



**LAO PEOPLE'S DEMOCRATIC REPUBLIC**  
**Peace Independence Democracy Unity Prosperity**

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**Round Table Implementation Meeting (RTIM)**  
**Vientiane, 23 November 2012**

**PROGRESS REPORT**  
**OF SECTOR WORKING GROUPS**

**Ministry of Planning and Investment**  
**Department of International Cooperation**

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## INTRODUCTION

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This report presents a consolidation of the submissions from ten (10) Sector Working Groups in preparation for the 2011 Round Table Implementation Meeting (RTIM) on 23 November 2012.

Sector Working Groups have been coordinating and conducting a series of consultation within the groups and with relevant stakeholders to ensure effective implementation of the sector development goals in which embedded within the 7<sup>th</sup> National Socio-Economic Development Plan (NSED) for 2011-15 and the Millennium Development Goals (MDGs) by 2015 as well as the long term vision on graduation from the Least Developed Country status by 2020.

The Sector Working Group is a fundamental element of the Round Table Process which provides fundamental platform for exchange view, experience and knowledge between the Government and Development Partners on key development agenda at sectoral level. The deliberations of Sector Working Groups are therefore contributing to the preparation of the Background Document as well as informing the discussion points at the Round Table Implementation Meeting held annually and the high level Round Table Meeting that is organized every three years.

The report is to a reference for the RTIM participants which provides an overview of the achievements in each sector in the implementation of the annual NSED 2011-12 and progress in attaining the MDGs as well as outline priorities and targets for the fiscal year 2012-13 with financial requirements. The Sector Working Group progress reports prepared this year also highlight the progress in following up the 20 Recommendations raised during 2011 RTIM and also initiatives towards enhancing development effectiveness, including their work in addressing cross cutting issues, such as gender, environment and engagement of wider range of stakeholders such as the Civil Society Organisations (CSOs) and private sector.

The Ministry of Planning and Investment, Department of International (DIC), would like to express its appreciation and gratitude to all 10 Sector Working Groups especially Chairs and Co-chairs for their valuable inputs to the preparation of this year RTIM and for the effective cooperation throughout the year.

## AGRICULTURE AND RURAL DEVELOPMENT (ARD SWG)

**Chair:** Ministry of Agriculture and Forestry

**Co-Chairs:** 1. France  
2. International Fund for Agriculture Development (IFAD)

**Mandate:**

The overall objective of the SWG ARD is to support the implementation of the NSEDP and achieve the MDGs relevant to the ARD sector. These include goal 1: Eradicate Extreme Poverty and Hunger; Goal 7 – Ensure Environmental Sustainability.

The specific objectives of the SWG ARD are:

- Provide a forum for dialogue and coordination between the GoL and Development Partners and other stakeholders on sectoral development matters or cross-cutting issues specific to the Agriculture and Rural Development Sector.
- Promote the development of concerned sectors including policy dialogue and joint priority setting, domestic and external resource mobilisation, result-orientated management and monitoring of progress and achievements.
- Facilitate the implementation of sector-related actions and targets embodied in the Vientiane Declaration Country Action Plan (VD-CAP)
- Ensure coherence and linkages between the RTM as the overall coordination forum and coordination at the sectoral level. Ensuring the follow up and implementation of RTM guidance.
- Guidance and monitoring of the Sub-Sector Working Groups (SSWGs) under the SWG ARD

The following SSWGs fall under the SWG ARD (and are managed by the SWG ARD):

- SSWG Irrigated Agriculture
- SSWG Agribusiness
- SSWG Uplands
- SSWG Forestry (arrangement to be confirmed with MONRE)

A review of the current SSWGs is in place and some changes will be proposed and it is anticipated that restructuring of some will take place in 2013.

## 1. Sector overview

### *(i) NSEDP sector objectives vis-à-vis relevant MDGs*

The importance of Agriculture and Natural Resources to the development of the Lao PDR is reflected in its central place in the Government of the Lao PDR's (GOL's) 7<sup>th</sup> NSEDP. The 7<sup>th</sup> NSEDP emphasizes development of the skills and expertise of line agencies to work at the grassroots level within the *kumban* development context by strengthening the capacity and leadership of local government officials for planning and implementation of poverty reduction and rural development programs. Administrative restructuring of rural development and poverty reduction activities within ministerial line agencies from the central to the grassroots levels is being undertaken to enhance their institutional capacities to manage, monitor, report, and lead rural development initiatives. Gender is a critical part of sensitization and strengthening of institutional capacity. By focusing on grassroots agencies, the 7<sup>th</sup> NSEDP addresses poverty reduction by strengthening the capacity of farmer organizations, development villages, and *kumban* that will enable the setting up of SMEs, family businesses, and small enterprises in rural areas, especially for the processing of products that already have access to markets and that are highly competitive. Poverty reduction and agricultural modernization should lead directly to improvements in the nutritional status of children thus addressing MDG1: ending poverty and hunger.

Related to spatial planning and improved management of natural resources, the 7<sup>th</sup> NSEDP supports participatory land use planning by concerned agencies leading to issuing secure land titles, especially to rural families, while providing safeguards and mitigating risks to upland households. This support is critical to achieving the 7<sup>th</sup> NSEDP's goal of allocating land and forests in a sustainable manner to producers that continue to practice shifting cultivation, by balancing utilization and protection of allocated land and forest. Upland development is focused on development of mountainous, remote, and border areas and upland plains. An important direction of the 7<sup>th</sup> NSEDP is to develop rural areas through investment and cooperation with companies interested in particular areas. Interventions are expected to improve the management of agricultural land concessions, promote investment in economic sectors in priority development areas, production areas, and in difficult and remote upland areas. Equitable agro-industrialization of rural areas is expected that will add value to agriculture and provide a forward link in the value chain; while promoting the inclusion of especially women, ethnic groups, and more remote areas. In this way rural areas can be developed sustainably by conserving natural resources, developing green zones, and having a pollution-free environment, thus contributing the achievement of MDG 7: Environmental sustainability.

### *(ii) Sector strategies and policy priorities*

The Agricultural Development Strategy contains the following measures:

- a) Improvement of livelihood through agricultural and livestock activities including food security.
- b) The promotion of commodity production as cash crops for local and regional markets that recognizes the need for partnering with producers and agricultural enterprises to mobilize private direct investment in the ARD sector; improve the quality of food and agricultural products and gain access to global value chains.
- c) Measures to stabilize shifting cultivation that will have a greater social and environmental orientation and strengthen the ARD sector's resilience to climate change.
- d) Sustainable management of forest resources that provide valuable environmental services to the Nation and global ecosystems through strengthening of institutional capacity and human resources development and strict enforcement of existing forestry laws and regulations.

## **2. Overview of FY 2011/12 sector performance and FY 2012/13 targets**

Much of the following information is taken from the Agricultural Census. This quality of information is not available on a year-to-year basis.

### **Farm households**

In 2010/11, there were 783,000 farm households in the country of which 209,000 live in upland villages and 188,000 live in villages in plateau areas. This is 115,000 higher than in 1998/99, an increase of 17%. However, the importance of agriculture has declined relative to other sectors. In 2010/11, 77% of households in Lao PDR were farm households, compared with 84% in 1998/99.

Agriculture continues to be the predominant livelihood in northern provinces, with 89% of households engaged in agricultural production in 2010/11. In Phongsaly, the percentage is as high as 96%, with only just over 1,000 non-farm households in the province. In the south, only 71% of households in Champasack are farm households. In Attapeu, the percentage is 84%, down from 90% twelve years earlier.

The last ten years in Lao PDR has seen a major shift from subsistence to market-oriented agriculture. In 1998/99, only 6% of farm households produced mainly for sale and now that figure has risen to 30%. This trend is most apparent in the north: 54% of farm households in Xayabury and 45% in Luangprabang produce mainly for sale.

In 2010/11, 71% of farm households sold some farm produce, compared with only 35% in 1998/99. Sale of farm produce is highest in northern provinces, especially Oudomxay, Luangprabang, Huaphanh and Xayabury. It is lowest in Borikhamxay, Khammuane and Savannakhet. In Xiengkhuang, 59% of farm households sell some livestock produce.

## **Land**

The total area of agricultural land in 2010/11 was 1.62 million hectares, compared with 976,000 ha in 1998/99. Thus, an additional 647,000 ha of land were brought under cultivation over the twelve-year period. The area under permanent crops more than doubled to 168,000 ha. For the farm population in Lao PDR, there was an average of 0.36 ha of agricultural land per person in 2010/11, compared with 0.24 ha in 1998/99. The 777,000 farm households with land in Lao PDR in 2010/11 averaged 2.4 ha in size. This compares with 1.6 ha in 1998/99.

Farm sizes are highest in Savannakhet (3.1 ha) and lowest in Huaphanh (1.3 ha). For the country as a whole, 22% of farm households are less than 1 ha in size; 27% have 3 ha or more land. The largest 25% of farm households have well over half of the land; the smallest 40% have less than 15% of the land.

For farm households, 93% of land is operated under “owner-like” tenure. However, land rental has become more common: in 2010/11, 9% of farm households rented in some land, compared with only 5% in 1998/99. In 1998/99, most land was rented under share cropping arrangements (63%); this figure was only 21% in 2010/11.

## ***Rice***

724,000 farm households grew rice in 2010/11, 71% of all households in the country. This is down from 77% in 1998/99. Overall, 92% of rice grown in Lao PDR is glutinous.

The total area of rice planted in 2010/11 was 987,000 ha: 714,000 ha of wet season lowland rice, 215,000 ha of upland rice, and 57,000 ha of dry season rice. The most important rice growing provinces are Savannakhet (220,000 ha) and Champasack (101,000 ha). The number of wet season rice growers increased from 607,000 in 1998 to 718,000 in 2010. The number of dry season rice growers fell between 1998/99 and 2010/11: from 93,000 to 87,000.

Upland rice is cultivated mainly under a rotating cultivation system. Of the 215,000 ha of upland rice, rotating cultivation was used for an estimated 169,000 ha. There was an estimated 32,000 ha of rice grown using shifting cultivation. In Northern Region, 57% of the rice crop is upland rice, compared with only 9% in the centre and 12% in the south.

In 2010/11, improved varieties accounted for 45% of rice planted in Lao PDR, compared with 29% in 1998/99. Improved varieties were most widely used in Champasack (82% of rice growers) and Savannakhet (74% of rice growers).

## ***Other temporary crops***

Cropping is becoming more diversified in Lao PDR. In 2010/11, there were 59,000 farm households not growing rice.

After rice, maize is the most common temporary crop in Lao PDR. In 2010/11, there were 187,300 maize growers, who planted a total of 134,500 ha of maize, a five-fold increase in area planted from 1998/99. More than half of all farm households in Phongsaly, Oudomxay, Huaphanh and Xiengkhuang grow maize.

There are 47,900 cassava growers in Lao PDR. The main cassava producing provinces are Borikhamxay, Vientiane Capital and Saravane. The area under sugar cane more than doubled between 1998/99 and 2010/11. There are now 13,000 sugar cane producers in Lao PDR, including 2,800 in Phongsaly and 2,100 in Luangnamtha.

In 2010/11, 317,100 farm households grew some vegetables; this represents 41% of all farm households, compared with 35% in 1998/99. The most commonly grown vegetables are chili, cabbage, cucumber, onion and melons. There were 2,000 ha of watermelons planted in 2010/11. Groundnut (28,500 growers), tobacco (14,800 growers) and sesame (25,700 growers) are other important temporary crops in Lao PDR.

### ***Permanent crops***

Coffee has been the most important permanent crop, mainly grown on the Bolaven Plateau and in other southern provinces. In 2010/11, there were 25,200 coffee growers in Lao PDR, with 45,900 ha of coffee planted. This is an increase of 11% in area over the previous twelve years. There are 29,200 ha of coffee in Champasack and 10,000 ha in Saravane.

There was almost no rubber in Lao PDR at the time of the last agricultural census in 1998/99; by 2010/11, there were 49,000 farm households growing rubber and 66,500 ha under rubber plantations. Most rubber is in the north, especially in Phongsaly, Luangnamtha and Oudomxay. Those three provinces account for 59% of the total rubber area.

### **Irrigation**

22% of the 1.62 million hectares of agricultural land was irrigated during 2010/11. A total of 192,000 ha of rice were irrigated during 2010/11; 15% of the wet season rice crop was irrigated in 2010.

### **Livestock**

Cattle numbers increased by two-thirds between 1999 and 2011, with 38% of all farm households in Lao PDR now raising cattle, up from 31% twelve years earlier. Less than 1% of cattle are improved breed. Only 10% of households raising cattle did so for draught purposes. Cattle herd sizes are increasing: the average cattle holding in 2011 had 5.3 cattle, compared with 4.5 in 1999.

In 1999, nearly half of the farm households in Lao PDR had buffaloes. By 2011, this figure had fallen to less than a third. Of farm households with buffaloes, 36% raise buffaloes for draught

purposes; 37% raise buffaloes for meat. Nearly half of those with buffaloes have only one or two animals.

Fewer households were raising pigs in 2011 than in 1999. Pig numbers fell slightly over this period. In all, 61% of upland farm households raise pigs, compared with only 28% of lowland farm households.

Livestock producers in Lao PDR are now using better animal health practices. Vaccination rates increased sharply between 1998/99 and 2010/11: from 36% to 56% for cattle, from 48% to 60% for buffaloes and from 8% to 18% for pigs. Vaccination of cattle and buffaloes is less common in the north: in Oudomxay, only 27% vaccinated their cattle, compared with 70% in Khammuane. However, the north is showing the most significant improvements in vaccination. The vaccination rate for cattle in Oudomxay more than doubled between 1998/99 and 2010/11.

### **Farm practices**

The percent of farm households using a tractor increased three-fold between 1998/99 and 2010/11. Over a third of all farm households now own a two-wheel tractor, compared with only 7% twelve years before. Use of farm machinery is still rare in upland farming in the north: only 25% of Phongsaly farm households use a tractor.

In 2010/11, 42% of temporary crop growers used chemical fertilizer, compared with 29% twelve years earlier. More than half of crop growers in Southern and Central Provinces used chemical fertilizer. Only 16% did so in Northern Provinces.

In March 2011, 104,000 farm households had some agricultural credit, 13% of all farm households. More than a quarter of farm households in Oudomxay have agricultural credit. More than half of all credit was obtained without collateral; 61% of the rest used the household's land as collateral. In all, 55% of agricultural credit was obtained through public banks and 40% through Village Development Funds. Credit is mainly used to buy crop inputs (51%) or to buy farm animals (30%). Only 16% is used credit to buy farm machinery. In the north, credit is more likely to be used for livestock purposes.

There is some rotating or shifting cultivation practised in two-thirds of rural villages around the country. Rotating cultivation is found in 53% of rural villages and shifting cultivation is found in 18% of rural villages. Nearly three quarters of rural upland villages have rotating cultivation and 29% have shifting cultivation. In Luangprabang, 95% of rural villages practise rotating or shifting cultivation.

### **Farm population**

In March 2011, the farm population in Lao PDR was 4.5 million, an increase of 443,000 since the previous agricultural census in March 1999. This represents an increase of 0.9 percent per year, compared with an estimated population growth rate of 2.1% for Lao PDR as a whole. The

average size of farm households was 5.7 in 2011, compared with 6.1 in the previous agricultural census in 1999.

In 2011, there were 3.57 million people aged 10 years and over living in farm households. Of these, 2.72 million were usually employed in 2010/11. Most of those had a farming occupation, usually working on their own family farm. Only 109,000 worked in paid agricultural work. Only 325,000 had a non-farm occupation. There are now more alternative employment opportunities in rural areas and many people have secondary jobs. In 1998/99, only 24% of the farm population aged 15 years and over with main job work on own holding did some other work. By 2010/11, this had increased to 40%.

### **Fisheries**

In 2010/11, 68,200 farm households in Lao PDR were engaged in aquaculture, up from 55,500 in 1998/99. Two thirds of farm households in Lao PDR engage in capture fisheries. Of these, 92% fish in rivers.

### **Forestry**

69% of farm households exploit public forest land. Most of those use the forest as a source of wood for fuel. Non-timber food products are also important: 49% of all farm households collect fruit and vegetables from the forest; 55% collect mushrooms from the forest.

Forest products often provide a source of income for farm households. Overall, 44,200 farm households reported that forestry was their main source of income. Over 200,000 farm households sold some forestry products from public forest land.

### **Village Infrastructure**

In March 2011, there were 8,662 villages in Lao PDR, compared with 11,251 at the time of the last agricultural census in March 1999. There were 7,300 rural villages in 2011. Lowland areas also have better infrastructure than upland and plateau areas.

Of the rural villages, there were 6,031 with road access and 1,269 without. In March 2011, 87% of all villages in Lao PDR were within an hour's walk of a primary school and 62% were within a two-hour walk of a dispensary or hospital. One in six have a rice bank and 44% have a Village Development Fund.

Only 70% of rural villages with road access and 39% of rural villages without road access have electricity. 43% of rural villages with road access and only 20% of villages without have access to safe water. Safe water is much less common in villages in the north (19%), compared with 59% in the centre and 75% in the south. A similar discrepancy exists in upland areas: only 18% of upland villages have safe water compared with 75% of lowland areas. Nearly half of all rural villages use a river, stream or dam as a source of household water.

Nearly 900 villages in Lao PDR have been resettled in the last ten years, including one in five upland villages. Resettlement has been highest in Oudomxay where more than 120 villages (a quarter of all villages) have been resettled in the last 10 years. Current planning provides for the resettlement of over 300 villages in the future.

### **Socio-economic conditions**

Over 80% of village heads in rural areas felt that living standards had improved over the previous two years. This perception tended to be more prominent in central provinces. Southern provinces tended to be less positive. In Sekong, only 55% of rural villages reported improved living standards. Lowland areas were slightly more likely to report improving conditions than upland areas.

### **UXO**

Over 1,100 rural villages in Lao PDR – one in six rural villages – have agricultural land affected by UXO. The worst affected provinces are Xiengkhuang (54% of villages) and Sekong (58%). The total area of agricultural land affected by UXO in all areas (urban and rural) is estimated at over 170,000 ha.

#### ***(i) Progress against the RTIM 2011 follow up matrix***

<b>SWG ARD RTIM 2011 Follow-Up Matrix</b>	
<b>Result/task</b>	<b>MAF Action Taken</b>
<b>Cluster 1. Socio-Economic Development / MDG</b>	
1.Support to the implementation of the 7th NSEDP towards achieving the MDGs, especially those are off-track	MAF continues to implement activities under the NSEDP towards achieving the goals of both the NSEDP and the MDGs
2.Review, develop and improve measurements and tools in monitoring and evaluation of programme/project implementation to ensure greater transparency and achievement of the 7th NSEDP/MDGs	MAF is piloting an initiative to provide a comprehensive M&E system for all projects and programmes that it oversees.
3.Focus on the implementation of the off-track MDGs, including reduction of maternal and child mortality and malnutrition rates, considering greater participation of all parties concerned	MAF initiated a concept paper for collaborating with the Ministry of Health on addressing nutrition and started discussion with a half day meeting on 4 April 2012. A second draft and follow up meeting was chaired by MoH. Institutional arrangements

	<p>and coordination mechanisms were discussed.</p> <p>A paper on linking food production with nutrition was commissioned and a first draft was presented to the SSWG meeting on 27 June.</p>
4. Preparation of MDG progress report	MAF provides reports as required for support in the implementation of MDG progress reports
5. Build greater partnership with development partners to ensure effectiveness of aid utilization and development	MAF has strengthened its coordination and partnership with development partners by bringing in addition co-chairs to the SWG mechanism. MAF has also recruited international support to with DIC/DOP/MAF in the area of coordination, policy and operation support for ODA.
<b>Cluster 4. Natural Resources and Environment Management</b>	
6. Agricultural land management to ensure all Lao people especially those are living in uplands area can have access to agricultural land particularly relevant to the area of slash and burn agriculture	The SWG has commissioned a desk study of existing research reports into the impact of the policy to eradicate slash and burn agriculture. The findings will be presented to this year's RTIM.

***(ii) Provide a brief overview of overall SWG ARD targets for FY 2012/13***

For the FY 2012/13, the SWG ARD will focus on strengthening five key areas:

- 1) Finalisation of SWG restructuring (as is required at the SSWG level)
- 2) Follow up on RTIM outcomes and focus from 2012 for implementation in 2013
- 3) Greater Policy research, dialogue and discussion based on studies undertaken at the SSWG and SWG level
- 4) SWG ARD VDCAP finalisation of baseline and monitoring of progress;
- 5) Capacity Development within SWG ARD
- 6) Enhanced cross sectoral coordination on issues relevant to ARD
- 7) Follow up on program based approach progress within
- 8) Enhanced information sharing through website, public forums and other communication strategies

9) Encouragement and Monitoring of CSOs and Private sector in support of activities under the SWG ARD.

A final and confirmed focus will be detailed in the Annual Workplan of the SWG ARD (due in early 2013)

### 3. Sector plans and financing requirements

Specific plans and financing requirements for agriculture is under process.

### 4. Progress in other areas

In order to prepare for the RTIM under the structure of the SWG ARD, four SSWGs members met to prepare their submissions. The SWG ARD report was composed base on reports from the SSWGs. The draft report was circulated for comment by chairs and co-chairs of the SSWGs.

As of October 2012 the follow SWG meetings were held (minutes and all presentations are available from the SWG ARD secretariat):

2012 SWG/ SSWG meeting	Date 2012	Focus
SWG ARD Task Force	9 March	Review of SWG TOR
SWG ARD	4 April	Approval of 2012 work plan and update from SSWGs – Prioritization of key policy issue for 2012  Approval of TOR
SWG ARD Policy Briefing	4 July	Presentations and open discussions of 4 key policy issues for the sector, followed by open discussions with questions and answers
SWG ARD Core Meeting	20 September	Review of implementation progress and draft SWG ARD progress report
SWG ARD Meeting	12 October	Approval of SWG ARD Progress Report 2011/2012

## Implementation of the SWG ARD work plan for 2012

Task/activity	Start Date	End Date	Lead agency/ Person	Outcome/Remarks
Lessons learned review meeting on organization of 2011 RTIM and approval of work plan	6-Jan-12	28-Feb-12	MPI,DIC/ UNDP	MPI internal coordination group established as well as network of ministerial focal points; role and focal points in UNDP confirmed.
Meet with SWGs (Education and Health) to Exchange lessons on TOR Concept note	9-Jan-12	13-Jan-12	NUDP Team	Gain information on status TORs and lessons from other sector working groups
Rapid Capacity Assessment of MAF DOP-DIC (focus only on SWG Secretariat direct support staff)	26-Jan-12	31-04-2012	NUDP Team	develop and prioritize activities to build capacity of SWG Secretariat
Initiate cross-sector working group ((between MAF & MoH on nutrition issue)	13-Jan-12	31-Mar-12	DIC/MAF (NUDP)	Draft concept note on cross-sector collaboration
Send to all SSWGs information on the MPI 12 Jan meeting requesting urgent revision of TOR - send out email to all Co-Chairs informing of dates and review process	16-Jan-12	18-Jan-12	DIC/MAF (supported by NUDP)	Revision of SSWGs TOR by each SSWG (under MAF) – finalised and approved
Draft TOR for SWG ARD and Concept note and send to task force for comment (via email)	16-Jan-12	4-Apr-12	NUDP Team	Prepare draft zero of SWG TOR

Meeting of SWG task Force to confirm TOR SWG ARD and 2012 workplan - Task force (expanded) plus reps from all SSWGs under SWG ARD (also includes DIC and maybe health and education - ref nutrition issue)	9-Mar-12	9-Mar-12	DIC/MAF & SWG ARD Task Force Members	Confirmed revised TOR SWG ARD
Organize SWG Meeting to approve TOR SWG ARD, Key policy issues and 2012 work-plan	4-Apr-12	4-Apr-12	Members of SWG ARD	Approved TOR SWG ARD
Discuss and develop a SWG Communication strategy (information - website). Initiative during discussion on work-plan and TOR.	20-Mar-12	30-Apr-12	Secretariat - DIC/MAF	Have strong communication plan (internet/ website/ info) – on going - in progress
Start implementation of Capacity Development initiatives to support MAF -DOP - DIC (capacity Development ) based on assessment	15-Mar-12	31-Dec-12	NUDP	Build -develop capacity of SWG Secretariat –  Interviews completed for international advisor (September 2012)
VDCAP revision and review	4 April 12	31 Dec 12	DIC/MAF	Revised VDCAP and new SWG ARD VDCAP developed and submitted to DIC/ MPI (Aug 2012) – baselines for all indicators need to be confirmed.
Revision of Road Map and 2012 work-plan for SWG on new TORs etc (if necessary)	5-Apr-12	31-Oct-12	DIC/MAF , NUDP	Revised Road Map for 2012 (dates confirmed and road map stands)

Follow up on policy studies - based on prioritized key policy issue(s)	1-Apr-12	25-May-12	NUDP	review of PSWG for future implementation – further roll out to southern provinces implemented
Organize meeting to discuss on policy study (based on the prioritized key policy issues)	4-Jul-12	4-Jul-12	DIC/MAF	Output from policy study including recommendation on key policy issues (meeting held 4 July)
Organize Core-SWG ARD or Pre-SWG ARD meeting	28-Aug-12	28-Aug-12	DIC/MAF	Draft report on SWG ARD (revised to 20 Sep deadline)
Organize SWG ARD Meeting - at Ministerial and Embassy Level	7-Sep-12	7-Sep-12	DIC/MAF	Comment on 2013 work-plan and SWG ARD report
Finalization of SWG ARD Report and Minutes of the Meeting	8-Sep-12	19-Sep-12	DIC/MAF	SWG ARD report and Minutes of the meeting submitted to MPI

The Sector Working Group provides a broader platform for reviewing the results of capitalization studies carried out by sub-sector working groups *and* policy research carried out by individual donors and projects where this has relevance to the ARD sector. In 2012, four policy issues were prioritized for policy discussions at the sector level and results from studies were presented:

- 1) **The quality of investment in the agriculture sector - *Responsible: NERI / PEI***
  - Quality growth requires quality investment that maximizes returns and minimizes negative social, economic, and environmental impacts
  - Strengthening of approval process being implemented
  - Importance of obtaining the best economic deal for all stakeholders
  - Ensure that social and environmental safeguards are in place.
  - Ensure a transparent and public consultation process through all steps.
  
- 2) **Factors that promote and factors that hinder improving food security and nutrition in the Uplands - *Responsible: SSWG Uplands / DoP / NUDP***
  - Principal highlights of the study: Working with limited land access; gender; links between food and nutrition
  - Need to better understand the local context: be aware of cultural issues; foster non-technical attitudinal change; and, balance income through diversified systems.

- Other areas to consider: water management and off-season production; infrastructure development; de-concentration; promoting learning processes at the local level; further involving civil society.
- Need to consider 2 + 3 approach but better define links with land registration and titling.

### 3) **Support for Farmer Organizations - *Responsible: SSWG Agribusiness /DAEC***

Need for:

- Further sensitization, promotion and capitalisation
- Support and encourage various approaches and structures
- Capacity building
- Organisational development
- Pluralism (involve DPs, NGOs , Private sector, NPAs)

### 4) **Rice Policy - *Responsible: NAFRI / World Bank***

- Need to improve sector:
  - Need transparent and predictable export policy
  - Better information base on production, consumption and trade flows
  - Establish rice and cash reserves to target vulnerable groups
- Donors need to consider:
  - Balance investment between extension and irrigation.
  - Support development of national rice policy paper (rice strategy, action plan and investment plan).
  - Translation of rice policy study into Lao for national and provincial level.

