

# Governance and participation in Laos





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# Abbreviations

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
CD	Compact Disk
DANIDA	Danish International Development Assistance
DDV	District Development Volunteers
DPACS	Department of Public Administration and Civil Service
EU	European Union
GDP	Gross Domestic Product
GOL	Government of the Lao PDR
GPAP	Governance and Public Administration Reform
IDA	International Development Agency (World Bank)
IMF	International Monetary Fund
INGO	International Non-Governmental Organization
IT	Information Technology
JICA	Japan International Cooperation Agency
Lao PDR	Lao People's Democratic Republic
LCPAR	Leading Committee on Public Administration Reform
LP	Luang Prabang
LFNC	Lao Front for National Construction
LLU	Lao Labor Union
LNCCI	Lao National Chamber of Commerce and Industry
LWU	Lao Women's Union
LYU	Lao Youth Union
MDG	Millennium Development Goals
MOF	Ministry of Finance
NA	National Assembly
NAFRI	National Agriculture Forestry Research Institute
NBEL	National Bank Exterior Lao
NGO	Non-Governmental Organization
NIH	National Institute of Health
NPL	Non-Performing Loans
NSC	National Statistic Center
OECD	Organization for Economic Cooperation and Development
PER	Public Expenditure Review
PM	Prime Minister
PPA	Participatory Poverty Assessment

SIDA	Swedish International Development Cooperation Agency
SOE	State-owned Enterprise
SEP-DEV	Sekong Ethnic People's Development Project
SOCB	State-Owned Commercial Bank
STEA	Science, Technology and Environment Agency
TOR	Terms of Reference
TOT	Training of Trainers
UDAA	Urban Development and Administration Agency
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Fund
UNFPA	United Nations Fund for Population Agency
UXO	Unexploded Ordnance
VAT	Value Added Tax
VFM	Village Forestry Management
VUDAA	Vientiane Urban Development and Administration Agency
WASA	Water and Sanitation Authority
WB	World Bank



# Executive Summary

*“I believe that Good Governance and Good Development must go together. It’s like having two legs to help the nation move forward. We cannot stand very long on one leg nor move forward. Without our own two legs, we will depend on the crutch of foreign assistance too much.”*

— A Lao senior provincial official

This quote captures the focus of this Study. It examines whether the two legs of Good Governance and Participatory Development are in place and propelling the People’s Democratic Republic (Lao PDR) forward.

Prior to the 1990’s the Lao PDR seemed to be standing primary on its “development leg,” focused on building infrastructure and socio-economic projects, with minimal public participation. In 1990, the Government of the Lao PDR (GOL), with support from its international assistance partners, began to develop the rudiments for Good Governance and Participatory Development: the Constitution, legal codes, the National Assembly, the judicial branch, research institutes, the national auditing system, tax collection, and enforcement bodies.

At the same time, other notable changes occurred such as acceptance of citizens’ participation in community development, discussions of sensitive issues in the media, and the modest emergence of a few civil society institutions. Increasingly, citizens began to press quietly for openness in public policy, increased media access, and the expansion of civil society institutions.

Linked to strengthening Good Governance, the Prime Minister issued Decree 01 in 2001 to decentralize to the sub-national levels the functions of development planning, budgeting, tax collection and implementation. Now the challenge is how to synchronize the legs of Participatory Development and Good Governance, so that the nation moves forward.

This study, commissioned by the Swedish International Development Cooperation Agency (Sida), will be used to prepare for the next five-year phase (2004 – 08) of Swedish-Lao cooperation. The study assesses the progress on strengthening Good Governance and Participatory Development in the Lao PDR since the early 1990’s. The study team kept in

mind that the Lao PDR, like many nations, is somewhere on a continuum, moving towards Good Governance and Participatory Development. The study's objective was to explore how far the nation has progressed recently, and what might be reasonable achievement to expect in the near future.

Overall, the study determined that *the Lao PDR has taken significant steps forward in establishing many new institutions for Good Governance and Participatory Development.*

*However, few citizens understand how new governance and development institutions function and interlink with each other.* In rural areas, terms such as *Decentralization, democratic elections, the separation of powers, government accountability, civil service reforms and public information access* are new, and not always well understood. To learn the meanings of these concepts and put them into practice in the Lao context will take several more decades and continued international assistance.

The study's findings, summarized below, were synthesized from several dozen group dialogues with officials and citizens, individual interviews, reports and media accounts. At the end, the study presents some considerations for future Sida-Lao cooperation in Good Governance and Participatory Development.

## Major Findings on Decentralization

1. *The political will for Decentralization is in place and the timing and direction seem to be appropriate.* Decentralization has boosted sub-national enthusiasm and confidence and sparked a sense of self-reliance. At every level, the Party, the government and the people are endorsing the concept. At the same time, there is candid recognition that low capacity at the district and village levels is creating bottlenecks. If left un-addressed, Decentralization could be reversed, as happened in 1990.
2. *The 7th Party Resolution (2001), which signaled for a measured pace and scope on Decentralization, should not be interpreted as a turning back to centralized governance.* The pattern of two-quick-steps-forward-and-one-back is evident. After a rush of activities in 2000–2001, the Party and the state began to slow the pace and are now calling for a long-term, step-by-step process, especially at district and village levels. At all levels, officials speak about the need for further clarification on the parameters of Decentralization and for an improved training process.
3. *The speed, manner and depth of Decentralization should vary according to an area's level of education, local capability and ability.* Most district leaders believe they are not ready to handle many Decentralization tasks all at once. Parallel to the gradual uptake on decentralized tasks over a long period, local officials call for training, upgraded facilities, and equipment. At district and provincial levels, Decentralization is in reality beginning as deconcentration, rather than a comprehensive devolution of authority.
4. *Fiscal Decentralization and tax collection are the most difficult and troublesome areas of Decentralization.* Accountability systems and fiscal controls at the local levels are still too fragile and not uniformly in place, despite attempts by the Ministry of Finance. This is causing substantial revenue losses to the central level, inadequate and inconsistent sys-

tems of fiscal controls and accountability, and confusion among citizens about local tax collection.

5. *While provinces and districts welcome their increased authority, they often fail to recognize that they must spend within the confines of the centrally-approved budget.* As district revenue collections range widely from those with surpluses to those with severe deficits, the central budget process seeks to pool collected revenues and parcel them out according to expenditure needs. Too often, Decentralization has misled provinces and districts into assuming that their fiscal power is autonomous.
6. *Not surprisingly, the weakest link for Decentralization appears at the district level.* Civil servants require capacity building on all types of management (financial, planning, personnel, training, office, etc.). Districts prefer training tailored to each district's capacity.
7. *District officials claim that Decentralization is helping them to gain confidence and experience in making decisions, to consider local constraints and capacity, and to implement activities with less bureaucracy.* On the negative side, local administrators, especially in remote upland areas, tend to make some decisions without sufficient study and preparation.
8. *There is not much evidence that Decentralization has broadened decision-making authority beyond the ranks of the Party-appointed political elite of each level.* Especially at the district and village levels, the cores of administration leaders remain largely the same, largely due to the Party's control over elections and to the limited number of qualified persons. Within the community, leadership remains in the hands of the Party leadership, the LWU, the LYU and LFNC.
9. *The majority of villages do not yet have the competence and capacity to make their own development plans, as called for in Prime Minister's Decree 01 (PM/01).* When external support agencies are present, there is a stronger likelihood that participatory approaches for planning will occur. When only district staff is present, villagers may be involved in a participatory appraisal process, but not necessarily in the actual drafting of the development plans. Furthermore, village plans usually resemble "wish lists" for infrastructure, overlooking the "software" components of development.
10. *According to PM/01, village authorities are now responsible for tax collection.* This new authority places the positive efforts on local development and poverty reduction along side the negative image of tax collection. This mixed authority could pose conflicts of interests for community leaders.
11. *Women seem to have more opportunities to attain leadership positions within elected governing institutions than within non-elected ones.* The number of women elected as village heads and members of the National Assembly is rising. On the other hand, within districts and provincial administrations, where elections do not yet occur, the gender gap is noticeable.
12. *Community development projects are in some cases broadening the make-up of local leadership and decentralizing technical responsibilities.* In the past, the village administration, and sometimes members of the Women's Union, handled rural development projects. In urban areas, communities are beginning to organize community activities on their own, without waiting for government or donor support.

13. *Without a clear Lao-created strategy on administrative reform, Decentralization is liable to become haphazard and externally driven.* The key to formulating a workable, Lao-led Decentralization strategy lies with the Lao themselves. While the Department of Public Administration and Civil Service shows increased capability, it will need added coaching and financial support for some time to do this.

#### Major Findings on Government Institutions

1. *At the central level, the distinctive functions of the legislative, executive and judicial branches of government are emerging.* In the future a system of checks and balances may become visible. However, key decision-makers often hold significant power in more than one branch, sometimes confusing lines of authority and functions.
2. *The role of the National Assembly has grown during the past five years.* The latest NA session (September–October 2002) was televised and produced some critical debates on national concerns. Issues such as logging, drugs, road building, the power of elite, corruption and the transparency of budget were brought forward. Members have improved their processes of reporting to their electorates and have established local offices. The National Assembly (NA) has approved 47 new laws, and intends over the next five years to formulate 31 additional laws and to amend 16 old ones.
3. *Most NA members often hold dual administrative-legislative positions.* This potentially compromises the principle of separation of powers, creates unnecessary work overloads, concentrates power in the hands of a few, and frustrates the less empowered.
4. *The responsibilities and authority of Members of the National Assembly remain somewhat unclear.* Often constituents ask them to intervene on judicial matters or to take administrative decisions, confusing the tasks of the three branches of government. The National Assembly needs to maintain its macro-level perspective and foster its checks-and-balance role with the executive.
5. *The make-up of current membership of the National Assembly is younger and more educated than ever before.* The number of women members continues to increase. Of the 34 women candidates in the election, 74% won, as compared to 64% among the male candidates. Minority representatives (in numbers and percentages) went down during the last election. Lao-Tai ethnic groups increased substantially in numbers and percentages, with the reverse happening for Mon-Khmer peoples. The drop indicates the constant problem of poor education levels among certain ethnic groups, which prevent entry into government work. One aspect has not changed: all are Party members except one.
6. *The development of sub-national government institutions remains constrained by experience, human capacity and financial resources.* In general, provincial administrations have become more efficient. Only a few districts have shown administrative improvements. The GOL and Party intend to focus strongly on the district level during the next decade.
7. *Demographical shifts are emerging as rural areas are developing village cluster zones and small towns, and five cities are becoming municipalities, which will affect Decentralization.* The structure of government, public services and

development projects will need to take these changes into account. Some districts would like the return of the sub-district level, especially to improve the interface between remote communities and district centers.

8. *Village administrations remain largely unpaid, informal, poorly trained under-equipped operations, even in urban areas.* Most village administrators have limited education and professional training. They want and need a system of incremental training
9. *In early 2002 the judiciary branch began urging community elections for members of the Conflict Resolution Committees (khai khia), the local para-judicial bodies.* The concept is based upon the traditional Council of Elders. Each village elects a body of about 7 persons, which becomes a preliminary body to examine and make judgments on village problems. Elected members of the *khai khia* tend to include not only respected elders, but also young and educated residents. This system seems pragmatic and efficient given that the Lao PDR has so few legal specialists. If people are not satisfied with the *khai khia*'s decision, the case can revert back to the elders' council or go onto the district court.
10. *Elections, currently held for choosing village leaders and NA representatives, constitute a new cultural and political phenomenon for Lao citizens.* Few seem to understand for what they are voting or for whom. Civic studies are not well entrenched into education curriculums. There has been no progress on the election of district and provincial leadership.
11. *Participation in ASEAN is stimulating democratic processes through exposure and education and becoming a valuable exchange forum.*

### **Major Findings on the Party's Role and Governance**

1. *The general public's perception of the functions of the Party and the State remain indistinguishable.* Civil servants at the central level make distinctions between Party and State functions, while all others continue to speak about the *Pak – Lat* (Party – State).
2. *The Party monitoring role on Decentralization has broadened to proactively assisting training and guiding the implementation.*
3. *The Party has begun to eliminate duplicative party – state institutions* in such areas as personnel selection, audits and inspection, and rural development.
4. *Often the Party's macro targets do not match well with local conditions and reality in highly diverse social-economic situations.* In the past national targets and policies were not always based upon research and pilot activities, providing no strategy to implement slogans.
5. *The Party is calling for increased government research efforts and has mandated the creation of many new institutes for this.* Unfortunately the Party has not yet encouraged private research bodies to emerge.

### **Progress and Challenges in Good Governance**

1. *Civil servants knowledge about the overall concept and structure of governance shows signs of growing at central level, yet remains weak at other levels.* Training on governance has focused on top decision-makers at the province

and district levels who are also party leaders. The majority of mid and lower level, non-party officials appear to be handicapped by the lack of training programs.

2. *Even though training on administration and Decentralization ranks high on district and village needs, the national training strategy remains uncoordinated and confusing.* Some provinces have started training on their own. The methods, however, are viewed as “party studies,” tend to be one-way, top-down, using the old-fashion lecture style. Interactive, participatory training techniques would enhance greatly the results. Also, mentoring, exchanges and on-the-job training formats might prove more cost and performance effective than conducting large-scale, lengthy seminars.
3. *Civil service reforms, identified as a serious problem five years ago, have been too slow to change.* Other than job descriptions being written at all levels, civil servants claim progress has been disappointing. They cite most often (1) the need to restructuring the civil service recruiting and selection processes, (2) to set anti-corruption, anti-nepotism and anti-patronage mechanisms, to establish personnel performance evaluations based upon job descriptions, achievement goals and a code of Professional Civil Service Behavior. Promotions and wages need to be interlinked into the above reform codes.
4. *Reforms on the civil service wage scale continue to be the most urgent aspect for overall progress on administrative reform.* Without wage reform, little progress can occur on anti-corruption measures, improving work quality, raising motivation and incentives, and reaching remote and under-serviced areas. The long-standing fixed salary structure may be restructured to a scaled wage system within the next year, according to DPACS. However, the long-term solution lies in restructuring budget allotments, so that recurrent costs get a larger part of the national budget. A system of tracking the minimum requirements for civil servants’ living needs would also be helpful.
5. *Every district currently benefits from externally funded development projects, indicating that both the donors and GOL are striving to improve equity.* As poverty has become the focus, some once neglected districts are witnessing overload and capacity absorption problems. In some cases, donor assistance exceeds local capacity. The flush and rush of projects and resources is having a negative effect on participatory processes and producing distortions in resources, and encouraging corruption.
6. *District authorities prefer the focus to be on building the capacity of local personnel, rather than importing outsiders.* Although time-consuming, upgrading local staff will build confidence and a sustainable institution. Furthermore, deploying central and province staff to distant districts remains a huge barrier to district capacity.
7. *Among civil servants, the level of consciousness about gender, ethnicity and poverty sensitivity is rising.* Civil servants are now urged to use the exact names of ethnic groups (instead of the three general terms *Lao Lum*, *Lao Theung* and *Lao Sung*.) Women are becoming more prominent in positions of authority at the central level, but progress at provincial and district levels remains inadequate. Intra-village levels of poverty are now being recognized.



