point to the significant rates of poverty in the rural areas and the chapter highlights the differences between the four regions as well as between individual provinces. A main element in this chapter is feeding the discussion on what exactly it means to analyse poverty. The more quantitative approaches do provide us with tools to describe and locate poverty according to a number of indicators. But it is the more qualitative approach that will help us to understand what poverty really means and, most importantly, what the rural people themselves think poverty is about. In a philosophy of participation and human centred development this is key. Development efforts or more specifically poverty eradication efforts should take the priorities of the local rural population as the starting point.

The fourth chapter presents both the main indicators for human development in a rural - urban dichotomy and the main government policies towards rural development. It is striking to see how far the differences between urban and rural areas go and how different the four regions fare. Of specific importance in the context of Lao PDR are the challenges related to the UXO problems and the production and consumption of Opium. Still large areas of potential agricultural land are infected by UXO posing serious health hazards and hampering agricultural development. Lao PDR is one of the largest producers of Opium in the world and overall this has a very negative impact on development in the producing areas. Contrary to popular belief, opium production (and consumption) enhances poverty. Significant efforts are under way to address both the UXO and Opium issues, but more support would be needed. Although key government policies are focusing on rural development and several of these policies do contribute to improve the development situation, not all are equally successful in their implementation. Efforts to improve the marketing situation, investments in the irrigation systems and improvements in rice varieties had significant impact on the agricultural production. However, the focal site approach, the forestry, resettlement and land allocation policies would need further improvements.

The fifth chapter specifically looks into the issue of ethnicity. Lao PDR has a tremendously diverse population and probably nowhere else in the world such a level of ethnic diversity exists. This wealth has been recognised early on by Lao policy makers and the right for each ethnic group to develop according its own culture has been enshrined in the constitution. The state-of-the-art classification of ethnic groups according to ethnic-linguistic criteria is an outstanding achievement in the region. But, this diversity also poses unique development challenges. Each ethnic group speaks its own language, has its own cultural value system, its own belief system and concepts of what development is about. The chapter highlights the government policies and a number of areas where inequalities seem to correlate with ethnicity. In a context where knowledge about the differences between the various ethnic groups and how this impacts on development action is still limited, both the government and international agencies find it difficult to adapt their development policies and strategies to specific, sometimes very local, but unique situations.

The sixth chapter analyses the rural development context from a livelihood systems approach, which significantly assists in gaining a better understanding of the nature of the development challenges in this unique and diversified country. Three major features of the livelihood systems in Lao PDR are described and analysed: the farming systems, the dependency on forest products and the specific role of the Non-Timber Forests Products. Following up on the analysis of the third chapter in which the main expressions of poverty (food insecurity, low income and insufficient savings and investment) were identified, this chapter describes three major complexes in the livelihood systems that give rise to these problems: the declining productivity in swidden-based farming systems, the declining productivity of non-timber forest resources and the failure of alternative income sources to transform the rural

economy. The analysis of the different policies related to these three complexes reveals that not only the implementation of the policies could be improved, but also that the policies itself may benefit from further development of the underlying concepts. Especially urgent is to discuss the consequences of the land allocation. The rich natural resources and a low population density, allowing a rather sustainable system of shifting cultivation, provided sufficient productive capacity to sustain the livelihoods. Although a change from shifting cultivation to a more sedentary system is now needed, the way to do it may be improved. Presently, farmers are to reduce the area and number of farming plots to an extent where production is reducing due to an insufficient number of plots and land degradation. As also highlighted in chapter 5, many farmers indicate that this situation has contributed to push them into poverty, where before they felt not being poor. Changing elements of the livelihood systems is a delicate affair and has an influence on other elements of the system. The close links between farming and religion need to be included in policy making and more support is needed when communities change from shifting cultivation to more sedentary forms of agricultural production.

The seventh chapter focuses on the administrative structure and the recent policies concerning decentralisation and participation. After the rather unfortunate decentralisation effort of the late eighties and early nineties, the government is now embarking on a new initiative to establish a more decentralised and, hence, more responsive government structure. The chapter primarily argues for a prudent approach and an implementation modality that allows for proper monitoring and control. Although the decentralisation proposals are quite ambitious, several elements, like the overall administrative capacity and the human resource management system, would need further elaboration. In order to increase the responsiveness of government to the local people, a well-designed system of improved participation is essential. Some options concern the electoral process of political representation on village and district level, the establishment of administrative entities in between the small villages and district level and further development of the urban management structure.

The last chapter tries to highlight the key issues that transpire from the report. They are summarised under two headings: "Knowledge Management" and "Change Management". All chapters argue that the development situation in Lao PDR is highly complex and extremely diverse. In order to enable policy makers and development practitioners to improve their understanding of the development situation and challenges, more attention is to be paid to knowledge management. This includes dealing with the country's diversity, the concept of livelihood systems and human resources as well as organisational structures needed to generate and manage knowledge. Change management in a situation of limited knowledge is never easy, however efforts can be made to better fine-tune the initiatives to improve the development situation. Key elements in the discussion on change management are the governance structure, decentralisation and participation.

The various annexes provide more detailed information for the interested reader. Of specific importance, however, is the statistical annex. From a variety of sources, the report brings a wealth of statistical information together in this annex. As is often the case in developing countries, and Lao PDR is not an exception, the statistical information needs to be interpreted rather carefully. Not all sources are equally reliable and sometimes special surveys are insufficiently representative to allow for strong statements. Still, we believe that the information presented is the best available and will assist many individuals and agencies in their efforts to analyse development in Lao PDR.



Economics are about production but not only in factories. Large numbers of small artisans, such as this family run business in Luang Prabang, produce for specific niche markets.

THE POLICY ENVIRONMENT AND MACRO-ECONOMIC SITUATION OF LAO PDR

A bird's eye view of the country's recent history reveals the policy situation of the Government of Lao PDR, the action taken within the domestic economy, and its relationship with the world outside its borders, from the sub-region and region to the international development community.

Within the Country's Borders

In 1986, the Government of Lao PDR adopted its New Economic Mechanism (NEM), a measure aimed at transforming the centrally planned economy established in 1975, upon the accession of the People's Democratic Republic, into a market-driven economy. The NEM set out to liberate prices; eliminate subsidies and parastatals; align the exchange rate with the market rate; and encourage private and foreign commercial activities in most sectors of the economy. In addition,

the NEM introduced a two-tier banking system, along with a legal, regulatory, administrative and institutional framework for supporting a market economy, and increased regional integration. Since the inception of the NEM, the Government has launched many structural transformations to build up the basic economic, physical and social infrastructure of the country, focusing on the development of transport and communication networks. Overall, the reforms have contributed to steady increases in national output; annual GDP growth averaged 6.7% between 1991 and 1996. This progress stemmed largely from (i) favourable conditions for agriculture and forestry; (ii) expanding exports of lumber and wood products, garments, assembled motorcycles and electric power; and (iii) the inflow of foreign capital, including Official Development Assistance (ODA) and Foreign Direct Investment (FDI).

TABLE 1.1: GDP 1992-2000.

Indicators	1992	1993	1994	1995	1996	1997	1998	1999	2000
Nominal GDP (billions of Kip)	884	951	1,108	1,430	1,726	2,201	4,240	10,328	13,671
GDP at constant prices (billions of Kip)	682	722	781	836	893	955	994	1,064	1,126
Real GDP growth rate (%)	7.0	5.9	8.1	7.1	6.9	7.0	4.0	7.3	5.8

However, since 1997, like all the other countries of the region, Lao PDR has felt the negative effects of the Asian financial crisis, despite its relatively low degree of integration into the international market.¹ Initially, the Government responded with monetary and fiscal measures aimed at stimulating aggregate demand and improving infrastructure in the rural areas. But the sharp fall in government revenues triggered by the crisis created a deficit² that could be covered only by increased borrowing from the Bank of Laos (BoL). This led to a soaring inflation and a depreciation of the exchange rate. From mid-1999, the Government took strong action to stabilize the economy, curbing its expenditures, improving tax collection, and imposing monetary controls to bring an end to the inflation/ exchange rate depreciation spiral. The 1999 growth rate surged to 7.3%, leveling off at 5.8% in 2000 and the Government continued to concentrate investment in agriculture, further shielding the country from the contagion effects of the crisis. But deflationary measures entailed curtailing public expenditure on social services, as well as in irrigation and other infrastructural support for agriculture. In addition, income inequalities increased.

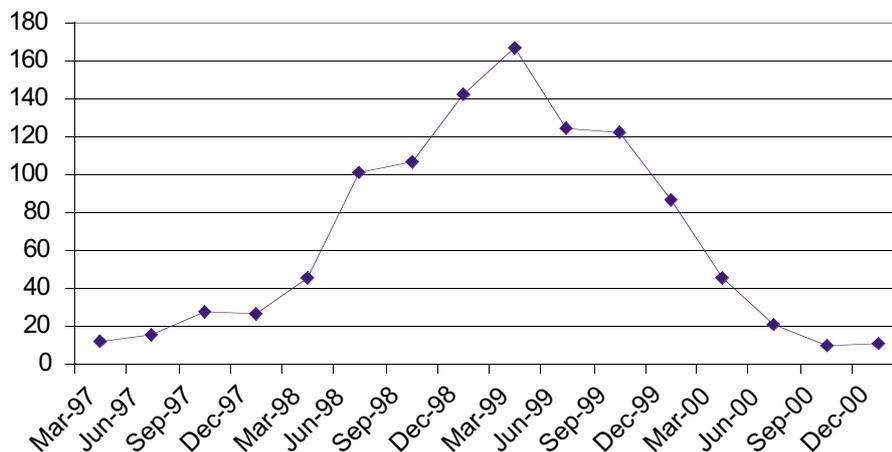
Fiscal Management

Early in the Asian crisis, the Government increased

expenditure sharply so as to stimulate aggregate demand and the agricultural sector, raising spending levels from around 13% of GDP in 1996/97 to 22% in 1997/98. In order to secure self-sufficiency in rice production, investment in irrigation and infrastructure soared from 11.8% to 24.4%. However, in mid-1999, the Government had to cut its spending drastically, scaling back many infrastructure construction projects and, more painfully, reducing health, education and other social programmes from 17% to 11%. Arrears in payments to the provinces meant interrupting many programmes, sometimes halting wages to social sector workers and government staff.

Tax revenues fell steeply, largely because of the Asian financial crisis. In addition, long delays arose in adjusting the exchange rate for converting foreign currency import values to the KIP, fueling inflation and compounding revenue losses when monthly inflation was high. Indeed, food shortages dating to 1996 set in motion a spiral of rising prices, which, together with the depreciation of domestic currency in relation to the Thai baht, resulted in an inflation rate of 167% by March of 1999. Although the stabilization measures undertaken that year brought inflation down to 23% by 2000 and reduced the fiscal deficit from 14.8% of GDP in 1997/98 to 4% in 1998/99, a slight weakening of revenue collection drove it to 5% in 1999/2000.

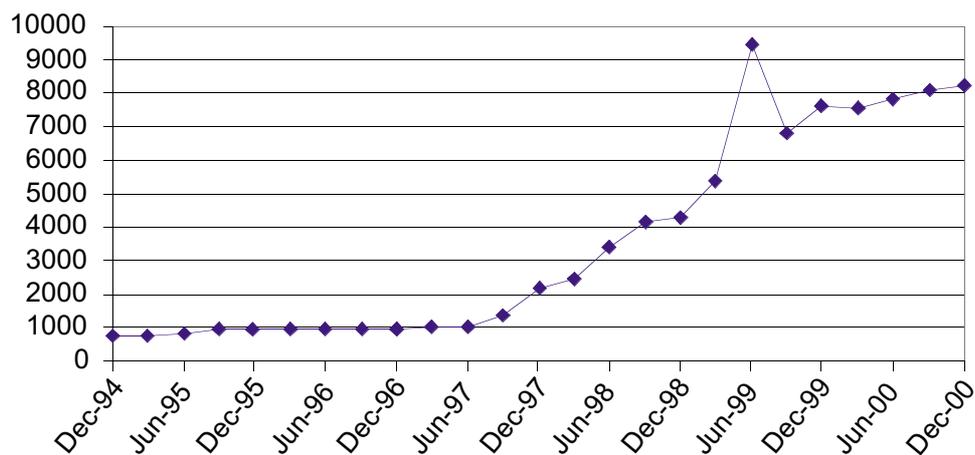
FIGURE 1.1: TWELVE-MONTH INFLATION PER END OF QUARTER.



¹ In contrast to many neighboring countries, the effects were not caused by a massive withdrawal of short-term capital. In the absence of well-developed capital markets in the Lao PDR, there were few investments through short-term private sector borrowing from abroad. However, the crisis resulted in a serious liquidity crunch among East Asian investors and businesses. As a result, foreign direct investment, which had been a major contributor to capital investment in the Lao PDR, decreased in the crisis years. Approvals for private investment projects fell from US\$1292m in 1996 to \$154m in 1997 and \$141m in 1998. In addition, exports, never large, grew even smaller, as the Thais saw their spending capacity reduced. In addition, the Lao Government confronted reduced power consumption by Thailand.

² Tax revenues fell by 21.2% between 1996 and 1998 (from 13.0 to 9.8% of GDP) — particularly the import tax (by 52%), timber royalties (by 49%) the turnover tax by 24% and the profit tax by 9%. Only the excise tax did not decline.

FIGURE I.2: OFFICIAL EXCHANGE RATE KIP PER US DOLLAR, AT END OF QUARTER.



Figures 1.1 and I.2 indicate the gravity of the inflation/exchange rate spiral and the effectiveness of the measures taken to bring it under control. Stabilization continued throughout 2000, buttressed by the Bank of Laos, which slowed credit to the economy from 74% to 40%, restricting its lending to commercial banks.

However, various signs point to the fragility of price stability. Despite restraints, in September 2001 the credit growth of state-owned commercial banks stood at 30%, exceeding the 20% growth target of the 2000/2001 plan. In addition, the Government revenue gap of the first

half of 2001 was compensated by a reduction of Government deposits in the banking system, which increased KIP liquidity in the economy and caused inflationary pressures.

The External Sector

Lao PDR imports more goods than it exports and therefore has a relatively large trade - or current account — deficit. In 1996, imports exceeded exports by 115%. Even before the Asian crisis, export growth had begun slowing and, by 1997, became negative. However, by

TABLE I.2: STATE BUDGET BY SECTORS

Proportion of the State Budget by Sectors

	National Percentages		Expenditure 1999/00	Per Capita National Expenditure (Thousand KIPs)		
	1996/7	1997/98		1996/7	1997/98	1999/00
Country Total	100	100	100	87	108	546
Social / Cultural sectors	17	17	11	15	15	35
Education	8	7	5	7	7	13
Health	3	6	3	2	4	2
Social Welfare & Labour	4	3	1	4	3	11
Information and Culture	2	1	1	2	1	9
Economic sectors	76	75	79			
Agriculture / Forestry	13	22	13	2	4	9
Industry	17	13	4	9	9	11
Communication	46	40	62	14	23	167
RD- Economic Sectors	0	0	0			
Other economic Sectors	0	0	0			
Offices and Housing	4	2	6			
Rural Development and other	4	6	4			

2000, growth in exports rose beyond pre-crisis levels to 9%. Imports decreased as a result of the crisis and import growth recovered modestly in 1999 (by 0.3%). In 2000, import growth was again negative (-3.4%) and the current account deficit declined from 12% in 1996 to 0.7% of GDP in 2000. Net service exports, which averaged only 1.5% of GDP between 1995 and 1997, increased to 5.6% in 1998, largely because of tourism. In addition, overseas private remittances grew substantially, from 0.6% of GDP in 1994 to 3.9% in 1998.

Maintaining a relatively large current account deficit becomes possible only with a high inflow of foreign capital, whose major components are foreign direct investment (FDI) and official development assistance (ODA). Because of an improved economic environment for private sector development in the first half of the 1990s, FDI inflow increased to \$175 million by 1996, about 9.5% — only to decline to \$33.9 million in 2000, partly because of the regional crisis. Even more significantly, of the total of foreign investment licenses approved by the Government between 1988 and 2000 (with a value of some \$7.4 billion), only some 6% have actually been used. ODA, in the form of grants and loans, increased from 11.1% of GDP in 1994 to 17.8% in 1999. Loans have grown faster than grants. The latter in 1994 accounted for almost two thirds of ODA, dwindling to one third by 1998. However, both ODA forms decreased in 1998 (loans by 16% and grants by 24%), but have again risen since 1999.

All in all, inflows of foreign capital showed a slight increase from 1996-98.³ International reserves, too, have held steady or even increased. Gross official reserves rose to about \$165 million in 1998, partly as a result of the disbursement of the second tranche of the ADB Financial Sector Programme Loan, to decline to 116.8 million in 2000. The reserves are expected to rise to \$152 million in 2001, covering 3 months of imports.

RECENT MACRO-ECONOMIC POLICIES

As the Introduction stated, the goal of the Government of Lao PDR is to “graduate” from the status of Least Developed Country (LDC) by the year 2020, through two broad strategies: high economic growth with equity and universal access to social services and markets, particularly in rural areas. A major part of this strategy entails regional economic development, infrastructure development and implementing the country’s decentralisation policy. In the wake of the Asian crisis, the Government has also reassessed the macroeconomic situation and committed to strengthening its macroeconomic policy and reform framework. Indeed, macroeconomic priorities retain basic priorities in government’s approach to poverty alleviation, because of their importance in preserving price stability and fiscal stability. To achieve this goal, the Seventh Party Congress convened in March 2001 to identify the national development vision as follows:

- The socioeconomic development of the country must be balanced between economic growth, socio-

BOX 1.1:

WHAT ARE THE LEAST DEVELOPED COUNTRIES?

Forty-nine countries are currently designated by the United Nations as “least developed countries” (LDCs). In 1991, there were only 27. The list is reviewed every three years by the Economic and Social Council (ECOSOC). Three criteria determine LDC status: low income, as measured by the gross domestic product (GDP) per capita; weak human resources, as measured by a composite index (Augmented Physical Quality of Life Index) based on indicators of life expectancy at birth, per capital calorie intake, combined primary and secondary school enrolment, and adult literacy; and a low level of economic diversification, as measured by a composite index (Economic Diversification Index) based on the share of manufacturing in GDP, the share of the labour force in industry, annual per capita commercial energy consumption, and UNCTAD’s merchandise export concentration index. Different thresholds are used for inclusion in, and graduation from the list. A country qualifies to be added to the list of LDCs if it meets inclusion thresholds within all three criteria. A country qualifies for graduation from the list if it meets graduation thresholds within two of the three criteria. For the low-income criteria, the threshold on which inclusion in the current list is based has been a GDP per capita of US\$800 and the threshold for graduation has been a GDP per capita of US\$ 900.

3 However, the recorded capital account of the Government shows a reduced surplus for the period. This discrepancy is reflected under ‘errors and omissions’ and shows an increase during the crisis years. In its discussion paper entitled ‘Macro Economic Framework’ of August 2000, the Government indicated that this might be attributable to a rise in unrecorded imports.

cultural development and environmental preservation. These are the three pillars of the Lao PDR development policy;

- Social development must be allotted between sectoral and regional development and between urban and rural development so as to fully and efficiently utilize human and natural resources;
- Socioeconomic development must be based on sound macroeconomic management and the enhancement of institutional strength through national solidarity, cohesiveness, and the promotion of democracy within society;
- National potential and strength must be combined with global opportunities so as to enable the country to participate in regional and international economic integration;
- Socioeconomic development is to be closely linked with national security and stability.

The national development vision has taken operational form in the following objectives, strategies and eight priority programmes. The main objectives of the long-term development strategy are:

- To sustain economic growth with equity at a moderate rate of about 7%, which is considered the main locomotive for tripling the per capita income of the multi-ethnic Lao population by the year 2020;
- To cut the existing incidence of poverty by half by the year 2005 and to fundamentally eradicate poverty by the year 2010;
- To eliminate opium totally by 2005 and put an end to slash-and-burn cultivation by 2010.

To attain these ambitious national development objectives, the Government of the Lao PDR has outlined the following strategies:

- Maintain an appropriate level of population growth compared to the economic growth rate for the medium and long term. Human resource development through education on reform policies and measures, particularly basic education at all levels, including the formal and informal sectors.
- Develop and modernise social and economic infrastructures so as to facilitate economic development in each region and to propel the Lao PDR into regional and international economic integration, in order to gradually build up the country as a service center for some activities within the region;
- Extend electricity access to all areas and regions of the country in order to foster other sectoral economic development in the region through the development of transmission line access from the

north to the south and to the economic development zones. This will gradually create the prerequisites for industrialisation and modernisation;

- Promote the construction, manufacturing and agro-processing industries, utilising domestic natural resources in order to increase value-added products for domestic and regional markets. Small and medium-sized enterprises (SMEs) and local industries and handicrafts must also be promoted;
- Develop and promote all economic sectors in order to expand their business opportunities so that they can compete in the domestic, regional and international markets, with an emphasis on export-oriented potential and sectors that have a location advantage;
- Create favorable conditions and mechanisms for improving financial institutions and further capital market development;
- Promote foreign economic cooperation, as well as cross-border cooperation, so as to propel the Lao PDR into economic integration within the region and the world.

To further focus its development efforts, the Government defined eight priority programmes. These are:

- **Food production.** The aim of this priority programme is to provide food for self-sufficiency. The remainder can be sold in cross-border regions and used in the food processing industry.
- **Commercial production.** This programme focuses on the production of goods for all significant sectors, the domestic market, and export to the regional and international markets.
- **Shifting cultivation stabilization.** The aim is to prevent watershed, forestry and ecological degradation, particularly in mountainous areas.
- **Infrastructure development.** This programme focuses on road rehabilitation and development, telecommunication and post development and social infrastructure, as well as schools, health care facilities and so on.
- **Rural development.** The main purpose of this programme is to alleviate poverty in rural areas through income generation and rural infrastructure improvement.
- **Human resource development.** The aim of this programme is to implement the political concept of strengthening “self-mastery, self-reliance and self-building” of the Lao people. To attain this idea, people are considered as the centre of development goals and they must be armed with enough

education so as to enable them to develop and manage the country.

- **Service development.** This programme is aimed at developing new potential sectors such as tourism, transit, transport, and trade based on location advantages.
- **Foreign economic relations development.** The aim is to use global opportunities as much as possible to develop the economy of the country, promote foreign direct investment (FDI), and improve economic cooperation with foreign countries and international institutions.

This comprehensive approach to the development of the country attests to the complexity of the Government's vision. Many of the priority programmes and strategies, however, are not essentially new; they have been remodeled in accordance with the experience gained by the Government over many years. In part, the plan also reflects the exchange of ideas between development partners, such as international organisations, in the process of elaboration.

The Government's strategy is to identify and support policies and interventions that promote strong and sustainable growth, while at the same time targeting the poor. Virtually all Government policies now refer to poverty eradication as a main objective, its macroeconomic policy framework being key to this aim.

THE KEY SET OF MACRO-ECONOMIC POLICIES

In line with the five-year socioeconomic development plan (2001-2005) adopted by the Seventh Party Congress, the Lao Government's approach to macroeconomic management puts a strong emphasis on maintaining stability as well as on promoting sustainable growth through appropriate investment and trade policies.

Financial and Monetary Policies

The objective of financial and monetary policies is to maintain macroeconomic stability through prudent fiscal, monetary, and exchange rate policies, as well as a strong and consistent legal framework. The fiscal policies will also target generating resources for poverty reduction. This calls for controlling the annual inflation rate at less than 10% per year by pursuing strict monetary policies. It involves a range of measures including a cessation of budget deficit financing, controlling the money supply, and maintaining a

market-based exchange rate. In this respect, the Bank of Laos (BoL) shall continue to manage the exchange rate flexibly and permit the adjustment of the exchange rate of banks so as to maintain the margin with the parallel rate at less than 2%. Any widening of that margin would indicate the need to tighten the monetary policy. Monetary discipline has to be supported by structural reforms aimed at strengthening the banking sector and establishing a sound credit culture: implementing an inter-bank market, establishing an efficient system to strengthen credit risk management, establishing a transparent policy for the lending system funded by identified budgetary resources, strengthening the capacity of the State-Owned Commercial Banks (SOCBs), and strengthening the banking supervision capacity of BoL.

To ensure medium-term fiscal sustainability, budget revenue is to be progressively increased to 18% of GDP by the year 2005. Consequently, the effective implementation of the measures designed to strengthen revenue collection, modernise the tax and customs system and broaden the tax base will be crucial. Such measures involve strengthening the capacities of taxpayer organizations, especially large taxpayer units, reinforcing the administration of real estate and land taxes, preparing for the gradual replacement of the turnover tax by the Value Added Tax (VAT) system, and reducing tax and duty exemptions on investments. These measures appear all the more important from the perspective of the entry of Lao PDR into AFTA, the Asian Free Trade Area, where import and export duties will decrease. This may indeed further strain the Government's ability to collect revenues and, at the same time, will call for an extensive set of measures to offset potential revenue losses.

On the expenditure side, overall expenditures shall be restrained, while expenditure management shall seek a greater balance between capital expenditures and current expenditures, on the one hand and, on the other, an increased expenditure share for the social sectors. However, should overall expenditure be restrained too much, the Government intends to ensure additional resources for key social services for poverty reduction, such as primary education and basic health care, as well as vital social and economic infrastructure for rural development.⁴

In addition to maintaining prudent fiscal management, ensuring overall fiscal sustainability will have to be supported by decentralizing budget management effectively (through the transfer of budget planning and revenue collection to Provinces and Districts), as well

as by strengthening budget execution (public accounting and auditing in particular).

Investment and Trade Policies

Economic growth depends largely on inputs, mainly capital and labour, and productivity, as well as the efficiency with which these factors can be combined. In order to attain the Government's annual growth target of 7%, investment rates must increase to some 30% of GDP,⁵ up from slightly over 20% in the late 1990s. Given the constraints of limited savings, together with strong commitments to keeping the budget deficit under control, FDI and ODA will be crucial to meeting the targets. The foreign assistance in the Public Investment Plan (PIP) component has consistently been close to 80%. Investment in Lao PDR derives largely from a combination of ODA and FDI.

Consequently, to encourage the private sector and both domestic and foreign investors, investment and trade policies must be improved by providing more incentives and a better, "enabling" environment. Investors will invest if they can plan for the future and be confident of profits on a sustained basis. In particular, a strong and fully functioning domestic private sector is mandatory if Lao PDR is to lift itself from LDC status.⁶ Currently, the development of the private sector (predominantly in agriculture) is held back by a range of physical (poor infrastructure), human resource (poor management ability, low productivity) and financial constraints (low monetisation, lack of access to credit, and lack of professional services). Enabling high and sustained private sector activity and investment through adequate structural reforms is therefore critical. Removing barriers to entry and "leveling the playing field" vis-a-vis the state sector appears as an important priority.

Trade liberalisation, involving compliance with AFTA requirements and preparation for membership in the

World Trade Organisation, WTO, (reduction of duties and phasing-out of import and export licensing) should act as an important factor for promoting growth via increased trade and FDI. The Government is indeed committed to promoting international integration as a means of strengthening the competitiveness and the development of the private sector. Significant progress has already been registered in this area. In addition to simplified customs procedures and export-related procedures (automatic licensing), the Government intends to gradually liberalise imports in line with the commitments made under AFTA, by transferring about 429 items per year from the temporary exclusion list to the current inclusion list. By 2005, only 5% of total tariff lines will be subject to quantitative restrictions (mainly unprocessed agricultural products, motor vehicles, alcoholic beverages, tobacco products, as well as items restricted for security or health purposes). Removal of quantitative restrictions from items in the inclusion list on a multilateral basis should be actively pursued.⁷

IN CONCLUSION

The macroeconomic projections and policies presented above are based on the expectation of continued international and regional economic recoveries from the Asian economic crisis and oil price shocks, as well as on the macroeconomic decisions taken with regard to stabilisation, notably the priorities of the Government's fiscal policies. If a stable environment is developed, these specific policies will be effective in maintaining the GDP growth of Lao PDR at 7% - 7.5%. As long as this is balanced by responsible expenditure policies, the Government's goal of reaching an average GDP per capita income of about US\$ 500-550 becomes feasible by 2005.

Despite all the hardships caused by the Asian crisis and the stern measures taken by the Government to stabilize the national economy, the emergency has nonetheless

⁴ The Government's commitment to maintaining macroeconomic stability is reflected in the Medium - Term Expenditure Framework (2000-2003), which provides for an overall increase in revenue up to 14% of GDP. Overall expenditures will be restrained, with a planned rise in total expenditure not exceeding 21% of GDP. The budget deficit is to remain at about 5% of GDP in 2000/2001-2002/2003 (IMF definition). Also, in line with the stronger orientation towards poverty alleviation, the 3-year PIP provides for an increase in expenditures in social sectors up to 25% in 2001/2002, while the share of economic sectors (especially transport and communication) is projected to decrease over time. The share of social sectors was indeed raised to 24% in 1999/2000, from 11% in 1998/1999 (Source: PRSP).

⁵ of which public investment is to be no less than 12% of GDP per year.

⁶ From Common Country Assessment, UN Country Team, 2001

⁷ See the Government of Lao PDR Memorandum on Economic and Financial Policies

spurred a significant strengthening of the financial sector, including budget management and tax administration, along with legal and regulatory reforms and a recognition of the need for improved data collection. However, during the implementation of these far-reaching changes, the Lao economy remains vulnerable to shocks that might result from inflation abroad or domestic supply shortfalls, caused by floods or disruptions in agriculture production. Donor assistance is required to reduce the impact of this vulnerability.

Macro-economic policy, though, constitutes only one facet of the Government's commitment to eradicating poverty by 2010. Improving the situation of the poorest citizens will depend largely on implementing the ambitious development framework to reverse the trends towards inequity sketched in subsequent chapters of this report. Sound macro-economic policies are necessary to make an inroad on the severe poverty in the country. However, they are not sufficient. As will be discussed in the Report, strong pro-poor policies and further administrative reform are needed as well.



Education is a key element in Human Development. It is not only about classroom teaching, but also about transmitting cultural values.

THE STATE OF HUMAN DEVELOPMENT IN LAO PDR

THE HUMAN DEVELOPMENT PERSPECTIVE

Human development centres on people - not what they produce or what is needed to raise Gross Domestic Product (GDP) closer to the levels of “advanced” countries. Instead, human development concentrates on people’s access to opportunities that will permit them to choose the kinds of lives they want to lead. From this perspective, development activities become those that enhance human choice and that enlarge people’s capabilities to realize their aspirations. This involves nutrition, health, longevity, and education. Equally important, it entails self-respect, along with the rights and skills for participating in public life - and thus for building a society that can satisfy the needs of others in fulfilling their own hopes to lead safe, productive, and creative lives.

It has taken the world more than 50 years to reach the human development perspective. Even a decade ago, development policies concentrated on “catching up” to industrialized nations with their wealth of technology. Development initiatives translated into building facilities - such as highways, schools, and hospitals. Whether they worked or benefited the people they were intended to serve mattered less than the fact of their existence. And, indeed, many of these facilities in many countries failed to enhance the quality of life in the places where they were constructed. Giving a community a primary health care centre did not

necessarily mean that the local people used it. Similarly, bringing a modern production plant to a village to generate jobs did not translate automatically into their feeling that well-being in the village had increased. Development springs from the needs and priorities of the people. It has to be cultivated. It cannot be bought.

In the language of social scientists and policy-makers, the “product-based” approach - clinics, classrooms, factories — led to emphasising economic growth and accelerating its speed. However, the experience of many countries shows no automatic link between economic growth and human development. Even where such connections can be demonstrated, they quickly disappear in the absence of skilful policy management that stresses investing in human capital - in short, helping people themselves to improve their health and that of their families and giving them the opportunities to learn the basic skills that enable them to learn more. Such skills also enable them to help planners shape policy further so as to provide a broadening range of opportunities and choices.

Economic growth is necessary to human development in the sense sketched above - but not a sufficient condition. Similarly, increases in goods and services are an intermediate result — a means, not an end. Only within certain circumstances can these increases serve the enhancement of human well-being. And these circumstances are created, at least in part, by people

BOX 2.1:**WHAT IS HUMAN DEVELOPMENT?**

Human development is a process of enlarging people's choices.

Income is certainly one of the main means of expanding choices and well-being. But it is not the sum total of people's lives. Sometimes the expansion of income is confounded with the automatic enhancement of human capabilities, but the distinction is critical.

The human development framework - a practical approach to people-centred development - is rooted in knowledge about people's real concerns about their well-being and rights, about their families and communities. As participatory development appraisals all over the world show, some fundamental concerns are nearly universal: adequate food, adequate shelter, secure livelihoods, accessible safe water, adequate health care, quality schooling for children, and productive, creative and satisfying employment. People also value freedom - from violence and crime, from armed conflict, from fear, oppression, discrimination and persecution. They want a sense of purpose and empowerment, for which community life and social cohesion are essential. Social interaction, community participation, and people's opportunities to assert their own culture and tradition are intangible yet quintessential conditions for human development.

Source: Human Development Report Office.

themselves. Within the human development framework, commodity production and income matter, but only as means for improving the quality of people's lives. The end is to enhance people's freedoms to pursue what they value most. People become the subject of development rather than its mere objects.

The indicators set out in Box 2.2 show the many facets of the human development perspective. This "multi-dimensionality" makes it more robust than the "product" approach, with its disproportionate stress on economic growth. By contrast, the highest priorities of the human development approach are themselves multiple: poverty reduction, productive employment, social integration, gender equity and environmental regeneration. It underscores the need for adequate attention to the resources and options available to different types of people among the many categories in which human beings can be studied: according to their sex and age, as men, women, children, and the elderly; social classes; ethnic and geographic groups; and occupational clusters. And just as the priorities of the human development approach are multiple, the perspective places great value on the diversity of its human subjects.

MEASURING HUMAN DEVELOPMENT

As GDP tries to capture the economic output of a country, social scientists measure human development

by the Human Development Index (HDI), which encompasses three indicators of people's welfare: their life expectancy; their knowledge (adult literacy and a combination of enrolment rates at the primary, secondary, and tertiary levels of education) and their standard of living (real GDP per capita, expressed in purchasing power parity).¹ From the outset, in the early 1990s, it was clear that measuring Human Development would not be easy. Whatever the indicators one chooses, they will inevitably fall short of the full complexity of Human Development, simply because it cannot be measured by a set of concrete measures. Many important characteristics of people's lives cannot be accurately quantified, certainly by the measuring tools social scientists now possess; data for such characteristics as well-being and self-respect are very scarce, often wholly unavailable. Nonetheless, within the context of these limitations, the three indicators that make up the HDI have been accepted as the best means of capturing the essentials of Human Development. Accordingly, the HDI, which ranges from a low of 0 to a high of 1, has been universally acknowledged as a general gauge of progress.

Longevity

Living long lives implies the capability of avoiding "escapable morbidity and premature mortality" — the debilitating effects of hunger and poor nutrition, unsafe drinking water, and other aspects of poor sanitation and

¹ The HDI first appeared in the first of the annual UNDP global Human Development Reports, published in 1990. It has since been an integral part of each successive report, each devoted to a theme of human development such as those represented in many chapters of the present national report: poverty, environment, gender equality, governance, etc.

BOX 2.2: THE DIMENSIONS OF HUMAN DEVELOPMENT AND ITS INDICATORS

Longevity/survival	Life expectancy at birth; levels of morbidity
Knowledge	Formal education: literacy rates; educational attainment Informal education: apprenticeship; ritual technology; informal communication technologies; public awareness campaigns; rural extension services: access to mass media; access to the Internet
Standard of living/Quality of life	Income, expenditure per capita
Equity	Levels of income inequality; Access to provision of social services; Gender balance
Sustainability	Steady income growth (GDP growth); Levels of environmental degradation (soil erosion, deforestation, industrial pollution, water quality); natural and economic shocks.
Security	Physical security (crime rate); Job security (rate of unemployment); Social security (access to unemployment insurance, health care and pensions, natural and economic shocks).
Diversity	Human diversity (legal framework, respect for ethnicity); Environmental diversity (natural reserves, preservation of species); Gender balance.
Empowerment	Political participation; Social and community participation.

poor environmental quality that foster endemic illnesses. Historically, significant gains in life expectancy have stemmed from major improvements in health care delivery systems, including immunization against diseases such as smallpox and diphtheria; balanced dietary intake; and improved sanitation and increased access to safe drinking water. In many countries, however, detailed and systematic data on people's health and nutritional status are either unavailable or of insufficiently good quality. Given these constraints, longevity mirrors decent quality of life better than any other quantitative characteristic — or “proxy” in the language of social scientists. Life expectancy (as a measure of longevity) has emerged as an indicator not only of the quantity, but of the quality of life and hence became a prime indicator of human development.

Knowledge

Education provides the basis for expanding opportunities and making informed choices. Consequently, improved and equitable access to knowledge, both within formal school systems and outside them (what is known as “informal education”), constitutes the basis for enhancing individual and

collective human development. Being educated goes far beyond any one person's level of school attainment. It enables people to fulfil other roles they value, such as being a good parent and citizen; to expand their opportunities for remunerative employment; to broaden their awareness of their surroundings and heritage and their place in the world at large; and to strive for betterment throughout their lives.² In short, education is empowerment for exercising choice and for participating actively in the development process.

Whatever their shortcomings, literacy and school attainment rates provide a good indication of the access to basic education that a society offers its members. Systematic gains in average levels of schooling also manifest themselves in gains in a country's level of productivity and its competitiveness in an era of increasing globalisation and regional integration. Empirical evidence shows that a highly educated labour force helps attract foreign investment. For this reason among others, efficiency in the formal educational system, particularly at the primary level, calls for regular assessments to determine where and how a country can improve the quality of the education it offers its citizens.

² Significantly, the first worldwide study on life-long education, published by the United Nations Educational, Scientific and Cultural Organization (UNESCO) in 1972 in Paris, was entitled “Learning to Be.”

Standard of Living

As we have seen above, longevity, which is expressed quantitatively (in time), also translates into a measure of the quality of life. Similarly, the third component of the HDI — standard of living - indicates quality, perhaps even more strongly than longevity. The kinds of life-enhancing attributes people are able to choose and acquire are vital to fulfilling their hopes, both individually and collectively. Differences in individual and collective preferences make it difficult to find precise measures of standard of living. Income - purchasing power — provides the best indicator that is widely available to measure the value of the resources people need and want so as to realize their aspirations. Consequently, a component of human development, income is important not as an end in itself, but as a means of establishing people's command over the goods and services essential to a decent life.

THE STATE OF HUMAN DEVELOPMENT IN LAO PDR

Table 2.1 shows the evolution of the HDI for Lao PDR according to the global Human Development Report. Although the HDI increased between 1990 and 1999, the relative standing of Lao PDR compared to other countries did not really improve. In 2001, Lao PDR ranked 131 out of 162 countries, but was outstripped by Nepal, Bhutan and Togo, and in 1999 by India and Cambodia. Of all the Asian countries, currently only Bangladesh has a lower HDI than the Lao PDR. This clearly indicates that the Lao PDR needs to accelerate its equitable growth rates to break out of the low human development and LDC status³.

The Lao improvement stems largely from significant gains in terms of income per capita (13 %) and some in life expectancy (4 %). One must note, however, that the country's life expectancy index did not improve between 1997 and 1999 and that its educational

Year	Estimates	Gains
1985	0.372	
1990	0.402	8.1 %
1995	0.443	10.0 %
1999	0.476	7.4 %

Source: global HDR 2001

attainment index decreased by 1%. (see Table 2.2) The sharp drop in national expenditure in education and health from a combined 13% of GDP in 1997/98 to 8% in 99/00 is probably an explanatory factor for the drop in the educational attainment index and the stable life expectancy index.

Gains in life expectancy at birth, a proxy of longevity, have resulted largely from a reduction in infant mortality rates. By emphasizing both maternal and child health in its public health programmes, the Lao Ministry of Health has contributed significantly to lowering both infant and maternal mortality rates. In this connection, it is important to note that infant and maternal mortality statistics convey far more than the number of children who die before the age of one year or women who die because of pregnancy and childbirth complications. These indicators reflect other vital areas of life, among them the capability of parents, the prevalence of malnutrition and disease, the availability of clean water, the effectiveness of health services, and above all, the health and status of women.

Although improvements in Lao literacy and drop-out rates represent a remarkable leap over the period, the country still faces major challenges to enhance enrolment and the overall efficiency of the educational

	HDI 1995	HDI 1997	HDI 1999	Gains 1995 - 1999
Life expectancy index	0.45	0.47	0.47	4 %
Educational Attainment Index	0.54	0.57	0.51	-1 %
Adjusted GDP per capita (PPP USD) index	0.40	0.43	0.45	13 %

Sources: Global Human Development Reports 1998, 1999, 2001

³ UNDAF, p 17.

system. A situation in which only an estimated half of the students enrolled at the primary level complete their schooling calls for a wide spectrum of corrective actions. For the 1999/2000 academic year, the primary school dropout rate was 11.7 % nation-wide, and as high as 26-28 % in some regions. This obviously affects progress at the secondary level as well. All in all, the educational waste rate⁴ amounted to 29 % nation-wide. In other words, a tremendous leakage of the resources channelled to the education sector has taken place.

Real GDP per capita (in terms of purchasing power parity) almost doubled between 1993 and 1995 (PPP\$1,458 and PPP\$ 2,571 in 1993 and 1995 respectively). However, by 1999, the figure dropped sharply — to PPP\$1,471.⁵ The ultimate increase in purchase power from 1993 to 1999 was only \$13. To a significant extent, the ravages caused by the Asian financial crisis explain this meagre improvement, but it also reflects policy choices of the Lao Government aiming first at macro-economic stability.

These general GDP figures, however, mask some key features on poverty. The Lao Expenditure and Consumption Survey in 1997-98 (LECS-II) pointed out that 87% of the country's income poor population live in households headed by farmers and that more than 99% of the rural poor belong to farming households. The vast majority of farmers are subsistence rice cultivators who produce barely enough to meet their own consumption needs. Agricultural practices remain traditional and depend largely on the monsoons for irrigation. Only some 25 % of the rural households have access to irrigated land. Moreover, a widespread lack of social and physical infrastructure limits their income level and standard of living. These deprivations in infrastructure and household amenities are highlighted by the National Reproductive Health Survey 2000 data, which reveal that:

- almost 9 out of 10 households use charcoal for cooking;
- only 1 out of 10 households uses a gas stove;
- 6 out of 10 households have no access to electricity;
- only one out of 10 households has a flush toilet and almost 3 out of 10 use normal latrines;
- almost 4 out of 10 households drink water from local natural sources that are often far from clean - rivers, streams and ponds.

Dismal as they are, these aggregate figures still conceal the fact that Laotians who live in rural and mountainous regions are significantly worse off than those in the

country's major urban and administrative centres.

DISPARITIES IN HUMAN DEVELOPMENT

Lao PDR is an enormously diverse country, certainly in view of its size. Indeed, diversity strikes every kind of analyst - from natural and social scientists to observant tourists. The high number of ethnic groups, the high levels of biodiversity, the varied farming systems, the very different ways in which people have traditionally organised themselves, and the distinctive and diverging inheritance structures are but a few examples. Given this variety, it would be most surprising not to find socioeconomic disparities throughout the country. Highlighting these disparities reveals opportunities for learning and contributes to policy development by both national and international agencies. Within the huge Lao spectrum, this chapter concentrates on three types of disparity: (i) regional, (ii) income disparities and (iii) gender imbalances.

Regional Disparity

For comparative purposes, Lao PDR is often divided into four Regions: North, Central, South and Vientiane Municipality. While Vientiane Municipality is located geographically in the Central Region, this report treats it as a separate region whenever data is available. In addition to the comparison this separation permits, the indicators for Vientiane Municipality differ so much from those of other Central Provinces that they would distort the picture of the region as a whole if they were not presented as distinct.

A little over one-third of the country's population lives in the Northern Region, which encompasses eight provinces. The Central Region, with 36 % of the population (excluding Vientiane Municipality), has six. Vientiane Municipality itself has 11 % of the national population and the country's highest demographic density. The Southern Region, with 20% of the country's population, comprises the remaining four provinces. The total listing breaks down as follows:

Northern Region: Pongsaly, Luang Namtha, Oudomxay, Bokeo, Luang Prabang, Huaphanh, Xayabury and Xaysomboon Special Region;

Central Region: Xiengkhuang, Vientiane Province, Vientiane Municipality, Borikhamxay, Khammuane, and Savannakhet;

⁴ Drop-outs and repeaters during the current school year.

⁵ Global Human Development Reports 1995 to 2001

TABLE 2.3. SELECTED HUMAN DEVELOPMENT INDICATORS PER REGION (FIGURES FOR 2000, UNLESS OTHERWISE INDICATED)

	North	Central	South	Vientiane	Lao PDR
Percentage of total population	33	36	20	11	100
Population density (sq KM)	17.6	20.5	23.5	152.5	22.0
HDI 1998 (*)	0,426	0,542	0,510	(**)	0,465
HDI 2000 (*)	0,556	0,563	0,547	0,665	0,560
Gains in HDI (1998 - 2000)	30.5%	3.8%	7.2%		20.4%

(*) Calculations made for the specific purpose of this report use data that may differ from the Global Human Development Reports.
(**) In 1998, the statistics included Vientiane Province in the Central Region.

Southern Region: Saravane, Sekong, Champasak, and Attapeu.

As Figure 2.1 shows, population distribution varies significantly. More than a third of the country's 5.2 million people reside in three Provinces — Savannakhet (766,251), Vientiane Municipality (597,831) and Champasak (571,915) - while Xaysomboon has only 61,673 residents, Sekong 73,196 and Attapeu 99,499.

Provinces also vary in size from 3,920 square kilometres (Vientiane Municipality) to over 16,000 (Phongsaly, Luang Prabang, Huaphanh, Xayabury, and Kham-muane). Although average population density is 22 persons per square kilometre, Vientiane Municipality has 153 and all the other Provinces below 40. Among the least densely populated (less than 10 persons per square kilometre) are, again, Xaysomboon, Sekong and Attapeu.

The differences in the Human Development Index among the Regions are striking — Vientiane Municipality with 0.665, which would place it well

within the “Medium HDI Countries” in the global 2001 ranking. By contrast, the Southern Region has an HDI of only 0.547, the country's lowest.

While Lao PDR as a whole shows a 20.4% improvement in HDI for the period 1998-2001, large regional disparities persist. The limited increase experienced by the Central Region can be explained by calculation differences, Vientiane having been included in 1998 and excluded in 2001. Nonetheless, the marked differences between the Northern and Southern Regions cannot be attributed to any such statistical anomaly. They have had widely disparate development rates.

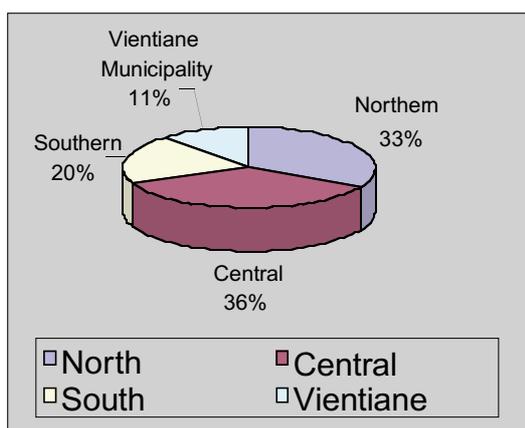
Let us look again at the three components of the Human Development Index for each of the four regions.

Longevity

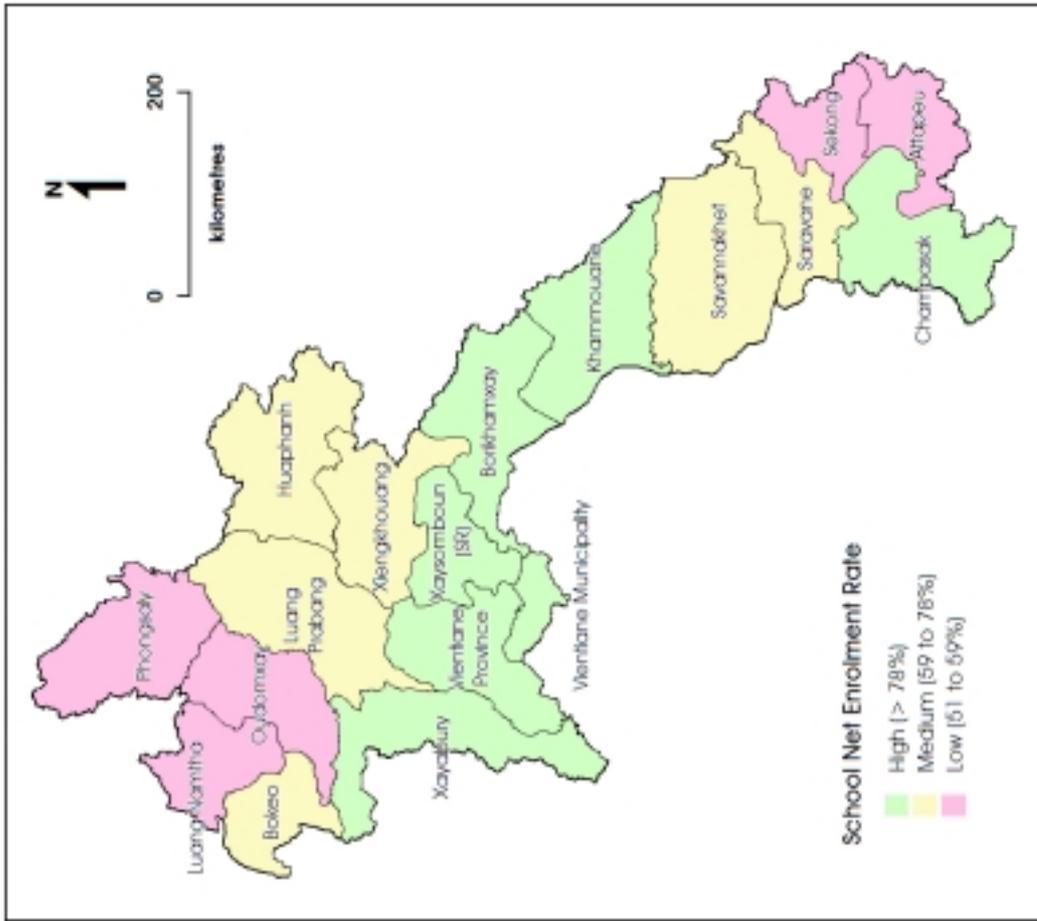
The longevity indicators reveal significant differences between Vientiane Municipality and the three other Regions. The under-5 mortality rate (U5MR) in the North is 118 deaths per 1000 live births, the highest rate, compared to 99 deaths per 1000 live births in the Central Region and 107 deaths per 1000 live births in the South. The maternal mortality rate in the South, 700 per 100,000 live births, contrasts with those of 440 per 100,000 live births in Central and 540 per 100,000 live births in the North.

The differences in these regional health achievement levels reflect unequal access to basic social services, among other factors. Only 72% of the Villages in the South had received the support of an immunisation programme against 86%, 88% and 95% in the North, Central and Vientiane respectively. Yet access to primary health care remains low in the Northern Region: 13 % of its people live more than eight hours away from a

FIGURE 2.1: POPULATION DISTRIBUTION BY REGION

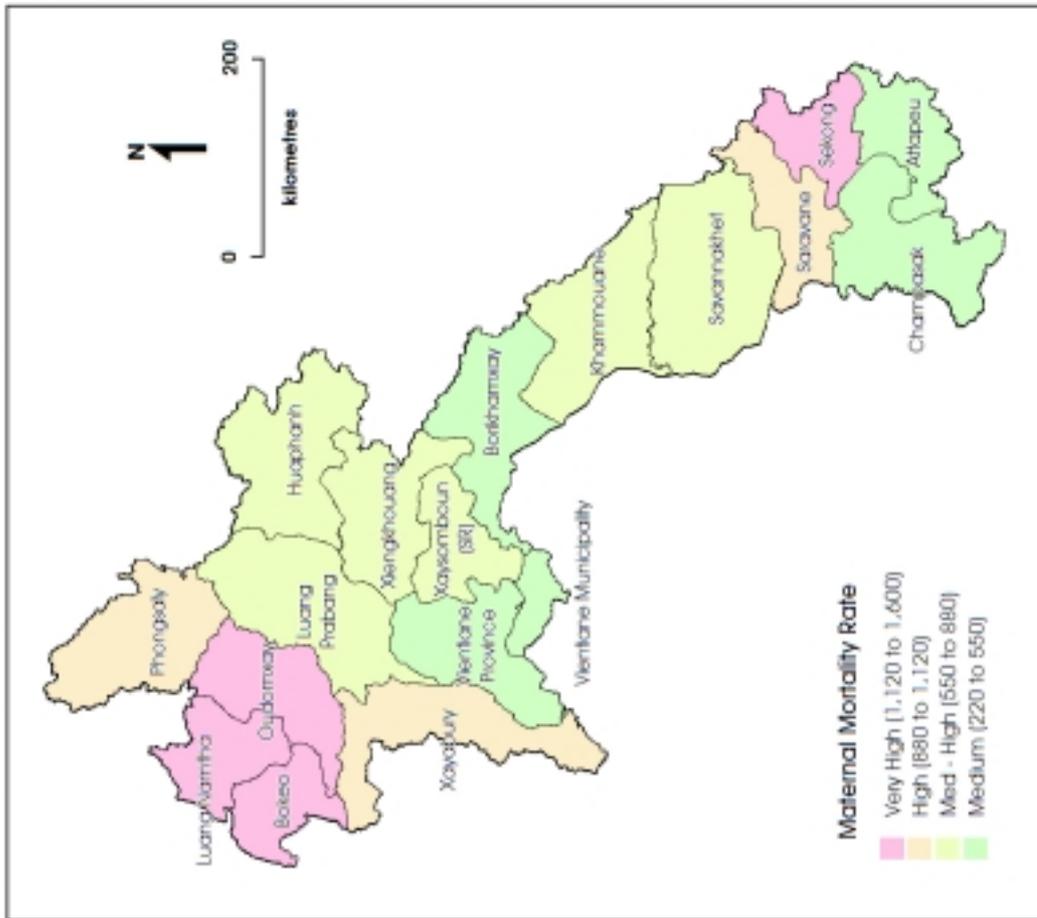


MAP 2.2 SCHOOL NET ENROLMENT RATE



This Map has been produced with the assistance of WFP

MAP 2.1 MATERNAL MORTALITY RATE



This Map has been produced with the assistance of WFP

	TABLE 2.4. SELECTED INDICATORS FOR LONGEVITY (FIGURES FOR THE YEAR 2000 UNLESS OTHERWISE INDICATED)				
	North	Central	South	Vientiane	Lao PDR
Life expectancy at birth	57.1	59.6	57.6	62.8	58.7
Under-five mortality rate	118	99	107	(*)	107
Maternal mortality rate	540	440	700		530
% of Villages with an immunisation programme (1997/98)	86	88	72	95	87
% of households with access to primary health care	67	78	82	78	75
% of Villages with a hospital more than 8 hours away	13	5	6	0	8
% of medical care in household consumption (1997/98)	2.5	2.0	2.6	1.8	2.2
Household with access to piped water or protected well (1997/98)	32	64	48	89	50
Prevalence of malaria (per 1000)	49	59	82	7	55
	(*) Vientiane Municipality included in the central region.				

hospital, twice the percentage than in the other regions, and on average, a Northern household spends 20 % more on health services than a Central one. In terms of sanitation, in the Northern Region, only 32% of households have access to piped water or a protected well compared to 64% in the Central region and 48% in the Southern region. In 1998, the Southern region reported by far the highest incidence of malaria.

Knowledge

Adult literacy rates for women and men in the Northern Region remained lower than in the other regions. Less than one third of the Northern schools have a complete

primary cycle, compared to half in the Southern region. This makes educational advancement for Northern children inordinately difficult. To complicate matters, the primary net school enrolment rate is only 68 % in the North as compared with 79 % in the South, 83 % in the Central, and 92 % in Vientiane Municipality.

Differences at the Provincial level are even more striking. Luang Namtha ranks lowest in adult literacy — only 34% in contrast to Vientiane Province, which took first place with 79%. Sekong ranks lowest in educational attainment with the worst primary and secondary enrolment rates in the country; only half of

	TABLE 2.5 SELECTED INDICATORS FOR KNOWLEDGE (FIGURES FOR 2000 UNLESS OTHERWISE INDICATED)				
	North	Central	South	Vientiane	Lao PDR
Educational attainment index	59.0	75.5	67.5	90.0	68.5
Adult literacy rate 1997/98	59.0	75.5	67.5	90.0	68.5
Adult literacy rate women (1998)	44	64	51	84	55
Adult literacy men (1998)	74	87	84	96	82
% of schools with complete primary cycle (1997/98)	32	51	50	76	43
Primary gross enrolment rate	68	83	79	92	77

	TABLE 2.6. SELECTED INDICATORS FOR THE STANDARD OF LIVING				
	North	Central	South	Vientiane	Lao PDR
GDP per capita (PPP USD)	1,192	1,455	1,363	2,848	1,471
Human Poverty Index	38.3	28.7	32.6	18.3	31.3
Poverty incidence 1992/93	58	40	46	24	45
Poverty incidence 1997/98	53	35	38	12	39
Annual growth rate poverty incidence	- 2.1	- 2.5	- 3.6	- 13.9	- 3.1
% of Villages with access to electricity	14	50	17	100	31
% of Villages more than 6KM from the main road	45	29	32	21	35
% of Villages with access in rainy season	40	66	46	100	53
% of households which possess a television	11	30	22	86	30
Per capita national expenditure including donor aid in 1999/00	362,000	539,000	319,000	554,000	837,000 (*)
% of the population not born in the same district as their residence	16.0	23.6	14.5	44.2	19.0
	(*) Includes expenditure on national level ministries				

the children of primary school age go to school and only 12% of the students make their way to the secondary level (1999/2000). This contrasts starkly with Vientiane Municipality and Borikhamxay, where 92% of the children attend primary school and 50% and 36% respectively go on to secondary education.

Standard of Living

Marked differences persist among income levels, and their reverse the poverty figures, across all four regions. The GDP per capita in Vientiane Municipality is twice as high as in the other Regions. In poverty terms,⁶ the Northern Region recorded an incidence of 53% in 1997/98 compared to 35% and 38% respectively for the Central and Southern parts of the country. The incidence of poverty in Vientiane Municipality (12% in 1997/98) was less than one-third of those in the other Regions. Over the 5-year span of 1993-1998, poverty incidence dropped by more than 13% in Vientiane Municipality, while in the other Regions, the reduction of poverty remained below the 4% average. This shows that a type of structural poverty is prevalent in most of the country.

Poverty incidence at the Provincial level can reach staggering levels as in Huaphanh (75%), Oudomxay (73%) and Phongsaly (64%). Vientiane Municipality, Xayabury and Borikhamxay have the lowest levels of poverty incidence, all within the 25% range.

Consumption per capita in 1997/98⁷ also shows disparities between the provinces in terms of well-being and economic development. Consumption per capita in Vientiane Municipality is more than three times higher than in the poorest northern Provinces, such as Huaphan and Phongsaly. Two other relatively wealthy Provinces, Xayabury in the North and Champasak in the South, have strong commercial and other economic ties with neighbouring Thailand.

The inter-Provincial differences in consumption (income) per capita further reflect a correlation between infrastructure and consumption. To a great extent, provinces with low consumption per capita are those with lower access to roads, electricity and markets. In terms of infrastructure, villages in the Northern and the Southern regions have less access to electricity (14 and

⁶ Headcount ratio: percentage of the population living in households with per capita consumption less than the poverty line. This shows the incidence of poverty, but not its depth and severity.

⁷ LECS 2

17 % respectively) than the Central region, where one third of the Villages are supplied with electricity. In Phongsaly, Luang Namtha and Sekong, fewer than 1 in 10 Villages have access to electricity, in contrast to half of those in Vientiane Municipality. Almost half the Northern Villages lie more than 6 km away from a main road. In terms of all-weather accessibility, Phongsaly and Luang Namtha are the most isolated Provinces; only one third of their Villages can be reached during the rains - in sharp contrast to Vientiane Municipality (74 % of villages). Nonetheless, even in the second best Province, Savannakhet, only 57% of the Villages can be reached during the rains. Nation-wide, seasonal isolation remains a serious problem. Similarly, access to information - in the form of radio and television — varies among the Regions. In the Northern Region, only 11 % of households can watch television, three times less than in the Central and two times less than in the Southern Region.

The impact of these two sets of factors — physical and human capital - reveals itself in labour productivity. Poor human capital endowment and poor infrastructure result in low workforce output and low levels of per capita production and income. The process becomes cumulative, in part because low levels of income limit the capacity to save and invest and, hence, the potential for improved productivity. Small wonder, then, that revenue earned from agriculture varies greatly among the Lao Provinces.

Furthermore, in terms of per capita public expenditure, including international aid in 1999/00, the Central Region (with the same level of expenditure per person as Vientiane Municipality) received 1.76 times more public funds than the North, and 1.9 times than the Southern Region.

The internal flow of people from the regions to the capital serves as a good proxy for job-seeking opportunities and the quest for higher living standards. In terms of internal migration, the 1995 census showed the Southern Region as having the lowest number of new residents (14.5%), while 44 % of those residing in Vientiane Municipality were not born there.

The analysis above shows that it makes good sense to separate Vientiane Municipality from the rest of the country. While it is tempting to designate a specific area as being the poorest, the short presentation above shows that both the Southern and Northern Regions are in virtually similar terms worse off than the Central Region.

Income Disparities

While past economic growth helped reduce poverty in Lao PDR, it appears to have been more effective in lowering overall poverty incidence levels than in reducing the number of the very poorest. As we also saw, growth has tended, proportionally, to benefit the better-off more than the poor (see Chapter 3 for further analysis).

The real income of Lao workers, especially of KIP earners, has deteriorated sharply because of the impact of the Asian crisis. Among salary earners, civil servants and other government workers, whose salaries adjusted much more slowly to price increases than any other category of wage-earners, have suffered severely. As the Consumer Price Index (CPI) rose by 254% from 1997-99 and average public sector salaries grew only by 189%, the real income of government officials now falls below pre-crisis levels. By contrast, since private sector wages are often more flexible, their average grew 267% during the same period - a bit more than the CPI increase. Consequently, they suffered only temporarily. Indeed, for the entire period, real income in the private sector increased.

Trends in Inequality

This Report's analysis of inequality in Lao PDR is based on the Gini index, which summarizes the distribution of income, as pictured by the Lorenz Curve. The higher the index, the more unequally income is distributed in society. For a more complete picture of income distribution, the quintile shares are added to the tables,⁸ based on real consumption per capita, as collected in the Lao Expenditure and Consumption Survey (LECS) of 1998: the disparities between poor and rich are examined by dividing the population in five equal groups, which are ranked on the basis of their consumption. Table 2.7 shows that consumption per capita during two periods, 1992/93 and 1997/98, increased for all quintiles of the population. Further, the table reveals that growth rates steadily increased, from the poorest 20% to the richest 20%. However, the growth rate of the poorest amounts to only one quarter, roughly, of the growth rate of the richest. As Table 2.8 indicates, the relative proportion of the consumption per quintile has changed to the disadvantage of the poorest.

The bottom 20% of the population had a 9.3% share of total per capita real consumption in 1992/93, while the richest 20 percent had 38.4%. Unfortunately, the consumption share of the bottom quintile declined to

⁸ Earlier presented in Kakwani 2001, with the co-author of this report, Mr. Sisouphanthong.

TABLE 2.7: GROWTH RATE OF REAL CONSUMPTION PER CAPITA

	1992-93	1997-98	Growth rate
First (poorest 20%)	11490	19432	2.3
Second	16617	25319	3.1
Third	20726	33768	4
Fourth	26886	72851	4.6
Fifth (richest 20%)	47258	82848	8.7
Average of all Quintiles	24595	12872	5.8

around 8.0% in 1997/98, while that of the highest increased to 44%. The Gini coefficient increased from 28.6 percent in 1992/93 to 35.7% in 1997/98. This implies that inequality in Lao PDR increased significantly between 1992/93 and 1997/98 - and that the benefits of economic growth have not flowed uniformly across the population. Despite an annual increase of 5.8% in per capita real consumption, the annual growth rate of the bottom 20% of the population was only 2.3%, while that of the top 20% was 8.7%.⁹

As this Report also demonstrates elsewhere, this “income inequity” is compounded by large differences among the country’s four Regions and among individual Provinces. It is also worth stressing that inequity goes well beyond income. It occurs in male-female relationships — women do not have equal access to employment, remuneration or ownership— as well as in markedly disparate rates of educational enrollment, access to health services, and access to markets in the different provinces. Moreover, as Chapter 5 will demonstrate, large disparities exist among different ethnic groups.

Thus, as the opening chapter of this Report indicated, the Lao experience of recent years suggests that while economic growth presents great opportunities for human development and poverty reduction, the latter do not result directly from the former. Despite relatively high growth rates, many factors (inflation, depreciation of the exchange rate, reduction in current expenditures, cancellation or postponement of investment projects) have had harmful effects on the poor and have also heightened income and regional inequalities. Indeed, a wide body of research worldwide has borne out the trends manifest

TABLE 2.8: INEQUALITY IN REAL CONSUMPTION PER CAPITA

	1992-93	1997-98	Growth rate
First (poorest 20%)	9.3	7.8	-3.5
Second	13.5	11.8	-2.7
Third	16.9	15.4	-1.8
Fourth	21.9	20.6	-1.2
Fifth (richest 20%)	38.4	44.4	2.9
Gini coefficient	28.6	35.7	4.4

in Lao PDR, leading to a growing realization that economic growth alone does not suffice to reduce poverty. Though growth furnishes greater opportunities for productive employment and potential for enlarging people’s choices and capabilities, human development requires that opportunities be distributed equitably between society’s members, male and female, rural and urban, and among the population’s ethnic groups.

Gender Disparity

Articles 24 and 27 of the Lao Constitution declare that citizens of both sexes have equal rights in the political, economic, cultural and social spheres, as well as in family affairs. However, there are noticeable differences in the achievement levels of women and men. These stem largely from unequal opportunities for women, an inequity rooted in the nature of the family, the division of domestic work, family attitudes and responsibilities, and post-schooling opportunities for young girls.

The Gender-related Development Index (GDI) measures achievements in the same dimensions and variables as the HDI, but captures inequalities in achievement between women and men - an HDI adjusted downward for gender inequalities. The greater the gender disparity, the lower the country’s GDI compared to its HDI. This report provides GDI for the different regions, along with the Gender Empowerment Measure (GEM), which reveals the extent to which women participate actively in public life.

Again, the Vientiane Municipality ranks first, 0.10 points higher than the rest of the Central region and well above the national average.

⁹ Analysis from the Interim Poverty Reduction Strategy Programme (I-PRSP).