In addition, the SSWG Agri Business sponsored two studies and a FO conference

- The study on the role of Non State Actors on service delivery to smallholder farmers emphasized the need to diversify service providers for complementarily between Government, private sector and NPAs in providing wide range of services to farmers and providing options to farmers so that they can make informed decisions.
- Increased commercialization of agriculture sector and production of cash crops have resulted in increasing income of farmers. On the other hand, there is an increased incidence of farmers getting into indebtedness. The study on farmer's indebtedness recommended a need for more cautious risk analysis and seeks alternates to ongoing large scale concessions and contract farming where smallholder farmers can get more benefits.
- SWGAB organized a conference on farmers organization participated by 33 representatives of FO (more than 3000 members) from 15 Provinces. The output of the conference was shared as Farmers' Statement which highlight, among others, to allocate sufficient land and issue permanent land titles to farmers, limit approval of FDIs causing negative impacts and that compete with small famers in use of natural resources e.g. land, water and to provide equal incentives to Farmers Organizations vis a vis FDIs.

In 2012 the restructuring of the SWG and SSWG with the formation of MONRE took place. This was a challenging process, with new a TOR for the SWG and for all SSWGs being developed and approved and a localization of the SWG ARD VD CAP which has been drafted and submitted to DIC MPI.

The SWG ARD for the first time in 2012 appointed a second co-Chair with the appointment of IFAD (at the April 2012 SWG ARD meeting).

## **5. Cross-cutting issues**

### *5.1 Civil Society Collaboration*

Greater participation of private sector and CSOs in the SWG ARD as well as SSWGs meetings was encouraged, especially at the provincial and district levels. As a result, the following specific collaborations have been agreed:

- Agreement between NUDP and PRF on harmonization of planning procedures in Huaphanh province.
- Joint capacity building in non-chemical fertilizer with Phet Rama Coffee Plantation company in Luangprabang province.
- Collaboration on agriculture technical aspects through exchanging lesson learned on project implementation focussing on establishment of farmers groups (between NUDP and UNODC in Khua district, Phongsaly province).
- Discussion on possible collaboration with Chang Chernta Coffee Plantation company on technical capacity building and establishment of farmer groups.
- Teak Tree Import – Export Co., Ltd expressed interests in starting investment in Mak Kao plantation in Luangprabang, Phongsaly and Huaphanh.
- Possible collaboration between Education, Health, MAF (NUDP, TABI) and World Vision (Soupanimith) as an NGO on school gardens in Pakseng and Phonexay districts.

In addition to the above, the SSWG AgriBusiness provided a forum for farmer organizations which released statements containing the following point: The representatives of farmers' organizations, among others, have requested to allocate sufficient land and issue permanent land titles to farmers, limit approval of FDIs causing negative impacts and that compete with small famers in use of natural resources e.g. land, water and to provide equal incentives to Farmers Organizations vis a vis FDIs.

## 5.2 *Local involvement and cross sector coordination*

Substantial progress has been made to de-concentration dialogue on agriculture development as well as relevant issues at local level (provincial level). Through implementation of these provincial and district initiatives a number of lessons have been learnt:

- building from local initiatives that they organized similar dialogue process
- learning process for improving harmonization
- discussion topics/contents were based on local conditions (e.g. southern provinces have more experience in commercialization as well as more advantages in terms of geographical areas).

### At the provincial level

Several SSWGUp meetings were held in the northern provinces of Luangprabang, Phongsaly and Huaphanh and also in the southern provinces Saravan and Champasak. Southern provinces seem to have advanced status in having key agriculture productions such as coffee, vegetables, etc. In terms of farmer groups, Champasak has experience in establishment and management of farmer groups especially in coffee plantation and experience in border trade as well as international trade. This experience and the lessons learned could be transferred to other provinces. Furthermore, there is a strong ownership by the local authorities to address certain issues without waiting for central instructions. For example, two provinces identified plantations and livestock production in which they want to become involved.

### At district level

A SSWGUp meeting was held in Phonxay district, Luangprabang. The meeting brought together different stakeholders in agriculture development including different aid projects, CSOs, private sectors. As a result, there was an agreement from Education, Health, DAFO, World Vision to jointly implement initiative on school gardens and the district focal point was identified to coordinate on agriculture development projects.

## 5.3 *Cross cutting issues*

Women currently are over-extended in the roles they play throughout agriculture production. In addition, they are responsible for family nutrition and correcting malnutrition. The relatively small number of female extension staff will present barriers to reaching women, especially those belonging to ethnic groups. MAF continues to mainstream gender in agriculture sector through adding gender mainstream in the agriculture and forestry law as well as in the agricultural strategy. Gender-sensitive inputs into MAF's Master Action Plan and Investment Plan, a framework developed to enables the management information system (MIS) of the planning to

collect gender disaggregated data annually. 170 planners were training for integrating gender in planning process.

Climate change is not only linked to increasingly severe weather conditions that destroy crops and affect livelihoods. Any kind of agricultural production (agriculture, livestock, fisheries, forest use) is closely associated to temperature, soil conditions and water availability. A change in these parameters (through climatic variations) will certainly have an impact on the agricultural producer, and fostering adaptation skill of farmers and the rural population has utmost priority for the country. Only if Internalization of environmental cost including adaptation to CC will increase the economic value and price of agricultural and other off-farm products, and open up a wide range of opportunities for science, technology, production and commerce in areas that so far have been regarded as economically not feasible, or as being outside the daily reality of life. The general physical-geographical conditions of Lao PDR (extensive mountain areas, steep slopes, large river systems, heavy periodic rainfall, erosion / decimation of forest coverage) make Lao PDR a prime target for damaging climate change effects. The vulnerability of farming in lowlands and uplands environments makes farms particularly susceptible to the negative effects of climate change. The government recognizes that mitigation and adaptation measures are needed to minimize impacts. Initiatives to offset the impact of climate change in the northern uplands will be supported by many Development Partners, e.g. the EU which is financing a climate change call for proposals. Implementation of projects should begin in 2013. There are several on-going and planned national, sub-national and project level REDD+ activities in Laos. To qualify for certification to voluntary forest carbon schemes (such as VCS) and conform to social and environmental standards (such as CCBS), REDD+ pilot projects are required to meet strict criteria and international standards. Since rural livelihoods especially in the uplands rely very much on forests and forest-based biodiversity, REDD+ initiatives are expected to have a significant impact on the lives of upland residents. A relevant project closely associated to climate change knowledge management and community-based agriculture adaptation is the IRAS project, implemented by MAF through NAFRI (funded by UNDP/GEF).

## EDUCATION (ESWG)

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- **Chair:** Ministry of Education and Sports
- **Co-chairs:** 1. Australia  
2. UNICEF
- **Secretariat:** Department of Planning and Cooperation, Ministry of Education and Sports (Mr. Sengsomphone Viravouth, Director-General, <sengsomphonep@gmail.com>)<sup>1</sup>

### 1. Sector overview

#### (i) *NSEDP sector objectives vis-à-vis relevant MDGs*

The key sector objectives of the current plan are consistent with the Resolution of the 9th Party Congress: achieve MDG 2 (universal primary education), gender parity (MDG 3), 75% participation rate in lower secondary education and strengthened human resource development, within a balanced approach to development across all sub-sectors.

Improved access to early childhood education assists MDG 2 (Universal Primary Education) through more timely enrolment into primary education and reduced repetition and dropout rates, particularly at early grade levels. MoES and some Development Partners are supporting introduction of community-based school readiness programs in rural areas where incomplete primary schools are common. This will provide for an efficient delivery of early childhood education services in remote areas where formal pre-primary classes are not possible.

To achieve both MDG2 and 75% participation rates in lower secondary education, survival rate to grade 5 and transition to grade 6 needs to significantly improve. The target for lower secondary is critical to achieve the broader GoL objective of exit from Least Developed Country Status by 2020 since secondary education is one of the indicators used to determine the Human Asset Index, one of four criteria<sup>2</sup> used to assess a country's development status. As can be seen from Table 1 (page 7), gender parity (MDG 3) is showing steady improvement except in the Technical and vocational education sub-sector.

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<sup>1</sup>The Ministry is currently undergoing an internal restructure following the recent incorporation of the National Committee for Sports into the Ministry of Education. It is not yet confirmed where ESWG will be institutionally located as a result of the restructure.

<sup>2</sup> Together with gross national income per-capita, economic vulnerability index, and population size

At the same time, development of post-basic education must continue to ensure production of an adequately skilled workforce for a rapidly changing economic environment. Although Lao PDR has a predominantly agricultural-based economy, the country cannot afford to ignore the modernization of other economic sectors. To this end, model upper secondary schools with modern ICT facilities are being developed in all provincial capitals, and post-secondary education is more closely linked to the demands of the labour market.

Sector policies and strategies continue to be drawn from the Education Sector Development Plan 2011-15 and its associated Policy Planning Matrix. However, despite significant efforts by MoES and Development Partners, and increased human and financial investments, the primary completion target of MDG 2 continues to be significantly off-track. External factors such as poverty continue to make achievement of education targets difficult.

In order to re-assess progress to MDG 2 and 3, and to identify resource gaps, a mid-term review of the ESDP will be undertaken, beginning January 2013. The objectives of the review are to (i) take stock of progress towards current targets, including for MDG and EFA goals; (ii) to revise targets of the current ESDP to be realistic and in compliance with the identified financing package available for the remaining period; (iii) to inform initial drafting of the next ESDP for 2016-20; and (iv) provide guidance for the next proposal for GPE funding within the context of overall sectoral planning. Once this review is completed, a more accurate assessment of what can be achieved by 2015 can be made.

*(ii) Sector strategies and policy priorities*

The TORs for the Mid-Term Review of the education sector development plan (ESDP 2011-15) have been prepared and an application for funding to support the review is being developed for submission development partners, including through the Global Partnership for Education. This mid-term review will be a 5-month intensive process that will identify financing gaps between now and 2015. Based on these financing gaps, targets and priority policies of the ESDP will be reviewed and realistic targets for 2015 will be formulated.

However, it is clear from the current status and an analysis of progress over the previous 5 years that the MDG 2 target for primary completion cannot be achieved by 2015. The reason for such a definite statement comes from the fact that of the children who enrolled in grade 1 during school year 2010/11, 95% of these must be enrolled in grade 5 during school year 2015/16. However, during school year 2011/12, almost 12% of children dropped out from grade 1 meaning that the 2015 target of 95% is already out-of-reach. Thus, the mid-term review will reset the 2015

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3 That is: 12% of grade 1 children in 2010/11 did not enroll in grade 2 in 2011/12

targets for MDG2, within the context of what is required for the Human Assets Index for graduation from Least Developed Country Status in 2020.

## **2. Overview of FY 2011/12 sector performance and FY 2012/13 targets**

### *(i) FY 2011/12 Sector Performance*

Increases in participation across *early childhood programs* have continued, particularly in more urbanised areas with increased awareness among parents of the importance of readiness for formal primary schooling, although expansion of access to early childhood programs is unbalanced across provinces. This is partly due to lack of teachers applying to work in these provinces and partly due to a lack of facilities. One constraint is the time required for piloting the new and innovative community-based school readiness programs. Major challenges to expansion of early childhood education include lack of financing for facilities and teachers.

*Primary education* is discussed in part (ii).

*Lower secondary education* has also shown steady development. With support from government and various development partners, there has been a large investment in school infrastructure to increase access. In addition, teachers and students' accommodation have also been built to alleviate students who live long distances from secondary schools. Scholarships have been provided to poor girls, particularly ethnic girls. Major challenges to expanded access to lower secondary education includes lack of technology and IT teachers, lack of natural science teachers and lack of physical and arts teachers.

*Adult literacy non-formal programs* focus on the population who are illiterate or have not completed primary schools particularly in remote areas. Challenges for improving literacy outcomes include a lack of instructional materials for teachers and textbooks for students; and inadequate budget to support pedagogical advisors.

*Non-formal training-upgrading* through primary and secondary equivalency courses is an approach to provide opportunities for youth and adults from remote areas who do not attend formal schools. A mobile teacher approach for out-of-school children aged 6-14 year old is being piloted in four districts of Savannakhet under the EFA-FTI Program to facilitate enrolment of out-of-school children. Major challenges include lack of instructional materials, shortage of teachers and low budget.

With support from government, various development partners and communities, there has been a large investment in *upper secondary* school infrastructure to increase access. In addition, teachers and students' accommodation and boarding schools have also been built to alleviate students who live long distances from upper secondary schools. Even though the numbers of

classrooms and teachers have increased significantly, the gross enrolment increased only by 0.8%, dropout remains high and improving gender parity for students remains a challenge. During 2011/12 work began on an ICT project for improving secondary education. With support from China, model secondary schools are being constructed in all provinces and will be linked with an ICT Centre at MoES in Vientiane. This will facilitate introduction of on-line teaching, improved student learning management and improved practical learning through access to science laboratories. These modern facilities will also be available to improve governance of the sector, linking central and provincial authorities.

Based on the policy of skills development to respond to the demands of labour market, MoES has focused on *vocational education* development by improving the infrastructure for Vocational Education institutions in Saravan, Sekong and Attapue. In addition, the policies to facilitate the enrolment through an interview process rather than entrance test and providing an allowance to students who come from poor family and from remote areas has resulted in the gross intake rate to improve by 42%. Most students are studying at technical and higher levels with less than 7% enrolled in skilled vocational courses. Only 12% of enrolments are in agriculture-related courses compared with the others evenly split between industry and service sectors. Thus, skills development does not meet the demands of the labour market identified in the 7<sup>th</sup> National Socio-economic Development Plan- (2011-2015). The major challenge continues to be a lack of students in areas where there is a shortage with students preferring to enrol in academic courses.

Development of *higher education* has followed the 5-year plan and the 2<sup>nd</sup> National Education System Reform Strategy. Consultations have been held to consider quota and non-quota (entrance) students of the four public universities, abolishing special courses and modifying the number of students based on the capacity of university with a focus on the improvement of teaching and learning quality of universities. This includes further upgrading of qualifications among university lecturers. The major challenge is the imbalance of enrolments across different faculties with some key faculties being under-enrolled. With support from ADB, the Department of Higher Education has also collaborated with concerned agencies in developing a national strategy development plan for human resource development from now until 2020 that is relevant to the national strategy, development and economic structure and country directions to transform the country into an industrial and modern country.

Enrolments in *Teacher Training Programs* were slightly above target in 2011/12, with most enrolments being for secondary education teacher preparation. A very large proportion of secondary teacher trainees are in the English language stream. The teacher upgrading program has continued with 2,100 teachers participating, although this is not yet exceeding the capacity of almost 3,200 trainees. Some 1,500 teachers have upgraded their qualification to move from primary teaching to secondary teaching. The major challenges include the imbalance of enrolments in primary and secondary teacher programs and the imbalance of enrolments across

different secondary subjects. There is also a need for more accurate teacher requirement plans from province and districts.

Teacher training of *physical and arts education* is one approach to enable education development to fully follow the five education dimensions. Due to government investments in infrastructure for physical and arts education institutes, physical and arts teacher training has shown steady improvement with more enrolments than planned. However, there continues to be a shortage of physical and arts teacher training meaning that many schools nationwide cannot implement the physical and arts education curriculum.

Curriculum development work has been active in *early childhood education* (manual for teaching practice for kindergarten grade 1; drafting of a workbook, a manual of teaching practice plan and teacher's guide for kindergarten grade 2; and curriculum development, a manual for villagers, student game books; and a workbook for community-based school readiness programs); *primary* (English textbook and teacher's guide for grade 5; development of English teaching aids; improvement of manual for in-service training of teachers; and a manual for school nutrition training); *lower secondary* (lower secondary curriculum (grade 6 -to grade 9) was reviewed for improvement; textbooks and teacher guides for grades 6 and 7 were printed and distributed; and data collected for development of education quality standards); and *non-formal education* (A primary education curriculum, textbooks, teacher's guide, and workbooks for out-of-school children aged 6-14 in remote areas were developed and distributed, together with upgrading of curricula for secondary equivalency programs and vocational training courses).

For *upper secondary*, a curriculum for upper secondary vocational education was prepared and printing for a pilot implementation; a review and improvement of the new M7 curriculum was completed, including printing of more than a half million books and teacher guides supported by KOICA; and the M5 textbooks and teacher guides were reviewed and improved); *teacher education* (Development of the curriculum structures and subjects for the bachelor degree program for secondary teacher trainees, improvements to the curricula for higher and pre-higher levels for primary teacher trainees and improvements to the short-term kindergarten trainees were completed); *technical and vocational education* (a national quality framework for four subjects (architecture, carpenter, mechanical and small business) were reviewed) and *higher education* (national curriculum standards were endorsed for nine areas and these were disseminated across both public and private sectors and improvements were made to the vocational teacher training curriculum in bachelor level of faculty of vocational teacher training, architecture and National University of Laos. Capacity building of university staff was implemented for improved curriculum and textbooks development, pedagogical skills and upgrading of qualifications).

Together with development partners, MoES has continued to print and distribute textbooks and teacher guides for primary and secondary level. Despite this, the Rapid Assessment Survey revealed a continuing shortage of textbooks and other learning materials at school level. To

support the additional year at lower secondary school, laboratory equipment, visual aids, teaching materials, sports and arts materials, chalk, corrugated zinc and cement were provided to communities. Preparation of ICT materials has begun to support introduction of integrated technology and information into teaching and learning in secondary education.

ESQAC completed development of education quality standards for primary and secondary education; revised the regulations of lower and upper secondary examinations and regulation of entrance to TTC and University; and drafted an Education Quality Assurance Manual for higher education institutes.

A major restructuring of the MoES took place during 2011/12: MoES now consists of 15 departments, 3 offices and 2 institutes with revised/updated roles for staff. The proposal for separation of teachers from the civil service was also completed. A series of training workshops have been provided to provincial and district level staff to improve educational management and more than 1,200 technical staff at all levels have been trained to improve their understanding of roles and responsibilities across different levels. At the same time, efficient teacher deployment continues to be a challenge with some areas having an over-supply while others experience shortages.

Through workshops at both central and provincial levels, the Department of Planning has disseminated the ESDP through explanation and discussion of the ESDP/ESDF Policy Planning Matrix. Strengthening the link between planning and budgeting has progressed through the development of a format and piloting of the Annual Costed Sector Plan for central and provincial levels, although it is a challenge for staff to move to a new approach.

To strengthen mutual accountability and improve harmonisation, the Joint Sector Review Mission (JSRM) is the key event in the sector's annual monitoring calendar when government and development partners come together to reflect on sector achievements over the previous year, identify bottlenecks to progress, and make recommendations for improvement. The lead agency mandated to take responsibility for the JSRM is the Department of Inspection, supported by representatives from each line department through the Ministry's M&E Network. The findings of the JSRM are included in the Ministry's Annual Sector Performance Report, and presented to the Senior Education Administrators' Conference, held in June each year, for consideration into the following year's planning.

*(ii) Report on progress for MDGs (2 and 3)*

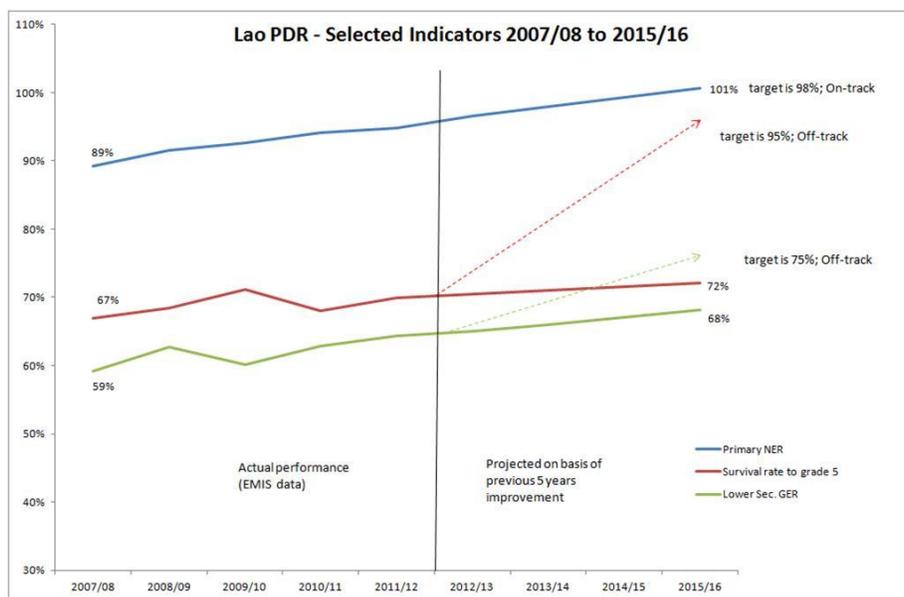
MDG 2 – Universal Primary Education: During 2011/12, participation rates for *primary education* improved and survival rate to grade 5 reversed the recent decline of 2010/11. The net enrolment rate increased from 94.1% in 2010-11 to 94.8% in 2011-12, net intake rate increased from 84% to 90% and survival rate to grade 5 increased by 1.9% to 69.9%, although with

provincial disparities. Thus, achievement of the 2015 target of 95% is unlikely. MoES has cooperated with World Food Program to follow up and support school meals in 30 districts in 6 target provinces contributing to the increased enrolment rate and improved dropout rates. The Ministry of Finance also approved a central budget line to provide a school administration block grant to all primary schools nationwide based on a unit cost 20,000 kip per student per year.

Despite these interventions, repetition and dropout rates continue to be a problem, particularly at grade 1 with some provinces having a grade 1 repetition rate greater than 30%. The policy of progressive promotion is difficult since teachers do not deeply understand the concept. In remote areas many students dropped out in middle of the school year since it is time for agricultural work and they need to travel with their families. Dropout is also made worse by the large percentage of incomplete primary schools. Teachers, especially under-qualified teachers have difficulty in implementing what is a complex and long curriculum, particularly for mathematics.

The lack of district-level budgets to provide academic and pedagogical support to teachers through the pedagogical advisor system acts as a barrier to improving the quality of education. If parents do not see schools providing quality educations, their children will dropout. Limited capacity among village education development committees makes it more difficult to ensure that appropriate school development plans can be developed and implemented.

As a result, achievement of MDG 2 continues to be off-track, as shown below. At current rates of improvement, the survival rate to grade 5 will only improve to 72%, below the target of 95% by 2015. Likewise, participation in lower secondary education will only reach 68% by 2015, based on current levels of improvement.



Note: Values for 2012/13 to 2015/16 are statistical projections, based on performance of the 5 previous years

**MDG 3 Gender Equality:** As can be seen in Table 1, improvements in gender parity continue to be achieved in basic education although improvement has stalled or reversed in post-basic education.

<b>Table 1: Gender Parity</b>	<b>2005/06</b>	<b>2008/09</b>	<b>2010/11</b>	<b>2011/12</b>
Early Childhood Education	1.02	1.01	1.01	1.00
Primary	0.86	0.88	0.94	0.96
Lower Secondary	0.77	0.80	0.83	0.89
Upper secondary	0.73	0.78	0.82	0.83
TVET	0.64	0.62	0.62	0.61
University	0.62	0.74	0.76	0.74

In particular, gender parity has improved significantly for lower secondary education in the last school year while for university level education; gender parity has declined over the last year.

Overview of overall sector targets for FY 2012/13

The mid-term review of the ESDP will review all targets for the remaining period to 2015. Major indicative targets 2012/13 include:

- Expand Early Childhood Education through different modalities, including pre-primary and community-based school readiness programs (Support students in school aged of 3-5 enrol in nursery, kindergarten, playgroup and prep-primary school to reach 32%).
- Increase net enrolment rate of primary grade 1-5 (Net enrolment rate reaches 95.6%) and gross enrolment rate of secondary (lower secondary education of 66.1% and upper secondary to 38.2%).
- Improve promotion rate of primary (Increase survival rate to 76.2%) and lower secondary education (Increase promotion and transition rate to 90%).
- Increase enrolment of NFE ((12,000 children enrolled under the mobile teacher scheme) and investment to community learning centres (5-8 Education Training and Upgrading school and NFE centre at province level and 3-5 at district level and 3-5community learning centres)
- Increase enrolment of TVET (Total enrolment of 15,590 students, including 3,530 skilled workers and 6,525 technicians) and improved gender parity index.
- Develop new standard for new TVET curriculum project including the curriculum to meet the demands of labour market.
- 30% of higher education and university students receive scholarship
- For basic education, 4,340 new teachers and 3,760 teachers upgraded
- Develop textbooks and teacher's guide for upper secondary (M5)
- Improve access to ICT facilities

- Improve the link between planning and budgeting through broader use of the ACSEP.

### 3. Sector plans and financing requirements

#### Summary Matrix – Sector plans and financing requirements

NSED sector objectives / MDGs	Key sector interventions	FY 2011/12 (Approved figures)				FY 2012/13 (Estimated figures)					
		Financing requirement	Available resources (kip millions)			Financing gap	Financing requirement	Available resources (kip millions)			Financing gap
			GoL recurrent	GoL investment	Foreign investment			GoL recurrent	GoL investment	Foreign investment	
MDG 2 related	Early Childhood		37,265	12,563	165,603			77,206	20,416	1,650	
MDG 2 & 3	Primary		371,352	43,345	200,563			497,553	61,446	46,478	
MDG 3 & LDC exit	Lower Secondary		174,588	25,281	89,825			218,526	45,685	14,244	
MDG 3 & skilled workforce	Upper Secondary		146,457	24,753	112,138			168,265	47,491	2,586	
MDG 3 & skilled workforce	TVET		47,520	18,176	97,958			20,592	13,678	11,600	
MDG 2 & 3	Teacher Training		51,854	17,169	-						
MDG 3 & skilled workforce	University		109,285	14,703	65,740						
MDG 3 & skilled workforce	NonFormal		12,190	983	18,158			13,463	6,942		
Efficient management	Administration		178,399	14,669	10,971			163,062	75,886	4,950	
Improved health of population	Sports		6,089	10,530	-			10,980	10,607		
Total		-	1,134,999	182,172	760,956	-	-	1,169,647	282,151	81,508	-

The ESDP financing plan for the period 2011 to 2015 was completed in late 2008 and used 2008/09 as the base year. The extent to which financing gaps for the period from this base year until 2010/11 have not been tracked or brought forward, making it impossible to calculate the financing requirement and thus the financing gap for a single year. However, a separate calculation has been made to estimate additional financing to achieve MDG2, based on financial year 2011/12 and including activities to be completed under the AusAID/GPE/World Bank funded EFA-FTI program;

Additional infrastructure required: Assuming that the EFA-FTI Program provides 70% of new classrooms now required, an extra 3,700 classrooms will be required by 2015. Based on existing unit costs, this equates to \$32.7 million.

Recurrent implications: The additional investment in classrooms will also require extra human resources (teachers). The current deployment of primary teachers is not efficient with an over-supply of teachers in urban areas and a critical under-supply in rural areas. If re-deployment cannot be achieved, then an extra 3,700 primary teachers will be required at an annual cost of 35,000 million kip, equivalent to a 10% increase in the existing primary teacher salary bill.

In order to provide quality education and abolish cost barriers to primary education, a school block grant scheme was introduced in 2011/12. The budget for this scheme in 2011/12 was 16 billion kip, based on a unit cost of 20,000 kip per publically enrolled primary school. To achieve universal primary education, and assuming that repetition rates reduce to an average of 3%, the overall total enrolments will increase by about 15%. Thus the annual budget for school block grants will increase from 16 billion kip to 18.4 billion kip, assuming that the unit cost remains at 20,000 kip per student per year. If the target of 100,000 kip per student per year is to be achieved, the total annual budget for primary school block grants would be increased to 92 billion kip.

#### **4. Progress in other areas**

The Education Sector Working Group (ESWG) has been active (One executive and two technical meetings) during the period 2011/12 and in September 2012 held a two day review workshop to consider updating of its existing TOR to better incorporate various *Focal Groups* and to promote greater discussion at a technical level. While INGOs are currently represented in ESWG meetings and NPAs have been invited, the review meeting began the process of identifying an appropriate mechanism for *Civil Society* to be more effectively involved. There has been *Private Sector* engagement with technical and vocational education and representatives have attending some ESWG meetings but no systematic approach to their involvement has yet been identified. At one meeting, perspectives from Xiengkhouang province were shared with the view to examine how to facilitate greater provincial engagement in ESWG.