8. *Information about public budgets and expenditures are difficult to access, which perpetuates the belief that such information is secret.*
9. *Within the budget, recurrent costs for salaries and administration remain insufficient, while large capital investment appear high when compared to neighboring developing countries.* The national Budget breakdown is unknown to the average citizen and civil servant.
10. Citizens are beginning to make the connection between revenue collection and the cost of public services and government.
11. *Much time and effort is focused on collecting tax revenues from small-scale businesses and households, rather than on the major revenue earners in industry.* The failure to collect tax revenues from many state-owned enterprises seems egregious, claims international finance specialists.
12. *The development of public infrastructure, particularly roads, schools, clinics, water supplies, and electricity, shows strong improvements.* Efforts are reaching even into the poorest and most remote areas. Maintenance and operations of all public services have become significant concerns of the government and international donors.
13. *Lao government personnel are not fully utilizing studies and reports on Decentralization, governance and development issues.* Changes need to be made in the method of presentation of the information, the writing styles and the dissemination, as these documents provide rich materials for analysis and practice.
14. *Enforcement of regulations by the police related to transportation and road safety has begun.* Police training in legal responsibilities and involvement in formulation of laws would be helpful. Enforcement mainly occurs in areas where development agencies are assisting in enforcement training.
15. *Funds for legal advocacy of people's rights and for public legal awareness remain limited.* Some district authorities particularly expressed the need to focus attention on people's understanding of the laws and protecting citizens' rights.
16. *Leadership observance of laws varies greatly.* "The ones who know the laws best are the ones who are most often breaking the laws." (Stated in the National Assembly Meeting and reported on Lao radio, 12/10/02)
17. *Finding a means to provide efficient and effective public services for scattered rural villages is a major concern for the GOL. The current practice of consolidating small rural villages needs to be studied carefully.* Without tested guidelines and procedures and continual monitoring, consolidation actions by districts may be leading inadvertently to socio-economic and ethnic tensions. While government's intentions seem worthy, hasty practice may inadvertently create problems.
18. *Past methods of land allocation, which may have deepened poverty and caused disruptive migrations, are now being revised using participatory techniques.* Nevertheless, the process needs to be performed carefully, within realistic timeframes, and with well-trained civil servants.
19. *The media is exposing sensitive issues (drugs, resettlement problems, corruption, child trafficking, prostitution, etc.) more than before.* All types of media remain solely under state and Party control.

20. *Urban people talk more freely and openly about critical issues, even with the press, while rural people tend to censor themselves about certain issues.* Civil servants spoke openly as well, except they tended to avoid discussions about their low wages. Initially some Lao staff of international agencies expressed hesitancy about meeting publicly with the Study Team.
21. *Corruption and deception can now be discussed and addressed openly.* Segments of the GOL and Party are beginning to realize that corruption 1) hurts the poor, 2) hinders economic development, and 3) is a consideration when donors are deciding on assistance. New anti-corruption laws are being drafted. Some people claim corruption is “part of Lao culture,” a statement which many other Lao reject.

## **Development of Citizens’ Participation**

1. *Community development projects broaden people’s participation in local governance* (water user groups, water and sanitation committees, village development committees, parents-students-teachers associations, medical committees, and micro-credit groups.)
2. *General public knowledge about the overall concept and structure of governance remains weak for several reasons:*
  - There is little opportunity for the general public to learn about governance in schools. The education system does not incorporate the new Governance and Public Administration Reform (GPAR) information into its curriculum.
  - For most private citizens, governance is about politics and the Party. They do not know much about the civil society components. Governance terminology and concepts are largely foreign to most Lao.
  - GOL resources for public information are limited and foreign assistance marginal. Even useful tools on the government and party structures created by the GPAR Project are not widely disseminated.
  - Lao media reaches mainly the urban educated population.
3. Positive gains on civil society development include the development of many professional associations, private schools, and training centers, as well as increased public access to the Internet.
4. *The legal framework for civil society institutions (such as public interest groups and local non-governmental organizations) is not yet in place.* Lao and international development specialists are urging the government to delegate socio-economic development efforts and social work concerns to civil society institutions to maximize human resource potential and achieve ambitious national development targets.
5. *Private publishing outlets do not yet exist,* but may be forthcoming if funds are made available. Without them, the expansion of reading and writing habits will be limited.

## **Considerations for Future Sida – GOL Cooperation**

The Embassy of Sweden requested the Study Team to make recommendations as inputs for the development of a new Country Strategy for the Lao PDR. Based upon consultations and interviews with GOL officials, Lao private citizens and the donor support community in the Lao PDR,



the Study Team has identified ten priority areas, which might assist the GOL to develop further measures toward Good Governance and Participatory Development.

1. *Restructuring of civil service management.* Revising salary scales according to professional responsibilities, and setting codes of professional civil servant behaviour would coincide well with planned anti-corruption regulations. Support could also include improvements in tracking the promotion of women and minorities within the civil service.
2. *Setting the vision and strategy for Public Administration Reform (PAR).* DPACS should examine local best practices, conduct strategy-design workshops, pilot new approaches, and put a national strategy on Decentralization into operations.
3. *Strengthening institutions of civil society.* The government should develop its civil society legal codes. Support to emerging professional associations, training centers, and the establishment of a GOL-INGO liaison office could be steps for fostering civil society.
4. *Promoting education on the institutions of governance.* Suggested actions could include 1) distribution of materials of the Government Administration Reform Program, 2) creation of posters and text books on government structures and administration, 3) fostering links between education and DPACS, 4) assisting an archives for public documents, 4) putting all key government documents on CDs, 5) promoting in the press explanations about public administration.
5. *Adding pilot PAR projects on sub-national levels.* In addition to Sida's ongoing support for the Luang Prabang pilot PAR, adding at least two more pilot PAR sites would be useful. The pilot efforts would provide useful learning for other provinces and districts.
6. *Supporting cultural sensitivity.* Minority people want opportunities to work in development, yet often lack the education to do so. Creative efforts could include support for cultural sensitivity workshops and for special apprenticeships for ethnic minority peoples to work within donor-funded projects in rural areas.
7. *Expanding media outreach to rural areas.* The poorest and least informed population live in remote rural areas where Lao newspapers, radio and TV usually do not reach. Expanding radio outreach in local languages would improve understanding about governance.
8. *Strengthening the National Assembly.* The provincial and district offices of National Assembly members are beginning to serve as places for monitoring local activities and listening to constituents' demands and concerns. Strengthening the staffing and skills of these NA local offices could provide a new contact point for local people.
9. *Enhancing the development of local research institutes.* As indigenous research and analysis has just begun in the Lao DPR, support for newly emerging institutes is needed.
10. *Lao national budget allocations.* For improving public accountability and transparency, public distribution of national budget information would be useful.

## In Summary

The Study Team found that *the Lao PDR is demonstrating its political will to establish the rudimentary institutions needed for Good Governance and Participatory Development*. Since 1990, the government has improved the legal codes, the National Assembly, the judicial branch, research bodies, the national auditing system, and state revenue collection. At the same time, citizens are being exposed to participatory development processes, increased media outlets, Internet access and communications, and to some institutions of civil society.

Nonetheless, *citizens' awareness about how these institutions function and interlink with each other remains far too low*. For most educated citizens, terms such as *Decentralization, democratic elections, the separation of powers, government, accountability, civil service reforms and public information access, and civil society* are only vague concepts. Putting such foundations of Good Governance and Participatory Development into systematic practice within the Lao context will be the challenge of the next few decades.

The Study Team also identified *some serious growth challenges which need immediate attention: civil service reforms, enforcement of laws and regulations, equitable service outreach, equitable revenue collection, realistic planning, budgeting and expenditure implementation, improvement to district and village administrations, and enlargement of the civil society framework*. As the country's human and financial resources are limited for addressing many of these issues, international support and partnerships remain critical.

# 1. Purpose, Parameters and Methodology

*We are pleased that Sida is requesting this study on Good Governance and People's Participation in Development. We believe our policies are correct, but our practices remain problems. In the Lao PDR we need to learn to be proactive – to turn a problem into capacity building before the problem gets deeper.*

—Dr. Pangkham Viphavanh, Director, Department  
of Public Administration and Civil Service

As described in the Terms of Reference (TOR) for this Study, Sida is currently preparing for the next five-year Country Strategy with the Lao PDR (2004–2008). The Country Strategy is the most important instrument governing Sweden's development cooperation with the Lao PDR. As part of the preparation process, "the country's development in general is analyzed and discussed, as are issues which Swedish support can help to solve. Democratic development, economic and social equality and equality between men and women are three of the six main goals for Swedish Development Cooperation." The Swedish Parliament set these goals. Thus, the situation of *democratic governance*, which is the focus of the Study as described in the Terms of Reference, is a mandatory part of the strategy. Besides this Study, Sida has commissioned reports on finances and accountability and on upland poverty issues.

## 1.1 Terms of Reference of the Study

The Study Team was asked to investigate six aspects of democratic governance: 1) Decentralization, 2) participation of the civil society, 3) equity in distribution of public expenditures, provisions and basic service, 4) stakeholder role in aid financed projects, 5) democratization and 6) mechanisms that promote good governance. The Study Team posed a wide variety of questions:

- What are the effects of the current Decentralization policy? Is authority and decision-making truly being delegated to lower levels of government? What are the problems? Who benefits from Decentralization? Have appropriate rules and regulations and legal frameworks improved civil service capacity and service delivery?

- What components of civil society are emerging? Is civil society impacting on governance, decision-making and public opinion?
- Are public expenditures and the provision of basic services being equitably distributed? Are government revenues being well spent for the benefit of the whole? Has public expenditure become efficient, transparent and accountable? What anti-corruption measures is the government taking? Are unproductive and sometimes inappropriate practices fostered by the low fixed salary structure?
- Does participatory development really work? Are primary beneficiaries truly being informed, making choices, owning their development activities and monitoring them? Has it changed donors' interaction with government and with projects?
- How is democracy growing, both the political and the socio-cultural dimensions? What are the current roles of the Party, and the branches of the executive, legislative and judiciary bodies? Do women, minorities and disadvantaged peoples have equal opportunity to be part of the electoral system? Can those without power, influence and money voice their opinions and take actions under the rule of law?
- Are systems and structures for good governance emerging? How much do citizens know about their government's structure, operations and fiscal matters? What is the role of the media, the rule of law, and citizen appeals?

By no means should this report be considered a comprehensive study on all of the topics mentioned in the Terms of Reference. That is beyond the assignment's scope and time. Rather, the Study focuses on points raised during consultations and interviews with Lao interviewees, both government officials and private citizens, and with international staff of development agencies.

As the TOR requested, the Study also tracks changes in policies and their impacts on citizens and on government operations, particularly since 1998. It pays special attentions to issues affecting children, youth, women, the poor, the vulnerable, and the disadvantaged. It examines aspects of progress and gaps for future attention. It pinpoints considerations for future Lao-Swedish cooperation assistance.

## **1.2 Method of Gathering Information**

The study team gathered information between July and October 2002, using a three-prong method of crosschecking information and opinions (sometimes called triangulation.)

### *1. Participatory small group consultations*

The study team spent 8 person weeks conducting small group consultations with villagers, youth, mid-level civil servants, the Lao media, staff of mass organizations, and Lao development professionals. Each consultation, with an average of 12 persons, took 2 to 6 hours. About 250 Lao took part in the consultations. They occurred in village meeting places and government offices in Champassak, Sekong, Savannakhet, Oudomsay and Luang Prabang provinces, as well as at the central level in Vientiane. (See Annex 1.)

The study team encouraged a selection of persons to reflect gender and ethnic balances of the local population. Notably, this happened for meetings with villagers, youth and Lao development professionals. For sessions with central government officials, women attended, but few ethnic minorities. At the province and district levels, the presence of women and a varied ethnic make-up was inconsistent, and in some cases disappointing.

The process was purposefully kept informal to foster dialogue. Participatory techniques (small team discussions, gathering key ideas with cards, pocket voting on ideas and informal dialogue) were used.

## *2. Individual interviews*

The Study Team interviewed about 50 private citizens, Lao officials, businesspersons, and foreign and Lao development professionals. These discussions usually focused on the work of institutions and personal observations.

## *3. Examination of development reports and government documents*

Desk research was conducted on many documents (Annex 2). Among them, six documents are cited often in the report:

- *Participatory Poverty Assessment* (ADB, 2001), hereafter called PPA;
- *State Budget Implementation Report FY 2000–2001, State Budget Plan FY 2001–2002* (GOL Official Gazette, 2002 draft), hereafter called State Budgets
- *Public Expenditure Review* (ADB, WB and IMF, 2002) hereafter called PER;
- *Assessment of Current Decentralization* (Patrick Stoop, GPAR and UNDP, 2002), hereafter called GPAR Decentralization Report;
- *The District in Local Administration in the Lao PDR* (GPAR and UNDP, 2001), hereafter called GPAR District Report.
- *National Human Development Report Lao PDR 2001, Advancing Rural Development*, (UNDP, 2002), hereafter called NHD Report 2001.

The Study Team, consisting of three internationals and one Lao, also drew upon personal long-term observations and experiences. Each of the four-team members has between 12 and 25 years of development experience in the Lao PDR.

When referring to the numerous ethnic groups in the Lao PDR, this Study uses the terms:

- Tai-Lao speakers (Lao, Tai, Leu and others whose mother-tongue languages are related to the national Lao language);
- Non Tai-Lao speakers (Mon-Khmer, Hmong-Mien, Tibeto-Burman language groups whose mother-tongue languages are unrelated to the national Lao language).

This format was chosen for several reasons. 1) The country has high diversity in its ethnic make-up, with no ethnic group comprising a majority of the population. 2) Poverty issues center largely around non Tai-Lao language groups according to the PPA and the NHD Report. 3) The ability of citizens to communicate in the national language of the Lao PDR effects Good Governance and Participatory Development.

## 2. Changes in the Lao Context 1998–2002

Demographically, the Lao PDR is entering a period of enormous population growth. Its population growth rate at 2.5% ranks as the highest of all ASEAN nations.<sup>1</sup> The United Nations Fund for Population Agency predicts that the country's population will double from 5 million today to 10 million by 2054.<sup>2</sup> This high population growth rate will impact on education services, off-farm employment, available cultivable land, and consumer consumption.

Other major developments have occurred over the last decade.

- The Prime Minister's Decentralization Decree 01 (PM/01) was issued based on the 6<sup>th</sup> Party Resolution.
- In 1997 the Asian Financial Crisis weakened the country's macro-economic stability, slowing down investment progress.
- The National Assembly enacted 47 national laws.
- The poverty gap increased between urban and rural areas, appearing especially in the rural uplands. Ninety percent of the poor reside in rural areas, where poverty rates are recorded at 2 to 3 times higher than those of urban areas.<sup>3</sup>

When discussing Decentralization and governance in the Lao DPR, certain demographic changes need to be highlighted. The percentage of urban population has nearly doubled from 13% in 1980 to 24% in 2000.<sup>4</sup> The National Urban Rural Basic Infrastructure Project<sup>5</sup> pinpoints some key population shifts to consider:

- 1) Five urban centers with populations over 20,000 have developed over the last decade.
- 2) Twelve provincial towns, before just multi-village clusters, are now considered secondary towns (2,000 – 20,000 population) requesting water supply, electricity, markets, paved roads, business services, inter-provincial communications, and urban social services.