Though GDI and GEM provide insight into the magnitude of male-female disparities, deeper analysis is needed to highlight the processes that underlie them. Such studies have only just begun in Lao PDR - and, indeed, in most of the world. All we can safely say is that the differing roles of women and men, girls and boys as well, have deep roots in the many differing Lao cultures and local livelihood systems, with different gender patterns emerging in each distinct ethnic group. These are profoundly influenced by the rapid increase in external contacts. Further, gender roles differ between urban and rural settings, in part because of differing degrees of these contacts. Not surprisingly, the regions also manifest significant differences.

Health and education indicators reveal sharp variations between urban and rural areas (see Table 2.10). However, all standards show that urban women fare better than their rural counterparts. Even though both rural girls and boys have less exposure to education than urban children, female educational attainment is lower than of males in both the countryside and cities. For instance, in 1997 girls made up 30% of primary enrolment, 11% of upper secondary enrolment and only 2% of university enrolment. In 1998, the adult literacy rate for men stood at 82%, compared with 55% for women. Girls spend less time on education and spent fewer years in school than their brothers. However,

Region	GDI	GEM	HDI
North	0.51		0.556
Central	0.57		0.563
South	0.54		0.547
Vientiane Municipality	0.68		0.665
Lao PDR	0.56	0.471	0.560

these general figures mask important differences among different areas. In the Provinces of Phongsaly, Luang Namtha and Sekong, girls go to school for only 2-3 years.

Again, occupational data show the dominant position of agriculture, encompassing 85.5% of the population of 10 years and above (see Table 2.11). To the surprise of some observers, more women work in agriculture and fisheries than men: 54 % and 46 % respectively.

According to the Lao Agricultural Census 1999, of 798,000 private households in the country, 668,000 - some 90% — were predominantly involved in farming households, except in Vientiane Municipality. Even though slightly over half this agricultural population is female, women head only 10% of these farming households.

Disparities between men and women extend beyond

Indicator	Urban	Rural	Lao PDR
Live births by females 15-49 year old (% last year)	10	18	17
Percent of married women using contraception	54.0 %	27.8 %	32.2 %
Proportion of births at home	44.3 %	91.3 %	86.0 %
Literacy rate Male	96 %	79 %	82 %
Literacy rate female	82 %	49 %	55 %
Time used in education Females -14	4.3	2.9	3.1
Time used in education Males -14	6.3	3.3	3.7
Time used in education Females 15-19	3.9	1.5	1.9
Time used in education Males 15-19	5.4	1.9	2.4
Number of years in school Female	5	2	3
Number of years in school Male	6	4	4
Number of years in school Females 15-19	7	4	4
Number of years in school Males 15-19	7	5	5

Sources: LECS 2, LHRS 2000

TABLE 2.11: MAIN ECONOMIC ACTIVITIES FOR POPULATION AGED 10+ IN 1995

Category (per cent work)	Total	Women	Men	Structure (%)
Legislators, Senior officials	9,454	581	8,873	0.4 %
Professionals	26,861	8,983	17,878	1.2 %
Technicians and Associated Professions	62,568	24,051	38,517	2.9 %
Clerks	5,249	2,871	2,378	0.2 %
Service Workers	85,713	48,814	36,899	4.0 %
Agriculture and Fisheries	1,852,686	1,003,620	849,066	85.5 %
Craft and Related Trades	55,930	22,801	33,129	2.6 %
Operators and Assemblers	21,195	766	20,429	1.0 %
Elementary Occupations	25,295	6,966	18,329	1.2 %
Others	21,550	1,777	19,773	1.0 %
TOTAL	2,166,501	1,121,230	1,045,271	100 %

Source: NSC, 2000

the social sphere. The analysis of gender and time use, carried out in the LECS 2 (1997-98), reveals that women work nearly an hour more per day than their male peers - 11% more — on income-generating activities (IGA) and household labour. Men experience more travel and leisure/sleep than women. Girls work 1.5 hours or 37% more than boys, while boys spend more time than girls at school and in leisure/sleep.

Type of IGA work	Proportion of total IGA hours for:	
	<u>Women</u>	<u>Men</u>
Work in own business	18%	11%
Handicraft and sewing work	14%	4%
Combined own business and handicrafts	32%	15%

In addition, the types of IGA carried out by men differ from those of women. While both sexes spend similar proportions of their IGA hours on work related to agriculture (46% and 49% respectively), men use nearly 20% of their IGA hours hunting and fishing as compared to women's 5%. Men, then, spend a larger proportion of their time than women in the primary, extractive activities of agriculture, hunting, and fishing (67% vs. 51%).¹⁰ They also devote a higher proportion of their IGA hours to waged work (15% vs. 7%), i.e., as paid employees.

Women do somewhat more business and cottage industry work (vending their own produce and products, weaving, sewing, other textile work and handicrafts) than men (1.8 vs. 1.0 hours per day). However, viewed as a proportion of total IGA hours,

TABLE 2.12: GENDER DISTRIBUTION IN THE FARMING POPULATION 1999

Gender Category	Number of farming Households / male or female-headed	Number of Persons in the Farm Population (All Ages)
Males	607,300	2,001,000
Females	60,600	2,057,200
Total	667,900	4,058,200

Source: Lao Agricultural Census 1999.

¹⁰ Forest foraging is a common extractive activity in rural areas. However, time spent foraging is not recorded in the time use section of the survey. Other research indicates that foraging is most often carried out by women.

women's work in handicrafts and their own small businesses far exceeds that of men. Indeed, it accounts for nearly 1/3 of female work time.

Although the representation of women in government functions at the national level (6.2%) is higher than at the Provincial (2.1%) and Local levels (1.5%), these overall figures remain very low. Moreover, very few women hold high managerial position positions in government and in the relatively young private sector. However, since the Lao Government implemented its commitment to the Beijing Platform for Action in 1996, the proportion of women in political positions has slightly improved (see Tables 2.14 and 2.15).

Although Government policies on gender issues markedly favour the advancement of women, the actual situation of women compared to men still needs significant improvement. This is true worldwide. However, male/female disparities in South Asia (including the Indian sub-continent) are so immense, especially in rural areas, that they threaten to retard the

Levels of Government	% Female	% Male
National Level:	6.2	93.8
Provincial Level:	2.1	97.9
Local Level:	1.5	98.5

Source: LWU/GRID 2, 1999

human development of the entire sub-region. Without belabouring global or individual country statistics, suffice it to say that improvements in the status of women tend to translate rapidly into remarkable advances in the health and education of all children, as well as into general household well-being. Though gender studies worldwide are still in relative infancy, societies of equal opportunity for women and men seem to overcome human poverty faster than others.¹¹

Position	1994					2000				
	Women	%	Men	%	Total	Women	%	Men	%	Total
Minister and equivalent position	1	3.3	29	96.7	30	2	5.3	36	94.7	38
Vice-Minister and equivalent position	7	10.9	57	89.1	64	5	6.3	74	93.7	79
Ambassador and secretary	0	0.0	19	100.0	19	1	2.7	36	97.3	37
Department Director and equivalent position	7	3.5	192	96.5	199	20	7.2	259	92.8	279
Vice-Department Director and equivalent position	24	8.9	247	91.1	271	23	7.8	273	92.2	296
Chief of Division at Provincial and equivalent position	22	5.9	352	94.1	374	40	8.1	452	91.9	492
Chief of Cabinet/District Division	131	6.1	2021	93.9	2152	180	7.4	2244	92.6	2424
Government Official	28510	36.4	49885	63.6	78395	29880	36.0	53120	64.0	83000

¹⁰ Forest foraging is a common extractive activity in rural areas. However, time spent foraging is not recorded in the time use section of the survey. Other research indicates that foraging is most often carried out by women.

¹¹ For a general discussion of this tendency, see the global Human Development Report 1995, which is wholly devoted to gender issues.

TABLE 2.15: WOMEN AND MEN AT ADMINISTRATIVE LEVELS

Position	1994					2000				
	Women	%	Men	%	Total	Women	%	Men	%	Total
Provincial Governor	0	0.0	18	100.0	18	1	5.6	17	94.4	18
Deputy of Provincial Governor	0	0.0	22	100.0	22	0	0.0	29	100.0	29
District Governor	0	0.0	130	100.0	130	2	1.4	140	98.6	142
Deputy of District Governor	0	0.0	139	100.0	139	2	1.1	176	98.9	178
Chief of Village	14	0.2	8591	99.8	8605	130	1.2	10869	98.8	10999
Deputy of Chief of Village	101	0.8	12390	99.2	12491	329	1.6	19612	98.4	19941

IN CONCLUSION

Although no quantum leaps were made, the analysis of Human Development in Lao PDR shows that improvements were made. Thanks to sound macro-economic policies, per capita income increased despite the severe impact of the Asian Financial Crisis. However with a focus on macro-economics, the indicators for longevity and educational attainment remained stagnant. This shows that balanced Human Development does not thrive on macro-economics alone and that specific attention for the more 'social sectors' imposes itself.

The disparity analysis indicates large differences between the four regions in the country and the individual provinces. Vientiane continuously stands out as an island of relative wealth compared to the other, predominantly rural regions.

Although the Northern region has a slightly higher Human Development Index than the South, other indicators for longevity, educational attainment and standard of living show that it is probably fair to say that both regions are in similar terms underdeveloped.

Also the Gender indicators virtually all show improvement. However, the differences in Human Development between men and women remain very large. It goes without saying that failing to reach women and improve their living conditions will have a very negative influence on the country's overall capacity to combat poverty and realise equitable development.

The importance of most indicators having improved over the past decade cannot be underestimated. However, the growing inequity between the rural regions and Vientiane as well as the unequal spread of economic growth over the various sections of society is worrying. Economic growth is benefiting the rich much more than the poor as reflected in a rising Gini coefficient (from 28.6 in 1992/93 to 35.6 in 1997/98),

Strong policies focusing on the poorer regions and the poor themselves seem called for to avoid a further increase of inequity and to combat those factors that hamper the poor to benefit from the socio-economic advancement the country experiences.



Poverty shows from insufficient assets and a need to hunt for food. It does not show underlying cultural values about poverty.

HUMAN POVERTY

Poverty is not a “value-free” concept. Indeed, it carries a heavy burden of value judgements in its train. For this reason, the indicators selected to measure poverty must be chosen carefully and should be publicly discussed. For over 300 years, poverty was defined solely in terms of income and measured solely by statistics. This limits all kinds of thinking, especially about choice. In a very basic sense, poverty entails perceptions of what constitutes “a life of dignity”. While social scientists can measure factors such as access to social services, the people deprived of these services may not consider themselves “poor”. In addition, it is most unlikely that any single definition will capture the key processes that underlie poverty. Each definition or set of indicators has disadvantages and biases, as well as advantages.

The Lao PDR has only begun analysing poverty and only recently adopted national standards for its measurement. These are set out in Annex 1. Although one may question their validity, they nonetheless provide an opportunity for nation-wide comparison. Currently, Lao poverty analysis shows a strong bias towards statistical indicators. While statistics tell a story, it is at best a skeletal account of what real life entails. However, worldwide, qualitative research remains in its infancy. The Lao Participatory Poverty Assessment (PPA), carried out by the National Statistical Centre (NSC) and supported by the Asian Development Bank (ADB), represents a contribution to social science on a

global scale, especially because of the country’s diversity and the complexity of its socio-economic and cultural dynamics. Consequently, both our understanding of poverty and our development of policy to reduce it may benefit from a diversified approach.

In the context of this report, we assess poverty in terms of four major criteria:

- Poverty as manifest in deprivation of the three key dimensions of human development; longevity, knowledge and standard of living; this is the Human Poverty Index, the obverse side of the HDI discussed earlier;
- Poverty measured along the varied “poverty lines”
- Poverty in terms of vulnerability;
- Poverty as it is perceived by the poor themselves.

HUMAN POVERTY INDEX

If human development concerns enlarging choice, human poverty implies that the opportunities and choices essential to human development are denied: leading a long, healthy, creative life and enjoying a decent standard of living, freedom, dignity, and self-respect. Within the human development framework, development is judged by the way the poor and the deprived fare in each community. In other words, promoting human development requires a focus, first and foremost, on the well-being of the poorest in society rather than an assumption that general economic growth will eventually “trickle down” to them.

BOX 3.1:**SOME BASIC POVERTY DEFINITIONS****Income poverty**

Extreme poverty: Lack of income necessary to satisfy basic food needs - usually defined on the basis of minimum calorie requirements (often called *absolute poverty*)

Overall poverty: Lack of income necessary to satisfy essential non-food needs - such as for clothing, energy and shelter - as well as food needs (often called *relative poverty*)

Human poverty

Lack of basic human capabilities: illiteracy, malnutrition, abbreviated life span, poor maternal health, illness from preventable diseases. Indirect measures are lack of access to goods, services and infrastructure - energy, sanitation, education, communication, drinking water - necessary to sustain basic human capabilities

Source: *Overcoming Human Poverty*, UNDP Poverty Report 2000.

Like human development, human poverty and its index, the HPI, have many dimensions. An income for living decently is only one. Since income is not the sum total of human lives, the lack of it cannot be the sum total of human deprivation. Most people, including the poor, value other aspects of life far more than income - factors such as decent quality of life, with access to food, shelter, basic education and health, and the security that makes the difference between living in fear and living in dignity. Some people may not be able to avoid illness; others may be denied the opportunity to learn; still others may be prevented from participating in decision-making that affects their lives. Consequently, the concept of human poverty goes beyond income poverty to encompass other forms of deprivation: a short life, lack of education, lack of security, exclusion from decision-making processes; economic insecurity.

The rank of Lao PDR in the Human Poverty Index did not change between 1999 and 2001, while the two countries of the peninsula for which information is available — Vietnam and Thailand - improved their standing significantly. The HPI value calculated for this report places Lao PDR as 49th worldwide, between Egypt and Cameroon, both countries in the “medium human development” range.

Within Lao PDR, the HPI shows considerable regional variation. For Vientiane Municipality, it is less than half the score of the Northern region, which has the highest country-wide.

TABLE 3.1 THE HUMAN POVERTY INDEX IN A REGIONAL PERSPECTIVE

Country	GHDR 1999		GHDR 2001	
	Value	Rank	Value	Rank
Lao PDR	38.9	66	39.9	66
Vietnam	28.7	51	29.1	45
Thailand	18.7	29	14.0	21
Cambodia	n.a	n.a	45.0	78

TABLE 3.2. HUMAN POVERTY INDEX BY REGION

Region	2001
Lao PDR	31.3
Northern region	38.3
Central region	28.7
Southern region	32.6
Vientiane Municipality	18.3

BOX 3.2:**VILLAGE EXAMPLE 1**

“Other children (in the Xieng Kho school) bring sticky rice to eat, but our children can only bring tubers, and the same is true of uniforms, other children have nice clean ones, but our children are dressed in tattered clothes. They are looked down upon and laughed at. They become depressed and don’t want to go to school.” - *Ksing Moul Villager in Huaphanh*

Source: PPA

BOX 3.3:**VILLAGE EXAMPLE 2**

In Houay Pa Mat, a Khmou Krong village in Vientiane Province, malaria is very bad — as is “bloody dysentery”, which is so serious that several families moved out of the village to get away from it. There is no souksala (clinic/dispensary) in the village. Most healing is done by traditional medicine. If the villagers go to district hospital (an 8-km walk in the wet season) there is no medicine and villagers cannot afford to buy it from a pharmacy. There is a medic in the village who travels to the pharmacy if necessary and administers injections and pills. If the illness is serious, a trip to the hospital costs an average of 300,000 KIP per visit. To pay such a sum, one usually has to go into debt and work in the neighbors’ paddy fields to pay it off.

Source :PPA

POVERTY MEASURED ALONG THE “POVERTY LINES”

Poverty lines are widely used to define a measurable baseline of poverty. Generally, a poverty line is calculated on the basis of a food and non-food “package” deemed necessary for a minimum standard of living. The food package most often is determined by the calorie intake considered minimal to a healthy life, while the non-food package consists of items like clothing, housing, and transportation. All the items of the package are then translated into monetary terms so as to produce analyses that use income or consumption surveys (see Annex 1 for a more detailed description).

Our analysis shows that households benefited from economic growth during the 1990s: real total per capita consumption has been increasing at an annual rate of 5.8%, a faster growth rate than the per capita GDP during the same period (4.5%). In consumption terms, Vientiane Municipality emerges as the richest area, the

Northern region as the poorest. The annual growth rate in total real consumption per month in Vientiane Municipality has been 10.8% over time, far exceeding that of the other three regions. Although the North remained the poorest region in the country, it has been growing faster than the Central and the Southern region: Northern total consumption per capita per month has increased at an annual rate of 4.9%. The South is better off than the North, but fares worse than the Central region and Vientiane Municipality.

Per capita real consumption in rural areas has been growing at annual rate of 5.4%, lagging behind the urban growth rate of 9.0%. Thus, the rural-urban disparity increased during 1992/93 and 1997/98 (Table 3.3). The empirical result (headcount index¹) shows that 45% of the national population lived in poverty in 1992/93, whereas in 1997/98, the proportion of poor people fell to 38.6% (see Table 3.4). Therefore a marked reduction in poverty took place in Lao PDR between the two periods. Although the rich benefited much more

TABLE 3.3: REAL PER CAPITA CONSUMPTION BY REGION / URBAN AND RURAL AREAS IN KIP

	Urban			Rural			Total		
	92/93	97/98	Growth	92/93	97/98	Growth	92/93	97/98	Growth
Regions									
Vientiane Municipality	36,438	62,098	10.7	29,378	55,034	12.7	34,676	59,577	10.8
North	23,498	32,914	6.7	19,495	24,995	5.0	20,184	25,770	4.9
Central	30,111	42,477	6.9	24,872	31,197	4.5	25,720	32,586	4.7
South	30,842	39,938	5.2	22,138	28,378	5.0	23,623	29,504	4.4
Lao PDR	31,035	48,721	9.0	22,069	29,668	5.4	24,595	32,848	5.8
	Source: PPA								

¹ The headcount ratio — or incidence of poverty — indicates the percentage of individuals in the population whose income or consumption-expenditure falls below the poverty line. The poverty line consists of two elements: the food and non-food poverty lines. The average food poverty line in Lao PDR is 15,218 KIP per person per month in 1997/98, of which the urban and rural poverty lines are 19,270 and 14,407 KIP per person per month, respectively. See also Annex 1.

TABLE 3.4: PERCENTAGE OF POOR BY REGIONS AND PROVINCES			
Regions/provinces	1992/93	1997/98	Poverty growth rate
Vientiane Municipality	24.4	12.2	-13.9
Northern Region	58.4	52.5	-2.1
Phongsaly	68.7	64.2	-1.3
Luang Namtha	60.3	57.5	-1.0
Oudomxay	51.1	73.2	7.2
Bokeo	63.5	37.4	-10.6
Luang Prabang	62.7	49.4	-4.8
Huaphanh	78.4	74.6	-1.0
Xayabury	30.1	21.2	-7.0
Central Region	39.5	34.9	-2.5
Xieng Khuang	57.3	34.9	-9.9
Vientiane Province	28.1	24.3	-2.9
Borikhamxay	10.6	25.8	17.8
Khammuane	43.7	41.6	-1.0
Savannakhet	45.7	37.1	-4.2
Xaysomboon SZ		55.0	
Southern Region	45.9	38.4	-3.6
Saravan	36.7	39.6	1.5
Sekong	65.9	45.7	-7.3
Champasak	43.6	35.6	-4.1
Attapeu	72.2	45.3	-9.3
LAO PDR	45.0	38.6	-3.1
	Source: PPA		

than the poor, the poverty reduction rate, an annual 3.1%, indicates widespread benefits of economic growth between 1992/93 and 1997/98.

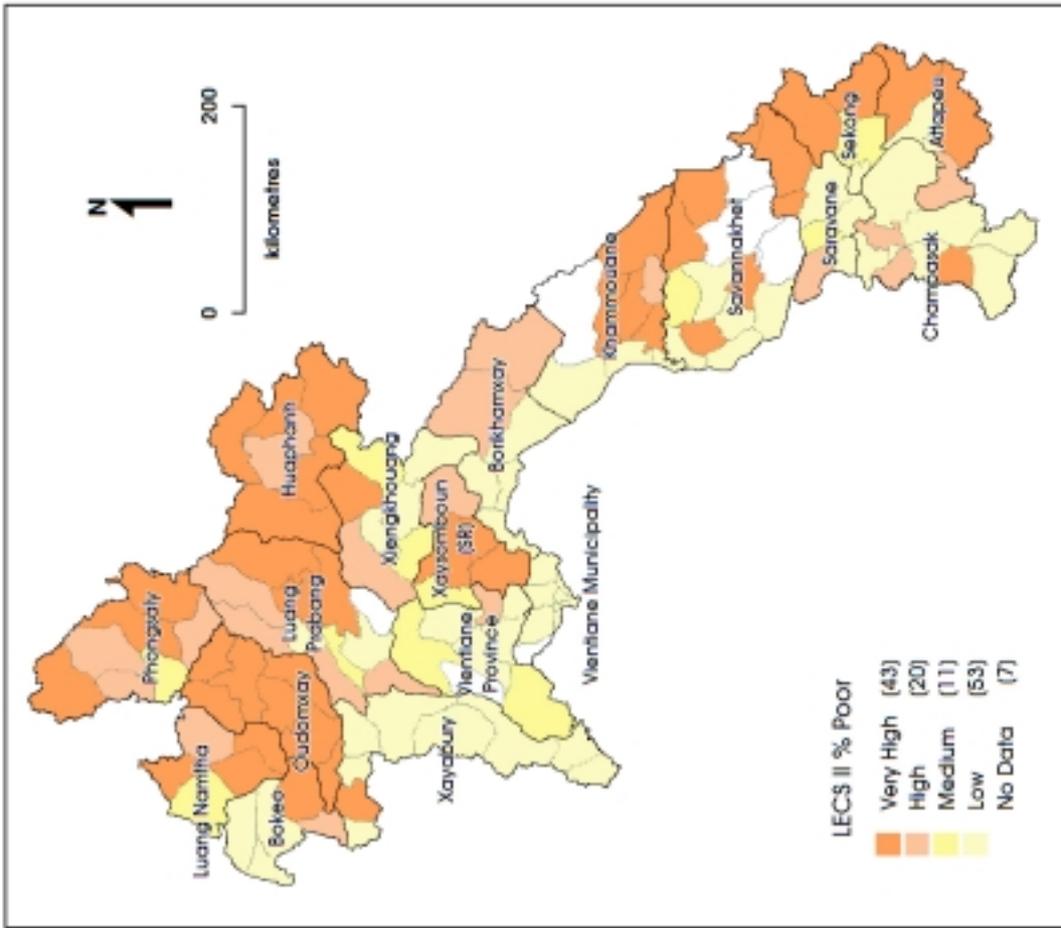
The incidence of poverty, however, varies markedly across regions and provinces (see Map 3.2). Among the four areas, the Northern region has the highest percentage of poor people — which, fortunately, decreased from 58.4% in 1992/3 to 52.5% in 1997/8 - followed by the South. By contrast, the incidence of poverty in Vientiane Municipality is the lowest: 24.4% in 1992/3 and only 12.2% in 1997/8.

Poverty reduction also varies across regions and provinces, as Table 3.4 shows. In the North, the percentage of poor decreased at an annual rate of only 2.1%. In the Central and Southern regions, the percentage of poor diminished at annual rates of 2.5% and 3.6 % respectively. Thus, not only does the North remain the poorest region in the country; its poverty reduction rate also ranks lowest.

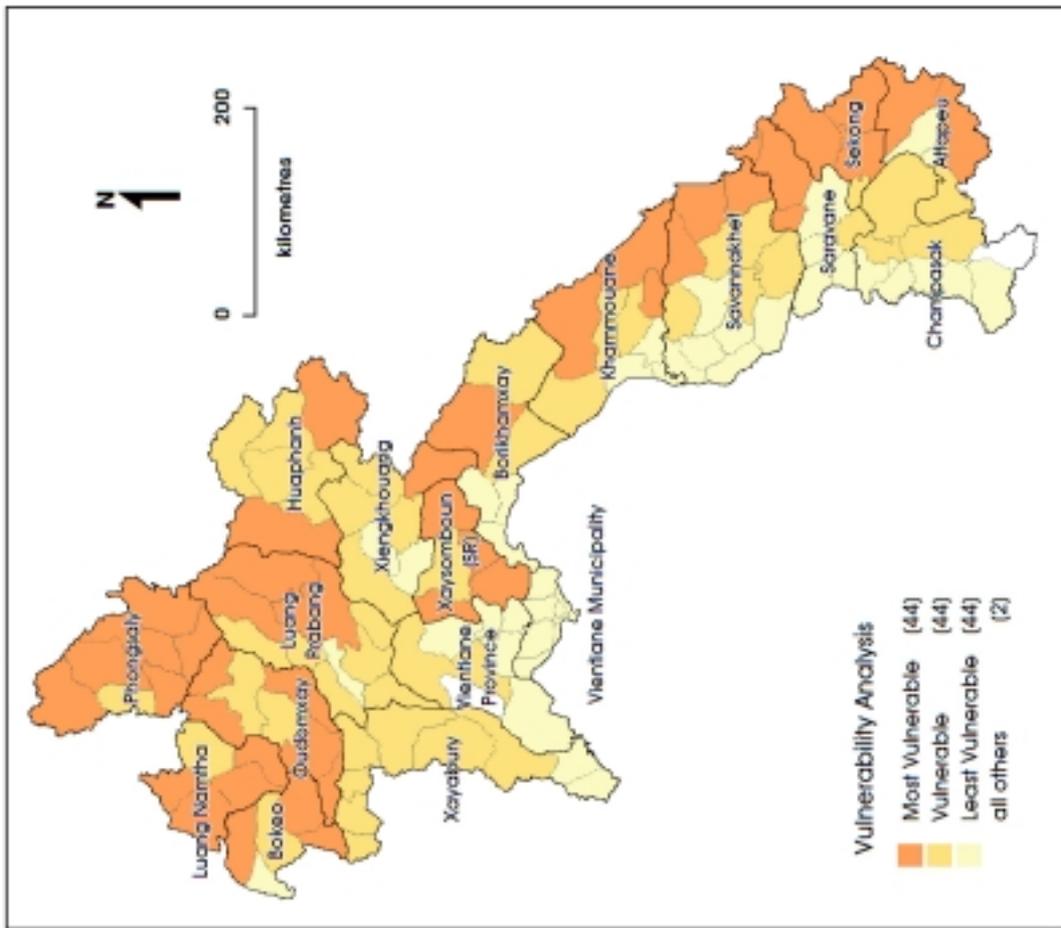
In addition to wide differences in poverty incidence across regions, there are differences between Provinces.² Huaphanh in the North emerges as the poorest

2 Such findings were based on a first attempt to evaluate the provincial poverty with a relatively small sample size (around 470 households per province). Therefore, the data should not be interpreted as exact or giving absolute measurements of the percentage of the poor in the specific Provinces.

MAP 3.2. PERCENTAGE OF POOR (LECS II)



MAP 3.1. VULNERABILITY ANALYSIS



This Map has been produced with the assistance of WFP

This Map has been produced with the assistance of WFP

TABLE 3.5: INCIDENCE OF POVERTY BY REGIONS / RURAL AND URBAN AREAS (PERCENTAGE OF POOR)

Region	Urban areas			Rural Areas		
	1992/93	1997/98	Growth rate	1992/93	1997/98	Growth rate
Vientiane Municipality	22.5	16.7	-5.9	30.1	4.5	-38.2
Northern Region	48.9	43.3	-2.5	60.4	53.5	-2.4
Central Region	37.4	27.7	-6.1	39.9	35.9	-2.1
Southern Region	27.6	35.8	5.2	49.6	38.7	-5.0
Lao PDR	33.1	26.9	-4.2	48.7	41.0	-3.4
Source PPA						

Province, 78.4% of its people living in poverty in 1992/93. Although this figure fell to 74.6% in 1997-98, this Province continues to be the country's poorest. Nonetheless, several other Provinces, including Saysomboon Special Zone, Phongsaly, Luang Namtha, and Oudomxay, have rates exceeding 50%.

The urban-rural disparity in poverty incidence is large (see Table 3.5). In 1992/93 in urban areas, it stood at 33.1%, and in rural areas, at 48.7%. Large differences between urban and rural areas prevail across regions as well and due to a higher poverty reduction rate in the urban areas, the disparities are widening. In 1997/98 the incidence of poverty was 26.9% in urban areas and 41% in the countryside. On average, then, economic growth benefited the urban areas more than the rural.

POVERTY IN TERMS OF VULNERABILITY

Vulnerability is a concept that departs from the question of ensuring decent quality of life. *Households are vulnerable if they cannot sustain their livelihoods.* This notion is generally explored by the construction of vulnerability indices that combine income and non-income indicators. The weights assigned to different dimensions imply value judgements on the relative importance of different dimensions of welfare. Nonetheless, such indices highlight non-income aspects of deprivation.

In 2000, the World Food Programme (WFP) conducted

a vulnerability analysis and mapping exercise based on analytical inputs and a statistical database provided by the NSC,³ computing a vulnerability index. The results furnished vital information for assessing poverty at the District level. Approximately two-fifths (57 out of the 134 for which data was available) of all Districts in Lao PDR emerge as poor or very poor. The comparison between the LECS-based District level poverty estimates and the district vulnerability index shows that these two measures complement each other.⁴

The mapping exercise (see Map 3.1) reveals an interesting feature that to some extent calls into question the conventional regional designations of the country: Northern, Central and Southern. Apart from one or two exceptions, the spatial distribution of poor Districts tends towards an east/west divide that seems to relate to diversity in ethnic groups, farming systems and socioeconomic patterns. This remains to be supported by more advanced analyses, but indicates that the poor Districts are virtually all mountainous, with a high proportion of ethnic minorities and farming systems that produce little marketable surplus. They are also Districts isolated from the national economy with limited social service infrastructure.

POVERTY ACCORDING TO THE POOR

The Participatory Poverty Assessment (PPA) conducted in 2000 has shed considerable light on how rural people themselves define and explain their poverty. This is

3 The calculation of vulnerability is a joint effort between the NSC and the WFP. The District level vulnerability analysis is based on data from the LECS 2 (1997/98), the Agricultural Census 1989/99, and the Population Census 1995. It is calculated through access indicators (rice production per capita, large animals per capita, forest area index per household, access to roads within 6 km) and social indicators (percentage of people with no education; crude death rate).

4 See World Food Programme, Draft "Vulnerability Analysis", August 2000.

BOX 3.4: ENVIRONMENT AND NATURAL SHOCKS ADVERSELY AFFECT RURAL LIVELIHOODS

Lao PDR has a small population relative to its land area. Moreover, this population is scattered unevenly; most people live in the lowlands along Mekong River, where resource endowments provide better potentials for living than in the mountains. The Central Region and the South, endowed with plains along the Mekong and other rivers, contain fertile soils and land that can be irrigated. By contrast, the North is mountainous and rugged with no irrigated land other than limited mountain valleys. In addition, the soil is poor, often heavily leached and acidic. An estimated 300,000 families are reported to survive by slash-and-burn cultivation, hunting and foraging.

The Southern and the Central Regions have relatively stable tropical monsoons, whereas the North has moist to dry sub-tropical climate. Frequent droughts and floods also add to the economic vulnerability of the poor. The country has suffered losses from 13 major floods during the past 30 years, with exceptional devastation in 1966, 1971, 1978, 1995, 1996, 1997 as well as in 2000 and 2001 (Bolikhamxay, Khammuane and Savannakhet in the central region and Champasak in the Southern Region). Droughts have also claimed a toll of people's livelihoods in some parts of the country.

Malaria is the first cause of morbidity in the country and is strongly related to the environmental conditions prevailing in some parts of the country, particularly along the Mekong valley.

BOX 3.5: CAUSES OF POVERTY AS IDENTIFIED BY VILLAGERS

From the point of view of the villagers canvassed during the Participatory Poverty Assessment (PPA), the fundamental causes of poverty in Lao PDR are those that affect livestock and rice yields. These causes may take the form of natural disasters such as floods or drought, or of manmade traumas induced by poor implementation of projects or programmes, especially those that affect ecological systems, or the agroecosystems of subsistence farmers or the area of arable land over the long term. Of the various programmes, the one most frequently identified by villagers throughout the PPA was Land-Forest Allocation. This has led to shortened fallow cycles and directly or indirectly to soil degradation, lack of biodiversity through habitat loss of varied fallow forest types, over-hunting of wildlife, especially predators, and excess gathering of forest products, leading to epidemics of crop pests and, ultimately, frequent droughts and floods and exponential decreases of rice yields.

Source: PPA

valuable, not simply as information, but because it leads to a number of interesting perceived solutions to poverty.

This grassroots analysis of the problems these people experience has a "truth" value and a primacy that no other analytical approaches can replace - even though a full interpretation of these findings may require supplementary analysis in the context of wider circumstances. The causal diagram on p.32 places these core perceptions within the broader context of interrelated problems, causes and effects that constitute the generative system of rural poverty.

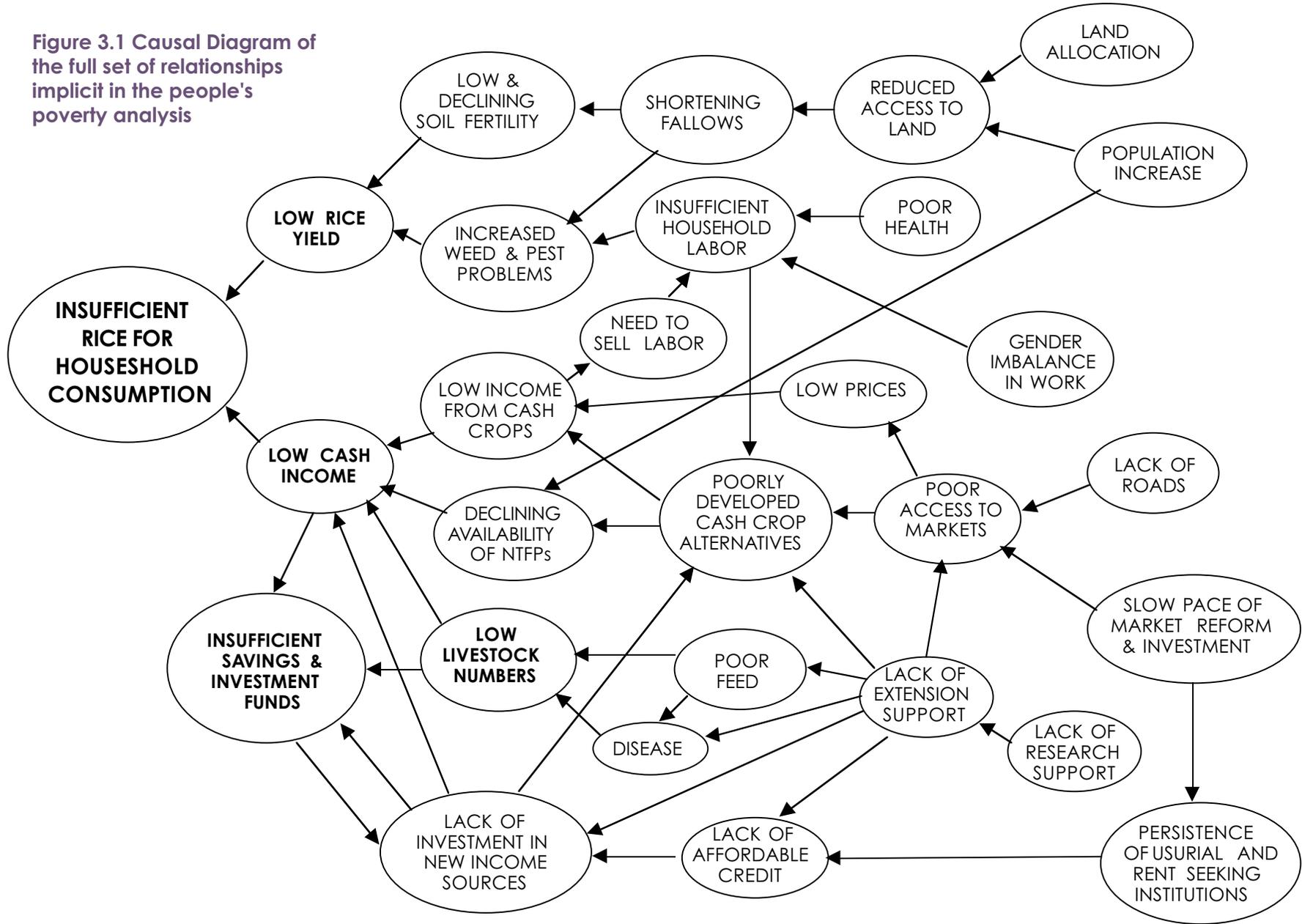
In reading this diagram, it is important to recognize that any single node can be interpreted as a problem, a cause, or an effect, depending on one's perspective as one follows the causal chains. Although the causal relationships are always consistent in direction, what may seem a problem at one level is also an effect of the preceding problem and a cause of the next one. Causal diagrams avert fruitless arguments about what "the" problem is. All living systems are seamless networks

of multiple interacting problems, causes and effects - in which causal labels such as "problem", "effect" and "cause" themselves shift in time and with the position of the viewer. To take one common example, a person may see his or her "problem" as lack of money, while another (usually someone with higher authority or more money) may see it is a lack of marketable skills. Still another will realize that acquiring marketable skills requires money and time, while yet another observer will recognize that no facility - "free" or costly in terms of either time, money or sheer physical availability — exists to teach these skills.

At the highest level of the livelihood system, the ultimate "problem" to be explained is poverty, which is experienced within the household livelihood system as:

- **food insecurity;**
- **low income; and**
- **insufficient savings and investment** (the rural people express this as a shortage of livestock, since this is the main form of saving/investment currently available in the rural areas).

Figure 3.1 Causal Diagram of the full set of relationships implicit in the people's poverty analysis



BOX 3.6

RURAL PEOPLE'S OWN ANALYSIS OF THE CAUSES OF POVERTY

Indicators of Poverty	Problems Associated With Poverty	Primary Causes of Poverty	Secondary Causes of Poverty	Perceived Solutions to Poverty
INSUFFICIENT RICE	* Lack of arable land (paddy & swidden) * Livestock disease * Poor health (can't afford medical treatment)	* Land problems (insufficiency, poor quality, low returns to labor, (soil depletion) * Lack of investment money to pay for rice while improvements are being made	* Lack of village leadership & initiative * Relocation * Insufficient health services * Too many children * Lack of commercial skills * Insufficient education assistance	* Increase land availability & resolve rice cultivation issues * Increase livestock holdings * Solve livestock disease problems * Provide funding mechanism to increase livestock holdings
FEW LIVESTOCK	* Having to hire out labour * Lack of technical knowledge and skills * Lack of accessibility (roads) * Insufficient clothing * Poor housing	* Livestock disease * Pests and natural disasters * Environmental degradation (overuse, logging) * Lack of water for paddies	* Lack of government assistance * Low prices * Poverty is inherited from parents * Lack of roads, no access to markets * Ill-health & low labour capacity * Opium addiction * Income cannot keep pace with rising costs (inflation) * UXO * Theft	* Re-do Land Allocation * Make cash cropping reliable (e.g. price guarantees for promoted crops) * Provide roads/access to markets * Provide better schools * Improve village medical care (train village medic, provide medical kit, etc.) * Provide clean water supply * Provide electricity

Source: Anonymous, 2000, Poverty in the Lao PDR: Quantitative and Participatory Analyses, State Planning Committee and the Asian Development Bank. Vientiane.

The causal diagram reveals three major causal complexes within the rural livelihood systems that are responsible for these problems:

- **the declining productivity in swidden-based upland farming systems;**
- **the declining productivity of non-timber forest resources; and**
- **the failure of alternative income sources to transform the rural economy**

POVERTY PROFILE

Among the 4.2 million rural people of Lao PDR (2000), representing 80% of the total country population of 5.2 million, about 40% (approximately 2 million people) are estimated to live in poverty. These people, comprising about 300,000 households scattered in more than 6,300 Villages, are largely small farmers who

depend on precarious livelihoods and live in remote and highly diversified biophysical environments. Generally, they have undergone several forms of disruption. The vast majority of these 2 million rural poor belong to the country's many ethnic minorities with the following estimated breakdown by ethno-linguistic grouping: 56% Mon-Khmer, 15% Hmong-Mien, 13 % Tai-Thay, 9% Tibeto-Burmese and 7 % Lao.

Most of these villagers live in upland forested areas and practice slash-and-burn shifting cultivation to produce upland rice and other crops for their families or consumption by their animals. They also raise livestock, notably chickens, pigs, buffalo, and cattle. Some lowland poor have moved from upland areas where they were actually better off. To compensate for rice shortages, they usually generate income (often through barter trade agreements) by:

BOX 3.7:**RESETTLEMENT**

An Akha Chi Pya Village in Phongsaly was moved by the District Chief from its original location to a new one along the road. The reason for the move, the villagers were told, was forest conservation. According to Akha custom, living on the road is forbidden. Consequently, from the very beginning, the move was psychologically damaging. Now their allocated production land is limited and rice yields have dropped from an average of 2.5 tonnes per ha to 1.2 tonnes because of soil depletion. No livelihood substitutes were provided. When the PPA team arrived, a baby was dying in its mother's arms – ironically, less than 20 meters from a new clinic that AUSAID had constructed for this very village and staffed with two female nurses who were ethnically Tai Lue. (The mother and baby were driven to the District hospital in the team's vehicle, and the baby, it was reported later, survived.) However, the villagers reported that they could not communicate with the nurses because of the language barrier. Consequently, the nurses do not venture into the Village, and the villagers do not patronize the clinic – which, they say, has only three kinds of medicine anyway.

Source: PPA

- (i) collecting and selling various non-timber forest products (NTFPs) and wildlife from the forest;
- (ii) selling small livestock products (when they can afford to own livestock);
- (iii) hiring out family labour to richer farmers in their own or different Villages;
- (iv) producing and selling opium (only in some Northern and Central Provinces); and
- (v) selling vegetables or handicraft products.

The agro-ecosystems of the poor are low-input rice-based agricultural systems, already stressed by external factors beyond the control of villagers. Family labour is the major input. They see their major poverty indicators as having insufficient rice to eat and not owning livestock as a safety net. They do not consider their lack of integration into the market economy a sign of poverty. Poverty in Lao PDR does not necessarily mean hunger, largely because of various coping mechanisms in a country with low population density and relatively abundant natural resources. However, poverty often leads to qualitative malnourishment. Even more important, the spiritual interpretation of poverty and other disruptive life events matters to the poor; generally, they try to correct these disruptions through specific ethnic rituals.

Poor rural Villages are usually small (between 50 and 200 inhabitants), scattered and difficult to reach. Their people often live in cultural as well as geographic isolation. Within Villages, the poorest of the poor are never found in Village committees. The poorest also have less contact with the local administration than the better off. A lack of assets and limited family labour generally bars these people from contributing actively to development initiatives. But they usually have a wealth of traditional knowledge of their bio-physical environment.

Poor rural women and children often belong to the 10% of the country's severely malnourished people. Moreover, the poorest rural women are normally overburdened by various household and farming tasks. Because most rural poor do not have access to safe drinking water, they suffer from diarrhoea, malaria and respiratory infections. Lack of access to appropriate medical services also prevails in most poor Villages. Infant mortality rate is high. Education and literacy levels in the Lao national language are low.

As the Participatory Poverty Assessment indicates, rural poverty in Lao PDR is in many cases a recent phenomenon. It also is not endemic. Several poor people said they became poorer due to land access restrictions or resettlement as a result of the government land allocation programme, (the subject of extensive discussion in Chapter 6). Some of them also suffered from pest infestations, natural disasters, and war-related stress. Most upland villagers practice shifting cultivation and have been forced to reduce the fallow period of their cropping system. With the relocation of several ethnic minority Villages, substantial numbers of the rural poor have also been resettled in the lowlands or near main roads, where they are encouraged to produce wetland rice, along with practicing permanent upland agriculture.

IN CONCLUSION

The three methodologies presented earlier (HPI, vulnerability analysis and poverty lines) are predominantly quantitative. They define poverty in measurable indicators (as thresholds or in a ranking system) and locate it in space through mapping. Implicitly, these methodologies suggest that improving the variables that underlie the calculations will reduce poverty. A good example of this approach is Kakwani,

BOX 3.8:**VILLAGE PROFILE**

From 1978-79, the Village of Khanh Mak Nao has been beset by drought and flooding – usually drought when the rice is first planted and flooding just before harvest. In 1998-99, the entire Village produced only 11 tonnes, losing 70% of their crop. They therefore had to sell livestock to buy rice and were forced to use every available human resource to gather wild food to eat every day. They try to compensate for deficiencies with cassava, corn, wild tubers and shoots, and other forest products. These products also enable them to weave baskets for sale, along with the fish they catch and the labour they exchange for rice by the kilo. However, such activities take time away from rice production. The villagers estimate that they now spend only 60% of their time in paddy and swidden production and 40% looking for food to take the place of rice. They have no irrigation and no regular, viable income-generating source.

Although there is ample land for large livestock, their 1999 herd of 110 buffaloes dropped to 42 by 2000 because 46 were sold to buy rice and 22 died from disease. Moreover, during the same time, their stock of pigs fell from 20 to 1. The rice shortage also resulted in exhausting a number of natural resources. Some forest products, such as mushrooms and palm and rattan sprouts, are completely gone. Wildlife is rare. Tree monitors, squirrels, birds, snakes and other game may be eaten as little as once a year, along with sambars and barking deer, most of which have now disappeared. Fish catches become lower each day. Unable now to help themselves, they have no recourse but to wait for government help. Though unspoken, this is a source of shame.

Source: PPA

who drew the following conclusions from the data of LECS II.⁵

- The education of the head of the household has a highly significant impact on the household's standard of living. Every year of education increases household per capita consumption by 2.1%;
- Accessibility to a main road is a main significant determinant of poverty. Every kilometre of village distance from a main road reduces household per capita consumption by 0.1%;
- Households with electricity have 11.8% higher per capita consumption than those with no access to electricity;
- Households with access to piped water have 5.7% higher per capita consumption than those with no access;
- Households situated in villages that practice slash-and-burn agriculture have 7% lower per capita consumption than those in villages with other farming systems;
- The degree of rice self-sufficiency and the possession of livestock are good determinants of poverty.

From these observations, one can easily conclude that sufficient investments in education, roads, electricity and piped water - along with eliminating slash-and-burn agriculture and ensuring livestock ownership - would reduce poverty immensely.

Despite the accuracy of such statistical correlations, defining policies based solely on this type of analysis would probably fail to change the poverty picture in Lao PDR. School buildings do not teach — although teachers do, providing that they have relevant materials and the language skills essential to communicating with their students. Education becomes a development priority of poor people if they see a direct benefit in sending their children to school - hardly an obvious perception in most of the very remote Villages. By the same reasoning, reducing slash-and-burn would increase consumption (and hence income). But what if no alternative exists? As later chapters will show, this is often the case, so that reducing slash-and-burn might *increase* poverty. The consequences of development policies go well beyond farming systems - indeed, well into whole belief systems. As we will later see, these two apparently different kinds of systems are often indistinguishable.

The macro-economic policies of the Government have had reasonable success at the macro-economic level. A focus solely on these indicators, however, does not suffice to show us that income elasticity is dwindling and that the rural areas show significantly slower growth rates than the urban areas. Sharply rising inequality may also have serious repercussions for social stability - and, in the end, on the capacity to reduce poverty.

⁵ Poverty Indicators for Laos: A questionnaire design, N. Kakwani

As the earlier chapters of this Report stated, economic growth is a necessary condition for poverty reduction — but not a sufficient one. Pro-poor policies in factor endowments (e.g., labour productivity and capital markets) in the rural areas are necessary to break through the tough spiral of poverty. Present projected agricultural growth figures barely outstrip population growth in the rural areas. An overwhelming majority of the poor are farmers.

This does not mean that sound macroeconomic policies and the provision of social services have little meaning - or that a good understanding of the potential impact of policy measures on poverty is not essential. These all

take part in a more holistic approach to human development and poverty reduction. But they are not sufficient in themselves, in large measure because making policies effectively calls for a sound understanding of both the processes that underlie poverty, along with poor people's perceptions of their own situation. The PPA made a good beginning in combining statistical analysis with anthropological research into grassroots perceptions of poverty and the priorities the poor themselves propose for change. We therefore return to an early assertion of Chapter 2: *"Development springs from the needs and priorities of the people. It has to be cultivated. It cannot be bought."*



Rural Development talks about agricultural production. Transformation of agrarian produce provides critical added value.

RURAL DEVELOPMENT: CONTEXT AND POLICIES

Rural development is hardly new to Lao PDR. Indeed, the bulk of the country's efforts to reduce poverty, both sectoral and multisectoral, have been initiatives designed to advance rural development objectives. Let us look at why - and whether a focus on rural areas is warranted.

According to the 1995 Census, an urban population centre must satisfy at least three of five conditions below.

- It has a market;
- It has a road for access by motor vehicles;
- It lies in the municipal vicinity where the District or Provincial authority is located.
- The majority of its households are connected to electricity.
- Tap water supplies the majority of the households.

In 2000, almost 80% of the Lao population lived in the rural areas, some 4.1 million people. Of this figure, 41% are estimated to be poor. Rural-urban migration trends explain the diminishing share of the rural population; in 1995, the rural population still comprised 82.9% of the country's citizens.

RURAL - URBAN DISPARITIES

Let us return to the three Human Development Index (HDI) indicators set out in Chapter 2: longevity, knowledge and the standard of living, even at the risk of repeating facts presented in that chapter.

Longevity

Although life expectancy at birth in Lao PDR increased from 51 years in 1995 to 59 years in 2000, both child and maternal mortality rates differ profoundly between urban and rural areas.

Sanitation and other environmental factors play a major role, as Table 4.2 shows. Only 45% of rural households had access to piped water or a protected well in 1997, as opposed to 75% in urban areas. A staggering 80% of rural households did not have access to a toilet. Rural people spent a minimum of 15 minutes per day and per person to fetch water, as compared to 4 minutes in urban areas. Urban centres benefited more than rural villages from the immunisation programme and other health development projects.

TABLE 4.1: DISTRIBUTION OF THE LAO POPULATION BY URBAN AND RURAL AREAS

Year	Total Population	Urban (Number)	Urban (%)	Rural (Number)	Rural (%)
1995	4,574.800	781,753	17.1	3,793.100	82.9
2000	5,218.300	1,043.700	20.1	4,174.600	79.9

Sources: Lao Census 1995 and estimates for 2000.

TABLE 4.2: HEALTH ENVIRONMENT AND SANITATION 1997/98 IN URBAN AND RURAL AREAS				
Indicator	Unit	Urban	Rural	Total
Piped Water or Protected Well	% households	77	45	50
Without Toilet	% households	25	80	71
Fetching Water	min./day & person	4	15	14
Immunisation Programme	% villages	95	86	87
Health Development Project	% villages	32	26	27
Village with Pharmacy	%	75	36	43
Pharmacy with License	% total	72	23	32
Primary Health Care	% households	98	71	75
Traditional Healer	% households	53	53	53
Traditional Birth Attendant	% households	27	52	48
Hospital 8+ hours away	% households	0	9	8
Medicine per Person	KIP /month	800	600	600
Source: LECS 2				

According to LECS 2 in 1997/98, only 43% of Villages country-wide had a pharmacy. Only 70% of rural households had some kind of access to primary health care services, as opposed to almost all urban households. Although access to traditional healers was roughly the same - people throughout Lao PDR continue to value traditional medicine — more traditional birth attendants assisted at deliveries in the countryside than in urban centres. To recall Chapter 3 again, for 90 % of households, the nearest hospital lay 8 or more hours away, whereas no urban household found itself in a comparable situation. A rural child is twice as likely to die as an urban one.¹ While infant and under-5 mortality rates between 1995-2000 dropped by 63% in the urban areas, the comparable rural figure was 45 %. In 1999, in the rural areas almost 60% of rural children under 5 years were considered malnourished (compared to 40% in urban areas) and 1 rural child in 2 has low height for age (1 in 3 in the urban areas).

The difficult health related circumstances are often directly related to poverty. To take only one example, a survey carried out in 2000 by the International Fund for Agricultural Development (IFAD) in Khamu upland villages of Oudomxay province found a poor female-headed household with two young children trapped in a vicious poverty cycle. An unending respiratory illness kept the husband from working the family fields. Their animals were sold to buy medicine for him.

Other disparate statistics are set out in Chapters 2 and 3. Suffice it to say here that a low birth weight is a strong indicator of future lower intellectual development/achievements, our next area of HDI.

Knowledge

In terms of the knowledge dimension, the figures again show a strong urban-rural divide.

TABLE 4.3: EDUCATIONAL SERVICES AND QUALITY FOR URBAN AND RURAL AREAS 1997/98			
Education Indicators	Urban	Rural	Lao PDR
Primary School in Village (% villages)	69%	87%	85%
Complete Primary School (% villages)	60%	42%	43%
Lower Secondary School in Village (% villages)	20%	10%	11%
Pupils/Teacher for Primary Schools	36	29	30
Textbooks available Primary Schools (% villages)	67%	83%	82%
School Expenditure per Household (Kip/year)	43,000 kip	7,200 kip	15,200 kip
Source: LECS 2			

¹ Lao PDR Reproductive Health Survey, 2000

Even where rural people believe in the benefits of formal modern education, their children generally have fewer choices and opportunities than those of urban residents. Throughout Lao PDR, school-related expenditures for urban children were 6 times higher than those for their rural counterparts. Policies that permit wider educational choice in rural areas impact strongly on rural quality of life, provided that the quality of the education programme meets the priority needs of rural people.

As Chapter 3 pointed out, urban adult literacy rates almost doubled those of the rural areas in 1995. In that year, too, 40% of rural children between 6 and 19 years had never attended school, whereas only 1% of urban youngsters experienced comparable deprivation and, by 2000, only half the rural children of primary school age went to school, as compared with 80% of their urban counterparts. One third of rural children between 5-14 years of age had begun working full time by 2000, compared to just above one quarter in the urban areas.

Standard of Living

For the third HDI indicator, standard of living, the rural areas also lag far behind the urban. The rural incidence of poverty is 41% as compared with 29% in urban areas in 1998/9. Moreover, the urban areas showed far higher rates of reduction in poverty incidence. Consumption patterns also differ. Rural people spend a relatively higher part of their income on food than urban people.

As one scientist has summed up matters:

“The increasing urban-rural consumption disparity should be of concern to the Government because rural areas have much lower standards of living than urban areas. The Gini index, an overall measure of inequality, increased from 28.6% in 1992-93 to 35.7% in 1997-1998. Thus equality in

Lao PDR has deteriorated sharply over time. Increased inequality implies that the benefits of economic growth have not flowed uniformly across the population. The proportional benefits received by the poor are less than those of the rich. Economic growth in Lao PDR has been pro-rich, even though some of the benefits are trickling down to the poor. Fortunately, the percentage of poor fell from 45% of the Lao population in 1992-1993 to 38.6% in 1997-1998. Poverty incidence varies substantially across regions and provinces...”

Source: Kakwani et al., 2001(emphasis added).²

Suffice it to add that “pro-rich” tends to translate into “pro-urban”.

Recent Lao policies take rice consumption as a poverty indicator (if insufficient, you are poor). As can be seen from table 4.4, the rural population has a higher proportion of consumption of rice than urban people. At the same time, the rural people are poorer than the urban ones. Hence rice consumption cannot automatically lead to conclusions about poverty. Rice consumption features among other factors related to food intake needs in relation to physical work, availability and price of other products and tradition. A large proportion of rice consumption may even be a poverty indicator, particularly where rice is the cheapest available source of food.

In terms of social integration, rural society is more isolated than its urban counterpart, and the level of isolation of rural communities serves as a good prediction of standard of living: fewer individual and collective choices available to rural populations. Slightly over 40% of the Villages in rural areas are 6 km or more from a main road, compared to only 10% in urban centres (1998). One fourth of rural areas cannot be accessed by road even in the dry season, while the

TABLE 4.4: SHARE IN PERCENT OF TOTAL CONSUMPTION BY URBAN AND RURAL AREAS 1997/98

Consumption Indicator	Urban Areas	Rural Areas with access to Road	Rural Areas without access to Road
Food Consumption:	51 %	61 %	68 %
Rice	16 %	30 %	35 %
Transport	13 %	11 %	8 %
Imputed Rent, Housing	18 %	4 %	3 %
% of Own Products in Food	18 %	60 %	72 %
Source: LECS 2			

² N. Kakwani, Bounthavy Sisouphanhthong, Phonesaly Souksavath and Brent Dark, “Poverty in Lao PDR” 2001

Indicators	TABLE 4.5: SELECTED ACCESS BY URBAN AND RURAL AREAS 1997/98 (% OF TOTAL NUMBER OF VILLAGES)		
	Urban	Rural	Lao PDR
Electricity:	91 %	19 %	31 %
Permanent Market:	33 %	4 %	9 %
Periodic Market:	4 %	5 %	5 %
6+ km to Main Road:	9 %	41 %	35 %
Access in Rainy Season:	100 %	44 %	53 %
Access in Dry Season:	100 %	75 %	79 %
Scheduled Passenger Transport:	93 %	42 %	50 %
Busfare to Common Market:	400 kip/one way	1100 kip/one way	950 kip/one way
Source: LECS 2			

rains isolate 56% completely; full access prevails during both seasons in the urban areas (1998).

In terms of household possessions and access to amenities, too, there are notable differences. For instance, in 1997, whereas 49% of the urban households owned a motorcycle, only 8% among the rural households did (Taillard & Sisouphangthong, 2000). Also for 2000, about 48% of the urban households owned a refrigerator, as compared with 4% of their rural counterparts. Slightly over 70% of the urban households owned a television set (only 22% of the rural households). The selected accessibility indicators shown in Table 3.5 also demonstrate that rural people have far lower access to public amenities; where they do, these facilities usually cost them more.

RURAL PRODUCTION

Agriculture has always been overwhelmingly important in Lao PDR - as, indeed, in all countries worldwide prior to the industrial revolution that began in Europe in the 18th century. Even where nations derived much of their wealth from commerce, agriculture remained the backbone of the most advanced and complex polities, from ancient Mesopotamia, Egypt and China through

the Ottoman Empire. In Lao PDR today, agriculture employs over 80% of the labour force, and remains an essential component of the country's international trade, despite a slow decline in its relative share in GDP during the 1990s in favour of industry and services.

Subsistence farmers represent an overwhelming majority of the economically active people, not only in the countryside (75 %), but also at the national level (67 %). In rural areas, the remaining 25% were unpaid family workers (9%), self-employed persons (11%) and paid employees (6%). Among the independent farming people, agriculture accounted for over half their time (55%) and household business for a quarter. In all provinces except Vientiane Municipality, subsistence farming is the main occupation. The Government employs 12 % of the workforce and the private sector 7%.

Moreover, the agricultural sector provided a source of strength and resilience, especially during the early stage of the Asian financial crisis, when world prices of rice and other major crops remained high. Nonetheless, the sector is vulnerable to climatic effects. In 1997, in the wake of the crisis, the Government expanded a large-scale irrigation scheme to improve food security. Catastrophic flooding had toppled the agricultural

Category	TABLE 4.6: PERCENTAGE OF PERSONS BY MAIN ACTIVITY 1997/98		
	Urban	Rural	Lao PDR
Paid Employees	36 %	6 %	10 %
Employers	1 %	0 %	0 %
Self-employed	24 %	11 %	13 %
Subsistence Farmers	26 %	75 %	67 %
Unpaid Family Workers	12 %	9 %	9 %
Source: LECS 2			

TABLE 4.7: GDP BY SECTOR %

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Agriculture	58.0	56.3	56.4	54.3	52.2	52.2	51.8	52.2	51.8
Industry	16.7	17.4	17.8	18.8	20.6	20.8	21.9	22.0	22.6
Services	23.9	24.3	23.7	24.4	24.8	25.0	25.4	25.2	25.0

TABLE 4.8: GDP GROWTH RATES BY SECTOR %

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Agriculture	8.3	2.7	8.3	3.1	2.3	7.0	3.1	8.2	4.9
Industry	7.5	10.3	10.7	13.1	17.3	8.1	9.2	8.0	8.5
Services	3.9	7.7	5.5	10.3	8.5	7.5	5.5	6.7	4.9

growth rate from 7.0% in 1997 to 3.1% in 1998. By 1999, largely because of an increase in paddy production, the sector grew dramatically at 8.2%. Despite cuts in Government investments that year, yields rose in other foodstuffs as well (livestock is relatively well-developed, especially fowl, fish and pigs) and commercial production began spreading in many regions.

Industry in Lao PDR has grown faster than other sectors. Before the Asian crisis, its growth rate increased from 7% to 17% and its relative share in GDP from almost 17% to more than 22%, though its growth rate has slowed because of the crisis (see table 4.7-4.8). The narrow base of Lao manufacturing and its lack of diversification made the sector particularly vulnerable to FDI slumps in the investors' countries of origin. Moreover, because rice milling accounts for some 40% of Lao industry, the sector also depends on weather conditions. The slight increase of industry's share in GDP from 1996 - 2000 stemmed largely from construction and electricity.

Services, too, increased throughout the 1990s, though the sector's share in GDP rose only marginally. In 1997, wholesale- and retail trade, and transportation, storage, and communication - the two major service sub-sectors — recorded growth of about 10%. New roads to suburbs led to higher levels of transportation. Tourism grew strongly during 1997, with hotels and restaurants reaching a 23% rate. However, tourism from other Asian countries shrank in early 1998.

Rural Farming Systems

Given the predominance of farming in the rural economy, some greater attention seems warranted. Of the 668,000 agricultural holdings identified by the Lao PDR Agricultural Census, 626,300 were devoted

primarily to home consumption. Total area amounted to 1,047,700 ha for all agricultural holdings, including fallow land, with an average of 1.62 ha per farmstead. Some 607,000 grew wet-season rice, 93,400 dry-season rice, while 427,800 holdings were involved in lowland rice production and another 260,100 in upland rice production. All in all, 68% of the land is devoted to rice, while other annual and permanent crops account for 9% and 8% respectively; only 2% of the land is used for grazing. Some 592,600 farmsteads had livestock; 32.7% of these vaccinated their animals; 55,000 practised aquaculture.

An important aspect of rural farming systems in Lao PDR is its diversity. Laurent Chazée (1998) proposed 15 rural production systems (see Box 4.1). In the plains, farmers cultivate all the arable land with lowland rice during the wet season and use it to graze livestock in the dry months. Elsewhere in the lowlands, in irrigated systems, farmers have developed a two-crop pattern, growing irrigated rice during the wet season and using the dry months for other crops, often in tandem with irrigated rice. In upland and mountain farming systems, a single wet-season crop predominates throughout the hills or mountainous areas. On the plateau, commercial crops are increasingly produced and shifting cultivation areas have been reduced. Although plateau soils are better than others, most lands in Lao P.D.R. are acidic.

Most farm households practice traditional cultivation (see Map 4.1); 28% use chemical fertilizers and 11% have adopted agro-chemicals; both these kinds of supplements are imported. Only 21% of Lao farmers use tractors, 39% use draft animals, while the remaining 40% do not plough the land and carry out most of their work manually. In addition to rice, Lao farmers grow vegetables, sugarcane, maize and peanuts, all of which

BOX 4.1: DIVERSITY OF RURAL PRODUCTION SYSTEMS IN LAO PDR**Type 1: Main Upland Rice-based Production Systems**

- 1.a. Glutinous rice, vegetables, small livestock, hunting, gathering NTFPs, handicraft, woodcraft and basketry (everywhere in remote mountain areas, especially in Mon-Khmer communities)
- 1.b. Glutinous rice, vegetables, cash crops (cotton, sesame, groundnut, soybean, sugar cane, castor bean), small livestock, hunting, gathering NTFPs - (everywhere in accessible valleys where produce could be transported, especially in Mon-Khmer communities and Tai-Kadai minorities)
- 1.c. Non-glutinous rice, vegetables, maize, opium poppy, small livestock (sometimes large animals), hunting, gathering NTFPs (in northern region in Hmong-Yao and Tibeto-Burman communities)
- 1.d. Glutinous rice, benzoin trees, vegetables, small livestock, hunting, gathering NTFPs (Mon-Khmer language speaking people of some districts in Houaphanh, Xieng Khouang, Oudomxai and Phongsaly)
- 1.e. Glutinous or non-glutinous rice, seasonal work, small handicraft, small livestock, vegetables, hunting, gathering NTFPs, selling products on markets (wherever land with forests has become smaller, near communication network where employment is possible, mainly in Mon-Khmer and Tibeto-Burman communities)

Type 2: Main Wetland Rice-based Production Systems

- 2.a. Glutinous rain-fed lowland rice (South, Centre and North) or wet-season irrigated rice (with supplemental irrigation), buffaloes, cattle, small livestock, fish culture, vegetables & fruits, weaving, with hunting and NTFP collection near mountains (Tai-Kadai ethnic and some minorities of other ethno-linguistic families)
- 2.b. Glutinous or non-glutinous rain-fed lowland rice or wet-season irrigated rice (with supplemental irrigation), buffaloes, small livestock, fish culture, vegetables, weaving, handicraft, services (rice milling, ploughing by hand-tractor, etc.), temporary labour, processing of products for marketing (Tai-Kadai ethnic, with some Mon-Khmer communities and Hmong-Mien around Vientiane; people living around main cities and close to Thailand)
- 2.c. Intensive irrigated rice (glutinous and non-glutinous, double cropping), mechanisation, processing, and marketing of rice, other service activities and trade (Tai-Kadai communities in irrigated plains along the Mekong and some other sites such as in Phieng district of Sayaboury, Vang Vieng district of Vientiane, the irrigated plains of Oudomxai and Luang Namtha).
- 2.d. Glutinous rice, buffaloes, small livestock, riverbank vegetables, fishing, small trade (Tai-Kadai people along the Mekong)

BOX CONTINUES ON NEXT PAGE

have registered annual increases because of expansions in acreage and improvements in unit yields. However, the annual tea crop has declined, as have those of cotton and mung bean - the latter two because of decreased acreage, along with low prices and market constraints. Given the country's agricultural potential, lowland paddy may expand further by another 1.0 million ha, especially for irrigation (see Map 4.2), and rain-fed conditions appear to favour the cultivation of other commercial crops.

Livestock Production

Livestock accounted for about 20% of GDP in 1998 and generated more than half of farm income. However, virtually all of the livestock production is traditional, extensive and low-input. This results in low output, compounded further by poor breeding practices. Farmers face high mortality rates among their animals, due largely to a dearth of knowledge about epidemics, their reluctance to vaccinate, and scarcity of nutritious feed that would boost animal resistance. A related

TABLE 4.9: NUMBER OF HOLDINGS AND AREAS FOR LOWLAND RICE AND UPLAND RICE, 1998/1999

Indicators	Total	Lowland Rice	Upland Rice	Mixed Lowland/ Upland Rice
Number of holdings:	668,000	427,800 (of which 353,800 with lowland rice only)	260,100 (of which 186,100 with upland rice only)	74,000
Area in ha:	1,047,700 ha	536,300 ha	198,800 ha	
Source: Lao Agricultural Census, 1999.				