The ESWG (and Focal Groups) also played a key role in the second annual Joint Sector Review Mission (JSRM), including monitoring of implementations of agreements emanating from the 2011 JSRM Aide-memoire. The ESWG provided inputs to the Pre-RTIM Consultation Meeting (Xiengkhouang), the 2011 RTIM meeting, the National Education for All Conference and a high-level forum on TVET and Higher Education.

The ESWG is also supporting preparations for the ESDP mid-term review which will also include representatives from NPAs, INGOs and the private sector. A key part of the mid-term review will be consultation meetings with provincial authorities, including analysis of province and district-level educational data. The membership of Focal Groups (Basic Education; Post-Basic Education; Planning, Budgeting and Monitoring; and Research) has been designed to ensure that cross-cutting issues are not neglected in policy and aid-effectiveness discussions.

With support from ADB MoES has taken the lead in developing a Human Resource Development strategy for all of GoL. The process of preparing a renewed HRD Strategy in Lao PDR requires the three steps: (i) HRD studies; (ii) HRD strategic framework (including dissemination); and (iii) HRD action plan. The HRD Strategy in Lao PDR will be also linked with the Greater Mekong Sub-region (GMS) HRD priorities of a new GMS HRD Strategic Framework and Action Plan, 2013-2017, which is under preparation by ADB. The MOES will be the executing agency and will

implement the work under the direct supervision and guidance of a National Advisory Board. The MOES will also serve as the Secretariat, and coordinate the work with ADB, other donors such as AusAID and World Bank, regional and national research institutes, and concerned ministries.

## GOVERNANCE (GSWG)

**Chairs:** Ministry of Home Affairs, Ministry of Justice

**Co-chairs:** 1. United Nations Development Programme (UNDP)  
2. Swiss Development Cooperation (SDC)  
3. European Union (EU)

**Mandate:** The Governance Sector Working Group in Lao PDR is working to ensure convergence of development partners assistance through strengthening aid coordination in Lao PDR, the GSWG was reorganised during 2008 to reflect the need for high level leadership.

The mandate for the Governance Sector Working Group envisages:

1. Committing development assistance for an integrated programme, which will align governance improvement to help achieve the NSEDP and Strategic Plan on Governance and thus the MDGs and national poverty reduction targets
2. Coordinated implementation of governance reforms in four areas: public service improvement, people's participation, rule of law, and sound financial management
3. Dialogue, discussions and negotiations to enable information sharing, deepening consensus among stakeholders, and alignment and close coordination of interventions with the NSEDP
4. Simplification and harmonization of procedures and practices, and increased use of government channels and systems to implement long term activities
5. Cross-sector collaboration, improve complementarities and develop synergy
6. Making capacity development and gender equity an integral part of sector activities
7. Systematic documentation and reporting on the work of members of the GSWG

### 1. Sector overview

The year 2012 has seen important developments made by the Government of Lao PDR to secure good governance with the intention of realizing the breakthrough strategy of the 9<sup>th</sup> Party Resolution as well as the 7<sup>th</sup> National Socio-Economic Development Plan (NSEDP) goals. It is well recognized that good governance is an essential component of the 7<sup>th</sup> NSEDP and also a condition for achieving the Millennium Development Goals (MDGs) by 2015, and the higher levels of human development needed to enable Lao PDR to graduate out of the ranks of the Least Developed Countries by 2020. The Government has taken steps to achieve these goals. In an important step, following the government restructuring in 2011, the Politburo issued Resolution 03 in February 2012 on Building Provinces as Strategic Units, Districts as Comprehensively Strengthened Units, and Villages as Development Units as a development oriented strategy and to provide framework for sharing responsibilities across different levels in the administration, to further assign executive roles to the districts in implementing local development programmes.

There has been a move towards programme based approach and better alignment with the national goals and plans. The National Leading Committee on Governance was established in February 2012 as a high-level body to guide and oversee implementation of governance sector programmes, chaired by Deputy Prime Minister H.E. Asang Laoly. Leadership by the Deputy Prime Minister and relevant ministries will help provide the necessary political direction and monitoring of the sector programmes. The governance sector is now moving towards programme based approach, utilizing the national systems and reducing project-based initiatives honouring the Vientiane Declaration principles. The National Governance and Public Administration Reform (NGPAR) Programme 2011-2015 was officially launched early this year, marking the transition from a set of development assistance projects to a fully integrated programme of the government. Moreover, the first comprehensive Legal Sector Master Plan (LSMP) Implementation Support Programme is being formulated. This Programme will seek to achieve synergy and greater impact by coordinated and concerted efforts across the legal sector. It will also seek to streamline and improve efficiency of legal and judicial technical assistance administration by drawing together various donors and agencies under the LSMP framework, as well as previously ad hoc reform initiatives, thereby contributing to achieving the principles set out in the Vientiane Declaration. Framework for future support to the National Assembly (NA) is being developed under the leadership of the NA President, embedded into NA's own strategic priorities and thus truly owned by the NA. Furthermore, processes and systems are being put in place to adequately ensure quality assurance of the implementation of the decrees related to Lao Civil Society with the aim of developing an enabling environment for people's participation.

The draft Strategic Plan on Governance (2011-20), which had been presented to the Government for consideration, is under further review by the Government. The nature of the governance sector is such that it involves many different government offices and institutions that belong to different parts of the State and have different reporting lines; hence the concept of having one overall framework is subject to further Government consideration. The governance sector, however, is supported by individual sub-sector strategies such as the draft Public Administration Improvement Strategy, the Legal Sector Master Plan and the National Assembly Strategic Five Year Plan which provide framework for setting targets for stakeholders and development partners to report achievements and status related to the relevant governance pillars (Public Service Improvement, People's Participation, Rule of Law, and Public Financial Management).

It is evident that the government views good governance and the contributions of the sector as a means to provide and enabling environment to achieve the NSEDP and the MDGs. The wide impact of the governance sector ensures that its success will have a significant positive impact on interventions related to all the MDGs.

*(i) Overview of FY 2011/12 sector performance*

The Governance sector is divided into the following four pillars:

- Public Service Improvement
- People's Participation
- Rule of Law and
- Public Financial Management

This section provides an overview of the progress in relation to the first three areas (Public Service Improvement, People's Participation and Rule of Law); the reports on Public Financial Management are provided by the Sector Working Group on Macro-Economic Management.

**Public Service Improvement**

Efforts to improve state management, civil service management and strengthen central-local relations continued during the reporting period. The National Leading Committee on Governance was established a suitable high-level mechanism to provide guidance on policy interventions and strategies in the governance sector, so as to reflect national priorities, and the Government's development policies and strategies. Steps have been made to improve management of MOHA such as adoption of Agreement on Organization and Activities of MoHA Departments, establishment of Provincial and Capital City Home Affairs Departments, including the Public Administration Research and Training Institute, etc.

The National GPAR Programme 2011-2015 was officially endorsed by the Government of Lao PDR on 2<sup>nd</sup> February 2012, has operationalized several components during the current year. Three projects under the programme are fully operational, and two projects ready to be launched in late 2012 or early 2013. The Programme also marks major improvement from the current Programme, in terms of use of national systems as well as focus on scale up and mainstreaming of successful pilots. The programme framework builds on the previous GPAR Programme and MoHA's proposals for the 7<sup>th</sup> NSEDP, and aligned with the Party's breakthrough strategy provided by the 9<sup>th</sup> Party Congress, to address the sector in a holistic manner.

The Dissemination Meetings on the new policy initiatives Politburo Resolution 03, PM Order 16 on 'Building Provinces as Strategic Units, Districts as Comprehensively Strengthened Units, and Villages as Development Units' were carried out in June and July 2012 in all provinces with participation of officials at Provincial and District levels such as Vice Provincial Governors, Heads and Vice Heads of Provincial and District Department Heads, Vice Heads of Heads of Supreme Command Headquarter, Heads of Provincial Public Security, Provincial Committees for 03 Resolution, Chiefs and Vice Chiefs of Districts, and District Office Heads. The dissemination mission was led by high-level officials from; Ministry of Home Affairs; Ministry of Justice; Head and Vice Head of Rural Development and Poverty Reduction Committee at the central level. The aim of these dissemination meetings was to orient officials in the Provinces on

the new policy initiatives and prepare them for implementation of the one-year pilot starting in October 2012. It is expected that this initiative will increase ownership and leadership of local administrations for effective delivery of services and rural development. At the end of the pilot lessons learned will be reviewed and considered for expansion across the country.

Significant progress has been made in the area of civil service management with the approval of Decree on Standard of Administrative Assignments. The National Assembly and Government of Lao PDR also approved the government's proposal to increase the salaries of civil servants starting from October 2012.

Government is taking remarkable steps in the direction of fiscal decentralization as in mid of August 2012, the Ministry of Finance has issued the Instruction No. 2202/MoF for piloting the initiatives to 'Build Provinces as Strategic Units, Districts as Comprehensively Strengthened Units, and Villages as Development Units'. This instruction aimed to guide the finance offices, customs offices and tax offices at National and Sub-national level in the piloting areas to understand their new roles and responsibilities. In relation to this, District Development Fund (DDF) - has continued under the NPAR Programme with the aim to scale up it to 66 districts by 2015. New DDF Performance Assessment Manual has been prepared to provide framework for performance based approach for the new DDF support to districts. Operational Expenditure Block Grants to finance non-salary recurrent expenditures of district level service delivery units with the aim of improving access to and the quality of services will also be scaled up.

### **Rule of Law**

Over the past year Lao PDR has stayed active in adopting and complying with international obligations. The Lao delegation attended a high-level rule of law conference as part of the United Nations General Assembly in New York and presented the progress on rule of law.

The implementation mechanism of the Legal Sector Master Plan (LSMP), officially adopted in September 2009, has been further strengthened. Debriefing workshop new LSMP Program Document presented by international consultant on 23 March, 2012 and high level LSMP review meeting was organized on 3 April 2012 and chaired by Deputy Prime Minister H.E. Asang Laoly.

The on-going consultation phase is preparing the way toward a concrete implementation of updated priority initiatives aimed at enhancing access to justice, enabling legal empowerment and developing the capacities of law related institutions. In this regard, Ministry of Justice has developed strong coordination mechanism with donor to secure support for pillar I for drafting laws and Lao Civil Code.

The plan to establish a national steering committee for the LSMP implementation has been integrated into a larger framework of the National Leading Committee on Governance, which has

been established this year. The National Leading Committee will oversee not only the public service improvement, rule of law, and people's participation components but also the sound financial management pillar as well.

The 4 core agencies of LSMP implementation (Ministry of Justice, Ministry of Public Security, Office of Supreme Public Prosecutor, and People's Supreme Court) have been actively engaged in various activities, including the training on law drafting technique, the ministry of Justice is working to develop a law dictionary to support legal practitioners, and the Government. A workshop to support this initiative was organised by the Ministry of Justice on 3-4 September 2012.

Lao PDR has made significant progress also in terms of raising awareness on the existing laws among the public and relevant government officials in order to further improve knowledge management in the legal sector. Exhaustive compendiums of legal texts have been provided to central, provincial and district officials and villages, while more systematic database of laws and regulations will be achieved through establishment of the LSMP website. The Government regularly updates laws and activities on LSMP website and disseminates laws in association with Local Justice led by pillar IV. The rules of the LSMP Program Board and Secretariat have also been adopted.

A large-scale Corporate Social Responsibility Forum was organized in March 2012 to discuss the need for a national CSR framework in Lao PDR. Support Programme for implementation of the Legal Sector Master Plan Programme has been formulated and LSMP Programme Board established.

The Government of Lao PDR signed/ratified UN Convention Against Torture, Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization, and Multilateral Agreement on the International Think Tank for Landlocked Developing Countries.

A workshop on special procedures on human rights was organised in August 2012 in preparation for inviting a Special Rapporteur to Lao PDR in 2013 (3 Special Rapporteurs considered as an option).

### **People's Participation**

The National Assembly is on its track to promote and ensure good governance in the country. It is both the highest organ of state, and the highest representative of the Lao people through elections. Over the years, the National Assembly is increasingly improving its role as in law-making body through scrutiny of laws; adopting the social and economic development plan, and state budget; as well as its increasing oversight role over the Executive.

The NA role in decision-making on important and fundamental national issues such as the NSEDP implementation, enhanced capacity to review laws and debate policies has increased. The National Assembly opened its third ordinary session of its 7<sup>th</sup> legislature in June 2012. During this period, the NA passed the Law on Extradition and Law on Law-making and approved the amendment of 6 laws namely Civil Law, Criminal Law, Law on State Property, Law on Sports-Physics, Law on State Inspection, Law on Trans-border Trafficking, and Law on Agriculture. The NA members also approved the appointment of the new President for the State Audit Organisation. During the 17- day ordinary session of the NA more than 280 calls were received on the hotline from the members of public giving their opinion. This shows that people today understand more about the country's development process.

For the next five years, the National Assembly plans to approve a total of 90 laws, which includes 48 laws to be elaborated, and 42 laws to be amended. This further demonstrates the commitment of the National Assembly in the promotion of the rule of law and bringing justice to society in general.

National Assembly is going to host the 7<sup>th</sup> Asia-Europe Parliamentary Partnership (ASEPP) Meeting on October 3-4, 2012. ASEPP will focus on discussing economic cooperation, food security, public debt, and gender role promotion, National resources management, tourism, disaster management, human resources development, and labour migration.

Community radio has emerged as a major mechanism to enable poor, remote and ethnic communities to actively contribute to local development. Steps to improve availability of information for citizens through community radios broadcasting in local languages, village information boards and speaker systems continue to make progress. Community radio is seen as an important development tool especially in remote areas and the Government seeks to expand its coverage to all 47 poorest districts of the country. Currently 3 out of the 6 planned community radios are already broadcasting. One new station in Dakcheung (Sekong province) will start broadcasting soon.

Progress in further civil society participation has been achieved. So far 80 NPAs are registered (26 at the central level and 54 at the provincial level). For the first time, two NPAs with support from the Civil Society Support Program joined the Round Table provincial consultation in Xieng Khouang Province in June 2012. One Provincial level consultative workshop was also organised to get people's perspectives on their well-being and issues relating to sustainable development and poverty reduction in preparation for the AEPF-9. MoHA and MoFA conducted large scale awareness raising about the decree on Foundations and Associations and INGO Decree through workshops and print media.

**1. Dissemination and implementation of GPAR Strategy 2011-2020, including capacity development for district authorities in planning and monitoring their services at district level**

The National GPAR Programme 2011-2015 was officially endorsed by the Government of Lao PDR on 2 February 2012. The NGPAR Programme will provide a new way of thinking and doing in public service improvement by assigning more responsibilities and tasks to district authorities, who are at the frontline of development efforts. On the same day the National Leading Committee on Governance was appointed by the Prime Minister to provide high-level guidance at the national level on policy interventions and strategies in the governance sector, so as to reflect national priorities, and the Government's development policies and strategies. The Leading Committee is chaired by Deputy Prime Minister H.E Asang Laoly.

The Service Delivery Project and the Secretariat Support Project under the NGPAR were also launched by the Ministry of Home Affairs (MOHA) to establish management arrangements for Programme oversight and coordination as well as enhance capacity in the local administration to ensure better delivery of services, which will ultimately improve the lives of the poor across 66 districts of Lao PDR.

MoHA presented the overview and implementation plans for the NGPAR programme to development partners, line ministries and provincial representatives at an Inception Workshop in August 2012 chaired by the Minister, H.E. Khampane Philavong. The NGPAR Programme addresses the Party's breakthrough strategy on developing human resources and improving governance regulations and is in line with the new Party resolution that requires provinces to be strategic units, districts to be overall strengthened units and villages to be development units.

A series of local level workshops led by MoHA to consult and disseminate on emerging government policy and plans regarding new Prime Ministerial Order (16/2012) on pilots to strengthen sub-national administrations was carried out in June and July 2012.

**2. Promote greater participation of all parties in the society in development process through capacity building for National Assembly, Government Agencies in line Ministries and other institutions to ensure good governance, governing the country by the Rule of Law, including social drawback prevention and relevant solutions**

Promotion of people's participation has continued through implementation of, amongst others, the Programme to Support an Effective Lao National Assembly (NA) and Civil Society Support Programme. The National Assembly Programme provides on-going support to strengthening the 17 Provincial constituency offices to increase the representative role of the members of the NA.

Before NA sessions, public consultations in all Provinces are conducted by local constituency offices with respective NA Members to consult constituents about the laws to be passed/or amended. Ongoing capacity building programs for NA on policy oversight and law review have continued. Outreach mission to Sepon was conducted in February 2012 to help inform and get feedback from constituents about NA programs and legislations.

In terms of civil society participation, support has been provided to organize national and regional workshops to raise awareness of government officers at central and provincial level on Foundation Decree and review the implementation of the Association Decree. Work has also been initiated to draft the implementation guideline of the Foundation Decree. Likewise, MOFA delivered two regional workshops to raise awareness of the government officers mainly at provincial levels on the INGO Decree.

### **3. Improving the approval process and duration of establishing Non Profit Associations, including their appropriate participation in the RTP and SWG mechanism**

The legal and regulatory framework exists out of the 2 Prime Ministers Decrees and their guidelines: Decree 115 on Non Profit Associations and Decree 149 on Foundations. Two elements of those are crucial: the registration and the monitoring of those national civil society organizations through their annual reporting. The Ministry of Home Affairs (MOHA) registered 10 Non-Profit-Associations (NPAs) by the end of 2011. Today however, 80 NPAs are registered (26 at the central level and 54 at the provincial level). MOHA is enhancing its capacity to perform its role related to civil society. In this framework, the Ministry is developing a capacity development strategy which focuses on its mandate at the central and provincial level.

With support from the Civil Society Support Programme, efforts are being put into ensuring government officers at the central and provincial level have the skills to do their registration and monitoring work: training needs of government officers responsible for the Lao Civil Society are being assessed in order to address IT, management, communication, monitoring and evaluation skills. Processes and systems are being put in place to adequately do the quality assurance of the implementation of the decrees related to Lao Civil Society such as a 'registration information website' being designed (backed-up by a database) which is accessible to the Government officers responsible for civil society and Lao Civil Society to record the registration, monitor national civil society and give the general public accurate information about civil society in Lao PDR. A 'public awareness' strategy as well as education and communication materials are being developed, to be implemented in 2013 and 2014, aimed at updating the general public, NPAs, donors, government officers about national civil society and disseminate information on how to register a civil society organization.

Through the Governance Sector Working Group, a consultation on enabling environment for people's participation was organized in July 2012 to explore the different approaches, roles and mandates exercised by different actors to initiate a roadmap which maps out these efforts

deployed to build an enabling environment. It is expected that follow-up activities will be organized.

Discussion on ensuring participation of civil society organizations in the 2012 RTIM has been initiated.

## 2. Summary Matrix – Governance sector plans and financing requirements

NSEDP sector objectives / MDGs	Key sector interventions	FY 2011/12 (Approved figures)				FY 2012/15 (Estimated figures)			
		Financing requirement	Available resources		Financing gap	Financing requirement	Available resources		Financing gap
			GoL budget allocation	ODA (TA, loans, grants)			GoL budget allocation	ODA (TA, loans, grants)	
<b>Public Service Improvement</b>									
<ul style="list-style-type: none"> <li>Improve the government's structure of mechanism and government's organizations for them to be in conformity with, and suitable to, the actual situation in each period</li> </ul>	Strengthening legal and institutional frameworks for effective public admn.	0.091		0.091	N/A	2.08	1.09	0.70	0.29
	Organizational development in the state machinery	0.000		0.000	N/A	2.48	0.23	0.10	2.15
	Organizational development in the local administration	0.217		0.217	N/A	1.79	0.32	1.32	0.47
	Strengthening capacity and service delivery by local administrations	0.764	0.121	0.643	N/A	19.05	0.63	3.93	15.12
<ul style="list-style-type: none"> <li>Establish cities and municipalities in</li> </ul>	Strengthening civil service	0.126	0.000	0.126	N/A	2.47	0.33	0.43	

<p>conjunction with the situation in each local area</p> <ul style="list-style-type: none"> <li>• Collaborate with ministries or some sectors in order to set-up one door service</li> <li>• Determine remote areas to implement decree on policy for govt. officials in remote areas</li> </ul>	management systems								
	Civil Service Training Institute	<b>0</b>	<b>0.000</b>	<b>0</b>	<b>N/A</b>	<b>8.00</b>	<b>5.33</b>	<b>6.93</b>	<b>1.07</b>
	Strengthening institutional frameworks and capacity to expand civil society				<b>N/A</b>	<b>0.57</b>	<b>0.07</b>	<b>0.07</b>	<b>0</b>
	National GPAR Programme Secretariat and sector partnerships	<b>0.190</b>		<b>0.190</b>	<b>N/A</b>	<b>8.09</b>		<b>2.9</b>	<b>5.19</b>
<b>Rule of Law</b>									
<ul style="list-style-type: none"> <li>• Collaborate with various sectors and local administration to consult and formulate new laws and revise existing laws inconsistent to the actual implementation; Modify the Master Plan related to Public</li> </ul>	Enhanced capacity, procedures, and standards for legislative development in Lao PDR				<b>N/A</b>	<b>0.572</b>		<b>0.49</b>	<b>0.082</b>
	Improved mechanisms for effective legal institutions and systems at national and local levels				<b>N/A</b>	<b>1.372</b>		<b>0.511</b>	<b>0.861</b>
	Improved capacities of human resources in the legal and				<b>N/A</b>	<b>0.55</b>		<b>0.3</b>	<b>0.25</b>

<p>Law Development up to 2020</p> <ul style="list-style-type: none"> <li>• Increase activities for disseminating laws and various legislations widely and in depth</li> <li>• Better trained and more ethical legal personnel</li> <li>• Increase public understanding of, access to, and confidence in the justice system</li> </ul>	judicial sector								
	Increased public understanding of legal rights and information, and increased participation in the legal system				N/A	1.087		0.805	0.282
	Support provided to ratification of key international conventions and norms, and enhanced implementation, enforcement, monitoring, and reporting under international legal instruments accepted by Lao PDR				N/A	2.928		0.826	2.102
	Enhanced capacity of the Secretariat to coordinate and implement the LSMP				N/A	1.291		0.876	0.415
<b>Total</b>						<b>7.8</b>		<b>3.808</b>	<b>3.992</b>
<b>People's Participation (SELNA)</b>									
<p>NA Five Year Plan</p> <ul style="list-style-type: none"> <li>• Enhance representative role as organ of the multi-</li> </ul>	Members of the NA and Committee Departments have the necessary skills and capacities to review policy, legislative and budgetary	0.235				N/A		0.997	

<ul style="list-style-type: none"> <li>• ethnic people</li> <li>• Enhance legislative role – law development, amendment, scrutiny and public consultation</li> <li>• Decision-making on national fundamental issues</li> <li>• Increase NA oversight role</li> <li>• Strengthen NA</li> <li>• Enhance foreign affairs role</li> </ul>	issues and more effectively oversee their implementation.								
	The National Assembly effectively and accurately represents constituents' interests, needs and expectations.	0.0168			N/A	0.063			
	The National Assembly has Upgraded Parliamentary Support Services	0.086			N/A	0.398			
	Technical and Programme Support Services operational.	0.121			N/A	0.883			
<b>Total</b>		0.616				2.91			0
<b>People's participation (CSO)</b>									
<ul style="list-style-type: none"> <li>• Legal framework for Not-for-Profit Associations &amp; Foundations improved</li> </ul>	Specific training of PACSA and DIO				N/A				
	Improve information and coordination of CSI within PACSA				N/A				

• Legal framework for INGOs	Increased knowledge sharing and harmonising among development partners				N/A				
					N/A	1.3		1.0	0.30
<b>People's participation (Community participation and communication)</b>									
	Scaling-up community radio				N/A				
	Sustainability of Community Radios				N/A				
	Knowledge sharing of community radio experience				N/A				
						1.6		0.8	0.8

### **3. Progress in other areas**

#### **(i) Collaboration with Civil Society:**

Refer to 1.1 (ii)

#### **(ii) Sector Coordination:**

##### *Activities of the Governance Sector Working Group*

The Governance Sector Working Group has made significant contributions during 2012. Continued strong leadership has been provided by the Ministry of Home Affairs and Ministry of Justice, along with UNDP, and the Co-Chairs of the two Sub-sector Working Groups namely Swiss Agency for Development and Cooperation (SDC), and the European Union (EU).

The work plans for the Sector Working Group as a whole, and separately for the Sub Sectors were discussed and shared with group members by the Secretariat. The Co-chairs met to endorse the 2012 Annual Work Plan of GSWG in April 2012.

The Public Service Improvement Sub Sector Working Group (PSI SSWG) held two thematic workshops on 28 June and 25 July 2012 respectively. The first thematic workshop covered three themes “Main directions of the new Prime Ministerial Order 16 on pilot of local administration strengthening; Role of district administrations in strengthening service delivery to address MDGs; and Aligning support for systematic capacity building for civil servants”. The discussions provided a platform to inform stakeholders about the current priorities of the Government such as building provinces as strategic units, districts as comprehensively strengthened units, and villages as development units, which marks a turning point toward empowering local administrations, in terms of leadership and responsibilities. Discussions also touched on the role of district administrations in planning, prioritising and implementing local service delivery/MDGs, as well as directions for systematic capacity development of civil servants and how to align support among development partners. The second workshop of the PSI SSWG covered the theme of enabling environment for people’s participation, looking into the government – civil society dialogue, capacity development of NPAs and role of the National Assembly in promoting people’s participation. The theme on Roadmap for PSI Strategy which was planned as a thematic workshop in the PSI SSWG work plan will be deferred until the draft strategy is approved by the Government.

The Legal and Institutional Oversight Information Sub-Sector Working Group conducted a thematic workshop on 29 June 2012. The aim of this workshop was to raise awareness of administrative court. The Government of Laos is currently discussing the establishment of the administrative court which is clearly regulated in the 9<sup>th</sup> party resolution. The organization of this workshop helped the government officials, particularly officials in the legal sector in having a clearer understanding of the

administrative court and for formulating roadmap for setting up that court in Lao PDR. The LIO SSWG is organizing another workshop on national judicial training institute in the third week of September 2012. The third theme to be covered later this year is on new mechanism of the LSMP management/implementation structure.

The Co-Chairs of the GSWG and the Representatives of Secretariat met in the first week of September 2012 for a mid-year review to assess, monitor the progress and provide guidance on the planned activities. The new and revised Terms of Reference of the GSWG and the governance sector information matrix were presented to the Co-chairs for consideration and guidance before sharing with group members for inputs. Preparations are underway to provide inputs to 2012 RTIM which will take place in November. The Annual GSWG meeting is expected to take place in the second week of October 2012. It is also expected that a sector level thematic workshop on development partners' support to the Governance sector – Plans and Synergy will be organized later this year.

#### *Sector Information sharing*

There has been delay in developing a new information matrix for members' inputs due to the lack of approved sector strategy to act as basis for reporting on status of implementation of governance initiatives and targets. The old Governance Strategy for the cycle 2006-2010 needed to be replaced with the new Strategic Plan on Governance. However the new Strategic Plan on Governance 2011-2020 has not been approved by the Government due to the fact that the governance sector involves many different government offices and institutions that have different reporting lines and belong to different parts of the State, and therefore, the idea of having one overall framework is subject to further Government consideration. Despite this setback however, the GSWG will be able to use the sub-sector strategies such as the draft Public Administration Improvement Strategy, the Legal Sector Master Plan and the National Assembly Strategic Five Year Plan as framework of targets for stakeholders and development partners to report achievements and status related to the relevant governance pillars. The targets set in these sub-sector strategies reflect the current Government strategic priorities; therefore reporting against these through the sector information matrix will serve as a useful tool to systematically share up-to-date status of implementation of governance initiatives. The new matrix would need to be flexible to include updates on progress in areas not listed in the individual pillar strategies. As soon as the new matrix template is finalized, it will be shared with members of the Governance Sector Working Group to update.