<sup>1</sup> UNDP, National Human Development Report, p. 155. Hereafter called NHD Report.

<sup>2</sup> UNFPA, State of the World Report.

<sup>3</sup> ADB et al., Public Expenditure Review, Vol. 1, pp. 12–13. Hereafter called PER.

<sup>4</sup> ADB, Country Strategy and Program Update (2003–2005) Lao People's Democratic Republic, Manila: July 2002, p. 12.

<sup>5</sup> As quoted in Water Supply Authority, Department of Housing and Urban Planning, Urban Research Institute, assisted by World Bank's Water Sanitation Program East Asia and Pacific, Small Towns Water Supply and Sanitation Initiative in Lao PDR, April 2002.

- 3) About 117 small and medium sized towns (more than half with populations under 4000) now dot the rural countryside.
- 4) About 68% of the population lives in 192 clusters of villages, each with about 15-kilometer radius and the potential to develop into growth and service zones.

The ADB's *Country Strategy* (2003–2005) claims that over the past ten years the Lao PDR has progressed well on its targets for reaching the Millennium Development Goals (MDG) by 2015.<sup>6</sup>

- The country has a favorable chance of reducing by half of its 1990 level the proportion of people whose income is less than one dollar a day. The poverty incidence has dropped from 45% in 1992/92 to 39% in 1997/98.
- Net primary enrollment is gradually increasing (62% in 1990 to 78% in 2001). “Full primary enrollment should be possible by 2011. Less certain is the MDG that all girls and boys will complete a full course of primary schooling by 2015. Girls make up 45% of primary school enrollment, making it possible to reach gender equality by 2015.
- The infant mortality goal of a two-thirds reduction can be achieved as the rate has already dropped from 110 per 1,000 in 1990 to 75 per 1,000 in 2000.
- Likewise, child mortality has decreased by more than half, 170 per 1,000 in 1990 to 97 in 2000.
- Reducing by one-half the number of people without safe drinking water can be met as access to clean water has gone from 39% in 1990 to 58% in 2000.

The *Participatory Poverty Assessment* (PPA), on the other hand, was not so optimistic. It concluded, “poverty in the Lao PDR is ‘new poverty,’ not an endemic condition.” The PPA found that during the 1990’s, the perceptions of the upland poor about their well being changed from having enough with their economy of subsistence agriculture to “new poverty.” As for the cause of the ‘new poverty,’ the poor identified many external events over which they had no control, such as “weather, war, resettlement, livestock disease and poorly implemented development programs.”<sup>7</sup> Besides being among the least developed nations, the country and people still suffer from the lingering legacy of warfare. Even though the war era ended over 25 years ago, the post-war consequences continue to impact on almost every aspect of development and governance. Here are a few examples cited by the Lao UXO Programme.<sup>8</sup>

- The Lao people are among the most heavily bombed in the history of the world. About two tons of tons of bombs per person were dropped over two-thirds of the country. The estimated cost to clear unexploded ordnance (UXO) will be about US\$2 billion over the next

<sup>6</sup> ADB, p. 9.

<sup>7</sup> ADB, *Participatory Poverty Assessment*, pp. 45–46, 80. Hereafter called PPA.

<sup>8</sup> Lao National UXO Programme, *Work Plan 2001*, Vientiane: 2001; PPA, pp. 51–52; NHD Report, pp. 52.53. See also the maps in PPA, p. 19 and NHD Report, p.80 to see how UXO maps correlate with the incident of poverty and areas for biodiversity conservation.



several decades. Ordnance removal costs both time and money to most infrastructure projects in former war zones.

- The majority of the country's poorest districts experienced heavy bombing and defoliation during the war. Most of the poorest areas lie along a northwest to southeast axis, following closely the Viet Nam and China border.
- At least one-third of poor villages studied by the PPA had been seriously disturbed by war. They lost homes and livestock, and continue to face post-war consequences (UXO, defoliated land and psychological trauma.)
- Farmers are reluctant to expand croplands into areas not yet cleared of UXO, limiting their use of potential arable land.

*A Snapshot Profile: the Rural Poor in Lao PDR* Among the 4.2 million rural people of Lao PDR (1997), representing 80% of the total country population of 5 million, about 40% or 2 million rural people are estimated to live in poverty. These poor rural people, comprising about 300,000 households scattered in more than 6,300 villages, are generally small farmers depending on precarious livelihoods and living in remote and very diversified biophysical environments. The majority of these 2 million rural poor people belong to the following ethno-linguistic groups: 56% are Mon-Khmer, 15% are Hmong-Mien, 13% are Tai-Thay, 9% are Tibeto-Burmese. The ethnic Lao make up 7% of the poor. Most of these rural poor villagers are living in upland forested areas and practice slash-and-burn shifting cultivation to produce rice and other crops for family and animal consumption. They also raise animals. Some lowland poor have moved from upland areas where they were actually better off. To compensate for rice shortages, they usually generate income (often through barter trade agreements) by selling (i) non-timber forest products and wildlife, (ii) small livestock (when they can afford owning some), (iii) their labor to richer farmers, (iv) opium (only in some northern and central provinces), (v) vegetables and (vi) handicraft products. Agro-ecosystems of the poor are low-input rice-based agricultural systems stressed by external factors beyond the control of villagers. Family labor is the major input. The rural poor claim their poverty comes from not having sufficient rice to eat and not owning livestock, which serve as economic safety nets. The rural poor do not consider the lack of integration into the market economy as a sign of poverty. Poverty in Lao PDR does not mean hunger due to various coping mechanisms in a country with a low population density and relatively abundant in natural resources. The spiritual interpretation of poverty and other disruptive life events is important for the poor and is generally corrected through ethnic-specific ritual means. Poor rural villages are often relatively small (between 50 and 200 inhabitants), scattered and difficult to access by road. They often live in cultural and geographical isolation. Within villages, voices and opinions of the poorest are less important than the better off. The poorest are never found in village committees. The poorest have less contact with the local administration than the better off. The poorest families are generally not in a position to actively contribute to development initiatives because of a lack of assets and limited availability of family labor. But poor rural people generally have a good traditional knowledge of their biophysical environment. Poor rural women and children often belong to the 10% of severely malnourished people in the country. Poorest rural women are generally overloaded by various household and farming activities and constrained by a lack of birth spacing. Most rural poor do not have access to safe drinking water and suffer from diarrhea, malaria and respiratory infections. Lack of access to appropriate medical services is prevalent in most rural poor villages. The infant mortality rate is high. Illnesses are often treated using traditional medicines. Education and literacy levels in the Lao national language are very low because of the lack of appropriate education system for ethnic minorities speaking various different languages. As demonstrated in the NSC/ADB Participatory Poverty Assessment, in many cases, rural poverty in Lao PDR is a recent phenomenon and is not endemic. Several poor people said they became poorer due to land access restrictions or resettlement as a



result of the government land allocation program. Some of them also suffered from pest incidence, natural disasters and war-related stress. Most poor rural people are upland shifting cultivators forced to reduce the fallow period of the cropping system. With the relocation of several ethnic minority villages, substantial numbers of rural poor are also located in the lowlands or near main roads where they are encouraged to produce wetland rice and non-shifting types of agriculture. *Source: compiled by Dirk Van Gansberghe in 2001.*

# 3. Context of Governance

Since 1991, *significant and progressive institutional changes on governance* have occurred.

1. The Constitution was adopted in 1991. The National Assembly will begin an amendment process in the next few years.
2. The principle of separation of powers between executive, legislative and judicial branches is beginning to be visible, particularly at the central and provincial level (Figure 1).
3. Distinctions between State and the Party functions are emerging, albeit mainly at the central level (Figure 1).
4. The National Assembly has approved 47 new laws, and intends over the next five years to formulate 31 additional laws and amend 16 old laws (Annex 3).
5. The elected National Assembly (under a one-Party system) meets twice annually, for sessions of two to three weeks.
6. A rudimentary judiciary branch (courts mainly) can be found at the central and provincial levels, and in most districts.
7. In most villages, leaders are now elected, under the guidance of the one-Party system.
8. New population centers — urban municipalities, small towns and rural village clusters (*khets*) — are evolving as a result of changing urban-rural demographics, the growth of trade, commercial and transport centres, and the placement of public services.
9. Expensive, inefficient and cumbersome “Ad Hoc Committees” have been disbanded and placed inside mainline ministries and central operations.
10. The Prime Minister’s Decree 01 on Decentralization has initiated the dissemination of authority on strategies, planning and budgeting, and implementation from the national to sub-national levels.

In addition, in the early 1990’s the GOL embarked upon Public Administration Reforms (PAR), which fostered the following key changes:

1. Guidelines on Public Administration Reform;
2. Central Committee for Government Organizational Improvement (CCGOI);

[illegible]

3. National Audit Office (1998);
4. Prime Minister's Order of 1999 on Anti-corruption;
5. Restructuring of central agencies and ministries (1999–2000);
6. Transference of personnel management from the Party to the Prime Minister's Office's Department of Public Administration and Civil Service (DPACS);
7. Initiation of a review on civil service salary-scale reform; and
8. Development of Performance Evaluation for civil servants (2000–2002).

### 3.1 Decentralization of Government

*Senior GOL and Party officials at all levels confirm the GOL's commitment to Decentralization.* Sub-national Party leaders pushed the agenda in the 6<sup>th</sup> Party Resolution (1996). Slowly, central leaders encouraged donor community assistance to Decentralization in order to explore and develop a long-term strategy. Thus, *although political will is in place, the definition, capacity and mechanisms for Decentralization are still being molded.*

In the current context, Decentralization has produced mainly a *deconcentration of functions and decision power* from higher to lower authorities. The central government and the Politburo continue to hold primary authority. However, some observers point out that in certain circumstances senior provincial authorities hold quite strong authority over local resources and political decisions, as the center is too far away to influence day-to-day actions. The Study Team heard often about province governors taking actions independent of central policy. Most often, the cases concerned provinces expending unapproved budget items, which impacted on authorized expenditures such as civil servant salaries (see 4.3).

This section briefly explores why and how Decentralization has evolved. It shows how various levels of Lao officials and citizens perceive Decentralization activities. Finally, it discusses the need for a clear, long-term vision, strategy and implementation plans, and pinpoints further issues to be studied on Decentralization within the Lao context.

#### 3.1.1 History of Decentralization

Since 1975, the Lao PDR has inched forward on Decentralization, despite periodic steps backward. As compiled from interviews with DPACS and other senior officials<sup>9</sup>, Decentralization has taken the classic GOL pattern of change of taking two leaps forward followed by one step backwards.

##### – 1975 – 81 *System of Anarchy*

Committee systems operated from the central to village levels. People chose what they wanted to do and held their own elections of local councils. The system used only traditional laws, which varied from village to village. The capacity and resources of all governmental institutions and officials was low.

<sup>9</sup> See also GPAR and UNDP, *Assessment of Current Decentralization*, p 10. Hereafter, cited as GPAR Decentralization Report. For an extensive discussion, see Keuleers P. and Sibounheuang L., "Central-Local Relations in the Lao People's Democratic Republic: Historic Overview, Current Situation and Trends", in Turner Mark (ed), *Central-Local Relations in Asia – Pacific, Convergence or Divergence*, MacMillan Press, London, 1999.

– *1981 – 1985 Top-down Centralized System.*

Ministries controlled all action through a strictly vertical system. Party made decisions with the Party-selected People's Supreme Assembly approving them.

– *1986 – 1990 Decentralized System without Laws*

The GOL experimented with a horizontal structure by investing administrative and financial authority into provinces and districts. No laws, regulations, framework for accountability or administrative training were in place. Civil servants went without pay for months as central lost control over financial expenditures and most provinces and districts could not raise and manage sufficient revenues.

– *1991– 1998 Re-centralized System*

With the promulgation of the Constitution in 1991, the GOL adopted the concept of a unitary state with authority deconcentrated to lower levels. At the same time, the GOL dissolved sub-district level governments (*tassengs*), provincial and district People's Councils, and local administrative committees.<sup>10</sup> However, shortly after, the central GOL re-centralized certain functions and powers, taking most fiscal and planning authority back from districts and provinces. Decentralization simply proved unworkable without a legal foundation and capable civil service at the province and district levels. Nevertheless, the GOL kept the intention of Decentralization. National laws, the Constitution, partial elections and National Assembly were established to guide the governance process. Provinces gained administrative capacity and experience by implementing development projects.

– *1998– now Emerging Decentralized System*

After several years of gradual *de facto* steps, the Prime Minister issued Decree 01 in March 2000 on Decentralization. The Decree granted provinces, districts and villages more authority to set strategies and plans, to raise revenues, and to implement public services. At the same time, Decentralization became one of the eight national development priorities.

### *3.1.2 Decentralization Decree PM/01/2000*

The basic message of Decentralization Decree PM/01 is widely known: provinces set the strategies, districts make the plans, and communities implement them. The decree asks each province and district to examine its environment, population growth pattern, administrative distribution, self-sufficiency in revenue collection, ability to pay its own salaries, and strategic plan. The decree, coupled with subsequent regulations issued by the former State Planning Committee and the Ministry of Finance (MOF), *selectively transfers* fiscal and planning responsibilities back to the local administrations, as in 1990.

The Decentralization Decree 01 represents a major shift in the style of governance. Interviews with GOL officials and consultations revealed several reasons why PM/01 was issued.

<sup>10</sup> GPAR Decentralization Report, p.12.

- 1) Provincial and district Party leaders, facing increased responsibilities for local development activities funded by external donors, found they needed more authority to speed up project implementation processes. Their call was vigorously made at the 1996 Sixth Party Congress.
- 2) To meet ambitious socio-economic targets and meet widening demands for public services, the country needed to maximize the capacity of human resources at all levels. Thus, beginning in the mid-1990's many technical sectors (for example, rural development, clean water and sanitation, health, communications, drug eradication and education) began creating strategies and sector frameworks, which required decentralized management.<sup>11</sup>
- 3) Numerous development projects, particularly with external support, fostered the concept of bottom-up, participatory development with local beneficiaries making decisions. Gradually, Party and GOL authorities included this decentralized approach in their policies and speeches (although the practice was not always uniform.)
- 4) Earlier constraints on Decentralization (weak legal foundation and poor system of local administrative and technical training at the province and district levels) began to be addressed. The National Assembly put into place 47 laws and ministries began to set enforcement procedures and regulations. Technical training in provinces and districts began to be assisted by development assistance programs. The Party began to strengthen the content of administrative training courses, including Decentralization, for senior local officials.
- 5) In 1997, the first project on Governance and Public Administration Reform (GPAR) started, with advisory support by the United Nations Development Program (UNDP). During initial years, the project began to build central level capacity at the Department of Public Administration and Civil Service (DPACS), assemble civil service data, create instructive resources, and assess all levels of government.
- 6) The GOL and Party authorized two pilots on decentralized administrations, one in Chanthabouly District of Vientiane Municipality and the other in Champassak Province (see 3.3.6). These pilots provided valuable learning experiences for the GOL and Party to expand the process and to seek additional external support for Decentralization.
- 7) The recent establishment of the Urban Development and Administration Agency (UDAA) in Vientiane and the four largest secondary towns (see 3.3.4) reflects a move towards decentralized public administration. The concept shows the GOL's will to "abandon the idea of a standardized and uniform approach across the country and to adopt diversification as a solution to local constraints," according to the GPAP Decentralization Report.