CONTINUATION OF BOX 4.1

Type 3: Other Main Production Systems

3. a. Large animals, small livestock, secondary crops, hunting, NTFP collection, opium-poppy (Hmong of Nonghet district in Xieng Khouang, some Tibeto-Burman in Phongsaly and some Hmong in Samneua district of Houaphanh)
- 3.b. Buffaloes or cattle raising, glutinous rice, small livestock, vegetables, small trade (Tai-Kadai in Pek and Khoun districts of Xieng Khouang, some Mon-Khmer villagers in pasture land of Oudomxai, Luang Namtha and Phongsaly)
- 3.c. Buffaloes, cattle and cultivation of coffee, tea, cardamom, castor bean, fruits, small livestock (Mon-Khmer and Tai-Kadai people on Boloven plateau)
- 3.d. Fishing, hunting monitor lizards and tortoises, riverbank vegetables, small livestock, small trade (Tai-Kadai along medium and lower Mekong)
- 3.e. Various village activities linked to markets, intensive vegetable production, weaving, mushroom cultivation, marketing, small trade, handicraft, seasonal labour. Areas around urban centres and near borders with Thailand located between Vientiane and Champasack (Tai-Kadai ethnics and some Mon-Khmer people)
- 3.f. Systems based on local opportunities such as charcoal production, contracted handicraft, seasonal labour in Thailand, urban labour opportunities, community projects, etc. (peri-urban areas and along the Thai border)
- 3.g. Contract-based cash crop production for crops such as cotton, groundnuts, sesame, beans, maize, paper mulberry, Job's tears, etc.; also for tree seedling production (Tai-Kadai and Mon-Khmer along borders of Thailand and China (Vientiane, Sayaboury, Bolikhamsay, Khammouane, Savannakhet, Champasack, Luang Namtha, Bokeo, Luang Prabang)

Source: adapted from Chazée L. (1998) "*Evolution des systèmes de production ruraux en RDP Lao*", pp. 186-189.

Please refer to Chapter 6 for more detailed descriptions of farming systems.

problem stems from raising livestock without securing dry season feed. But farming households receive little help. Veterinary personnel remain in short supply, and those who work in poor areas find themselves further constrained by poor roads (when and where these exist) and insufficient medical supplies and equipment. Nor can they avail themselves of legal and regulatory systems that would work against animal epidemics and improve meat hygiene. These shortfalls coexist with poor marketing and processing systems.

Nonetheless, Lao PDR has many potential grazing lands, and grasses grown during the rains suffice to feed livestock throughout the year when stored for the dry season. Moreover, most farmers generally know how to feed their animals, despite their low technical expertise.

Fish Production

Fish is a major source of protein for Lao people. They farm it in three ways: extensively, with low fish density without feeding; semi-intensively with light feeding; and intensively with high fish density with feeding. The Department of Livestock and Fisheries (DoLF) attempts to develop fish culture programmes, but has a poor database, few funds, and limited staff. Rural fish-farming, which accounts for 90% of national fish production, falls far short of its potential. It needs improved technology and extension workers to help people apply that technology to meet their needs. Low technical levels in the hatcheries, and deteriorating environmental conditions in mountainous areas,

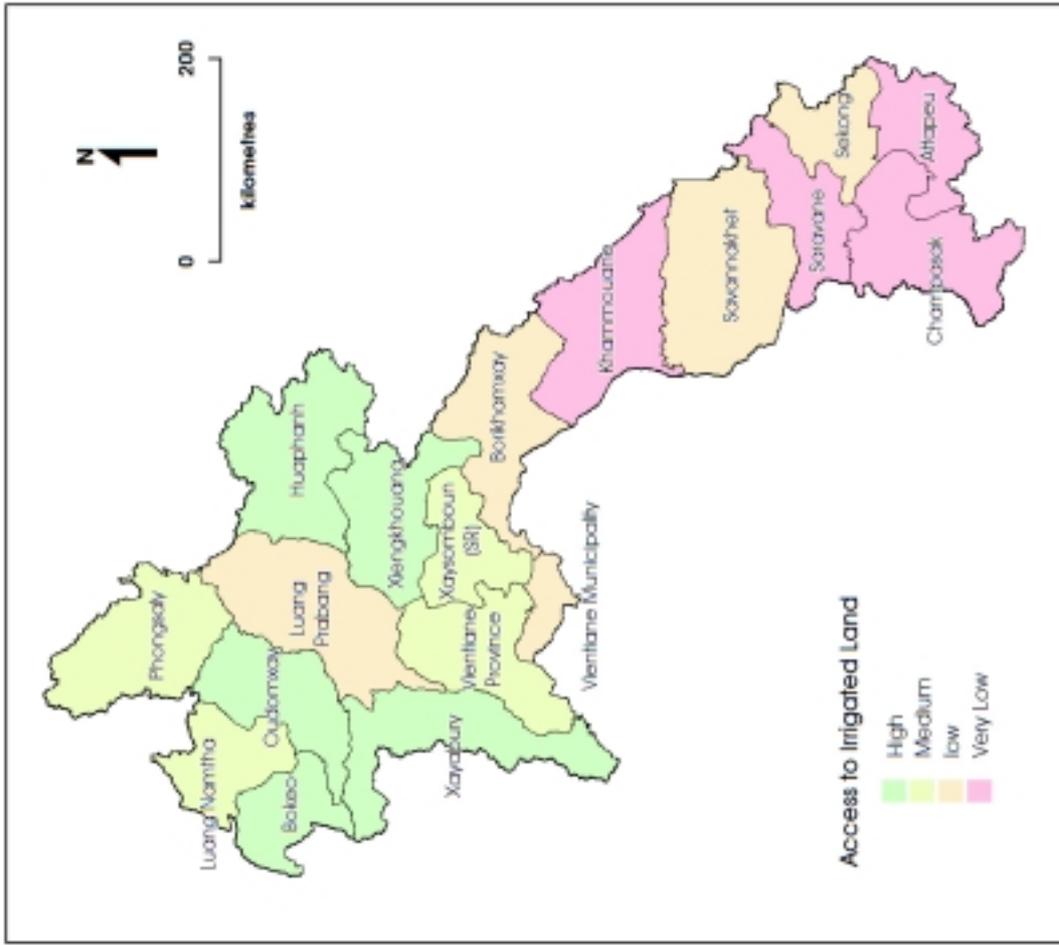
notably in the water quality essential to fish culture, compound these problems.

Drug Production and Human Development

Lao PDR is the world's third largest producer of illicit opium after Afghanistan and Myanmar. Opium is produced primarily to support food security - that is, to generate cash for buying rice during times of deficit. Annual rice deficits ranging from 50% - 60% are common. In the absence of effective health facilities, opium is also used for medicinal purposes. The consumption of opium for ceremonial and other social purposes is well established in the northern parts of Lao PDR and has created a basis for widespread abuse. The country has one of the highest rates of opium addiction in the world; its annual prevalence for opiates only exceeded by that of Pakistan and Iran.

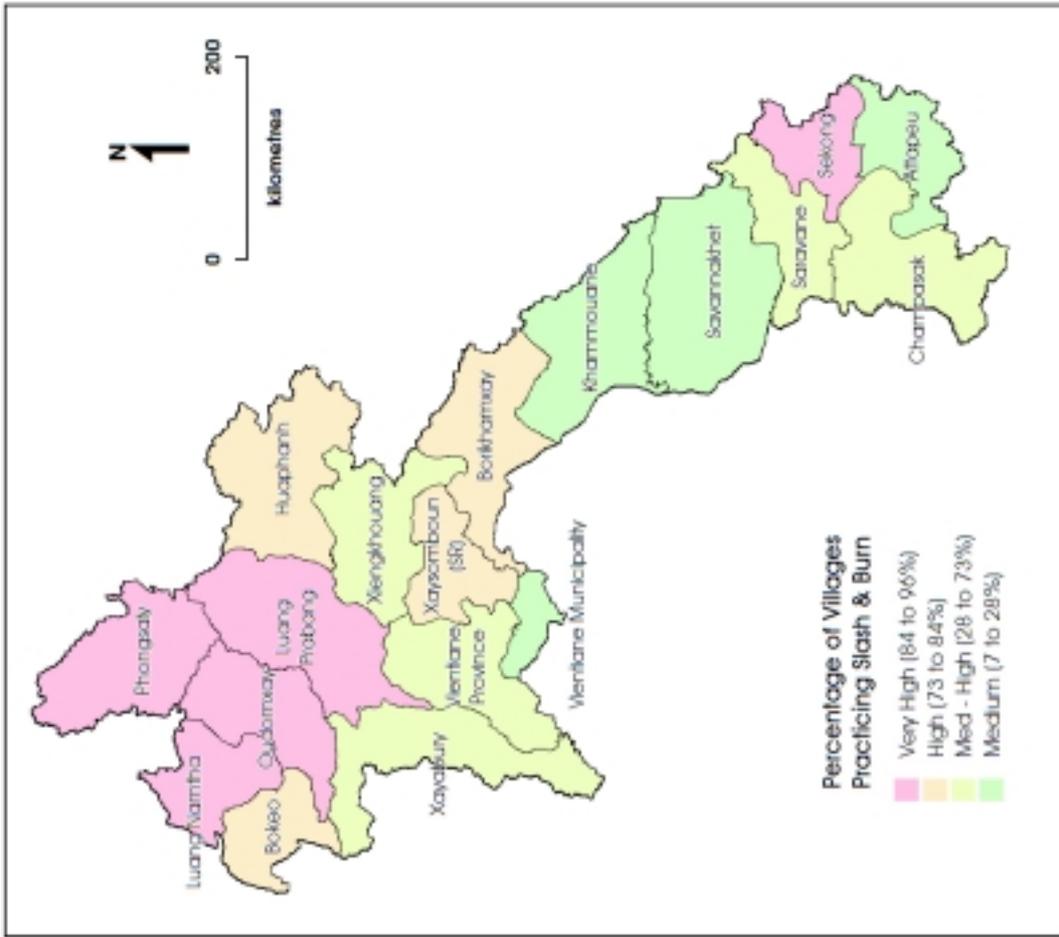
The 2001 National Opium Survey estimates that some 58,000 persons - mainly in the rural areas of Northern Lao PDR — are opium addicts, against 63,000 persons in 1999, representing an encouraging 7.5% decrease. The survey estimates that almost 2000 Villages are growing opium and that there were 17,255 ha of opium poppy under cultivation in the 2000-2001 season. This represented a reduction in total opium poppy area of 9.5% compared with the 1999 estimate of 19,052 ha and has confirmed the downward trend of opium poppy cultivation in Lao PDR since 1998, when the cultivation of opium poppy was estimated at 26,800 hectares.

MAP 4.2 ACCESS TO IRRIGATION LAND



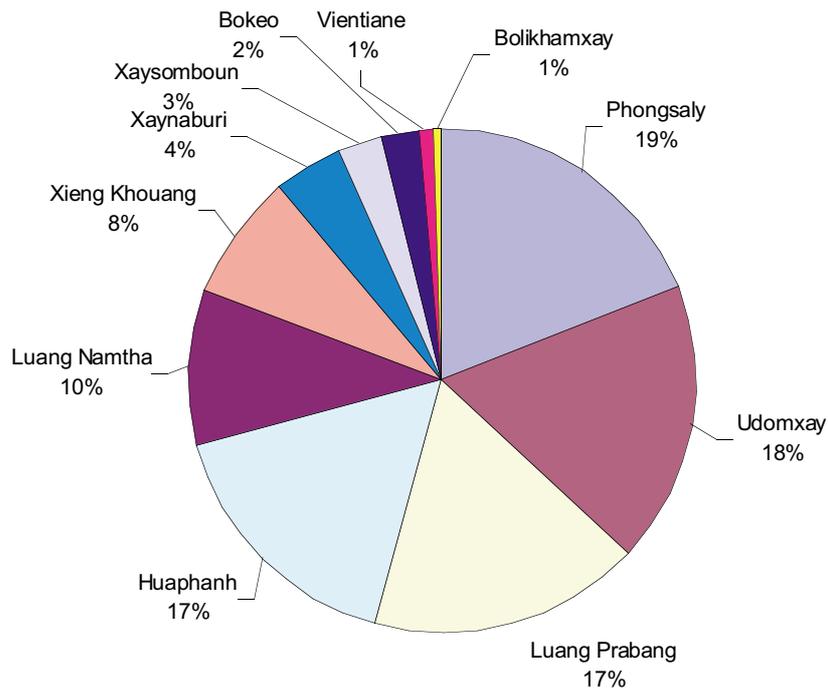
This Map has been produced with the assistance of WFP

MAP 4.1 PERCENTAGE OF VILLAGE PRACTICING SLASH & BURN



This Map has been produced with the assistance of WFP

FIGURE 4.1: PROVINCIAL SHARES IN OPIUM PRODUCTION (2001)



Drug addiction has a debilitating effect on human resources. In Northern Lao PDR, one out of 20 persons over 15 years of age is addicted to opium. Whereas the vast majority of addicts - almost 80% - are men, it is the women who suffer most. If the men are too weak to work or spend too much time smoking, the women have to compensate for their husbands' reduced productivity. After a family has been impoverished by addiction, it is often the women who have to sell their labour to provide for the daily opium supply.

Markets

Throughout Lao PDR, small-scale farmers continue to bring

their produce to local markets immediately after harvests. By contrast, larger farmers sell through middlemen, who visit individual households during the harvesting period and who control prices, leaving little bargaining power for producers. The alternative outlet is the State Foodstuff Company, which collects produce from growers and individual traders and reaches consumers through storage and milling facilities. Most storage facilities are made of wood and are inadequately ventilated or air-conditioned. For this reason, along with inadequate processing technologies, much food spoils and goes to waste.

BOX 4.2

DRUG ABUSE IN URBAN AREAS

Drug abuse is also a growing problem in the major cities of Lao PDR, especially among youth. Young people are at high risk to various types of drugs such as amphetamine-type-stimulants (ATS), solvents and other addictive substances, which can damage the individual, the family, and society. Also of particular concern is the recent spread of ATS abuse to the workplace, both in urban and rural areas.

School surveys on drug abuse were carried out in Vientiane, Luang Prabang and Savannakhet. The main findings are alarming. They show that drug abuse among school children is widespread. Of youth aged 12 – 21 years, many had sniffed solvents, taken ATS ("Ya-Baa") and abused prescription drugs at least once in their life. The data also show that the most susceptible age group is boys between 15 and 19. In Vientiane, every seventh boy or 14.1% in the 17-year-old age group has tried ATS. A very high percentage of the boys in the 17 year-old aged group have also sniffed solvents (11.4%). (UNDCP School Survey, Vientiane, November 1999)

The surveys show that twice as many boys as girls use drugs. The main reasons given among boys for using drugs were family problems and "feeling bad", followed by expected benefits such as "feeling happy". Peer group pressure, feeling bad, and other reasons were the main reasons for drug use among the girls. Research has shown that close family ties will protect children/youth from drug abuse.

Currently, 444 retail markets operate country-wide, none has refrigeration equipment for the fresh foods they handle and few practice adequate sanitation. For products other than paddy, few marketing facilities exist to undertake product collection, pre-cooling, grading, and storage. All produce goes directly to the market after harvesting. There is no systematic information service available for either producers or consumers and, as agricultural markets are regionally limited, prices are determined within a relatively small area. This probably accounts for sharp regional price differences, along with the country's poor road networks, lack of market information, limited consumer purchasing power, and the taxes imposed on goods moving across provincial borders.

Urban-rural linkages could provide opportunities for non-farm employment in the countryside and should be explored. Rural producers need integration into urban markets, while urban centres need to trade with rural populations. Both need easy access to international markets. This will require investments in the infrastructure of small towns and infrastructure linking them to both domestic and international markets. Workforce skills need to be developed to match market demands and quality standards. All these factors and others will permit rural areas with concentrated populations to furnish the nation with the economies of scale necessary for the development of competitive commercial enterprises.

Rural Finance

A household Finance Survey, conducted for rural Lao citizens in 1997, showed a broad distribution of savings throughout the rural population. Although 91% of households had financial savings, only 1% had converted these into bank deposits. The primary source of credit tends to remain family, friends, and lending households. Loans are small and involve no collateral or interest. Village Revolving Funds (VRFs), usually financed by donors or NGOs, cover 15% of all Lao Villages. As they operate in the informal financial sector, they are neither taxed nor regulated. Although these Funds assist community development, they do not provide the financial mediation necessary for mobilising domestic resources, given not only their size, but the fact that they rarely outlive a particular project. However, certain VRFs show potential as permanent local savings and credit institutions - in short, as banks.

The State-Owned Commercial Banks (SOCBs) have little influence on rural finance. Their lending to farmers is negligible, and cannot currently act as effective inter-

mediaries for a rural micro-finance system because of the high transaction costs involved, their limited outreach and their lack of service orientation, along with the country's dearth of commercial banking skills. The Agricultural Promotion Bank (APB), set up in 1993, provides the bulk of rural finance, using a group loan methodology with a group guarantee as collateral. However, its depository base is quite low and approximately 80% of the moneys it lends are provided by the Government and, to a lesser extent, through donor credit lines. However, APB operations suffer from poor management, inadequate loan recovery, and business development problems.

GOVERNMENT POLICIES FOR RURAL DEVELOPMENT

All the foregoing material provides ample indication that rural development is key to further general development in Lao PDR. The Government has developed a number of policies that focus on the rural areas, both general national rural development policies, the Focal Site strategy in particular, and, second, agricultural policies.

National Rural Development Policies

In late 1980s, the Lao Government had already begun contemplating the establishment of a rural development committee. However, in its attempts to find the best accommodation between the Provinces and the Centre, it was not easy to agree on the appropriate roles, function, membership and placement of the committee. In March 1994, the Fifth Party Congress promulgated its germinal Resolution on Rural Development, which established guidelines and goals for future rural development activities:

Rural development in our country is the identification and utilization of natural and social potential of the rural areas, mobilizing the sense of ownership by people of all ethnic groups in order to shift from traditional ways of living to the new ways which are in accordance with the guidelines for the improvement of the people's living conditions; change the characteristics of rural areas through development activities so that rural areas eventually become the firm basis for the task of national defence and construction of the new regime. (Resolution of the Government of Lao PDR on Rural Development, 1994).

In November 1994, the Politburo issued its Decree 40, which signalled the establishment of the Leading

³ The LCRD was abolished early 2002.

BOX 4.3 MAIN POLICY INSTRUMENTS AND MILESTONES RELATING TO RURAL LIVELIHOODS.

1986	New Economic Mechanism creates scope for a market economy
1991	New Constitution formalises the market-oriented economy, rights to private property, and an “Open Door Policy” toward foreign investment 5th Party Congress reiterates the role of the market economy, identifies the agriculture sector as the “number one battlefield,” and confirms the farm household as the main unit of agricultural production
1993	Decree 102 (1993) on the Organisation and Management of the Villages identifies rights, duties and responsibilities of the village community in the use and management of natural resources
1993/94	Decrees No. 169 and 186 support the decentralisation of resource use and management to local authorities and communities
1994	Foreign Investment Law Decree No. 40 supports the devolution of responsibility for planning and implementation of rural development to Provincial and District authorities
1996	Decree No. 131 supports the devolution of responsibility for management of agricultural and forest land to Provincial and District authorities, with advisory & technical assistance provided by Central authorities
1996	Forestry Law, Water Resources Law
1998	Agricultural Law
1999	Environmental Protection Law
1999	Agricultural sector strategic vision
1999	Prime Minister’s Decree No. 11 on the management of forestry operations and businesses
2000	Instruction PM No. 1 on decentralisation
2001	Interim Poverty Reduction Strategy Paper

Committee on Rural Development³ and the Provincial Rural Development Committees. However, the decree that gave this effect, PMO 131, was not issued until August 1996, when the LCRD became part of the Prime Minister’s Office. Before this, in January 1995, a first national conference on rural development was jointly organised in Vientiane by SPC and UNDP with the participation of selected provinces. A National Rural Development Programme (1996 - 2000) was approved by the Government in February 1998 (see Box 4.3).

A key element in the National Rural Development Programme is the Focal Sites concept:

“The Focal Site approach is the strategy adopted by the Government of Lao PDR to achieve rural development. Focal sites are defined as rural areas in which the government concentrates its development efforts to remove the constraints of poverty from the target populations within the focal sites. Specific focal site offices are established to co-ordinate the delivery of development services by different line agencies in the focal sites. Focal sites are to act as learning and growth centres in which to develop new methods and approaches and from which successful experiences will be replicated to extend the impact of rural development efforts to other areas .” (Lao PDR, 1998).

This development strategy is synergistic. It posits a number of national objectives, such as promoting rice

production; promoting commercial crop production; promoting settled agriculture to replace slash-and-burn shifting cultivation; and improving access to development services. It proposes village consolidation or the merging of Villages — which may or may not involve resettlement — as the most feasible and cost-effective way of making development services available to scattered and remote communities that would otherwise be unreachable, given available resources. About half the Focal Sites of the programme include village consolidation activities. According to the policy, village consolidation may be implemented only on a voluntary basis; clearly defined assistance and services must be provided to people who participate.

The criteria for selecting rural development focal sites fall into roughly five categories:

- criteria related to ethnic minority people living in isolation and poverty;
- criteria related to development potential;
- criteria related to the need to stop shifting cultivation and consolidate villages;
- criteria related to the people who participated in the Revolution; and
- criteria related to the need to ensure security, peace and stability.

BOX 4.4:**NATIONAL RURAL DEVELOPMENT PROGRAMME**

The objectives of the National Rural Development Programme are to alleviate poverty among rural populations in remote areas and more specifically:

- to provide food security;
- to promote commercialisation of agricultural production;
- to eliminate shifting cultivation; and
- to improve access to development services.

The Rural Development Programme consists of the following elements:

- decentralisation of projects at the Provincial level;
- a programmatic approach for each Province;
- emphasis on bottom-up community development;
- project design based on socio-economic analysis;
- cooperation with NGOs;
- coordination with donors at the Provincial level; and
- an initial emphasis on work in Sayaboury, Oudomxay, Sekong, Savannakhet and Xieng Khouang Provinces.

Implementation of the programme rests with the line ministries, the most important being the Ministry of Agriculture and Forestry and the Ministry of Communications, Transport, Post and Construction. The Ministry of Education, the Ministry of Public Health and the others also contributed. It must be noted that many important donor-assisted rural development projects of the country are not operating under the National Rural Development Programme because (i) most of them were initiated before the establishment of a rural development institutional framework in Lao PDR, (ii) several donors were reluctant to support the National Rural Development Programme or the so-called "Focal Site Strategy" because of concerns on resettlement issues; and (iii) several rural development projects are targeting populations living outside the official Focal Sites.

Given these criteria, the target groups became the upland ethnic minorities living in remote villages and practising shifting cultivation. The number of Focal Sites increased from 58 in 1996 to 87 in 1999 — after which no others were designated.

The 1996 - 2000 Five-Year Public Investment Programme (PIP) allocations for rural development are estimated at approximately \$160 million, of which about \$130

million had to be mobilised from foreign funds. Securing this foreign assistance was crucial to implementing the Rural Development Programme.

The investments eventually realised, however, fall significantly short of the projected needs - in 2000, only 12% of the total. The highest proportion of planned Focal Site investments (approximately 40%) is devoted to infrastructure. This is not surprising, given the fact that

TABLE 4.10: ESTIMATED AND REALISED INVESTMENT FOR RURAL DEVELOPMENT BY SOURCE OF FUNDING (IN MILLIONS OF US\$), 1996-2000

Source	Estimated/ ealised	1996	1997	1998	1999	2000	TOTAL
Domestic	Estimated	2.4	5.4	6	7.2	9	30
	Realised	1.0	1.9	2.1	n.a	2.1	-
	%	42	35	35	-	23	-
Foreign	Estimated	15.4	18.6	26	30.8	39	129.8
	Realised	4.2	2.3	0.5	n.a	3.6	-
	%	27	12	2	-	9	-
Total	Estimated	17.8	24	32	38	48	159.8
	Realised	5.2	4.2	2.6	n.a	5.7	-
	%	29	18	8	-	12	-

Source: Five-Year Public Investment Plan 1996 - 2000, NSC. 2000

BOX 4.5:**THE ESSENCE OF THE FOCAL SITE APPROACH**

- Concentrate limited human and financial resources effectively;
- Tailor interventions to specific needs;
- Integrate sectoral inputs at the District level to respond to diversified needs;
- Devolve power to the District;
- Empower local people at the Village level;
- Promote locally-owned centres for change and learning;
- Increase food and commodity production;
- Create employment opportunities;
- Improve living standards; and
- Develop the most sustainable and socially acceptable alternatives for the uplands through the improvement of livelihood systems within existing settlements

Source: Ministry of Agriculture and Forestry, December 2000.

rural feeder roads, rural communication and rural electricity remain basic requirements and are very capital-intensive. Infrastructure is followed by agriculture (approximately 28%), in which proposed irrigation schemes and extension services comprise about 70% of all investments. Education, health and community development total about 8% each, while village development, income-generating activities and programme management share the rest of the estimate.

Agricultural Policies

Chounthavong (1996) provides a convenient starting point for a review of agricultural policies in his web-published overview of the agriculture and forestry policy sector:

Since 1986, with the New Economic Mechanism, the opening of domestic and international agricultural markets, agriculture is seen as the basis of growth for the economy.

Food self-sufficiency is now viewed in national terms, encouraging inter-provincial trade of food commodities, such as rice. As price distortions are eliminated, farmers will have more incentives to produce a more diversified set of commodities for commercial purposes. . .

The Fifth Party Congress of March 1991 stated that the Government of the Lao PDR would further stress the role of the market economy and re-emphasised the importance of agriculture and forestry in the economy, referring to the sector as the “number one battlefield”. It reiterated that the farm household is the main unit of agricultural production, and that it needs proper incentives and support (e.g., tax reform, credit, land tenure, land use rights, etc.). It also stressed the necessary role of technology and that the research system should uphold the orientation of combining the use of traditional and semi-modern instruments and means, and the acquisition of modern techniques and technologies: for the improvement of the performance of the agriculture and forestry sector.

BOX 4.6:**THE RELOCATION AND FOREST EXPLOITATION PERIOD: 1975-1988**

At the beginning of this period, the Government emphasized policies to stop shifting cultivation, particularly its dominant form of “hay” or upland rice cultivation, through relocation of agricultural activities to lower land niches where irrigated agricultural land could be provided (Pravongviengkham n.d.). As this entailed not only the relocation of “agricultural activities”, but the resettlement of whole communities to village sites chosen by the government, the policy attracted a great deal of criticism from outsiders and a certain amount of resistance from within. Outside critics saw this as just a continuation of the ancient Southeast Asian tradition of the domination of upland populations by lowland cultures, with an added emphasis on national security issues stemming from the regional conflict that had only recently concluded.

In any event, the involuntary resettlement of upland populations ran counter to evolving international policies and conventions on the treatment of indigenous peoples and both the World Bank and the Asian Development Bank made it clear that they could not provide funds for development projects involving the forced resettlement of people (Jerve 2001:284).

After Pravongviengkham (n.d)

BOX 4.7: AREA-BASED DEVELOPMENT AND NATURAL RESOURCE POLICY ENHANCEMENTS: 1989-1998

In 1989 the First National Forest Conference adopted four main strategies:

- shifting cultivation stabilisation and land allocation to shifting cultivators;
- protection, rehabilitation and forest plantation increase;
- utilisation of forest resources and a wood industry based on sustainable forest exploitation; and
- human resource development and research.

The completion of the Tropical Forestry Action plan in 1991 provided further impetus for policy elaboration, resulting in the adoption by the Government of a number of important strategies and objectives (Jones 1998). In regard to human ecology and livelihoods, the most important of these were:

- To reduce and eventually halt shifting cultivation through a programme of land allocation to rural communities;
- To emphasise community mobilisation and the provision of incentives to communities for sustainable resource management, including the development of a clear system of use rights and local land use management; and
- To control deforestation by providing shifting cultivation alternatives

In 1992 the issuance of Decree No. 99 provided the critical means for implementing the Government's strategy for the stabilisation of shifting cultivation by establishing the right of possession and use of forest land allocated under the policies and programmes of the Ministry of Agriculture and Forestry.

After Pravongvienkham (n.d.)

The Government has put in place a clear policy to reduce shifting cultivation and replace it with more sustainable agricultural systems. All technical departments within the Ministry of Agriculture and Forestry (MAF) have a clear mandate to work on such sustainable technologies.

Actually, the policy on shifting cultivation has not always been clear and has often spurred contention with donors. Much of the policy debate has concentrated on the Government's Focal Site Strategy. Since these issues lie at the root of rural livelihoods, it is important to clarify the history of relevant policy developments. (see box 4.6-4.7)

Vision 2020 on Agricultural Development

In accordance with the 7 - 8% national economic growth rate targeted by the Government, the Ministry of Agriculture and Forestry (MAF) prepared its "Vision 2020 on Agricultural Development", which will play a lead role in improving the agricultural sector.

Vision 2020 foresees increasing the production of agriculture and forestry by concentrating all efforts on the two following thrusts:

- Utilisation of rich natural resources and existing potential, along with natural environmental conservation; and
- Effective use of lands based on existing topographical and geographical conditions, specific and traditional agricultural production systems, and appropriate advanced technologies.

The Government's strategic vision aims at improving and diversifying farming systems with an increase of cash crops, livestock and fishery production in the flatlands. In the sloping areas, farming system diversification and agro-forestry can be developed through adaptive research — trials and demonstrations on farmers' fields.

Vision 2020 includes seven priority programme areas:

- Strengthening the Ministry of Agriculture and Forestry, as well as local institutions, with respect to applied research and extension;
- Developing human resources;
- Adjusting internal and external business regulations;
- Establishing conditions for liberalised external trade;
- Ensuring food security and the accelerated market orientation of agriculture in the flatlands;
- Promoting environmentally sustainable development in sloping land areas to stabilise shifting cultivation; and
- Enhancing irrigation management.

The more important specific targets set for production by the year 2020 include the following:

- Rice production should be assured at 200 kg of paddy/capita/year as a minimum vital requirement by 2020 (the average 350 kg of paddy/capita/year in 2000 will be reduced through replacing significant amounts of rice consumption

BOX 4.8:**STABILIZATION OF SHIFTING CULTIVATION**

The area under shifting cultivation totals some 3.2 million ha, 13% of land nation-wide. About 43% of the rural population (some 37% of all citizens) practices shifting cultivation. Over the past ten years, the length of the fallow period has dwindled, while access to new forest land has declined. Various factors have contributed to these twin phenomena: increasing population pressure; the establishment of National Biodiversity Conservation Areas; Government limitations on the fallow period; a new land tax regime to encourage sedentary above shifting cultivation; successive land allocations and village agreements on land use; new forest boundaries and policies on forest conservation and management. The traditional shifting cultivation system cannot be sustained within curtailed fallow periods. Its stabilization calls for a wider range of farming systems, coupled with other livelihood development activities. Expanding activities to new targets requires, in turn, the engagement and participation of village communities in identifying problems and experimenting with solutions by adapting technologies to their particular situations.

As indicated earlier, the Seventh Party Congress sought to address this issue in one of its National Development Priority Programmes, which calls for a substantial reduction in shifting cultivation by 2005 and its total elimination by 2010.

- with that of meat, fish and dairy products).
- Around 30% of the total production of paddy per year should be regularly reserved for optimum vital requirements or higher export values.
- Meat production should be assured at 60 kg/capita/year by 2020, an increase from 25.6 kg/capita/year in 2000. To achieve this target, production should be intensified to reach 33,000 tons of buffalo meat and beef, 82,000 tons of pork, 197,000 tons of fish, 98,000 tons of poultry, 66,000 tons of eggs and 16.500 tons of fresh milk by 2020.
- In addition to this target of annual consumption, Vision 2020 foresees the export of meat products with a total value of around \$50 million.

Strategy for the Agricultural Sector (2001 - 2010)

The objective of the strategy for the Agricultural Sector is encapsulating the Government's policies, strategies and programme linkages within the agricultural sector over the next 10 years.

The strategy begins with an overview of the duality of the Lao agricultural economy: the flat lowlands along the Mekong and the sharply contrasting uplands. The lowlands have entered a period of agricultural transformation in which market forces have begun to deliver agricultural inputs through commercial channels and farm households are consuming part of their farm production. The uplands present a different picture, where agriculture is practised basically for subsistence and farm households are locked in a poverty trap created by a lack of regional market access, absence of productivity, isolation from increasing technology flows, and a lack of capital required to fuel the transformation process.

The divergence of the Mekong Corridor and upland agricultural economies suggests the need for separate development strategies - a Mekong Corridor and an upland approach. For the Mekong corridor, the strategy aims at maintaining and accelerating the pace of agricultural diversification and intensification with increased productivity per land unit, improved value-added processing, and expanding markets and sales. The uplands present a different set of problems because of their remoteness, inaccessibility, rural poverty, poor credit and capital accessibility, and a system of shifting cultivation. To stabilise communities, enhance resource productivity, improve the socioeconomic environment, and minimise the degradation of the natural resource base, an integrated rural agricultural development approach is indispensable.

The strategy foresees an intensive period of stimulating market-driven growth in the Mekong Corridor areas. As markets expand and producers begin to deliver their production choices in response to market signals in a given area, market forces will play a major role in moving the agricultural development process forward. At this stage, the Government will concentrate more of its limited resources in highland areas where market forces have yet to penetrate. Moreover, the Government has already taken a number of concrete measures by eliminating inter-Provincial commodity transport licensing and removing a number of restrictions on commodity exports. It has streamlined licensing procedures for domestic businesses, including agribusinesses and plans to make additional reforms over the decade. To complement its emphasis on extending practical problem-solving technologies directly to farmers, the Government intends to stress other areas (e.g., feeder roads and rural finance development) so

BOX 4.9:**UXO IN LAO PDR**

Few countries in the history of warfare have with stood the kind of aerial bombardment that Laos did from 1964 to 1973. Largely unknown to the global community at the time, over 2 million tones of explosive ordnance were dropped on the small, impoverished and neutral country.

All told, over 580,000 aerial bombing missions were launched on the country, which is likened to the equivalent of a plane load of bombs being dropped every 8 minutes for nine year. The average daily cost of this bombing effort was \$2,190,000.

Today, this bombing campaign undertaken by the United States, and the battles which also left numerous explosive projectiles and landmines on the ground, provides a frightening example of what happens to civilian populations in the aftermath of war. For even though the war ended more than a quarter of a century ago, Lao people must continue to fight this insidious and deadly threat known as unexploded ordnance or UXO for short.

Unexploded ordnance, like landmines, can remain dangerous long after hostilities have ended, and are indiscriminate in the way that they maim or kill innocent people upon detonation. Munitions experts estimate that up to 30% of the explosive ordnance dropped failed to function as intended, making Lao PDR one of the most affected countries in the world. This fact was confirmed by a national study (1997) on the socio-economic impact of landmines and UXO the Lao PDR. The report concluded significant UXO contamination in 15 of the country's 18 provinces. Twenty-five percent of villages in the country reported presence of UXO.

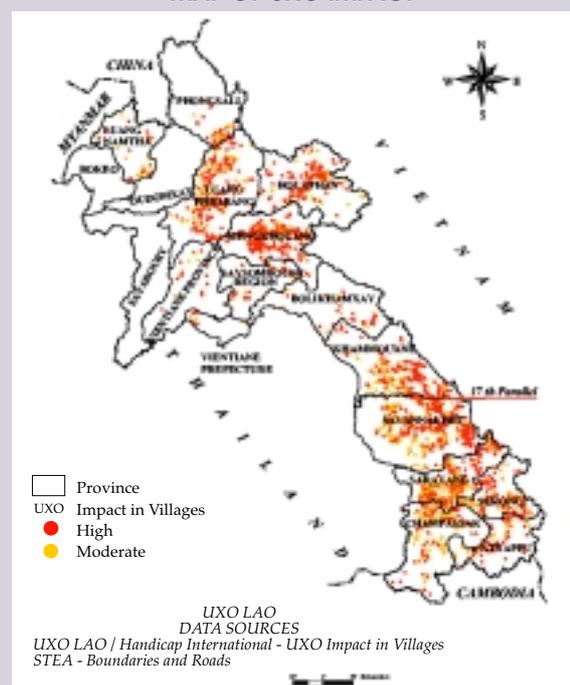
As a consequence, the millions of leftover UXO scattered throughout the country are a direct cause of fear, injury, death, and stunted socio-economic development. In this dangerous environment, simply digging into the land, clearing undergrowth and making a fire are all potentially lethal activities. Since the end of the conflict in 1975 close to 12,000 UXO-related accidents have been recorded (including 6,000 deaths), and even today a documented UXO accident occurs somewhere in the country every two days. Perhaps most alarming of all, casualties and anecdotal evidence indicated that accidents involving minors appear to be on the increase.

For a developing country in which agriculture accounts for over half of the total economic output, having UXO hazards in more than 50% of the land is indeed a crippling handicap. The existence of UXO prevents subsistence-level farmers from making full use of potential arable land and limits expansion into new agricultural areas. Moreover, existing UXO are a major impediment to the construction of infrastructure and economic development projects which are vital to the country's longer term prospects for development .

UXO LAO

The Lao National Unexploded Ordnance Programme (UXO LAO) is the national agency responsible for UXO clearance and education across the country. It was created in 1996 by the Government of Lao PDR with the assistance of UNDP and UNICEF to reduce the number of UXO LAO-related casualties and increase the amount of land available for agriculture and development purposes. In its first five years of existence, UXO LAO cleared 1824 hectares of land, including 743 hectares in 2000, and educated hundreds of thousands of people nationwide about the dangers of UXO. Presently, UXO LAO operates in the nine most seriously UXO-contaminated provinces and has a total national workforce of 1,125. Enquiries to UXO LAO can be made to the National Programme Director P.O. Box 345, Vientiane , Lao PDR. For further information contact UXO LAO's website at www.uxolao.org or E-mail at uxolao@laotel.com

This box has been contributed by UXO-Lao

MAP OF UXO IMPACT

as to link farmers directly to regional markets and to extend the facilities for mobilising savings and financing micro-level investments.

At present, many MAF staff still have low educational and skill levels, especially in the Provinces and Districts. The Districts in mountainous areas face the most severe problems and also have the lowest number of staff. Factors that may hinder new staff assignments to these Districts include lack of accessibility, poor socio-economic conditions, and difficulties in integrating into local communities that have a strong ethnic base. The Provincial and District Agriculture and Forestry Offices' (PAFO and DAFO) management capacity, along with administrative, regulatory and agricultural extension functions, needs much improvement.

The Government (MAF) tries to address these issues through the Human Resources Development programme, that aims at training qualified technicians and engineers for agricultural and rural development. The Ministry recently established a special national level unit for extension that will improve coordination among donor-assisted projects and reduce confusion among Government staff and the farming community concerning the different subsidy policies implemented by each project. Equally, MAF plans to place District farming system generalists at the grassroots level to provide adaptable research-based extension services and on-the-job training to farmers and shifting cultivators. This will include training on sustainable adaptive technology, particularly in intensive rural development areas.

UXO Hampering Agricultural Development

During the regional conflict in the sixties and early seventies an enormous amount of bombs were dropped on Lao territory. An estimated 30% of the bombs dropped did not explode and continue to pose serious risks to the population living in the concerned areas.

Apart from personal tragedies when bombs kill or maim people, unexploded ordnance (UXO) hampers agricultural development. In more than 50% of the land UXO continues to pose a risk, and hence, large areas of potential agricultural land cannot be used. Although the Lao UXO programme makes a significant contribution to reduce the risks and clear land, significant higher levels of support are needed to clear agriculture land (see box 4.9).

Opium Production Elimination Policies

Based on a UN Drug Control Programme (UNDCP)

initiative, in 1999 the Government adopted a balanced approach for the elimination of opium in Lao PDR - including alternative development, community-based drug demand reduction and law enforcement. It encompasses the three following elements:

- Alternative development to replace an illicit crop with alternative income sources and social services. This includes improving infrastructure, knowledge about non-opium based farming systems, access to markets and credit, upgrading the education and health situation, improving cropping and livestock production practices, and generating cash income for food and other purposes from a host of traditional and new activities in the countryside;
- Drug demand reduction to develop culturally appropriate approaches to treat and rehabilitate the existing addicts and prevent the incidence of new addiction; and
- Law enforcement, which is carried out in tandem with alternative development and community-based demand reduction.

Drug control has never before been so high a priority for the Lao Government: its policies and activities are now geared to meet the ASEAN goal of the region becoming drug-free by 2015. Important legislative amendments have been made and the political will for action against drugs has been galvanised:

- On 28 November 2000, the Lao Prime Minister issued a comprehensive Order to eliminate opium poppy cultivation and reduce abuse and trafficking of other drugs. The Order specifically commands all Provinces to eliminate opium by 2005. Elderly addicts are allowed to continue to grow opium poppy for their own consumption. All Government authorities at every level are responsible for applying laws and regulations in force to eliminate opium production. Accountability for drug control issues will be demanded from all Government agencies at all levels, irrespective of their main function. According to the new strategy, problems related to drugs will be attacked from all sides: law enforcement, education, health care, and mass media campaigns will all be included. The Prime Minister's Order entails a considerable change of pace for Lao PDR in its fight against drugs; a tougher approach against illicit drug activities is clearly evident.
- In April 2001, the 7th National Party Congress

BOX 4.10.**LESSONS LEARNED, GAPS AND CONSTRAINTS**

The last decade has witnessed the implementation of a wide variety of rural development projects. While no overall assessment has yet been made, a number of lessons have emerged from these experiences. However incomplete this list doubtless remains, the major lessons so far emerge as the following:

- Many projects have stressed the development of rural and social infrastructure without sufficiently considering the perceived needs of the people themselves;
- Several projects appear to have manifested a “top-down” approach at the expense of the requisite “bottom-up” process;
- Women’s involvement in rural development – and general consideration of changing gender roles and issues – needs to be strengthened;
- A participatory needs assessment process will help prioritise project activities for designing a suitable project strategy;
- Flexibility becomes paramount in project interventions so as to offer potential beneficiaries a wide array of choices and enable them to select and commit to what they consider most suitable;
- Lao diversity, particularly in the rural areas, calls for great attention to the location-specific needs of local people;
- Rural development projects should last 5 - 7 years;
- A simple monitoring and evaluation system should be put in place to permit the measurement of project impacts; and
- Rural development efforts should concentrate on a certain number of villages in a limited geographic area.

Generally, we can identify the following gaps and constraints:

- Limited availability of appropriate human resources at the provincial and district levels has limited development itself;
- Favours a “top-down” implementation modality at the province and district level inhibits participatory approaches in rural development;
- The limited coordination of the numerous donors in Lao PDR, together with donor competition, has created confusion among Government staff and forced them to deal with divergent approaches and redundant activities; and
- The absence of a Government institution with a clear mandate to promote community development or act as a resource centre for training in community development has compounded other constraints.

defined the national development targets for the next five years. It made opium elimination one of the national priorities. The Government has thereby shortened the time frame to achieve the elimination of opium — that is, by 2005.

- In October 2001, the Lao President appointed a Central Committee for Drug Control - to be headed by the Prime Minister - that will ensure the effectiveness of drug control and suppression activities. The Committee will guide LCDC and other local organisations in their anti-drug efforts and mobilise funds to support the rehabilitation of drug addicts. The Committee will collect information about drug abuse and decide on punishments and rehabilitation measures. The Prime Minister launched the Lao National Campaign Against Drugs and announced the establishment of an Anti-Drug Fund. With the opening of this Fund, the Prime Minister made the anti drug effort a top priority.
- In March 2001, the Lao Government prepared an

Interim Poverty Reduction Strategy Paper for the Board of Directors of the International Monetary Fund and the World Bank. The strategy links the opium complex directly to poverty reduction. The Government’s goal is to be out of the Least Developed Countries category by the year of 2020.

- Article 135 of the Penal Code (the drug control law) was amended in 2001. Penalties for drug-related offences were considerably increased, now including the death penalty for the production, trafficking and distribution of heroin (more than 500 grams) and amphetamines (more than 3000 grams). There are no longer legal minimum threshold quantities. By 1996, the Lao Government had revised Article 135 and officially prohibited the production of opium. The scale of penalties for illicit trafficking had been increased to life imprisonment and dispositions were introduced for precursor control.

IN CONCLUSION

If anything, the above material clearly demonstrates the

diversity and sheer complexity of rural development in Lao PDR. The different farming systems, as well as the huge differences between the rural and urban areas, indicate the big challenges that both the government and the international development agencies face in their efforts to assist the rural population in their development aspirations.

With a strong focus on food security, the new Government policies in the agricultural arena seem to make sense. Although the stress on productivity increase may turn attention away from a niche market approach for Lao produce, much of which often has very specific potential, virtually all indicators point to improvement.

The large gap between the rural and urban areas needs urgent attention. The increasing Gini index is not a good sign. Formulating policies that aim at improving the general development conditions in the rural areas and that subsequently will be funded and implemented is not obvious as the experiences of the Focal Site policy show. In Chapter 7, we shall return to these and other issues related to rural development in the context of decentralisation.

Both the Government and the international agencies have now accumulated wide experience; on balance,

both have implemented promising policies for rural development. Nonetheless, if we return to our causal diagram in Chapter 3, we realize that all problems, causes and effects change as specific actions take place within a given system - and therefore may call for re-thinking. The Focal Site strategy, the land allocation policies, and measures to reduce shifting cultivation may now have adverse effects on poverty reduction, despite their original intent. Chapter 3 indicated that this might indeed be the case and chapter 6 will further explore this.

While the list of lessons set out in Box 4.9 is admittedly incomplete, it has been compiled so as to stimulate the sharing of ideas and experience. Given the diversity of Lao PDR, reciprocal learning is essential to progress. No single agency has the capacity to cover any one subject in sufficient depth to promote policies or development initiatives that would work throughout the country.

The diversity of the rural development situation demands diversity in approaches — as prudently indicated in the new agricultural policies. The following three chapters on Ethnicity, Livelihood Systems and Decentralising Governance will deal with this need more in detail and point at several areas where this diversity is to be developed.



Ethnic diversity is one of the unique strengths of Lao PDR. Diversification in knowledge will help to improve our understanding of development challenges.

ETHNIC DIVERSITY AND HUMAN DEVELOPMENT

Lao PDR encompasses over 230 ethnic groups from four ethno-linguistic families. Few other countries can boast this cultural wealth per capita. Biological diversity mirrors the ethnic spectrum. Differing altitudes create vertical zones in which soils and vegetation differ accordingly. Although high on average, annual rainfall rates vary enormously in both time and space, shaped not only by monsoon winds, but those that evolve from ridge and valley contours. These create striking landscapes, hazardous topography, and complex micro-ecosystems and climates. The interaction of ethnic and biological diversity has produced a huge range of agro-ecological niches and livelihood systems - most of them so far poorly studied.

Apart from the physical and biological diversity within its present borders, Lao PDR has a long, rich history. Its territory and influence have expanded and contracted with the exigencies of overland trade, which began to develop in the 12th century, with Luang Prabang as its crossroads, reaching its zenith in the 16th century. Following the rise of the sub-regional maritime kingdoms and the opening of stable sea routes in the 17th century, the strategic advantages of the Lane Xang polity dwindled and its area eventually shrank to the current Lao frontiers.

Throughout this time, though, Lao PDR was hardly a united entity. At various times in its history, it has comprised four kingdoms: Xieng Dong Xieng Thong (Luang Prabang); Xieng Khuang (Meuang Phouan);

Vientiane (Sikhottabong); and Champasak. The peoples of these former states retain most of their social and cultural characteristics today. They also continue to live in much the same geographic areas. Further, the cultural and linguistic affinities between Lao PDR and its former areas of influence persist and the old overland trade routes are beginning to re-emerge as land transport again increases in importance. Lao PDR is also unique because all but one of its provinces - Xaysomboon, which strictly speaking is indeed a Special Zone rather than a province — share at least one international border. Consequently, for social planning purposes, the regions of the Lao PDR are best defined according to the physical, historical and cultural principles set out in Table 5.1, with the modern Provinces falling into one of four regions.

Of these four regions, the North has the highest level of distinct ethnic minorities; they comprise 87%. The East comes next, with 69%, followed by the South and Central Regions, each of which has minority populations of approximately 50% (adapted from ADB 2000).

ETHNIC CLASSIFICATION AND LOCATION

The ethnic groups of Lao PDR fall into four ethno-linguistic families: Tai-Kadai, Mon-Khmer, Hmong-Mien, and Tibeto-Burmese. These, in turn, all have branches and sub-groups. The Lao Front for National Construction (LFNC) has recently proposed an official

Geographical Area	Lao Region	Historical Lao Kingdom & External Contacts	Provinces	Predominant Ethnic Categories
Upper Mekong	North	<u>LUANG PRABANG</u> (Lanna, Sip Song Panna)	Louang Prabang, Pongsaly, Luang Namtha, Bonkeo, Oudomxay, Xayabury	Lue, Lao, Mien, Hmong, Tibeto-Burman, Khmuic, Palaungic
Upper Annamite	East	<u>XIENG KHUANG</u> (Sip Song Chou Tai, Thanh Hoa, Nghê An, Quang Binh)	Huaphanh, Xieng Khuang, Borikhamxay, Kammouane	Tai, Neua-Phouan, Phou Thay, Nyo, Hmong, Khmuic, Vietic, W. Katuic
Central Plains	Central	<u>VIENTIANE</u> (Upper NE Thailand)	Vientiane province, Vientiane municipality, Xaysomboon Special Zone	Lao, Hmong, and mixed internal migrants
Lower Mekong Basin	South	<u>CHAMPASAK</u> (Khmer, Lower NE Thailand)	Savannakhet, Saravan, Champassak, Sekong, Attapeu	Katuic, Bahnaric, Lao, Phou Thay
Source: NSC/ADB				

classification into 49 main groups, currently under consideration by the National Assembly.

In Lao PDR, the geo-cultural domains represented by the main ethno-linguistic distinctions are broadly separable into highland and lowland, with the Tai-Kadai groups typically inhabiting the lowlands and cultivating paddy rice, while the Mon-Khmer, Hmong-Mien, and Tibeto-Burman groups reside in the mountains and practice swidden agriculture. The highlands must then be further subdivided into smaller spatial realms.¹ Together, these four worlds overlies a labyrinthine topography in an intricate pattern of local adaptations that have evolved over some five millennia.

Whereas paddy cultivation systems are resilient and highly productive, mountain ecosystems are fragile. Livelihoods there depend heavily on the biomass regeneration made possible by long fallow periods and nutrient recycling in swidden cultivation cycles. These constraints, however, encompass significant advantages: the morning mists, which bring water to fruits and vegetables; relatively abundant clean water; an absence of malaria at high altitudes; and healthy livestock. Swiddening, the oldest sustainable form of tropical agriculture, has prevailed among traditional societies in Southeast Asia for some 4000 years.

Vis-à-vis its neighbours, Lao PDR's primary distinguishing feature is its proportion of ethnic minorities — approximately 70% of the total population, found in every Province - along with its low population density: 20 persons per square km. in a total population of 5 million. By contrast, Viet Nam with its population of 76.7 million, has a density of 231, of which only 13% are ethnic minorities. The main Lao groupings appear in Table 5.2. The Tai-Kadai are divided between the ethnic Lao and the populations of Lue in the North,

Ethnic Grouping	Percentage
Tai Kaday	
Tai & Neua-Phouan	36.5%
Lao	30%
Austroasiatic (Mon-Khmer)	23.5%
Hmong-Mien (Miao-Yao)	7.5%
Sino-Tibetan:	
Tibeto-Burman	2.5%
Chinese Ho	0.2%
Source: ILO 2000	

1 There are, of course, exceptions to these generalizations. In some cases, like the Phouan of the Nam Xeng in Luang Prabang, Tai-Kadai groups have livelihoods based primarily on swiddening, while in others, including many of the Brou-related groups in Khammuane and Savannakhet, the Mon-Khmers are paddy cultivators. The Kim-Moun, a Hmong-Mien group, inhabit valleys rather than mountains, but practice swiddening.

TABLE 5.3 PERCENTAGES OF POOR BY ETHNO-LINGUISTIC FAMILY

Family	% Poor	% Population
Mon-Khmer	56 %	23.5 %
Hmong-Mien	15 %	7.5 %
Tibeto-Burmese	9 %	2.5 %
Tai-Kadai		
Tai-Thay	13 %	36.5 %
Lao	7 %	30 %

Source: NSC/ADB 2001

Neua-Phouan and Tai in the East and Central regions, and Phou Thay in the South.

ETHNIC MINORITIES AND POVERTY

In terms of poverty, these figures undergo a transformation. The PPA revealed that of the 38.6% of the population that lives below the poverty line (Bounthavy et. al. 2000), the vast majority are members of ethnic minorities (see Table 5.3). In short, the traditionally non-lowland groups have twice the share of poverty of the national population.

Further, the PPA shows that of the lowland populations, poverty has resulted either from natural disasters in the South or from lack of land tenure in paddy fields in Huaphanh Province.² The Assessment concludes that poverty prevails primarily among ethnic minorities residing in upland areas and stems from upheavals in fragile forest ecosystems caused by external factors — among these the Indochina War, inadequate land reform implementation, and livestock disease. This situation is reflected in the disaggregation of rice sufficiency figures collected during the PPA (see Table 5.4). Rice sufficiency emerged as the universal primary indicator

of poverty in the study. Of the poor villages, a clear trend towards lack of sufficiency exists among Mon-Khmer groups. It becomes less sharp in Tibeto-Burmese and Hmong-Mien villages and, predictably, least marked among Lao-Tai lowlanders. The PPA reveals similar trends for education and health services, implying a need for careful analysis of cultural propensities in development planning.

The importance of viewing ethnic diversity as a strength rather than a weakness has become increasingly clear in recent years. The value of indigenous knowledge as a repository of information on complex multiform ecological structures and natural resource conservation has been demonstrated and should be regarded as integral to the national heritage. Each ethnic group has identifiable strengths: the Tai Dam are expert in sericulture, the Hmong in cattle-raising; the Khmou have tremendously detailed knowledge of the forests, the Akha of herbal medicines, and so on. Development programmes that encompass minorities need to begin with the strengths of each group once these have been identified.

Understanding such knowledge needs to be seen as a research prerequisite within the larger sphere of multidisciplinary research on biodiversity, conservation, agro-ecosystems, agroforestry, and farming systems. Ethnic diversity has yet another virtue: *the ability of a diverse nation to look at situations from many points of view. This emerges when the many groups begin working together, cease to perceive the others as competitors for common resources, and, instead, regard one another as occupying complementary niches from which they can come together as equals in symmetrical relationships to strive towards common goals.*

Finally, with respect to the relationship of ethnic minorities to poverty, the PPA notes:

... the difficulty in analysis of traditional systems might be

TABLE 5.4 AVERAGE RICE SUFFICIENCY: MONTHS PER YEAR

Ethnicity/ Region	Mon-Khmer	Tibeto-Burman	Hmong-Mien	Lao-Tai	Total
North	6.2	7.0	8.2	11.5	7.2
East	6.3	-	7.8	6.5	6.4
Central	7.9	-	8.0	10.8	8.5
South	5.5	-	-	9.3	5.5
Total	5.9	7.0	8.1	9.0	6.8

Source: NSC/ADB 2001

² Although Hoaphanh is a mountainous a Province, the exception also in this case proves the rule; some lowland minorities live in this Province.

BOX 5.1**THE IMPORTANCE OF INDIGENOUS KNOWLEDGE**

The liberalization of markets around the world may well provide a key to economic growth in rich and poor countries alike. But this must not take place at the expense of the thousands of indigenous cultures and their traditions. Indigenous peoples possess vital knowledge about the animals and plants with which they live. Enshrined in their cultures and customs are also secrets for managing habitats, including land, in environmentally friendly, sustainable, ways.

The UN Environment Programme (UNEP) regards the conservation of indigenous knowledge as an urgent task for the following reasons:

1. The traditional economic systems of indigenous peoples have a relatively low impact on biological diversity because they tend to utilize a great diversity of species, harvesting small numbers of each. By contrast, settlers and commercial harvesters target far fewer species and collect or breed them in vast numbers, thereby changing the structure of ecosystems;
2. Indigenous peoples try to increase the biological diversity of the territories in which they live as a strategy for increasing the variety of resources at their disposal and, in particular, reducing the risk associated with fluctuations in the abundance of individual species;
3. Indigenous people customarily leave a large “margin of error” in their seasonal forecasts for the abundance of plants and animals. By underestimating the harvestable surplus of each target species, they minimize the risk of compromising their food supplies;
4. Since indigenous knowledge of ecosystems is learned and updated through direct observations on the land, removing the people from their land destroys the generation-to-generation cycle of empirical study. Maintaining the full empirical wealth and detail of traditional knowledge depends on continued use of the land as a classroom and laboratory.

Klaus Toepfer, Executive Director, UNEP, News Release, 8 February 2001

said to reside in the bias of the Western scientific point of view. Indigenous knowledge is not classified into neat disciplines in accord with the premises of symbolic logic. And it is more than isolated incidents of indigenous ecological genius which are usually cited in defense of cultural preservation (although these too are of great interest). Villagers' knowledge is an integrated whole. During the PPA it was determined that at the heart of the relation between culture and poverty is a feature of culture that is usually ignored in development contexts. Condominas (1987), who established new standards in Southeast Asian ethnography with his classic studies of the Mnong Gar swiddeners in the adjacent country of Viet Nam, coined the term “ritual technology” to account for the inseparability of material and spiritual culture in agricultural work, which is to say, he would remind us, life itself. This is a critical issue, for the common trend to dissociate the two, as Western science inevitably does, leads to indescribable pathologies in society well-attested in the annals of economic development. Condominas pointed out that the burning of a swidden field in a way that leaves the least rubble (and hence the least labour inputs afterwards) is an undertaking that requires both technological skill and the assistance of the village population, the spirits of the forest, the ancestors, and even the spirit of the rice itself. They are inseparable. (Emphasis added.)

“Ritual technology” actually emerges as critical to analysing not only indigenous knowledge, but to understanding the complex relationships between culture and poverty. Ethnic minority villagers continuously face the problem of misunderstood ritual technology or their holistic worldview. They find their traditional practices labeled as “backward” and “primitive” by Provincial and District officials, as well as by decision-makers in Vientiane.

Sectoral Manifestations of Poverty among Ethnic Minorities

In the field of education, recent studies (ADB 2000) have shown that literacy rates for minorities fall well below the 72.9% of Tai-Kadai people, including ethnic Lao: 36.9% for Austroasiatic groups, 26.5% for Hmong-Mien, and only 0.17% percent for Tibeto-Burmans. The female figures plummet — for example, 8.1% and 0.7% for Hmong and Akha women, respectively (see Table 5.5). Moreover, while 45% of Tai-Kadai students who enter primary school continue into lower secondary education, only 10.6% of the Austroasiatic students and 17.8% of the combined Hmong-Mien and Tibeto-Burman students do so.

TABLE 5.5: AGE 15+ LITERACY RATES BY GENDER AND ETHNICITY

Ethnolinguistic Family	Ethnic Group	Male Literacy Rate	Female Literacy Rate	Total Literacy Rate
Tai-Kadai		84.4%	62.3%	72.9%
	Lao/Neua-Phouan	86.0%	65.1%	75.2%
	Tai	77.2%	50.1%	63.0%
	Lue	73.9%	46.6%	59.7%
	Nyouan	71.2%	48.7%	59.4%
Austroasiatic		55.6%	19.9%	36.9%
	Khmou	60.8%	22.7%	40.9%
	Katang	49.3%	12.8%	30.3%
	Makong	39.1%	12.3%	25.0%
	Souay	55.7%	20.5%	36.8%
	Ta-oy	54.8%	20.3%	36.6%
	Talieng	58.4%	25.0%	40.4%
	Lavè	52.2%	18.7%	34.4%
	Katu	43.0%	10.6%	26.2%
	Lamet	49.0%	10.2%	28.0%
	Phay (Pray)	40.6%	20.0%	29.6%
	Alak	54.6%	21.3%	37.1%
	Oy	69.4%	34.2%	50.2%
	Ngè'	52.3%	15.6%	33.5%
	Cheng	56.9%	19.9%	36.8%
Yè	45.9%	17.9%	30.8%	
Hmong-Mien		45.7%	8.1%	26.5%
	Hmong	45.7%	8.1%	26.5%
Tibeto-Burman		22.3%	12.0%	17.0%
	Seng Saly	58.8%	36.2%	46.8%
	Lahu	2.9%	0.4%	1.6%
	Akha	7.0%	0.7%	3.8%
OTHERS		60.8%	32.9%	46.8%
TOTAL		73.5%	47.9%	60.2%

Source: ADB (2000)

Likewise, as Table 5.6 demonstrates, the paucity of teachers from the various ethnic groups has serious planning implications. The PPA found that in many cases, minority children did not attend school because they could not communicate with the teachers.

Although statistics for public health are generally not disaggregated by ethnicity, we know that in Xieng Khuang and Oudomxay, the under-5 mortality rate is 141.3 (per 1,000 live births) for Tai-Kadai groups, 146.3 for Hmong-Mien and Tibeto-Burman combined, and 22.8 for Austroasiatic. In the same Provinces,

immunisation rates for children between 12 and 23 months are 22.8% for Tai-Kadai, 19.2% for Khmou, and 4.08% for Hmong. For the same groups in these Provinces, HIV/AIDS awareness stands at 53%, 34.86%, and 9.77% respectively. (ADB 2000)

Societies in Transition

Numerically, poverty has come to be defined as a lack of economic growth. By this definition, 38.6% of the population is poor, and of this number, 93% are ethnic minorities. This is no coincidence. Ethnic minorities live in highland areas and practice subsistence farming.

TABLE 5.6 TEACHERS BY ETHNO-LINGUISTIC FAMILY

School Level	Tai-Kadai		Hmong-Yao & Sino-Tibetan		Austroasiatic		National	
	Total	Female	Total	Female	Total	Female	Total	Female
Pre-School	1,999	1,997	36	36	90	90	2,169	2,166
Primary	21,870	10,255	1,193	386	3,230	641	26,382	11,338
Lower Secondary	7,391	3,010	198	80	279	57	7,889	3,152
Upper Secondary	2,963	1,150	45	15	134	55	3,151	1,222
Vocational	251	75	1	0	3	0	255	75
Technical	569	154	9	2	11	0	667	203
Tertiary Education	809	250	16	5	15	1	958	292

Source: EFA 2000.

These societies do not regard surpluses in terms of cash, but rather in terms of the acquisition of ritual power and fertility (PPA). They obtain necessary commodities through exchange with no reference to monetary value. But like the ecosystems in which these groups reside, some upland societies live in a delicate state of equilibrium; upsets in the natural order translate into poverty. Environmental changes induced by external factors — whether war, resettlement, or poorly implemented development programmes — may all lead to impoverishment among uplanders. Thus poverty in Lao PDR is *new* poverty, engendered by loss of sociocultural equilibrium. It was not an endemic condition.

In most cases, poverty among ethnic minorities is not synonymous with hunger. To compensate for agricultural losses, poor villagers have resorted to a bounteous environment to supply food. But natural resources are hardly infinite and now show signs of dwindling. In addition, as production decreases, new expenses increase. The cost of education, health, transportation, and new temptations in the markets all add to the over-exploitation of natural resources (PPA). In some cases, poverty has led to depression and opium addiction among highlanders. Fortunately, in the majority of villages assessed by the PPA, hope remains for improvement.³

GOVERNMENT POLICY ON ETHNIC MINORITIES

For purposes of development targeting, ethnic minorities issues are the most crucial, as the Government has long recognized. The Ethnic Minority Policy of 1992 and the last Socioeconomic Plan (1996-2000) specifically target poverty alleviation among ethnic minorities in remote areas.

According to Gunn (1988:76), the first resolution on ethnic minorities was proposed by the Indochinese Communist Party in 1932 and presented at an important meeting in Macao in March 1935. The Party guaranteed “internal autonomy within territorial boundaries to resolve local questions,” and exhorted its members to pay greater attention to including ethnic minorities in leadership positions and to translating texts into minority languages. The 1992 Ethnic Minority Policy of Lao PDR was authored by the former President of the Republic, H.E. Kaysone Phomvihane, and was based upon his *Hmong Policy* of 1981, directed towards resolving the problems of Hmong populations adversely affected by the war. Here he wrote:

The people must be consulted in order to allow them to engage in paddy cultivation or stable swiddening. Effort must be made to resolve problems of land shortage, land disputes between Hmong and other ethnic groups, and problems created by resettlement during the war: those who wish to return to their original territory or move to new ones. In the

³ A similar - and infamous — situation began in the Andean region of South America, when the Spanish conquistadors ravaged the countryside for gold and silver in the 16th century. Indigenous populations turned to coca to alleviate their fatigue and the pain of the diseases they acquired as slaves in the mines - and from the Spaniards. Among these were smallpox, measles (fatal to many indigenous groups), and tuberculosis.

Indicators	Ethnolinguistic family			
	Tai-Kadai	Mon-Khmer	Hmong-Mien	Tibeto-Burman
Percent of Villages in the sample	48	35	10	7
Percent of households in the sample	48	35	10	7
Percent of Villages with clean water supply	54	36	47	35
Percent of Villages with at least one modern medical practitioner	84	60	47	39
Percent of Villages with a traditional healer	45	30	31	22
Percent of Villages with a village health volunteer	63	54	22	30
Percent of Villages with a traditional birth attendant	53	32	31	13
Percent of Villages within four hours of a hospital in dry season	90	68	53	52
Percent of Villages within one hour of a health center in dry season	66	33	28	18
Percent of Villages within one hour of a private pharmacy in dry season	82	48	34	26
Percent of Villages with basic drugs available	57	30	25	21
Percent of Villages with minimum 4 EPI visits during last year	31	24	15	4
Percent of Villages with minimum 1 bed net impregnation session during the last year	27	32	7	30
Percent of households which impregnated at least one bed net during the last year	17	19	4	16
Percent of households which know the usefulness of iodized salt	39	18	11	7
Percent of households with iodized salt	33	38	42	43

Source: ADB (2000)

case of the latter, those responsible should consult with local Hmong officials, examine the views of the traditional leaders, ask the advice of the people, and, having received agreement from the people, carefully make available land for cultivation and sites for settlement. Once people have been resettled, host groups should be encouraged to help, and the Government must provide a portion of the assistance...