#### **4. Brief overview of overall sector targets for FY 2012/13**

The broad direction of work in the sector will be on consolidating the achievements and scaling up the same during 2012-13. The two projects in the public service improvement and people's participation clusters, which were designed during the current year, will become fully operational in 2012-13. The Secretariat of the

Governance Sector Working Group will make focused efforts to expand its team, to ensure continuity and capacity on a sustained basis. Systematic steps will be made to document key lessons and to propose innovations that can be piloted over the next two years, so that upcoming programmes will be ready to scale them up in the period 2016-20.

A key priority in establishing sector working groups was to facilitate better coordination and alignment of development assistance in the sector. Hence, an important priority for the SWG during 2012-13 would be to continue developing and implementing proposals for better alignment and harmonization of development assistance in the sector. Partnership and full commitment to deliver in areas around the NSEDP goals and the MDGs is critical. It is also important to anchor the work plan of the sector with the Annual Plan of the NSEDP to see how governance will continue to support the NSEDP. Clarity on division of labor in the sector to reduce overlap and enhance coherence needs to be improved.

Another priority is to develop a costed plan for the sector based on needs identifying clearly priorities and targets for resource mobilization.

While the collaboration and partnership within the GSWG has been strengthened over the last few years, much more remains to be done in terms of collaboration with other sectors. The initial steps, in the form of sharing information and participation of the other sectors as well as civil society organizations in GSWG meetings, needs to be taken further with a concrete plan of action.

### **GSWG Secretariat**

To ensure easier and more systematic coordination, the structure of the Secretariat has been revised in May 2012, and relevant members identified and nominated. A smaller GSWG Secretariat has been appointed comprising one representative each from MOHA, MOJ, NA, and MOF. A separate secretariat for the PSI SSWG was also appointed consisting of representatives from MOHA. As for the LIO SSWG, the LSMP Secretariat will serve as the secretariat for this group. The work of the Secretariat is indeed a complex task, and involves a lot of internal work within the ministries and offices to collect and share information. The terms of reference for the SWG call for substantial commitments of time and resources to achieve the planned results. The GSWG ToR's revised and endorsed by the co-chairs during mid-year review.

Further support to the Secretariat in terms of capacity development and implementation of planned activities is needed. Necessary adjustments in the allocation of tasks and time of these personnel will be helpful so that the Secretariat can address their tasks more effectively. Committed resources to support the activities of the GSWG over the next five years will also be necessary

**(iii) Progress in terms of ability to address cross-cutting issues such as gender, HIV/AIDS, and environmental sustainability, among other**

In late August 2012, the strategy on gender in governance which prepared by MoHA, has been presented to the monthly meeting of the Government. It is expected that the strategy will be officially adopted and promulgated shortly. The gender in governance strategy will be a strategic tool for the mainstreaming gender in the civil service sector.

The Poverty Environment Initiative has developed an interface with the National Assembly. The discussions are expected to lead to some important policy initiatives to strengthen environment sustainability. On-going discussions between the National GPAR Programme and the Ministry of Natural Resources and Environment are expected to give rise to new partnerships on local governance support for climate change adaptation and ensuring resilience.

## HEALTH (HSWG)

- **Chair:** Ministry of Health
- **Co-chairs:** 1. Japan  
2. World Health Organization (WHO)
- **Secretariat:** Department of Planning

### 1. Sector overview

#### (i) NSEDP sector objectives vis-à-vis relevant MDGs

Directions of health development in the 7<sup>th</sup> NSEDP states that people must be strong physically as well as intellectually, well equipped with knowledge and revolutionary moral fibre. This should be realized by expansion in health services particularly in remote areas and by improving the quality of services. The MDGs related to the health sector are MDG1: Eradicate extreme poverty and hunger (Stunting & Underweight), MDG4: Reducing of Infant Mortality, MDG5: Maternal Health Promotion, MDG6: Combat HIV/AIDS, TB & other, MDG7: Ensure Environmental Sustainability (Water and Latrine). The following table shows the summary of progress of MDGs related to the Health sector up to 2011.

Objectives of the 7<sup>th</sup> five-year Health Sector Development Plan also state the importance of the MDGs targets; they are 1) Reaching MDGs in 2015 and release from the least developed country in 2020, 2) Strengthening health system development, modernization by breaking through steps and change from grassroot level, 3) Improving quality of health services, 4) Prevention and management of communicative and non-communicative disease. The priority is given to the implementation of 6 programs, namely Prevention- Hygiene, Curative, Food and drug, Health personnel development, Research and Administration and Planning-financing Programs.

The Ministry of Health has now launched the Health Sector Reform which aims to ensure reaching the MDGs by 2015 and achieve Universal Coverage by 2020. This reform obtains support from high level government authorities, such as the President's and Prime Minister's offices and other key Ministries, Parliament and provincial governors' offices. The situation analysis and identification of bottlenecks have already started in the areas of organization & personnel, hygiene, curative care, food and drug, health financing, planning - health information. The MoH will strive to complete the basic assessment by mobilising local and international assistance and expertise to set up short, medium and long term plan of the reform needed, followed by full scale implementation of the existing policies and laws and develop what is required for the future.

Table 1.0 Summary of progress of MDGs related to Health

Health Related MDGs	1990	1993	1994	1995	1996	2000	2001	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	MDG
<b>MDG 1, Eradicate extreme poverty and hunger</b>																			
< 5yr ratio that have weigh lower than standard (%)		44				40				37						25	23	21	20
< 5years ratio that short (%)		48				42				40				40		40	37	35	34
Population ratio: food consumer level <standard (%)		38				33				22						22	21	20	19
<b>MDG 4, Expectation 5: U5MR reducing</b>																			
U5MR (per 1000 survival people)				170		107			98			61 The Lancet	59 UNICE F	54 UN		72	71	70	70
IMR (per 1000 survival people)				104		82			70			48 The Lancet	46 UNICE F	42 UN		60	55	40	45
Measles vaccination rate for U1				68.0		60			69					64 MCHC		75	80	85	90
<b>MDG 5, Expectation 5A: MMR reducing</b>																			
MMR (per 100,000 survival people)				650		530			405			339 The Lancet				310	290	270	260
Rate of Delivery with docter (%)			14			17			23			35.1		37 WHO		43	45	47	50
<b>MDG 5, Expectation 5B: Reproductive Health</b>																			
Contraceptive Prevalence Rate, (all methods)			20			32			38										NT
Age Specific Fertility Rate=ASFR						96			76										NT
Antenatal care coverage						21			28.5										NT
Unmet need for family planning						49			27										NT
<b>MDG 6, Expectation 6A/6B: Combat of HIV/AIDS</b>																			
HIV infectious ratio in general population(%)							0.06				0.1	0.2 WHO			0.23 CHAS	0.3	0.4	0.5	< 1
HIV infectious ratio in risk group age 15 - 24 yrs (%)							0.4								1 CHAS	1.1	1.2	1.3	< 5
HIV infectious ratio in lady service age 15-49 yrs(%)							0.9	2							2.5 CHAS	2.6	2.7	2.8	< 5
<b>MDG 6, Combat of Malaria, TB &amp; others</b>																			
Malarai MR (per 100,000 population )	9			14		7				0.4					0.26 CMPE	0.20	0.20	0.20	0.2
Children using Insecticide Treated Nets ratio (%)						82				87					NA	95	95	95	95
TB infectious ratio per 100,000 population	472					357			306					151 WHO	NA	135	130	125	240
TB ratio that found on treatment by DOTS (%)					24	42			72						73 NTC	72	71.5	71	70
TB ratio that have fully recover by DOTS (%)					72	80			90						91.4 NTC	90.1	88.4	86.7	85
<b>MDG 7, 7C: water supply and primary Hygiene</b>																			
Population using water supply ratio (%)	28					52					74				79.9 CWS	80.9	81.9	82.9	80
Population suing latrine ratio				29		37					49				58.7 CWS	59.0	59.3	59.6	60

## 2. **Overview of FY 2011/12 sector performance and FY 2012/13 targets**

According to the 6 main programmes of the 7<sup>th</sup> HSDP, the MoH has implemented the public health policy based on disease protection and health promotion in parallel with providing good quality treatment and service. Public health network is the main strength to solve those risks in real situation. Public health in local and village levels includes village health committees that led by village chief, village volunteers, TBA, traditional healers, medical personnel who are trained the basic medical as an assistance and representative from Women's Union, Youth Union and seniors in the village participated in the task. Distributed 5,239 drug kits to minority ethnics that still not settle down and keep moving so that medical kit could help cure them or protect them from diseases. Main activity is to disseminate and educate about disease protection for example, 3 cleaning (drink boiled water, eat cooked food and defecate in toilet), vaccination, sleep in the net and etc. There are 129 district hospitals in the country including 25 type A hospitals, 12 provincial, 4 regional, 4 central hospitals and 3 treatment centers that means public health network covers 98% of the totally amount of villages in the country.

There are 4,312 Model Healthy Villages in the country. Model Healthy Village is the basic health care operation related to vaccination, dropping, examination, diagnosis and treatment in many field by both domestic and international medical team such as: cleft lips and cleft palate surgery, cataract surgery, dental and anti-parasite drug.

Implementation the resolution of the 9<sup>th</sup> party meeting related to public health sector, follow central direction responsibly and up to date that makes the goals of the meeting are implemented and helps health and living condition of inhabitants both material and mind are better continuously.

As for statistics, statistic report 2009-2010 and statistical strategy plan was disseminated to 17 provinces statistic technical staff, and LSIS results have been reported.

## 3. **Overview of overall sector targets for FY 2012/13**

### **General aspect for the year 2012-2013**

- Makes 4 steps to be realistic: imagination, human resources, solving government administration rules and poverty reduction.
- Continues to implement policy on public health based on disease protection and health promotion in parallel with treatment quality and public health service thoroughly as a key.
- Advertises on health education and hygienic to protect disease regularly and thoroughly in communities.

- Establishes disease protection-observation and infection control efficiency, educate communities about nutrition that good for health, promote exercising and sporting.
- Implements the treatment without fee policy to the target group and less development, extends public health service network to rural area and thoroughly within the country.
- Continues establish Model Healthy Village.
- Upgrade the treatment service to be good quality and up to date focus on improving knowledge, competence, servicing manner of staff, medics and nurses.
- Research and uses traditional medicine into health treatment and disease curing.
- Improve regulation, food and drug management system and health service places to be strict in all levels.
- Continues promoting private into health service places development and high technology treatment that makes customer has choices and more satisfaction.

### **Specific aspect for year 2012-2013**

- Continues to improve and develop public health system by turning the service to inhabitants, establish the village and public health precedent village group to follow 8 contents of basic health care.
- Enhances the health education and hygienic advertisement so that inhabitants know how to protect and promote their own health and implement it regularly in parallel with training on nutrition that good for body and motivates exercising-sporting for good health in all communities.
- Improves observation and disease infection control system in each level to be strong and able to monitor or report to solve the problem immediately.
- Improves extension of public health network thoroughly to rural areas, consider the suitable policy for public health staff according to decree No. 468/PM, such as staff who works in rural area or far away from community.
- Implements policy and device in the hospital to be in direction and makes finance system stable to be able to upgrade quality of service by motivation with salary as on work and ensure that the poor and all inhabitants get better service.
- Makes Health Centers to become implementation unit, district to become planning and finance unit and province to become public health strategy unit that means make a change up from the basic.
- Enhances the strength of medical recourses and traditional pharmacy and medicine.
- Establishes food and drug quality inspection and safety system that manage with law and regulation strictly.
- Invests on building some hospital and drug manufacturing factory that up to date and reach the standard.

### **Main expectation for year 2012-2013 (except table 1.0)**

- Extends malaria controlling network thoroughly and good quality by installing microscope and analyzing equipment in all district hospitals and sanitarium that has the condition.
- Reduces rate of sickness and death caused by TB to 5%/year, seek for person who infected to reach 80%, promotes the treatment for patients how has new tuberculosis BK+ to reach the standard and recover more than 85%.

- Promotes and ensure to have birth control and condom in the drug revolving fund and medical resident kit.
- Extends health insurance finance thoroughly in the country and covers 40% of inhabitants in targeted district in 2013 and 100% in 2015, by doing the trialing in Vientiane Capital as focused area to underlie the serious injury that will increase the high collection as well as improving fund administration and service to be efficiency and honest.
- Use the rate of patient go to get treatment aboard.

#### 4. **Progress in other areas**

##### 1. *Collaboration with Civil Societies*

International NGOs and Civil Societies have been involved in the Health SWGs. Health SWG invites civil societies and INGOs to Sector Working Groups. Some of those that have attended either SWG (Operational level) or SWG (Policy level) include Lao Women's Union, Lao Youth Union, Care International, Swiss Red Cross, Save the Children International, Health Poverty Action, Plan International Laos. Some INGOs participate in Technical Working Groups in their respective fields, and contributing technical aspects of the implementation of health policies. The Global Fund, which is one of the biggest DPs in terms of financing HIV/AIDS, TB and Malaria, clearly define that the involvement of civil society in all aspects of the work and governance of the Global Fund is in one of the founding principles of the organization.

##### 2. *Local and cross sector coordination*

Sector-wide coordination mechanism has been introduced at the provincial level in the health sector. SWG has been set up in Attapue and Sekong provinces under the chairpersonship by vice governors, and several coordination meetings to integrate planning of the health sector work plan, monitoring and implementation and reporting have been held. The MoH had a mission trip to Luangnamtha and Oudomxay, participated also by Phongsaly, in June in order to introduce the Vientiane Declaration on Aid Effectiveness, a progress of the coordination and mechanism for the health sector, and so on. As the good coordination mechanism at the provincial level is one of the important tools for planning, coordination, implementation, monitoring and reporting, more provinces are ready to establish for coordination mechanism, though it is still challenging.

Improving in nutrition is the area which needs involvement of ministries other than health. Cross-sectoral meeting on linking food security and nutrition was held on 4 April. In the meeting, it was agreed to set up a multi sectoral working group, finalise the joint concept note on the support to nutrition and food security with an agreed coordination structure, and involve lead ministries, line ministries and DPs.

### 3. Cross cutting issues

- Improve and upgrade quality services at each hospital at all levels by upgrading the technical skills and use new technology.
- In partnership with donors and sectors concerned including local authorities in implementing and monitoring in each period with regular meeting of each technical and operational level.
- Develop the detailed plan 2012-2013 in order to mobilize additional budget as well as preparing for midterm review.

### Resource Requirements

*Resource requirement for reaching MDGs:*

- **5 years:** \$788 million (not included water and sanitation)
- **2011-2012:** \$158 million (not included water and sanitation) (*MPI MDG's report*)
- Available:
  - Government = \$45 Million
  - Central level = \$15.5 Million
  - Local level = \$29.5 Million (*MOF, fiscal budget 2011-2012*)
  - ODA = \$21.3 Million

(Note: There is only 42% is available and 58% is still required)

## ILLICIT DRUG CONTROL (IDC SWG)

**Chair:** The Lao National Commission for Drug Control and Supervision (LCDC)

**Co-Chairs:** 1. Japan/Australia

2. United Nations Office on Drugs and Crime (UNODC)

**Mandate:**

To support the aid effectiveness agenda in order to maximize the impact of investment towards a drug free environment to enhance food security, poverty reduction, public health, public security, and the rule of law ensuring the continued welfare of the Lao people. Contribute towards the achievement of the Millennium Development Goals as well as the targets of the 7<sup>th</sup> National Socio-economic development plan.

### 1. Sector overview

The dramatic spread of illicit drug trafficking and abuse is cause for serious concern. The Lao PDR, like many other countries of the world is confronting increasingly dangerous and devastating threats from illicit drugs. The Government of the Lao PDR is strongly committed to fighting drugs and crime as well as to addressing the long-term harmful impact of drugs on the society, security, stability and socio-economic development of the country. Increasing drug production, trafficking, abuse, crime, violence, corruption and money laundering pose grave threats that seriously undermine efforts to eliminate poverty, the achievements of the Millennium Development Goals (MDG) as well as the targets of the 7<sup>th</sup> National Socio Economic Development Plan (NSEDP). The negative impact on efforts to enhance public health, public security, the rule of law adversely affects the welfare and quality of life of Lao people.

*(i) NSEDP sector objectives vis-à-vis relevant MDGs*

The IDSWG's mandate is closely linked to *2.2.10. Solutions to social drawbacks* under *2.2 Social Sector Development* of the 7<sup>th</sup> National Socio-Economic Development Plan (NSEDP VII). NSEDP VII argues that *"serious attention will be paid to prevent such drawbacks and find solutions for them"*, because they *"have accompanied economic development under a market economy system"* and *"slow down the pace of development and give rise to uncertainty in the regime"*.

To prevent social drawbacks, NSEDP VII set such targets as:

- Containing and preventing corruption;
- Preventing and solving social problems including crime; and
- Curbing and finally fully stopping production, consumption and illegal trafficking of drugs, as well as related crime through:
  - Developing such mechanisms in villages that people are able to diversify their occupations away from growing opium or similar products;

- Treating (opium) drug-addicted people;
- Treating (amphetamine) drug-addicted people;
- Following up the risk areas for illegal drug-planting regularly; and
- Increasing the number of participants in training programmes; and explaining the negative effects of using drugs

Through full implementation of the National Drug Control Master Plan, discussed below, IDSWG contributes to the achievement of the *Social Sector Development* targets set by NSEDP VII.

IDSWG contributes to the achievement of all the MDGs.

The *Goal 1: Eradicate extreme poverty and hunger* will be promoted by expanding the reach of enabling infrastructure, establishing sustainable livelihoods and improving food security and rehabilitating drug addicts based on environment-friendly agricultural production for former opium cultivating communities.

The *Goal 2: Achieve universal primary education* will be promoted by improving access to primary education in former opium cultivating communities.

The *Goal 3: Promote gender equity and empower women* will be promoted by improving access to primary education for boys and girls equally, promoting women's equal participation in development assistance activities and various kinds of training, and enhancing women's income-generating capacities.

The *Goal 4: Reduce child mortality* will be promoted by improving food security and health service in former opium cultivating communities.

The *Goal 5: Improve maternal health* will be promoted by improving primary health services in former opium cultivating communities.

The *Goal 6: Combat HIV/AIDS, malaria and other diseases* will be promoted by Strengthening the Government capacity to provide appropriate health services to injecting drug users (IDUs) and raising awareness of risks of HIV infection associated with injection of drugs among IDUs and health workers.

The *Goal 7: Ensure environmental sustainability* will be promoted by establishing sustainable livelihood based on environmentally sound agricultural production in former opium cultivating communities.

The *Goal 8: Develop a global partnership for development* will be promoted by developing strategic partnerships and strengthening good governance based on rule of law and transparency.

*(ii) Sector strategies and policy priorities*

The sector strategy is based on providing continued support to the implementation of the National Drug Control Master Plan 2009-2013 (NDCMP) which was approved by the Government of the Lao PDR in 2009.

The National Drug Control Master Plan addresses the recent rise and proliferation of illicit drug production, trafficking, abuse as well as related criminal activity in the Lao PDR. The Master Plan

responds to the heightened risk this activity poses to the country's social order and national stability and socioeconomic development through a comprehensive strategy.

The National Drug Control Master Plan is a comprehensive strategy consisting of nine components with an estimated cost of US\$ 72 million.

#	Program Strategy Component	Amount US\$
1	Trend Analysis and Risk Assessment (cross-cutting)	500,000
2	Alternative Development and National Poverty Reduction	44,000,000
3	Drug Demand Reduction and HIV & AIDS Prevention	16,000,000
4	Civic Awareness and Community Mobilization	1,500,000
5	Law Enforcement	4,000,000
6	Criminal Justice and the Rule of Law	4,000,000
7	Chemical Precursor Control and Forensics Capacity	1,000,000
8	International and National Cooperation (cross-cutting)	500,000
9	Institutional Capacity Building (cross-cutting)	500,000
		72,000,000

The Master Plan has been integrated into the 7<sup>th</sup> NSEDP, and contributes to help the country to achieve the development goals of the 7<sup>th</sup> NSEDP and the MDGs.

The National Drug Law Enforcement Strategy (NDLES) had been drafted by November 2011, and was agreed upon in principle by the Government during the FY2011/12. NDLES contributes to the comprehensive implementation of the National Drug Control Master Plan, through a focus on components related to law enforcement and criminal justice.

The draft NDLES identified 12 “priority areas” – thematic areas which require intensive investment and care – in law enforcement and criminal justice responses to suppress drug trafficking and related crime in order to ensure achievement of sector objectives under NSEDP and MDGs. Such priority areas are:

- Strengthening the community's response to drug trafficking and organized crime with a focus on vulnerable groups;
- Raising community awareness of drug trafficking and serious crime;
- Effective collection and analysis of information on drug trafficking and serious crime;
- Promoting basic and advanced investigation techniques;
- Promoting investigation and prosecution based on scientific evidence;
- Building the Government's framework and capacity to control precursor chemicals;

- Strengthening international cooperation with law enforcement authorities abroad;
- Strengthening coordination between law enforcement and judicial authorities;
- Institutionalizing international cooperation between criminal justice sectors, in terms of mutual legal assistance and extradition;
- Incorporating the further development of criminal justice legislation required by international treaties and standards;
- Strengthening the capacity of law enforcement and judicial authorities to enforce legislation amended in line with international treaties and standards; and
- Strengthening the Government's capacity to fight money laundering and corruption.

## **2. Overview of FY2011/12 sector performance and FY2012/13 targets**

### *(i) Overall sector performance for FY2011/12*

Alternative Development Projects implemented UNODC in partnership by UNODC with the Lao National Commission for Drug Control and Supervision and funded by EU in Houaphan Province, by Luxemburg in Phongsaly Province and by Germany in Oudomxay Province continued to address the issues of extreme poverty and food security amongst former opium poppy cultivating communities. The Thai Royal Project and the Highland Development Research Institute of Thailand has signed a letter of intent with UNODC in February 2012 to support the efforts of alternative development in the Lao PDR.

Significant achievements in increasing household income and ensuring food security have been recorded by UNODC projects through innovative technologies in Oudomxay Province. Projects result areas include:

- Ensuring food security, reduce poverty and promote licit production
- Develop farmer production groups linked to micro-credit schemes to ensure sustainability
- Reduce drug use, trafficking and production

The projects cover some 175 villages out of the 1,100 villages identified by the Government of the Lao PDR as requiring urgent alternative development assistance to help former opium poppy cultivating communities and eliminate the social and economic need for them to depend on illicit opium poppy cultivation for a livelihood.

The Government agencies concerned continued to make progress in law enforcement and criminal justice responses to drug offences and related crime. In impact surveys conducted in 2011 and 2012, 3-6 months after drug law training workshops for provincial officials by the Government and UNODC, many provinces reported enhanced inter-agency coordination, activated use of forensic analysis and improved compliance with law. At the central level, the People's Supreme Court and the Ministry of Justice agreed to issue a Court's official instruction on determination of penalties according to amounts of prohibited substances involved in individual cases. As of September 2012, the draft instruction is waiting for approval by the People's Supreme Court.

### *(ii) Progress against SWG specific results/tasks from the RTIM 2011 follow up matrix*

### *(iii)*

### **(Support to the implementation of the 7<sup>th</sup> NSEDP towards achieving the MDGs)**

The Illicit Drug Sector Working Group (IDSWG) continued to strive to fully implement the National Drug Control Master Plan, which had been integrated into the 7<sup>th</sup> NSEDP. By doing so the IDSWG also contributes to the implementation of the 7<sup>th</sup> NSEDP, as well as achievement of MDGs.

### **(Review, develop and improve measurements and tools in monitoring and evaluation of programme/project implementation to ensure greater transparency and achievement of the 7<sup>th</sup> NSEDP and MDGs)**

As reported in *1.0 Sector Overview* above, the draft National Drug Law Enforcement Strategy (NDLES) was prepared, and the Government agencies concerned have agreed upon the draft Strategy in principle. NDLES is designed to monitor and evaluate its own implementation by the end of 2013. Once officially approved and integrated into the comprehensive National Drug Control Master Plan framework, NDLES will contribute to improved monitoring and evaluation of the implementation of the Master Plan with regard to law enforcement and criminal justice responses to drug problems.

### **(Preparation of MDG progress report)**

UNODC, a co-chair of IDSWG, maintains participation in the MDG progress report preparation through the UN Country Team.

### **(Build greater partnership with development partners to ensure effectiveness of aid utilization and development)**

The IDSWG has maintained close collaboration and communication with the Mini-Dublin Group, a group of major donor countries and international organizations which are committed to drug control, as well as countries which have bilateral or multilateral MOUs on drug control with Lao PDR.

#### *(iv) Overview of overall sector targets for FY2012/13*

This sector has a total 8 ongoing projects and pipeline of 20 projects that has an overall sector target for FY2012/2013 of US\$ 9,314,600

## **4. Sector plans and financing requirements**

## Summary Matrix – Sector plans and financing requirements

\Key sector interventions (on-going)	FY 2011/12 (Approved figures)				FY 2012/13 (Estimated figures)			
	Financing requirement	Available resources		Financing gap	Financing requirement	Available resources		Financing gap
		GOL budget allocation	ODA (TA, loans, grants)			GOL budget allocation	ODA (TA, loans, grants)	
Increasing food security, promoting licit crop production and small farmer enterprise development in Houaphan	753,994	N/A	753,994		942,500	N/A	942,500	360000
Increasing food security and promoting licit crop production and small farmer enterprise development in Lao PDR and Myanmar	370,800	N/A	370,800		733,700	N/A	733,700	0
Phongsaly alternative livelihood and food security project	72,500	N/A	72,500		561,800	N/A	561,800	0
Support the implementation of the C/NDCMP (Module 1)	166,811	N/A	166,811		275,000	N/A	275,000	300,000
Development of the drug law enforcement strategy	100,000	N/A	100,000		0	N/A	0	0
Strengthening criminal justice responses to human trafficking in Lao PDR	205,036	N/A	205,036		294,900	N/A	294,900	0
Reduce the spread of HIV harm associated with drug use amongst men and women in Lao PDR: HAARP	250,604	N/A	250,604		370,500	N/A	370,500	80,000
Towards an effective global regime against corruption (Lao PDR component)	21,504	N/A	21,504	0	27,800	N/A	27,800	0
<b>Pipeline projects</b>								
<b>Food security and Alternative Development</b>								
Support the implementation of the National Drug Control Master Plan (NDCMP)		N/A			300,000	N/A		300,000
Increasing Food Security and Promoting Licit Crop Production and Small Farmer Enterprise Development in the district of Nhot Ou, Phongsaly province, Lao PDR.					800,000	N/A		800,000

Increasing Food Security and Promoting Licit Crop Production and Small Farmer Enterprise Development in the Phonxay district, Luangprabang province.		N/A			600,000	N/A		600,000
Increasing Food Security and Promoting Licit Crop Production and Small Farmer Enterprise Development in the Khoun district, Xiengkhouang province.		N/A			700,000	N/A		700,000
Increasing Food Security and Promoting Licit Crop Production and Small Farmer Enterprise Development in the districts of Xaysomboun and Hom, Vientiane province.		N/A			500,000	N/A		500,000
Extending innovated technology to improve food security from Oudomxay to Houaphan province	225,000	N/A	0		225,000	N/A		225,000
LAOK46 Phongsaly Alternative Livelihood and Food Security Project (Phase II)		N/A			600,000	N/A		600,000
LAOK44 Increasing food security, promoting licit crop production and small farmer enterprise development in Houaphan (Phase II)		N/A			700,000	N/A		700,000
LAOXSPK26 Increasing Food Security and Promoting Licit Crop Production and Small Farmer Enterprise Development in Lao PDR (Phase II)		N/A			500,000	N/A		500,000
<b>Drug Demand Reduction</b>							-	
Pilot Project to establish Community Based Drug Treatment Services		N/A			500,000	N/A		500,000

Creating a future! Creating a Healthy and Safe Environment for Urban Youth at Risk to Protect Them from Drug Abuse - Vientiane		N/A			750,000	N/A		750,000
Implementing Effective Drug Prevention and Awareness Raising Campaigns		N/A			500,000	N/A		500,000
<b>Criminal Justice, Law Enforcement and the Rule of Law</b>								
Access to Justice for All those who Require it - (AJAR) Project		N/A			350,000	N/A		50,000
Assistance for Betterment of Law Enforcement - (ABLE) Project	750,000	N/A	0		750,000	N/A		750,000
Technical Assistance to Counter Transnational Organized Crime - (TACT) Project	375,000	N/A	0		375,000	N/A		375,000
Mechanism Enhancing Ratification and Incorporation of International Treaties - (MERIT) Project	250,000	N/A	0		250,000	N/A		50,000
Thrusting Responses for Unified Suppression of Terrorism - (TRUST) Project	500,000	N/A	0		500,000	N/A		500,000
Forensic Science Ability and Capacity enhancement through Technical assistance and Support (FACTS)	N/A	N/A	N/A	N/A	414,600	0	0	414,600
Enhancing National Anti-Corruption Technical Capacity (ENACT)	N/A	N/A	N/A	N/A	340,000	0	0	40,000
Combating Money Laundering and Enhancing Anti-Financing of Terrorism Responses (CLEAR)	N/A	N/A	N/A	N/A	549,000	0	0	49,000
								<b>9,314,600</b>

#### 4. Progress in other areas

##### i. Collaboration with Civil Societies

With support from the private sector, civil society, and UNODC the Government of the Lao PDR is implementing an anti-drug campaign targeting Lao youth with the participation of Lao celebrities.