Thus, Decentralization has emerged gradually as a result of the Party and State recognizing internal demands, learning from pilot efforts, building staff capacity to some degree, and receiving external support.

<sup>11</sup> For example, see in References, the national sector strategies of the National Water Supply and Environmental Health Programme and Ministry of Education.



### *3.1.3 Risks for Future Considerations*

While interviewed officials and international agency representatives agreed that the moves for Decentralization are needed, they talked candidly about un-addressed risks reversing the Decentralization trend, as happened in 1991. We enumerate here the risks mentioned by Lao officials, Lao private citizens, and the donor community, many of which correlate with points made in various international advisory reports (PER and GPAR Decentralization Report, for example). This summary of risks should be viewed not as a critique of Decentralization, but rather as the upcoming challenges about which the GOL would likely appreciate donor assistance.

- 1) An adequate legal and regulatory framework for Decentralization, set within the constitution and laws, is not yet in place. Realistically, this step will take many years.
- 2) The process of learning – piloting, confirming, and revising – is time-consuming and could discourage the process. Yet, the process of trial-and-error is often needed to build capacity and ownership.
- 3) Nevertheless, there is an urgent need to “translate” political decrees into clear, easy-to-understand instructions. While the MOF and the Committee for Planning and Cooperation (CPC) have started this, province and district staffs want more. Ideally, these manuals become part of an inter-active and on-the-job training process that go beyond the old-fashioned top-down political lectures.
- 4) Despite time-consuming training efforts by central finance and planning offices, current provincial and district fiscal controls remain too fragile and training is not uniformly in place. This situation is causing noticeable revenue losses to central financial base, inadequate and inconsistent systems of fiscal controls and accountability, and citizen confusion about local tax collection processes.
- 5) Some provinces and districts fail to recognize that they must work within centrally approved budgets and revenues. In other words, they fail or choose not to recognize that their power on their budgets is not autonomous.<sup>12</sup>
- 6) Administrative and fiscal expectations must be tailored to realistic local capacities. No single approach and framework fits all districts and provinces. There are (i) a few districts with net budget surpluses (mainly in Vientiane Municipality), (ii) districts who meet their expenditures but have no surplus revenues, and (iii) districts with budget deficits. In some cases, provinces worry about districts not turning in revenues and spending revenues on off-budget local capital investments.<sup>13</sup>
- 7) The demand by districts and provinces for on-the-job management training and guidance on Decentralization appears greater than the supply. The workplace skills of national and provincial personnel, especially the GPAR staff, have improved dramatically over the past five years. From our observations and discussions, the Study Team determined that techniques of training remain teacher-centered, rather than student centered. In addition, financial support according to DPACS remains insufficient.

<sup>12</sup> GPAR Decentralization Report, p. 13.

<sup>13</sup> Ibid., p. 13.

- 8) External donor support for Decentralization is far too limited compared to the tasks. Further, external consultants on administration are often constrained by language barriers, as most training is done in English and most Lao officials at provincial and district levels needing the training speak only Lao.<sup>14</sup>
- 9) Almost all rural districts remain inadequately equipped on basic management and operations equipment: filing systems, desks, chairs, computers, typewriters, communication equipment and office supplies. Unless external projects have assisted, it is valid to assume that remote districts lack virtually everything.
- 10) Provinces, districts and communities say they are still sorting out their inter-level relationships, roles and responsibilities under Decentralization. Each level wants some flexibility to tailor its delegation of authority according to its context and capacity.

*In one village, the leadership authorized a company to cut down their community preservation forest. In the past they would have consulted with the district forestry officials. Now they make decisions without regard to policies and regulations because they think Decentralization allows them to do so. Something is missing here.*

— Central government forestry technician

- 11) PM/01 designates the village authorities as the main local “tax collector” for taxes and permits on land tax, small businesses, animal sales and delivery, gun use, television, radios, etc. This mandate places a disproportionate emphasis on collecting small-scale taxes at the village level – instead of maximizing human resources on the medium and large tax bases.<sup>15</sup>
- 12) Another risk surfaces in mixing positive efforts on local development and poverty reduction with the negative image of tax collection. The danger also lies in that the village head and a finance committee are heavily involved in both tasks, causing a potential conflict of interest. Further, these local tax authorities receive neither adequate training in tax collection nor a salary for duties, except a percentage of the taxes collected.
- 13) Each village can keep part of its tax revenue for the operations of the local finance committee and for a village fund. The withholding percentage varies for both of these categories, as regulations remain unclear.<sup>16</sup>
- 14) Districts spend inordinate amounts of time assisting villages to compile their plans.<sup>17</sup> Further, as the time of local officials is constrained, planning tends to remain top-down.

<sup>14</sup> Vientiane Times, 12/15/2001.

<sup>15</sup> GPAR Decentralization Report, p. 22

<sup>16</sup> Ibid., p. 22.

<sup>17</sup> From data collected in different districts, the GPAR Decentralization Report, p23, estimated that for the elaboration of each village development plan the district support team spends on average 1 person month input.



- 15) Local non-government interest groups focused on decentralization training do not yet exist in the country. Therefore, management training for communities and districts remains a burden on over-loaded government units, or relies on outside agencies to assist during project implementation.
- 16) Lines of personnel management remain confusing. Local staffs, currently paid by provinces and districts, are in fact official employees of ministries. The central ministry sets the hiring standards, while the province recruits and hires the staff locally.<sup>18</sup>
- 17) The emergence of small towns and the rural cluster zones (see 3.3.4) calls for innovative decentralized administrative frameworks, which synchronize with district and provincial lines of authority. Although central GOL officials and donors mentioned these new and distinct constructs, few Lao provincial and district officials raised them as an administrative concern.

Two actions by GPAR Project and the National Assembly may help to avoid or ameliorate these risks. In mid-2002, GPAR drafted a framework for defining the basic principles to guide the territorial organization and the local administration in the Lao PDR for consideration in the October National Assembly. The draft sets forth some innovative ideas:

- Criteria for progressively developing municipalities;
- Clarification of roles and responsibilities of provincial and district governors;
- Establishment of provincial and district participatory development councils;
- Extending elected village chief from 2 to 4 years;
- Election of village councils.

Subsequently, the October 2002 National Assembly mandated the drafting of a new administrative law to define the decentralized roles and functions of central, provincial, district, and village administrations. The new law will be submitted in March 2003 to the National Assembly.

#### *3.1.4 Perceptions of Provincial and District Officials on Decentralization*

In addition to the above, consultations brought forth other insightful information:

- *Knowledge about Decree PM/01:* At every level, officials can repeat the essence of PM Decree/01. Provinces, districts and villages welcome the opportunities to empower themselves. However, all district officials were pleased with their new authority, but at the same time expressed apprehensions about taking on such responsibilities without more training and clarification of their responsibilities. Central level officials readily recognize these problems and want to help provinces improve training, but financial resources are limited.

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<sup>18</sup> PER, pp. 44–53.

- *Elite and limited leadership at all levels:* Decentralization has not yet broadened significantly opportunities for newcomers to enter decision-making roles. The Party's control over appointments to non-elected government decision-making positions remains strong. Further, in many districts the number of persons with adequate administrative training remains low.
- *Decentralized roles and responsibilities:* The central DPACS is conducting training for province and districts on setting job descriptions, roles and responsibilities, but the process is slow and needs further funding support. The weakest link remains authorities in rural districts and communities as their education and development levels are often very low.
- *Decisions based on local knowledge / experience:* On the positive side, districts are gaining confidence and experience in making decisions, basing decisions on local constraints and capacity, and implementing activities with less bureaucracy. On the negative, local administrators, especially in remote areas, tend to make some decisions too precipitously and without sufficient study and preparation. In the short-term some actions have fulfilled government priorities on shifting cultivation, opium production and consolidation of village units. However, in the long-term, the decisions can inadvertently deepen poverty and create social shockwaves.
- *Significant difference in province – district capabilities:* Districts are the lynchpins to Decentralization, yet district civil servants themselves claim they are not sufficiently trained to handle their expanded tasks. At the provincial level, government civil servants indicated that their technical and management skills and education levels have improved in recent years. Some official interviewees pointed out that the difference is due to external donors concentrating on both management and technical capacity building at the provincial level, and only on technical skills at the district level.

### 3.1.5 Perceptions of Citizens

During consultations, village groups mentioned many of the above points: the knowledge that “the community implements” according to Decree PM/01, the involvement of both Party / non-Party persons in leadership, the lack of local administration skills and equipment, and the need for training. Beyond the basics, the Study Team found a low popular awareness and confusion about the details of decentralizing processes and its links to good governance, and the rights and well being of citizens. Given that many districts still have limited media access and low adult education levels, it is not unthinkable that most citizens may not know much about their rights or the current administrative reforms. In the Lao PDR, inadequacy of basic knowledge about governance decidedly weakens the third pillar of the socialist structure, citizen's participation.

In addition, the consultations also brought forward several notable points related to Decentralization.

- *For many rural communities Decentralization means mainly tax collection and submitting development plans to the district.* The meaning is dangerously

narrow and not necessarily participatory. Unless a participatory development project has influenced the village, village heads and the district often perform these tasks with top-down authority and little community involvement.

- *Urban communities are acting proactively about public services.* They are independently organizing clean-up campaigns, instituting anti-drug efforts, petitioning for better roads, and raising local funds for schools and youth activities.
- *Communities are diversifying the leadership on technical development tasks.* As development activities expand, so too are the opportunities for broadening leadership roles, empowering the disadvantaged, and decentralizing technical responsibilities. This is particularly happening within GOL – donor supported projects on village development, water resources, health, school, handicrafts, micro-credit, livestock, and agriculture. (In the past, the head and deputy heads of the village, LWU, LYU and the Front, all with close ties to the Party, controlled development activities.)
- *Women are becoming involved in governance.* Women are running as candidates in village elections, and an increasing number are elected. Women's role in development activities is becoming commonplace, rather than the exception.
- *Leadership opportunities in governance are slowly opening for the young and educated.* While the community elders continue to have significant roles, educated youth are also being included in community discussions. Village leaders tend to be younger and more educated than one decade ago.

For additional community perceptions about governance and development see section 5.

### 3.1.6 Building the Strategy for Administrative Reform

After several years of useful learning, GPAR officials recognize the need to define a coherent vision and strategy for Decentralization and public administration.<sup>19</sup> GPAR staff claim the March 2003 National Assembly session will consider a new law on decentralization and local administration to enhance PM/01.

The next logical step would be to make some strategic internal choices to ensure that administrative reform and socio-economic development become two legs on the same body. Following the growing national trend on setting sector strategies (see 4.1), GPAR officials seem ready to move towards creating a strategy on PAR.

Concerning the long-range GPAR strategy, local officials and development agency staff raised intriguing questions.

- Are the targets for PAR too ambitious, too fast and too overwhelming?
- Should the private sector (namely community groups, associations, NGOs) be urged to take responsibility for certain services, as many are suggesting?

<sup>19</sup> See GPAR Decentralization Report and GPAR District Report, for examples.

- What are the best ways to build personnel, organizational and institutional capacity, particularly at the district and provincial levels, and in urban, rural, small towns, village cluster zones and villages? How much time is needed to pilot training programs and new administrative processes?
- How can districts get equitable transfers of financial resources and personnel to match the increases in their responsibilities? How can staff be redeployed to critical district and provincial tasks? Does this require strategic changes in the organizational culture, in wages, and in the existing reward and incentive system?
- With limited resources, can the GOL focus on both creating decentralized administrative reforms and on implementing development projects? Should local civil society institutions become more involved in the latter, so that the government can focus more on the former activities?

### 3.2 The Governance Role of the Party

The general public's perception of the functions of the State and the Lao People's Revolutionary Party (commonly called the Party) remain indistinguishable. Excluding mid-level and senior government personnel in Vientiane, most civil servants and citizens continue to speak about the *Pak – Lat* (Party – State) in one phrase as if the two institutions were one and the same. Information about Party proceedings, its decisions and its definitions of its role and responsibilities are “not secret.” Yet, even well informed, well-read citizens of Vientiane admittedly are confused and ill formed about the Party.

#### Understanding of Five Young Voters in Vientiane about the Party – State

(Each interview was conducted separately. All interviewees are graduates of university or high school who consider themselves better informed than most people of the country.)

- 1) All thought the October 2002 National Assembly proceedings on television had “something to do with the Party” and did not mention the Government.
- 2) All had little or no knowledge about the distinction between the authority of the state and the Party, and therefore, thought it was the same.
- 3) Four out of five did not know for what or for whom they voted during the last election (for National Assembly members.).
- 4) All expressed great interest in learning more about the structure and workings of their government.
- 5) All had attended a political study session (*hian gan meuang*) within the last five years, and described them as “uninteresting” and “uninformative.”
- 6) All knew they had a Constitution, but had little knowledge about its content.

### Brief Summary on the Party

The Constitution legitimizes the Party as the only acceptable political party in the country, but it says little about limits on Party powers and functions.

The Party has approximately 65,000 members, most of whom are government functionaries (7% of salaried civil servants), leaders in mass organizations, government retirees, military and police personnel, and veterans. The percent of private citizens who are members is low (no exact breakdown has been found.) Membership is by selection over a number of years of initiation. To meet economic, international and social changes of recent years, the Party has encouraged educated civil servants to join the Party recently as a way to advance their careers.

Every five years, the Party holds a Party Congress to approve policies (Party Congress Resolutions) drafted by the Politburo. State actions move according to Resolutions. “The Party leads, the State implements, and the people are the owners” is the oft-heard slogan. As of the 7<sup>th</sup> Party Congress (2001), the Party is lead by an eleven-member Politburo (all male), and a central committee of 53 with 3 women.

Despite many other governance reforms, the Politburo continues to approve all choices for non-elected senior and decision-making government positions (president, prime ministers, ministers, directors, and provincial and district governors). The Party also gives clearance on all candidates put forward for National Assembly elections. From the top to the bottom of government, at least one of the two highest decision-makers at each government level is a Party member. The only exceptions occur in some rural communities.

When Party members are selected for special administrative and political training at the Party's Tha Ngon Administration School, this usually signals a government or party promotion is in store.

Most international assistance personnel, even key advisors on governance, admit they also remain poorly informed about Party operations and personalities, which can be crucial to their work. International reports on Lao assistance rarely provide in depth information about the crucial inter-links between the Party and State. On several occasions the Study Team found that international development staff did not know that a provincial governor could rank above a senior minister due to their Party status.

Curiously, the 7<sup>th</sup> Party Congress (March 2001) provided no long-term vision or policy guidelines on Decentralization, and did not mention developing municipal levels of government. Subsequently, many international observers wondered if the Party was signaling a reversal on making Decentralization “the main challenge for the coming years,” as was stated at the Donor Round Table Meeting November 2000.

All provincial and district discussions suggest that *the Party has no intention of backing off its Decentralization path over the long-term*. However, the Party seems to be *signaling a slowdown in the pace and scope and moving towards deconcentration*. Here we may be witnessing again the Lao style of progression – two hasty steps forwards to move the policy firmly into public consciousness, one wise and cautious step back to give space and time for adjusting the process and learning incrementally.