(Political Bureau 1981)

The 1992 Policy encompasses other minority groups. Under its full title, *Resolution of the Party Central Organization Concerning Ethnic Minority Affairs in the New Era*, it remains the cornerstone of ethnic minority policy today. Its provisions were anticipated by the first Constitution in 1991, whose text terms the population of Lao PDR the “multi-ethnic Lao peoples” in a state defined as a multi-ethnic polity. The old designations

— *Lao Loum, Lao Theung, and Lao Soung*—ceased at the official level. Article 8 of the Constitution guarantees equal rights:

The State pursues the policy of promoting unity and equality among all ethnic groups. All ethnic groups have the rights to protect, preserve and promote the fine customs and cultures of their own tribes and of the nation. All acts of creating division and discrimination between ethnic groups are forbidden. The State implements every measure to gradually develop and upgrade the economic and social level of all ethnic groups.

Accordingly, other fundamental rights include the right to work (Article 26) and the freedom of assembly and association (Article 31).

General Party policy concerning ethnic minorities focuses on:

- Strengthening national sentiment;
- Realizing equality among ethnic minorities;
- Increasing solidarity among ethnic minorities as members of the greater Lao Nation;
- The resolution of such problems as inflexible and vengeful thinking, as well as economic and cultural inequality;
- Gradually improving the living conditions of the ethnic minorities;
- Expanding, to the greatest extent possible, the cultural heritage and ethnic identity of each group, as well as its capacity to participate in the affairs of the nation.

This policy, the Resolution states, may be realized through five essential tasks:

- i. **Strengthening political foundations:** Here the Policy calls for the resolution of disagreements between members of the same ethnic minority, between ethnic minorities, between ethnic minorities and government officials, soldiers, and other citizens. Further, it states that whenever violations of the policy on ethnic minorities occur, they must be immediately resolved by the relevant authority and the offenders punished.
- ii. **Increased production and opening [channels of] distribution in order to convert subsistence-based economic systems towards market-based economies; promote the strengths of the mountainous areas; and generally improve the quality of life of the minority citizens:** The Policy highlights the need to continue the project of halting shifting cultivation through arranging for permanent livelihoods for the practitioners and increasing their incomes to make them better off than they were as shifting cultivators. It also states the need to implement strictly and clearly the policy of land allocation for every family, so that they have land for cultivation and livestock-raising, and so that forests are preserved.
- iii. **Focus on expansion of education, culture, health, and other social benefits:** The network of formal primary education should be expanded to guarantee that all children of school age attend school. In addition, the Policy calls for a revival of the “ethnic youth” schools in mountainous areas, which were in place in liberated zones during the war, with the condition that quality be emphasised.

It also emphasises that minority children have the same rights to education as other children in the lowlands and cities. A detailed plan for teacher training is called for, directed at the ethnic minorities in remote areas, together with a policy and the personnel for its realisation. Here, most importantly, the mandate is given that the relevant organisation urgently researches the writing systems of the Hmong and the Khmou, using the Lao alphabet as it was formerly used in the old liberated zones for use in areas occupied by these ethnic minorities, to be studied together with the Lao language and alphabet.

Also reiterated in this section is the promotion and expansion of the traditional cultural heritage of each ethnic minority, “to allow the mental lives of each ethnic minority to blossom and contribute to the rich multi-formed and multi-coloured culture(s) of our Lao nation.” At the same time, however, the Policy calls for an effort to reduce and begin to eradicate “backward traditions which are reflected in production, life-style”. However, it does not provide guidelines for determining “backward traditions”.

The Policy calls for protection against and eradication of dangerous diseases and for allowing minority peoples to enjoy good health and long life. The Government, it states, should provide appropriate investments to enlarge the health care network by uniting modern and traditional medicine.

In addition, the Policy calls for the collection of data on the ethnicity of government employees, retired ethnic officials, the handicapped, and the families of those killed in action.

Finally, the task of dissemination of information in the remote areas is mandated through many methods, especially, radio broadcasts in minority languages. The plan calls for engagement of specialist officials who speak minority languages and who possess knowledge of science, production, and socioeconomic problems. The issue of where these persons are to be found is not addressed.

- iv. **Increasing the level of national defense and peacekeeping:** The task of national defense and peacekeeping in the ethnic minority areas is to promote ownership of plans to preserve homes and territories. Feuding and misunderstanding among

members of the same ethnic minority and between ethnic minorities should be stopped.

- v. **Increasing the level of Party leadership in ethnic minority affairs:** This task, it is stated, should be carried out by (a) increasing national identity and solidarity among ethnic minorities and training civil servants, Party members, and soldiers, as well as increasing their capacity to understand the content of the Policy; and, (b) improving the personnel mechanism responsible for ethnic affairs, and at the Central and Provincial levels, establish a responsible mechanism specifically for ethnic affairs under the Lao Front for National Construction (LFNC). The LFNC central administration should be designated advisor to the Party Central Organisation and the Government and, at the local level, the Party Committee should assist the Front in carrying out its duties.

According to the Policy, every government office must have a cooperative plan for the development of rural mountainous areas with the LFNC “*as the central organisation*” to promote the strengths of these areas and to reduce urban-rural differences. Urgently, an operational plan is needed, with initial training and upgrading of officials working in ethnic minority areas to undertake all aspects of rural development. At the same time, a specific policy should be implemented for officials working in ethnic minority areas.

Precursors of LFNC have played a central role in Lao political organisation, which led to the founding of the new regime. From approximately 1935 - 1945, the movement was known as the *Lao pen Lao* (literally “the Lao are Lao”, but perhaps a better translation is “the Lao for the Lao”). Prior to the surrender of the Japanese in August 1945, the *Lao Issara* or *Neo Lao Issara* (the Front for Lao Independence) was formed, replacing the *Lao pen Lao* until approximately 1954, the year of independence. From this time until 1975, the organisation was known as the *Neo Lao Hak Xat* or Lao Patriotic Front and, finally, following the cessation of hostilities in 1975 the name was changed to one that would reflect the peacetime role of development: *Neo Lao Sang Xat*, or Lao Front for National Construction, as it is today. Until 1975, the organization served as the public face of the Lao Peoples Revolutionary Party.

Following the establishment of the new regime, the original responsibility for ethnic minority affairs was given to the Ethnic Minorities Committee, formed in 1980. In July 1988, the responsibility for programmes

was given to LFNC, while the responsibility for research was transferred to the Institute for Anthropology under the Committee for Social Sciences. Upon its termination in 1992, ethnic minority research responsibilities were transferred to the Institute for Cultural Research under the Ministry of Information and Culture.

In a 1996 seminar to devise a plan for the implementation of the 1992 Resolution, LFNC acknowledged that not much progress had taken place. The roles and responsibilities of various agencies remained unclear and little interest was apparent. A new implementation plan focuses on human resource development in ethnic minority areas; education; culture and society; health; national security and peacekeeping; and, the enhancement of an administrative mechanism for ethnic affairs. To this end, the Ethnic Minority Affairs Department of the LFNC assumes responsibility for the following:

- ❑ Implementing socio-economic research on the conditions, education and health of ethnic minorities, in order to assist the Government in establishing a policy for rural development in areas inhabited by ethnic minorities;
- ❑ Researching the contemporary situation and history of ethnic minorities in Lao PDR in order to become acquainted with their heritage and concepts of identity, as well as their culture, customs and traditions. Research methods should include the collection of books, documents, photographs, and representative material objects and ornaments of ethnic minorities; and,
- ❑ Monitoring the changing situation of ethnic minorities, especially regarding implementation of the Ethnic Minority Policy, and reporting this information to other agencies involved in rural development.

The Department of Ethnic Minority Affairs becomes generally responsible for promoting the concept of ethnic minority participation in rural development.

The Current Work Plan of the Lao Front for National Construction

To address the rural development generally and ethnic minorities specifically, the LFNC has issued its new (VIIth) work plan, a 13-point programme that can be regarded as complementing Prime Ministerial Instruction No. 10 (on planning for poverty eradication, discussed below), in that it deals with the non-physical dimension of the development picture. Though these areas of emphasis may appear elementary and abstract,

BOX 5.2**THE NEW WORK PLAN OF THE LAO FRONT FOR NATIONAL CONSTRUCTION**

Under the second heading, “Increase togetherness and equality between ethnic groups, create consensus and national sentiment,” the plan calls for the following:

- Set up training and education to convey to the Party the problems faced by the ethnic minorities and create deeper understanding among all people;
- Set up education to disseminate the Party’s documents “concerning improvement in the level of togetherness and equality between ethnic groups with respect to protection and development of the nation”;
- Carry out development for ethnic minorities in the best and most equal way possible;
- Correct the thinking and errors of government officials, party members, soldiers, and various others in the implementation of the Ethnic Minority Policy;
- Correct erroneous incorrect actions, erroneous thinking, stubborn thinking, narrow-mindedness, ethnocentricity with respect to ethnic minorities;
- In cases of discrimination, the Lao Front has the authority to adjudicate and assign fines for those with separatist ideas;
- Promote nationalism and unity among ethnic groups;
- Improve livelihoods for ethnic minorities;
- Mobilize funds for ethnic minority development, especially in education, and for inclusion of more ethnic minorities in government service;
- Emphatically prevent separatism and ethnocentrism between ethnic groups, and act as arbitrators at the grassroots level.

they reflect the positive concerns of the Front for the future of minorities. They also imply that difficulty has arisen in guaranteeing equality between groups — the more so because both the Front and the Constitution regard the ethnic Lao and other lowlanders as “ethnic groups” along with the highland minorities. In this view, none can claim any categorical mainstream privilege.

The plan focuses on what might be called “psychological development” — those aspects of development that call for ethical behavior and equity of opportunity as the rural areas move towards a market economy and economic growth. No group other than the Front has attempted to play this role — which becomes even more crucial in the current atmosphere of governance concerns, as well as an ever-increasing Gini coefficient.

The Ethnic Minorities Committee of the National Assembly

The National Assembly has seven permanent committees: Law, Economy and Finance, Culture and Society, Ethnic Minorities, Defense, Foreign Affairs, and Religion. The obligations of the Committee on Ethnic Minorities are primarily legal in nature and involve the drafting and evaluating of proposed legislation, plans and budgets, as well as lobbying for their implementation. Within the Committee’s structure, a “Department” takes responsibility for reporting on various activities and also collecting information on ethnic minorities, both from Lao language and international publications.

The Institute for Cultural Research

The only national organization charged with studying ethnic minorities from an anthropological perspective is the Institute for Cultural Research. To date, its research has been rudimentary because of staff shortfalls. No academically qualified anthropologist exists in a country where 70% of the population consists of over 200 ethnic groups. To compound difficulties, no department of anthropology exists within the Social Sciences Faculty of the National University.

The Socioeconomic Development Plan

Whereas the 1996-2000 National Socioeconomic Development Plan specified “Poverty alleviation among ethnic populations in remote areas” as its primary objective, the new Plan (2001-2005) states as its first overall direction:

Socio-economic development must proceed in efficient, continuous, and stable ways, securing the balance between economic development, socio-cultural development, and sustainable environmental protection.

Sociocultural development is thereby linked to human resources development and, with respect to ethnic minorities, the training of “female and ethnic minority staff to respond to the requirements of society”, especially with regard to implementing the decentralization policy. Although the objectives and programmes had a somewhat different wording in the 5th Five-Year Plan for 2001-2005, presented to the National Assembly in

September 2001, the main thrust of rural development and poverty alleviation and targeting has not changed substantively.

Prime Ministerial Instruction No.10: Planning for the Eradication of Poverty

In tandem with the Five-Year Socioeconomic Plan for 2001-2005, the Prime Ministerial Instruction No. 10, issued on 25 June 2001, provided a definition of poverty alleviation goals and definitions for planning purposes, ostensibly within the framework of decentralization. The document bases its position on the VIIth Party Congress, strategy for socioeconomic development until 2020, 2010 and 2005 respectively, and specifically stresses that:

- Poverty alleviation must be directly linked to grassroots political structure and rural development, cessation of swidden cultivation and cessation of opium production.
- Poverty alleviation must be carried out in steps with cooperation between general alleviation and alleviation in targeted areas, and with timed interventions through the year 2005; the budget will focus on the targeted areas that are the poorest. Responsibility for other, less poor areas falls to the respective localities, the grass roots, and the people who must alleviate conditions themselves, because poverty alleviation is everyone's responsibility.

These aspects of the Instruction impact ethnic minorities directly, since they practice swidden cultivation, produce opium, and constitute the majority of the poor (approximately 93%, according to the PPA sample).

The Instruction identifies integrated rural development as the essence of poverty alleviation, emphasizing four areas:

- a) Roads and communications, along with electrification, water systems, and rural telecommunications;
- b) Agriculture and forestry, with special emphasis on irrigation, expansion of cultivation areas, agricultural extension, livestock, and cash crops to generate income in rural areas;
- c) Educational development with emphasis on primary education for girls and ethnic minorities, adult education, and vocational education;
- d) Development of the health sector with emphasis on primary health care and vaccinations, the training of doctors, primary health care staff, health volunteers, and clean water.

Thus the Instruction is oriented towards traditional categories and sectors and, with the exception of education, makes no mention of ethnic minorities or development specifically directed at the problems faced by minorities in the modernisation process. Indeed, the document may be interpreted as favouring infrastructure or physical development — roads, irrigation systems, schools, and clinics - and thus may be seen essentially as a restatement of past emphases.

OUTCOMES OF ETHNIC MINORITY POLICIES AND PRIORITY PROGRAMMES TO DATE

Not surprisingly, highlanders and lowlanders understand the world differently, as do Lao and other ethnic groups in general. But historically, the gap in Lao PDR is considerably narrower than in neighbouring countries, such as Thailand or Viet Nam. This has grown in part out of closer everyday contacts between groups, as well as the fact that traditional Lao-minority relations have had a largely peaceful, "live-and-let-live" character. In many cases, symbiosis has taken place. This manifests itself in Lao attitudes towards the Khmou in the North and other Mon-Khmer groups in the South who, as prior inhabitants, are thought to control the spirits of the land and hence to hold sway over natural events such as rainfall and drought.

Be this as it may, the planning of socioeconomic development programmes manifests a lowland or Vientiane bias. This bias carries with it preconceived stereotypes of the ethnic minorities as backward, culturally conservative, and superstitious - characteristics that obstruct progress and economic growth. The ethnic minorities may also be viewed variously as:

- lacking notions of cash economy — even though the ethnic groups of northern Lao PDR have used "boat money", bars of gold and silver for hundreds of years;
- having chaotic social structures, without proper hierarchies;
- being sexually promiscuous;
- being naïve innocents, childlike;
- practicing a kind of agriculture (slash-and-burn) that threatens the environment.

Imposing lowland paradigms on highland societies leads to social, cultural, and economic marginalisation, a situation that tends to foster inequities in any country, but that becomes highly visible in Lao PDR with its low population and high proportion of ethnic minorities. It

is no accident, then, that the Government's National Socio-Economic Development Plan for 1996-2000 took as its first objective the "alleviation of poverty for ethnic minorities in remote areas".

Further positive action is that the new LFNC work plan focuses on ethnic minorities, and that, in 2001, the Ministry of Agriculture and Forestry (MAF) launched a new programme of integrated multidisciplinary upland research and extension through the National Agricultural and Forestry Research Institute (NAFRI) that will concentrate primarily on swidden cultivation farming systems.

The programmes are important, as one weakness in the implementation of the Fourth Socioeconomic Plan is that the programmes *per se* have not been evaluated systematically for their impact on the objectives, either in terms of results or of cost. The State Planning Committee is currently institutionalising a participatory monitoring process to provide relevant information for the PIP. Since the locus of poverty lies in upland ethnic minority areas, additional information will emerge.

So far, the PPA - with its qualitative stress — constitutes the most recent effort to assess poverty in Lao PDR and has in fact provided information that may stand in lieu of formal programme evaluation at this point in time. Along with the two LECS surveys of households in 1992/93 and again in 1997/98, the PPA shows clearly that development programmes have not reached the poorest of the poor. While poverty has decreased at the macro level, the poorest segment of the population has remained poor or become further impoverished.

The PPA sample combined a statistical identification of the poorest Districts with the subjective opinion of the provincial committee in each Province and chose those Districts where the two processes overlapped. Thus it is representative of the 38.6% of the population living in poverty. As Table 5.2 showed, only 7% of this sample are ethnic Lao; the remaining 93% are ethnic minorities.

The continuing ill-being of this group stems primarily from its livelihood bases — issues centred on land, food, and livestock, and a heavy reliance on forest resources. Because livelihood struggles consume these people's time and energy, little capacity remains for other concerns, among these health and education. Language and culture also bar them from bettering their lives. Every language represents a world view because of differing vocabularies and grammars, the latter in particular expressing the thought patterns of a culture.

Of the PPA sample, 15% could not speak the national language at all, some could speak it only a little, and others, while conversant with Lao, had obvious problems in understanding that probably stemmed from another view of the world. In many of these Villages, education and health programmes had failed because officials and villagers could not communicate.

"Since we were moved to this location, the villagers don't listen to me any more, they just do as they please and smoke opium. Before it was not like this. We have always grown opium, but we never had addicts among us and we were industrious. Now there are 48 people addicted, men and women, young and old." - Village Chief of a Lantène village in Oudomxay (PPA)

While several policies focusing on ethnic minorities have been formulated, the sad fact remains that the Ethnic Minority Policy of 1992 still has not been implemented. The role of the Lao Front, while improving, still has not proved strong enough to root the Policy in the country's development. Land-Forest allocation in many areas has not involved sufficient consultations with the farmers. Education in minority languages, as called for in the Policy, falls far short of its aims. As a result, ethnic minorities have become poorer.

The Role of the National Agricultural and Forestry Research Institute (NAFRI)

Based upon the PPA findings of a livelihood-based structure of poverty and the dependence of the poor on agriculture and forestry, the responsibility for poverty alleviation falls largely on MAF. As we have seen, the Government aims at cutting poverty by half by 2005, eliminating shifting cultivation, and eradicating the production of opium and marijuana. In all these cases, alternative sedentary livelihoods are to be provided. From an upland perspective, these targets imply transformations not only in life style, but in world view. In many cases, only the groundwork for change can be reasonably expected. Hence the critical nature of the creation of NAFRI and the central role it will play in remodeling the agriculture and forestry sector.

The NAFRI effort has emerged from the Long Term Strategic Research Plan For Natural Resource Management in Lao PDR. Among its mandated research efforts are:

- Livelihood studies on strategies for different ethnic groups, taking gender and indigenous knowledge in Natural Resources Management into consideration.
- Research to improve land use planning and land

allocation procedures (issues relating to flexibility, limitations, improvement of procedures and systems, coordination, the implications between land use zoning and land allocation, and impacts of land allocation).

Moreover, the strategic vision for the agricultural sector distinguishes two areas of focus for the medium-term development of the sector: low flatland areas mostly adjacent to the Mekong Basin, now in the throes of transition to a commercial market-driven economy; and sloping uplands and valleys of the interior, characterized by subsistence economy and poverty.⁴ MAF policy for the sloping lands envisions introducing and expanding the market economy during a transitional phase characterised by development support for stabilizing local land use through research on appropriate technologies.

GENDER

Little research on gender roles among the various ethnic minorities has been carried out systematically. We lack even basic ethnographies for most groups, and knowledge is superficial. We do know from the PPA, however, that gender roles are “heavily ethnic-specific” and that “many variations were found throughout the survey”. In addition, as the PPA states:

Women were generally found to work harder than men and to play less of a role in decision-making... To some degree, family labour imbalances are a factor of traditional male roles such as hunter, protector, warrior, or feller of large trees having been eroded or having disappeared entirely, whereas female roles have remained the same. ... There is a vital need for research and investigation of gender roles among the various ethnic groups that is based upon solid anthropological investigation and the provision of good ethnographic description. This would in turn provide a foundation for gender studies and action plans in the multicultural context.

The ecological damage brought about by reduced fallows in swidden cycles has increased the burden on women. As soils become depleted, grasses regenerate faster than other flora and, in most traditional societies, women take responsibility for clearing grass. As the volume of grass

increases, so do women’s labour inputs; at the same time, yields are decreasing. The same is true of small livestock; their care and feeding is women’s work. When epidemics strike the livestock, women’s labour inputs are negated. Thus, we can sum up one key aspect of poverty among ethnic minority women as more work for fewer yields. Kinship systems in the majority of the ethnic groups tend to be either bilateral or patrilineal. At least two cultures, that of the Pray in Xayabury and the Sou’ in Attapeu are matrilineal. However, these labels may deceive. Although a society may be organized as a group of patrilineal clans, inheritance may be bilateral (as, for example, among the Khmou). In many such cultures, the youngest child commonly cares for parents in their old age and, regardless of sex, inherits the family land and home. This has caused problems where the law mandates land titling in the name of the “male head of household”. From a gender perspective, this represents regression; the traditional system manifested far more gender-sensitivity than recent laws.

IN CONCLUSION

In Lao PDR, a natural link exists between anthropology, farming systems and agroforestry. This should take priority in determining development priorities. The PPA has shown beyond a doubt that if livelihood needs are not resolved first, villagers will pay little attention to education and health. Within the realm of rural development, then, priorities need to reflect the needs expressed by the poor themselves, rather than the prescriptions of outsiders. In Lao terms, if you have a headache you will not cure it by taking stomach medicine. In planning terms, this means close cooperation between those responsible for rural development and those responsible for implementing the Ethnic Minority Policy. If the felt needs and the indigenous knowledge systems of these minorities do not receive adequate consideration, they will be marginalised or trivialized and the entire country endangered - physically and economically, as well as culturally.

Generally, attempts to increase economic growth among minorities by moving villages to lowlands have not succeeded, either physically or psychologically. Now the

⁴ This initial distinction is perhaps somewhat historically naïve, since the paddy-based valley land of the interior have always been market-oriented by contrast with the adjacent swidden-based sloping lands. The only difference between the market orientation of the paddy-based systems in the interior versus the Mekong Basin is one of degree. Therefore, a very simple distinction between paddy-based and swidden-based would better capture the socio-cultural realities of the country. Poverty remains a feature of uplands. For paddy growers, the sole exceptions are those hobbled by natural disasters and, only in Huaphanh Province, the lack of land ownership for paddies.

burden of poverty alleviation - by any definition - lies mainly with the ability of the Government and particularly MAF to provide upland solutions for ethnic minority livelihoods. The solutions must be culturally sensitive and acceptable to the groups if they are to succeed. Given the lack of anthropological fieldwork on the various ethnic groups throughout Lao PDR, especially as such work relates to farming systems and agroforestry, much study of existing systems needs to be carried out if research and extension is to have any positive impact. Efforts should be intensified to encourage scholarship. Research and innovations can be introduced so as to enhance the likelihood of adaptation by farmers. Great potential exists in multidisciplinary research wherever ethnic minorities are concerned. Planners cannot adequately carry out their tasks based on knowledge of the physical sciences alone. The PPA concludes:

Achieving equity among minorities, capitalizing on particular ethnic strengths, investigating indigenous knowledge, managing cultural assets generally, planning, and development of the pluri-ethnic country are all dependent upon social science inputs at every stage and at every level of government. Institutional development and the capacity to exploit opportunities and understand poverty alleviation in the context of decentralization all depend upon the degree to which decisions are based on sound social science principles. There is no substitute.

Education must combine indigenous and “scientific” knowledge. Throughout the PPA, villagers often requested either access to information on cash crops and their husbandry, or access to knowledge of commerce to integrate better into the market mechanism. This indicates a need for agricultural extension services in these areas — but services that recognize a certain degree of common ground and therefore communicate in the language of the minority they are supposed to serve, the more so if researchers wish to reap the full benefits of indigenous knowledge. They cannot learn from the villagers unless they learn their languages - which means, to a significant degree, entering into their worldview.

Consequently, education is the second most important component of human development for ethnic minorities

in Lao PDR. Villagers cannot access many social services simply because teachers or health workers do not speak their language. On the other hand, ethnic minorities have difficulties in acquiring sufficient Lao language skills. International experience has shown that mother tongue education, especially during the first three years, enhances and facilitates the acquisition of a second language and significantly improves educational performance. However such efforts, utilizing materials that specifically address the linguistic problems of the various groups have been undertaken only in the formal educational system, not where it is urgently needed: in training programmes for various development needs. Insensitivity to language issues has intensified the alienation of minority groups. Despite the mandate of the Ethnic Minority Policy, Lao PDR has not yet developed materials in minority languages. Thus, a paradox riddles national training. Stimulating change among the poor requires training - but no one can qualify for training without speaking Lao and no instruction in Lao as a second language exists in ethnic minority areas.

As a result, especially among the ethnic minority poor, little interest exists in formal education. First, as the PPA has shown, family labour requirements supercede any felt need for schooling. Second, even if time were not a factor, an education system in the Lao language may have little to offer minority students, either practically or intellectually. Little — if anything — is available to read. Consequently, for most minorities, education has become a luxury status symbol.

The two most important aspects of human development for minorities, livelihood and education, have become hidden to some degree by the “epistemology” of development. We tend to de-emphasize ethnic distinctions in the name of equality. However, assessments have demonstrated that upland poverty in Lao PDR has arisen from livelihood upheavals imposed by external sources. Further, we know that cultural propensities play a major role in livelihoods and in capacities for development. This chapter presents the elements of a system of targeting available to planners and developers. We need now to clarify our systems of planning and monitoring in accordance with issues presented in the chapters to come.

HUMAN ECOLOGY AND RURAL LIVELIHOODS

SUSTAINABLE LIVELIHOODS: A MEASURING STICK FOR LAO PDR

The problem of rural poverty is ultimately rooted in the weakness or failure of rural livelihood systems. Any serious effort to alleviate poverty must eventually focus on ways to improve and sustain rural livelihoods.

Livelihood is simply the way people make a living. The concept of sustainable livelihoods arose from the struggle to reconcile conflicting paradigms of the 1980s: “environment thinking” with its emphasis on conservation with “development thinking” and its emphasis on production. Much of the credit for the concept of sustainable livelihoods belongs with the World Commission on Environment and Development (usually known as the “Brundtland Commission”), which tried to define an agenda for development assistance into the new millennium. The 1985 Report of the Commission, *Our Common Future*, gave us our most enduring definition of sustainable development: *Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*

However, as Chambers (1987b) pointed out, “In going this far, the Commission was moving closer to poor people as the starting point of reference, but it did not take the further step of seeing things from their point of view.” He tried to close this gap with a vision of what he called

“livelihood thinking”. Anthropologists had long regarded “livelihood thinking” as the obvious, natural way of looking at household economies. By combining this with the idea of sustainable development, Chambers provided the first widely-read and accepted statement of the concept:

[Sustainable livelihood thinking] centres on enabling poor people to overcome conditions which force them to take the short view and live “from hand to mouth”, or “from day to day”. It seeks to enable them to get above, not a poverty line defined in terms of consumption, but a sustainable livelihood line which includes the ability to save and accumulate, to adapt to changes, to meet contingencies, and to enhance long-term productivity.

Within a short time, several major development assistance agencies, among them the United Kingdom Department for International Development (DfID) and UNDP, adopted the concept of sustainable livelihoods as a major principle of their programming. Current parlance usually defines it as “the means, activities, entitlements and assets by which people make a living”. *Means and activities* are the technologies, production systems and enterprise activities at the core of any livelihood system. *Entitlements* refers to the rights that people have to use different livelihood assets, the most important of which for most rural populations is land tenure. Finally, *asset portfolio* refers to the total collection of assets that a person or group of people has rights to use. Table 6.1 sets out the range of asset types.

With these ideas as background, the Sustainable

TABLE 6.1: RANGE OF SUSTAINABLE DEVELOPMENT ASSETS

ASSET TYPES	DEFINITION/EXAMPLES
Natural	Nature's economic and cultural goods and services, including food (both farmed and harvested or caught from the wild), wood and fibre, water regulation and supply; waste assimilation, decomposition and treatment, nutrient cycling and fixation, soil formation, biological control of pests, climate regulation, wildlife habitats, storm protection and flood control, carbon sequestration, pollination, and recreation and leisure.
Social	The cohesiveness of people in their societies, including relations of trust that lubricate co-operation, the bundles of common rules, norms and sanctions for behaviour, reciprocity and exchanges, connectedness and social institutions.
Human	The status of individuals, including the stock of health, nutrition, education, skills and knowledge of individuals, access to services that provide these, such as schools, medical services, adult training, the ways individuals and their knowledge interact with productive technologies, and the leadership quality of individuals.
Physical	Local infrastructure, including: housing and other buildings, roads and bridges, energy supplies, communications, markets, and transport by air, road, water and rail.
Financial	Stocks of money, including savings; access to affordable credit; pensions; remittances; welfare payments; grants and subsidies.
	Adapted from: Jules Pretty. 1998.

Livelihoods Concept Paper on the UNDP-SL website defines sustainable livelihoods as *“the capability of people to make a living and improve their quality of life without jeopardizing the livelihood options of others, either now or in the future.”*

The concept of “employment”, which is sometimes substituted for that of “livelihood”, does not have the breadth of the latter. Employment refers to a job that provides income, usually in a specific workplace. But not everyone who makes a living has a job - or vice-versa. Most rural people in Lao PDR earn their living directly from the land, pursuing their various

livelihoods without having a job, selling their labour, or earning a wage. Moreover, most rural households practice *multi-livelihood strategies*, engaging in many different activities to make ends meet. Outside employment may be one of these activities, but only rarely is it the major source of the goods and services on which the household depends. Job creation and rural industrial development are important, but employment programmes that target job creation alone may fail to address a wide range of the opportunities key to improving livelihoods in the rural areas.

The development approach that stems from the concept

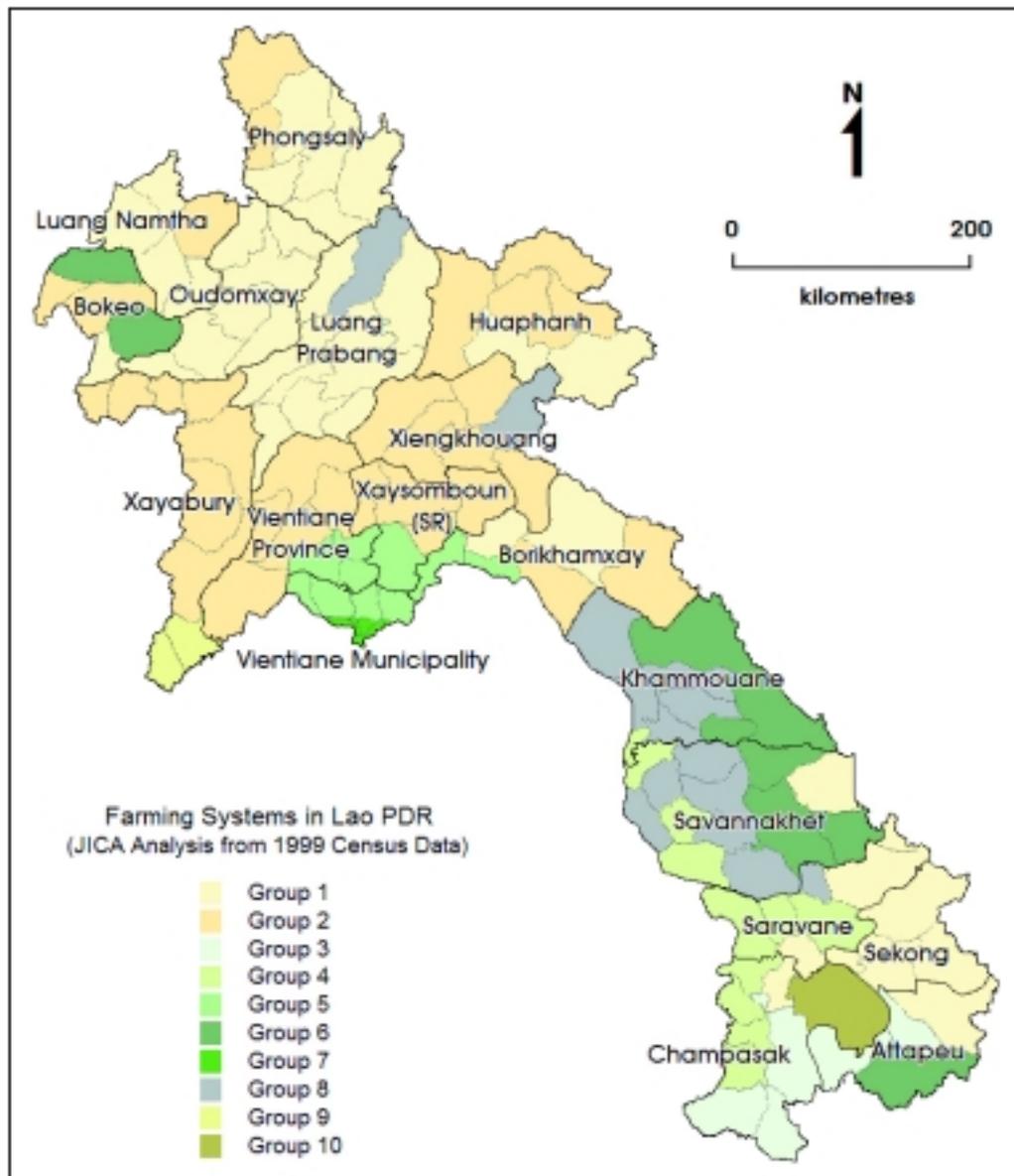
BOX 6.1**“THE POOR ARE NOT THE PROBLEM,
THEY ARE THE SOLUTION.”**

It is convenient to blame the poor for deforestation, degradation of fragile soils, overgrazing, erosion, and desertification. In fact, they are often victims in the scramble to exploit public and common resources in which the rich and powerful get in first. . . . Contrary to popular professional prejudice, there is mounting evidence that when poor people have secure rights and adequate stocks of assets to deal with contingencies, they tend to take a long view, holding on tenaciously to land, protecting and saving trees, and seeking to provide for their children. In this respect, their time perspective is longer than that of commercial interests concerned with early profits from capital, or of conventional development projects concerned with internal rates of return. Secure tenure and rights to resources and adequate livelihoods are prerequisites for good husbandry and sustainable management. . . . Enabling poor people to gain secure and sustainable livelihoods in resource-poor and forest areas is, thus, the surest protection for the environment. The poor are not the problem; they are the solution.

Source: Robert Chambers. 1987.

MAP 6.1 FARMING SYSTEMS IN LAO PDR

Group	LEGEND				
	Transitional farming	Market Orientation	Water Resource Utilisation	Farm Intensity	Degree of diversification
1	Low	Medium to high	Medium to low	Medium to low	Medium to high
2	Low	Medium to high	High	Medium	Low
3	High	Medium to low	Medium	High	Medium
4	High	Low	Medium to low	Medium	Medium to high
5	High	High	High	Low	Medium
6	Medium to low	Medium to low	Medium	High	High
7	High	High	Medium to high	Medium	High
8	Low	Low	Low	Low	High
9	Medium	Medium to high	High	Low	Low
10	Medium	High	Low	High	Low



Source: GOL, Master Plan Study on Integrated Agricultural Development in the Lao PDR, 2001.

of sustainable livelihoods recognises that rural people themselves already have livelihood systems, many of which have functioned smoothly for centuries, undergoing functional changes in response to their physical and social environments and the histories that surround them - and to which they themselves contribute in no small way. Anyone who has lived in their communities immediately sees many local innovators constantly experimenting with new livelihood ideas in their efforts to adapt to current pressures, both internal and external. "Giving them livelihoods" is usually unnecessary and often counterproductive. In their own innovative processes, they may well appreciate help from well-informed government or other sources, but only if it is realistic and based on a deep understanding of their own opportunities, constraints and existing strategies for development. In most cases, the most beneficial official action amounts to removing barriers to local, self-generated development initiatives. An enlightened government generally focuses its efforts on trying to assist these innovators.

The concepts of *safety nets* and *reserves* for recovering from shocks and dealing with adversity are critical to the livelihood systems approach. However, reserves must be understood for what they are — the *last resort* of rural people in their struggle for survival. They have their own safety nets, integral elements of their livelihood systems. Ensuring this integrity is vital. Any unconsidered intervention may inadvertently jeopardize not only livelihood systems, but lives - and, indeed, the welfare of surrounding peoples. As in medicine, so in development, the first principle of professional ethics remains *Do No Harm* — especially to people's safety nets.

LIVELIHOOD SYSTEMS IN LAO PDR

Most rural households in Lao PDR practice a *multi-livelihood strategy*. This typically involves a mixture of direct subsistence and income-earning activities. To cope with multiple environmental and economic uncertainties, most rural households engage in a wide variety of on-farm and off-farm activities, combining hunting and gathering with agriculture, horticulture, animal husbandry and forestry to piece together a living. A recent study in a village in Nan District of Luang Prabang found that households engaged in no fewer than 8 distinct livelihood activities — and sometimes as many as 15. The prime elements are farming systems, the dependency on forests and the gathering of non-timber forest products (NFTPs).

Farming Systems

Populations interact in different ways with their physical environments. In Lao PDR, low population density led to a central evolutionary dynamic by which farming systems evolve from extensive to intensive forms of land use under the stimulus of population pressure (Boserup 1968) at a relatively early stage. In contrast to other Asian countries, the peoples of Lao PDR have tended to use land extensively. Not very long ago, nearly everyone was in some way involved in shifting cultivation (or earlier hunting-and-gathering livelihoods). Only a few decades ago, even Ethnic lowland populations engaged in shifting cultivation to supplement their paddy produce.

One can identify anywhere from 3 to 10 different farming systems in Lao PDR, depending on one's point of view and the degree of differentiation according to climatic subtypes and associated crop combinations (see also Chapters 4 and 5). The Ministry of Agriculture and Forestry¹ recently published a classification of the farming systems into 10 different groups (see map 6.1 and table 6.2 for a more detailed description). More often, however, the Lao farming systems are divided into three main systems of cultivation: lowland rice paddies; upland shifting cultivation; and plateau plantation agriculture. Although Table 6.3 shows their subdivisions, one must recognize that this typology only approximates the actual land use situation in Lao PDR. Farming systems are always a mosaic of different practices. The main differences between them arise from the proportion of these practices. The farming system takes its name from the predominant land use - which, however, is rarely practiced to the complete exclusion of all others. For example, all farming systems in Lao PDR include home gardens. These tend to be only rudimentary in areas where forests still have the capacity to meet the varied needs of shifting cultivator households. By contrast, in densely settled areas where forests have disappeared, home gardens have replaced them in the household economy. Livestock husbandry in different forms is also part of every farming system, as is paddy rice — which upland cultivators would practice much more extensively if the lack of good paddy land did not limit it. Historically, some of the upland cultural communities that currently depend primarily on shifting cultivation have long traditions of paddy cultivation; they retreated to the uplands only when the ancestors of today's lowland population long ago forced them off the lands they occupied at that time.

¹ Ministry of Agriculture and Forestry, Master Plan Study on Integrated Development in Lao People's Democratic Republic, October 2001.

Forest Dependency

Lao PDR has about 10 million ha of natural forest, of which about 3 million has been set aside as National Biological Conservation Areas (NBCAs). These forests have very high biodiversity — at least 10,000 species of mammals, reptiles, amphibians, birds, fish, and vascular plants. Current estimates of forest cover range from 41% to 47% of the country, depending the information source. This has declined from about 70% in the 1970s.

Nonetheless, in national percentage terms, Lao PDR remains one of the most heavily forested countries of Asia and one of the region’s richest countries in terms of biodiversity. Agriculture is inextricably interwoven with forest utilization, in both the landscape and the livelihoods of rural people. In the human ecology of Lao PDR, systems of mixed exploitation and domestication, have evolved over hundreds of years into “agroforestry-based” livelihood systems that

TABLE 6.2. FARMING SYSTEMS IN LAO PDR

Group	Characteristics
1	Shifting cultivation is widely practiced on sloping land for production of upland paddy. In order to supplement a lower productivity, non-paddy products (including livestock and home manufacturing products) are produced and marketed to a certain extent. Expansion of irrigation area mainly for lowland paddy production is at mid to low level. Resource management is poor and depletion is high. Farming intensity is at mid to low level, and diversification is at mid to high level.
2	Shifting cultivation for upland paddy production is widely practiced similar to Group 1. In addition, production of lowland paddy with irrigation is practiced on a relatively large area. Development of crop diversification is lower than in Group 1. However, access to markets is better than in Group 1. Farm intensity is higher than in Group 1, at medium level.
3	Paddy production is widely practiced on flat lowland. With an exception of irrigation paddy land to a certain extent, many farmers use improved varieties and chemical fertilizers for paddy production. The cropping system is largely diversified, and well intensified. However, products are not always marketed.
4	Agricultural setting is similar to Group 3. However, it differs from Group 3 in the extent of irrigated farming and marketing of products, both of which are less than those in Group 3. In addition, farm intensity of this group is lower than in Group 3 at mid level.
5	Districts that belong to this group are located near Vientiane City; and production of market oriented crops are relatively well developed. Irrigation system is also well developed and supports crop diversification. However, farm intensity is relatively low. Floods occur frequently in the wet season along the Namgum River due to its topographic condition.
6	Agricultural production is practiced both on sloping land and lowland. Development of irrigation systems and access to market are comparatively poor. Since paddy production is insufficient for home consumption, farmers usually diversify into non-paddy products such as fruit and small animals in order to earn cash income. Some degree of soil erosion.
7	Districts belonging to this group are located in the suburbs of Vientiane City. Crops produced are well diversified and marketed to the largest market of Vientiane City. Irrigation facility is comparatively well developed. However, farm intensity is at medium level.
8	Agricultural setting of this group is similar to that in Group 1. However, products are more diversified than those in Group 1. Most of the products are for home consumption and they are rarely marketed. Farm intensity is comparatively low.
9	Paddy production is practiced both on sloping land and lowland. However, shifting cultivation area is smaller than that in other groups. On the other hand, the extent of irrigation land is relatively large in this group. Products are not diversified, but some are marketed with certain market competitiveness. Farm intensity is comparatively low.
10	Only one district of Pakxong in Champasak province is classified as Group 10. In this district, market oriented coffee and vegetables are intensively cultivated on plateau highland mostly under rainfed conditions. Irrigated agriculture is limited. Farm intensity is comparatively high.

TABLE 6.3 THREE MAIN FARMING SYSTEMS IN LAO PDR		
FARMING SYSTEMS	CHARACTERISTICS	LIVELIHOOD PROBLEMS
LOWLAND		
Lowland rainfed farming system	Single cropping of traditional glutinous paddy rice varieties (80%), 2-4 varieties of different maturation. Yield 2.5-3 tons/ha (official estimates) to 1.1 tons/ha (Lao-IRRI survey 1989-90). Buffalo and cattle for draft, cash income and occasional meat, free ranging during the dry season, confined in the rainy season. Pigs, poultry, fish and NTFPs important for food and cash income	Rice shortages of 1-4 months and low household income.
Lowland irrigated farming system	Double cropping of traditional photo-period sensitive paddy rice varieties, with higher use of improved varieties, fertiliser, etc for the 2nd crop which is mainly for cash. Wet season yields 1-3 tons, dry season 2-4 tonnes/ha. Dry season vegetables grown in areas near urban centres. Relatively few livestock due to shortage of grazing land, buffalo use for ploughing, smallstock for meat and cash income.	Better off than unirrigated farms, but lack cash, especially for investment.
UPLAND		
Upland rainfed farming system	Shifting cultivation of rice intercropped with cucumber, chilis, taro, sesame, etc. on sloping land with fallow periods of 2-10 years with yields of 1.4-1.5 t/ha. Maize for livestock is 2nd most important crop. Other crops: sweet potato, ginger, cassava, groundnut, soybean, cotton and sugarcane, papaya, coconut, mango, tamarind, banana, and citrus (more fruit tree species at lower altitudes). Melon & watermelon grown as dry season crop in some areas. Pigs, cattle and poultry are the principle livestock. High dependence on NTFPs for income to purchase rice, etc. Adoption of paddy cultivation is progressing rapidly where possible.	Rice shortage of 3-4 months, low income, poor health, high infant mortality, low life expectancy, lack of access to roads, communication, education & social services.
Highland farming system	Similar to upland rainfed farming system, but with high-altitude crops, such as opium, sometimes intercropped with lettuce and mustard, and temperate fruit trees, such as plum, peach and local apple.	As above.
PLATEAU		
Plateau farming system	Coffee, tea, and cardamom have largely replaced shifting cultivation, supplemented by fruit trees and vegetables in home gardens. Poor cash crop quality and yields due to poor management, use of poor varieties, no fertiliser, lack of shade, weed problems and poor harvesting and drying technique. Cattle important as savings enterprise, pigs and poultry also kept.	Households have adopted a commercial strategy and have no problems with food security, but household income still only moderate.

encompass shifting cultivation. Deeply embedded in the cultural and social life of the country's many different ethnic communities, these systems are not easily changed. Any alteration in the underlying relationship between human beings and nature, as codified in indigenous technology and supporting belief and knowledge systems, sends ripples - sometimes waves — throughout the social order.

Inevitably, the existing livelihood systems of rural

people in Lao PDR conflict in varying degrees with the Government's relatively recent priority on "conservation" and "higher" economic uses of forests. While many traditional systems must change in order to accommodate rapid population growth, this cannot come about simply by outlawing their livelihood traditions. Any serious approach to rural development in Lao PDR must acknowledge:

- the special role of forests in the livelihoods of rural people;

BOX: 6.2**FOREST COVER VS. FOREST LAND**

The recently promulgated Forestry Law defines five forest types (protected forest, reserve forest, production forest, rehabilitation forest, and degraded forest), which effectively designates practically all the land in Lao PDR, except paddy, as “forest” land. A nation-wide forest inventory is in progress to determine the areas of these five forest types. At its most basic level, this will classify the remaining natural forests as either (i) primary or original forest lands or (ii) secondary forests emerging from natural regeneration on logged-over areas and fallow shifting cultivation lands. In Lao PDR, secondary forest that is allowed to mature through normal vegetation successions eventually forms a “climax” forest with a species composition and stocking density similar to the primary forests that remain.

The present classification and retention of some land eminently suitable to agriculture as forest land poses a major obstacle to increasing agricultural area — a classic dilemma between foresters’ and agriculturists’ view of land use suitability. There is a very strong lobby in the country for retaining all forested land as “forest” land.

Source: GoL. 1998. Lao PDR Rural Sector Development Strategy Draft Report, p. 69

- the inherent conflict between the short-term interests of rural people and the long-term interests of foresters and government planners (even though their long-term interests could coincide, if adjusted somewhat on both sides);
- the existence of powerful special interest groups in respect to forest resources.

Gathering NTFPs remains a crucial component of household survival strategies in most rural areas of Lao PDR, providing a source of both subsistence and cash income to offset seasonal food shortages. In the remote uplands, household income derived from NTFPs typically ranges between 40% and 60% and may reach 80% in areas of severe poverty where other income earning opportunities barely exist. In 28 villages of 3 provinces, the IUCN/NTFP Project assessed the importance of NTFPs to household economies and found the rankings - bamboo shoots above all - of those that the villagers considered important. These are set out in Table 6.4.

The Role of Non-Timber Forest Products (NTFPs)

Although the rich forest resource should be protected to maintain its critical environmental and ecological functions, it should also be used for sustainable production of timber and non-timber forest products (NTFPs) to benefit the nation and its population.

TABLE 6.4: VILLAGERS' RANKING OF THE 50 MOST IMPORTANT NTFPS

Ranking	Product	Ranking, %		
		Men	Women	Total
1	Bamboo shoots	13	17	13
2	Fish	13	7	10
3	Vegetables	11	11	9
4	Wildlife	11	6	8
5	Cardamom	7	7	7
6	Rattan canes	6	6	6
7	Dammar resin	2	4	5
8	Frogs	2	5	5
9	Mushrooms	5	5	5
10	Yang oil	4	4	4
Total top 10 products		74	72	72
Other 40 products		26	28	28
Total 50 products		100	100	100

Source: The Use of Non-Timber Forest Products in Lao PDR, DoF/IUCN Vientiane, Foppes., Ketphanh S. November 1997.

Although both sexes collect these products, women usually attach more importance to vegetables and bamboo shoots, while men prefer wildlife and fish. Fuel wood ranked 38th, although the average household consumes about 10 m³ per year (de Vletter 1997), collecting two thirds outside the forest.

In a comparable ranking for sources of income, 55% on average came from NTFPs (see Table 6.5). Cardamom heads this list, followed by fish, wildlife, dammar resin and bamboo shoots. Apart from NTFPs, the largest proportion of income came from livestock sales. Rice ranks low, largely because of the general low levels of rice surplus and the frequent rice shortages faced by villages. This study showed income from sales of labour and other off-farm activities on the bottom rungs.

While average annual income from NTFPs accounts for about 40% of total household income, it accounts for only 24% in the "Richest" group (where off-farm activities and livestock provide the bulk of income), but 90% of the total income for the "Poorest" (source: RRA interviews with 191 families in 5 villages on the Nakai plateau). As economists are increasingly pointing out, averages can deceive planners to the point of being counterproductive.²

NTFPs also provide roughly \$6 - 7 million per year or 2% of total income for Lao PDR. Their relative importance is growing, as the value of timber exports declines. Exports of several key products have risen dramatically during the last few years (see Table 6.6), which raises questions of sustainability. Cardamom and malva nuts, both used in China as medicines, together represent 60-70% of the total NTFP export value (Foppes & Ketphanh 1997). The main export destinations are China, Viet Nam and Thailand. However, this trade is difficult to trace. Most NTFPs leave the country in a raw state because little capacity exists for processing them. Great potential lies in this area, as well as in improving the marketing of NTFPs.

Generally, in the past, timber production took great precedence over NTFPs in national forest policy. This

Income Source	Ranking, %	
	NTFP	Total
NTFP:		55
Cardamom	9.5	
Fish	7.0	
Wildlife	5.8	
Dammar resin	5.6	
Bamboo shoots	3.0	
Rattan canes	2.6	
Sapan bark	2.5	
Bong bark	2.0	
Rattan shoots	1.8	
Yang oil	1.8	
Others	13.6	
Livestock		24
Rice		9
Other crops		8
Labor		1
Off-farm income		2
Total		100

Source: The Use of NTFPs in Lao PDR, DoF/ IUCN Vientiane, Foppes J., Ketphanh S. November 1997.

neglect probably arose from their diverse and complex nature and their position outside mainstream economic development. From 1995 to 2000, the Forestry Research Center (FRC) and the International Union for the Conservation of Nature (IUCN) carried out a pilot project to explore the role of NTFPs as an incentive for integrated conservation and development and found that NTFPs have great potential for:

- Poverty alleviation, food security, and gender and social equity;
- Conservation of forests, biodiversity, and landscapes/ watersheds; and

	1995	1996	1997	1998
Quantity (Kg)	2,391,012	2,112,423	4,617,596	6,790,768
Value (US\$)	3,647,608	1,793,064	5,216,634	5,515,594
Average US\$/ Kg	1.5	0.8	1.1	0.8

² See Jan Vandermoortele, "Are the Millennium Development Goals Feasible?" in Richard Black and Howard White, editors, Is "Development" Achievable by 2015?: Critical Perspectives on the Millennium Development Goals, London, forthcoming.

- Development of sustainable forest-based commerce and industry.

This combination is an attractive proposition for local communities, the private sector, the national Government and conservationists alike for the following reasons:

- NTFPs are a key component of rural family economy and national economy,
- NTFPs are a vital provider of food security, especially during emergencies,
- NTFPs contribute to sustainable livelihoods by their (bio) diversity,
- NTFPs make conservation more acceptable to local governments with multiple goals,
- NTFPs are undervalued, but contain a great potential for industrial development,
- NTFPs provide strong economic incentives for participatory forest conservation.

EMERGING REALITIES

The poverty profile presented in Chapter 3 reveals that poverty is experienced within the household livelihood system as:

- **food insecurity** (seasonal shortages of the staple food rice);
- **low income; and**
- **insufficient savings and investment** (The rural people express this as a shortage of livestock, since this is the main form of saving/investment currently available in the rural areas)

The causal diagram in Chapter 3 also reveals three major complexes within the rural livelihood systems that give rise to these problems, notably

- **the declining productivity in swidden-based upland farming systems;**
- **the declining productivity of non-timber forest resources; and**
- **the failure of alternative income sources to transform the rural economy**

Population pressure ultimately drives the first two complexes — a normal occurrence within human ecosystems. But it is neither an inevitable or necessarily permanent condition because an intervening variable — the failure to adapt to changing resource pressures by inventing new and more sustainable production systems - can potentially be remedied. The driving forces of the third complex arise from institutions and basically concern the lack of an enabling environment for innovation, rural finance and market reform.

Some of these forces stem from culture, e.g. “gender imbalance in work” and “persistence of usurious and rent-seeking institutions”. As we have earlier seen, in some upland cultures (mainly those in what used to be called the Lao Theung group), women work much harder than men. This also means that men constitute an untapped reservoir of family labour. The latter institutional factors involve long-standing historical patterns of economic exploitation in Lao society that have not fundamentally altered despite the change in the country’s political system. Whether such cultural factors impose some kind of ultimate constraint on the achievement of human potential in Lao PDR only time will tell. Clearly, though, both these types of causes point to important contemporary issues in the politics of gender and governance.

However, causal analysis of livelihood systems can give only a partial picture because it does not show the “flip side” of these problems — the innovation response of the communities concerned. Arguments that rural communities in Lao PDR lack an innovation dynamic and need to be “given” alternative livelihoods belie a profound ignorance of what is actually happening at this very moment in these communities. They also contradict well-established anthropological principles.

To continue their viability, human cultures — no matter how conservative — always maintain a reservoir of innovation potential to cope with environmental crisis. The main task of government and the international agencies is to *support* the adaptive initiatives of local communities - certainly not to block them. Rural Lao PDR manifests evidence of considerable innovative activity just below the surface of appearances; there is no shortage of viable pathways for assisted development. Whether an enabling policy environment for these developments can be created remains to be seen.

Let us therefore look briefly at the nature of the three major problem complexes, along with illustrative case study materials to see if appropriate solutions have begun emerging. Each location has unique variations, but the general syndromes have clear profiles.

Declining Productivity in Upland Farming Systems

As indicated earlier, population pressure ultimately drives the “swidden degradation” syndrome depicted in the causal diagram. However, the impact of land allocation has helped accelerate the problem by introducing an “artificial” factor into the picture of reduced availability of land. Whatever the causes of land shortage in different localities, it reduces fallow cycles. Once farmers return with increasing frequency to the same plot of land, its

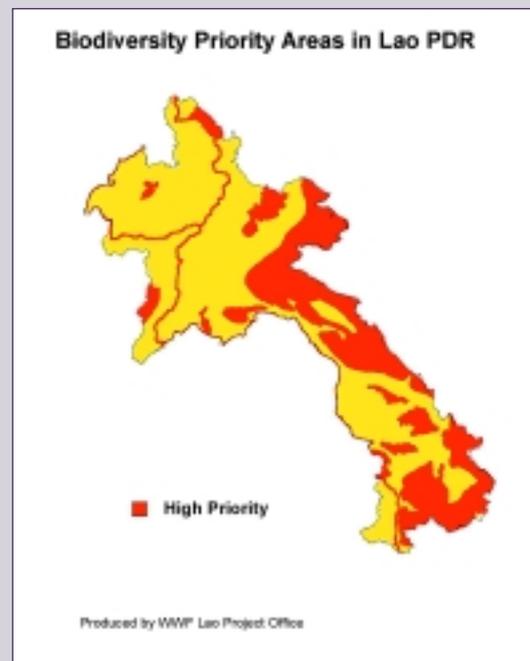
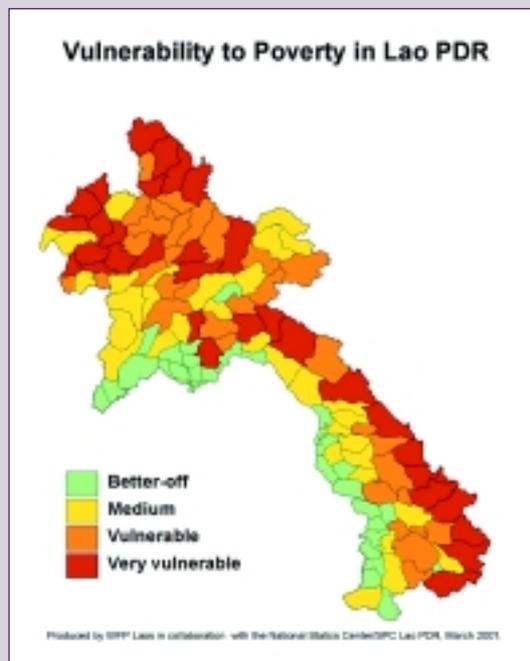
BOX 6.3:**ECOLOGICAL HOTSPOTS AND VULNERABILITY**

In March 2001, the World Food Programme collaborated with the Lao PDR National Statistics Centre in conducting a vulnerability analysis, based in turn on factor score analysis of paddy production per capita, large animals per household, access to roads, access to forested land, education and health (see the left hand map below). The analysis demonstrates that districts along the eastern and northern borders of Lao PDR are the most susceptible to poverty. The study *Poverty in Lao PDR* reveals the same results.

Similarly, WWF's priority ranking of international biologically important areas shows that the eastern border between Lao and Viet Nam has distinct importance, along with the Mekong River and its major tributaries. The Lao Government has also defined priority areas of high national importance for biodiversity conservation (NBCA network) that are located primarily along the Annamite chain and dispersed throughout the northern part of the country.

The two maps below reveal a clear overlap between poverty and biodiversity concerns in Lao PDR. These will be priority areas for intervention in the near future, both to alleviate poverty and to preserve the country's unique biodiversity. The challenge will be matching these two interests through a large-scale planning process that integrates biodiversity conservation with development to produce environmental, social, and economic benefits. Natural resource use is the primary factor that drives the Lao economy and its food security. Development in impoverished areas should therefore be planned and applied sustainably to ensure long-term economic support for local communities.

The potential of Lao PDR for sustainable development is almost unmatched in the region. Lao PDR has the highest ratios of forest cover to total land area left in Southeast Asia and its lowest population pressure — an average of only 22 people per square km (68 for Cambodia, 118 for Thailand, and 241 for Vietnam). Similarly, Lao PDR has the most freshwater resources per capita in the region — over 55,000 m³ per person (40 for Cambodia, 11 for Viet Nam, and 6.5 for Thailand; The World Bank, *Environment Matters*, 2001).



This box has been contributed by WWF.

soil fertility begins declining and its weed and pest problems rise.

Labour shortages within the household compound the problem. Even the dwindling yields require more work.

The number of months of rice shortage goes up, as does health expenditure due to reduced food security — and the need to mortgage the coming rice crop and sell family labour to obtain more rice to eat as that crop grows. Without a sufficient rest period to rejuvenate the land,

this downward spiral inevitably accelerates — unless a major change takes place in upland farming technology.

To the village headman in Meuang, the cause of the problem is clear: *“Prior to the land allocation our village produced enough rice to last the entire year. Now, following land allocation, we can only produce enough rice for five months out of the year. In addition, because of the reduced fallow periods, we have rat and grasshopper problems. There are so many rats we now have to catch them in mosquito nets when they are swarming, and in each net we get enough to fill a 50 kg sack”* (Anon. 2000).

Rainfed or irrigated paddy production is one of the viable alternatives. But there simply is not enough paddy land to go around. Not every one is affected equally and not all families are able to cope. Land allocation makes it possible for some households to adopt paddy cultivation, but others are caught within a poverty trap of partly natural and partly artificial dimensions. However, according to the PPA in its consultations in 91 poor villages within 43 districts, *“...there was not a single instance cited of technical assistance to support either paddy or permanent upland cropping”* (Anon, 2000: p.11).

The case material from Luang Namtha (see Box 6.4) points to the same tragic, spiraling ramifications.

How did the intent of the central planners go away? Development practitioners usually hold that no problem exists with the policy of land allocation itself, but rather

its implementation at the District level. If this is so, the disjuncture in the process of land allocation at the District level must be identified and rectified.

Declining Productivity of NTF Resources

As we have seen, the poorest people in the rural areas are those who depend most heavily on NTFs, not only as their major source of cash income, but as a major component of food security in the household economy. But NTFs are dwindling for several reasons:

- Deforestation, although slowed down, continues to lead to depletion of NTFs and loss of biodiversity.
- As pressure on agricultural systems increases, farmers turn even more intensely to NTFs to supplement both their food supply and their income to buy more rice. Their over-harvesting accelerates the depletion of NTF resources.
- Increased market demand also accelerates exploitation and further depletes some NTFs, among them, rattan and orchids. Although export volumes for commercial NTFs increases, the prices for collectors become unstable or fall.
- Forest-dwelling communities become poorer and increasingly marginalised as outside interests move in to control trade in NTFs.

Box 6.5 illustrates the nature of the forces that impinge on NTF resources. It also outlines the kinds of solutions required. Whether the negotiated agreements for sustainable NTF management presented here are themselves sustainable, however, remains to be seen.

BOX 6.4

LAND ALLOCATION, RESTRICTED FALLOW AND POVERTY IN LUANG NAMTHA

Certain lucky, but also more active villages, such as Nam Lue benefit from irrigable lands and now base their production system on irrigated paddy production, small and big livestock, highland cultivation and other secondary activities, such as weaving, bamboo paper production, and sale in markets.

Other villages, the majority, have not had access to lowland and are forced to continue the same swidden farming system in a restricted territory as authorised by the District. The lack of natural resources and the reduced fallow cycle progressively tend to have a negative impact on agricultural and labour productivity, causing depletion of soil fertility and structure and increasing the weeding constraint. After three to five cycles of shifting cultivation on young fallow of 3-5 years, the low level of production and labour productivity do not allow food self-sufficiency anymore for the majority of the families. The latter — Tawan and Nam Deng — are then forced to resort to devalued survival activities such as permanent hunting and gathering, seasonal agricultural work in lowland villages, wood cutting, labour in Namtha town or sale of fuel wood. Extreme cases are nowadays highlighted by crime in Namtha town — even the sale of children.

The present trend toward poverty and the increasing insecurity of the future tends to increase opium addiction, in which some young people are taking refuge in increasing numbers. Opium addiction accelerates the regression towards chronic poverty.

Excerpted from: Laurent Chazee. 1999.

BOX 6.5**OVER-HARVESTING AND DECLINE OF NTFPS IN SOUTHERN LAO PDR**

Forest dwelling communities can make a good estimate of declines in off-takes of NTFPs. Exposure to examples of management practices from other areas in Lao PDR or from other countries assisted the community in developing its own set of use rules. The village of Ban Nong Hin, Champasak, developed management systems that vary from rotational harvesting of rattans to prohibited fishing seasons or total hunting bans for certain species of wildlife (Kritchaoen, forthcoming).

Changes in off-takes per effort units for 3 key NTFPs over the last 10 years (1989-1999) as seen by villagers of Ban Nong Hin, Champasak, 17/2/99.

NTFP	10 years ago	Today
Wildlife	Plenty of wildlife: turtles, monitor lizards, deer, snakes, jungle fowl, other birds. You could easily hunt them in your backyard. There was no outside market, no selling. Only our village hunted (9 families only).	Many species disappeared: turtle, deer, jungle fowl, birds. You can walk for 48 hours and still not get anything. Market demand is big, prices are getting higher (1 mouse-deer costs 12,000 kip). Many outsiders come to hunt in our forest. Village has 57 families now.
Fish	You could catch 4-5 kg within 1 hour. There were only 9 families. No selling, no destructive methods used, only traps and nets.	You cannot even get 0.5 kg in 1 hour. There is not enough to feed all our 57 families. Strong outside market (2,500 kip/kg). Destructive methods used by outsiders: explosives, guns, poison. Decline: 90%
Rattan	In one day, you could get 300 stems, or as many as a man can carry. We also used to have big-diameter rattan.	You can only get 20-30 stems in a day. Harvesting has intensified over the last 2 years. 1 stem sells for 200kip. We know there is no quota, but we need to sell anyhow. We now only get small-diameter species. Decline: 90%.

The reality of multiple user groups competing for the use of the same forest remains a challenge. Villagers of Ban Nong Hin could easily enumerate seven other user groups involved in (illegal) hunting and fishing in their forest blocks:

- (1) Residents from the Provincial capital,
- (2) Residents from the District capital,
- (3) Soldiers of the District army camp,
- (4) Soldiers of the army camp in the next village,
- (5) (6) and (7) The surrounding villages' communities.

The NTFP Project then organised a meeting with all these stakeholders. Participants discussed the declines in forest products, reasons for destructive harvesting, alternative sustainable management systems, new rules and sanctions, the roles of all forest users, etc. At the end of the workshop, all participants agreed to adopt the proposed rules, giving Village Committees the right to use agreed sanctions against trespassers. This model is now replicated in the surrounding villages.

Excerpted from: Joost Foppes and Rachel Dechaineux. 2000.

Boxes 6.6 and 6.7 provide insights into the multiple connections among agricultural decline and forest resource depletion and their combined impact on the food security of rural households.

Though identifying general patterns and trends in aggregate information can help us appreciate the nature and scale of the problems, their full human development

magnitude becomes inescapable when we look at a single household (see Box 6.8).

Failure of Alternative Income Sources to Transform the Rural Economy

The main problem is insufficient support from the Government for the massive transformation of rural livelihood systems that is envisaged in the Government's

BOX 6.6**FOREST DEPENDENCY AND FOOD INSECURITY:
CASE STUDY OF 3 VILLAGES IN SALAVAN**

Villagers defined food security as “being able to support themselves at all times, even as population increases.” But as experienced in 1997-98, seasonal and long-term food insecurity and malnutrition have become a way of life for these communities. At the household level, food insecurity is determined by low rice production, due primarily to non-ownership of rice land and buffalo. However, the effects of soil infertility, inadequate rainfall and sickness, extend vulnerability to most households, for varying periods, every year. The most critical time is the rainy season when rice cultivation is taking place, when no rice remains from the previous harvest.

As rice yields have declined, so indebtedness from borrowing has accumulated. Despite the trend towards longer deficit periods, rice shortage has long been the norm for poor families. But whereas in the past, rice could be borrowed at low rates of interest, households are now vulnerable to spiraling debt and chronic food insecurity. Medical costs and family emergencies are commonly met by rice, thereby creating further food shortages. Sickness also affects labour productivity and food acquisition, particularly if expenditure leads to further build-up of debt.

Lacking alternative livelihood options, villagers make up for the shortfall in agricultural production by using forest resources for subsistence and income generation. Bamboo and bamboo shoots, Pandanus, rattan, frogs, toads, fish, red ant eggs and yang oil are the main subsistence items, and food resources make an important contribution to household and community livelihood. In the daily struggle for survival, all households gather forest foods, and as rice stocks run out forest resources are an important means of earning cash and obtaining rice through exchange. The main items sold and exchanged are baskets, mats, frogs, bamboo shoots, mushrooms and forest greens.