*ii. Local and cross sector coordination*

Alternative Development projects are implemented through the provincial and district authorities as well as the village communities thus ensuring and achieving inter-sectoral coordination, local ownership and sustainability.

Through the drug law training under the project *Development of the National Drug Law Enforcement Strategy*, provincial-level officials from different relevant departments have enhanced their capacity to apply drug control law properly and achieve inter-sectoral co-ordination.

*iii. Local and cross sector coordination*

The HAARP program supported by AusAID which is implemented by UNODC under the supervision of the National Task Force on Illicit Drugs and HIV & AIDS has worked to address the issue of preventing the harms related to injecting drug use in the Lao PDR. Four service delivery sites have been established. They are located in four of the two provinces of Phongsaly and Oudomxay. For the first time in the Lao PDR , drug supply reduction, drug demand reduction and drug harm reduction are being used in a comprehensive approach to address the issue of Drugs and HIV/AIDS.

## INFRASTRUCTURE (ISWG)

**Name of Sub-Sectors:** Lao Transport Sub Sector and Water-Sanitation and Urban Development Sub-Sector

**Chair:** Ministry of Public Work and Transport

**Co-Chair:** Japan, Asian Development Bank and World Bank

**Secretariat:** Department of Planning and Cooperation

The 5<sup>th</sup> Infrastructure Sector Working Group (ISWG) was held on Wednesday 19 September 2012, in the conference hall no.1 of the Ministry of Public Works and Transport (MPWT), under the chairmanship of :

- H.E.Sommad Pholsena, Minister of MPWT, Chair person,
- H.E.Junko Yokota, Ambassador of Japan to Lao PDR, Co-Chair person,
- Mr. Chong Chi Nai, Country Director, ADB Lao PDR Resident Mission, Co-Chair person, and
- Ms. Kiko Miwa, World Bank Country Manager, Lao PDR, Co-Chair person.

Around 50 participants from various ministries, agencies, embassies, and Development Partners (DP) attended the meeting. For details, see list attached.

- I. The meeting started with a brief introduction by Mr. Math Sounmala, Director General (DG), Department of Planning and Cooperation (DPC), MPWT, acting as Master of Ceremony (MC) of the meeting, who then invited H.E.Sommad Pholsena, Minister of MPWT, Chairperson, to deliver his opening remarks, and chair the meeting with Co-Chair persons.
- II. In his opening remarks, H.E. Sommad Pholsena, Minister of MPWT, Chairperson, thanked all participants for their attendance to the meeting and invited all to actively participate in the discussions. He said that the infrastructure is crucial to the socio-economic development of the country, and the Government commits 35% of the national budget to this sector, and of this 27% goes to construction and maintenance of transportation infrastructure. For fiscal year (FY) 2012-13 MPWT has received a total budget of 72,840 billion kip, of which 530 billion kip from the National budget, and 72,310 billion kip from external funding. Of the 530 billion kip from the National budget, 370 billion (about 70%) will be spent on roads maintenance.

The MPWT Minister also informed the meeting that, for a more effective monitoring and follow up, ISWG is split in 3 sub-groups, namely:

- Transport Infrastructure Sub-Working Group,
- Transport Services (Land, Air, Water) Sub-Working Group, and

- Water Supply, Sanitation, Town Planning and Development Sub-Working Group.

The Chair of the Meeting emphasized that today's meeting is convened in a timely manner:

- end of Fiscal Year (FY) 2011-12 and beginning of FY 2012-13,
- Laos is hosting two important international events: the ASEP7 (3-4 October 2012) and the ASEM9 (5-6 November 2012),
- 2015, two crucial milestones: Millenium Development Goals (MDG) and ASEAN Economic Community (AEC).

The MPWT Minister expects constructive comments and suggestions from this meeting, whose outcome will be reported to the annual Round Table Implementation (RTIM), scheduled for end of November this year.

- III. As Co-Chair of the Meeting, H.E.Junko Yokota, Ambassador of Japan to Lao PDR, emphasised on the important role of the Infrastructure sector, and the need for MPWT to work more closely with other sectors, for instance the Health sector, in order to reach MDG, especially MDG1 (end of poverty and hunger) and MDG5 (maternal health). She said that currently, in Laos, 2 pregnant mothers die every day. Part of the causes is the transportation between villages to hospitals. She also suggested a closer coordination between MPWT and DPs and among DPs themselves.
- IV. The country manager of World Bank, Lao PDR, Co-Chair of the Meeting, Ms.Keiko Miwa, reiterated the importance of the Infrastructure sector. She recalled the lessons learnt from South Africa, where a delegation from the Lao MPWT paid a visit recently. In particular she mentioned the overloading control and the mobilisation of fund from the private sector to the transportation infrastructure under the Public Private Partnership (PPP) scheme. The Co-Chair touched on the I Owe You (IOU) scheme, and expressed WB readiness to support the study to assess the implementation of IOU.
- V. The Asian Development Bank (ADB) Lao PDR Resident Mission Country Director, Mr. Chong Chi Nai, Co-Chair of the Meeting, emphasized on the importance of the Meeting since it's the venue to discuss MPWT's draft strategies and to share information on Infrastructure sector among DPs. He stressed that infrastructure is the most critical base for the country development, and therefore should be planned in a very strategic way. The ADB Country Director encourages smaller technical group meetings to deepen sector discussions, such as the urban development, water and sanitation meeting in 2011. He also encouraged MPWT to utilize the important role of private sector in developing infrastructure. He expressed his concern on the road maintenance and gave example of his trip on the 240 km long Road 9, which took more than 5 hours on a four wheel drive car.
- VI. The presentation by Department of Roads (DOR) shows that the country has now a total road network of 39,546 km, of which 6,116 are paved. Among ongoing major projects, there are:

- Road 1B, Paknamnoy-Ban Yo, expected completion date: October 2013
- Road 15, Salavan-Napong, expected completion date: April 2014
- Road 4, Xayabouly province, including Mekong bridge, expected completion date: May 2013
- Mekong bridges: Hueixay-Xiengkong (expected completion date: May 2013), Khokkhaodo-Paklay (ongoing), Pakbeng (construction will start October 2012), Thakhek-Nakhonphanom (completed 11 November 2011).

There are also 10 roads to be upgraded to meet ASEAN standard, requiring a funding of nearly 500 million USD. The road maintenance, on the other hand, needs about 35 million USD per year.

- VII. In his presentation, the Director General (DG) of Department of Transport (DOT) shows Laos has now 3.50 km of railway (Vientiane-Nongkhay) which is planned to be extended for another 7.50 km. The other line planned is from the border of China/Boten-Luangphabang-Vientiane (417 km), now under discussion with China, which will connect to another line (Vientiane-Thakhek-Mugia), which is a spur line of Singapore-Kunming Rail Link (SKRL).

Under waterways, besides transportation along Mekong river, the bank protection is now on high priority.

With regard to airways, more new and modern aircrafts were purchased in order to expand flights to Asia and Europe. A new airport is planned in Vientiane capital which can serve Boeing 747 aircrafts. Airports in Bokeo, Luangphabang, Xiengkhuang, Savannakhet and Champassak will be upgraded to take Boeing 737 aircrafts. In Phongsaly, Huaphan, Attapeu airports will be improved to take 72-seater planes.

Road transport is the dominant mode in Laos, and accounts for 80%. The Lao government has the policy of transforming the country from “landlocked” to “land bridge”. Laos has now 23 international border crossing points, of which 19 are land and 4 are airport. At the same time we are facing some problems, such as traffic congestion and road accidents.

- VIII. The presentation of the Department of Housing and Urban Planning (DHUP) explains the overall strategies of the sector from 2011 to 2020, e.g. to provide strategic and comprehensive development plans for all urban areas of the country, to upgrade the physical and social infrastructure of Vientiane capital, to create green areas, to increase the local construction materials. On the water supply and sanitation, all projects are progressing well, e.g. Northern-Central Region Water Supply and Sanitation Project (ADB), Community based water supply and sanitation projects in various districts (Xieng-ngeun, Xayabouly, Pakxan, Thakhek, etc...) financed by UN-HABITAT, to name a few.

- IX. The Department of Planning and Cooperation (DPC)'s presentation shows that the Public Private Partnership (PPP) is new in the road infrastructure area, except one case: the Thangon bridge. DPC is now preparing the TOR for a PPP advisor, and is planning for some pilot PPP projects, e.g. road 13 north (Vientiane-Phonhong) and road 13 south (Vientiane-Ban Haii).
- X. After the 4 presentations, the floor is open to discussions to which many participants actively took part, expressing their appreciation to the meeting, the presentations, and their commitment to continue to support the Infrastructure sector: JICA, ADB Director of Transport and Communication Division, UN-HABITAT, ADB Country Director Lao PDR Resident Mission, Ambassador of Japan, DG of Department of Civil Aviation, Representative of WB, DG of Department of Planning and Cooperation, among others. In the meantime, some concerns were also raised:
1. The Ambassador of Japan asked about the construction of a new airport in Vientiane capital. What will happen to the existing one? If it's going to be demolished to be a site for something else, then the government of Japan would be reluctant to support its improvement. After a short reply from the DG of Department of Civil Aviation (DCA), the MPWT Minister explained that the new airport will not be ready before 2030, and it will be an international airport; the existing one will be the domestic airport.
  2. The representative of WB (Mr.Sombath Southivong) suggested MPWT to analyze the funding of roads: how much should go to construction, how much to maintenance, how much to national roads (NR), how much to local roads (LR). On the delegation of authority to provinces, he emphasized this should go together with the capacity building.
- XI. The Minister of MPWT, in his closing remarks, made the following points:
- the 1<sup>st</sup> Working Group, in 2008, was only on roads,
  - JICA master plan for Vientiane capital: next week DHUP will make a presentation on urban development,
  - Overloading: we should learn from South Africa. They also have 9.10 ton/axle,
  - Sub-sector meeting: every 6 months,

The Minister finally thanked all departments for their comprehensive presentation papers. He especially thanked all DPs and participants for their commitment to continue to support the Infrastructure sector, their active participation to the discussions, and promised that he will take into consideration all comments and suggestions raised during the meeting. "Your concern is our concern", the Minister said, before officially declaring the Meeting closed.

## MACRO-ECONOMICS (MSWG)

**Chair:** Ministry of Planning and Investment

**Co-Chair:** Asian Development Bank

**Members of the Working Group:** Ministry of Finance (MOF) and Bank of Lao PDR (BOL).

**SWG Secretariat:** Department of Planning, Ministry of Planning and Investment,  
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### 1.1 Overview of FY 2011/12 sector performance and FY 2012/13 targets:

The Implementation of Budget Execution of FY2011/2012 has put all the efforts to ensure good budget performance, which in turn, contributes to the implementation of the 7<sup>th</sup> NSEDP. For FY 2011/2012, the Government has collected the total revenue with grant 23.40% of GDP, on the expenditure side, the budget execution was 25.60% of GDP. The public investment was 11.32% of GDP; all of these resulted in budget deficit of 2.2% of GDP, which consider manageable. The achievements of some key factors of Budget Implementation for FY2011/2012 which are (i) on the revenue side to enforce of Laws on VAT, new revised Tax and Customs, and ensured better collections from business units; (ii) Domestic and foreign investment increased in all sectors, more active SMEs have been crucial cells in the economic system; (iii) Budget law has been as main tool for public financial management; (iv) Strict expenditure management aligned with budget plan approved by the National Assembly; (v) Develop and improve the financial legal framework such as new revised Tax Law, new revised Customs Law, new revised State Assets Management Law and new revised Insurance law were approved by the National Assembly including the formulation of the public finance strategy; (vi) Strengthening the capacity building program of human resources in finance sector, as well as improved central and local fiscal relations.

The FY2011/12 summary budget has been printed including (i) administrative classification; (ii) expenditures for all 17 ministries with disaggregated breakdown for 14 line ministries, 3 non-executive agencies (State Audit Organization or SAO, Supreme Court, Supreme Prosecutor) and all provinces; (iii) summary data on statutory funds included the Social Security Fund in first time ;(iv) disaggregated technical revenues; (v) list of the eligible programs/projects financed by NT2 revenue within the first quarter of the fiscal year. MOF produce a first of Budget Execution Report by end of January 2012, an automated quarterly budget execution report for FY2011/12 budget with sectoral breakdowns within 4 weeks after end of quarter. It was agreed that: (i) from the second quarter, the annual and quarterly budget plans will be added to the report to allow for variance analysis; (ii) from the third quarter, quarterly execution report will include disaggregate data on budget execution by line ministries and provinces and be presented in a way that allows for comparison between actual spending and the approved budget as per the format of budget document.

The progress of Public Finance Management Strengthening Program (PFMSP), since 2005, the public finance management system has been improved, in this important task, the Ministry of Finance has been a lot of support from development partners, the main progress achieved (i) improved of Financial Legislation and Regulatory Framework for new revision Laws on Customs, Tax, Insurance and State Assets Management approved by the National Assembly, Completed the Instruction guideline on budget preparation and planning for FY2012/2013, completed the instruction guideline on the pilot scheme of

three construction in fiscal sector, completed the initial draft of Long Term Fiscal Development Strategy Plan for 2011 – 2020; (ii) improved the financial management systems for continued the implementation of GFIS, deploy the Automated System for Customs Data (ASYCUDA), implement the Debt Management and Financial Analysis System (DMFAS), improved the LAO-TIS for identification of Tax and Tax collections, Completed the conceptual design of Treasury Information Management System (TIMS), preparation of E-Public Finance, and E- Tax for Tax Revenue Information System (TAX-RIS); (iii) support the enhancement of capacity building plan for fiscal relations to involve the both international and domestic trainings, workshops, seminars, knowledge exchanges and study visits events.

The Government implementation the Economic Policy, Financial Policy to ensure and promote the domestic & foreign investment from Public and Business; implemented of Fiscal policy – Budget consistent with the 7<sup>th</sup> NSEDP; developed and improved existing laws, legislation, fiscal framework, Customs Law, Tax Law, Insurance Law and State Asset Management Law; Central-Local Financial Management.

The Macroeconomic coordination for policy-making responsive to natural resource developments in cooperation with MPI, MOF, BOL produces annual economic report reflecting a joint macroeconomic framework for FY2011/12 responsive to resource, non-resource sectors and strengthen macroeconomic policy coordination, consistent with economic growth and stability; fiscal deficit below 5 percent, and non-mining deficit below. DMFAS operational and moderate risk of debt distress, debt management legal framework clearly defined; MOF publishes an annual debt bulletin on aggregated external debt on MOF's website.

The Improving budget execution and fostering transparency in financial report, MOF (i) transfers technical revenues accounts into National Treasury from all largest accounts of Central Ministries and Agencies and at least 50% of provincial technical revenues accounts, (ii) reflects them in the budget, and (iii) disburses their funded expenditures through the National Treasury network. MOF and BOL consolidate all treasury-managed government accounts through Zero Balance Account (ZBA) arrangements at BOL headquarters and its branches and roll out ZBA to one commercial bank. MOF completed Conceptual Design of the Treasury Information Management System (TIMS), a conceptual design has been prepared to identify major functional components of TIMS to meet the functional requirements of the treasury (scope), determine to what levels of government and agencies TIMS will be deployed to (the scale) and what is the accounting basis for the system, it is developing a full-functionality to replace the locally-developed GFIS to provide more compressive functionalities to support the requirements of the Government's PFM reform program.

The objectives of FY2012/2013 State Budget plan to continue for strengthening the fiscal policy to effectively enhance the macroeconomic management and stability, strive to increase both domestic and international revenues and effectively utilize resources for effective public investment especially in those areas having high return and economic potential, Strengthen the budget allocation for the government's priority policy especially for the social sectors for achieving the target of MDGs goal by 2015. The fiscal targets of FY2012/2013 is expected for the total revenues with grant 24.5% of GDP), especially for the domestic revenue is 18.70% of GDP, the expenditure is 27.6% of GDP, Budget deficit is 3.2% of GDP. The Fiscal arrangement measures in the FY2012/2013 continue to strictly implement the Budget Law and other financial laws & regulations, enhance the revenue and expenditure management modernization, Strengthen the fiscal discipline for increasing the efficiency in public investment management, continue to improve the budget planning process, budget management, public accounting and financial reporting systematically and unity manner from the Central – Local areas, study & find the legal framework on fiscal decentralization to increase responsibility for localities in the budget formulation and implementation, Continue to develop the government bond market by creating the mechanism of issuing

long term bonds. To achieve the target of MDGs, therefore the fiscal measures of budget plan for FY2012/2013 is implemented along consistent with 7<sup>th</sup> NSEDP plan, stable macroeconomic growth at 8.3%, economic development is matching with Social Cultural and environmental development as well as to issue the Tax and Duty Exception Policy for rural areas, Economic Special Zones & Economic Specific Zones to promote the investment attractions and to integrate to Regional and Global (ASEAN, AFTA, WCO, WTO).

The Macroeconomic developments and outlook include fiscal forecasts in resource and non-resource sectors, public guaranteed debt in the NSEDP annual preparation instruction for FY2012/13, this policy action is to develop gradually a more fully-fledged macroeconomic assessment and outlook discussion mainstreamed in the the government policy-making process. It is also intended to provide analysis broken down between the non-resource and resource sectors as a critical element of a sound macroeconomic monitoring instrument of the Lao economy. The coordination and fiscal management for macroeconomic stability is to sustain a dynamic medium-term growth in light of such ambitious goals established by the government and rising challenges, a consensus among key agencies dealing with macroeconomic issues such as MOF, MPI, BOL and MOIC on strengthening macroeconomic coordination and management is very important going forward. One way is through strengthened planning, fiscal and monetary coordination by establishing a medium term macroeconomic framework.

The MOF instructs revenue collecting agencies- in the Instruction on FY2012/2013 State Budget Preparation to separate resource include mining and non-mining, non-resource revenue in FY2012/2013 revenues collection plans and discusses underlying assumptions. The issuance of MOF Budget instructions is the first step of the budget formulation process, where MOF provide guidance to agencies on how to formulate budget submissions to MOF. Revenue collecting departments (Tax Department, Customs Department, State Owned Enterprise Finance Management Department, and State Assets Management Department) and agencies submit to MOF their revenue collection plans with information on resource and non-resource revenues that will be in turn feed into the Budget Plan.

## 1.2 Sector plans and financing requirements

The strengthening Financial Framework is to improve the policy consistency, efficiency, transparency and accountability in public expenditure and revenue management by strengthening institutional systems and capacity and making progress towards appropriate international financial management standards to achieve the 7<sup>th</sup> NSEDP targets and MDGs. Therefore, the MOF focuses on the strengthening the management systems and capacity of the Central and Provincial Financial Administration:

- **Fiscal Planning and Budget Preparation:** continued of Long Term Strategic Fiscal Development Plan 2011 – 2020.
- **Budget Execution, Accounting and Financial Reporting:** implementing of TIMS, GFIS, DMFAS Systems, and continue improvement the Lao accounting for IPSAS.
- **Revenue Policy and Administration:** implementing of Lao TIS, VAT, Tax-RIS, ASYCUDA, and manage the natural resource revenues effectively.
- **Local Government Financial Management:** Implementing of 3 constructions on pilot scheme in fiscal sector, especially for strengthening the finance office at district level to be budget unit.
- **Financial Legislation and Regulatory Framework:** improve the state budget law and VAT Law, dissemination of revised Insurance Law, Customs Law, Tax Law and State Asset Management Law.

- **Capacity Building and Human Resource Development:** Human Resources Strategy Development Plan and strengthening capacity for MOF staff for central, provincial and district levels.
- **External Oversight and Audit:** Implementing of State Audit Development Plan including ICT.

### Summary Matrix – Sector plans and financing requirements

NSED sector objectives / MDGs	Key sector interventions	FY 2011/12 (Approved figures)				FY 2012/13 (Estimated figures)			
		Financing requirement	Available resources		Financing gap	Financing requirement	Available resources		Financing gap
			GoL budget allocation	ODA (TA, loans, grants)			GoL budget allocation	ODA (TA, loans, grants)	
	1. PFMSP	US\$2,200,000	US\$200,000	US\$1,700,000	US\$300,000	US\$3,000,000	US\$300,000	US\$2,200,000	US\$500,000
	2. CTFP	US\$1,820,872	US\$150,000	US\$1,500,000	US\$170,872	US\$2,000,000	US\$180,000	US\$1,700,000	US\$120,000

### 1.3 Progress in other areas

#### Annex I: Substantive agenda for follow-up to the RTIM 2011 and reporting to the RTIM 2012

RTIM 2011 Follow-Up Matrix	
Result/task	Relevant SWGs
<b>Cluster 1. Socio-Economic Development / MDG</b>	
7.Support to the implementation of the 7th NSED towards achieving the MDGs, especially those are off-track	All
8.Review, develop and improve measurements and tools in monitoring and evaluation of programme/project implementation to ensure greater transparency and achievement of the 7th NSED/MDGs	All
9.Promote and approve domestic and foreign investment	Trade and Private Sector

to ensure quality and sustainable investment that contribute significantly to the Government's development financing for development results.	Development
10. Develop and create sufficient jobs for skills labours especially women and protect them from any unfair issues, including the management of labour migration	Trade and Private Sector Development, and informal <i>gender</i> working group
11. Provide continued support to the improvement of quality public health services throughout the country ensure local people can have access to sufficient services.	Health, and informal <i>gender</i> working group
12. Focus on the implementation of the off-track MDGs, including reduction of maternal and child mortality and malnutrition rates, considering greater participation of all parties concerned	Agriculture and Rural Development, Education, Health, and informal <i>gender</i> working group
13. Continue implementing all necessary activities in order to achieve the localized MDG 9, aiming at reducing the impact of UXO in Lao PDR	UXO
14. Agricultural land management to ensure all Lao people especially those are living in uplands area can have access to agricultural land particularly relevant to the area of slash and burn agriculture	Agriculture and Rural Development, and informal <i>gender</i> working group
15. Preparation of MDG progress report	All
<b>Cluster 2. Public Financial Management (Macro-Economic)</b>	

<p>16. Strictly implement all legal documents related to the management of finance and budget, revenues and expenditures and other expenses to ensure greater synergy and alignment of <i>planning</i> and <i>budgeting</i> activities</p>	<ul style="list-style-type: none"> <li>• MOF coordinate closely with lines ministries to ensure greater synergy and alignment of planning and budgeting activities.</li> <li>• The National Assembly approved the revised Financial Management Laws in FY 2011-2012: Customs Law, Tax Law, Insurance Law and State Asset Management Law.</li> <li>• The issuance of MOF Budget instructions is the first step of the budget formulation process, where MOF provides guidance to agencies on how to formulate budget submissions to MOF. Revenue-collecting departments (Tax Department, State-Asset Department, Customs Department, State-Owned Enterprise Department) and agencies will submit to MOF their revenue collection plans with information on resource and non-resource revenues that will in turn feed into the Budget Plan.</li> </ul>
<p>17. Strengthen capacity of MOF and BoL staff in managing all finance and banking related activities</p>	<p>Under Public Financial Management Program, the MOF staffs at central, provincial and districts level had improved their capacity on new Accounting, VAT, Budget Management and the new Laws and regulations</p>
<p>18. Take into account the intergovernmental fiscal relations and capacity building for expenditure management as the Government is moving towards public expenditure management at the district level through a block grant system.</p>	<p>MOF provided 80 billion Kips to MOES to pilot initiated the school block grant scheme as a financing mechanism to provide adequate resources for schools to routinely manage their administration and maintenance expenditures. The grant is expected to be sent to school in two tranches. The first tranche was sent from MOF to districts in March 2012 and the second tranche was sent May 2012. The block grants will be paid to schools on the condition that schools submit a School Development Plan (SDP). However, due to limited capacity of local community and schools, many schools will not have such plan in place for this fiscal year. MOES plans on making this a requirement next year and, over time, provide training to schools to improve the quality of their school development plans. The MOES will provide block grant management training on block grant to Provincial Education Services (PES) staff. Then the PES staff will train District Education Bureaus staff and DEB staff will train school and community. Thereafter, DEB staff will start training school level staff, a process which will take most of FY 2012/13.</p>

<b>Cluster 3. Good Governance</b>	
19. Disseminate and implement GPAR Strategy 2011-2020, including capacity development for district authorities in planning and monitoring their services at district level	Governance
20. Promote and encourage greater participation of all parties in the society in development process through capacity building for National Assembly, Government Agencies in line Ministries and other institutions to ensure good governance, governing the country by the Rule of Law, including social drawback prevention and relevant solutions	Governance
21. Consider improving the approval process and duration of establishing Non Profit Associations, including their appropriate participation in the RTP and SWG mechanism	Governance
<b>Cluster 4. Natural Resources and Environment Management</b>	
22. Develop and monitor the implementation of policies, rules and regulations and other legal documents related to climate change initiative, green growth development, and sustainable usage of natural and water resources.	Natural Resource and Environmental Management
23. Strengthen capacity of the Government agencies in line Ministries concerned to ensure existing laws and regulations, and natural and water resources have been effectively implemented and managed, respectively.	Natural Resource and Environmental Management
<b>Cluster 5: Human Resource Development</b>	
24. Enhance human resource development through providing capacity development for teachers towards achieving the MDGs	Education, and informal <i>gender</i> working group
25. Expand health related services to cover all areas at all levels of the society through increasing a number of and providing adequate training for health staff and workers, and creating enabling	Health

environment for attracting and mobilizing more resources to health sector.	
26. Build greater partnership with development partners to ensure effectiveness of aid utilization and development -	All

## NATURAL RESOURCES AND ENVIRONMENT (NRE SWG)

**Chair:** H.E Mr. Noulinh Sinbandhit, Minister of MONRE

**Co-Chairs:** H.E. Robert Von Rimscha, German Ambassador to Lao PDR

Ms. Keiko Miwa, World Bank Country Manager, Lao PDR

The overall objective of the SWG NRE is to support the implementation of the NSEDP and achieve the MDGs relevant to the NRE sector. This includes MDG 7 – Ensuring Environmental Sustainability

**Mandate:**

- Provide a forum for dialogue and coordination between the GoL MoNRE and Development Partners and other stakeholders on sectoral matters and cross cutting issues
- Promote the development of NRE SWG including joint policy and priority setting , domestic and external resources mobilization , result-oriented management and monitoring of progresses and achievements
- Facilitate the implementation of the Natural Resources and Environment Sector related actions and targets embodied in the VDCAP
- Ensure coherence and linkage between the Roundtable meetings as overall coordination forums and coordination at the sectoral level

The following SSWG fall under the SWG NRE (and are managed by the SWG NRE):

- SSWG Land
- SSWG Forest Management
- SSWG Geology and Mining
- Water resource and disaster
- Environment and Climate Change

### 1.0 Sector overview

*The 7<sup>th</sup> NSEDP for Natural Resources and Environment Sector: NRE SWG is responsible for the implementation of the MDG 7 on ensuring environmental sustainability, as a result, the government has defined the long term goals in NRE sector including: by 2015 the cover forest area shall be increased up to 65%; completion of land use allocation; preserve mineral resource to be achieved 65%; refining environment from destroy in the past; ensure environmental protection at urban area and rural area in line with the direction of Clean, Green and beautiful.*

*About MDG 7 Indicators:*

The implementation of the 5<sup>th</sup> and 6<sup>th</sup> National Socio-Economic Development Plan has shown a significant progress in achieving the MDG, as a results, the MDG 7 is likely to be achieved:

- ❖ **Target 7.A: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources:** In order to achieve the above assigned targets, Lao PDR has defined and focused on carry out the implementation measures of the National Socio-Economic Development Plan (NSEDP), the NSEDP must be implemented with strong economic growth associated with Green Growth directions, Clean Development through the implementation of environmental and social safeguard policy, together with promoting the climate change adaptation and mitigation. Therefore, in order to ensure the environment sustainability, the protection of natural resources (forest, land, water resources, biodiversity and minerals ) is required through exploration and proper planed allocations of each resources together with the public awareness raising for importance and meaning of natural resources and environment protection. This is a great contribution to the MDG implementation especially for MDG 7. Relevant policy, strategy, national workplans and legislation includes :
  - **Institutional aspect:** Lao PDR has established the Ministry of Natural Resources and Environment, Mekong River Basin Committee, National Environmental Committee and Lao National Mekong River Committee.
  - **Strategy and Policy aspect:** Lao PDR has completed the national environmental strategy for 2020, forest strategy for 2020, Climate change strategy, draft water resources strategy, National land master plan and national environmental action plan 2011-2015 which approved on Dec 2011 and now is already public both Lao and English version.
  - **Legislation:** Lao PDR has developed and improved legislation related to natural resources and environment (land law, mineral law, environmental protection law, water and water resources law, etc). Moreover, developing and updating the related of decrees such as: environmental and social impact assessment, a decree on concession and resettlement on the development projects, decree on land forest separation and other relevant legislations.