There are also indications that the Party's original role of monitoring, as mentioned in Decree PM/01, has now *broadened to proactively assisting*

*training and guiding the implementation.* Information from Savannakhet and Luang Prabang provinces suggests that province and district Party Committees are becoming key Decentralization motivators. (See additional discussion in 3.3.2.)

#### **Moving from Party to State: the National Rural Development Program**

In early 2002, the Party abolished its Leading Committee for Rural Development and their provincial offices, which led the “focal point strategy.” According to central level officials, this was done because of 1) unclear and overlapping mandate with other institutions, and 2) the lack of substantial support from the donor community. On the last point, the external assistance agencies clearly showed its apprehensions about supporting a program with strong links to the Party and with resettlement activities.

The work of integrated rural development is now solely under state responsibility. The Ministry of Agriculture and Forestry (MAF) is mandated to coordinate activities with all other ministries and agencies involved in rural development to ensure a genuine multi-sectoral approach. Herein lies a risk that needs to be monitored carefully. By the nature of its mandate, MAF technicians may inadvertently put a strong emphasis on supporting production and natural resources management while overlooking the development of the rural livelihood institutions (health, education, communications, etc.).

### **3.3 Administration: Central, Provincial and District Governments**

In 1991 the Constitution set forth a three-branch check-and-balance system and made strong commitments to the Rule of Law. Although the National Assembly and the judicial courts are developing, the political prowess of the executive branch dominates government and is the main force behind Governance and Public Administration Reform (GPAR).

#### *3.3.1 Governance and Public Administration Reform Project*

In the early 1990’s UNDP and the GOL began discussions about public administration reforms, which developed into the first Public Administration Reform Project (PARP). In 1996 the 6<sup>th</sup> Party Congress and the 1996–2000 Socio-economic Development Plan called for more reforms. Subsequently, the GOL and UNDP developed the Governance and Public Administration Reform (GPAR) Project, managed by the Department of Public Administration and Civil Service (DPACS) under the Prime Minister Office.

GPAR’s focus is on human resource development, ethics and integrity, and transparency within government. In addition, the UNDP-funded SESMAC project in Oudomxay and Sayabouly (1998–2001) created a pilot for improving provincial and district administrations. However, due to an original project design flaw, SESMAC did not have formal links to GPAR and the DPACS, and its impacts remained localized.<sup>20</sup>

Nevertheless, the DPACS, assisted by the GPAR Project, seems to be developing itself as a critical unit for the promotion of Decentralization

<sup>20</sup> Interview with UNDP staff, July 2002.

and PAR. Previously, a Party oversight body supervised DPACS; the Committee for Government Organization Improvement (CGOI) now guides it. In 2002 DPACS initiated a pilot provincial PAR project in Luang Prabang, supported by Sida and assisted by the UNDP. The pilot focuses on building capacity and linkages between districts and province offices, and the district and villages. The effort targets the offices of governor, planning, information and culture, forestry, and finance, with the Party Committee for Information/Training and the joint Party-government Leading Committee for Public Administration Reform (LCPAR) acting as the lead agencies. According to a UNDP officer, the province government views the project mainly as a source of training budget.

In the past DPACS staff has had difficulty internalizing the wealth of analysis and information, according to international advisors. This have been due to 1) an insufficient system of sharing of information as few reports are translated into Lao, 2) frequent turnover of personnel, 3) high work pressure on the few qualified staff, and 4) low-levels of English reading ability among provincial and district staff.<sup>21</sup> Furthermore, as discussed in section 4.2, personnel performance is not based on how well staff internalizes documents.

At the central level, DPACS staff is now developing an educated and motivated professional team, according to the same advisors. Certainly, this Study Team found the DPACS staff to be motivated, committed, informed and professionally ready to move GPAR into the provincial and district levels. Therefore, during the next phase, boosting DPACS' skills in conducting inter-active and effective training and in participatory approaches would be beneficial.

### *3.3.2 Intensifying Training on Public Administration Reform*

There are several types of training on PAR. The main schools are the National School of Public Administration and Management and the Party's more advanced courses at the Tha Ngon Management School. The coursework includes examination of various systems of domestic and international government systems, and sometimes have guest lecturers from Europe, Australia and the United States. Students at the elite Tha Ngon School are all Party members working in decision-making positions. In addition, some political leaders are learning during well-organized international studies and exposure tours. ASEAN's programs have proven valuable and effective, according to several officials.

District and province personnel claim they have had few training opportunities. They welcome organized courses, on-the-job training sessions, and coaching. Experts' assessments concur with this.<sup>22</sup>

District and provincial field consultations brought out many points on training for both GPAR and donor considerations.

- Demand for both classroom and on-the-job administrative training is high especially at district levels.
- Except where externally funded projects are present, districts are not yet receiving support for administrative development.

<sup>21</sup> GPAR Decentralization Report, p. 16.

<sup>22</sup> See for example GPAR Decentralization Report, pp. 25–36 and GPAR District Report, pp. 47–48.



- Internal funds and external support for administrative training and basic equipment are severely limited.
- Civil servants want practical on-the-job training – not just lectures — on management, office operations, planning, budgeting, reporting, revenue collection, the roles of different institutions in the State and the Party and their interlinks, and personnel management.
- Training seems uncoordinated and confusing. At the same, training programs need to be tailored to level of each province and district.
- Provincial training personnel on Decentralization, who are often former teachers, use teacher-centered, rather than student-centered, techniques. Re-training of trainers on how to create practical, participatory and inter-active learning sessions would be helpful.
- While many technical staff at all levels have been exposed to participatory approaches through development projects, the same does not appear to be true for management and administration staffs.
- Manuals need to be interesting, well-designed, easy-to-read texts with charts, graphics and pictures.

Training for village administrations is beginning to happen in a few provinces. For example, according to the Savannakhet Province Decentralization Guidelines, the Party's Provincial Secretariat has set up a special committee to direct all areas of the Decentralization process. The committee's mandate is to organize teams to help districts, which will assist village leadership. Savannakhet's process constructs four teams of province and district cadres: 1) political education team, 2) economics team 3) security team, and 4) cultural and social affairs team.<sup>23</sup>

Some provinces have created manuals on Village Public Administration. While the information is useful, the design and presentation of the material could easily improve its effectiveness.

External support for PAR training in sub-national levels has been limited. However, in the Study Team's opinion, assistance to DPACS for provincial, district and community training, especially for improving the teaching methodology, would be useful for promoting Good Governance.

### *3.3.3 Capacity Building in Districts*

Provincial and urban district administrators and technicians note improvements in technical services, administrative capacity and services outreach. Rural district leaders, on the other hand, are far less positive. They claim infrastructure, personnel capacity, and technical skills remain low. For example, in the rural water sector, some districts still lack trained technical staff.

Deployment of central and province staff to remote districts remains very difficult, according to remote district officials. At an internal workshop, DPACS addressed why qualified PAR staff do not want to go to the districts.<sup>24</sup> The main reasons provided by participants were lack of modern facilities, poorer living conditions, no electricity, no running water or difficult water supply, difficult transport and telecommunications, lack of

<sup>23</sup> Savannakhet Province, Transferring Authority to Lower Levels.

<sup>24</sup> GPAR Decentralization Report, p. 25.



city life, no or poor hospitals and health facilities, poor education and schooling facilities for the children, less possibilities for the civil servants to find additional jobs, less possibilities for the spouse of the civil servants to find a job or have their own economic activity, separation from family, inability to survive in an area without relatives helping, and poor housing availability for civil servants in the district. Also noted was poor career opportunities and work environment – namely, poor office facilities, late salary payments and an organizational culture still favoring the center.

On organization culture, the GPAR District Report and GPAR Decentralization Report note the persistence of top-down approaches despite the call in Decree PM/01 for bottom-up planning, decision-making and structure. *Real change towards Decentralization, claim the reports, will require a clear strategy and guidelines towards building local capacity and institutions at the community and district levels.* Since the mid-1990's, the GOL, Party and donors have concertedly improved equitable distribution of development assistance programs, which in turn are stimulating a new focus on district administration. Every district in the country currently benefits from externally supported aid, loans or business development projects, according to a senior official of the Committee for Planning and Cooperation. A decade ago many of the poorest and most remote districts were being left out due to accessibility problems. With rural road development, the situation has improved dramatically.

However, another problem has emerged. According to staff of rural development projects, external support agencies are often overwhelming the limited capacity of poor and remote districts. For example, the once-neglected minority district of Long in Luang Nam Tha now hosts projects of 4 major international agencies (EU, JICA, UNICEF and WB) and 4 INGOs. With only 72 small-scale villages and a small-untrained district staff, Lao development professionals report that the situation is one of overload. One long-time development professional familiar with Long district claims the sudden flush and rush of funds is not encouraging participatory processes, but rather producing distorting and corrupting effects. In this case, it seems to the Study Team that donor assistance may be exceeding district capacity, and inadvertently creating an unsustainable situation.

In the past, some large-scale national and provincial infrastructure projects involving irrigation, roads, river ways and hydropower have often ignored district administrative authority and local opinions. In recent years, some projects involving foreign businesses and aid partners have become sensitive about applying bottom-up consultations. They are, at the least, talking about gaining “people’s participation” and listening to the concerns of district and community leaders.

At the same time, long-time Lao development specialists point out that where external support is not involved, the top-down work methods prevail, indicating that Decentralization and participatory approaches are not yet universally practiced.

#### *3.3.4 Emergence of Urban Municipalities and Secondary Towns*

The PER predicts that the national urban population, currently about one million, will double by 2020.<sup>25</sup> The increase is easily visible in Vientiane. In addition, the previously slow-growing secondary towns of

Pakse, Thakhek, Savannakhet, and Luang Prabang are now expanding as services and transportation improve. Within a few years, these will become the urban municipalities.<sup>26</sup> As a result, the PER forecasts that the industrial and service sectors will steadily grow. Conversely, the agricultural sector, currently making up over 50% of Gross Domestic Product (GDP), will shrink to 30% by 2020, according to the PER.

With these population dynamics in mind, the GOL began in the 1990's the first pilot effort focused on the urban expansion. Supported by the Asian Development Bank (ADB), the Vientiane Urban Development and Administration Agency (VUDAA) has pioneered a system of sustainable funding for urban institutions. It is modeling how to improve urban public services and enforce regulations while raising revenue in such areas as vehicle parking, environmental protection, electricity and water usage, heavy transport regulations, road maintenance, and waste removal systems. Although the Vientiane project set a good foundation, an ADB representative claims VUDAA still needs to strengthen certain aspects, such as sanitation, to make the model well functioning.

Nevertheless, the GOL was anxious to push the Urban Development and Administration Agency (UDAA) concept into medium and small towns, cascading on the results of the Vientiane pilot, according to an ADB official. The GOL and ADB have initiated two additional decentralizing efforts, the Secondary Towns Urban Development Project which currently covering 4 medium-size towns, and the forthcoming Small Towns Development Project.<sup>27</sup> Fortunately, UDAA and GPAR have forged strong linkages. Decree 177/PM (22 December 1997) established four UDAA's for the secondary towns of Thakhek, Khantaburi, Pakse and Luang Prabang. The Decree allows for planning, implementation, management and control of service delivery in urban areas, construction, improvement and maintenance of urban infrastructures, judicial status and entitlement to collect fees on urban services and infrastructure. The Vientiane UDAA is more complete as mandates cover several districts in the capital. District heads are members of the Vientiane UDAA steering committee.<sup>28</sup>

### 3.3.5 *Emergence of Rural Municipalities and Village Clusters*

Some small provincial, district and sub-district towns are developing into rural municipalities and multi-village clusters (called *khum bans*, *khets* or *tassengs*).<sup>29</sup> During discussions, province and district authorities often referred to these entities, indicating that these are emerging service and market centers needing future development. Central level authorities are already calling for definitions, research, cost benefit analysis, and institutional feasibility studies on small town units to assess administrative cost versus income from taxes, cost of improved public services, and market development.<sup>30</sup> For GPAR, these emerging small towns will need to be addressed in the future.

<sup>26</sup> PER, Vol. 2, p. 18.26 GPAR Decentralization Report, p. 72.

<sup>27</sup> ADB, Country Strategy and Program Update 2002-04, p. 33.

<sup>28</sup> GPAR Decentralization Report, p. 71.

<sup>29</sup> Ibid., p. 72. Prior to 1991, sub-districts or tassengs were disbanded in much of the country. However, in some remote districts, such as Phin, Beng, and Phonsay where the Study Team visited, the local governments decided not to disband tassengs. Usually sub-district administrative and market centers have populations ranging from 1,000 – 15,000 people.

<sup>30</sup> Water Supply Authority et al., Small Towns Water Supply and Sanitation Initiative in Lao PDR, p. 3.

In some cases, sub-districts administrations already exist, according to interviewed provincial authorities, even though technically sub-districts were disbanded in 1991. For example, the GPAR District Report describes the example of Saysamphanh in Champhone District, Savannakhet.<sup>31</sup> A local Party committee of eleven members assisted by 20 civil servants is responsible for the administration in Saysamphanh. It operates as a local branch of the district party committee. Yet, the zone has no legal status and decision-making powers, nor formal recognition from higher authorities. The reason given for upgrading the zone to a sub-district status is to reduce administrative travel and the distance villagers must go to resolve disputes.

Administrative and service functions in rural municipalities and village clusters will likely remain weak for some time, according to the GPAR Decentralization Report. This situation could precipitate the development of rural civil society institutions to perform social services. Therefore, further study about rural municipalities and village clusters would be beneficial,

### *3.3.6 Capacity Building for Village Administration*

While in most villages there are established local organizations, usually only a few people are active in village administration. Village leadership consists usually of one or two Party leaders and the heads of LWU and LYU and LFNC. As most village heads (*nai ban*) are men, very few community women are being trained in public administration. Village administrative duties involve solving conflicts, keeping village records, facilitating local development efforts, and more recently collecting taxes. When roads arrive, village leaders arrange road maintenance activities.

When asked about recent village changes, villagers normally described to our Study Team the infrastructure changes and the collection of taxes by the village head. Unless queried specifically about elections, villagers did not readily offer information about their electoral process when describing events related to their villages. Village consultations revealed several interesting points. 1) While villagers elect their leaders from a Party-approved list of candidates, not all leaders are Party members. In Phonsay District, for example, 34 out of 72 village heads are not Party members. 2) Village leaders are getting younger and more educated. 3) An increasing number of villages are electing an entire village committee of 5–7 people, not just the village head. 4) The number of women in administration is growing slowly.

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<sup>31</sup> GPAR District Report, p. 14.

### Champassak Village Elections and Leadership Training

Champassak, a richer province with a reputation of being proactive, consists of 10 districts, 108 *khets* and 916 villages. Every three years Champassak elects village leaders. For the 2002 elections, on average each village nominated 4–7 candidates who were screened by district Party officials and the Governor's office. The date for the election was selected to fit around local ethnic holidays. Of the elected leadership, about 50–60% of the candidates were Party members, and 40–50% were non-Party members. Each village chose 1–3 leaders depending on its population size. The candidate with the highest votes became the village head and the others act as deputies. Among the elected village candidates, notably 30% were women. The vast majority of village leaders are former teachers, especially among the women.