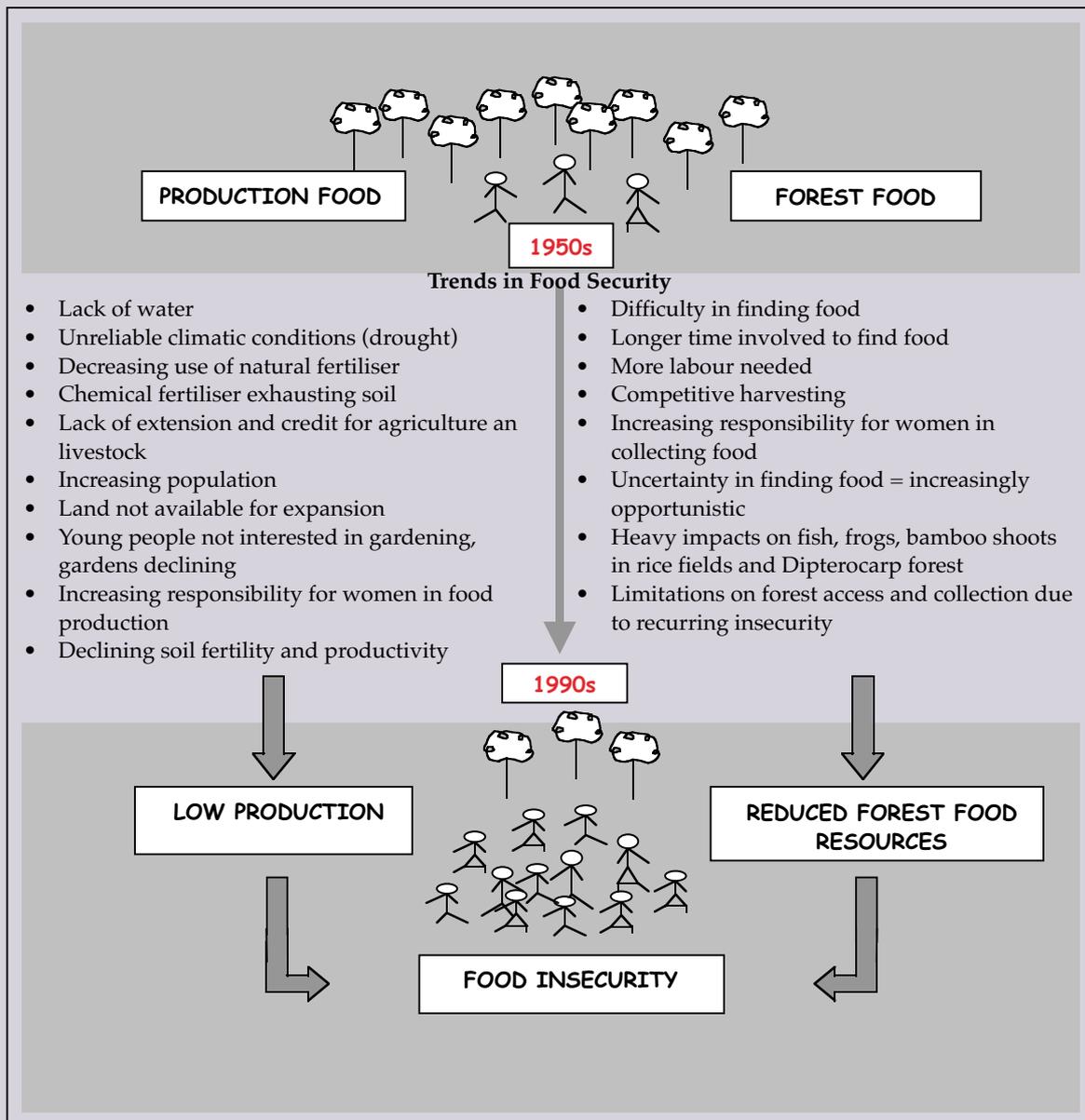
Population growth is causing mounting pressure on forest resources. Where only ten years ago there was dense forest and abundant wildlife, the removal of forest and extension of rice land has brought ecological decline to remaining forest near the villages. Only small wildlife, edible plants and mushrooms remain, and resource sites inside the protected area are also affected by heavy harvesting. Forest food is important for all households, but resource depletion has resulted in reduced levels of harvesting and consumption: “We can go out all day, but not get enough food for one meal.” As forest food resources are declining, there is conflict over time and labour allocation for gathering and other activities, particularly in households with low labour capacity. This means increasing responsibility and hardship for women in maintaining family food supplies.

Coping strategies

- *Borrowing rice* is the main response to rice shortage. Household effort is directed constantly to debt repayment, as post-harvest rice, as labour, or by selling and exchanging products.
- *Sale and exchange of NTFPs and handicrafts* occurs in all three villages. But resources are in short supply and marketing is poorly developed.
- *Forest food resources* have traditionally been sold and exchanged to obtain rice. This is still of vital importance for the poorest households.
- *Sale and exchange of poultry and pigs* provides cash with which to buy rice and condiments. But loss of poultry and insufficient *kabuk* (a wild plant used for pig feed) limit potential benefits.
- *Labouring for rice or wages* is increasing as a response to food shortage. Construction, irrigated rice cultivation in Mung Kong, and seasonal coffee garden work in Paksong draw labour from the area. Illegal labouring in Thailand was also reported.
- *Cutting trees for timber*: Although officially discontinued in 1995, villagers reportedly cut trees in the protected area to offset rice shortages during the 1998 drought.
- *Changing eating habits*: During the 1997 rice shortage, all villagers were reportedly eating *goi*, a wild tuber traditionally used as a rice substitute. Eating more *chiaow* (a tasty sauce that adds palatability to rice when other foods are lacking) was noted, and reducing food intake by missing meals appeared in the household records as a more extreme response to food shortage.

BOX 6.7

TRENDS IN FOOD SECURITY



Source: Rachel Dechaineux. 2001

Strategic Vision for the Agricultural Sector. Land allocation has proceeded without adequate extension services, rural credit, and research support. Although the plan envisioned all these inputs, they have not yet reached grassroots people. This not only means depriving many households of the means to transform their agricultural practices, but putting existing livelihood systems at risk. A Kmhmu' author recounts the dilemma of his people in Box 6.9.

The problems involve *timing* and *sequencing* rather than substance. All the necessary elements exist in the Government plans: extension, research, rural credit, markets, roads, schools, clinics, etc. But the current timing has impoverished those households of rural Lao

PDR overcome by land allocation as they continue awaiting the promised new "opportunities" - which are still being developed, even conceptualized in detail. For them, development is summed up in an old Western adage: "It doesn't matter if it's going to make you rich in the long run if you die of starvation in the short run."

POLICY OPTIONS

Agricultural policies: land allocation

Agricultural policy is often said to be characterised by good vision but poor implementation. The Focal Site strategy, once a contentious issue for donors and policy-makers, now reads like a state-of-the-art methodology for decentralised, participatory, area-based development

BOX 6.8**PROFILE OF A RESOURCE-POOR FAMILY
IN BAN KHAMTEUY**

- A new family with 2 young children
- Rice deficit 9 months.
- No buffalo, poor soil, poor health.
- Rice field area 1.7 ha. Rent out part for 45 tang rice (1 tang = 10 kg).
- Rice production last year 100 tang
- If same this year can pay back debt but will run out month 3 again.
- Need new land but cannot get
- Debt repayment:
 - 50 tang “green” rice for buffalo
 - 30 tang unmilled to rice bank
 - 20 tang unmilled (for 2 tang milled)
- Income : *Kisi* 100 kg @ Kip 350/kg
= 27 kg milled rice @ Kip 1300/kg
- Labour : wife worked for 80 tang rice
- Forest foods : for family consumption
- Coping strategies
 - Labour – repairing field bunds
 - Making baskets to exchange for 13 tang rice. Last year not possible because of sickness.

Source: Rachel Dechaineux. 2001.

through empowerment of local communities. Involuntary relocation is no longer practiced. Other forms of land allocation have become key to the Government’s strategy for agricultural intensification and diversification. However, repeated evidence indicates that *as currently practiced*, land allocation may aggravate poverty.

The Land Allocation Sub-programme of the 20-year Lao-Swedish Forestry Programme (LSFP) developed the methodology adopted by the Government during the mid-1990s, shortly after the beginning of the first field test; it was applied widely in the Provinces.

Meanwhile, development efforts continued to improve this methodology through the conclusion of LSFP in 2001, periodically recommending adjustments in the procedures, the training programmes, and other components in response to implementation problems arising in the field. Unfortunately, once the Government had adopted the methodology, recommendations for changes in implementation in the provinces were only partially followed up. The main problems and recommendations are summarized in Box 6.10.

BOX 6.9**PUTTING YOUR PIG INTO A PEN TO STARVE IT**

Today the Government is planning to forbid the creation of new rice fields from mature forest because this means destroying trees. This is a good idea. However, how will the mountain dwellers have food to eat? This planning looks to us like putting your pig into a pen to starve it (instead of fatten it). If there is no food the pig will just die by itself. People who think ahead (long-term) and plan like this must be people that have never yet in their lives made mountain fields and don’t understand how we Kmhmu’ make our fields.

The time has come. Our Kmhmu’ people are willing to engage in development, not only in the area of their society but also in the area of their livelihood and everyday life. One might wonder: why is it that our citizens cannot leave their habit of making mountain fields (as is requested)? The old problem remains: if they are not making mountain fields anymore what *else* can they do to have a living? What other way is there for them to feed themselves and their children? This problem still needs a lot of thought. Therefore, in the future, if the government forbids their fellow citizens to make mountain fields but doesn’t at the same time have alternatives to offer, it is not a good idea. In fact, it is a mistake which will cause our mountain farmer citizens to become subject to even worse difficulties and poverty than they knew in the past.

Source: Suksavang Simana. 1997

BOX 6.10. PROBLEMS WITH THE IMPLEMENTATION OF LAND USE PLANNING/LAND ALLOCATION (LUP/LA): PROCESSES AND RECOMMENDED SOLUTIONS.	
PROBLEMS	COMMENTS AND RECOMMENDATIONS
<i>Rapid implementation of the steps in LUP and LA reduces the quality of work; Lack of implementation flexibility</i>	<p>There is a tendency to complete LUP/LA in as little as 5 days to 14 days in one field trial. This is too short a period to ensure effectiveness. The reasons for haste include: limited funding; convenience of staff; non-use of participatory methods because they consume more time than others; a perception of LUP/LA as a “once-only exercise” rather than a “process” that may take months or years to complete; ambitious annual targets set by the District Administration; and a concern at the District level that senior levels will be critical if the high targets are not met.</p>
<i>Family access to land in upland areas is reduced by LUP/LA</i>	<p>What is regarded as a “positive achievement” in reducing shifting cultivation is experienced as a negative impact on household livelihood systems (e.g. in Xieng Nguen District access to land was reduced from 5-6 to 3 plots of land on average). Farmers are aware that they cannot hope to have unlimited land, but state that rice productivity deteriorates quite rapidly because they cannot maintain a reasonable field rotation. In the villages under discussion, there is more degraded land available within the specified agricultural zone that could be allocated to farmers. An approach in which land is distributed by villagers within the defined agricultural zone would probably help alleviate this problem.</p>
<i>Limitations of the inspection and control approach to monitoring</i>	<p>A common perception of monitoring is one of “inspect and control” (land use). This may not be the most effective way to achieve a reduction in shifting cultivation. Nonetheless, the LUCs [Land Use Certificates] issued with TLUCs [Temporary Land Use Certificates] require that such a method of monitoring be practiced. The LSFP has developed methods of monitoring based on the principles of participation, problem identification and support to resolve problems identified. This involves extension and land use planning staff in a dialogue with villagers focused at the <i>village level</i> rather than of the individual farm. Thus, <i>broader</i> issues such as the effectiveness of Village agreements, land management problems, inter-Village disputes regarding land and boundaries, access to land and land productivity can be addressed. This type of monitoring, in which the overall impact of LUP and LA is by definition assessed, would appear to be a more valuable approach than regulatory monitoring of activities at farm level.</p>
BOX CONTINUES ON NEXT PAGE	

After the adoption of the methodology and the setting of implementation targets, attention shifted largely to reaching these targets — to the detriment of evaluating the impacts of the land allocation process. One can attribute the non-recognition of needs for adjusting procedures to low educational backgrounds of most of the field staff. However, at several points, the emerging problems were documented and brought to the attention of the higher authorities in the Districts, Provinces and the Central Government. Proposals for improvement received little follow-up, perhaps because land allocation aimed not primarily at enhancing livelihoods, but at conserving forest resources through controlling shifting cultivation.

While the recent policies developed by MAF (outlined in Chapter 4) seem to demonstrate appropriate attention to community participation and livelihood systems, these

reforms do not yet seem to have reached the provinces. No notable change is discernable at that level. Moreover, a recent policy paper (NAFRI, 2000) also evinces little awareness of the problems of land allocation as experienced by the rural people themselves. Its criteria for success are phrased entirely in terms of sustainable forest management. No livelihood objective is stipulated. Although the paper calls for a systematic assessment of the impacts of land allocation, it appears that land allocation is still perceived as a tool for eradicating shifting cultivation rather than for improving livelihoods and alleviating rural poverty.

Policy Options for Land Allocation

Assuming that the policy ambiguities can be resolved, *what is the practical solution to land allocation implementation problems in the field?* Some kind of effective control over runaway processes of environmental degradation and

CONTINUATION OF BOX 6.10

Inadequate security and storage of LUP/LA information and data

Emphasis on land allocation at the expense of land use zoning

Inadequate assessment of LUP and LA programs

Forest and land use categories defined by village LUP and LA are being compromised by commercial timber harvesting operations

Despite continuous high ambitions in the continuing land allocation programme, no effective record keeping system is in place to manage the land allocation data. A land allocation record system to manage the initial LA data and the land ownership changes needs careful consideration. [Subsequently, one was developed by the sub-programme.]

Land use planning staff appear to consider it imperative to bind farmers to restricted areas of agricultural land by means of land-use contracts to reduce shifting cultivation practices. Consequently, field activities focus on allocation, notably the measurement of agricultural parcels allocated to farmers, while some of the important preceding steps receive less attention. These include land-use zoning; preparation of village agreements; and the preparation of forest-land use plans. Zoning is an appropriate instrument for curtailing the encroachment of agricultural cultivation, as it defines where agricultural activity will be undertaken. If villagers cultivate land only within a defined agricultural zone, using their own land allocation system, the objective of appropriate agricultural land use will largely be achieved. As the procedure can be performed with fewer staff in less time using less money than land allocation, land-use zoning should be given more attention in the LUP and LA process.

The land allocation programme is proceeding at an accelerated pace and is being expanded throughout the country. At present, there is only limited assessment of the results or impacts of the program. The present focus is on quantitative monitoring of achievements, i.e. the number of villages in which LUP/LA has been completed, how many families have had land allocated, how much land has been allocated, etc. The impact of the programme on land use, forest protection (or encroachment), family livelihoods, and progress with the adoption of improved procedures and methods by district staff is receiving less attention.

The Government aims to involve the Village communities in the management of forest land within village boundaries. The LUP/LA programme is working to achieve this policy through a procedure of village boundary demarcation, village forest land use zoning and the promulgation of Village Forest and Agricultural Land Management Agreements for the zones defined and mapped. Timber harvesting is undertaken within village management areas in which village forest categories and land use areas have been defined during LUP/LA. However, the forest utilisation objectives of the harvesters may differ fundamentally from those of the villagers. A mechanism that recognises surveyed village boundaries, village forest land use zonings and village forest-land management agreements and also provides for the management of sustainable timber harvesting operations within surveyed village boundaries is essential to preserve the validity of village level LUP/LA.

References:

Somsak Sysomvang, Somit Senthavy, Hongthong Amphaychith and Peter Jones. 1997; Peter Jones. 2000; Peter Jones. 2000; Thongphath Leuangkhamma, Saksak Sysomvang and Peter Jones. 2001.

spiraling human poverty must be achieved, and appropriate forms of land allocation have proved effective in other cases. The LSFP has made numerous recommendations on measures deemed appropriate to correcting the deficiencies of the current land allocation process (see Box 6.11).

These recommendations stem from a deep understanding of the problems of swidden-based livelihood systems and should be given due and expedient consideration. But

they are not yet the complete. By far, the most important are those that would shift emphasis from Land Allocation to *Land Use Zoning* as the priority activity.

Land use zoning is the delineation of zones of forest and agricultural land within the Village boundaries, which creates a framework in which villagers themselves work out rules for the utilization and management of natural resources within these zones. It occurs *after* Village boundary demarcation and *before*

land allocation and provides a starting-point for Village land use planning and the assisted preparation of village management agreements. It does not replace land allocation; it simply precedes it in the sequence so that, ultimately, when land is allocated, the process can be carried out in an atmosphere of greater awareness and receptivity. Instead, zoning has tended to receive minor attention in the rush to meet land allocation targets. However, as an approach to the stabilization of shifting cultivation, zoning is far more likely to succeed than the current “allocation and control” approach. Box 6.12 gives seven reasons why.

The great advantage of the approach highlighted in box 6.13 is that it can put in place broadly effective interim solutions right from Stage 1, while creating scope for these to mature into full blown land use plans and land allocation arrangements as the villagers work out the details over sufficient time to truly understand and become involved in what is happening.

International experience has shown that this kind of participatory approach is a quicker, more cost-effective and reliable way of actually achieving Government objectives than the conventional top-down process still widely in use. Indeed, from a high-level perspective, this alone might justify the worldwide trend towards decentralisation and local participation.

To return to our earlier question: are we dealing with problems of *implementation* or *policy*? The answer is both.

In systems thinking, policy and implementation interact in a continuous loop. The way in which the implementation of land allocation policy has been conducted in the field is probably a direct and reasonable response to the vast majority of policy signals in normal communication channels.

The Village Forestry Controversy

Achieving the potential contribution of forests to national development in Lao PDR presents major challenges. Above and beyond the normal conflicts of interest between farmers and foresters that characterise much of Asian forestry, in Lao PDR, the ability of the Government to exercise its normal functions as the guardian of public interests is severely constrained by powerful special interests. These constraints are widely acknowledged by professionals in Lao PDR and summed up in NAFRI's *Long-Term Strategic Research Plan for Natural Resource Management* (see Box 6.14).

In the mid-1990s, several projects related to community forestry were all, in different ways, designed to assist the Government in extending its policies on decentralized and participatory natural resource management into the forestry sector. A “village forestry” approach was developed as “*a partnership between the state and organized villagers for the management of designated forests in order to sustain the flow of benefits, which are fairly shared by the villagers and the rest of the national community*” (DoF 1997: iv). The approach was described as “*(i) a process rather than a predetermined*

BOX 6.11

RECOMMENDATIONS ON LAND ALLOCATION

- 1 Allow fallow periods longer than three years if cultivation remains confined to four-field rotation. This would require cultivation periods longer than one year.
- 2 Initially concentrate land allocation efforts on demarcation of rest areas and village boundaries, but let the Villages organise the distribution of agricultural land between the households. This approach would save much time and possibly ensure sufficient participation from the villagers.
- 3 Allocate large areas to individual households . . . [with the understanding that the land will be subdivided among the offspring]. This could help ensure a gradual intensification, discourage people from migrating, eliminate the need for repeated land allocation, and could serve as an incentive for family planning.
- 4 Concentrate land allocation and land-use planning in environmentally sensitive areas, for instance in National Biodiversity and Conservation Areas (NBCAs) and in the watersheds of existing or planned hydropower plants.
- 5 Concentrate land allocation and land-use planning in areas where the necessary preconditions are available, particularly reasonable road and market access.
- 6 Concentrate efforts in areas close to towns, where land grabbing and speculation is, or could become, a problem.

Adapted from: Viphakone Sipadit, Houmchitsavath Sodarak and Peter Kurt Hansen. 1997.

BOX 6.12. WHY LAND USE ZONING WILL WORK BETTER IN STABILIZING SHIFTING CULTIVATION THAN LAND ALLOCATION ALONE

- 1 It creates the framework in which forest land and agricultural land management rules can be progressively developed.
- 2 It is a highly participatory activity, in which the villagers who will assume the responsibility for forest-land use management, take a very active role in deciding the land use zones and preparing the management rules for the various zones.
- 3 It places the management of agricultural land in the broader context of forest and land resources conservation and utilisation within the village management area.
- 4 It facilitates the involvement of all sectors of the community in decision-making, (all the stake-holders and uses of the resources)
- 5 It forces LUP/LA staff to consider the relationship between the forest and agricultural land in the target and adjoining Villages and how these forests and land will be zoned.
- 6 It results in a very clear definition of the permissible uses of forest and land in each of the zones and the penalties attached for breaches of the management rules.
- 7 It provides an entry point and facilitates networking activity between neighbouring Villages. Once Village boundaries are delineated, zoning can be performed quite rapidly with fewer staff and in less time than land allocation and the associated parcel measurement and document preparation.

Source: Peter Jones. 2000. *Land allocation or Land Use Zoning: What is the priority?* Discussion Paper. Lao-Swedish Forestry Programme. Vientiane.

output and (ii) a continuum of approaches to people-oriented forest management with different intensities in the degree of participation” (Sopathilath 1998:74).

The approach essentially entailed the formation of formal village organizations (“Village Forestry Associations or Joint Forest Management Boards”) with legal status that could enter into Management Contracts with the Government (as represented by the Provincial Forestry Office). While the Government owns all forest land in Lao PDR, these contracts empowered the village organization to develop and implement management

plans and protect the assigned forest in accordance with agreed principles of sustainable management. According to the official external review of village forestry projects, this part of the collaboration went well. Robust and sustainable models of village forest management developed and were successfully implemented on a small pilot scale in JFM and on a larger pilot scale of 60 Villages in FOMACOP. District and Provincial staff were trained to implement the system. Problems arose only at the point of harvesting and selling the timber. In the FOMACOP pilot areas in 2000, the Village Agreements were set aside and systems developed by the project for transparent sales

BOX 6.13. WAYS OF OVERCOMING THE SHORTCOMINGS OF CURRENT LAND USE PLANNING/ LAND ALLOCATION PROCEDURES

Allocating funds per Village based on the requirements and the size of the particular Village.

Conducting the Village LUP/LA in stages, depending on the availability of funds:

Stage 1: a) Data collection and analysis, b) village **boundary delineation**, c) forest and agricultural land use **zoning** and d) the preparation of **interim village agreements** for the management of forest and agricultural land use zones.

Stage 2: Detailed **land use plans for the various forest and land use zones** could be prepared based on a more thorough investigation, after various problems have come to light.

Stage 3 **Agricultural land allocation** could be made based on a clear understanding of the land use and land ownership patterns within the delineated agriculture zone. [Note: In variable terrain, the “zone” need not be a contiguous block of land, as long as it is well-defined.]

Source: Thongphath Leuangkhamma, Soksak Sysomvang and Peter Jones. 2001.

were bypassed in favour of the old non-transparent system of sales to favoured traders — with substantial losses of national revenue.

Even more significant was the apparent withdrawal of Central Government policy support for activities on which the concept of Village Forestry was based. Decree No. 11 on the management of forestry operations and businesses, issued by the Prime Minister's Office in May 1999, promulgated a wide-ranging set of regulations that effectively put all logging operations under the control of the Government and nullified all other orders on management, forest operations and businesses that conflicted with this.

The several missions fielded to resolve the issues failed. The FOMACOP project closed at the end of its first phase in 2000. The Implementation Completion Review (WB/SIDA/GOF 2000e) of the project concluded that the achievement of project objectives had been "satisfactory" to "highly satisfactory" with regard to the following objectives:

- Instituting sustainable village-based forest management and conservation with improvement of the living standards of villagers in the FOMACOP area (highly satisfactory);
- Developing a village forestry management system ready for implementation (satisfactory);
- Strengthening human resource capacity to implement village forestry (highly satisfactory);

- Sustainable management of forests by villagers in the project area (highly satisfactory);
- Improving living standards in the pilot areas through village forestry and livelihood projects (satisfactory)

The achievement of two other objectives was judged to be unsatisfactory:

- Instituting a policy, legal and organizational framework for sustainable forest management; and
- Guidelines and procedures for management of State Production Forests ready for implementation.

One of the background papers ("The Evolving Policy Context for Villager Involvement in Forest Management in Lao PDR: from 1989 to 2000" (DoF 2000d)) stated:

Due to the lack of implementing regulations of the Forestry Law, the status of such approaches to the collaboration of villagers and government foresters in the management of production forests has been subject to varying interpretations. Nonetheless, the analysis suggests that these pilot models are supportive of, and in line with, the general intent of Government policy. Regulations concerning village forestry should be formulated to interpret the Forestry Law with regard to management of forests of different types.

Nonetheless, most of the foresters and forestry researchers actually involved in "village forestry" on the ground have voiced positive views about it. In the perspective of these

BOX 6.14

CONSTRAINTS ON SUSTAINABLE FORESTRY PRACTICE

Forest allocation, especially for production forests, has been based on the needs of wood industries, markets, and the government revenue estimate. No principles of sustainable forest management and code of practices have been adopted, except in a few production forest areas, as in JFM and Village forestry areas where a certain amount of effort has been made towards sustainable management. Experienced forest managers are generally lacking at all levels in every aspect ranging from management planning, approval of plans, and management monitoring to post-harvest management. Harvesting is thus exceeding the estimated reproductive capacity of the forests. Log production has been increasing and concentration has been quite high in certain parts of the country. However, about 60% of the annual quota has come from the areas where infrastructure development has taken place. Harvesting operations have often been sub-contracted out to sawmillers and traders who are interested only in short-term profits and who are not committed to the long-term sustainability of the forest resources of the country. These practices have reduced the willingness of potential long-term investors interested in forestry and will eventually lead to further degradation of the existing natural forests if continued. Policy review is needed and principles and practices of sustainable forest management should be introduced.

The control system has been generally lax. Existing regulatory frameworks are fragmented and inadequate and can not ensure strict enforcement. Devolution of authority has been put in place by the Government. However, under current circumstances, in which a large gap still exists between the necessary capacity and available human resources, very little progress appears to have taken place, even with reallocation of forestry staff in order to reinforce personnel at the District level. Harmonising regulations at the implementation (lower) levels is needed to improve the situation.

Excerpted from: NAFRI. 2001

dedicated officers, the village forestry effort implemented Government policies on decentralisation and the participation of local people in sustainable resource management. Although they themselves did not say so, the key deviations from these policies appeared to stem from a much higher level in the system.

Policy Options for Village Forestry

For a brief moment, it seemed that Lao PDR would lead the region in implementing an enlightened approach to community forestry. The 1999-2000 abrupt reversal of earlier policy on empowering local people to manage local resources has cast doubt on the credibility of contractual agreements between Government and local communities vis-à-vis local rights and responsibilities in resource management. In retrospect, the 1997 comments of Premrudee Daoroung seem almost prophetic (see Box 6.15).

Perhaps community forestry may have come into Lao PDR through the wrong door. Although the high profile, state-of-the-art, World Bank-funded Village Forestry Programme was hardly the only type of community forestry practiced in Lao PDR at that time, it did eventually attract a massive backlash from the powerful special-interest lobby in forestry that now threatens to undermine the whole idea of community forestry in the country. Without condoning the actions of the special interests in this connection, *it may be wise to admit to a tactical error in trying to introduce participatory forest management principles within the boundaries of prime State Production Forests*. This represented a totally unprecedented approach. In no other country

worldwide has any government given villagers full rights to manage major timber resources. Though very impressive while it lasted, the effort ended as soon as the special interests awoke to what was happening. Community forestry has triumphed usually in secondary forests and degraded lands — not where commercially precious woods grow in abundance.

In any case, to improve rural livelihoods for the vast majority of rural people, managing big timber does not take centre stage. Although the communities that participated in the village forestry programme derived great benefit from timber sales, most rural communities in Lao PDR live nowhere near major forests. Their livelihoods may be better served by the diverse productivity of *secondary forests*, which abound in all kinds of modestly sized roundwood and NTFPs, providing both direct subsistence goods as well as a wide range of cash income opportunities. This may be closer to the initial intent of Government policies on devolution of local natural resource management. Certainly, *conventional community forestry* concerns secondary forests in most countries. And perhaps the next round of village forestry initiatives in Lao PDR should concentrate on these and a conventional approach, i.e. the great potential of village management for village uses of secondary forests, rehabilitation of degraded forest lands and, particularly, the vast neglected potential of agroforestry inside village forests.

The NTFP Sub-sector

Box 6.16 makes a strong case for an NTFP focus, with examples of the accomplishments of the pilot IUCN

BOX 6.15.

HOW TO MAKE IT HAPPEN?

Such [*village forestry*] recommendations are not easily implemented, especially regarding the role of “outsiders,” but can begin with efforts towards a genuine understanding of local people’s conditions and knowledge systems, rather than imposing a “forest management plan” on a community. Government officials, who often see their role as simply bringing policy to the Village and who sometimes lack “development” skills, will also have to develop new ways of relating to local people. Meanwhile, local village people, regardless of whether or not they have been given legally recognized rights over their land and forest, will continue to find their own way in dealing with, and responding to, local issues and realities.

In this complex reality, there are many questions about the future. How can the community forest approach, which has been the basis for people protecting and using their local forests and ecosystems for generations, really play a role in forest management in Lao PDR? How can “urgent” activities, such as land allocation, plantations and, indeed, the community forest support work itself, all of which talk about local people and communities as the most important actors, really be implemented in a truly participatory way? How can these activities be “rooted” at the local level, rather than becoming grand plans that separate people from their own resources, and which create new technocratic frameworks with no references or links to the real wisdom and knowledge of local people? How can all of this happen before the whole situation simply becomes too complicated?

Source: Premrudee Daoroung. 1997.

ventures, formerly under DoF and now institutionalised in the NTFP Research Section of the Forestry Research Centre at NAFRI.

MAF/DoF at central level, PAFO at the provincial level and DAFO at district level formally handle the issue of NTFPs. However, their staff and organizational structures for these particular products are limited. By contrast, a new NTFP Research Division in the Forestry Research Center (FRC) within NAFRI comprises different units or activities, such as the IUCN/NTFP project, the rattan research project, the wildflowers research and other botanical research efforts.

The 1996 Forest Law provides a legal framework for the NTFP sub-sector, but is not sufficiently specific on managing forests for NTFP production and their use. Article 25 states: *“the harvesting of timber and other forest produce can proceed only in surveyed and inventoried*

production forest areas for which there is a forest management plan”, and, “the harvesting of other forest products such as mushrooms, roots, tubers, shoots, leaves, flowers, barks, resins, gums must be carried out according to specific regulations issues by concerned agencies.”

Article 25 requires that each year before the harvesting season of specific NTFP, the local government (Province and District) should provide a directive or memorandum to villagers about the harvesting care to be taken for these natural resources. Thus far, attempts to apply this model of regulations on the use of NTFPs by villagers have been limited to the pilot areas of the NTFPs Project and the National Protected Areas (NBCAs) Project.

On the other hand, villagers generally believe that they have traditional rights to collect NTFPs in the forest and do it without seeking permits, often because they simply have little other choice for food or cash. One could

BOX 6.16

FOREST EXTRACTION OR CULTIVATION? SOME LOCAL SOLUTIONS

We can discern a breakdown of typical traditional intermediate forest management systems, e.g. shifting cultivation, privately owned trees in common forest e.g. yang oil trees (*Dipterocarpus alatus*), holy forests and hunting taboos. The key factors causing the decline of these systems are the rapid population growth and massive population movements during and after the war of 1964-1975, disruption of traditional social structures, rapid conversion of forest to agricultural land, increased timber production, low prices for both timber and non-timber forest products (NTFPs), and a growing insecurity on land tenure and access rights.

On the positive side, a number of new systems are also evolving, e.g. agro-forests based on domestication of NTFPs, community-based aquatic resource management, (single-) community-based NTFP harvesting rules and multi-village NTFP conservation rules. Examples are given of domestication of cardamom (*Amomum villosum*), ‘si siet’ bark (*Pentace burmanica*) and broom grass (*Thysanolaema maxima*), harvesting rules for rattans (*Calamus* sp.), wildlife and fish, marketing of edible «bitter» bamboo-shoots (*Indosasa sinica*). The key factors that drive this process of local intermediate forest development are the importance of NTFPs in the rural economy, the wealth of «indigenous technical knowledge» on NTFPs and forests, increasing market penetration, innovative and enterprising attitude of local forest users and the support of facilitating projects/programmes.

These systems could be a very good basis for sustainable, community-based forest management. They provide local adaptability, a good risk aversion strategy, nutritional diversity, a safety net function in times of emergency and a stimulus to social cohesion. They also provide a basis for food security and poverty alleviation, they give strong incentives for biodiversity conservation and they contain potentials for the development of a strong and sustainable forest-based industrial and trade sector.

Local people can develop solutions, but often they can do so only if assisted by strong technical and market information exchange networks. Typical examples of elements of such networks for information exchange are the use of participatory techniques (RRA/PRA), on-farm and in-forest research trials, working closely with existing social/administrative structures, planned regular evaluation/feedback events, sharing lessons learned through workshops, technical papers and reports, Village-to-Village study tours, participatory decision-making processes, and group-building approaches at Village and multi-Village levels, etc.

Source: Joost Foppes & Sounthone Ketphanh. 2000.

BOX 6.17**DISCRETIONARY EXCEPTIONS TO NTFP HARVESTING LAWS FOR
"TRADITIONAL USAGE" AND "ECONOMIC NECESSITY"**

Article 30 of the Forestry Law (GoL 1996) embodies the principle that "traditional" or "customary" usage of NTFPs, which has been conducted "for a long time", is acceptable as long as it is limited to use in the family and for "other customary uses". This regulation is presumably the inspiration or source for a robust de facto regulation that may be termed "family economic necessity". Exploitation of NTFPs is exempt from regulations when it is motivated by direct economic need, as opposed to conducting business for considerable profit. This differs importantly from the idea of "traditional usage" of NTFPs, in that an activity may be justifiable in terms of "family economic necessity" without ever having been performed traditionally by the people involved. An example would be the cutting of Bong trees for their bark.

The "traditional usage" and "family economic necessity" clauses are very important within the whole question of the regulation and management of trade in NTFPs, since they are so wide open to interpretation. . . . In allowing for "traditional usage", and small-scale NTFP exploitation and trade activity out of "family economic necessity", the Lao Government leaves discretionary power in the hands of individual officials at a number of levels.

Source: Bandith Ramangkoun and Vongvilay Vongkhamsao. 1998

therefore say that most collection of NTFPs is carried out "illegally." However, another clause in the Forestry Law (see Box 6.17) gives "Common Law" the due it enjoys in most countries that have Anglo-Saxon legal systems.

Article 30 of the Forestry Law, arising from a layer of regulation that deals basically with the moral economy of the rural areas, probably provides the best legal foundation for efforts to secure rural safety nets and to protect the NTFP component of rural livelihood systems from overzealous bureaucratisation and/or subversion by special interests. It also reflects the high ideals of the Government's decentralisation policies. However, its administration lies in the discretionary power of a few individuals and thereby makes it extremely vulnerable to manipulation by powerful interest groups on a case-by-case basis.

Policy Options for NTFPs

The Lao Government now wants to develop the NTFP sub-sector. The present trend towards decentralizing natural resources management to the Provinces as strategic units, making Districts planning units and Villages implementing units (see Chapter 7) is important in this respect. The complex, site-specific nature of NTFP demands sustainable management at the Village level (or that of a cluster of Villages) by villagers following agreed village-specific regulations. Whether District and Provincial authorities should monitor this management is another question entirely. When applied to NTFPs, this top-down model of decentralisation, progressing from strategy development at the Provincial level to planning at the District level to implementation by Village units can generate significant problems - and, ultimately, put the security of village livelihood systems at grave risk.

Unfortunately, some of these recommendations (see box 6.18) may have unintended consequences for rural livelihood systems, notably the following:

- NTFP legal and regulatory framework development
- NTFP institution-building (central, provincial and district levels)
- Survey/monitoring of NTFP resources
- Strategic NTFP planning

Despite their standard, apparently logical nature, these recommendations should be very carefully considered, bearing in mind the nature of NTFPs as the traditional resource of last resort for rural livelihood systems during times of stress. Today, they have become even more important as the mainstay of many rural households that live under continuous stress. Indeed, the major reason why any NTFPs remain for household sustenance when all else has failed is that their very nature renders them a diverse, dispersed, little-known, localized and often ephemeral resource. If they could easily be itemized, registered, and controlled, it is doubtful that they would have remained accessible to poor people at all. But a major national campaign to inventory and regulate NTFPs could change this overnight, particularly in view of recent difficulties in implementing policies of "livelihood-friendly" development. Opening NTFP resources systematically to the forces of "development" may pose a serious risk of destroying rural safety nets. The dangers are twofold:

- accelerated degradation of the resource base; and
- diversion of the benefits to special interests.

The international community must remind itself that it has witnessed this very process in the Amazonian rainforest of Brazil. It has already begun in Lao PDR with

BOX 6.18**A NATIONAL PROGRAMME FOR NTFP DEVELOPMENT?****(1) NTFP Capacity building programme**

- NTFP legal and regulatory framework development
- NTFP institution-building (Central, Provincial and District levels)
- Human resource development (NTFP training of trainers)
- Promotion of NTFP producer groups/enterprises
- Survey/monitoring of NTFP resources
- NTFP production and consumption studies
- Strategic NTFP planning
- Studies and promotion of NTFP processing
- NTFP extension and credit services
- Networking

(2) NTFP Market Development Programme

- Identification of NTFP markets (local, national and international)
- NTFP market analysis (including Method development)
- NTFP market chain analysis (including Method development)
- Survey/monitoring of NTFP trade volumes and prices
- NTFP market information system (including NTFP market database)
- Promotion of marketing activities
- Investigation new market and new products
- Networking

(3) NTFP Research Programme

- Methods for survey/monitoring of NTFP resources
- Methods for sustainable NTFP management (planning, harvesting, regeneration and monitoring)
- Ethno botany and botanical studies (including NTFP database)
- Bamboo use and management
- Domestication of NTFP species
- Agroforestry models, including NTFP promotion
- NTFP extension materials
- Collection of seeds and cutting, etc.
- Networking

the very earmarking of NTFPs for national development. The international aid agencies must therefore ask themselves how they can assist the country in avoiding disaster for the livelihood systems of rural Lao PDR. Specifically, what kinds of *early detection systems and safeguards* can be built into the support programmes for NTFP development to underwrite rather than undermine the forest-dependent livelihood systems of Lao PDR?

IN CONCLUSION

There is no lack of technical potential for development of agricultural and forestry-related improvements in rural livelihood systems and for the creation of additional employment through value-added processing in the rural areas. What is most needed now is a clear vision of the

priorities for sustainable livelihood systems and an enabling policy environment.

The main priorities for sustainable livelihoods development would seem to be:

- *to reinforce and protect the safety nets* that serve as buffers for the poor in times of economic and environmental fluctuation;
- *to assist local communities to secure greater local control* over the assets on which their livelihood and development depend: the resources, knowledge systems, technologies, social networks and decision-making processes that can be used to develop new livelihood choices,
- *to increase food security and income generation opportunities* by combining upland farming and

livestock keeping, agroforestry, community forestry and selected value-added processing operations in the rural areas;

- *to foster careful development of market opportunities* to raise the income ceilings of rural households while strengthening local subsistence security (a “subsistence plus” approach); and
- *to link environmental conservation efforts to improvements in livelihood systems.*

Most of the elements of an enabling environment for rural livelihood development already exist in the documents of Government planners and policy-makers. The missing element is the consistent and effective communication of these policies from the highest levels down to the village level. While keen awareness of a shift towards livelihood-friendliness appears evident in the upper reaches of the policy planning apparatus, the rank and file seem to be habituated to the guidelines of a command economy that no longer exists.

A second problem is the subversion of development processes by powerful interest groups and the ambiguities this has produced within the policy arena itself, including the international assistance community. A programme to improve the enabling environment for rural development that resolves these ambiguities becomes doubly important. It entails not only the well-being of Lao PDR and its poor, but the biodiversity of the world at large.

In short, the legacy of recent Lao PDR history may have created a risky environment for investment in rural deve-

lopment. The appropriate response is not withdrawing investment support, but moving forward cautiously with effective risk-management strategies. This requirement translates into better donor coordination, improved efforts in policy dialogue, and the development of efficient impact monitoring and early warning systems for project interventions in rural livelihood systems.

“The poor are not the problem, they are the solution.”

This is not merely a pretty maxim for social justice, nor even a reminder that the real clients of development assistance are the people of the rural areas themselves rather than development professionals and officers in the capital city. Nor is it even the fundamental principle of the entire poverty alleviation effort in Lao PDR. It marks the difference between the viability or withering of the biosphere as a whole. Those whose lives remain integral elements of ecosystems know much of what development planners worldwide seek to learn. Their knowledge is often difficult to acquire because it usually involves the effort of entering another system of seeing. As Robert Chambers has put it in *Whose Reality Counts*:

“For well-being which is sustainable, equitable and responsible, the prison of power is one problem, material possessiveness another. The great methodological challenge for the 21st century is to renounce power and possessiveness, to enable those with more to gain from less.”³

For Lao PDR, however, this system of seeing is hardly new. It reflects both a traditional Buddhist ethic and earlier systems of belief.

³ Robert Chambers, *Whose Reality Counts: Putting the first last*, London, Intermediate Technology Publications, 1997, p.236.



Dialogue is an important element of participation in development. Note, however, that the group in this picture is often underrepresented.

DECENTRALISING GOVERNANCE FOR RURAL DEVELOPMENT

GOVERNANCE AND DEVELOPMENT

As earlier chapters have indicated, the overarching development goal of Lao PDR, which inspires and guides all its development efforts is to “graduate” from the Group of Least Developed Countries by the year 2020. Reaching this goal entails reducing poverty nationwide through sustainable resource management and equitable distribution of the benefits of economic growth, while safeguarding the social, cultural and political identity of the country (Round Table 2000: 5). The four blocks that undergird the poverty alleviation policies (GoL 2001: 23) are:

- agriculture/forestry and livestock;
- education;
- health; and
- road infrastructure (GoL 2001: 23).

Progress in these four sectors will enable the Government to create the conditions for economic expansion while at the same time promoting equitable and sustainable social development. Development is seen as *“a comprehensive economic, social, cultural and political process, which aims at constant improvement of the well-being of the entire population in development and in the fair distribution of benefits resulting there from”*.¹ The Government regards “Humane Governance” as the framework in which the state can enable its citizens to

participate fully in this process (UNDP *Human Poverty Report 2000*: 54).

Increasingly, both the Government and international donors to the country are concentrating on narrowing the gap between rural and urban areas through decentralisation. While investments in human capabilities (education, health) and in physical infrastructure (roads, irrigation and electricity) can significantly contribute to poverty reduction, the participatory processes made possible by decentralisation are essential to accelerating and sustaining progress. They ensure self-determination at the individual and community level and, simultaneously, enhance governmental responsibility, transparency and accountability. They also constitute one of the country’s greatest administrative and political challenges for the foreseeable future.

Any meaningful debate on local governance in Lao PDR calls for an understanding of the country’s history of Central-Local relationships. Moreover, because decentralisation means different things to different people, it entails clarification of the concept in the Lao context. (see Box 7.1).

In Lao PDR, a strong desire to aggregate services, administration, and infrastructure to make management

1 United Nations Declaration on the Right to Development (UN General Assembly Resolution 41/128).

easier coexists with the strong centrifugal realities of rugged topography and considerable ethnic, linguistic, social, and economic diversity, along with the need for close community ties, which make small units more desirable. Finding the balance between cost-effective service delivery and viable local government units that permits meaningful decentralisation constitutes a major dilemma for the Lao Government.

A BRIEF HISTORIC OVERVIEW

Historically, the basic form of political organisation in

Lao PDR entailed fairly independent villages that paid tribute to the district (*muong*) (Funck 1993: 125). The colonial ruler created the legal frameworks for a territorial administration; the Ministry of the Interior became responsible for overseeing local affairs.

In 1975, the new regime put in place a centrally planned governance structure. *De facto*, however, much of the country was only loosely connected to the Centre; provincial Party Committees used their discretion in adapting Central Instructions to the local context (Keuleers & Sibounheuang 1999: 203). Popular

BOX 7.1:

DEFINITIONS

In public administration, decentralisation typically means the transfer of responsibility and accountability to levels of government below the Central national structure (geographic decentralisation) or the transfer of state responsibilities either to either parastatals under the control of the Government or to units outside governmental control, such as NGOs or private firms (technical decentralisation/privatisation).

Geographic decentralisation falls into two major categories: (1) deconcentration or administrative decentralisation and (2) devolution or political decentralisation. To varying degrees, both forms entail the delegation of financial resources to the local authorities.

DECONCENTRATION OR ADMINISTRATIVE DECENTRALISATION

In a **deconcentrated** system, the Centre takes decisions through administrators and services appointed in territorial demarcations of the country. Their role is implementing national policies by bringing government services closer to citizens. Deconcentration reduces the length of the decision-making process by providing field offices with increased authority concerning government resource allocation and management within the budgetary, accounting and regulatory framework of the central Government.

Since deconcentration preserves the hierarchical relationship between field staff and the Central Government, it is conducive to maintaining strong Central-Local relationships. However, it may lead to centralised management if not accompanied by sufficient delegation of decision-making power to the local administrators and by mechanisms to ensure sufficient inputs from the local population or their representatives.

Deconcentration is the least extensive type of decentralisation and the most common found in developing countries.

DEVOLUTION OR POLITICAL DECENTRALISATION

Devolution involves the direct management of a number of public services at the local level by the local authorities concerned, which have been granted juridical identity and enjoy a certain autonomy in the management of their affairs. It involves the transfer of resources and decision-making powers to lower-level authorities (the citizens or their elected representatives), who are largely independent of higher levels of government.

Devolution, in its purest form, occurs when local-level government units are:

- (1) established by legislation as separate levels of government, with a distinct legal personality and the right to sue and be sued;
- (2) located within clearly and legally demarcated jurisdictional boundaries within which they exercise authority and perform public functions;
- (3) governed by locally elected officials and representatives, who are accountable to the citizens;
- (4) authorised to make and enforce local regulations related to devolved public sector tasks;
- (5) authorised to collect legally earmarked taxes and revenues; and
- (6) empowered to manage their budget, expenditure, and accounting systems, and to hire their own employees.

participation in local affairs expressed itself through the election of people's councils at the Provincial, District and sub-district (*tasseng*) levels, which, in turn, elected local governments (administrative committees) chaired by the Provincial, District or Canton chiefs.

In March 1986, the Fourth Party Congress adopted the New Economic Mechanism (NEM), seeking to transform the country from a planned to a market-oriented economy. Except in certain sectors of national interest, Provincial administrations became responsible for planning and managing local resources (Keuleers & Sibounheuang 1999: 203). Key local services, such as education and health, were financed from local budgets and the management and delivery of services became highly decentralised. By mid-1989, this high degree of decentralisation led to the Central Government's loss of control over the local administrations. The quality of service delivery declined as systems fragmented inequitably across the country and financial instability increased (Keuleers & Sibounheuang 1999: 204-5). These developments stemmed largely from the devolution of key macroeconomic functions, such as monetary policy, to the local authorities and the fact that no control systems had been put in place to safeguard national interests.

The situation contributed to drastic reforms of central-local relationships promulgated by the Constitution of the Lao PDR (August 1991). In 1992, for the first time since 1975, the National Assembly approved a national budget covering all revenues and expenditures of the Central Government and the Provinces. The Constitution also significantly changed the structure of the local administration. The people's councils and administrative committees at the Provincial, District and Village levels were dissolved and a single legislative body, the National Assembly, was elected. With the abolition of the *tassengs* (sub-districts), the number of administrative levels in the country shrank from five to four (of which the national, provincial and district level are state administrative levels and the village is a 'people's administration'). Government power gradually shifted back to the Centre

and line ministries were granted authority to supervise and control their field offices.

In March 2000, after nearly a decade of re-centralisation policies, combined with learning experiences in the areas of bottom-up planning, focal site management, rural development, and service delivery, the Government issued instructions for decentralizing planning and budgeting functions. These policies aim at increased involvement of local communities in the formulation of development plans and in the collection of much-needed revenue to improve their socioeconomic situation.

CURRENT PATTERNS OF LOCAL GOVERNMENT IN LAO PDR

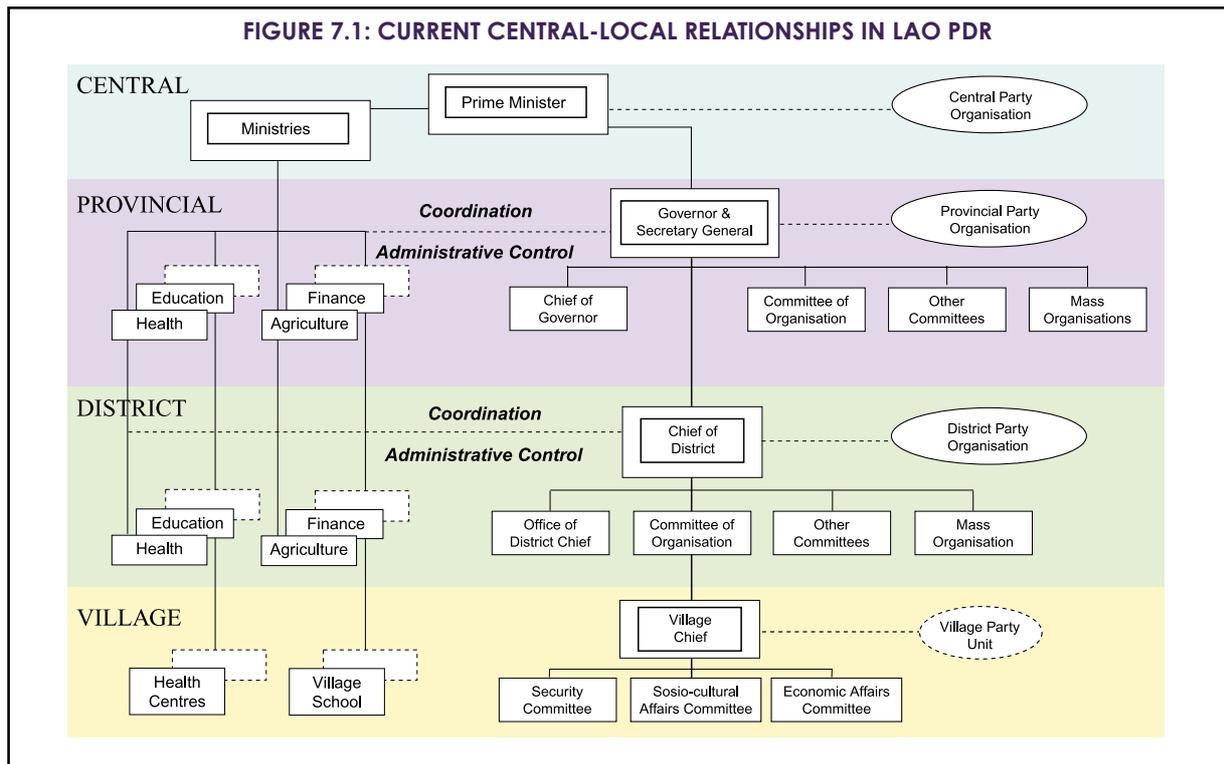
Lao PDR is a unitary state. As indicated earlier in this Report, it now comprises 16 Provinces and two equivalent organisations (Vientiane Prefecture and Saysomboun Special Zone), 141 Districts and 11,229 Villages. There are three levels of state administration: Central, Provincial and District. With the disappearance of the *tassengs*, the District now constitutes the only intermediary level between the Provinces and the Villages. The latter are considered an administration of the people, headed by an elected Village Chief. However, because a cluster of as few as 101 inhabitants or 21 households can establish itself as a Village, the role most of these dwarf communities can play within the local administration remains marginal.

The current governance system of government conforms by and large to a centralised pattern with a strong deconcentrated administration at the Provincial and, to a far lesser extent, the District level. The main feature of the Lao system is the typical balance between the vertical line (Central ministries and their field offices at Provincial and District levels) and the horizontal line (offices, committees and mass organisations directly under the Governor and the District Chief). The field offices report both vertically to their central ministry and horizontally to the local authorities (Governors and District Chiefs). Three major features characterise the current situation:

BOX 7.2:

ELECTION OF VILLAGE CHIEFS: A GUIDED ELECTION PROCESS

Every two years, the process starts when the District authorities launch an appeal for candidates for the election of Village Chiefs. Every *nuey* (neighbourhood) can propose one or more candidates. The list of candidates is screened by the Office of the District Chief and the profile of the different candidates is matched against a set of predefined criteria such as age, Lao proficiency, acceptance of the principles of centralised democracy, and popularity. The District Chief approves the final list of candidates submitted to the population. The Village Chief is elected by universal suffrage and appointed by the Governor upon certification by the District Chief. Deputy Village Chiefs are proposed by the Village Chief and appointed by the District Chief.



First, apart from the local Party committees, Lao PDR no longer has elected representative bodies at the Provincial and District levels. Second, Provinces and Districts have no financial autonomy and no autonomous legal status. Third, although Governors and District Chiefs are elected by local Party officials, they are appointed by the President of State to represent both the Party and the state. All officials involved at the Provincial and District level are state agents. (Keuleers & Sibounheuang 1999: 211).

However, while Central-Local relations in Lao PDR theoretically feature deconcentration rather than devolution, conventional definitions cannot capture the realities of Central-Local and state-society relationships in the country. Distinctions among politics, administration, and society have become blurred in a polity that is relatively new and that has undergone sweeping changes during its short life as a nation-state. Currently, a hybrid system seems to be in place; it combines administrative deconcentration and political devolution, within a “centralised democracy”; its basic regulatory frameworks continue to evolve virtually from day to day.

THE RECENTRALISATION POLICIES (1990s) AND THEIR IMPACT ON HUMAN DEVELOPMENT

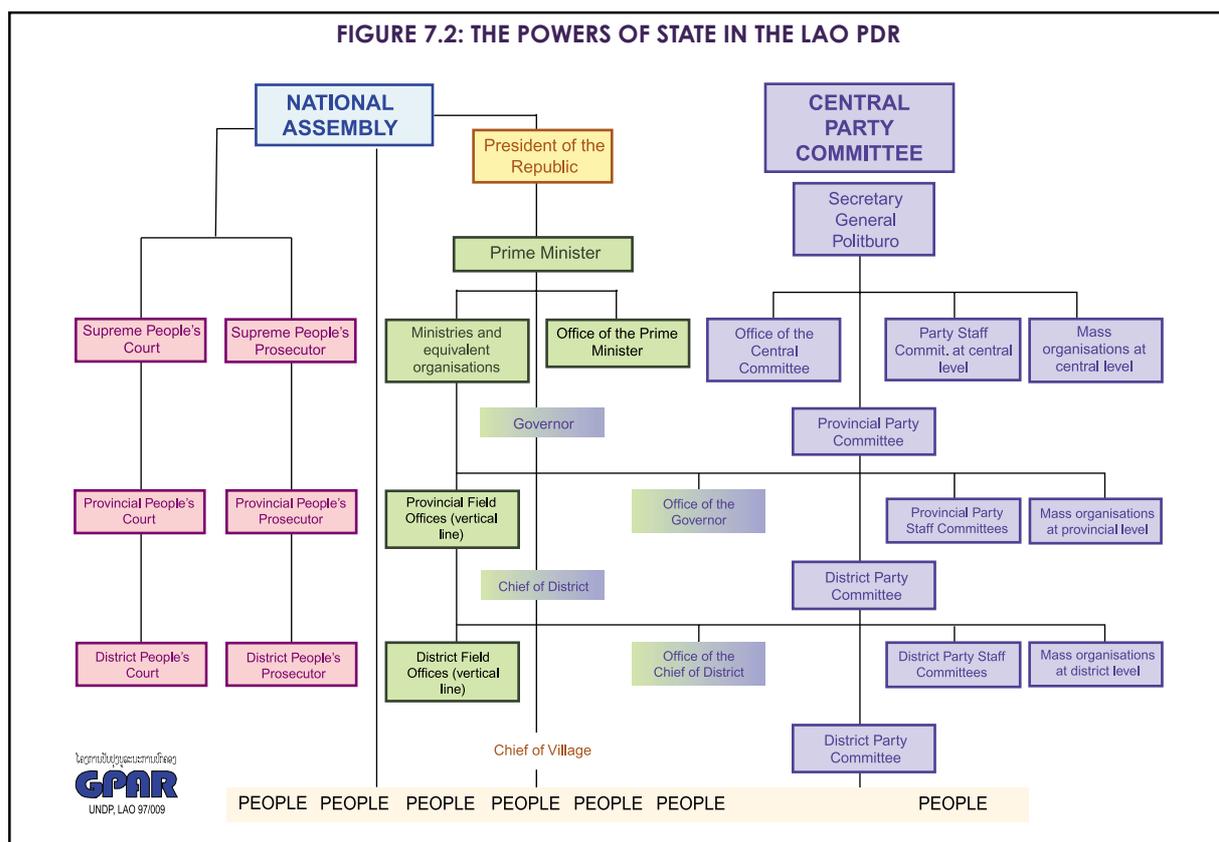
Given the administrative and financial difficulties generated by the highly decentralised system of the

1980s, the Government, since 1991, has:

- (i) re-centralised a number of key functions and allocated greater authority and responsibilities to the Central ministries;
- (ii) established national systems and standardised procedures for planning, budgeting, procurement, personnel management and service delivery in key social sectors,
- (iii) launched a comprehensive capacity-building program for government officials at the Central and Local levels; and
- (iv) started implementing operational and financial control systems.

Impact of the Recentralisation Policies on Macroeconomic Stability

Although the initial results of the NEM were impressive, the macro-economic situation deteriorated and the quality of social services declined, mainly because of irresponsible decentralisation policies. The experience of the 1980s had showed that decentralisation need not involve the Central Government’s relinquishing key macro-economic management functions. It also demonstrated how geographical inequalities could become intensified by the devolution of too many responsibilities (see World Bank 1990: 105). The re-centralisation of fiscal management in particular has provided the Central Government with a larger share of taxes collected in the high-income Provinces, allowing for a more equitable distribution of provincial spending. However, the effects of the Asian crisis in 1997-1998, with



three-digit inflation rates and a severe devaluation of the KIP to the dollar, have demonstrated that no society, whether centralised or decentralised, is immune to the forces of the global economic environment (see Box 7.3).

Education

To achieve greater national integration in the planning and the delivery of education services, reforms in the early 1990s have focused on re-centralising responsibilities at the level of the national Ministry of Education (MoE), which is now responsible for managing and controlling the entire education budget and for determining curricula and standards for education and training. The Ministry also regained control of the whole of the personnel management

machinery, although Governors still maintain important influence over the process. Currently, the Ministry is responsible for macro-management, policies, regulations, national education planning, and financing and monitoring. The MoE is also directly responsible for higher education, teacher training, and upper secondary education. The Provincial Education Services are responsible for lower secondary education, and the District Education Offices for primary education, as well as adult and non-formal education.

Most of the educational indicators have indeed improved (see Chapter 2). While some of the poorer Provinces (Attapeu, Oudomxay, Luang Namtha and Phongsaly) still report a lower net enrolment rate in the primary

BOX 7.3: IMPACT OF THE CRISES ON THE URBAN AND RURAL POPULATIONS AND REVENUE COLLECTION

The exchange rate fluctuations had a very negative impact on the overall living standards, especially for the urban populations and those living on fixed wages. The crisis affected mainly the urban population, which is more involved in the cash economy and more dependent on imported products. Some rural areas may even have benefited from the depreciation of the Lao currency, as it boosted exports of agricultural products to Thailand (Bourdet 2000: 5, Round Table Report 2000: 17). The Lao Government, however, recognised that many of the poor did suffer real deprivation, due to reduced spending on health and education and to the simultaneous increase in the prices of many health and education-related goods (Round Table Report 2000: 6).

The crisis also forced the Government to pay more attention to revenue collection. With total revenues in 1999-2000 accounting for 12.7% of GDP (GoL 2001: 36), Lao PDR has a modest tax collection rate. Today, out of 18 Provinces, 11 are still not self-sufficient and require additional subsidies from the state budget. Only 5 Provinces transfer their surpluses to the national budget (Vientiane Prefecture, Borikhamxay, Khammouane, Savannakhet and Champassak).

schools, the situation has improved dramatically over the past five years. For example, in 1996, net enrolment in Sekong was only 23% (World Bank 1996: 39); now it has reached 50.9%. Nonetheless, severe disparities between Provinces and Regions remain.

Although access to primary schools has improved, 15% of Lao Villages still do not have a school and 57% of the country's primary schools still do not offer the complete five-year cycle. Here, too, disparities among Provinces remain. These range from a high 87% of incomplete schools in Phongsaly to 23% in Vientiane Municipality (1998 - Bouapao 2000: 84). The situation is particularly bad in Sekong (59%), Saravane (42%), Khammuane (41%), Bokeo (58%), Luang Namtha (52%), Phongsaly (42%) and Oudomxay (46%). Moreover, the Ministry of Education continues to recruit local teachers who often lack the minimum qualifications. The Government has tried to solve these problems by implementing the Teacher Upgrading Programme and by increasing teacher's salaries in remote areas by 15 to 20% (Bouapao 2000: 51).

The overall education budget distributed for central and regional levels increased from 24,363 million KIP in 1993-1994 to 72,140 million KIP in 1997-1998 and 268,653 million KIP in 2000. From 1993-1997, the Central budget increased by 3.8%, while budgets for the field services of the Ministry of Education increased by 2.3% (Bouapao 2000: 43). Still, 60% of the total investment budget is allocated to the Central level, while only 40% to the Local level. (In 1992-1993 this had been 81.7% and 18.3% respectively (Bouapao 2000: 129). Currently, 82.6% of the capital budget and 20% of the recurrent budget are managed centrally.

Health

As in education, health policies in the 1990s have targeted the various problems inherited from this decentralisation period: poor physical infrastructure, weak and unevenly distributed human resources, and lack of quality in service delivery. Because the local authorities had paid less attention to the social sectors, the bulk of Government effort and public finance went into the construction of hospitals, especially in Vientiane Prefecture (which employed 40% - 50% of the country's nurses and doctors, according to Keuleers & Sibounheuang 1999: 219); far less went to District hospitals and rural health posts. For this reason among others set out in Chapter 2, despite free public health facilities, the rural population rarely used the understaffed services available.

Today, the Ministry of Health is responsible for macro-

management, policies, regulations, national planning, and monitoring, as well as for the national hospitals and medical research and training. Provincial hospitals fall under the supervision of the Provincial Health Services of the Ministry while District hospitals and primary health care centres are the responsibility of District health offices. Re-centralisation has led to greater equity in the distribution of health budgets across the country. In 1995/1996, health expenditures managed by the Central level were 1,297.41 million KIP (77%) compared to only 389.15 million KIP (23%) at the Provincial level. In 1996/1997, 63% was managed at the Central level compared to 37% at the local level. For 2000/2001, following the recent decentralisation policy (see below), the majority of health expenditures (11.197 billion KIP or 54.5%) will be managed at the local levels.

Infrastructure

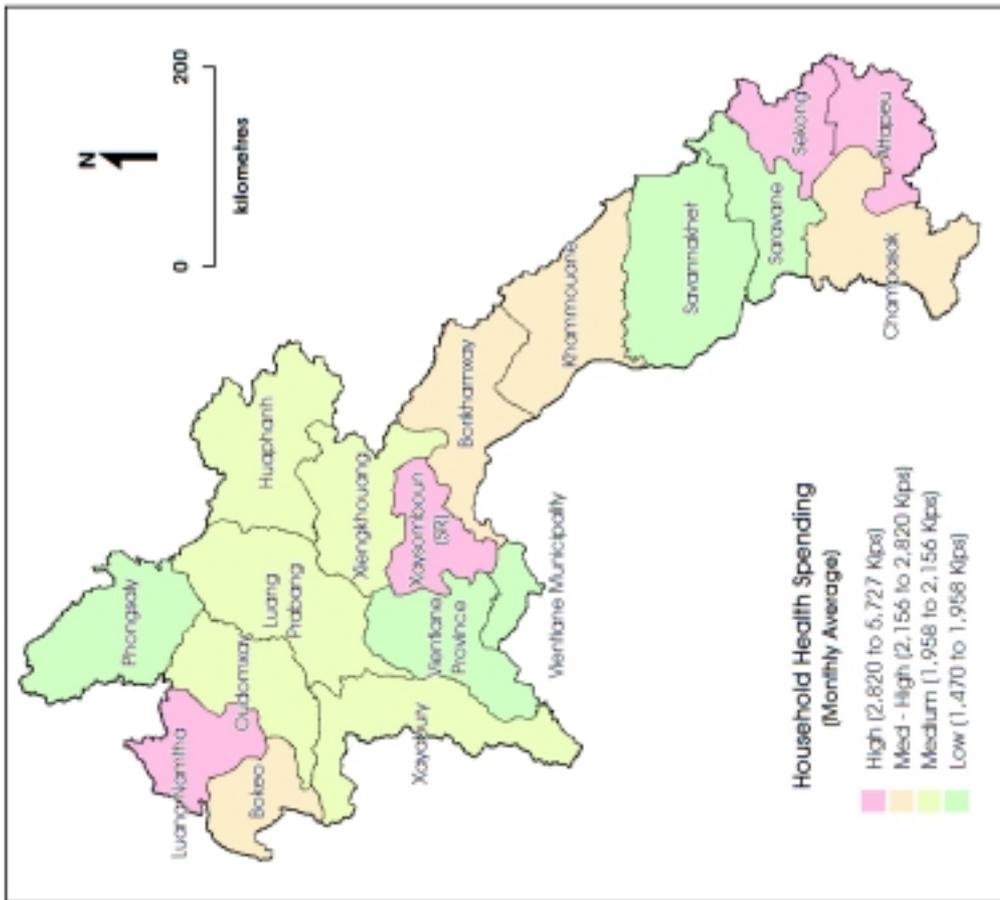
Over the past 10 years, significant progress has taken place in constructing physical and social infrastructure. This has contributed to national integration and increased accessibility to those many areas that until very recently, had been excluded from the national economy for most of the year. The overall share of infrastructure in the PIP increased from 50% in 1995 to 56.4% in 2000-2001. It will be decreased to 37% in 2001-2002 and 32% in 2002/2003 (GoL 2001: 37). This projected decrease reflects the Government's conviction that the current development threshold of the country now allows for devoting more resources to the social sectors (GoL 2001: 37).

But whether the infrastructure investments have been sufficiently pro-poor remains a question. In 1998, only 4% of all Villages lay within 1 km from the nearest market, and over 50% of the Villages were more than 10 km from the nearest trading centre. Currently, 10-15% of the Villages are even further removed from markets, with no roads or transport to reach them and 35% of all Villages are more than 6 km from the main road. The situation is even worse in Houaphan and Oudomxay (66% of the Villages), compounded by the fact that their agricultural products become ready for sale during the wet season.