In order to protect the forest areas and increase the forest cover up to 65 percents by 2015, the forests have been classified in 3 types: conservation forest, protection forest and production forest. In addition, there are forest restoration plan and integrated water resources management plan to be applied.

**For 7A2:** the survey and data collection were made, but no targets have been defined, Lao PDR has initiated a process for data collection as identified in the first and second communication report. Therefore, there is a need to coordinate with the UNFCCC secretariat for defining the target for the said indicator.

Lao PDR releases CO<sub>2</sub> around 24 tons per year which came from 4 sources including land use change (72%), agriculture (42%), energy (4%) and other (1%). however, the 2nd survey indicated that Lao PDR has doubled the release to 52 tons per year including 7, 6 million tons.1 million ton from energy, the result from this survey has shown that the forest in Lao PDR absorbed around 121,6 tons of carbon

per year which equivalent to 5 times of emission throughout the country. Lao PDR is low emission country therefore; the reduction on emission is not applicable.

In the past, the government of Lao PDR becomes a signatory member of Vienna Convention in 1989, the national action plan on terminating the use of Ozone depletion substance was developed in 2001, the CFCs management plan was adopted in 2001, the CFCs reports was completed in 2003 and 2004, respectively, celebrate OZONE day, raised awareness on 16th September, distributed relevant materials, executed the national implementaiton plan for the hazardous chemicals, such as: HCFCs, R-22 (HPMP), implemented the activities of TPMP, developed an agreement on the Ozone depletion.

**For7A3:** Lao PDR has total water discharge is 2,700 cubic metres in which estimation of the water use in agriculture, industry, household sector accounted for 3.72 % in 2006 of the total flow in Lao PDR. This reflects the natural abundance and water related development potentials and the ability to develop hydropower plants as described “develop Laos as a battery of region” which will in turn help to increase the water volume in the dry season.

❖ **Target 7.B: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss:**

Large areas of Lao PDR have been designated as wildlife and flora sanctuaries and gazette as protected areas, at national, provincial and district levels. The country’s diverse ecological habitats contain has 11 species of mammals, 166 species of reptiles and amphibians, 700 species of birds, 87 species of fresh water fish, insects and vascular plants was been surveyed. The Conservation forest was established about 24 forests which have the total of areas around 3,778 million per ha. Nowadays, 2 of the protection areas was adopted and its around 173,350 ha. Moreover, there are 65 protection areas at provincial level, at district level is around 146 and the total of this areas are 0,92 million ha.

In fact, Lao PDR has defined the protection areas, celebrate wildlife’s day and define biodiversity conservation areas such as: protection forest around 6.600.000ha and conservation forest areas around 3.300.000 ha.

The MDG indicator of proportion of species threatened with extinction refers to the number of nationally threatened species expressed as a percentage of globally threatened. In fact, it’s trend to be increased from 115 species in 2008 to become 167 species in 2011.

❖ **Target 7.C: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation**

The proportion of the population with access to a safe source of water has been increasing in different provinces and districts. This is a result of the Public Private Partnership-PPP and supported by the INGO, donors, and private sectors. Besides that, the proportion of population using improved sanitation facility has a trend to increase.

- **Proportion of population on using clean water:** as 2010 the use rate was 79.5% whereas WTO evaluation was that the rate was only 57% this due to the difference on calculation and definition on

using clean water. However, in order to achieve 100%, it is requested continuation support from INGO, NOG, donors, government and private sectors.

- **Proportion of population on using toilet:** as 2010 the use of toilet was 55%. Therefore, in order to provide toilet for all household, it is requested continuation support from INGO, NOG, donors, government and private sectors.

❖ **Target 7.D: Achieve, by 2020, a significant improvement in the lives of at least 100 million slum dwellers**

In the past, this problem is not a big issue for Lao PDR due to the fact that the Lao population density is very low compared to other developed countries such as USA, Japan, France and others. Therefore, so far there is no data collection and specific measures to tackle with that problem.

1. **Past strategies and policy:** Land law (2003); Forest law (2007); mineral law (20011); EPL (1999); water resource law (1996); EIA Decree (2010); Resettlement decree (2005); EPF decree (2005); Strategy on Environment by 2020 and action plan 2006-2010; Biodiversity strategy and action plan 2006-2010; Strategy on environmental awareness raising by 2020 and action plan 2006-2010
2. **Current strategies and policy:** amendment EPL, forest law, land law, draft decree on upgraded provincial protection forest; EIA guideline; land use master plan, warning strategy. Namely, numerous strategies, draft strategy on water by 2020 and action plan 2006-2010 have been considered.

## 1.1 Overview of FY 2011/12 sector performance and FY 2012/13 targets

### 2.1 Land

1. Finalize draft national land policy and propose to the Government for consideration by the end of 2012
2. Achieve the land allocation in 2,857 villages within 47 poor districts
3. Achieve land titling of 140,000 pieces for 2011-2012
4. Coordinate with provincial and district authorities in handing over the land revenue collection task to Ministry of Finance

### 2.2 Geology and Minerals

1. The Law on Minerals was adopted in 2011
2. Develop database on Geology and minerals, mapping and consensus
3. Geological-Mineral mapping at 1:200,000 scales in south Laos: the project proposal was prepared and submitted to Vietnam and Japan.
4. Geological mapping and Mineral Investigation at 1:200,000 scale in Sayabury Province covering 16,309 km<sup>2</sup> (2011-2013) was approved by the Ministry of Land and Resources Management of China.

5. Cooperate with the Department of Mineral Resources of Thailand: to study on stratigraphic correlation in 3 areas; ecotourism investigation; training in chemical analysis and organizing of geology conference.

### **2.3 Forest Resource Management**

1. The Decree on Protection Forests in 49 sites was adopted in 2012
2. Define the clear responsibility between MAF and MoNRE on forest resource management
3. Finalize the draft decree on National Protected Areas at Oudomxay and Savanakheth provinces which will add up to 24 national protected areas throughout the country
4. Prepare forest investment programme
5. Develop management and demarcation plan for national protected areas (Huaphanh, Champasack, Sekong, Attapeu, Oudomsay and Savanakheth provinces)
6. Complete the delineation plan for protected forest areas in 8 provinces (Champasack, Sekong, Attapeu, Oudomsay, Luangnamtha, Borkeo, Luangprabang and Sayaboury provinces)

### **2.4 Water Resources**

1. Update national water resources policy and strategy
2. Review and update water law
3. Approval of Decree on the Establishment of River Basin Organization
4. Introduction of Integrated River Basin Management Approach and RBO institutionalization (Nam Ngum, Nam Theun – Nam Kading, etc)
5. Preparing implementation phase for national IWRM Components (WB and ADB jointly support) including the establishment of Xebangfai and Xebanghieng river basin institutionalization
6. Implement Nam Tone watershed management project supported by KFW

### **2.5 Meteorology and Hydrology**

1. Finalize the draft early warning strategy and standard operating procedures
2. Hydromet network improvement ( 6 stations in the southern part of Laos)
3. Data and information collection and monitoring , exchange and sharing ( on 7 hours basic with MRCs)
4. Improvement of weather forecast (by upgrading website of DMH)
5. Establishment of early warning system in the vulnerable areas (Sekong River Basin) to support the implementation of National Strategy for Disaster Management

### **2.6 Environment**

1. Review Environmental Protection Law
2. Adopt National Environment Action Plan (2011-2015)
3. Prime Ministers Decree on Environmental and Social Impact Assessment and Guidelines (Resettlement and Compensation, Public Involvement, and IEE/EIA procedure Flow chart)
4. Develop Environmental Management tools (GIS, Remote Sensing , Environmental indicator, etc) in haze monitoring dry season, river basin delineation.

5. Finalize the decree on environmental standards and Strategic Environmental Assessment
6. Review the mandate of the environmental protection fund
7. Mainstream the national climate change strategy and national programme of action
8. Finalize the second communication report on climate change
9. Initiate the study on the access to climate finance
10. Initiate the Climate Change Awareness Raising and Environmental Education for Sustainable Development in Rural Areas of Lao PDR

Draft of the policy on ESIA information orientation workshop of the development projects, draft of strategy on Green Growth and Low Carbon in Lao PDR, draft of Natural disaster early warning system in paralleled with improving existing Hydromet stations in disaster risk areas, draft of the wetland in Lao PDR, draft of Pollution control, an action plan on the clean mechanisms and carbon credit; and law on water resources (updating version)

- strive to increase the land titling in 47 poor districts up to 200,000 scales
- Ensure the optimal use of water resources and minimize ecological damages and protect watershed forests as well as establish 2 river basin committees: Sebangfai, Sebanghieng, and initiate the transboundary river basin management in the north in parallel with the establishment of river basin fund based on polluter pay principle
- Strive on updating and sharing Methodology and hydrology information that has developed from analog to digital in accordance with Methodology and hydrology World Organization
- develop standard for sustainable environment city based on green and clean concept in Vientiane , Luangprabang in cooperation with LPP project, develop Xamneu , Huaphanh province as model for sustainable environment city and request for ASEAN support
- establish national reference laboratory with complete set of equipment for environmental quality monitoring in urban areas and at least for another 2 provinces (savanakhet and Champasack)
- develop statistic management systems on Natural resources and Environment at centre and province level (MDG7)
- integrate the issues on water resources, environment , meteorology, climate change into education system at university level
- improve the coordination between central, provincial, district and focal areas through better information technology and real time data exchange
- carry out research on the impact of tourism on protected area and disseminate the result on financial gaps in national protected area management in cooperation with EEPSEA and
- develop sustainable financing mechanism in natural resources and environment sector

## 1.1 Sector plans and financing requirements

### Summary Matrix – Sector plans and financing requirements

NSED sector objectives / MDGs	Key sector interventions	FY 2011/12 (Approved figures)				FY 2012/13 (Estimated figures)			
		Financing requirement	Available resources		Financing gap	Financing requirement	Available resources		Financing gap
			GoL budget allocation	ODA (TA, loans , grants)			GoL budget allocation	ODA (TA, loans , grants)	
		No data	No data	No data	No data	No data	No data	No data	No data

## 1.3 Progress in other areas

SWG NRE has involved civil society and international non organization in the implementation of the Natural Resource and Environment Sector Plan, especially, the support to the implementation of environmental conservation project and the third party monitoring for the environmental impact assessment for the development projects with the natural resources allocation and management, NRE SWG has involved the local authority in managing the natural resources, mainly, the land titling, forest resources management, environmental and social safeguard policy implementation

SWG NRE has regarded the gender issue as important for natural resources management and utilization, especially, the land titling and forest resource management, the gender issue is mainstreamed into the sector plan.

## Annex I: Substantive agenda for follow-up to the RTIM 2011 and reporting to the RTIM 2012

RTIM 2011 Follow-Up Matrix	
Result/task	Relevant SWGs
<b>Cluster 1. Socio-Economic Development / MDG</b>	
27. Support to the implementation of the 7th NSEDP towards achieving the MDGs, especially those are off-track	MONRE: It is needed continuation support from donors in terms of strengthening capacity building of MONRE staffs regarding amendment existing policy, law, decree, etc. Especially administrative and financial management
28. Review, develop and improve measurements and tools in monitoring and evaluation of programme/project implementation to ensure greater transparency and achievement of the 7th NSEDP/MDGs	MONRE: So far, such tools still not yet develop and apply. Therefore, it is needed support from donors to assist on developing guideline, baseline study on capacity of MONRE staffs in terms of project/programme management.
29. Promote and approve domestic and foreign investment to ensure quality and sustainable investment that contribute significantly to the Government's development financing for development results.	Trade and Private Sector Development
30. Develop and create sufficient jobs for skills labours especially women and protect them from any unfair issues, including the management of labour migration	Trade and Private Sector Development, and informal <i>gender</i> working group
31. Provide continued support to the improvement of quality public health services throughout the country ensure local people can have access to sufficient services.	Health, and informal <i>gender</i> working group
32. Focus on the implementation of the off-track MDGs, including reduction of maternal and child mortality and malnutrition rates, considering greater participation of all parties concerned	Agriculture and Rural Development, Education, Health, and informal <i>gender</i> working group
33. Continue implementing all necessary activities in order to achieve the localized MDG 9,	UXO

aiming at reducing the impact of UXO in Lao PDR	
34. Agricultural land management to ensure all Lao people especially those are living in uplands area can have access to agricultural land particularly relevant to the area of slash and burn agriculture	Agriculture and Rural Development, and informal <i>gender</i> working group
35. Preparation of MDG progress report	Pre MONRE: Has prepared.
<b>Cluster 2. Public Financial Management</b>	
36. Strictly implement all legal documents related to the management of finance and budget, revenues and expenditures and other expenses to ensure greater synergy and alignment of <i>planning</i> and <i>budgeting</i> activities	Macro-Economics
37. Strengthen capacity of MOF and BoL staff in managing all finance and banking related activities	Macro-Economics
38. Take into account the intergovernmental fiscal relations and capacity building for expenditure management as the Government is moving towards public expenditure management at the district level through a block grant system.	Macro-Economics
<b>Cluster 3. Good Governance</b>	
39. Disseminate and implement GPAR Strategy 2011-2020, including capacity development for district authorities in planning and monitoring their services at district level	Governance
40. Promote and encourage greater participation of all parties in the society in development process through capacity building for National Assembly, Government Agencies in line Ministries and other institutions to ensure good governance, governing the country by the Rule of Law, including social drawback prevention and	Governance

relevant solutions	
41. Consider improving the approval process and duration of establishing Non Profit Associations, including their appropriate participation in the RTP and SWG mechanism	Governance
<b>Cluster 4. Natural Resources and Environment Management</b>	
42. Develop and monitor the implementation of policies, rules and regulations and other legal documents related to climate change initiative, green growth development, and sustainable usage of natural and water resources.	Natural Resource and Environmental Management: So far the mechanism on monitoring the policies, rules and regulations and other legal documents related to climate change initiative, green growth development, and sustainable usage of natural and water resources is still not yet functional.
43. Strengthen capacity of the Government agencies in line Ministries concerned to ensure existing laws and regulations, and natural and water resources have been effectively implemented and managed, respectively.	Natural Resource and Environmental Management: Agreed that it is needed to be strengthen capacity of the staffs for the NRE sector in order to ensure sustainable natural resource and environment management.
<b>Cluster 5: Human Resource Development</b>	
44. Enhance human resource development through providing capacity development for teachers towards achieving the MDGs	Education, and informal <i>gender</i> working group
45. Expand health related services to cover all areas at all levels of the society through increasing a number of and providing adequate training for health staff and workers, and creating enabling environment for attracting and mobilizing more resources to health sector.	Health
46. Build greater partnership with development partners to ensure effectiveness of aid utilization and development -	MONRE: Due to MONRE just has 1 year old, therefore, building greater partners still not yet fully functional.

## TRADE AND PRIVATE SECTOR DEVELOPMENT (TPD SWG)

**Chair:** MoIC Minister

**Co-Chairs:** European Union and Germany

**Mandate:** To promote trade and private sector development in a most effective and efficient manner.

### 1.0 Sector overview

Since 1990s the Lao private sector, especially SMEs, has grown fast in terms of firm numbers and employment. A national SME Survey carried out in 1995 estimated that the number of SMEs was expanding at about 10 per cent per year during the early 1990s while employment grew at about 15 per cent per year.

According to the latest economic census (2006), about 127,000 enterprises were in operation, of which: 93 per cent were micro-enterprises with fewer than five employees; 4 per cent employed between five and nine persons; 2 per cent employed between 10 and 99 persons; and 2 per cent employed more than 99 workers. Average employment in the manufacturing sector was only 4.3 persons per enterprise.

Although precise statistics on SMEs in Lao PDR do not exist, the latest Lao Expenditure and Consumption Survey (LECS4) of 2008/2009 shows that about 34 per cent of Lao households are engaged in operating micro and small businesses; a proportion that is much higher than that shown in LECS 2 of 1997/98.

Despite their large numbers, only a small proportion of business operating households employ paid labour (about 15 per cent)<sup>4</sup> and most business activities are conducted in the form of self-employment or by engaging unpaid family labour throughout the country. Only about 1 per cent of households employ five or more employees. The majority of business-operating households are in the central region of the country; with the Vientiane Municipality, the most developed urban area in the country, being a centre of concentration.

The lack of medium- and large-sized enterprises and low productivity of Lao manufacturing firms suggests that Lao PDR cannot rely on a strategy of low cost, labour-intensive manufactured exports to regional and international markets. A number of studies carried by the development partners and Government revealed that the labour productivity of firms in Lao PDR is lower than in most countries in the region and below the levels suggested by its income per capita.

While manufacturing has performed well since the late 1980s, it faces significant challenges and risks in core non-resource export sectors such as the manufacture of garments, agro products, textiles and furniture, wood and wood products.

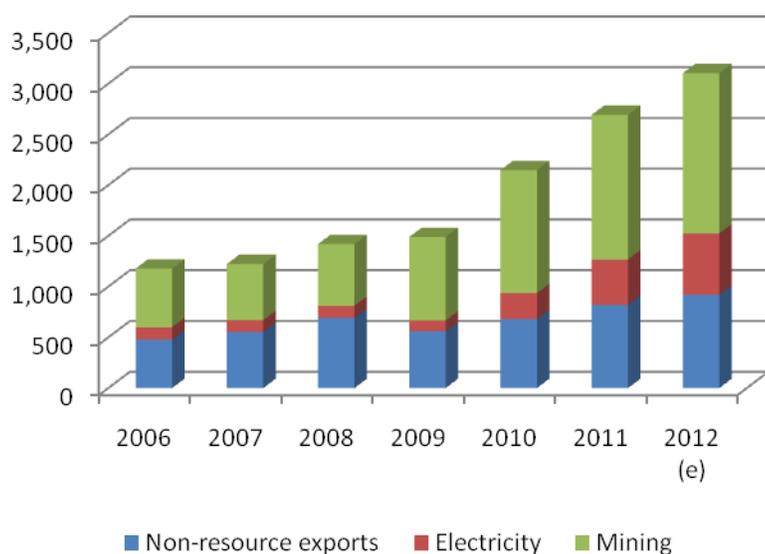
According to WB's Lao Development Report (2011), the share of the manufacturing sector in GDP increased slightly in the past years from 7.6 percent in 1995-1999 to about 9.9 percent in 2003-2008 and is expected to remain at 9.9 percent from 2011-2015. Most of the growth contribution has come from food, beverages and construction materials. Despite very rapid growth rates during 1990s, garment and wood processing still account for a relatively small share of total value added in manufacturing. Services grew relatively quickly from 2000-2008, at an average rate of 7.4 percent, but growth in the sector is expected to slow slightly to about 6.6 percent per annum over the next decade. The contribution of these

<sup>4</sup> Only 7 per cent of business operating households employed employees in 1997/98, LECS 2 (1997-98).  
RTIM 2012: Sector Working Group Report

sectors to annual GDP growth has averaged about 3.6 percentage points during 2003-2008 and remains significant over the medium term despite some expected decline in the longer term. Tourism, transportation and public sector services have been the main contributors to the services sector's growth, while other sub - sectors stayed at similar levels throughout the last two decades.

Lao PDR is expected to become increasingly dependent on mining and electric power exports in coming years. While these two sectors accounted for some 70 per cent of total exports in 2012, this share is expected to rise further in medium term. The rapid import growth that has accompanied the economic upturn has been characterised by steady growth in the import of consumption goods alongside a slightly higher rate of expansion in the import of capital goods associated with mining and hydropower.

**Merchandise exports, US\$ million**



Source: WB Lao Economic Monitor, May 2012.

### **Business Environment**

Trade policy is central to the external and internal trading environment, and an efficient business and investment environment is critical to promoting the growth of the private sector and trade. Over the past few years Lao PDR has become a better place to do business for both domestic and foreign firms. However, gaps still exist between policy and implementation, and without reducing this gap the potential of key economic sectors is likely to go unrealized. The WB's ICA 2011 and GIZ's Enterprise Survey 2009 identified taxation, access to finance and an inadequately educated workforce as the top constraints to growth. The preliminary results of the Enterprise Survey 2011 conducted by HRDME indicate that the business enabling environment appears to have improved only marginally. Entreprises have experienced growth but are not well positioned for the opportunities which lie ahead in light of AEC and possible WTO accession. Entrepreneurs appear even less concerned about the impact of the increasing liberalization of international trade than in previous years.

Given the increasing reliance on the service sector for employment and growth as well as backbone services for the broader economy, continued reform and efficient regulation will be necessary. However, given the extent of reform requirements, effective prioritisation and sequencing is necessary.

The taxation framework is undergoing major change through the recent Unified Investment Promotion Law, Implementation of VAT Law, and revision of the Tax Law. Overall the new legal framework has introduced a number of significant growth-friendly policy changes. However small- and medium-sized enterprises (SMEs) in services and the retail trade complain more about tax rates and tax administration than larger manufacturing enterprises. The Tax department is working on improvements to the SME taxation regime. The SME Strategy has been enacted in November 2011 and its implementation is supported and coordinated by SMEPDO. In order to improve the access and awareness of entrepreneurs of business consulting possibilities to develop and adjust to the challenges of the market, SMEPDO has launched a Business Development Service (BDS) provider network.

In the medium term improving access to finance will require further improvements to financial infrastructure including payment systems, credit information bureaus and collateral registries, as well as improvements to laws and regulations related to secured lending. A specialized risk-sharing facility or credit facility for SMEs should be set up. GOL has recently set up an SME development fund (2 mln. USD), administered by the Lao Development Bank.

In collaboration with the public sector, industry associations in the garment, construction and tourism sectors have begun short-term practical training courses for their workers. This type of initiative needs to be further supported. A comprehensive labour market study would identify the causes of mismatch between demand and supply, explore disincentives to skills upgrading and look at options for improving labour market information. Links between vocational educational institutions and the business community need to be improved.

A number of other business constraints exist, including regulations on business entry, investment policy and incentives, industrial zones, property rights, competition, consumer protection and infrastructure. Access to business development services like market and technology information, technical and management training, standards upgrading and market access need to be promoted. More generally, the availability, quality and usage of (international and domestic) trade statistics will improve the basis for increasingly effective policy making.

### **Key trade and PSD development strategies and measures**

Implementation of the New Economic Mechanism (NEM) has enabled the private sector, both domestic and foreign, and including small and medium-sized enterprises (SMEs), to play an ever-increasing role in the economy. The private sector is expected to account for a much larger part of the economy as the Government attempts to achieve its goal of graduating from LDC status by 2020.

The Government links the achievement of Vision 2020 to attaining an annual GDP growth rate of 8 per cent from the present to 2020, on the basis of total investments made each year of around 30 per cent of GDP. More than 50 per cent of the investment is expected to be mobilized from the domestic and foreign private sector.<sup>5</sup>

Guided by the NSEDP and research for the DTIS, the key concrete strategy and measures for maintaining a high growth rate in the manufacturing industry and service and commerce sectors include:

1. Establishing conducive trade and investment environment through:
  - Promoting trade Integration (post-WTO accession, and towards AEC)
  - Improving business environment
  - Improving trade facilitation
  - Building quality infrastructure
2. Improving competitiveness, quality and value of agribusiness, manufacturing and service sectors through:
  - Implementing SME firm level quality and productivity support measures
  - Supporting Public-Private Dialogue and sector specific support measures
    - Agribusiness
    - Tourism
    - Textile handicraft
    - Garments
    - Wood processing
    - Promoting offshoot industries from the mining and hydropower industries
3. Improving aid for trade governance framework for mainstreaming trade and private sector development through:
  - Mainstreaming poverty, gender and the environment
  - Institutional capacity development
  - Sector Working Group Development and mainstreaming trade in National Development Planning
  - Trade and Aid for trade governance framework and implementation

## **1.2 Overview of FY 2011/12 sector performance and FY 2012/13 targets**

Important progress in integrating with international and regional trading system has been made. Lao PDR has concluded WTO accession negotiations. At the 10<sup>th</sup> Working Party Meeting held in September 2012, the terms of Laos' WTO membership were agreed by the negotiating countries and will be submitted for approval by all 157 current WTO members in the General Council on 26 October.

As part of its WTO accession Lao PDR has reviewed and enacted some 20 trade-related laws and 40 other legislations since 2000. Recent enactments include the Decree on Import and Export, Decree on Rules of Origin (RoO), Decree on Prices, Law and Decree on Investment Promotion, Ordinance on Foreign Exchange, Law on Livestock and Veterinary Matters, Law on Plant Protection, Law on Fisheries, and the Tax Law. In the pipeline to be revised or adopted in 2011-2012 include the laws on intellectual property, customs, telecoms, insurance, Bar Association and law making.

Lao PDR is actively participating in ASEAN integration. Within the framework of the AEC, Lao PDR has: ratified ATIGA in 2009; submitted a full tariff reduction schedule, including a sensitive products list up to 2015; set up institutional infrastructure and developed a specific action plan for improving trade facilitation and promulgated necessary legislation on RoO. However, the actual implementation of the policy and legislation (such as implementation of a pilot project on self-certification of RoO, removal of remaining non-tariff barriers, the development of a National Single Window, the adoption of ASEAN

cargo processing model and transit system, and other measures to facilitate trade) remains challenging due to limited implementation capacity and issues related to inter-agency coordination.