Champassak leaders find the village election process adequate, except that they are considering whether to extend terms of office to four or five years. “We want local officials to have time to practice what they have learned,” was the rationale offered by one province official. The study team was unable to assess local citizens’ opinion on the quality, fairness and openness of the elections.

Since the PM/01 Decree on Decentralization, district, *khet* and village officials appear regularly at provincial offices, inquiring about how to implement their new authority. “These leaders have ability to learn about administration, but have not had the opportunity. In early 2002, the province Public Administration Office asked the central government for training funds to conduct 6-day training sessions for district, *khet* and village leaders.

Districts try to assist those village leaders with low administrative capacity. Training for village administrators remains haphazard, incomplete and sometimes not at all. If the training is supported by a development project, it is usually technically focused on one sector, and not on local administration. Most villages have neither an administrative office nor basic equipment. Nevertheless, village record keeping seems to be improving. Most villages have few formal structures and operate on a need basis. During consultations, the problem of youth not having enough vocational learning opportunities was raised most frequently.

Most villages are developing Local Conflict Resolution Committees to assist as Para judicial institutions. (See 3.5.1 for further discussion.)

### 3.4 Legislation: the National Assembly

The National Assembly, a young governance institution in the Lao PDR, creates laws, oversees the enforcement of laws, sets levels for state revenue collection, approves strategic targets for socio-economic development and the Annual State Budget. Yet, in comparison with the authority of the executive institutions and the Party, the power and independence of the National Assembly remain limited.<sup>32</sup> Nonetheless, how the National Assembly evolves over the next decade will be a critical element for judging the development of Good Governance.

<sup>32</sup> Gopalan, Report on the Review of the Oversight Process in the Lao National Assembly.

<sup>33</sup> Ibid., pp.56–62.

According to National Assembly members interviewed in October 2002, the NA is a young institution with limited operational funds. “We are still finding our way,” said one. The Assembly has sent people to study parliamentary and legislation procedures, and hired an international advisor. NA members stressed the need for further training in English, Internet access and library use, exposure to other parliamentary systems, and the setting up of an in-house training unit. The Gopalan Report on the National Assembly contends that such exposure and training for NA members and staff could inspire the formation of new committees and studies on empowering women in government, clarifying the legal framework for civil society, and improving oversight processes of State-owned Enterprises.<sup>33</sup>

In the Second Ordinary Session (October 2002) members considered ten laws and passed two. Until now, Lao central ministry staff and externally hired consultants have drafted most laws of the 47 laws enacted by the NA. Over the next five years, NA members will consider 31 new laws and improve 17 old laws (listed in Annex 3).

While the legislative list is commendable, gaps remain. For example, private citizens often mentioned to our Study Team the need (in their mind) for the NA to set the legal frameworks on establishing non-governmental organizations and on publishing private materials.<sup>34</sup> For drafting such laws, the NA may need to consult the private sector directly. This action, in turn, could open up for the first time citizens’ involvement in drafting legislation, thereby inspiring citizens’ interest in the rule of law and in the National Assembly.

Since 2002, NA members have also monitored law enforcement and actively urged constituents to abide by the laws.

Recent changes in the National Assembly make-up are revealing (Figure 2). From the 4<sup>th</sup> Legislature (elected in 1997) to the 5<sup>th</sup> (elected on 24 February 2002), the National Assembly has increased from 99 to 109 members. In the 2002 election, 166 candidates ran for the 109 seats. According to current NA statistics, all elected members are Party members except one. A comparison of the 1997 and 2002 elections show some significant changes. Women continued to increase in numbers and percentages. Of the 34 women candidates in the election, 74% won, as compared to 64% among the male candidates. The number of representatives from Lao-Tai language groups increased substantially, with the reverse happening for Mon-Khmer speaking groups. The education levels, and therefore the ability to enter into government work of Mon-Khmer ethnic groups remains an area of concern.

NA candidates are chosen according to standards set by the National Election Committee. There is a quota of candidates nominated by central level, sectors and provinces. All citizens are required to vote. Consultations found that people do not always know for what or for whom they are voting.

Today, most legislative members also hold dual administrative and legislative duties, according to a senior GPACS official. Originally the

<sup>34</sup> In many countries, such laws are not needed. However, in the Lao PDR, the decades of constraints on privately publishing materials and on establishing non-governmental private institutions have made citizens overly cautious about taking such actions without the “security of law.”

desired practice was a separation of administrative and legislative tasks. However, as a senior DPACS official explained, “the people nominated and selected these Administration personnel and we must follow what the people have chosen.”

In his report on the National Assembly, Indian parliamentary specialist Gopalan suggests that the dual administrative-legislative roles of many members create cohesion. “The inter-institutional relationship in the system of governance is one of convergence and interpersonal relationship among the players in different institutions.”<sup>35</sup> For example, the President of the 5<sup>th</sup> Legislature noted in his closing remarks “the success of these sessions reflects the unity prevailing among the members of the National Assembly and their acceptance of the Party policy of restructuring.”<sup>36</sup>

**Figure 2 National Assembly by Gender and Ethnicity<sup>37</sup>**

	1997	2002	Women in 1997	Women in 2002
Total members	99	109	21 (21%)	25 (23%)
Lowland Lao ( <i>Lao Lum</i> , Lao Tai speakers))	64 (65%)	88 (81%)		21
Midland Lao ( <i>Lao Theung</i> , Mon-Khmer speakers)	26 (26%)	19 (17%)		3
Highland Lao ( <i>Lao Sung</i> , Hmong, Mien, Tibeto-Burmanese speakers)	9 (9%)	9 (8%)		1

*Source: NA Ethnic Minority Committee, October 2002.*

Privately, some Lao interviewees raised questions about the dual administrative-legislative tasks of many NA members. Is the system compromising the principle of separation of powers? For those with senior administrative functions, such as Ministers, Governors, and division heads, is this creating work overload? Does this system restrict citizens’ opportunities to hold positions of authority? Except for the Gopalan report, the study team found a lack of published information on the dual roles issue, indicating a possible area for further study.

Private interviews and village consultations also suggested that many citizens probably do not yet understand the role of the Assembly as the legislative branch of government. From random discussions with Vientiane citizens during the two-week session of the 5<sup>th</sup> Session, the Study Team found very few residents had followed the debates, even though they were televised each evening.

During many of the village consultations, someone in the group usually made a positive reference to the new branch office of his or her National Assembly member. Offices for NA members have been opened in all of the eighteen provinces and in some districts with local staffs present. After each session, members reportedly “go back to their dis-

<sup>35</sup> Ibid., p. 56–57.

<sup>36</sup> Vientiane Times, 15 October 2002, p. 1.

<sup>37</sup> According to members of the NA’s Ethnic Minority Committee, NA members will be identified in the future by their precise ethnic group name, rather than by the three broad categories. The change reflects the government’s policy to use precise ethnic identifications.

tracts and provinces to explain to the people what was done, collect feedback and get new ideas” according to one interviewed NA member. In one village consultation, people mentioned about their NA representative reporting back to them. Some private citizens noted, however, that many NA members of rural areas (about 40% of all members according to one source) do not reside within their constituent area. As a result, these sources claimed that some members have only a peripheral and occasional connection to their constituency. According to both village consultations and interviews, constituents often call upon NA members frequently to mediate individual and local conflicts, both civil and sometimes criminal cases. This informal role emerges out of a long-standing customary practice and perhaps past gaps in the judicial system. Some NA members have even been known to pressure other national branches of government to change procedures and court decisions. As judicial and regulatory processes are strengthened, this NA practice appears to be creating conflicts in governance.<sup>38</sup>

### 3.5 Judiciary: the Court

In reality, the Lao judiciary branch is only a little more than a decade old. The number of qualified staff, facilities and judges remain inadequate.<sup>39</sup> Institutional development will take much more time and nurturing. While some people referred to local district courts during village consultations, most people seemed confused about separation of powers of the legislative, executive, and judicial branches. Some wanted National Assembly members to help them on judicial decisions. When asked if anyone had used the district court system, most people indicated that problems should be settled in the privacy of the village. A deeper and more difficult problem centers on citizens’ awareness about laws and utilization of the Lao legal system. According to Samane Souvannasao, Vice-Chairman of the Law Committee of the National Assembly, “Production of laws is important but the campaigning and bringing the laws into social life are more important.”<sup>40</sup> District officials repeatedly told the Study Team that public awareness about the legal system varies widely and depends greatly on whether funds for legal education and legal advocacy have impacted on their area.

Language is another barrier, according to the Lao Women’s Union personnel. Ethnic groups whose mother tongue languages are not Lao-Tai based have difficulty understanding legal concepts and terms for which they have no words.

Those who know the laws best are the ones who are most often breaking the laws.

– Comment of a National Assembly Representative, 12/10/02, as reported on Lao Radio.

<sup>38</sup> Interviews with NA members and officials in the legal community, October 2002..

<sup>39</sup> Gopalan, p. 55.

<sup>40</sup> Vientiane Times, August 16–19, 2002.



Privately, Vientiane urban residents interviewed during this study raised concerns about cases of judicial inequity. These incidents seemingly grate heavily on the strong cultural sense of fairness rather than the illegality of the action itself.

### 3.5.1 *Community Conflict Resolution Committees*

For centuries most villages have had informal Councils of Elders (*nayo hom ban*) who help to resolve civil disputes within the village. Depending on the ethnic group, women could be involved. The types of mediation include land disputes, marital disputes and petty crimes. Serious criminal acts remain the responsibility of higher district and provincial courts.

In 1993 in the Decree on Village Administration (PM/102) the traditional Elders' Council was formalized into Conflict Resolution Committees (*khai khia*). However, in practice, the formal *khai khia* system seems to have begun to emerge within village operations during the last few years, after the Ministry of Justice issued instructions on the functions of the *khai khia*. The *khai khia* is supposed to help solve problems within the village. If people are not happy with the *khai khia*'s decision, the case can go to the Elders' Council, the Village Committee or even to the district court.

All ethnic groups involved in the consultations welcomed the *khai khia* concept. Several villages mentioned that younger and more educated persons are now involved in the *khai khia*. Several villages told us about their elections in early 2002 of seven or so persons for the *khai khia*. It is too soon to judge how the system will work, but upon first glance it appears suitable, pragmatic and efficient given the country's few legal specialists. Furthermore, it adds rather naturally an aspect of electoral process onto a traditional concept. Finally, this Para-judicial system may relieve the lower courts of time-consuming civil complaints.

One Katu village, for example, told our team about a tax and price dispute between a coffee buyer and the village growers. Five years ago, they first discussed the problem within the village. Then, the unsatisfied grower brought the matter to the district court. Village leaders have been summoned two times already for district court hearings. So far, there is no resolution.

### 3.5.2 *Police and Regulators*

The findings of a 1998 Sector Workshop on Heavy Transport Regulations are illustrative of the legal enforcement issues faced by police and regulators in general. The consensus of the inter-ministerial meeting was that:

- 1) There was a general lack of knowledge or even awareness of the issues.
- 2) Regulations were ambiguous and conflicting, and not clearly understood by regulators, police or industry.
- 3) Police authority was undermined by 'special exceptions' granted by transport authorities.
- 4) There was insufficient co-ordination among concerned departments.<sup>41</sup>

<sup>41</sup> Golden Valley, ADAF-HTR Feasibility Study, Heavy Transport Programme, Final Report, p.4.



Subsequently, the Vientiane Pilot Enforcement Project of the Heavy Transport Programme found that when police and regulators train together and work as a team, enforcement could be effective.<sup>42</sup>

According to interviews with senior police officials, the enforcement sector continues to receive only limited external assistance for equipment and advisory support, compared to other sectors of government. Most assistance focuses on drug control, customs and urban traffic control. Other areas of policing, such as tourism, criminal investigations, customs, and prison management continue to lack external assistance.

### 3.6 Audits and Inspections

As Sida has requested a separate study on financial management and accountability, this study did not spend time on this subject. Our peripheral findings concur with the sense of that report. The Study Team especially agrees that if requested by the GOL, Sida should consider providing assistance on drafting legislation to combat corruption. The study team did not have time to investigate provincial and district level audits and inspections, which Sida might consider studying in the future.

The latest budget and expenditure information includes disclosures related to the military and police.<sup>43</sup> The disclosures show progress, as in 2001, the PER noted that such information was excluded from national disclosures. Several senior Party-state officials indicated privately that the GOL was about to take some serious actions on certain management problems. The following issues were mentioned: termination of the non-transparent activities of some State-owned Enterprises (SOEs); stopping provinces and districts from making unapproved budget expenditures; and serious enforcement of regulations on protected forest areas. All of these could help state revenues grow.

### 3.7 Lao PDR within ASEAN

By being a member of ASEAN, “the Lao PDR would be transformed from a landlocked country into a land linked or transit nation.” — A Lao official

[*Vientiane Times*, 13–15 August 2002].

Joining the Association of Southeast Asian Nations (ASEAN) marked the Lao PDR’s first major regional relationship. A Lao official working on ASEAN relations noted that participation in the regional cooperation programs is stimulating democratic processes through exposure and education. Here are examples he provided.

- ASEAN makes Lao aware of international issues as between one to twenty Lao participate on average in 350 meetings per year (430 meetings in 2001).
- Due to ASEAN membership Laos established Internet access and expanded and improved English capacity and computer use. Since 1997 more people speak English and have attained computer knowledge.

<sup>42</sup> Ibid., p. 2.

<sup>43</sup> Ministry of Finance, Official Gazette, Special Issue: State Budget Implementation Report FY 2000–2001, State Budget Plan FY 2001–2002. Hereafter, called GOL State Budget.

- Lao PDR hosts more international meetings. Four ASEAN meetings were held in 2002 in Laos including ministerial level meeting. Also provincial meetings were organized to disseminate information on ASEAN.
- Lao ASEAN staff has given lectures to government departments, the military, the Party political school, and the Institute of Foreign Affairs.
- Laos has established a National ASEAN secretariat and is a member of related groups such as the ASEAN-Japan Promotional Center in Tokyo.
- GPAR regional officials have an annual gathering and other meetings on civil service.
- Lao journalists learn from the information and culture committee. Lao media broadcasts ASEAN “Current Affairs Weekly” on television and radio and prints regional articles in its newspapers.
- Lao participate in ASEAN functional committees on drugs, medicine, culture and information/media, environment, social development, information technology and civil service reform. As a result, Laos has set up new associations for scientists, law, retirement and heart problem, and soon a medical association.
- ASEAN specialized agencies (i.e., agricultural research, public administration reform, education) have provided overseas training and education for a few Lao government employees, which favorably impacted on their professional skills.

### **3.8 Summary on the Context of Governance**

The political will on Decentralization is in place. The pace and scope of Decentralization, however, are being adjusted. Districts especially want the speed, manner and depth of Decentralization to be tailored to local capacity.

Fiscal Decentralization and tax collection are the most difficult and troublesome challenges ahead. While provinces and districts welcome increased budget and planning authority, they recognize their inadequacies of meeting the requirements. Especially at the district level, administration training will need to be strengthened and intensified.