Current Distribution of Civil Servants across the Country

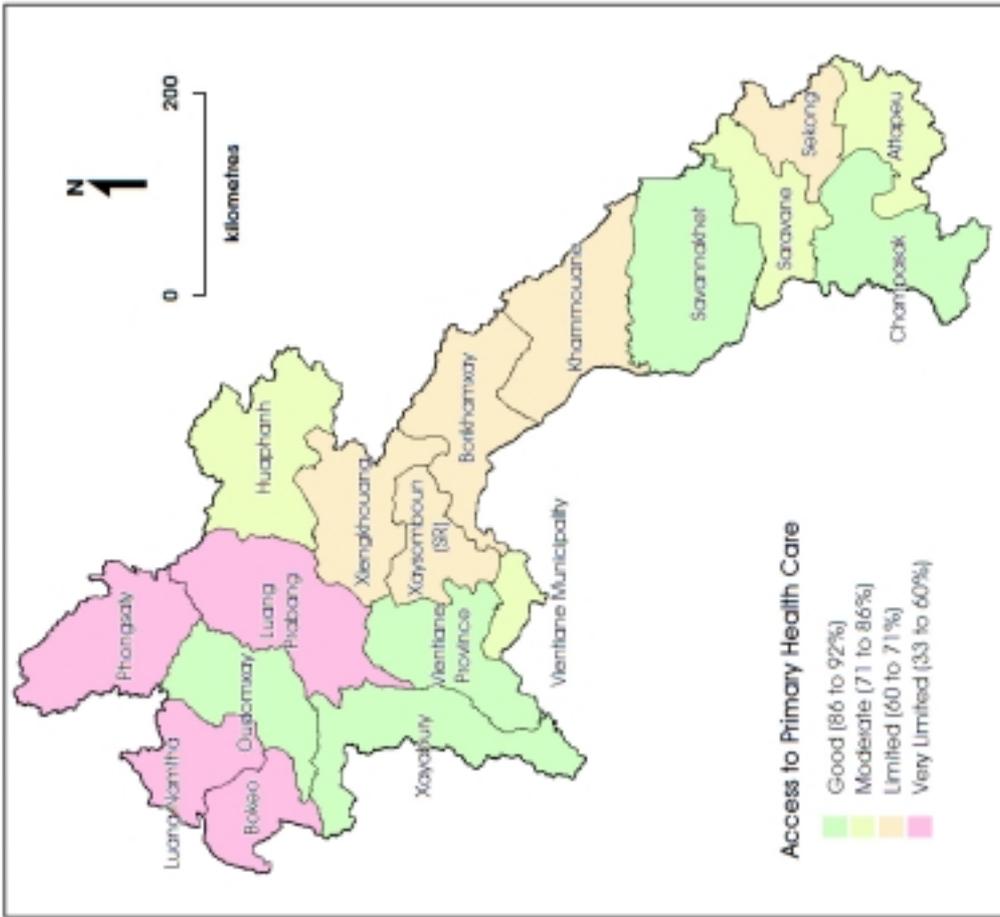
While the sheer number of civil servants appointed to Regions and Provinces cannot guarantee the quality of service delivery, it does provide an indication of Government commitment to providing service. The current total of 91,422 civil servants in Lao PDR produces an average of 1 civil servant for every 58

MAP 7.1. HOUSEHOLD HEALTH SPENDING



This Map has been produced with the assistance of WFP

MAP 7.2 ACCESS TO PRIMARY HEALTH CARE



This Map has been produced with the assistance of WFP

citizens. Figure 7.3 below shows the situation in each Province. Oudomxay and Saravan emerge as the most neglected with 1 civil servant per 90 citizens. Also in Huaphan, Phongsaly, Luang Prabang, Vientiane Prefecture and Savannakhet one civil servant serves significantly more citizens than the national average. Nor does that national average account for the concentration of the civil servants working in the Central ministries - nor the proportions of health and education personnel across the country depicted in Figure 7.4 .

On average, a Lao civil servant covers 2.6km² - with 8 civil servants per Village. In Oudomxay, Phongsaly, Attapeu and Sekong, a civil servant covers 5.7, 6.6, 5.4

and 5 km², respectively. With the exception of Vientiane Prefecture (1 civil servant per 0.5 km²), Champassak and Savannakhet have the best coverage with one civil servant per 1.8 and 2 km² respectively. In general, the North has the worst coverage with one civil servant per 4 km², on average.

ODA Disbursements and Number of Projects across the Country

As Figure 7.5 shows, revenue per capita (in '000 KIP) in most Provinces remains very low, except in Vientiane Prefecture. The Provinces that received a large number of development projects (in 1999) were Huaphan, Khammuane, Vientiane Province, and Savannakhet,

FIGURE 7.3: POPULATION PER CIVIL SERVANT

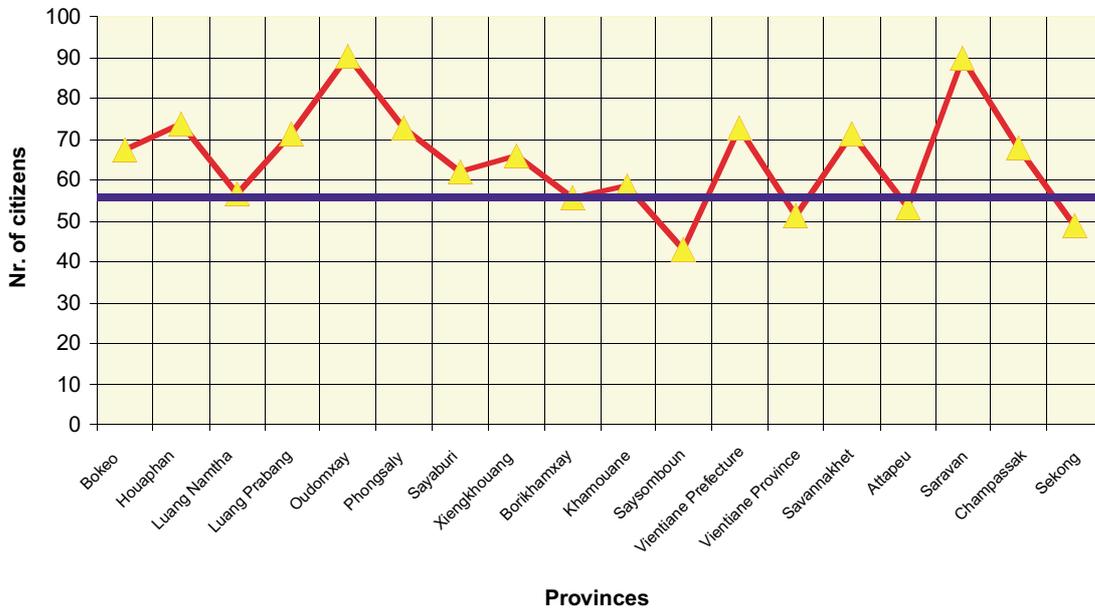


FIGURE 7.4: DISTRIBUTION OF HEALTH AND EDUCATION STAFF - POPULATION PER HEALTH AND EDUCATION WORKER

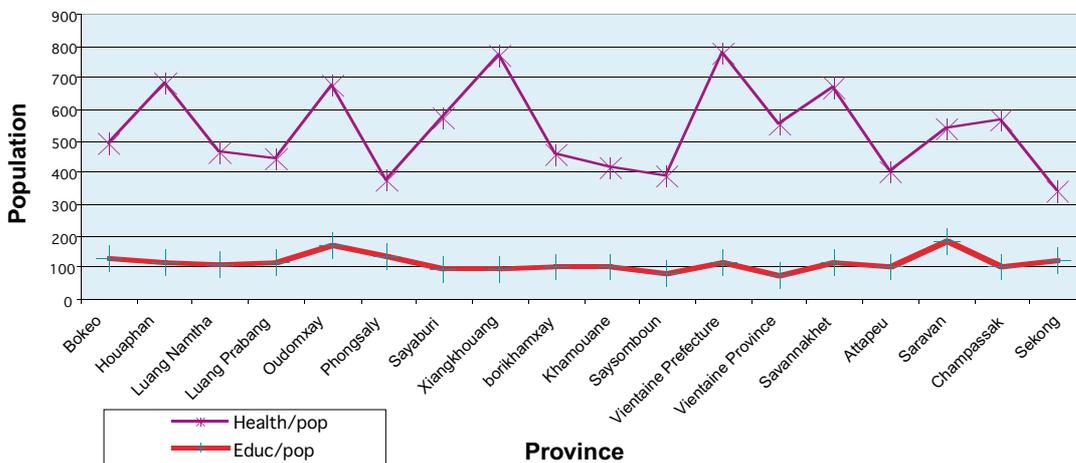
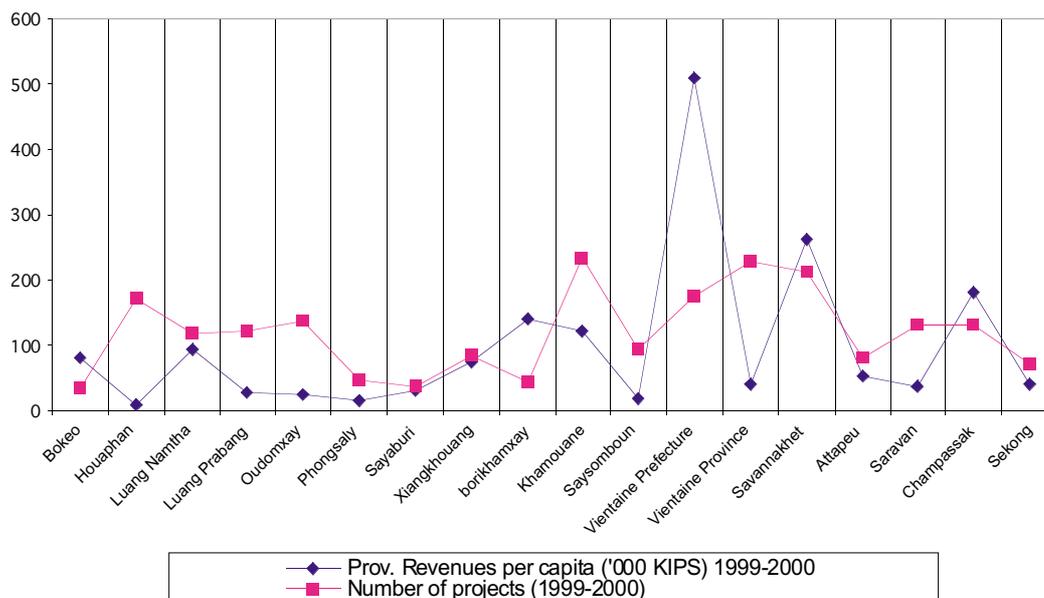


FIGURE 7.5: REVENUES AND PROJECTS PER PROVINCE



with 174, 234, 228 and 212 projects respectively. Of the 2158 projects executed throughout the country in 1999-2000, 669 were in the Northern Region, 1166 in the Central Region and 311 in the South. Also, when one compares the investment figures, the South seems to be in a less favourable position; 48% of total investments go to the Northern Region, compared to 39.5% for the Central and only 12.5% for the South. The highest share of public investment still goes to the Vientiane Prefecture (17.45% of total public investment), followed by Bokeo (13.3%), Huaphan (11.7%) and Oudomxay (8%).

ODA disbursements target mainly the Central Region (66.5%), while 20.8% go to the North and only 13.2% to the South, mainly to Champassak (11%). In the Central Region, most of the ODA goes to the Vientiane Prefecture (13%), the Vientiane Province (18%), Xiengkhuang (16%) and Borikhamxay (11%). In the North, Luang Prabang (8%) is the main recipient. A comparison of 1999 with the 12.6% figure of 1992 reveals an increasing proportion of ODA for the North. By contrast, the percentage of the South decreased from 20.12% in 1992 to 13.2% currently, while the share of the Central remained fairly stable (from 67.3% in 1992 to 66% currently). Provinces that witnessed a significant decrease in ODA were Bokeo (from 2.19% to 0.85%), Vientiane Province and Prefecture (51% to 31.5%), Savannakhet (12% to 4.9%) and Attapeu (17% to 0.33%). The main gainers, though, were Luang Prabang (3.89% to 7.93%), Phongsaly (0% to 3.8%), Xiengkhuang (1.68% to 16.2%), Borikhamxay (0.42% to 11%) and Champassak (2% to 11%).

THE TURNING OF THE CENTURY: A NEW MOVE TOWARDS DECENTRALISATION

After a decade of building up national systems and procedures for improving state resource management and the delivery of services to the population, the policies issued by the Government in March 2000 aim at a selective and progressive transfer of responsibilities back to local administrations. To this end, the policies establish the Provinces as the strategic development units, the Districts as the main planning and budgeting units and the Villages as the main implementation units. The decentralisation of planning and budgeting responsibilities is expected to result in discovering and developing the potentials that exist at various levels of society and thus generate sufficient income for self-reliance within local communities and their participation in national expenditures (Round Table Report 2000: 97).

Regular evaluations will need to be carried out at each level and the lessons learned should enable progressive fine-tuning of the policies and implementation strategies. Assistance will be provided in a cascading manner, with technical staff from the Central ministries providing assistance to the planning and budgeting officers in the Provinces, who will then provide similar assistance to the planning and budgeting officers in the Districts.

Participatory Planning

Planning guidelines developed since 1988 were revised in 1995. The entire process normally builds on a

combination of top-down planning instructions issued by the Committee for Planning and Cooperation (CPC, formerly the State Planning Committee) and bottom-up planning inputs provided by the different levels of state administration. Until recently, focus concentrated at the Provincial level; Districts have played only a marginal role in the planning process, while that of the Villages has been insignificant.

However, the *Village* now becomes the basic level of the participatory planning process, as well as the implementation unit of the Government's policies. Village planning should target the development of community production and services and focus on identifying projects that help resolve specific Village difficulties and thereby contribute to rural development and poverty alleviation. While investment for local projects should come mainly from local (voluntary) contributions, the state may provide additional resources for physical infrastructure to a Village or group of Villages.

Districts are to become the main planning and budgeting units at the local levels. They also have to define their five-year and annual socio-economic development plans that, in turn, should increase their capacities to take greater initiative in establishing, implementing and monitoring their development plans. The public investment programme at the District level will comprise:

- (1) Projects for which the Provincial authorities have delegated the management to the District;
- (2) Focal Sites for rural development, implemented in the District; and
- (3) Small projects, which are not under Provincial management.

The District Party Committees will monitor the entire decentralisation process. The provincial authorities, supported by the line ministries and the CPC will provide assistance in developing the necessary capacity.

Building the *Provinces* into strategic units means that they, too, must formulate their own socio-economic five-year and annual plans and implement their corresponding budgets. These Provincial plans must match local conditions and potential, labour force and other Provincial resources, including those they have yet to tap. Specific Provincial responsibilities include approval and management of small-scale business investments of less than 1 billion KIP, revenue collection, and control of budget expenditures. The Provinces will have indirect control over projects under the supervision of the Central Government that fall within their territory.

Revenue Collection and Budgeting

Since 1992, all budgets have been consolidated into one national budget approved by the National Assembly. Provinces do not obtain a fixed share of their revenues; they can keep only the amount that corresponds to their approved expenditures. A recent incentive system for improved tax collection awards Provinces that exceed the revenue collection targets defined by the Central Government with a lump sum up of up to 30% per cent of the surplus, even in those that have a budget deficit (Keuleers & Sibounheuang 1999: 216).

Real decision-making at local level has so far been concentrated in the hands of the Provincial Governors. They command the budgets of both the field offices of the line ministries and the Districts. The latter so far have not had a proper budget and have relied entirely on the Provincial budget. The new decentralisation policies introduce a major change in this area, allowing Districts, under certain conditions, to become budgetary units themselves. To this end, the Instructions of the Ministry of Finance also contain more specific guidelines for the implementation of the Budget Decree (December 1999), and clarify the division of responsibilities for revenue and expenditure management between the different levels of state administration.

TABLE 7.1 CLASSIFICATION OF VILLAGES ACCORDING TO LEVEL OF DEVELOPMENT
(classification by District Finance Office and Chief of District)

	% of revenue returned to the Village
A. Villages in a zone of high economic development	4 %
B. Villages in a zone of medium economic development	6 %
C. Villages in a zone of normal economic development	10 %
D. Villages in remote areas or in a zone with seasonal activities only	15 %

(Source: Instruction No. 475/MF dated 22 March 2000, concerning the distribution of responsibilities for the implementation of the budget between the Provinces, Special Zone, the Prefecture and the Districts).

The Provincial authorities, in consultation with the Ministry of Finance, determine which Districts can become budgetary units. To this end, Districts are divided into three groups:

- (1) Districts with a net budget surplus, which contribute to the Provincial budget;
- (2) Districts that are self-reliant, and that balance their expenditures with their revenues;
- (3) Districts with a budget deficit, which need extra resources.

Each District authority is responsible for conducting the planned operation of revenue collection for the year, based on revenue targets defined by the Provincial Finance Office.

Villages collect certain revenues on behalf of the District Finance Office. They are entitled to receive a percentage

of these revenues based on the sharing agreement presented in Table 7.1.

Managing Urban Development

While agriculture remains the largest contributor to the gross domestic product of Lao PDR, the urban sector plays an increasingly important role in the country's economic growth. The urban centres currently represent about 17% of the country's population. With an annual growth rate of 5%, urban population is expected to reach 1.2 million by 2007 (ADB 2001: 1). In light of these challenges, the Public Investment Programme 1996-2000 recognised the need to develop urban centres, for which the Government's policy paper on urban sector development sets out the following objectives:

- Improved management of urban environment and services through the establishment of urban government administrations;

BOX 7.4: URBAN DEVELOPMENT IN LAO PDR: IN SEARCH OF NEW FORMS OF LOCAL ADMINISTRATION

a) Vientiane and the Secondary Towns

In 1997, the Government established Urban Development Administrative Authorities (UDAAs) in the four secondary towns (Thaket in Khammuane province, Khantaburi in Savannakhet, Pakse in Champasak and Luang Prabang). The main responsibility of these UDAAs is related to planning, implementation, management and control of service delivery in the urban areas. They are also responsible for the construction, improvement and maintenance of urban infrastructure, sanitation and protection of the environment. These UDAAs have been granted judicial status and they are entitled to collect fees for the use of urban services and infrastructure. Additional tax-sharing can be decided in agreement with the Minister of Finance. The President of the UDAAs is the Chief of the Central District.

Created in 1999, the Vientiane Urban Development Administrative Authority (VUDAA) plays a role similar to the UDAAs in the secondary towns, but its mandate covers several districts in the capital. This makes its institutional development somewhat more complicated. The President of the VUDAA is the Vice-Governor of the Vientiane Prefecture. The Chiefs of the Districts covered by the VUDAA are members of the VUDAA board.

The UDAAs and the VUDAA are considered the forerunners of municipal government in Lao PDR. Certain responsibilities, previously executed by the field offices of the Ministry of Communication, Transport, Post and Construction, as well as by the local offices of the Ministry of Finance, are now being transferred to VUDAA/UDAAs. The latter also have the right to make their own annual budget plans, submitting them to the Government for approval.

The VUDAA recently began collecting revenue for a range of urban government services and charges. In the secondary towns, these practices have not yet started. Additional legislation will be required to institutionalise these administrations and to enable them to take full responsibility for the delivery of services. For example, the procedures for the transfer of responsibilities and related funds from the Ministry of Transport to the VUDAA/UDAAs have not yet been clearly defined, and await the development of sufficient capacity and capability on the part of these Authorities (ADB 2001: 5).

b) The Small Provincial Towns

Recently, the Government has also stressed the management of urban development in 12 provincial capitals and towns that do or can play an important role as market service centres supporting the surrounding rural sector. The development of these small towns will contribute to overall poverty reduction by addressing basic infrastructure and service needs; increasing the capacity of these towns to cater to the urban and rural poor; encouraging micro- and small-scale enterprise development; and expanding their capacity for marketing and for the processing and manufacturing rural outputs. (ADB 2001: 4).

- Improved institutional framework for urban planning and development control;
- Provision of sustainable urban services through greater mobilisation of local resources;
- Human resource development for urban management; and,
- Greater private sector involvement in the provision of urban services.

The contrast between towns and rural areas becomes more evident with the expansion of economic activities in the urban industrial, export and services sectors that increasingly 'de-link' city people from rural production activities (Round Table Report 2000: 26). Thus, in the

near future, a larger portion of the rural poor is likely to be pulled from agriculture into the more dynamic industrial sector. For this reason among others, the Government seeks diversity in rural-urban integration rather than the application of standardized solutions and systems (see Box 7.4).

AN ASSESSMENT OF THE NEW POLICIES

Virtually all Government policies stress an increased participation of the local population in both policy design and implementation as a means of reaching poverty reduction targets. We must therefore look at the political, legal and technical foundations of the

BOX 7.5: POLICY STATEMENTS RELATED TO DECENTRALISATION MADE AT THE 7TH PARTY CONGRESS (MARCH 2001)

The Party Secretary-General made the following statements regarding local government, grassroots development and decentralised government (*Vientiane Times*, March 16-19, 2001):

We will continue to improve the administrative machinery at central, local and grassroots level.

State management must be centralised in order for our economic reforms to properly benefit the people. Ministries should concentrate their efforts on studying and formulating strategic plans, projects, and policies for the development of the sectors under their responsibility. They must monitor, guide and control each economic sector in accordance with their management responsibilities.

The Party aims to establish compulsory primary education and universal education at lower secondary level and to provide professional, accessible health services in order to create favourable conditions for national self-development. We will create opportunities for children of the poor and the ethnic minorities to attend school in greater numbers.

We intend to implement a complete set of measures to eradicate the poverty of our people.

We will pursue the re-organisation of sedentary livelihood for rural people by formulating projects, giving instructions and guidance and scheduling the appropriate resettlement of people in each zone.

Local authorities should be responsible for the economic units located in their areas. We should increase financial discipline by actively exploring possible sources of revenue and strictly controlling our expenses.

We need to set into practice family and village plans, organise development funds, and establish village service co-operatives.

For ethnic groups in mountainous areas the state should extend support in terms of budget, technical support and encourage more participation in society. These ethnic communities should develop themselves through the effective requisition of aid funds.

In the future we aim to identify development zones. These zones include poverty alleviation, developing border and mountainous areas and ending slash and burn cultivation and opium production. Each zone requires a detailed development project including proper demographic provisions.

We have to establish a national fund for poverty eradication based on the government budget, local resource exploitation, public contributions, banking resources, international loans and other sources of funding. We aim to formulate clear regulations on the use of these funds and concentrate on training sufficient numbers of development technicians. Local authorities (districts, villages) will be granted full responsibility for implementing these projects. We also aim to re-organise the activities and leadership of rural development committees.

We will create conditions for National Assembly members to relate as closely as possible to the needs of the people in their constituencies.

We have concentrated on creating strong party cells capable of leading at a local level. We need to go the grass roots in order to lead people in practical work.

recent policy developments related to decentralised governance and assess possible implications for people's participation in decision-making at the local levels.

Legal Framework

The Constitution is still under review, particularly with regard to local governance. A draft Law on the Territorial Organisation and the Local Administration has been prepared and continues to be discussed in the Legal Commission of the National Assembly. Currently, the sole legal basis for the decentralisation policies are the Instructions issued by the Prime Minister. With regard to the urban sector, decrees have been established to create the Urban Development Administrative Authorities in Vientiane and the secondary towns. While from a strictly legal point of view, the decentralisation process can be questioned, the decision of the Lao Government to launch these policies on the basis of Instructions and Decrees, even before legal frameworks have been approved, allows for learning by trial and error.

Once the Constitution is revised and the Law on Local Administration is approved, a complete analysis and revision of all existing laws and regulations that deal with decentralisation/centralisation issues will take place. This will include, of course, the regulations on financial management and recent anti-corruption measures. The drafting and discussion of the Law on Municipal Government will probably take several years.

Political Vision and Long-term Strategy

The Party Congress of March 2001, which set the policies for the next five years, devoted little attention to decentralisation policies. However, as Box 7.5 shows, the decentralisation process has become directly linked to poverty alleviation. The idea of local development funds (possibly in the form of lump sums) is new. So is the idea of a national fund for poverty eradication. The fact that local authorities will be given full responsibility for implementing these projects indicates a desire for further delegation of authority over local projects.

A Government focus on making the decentralisation process more transparent, eliciting a consensus from all key agencies and stakeholders on how to develop the reforms further would avoid further confusion and speculation. To do so, the Government could designate a Central agency to take charge of the entire decentralisation process - logically, the Department of Public Administration and Civil Service Management, now in the Prime Minister's Office, which is currently

undergoing restructuring. Equally important is the strengthening of the Supreme Auditor-General Institution and the State Management Control Commission.

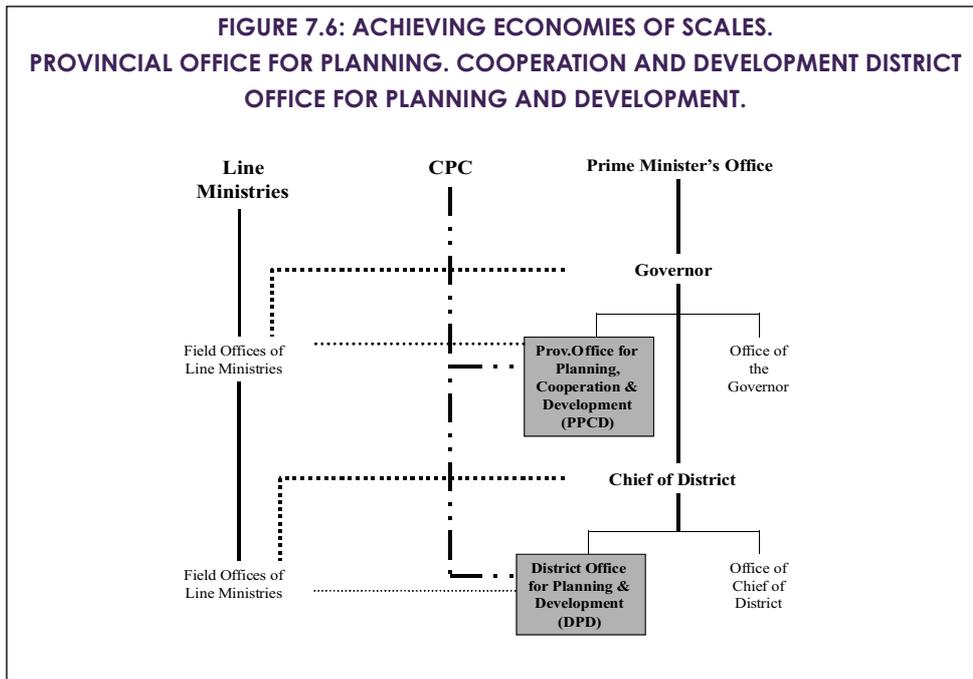
Bottom-Up Planning

"Democratic decentralisation", involving the transfer of administrative, fiscal, and political power, will require mechanisms to facilitate the local level planning process, linking government staff to civil society and devoting commensurate resources to strengthening the capacities to make these mechanisms operational at the Village, District and Provincial levels. Despite the fact that guidelines for bottom-up planning were issued in 1988 and revised in 1995, serious efforts have begun taking place only at the Provincial level. The idea of building community plans on the basis of individual family plans continues to generate scepticism — and, indeed, involves far more than preparing 'wish lists' for action by Provincial and National authorities — because local communities need training in making judgements about technical feasibility, financial viability and assessment of risks (UNCDF 1999, Background papers: 28).

Appropriate support must therefore be given to state agents within the newly deconcentrated system so that they can begin providing planning facilitation and technical services to the Villages on a sustainable basis. The emergence and professional recognition of a cadre of service-oriented planners and community development technicians is critical to successful decentralisation. It also highlights the role of the Committee for Planning and Cooperation (CPC) and the National Rural Development Project because of their responsibility for developing local-level participatory planning procedures.

Here again, however, we encounter the issue of whether many Lao Villages, given their miniscule size and population, are proper planning units for the delivery of most public services. This points to the need to explore the possibility of further consolidation of Villages. It also explains why the District has been chosen as the lowest level at which public sector resources and responsibilities may be delegated.

Moreover, we face the need for co-operation between local authorities so as to pool resources in tackling common problems and thereby achieve economies of scale. Responsibilities continue to overlap between the Rural Development Units and the Planning Units at both the Central and Local levels. The emergence of the idea of creating an additional body or committee to take



charge of poverty eradication policies can only complicate this picture. Lao PDR cannot afford to maintain Government services that duplicate efforts. This points to the need for merging the local offices of the CPC and the local Rural Development Offices, at both the Provincial and District levels (see Figure 7.6), as well as the coordination of rural development planning at the Central level. The CPC appears to be the most appropriate body to combine planning, rural development and poverty eradication policies.

Local Finance

Decentralisation analysts agree that attempts to decentralise planning will fail if not accompanied by decentralised financing. Until now, District authorities have had no real spending mandate, apart from paying salaries and other recurrent expenditures. Otherwise, they have relied totally on the provincial budget. The devolution of financial management and decision-making requires a resource basis on which to build. Hence, the Government has called for increased revenue

collection targets and has linked increased budgetary status at the district level to proven fiscal capacities. This will entail training and support to improve local tax collection and financial management capacities.

Government strategy also aims at ensuring increased revenue collection at the Village level. By way of compensation, revisions have taken place in the percentages of revenue that can be maintained at the Village level so that Villages in remote and poor areas receive a larger percentage than those in areas with more advanced economic development (see Table 7.1). Nonetheless, a fiscal focus, rather than an emphasis on civil society empowerment, risks leading Villages to perceive the new decentralisation policies as threatening. Viewed in this light, the decision to make Village Chiefs responsible for tax collection at the Village level becomes questionable for two reasons. First, the authority to raise taxes at the Village level is usually weak because of their narrow, stagnant economic bases. Second, given the strong bonds between the Village

BOX 7.6.

DECENTRALISING EXPENDITURE MANAGEMENT TO THE FIELD OFFICES OF THE MINISTRY OF EDUCATION

Whereas the Central Ministry once allotted the budgets to the Provincial offices, today the Ministry of Finance and the CPC transfer the provincial recurrent and capital budget allocations directly to the provinces once the National Assembly has approved the budget. The provincial offices of the Ministry of Finance and the CPC then transfer the allocations to the Provincial Education Service. Because the latter fail to report regularly, the Ministry of Education faces difficulties in monitoring the implementation of the budgets. Moreover, the Provincial Finance Services are now decentralising budget implementation to the District Finance Bureaux (Bouapao 2000: 46). But given budgetary limitations, the recurrent budget allocations often do not reach the primary and secondary schools. As a result, teachers' salaries need to be supported by the local community and the parents associations. This leads to wide disparities within and between Provinces.

BOX 7.7.**DECENTRALISATION AND REVENUE COLLECTION:
THE CASE OF THE LARGE TAX-PAYER'S UNIT**

The Large Tax-Payers Unit (LTU), which collects taxes from the large companies and which has been one of the key central instruments for revenue collection, found its mandate decentralised to some of the provincial tax offices. “While a centralised LTU would lead to much higher revenue collections and facilitate the introduction of the Value Added Tax (VAT), the authorities appear to be committed to a more decentralised approach” (Fisher 2001: 3). Apart from capacity problem, this created a serious risk that potential niches of high corruption might soon spread over different local tax offices, instead of being under the single control of the central Tax Department. Because of these concerns, the decision to decentralise the LTU was cancelled in September 2001.

Chiefs and the people who elect them, tax collection becomes politically difficult. Because the Village Chief should not be viewed as the tax collector of the central government, rather than the people’s representative, the District Finance Office is far better positioned to collect taxes. In the fiscal realm, then, the role of the Village Chief should be limited to the collection of non-tax revenue such as service charges and market lease fees.

Beyond these risks, certain contradictions remain in the Government policies. While the Party Congress calls for centralised state management and strict expenditure control, decisions have already been taken to give substantial budgetary decision-making powers back to the Provinces, as Box 7.6 shows for the education sector. Given continuing weak capacities and fragile frameworks for accountability and control, granting the Governors too much discretion in allocating funds is risky.

These problems reveal the need for clear financial regulations and procedures and stress again the risks inherent to rapid decentralisation (see Box 7.7.). They also highlight the problem of Central authority over local field offices. Might Lao PDR again be rushing into decentralisation without sufficient preparation?

**PEOPLE'S PARTICIPATION AND
ACCOUNTABILITY IN DECENTRALISED
GOVERNANCE**

People are demanding a greater say in how their local institutions - their schools, hospitals, public markets and roads - are developed and managed. The periodic election of local representatives, allows a small degree of popular influence over the management of state resources. However, apart from the Village Chiefs and the members of the National Assembly, there are no elected representative bodies in Lao PDR. The people’s councils at sub-district, District and Provincial level were abolished in 1991.

People's Participation at Village and District Level

When the Constitution abolished the sub-districts (tassengs), the local administration tier closest to the Villages disappeared, the distance between the population and the state administration widened, and constraints on the responsiveness of the public service increased. Reducing the size of the Districts became one option for addressing this problem - and explains why the number of Districts has increased from 115 to 141 over the past ten years. Another option is narrowing the gap between the Village population and the state administration by involving civil society more directly in the decision-making process.

Apart from the District Party Committee, no popular representative body now exists at the District level. The Rural Development Committee is composed only of appointed officials. The last Party Congress concluded that: *“in order to uphold its role in the people’s democracy and increase confidence in its abilities, the Party policies should always be in line with the interests and needs of the Lao people. The Party must concentrate on commanding the wishes of the people”*.

Given the difficulties of large rural constituencies, where face-to-face contact between the village people and the District authorities takes place only infrequently - and where significant groups (ethnic minorities) are under-represented, information scarce, and communication poor — focus on the Village is inevitable. The fact that Villages are to become the main implementation units of the Government’s policies implies stronger linkages between local needs and government action. The community level is now seen as the entry point at which development goals are most likely to emerge from the people themselves and where it is most practical to support them. This, however, raises some serious concerns.

First, a capacity development programme that theoretically targets 141 Districts and more than 11,000 Villages is extremely resource-intensive. Currently, the

Government does not have the means necessary to support such an initiative. However, given the political nature of local-level training activities in the past, along with a lack of transparency in the selection of the Village Chiefs, few donors now seem to be willing to support Village-level training programmes. Consequently, for the time being, capacity-building will have to come from the Provincial authorities, with support from the Central line ministries.

Second, the rigidity of the political decision-making process, based on the principles of centralised democracy, tends to weaken the prospects of local empowerment. As we have seen above, decentralisation policies risk tightening bureaucratic control down to the Village level rather than enhancing people's participatory power. On the one hand, the policy statements of the Party Congress call for increased grassroots and ethnic minority participation. They also stress the need to extend democracy within the Party and to provide opportunities for cadres at all levels to express their opinions. On the other hand, these statements also stress the need for strict observance of the Party's unity and the obligation of all levels to comply with the Party's rules.

Third, when Central officials move to the Village level, but remain accountable only to persons higher in the hierarchy, the Centre can penetrate local arenas more effectively without a corresponding increase in the influence of organised interests at those lower levels (Manor 1999: 5-6). In that case, the delegation of increased authority to local state officers and Party cells takes place at the expense of real grassroots empowerment. Is current debate on the appropriate content of the decentralisation policies coupled with a growing political interest in the role of civil society and a desire for greater participation of citizens in governance? Will the country's leadership tolerate the

emergence of a broader spectrum of civil society organisations and promote the democratic and free election of the Village Chiefs and a new form of people's participation at the district level?

Fourth, the instructions regarding the implementation of the decentralisation policies explicitly highlight the role of the District Party Committees and the mass organisations. The latter are now defined as the country's main participatory bodies. But these political groupings are not yet present in all Villages. Moreover, because they operate according to the principles of centralised democracy, they often appear unable to adapt timely to the demands of a rapidly evolving society. The existence of a web of mass organisations, with hierarchical lines from the top down to the grassroots, therefore tends to curb individual or community initiatives taken outside these conventional settings.

People's Participation in the Urban Areas

The establishment of the VUDAA/UDAAs involves not only a move from centralised governance towards a still modest form of decentralised government, but reflects a will to relax the idea of a standardised and uniform approach across the country and to adopt diversity as a principle for solving local problems. Nonetheless, because the legal frameworks within which these local government units currently have to operate remain poorly defined, their purpose is not yet clearly understood at all levels of government. To take only one example, until the adoption of a Constitutional amendment and the approval of a legal framework to comply with the budget law, the introduction of user charges and local taxes will remain impeded by the uncertainty surrounding the legal powers of the UDAAs. Moreover, the uncertain status of community participation in the decision-making process remains a source of concern, the more so because the 7th Party

BOX 7.8

PARTICIPATION AND VOLUNTEERISM

The United Nations General Assembly designated 2001 as the **International Year of Volunteers** to acknowledge the important contributions volunteers make to global development. This is especially true in Lao PDR where volunteers play a central role in carrying out local governance activities. Decentralisation and governance reform are important strategies in the poverty alleviation scheme set forth by the Lao PDR Government. The success of this effort will depend largely on the ability of the government to leverage local participation and ownership of development initiatives. Community volunteers play an important and often underestimated role in this process as virtually all local governance functions are carried out on a voluntary basis. From data-collection to the management of local offices of the mass organisations, from participation in public meetings on development projects to communal decision making according to cultural traditions — more often than not the work is performed by volunteers.

This box has been contributed by the United Nations Volunteer Office, Vientiane.

Congress, unlike its predecessor, made no reference at all to the further development of municipal government.

THE FUTURE OF DECENTRALISATION IN LAO PDR: TRENDS AND OPTIONS

Lao PDR cannot afford a decentralisation blunder like that of the 1980s. It must ensure that the conditions for effective, sustainable decentralisation are in place. To recapitulate, these include improving the capacity of the local units to plan, finance and manage local development; increasing opportunities for people's participation in the decision-making process; and developing a system of incentives and sanctions to promote accountability and transparency in local (and Central) politics. Current policies focus essentially on the first of these prerequisites.

In theory, the new decentralisation policies reflect a people-centred approach to development and poverty alleviation (Round Table Report 2000: 45). The fact that these policies still remain unclear to many stakeholders stems not only from the absence of a central agency responsible for the development and overall monitoring of the decentralisation process, but shortcomings in the communication strategy of the Lao Government. This, one must remember, was inherited from an ideological model that stresses the hoarding of information rather than its sharing. Consequently, the immediate intention of the Government appears to be the establishment of a more deconcentrated state administration rather than the development of a broader reform agenda for decentralised governance. The former is not perceived as an element of the latter or as a significant step towards it.

Participation and Size of Local Government Units

In a country that prides itself on both unity and diversity, decisions regarding the size of local administration will significantly influence the extent to which the different groups of Lao PDR (and its population at large) can participate actively in national development. The

abolition of the *tassengs*, the subsequent multiplication of Districts and the recent creation of the *khét* (zones) all indicate that the Government still faces the paradox of choosing between smaller, more responsive and manageable units of District administration on the one hand and, on the other, the economies of scale in both administration and the provision of public services offered by larger areas (Keuleers 2001: 1). The new role of the Districts in decentralisation policies has drawn increased attention to this problem.

Smaller units could help build a more responsive and more accountable local administration. Smaller Districts would solve a number of problems and probably move more rapidly towards people-centred local government. Smaller Districts would facilitate direct involvement of local populations in managing affairs that reach beyond the frontiers of their native Villages. Whether they now wish to act within this larger scope remains doubtful (see Box 7.9).

However, as indicated earlier, an increase in the number of Districts has serious budgetary and human resource implications. If the Government cannot provide these resources, increasing the number of Districts will lead to a further deterioration of the quality of public services at the local level. While requests for creating additional Districts continue, budgetary austerity has compelled the Government to freeze the proliferation of such units and to look for other solutions to strengthen the administration of those that now exist. The *tassengs* might have served this purpose.

If the creation of new (smaller) Districts proves impossible, smaller Villages might be merged into larger communities. The Government is therefore reviewing the criteria for the legal establishment of Villages. The best solution would probably be developing different criteria for different geographical locations - the uplands, the lowlands and the urban areas. In the lowlands, amalgamation of Villages would lead to the

BOX 7.9:

LAO VILLAGES AND POLITICAL ENGAGEMENT

Villages in Lao PDR, especially in the remote areas, have always maintained a certain independence vis-à-vis the state administration. In Houaphan, where the large district of Xiengho was split into three districts, the authorities acknowledged that there could be resistance from the local population, who expressed concern that smaller districts burden them with additional responsibilities (Keuleers 2001: 29).

The Government Report presented to the 7th Round Table Meeting highlighted the fact that 150 villages had prepared their development plans - an encouraging development for present decentralisation policies (Round Table Report 2000: 23). However, in a country of more than 11,000 Villages, the response of only 1.5% of the grassroots communities to the Government's call can hardly be considered promising.

emergence of larger communities, which could then be upgraded progressively into rural communes. To this end, the Government could provide incentives to promote voluntary amalgamation or resettlement. A compulsory unification of dwarf Villages constitutes another option, but requires careful analysis of local conditions. Mandatory amalgamation of Villages may be more appropriate to urban rather than rural areas (Keuleers 2001: 46-47). But most rural Villages are simply too small to play a meaningful role as units of local government.

Options for Improving People's Participation

Enhancing people's participation calls for action at both the national and local levels, either by strengthening formal institutions, creating innovative mechanisms for sharing information, or through civil society emancipation. To permit better representation of all communities and ethnic groups, the elections for the National Assembly could be shifted from the Provincial base that currently prevails to District constituencies.

Another option is exploring the possibility of a more direct election of local officials. At the Provincial level, the Governor represents the state and each minister, and is responsible for providing coherence between national-level and local-level interests. Therefore, the Governor must be an appointed official, his/her nomination approved by the National Assembly. However, the District Chief, who is much closer to the communities, could be elected by the District population, either directly or through an indirect voting system (in which the Village Chiefs might elect the District Chief). A variation of this option would be submitting the appointment of the District Chief to a representative District Council.

Indeed, if the District is to become the main planning and budgeting unit, mechanisms need to be developed to increase people's participation in local government. Consequently, the draft Law on Local Administration proposes the establishment of District Development Councils as platforms for dialogue on major development decisions between the local authorities, the local state administration, civil society organisations and other community structures. Given the limited scope of civil society in Lao PDR, special mechanisms will be required to ensure that the broader local community and certain groups — in particular, women, youth and ethnic minorities — are well represented in the Councils.

While the election process at the Village level could be

improved and the idea of elected Village Councils has been raised, the election of a representative body at the Village level poses risks. In a number of developing countries, elected bodies took over the functions of the more traditional Village Councils where consultation was rooted in historic traditions (*UNDP Poverty Report 2000*: 73). The Lao villages also have their traditional Village hearings, in which each head of a family speaks for its members (though perhaps at the expense of a critical member of the household who stands lower in its hierarchy). Establishing formal Village Councils may lead to excluding a majority of the people from local decision-making, leaving Village management to a small handful of elected representatives. The costs of such elections would also be enormous. Small Villages allow for more direct democratic participation. For this reason, the Government has opted for the election of Village Chiefs and for training them in methods of participatory planning and basic management, including conflict resolution. If Villages merge progressively into larger communities and Village Chiefs take on additional responsibilities, their status as full-time representatives of the local community should rise accordingly and a reasonable allowance should be granted, perhaps calculated on the basis of the Village's size and population.

However, elections in themselves cannot create a vibrant development process at the local level. If the poor are to make choices on means of escaping from poverty, they need access to useful information and knowledge related to these choices. Moreover, if people need to pay greater taxes, they need to know how their money will be used. One avenue is the promotion of "governance education" via the budget process. As an integral part of the process, the Chief of District, assisted by the heads of the Finance and Planning Offices, could organise popular meetings to give citizens the opportunity to learn about the budget, revenues and expenditures and costs of public services and to express their views on the delivery of services and on the taxes and fees needed to fund them.

An even more important evolution in the local governance agenda would be the emergence of non-governmental organisations (NGOs) and their involvement in the delivery of essential services such as health, education and social welfare. Opponents may argue that these organizations often represent only a limited fraction of society and therefore that they do not always act in accordance with the collective interest. Indeed, because they reflect the heterogeneity of the society, NGOs represent a certain risk, especially in a

BOX 7.10:**CIVIL SOCIETY IN THE LAO CONTEXT**

The 7th Party Congress stated that, to improve the democratic process, the Government should seek the optimal match between state, civil society and private sector to ensure that development results from the creative interaction between these three non-confrontational forces. Each has a unique role to play in promoting sustainable human development.

The term *civil society* refers to all those groups organised outside the state and autonomous in relation to it, but in constant contact with it to advance their interests. In Lao PDR, civil society is represented mainly by the mass organisations, Buddhist society, parent organisations, student organisations, the sports organisations of the Villages, youth organisations, etc.

The empowerment of civil society goes hand in hand with the creation of opportunities — social, cultural, economic and political. The rules of engagement for defining how these opportunities generate and develop (including the emergence of civil society associations) should be clearly stated and enshrined in transparent laws and regulations. According to the Lao Constitution, citizens have the right to set up associations that do not contravene the law. However, apart from the mass organisations, already enshrined in the Constitution, no legal framework now exists to allow other civil society associations to operate on a formal juridical basis. This lack of a legal and enabling environment currently deprives Lao citizens of one of their fundamental Constitutional rights. Without diversity in civil society organisations, ideas and systems stagnate and cease to function properly. If a government is to act under the rule of law, it needs to ensure that the legal frameworks to which the Constitution implicitly refers are effectively developed, approved and disseminated.

country like Lao PDR, which sets national unity above fragmentation. The primary objective of the Lao Government is uniting society and avoiding social conflict rather than intensifying and formalising its diversity - a major reason why the Government has been reluctant to encourage the development of civil society organisations outside the traditional mass organisations (see Box 7.10).

However, a strong and confident state should not be afraid to include NGOs progressively in the socio-political landscape, even though they do not provide a panacea to service delivery shortcomings. A good legal framework can offer opportunities for monitoring and control to ensure that they operate in accordance with the laws and regulations, that they provide satisfactory services, and that their management is sound and transparent. It is the existence of local governance, combined with the emergence of local civil society institutions, that truly creates the pluralism critical to democratic development. (DDSMS & UNDP 1996: 28).

Improved Accountability

Successful decentralisation requires a strong and enabling Central Government to regulate and monitor the implementation of the decentralisation policies and for establishing a framework for both incentives and sanctions for local government action. Good Local government is accountable local government, requiring a system of multiple checks and balances in the exercise of political and administrative power, both at the Central and Local levels. A wide range of accountability devices therefore needs to be considered to ensure

accountability between Central and Local authorities; between technical and political bodies; and between Central/Local administrators and the citizens. So far, Lao PDR has focused largely on accountability to higher-ranking authorities. The current system is built on typical intra-administrative control mechanisms and on accountability mechanisms directed upwards, rather than downwards to the citizens.

Since local communities in Lao PDR have limited capacity to carry out their mandate, they need to rely on the staff and resources of the deconcentrated field offices of the Central administration. Therefore, apart from strengthening the accountability of the local leadership, improving the responsiveness, performance and accountability of these technical offices will be key to implementing the decentralisation policies successfully. But if communities are to engage meaningfully in the dialogue with Central officials about development plans and budgets, *development communication* must become a central component of the decentralisation process. As mentioned above, people's participation can be enhanced through public hearings on the budget process. Another option is establishing *Citizen Information Centres* (CICs) in the Districts to provide information on state services and citizen entitlements, rights and duties. The CICs would also orient citizens towards the appropriate government services, either at the Village, District, Provincial or Central level.

There is also a need to explore innovative opportunities for public participation in public affairs at the Village

level, and for holding local authorities accountable for the allocation and management of resources and the delivery of services. The current practice of Village hearings can develop into a more formal setting for holding referenda on various matters. Village authorities can also be authorised to invite Central officials from the District level to a Village meeting for exchanges on programmes, budget allocations and service delivery. By establishing these procedures, the Government would send a strong signal of its willingness to make its officials directly accountable to the villagers.

Accountability in a decentralised system is multidirectional: to the population through representative institutions and to the Central Government. This requires a set of audit mechanisms to ensure accountability to the Centre. It demands improvements in local management and accounting practices, as well as strengthened Central inspection and audit capabilities, and codes of conduct at all levels. In this regard, the establishment and reinforcement of the Auditor-General Institution and the recently established State Management Inspection Commission must be seen as basic conditions for increased decentralisation. Provincial branches of the Auditor-General Office could also be established to ensure accountable management at the local levels. Another important factor is the development of an active and more independent press that can bring cases of corruption and mismanagement into the public arena. All this implies that the future development of the decentralisation process calls for accountability among different levels of Local and Central Government as much as accountability to the local population.

Decentralisation and Capacity Development at the Local Levels

Empowering local communities and active participation of all citizens in the development dialogue and decision-making processes require improved levels of education and, in general, a higher degree of human and social development that in itself derives from improved standards of living and progress in poverty alleviation. Human resource development remains a prerequisite for good management, for improving technical capabilities, for enhancing participatory development and for building national ownership.

Underdeveloped staff capabilities, in terms of both quality and quantity, remain a major constraint on the execution of the decentralisation policies. Consequently, capacity-building at local levels must emphasise the full

range of capacities needed for effective service delivery and good governance. These encompass budgeting, accounting, revenue mobilisation, communication, internal management, and monitoring and evaluation. To give this holistic approach effect, a National Training Programme needs to be prepared and implemented to tackle the main problems that currently hamper local development — poor coordination and cooperation mechanisms among the various sectors; severe constraints in data collection and poor records management; weak project management, monitoring and evaluation; and lack of understanding of market economy mechanisms. In addition to formal training, Central-Local exchange programmes could be created in which selected District staff would serve for a period of time in the Provincial and Central administrations before re-appointment to their original duty stations. Staff from the Central and Provincial levels should also be redeployed to the District level, but this requires appropriate incentives that are not readily available. Therefore, making local assignments mandatory for all new employees, as part of their probation period may be one of the few ways of reinforcing District administrations with additional staff.

Appropriate Donor Support

Decentralised governance and the requisite capacity-building efforts require substantial resources and technical support. In Lao PDR, as in many other developing countries, there is growing understanding that the relationships between the Government and civil society are key to the process of creating and sustaining equitable opportunities for all citizens. Decentralised governance is considered the most effective means of building that relationship. As the focus of development programmes and projects gradually shifts from a centralized approach to one that entails participation at the local level, both the Central and the Local authorities need to be prepared with approaches for planning, managing and evaluating such projects.

Donors often allocate too much money too quickly through a local system that remains weak. They also tend to over-emphasise meeting project targets. This may conflict with the long-term timeframe needed for sustainable change in the way local government operates. Consequently, local development projects should be long-term in nature, with built-in mechanisms to reorient the project to local constraints, needs and priorities. Stating detailed objectives and related activities for local governance projects at their outset is extremely difficult, simply because the development problems usually are not well understood at the

beginning. Because of political sensitivities, the environment of such programmes and projects is often complex and uncertain; these factors complicate the control of the variables that influence project success. Management approaches to local governance projects therefore need to be much more flexible *“to anticipate the changing needs of the stakeholders and the unpredictable and rapidly changing demands of the socio-economic and political environment. Management emphasis should be placed on accepting and learning from mistakes rather than error prevention, and on promoting creativity rather than blind compliance with predetermined targets”* (UNDP/MDGD 1996:5).

The Lao government should also take care not to accept projects that inject levels of per capita funding that the national budget will not be able to sustain. *“The volume of resources allocated by projects to the local levels should, to the extent possible, approximate the future capital flows realistically anticipated from central transfers, local taxation and revenue collection efforts”* (UNCDF 1999).

This requires not only the full involvement of the local stakeholders in the management of the projects, but also a new approach to project evaluation. Instead of bringing in external consultants to measure project outputs in terms of the original stated objective, participatory evaluation methodologies may yield far more productive assessments. In contrast to conventional evaluations, these new approaches of project evaluation become *“a further element of the participation and self-empowerment of local communities, NGO’s, local and national government, and other involved actors”* (UNDP/MDGD 1996:6).

In participatory evaluations, the local communities (or designated local authorities) would carry out regular workshop evaluations of the projects in close collaboration with the project team and the deconcentrated offices of the line ministries. This would allow all direct stakeholders to appreciate the project’s impact (UNCDF Background Papers 1999: 101-149). The initial results may fall far short of conventional notions of perfection, but they will prove far more beneficial and useful to the grassroots people concerned and, indeed, all the stakeholders involved.

In such a setting, it is important to make sure that promising practices adopted in certain areas can be shared and that information on what works and what doesn’t can be transferred across provinces and across ministries. One way of promoting such a culture of information-sharing is the design of national award

systems for excellent initiatives taken by the Central departments, the Provinces, Districts and Villages. Such award programmes not only give public recognition to initiatives which have successfully addressed development/poverty alleviation objectives, but tend to inspire the duplication of such initiatives in other localities or government agencies throughout the country.

IN CONCLUSION

The world over, developmental gains and poor performances have emerged in both centralised and decentralised systems. This makes it difficult to draw general conclusions about the relationship between a particular decentralisation/centralisation policy and its efficiency and effectiveness in service delivery or poverty alleviation.

Well-managed, decentralized governance can promote sustainable human development by improving citizen access to services, credit and employment and making it more equitable; enhancing socioeconomic justice; increasing popular participation; and raising government responsiveness. However, as Lao history has shown, decentralisation must be embedded in a legal and regulatory framework, with clear delineation of responsibilities, efficient and operational accountability and auditing systems, effective Central and Local government coordination and enhanced administrative, technical and financial capabilities, both at the Central and the Local levels. It also requires a long-term vision and a strategic implementation strategy. Otherwise, decentralisation can lead to increased local disparities, threaten macroeconomic stability, aggravate economic and social tensions, and increase corruption at the local level. In short, deciding on any meaningful decentralisation policy requires a certain level of centralisation.

At the same time, however, the Government should increase opportunities for the local population to evaluate ongoing policies and participate in further discussions on the future of local government in the country. The key issue is orienting the decentralisation process towards institutionalising a participatory and empowering local environment - in short, towards the establishment of local government institutions and local development policies over which local populations will have more direct influence.

There are generally two ways to implement a decentralisation strategy: targeting those local

BOX 7.11:**POLICIES AND REALITY IN THE HEALTH SECTOR**

The 7th Party Congress decided to expand basic health care to people at the grassroots level. The Government agrees that there is a disproportionate distribution of health care staff and wants to (1) increase the number of nursing schools students and (2) give priority to the development of health care outreach teams. It also wants to improve and expand hospitals at all levels and in remote areas so as to provide equitable access to health care services for all Lao people by the year 2020. Only recently, however, a new hospital was built in Vientiane Municipality, bringing the total number of hospitals in the capital to 7 general hospitals and 5 specialised hospitals.

administrations that have the potential to become engines of growth from which development can spread to the poorest communities; or directly tackling the poorest communities. Neither approach excludes the other. In Lao PDR, the Government actually combines the two. On the one hand, the recent decentralisation policies aim at selecting a limited number of Districts that have the potential to become budgetary units in the near future. The Government has also issued special regulations for the management of urban development and its gradual emancipation. This implies selecting Districts and urban centres with potential rather than the poorest, most remote communities. On the other hand, the Government is also implementing the Focal Site policies, which target mainly these very communities. Consequently, in contrast to past standardised methods, the Government's recent approaches reflect the principle of "asymmetrical decentralisation" (Litvack et al, 1999: para. 79), the adoption of varied solutions because of diverse capacities and circumstances.

Boxes 7.11 and 7.12 show other lessons learned: that decentralisation policies do not necessarily guarantee actual improvements in broad-based popular participation; and that there may be serious contradictions between promises and reality. What is needed is a comprehensive strategic approach that implements a longer-term vision. Without it, stakeholders begin losing sight of what and who is to be served; decentralisation falls hostage to local Party patronage; Central bureaucratic practices persist, betraying promises of enhanced popular participation; and the Government becomes more interested in means than in ends.

For the moment, no one knows what impact the new decentralisation policies will have on rural development and poverty eradication. Tracking the recent decentralisation experiences carefully, bringing findings and concerns to a national forum and establishing stronger linkages between stakeholders concerns and policy dialogue become all the more important.

BOX 7.12:**POLICIES AND REALITY IN THE TRANSPORT SECTOR**

At the Donor Round Table Meeting in November 2000, the Government announced that, after the rehabilitation of the National, Provincial and District network, its next priority was providing basic infrastructure for rural development and ensuring that economic benefits could be channelled to those areas where the rural poor and the ethnic minorities live. Investment in all-weather rural access roads contributes immensely to reducing poverty by bringing transport, healthcare, education, and markets, as well as non-agricultural activities, closer to the more disadvantaged groups (Round Table Report 2000: 65).

There may, however, be some contradiction between these pro-poor infrastructure policies and other decisions. For example, inviting Districts and Villages to participate in road maintenance, without giving them additional support and means to execute these tasks, may not produce the desired results. The new decentralisation policies allow the Villages to keep a percentage of the revenue collected, but 10% returns on an average Village revenue, now extremely low, is insignificant for financing road maintenance.

Second, while the Government states that it wishes to bring infrastructure to the rural poor and the ethnic minorities, one of the objectives of the resettlement policy is the relocation of upland minorities to the lowlands to integrate them into the monetary economy, build national unity, and consolidate national security. According to the Government plan, more than 50% of the upland District populations were to be moved to the lowlands over a five-year period (Goudineau, 1997, Volume I: 21). Cost-effectiveness was given as one of the main reasons: populations are resettled because the mountainous terrain and the current economic situation of the country make it impossible for the Government to build a road network that can bring economic development to all these remote areas.

If the Government fails to distribute economic growth more evenly across the different regions and various ethnic groups and to reduce the growing gap between the rich and the poor and the urban and the rural areas, Lao PDR may become a country with a string of prosperous border towns along the Mekong and a penniless hinterland (Luther 2001). Much depends on the outcome of the Constitution review and the final content of the Law on Local Administration - and on the political will and fiscal capacity to transfer much-needed human and financial resources to the Districts so that they may play a more significant role in the development process. As Box 7.12 indicates, topographic realities impose enormous constraints on developing a national infrastructure network. Since bringing social services closer to the poorest is simply not feasible at the moment, the Government wants to bring certain populations closer to identified development clusters — the Focal Sites.

Decentralisation appears to “the wave of the future” in many countries, whatever their position in GDP or HDI rankings. Yet it has been a major theme of debate in the

USA for over 200 years and, indeed, contributed in no small way to that country’s Civil War in the 1860s. In France, the discussion arguably reaches back some 400 years and became the focus of Constitutional revision only two decades ago. In what is now the United Kingdom, one can trace the workings of the dialectic as far into the past as 1215, with the drafting of the Magna Carta, and can see its re-emergence in recent discussions of devolution in Scotland and Wales. We may therefore safely say that with regard to decentralisation, all countries are now “developing”. Lao PDR, among many other polities, today must find its own balance in accordance with its own complex realities. And, as in many other countries, a clearer vision and implementation strategy would certainly go far to ensuring that present policies accurately reflect a national will to “institutionalise” genuine participatory approaches to the planning and management of local development. Regardless of current donor urgings, this sort of clarification remains key to resolving bureaucratic and political struggles between Central and Local authorities at the grassroots level.



Rural Development certainly demands skills to manage change. However taking time for reflection and learning is equally important.

MANAGING RURAL DEVELOPMENT FOR POVERTY REDUCTION

The preceding chapters provide a large quantity of analytical wealth and lessons learned. This chapter will not try to summarise them, instead it will focus on two “red lines” that run through all the preceding chapters and their abundance of statistical and other information. Basically, they come down to two issues:

- We do not yet understand development processes. Too often, we mistake our own “scientific” perceptions for those of the people we “target” as beneficiaries. The word target itself implies attack. We may therefore wish to ask ourselves if we are attacking poverty or the poor. In short, can research - especially, participatory research that attempts to look at poverty as the poor themselves see it - help us understand development processes and the structures that undergird them?
- How do we react to the development challenges we ourselves have identified? How do we react to those voiced by the poor themselves? Can bringing the two types of perceptions together help to reduce the risks involved in change?

We can encapsulate these two red lines or question clusters in two phrases far more brief:

- “Knowledge Management” and
- “Change Management”.

This chapter briefly examines both areas.

KNOWLEDGE MANAGEMENT

When Robert Chambers wrote, “There are no short-cuts to development,” he meant that understanding change takes both time and energy. Knowledge management in the specific context of Lao PDR derives from three key factors:

- Diversity
- Livelihood systems
- Human resources and organisational structures

Diversity

The enormous challenges Lao PDR faced at independence stem from the diversity of its ethnic groups and languages, the virtual absence of a nation-wide educational and health system, a dysfunctional administrative structure, and a poorly developed economic structure. These elements cannot be minimised. Nor can the fact that the country’s ten-year isolation from the world economy did not protect it from the shocks that shook that world. These factors contributed significantly to a dearth of knowledge on Lao development and the limits of the country’s research capacity. Only during the last decade have scientists of all sorts begun researching and documenting the many development contexts of Lao PDR.

However one may analyse the development challenges Lao PDR faces, one cannot escape diversity. No poverty

reduction effort can succeed without taking this unique multiplicity of natural and human systems into account. Despite the 200 and more ethno-linguistic distinctions outlined by Chapter 5, the former official ethnic classification places all Lao citizens into one of only three groupings: “Lao Loum” or lowland Lao, “Lao Theung” or midland Lao and “Lao Soung” or highland Lao. This simplification is perpetuated by the continuing use of this classification, long dismissed as inaccurate, among Government officials at the Provincial and District levels — and by representatives of the donor community.

Moreover, as we have seen, the ethnic diversity of Lao PDR should be considered an asset because of the country’s wealth of local indigenous knowledge, the logical point of departure for any sustainable participatory and people-centred rural development process. However, language diversity still acts as a barrier, along with the paucity of civil servants trained in the social sciences, anthropology in particular. The donor community, too, has often underestimated the true nature and importance of the socio-cultural diversity of Lao PDR. Consequently, virtually no donor assisted-project in Lao PDR has attempted to integrate into its planning the spiritual dimension of poverty alleviation in upland rural areas and its intrinsic link to the concept of ritual technology.

Almost universally, agricultural projects fail to acknowledge the fact that for most farmers, both rice and livestock have an inner spiritual being that corresponds to the Western concept of “the soul”. Few planners scientifically assess the ecological implications of existing shifting cultivation practices before trying to make sedentary farmers of slash-and-burn cultivators. Similarly, few health projects seriously

evaluate traditional local healing methods before building a health centre. In much the same way, educators overestimate the relevance of standard formal curricula to the lives of rural families before building a school in an ethnic minority village.

After 1975, the Government envisioned a free, unified country and undertook immense efforts in nation-building based on the worldwide assumption of the era, particularly after the war that had ravaged Lao territory: beyond a limited degree, diversity posed risks of conflict. Only during the last decade has the development community come to regard diversity as a source of strength and of economic potential. However, tapping this multiform diversity and releasing its dormant wealth for development will demand significant efforts from the Government to enable flexible interpretation and implementation of policies in accordance with local circumstances.

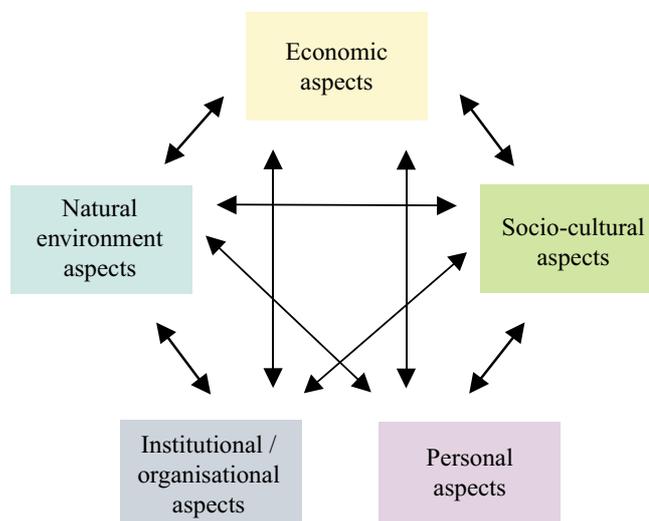
Livelihood Systems

The concept of livelihood systems can be interpreted as a tool to analyse and thereby try to understand the processes that underlie development in a specific context. As indicated in Chapter 6, livelihood systems consist of several elements. Figure 8.1 schematises their relationships.

Because of these multiple relationships, change in one element leads to change in the others. Change in each of the systems labelled as a box can originate from within it or can be “borrowed” from other systems.

In the context of development work, changes are often made on the basis of a partial understanding of the system in which they will interact with other dynamic

FIGURE 8.1: LIVELIHOOD SYSTEMS



Source: T. Nooyens, 2000

components. Chapter 6 highlighted two such changes in particular: the reduction of shifting cultivation and land allocation policies. This Report has assessed the dangers of the ways in which both are now implemented. They may not only fail to help communities in trying to better their living standards, but aggravate these people's present poverty. This does not imply that the basic premises of these policies are necessarily wrong. It means simply that they are being implemented with insufficient knowledge about their possible consequences for the livelihood systems of the community.

In 1998-1999, about 39 % of the total agricultural holdings of the country were involved in upland rice production. Upland rice is generally cultivated in slash-and-burn systems. According to Walter Roder (IRRI, 2001), slash-and-burn agriculture, a major land-use practice for Lao PDR, involves more than 150,000 households or some 25 % of the rural population. If the fallow land is included, shifting cultivation may currently use up to 80 % of the soils used for agriculture. For hundreds of years, low population densities, low incomes, and low access to inputs made this form of cultivation the best land-use option for the rural populations of the hilly regions of Lao PDR. Today, rising population pressures, increasing degradation of the resource base, general awareness of off-site effects, and an increasing interdependence between the farmers of the lowlands and those of the hills have changed the situation — and demand a new approach. It is therefore not surprising that the Lao Government prioritised the transformation of this system, perceiving it as harmful to the environment, other agricultural systems and, indeed, to the country as a whole.

However, converting shifting cultivation systems into other, more permanent patterns involves many technical

and social factors that interact themselves, often in unforeseen ways, to create an immensely complex picture. No development plan can solve the problems faced by Lao slash-and-burn farmers in the long term by focusing on their production system in isolation - simply because the cultivation method does not operate in isolation from an entire economic and social context of a specific group of people in a livelihood system, its direct neighbours and the national socioeconomic structure at large. Interdependencies and linkages with the national economy, especially employment opportunities, market opportunities, access to social institutions, and rules regulating off-site effects need to be recognised and exploited to optimise benefits for the households that now depend on slash-and-burn agriculture. In short, development demands a holistic view.

The same is true of the Land Use Management policies, in which the issues are strikingly similar. The policy as such may well be sound, but the way in which it is implemented — with insufficient knowledge about its effects on other elements in the livelihood system - may make its final outcome negative.