Important improvements have been made to facilitate the movement of goods into and out of the country. Lao PDR has made a considerable commitment to becoming 'land-linked' rather than landlocked. Although more can be done, highlights include: an ambitious Trade Facilitation Strategy; the inauguration of a National Trade Facilitation Secretariat; launch of the first Trade Information Portal; adoption of WTO- and ASEAN-consistent legislation on import licensing procedures extensive investment into modernization of customs clearance procedures; and improvements to the transport and logistics infrastructure.

FDI inflows have surged in recent years, driven by mining and hydropower, which together account for more than 80 per cent of total FDI.<sup>6</sup> FDI has also driven much of the export growth of recent years in the form of mineral exports. Annual FDI inflows grew from US\$28 million in 2005 to US\$187 million in 2006, according to UNCTAD, and reached more than US\$800 million in 2010 according to WB estimate.

Since 1990 growth in inward FDI has outpaced the LDC average, continuing to rise despite the global slowdown following the economic crisis. In Lao PDR inward FDI flows grew nearly 600 times over the period shown, approximately ten times higher than growth in inward FDI for Southeast Asia as a whole.

Lao PDR's ability to attract inward investment compares favourably with regional comparators and the LDC average – although investment is almost entirely resource seeking rather than efficiency-seeking.

The overall business-enabling environment has also been improved. This includes implementation of the Enterprise Law in 2006, which among other things introduced the concept that doing business is a right rather than the privilege of Lao citizens as defined in the Constitution. It also changed the previous "permit regime" to a "registration regime". To make it easier for entrepreneurs to set up their businesses, the Law introduced the concept of the 'negative list', under which any lawful person can conduct business activities outside the so-called "negative list of conditional activities" without asking for permission. In order to align with the Enterprise Law, the Government also replaced two separate Investment Promotion Laws with one unified Investment Promotion Law in 2010, which among others also introduces uniform regulations for business entry and investment incentives for both domestic and foreign investors. The recently revised General Tax Law (2011) also introduced a number of significant growth-friendly policy changes, including the introduction of a new corporate profit tax rate of 24 per cent and the abolition of minimum tax, facilitating graduation of growing small- and medium-sized enterprises (SMEs) from a presumptive tax system to accounting-based systems.

Important improvements were also made to the manufacturing and trading licensing regime. A number of regulations were introduced to improve predictability and transparency in international trade. A sectoral operating license is not required to engage in international trade, and the manufacturing sector only requires one operating license as opposed to the two sectoral licenses required by other sectoral agencies (establishment and operating licenses)..

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<sup>6</sup> World Bank (2010), 'Lao PDR: Growth Analysis for a Small Resource-Rich Transition Economy. Background paper for Lao PDR Development Report', Washington, World Bank.

Despite significant improvement in the business environment, there are still certain gaps between policy and implementation and without reducing this gap the potential of key economic sectors is likely to go unrealized. Further improvement in the enabling environment will require a wide range of sectoral and cross-sectoral initiatives.

## **1.2 Sector plans and financing requirements**

Public, private sector and development partners discussed and validated findings of the full update of the Diagnostic Trade Integration Study and resulting Trade and Private Sector Development Roadmap on May 15, 2012.

A key theme that underpins the whole DTIS Update 2012 is the need to enhance the diversification of exports into sectors with high social impacts in order to ensure that trade has the maximum impact on improving the livelihoods of the poor. Furthermore, at the sector and intervention level, specific measures are noted throughout the DTIS to boost the direct impacts of Aid for Trade interventions on the poor and disadvantaged, and take environmental considerations into account.

The Action Matrix for this DTIS update has been included into a Roadmap for Trade and Private Sector Development for Lao PDR. This will be the Programme for the Trade and Private Sector Development Working Group under the Round Table process. As such, it will be a living document where Action Matrix priorities are linked to the overall results.

The Trade and Private Sector Development Roadmap aims to achieve ***sustainable trade and business development for poverty reduction and LDC graduation with a modern, diversified economy*** through making improvement in the following three key areas, namely establishing conducive trade and investment environment; improving competitiveness, quality and value of agribusiness, manufacturing and service sectors; and improving aid for trade governance framework for mainstreaming trade and private sector development (see the Trade and PSD Roadmap in annex 1).

## **Annex I: Trade and PSD Roadmap**

### **Table 1: Lao PDR DTIS Update - M&E Framework with Indicators on Goal and Outcome Levels (Long list)**

Level	Result Area	Indicators
Development Goal	Equitable growth	<ul style="list-style-type: none"> <li>• GDP growth rate</li> <li>• Wealth distribution (Gini Coefficient)</li> <li>• Percentage of people living below the poverty line</li> <li>• Regional distribution of poverty</li> <li>• Gender inequality index</li> <li>• Development Index or Inequality adjusted Human Development Index)</li> <li>• Unemployment rate</li> <li>• Growth in employment in key manufacturing and service sectors (garment, agribusiness, tourism, retailed sectors)</li> </ul>
	LDC graduation	<ul style="list-style-type: none"> <li>• Per Capita Income (GNI per capita)</li> <li>• Reduction in economic vulnerability (Economic Vulnerability Index [EVI])</li> </ul>
Strategic Outcome	Sustainable trade and business development for poverty reduction and LDC graduation with a modern, diversified economy	<ul style="list-style-type: none"> <li>• Export Concentration Index of XX (EVI)</li> <li>• Annual growth rate in value of non-resource exports (EVI – instability of exports) with a target of 18% p.a. (NSED 7)</li> <li>• Real growth in total trade of goods and services</li> <li>• Value of non-natural resource exports</li> <li>• Value of trade in services</li> <li>• Average annual growth rate in the number of new enterprises registered in key sectors, of which XX% include women ownership, and XX% are located in priority poverty reduction provinces</li> <li>• Increase in investment administered by MoIC (national investment and FDI)</li> </ul>
Pillars (Outcome Areas)	<p><b>1. Conducive trade and investment environment established</b></p> <p>Through:</p> <ul style="list-style-type: none"> <li>• Trade Integration (post-WTO accession, and towards AEC)</li> <li>• Business environment</li> <li>• Trade Facilitation</li> <li>• Quality Infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Openness ratio (trade share in GDP in %): NSED Target of 100% by 2015</li> <li>• Increase in new business penetration rate;</li> <li>• Reduction in business regulatory compliance cost (WB ES) <ul style="list-style-type: none"> <li>○ Reduction in time and cost to start a business</li> <li>○ Reduction in time and cost for cross border trade</li> <li>○ Reduction in senior management's time spent in dealing with government regulations</li> </ul> </li> <li>• Percentage of trade taking place under preferential agreements (preference utilisation rate)</li> <li>• Women's participation in the economy enhanced</li> </ul>

	<p><b>2. Improved competitiveness, quality and value of agribusiness, manufacturing and service sectors</b></p> <p>Through:</p> <ul style="list-style-type: none"> <li>• SME firm level quality and productivity support measures</li> <li>• Public-Private Dialogue and sector-specific support measures <ul style="list-style-type: none"> <li>○ Agribusiness</li> <li>○ Tourism</li> <li>○ Textile handicraft</li> <li>○ Garments</li> <li>○ Wood processing</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Increase in supply capacity of SMEs of selected products and services (SME productivity)</li> <li>• Number of poor people with increased incomes through market development and productivity improvement programmes</li> <li>• Increased number and average spend of international tourists</li> <li>• Real annual productivity growth (ES)</li> <li>• Real annual sales growth (ES)</li> <li>• Growth in investment in selected sectors (e.g. Garments, Wood processing, Tourism)</li> <li>• Real annual employment growth (ES)</li> <li>• Increased survival rates for existing and new product-destination-market combinations</li> </ul>
	<p><b>3. Improved aid for trade governance framework for mainstreaming trade and private sector development</b></p> <p>Through:</p> <ul style="list-style-type: none"> <li>• Mainstreaming poverty, gender and the environment</li> <li>• Institutional capacity development</li> <li>• Sector Working Group Development and mainstreaming trade in National Development Planning</li> <li>• Trade and Aid for trade governance framework and implementation</li> <li>• Monitoring and Evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Poverty: Role of trade in development and poverty reduction explicitly mentioned in NSEDP 8</li> <li>• Gender: Increased proportion of women-owned businesses</li> <li>• Environment: Environmental support programmes implemented for all key export sectors</li> <li>• Increased coordination indicated through number of meetings of committees in the IF Governance structure</li> <li>• Increased value of AfT channelled through and coordinated by the NIU</li> <li>• Increased percentage of businesses who believe their concerns are adequately addressed through public-private dialogue mechanisms</li> <li>• Trade and private sector development programme / roadmap established, with established M&amp;E system and periodically reviewed</li> </ul>

<b>Contextual Changes</b>	<b>Contextual aspects to be monitored</b>	<ul style="list-style-type: none"><li>• Key political/social/economic contextual aspects relating to economic development and trade</li><li>• Macro-economic stability</li><li>• Development of the resource sectors (mining and electricity)</li></ul>
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**Table 2: M&E Framework Pillar 1: Conducive trade and investment environment established**

<p><b>Pillar Outcome</b></p>	<p><b>Conducive domestic and international trading and investment environment created by promoting international and regional trade integration; improving trade facilitation; SPS, TBT, and the business enabling environment</b></p>	
<p><b>Intervention Area 1.1</b></p>	<p><b>1. Trade Policy: Implementation of the ASEAN Economic Community (AEC), and beyond WTO accession</b></p> <p><b>Outcome level change:</b> Legal and other commitments to international agreements, such as WTO and ASEAN implemented, with enhanced support systems in place including monitoring, communication and capacity building</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>• Level of implementation of commitments made in international trade negotiations, particularly WTO and AEC</li> <li>• Number of new laws and particularly implementing decrees developed and enforced</li> <li>• Enhanced knowledge and awareness of public and businesses of challenges and opportunities of the AEC and WTO accession (GIZ enterprise survey)</li> <li>• Functioning monitoring system for the implementation of WTO accession, AEC and other bilateral trade agreements, which informs policy making and implementation</li> </ul>	
<p><b>1.1 Interventions</b></p>	<p>Agency</p>	<p>P. Proj</p>
<p><b>1 Leverage WTO and ASEAN accession and commitments</b> made in this process to support domestic reform programmes, which emphasizes competition, sound regulation and policies to widen access to services in key service sectors such as financial, telecommunications and transport</p>	<p>MoIC and relevant agencies</p>	<p>TDF II,7 GIZ, LUNA</p>
<p><b>2 Design and implement a Communications Strategy for Trade and PSD</b> to increase public and business awareness of opportunities and challenges arising from WTO accession, AEC and other trade agreement implementation through publication of guide books, internet, bulletins and workshops and seminars</p>	<p>MoIC and relevant agencies</p>	<p>TDF II, GIZ, LUNA</p>

7 TDF II is a World Bank administered multi-donor trust fund with contributions from Australia, the European Union, Germany and the World Bank, executed by the MoIC.

<p>3 <b>Improve systems of monitoring and overseeing the progress of AEC and WTO measures implementation.</b> Progress against the AEC blueprint implementation should be assessed annually and disseminated to the public on a timely basis. Regular PPD consultative meetings will be organised to ensure regular feedback</p>	<p>MoIC and relevant agencies</p>	<p>TDF II, GIZ</p>
<p>4 <b>Continue the revision, development and active implementation of required laws and implementing regulations</b> (priorities include but are not limited to:</p> <ul style="list-style-type: none"> <li>• Revision of the manufacturing law, standards law, customs</li> <li>• Development of competition law, law on law making,</li> <li>• Implementing regulations for SME law, new tax law</li> <li>• Law on laws, e-transactions law, revisions to law on standardization and law on metrology, improved commercial dispute settlement,</li> </ul> <p>In the above and as well as in supporting recently revised legislation and regulations as part of the WTO accession process there should be capacity development of relevant institutions, effective on the ground implementation and public awareness built, including training of the judiciary in areas such as intellectual property</p>	<p>MoIC and relevant agencies</p>	<p>TDF II, LUNA, GIZ</p>
<p>5 <b>Strengthen inter and intra-ministerial coordination in trade negotiations and implementation.</b> This could include reform of the current NSCEI structure with the WTO Accession Secretariat becoming a broader Trade Policy Secretariat (including AEC-related matters). It is important to actively address the non-implementation of international and regional commitments by enhancing coordination mechanism among sectoral agencies, necessary capacity building, introducing peer review process, and using the dispute settlement mechanism to resolve issues in a rule-based manner</p>	<p>MoFA, MoIC</p>	<p>TDF II, GIZ</p>
<p>6 <b>Self certification:</b> Develop and implement a regulation on self certification of origin under AFTA framework</p>		

7	<b>Rationalize bilateral agreements</b> based on potential market access opportunities for Lao products and establishing coordination mechanisms with major trading partners at both central and local level to facilitate consultations on trade promotion measures and dispute resolution		
8	<b>Organisation:</b> Consider reorienting units of the Foreign Trade Policy Dept. along functional lines (trade in goods, services, rules of origin and etc.) to enhance coordination in trade negotiations in multiple fora	MoIC etc...	TDF II, GIZ
Intervention Area 1.2	<p><b>2. Business Environment</b></p> <p><b>Outcome level change:</b> Enhanced business environment with equal opportunities for all businesses and improved consumer protection</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>• Increase in new business penetration rate</li> <li>• % SMEs with access to formal bank loans (% women-owned) (ES)</li> <li>• Reduction in percentage of firms highlighting access to skilled labour as one of their top three constraints (WB ES)</li> <li>• Simplified taxation regime for SMEs introduced; increase in number of firms paying taxes based on accounting rules</li> <li>• Strengthened alternative dispute resolution</li> <li>• Ensure equal level playing field for all businesses, especially in key service sectors, with increased independence and effectiveness of the regulatory agencies</li> <li>• Increase in number of business environment issues resolved through PPD</li> <li>• Increase in demand-driven skill development initiatives under PPP</li> <li>• Improved SME access to information</li> </ul>		
	1.2 Interventions	Agency	P. Proj
1	<b>Public Private Dialogue:</b> Improve efficiency and effectiveness of public and private dialogue to address business environment constraints by strengthening capacity of LNCCI and other business membership organizations in service delivery, management, and policy advocacy (issue identification, issue research and position development, dialogue facilitation and results assessment). This will include building the capacity of business membership organizations (BMOs) in identification and analysis of business	LNCCI, MPI and MoIC	TDF II, GIZ, LUNA

environment issues and support PPD at national level and selected provinces		
<p><b>2 Further streamline regulations on business entry</b> for both domestic and foreign investors through full implementation of the Enterprise Law and Investment Promotion Law by:</p> <p>2..1 Reviewing implementation of negative list for the implementation of the Enterprise Law and explore possibility for further streamlining existing procedures for obtaining prior approval from sector agencies and facilitating implementation of new unified Investment Promotion Law</p> <p>2..2 Further streamlining business start-up procedures by focusing on simplification of burdensome sector licensing procedures administered by technical agencies. This will include further streamlining licensing procedures for the manufacturing sector through the revision of the existing manufacturing law and relevant implementing regulations</p>	MoIC and MPI	EIF T2
<p><b>3 Reduce gaps between laws, regulations and implementation</b> by incorporating good practice in law making process into Law on Law Making that is under preparation, and making laws, regulations easily accessible by public by establishing centralized database of all laws, PM Decrees and regulations and instructions</p>	MoJ and other relevant ministries	ADB, LUNA
<p><b>4 Improve taxation regime for SMEs</b> by establishing dedicated SME Tax Unit at district level; develop detailed instructions for presumptive tax system; develop simple accounting toolkits for presumptive taxation regime to facilitate graduation of more SMEs to accounting-based tax regime</p>	MoF	IFC
<p><b>5 Improve contract enforcement and dispute resolution</b> through revision of outdated contract law, building capacity of the Lao Bar Association and strengthening role of mediation and arbitration functions of economic arbitration board in resolving commercial disputes</p>	MoJ, MoIC	LUNA
<p><b>6 Strengthen consumer protection</b> by developing relevant institutions for implementation of the Consumer Protection Law (establishment of consumer protection association, price monitoring and</p>	MoIC	

forecasting system, building capacity of regulatory functions of trade inspection unit)		
7 <b>Regulatory support:</b> Ensure equal level playing field for all businesses, especially in key service sectors that lack independent regulatory agencies through adoption and implementation of modern and comprehensive competition law and policy	MOIC and relevant ministries	TDF II, LUNA
8 <b>Internal movement of goods:</b> Improve inter-ministerial cooperation in removing constraints to the movement of goods within and between provinces	MoIC, others	
9 <b>Rationalize investment incentives</b> by conducting a comprehensive review of all incentives provided in various laws	MPI, MoF	
10 <b>National Investment Facilitation and Promotion Strategy:</b> Attract targeted quality investment by developing and implementing a National Investment Facilitation and Promotion Strategy, including specific activities in investment facilitation, servicing, investor outreach and marketing activities in targeted markets. This should include improving investment attractiveness in the manufacturing sector through a review of existing regulations on industrial zones/estates and developing appropriate policy to attract private investment based on public private partnership (PPP) principles	MPI, MoIC	UNDP, GIZ
11 <b>Statistics:</b> <ul style="list-style-type: none"> <li>- Improve compilation and use of statistics for the manufacturing sector and trade more generally to assist in assessing the health of the sector and formulation of appropriate support policy</li> <li>- Improve macroeconomic management by improving compilation of relevant data, including trade and industry data</li> </ul>	MPI, MoIC, MoF, BOL	Statistical Capacity Building Project (WB)
12 <b>SME Finance:</b> <ul style="list-style-type: none"> <li>- Promote cash flow-based SME lending through provision of technical assistance to selected commercial banks interested in penetrating to SME market and establishment of risk-sharing facility with support from donor agencies</li> <li>- Accelerate the development of a National Payment</li> </ul>	Commercial banks, Bol, MoF	IFC

<p>System, expand coverage of Credit Information Bureau (CIB) and improve its efficiency, and set up registry of non-movable assets</p> <ul style="list-style-type: none"> <li>- Improve rural enterprises' access to financial services by promoting mobile banking and e-banking by developing relevant regulations</li> </ul>		
<p><b>13 Skills Development:</b></p> <ul style="list-style-type: none"> <li>- Support ongoing demand-driven practical training initiatives led by various industry associations (garment service centre, hospitality training institute, training programmes between construction association and National Transport Committee)</li> <li>- Conduct an in-depth study on situation of labour market and skills development needs of the private sector and develop medium-term mechanism to develop appropriate skilled workforce to support sectors in which Lao PDR has comparative advantages</li> <li>- Reduce information gaps on labour market by developing labour market information system</li> </ul>	<p>Industry associations, MoIC, MoLSW</p>	<p>TDF II, World Bank, GIZ</p>
<p><b>14 SME Support:</b></p> <ul style="list-style-type: none"> <li>- Improve availability, quality and relevant content of information on websites for SMEs by localizing popular websites for SMEs such as smetoolkits.org</li> <li>- Enhance update and quality of Business Development Services (BDS) to improve SME competitiveness</li> </ul>	<p>MoIC</p>	<p>TDF II, GIZ</p>
<p><b>15 Change Measure of Development:</b> Promote use of alternative measures of development to include income distribution, social and environmental dimensions</p>	<p>MPI, MoIC</p>	
<p><b>16 Monitoring and preparation of mitigation strategies of Dutch Disease-related indicators:</b> Timely adoption of necessary measures to mitigate potential impact of resource sector boom on competitiveness of manufacturing and service sectors by closely monitoring key macroeconomic indicators such as movement of real exchange rate; change in real wage vs productivity growth and others</p>	<p>MPI, MoIC, BoL, MoF</p>	

<b>Intervention Area 1.3</b>	<p><b>3. Trade Facilitation</b></p> <p><b>Outcome level change:</b> System of more simple, transparent and cheaper import, export and transit procedures and processes developed and implemented with involvement of the private sector</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>• Monthly website hits on the Lao Trade Information Portal</li> <li>• Average number of days to clear direct exports through customs (ES)</li> <li>• Average number of days to clear direct imports through customs (ES)</li> <li>• Lao National Single Window operational</li> <li>• Increased dialogue and constraints addressed through the National Trade Facilitation Secretariat</li> <li>• POVERTY indicator: Provincial performance of border crossings (Savannakhet, Pakse, Bokeo)</li> </ul>		
	1.3 Interventions	Agency	P. Proj
1	<p><b>Trade Facilitation Secretariat:</b></p> <ul style="list-style-type: none"> <li>- Strengthen the capabilities of the National Trade Facilitation Secretariat and Trade Facilitation Division as the key office for the Secretariat. It will be important to mainstream Trade Facilitation across relevant line ministries and departments</li> <li>- Implement the annual action plan of the Secretariat, which should include monitoring and implementing WTO, ASEAN, GMS and bi-lateral trade facilitation commitments</li> </ul>	NTFS	TDF II
2	<p><b>Trade Portal:</b> Continue developing additional functionality of the Lao Trade Portal to reduce transaction cost related to import and export. This will also include work towards the simplification, harmonization and modernization of trade and customs procedures</p>	NTFS	TDF II; CTFP/NSW; USAID (Regional)
3	<p><b>NSW:</b> Design and commence implementation of the National Single Window under the guidance of an expanded trade facilitation secretariat</p>	NTFS	
4	<p><b>Further studies – dry port:</b> Explore opportunities to reduce transports costs by facilitating the creation of fully integrated cross-border logistic operations. This may require going beyond the measures contained in</p>		

	the CBTA. This may also include conducting a feasibility study on developing a rail-linked dry port (possibly in Northeast Thailand), which could help consolidate traffic, serve as a mode interchange location, addresses strict time limits imposed by shipping lines on the return of empty containers, and reduce costs by linking the dry port with trade logistics in the Northeastern part of Thailand		
5	Develop private sector capacity to trade efficiently in compliance with rules and regulations	MoIC	TDF II; CTFP/NSW, GIZ
6	Provide for the right equipment and facilities to ensure the smooth and efficient administration of trade and customs procedures	NTFC	TDF II; CTFP/NSW
7	<b>Adopt and implement the revised customs law</b> to be consistent with WTO principles	Customs	CTFP/NSW
8	<b>Complete automation</b> of customs clearance procedures at major checkpoints	Customs	CTFP/NSW
9	<b>Fully implement valuation rules and risk-based inspection</b> in line with WTO requirements	Customs	CTFP/NSW
<b>Intervention Area 1.4</b>	<p><b>4. National Quality Infrastructure</b></p> <p><b>Outcome level change:</b> Quality Infrastructure capacities in place for enhanced application of SPS and TBT standards including legal requirements and regulatory bodies, resulting in enhanced quality of products in line with international standards</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>• Number of people with increased knowledge of food hygiene practices</li> <li>• System for systematically testing the phytosanitary and quality of import and export products in place</li> <li>• Legal and regulatory framework for Quality Infrastructure (including SPS and TBT) improved, implemented and harmonized with WTO principles and systems of ASEAN/GMS countries</li> <li>• International standards in the area of conformity assessment and certification applied by relevant agencies</li> </ul>		
Interventions		Agency	P. Proj

1	<b>SPS/TBT Legal framework support:</b> Provide on-going support for improvement and implementation of a legal and regulatory framework harmonized with WTO principles and systems of ASEAN/GMS countries	SPS Task force	TDF II, LUNA
2	Increase operational funding and numbers of professional staff to levels necessary to make adequate use of capacities being created under present on-going projects	SPS Task force, Ministry of Science and Technology (MST)	GMS SPS project
3	<b>Strengthen SPS coordination</b> by establishing a SPS unit in the Department of Planning (DoP)	SPS Task force	
4	<b>Prepare a national strategy for laboratory development</b>	SPS Task force	EIF II
5	Expand SPS support for <b>export promotion to new product-market</b> combinations	SPS Task force	GMS SPS project
6	<b>Modular Investment programme:</b> Design and implement a modular investment programme for ICT in SPS services. This will include assessing directions, modalities and priorities for ICT-based systems in SPS services	SPS Task force	GMS SPS project
7	<b>Increase Private Sector Engagement:</b> Support the development of private sector and consumer organizations, and their engagement in the development agenda for SPS and for TBT	SPS Task force, MST, MoIC	GMS SPS project
8	<b>Establish a TBT Enquiry Point (EP)</b> based on good international practices and tailored to the requirements of the Lao economy and its trading partners	MST	LUNA
9	<b>TBT Strategic Plan:</b> Adopt and implement the Strategic Plan for National Quality Infrastructure	MST	EIF T2
10	<b>Quality:</b> Encourage uptake of quality and risk reduction standards by the private sector such as ISO and HACCP	MST, MoIC, MoH	TDF II

**Table 3: M&E Framework Pillar 2: Competitiveness**

<b>Pillar Outcome</b>	<b>Improved competitiveness and quality of agribusiness, manufacturing and service sectors (supply capacity)</b>	
<b>Intervention Area 2.1</b>	<p><b>1. Firm Level Competitiveness</b></p> <p><b>Outcome level change:</b> SME firm level quality and productivity support measures leading to enhanced competitiveness of the business sector, and particularly SMEs in domestic and international markets enhanced</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>• % of firms with internationally recognized certificates (such as ISO, HACCP, Fair Trade and GMP) (ES)</li> <li>• % of firms using emails to interact with clients/suppliers (ES)</li> <li>• Amount of demand-driven requests for technical assistance from the business sector</li> <li>• Increased survival rates for existing and new product-destination-market combinations</li> <li>• Increased firm level productivity (benchmarked against regional countries)</li> </ul>	
Interventions	Agency	P. Proj
<b>1</b> Establish a matching grant facility to support small projects that respond to specific constraints that the private sector sees as priorities for improving competitiveness in domestic and international markets	MoIC	TDF II
<b>Intervention Area 2.2</b>	<p><b>2. Sector-Specific Interventions</b></p> <p><b>Outcome level change:</b> Enhanced sector support and PPD leading to increased employment and incomes of the poor in key agricultural, manufacturing and service sectors</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>• Strengthened Public-Private Dialogue mechanisms and business membership organizations (BMOs) at the national and provincial levels</li> <li>• Frequency of public-private consultation mechanisms (EIF 02.3)</li> <li>• Number of poor people with increased income through market development programmes</li> <li>• Number of farmers able to access new agricultural technologies</li> <li>• Increase in crop value of (x) US\$ in key agricultural exports</li> <li>• Increased average spend per tourist</li> </ul>	