Overall, Decentralization has decidedly boosted sub-national enthusiasm and confidence and sparked a sense of self-reliance. Indeed, districts especially are wholeheartedly welcoming the expanded authority and opportunities. However, there is not much evidence yet that Decentralization has broadened decision-making authority beyond the Party’s appointees.

Few communities have attained the capacity to make their own development plans and to implement them, as called for in PM/01. As key authorities on tax collection, village leaders may face conflicts of interests in the future.

Demographic shifts are occurring in rural and urban areas. The emergence of village cluster zones, more small towns and expanding municipalities will affect Governance and Decentralization.

Women seem to have more opportunities to attain leadership positions within elected governing institutions than within non-elected ones.

At the same time, community development projects are often broadening the make-up of local leadership and decentralizing technical responsibilities.

The role of the National Assembly is emerging, however, representatives often hold dual administrative and legislative positions and their oversight roles too often go to the micro-level. Members are younger and more educated than a decade ago.

In the judiciary branch, the move to formalize para-judicial bodies traditionally existing in communities in Community Resolution Committees appears practical and efficient. In some villages, committee members are elected.

The general public makes little distinction between the State and Party, despite attempts by the central government to make the separation and eliminate duplicative institutions. The Party is actively monitoring Decentralization efforts. The Party is calling for increased efforts on research by locally formed institutes. The Party is calling for macro-targets to match local conditions and the reality in the highly diverse socio-economic situations.

Without a clear Lao-led strategy on administrative reform, Decentralization could run the risk of becoming haphazard and externally driven by foreign assistance. Institutions, such as DPACS, which seems quite capable of meeting the challenge, will need long-term and consistent coaching and support. Outside agencies can assist DPACS to 1) create a PAR strategy and framework, 2) learn how to conduct regional and national participatory consultations, 3) set up a participatory training process for districts, and 4) compile case studies of best practices in district and village administration.

# 4. Progress and Challenges in Good Governance

This section analyzes where public sector management and good governance have made progress and where challenges remain.

## 4.1 Strategy and Planning: Moving towards a Lao-led Process?

In Laos the process of creating national strategies and plans and the building of ownership in the product are as critical as the contents.

*– An international organization representative*

For several decades, national and local planning has been largely reactive to the incoming supply of external resources, rather than based on local demands. During the last five years, Lao officials at senior levels are exhibiting increasing confidence and proactive attitudes towards creating Lao-led strategies and planning. During the consultations, Lao officials made constant appeals for increased training and involvement on setting strategies, program planning, and project designing, as part of building administrative capacities. Here is a sampling of local officials' comments.

- Development planning is best when those who will benefit from projects are the designers and planners, not outsiders.
- Advisors should help us with on-the-job training, especially during planning exercises, not writing long foreign-language reports, which we cannot read.
- We want advisors to guide us, not do it for us. Eventually, we need to take over the planning and implementation ourselves, so they can go home.

Long-term observers point especially to the progress made within the Committee for Planning and Cooperation, and its provincial offices.

There is a tendency for donors to do what everyone else does. That's why the government needs help in telling them not to logjam the system. Otherwise they create serious absorption and capacity problems. Take, for instance, what has happened within the education sector right now – there is an overload. That's why government strategies are crucial, for setting out clearly the sector parameters.

— A senior donor agency official

Despite this positive changing attitude, most sectors, regions and provinces continue to need clear, Lao-owned strategies. Without them, the processes of development and reform will continue to be haphazard, un-integrated, incomprehensive, and doomed to external control. (Below are four notable exceptions.)

For creating Lao-led strategies, two parallel actions could be considered. 1) Foreign support agencies could provide more time and support for Lao policy-makers and planners to write up their own strategies (rather than hiring outside consultants to do it for the GOL.) 2) The GOL could request training, time and support for creating strategies before beginning costly projects.

#### *Four Examples of Creating National Sector Strategies the Lao Way*

##### *– Water Supply for Small Towns and Multi-Village Clusters*

Water supply and sanitation to small towns and multi-village clusters was falling through administrative cracks. In 2001, the five government water-supply agencies (Water Supply Authority, Department of Housing and Urban Planning, Urban Research Institute, Nampapa and Nam Saat) began collaborating on making a strategy and policy framework. Supported by the World Bank's Water and Sanitation Program, the joint Lao-led effort conducted desk research, a National Consultation Workshop, and a four-town case study using the Methodology for Participatory Assessment. From their joint actions, they constructed a situation analysis, including recommendations for a policy framework and for strengthening their institutions.

The two-year collaboration process has alerted these institutions about the benefits of community participation in decision-making, users' making choices based on willingness and ability to pay, training staff in participatory approaches, recording and addressing consumer complaints and opinions. Prior to this process only Nam Saat had experience with participatory processes and creating frameworks and strategies. Now all of these institutions have been introduced to these concepts. Overall, the process has strengthened GOL's influence and leadership on donor projects in small towns and multi-village clusters.

##### *– National Environmental Strategy*

In 2002 the Science Technology and Environment Agency (STEA) began coordinating the writing of the country's first National Strategy Action Plan on Biodiversity. Sixty Lao from a variety of ministries, working in 10 specialty groups, were commissioned to research and write sections on their specialties. A UNDP advisor, funded by DANIDA, guided the process, provided training on researching and writing, and helped with editing the content. It is the first time Lao have actually researched and written such a document. The process, although lengthy and time-consuming, received high appreciation from the Lao writers as a learning experience and a confidence-building exercise. Furthermore, the process encouraged the formation of the Environmental Inter-Ministerial Group.

– *NAFRI's Medium-term Research Plan 2000–05*

In 1999 the National Agriculture and Forestry Research Institute (NAFRI) of the Ministry of Agriculture and Forestry was established. As its first step, a group of Lao officials wrote in Lao a five-year plan, which was shared with donors in English. Although its prose is not perfect, it remains the key strategy reference for working with NAFRI. Recently, with Sida support, this document was used as the policy framework for preparing the NAFRI Human Resource Development Strategy 2003–2010. By comparison, a decade ago, the country's first master plan on agriculture and forestry was drafted in English by foreign advisors at a sizeable cost. Today few Lao even know about the document.

– *Integrated Upland Agriculture Research Project (IUARP)*

NAFRI requested major donor agencies working on agriculture and forestry research in Luang Prabang to collaborate in villages in Ou District and designed a research plan to do so. After two years, at the farm level the effort seems very promising. The Lao research team has amalgamated the expertise of the five donor agencies to mesh with MAF's ongoing research activities in 45 sites.

## 4.2 Strengthening Civil Service Management

Primary for human resource development is the reform of civil service management. After many years of delay, positive actions on personnel management may be signals for serious reform. 1) Personnel management has moved from the Party's domain to the DPACS in 2001. 2) A review of the salary-scale is underway. 3) A new performance evaluation system is being created. If achieved, these could improve professionalism in public service. A study to track progress on these movements would be useful in the near future.

Civil service ranks include teachers, health workers, administrators, judiciary personnel, and "civil servants appointed to party and mass organizations."<sup>44</sup> As they are classified as "state employees," DPACS has authority to monitor their numbers.

Eighty-two percent of the civil service is under 40 years of age. The majority of civil servants work at provincial and district levels.<sup>45</sup> A statistical breakdown of civil servants by ethnicity is unavailable, according to DPACS. Such information would be helpful for those institutions addressing poverty reduction issues in rural areas where specific cultural and linguistic skills are needed. Overall representation of women in government remains low, according to a 1999 Lao Women's Union study.<sup>46</sup> The national level (6.2%) is higher than provincial (2.1%) and local levels (1.5%). Most women continue to work in education and health. In the provinces and districts visited by the Study Team, authorities reported that the number of women and the number of non-Lao-Tai ethnic peoples holding senior and middle level government positions remains low.

To get around quotas on the numbers of permanent employees, the common practice in most government institutions is to recruit directly

<sup>44</sup> UNDP, *Facts about the Country*, p. 3

<sup>45</sup> *Ibid.*

<sup>46</sup> As quoted in UNDP, *Human Development Report for the Lao PDR – 2001*, p.22.

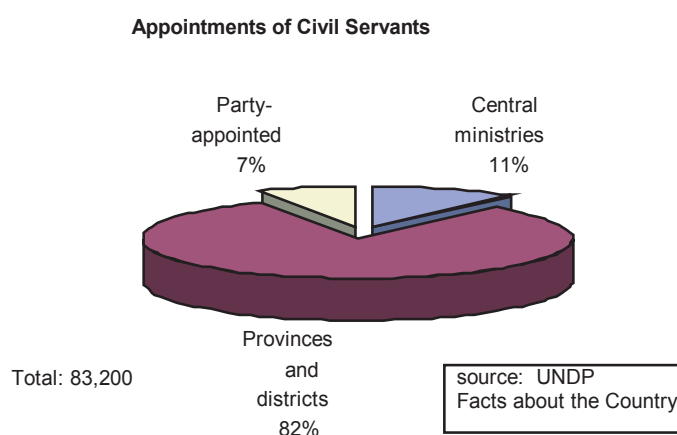
temporary employees usually using donor funds. Generally, these “contracted staff” (*sanyachang*) are often young and recent graduates of university. Some become permanent staff after a few years. In NAFRI, for example, one specialist working with NAFRI estimates about 20% of the workforce are *sanyachang*, and do not appear on the official ministry payroll and statistics.

About one-half of government-paid employees are not part of civil service statistics.<sup>47</sup> According to DPACS officials, military, police forces, workers in state-owned enterprises, and contract workers, all totaling about 80,000, are paid as civil servants. Their wage scales are different from civil servants. Statistics on these segments of government-paid personnel are not available, claimed DPACS officials. In addition, village officials, although paid a small monthly stipend, are not considered civil servants.

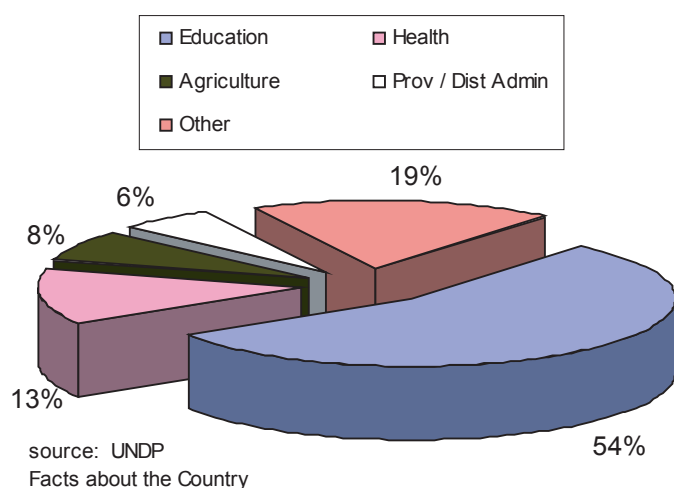
One area that remains weak is the collection of comprehensive and accurate public personnel data. Without such information, tasks such as managing human resources, setting long-term strategies, assessing gender equity and ethnic involvement, and determining institutional improvements are blinded.

In 1998, there were 83,200 civil servants, indicating an increase of about 11,000 persons since 1995.<sup>48</sup> Eighty-two percent of all civil servants are ministerial staff working in provinces and districts, 11% work in central ministries, and 7% are party-appointed staff with central party organizations (including mass organizations) and with the offices of provincial and district governors (Figure 3). About 54% work in education, 13% in health, 8% in agriculture and 6% in province and district administration (Figure 4).

The UNDP's *National Human Development Report, Lao PDR – 2001* provides the figure 91, 422 civil servants.



**Figure 3 Appointment of Civil Servants by Level**



**Figure 4 Percent of Civil Servants in Sectors**

The apparent size and cost of the civil service continues to be somewhat deceptive, as master personnel lists and procedures for removing former employees remain unsolved issues. Some interviewees speculate that there still are “ghost workers.”

On civil service matters, consultation groups confirmed what reports produced by GPAR, ADB, WB and UNDP reports have indicated.

- Among older persons, civil service jobs are still considered respectable and desirable, despite the low wages; among youth, few are interested. The teaching profession especially suffers as few who graduate from teacher training colleges remain in the profession.
- Most administrators rarely have professional administrative credentials, only practical learning-by-doing experience.
- The overall make-up of the administrative parts of the civil service core is not professionally well rounded. There are too few with professional training and skills in business, law, management, social work, economics and political science. Most administrators were formerly in teaching, medical science and technical vocations. This is natural to some degree as the focus of local education in 1960–70’s was largely on the latter sectors.
- Civil servants have good ideas about what personnel management training would be useful but few training opportunities: balancing work assignments, setting job descriptions, conducting personnel performance reviews, and setting Codes of Professional Behavior. (INGOs have begun useful personnel management models that they are willing to share with government offices.)
- Although government policies markedly favor the advancement of women, overall participation of women in government functions remains low.<sup>49</sup> Few women hold high managerial positions in government.<sup>50</sup> A few sectors in government<sup>51</sup> indicate they are hiring and

<sup>47</sup> ADB, Key Governance Issues in Lao PDR, p. 26.

<sup>48</sup> UNDP, Facts about the Country, p. 3.

<sup>49</sup> UNDP, Human Development Report for the Lao PDR – 2001, p.22. Hereafter cited as HDR Report.

<sup>50</sup> Ibid.

<sup>51</sup> For example, Nam Saat and STEA.



promoting women. No government institution tracks affirmative actions and their consequences, according to DPACS.

- Transparency on hiring, transfers and promotions remains obtuse. Especially at the province and district levels, senior staffs wield much authority, which easily opens occasions for nepotism and patronage.
- Most Lao talk simplistically about “a lack of personnel.” When probed, they are usually referring to limited qualified personnel. The problem is not numbers, but quality performance, which can only be solved with improved personnel management and incentives.
- Interviewed civil servants claimed job mobility into decision-making positions requires Party membership as well as technical competence.

### 4.3 Inadequate Government Salary Structure

Everybody – civil servants at all levels, DPACS authority, the National Assembly, the general public and the donor community — recognizes civil servant salaries are too low. *Compared to the post-1975 era, the country’s most difficult economic years, civil servants interviewed privately claim the purchasing power of their salaries has remained the same.*

To illustrate this point, the Study Team asked three high school teachers in Vientiane how their government wages and subsidies have changed over the past 22 years (Figure 5). In 1980 they received the kip equivalent of US \$10 and roughly US\$ 15 in subsidized utilities and consumables. From the mid-1980’s to the mid-1990’s the cash wage rose gradually to the kip equivalent of US \$50, while subsidies disappeared. Income tax was introduced during this period. As a result of the 1997 Asian Economic Crisis, the kip purchasing value of these high school teachers’ wage level plunged down to US\$18. Gradually, the kip amount of their wages rose to 250,000 kip, giving them a kip equivalent of about US\$ 25 in 2002. If compared to 1980, when they received cash and subsidies valued at that time at about \$25, their total purchasing power remains the same.