There are five basic decrees on land management and administration: the Property Law, Land Decree, Land Tax Decree, Document Registration Decree, and the Forest Management and Land Use Decree. Their purpose is providing a system of land use rights, as well as incentives for individuals to manage their lands sustainably. Traditionally, land tenure agreements were made between families; no restriction existed on how much could be claimed by an individual. Now, the state owns all land, but farmers have land use rights that can be inherited, transferred or sold. The land allocation initiative will be implemented in accordance with area-

BOX 8.1: THE MAJOR CHALLENGE FOR A SUSTAINABLE EVOLUTION OF RURAL PRODUCTION SYSTEMS IN LAO PDR: THE FUTURE OF SHIFTING CULTIVATORS

“At this point, the main difficulty inheres in the future of the shifting cultivators who, for the time being do not have any other alternatives, but the Government is trying to convert them to sedentary livelihoods. Are the important rural development programmes in focal sites and other areas of territorial reorganisation — widely supported by the international organisations — going to be sufficient (i) to improve the livelihoods of these people, (ii) to avoid the negative process of impoverishment and acculturation and (iii) to preserve the natural environment? The first results are mitigated and it is important for the Government to commit itself quickly to complementary activities, which are more qualitative than quantitative. Indeed, this strategy will have a cost and will take a long time, but that is the price to be paid for an effective reduction of poverty and for a sustainable human development, both programmes of these to which Lao PDR has also committed itself since 1995.”

Source: Laurent Chazée, 1998. (Translated from the French original) “Evolution des systèmes de production ruraux en République Démocratique Populaire du Laos (1975-1995)”. Conclusions, pp. 414-415.

specific criteria, which give precedence to people's welfare and livelihood. Land allocation is now under way, land is being registered, and boundaries are being drawn.

A majority of the poor villagers interviewed during the PPA and various other surveys have identified the Government land allocation programme - often combined with resettlement - as the foremost cause of disrupting their livelihoods and driving them into poverty. Other sources echo this opinion. Somehow, then, the implementation of the land allocation programme has gone wrong and has been diverted from its original objectives by poorly trained local administrators and technicians (as previous chapters have described in some detail). Political pressures to try to eradicate shifting cultivation in Lao PDR and to control the rural Villages seem to have pushed the Provincial and District administrations to use various distorted forms of land allocation procedures hastily on a large scale. From this viewpoint, the broad Government objectives of protecting the country's forests and gradually providing the upland shifting cultivators with efficient support and choices for more sustainable livelihoods became distinctly subsidiary in the actual implementation.

Human Resources and Organisational Structures

Few people acknowledge that Lao PDR is a very young state. It was established only in 1975 as a self-governing nation after a long colonial period and a terrible war. These factors, combined with a small and thinly spread population, have contributed to the current state of underdevelopment.

The Human Resource Development policy of the Lao Government takes an important step in the right direction. It focuses on the individual capacities of Government officers, attempting to stimulate their knowledge and awareness by progressive increases in their responsibilities. This strategy, however, tends not to work for three reasons:

First, villagers generally know far more about their livelihood systems than Government officers or development practitioners and generally innovate to face new challenges far better than the "professionals" - in terms of their own realm of knowledge. That they need other types of knowledge to adapt to a wider world is indisputable. But no "professional" can analyse development challenges without including their local traditional knowledge in a development scheme. Further efforts are necessary to win access to this knowledge.

Second, in addition to focusing on teaching individuals, institutions have to learn far more about how they themselves manage the knowledge they acquire. The number of people involved in development work in any professional setting is limited and the vast majority of international development workers leave a country after two or three years, taking with them all they have learned. This is a terrible waste. To optimise knowledge management, the Government agencies and the international development community need to share knowledge and information more efficiently and constructively, with increased documentation, enhanced availability and accessibility of information, improved information-sharing mechanisms, and radically revised methodologies for validating information.

Third, knowledge does not drop out of the sky, even when it seems to do so in "flashes of inspiration". It is an outcome of designed efforts to increase the understanding of, in our case, development processes. Consequently, people need tools to acquire it - for collecting data (both quantitative and qualitative), as well as for analysing them and transforming them into knowledge and development action. These tools are still insufficiently developed. As indicated in Chapter 3, the analysis of quantitative data alone may lead to false conclusions about priorities in development action. However, in the present Lao context, collecting qualitative data is both expensive and difficult and cannot be carried out on a large scale in view of the limited human resources available. There is an urgent need to develop tools that are cost-efficient and easy enough to be implemented by Government staff in the field who have had only rudimentary training.

Despite the necessity of tools, they alone cannot create knowledge or apply it to the design of successful development action. The quality of knowledge is often said to be a factor of the possibility for sharing it. The more one shares, the higher the quality is likely to be. Good knowledge management requires an institutionalised framework geared towards sharing and validating (or nullifying) information.

The Government should take the lead in this kind of endeavour and could establish technical working groups on specific themes with participation by both its own officials and international development practitioners. In such a context, gaps and shortfalls in the present knowledge set-up tend to be identified so that specific action can be programmed to rectify the system. Then, step by step, a more complete understanding of the pertinent development processes can be envisaged.

CHANGE MANAGEMENT

The second “red line” that runs through this Report concerns change management. The essence of development work by both the Government and the international agencies is the promotion of change. Sometimes the need for change originates from external sources (like the Asian financial crisis), more often from domestic factors such as low standards of living that are perceived as related to the ways in which people organise their lives and produce the food and other goods and services essential to those lives. As this Chapter stated earlier, basic perceptions may be wrong because our knowledge of the processes that underlie the present situation is often inadequate. We nonetheless draft policies, elaborate strategies, and take action. We have not, however, grasped the ramifications of three significant thrusts of development: *governance*, *decentralisation*, and *participation*.

Governance Structure

Governance entails the relationships among a variety of organisational structures and society at large. Government is part of this structure, along with political entities, interest groups, NGOs, civil society organisations, and private enterprises. The “bottom line” is the quality of these relations, both actual and perceived. In Lao PDR today, the Party dominates this structure, along with its affiliated mass organisations and the country’s administration. The administration and the Party are intertwined, giving the nation-wide structure a number of functional cross-relations and characteristics.

However, each community also has its own governance structure, in which leaders are assigned specific responsibilities, problems are solved according to certain procedures, the inheritance of assets is arranged, and marriages are authorised or forbidden. These localised governance structures are essential to the community for making major decisions, such as relocation, and for adapting to both internal and external development challenges.

The Government now confronts the immense dual challenge of guaranteeing national unity and honouring ethnic diversity. In view of the recent decentralisation efforts, the issue of governance structure becomes all the more important because government functions are now to be implemented at the village level on an unprecedented scale. The Instruction on decentralisation (No. 1, March 2000) effectively makes Villages integral elements of the national level planning

mechanism. The key to success in this endeavour is the Village’s feeling of ownership of the structure that is making vital decisions about their future. In view of this new Village role in decision-making and in influencing decisions taken in the political and administrative structures, a number of options open regarding the Lao structure of governance.

At the local levels, especially that of the Village and the District, electoral innovations and a review of existing electoral procedures may enhance the inclusion of the civil society in decision-making and may improve transparency and accountability. The election of Village Chiefs and District Councils are obviously prime issues.

Except through belonging to the existing Government and Party structures, one cannot participate in national debate on development. No other public possibilities exist. Enhancing participation normally leads to increasing demands by local populations for ways and means to express themselves, exchange ideas and opinions and, more significantly, to take on responsibilities in managing the future. Currently, a legal framework for the establishment of organisational entities outside the existing structure offers scant opportunity for forming associations. To release the potential of local populations to contribute to development, the Government may wish to elaborate a legal framework that gives local populations far broader freedom to establish formal organisations that accommodate the most urgent participatory needs. Specific interest groups could focus on the management of local infrastructure — water user groups, parent-teacher organisations, credit and savings associations and similar entities. In practice, such groups now exist and function without official recognition. Other entities could be envisaged to allow the management of local development funds by self-organised groups. A sound legal framework would enhance their credibility, transparency and accountability.

Decentralisation

Since 1975, the overall Government management strategy has undergone far-reaching changes. After attempting to establish a central planned economic and political structure, the Government abandoned central planning in 1986 with the launch of the New Economic Mechanism (NEM), which orients the country towards a market economy. This NEM was accompanied by a far-reaching decentralisation of decision-making capacities in virtually all areas of governance. Results were mixed, as Chapter 7 specifies in detail. The economic policies, especially opening up the private

sector and de-collectivising the agricultural sector, stimulated significant economic growth. However, the decentralisation of decision-making capacities led to a situation where the government lost control over public finance and could not enforce the implementation of key national level policies. By the end of the 1980s, the deterioration of Government services and the chaos in public finance management began hampering further growth and threatened to reverse whatever progress had been made.

The Government, sensibly, reacted by re-centralising key governmental functions, notably a number of key institutions and mechanisms for national planning, budgeting, procurement, personnel management and service delivery in vital social sectors. It also launched a comprehensive capacity-building programme for Government officials at the central and local levels and began implementing operational and financial control systems.

Although some dispute the success of the re-centralisation effort, most agree that it helped the country make significant strides forward during the 1990s. First and foremost, it re-established a basis for solid and good government management. Several standards for service delivery have been designed, along with institutional structures that allow proper macro-economic management as well as proper domestic control systems - even though a number of problems discussed earlier in this Report have emerged, notably the inequitable distribution of the benefits of economic stability and growth.

However, the re-centralisation efforts increased the distance between the Government and the people. Responsiveness diminished, along with opportunities for local communities to influence decision-making that shaped their own lives. Moreover, the Government itself came to realise that centrally managed development efforts and top-down planning might not be the most efficient and effective way to allocate resources and combat poverty. Consequently, it recently embarked on a re-decentralisation effort involving gradual devolution of decision-making capacities and financial management authority. Although many stress the need for giving Districts and Villages a greater role in implementing rural development efforts and the current decentralisation programme transforms the Provinces into strategic units, the Districts into planning and budgeting units, and the Villages into implementing units, numerous questions arise.

What will be the future of local governance in Laos? The question is difficult to answer because of the absence of a clear picture of where the entire process is heading. Although several instructions relating to decentralisation have been issued, an overall vision concerning the decentralisation needs to be more incisively articulated. Many issues still need to be tackled to improve service delivery mechanisms for supporting rural development efforts.

How rapidly is decentralisation taking effect? The experience of various ongoing rural development projects suggests a need for caution, largely because of the low capacity of many District administrations. Indeed, many Districts still suffer from a lack of staff qualified in planning and budgeting rural development projects efficiently. Managerial and technical skills remain weak at the District level. Consequently, any real decentralised implementation of rural development programmes and projects should be closely associated with capacity-building support for District staff, especially in rural development activities. Indeed, a number of rural development projects still rely on the capacity of the Provincial administrations.

Control over resource allocation and fiscal stability are key issues, notably in balancing revenue collection with participatory planning (and hence influence by local communities on the allocation of resources by the Government). If village communities do not perceive a reasonable balance between these two, all efforts towards inclusive policy development are likely to fail.

Further, the balance among the different components of the national budget needs attention, certainly in combination with participation in decision-making by lower levels in the administration, as well as public participation. The experiences of the 1980s led to a decline in quality of service delivery. In addition, public participation efforts seem to be heavily weighted towards the Public Investment Budget - on the apparent assumption that local communities need a variety of concrete assets to emerge from poverty (roads, irrigation schemes, clinics, schools, etc.). While much of this is indubitable, significant elements of community needs will not be met by investment in infrastructure, but by improved service delivery. Improved agricultural practices, quality of medical care and education, health and sanitation issues all relate directly to the quality and availability of human and recurrent resources in the Government apparatus. Moreover, it makes little sense to invest in infrastructure if the resources to maintain it fall far short of needs.

Equality among the different Regions of Lao PDR remains an enduring element of Government policies. Very slowly, though, the Government is relaxing its “one size fits all” stance. The diversity of the country is too broad to expect one approach to satisfy radically different development circumstances. This does not mean that the Government should not strive to “level the playing field”. But the “levelling” is more sensibly defined in terms of opportunities for development and the sustainability of livelihoods than in terms of rigid nation-wide policies identically applied across all regions. This principle has implications for both administrative structure and the implementation of development policies.

The Government strives for a situation in which essential services become available throughout the country. Although the focal site strategy can already be interpreted as a conscious effort to concentrate investments in space, most policies still focus on universal service delivery. In view of the limited available funds and shortfalls in service delivery capacity, the Government cannot guarantee high quality throughout the country. The funds for the large-scale initial investments needed are simply not available, and increased investments require increased recurrent expenditure, aggravating further the Government’s existing financial constraints. Given these circumstances, efforts to reduce poverty through concentrating investments and focusing on a high quality of service delivery may prove more efficient than trying to reach every remote community.

Participation

The Government has consistently emphasised the need to combat poverty and pays significant attention to rural development. The series of policy documents and instructions issued over the last five years or so demonstrate a political willingness to focus Government efforts on poverty reduction and to re-organise Government machinery to allow a higher level of participation of the population at large in decision-making. A well-designed structure for popular participation will probably increase Government credibility, as well as enhance the release of local potential in support of policy objectives.

Choices that impact the participation of rural people in development processes grow not only out of approaches to rural development, but the relevance of the delivery mechanisms that reach them. Although a more decentralised Government system could stimulate people’s participation, this involves some risks (see

Chapter 7 and above). A more people-centred rural development process based on community development methodologies could ensure a better level of participation. In this context, one must bear in mind that participation entails not only decision-making, but contributions in cash or in kind as well.

Ensuring rural people’s participation derives in large measure from understanding how they see themselves and what they perceive as their priority needs. By contrast, it is difficult to stimulate change in communities where outsiders offer assistance for activities that they themselves consider priorities, but about which they do not consult their “target” population, especially where livelihoods are concerned. This implies that any rural development programme and project should be based on a prior participatory assessment of realities at the village level — especially in Lao PDR because of the ethnic, topographical, biological and economic diversities of the rural areas. The capacity to listen to the poor, to try to understand them, and to work with them is essential.

Policy options that broaden the enabling environment for participation need to be encouraged. An agricultural extension agent, for example, should offer the farmers with whom he or she works a menu of technical choices from which they can select the most appropriate for experimentation and adoption. This would not only stimulate participation, but increase the impact of the extension services. Many rural development projects have identified the limited availability of Government staff with sufficient experience in participatory development approaches as a major constraint on participatory development. Indeed, many Government officials at the Provincial and District levels still operate in rural areas by using top-down approaches, which do not stimulate people’s participation.

Rural people will see participatory efforts by the Government in relation to the whole package of services it offers or provides. Villagers should not be expected to dissociate participatory planning activities from tax collection or land allocation. In all probability, they will perceive increased participation in other Government activities that have negative direct value in the short-term just as they view tax collection. Sending children to school, for example, entails opportunity costs in terms of their potential farm or household labour. Consequently, success in rural people’s participatory planning and their implementation of activities depends in large measure on balance in the service package proposed by the Government.

IN LIEU OF A CONCLUSION...

Knowledge management and change management are twin concepts, impossible to separate. Change management should be based on sound knowledge about the issues that will themselves undergo change. Knowledge management becomes efficient only if the manager(s) has a good idea of which issues will change — and in what direction. Both concepts are essential to improving development cooperation in Lao PDR. Both will benefit from international cooperation with local organisations, not only in the course of the activities, but in their introduction to the rural area involved. Both

also require resource allocations - as do the complex intertwined thrusts of rural development and poverty reduction.

Virtually all agents active in development cooperation, from the Lao Government to the international agencies, stress the importance of participatory development in rural development. Poverty reduction starts with the local population and will succeed only if local people see their poverty shrink. But the very notion of participatory development stems from the foremost injunction of Chapter 6 of this Report: **The poor are not the problem; they are the solution.**

POVERTY DEFINITION, CRITERIA AND POVERTY LINES

The PM Instruction No. 010 of June 25th 2001¹, defines poverty as: “the lack of essential needs of daily lives such as the lack of foods (possession of foods that are less than 2100 calories/head/day), the lack of clothing, the non-possession of permanent accommodations, unaffordable fees of medical treatments in case of illness, unaffordable payments for self education as well as that of members of the family and unavailable conditions for convenient communications”.

The poverty criteria are set as follows:

At household level: A household is considered poor when total earnings are less than 85,000 kip per member of the household per month (2001 prices). This amount would be sufficient to buy at least 16kg of rice per month for each household member, but then there would be no funds left to buy other items of necessity like clothing or pay for accommodation, children’s educational fees and bills for medical drugs.

At village level: The villages that are considered as poor are those where:

- there are more than 51% of poor households in the village
- there are no schools in the village or nearby
- there are no health centers, traditional health care and drug stores in the village, or where people have

to use more than 6 hours to reach a hospital,

- there is no clean water in the village
- there is no road access to the village (at least trails should be available during the dry season)

At district level: the poor districts are those where:

- there are more than 51% of poor villages in the district
- there are more than 40% of villages in the district with no schools in the village or nearby
- there are more than 40% of villages in the district with no health centers or drug stores
- there are more than 60% of villages in the district with no road accessibility
- there are more than 40% of villages with no clean water

At provincial and national level: the poverty measurement is based on the poverty incidence at district level combined with poverty analysis from the surveys of household consumption and expenditures made by the National Statistics Center.

The criteria to define poverty may need some further refinement during the next few years. However, the definition of a poverty line is not an easy affair. Based on the draft version of “comparative review of poverty profiles prepared recently for Lao PDR” by J. Knowles,

¹ Informal translation

22-9-2001, below the basic steps and some pitfalls are presented.

The most complex aspect of poverty measurement involves the definition and estimation of poverty lines. Although the process is complex, it can be reduced to the following sequence of fairly simple steps.

1. Identification of a household survey with reliable and detailed data on household expenditures that can be used to develop the poverty line (detail is particularly important in the case of food expenditures). The choice of a particular survey determines the baseline year for the poverty study.
2. A reference food basket is developed that includes a detailed list of per capita expenditures on various food items (including home-produced food) among low-income consumers. The definition of the low-income reference groups often varies from one study to the next. The items included in the reference food basket are often limited in practice by the availability of price data. In some studies, more than one reference food basket may be developed for people residing in different regions.
3. Expenditure on each item in the reference food basket is divided by its price, thereby converting the reference food basket from a list of expenditures into a list of physical quantities of food consumed. If there is more than one reference food basket, different sets of regional prices will be used in this step.
4. The physical quantities of each food item in the reference food basket are multiplied by calorie conversion factors in order to calculate the total number of calories contained in the reference food basket.
5. The cost per calorie (or equivalent, the number of calories purchased by a single unit of the national currency) is computed for each reference food basket by dividing the total expenditure on the items in the food basket by the estimated number of calories in each food basket. If there is only one reference food basket, the estimated cost per calorie may be adjusted for regional price differences, using a spatial price index for food.
6. The estimated cost per calorie in each region is multiplied by the minimum daily number of

calories needed by an average person (e.g. 2100) to obtain an estimate of the cost of meeting a person's minimum daily nutritional needs. This is usually called the 'food poverty line'. It may be expressed on a daily or monthly basis.

7. The cost of meeting minimal non-food needs (e.g. clothing, housing, transportation, education and health care) is estimated. This is called the 'non-food allowance' and it can be estimated in a variety of ways. Usually, however, it is based on the non-food share of total consumption among persons whose per capita consumption is 'near' the food poverty line. If the non-food allowance is calculated at the national level (as opposed to regionally), it is adjusted for regional price differences using a spatial price index for non-food items.
8. The baseline period 'poverty-line' in each region is calculated as the sum of the food poverty line and the non-food allowance.
9. Poverty lines for other periods are obtained by adjusting the baseline period poverty line for food and non-food price changes, using a consumer price index.

Developing one or more poverty lines involves several choices, the main ones are:

- a) Choice of a baseline period and region
- b) Estimation of the reference food basket, i.e. the items and quantities of food consumed by persons 'close' to the poverty line.
- c) The cost per calorie of the items in the food basket, reflecting the spatial variation of prices.
- d) Determining minimum daily caloric requirements
- e) Estimation of the non-food allowance
- f) Adjusting the baseline period poverty line for use in other periods.

Three different poverty lines have been calculated for the Lao PDR. All use the LECS II as database, but all have made different choices. The Stenflo study develops separate poverty lines for every province. The Kakwami study effectively develops separate poverty lines for every individual in the LECS sample. Datt & Wang develop only four poverty lines, one for each region (Vientiane Municipality, North, Center and South), with no distinction between urban and rural sub-regions.

The calculated poverty lines are:

	Stenflo	Kakwami	Datt & Wang	% high/low
Vientiane	21,168	23,676	21,606	10
Vientiane urban	NA	24,802	21,606	37
Vientiane rural	NA	21,768	21,606	7
North	18,307	18,626	16,336	14
North urban	18,211	23,749	16,336	45
North rural	18,318	18,070	16,336	12
Center	19,358	20,015	18,397	9
Center urban	20,234	24,348	18,397	32
Center rural	19,080	18,661	18,397	4
South	18,049	18,019	17,989	2
South urban	17,983	21,493	17,989	19
South rural	18,056	17,644	17,989	4
Lao PDR	18,764	19,184	17,666	9
Lao PDR urban	19,597	23,902	17,666	35
Lao PDR rural	18,597	18,239	17,666	5
	Source: J, Knowles.			

The quite remarkable differences between the different poverty lines suggest that prudence should be applied in the interpretation of such calculations.

DEFINITIONS OF STATISTICAL TERMS

Birth-weight, infants with low. The percentage of infants with a birth-weight of less than 2,500 grams. This figure is a good indicator of the future health and intellectual development of the child. The measure of this indicator in Lao PDR is complicated because almost 9 out of 10 births take place at home. The figures available from WFP for 1999 show 4 out of 10 infants with low birth-weight in urban area and almost 6 out of 10 in rural areas.

Children reaching grade 5. The percentage of children starting primary school who eventually attain grade 5 (grade 4 if the duration of primary school is four years). The estimate is based on the reconstructed cohort method, which uses data on enrolment and repeaters for two consecutive years. According to the NHS2000 for 2000 the percentage of children of primary school age attending primary school is 32 %. There are no specific data on the number of children reaching grade 5.

Consumer price index (CPI). Reflects changes in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or change at specified intervals. It is an indicator of measuring the levels of inflation in the country.

Earned income (estimated PPPUS\$). (female and male). Roughly derived on the basis of the ratio of the female non-agricultural wage to the male non-agricultural

wage, the female and male shares of the economically active population, total female and male population and GDP per capita (PPP US\$).

Economic activity rate. The proportion of the specified group supplying labour for the production of economic goods and services during a specified period. The economic activity rate nationwide was 70 % according to the 1995 census data. In other words 7 out of 10 persons age 10 and over could supply labour for the economy.

Education index. One of the three indices on which the Human Development Index is built. It is based on the adult literacy rate and the combined primary, secondary and tertiary gross enrolment ratio. As a component of the HDI the education index is supposed to describe the level of knowledge in a society.

Employment by economic activity. Employment in industry, agriculture or services as defined according to the International Standard Industrial Classification (ISIC) system (revisions 2 and 3). Industry refers to mining and quarrying, manufacturing, construction and public utilities (gas, water and electricity). Agriculture refers to agriculture, hunting, forestry and fishing. Services refer to wholesale and retail trade; restaurants and hotels; transport, storage and communications, finance, insurance, real estate and business services; and community, social and personal services.

Enrolment ratio, gross. The number of students enrolled in a level of education, regardless of age, as a percentage of the population of official school age for that level.

Expenditure, public. Recurrent and capital spending from government (central and local) budgets, external borrowings and grants (including donations from international agencies and non-governmental organizations) and social (or compulsory) insurance funds.

Exports of goods and services. The value of all goods and other market services provided to the rest of the world, including the value of merchandise, freight, insurance, transport, travel, royalties, license fees and other services. Labour and property income (formerly called factor services) is excluded.

Fertility rate, total. The average number of children a woman would bear if age-specific fertility rates remained unchanged during her lifetime. The fertility rate is 4.9 children per woman in 2000.

Foreign direct investment, net flows. Net inflows of investment to acquire a lasting management interest (10% or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital and short-term capital. For 1999 the FDI reached 56 millions \$US.

GDP (gross domestic product). The total output of goods and services for final use produced by an economy, by both residents and non-residents, regardless of the allocation to domestic and foreign claims. It does not include deductions for depreciation of physical capital or depletion and degradation of natural resources.

GDP index. One of the three indices on which the human development index is built. It is based on GDP per capita (PPP US\$). This index is supposed to measure the standard of living.

Gender empowerment measure (GEM). A composite index measuring gender inequality in three basic dimensions of empowerment - economic participation and decision - making, political participation and decision-making and power over economic resources.

Gender - related development index (GDI). A composite index measuring average achievement in the three basic dimensions captured in the human

development index - a long and healthy life, knowledge and a decent standard of living - adjusted to account for inequalities between men and women.

Gini index. It is a measure of income inequality. It shows the extent to which the distribution of income (or consumption) among individuals or households within a country deviates from a perfectly equal distribution. A value of 0 represents perfect equality, a value of 100 perfect inequality.

Human development index (HDI). A composite index measuring average achievement in three basic dimensions of human development - a long and healthy life, knowledge and a decent standard of living.

Human poverty index (HPI-1) for developing countries. A composite index measuring deprivations in three basic dimensions captured in the human development index - longevity, knowledge and standard of living.

Income poverty line, population below. Refers to the percentage of the population living below the specified poverty line. Several poverty lines exist:

- \$ 1 a day - at 1985 international prices (equivalent to \$1.08 at 1993 international prices), adjusted for purchasing power parity.
- \$4 a day - at 1990 international prices, adjusted for purchasing power parity.
- \$11 a day (per person for a family of three) - at 1994 international prices, adjusted for purchasing power parity.
- National poverty line - the poverty line deemed appropriate for a country by its authorities.
- 50% of median income - 50% of the median disposable household income.

Infant mortality rate. The probability of dying between birth and exactly one year of age expressed per 1,000 live births.

Life expectancy at birth. The number of years a newborn infant would live if prevailing patterns of age-specific mortality rates at the time of birth were to stay the same throughout the child's life.

Life expectancy index. One of the three indices on which the human development index is built.

Literacy rate, adult. The percentage of people aged 15 and above who can read and write a short simple statement. Six out of 10 people were literate in the country in 1995.

Malaria cases. The total number of cases being reported by the National Health Service. The prevalence of malaria cases per 1000 persons was 55 in 1998.

Maternal mortality ratio. The annual number of deaths from pregnancy-related causes per 100,000 live births. There has been an improvement of this indicator whose value dropped from 650 in 1995 to 530 deaths per 100,000 live births in 2000.

Official development assistance (ODA). Grants or loans aimed at promotion of economic development and welfare as the main objectives. The composition of ODA includes capital, technical and humanitarian assistance.

PPP (purchasing power parity). A rate of exchange that accounts for price differences across countries, allowing international comparisons of real output and incomes. At the PPP US\$ rate (as used in this report), PPP US\$ 1 has same purchasing power in the domestic economy as \$1 has in the United States.

Primary school drop-out. The percentage of enrolled children who have dropped out the school during the current school year. The figure for 1999/0 is 11.7 % (MOE).

Primary school waste rate. The percentage of primary school drop outs and repeaters during the current school year. The figure for 1999/0 is 29.1 % (MOE).

Under - five mortality rate. The probability of dying between birth and exactly five years of age expressed per 1,000 live births.

Seats in parliament held by woman. Refers to seats held by woman in a lower or single house or an upper house or senate, where relevant.

Schooling, mean years of. The average number of years of school attained by the population aged 15 and above. The figures available from LECS II for 1997/98 are disaggregated by gender and area and show 3 mean years of schooling for female and 4 for male.

Openness of the economy as percentage of the GDP. It measures the level of openness of an economy to the rest of the world. It is the proportion of the sum of imports and exports to the total of the GDP.

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AEZ	Agro-Ecological Zone
ASEAN	Association of South East Asian Nations
BoL	Bank of Laos
DfID	Department for International Development (United Kingdom)
Dof	Department of Forestry
DoLF	Department of Livestock and Fisheries
ECOSOC	Economic and Social Council (of the United Nations)
EIA	Environmental Impact Assessment
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FRC	Forestry Research Center
GDI	Gender Development Index
GDP	Gross Domestic Product
GEM	Gender Empowerment Measure
GIS	Geographic Information Systems
GoL	Government of the Lao People's Democratic Republic
HDI	Human Development Index
HDR	Human Development Report
HIPC	Highly Indebted Poor Countries
HIV / AIDS	Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome
HPI	Human Poverty Index
IFAD	International Fund for Agricultural Development
IGA	Income-Generating Activities
ILO	International Labour Organisation
IMF	International Monetary Fund
IRRI	International Rice Research Institute
IUCN	International Union for Conservation of Nature
LDC	Least Developed Country
LECS	Lao Expenditure and Consumption Survey

LFNC	Lao Front for National Construction
LTU	Large Taxpayer Unit
LUCs	Land Use Certificates
MAF	Ministry of Agriculture and Forestry
N/A	Non-applicable
NAFRI	National Agriculture and Forestry Research Institute
NBCA	National Biodiversity Conservation Area
NEM	New Economic Mechanism
NERI	National Economic Research Institute
NGO	Non-governmental Organisation
NHDR	National Human Development Report
NRHS2000	National Reproductive Health Survey 2000
NSC	National Statistic Centre
NTFP	Non-Timber Forest Product
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PIP	Public Investment Programme
PPA	Participatory Poverty Assessment
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Paper
SIDA	Swedish International Development Agency
SMEs	Small and Medium-Sized Enterprises
SOCB	State-Owned Commercial Bank
UNAIDS	United Nations Programme on HIV/AIDS
UNCDF	United Nations Capital Development Fund
UNDCP	United Nations Drug Control Programme
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
USD	United States Dollars
VAT	Value-Added Tax
VUDAA	Vientiane Urban Development Administrative Authority
WB	World Bank
WFP	World Food Programme
WHO	World Health Organisation

TABLE 1: LAO PDR BASIC DATA

	Total Population (,000)	Total Land Area Sq. Km	Population Density / square km	Number of			Avg House- hold Size
				Districts	Villages	House- holds	
	2000	2000	2000	2000	2000	2000	2000
Whole Country	5,218.3	236,800	22.0	142	10,912	849,330	6.1
Urban	1,043.7						5.9
Rural	4,174.6						6.1
REGIONS							
Northern	1,702.7	96,925	17.6	54	4,758	266,308	6.4
Central	1881.0	91,864	20.5	52	3,918	305,818	6.2
Southern	1036.8	44,091	23.5	27	2,085	171,929	6.0
Vientiane Municipality	597.8	3,920	152.5	9	491	105,075	5.7
PROVINCES							
Northern							
Luang Prabang	416.1	16,875	24.7	11	951	64,150	6.5
Xayabury	332.8	16,389	20.3	10	543	53,738	6.2
Huaphanh	279.1	16,500	16.9	8	857	39,319	7.1
Oudomxay	239.8	15,370	15.6	7	725	36,671	6.5
Phongsaly	174.4	16,270	10.7	7	603	26,563	6.6
Luang Namtha	130.9	9,325	14.0	5	404	23,536	5.6
Bokeo	129.6	6,196	20.9	6	374	22,331	5.8
Central							
Savannakhet	766.2	21,774	35.2	15	1,543	124,302	6.2
Vientiane Province	326.9	15,927	20.5	12	583	56,504	5.8
Khammuane	310.8	16,315	19.0	9	803	55,231	5.6
Xiengkhuang	228.8	15,880	14.4	7	512	31,842	7.2
Borikhamxay	186.6	14,863	12.6	6	330	33,061	5.6
Xaysomboon- SR	61.7	7,105	8.7	3	85	5,078	12.2
Southern							
Champasak	571.9	15,415	37.1	10	914	94,712	6.0
Saravane	292.3	10,691	27.3	8	721	47,575	6.1
Attapeu	99.4	10,320	9.6	5	209	17,023	5.8
Sekong	73.2	7,665	9.5	4	264	12,619	5.8

	Human Development Index		GDP Per Capita (PPP \$US)	Life Expectancy at Birth (years)
	1998	2000		
Whole Country	0.465	0.560	1471	58.7
Regions				
Northern	0.426	0.556	1192	57.1
Central	0.542	0.563	1455	59.6
Southern	0.510	0.547	1363	57.6
Vientiane Municipality*		0.665	2848	62.8

* In 1998, the Central Region was defined so as to include Vientiane Municipality

TABLE 2: HUMAN POVERTY INDICATORS

	Human Poverty Index	People not expected to survive to age 40	Population without access to		
			Safe Water %	Primary Health-care %	Sanitation %
			1997/98	1997/98	1997/98
2000	2000	1997/98	1997/98	1997/98	
Whole Country	31.3	27.4	50	25	71
Urban			23	2	25
Rural			55	29	80
REGIONS					
Northern	38.3	29.5	68	33	67
Central	28.7	26.3	44	22	77
Southern	32.6	29.1	52	18	89
Vientiane Municipality	18.3	22.6	11	22	30
PROVINCES					
Northern					
Luang Prabang			63	46	75
Xayabury			67	9	30
Huaphanh			77	21	64
Oudomxay			68	13	84
Phongsaly			73	50	88
Luang Namtha			73	67	71
Bokeo			55	57	82
Central					
Savannakhet			34	14	89
Vientiane Province			39	14	55
Khammuane			62	32	86
Xiengkhuang			63	34	56
Borikhamxay			35	31	78
Xaysomboon- SR			61	31	81
Southern					
Champasak			42	8	86
Saravane			61	28	96
Attapeu			70	29	89
Sekong			57	40	86

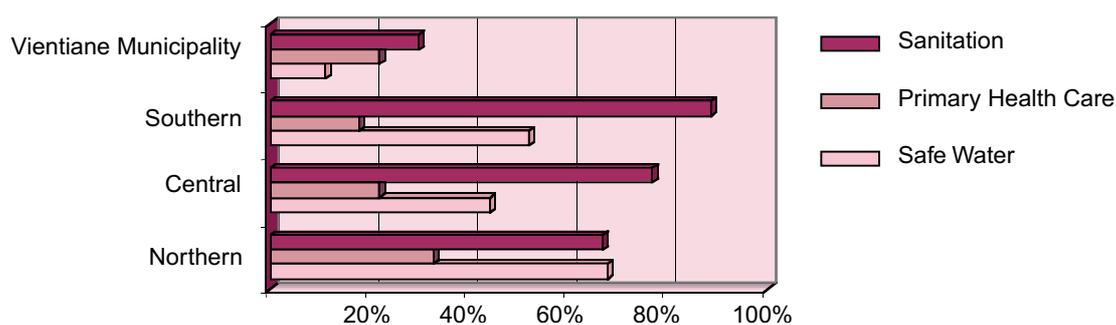
Population without Access to Services

TABLE 2: HUMAN POVERTY INDICATORS

	Incidence of poverty % of Population		Severity of poverty (Ultra Poor) % of Population		Annual growth rate in Poverty Incidence
	1992/93	1997/98	1992/93	1997/98	%
Whole Country	45	39	4.2	4.0	-3.1
Urban	33	27	2.1	2.6	
Rural	49	41	4.8	4.3	
REGIONS					
Northern	58	53	6.2	6.8	-2.1
Central	40	35	3.1	2.6	-2.5
Southern	46	38	4.6	3.7	-3.6
Vientiane Municipality	24	12	1.2	0.8	-13.9
PROVINCES					
Northern					
Luang Prabang	63	49	7.5	4.7	-4.8
Xayabury	30	21	2.2	1.0	-7.0
Huaphanh	78	75	12.2	11.3	-1.0
Oudomxay	51	73	3.3	13.3	7.2
Phongsaly	69	64	6.6	9.0	-1.3
Luang Namtha	60	58	5.9	7.5	-1.0
Bokeo	64	37	4.5	3.4	-10.6
Central					
Savannakhet	46	37	2.7	2.5	-4.2
Vientiane Province	28	24	1.5	1.5	-2.9
Khammuane	44	42	5.3	3.0	-1.0
Xiengkhuang	57	35	5.0	3.2	-10.1
Borikhamxay	11	26	1.6	2.0	17.8
Xaysomboon- SR	-	55	-	7.1	
Southern					
Champasak	44	36	4.1	3.2	-4.1
Saravane	37	40	1.4	4.1	1.5
Attapeu	72	45	11.9	3.5	-9.3
Sekong	66	46	11.6	5.6	-7.3

Incidence of Poverty

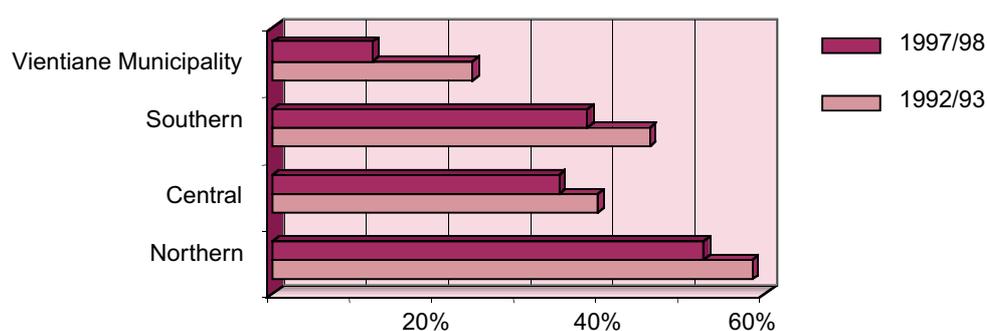


TABLE 2: HUMAN POVERTY INDICATORS

	% of Total Consumption			Daily Rice intake per capita (grams)			
	Food 1997/98	Rice 1997/98	Self Produced Products 1997/98	All 1997/98	Urban Areas 1997/98	Rural areas	
						with road access 1997/98	without road access 1997/98
Whole Country	60.9	25.1	36.2	582	493	590	608
Urban	50.6	14.4	10.0				
Rural	64.6	29.0	45.5				
REGIONS							
Northern	62.0	26.9	45.3	644	589	651	650
Central	58.5	22.9	30.3	565	474	575	627
Southern	67.3	29.9	42.3	526	458	544	528
Vientiane Municipality	50.9	14.9	13.2	489	445	504	644
PROVINCES							
Northern							
Luang Prabang	62	28.3	38.7	601	504	603	615
Xayabury	52.3	25.1	38.2	704	610	716	704
Huaphanh	68.6	31.3	56.4	616	629	577	639
Oudomxay	65.5	31.7	50.5	666	662	639	675
Phongsaly	72.9	21.4	56.6	660	497	556	679
Luang Namtha	71.6	20.9	56.2	658	583	647	686
Bokeo	66.3	26.3	49.5	621	709	669	599
Central							
Savannakhet	61.4	30.3	40.9	546	497	558	546
Vientiane Province	57	24.9	33.6	612	554	608	650
Khammuane	65.6	29.4	35.7	589	531	578	620
Xiengkhuang	65.6	16.3	48.7	659	505	600	723
Borikhamxay	72	33.2	48.1	629	452	637	642
Xaysomboon- SR	70	25	51.0	588	582	635	648
Southern							
Champasak	64.7	28.1	36.1	513	442	550	512
Saravane	68.6	36.0	46.5	594	506	591	606
Attapeu	73.2	26.9	55.3	465	483	485	452
Sekong	76	23.1	58.1	433	465	407	445

Daily Rice Intake Per Capita

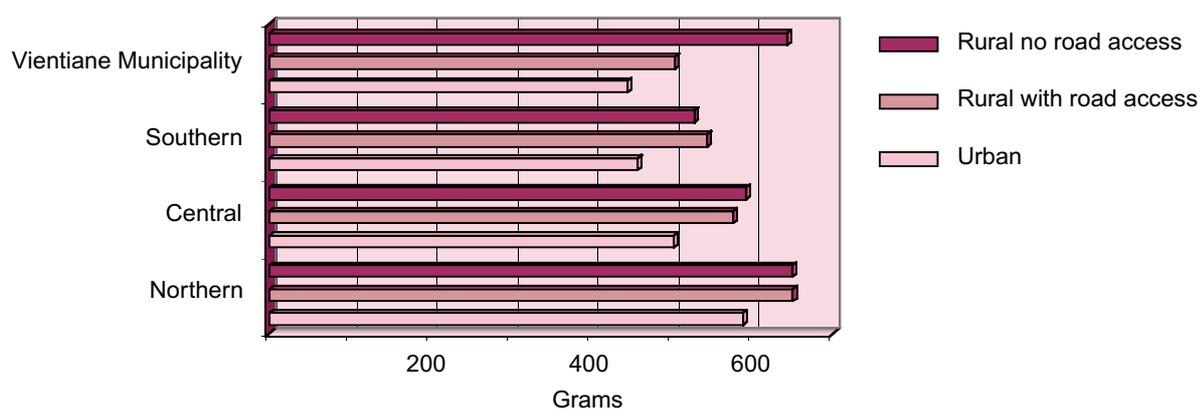


TABLE 3: GENDER SENSITIVE INDICATORS

	Sex Ratio*	Life Expectancy at Birth				Adult Literacy Rate	
		Female		Male		Female	Male
		1999	1995	2000	1995	2000	1998
Whole Country	96.1	52	61	50	57	55	82
Urban						82	96
Rural						49	79
REGIONS							
Northern	98.1	55	59	52	55	44	74
Central	97.6	54	62	51	58	64	87
Southern	94.8	56	60	53	55	51	84
Vientiane Municipality	100.3	59	65	57	61	84	96
PROVINCES							
Northern							
Luang Prabang	98.0	53		50		50	77
Xayabury	100.0	51		49		68	87
Huaphanh	98.5	53		51		38	72
Oudomxay	98.5	58		55		36	78
Phongsaly	98.6	58		55		33	55
Luang Namtha	95.4	55		52		19	51
Bokeo	97.8	54		51		33	70
Central							
Savannakhet	96.1	58		55		50	81
Vientiane Province	101.9	54		52		69	89
Khammuane	94.2	57		54		60	87
Xiengkhuang	99.1	54		52		58	83
Borikhamxay	100.0	50		48		63	87
Xaysomboon- SR	100.0	50		47		43	76
Southern							
Champasak	95.1	55		53		57	89
Saravane	93.9	57		54		41	78
Attapeu	94.0	55		52		57	81
Sekong	97.2	56		53		37	72

Sex Ratio* - Males per 100 females (estimate)

Gender Related Indices - 2001

GDI	
Whole Country	0.56
Northern	0.51
Central	0.57
Southern	0.54
Vientiane Municipality	0.68
GEM	0.471

TABLE 3: GENDER SENSITIVE INDICATORS

	Primary Gross Enrolment Ratio		Economically-active population (10 years and above)		Unemployed Persons (10 years and above)		Women with some formal education %
	Female	Male	%		%		
	1999/2000	1999/2000	Females 1995	Males 1995	Females 1995	Males 1995	1995
Whole Country	100.5	121.1	71.2	69.5	1.7	1.7	47.4
Urban			53.3	60.4	4.6	4.5	
Rural			75.1	71.5	1.1	1.1	
REGIONS							
Northern	90.4	110.4	73.9	71.2	1.2	1.0	32
Central	104.9	118.8	71.4	70.1	1.6	1.6	49
Southern	102.3	116.3	74.9	71.5	1.3	1.4	48
Vientiane Municipality	115.3	121.1	57.2	61.9	4.3	4.2	78
PROVINCES							
Northern							
Luang Prabang	89.6	109.1	71.9	67.2	1.4	1.0	39
Xayabury	112.0	122.8	68.5	67.9	1.0	1.0	55
Huaphanh	92.7	120.1	74.6	70.0	1.2	0.9	41
Oudomxay	75.6	109.8	78.4	75.3	1.7	1.5	24
Phongsaly	68.4	91.4	76.2	76.4	0.9	0.7	25
Luang Namtha	82.4	112.1	76.6	76.2	0.6	0.5	20
Bokeo	99.5	124.5	78.4	76.3	1.1	1.2	27
Central							
Savannakhet	95.7	110.2	74.2	73.1	1.3	1.5	44
Vientiane Province	123.1	133.4	61.6	62.7	2.2	2.1	61
Khammuane	105.4	120.6	76.6	73.5	1.7	1.6	43
Xiengkhuang	102.5	124.3	68.5	63.3	1.5	1.1	47
Borikhamxay	118.0	134.5	70.2	68.8	2.0	1.8	53
Xaysomboon- SR	117.6	134.5	73.5	69.3	1.1	1.2	31
Southern							
Champasak	111.4	119.0	71.2	67.2	1.8	1.8	59
Saravane	86.8	110.7	81.5	77.1	0.4	0.6	35
Attapeu	90.3	106.5	73.6	71.0	1.3	1.5	37
Sekong	84.1	106.8	82.4	81.9	0.6	0.9	24

Distribution of Unpaid Family Workers by Gender

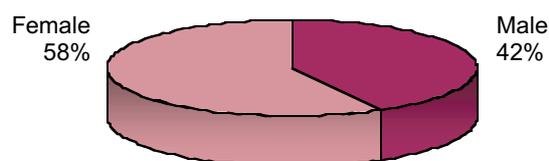


TABLE 4: DEMOGRAPHIC INDICATORS

	Total Population Estimates (,000)		Annual Population Growth Rate %	Dependency Ratio	Rural Population (as % total)
	1995	2000	1995	1998	1995
Whole Country	4,574,8	5,218.3	2.5	0.9	82.9
Urban	777,7	1,043.7		0.7	
Rural	3,797,1	4,174.6		1.0	
REGIONS					
Northern	1,492,7	1,702.7	2.4	1.0	90.4
Central	1,649,1	1881.0	2.5	1.1	88.8
Southern	909,1	1036.8	2.6	0.9	90.1
Vientiane Municipality	524,1	597.8	2.9	0.7	36.9
PROVINCES					
Northern					
Luang Prabang	364,8	416.1	2.6	1.0	89.1
Xayabury	291,8	332.8	2.5	1.0	92.8
Huaphanh	244,7	279.1	2.7	1.1	94.1
Oudomxay	210,2	239.8	3.3	1.0	84.9
Phongsaly	152,8	174.4	2.8	1.0	94.3
Luang Namtha	114,7	130.9	2.8	0.8	82.9
Bokeo	113,6	129.6	2.6	0.9	94.8
Central					
Savannakhet	671,8	766.2	2.9	1.0	85.1
Vientiane Province	286,6	326.9	2.4	0.9	82.5
Khammuane	272,6	310.8	2.9	0.9	86.6
Xiengkhuang	200,6	228.8	2.6	1.2	93.0
Borikhamxay	163,6	186.6	2.5	1.0	93.8
Xaysomboon- SR	54,1	61.7	3.0	1.3	91.5
Southern					
Champasak	501,4	571.9	2.4	0.9	87.3
Saravane	256,2	292.3	2.7	1.0	93.7
Attapeu	87,2	99.4	2.7	0.9	94.8
Sekong	64,2	73.2	3.2	0.9	84.5

In Migration 1995

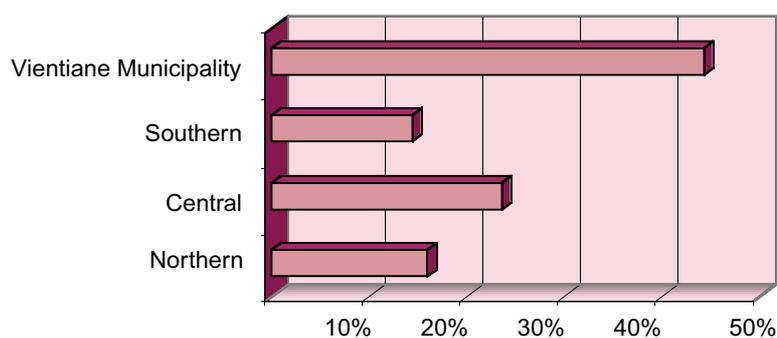


TABLE 4: DEMOGRAPHIC INDICATORS

	Population not born in same district as their residence %	Total Fertility Rate		Crude Death Rate	
		1995	2000	1995	2000
Whole Country	19.0	4.9	15	6.3	
Urban					
Rural					
REGIONS					
Northern	16.0	4.5	14	6.1	
Central	23.6	5.1	14	6.9	
Southern	14.5	5.4	14	6.2	
Vientiane Municipality	44.2	2.4	11	3.7	
PROVINCES					
Northern					
Luang Prabang	14.8	4.9	16	8.7	
Xayabury	13.4	3.5	16	3.5	
Huaphanh	7.8	6.9	15	6.7	
Oudomxay	13.6	6.0	12	7.4	
Phongsaly	13.5	5.6	11	4.7	
Luang Namtha	21.5	5.4	14	5.6	
Bokeo	27.3	4.0	14	4.2	
Central					
Savannakhet	10.9	5.2	11	6.4	
Vientiane Province	28.5	4.1	14	5.7	
Khammuane	12.4	5.8	12	11.1	
Xiengkhuang	23.2	6.3	14	7.7	
Borikhamxay	22.7	5.6	17	3.6	
Xaysomboon- SR	43.7	7.3	16	6.7	
Southern					
Champasak	14.5	5.1	13	6.5	
Saravane	10.2	5.8	13	8.1	
Attapeu	13.6	5.8	14	6.7	
Sekong	19.5	5.6	14	4.9	

Percent of Ever Married Women Using Contraception by Method

IUD	3.07%
Injection	7.6%
Sterilization	4.7%
Condom	0.5%
Pill	12.9%
Any Modern Method	28.9%
Periodic Abstinence	2.2%
Withdrawal	0.7%
Traditional medicine	0.3%
Any traditional method	3.2%

Proportion by Sex of Total Population

% Male	49.70
% Female	50.30
Ratio	
Males per 100 Females	98.5
Females per 100 males	101.5

Total Population by Age Group

0-14	43.6%
15-64	52.9%
65+	3.5%

TABLE 5: PROGRESS IN SURVIVAL INDICATORS

	Life Expectancy at Birth (Female) years		Life Expectancy at Birth (Male) years		Infant Mortality Rate (per 1000 live born)	
	1995	2000	1995	2000	1995	2000
Whole Country	52	61	50	57	104	82
Urban					68	42
Rural					127	87
REGIONS						
Northern	55	59	52	55	110	88
Central	54	62	51	58	105	76
Southern	56	60	53	55	92	87
Vientiane Municipality	59	65	57	61	72	
PROVINCES						
Northern						
Luang Prabang	53		50		132	
Xayabury	51		49		130	
Huaphanh	53		51		125	
Oudomxay	58		55		88	
Phongsaly	58		55		94	
Luang Namtha	55		52		119	
Bokeo	54		51		82	
Central						
Savannakhet	58		55		80	
Vientiane Province	54		52		102	
Khammuane	57		54		83	
Xiengkhuang	54		52		121	
Borikhamxay	50		48		136	
Xaysomboon- SR	50		47		138	
Southern						
Champasak	55		53		91	
Saravane	57		54		86	
Attapeu	55		52		93	
Sekong	56		53		96	

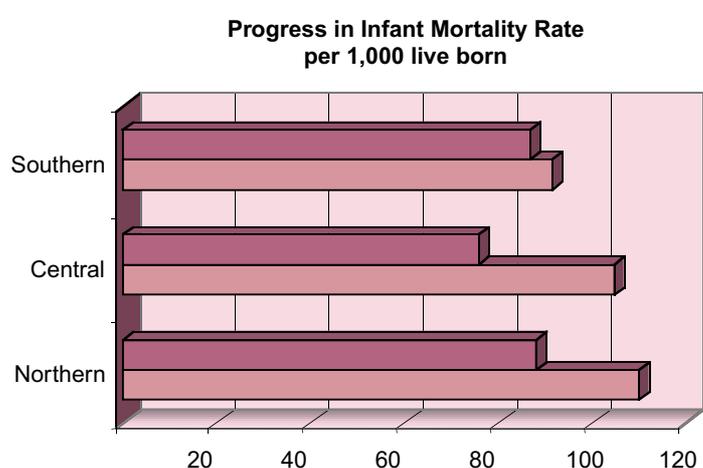
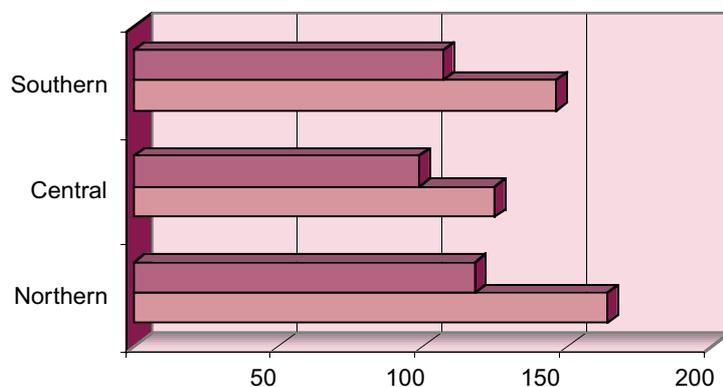


TABLE 5: PROGRESS IN SURVIVAL INDICATORS

	Under 5 Mortality Rate (per 1000 live born)		Maternal Mortality Rate (per 100,000 live births)	
	1995	2000	1995	2000
Whole Country	128	107	650	530
Urban	82	49		170
Rural	176	114		580
REGIONS				
Northern	164	118	1,157	540
Central	125	99	617	440
Southern	146	107	820	700
Vientiane Municipality ¹			228	
PROVINCES				
Northern				
Luang Prabang			872	
Xayabury			1,118	
Huaphanh			656	
Oudomxay			1,304	
Phongsaly			1,064	
Luang Namtha			1,595	
Bokeo			1,489	
Central				
Savannakhet			820	
Vientiane Province			454	
Khammuane			879	
Xiengkhuang			551	
Borikhamxay			445	
Xaysomboon- SR			551	
Southern				
Champasak			449	
Saravane			930	
Attapeu			468	
Sekong			1,431	

**Progress in Under 5 Mortality Rate
per 1,000 live born**

1 Vientiane municipality is included in the central region.

TABLE 6: HEALTH PROFILE

	Infants with low birth-weight < 2,5 kg* %	Proportion of Total Population with DPT3 coverage		Proportion of Total Population with BCG coverage		Proportion of Births at Home %
		%		%		
		1997	1994	1995	1994	
Whole Country	10.1	48	58	66	61	86.0
Urban	9.0					44.3
Rural	10.7					91.3
REGIONS						
Northern	6.9	42	46	63	53	92.4
Central	10.4	49	60	77	68	79.0
Southern	12.6	35	61	57	67	91.6
Vientiane Municipality		87	75	88	72	
PROVINCES						
Northern						
Luang Prabang		74	80	75	70	
Xayabury		63	57	85	65	
Huaphanh		8	23	27	35	
Oudomxay		51	52	75	71	
Phongsaly		53	41	69	17	
Luang Namtha		34	23	77	28	
Bokeo		9	49	33	86	
Central						
Savannakhet		42	61	66	64	
Vientiane Province		72	66	99	65	
Khammuane		63	84	109	88	
Xiengkhuang		38	38	58	47	
Borikhamxay		31	51	54	74	
Xaysomboon- SR						
Southern						
Champasak		27	66	45	64	
Saravane		40	50	72	70	
Attapeu		29	58	41	72	
Sekong		42	70	70	63	

Household Access to Primary Health Care

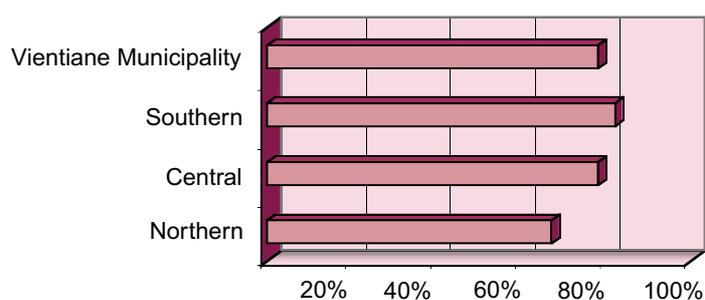


TABLE 6: HEALTH PROFILE

	Access to Primary health care (HHs)	Households who use Traditional Healer	Villages with Pharmacies	Hospital 8+ hours away from HHS	Villages with Health Development Project	HHs with Piped water or protected well	HHs without a toilet
	%	%	%	%	%	%	%
Whole Country	75	53	43	8	27	50	71
Urban	98	53	75	0	32	77	25
Rural	71	53	36	9	26	45	80
REGIONS							
Northern	67	36	35	13	28	32	71
Central	78	56	49	5	22	64	74
Southern	82	72	41	6	40	48	89
Vientiane Municipality	78	60	62	0	35	89	30
PROVINCES							
Northern							
Luang Prabang	54	30	25	3	35	37	75
Xayabury	91	49	57	0	30	33	30
Huaphanh	79	51	37	36	20	23	64
Oudomxay	87	44	31	28	39	32	84
Phongsaly	50	17	44	12	27	27	88
Luang Namtha	33	34	10	9	24	27	71
Bokeo	43	7	29	17	11	45	82
Central							
Savannakhet	86	54	33	4	12	66	89
Vientiane Province	86	51	65	0	20	61	55
Khammuane	68	43	51	20	27	38	86
Xiengkhuang	66	76	41	8	33	37	56
Borikhamxay	69	66	28	0	12	65	78
Xaysomboon- SR	69	35	55	0	4	39	81
Southern							
Champasak	92	87	43	0	40	58	86
Saravane	72	64	44	10	52	39	96
Attapeu	71	56	36	18	0	30	89
Sekong	60	14	26	23	16	43	86

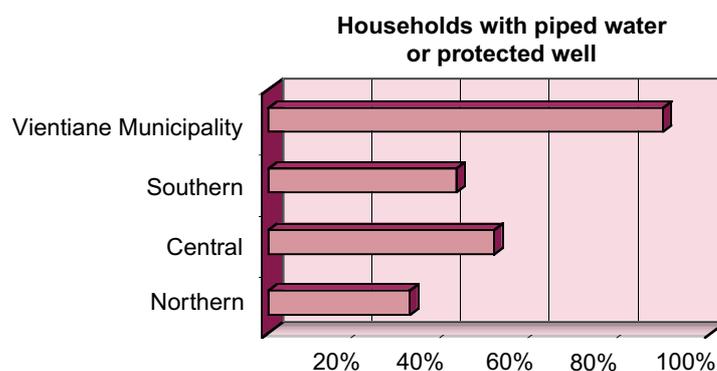


TABLE 6: HEALTH PROFILE

	% of villages with an immunisation program	Malaria Cases '000's	Prevalence of malaria (1000 population.)	% of Medical Care in Household consumption
	1997/8	1998	1998	1997/98
Whole Country	87	278	55	2.2
Urban	95			1.9
Rural	86			2.4
REGIONS				
Northern	86	81	49	2.5
Central	88	110	59	2.0
Southern	72	82	82	2.6
Vientiane Municipality	95	4	7	1.8
PROVINCES				
Northern				
Luang Prabang	86	23	56	3.8
Xayabury	100	36	111	2.0
Huaphanh	75	9	32	1.5
Oudomxay	86	6	27	2.1
Phongsaly	80	2	11	2.8
Luang Namtha	87	2	15	2.5
Bokeo	86	4	34	2.7
Central				
Savannakhet	95	45	61	2.2
Vientiane Province	88	16	50	2.5
Khammuane	88	31	101	2.4
Xiengkhuang	85	4	18	1.1
Borikhamxay	91	12	65	1.6
Xaysomboon- SR	81	2	34	2.3
Southern				
Champasak	100	36	64	2.9
Saravane	94	25	89	2.3
Attapeu	59	10	101	1.8
Sekong	34	12	163	1.6

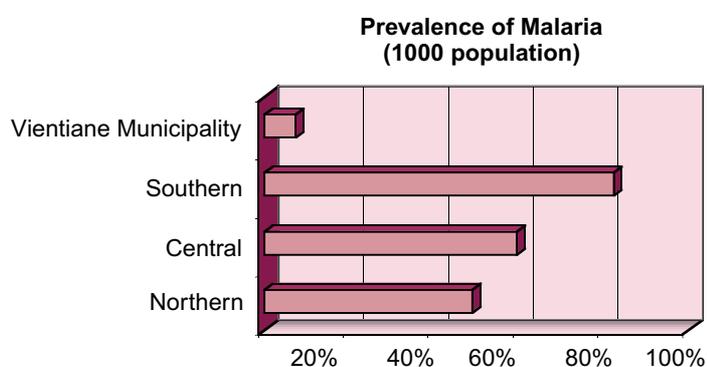


TABLE 6: HEALTH PROFILE

Indicators	1995	1996	1997	1998	1999	2000
Number of Health Centers	521	567	501	543	533	533
Number of Hospitals	156	152	157	148	148	148
Central Management Hospital	8	8	8	8	8	8
Provincial Management Hospital	18	18	18	18	18	18
District Management Hospital	122	126	131	122	122	122
Number of Hospital beds	6,676		6,337	6,410	5,445	5,317
Central hospitals	852		870	858	858	876
Provincial hospitals	1,937		1,899	1,950	996	837
District Hospitals	2,291		2,358	2,355	2,350	2,381
Sub-district dispensaries	1,596		1,210	1,247	1,241	1,223
Number of Hospital Beds / 100,000	146		131	141	107	101
Number of patients per bed	19		153	110	107	254
Average days staying in Hospital	7		5	5	5	5
Number of patients in hospital (,000)	124		972	706	585	1,350
Number of Doctors					200	200
Doctors, pharmacists & dentists	1,400		1,567	1,649	1,700	1,800
Nurses, midwives etc	2,518		3,228	3,451	3,600	3,800
2 yrs or less in nursing school	4,481		5,226	5,166	5,500	5,600
Malaria cases '000	74	81	75	278	46	
Malaria Deaths	808	628	623	627	491	
Malaria mortality rate (%)	1.09	0.78	0.83	0.81	1.08	
Tuberculosis cases	2,330	2,907	2,990	2,413	2,081	
Tuberculosis Deaths	36	43	45	26	30	
Tuberculosis Mortality rate (%)	1.5	1.5	1.5	1.1	1.4	

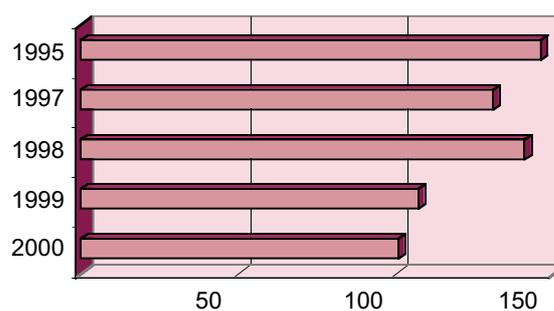
Number of Hospital Beds Per 1,000 Population

TABLE 7: EDUCATION AND HUMAN CAPITAL FORMATION PROFILE

	Adult literacy rate	Primary Gross Enrolment Ratio	Secondary Gross Enrolment Ratio	Educational attainment index	Average number of schooling years	
					Females	Males
	1997/98	1999/2000	1999/2000	1999/2000	1997/98	1997/98
Whole Country	68.5	77.3	35.1	0.632	3	4
Urban	88.0				5	6
Rural	64.0				2	4
REGIONS						
Northern	59.0	68.2	27.9	0.548	3	3
Central	75.5	83.1	42.9	0.697	3	4
Southern	67.5	79.2	27.5	0.620	2	4
Vientiane Municipality	90.0	91.9	66.4	0.834	5	7
PROVINCES						
Northern						
Luang Prabang	63.5	70.2	31.2	0.572	2	4
Xayabury	77.5	83.4	31.8	0.662	3	4
Huaphanh	55.0	70.0	26.5	0.555	2	3
Oudomxay	57.0	55.5	19.2	0.434	1	3
Phongsaly	44.0	51.7	19.2	0.409	1	2
Luang Namtha	35.0	58.6	32.2	0.498	1	2
Bokeo	51.5	74.5	33.6	0.609	1	2
Central						
Savannakhet	65.5	72.5	28.3	0.578	2	4
Vientiane Province	79.0	94.4	51.8	0.802	4	5
Khammuane	73.5	89.4	30.5	0.698	2	4
Xiengkhuang	70.5	77.8	46.3	0.673	3	4
Borikhamxay	75.0	89.6	35.7	0.716	3	4
Xaysomboon- SR	59.5	86.5	36.1	0.697	2	3
Southern						
Champasak	73.0	88.9	33.4	0.704	3	4
Saravane	59.5	68.4	15.7	0.508	2	3
Attapeu	69.0	53.2	19.8	0.421	2	4
Sekong	54.5	50.9	11.9	0.379	1	2

% Share of Education Recurrent Expenditure, 1999/2000

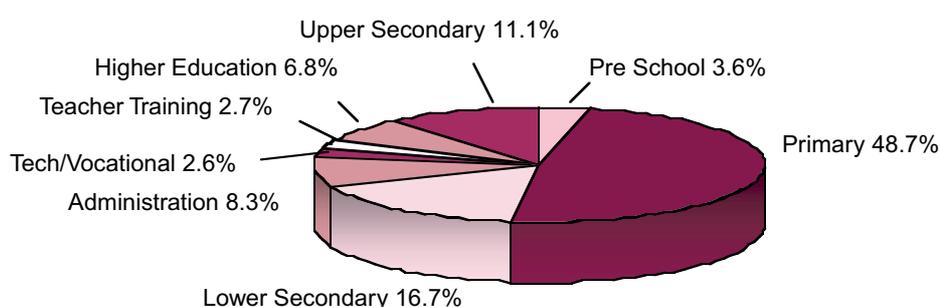


TABLE 7: EDUCATION AND HUMAN CAPITAL FORMATION PROFILE

	Population (aged 6+ years) who have not completed any basic education	Primary School Waste rate (repetears & drop-outs)	Primary School drop-outs	villages with primary school in village	villages with complete primary schools	villages with complete primary schools
	%	%	%	%	%	%
	1995	1999/2000	1999/2000	1997/98	1997/98	1999/2000
Whole Country	42.5	29.1	11.7	85	43	33.2
Urban				69	60	
Rural				87	42	
REGIONS						
Northern	52.9	33.2	11.2	83	32	29.3
Central	41.5	27.0	8.3	86	51	37.9
Southern	43.1	27.7	17.9	90	50	18.5
Vientiane Municipality	16.7	22.3	3.7	88	76	76.7
PROVINCES						
Northern						
Luang Prabang	50	29.6	16.4	97	37	27.7
Xayabury	37.1	29.0	0.7	99	64	55.0
Huaphanh	47.9	34.4	14.2	100	50	30.0
Oudomxay	63.5	40.3	14.4	66	13	20.3
Phongsaly	66.6	35.6	13.7	63	14	14.2
Luang Namtha	69.4	39.8	9.4	63	16	18.4
Bokeo	58.8	33.8	9.3	64	20	32.9
Central						
Savannakhet	44.2	29.7	10.3	82	52	38.5
Vientiane Province	28.6	26.4	6.5	89	58	54.1
Khammuane	46.2	21.0	5.3	88	36	34.5
Xiengkhuang	44.9	31.6	6.5	91	52	27.5
Borikhamxay	38.6	29.1	10.9	88	45	32.6
Xaysomboon- SR	51.2	31.5	10.3	90	54	39.8
Southern						
Champasak	33.2	22.9	8.6	98	56	15.2
Saravane	54	30.9	25.4	91	52	22.0
Attapeu	53.1	45.9	18.5	85	55	23.6
Sekong	65.2	46.7	18.9	68	16	19.1