	<ul style="list-style-type: none"> <li>• Number of tourism establishments with active social and environmental improvement programmes</li> <li>• Number of graduates of vocational training courses</li> <li>• Existence of productive sector strategies for key sectors integrating the trade dimension (EIF 02.2)</li> </ul>		
Interventions		Agency	P. Proj
<b>Agribusiness</b>			
1 <b>Mainstream trade into product strategies:</b> Develop product-specific development strategy for traditional and emerging agricultural products identified in the DTIS update, including coffee, tea, maize, cassava, sugarcane, rubber and livestock		MoIC, MAF	
2 <b>Incentives for contract farming:</b> Develop appropriate incentive regime to promote contract farming between large investors and smallholders		MAF	
3 <b>Coffee:</b> Conduct feasibility study for establishment of Coffee Institute aimed to develop specialized technical personnel to support sustainable development of the sector		MoIC, MAF	
4 <b>Border trade support:</b> Facilitate border trade in agro products by improving trade logistics, especially distribution centres at major border checkpoints (e.g. Lao Thai border in Champasack province)		MoIC, MAF	EIF II
5 <b>Promote Business Membership Organisations:</b> Promote establishment of local producer/trader associations to improve efficiency of their dialogue with public sector at local and central level (e.g., establishment local association of producers/traders of fruit and fresh vegetables on Boleven plateau should be encouraged)		MoIC, LNCCI	<b>GIZ</b>
6 <b>Improve quality and standards:</b> Facilitate access of local exporters to high-value regional and global markets by promoting adoption of industry best standards already used in major neighbouring markets (China, Thailand and Vietnam)		MAF, MoIC	TDF II
<b>Tourism sector</b>			
1 <b>Statistics:</b> Improve reporting and statistical methods		MoIT	

especially in relation to: tourism-related direct and indirect employment; tourism's contribution to GDP incorporate input/output modelling; regional arrivals; provincial arrivals, and spending by market		
2 <b>Lao Tourism Marketing Board strengthening:</b> Strengthen the composition and membership of the Lao Tourism Marketing Board	MoIT	GIZ
3 <b>Trade and tourism links:</b> Roll out a programme such as UNCTAD's Sustainable Tourism component of their Train for Trade programme to key government actors and line agencies at the central and provincial levels	MoIT, MoIC	
4 <b>Licensing reform:</b> Facilitate private investment in tourism sector by adopting more transparent licensing regimes for businesses in tourism sector	MoIT	
<b>Textile handicraft</b>		
1 <b>Improve productivity:</b> Promote good practice in weaving to improve productivity (training, adoption of new looms/equipment)	MoIC, LHA	TDF II
2 <b>More focus on design:</b> Improve design capacity through policies promoting the establishment of private design schools	MoIC, LHA	TDF II
3 <b>Enhance effectiveness of policy advocacy:</b> Strengthen the Lao Handicraft Association in policy advocacy and promote the Lao handicraft sector domestically and internationally	MoIC, LHA	TDF II; JSDF
4 <b>Lao silk:</b> Promote production of domestic silk by expanding scope of existing projects using value chain approach to promote local production. Also, develop a long-term Lao silk development strategy and connect this to Lao PDR's export image	MoIC, LHA	TDF II; JSDF
<b>Garment sector</b>		
1 <b>Garments Skills Development Centre:</b> Continue supporting the Garment Skills Development Centre (GSC) and explore scope for providing additional services in areas such as quality or social standards certification	MoIC, ALGI	TDF II, GIZ

<p>2 <b>Improve social and quality standards:</b> Improve the industry image and industrial relations by implementing relevant elements of Cambodia’s Better Factories Project. This may include supporting producers in meeting growing demand for quality and social standards (support for improving quality system (ISO), certification programme (WRAP, SA 8000)</p>	MoIC, ALGI	TDF II
<p>3 Continue efforts to reduce the overall cost of doing business by:</p> <ul style="list-style-type: none"> <li>○ Reviewing the existing fiscal regime</li> <li>○ Improving logistics and trade facilitation (reduce inland transportation cost between Vientiane and Port in Bangkok, and expenses associated with customs clearance at border checkpoints)</li> <li>○ Review Labour Law</li> </ul>	MoIC, ALGI	TDF II
<p>4 <b>Strategic focus:</b> Develop a medium- to long-term sector development strategy</p>	ALGI	GIZ
<b>Wood processing industry</b>		
<p>1 <b>Industry certification:</b> Improving readiness for and compliance with the EU Timber Regulation and Timber Legality Assurance systems by promoting industry certification systems (FSC CoC, ISO 9001, 14001 etc.)</p>	MoIC, Associations	TDF II
<p>2 <b>Strategic business partnerships:</b> Facilitate establishment of strategic partnership between Lao wood processors and leading processors in neighbouring countries to improve productivity of Lao wood processors</p>	MoIC, Associations	TDF II
<p>3 <b>Working capital:</b> Facilitate access to working capital for secondary wood processors to increase value added of wood exports</p>	MoIC, Associations	TDF II
<p>4 <b>Improve statistics and analysis:</b> Carry out an assessment of all plantation crops by species and conduct production forecasts giving the volumes that can be expected to be harvested by size or diameter</p>	MAF, MoNRE	SUFORD

	classes for periods of five years until 2020		
5	<b>Foreign Investment:</b> Relax the ban on foreign investment in secondary wood processing based on natural forests	MAF, MoNRE	SUFORD
6	<b>Improve quota system:</b> Improve and extend the system of competitive bidding for log quota allocations	MAF, MoIC, MoNRE	SUFORD
<b>Intervention Area 2.3</b>	<b>3. Leveraging the resources boom</b> <b>Outcome level change:</b> Offshoot industries developed from the mining and hydropower industries <b>Indicators:</b> <ul style="list-style-type: none"> <li>• Incentive system in place for resource-based companies to offer on-the-job training in support services</li> <li>• Number of people employed in offshoot industry disaggregated by vulnerability criteria</li> </ul>		
	Interventions	Agency	P. Proj
1	<b>Value addition:</b> Conduct study on opportunities for value addition to mining industry	MoIC, MEM	
2	<b>Technical training:</b> Encourage technical and vocational training for service industries supporting mining and hydropower industries. This should include developing an incentive system for resource-based companies to offer on-the-job training in support services	MoIC, MEM, MoF	
3	<b>Business Development Services (BDS):</b> Implement pilot BDS projects for offshoot activities	MoIC	

**Table 4: M&E Framework Pillar 4: Aid-for-trade governance and implementation framework**

<b>Pillar Outcome 3</b>	<b>Improved Aid for Trade governance framework for mainstreaming trade and private sector development</b>
<b>Intervention Area 3.1</b>	<b>1. Sustainable Trade</b> <b>Outcome level change:</b> Trade growth benefits the poor through better integration

	<p>into production processes with gender, poverty and environmental considerations systematically included and addressed in the sector</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>• Trade and Private Sector Development (TPSD) policies effectively informed and responsive to poverty, gender and environment</li> <li>• Enhanced participation of women in the economy (measured by increased proportion of women-owned businesses (ES))</li> <li>• Percentage of full-time female workers (ES)</li> <li>• Application of Markets for the Poor approach in activity design</li> <li>• Foreign and domestic investment proposals that adopt a triple bottom line approach to investment</li> </ul>	
Interventions	Agency	P. Proj
1 <b>Making Markets work for the Poor (M4P):</b> Incorporate principles of M4P in developing and implementing all sector-specific support measures to enhance impact on poverty. All projects should show direct links to poverty reduction	MoIC	TDF II
2 <b>Trade and Poverty Handbooks:</b> Develop handbooks in Lao language demonstrating the links between trade and poverty and what is currently being done	MoIC	EIF T1
3 <b>Implement gender-specific interventions</b> in sectors in which women predominate, namely, agribusiness, tourism, textile handicraft and garment sectors. This will include: <ul style="list-style-type: none"> <li>- Encouraging investment in female enterprise start ups and enterprise expansions by targeting entrepreneurship training to selected sectors in which women predominate</li> <li>- Work with selected micro-finance institutions to increase the access of entrepreneurs, in the above mentioned sub-sectors, by facilitating the links between these organizations and entrepreneurs in these sectors</li> </ul>	MoIC, Assoc. LWU BoL	TDF II
4 <b>Adopt a ‘triple bottom line’ approach</b> that promotes positive social and environmental impact while seeking financial return in large investment projects	MoIC, MAF	
5 <b>Industrial safety:</b> Develop legislation on control of chemicals and hazardous substances to mitigate risks from operations of polluting chemical industry	MoIC	

Intervention Area 3.2	<p><b>2. Capacity Development</b></p> <p><b>Outcome level change:</b> Sufficient institutional and management capacity built to formulate and implement trade-related strategies and Implementation Plans (EIF Outcome 1)</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>• Shared vision on trade development support in Lao PDR amongst public and private sector stakeholders and development partners (DTIS and Action Matrix completed and periodically reviewed)<sup>8</sup> (EIF O1.2)</li> <li>• A quality and up-to-date trade strategy developed and implemented (EIF O1.4; O1.6)</li> <li>• Number of people trained in trade-related areas</li> <li>• Number of people reached through communication channels (workshops, website, publications) (Impact: Awareness of WTO, ASEAN, Trade Information Portal)</li> <li>• Number of MoIC officials using e-mail regularly</li> </ul>		
	Interventions	Agency	Potential Project
1	<b>Institutional support in developing MoIC as the lead agency on trade.</b> Evolving processes to be pro-active in line with forthcoming changes in the system and structure of the economy and external environment	MoIC	TDF II
2	<b>Develop and implement a coordinated training programme</b> for officials, to be implemented by the Government and various external partners, focusing on appropriate and systematic skills development of staff	MoIC, etc...	EIF Tier II, TDF II
3	<b>ICT modernisation plan:</b> Modernisation of ICT and systems processes for MoIC and related provincial offices, including undertaking and implementing an ICT modernisation plan	MoIC	TDF II
4	<b>Inter-ministerial links:</b> Strengthen inter-ministerial cooperation between MoIC and MAF, and MoIC and the Tourism Authority to address trade and investment-related issues of concern to each agency by establishing a high-level working group and trade and economic training for MAF officials	MoIC, MAF	TDF II
5	<b>Studies database:</b> Develop and maintain a user-friendly and accessible electronic database of all trade- and PSD-related	MoIC	TDF II

<sup>8</sup> LTIS and Action Matrix must be coherent within MoIC (NES, SMEPPDO) and aligned with NSEDP IIV and plans of related line ministries (MoFA, MoF, MAF, MPI, NAST, Mining and Energy, NTA).

	studies, reports and presentations		
6	<b>Effective functioning of the Trade and Private Sector Development Working Group (TPSWG):</b> Active participation, support to and development of the TPSDWG in discussing key policy areas, as well as developing and implementing the Roadmap as a shared vision for trade and PSD in Lao PDR	MoIC	Members of the TPSDWG
<b>Intervention Area 3.3</b>	<b>3. Trade Mainstreaming</b> <b>Outcome level change:</b> Mainstreamed trade through improved national trade-related planning and coordinated consultation and implementation structures (EIF Outcome 2) <b>Indicators:</b> <ul style="list-style-type: none"> <li>Increased use of National Steering Committee for Economic Integration (NSCEI) and sub-structures</li> <li>Improved trade-related knowledge and information (number of people trained)</li> <li>Increased focus on trade in the NSEDP and planning process (EIF O2.1)</li> </ul>		
	Interventions	Agency	P. Proj
1	<b>Increased alignment with national processes:</b> Alignment of the TPSD Programme (DTIS implementation and future updates) with government budget, PIP and aid cycles. Support to MoIC annual and 5-year action plan preparation	MoIC, MPI	TDF II
2	<b>NSEDP 8 preparation:</b> Commissioning studies in the lead up to NESDP VIII on key sectors (strategies) or crosscutting issues and those related to LDC graduation	MoIC, MPI	TDF II
3	<b>Increase private sector role in trade policy:</b> Promote trade policy-making as an inclusive process with outreach programmes to SMEs, CSO and provincial levels, support Public-private Dialogue at sub-national levels (Busan Partnership for Effective Development Co-operation on the participation of non-state actors)	MoIC, MPI	TDF II, GIZ
4	<b>Institutional structure:</b> Strengthen and rationalise inter-ministerial coordination of various high- and technical-level structures related to trade, including trade in services	MoIC and PCD	TDF II; GIZ
<b>Intervention Area 3.4</b>	<b>4. Aid-for-trade governance framework</b> <b>Outcome level change:</b> Functioning governance framework trade development, that is well resourced and makes use of a programmatic approach based on the principles of the Vientiane Declaration and a shared vision across public and private sector		

	<p>stakeholders (EIF Outcomes 3 &amp; 4)</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>• Effective and efficient administration of AfT through enhanced capacity of NIU and GSEU staff to implement AfT projects</li> <li>• Programme (Roadmap) of government and donor-supported activities (EIF 03.1)</li> <li>• Frequency of Trade and Private Sector Working Group meetings (EIF 03.4)</li> <li>• Number of projects supervised by the Trade Executive Committee (TEC)</li> <li>• Existence of joint donor initiatives in the trade area (EIF 03.4)</li> <li>• Trade and private sector development programme established based on the Action Matrix (EIF 04.1)</li> <li>• Existence of government budget for the implementation of trade-related matters (EIF 04.2)</li> <li>• Number of projects funded by donors related to the DTIS Action Matrix (EIF 04.4)</li> <li>• Increased value of trade-related assistance channelled through the ODA division/NIU of MoIC</li> </ul>	
Interventions	Agency	P. Proj
1 <b>Adequate staffing:</b> Resource and strengthen the NIU in the number of government officials and specialist staff dedicated to the unit and supporting implementing agencies	MoIC	TDF II
2 <b>Evolved structure:</b> Evolve the National Integrated Framework (AfT) Governance Structure to fit closer with on-going government and inter-departmental systems, and be more flexible in priority project implementation. This includes moving on from GSEUs to 'Implementing Departments'	MoIC	TDF II
3 <b>Increased skills:</b> Ensure adequate training of government and project staff in project-related and implementation skills, together with systems to access international specialist advice		
4 <b>Combined Projects Steering Committee:</b> All major trade and PSD projects should report to the Trade Executive Committee (TEC) as a high-level Steering Committee to ensure alignment and effectiveness in the programme, and reduce administrative burdens		
5 <b>Increased use of national implementation mechanisms:</b> Increase the use by DPs of, and resources available to in-country multi-donor trust funds and implementation through the AfT governance structure		

<b>Intervention Area 3.5</b>	<p><b>3.6. Monitoring and evaluation</b></p> <p><b>Outcome level change:</b> A functioning monitoring and evaluation system that serves the need for information on project and programme levels and enhances results-based management</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>• Timely available monitoring information and statistics inform management decision-making at the ministry and project level</li> <li>• Implementation of the DTIS and outcomes concerned is evaluated annually in terms of both results and process issues on a programmatic level</li> <li>• Roadmaps developed and reviewed as part of a broader M&amp;E plan that covers programmes for Trade and Private Sector Development in Lao PDR</li> <li>• Sufficient financial and human capacity resources dedicated to M&amp;E at the level of individual initiatives and on the overall programmatic level, in line with the expected methodological rigour required</li> </ul>		
	Interventions	Agency	P. Proj
1	<p><b>M&amp;E Plan:</b> Develop and implement an M&amp;E plan including structural aspects of roles and responsibilities, data gathering and management, data analysis, use of information and building of capacities required</p>	MoIC	TDF II
2	<p><b>Review experience</b> of other developing countries in setting up programmatic approach for the trade sector. This should include regular 'experience sharing' or joint training sessions on an annual basis between NIUs.</p>	MoIC	TDF II
3	<p><b>Undertake impact assessments</b> of selected parts of the results chain at least every two years</p>	MoIC	TDF, EIF T1
4	<p>Assess the opportunities for <b>results-based financing</b> making use of good practice so far</p>	MoIC	
5	<p><b>M&amp;E Training:</b> Continue to develop the organizational and individual staff capacities required to monitor the implementation of trade initiatives on the level of the interventions and to intermittently evaluate the outcome and goal level changes of the M&amp;E framework</p>	MoIC	EIF
6	<p><b>Resources for M&amp;E:</b> Earmark sufficient financial resources for monitoring and evaluation on the level of individual initiatives as well as on the overall programmatic level, in line with the expected methodological rigor required</p>	MoIC	EIF, TDF II
7	<p><b>Enterprise survey</b> (to be tailored to Roadmap requirements and conducted): Enterprise surveys should be conducted at least every two years and be a key means of compiling the</p>	WB, GIZ	

	results framework for the sector		
8	<b>Doing business</b> indicators compiled every year. This should include a brief (two-page) analysis of the key changes along with the rankings	WBG	
9	<b>Logistics Performance index</b> should be updated every year. Where possible this should be combined with more detailed indicators, including: <ul style="list-style-type: none"> <li>- Cost and time of shipping garments from Vientiane to Bangkok</li> <li>- Performance of selected provincial border points to monitor impact of trade facilitation at the provincial level</li> </ul>	WB	
10	<b>Provincial border trade surveys</b> undertaken annually	DIMEX	
11	<b>Time release studies</b> to be undertaken in 2012, 2014, and 2016	MoF/ WB	
12	Lao Expenditure and Consumption Survey ( <b>LECS</b> ): Commission a series of studies on trade and poverty links from new LECS data updated in 2012	MPI	
13	<b>Sector statistics</b> (manufacturing, tourism...) should be collected regularly (at least once a year) and published	Relevant Agencies	
14	<b>Enterprise registration data</b> will be updated every month	MoIC	
15	<b>Undertake regular firm-product-market</b> analysis	WB	

## UXO (UXO SWG)

**Chair:** The Minister to the Prime Minister’s Office, the Chairman of the National Regulatory Authority for the UXO/Mine Action Sector in Lao PDR

**Co-Chairs:** United Nations Development Programme, U.S. A

**SWG Mandate:** The UXO SWG seeks to ensure efficient and effective delivery of the 3 pillars of Mine/UXO Action: (i) UXO survey and clearance (ii) risk education to help people at risk to avoid injury until UXO is cleared and (iii) victim assistance, including medical, psychological and socio-economic support. It also strives to ensure that the UXO sector contributes to national development efforts and the achievement of the Millennium Development Goals.

The UXO SWG promotes stronger linkages between UXO Technical Working Groups, the other 9 SWGs and the RTM/RTiMs. It also helps to integrate UXO/Mine action into broader Government plans and strategies.

Membership of the SWG includes representatives of 17 Ministries who comprise the NRA Board, all UXO/Mine action operators, donors and interested stakeholders working in the UXO sector and related sectors.

Specific objectives of SWG members include:

- To provide oversight and guidance to operators to ensure the delivery of the UXO Sector National Strategic Plan “Safe Path Forward II” for the period from 2011-2020.
- Facilitate the implementation of the National Strategy Plan through resource mobilization.
- Formulate an annual work plan for the sector.
- Improve information sharing among Government, donors, operators, development agencies and the private sector.
- Facilitate inter-sectoral coordination and integration of cross-cutting issues such as gender- equality, increased environmental focus and poverty eradication.
- Promote simplification and harmonizing of donor and Government policies, practices and procedures.
- Ensure that the work of all operators is to national standards.
- Identify changing needs within the sector and authorize the development of capacities to respond.
- Initiate evaluations and research as needs emerge.

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### 1.0 Sector overview

NSEDP (VII) seeks to solve the “problem of UXO” to ensure that communities can live safely without the threat of UXO, earn their livelihoods safely and reduce poverty through the clearing of UXO affected lands (for agriculture and other development purposes).

In 2010, the Government created a new national MDG specifically to address the UXO Sector, Millennium Development Goal (MDG 9) with three targets.

In June 2012, the Government approved a new national strategy for the sector, **“The Safe Path Forward II”**, which will guide work in the sector to 2020. The “Safe Path Forward 2” 2011 – 2020 document is available on NRA website: <http://www.nra.gov.la> The following section (1.1), will outline specific achievements of the UXO sector for the three targets contained in Millennium Development Goal 9 “Reduce the impact of UXO”.

The previous National Strategic Plan, The “Safe Path Forward” 2003 – 2013 issued annual clearance targets for the Lao National UXO Programme (UXO LAO) only. While UXO LAO remains the main operator responsible for approximately 50% of all clearance activity, the UXO Sector has evolved in recent years. There are now numerous independent operators (both humanitarian organizations and commercial companies) fully accredited and active in Lao PDR.

As of 30<sup>th</sup> June 2012, UXO Sector operators included **15** non-profit organizations (Association for Aid and Relief, Cooperative Orthotic and Prosthetic Enterprise, Clear Path International, Catholic Relief Services, Norwegian Church Aid, Handicap International Belgium, Lao Disabled People Association, Mines Advisory Group, National Committee of Disabled People, Norwegian People’s Aid, Solidarity Service International, Spirit of Soccer, CARE International, UXO Lao and World Education) and **11** commercial operators (ASA Power Engineering, Phonsackda UXO Clearance, SBH, Lao BSL, XTD High-tech, Tong, PLC, PCL, Milsearch, BACTEC and MMG/LXML).

It is expected that 4 new operators (two humanitarian clearance operators and two commercial clearance companies) will become active in Lao PDR before the end of 2012.

The new National Strategic Plan, “Safe Path Forward II” 2011 – 2020 includes strategic objectives and indicators by which to measure progress for the entire UXO Sector. SPF II is also aligned very closely with NSEDP VII and directs that the UXO Sector should focus clearance activities on areas that have been identified as development priorities. This will help achieve the MDGs and contribute to another national aspiration, to graduate from Least Developed Country status, by 2020.

The National Regulatory Authority for UXO/Mine Action Sector (NRA) is in the process of developing a multi-year workplan for the sector through to 2020, reflecting the direction provided in the national strategy. It will focus specifically on clearance of 41 of 46 contaminated district sub-areas that have been identified as development priorities by the Government. At the same time, the NRA will ensure that operators continue to address, on a rapid-response basis, all situations of high risk, throughout the country.

In 2011, Lao PDR received approximately \$20M from the international community for a range of activities in the sector and an additional \$10M from the private sector who have financed clearance primarily in order to pursue commercial activities. Lao PDR seeks to accelerate work in all three areas within the sector- clearance, risk education and victim assistance. Among other things, the Government is engaging the Lao Army in survey and clearance activities (under civilian oversight and trained to national

standards). Lao PDR believes that it can responsibly absorb an additional \$20M per year to significantly scale up activities in the Sector.

Another important development is the District Focused Approach (DFA) which includes both technical and non-technical surveys and is yielding detailed and accurate data with respect to contamination. The DFA, currently underway in 3 districts in three different provinces, will be expanded throughout all suspected contaminated regions over time, as resources permit.

A Survivor Tracking System has also been introduced in order to gather detailed information on survivors' injuries, to direct them to appropriate service providers and to track their progress. Eventually, it is hoped that this will be complemented by a systematic victim survey as part of the District Focused Approach.

(Information on consolidated outputs since 1996 are available in The "Safe Path Forward II" 2011 – 2020 document, (please refer to Part III). For more detailed information on progress in recent years, please consult the UXO Sector annual reports also available on the NRA website.)

## **1.1 Overview of FY 2011/12 sector performance and FY 2012/13 targets**

### **Progress of the 2<sup>nd</sup> Year of the 7<sup>th</sup> NSEDP implementation and especially progress and challenges towards achieving the relevant MDGs**

Sector Working Group discussions focused on the implementation of MDG9 ("Reduce the Impact of UXO in Laos in accordance with the National Strategic Plan for the UXO sector *The Safe Path Forward II*") and the achievement of the three following targets.

#### **1. Target 9A: Ensure the complete clearance of UXO from priority / high value agricultural land by 2020**

Key achievements from 1st Jan 2012 to 31<sup>st</sup> July 2012:

- 50,524 UXO destroyed, of which:
  - ✓ 29,860 cluster submunitions (« bombies »)
  - ✓ 244 bombs
  - ✓ 186 landmines
  - ✓ 20,234 other UXO
- Approximately 38% of the UXO destroyed were through roving operations
- 3,439 Hectares of land released through clearance & technical survey, 9 of which
  - ✓ Agriculture land: 3,000 Ha
  - ✓ Development land: 439 Ha
- Completed a pilot District Focused Approach Survey Phase I in three target districts: Bualapha district of Borlikhamxay province, Nong district of Savanaket province and Taoy district of Saravan province.
- Completed a pilot project on UXO mechanical clearance in Xiengkhoung province.

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<sup>9</sup> The number of hectares cleared only reflects a portion of clearance efforts since about 38% of clearance is conducted through "roving tasks" that are not accounted for under hectares cleared.

- The Ministry of National Defense cooperated with NRA. The NRA presented UXO equipment to 579 battalion.
- Held 3 Technical Working Group Meetings on UXO Clearance
- A EOD workshop is planned in September 2012.
- Established one Quality Assurance/Quality Control team, to conduct regular assessment of operations and investigate clearance incidents.
- Accreditation/licensing was issued to UXO Lao, HI, NPA, SODI, LaoUNEOD, XTD, Lao BSL, PSD, THB
- Received support from the US Government to conduct UXO Clearance Training for a number of Lao Army personnel.
- Information Management System for Mine Action (IMSMA): 907 roving tasks reports, 683 area clearance reports, 109 technical survey reports were submitted.

#### Major challenges:

- The sheer magnitude of UXO contamination in the Lao PDR
- Difficulty in obtaining accurate data on the area of contamination that remains;
  - Further integrating the UXO Sector activities into the broader national planning and budgeting framework to ensure that clearance, in particular, effectively advances national development priorities, and that dependency upon international contributions is gradually reduced over time.)
  - Raising the level of resources required to accelerate activities in the short term

#### Proposed recommendations:

- Refine the methodology and rapidly expand the District Focused Approach
- Improve coordination among all relevant sectors,
- Increase resources (financial, human and logistical) through effective resource mobilization
- Launch a study on increased efficiency of survey and clearance methodologies in Lao PDR
- Conduct further trials of Cluster Munitions Remain Survey methods

## **2. Target 9B: Reduce substantially the number of casualties as a result of UXO incidents**

#### Key achievements:

- Reduction of casualties:
  - From 302 (2008) to 118 (2010), to 99 (2011)
  - Jan-Sep 2012: 36
- Risk education (RE) activities of UXO Lao, MAG, HIB, SODI, CRS and SOS and World Education in 10 provinces January – July 2012:
  - 562 villages visited
  - 114,558 beneficiaries (Children: 53,633 Adults: 60,925)

- Completed a Knowledge, Attitude and Practices (KAP) Survey
- Completed MRE material review workshop in order to modify those appropriated using with risk groups.
- Completed a training workshop for the NRA provincial members on gender equality for MRE.
- Printed UXO manuals and distributed to Ministry of Education and Sport to integrate into primary school curriculum
- Conducted research on the scrap metal trade in Laos (ongoing)
- 3 Technical Working Group Meetings held on Mine Risk Education

Major challenges:

- Reducing incidence of deliberate handling of UXO by villagers (usually in order to sell ordnance for the value of its scrap metal)
- Loss of several key Risk Education staff, in particular at the NRA office. (Salaries were just raised by 20%, which should help address staff turnover in future).

Proposed recommendations:

- Continue research on the scrap metal trade
- Increase involvement of relevant line ministries.

### **3. Target 9C: Ensure that the medical and rehabilitation needs of all UXO survivors are met in line with treaty obligations under the Convention on Cluster Munitions**

Key Achievements:

- Deployed a Victim Assistance Advisor to support NRA coordination efforts.
- Drafting of Victim Assistance strategic plan (ongoing).
- Completed pilot project 'UXO Survivor Tracking System' to register survivors and monitor service provision in 10 provinces namely: Xieng Khouang, Huaphan, Luang Prabang, Borlikhamxay, Savannakhet, Champasak, Saravan, Sekong and Attapeu.
- World Education and NRA visited and provided financial support for 25 UXO Victims with a total amount 50,000,000 Kip.
- The Ministry of Health and NRA cooperated to present medical equipment for UXO survivors to Bualapha hospital of Khammouane province.
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Major challenges:

- Lack of finalized Victim Assistance strategic plan
- Number of actors active in “victim assistance” and weak linkages among them.
- Lack of coordination in the broader disability sector

Proposed recommendations:

- Reinforce linkages within the disability sector to the extent feasible
  - Increase involvement of relevant line ministries (MoH, MoLSW)
5. [Provide a brief overview of overall sector performance for FY 2011/12;
  6. Report on progress against each SWG specific result/task from the RTIM 2011 follow up matrix in Annex I. For example, the Macroeconomics SWG is expected to report on the results/tasks no. 10, 11 and 12 under cluster 2 on Public Financial Management, in addition to each result/task such as no. 1 and 2 requiring all SWGs to report;
  7. Provide a brief overview of overall sector targets for FY 2012/13]

## 1.2 Sector plans and financing requirements

### Summary Matrix – Sector plans and financing requirements

NSED sector objectives / MDGs	Key sector interventions	FY 2011/12 (Approved figures)				FY 2012/13 (Estimated figures)			
		Financing requirement	Available resources		Commer cial Clearan ce Operato rs	Financi ng require ment	Available resources		Fina ncing gap
			GoL budget allocat ion	ODA (TA, loans, grants)			GoL budget allocati on	ODA (TA, loans, grant s)	
MDG 9	Clearance, UXO Risk Education, Victim Assistance	31,774,766 USD	-	21,723,294 USD	10,051,472 USD	50,000,000 USD	To be confirm ed	25,000,000 USD	25,000,000 USD