Population (aged 6+ years) who have not completed any basic education

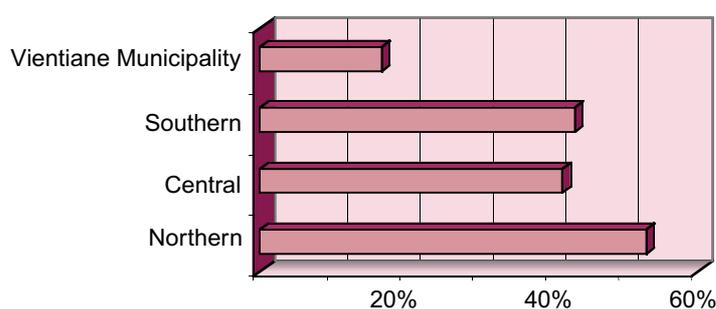


TABLE 7: EDUCATION AND HUMAN CAPITAL FORMATION PROFILE

	Students enrolled in Complete Primary School	Temporary Primary School Buildings	Villages with available textbooks for Primary Students	New Primary Teachers who are unqualified	Number of Pupils per Primary School Teacher	Village with lower secondary school in village
	%	%	%	%		%
	1999/2000	1999/2000	1997/98	1999/2000	1997/98	1997/98
Whole Country		58	82		30	11
Urban			67		36	20
Rural			83		29	10
REGIONS						
Northern	38.0	69	76		29	9
Central	55.3	54	84		30	14
Southern	42.2	45	88		30	10
Vientiane Municipality		31	85		33	38
PROVINCES						
Northern						
Luang Prabang	44.2	60	92	34.4	31	5
Xayabury	-	59	99	1.0	31	16
Huaphanh	41.4	70	100	30.4	28	9
Oudomxay	-	71	45	-	31	1
Phongsaly	22.3	85	54	41.7	20	19
Luang Namtha	34.6	81	63	39.3	32	7
Bokeo	47.5	68	60	40.3	26	11
Central						
Savannakhet	59.5	54	82	8.5	30	6
Vientiane Province	71.6	32	89	2.9	30	14
Khammuane	47.6	65	78	1.8	29	24
Xiengkhuang	45	69	91	14.1	27	16
Borikhamxay	49.7	70	88	7.1	31	17
Xaysomboon- SR	58.6	68	90	3.7	30	15
Southern						
Champasak	59.8	22	98	1.3	27	6
Saravane	35.7	70	91	15.2	36	14
Attapeu	39.6	60	85	0.0	30	12
Sekong	33.8	86	51	27.0	27	10

% of Population who have never attended school

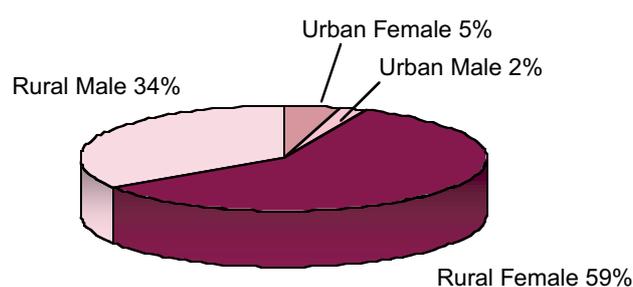


TABLE 8: ETHNIC PROFILE

(all data from 1998)

Ethnic Group	Share of Population	Population aged 6+	Population aged 6+ never been to school		Literacy rate for population aged 15+			Proportion of Population aged 10+ economically active	
			%		%			%	
	%	%	Female	Male	Total	Female	Male	Female	Male
Total	100.0	3,700,913	47.1	27.7	60.2	47.9	73.5	71.2	69.5
Lao	52.5	1,966,222	30.3	15.7	75.2	65.1	86.0	66.0	65.7
Phutai	10.3	334,496	43.9	24.2	63	50.1	77.2	70.4	67.9
Khmu	11.0	383,067	71.1	41.1	40.9	22.7	60.8	77.8	74.0
Hmong	6.9	246,381	83.7	50.6	26.5	8.1	45.7	81.6	71.1
Leu	2.6	84,280	45.0	26.6	59.7	46.6	73.9	67.7	65.3
Katang	2.1	72,407	81.6	51.8	30.3	12.8	49.3	87.0	83.2
Makong	2.0	43,489	86.7	64.3	25	12.3	39.1	87.5	85.0
Kor	1.4	47,313	98.0	90.5	3.8	0.7	7.0	87.9	89.7
Xuay	1.0	16,017	76.4	48.7	36.8	20.5	55.7	82.7	87.9
Nhuane	0.6	7,990	41.3	26.7	59.4	48.7	71.2	67.3	66.2
Laven	0.9	-	-	-	-	-	-	-	-
Taoey	0.7	13,045	79.1	50.8	36.6	20.3	54.8	88.2	85.2
Talieng	0.5	17,753	71.3	46.6	40.4	25.0	58.4	80.2	79.2
Phounoy	0.8	24,177	54.9	38.0	46.8	36.2	58.8	68.3	68.2
Tri	0.5	-	-	-	-	-	-	-	-
Phong	0.5	-	-	-	-	-	-	-	-
Yao	0.5	-	-	-	30.8	17.9	45.9	81.9	81.2
Lavae	0.4	12,399	76.8	50.0	34.4	18.7	52.2	80.1	77.8
Katu	0.4	12,410	88.7	63.5	26.2	10.6	43.0	88.2	87.8
Lamed	0.4	9,964	86.2	54.3	28	10.2	49.0	86.6	83.4
Thin	0.5	12,912	72.7	52.7	29.6	20.0	40.6	81.2	77.9
Alack	0.4	7,906	75.2	51.5	37.1	21.3	54.6	84.4	84.5
Pako	0.3	-	-	-	-	-	-	-	-
Oey	0.3	11,284	60.3	32.1	50.2	34.2	69.4	71.5	65.7
Ngae	0.3	5,728	83.5	54.4	33.5	15.6	52.3	86.1	84.0
Kui	0.1	-	-	-	-	-	-	-	-
Hor	0.2	-	-	-	-	-	-	-	-
Jeng	0.1	4,645	77.3	46.6	36.8	19.9	56.9	82.0	74.3
Nhahem	0.1	-	-	-	-	-	-	-	-
Yang	0.1	-	-	-	-	-	-	-	-
Yae	0.2	4,923	79.6	58.1	30.8	17.9	45.9	81.9	81.2
Other	1.4	362,105	61.6	39.6	46.8	32.9	60.8	74.0	74.6

TABLE 8: ETHNIC PROFILE

Ethnic Group	No of holdings (,000)	Average area of holdings (ha)	Cultivation intensity (%)	Area of wet season crops (,000 ha)				Holdings using inputs %		
				Total	Lowland rice	Upland rice	Other	Tractor	Mineral fertiliser	Pesticides
				Total	668.0	1.62	91	731.1	481.1	198.5
Lao	334.7	1.76	96	393.4	337	38.1	18.3	30.6	48.3	15.6
Phutai	59.9	1.47	95	62.3	46.8	11.4	4.1	24.1	20.1	10.7
Khmu	81.5	1.66	72	86.4	15.2	64.5	6.7	5.0	3.0	4.1
Hmong	50.3	1.45	91	57.3	11.9	30.9	14.5	10.5	3.0	5.8
Leu	21.1	1.4	90	22.6	14	7.3	1.3	18.1	11.4	7.7
Katang	14.3	1.454	89	15.3	14.3	0.9	0.1	6.2	26.5	0.9
Makong	13.7	0.93	91	9.6	6.5	3	0.1	3.4	6.5	0.7
Kor	13.6	0.96	98	12.1	3.6	7.8	0.7	2.3	5.1	5.8
Other	78.7	1.52	94	71.8	31.6	34.6	5.6	7.4	7.6	4.7

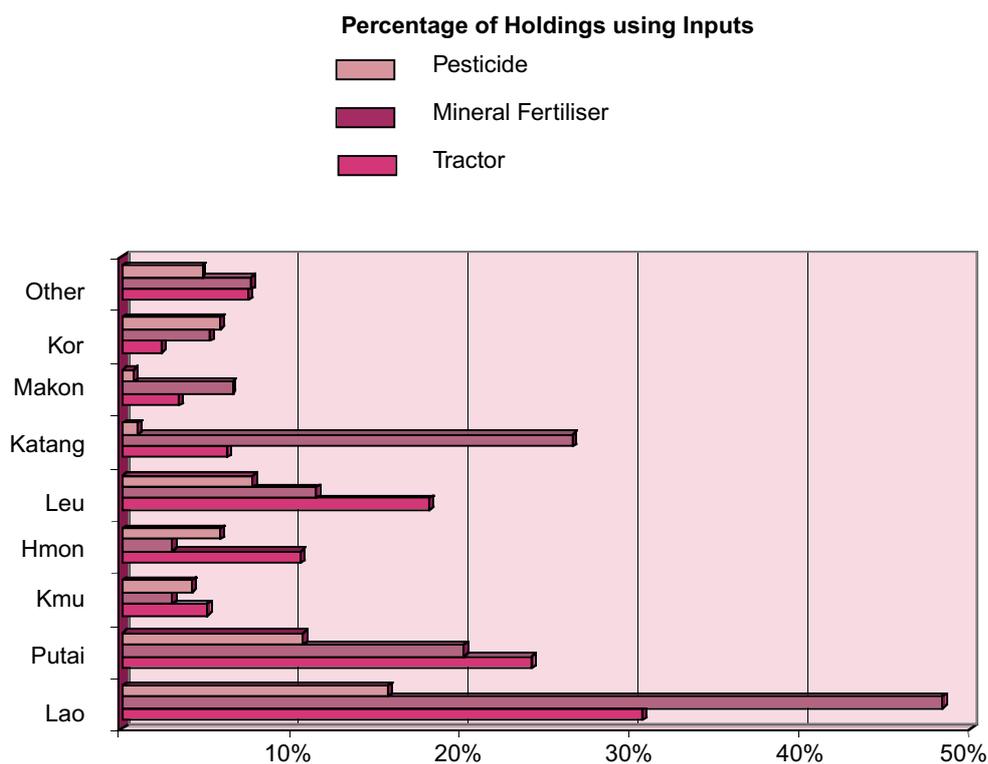


TABLE 9: LAND USE PROFILE

	Percentage of Households					
	Owning land	Access to Land	Owned land size Ha/HHs	Access to irrigated land	Owning cow buffaloes	Owning Tractor
	1997/98	1997/98	1997/98	1997/98	1997/98	1997/98
Whole Country	65	86	1.6	25	61	7
Urban	42	51	1.4	21	30	6
Rural	70	93	1.6	26	68	7
REGIONS						
Northern	44	94	1.1	44	61	7
Central	72	84	1.0	25	61	9
Southern	80	88	1.9	7	62	2
Vientiane Municipality	49	56	2.9	21	28	13
PROVINCES						
Northern						
Luang Prabang	42	90	1.1	25	48	2
Xayabury	87	94	1.2	62	66	22
Huaphanh	3	98	0.6	59	80	1
Oudomxay	37	91	1.2	38	58	2
Phongsaly	29	100	1.0	36	61	0
Luang Namtha	33	93	1.0	35	59	8
Bokeo	61	94	0.7	61	61	11
Central						
Savannakhet	80	88	1.6	12	80	8
Vientiane Province	82	85	1.5	31	57	14
Khammuane	87	89	1.4	4	74	4
Xiengkhuang	64	94	0.8	62	79	2
Borikhamxay	86	69	1.4	8	57	17
Xaysomboon- SR	74	76	1.0	30	71	3
Southern						
Champasak	76	84	2.0	7	59	3
Saravane	83	91	2.0	5	65	2
Attapeu	91	92	1.3	1	78	0
Sekong	90	96	1.7	21	56	1

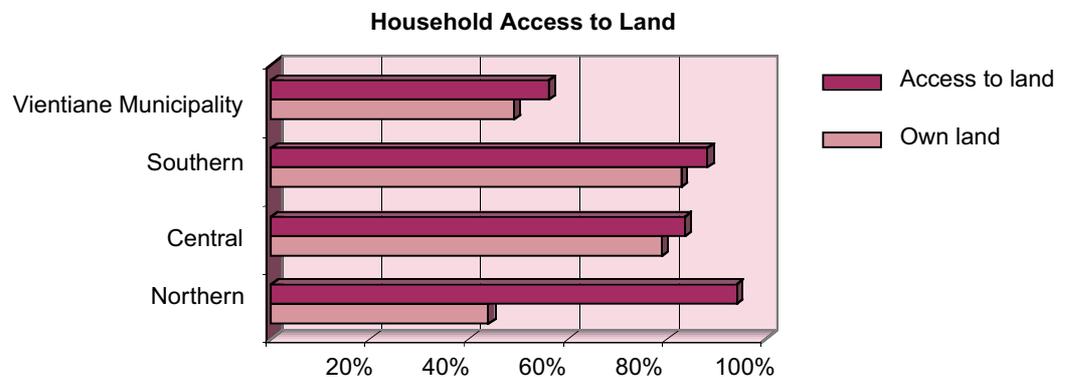


TABLE 10: AGRICULTURE SECTOR PROFILE

	No. of agricultural holdings (,000) 1998/99	Area of holdings (,000 ha) 1998/99	Average area of holdings (ha) 1998/99	Arable land (,000 ha) 1998/99	Area of temporary crops (,000 ha) 1998/99	Cultivation intensity (%) 1998/99
Whole Country	668.0	1,048	1.57	877.0	803.0	91
Urban						
Rural						
REGIONS						
Northern	238.4	324.2	1.36	296.4	250.2	84
Central	244.9	371.8	1.52	311.9	296.3	95
Southern	136.0	268.2	1.97	198.7	184.4	93
Vientiane Municipality	48.6	83.3	1.71	70.2	71.7	102
PROVINCES						
Northern						
Luang Prabang	55.7	98.1	1.76	87.5	61.1	70
Xayabury	49.4	61.0	1.23	55.7	54.7	98
Huaphanh	36.9	40.2	1.09	38.0	38.9	102
Oudomxay	33.4	62.0	1.86	56.8	37.7	66
Phongsaly	24.4	21.1	0.86	20.2	20.4	101
Luang Namtha	19.8	21.8	1.10	20.4	20.5	100
Bokeo	18.8	20.0	1.06	17.8	16.9	95
Central						
Savannakhet	95.4	150.0	1.57	119.1	116.1	97
Vientiane Province	43.7	73.1	1.67	56.2	55.3	98
Khammuane	43.6	54.9	1.26	52.2	46.2	89
Xiengkhuang	28.1	38.7	1.38	34.9	33.8	97
Borikhamxay	26.5	45.2	1.71	40.9	37.1	91
Xaysomboon- SR	7.6	9.9	1.30	8.6	7.8	91
Southern						
Champasak	70.2	146.7	2.09	102.1	96.7	95
Saravane	41.3	84.5	2.05	67.6	60.5	89
Attapeu	14.8	18.8	1.27	17.2	16.3	95
Sekong	9.7	18.2	1.88	11.8	10.9	92

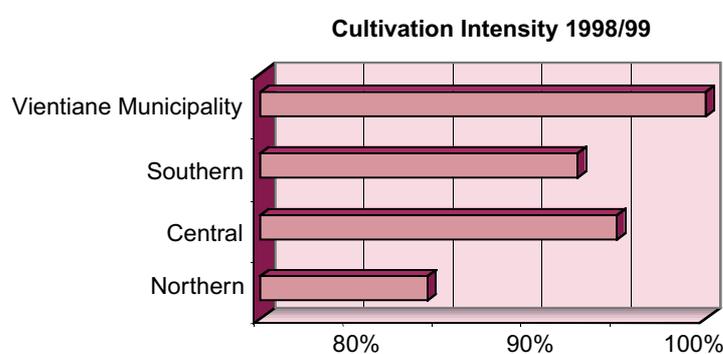


TABLE 10: AGRICULTURE SECTOR PROFILE

	Area of rice planted - wet season lowland	Area of rice planted - wet season upland	Area of rice planted - dry season	Area of rice planted	Area of temporary crops with rice planted	Season Rice Area	Season Rice Production
	(,000 Ha)	(,000 Ha)	(,000 Ha)	(,000 Ha)	(,000 Ha)	(,000 Ha)	(,000 Tons)
	1998/99	1998/99	1998/99	1998/99	1998/99	2000	2000
Whole Country	481.2	198.5	55.4	735.1	92	500.0	2135.0
Urban							
Rural							
REGIONS							
Northern	70.7	134.7	7.1	212.5	85	82.0	260.3
Central	216.2	38.1	21.5	275.8	93	225.0	1,255.7
Southern	143.1	22.6	12.4	178.1	97	144.0	456.5
Vientiane Municipality	51.2	3.1	14.4	68.7	96	49.0	162.5
PROVINCES							
Northern							
Luang Prabang	8.8	40.7	1.8	51.3	84	11.5	36.0
Xayabury	22.0	20.3	2.2	44.5	81	22.5	72.0
Huaphanh	9.9	17.4	1.5	28.8	74	12.5	39.1
Oudomxay	8.6	25.5	1.2	35.3	94	10.0	32.0
Phongsaly	5.3	13.2		18.5	91	7.0	22.5
Luang Namtha	7.7	10.9	0.3	18.9	92	8.5	27.2
Bokeo	8.4	6.7	0.1	15.2	90	10.0	31.5
Central							
Savannakhet	96.9	6.8	9.3	113.0	97	106.0	342.0
Vientiane Province	37.5	8.1	4.6	50.2	91	28.0	121.5
Khammuane	38.2	2.4	4.0	44.6	97	47.0	152.6
Xiengkhuang	14.1	12.9	0.3	27.3	81	14.5	545.4
Borikhamxay	24.9	5.8	3.1	33.8	91	23.5	75.0
Xaysomboon- SR	4.6	2.1	0.2	6.9	88	6.0	19.2
Southern							
Champasak	82.0	4.2	7.6	93.8	97	85.0	270.0
Saravane	45.7	9.5	3.7	58.9	97	42.5	134.5
Attapeu	11.9	3.1	0.6	15.6	96	13.0	41.0
Sekong	3.5	5.8	0.5	9.8	90	3.5	11.0

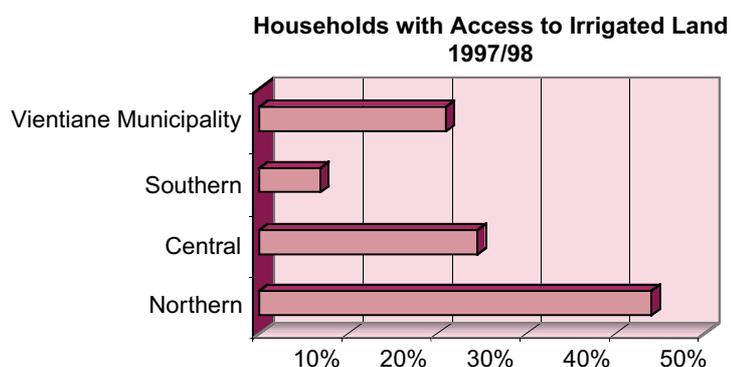


TABLE 10: AGRICULTURE SECTOR PROFILE

	Households with Access to Land	Owned land size Ha/HHs	Households with access to irrigated land	Villages using slash and burn agricultural practices	Villages using shifting cultivation methods	Villages using regrowth agricultural practices
	%	%	%	%	%	%
	1997/98	1997/8	1997/8	1997/8	1997/8	1997/8
Whole Country	86	1.6	25	45	37	83
Urban	51	1.4	21	13	43	
Rural	93	1.6	26	52	36	
REGIONS						
Northern	94	1.1	44	83	23	89
Central	87	1.3	20	24	50	75
Southern	88	1.9	7	37	29	90
Vientiane Municipality	56	2.9	21	7	51	26
PROVINCES						
Northern						
Luang Prabang	90	1.1	25	89	31	75
Xayabury	94	1.2	62	72	47	96
Huaphanh	98	0.6	59	76	10	98
Oudomxay	91	1.2	38	96	5	89
Phongsaly	100	1.0	36	84	15	88
Luang Namtha	93	1.0	35	84	18	100
Bokeo	94	0.7	61	75	16	89
Central						
Savannakhet	88	1.6	12	9	65	96
Vientiane Province	85	1.5	31	45	55	87
Khammuane	89	1.4	4	12	51	87
Xiengkhuang	94	0.8	62	46	10	97
Borikhamxay	89	1.4	8	73	44	80
Xaysomboon- SR	76	1.0	30	83	-	97
Southern						
Champasak	84	2.0	7	28	32	87
Saravane	91	2.0	5	44	18	96
Attapeu	92	1.3	1	25	12	88
Sekong	96	1.7	21	93	66	91

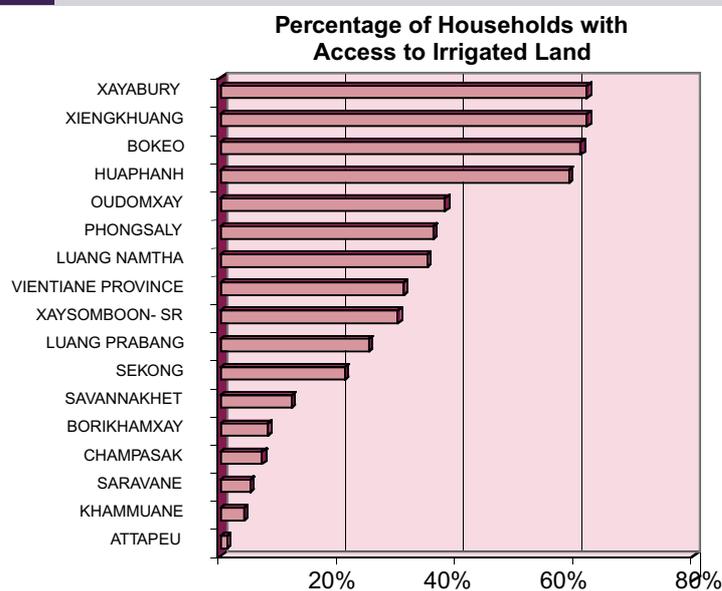


TABLE 10: AGRICULTURE SECTOR PROFILE

	Total Area Destroyed by Natural Disaster (Ha)			Lowland Area Destroyed from Flood (Ha)		
	1995	1996	1997	1995	1996	1997
Whole Country	75,012	67,370	43,512	64,974	64,499	32,475
Urban						
Rural						
REGIONS						
Northern	2,872	1,793	8,647	1,007	226	225
Central	46,690	42,898	25,805	39,375	41,663	23,500
Southern	9,586	22,410	6,200	8,905	22,410	5,950
Vientiane Municipality	15,864	269	2,860	15,687	200	2,800
PROVINCES						
Northern						
Luang Prabang	968	177	540	71	177	40
Xayabury	738	49	110	646	49	20
Huaphanh	291	1,046	2,020			150
Oudomxay	200		5,030			15
Phongsaly	195	393	800	27		
Luang Namtha	319		45	135		
Bokeo	161	128	102	128		
Central						
Savannakhet	7,060	21,274	8,305	6,791	21,038	8,200
Vientiane Province	9,930	185	4,730	9,651	131	3,400
Khammuane	13,647	17,266	6,900	13,498	17,266	6,900
Xiengkhuang	1,133					
Borikhamxay	13,913	3,998	5,870	9,188	3,123	5,000
Xaysomboon- SR	1,007	175		247	105	
Southern						
Champasak	6,795	19,003	5,750	6,795	19,003	5,700
Saravane	2,110	800		2,110	800	
Attapeu	644	2,327	200		2,327	200
Sekong	37	280	250		280	50

Percentage of Villages Using Slash & Burn Practices

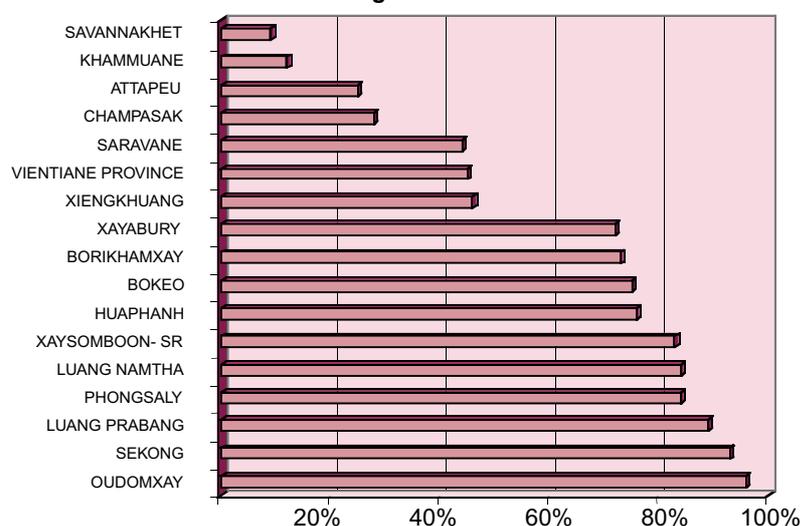


TABLE 11: OPIUM PRODUCTION AND CONSUMPTION

Area estimates (Ha)	1992	1996	1998	2000	2001
Whole Country	19,190	21,601	26,837	19,052	17,255
Urban					
Rural					
REGIONS					
Northern	14,730	17,077	22,646	17,360	15,086
Central	4,460	4,524	4,191	1,692	2,169
Southern					
Vientiane Municipality					
PROVINCES					
Northern					
Luang Prabang	3,510	3,550	2,786	3,036	2,950
Xayabury	400	754	1,014	508	729
Huaphanh	3,770	3,817	3,450	3,921	2,903
Oudomxay	1,860	2,416	5,597	4,061	3,112
Phongsaly	2,840	3,558	5,778	3,872	3,278
Luang Namtha	1,730	2,197	3,593	1,514	1,687
Bokeo	620	785	428	448	427
Central					
Savannakhet					
Vientiane Province	880 *	900*	672*	19	117**
Khammuane					
Xiengkhuang	2,880	2,916	2,902	1,376	1,426
Borikhamxay	700	708	617	73	105
Xaysomboun- SR	N/a	N/a	N/a	224	521**
Southern					
Champasak					
Saravane					
Attapeu					
Sekong					

* Including Xaysomboun-SR

** Previously within Xaysomboun, the districts of Hom and Longxam are part of Vientiane Province since 2001.

TABLE 11: OPIUM PRODUCTION AND CONSUMPTION

Production estimates (kilo)					
	1992	1996	1998	2000	2001
Whole Country	126,700	140,400	123,453	167,097	134,253
Urban					
Rural					
REGIONS					
Northern	94,600	112,100	104,174	157,112	117,582
Central	32,100	28,300	19,279	9,985	16,669
Southern					
Vientiane Municipality					
PROVINCES					
Northern					
Luang Prabang	22,400	17,200	12,816	36,007	20,906
Xayabury	2,500	6,900	4,666	4,068	3,688
Huaphanh	22,500	17,300	15,870	33,705	25,384
Oudomxay	12,300	19,600	25,747	36,536	22,269
Phongsaly	19,000	27,500	26,580	31,824	31,747
Luang Namtha	11,500	16,900	16,526	12,211	10,428
Bokeo	4,400	6,700	1,969	2,761	3,160
Central					
Savannakhet					
Vientiane Province	7,000*	6,900*	3,09*	167	870**
Khammuane					
Xiengkhuang	20,300	15,600	13,350	8,205	11,169
Borikhamxay	4,800	5,800	2,838	213	776
Xaysomboon- SR	N/a	N/a	N/a	1,400	3,854**
Southern					
Champasak					
Saravane					
Attapeu					
Sekong					

* Including Xaysomboun-SR

** Previously within Xaysomboun, the districts of Hom and Longxam are part of Vientiane Province since 2001.

TABLE 11: OPIUM PRODUCTION AND CONSUMPTION

Addiction estimates 2001	Population	Addicts	Addication rate (%)
Whole Country			
Urban			
Rural			
REGIONS			
Northern	1,661,077	41,899	2.52
Central			
Southern			
Vientiane Municipality			
PROVINCES			
Northern			
Luang Prabang	377,244	10,020	2.66
Xayabury	316,465	5,412	1.71
Huaphanh	262,668	5,840	2.22
Oudomxay	299,297	7,894	3.44
Phongsaly	152,821	3,838	2.51
Luang Namtha	126,399	4,935	3.90
Bokeo	126,183	3,960	3.14
Central			
Savannakhet			
Vientiane Province	334,290	9,590	2.87
Khammuane			
Xiengkhuang	205,820	4,929	2.39
Borikhamxay	190,002	1,188	0.63
Xaysomboon- SR	32,362	568	1.76
Southern			
Champasak			
Saravane			
Attapeu			
Sekong			

TABLE 12: LABOUR MARKET PROFILE

	Population Age 10+	Female Proportion of Population Age 10+	Economic Activity Rate	Unemployment Rate
		%	%	%
	1995	1995	1995	1995
Whole Country	3,157,417	51.1	70.3	2.4
Urban	576,758	50.2	56.8	
Rural	2,580,659	51.4	73.4	
REGIONS				
Northern	1,008,988	50.9	72.5	1.5
Central	1,127,424	51.1	70.5	2.3
Southern	627,027	52.2	67.5	1.9
Vientiane Municipality	393,977	49.8	59.6	4.3
PROVINCES				
Northern				
Luang Prabang	242,194	50.4	69.6	1.1
Xayabury	200,643	50.0	68.2	1.0
Huaphanh	161,327	50.2	72.3	1.0
Oudomxay	140,728	50.3	76.9	1.6
Phongsaly	104,657	50.3	76.3	0.8
Luang Namtha	80,408	51.1	76.4	0.6
Bokeo	79,031	50.5	77.3	1.1
Central				
Savannakhet	464,334	51.0	73.7	1.4
Vientiane Province	202,669	49.4	62.2	2.2
Khammuane	188,274	52.4	75.1	1.6
Xiengkhuang	126,638	50.2	65.9	1.3
Borikhamxay	110,876	50.0	69.5	1.9
Xaysomboon- SR	34,633	49.6	71.3	1.1
Southern				
Champasak	351,196	51.2	69.3	1.8
Saravane	171,397	51.5	79.4	0.5
Attapeu	60,349	51.5	72.4	1.4
Sekong	44,086	50.7	82.1	0.7

Number of Employment Positions in 1992 and projected number of positions in 2000

Industry	1992	2000	Growth Rate %
Agriculture	1,350,000	1,537,000	1.6
Mining	3,000	4,130	4.1
Construction	40,000	69,250	7.1
Utilities	9,000	16,890	8.2
Manufacturing	105,000	183,110	7.2
Transport/Communication	34,000	57,740	7.3
Wholesale/Retail	137,000	221,650	6.2
Hospitality	14,000	25,730	7.9
Finance	2,000	5,140	12.5
Services	32,000	71,120	10.5
Government	74,000	74,000	0.0

TABLE 12: LABOUR MARKET PROFILE

	Main Economic Activity 12 months 1997 / 1998 (%)							
	Employed	Farmer	Un-Employed	Student	Home-maker	Retired / Too old	Unable to work	Households with own business
Whole Country	13	54	1	24	2	4	1	47
Urban	39	17	2	32	4	4	1	64
Rural	8	63	0	23	2	5	1	44
REGIONS								
Northern	8	62	0	23	2	4	1	46
Central	18	48	1	26	2	4	1	46
Southern	11	59	0	23	2	5	1	35
Vientiane Municipality	36	21	2	33	4	4	1	58
PROVINCES								
Northern								
Luang Prabang	13	49	0	28	4	4	2	57
Xayabury	8	62	1	24	1	5	1	63
Huaphanh	4	69	0	21	2	3	1	42
Oudomxay	6	69	0	20	1	4	1	47
Phongsaly	6	66	0	19	5	3	2	40
Luang Namtha	7	74	0	15	1	3	0	27
Bokeo	10	60	0	22	3	4	1	44
Central								
Savannakhet	10	63	1	18	1	6	1	43
Vientiane Province	15	46	2	31	1	5	1	62
Khammuane	13	59	0	23	1	3	1	42
Xiengkhuang	9	52	0	29	2	7	1	48
Borikhamxay	7	62	1	27	1	2	0	40
Xaysomboon- SR	10	59	0	26	1	3	1	38
Southern								
Champasak	12	55	0	25	2	5	2	37
Saravane	10	64	0	19	1	5	1	45
Attapeu	11	57	0	25	1	6	1	43
Sekong	6	71	0	19	1	2	1	16

Percent Distribution of Employees By Functional Categories & Gender

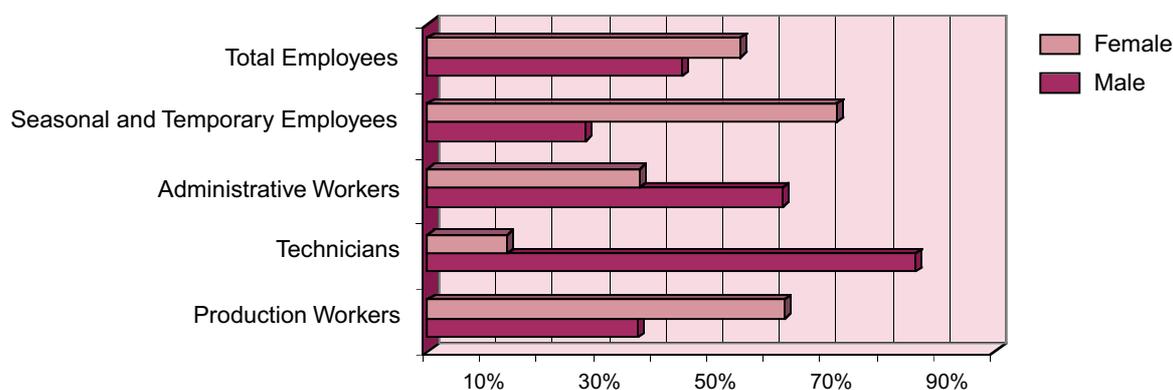


TABLE 13: MARKETS COMMUNICATIONS & TRANSPORT PROFILE

Year 1997 ñ 1998	Percent of Villages						
	Electricity	Permanent Market	Periodical Market	6+km from Main Road	Access in Rainy Season	Access in Dry Season	Scheduled Passenger Transport
Whole Country	31	9	5	35	53	79	50
Urban	91	33	4	9	100	100	93
Rural	19	4	5	41	44	75	42
REGIONS							
Northern	14	6	6	45	40	56	40
Central	50	11	4	29	66	96	67
Southern	17	6	5	32	46	78	42
Vientiane Municipality	100	14		21	100	100	91
PROVINCES							
Northern							
Luang Prabang	19	2		48	45	49	47
Xayabury	15	8	6	27	47	82	57
Huaphanh	16	15	18	66	36	40	36
Oudomxay	14	0		66	36	50	32
Phongsaly	5	4	6	42	32	44	25
Luang Namtha	7	9		42	32	44	25
Bokeo	8	9	20	38	41	77	37
Central							
Savannakhet	32	7	4	31	57	100	38
Vientiane Province	53	11	2	47	74	95	58
Khammuane	33	14		38	44	95	45
Xiengkhuang	18	9	7	11	43	85	41
Borikhamxay	34	18	12	23	49	89	51
Xaysomboon- SR	8	27	17	39	45	68	36
Southern							
Champasak	20	5	7	37	43	68	46
Saravane	15	5	3	19	51	100	47
Attapeu	11	17		32	35	78	18
Sekong	10	7		39	57	69	30

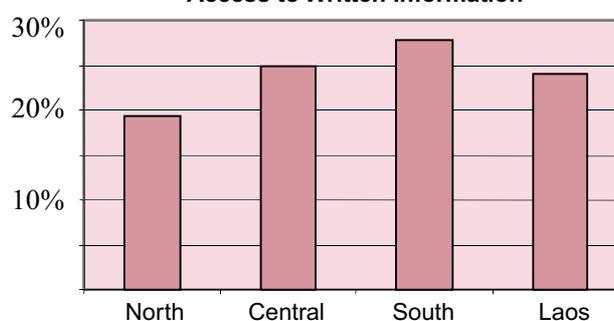
Percentage of Households with Access to Written Information

TABLE 13: MARKETS COMMUNICATIONS & TRANSPORT PROFILE

Year 1997 / 98	Percentage of Households which possess					
	Car	Motorbike	Bike	Television	Radio	Video
Whole Country	4	15	56	30	52	20
Urban	12	49	80	72	64	36
Rural	2	8	52	22	50	16
REGIONS						
Northern	2	5	34	11	55	17
Central	3	15	68	30	47	24
Southern	2	9	57	22	38	16
Vientiane Municipality	14	52	82	86	64	43
PROVINCES						
Northern						
Luang Prabang	2	7	37	7	63	22
Xayabury	5	7	51	28	54	29
Huaphanh	0	3	30	4	60	41
Oudomxay	1	3	27	5	46	15
Phongsaly	0	2	18	1	60	4
Luang Namtha	0	1	32	4	47	15
Bokeo	0	6	29	21	39	17
Central						
Savannakhet	2	13	74	23	38	8
Vientiane Province	3	24	75	50	58	23
Khammuane	4	16	57	38	53	21
Xiengkhuang	3	10	63	11	52	14
Borikhamxay	4	14	65	42	39	35
Xaysomboon- SR	0	2	32	8	54	9
Southern						
Champasak	2	12	57	27	39	19
Saravane	2	7	61	23	38	8
Attapeu	1	5	58	7	43	12
Sekong	1	3	33	6	19	30

Length of Roads for Whole Country (,000 km)

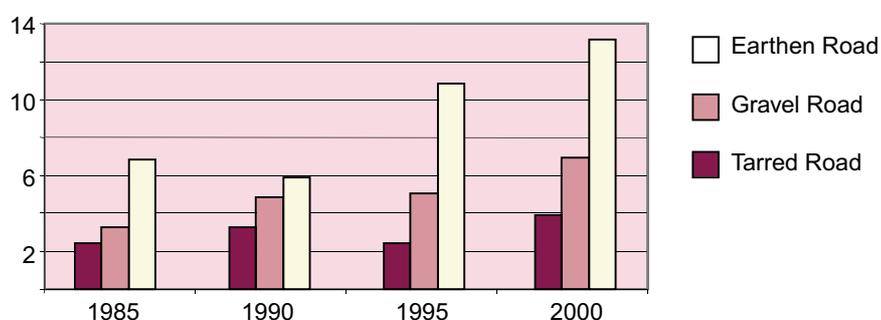


TABLE 14: MACROECONOMIC PROFILE

Indicators	1992	1993	1994	1995	1996	1997	1998	1999	2000
Gross Domestic Product									
Nominal GDP at market prices (billion Kip)	844	951	1,108	1,430	1,726	2,201	4,240	10,328	13,671
GDP at constant market prices (billion Kip)	682	722	781	836	893	955	994	1,064	1,126
GDP deflator	1.24	1.32	1.42	1.71	1.93	2.30	4.27	9.71	12.14
GDP deflator growth rate %	9	6.4	7.7	20.6	13.0	19.2	85.1	127.6	25.1
GDP \$US, 000,000 (est.)	1,172	1,328	1,539	1,746	1,864	1,748	1,286	1,453	1,743
Real GDP Per Capita (\$US)	271	297	336	378	395	360	259	287	317
Real GDP Growth / year %	7.0	5.9	8.1	7.1	6.9	7.0	4.0	7.3	5.8
GDP By Sector %									
Agriculture	58.0	56.3	56.4	54.3	52.2	52.2	51.8	52.2	51.8
Industry	16.7	17.4	17.8	18.8	20.6	20.8	21.9	22.0	22.6
Services	23.9	24.3	23.7	24.4	24.8	25.0	25.4	25.2	25.0
GDP Growth Rates by Sector %									
Agriculture	8.3	2.7	8.3	3.1	2.3	7.0	3.1	8.2	4.9
Industry	7.5	10.3	10.7	13.1	17.3	8.1	9.2	8.0	8.5
Services	3.9	7.7	5.5	10.3	8.5	7.5	5.5	6.7	4.9
Inflation									
Annual Average Inflation %	9.9	6.3	6.0	19.4	11.3	26.4	87.4	134.0	23.0
Total Liquidity (M2) (% change per year)	49.1	64.6	31.9	16.4	26.7	65.8	133.5	78.5	45.8
Exchange rate (est.) kip/\$US									
Commercial Banks rate									
Buying rate	730.3	723.9	722.6	841.4	948.6	1397.2	3499.8	7698.0	7977.2
Selling rate	737.3	732.2	730.1	858.5	954.7	1366.8	3595.9	7838.8	8062.8
Parallel market rate									
Buying rate	715.2	716.0	716.5	815.8	922.5	1256.6	3282.0	7051.6	7809.0
Selling rate	717.0	718.0	718.5	821.1	929.8	1262.4	3310.5	7164.8	7882.5
Annual average	720.0	716.0	720.0	819.0	926.0	1259.0	3296.0	7108.0	7845.0
Official Development Assistance (millions \$US)									
Total ODA	167.3	227.6	233.8	302.5	416.6	388.5	302.0	354.5	226.0
Long Term Loans	60.0	136.6	162.6	200.9	241.3	226.9	183.9		
Grants	107.2	91.0	71.2	101.6	175.3	161.6	118.1		

TABLE 14: MACROECONOMIC PROFILE

Indicators	1992	1993	1994	1995	1996	1997	1998	1999	2000
Government Budget (% GDP)									
Revenue	10.7	11.9	12.3	12.2	13.0	11.3	9.8	10.6	13.3
Grants			6.3	5.5	3.5	3.4	5.3	6.0	3.7
Expenditure	20.7	17.9	23.8	21.9	22.1	21.9	23.6	20.6	21.7
Overall Balance			-5.2	-4.2	-5.6	-7.2	-8.5	-4.0	-4.6
Excluding grants			-11.5	-9.7	-9.1	-10.6	-13.8	-10.0	-8.4
Domestic financing			0.5	-0.4	-1.1	1.6	2.5	-0.6	-1.2
Foreign financing	0.8	4.5	4.7	4.6	6.7	5.6	6.0	4.6	5.8
Investments (% GDP)		14	16	16	21	34	28	7	
Public Investment		9	12	11	12	12	7	3	2
Private Investment	0.8	4.5	3.9	5.4	8.6	21.8	21.1	3.7	
Export ñ Import (X-M)	-11.4	-14.4	-23.0	-16.1	-19.9	-19.2	-16.8	-17.4	-11.8
Interest Rate (end of year)									
One year deposit		12.0	12.0	16.0	16.5	19.0	19-25	19-22	20
Short term loans		26.0	24.0	28.0	23-28	20-26	22-28	24-32	21-29
Savings (% GDP)									
Gross Domestic Savings				11.6	12.0	11.4	12.7	16.4	14.6
Private							11.0	11.9	10.0
Government							1.7	4.5	4.6
Consumption (% GDP)									
Consumption		72	68	70	59	47	54	79	
Private consumption		55	44	50	38	28	31	60	

TABLE 15: IMPORTS AND EXPORT

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Exports									
Exports (% GDP)	11.3	18.1	19.5	17.6	17.0	17.9	26.2	20.8	19.0
Exports (\$ US M BOP)	132.6	240.5	300.4	307.6	317.2	312.7	336.8	301.5	330.3
Wood Products	42.7	65.8	96.1	88.3	124.6	89.7	115.4	54.9	72.9
Garments	27.3	49.0	58.2	76.7	64.1	90.5	70.2	65.5	91.6
Coffee	2.4	4.1	3.1	21.3	25.0	19.2	48.0	15.2	12.1
Electricity	17.0	19.6	24.8	24.2	29.7	20.8	66.5	90.5	112.2
Gold re-export	0	4.2	18.8	21.9	15.2	41.5	0	0	0
Fuel purchase by foreign carriers	0	0	0.4	0.4	0.4	0.5	0.4	0.8	0.1
Other Products	35.9	88.6	86.9	61.1	40.4	32.4	27.9	66.3	26.0
Export Growth (%)	11.2	81.4	24.9	2.4	3.1	-1.4	7.7	-10.5	9.6
Main destination of Exports as percent of total exports									
ASEAN	57.5	47.1	71.2	45.9	78.3	16.6	35.4		
Non-ASEAN	20.8	22.6	0.1	0.1	1.5	37.8	3.5		
Europe	13.9	19.1	0.2	0.1	7.8	0.4	20.9		
Other countries	2.6	4.6	0.0	0.4	10.4	0.0	39.6		
The Americas	5.2	6.5	0.0	0.0	2.1	0.0	0.6		
Imports									
Imports (of GDP)	22.7	32.5	40.5	33.7	37.0	37.0	43.0	38.2	30.7
Imports (\$US M BOP)	265.6	431.9	654.1	588.8	689.6	647.9	552.8	554.3	535.3
* Investment goods	70.0	113.8	146.1	189.4	277.0	226.8	226.7	184.0	161.8
Machinery & equipment	14.0	22.7	32.0	43.8	71.3	52.0	44.4	21.0	16.2
Vehicles	16.9	27.5	25.0	36.0	71.7	53.8	39.4	35.8	23.3
Fuel	9.0	14.7	21.4	30.8	32.8	38.2	61.8	36.7	79.1
Construction & electrical	30.1	48.9	67.7	78.8	101.2	82.8	81.1	90.5	43.2
* Consumption goods	140.0	224.7	276.5	283.8	308.0	267.7	234.7	252.7	288.0
* Material garments	22.3	36.2	51.3	66.3	70.0	73.7	66.8	66.5	60.4
* Gold & silver	7.9	12.9	46.8	29.5	18.8	50.4	0.7	2.1	1.5
* Motorcycle parts	16.8	27.0	34.6	13.3	12.0	24.9	17.0	38.3	15.6
* Other imports	8.8	17.3	98.8	6.5	3.8	4.4	6.9	10.7	8.0
Import Growth	61.1	62.6	51.4	-10.0	17.1	-6.0	-14.7	0.3	-3.4
Main origins of imports as of total imports									
ASEAN	50.6	60.0	66.6	47	52	91	58		
Non- ASEAN countries	24.0	26.2	17.5	12.4	13.5	8.3	33.0		
Europe	3.4	4.6	2.1	1.5	1.6	1.0	1.7		
Other countries	20.8	7.9	13.5	38.5	33.0	0.0	7.3		
The Americas	1.1	1.3	0.3	0.2	0.2	0.1	0.3		

TABLE 16: FINANCIAL RESOURCE FLOWS

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Balances									
Trade Balance (\$US M)	-133.0	-191.4	-353.7	-281.2	-372.4	-335.2	-216.0	-252.8	-205.0
Current Account Balance (\$US M)	-52.0	-41.2	-96.7	-132.8	-229.6	-177.6	-33.6	-75.7	-12.5
Current Account Balance (% GDP)	-4.4	-3.1	-6.3	-7.6	-12.3	-10.2	-2.6	-5.2	-0.7
Openness economy (X+M as % GDP)	34.0	50.6	62.0	51.3	54.0	54.9	69.2	58.9	49.7
Growth rate Openness economy	0	49.0	22.5	-17.2	5.2	1.7	25.9	-14.8	-15.7
Capital Flows									
Net Foreign Capital Inflow (\$US M)		9.6	56.2	111.5	106.6	203.3		138.8	122.5
Long Term Loans	49.8	35.1	62.1	69.5	55.7	109.2			
Short Term Loans		-33.5	-14.9	-35.8	7.5	10.2			
Foreign Investment	9.0	66.6	60.2	95.1	175.6	88.7	45.9	51.6	33.9
Capital Account (\$US M)	67.2	111.6	136.6	212.1	297.0	233.1	124.4	71.9	115.2
Reserves									
Reserves excl gold (\$US M)					61.0	92.1	165.0	112.2	116.8
Gross International Reserves (\$US M)		57.2	81.2	150.9	158.2	191.1			
Foreign Direct Investment									
Net FDI (\$US M)	9.8	59.8	60.1	95.1	159.8	378.0	253	56.3	
Foreign Investments Approved (\$US M)	130	1538	2597	804	1292	154	141	155	38
No of projects approved	94	146	112.0	55.0	63	66.0	69	68	15
Average size of project approved (,000 \$US)	1.4	10.5	23.2	14.6	20.5	2.3	2.0	2.3	2.5
External Debt									
Total External Debt (\$US M)			2,080	2,165	2,263	2,320			
Outstanding Official External Debt (end of year, \$US M)	1,148	1,202	1,393	1,236					
Total External Debt/GDP	0	0	-	-	121.9	136.7			
Debt service (of Exports)	5.0	2.8	2.3	3.3	3.7	4.6	4.6	5.9	5.7
Debt service (\$USM)	9.6	9.4	9.0	13.3	15.5	18.9	21.3	26.4	28.8

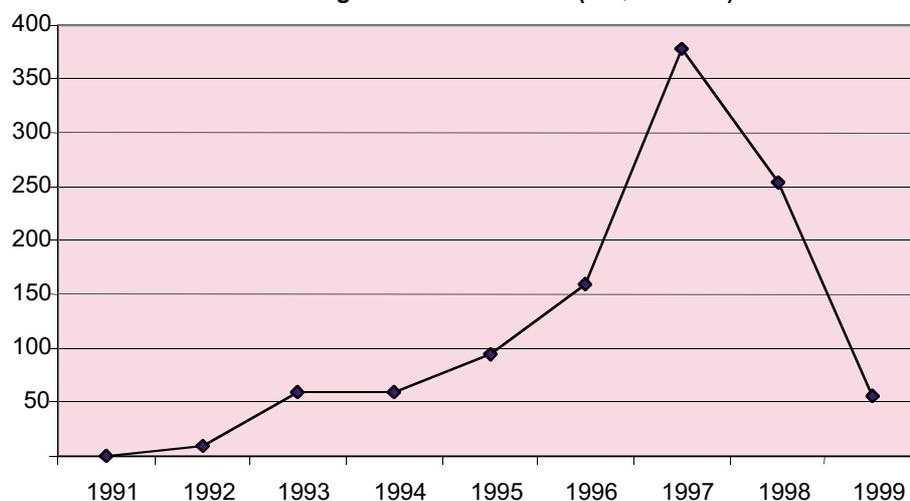
Net Foreign Direct Investment (US\$ Millions)

TABLE 17: PUBLIC EXPENDITURE PROFILE

	1996/97			1997/98			1999/00		
	TOTAL (Bill. Kip)	(%)	Per cap. (000 Kip)	TOTAL (Bill. Kip)	(%)	Per cap. (000 Kip)	TOTAL (Bill. Kip)	(%)	Per Cap. (000 kip)
Whole Country	430			513			2,778		
Ministries	284			357			1,929		
Other / Unaccounted	25			29			0		
REGIONS	121	100		156	100		849	100	
Northern	42	35	28	62	40	40	313	37	188
Central	36	30	21	50	32	29	260	31	141
Southern	22	18	23	30	19	32	136	16	136
Vientiane Municipality	21	17	39	14	9	26	140	16	240
PROVINCES									
Northern									
Luang Prabang	9	7	24	12	8	32	32	4	79
Xayabury	6	5	20	11	7	36	26	3	80
Huaphanh	5	4	20	12	8	47	66	8	243
Oudomxay	4	3	19	6	4	27	50	6	214
Phongsaly	7	6	45	7	4	44	40	5	235
Luang Namtha	7	6	60	7	4	57	24	3	188
Bokeo	4	3	35	7	4	59	75	9	595
Central									
Savannakhet	13	11	19	15	10	21	71	8	95
Vientiane Province	6	5	21	9	6	30	47	6	147
Khammuane	6	5	22	9	6	32	46	5	152
Xiengkhuang	4	3	20	7	4	34	49	6	220
Borikhamxay	4	3	24	6	4	35	37	4	203
Xaysomboon- SR	3	2	54	4	3	71	10	1	167
Southern									
Champasak	10	8	20	15	10	29	60	7	108
Saravane	5	4	19	6	4	23	39	5	137
Attapeu	3	2	34	4	3	44	13	2	134
Sekong	4	3	61	6	3	75	24	3	338

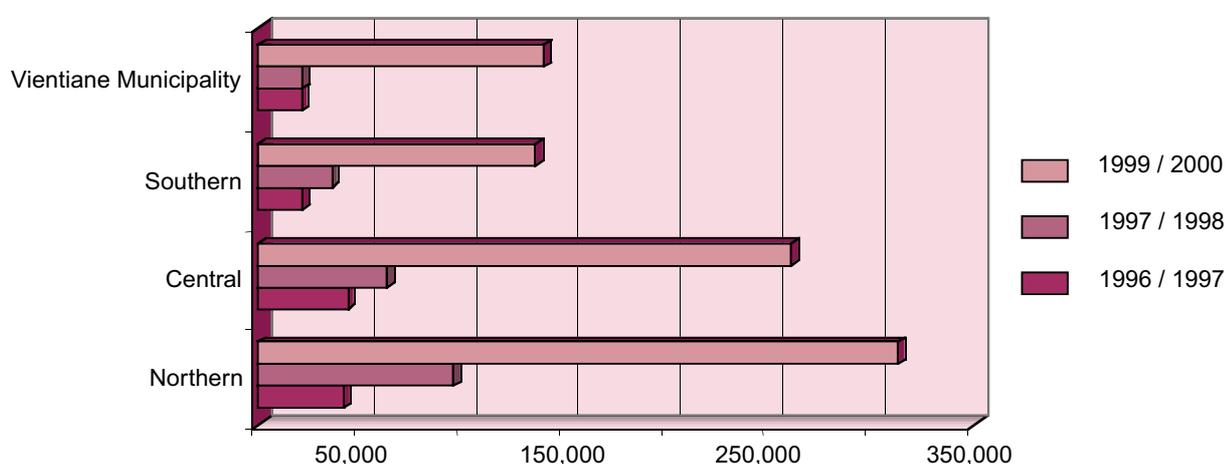
National Expenditure (Millions Kip)

TABLE 17: PUBLIC EXPENDITURE PROFILE

	Per capita Donor Aid			Per capita National Expenditure including donor aid			Ratio of Donor Dependency (%)		
	(Thousand Kips)			(Thousand Kips)					
	1996/97	1997/98	1999/00	1996/97	1997/98	1999/00	1996/97	1997/98	1999/00
Whole Country	64	64	292	151	171	837	42	50	35
Urban									
Rural									
REGIONS									
Northern	21	41	174	48	81	362	43	50	48
Central	74	102	398	95	131	539	78	78	74
Southern	45	68	183	67	100	319	65	68	57
Vientiane Municipality			314	39	26	554	0	0	57
PROVINCES									
Northern									
Luang Prabang	25	39	271	49	71	350	51	55	77
Xayabury	8	51	149	28	87	229	28	58	65
Huaphanh	5	5	62	25	52	304	18	9	20
Oudomxay	5	10	115	24	38	329	22	27	35
Phongsaly	37	63	312	82	107	547	45	59	57
Luang Namtha	74	131	169	134	190	356	55	69	47
Bokeo	27	30	94	61	90	689	43	34	14
Central									
Savannakhet	8	13	91	27	35	186	30	38	49
Vientiane Province	344	415	799	364	445	946	94	93	84
Khammuane	32	10	70	54	42	221	60	24	31
Xiengkhuang	23	191	1011	42	224	1,231	53	85	82
Borikhamxay	29	3	849	53	38	1,052	55	7	81
Xaysomboon- SR		0	177	54	71	344	0	0	52
Southern									
Champasak	73	106	275	92	135	383	79	79	72
Saravane	2	10	27	21	32	164	10	30	17
Attapeu	35	39	48	68	83	182	51	47	26
Sekong	12	32	237	73	107	575	17	30	41

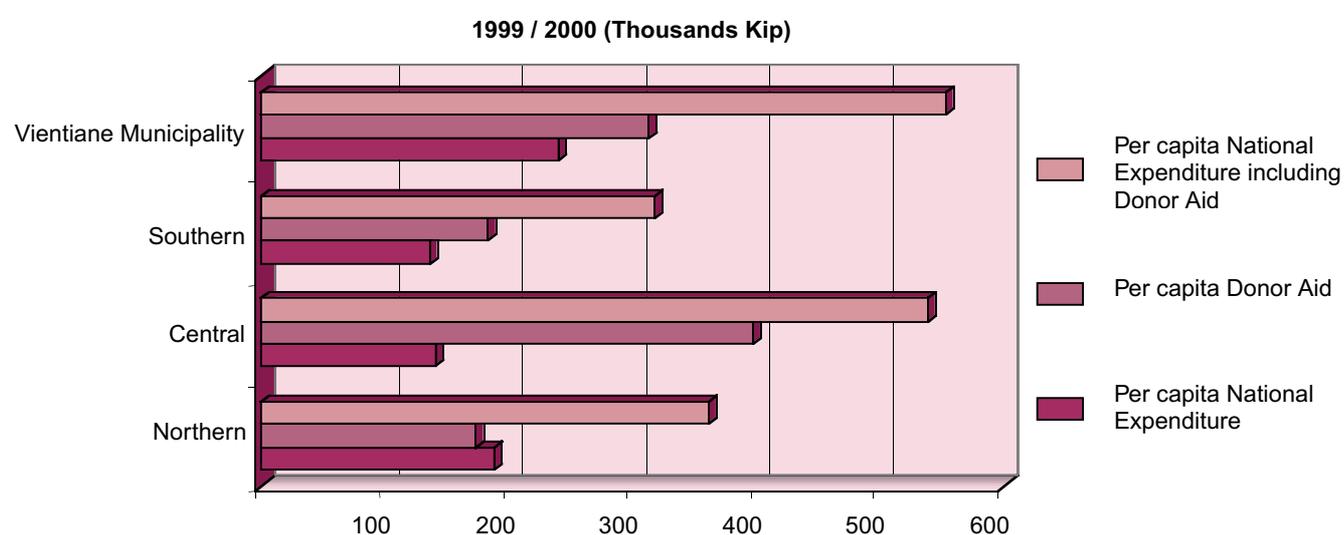


TABLE 18: PUBLIC EXPENDITURE BY MINISTRY AND SECTOR

	Allocation of the State Budget by Ministry					
	National Expenditure (Billion Kip)			Per Capita National Expenditure (Thousand Kip)		
	1996/7	1997/98	1999/00	1996/7	1997/98	1999/00
Country Total	405	513	2,777	87	108	546
Central Budget (Ministries)	284	357	1,928	61	75	379
Ministry of Agriculture	11	18	48	2	4	9
Ministry of Industry	44	45	55	9	9	11
MCTPC	67	109	850	14	21	167
Ministry of Commerce	0	0	1	0	0	0
Ministry of Finance	1	2	394	0	0	77
State Planning Committee	0	0	9	0	0	2
Ministry of Education	31	37	68	7	8	13
Ministry of Health	9	17	12	2	4	2
Ministry of Information & Culture	8	6	48	2	1	9
Ministry of Labour & Social Welfare	19	15	54	4	3	11
Ministry of Justice	0	1	1	0	0	0
Ministry of Foreign Affairs	5	18	47	1	4	9
Ministry of Defence	49	54	224	11	11	44
Ministry of Interior	15	17	78	3	4	15
Prime-Minister's Office	25	18	39	5	4	8

	Proportion of the State Budget by Sectors					
	National Expenditure Percentages			Per Capita National Expenditure (Thousand Kips)		
	1996/7	1997/98	1999/00	1996/7	1997/98	1999/00
Country Total	100	100	100	87	108	546
Social / cultural sectors	17	17	11	15	15	35
Education	8	7	5	7	7	13
Health	3	6	3	2	4	2
Social Welfare & labour	4	3	1	4	3	11
Information and Culture	2	1	1	2	1	9
Economic sectors	76	75	79			
Agriculture / forestry	13	22	13	2	4	9
Industry	17	13	4	9	9	11
Communication	46	40	62	14	23	167
RD- Economic sectors	0	0	0			
Other economic sectors	0	0	0			
Office and housing	4	2	6			
Rural Development and other	4	6	4			

TABLE 19: OFFICIAL DEVELOPMENT ASSISTANCE PROFILE

(\$US Millions)	1992	1993	1994	1995	1996	1997	1998	1999
ODA Total	167.255	227.600	233.760	302.460	416.520	388.472	302.020	354.300
Education / HRD	7.782	13.961	14.666	28.452	30.400	41.468	31.900	29.300
Industry	1.628	1.901	2.113	0.390	0.208	0.005	8.100	27.400
Area Development	0.719	10.552	13.299	25.018	34.787	18.114	21.555	25.800
Agriculture, Forestry and Irrigation	28.142	38.928	28.822	43.518	25.564	23.648	29.300	25.300
Health	6.237	5.940	8.015	11.405	17.017	17.940	14.800	17.600
Economic Management	33.324	36.047	18.760	20.920	57.317	34.669	29.000	7.400
Natural Resources	1.434	1.322	0.84	3.436	4.227	10.388	8.876	6.700
Communications	17.333	17.412	12.634	20.001	7.580	4.324	0.854	2.900
Humanitarian Aid and Relief	7.881	3.324	19.12	13.585	24.132	26.482	12.000	2.400
Disaster Preparedness			0.176	2.549	1.005	0.968	0.381	1.100
International Trade								0.000
Domestic Trade	0.046	0.011	0.019	0.229	0.05	0.021	0.071	0.000

	Composition of ODA						
	1992	1993	1994	1995	1996	1997	1998
Capital Assistance	90.295	142.451	133.208	180.677	255.963	231.374	188.176
Technical Assistance	68.339	81.919	83.034	112.576	139.281	131.513	100.976
Humanitarian Assistance	8.621	3.232	17.521	9.208	21.268	25.575	12.902

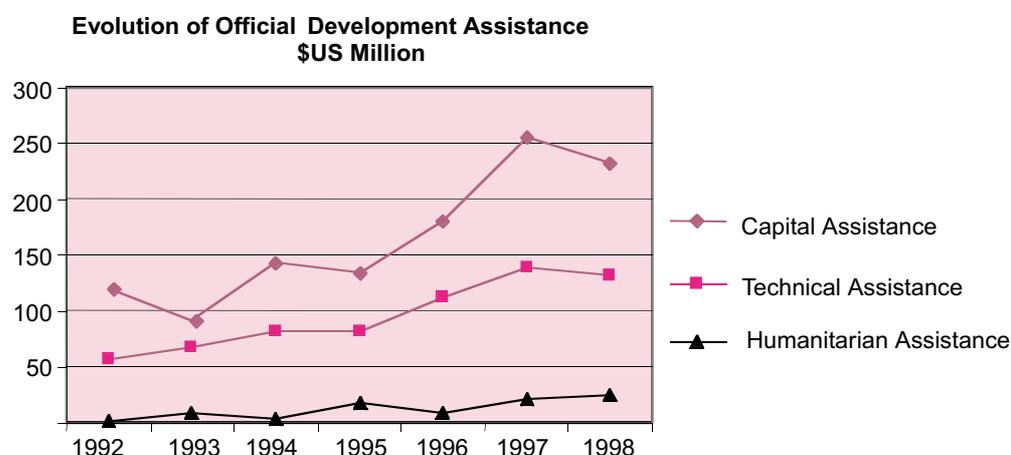
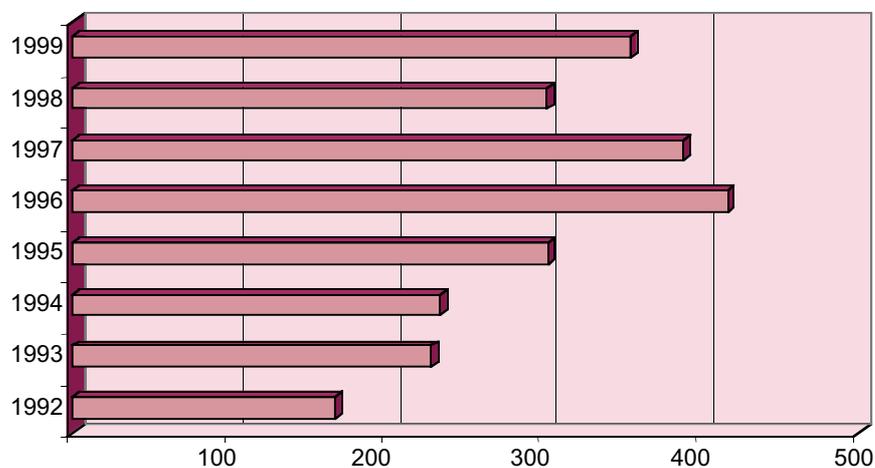


TABLE 19: OFFICIAL DEVELOPMENT ASSISTANCE PROFILE

	Disbursement by Province (Million USD)							
	1992	1993	1994	1995	1996	1997	1998	1999
Whole Country	167.26	227.66	233.76	302.46	416.51	388.46	302.03	354.50
Nationwide	62.49	90.84	75.92	102.26	166.59	151.87	121.40	198.98
Multi-province	49.52	51.91	54.62	70.82	162.03	144.44	88.93	
Provinces	66.71	88.56	107.30	132.35	92.43	93.58	92.44	182.78
Northern								
Luang Prabang	2.59	7.53	4.90	4.04	3.51	4.40	4.57	14.50
Sanyaboury	2.68	2.58	3.24	2.85	2.84	1.08	4.69	6.38
Houaphanh	1.56	1.90	2.36	2.35	3.99	0.53	0.37	2.20
Oudomxay	0.01	0.03	8.83	0.04	0.11	0.53	0.67	3.54
Phongsaly	0	0.06	0.04	0.10	0.94	2.75	3.07	6.98
Luang Namtha	0.13	3.63	1.53	4.41	5.28	4.12	4.79	2.84
Bokeo	1.46	3.70	4.00	2.98	4.55	1.46	1.10	1.56
Central								
Savannakhet	8.18	11.75	27.96	26.83	13.77	2.64	2.86	8.95
Vientiane Province	34.18	43.24	41.79	73.59	39.63	47.62	37.79	33.54
Vientiane Municipality								24.06
Khammouane	0.13	0.00	0.92	4.19	3.20	4.20	0.85	2.77
Xiengkhouang	1.12	1.29	4.45	4.96	3.50	2.18	12.17	29.67
Borikhamxay	0.29	6.84	0.32	1.12	2.33	2.32	0.14	20.34
Saysomboun SR	0.97	1.04	0.64	0.52	0.11			1.40
Southern								
Champassack	1.36	1.05	0.91	0.88	3.67	17.66	16.87	20.22
Saravane	0.33	0.06	1.26	0.29	0.33	0.26	0.78	1.02
Attapeu	11.46	3.70	4.00	2.96	4.55	1.46	1.09	0.61
Sekong	0.28	0.16	0.17	0.24	0.12	0.38	0.65	2.21

Total Official Development Assistance



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