**Figure 5 Changes in High School Teachers’ Wages 1980–2002**

<b>Year</b>	<b>Monthly Cash Payment</b> (Real value exchanged in US\$)	<b>Monthly Value of Subsidies</b> (Real value exchanged in US\$)
1980	US\$10 (tax exempt)	\$15 value (rice, electricity, water, free housing for some, meat, sugar, and many consumables)
1986	US\$20 (tax exempt)	\$5 (water, electricity, free housing for some)
1991	US\$50 (taxed)	None
1998	US\$18 (taxed)	None
2002	US\$ 25 (taxed)	None

*Source: Interviews with 3 Vientiane high school teachers*

The information above fits with the PER's claim that the education sector suffered deep cuts in recurrent expenditures as a result of the Asian Economic Crisis. In real terms, teachers' wages decreased by almost two-thirds between 1996 and 1998. In addition, in many areas salary payments have fallen three to six months in arrears. As a result, enrollment in teacher training schools has dropped sharply and increasingly graduates are seeking other careers.<sup>52</sup>

Lao interviewees also agree that many constraints working against good governance stem from the untenable civil service wage structure.

- 1) It saps drastically personnel motivation, morale, and quality and quantity of work outputs, thereby setting up an inefficient and ineffective human resource system.
- 2) It creates a negative public attitude and level of trust towards public service and in many civil servants.
- 3) It works against anti-corruption measures, as inadequate pay forces some good people to compromise their high values. (See 4.6.)

"The government pretends to pay us. We pretend to work."

— a contemporary Lao joke

On the positive side, DPACS officials expect salaries to rise next year by another 30% from 250,000 to 325,000 kip (US\$25 to US\$ 32.50). Indeed, several DPACS staff contend that the Prime Minister is seeking ways to increase the wage to 400,000 kip (US\$ 40).

After decades of inadequate wage structures, the meaning of "salary" as a means to meet one's daily cost of living and provide future revenues for security has been distorted.

My family does not live on my salary. We regard it as a bonus, every 3 to 6 months, not as a means of support. That is why everyone has extra-curricular jobs – farming, family businesses, renting houses, trade, sideline consultancy work. Otherwise, we would starve. All of this extra work eats away time and energy from our government work, compromising quality and sometimes good work habits."

— a Lao senior official

The Study Team repeatedly found civil servants reluctant to talk in public about the low wage problem. When asked in private, civil servants commonly answer, "No courage to speak up. (*Bo mee khahan vow.*)" This phrase usually signals that superiors would consider it "inappropriate" to raise publicly a financial issue for which they have no solution. Perhaps this also shows the cultural tendency of "not discussing family finances in public."

This inertia on addressing the wage problem seems deep and obviously needs central level action. For example, when Decentralization gave districts the authority to manage salaries and payments directly,

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<sup>52</sup> PER, Vol 1, p. 14.

DPACS officials claimed that most districts did not take the initiative to improve wage payments, but simply increased local capital expenditures. In other words, districts did not have the confidence to move away from the centrally fixed salary scale and may need more guidance on this matter.

As a result, DPACS is now proposing to the Prime Minister's office a scaled salary system (*lapob det than*) based upon responsibility and remoteness of the duty station. At the same time, DPACS wants to institute a personnel management system with disciplinary measures and personnel reviews. These moves would be in line with recommendations of the PER, recent HRD studies, and all comments we heard from the donor community.

Many people come back from study and quit— permanently or quit for 2–4 years. The main reason is salary. If we do not implement increases in pay, we will never get people to work in remote areas, which is required to reduce poverty.

— a Health Ministry official

Some donors are reluctant to take actions to help Lao counterparts, stating that it is not their responsibility to interfere with government salary matters. They hold that subsidizing salaries in the context of a particular project becomes an unsustainable practice, creates disunity, and sets up inequitable incentive patterns, usually favoring the educated and better off. Other donor agencies try to mitigate the negative impacts of low salaries on staff performance by providing temporary incentives. Donor approaches and amounts vary widely, causing far too much confusion, inter-agency squabbling and time loss. The Study Team heard about:

- Paying “top-ups” to government wages for key GOL counterparts, in some cases 10 to 50 times the normal government salary;
- Paying added per diem rates for travel to project sites within a staff's normal work assignments;
- Paying GOL “liaison officers” a special stipend in order to ensure that they stay with the government;
- Hiring government staff for translation of documents instead of having them translated by private translating enterprises;
- Increasing beyond necessary the number of trainings, workshops and study tours abroad to increase *per diem* opportunities;
- Paying a “Per Diem” to government participants to workshops and training courses, even when the event takes place in their own workplace and even when free meals are provided. (In order to ensure a minimum level of attendance, some donors require registration in the morning and afternoon.)

While all of these procedures are legal, they do raise good governance questions. 1) Is the allegiance of GOL employees being compromised? 2) Are donors merely perpetuating the inertia of the salary problem, or as

one senior international representative suggested, “Are we making a rotten apple more rotten?” 3) In the long-term, are these temporary measures fostering sustainable governance mechanisms, especially in personnel management? 4) Are donor-supported projects vying unfairly for limited human resources, at the expense of normal government activities? 5) Most critically, are these types of incentives only assisting a small privileged core that are connected to externally-supported projects and programs, while the majority of ordinary civil servant go without?

Overall, the Study Team found the donor community concerned about the dilemma, but unable or unwilling to assist the GOL to find viable internal solutions. Many donors are genuinely concerned about the salary/ per diem/ foreign dependency quagmire, but claim the matter is “the Government’s business, not ours.” Perhaps, this is the reason why the Study Team found hardly any advisory reports addressing the issue of civil service wage reform.

*In the opinion of the Study Team, the donor community should not continue to overload the limited civil service capacity with projects upon projects, without providing advisory support on wage reforms.* Some Lao and international observers believe part of the solution may lie in restructuring the budget, discussed in the next section.

#### 4.4 Setting National Budget Priorities

During the consultations, the Study Team found only a few civil servants in finance and planning sections with knowledge about the National Budget and Expenditures. The Team found that most private citizens continue to believe the information is “secret” and unavailable to them.

In fact, the GOL published the national budget and expenditures for the first time in 1997. Subsequently, the publishing process was stopped apparently due to the Asian Financial Crisis. In 2001, the Finance Ministry resumed the practice. The latest budget and expenditure information was published in March 2002 in Lao and English in the *Official Gazette*.<sup>53</sup> The information includes data on all Ministries, including Defence and Security (formerly Interior) and breakdowns by provinces. All of these actions are regarded as positive steps. (See Figure 6.)

##### Accessibility of Budget and Expenditure Documents

To assess public access to documents on the national budget and expenditures, the Lao team member spent one morning calling appropriate persons in the Ministry of Finance, the Committee for Planning and Cooperation, the National Library, the Department of Public Administration and Reform, and offices of several local newspapers. She asked if she could have a copy of the latest documents. At best, she was told to write a letter making a request and that the process “would take many weeks.” At worse, she was told such information is “secret” and unavailable. Several Lao media sources said the documents were open and that they had published parts of them, but they had no way to retrieve easily the back issues.

On the same morning, while visiting a government office, a Lao official handed the latest budget and expenditures documents to one of the foreign team members, without any formal request.

<sup>53</sup> GOL State Budget

Nevertheless, most mid-level officials and citizens told the Study Team that information about national budget plans and expenditures is difficult to access or secret. Central mid-level government personnel told us repeatedly that defence and security budgets were unpublished.

As a result of the public's limited knowledge about the national budget and expenditures, the remainder of information in this section was gathered from interviews with the donor community, the PER and the GOL's State Budget published in March 2002.

- Lao *overall public expenditures* are about 20% of Gross Domestic Product (GDP), comparable to Viet Nam's and a bit higher than in Thailand.<sup>54</sup> The country's public expenditures will likely remain dependent on donor funding for some time. Currently about 9% of GDP is from foreign assistance.
- *Capital investments* (local and foreign) are high (57% of the budget plan) and recurrent costs (salaries and administration items) are too little (29%). When compared to Thailand and Viet Nam, the composition of Laos' expenditures is quite different. For example, in Thailand capital spending was just 36%, and in Viet Nam 29%.<sup>55</sup>
- *Lao wages* are substantially lower than in other countries, even as a share of per capita GDP. In 1998–99, wages plummeted from 25% of the national budget to only 10%, and has yet to recover (Figure 6). This sharp contraction, states the PER<sup>56</sup>, “represents the combined effects of an arrears buildup and erosion of real values by inflation. As a short-term phenomenon the effects of such a contraction might be reversible and would not have a lasting impact. But it is *now entering its fourth year and despite recent nominal wage increases, it is having real effect on public service delivery and quality.*” (Emphasis is ours.) Regarding the diversion of funds earmarked for wages into other activities, the treasury, according to an IMF official, is trying to improve the situation.
- The IMF sees three areas needing *budget realignment*: (i) wages, (ii) operations and maintenance, and (iii) capital expenditures.<sup>57</sup>
- *Revenue collection* at 10.6% of GDP in 1998–99 was among the lowest in the region. However, revenue was budgeted to increase to 13.2% in 1999–00, and 15.2% in 2000–01.<sup>58</sup>
- *Provincial and district planning skills* vary greatly, which is why expenditures are not always linked to budget lines. Also, the convergence of district plans and sector plans with those of the provinces is inconsistent.
- *Unapproved budget spending* by provinces and districts appears to be a constant and serious problem, according to DPACS and the IMF. Both told the Study Team that payments for capital investments often take precedent over payments for civil servants' wages. On the other hand, province officials often double their budget requests, knowing that the central level will cut them by half. (Privately, the Study Team heard these same types of comments at the province and district levels, as well.) The PER points out that there are significant unap-

<sup>54</sup> PER, Vol. 1, p.11.

<sup>55</sup> Ibid.

<sup>56</sup> Ibid., Vol. 2, p. 2.

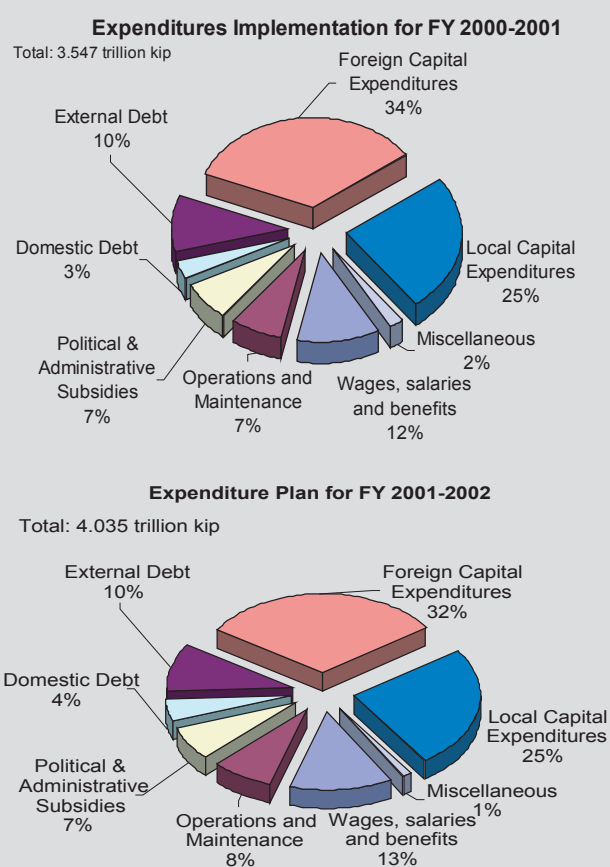
<sup>57</sup> Interview with IMF staff.

<sup>58</sup> Ibid., Vol 2, p. 21. Informally international economists say these targets were not reached.

proved funds and expenditures that are not publicly disclosed, hindering transparency.<sup>59</sup>

- Roughly 43% of the *national budget expenditure plan* in FY 2001–02 was allotted to the provinces, about a 7% increase over the previous year. This increase may be a result of Decentralization. The PER claims there is a serious shortcoming in the reporting on provincial spending by sector or function.<sup>60</sup>
- While 80% of *civil servants* work at sub-national levels, only 43% of the budget for wages, salaries and benefits was allotted to those levels in the

**Figure 6 Expenditures FY 2000–01; Expenditure Plan FY 2001–02**



A close look at the charts for FY 2000–01 and FY 2001–02 shows that Foreign Capital Expenditures goes down by 2 percent, allowing Wages, Salaries and Benefits and Operation and Maintenance to increase by 1 percent each. These small changes are in the right direction. However, local capital expenditures at 25% remained high compared to Laos' neighbours. About 90% of this amount is for "mansions, building and direct constructions." (See section 4.6 for further comment.) Approximately one-half of the foreign debt is with the Russian Federation and it is being renegotiated at this time.

— GOL, *Official Gazette*, 25/3/2002

<sup>59</sup> Ibid., Vol. 2, pp. 2–3.

<sup>60</sup> Ibid., Vol. 2, p. 2.

plan for FY 2001–02. Concentration of wages in the central level may be creating disincentives for Decentralization and hindering the building of local capacity.<sup>61</sup>

- The PER calls for immediate attention on several *budgeting and planning issues* in light of the Decentralization drive: budget control, improved reporting, budget transparency, cash management and expenditure control, adjusting the balance of spending between social and economic sectors and between recurrent and capital spending and reducing fiscal risks and burdens associated with state owned enterprises in the logging and energy sectors.<sup>62</sup>
- The PER also pinpoints some *human resource constraints*, particularly crucial to Laos, that complicate the fiduciary risks of Decentralization. Few have basic accounting skills, few can produce and understand financial statements, and few have interest in accounting. Resources for accounting are lacking. In addition, as stated above, public access to government financial information is limited and effective legislative oversight is not in place.<sup>63</sup>
- The *National Assembly* looks only at the aggregate numbers of proposed budgets, as it does not have the staff, resources and time to examine them in depth at this time.<sup>64</sup> Eventually its oversight function will need to be improved.
- *Cost overruns* usually are within the non-social sectors (finance, agriculture, communications and transport, administration), not the health and education sectors. The PER cited an audit in 1998–99, which indicated that spending in non-social sectors went 260% above the plan, while recurrent spending fell short of the plan.<sup>65</sup>

Several senior government officials during interviews emphasized the need to prioritize requirements and to divide the national budget accordingly. In other words, the *crucial element is not how much one has, but rather how one decides to spend what one has*. The PER recommends similar points for setting a positive fiscal course.<sup>66</sup>

- Spend what you plan.
- Plan what you spend.
- Tell the public what you plan.
- Tell the public what you spend.
- Hold those doing the spending accountable.

## 4.5 Public Revenue Collection

While GOL expenditure level is similar or even bit higher than other countries in the region, *revenue collection ranks much lower than in most of the region* except Cambodia. Revenues in the GOL are 10.6% of GDP, compared to 18.2% in Viet Nam. The worst financial problem for the GOL is that its revenue collection engine is weak.<sup>67</sup>

<sup>61</sup> GOL, State Budget, Vol. 2, p. 112.

<sup>62</sup> PER, Vol. 1, p. 3.

<sup>63</sup> Ibid., Vol. 1, p. 6.

<sup>64</sup> Gopalan, p. 37

<sup>65</sup> PER., Vol. 2, p. 41.

<sup>66</sup> Ibid.

<sup>67</sup> Ibid., Vol. 2, p. 4.



As detailed in the PER<sup>68</sup>, several important revenue mobilization and collection improvements have occurred since 1998 or are expected to occur by FY 2004–05.

- 1) Revenue sources have diversified away from trade taxes and anticipated hydropower royalties toward consumption taxes and direct taxes.
- 2) A Value Added Tax (VAT) reform will be introduced in 2004, in order to collect revenue from large taxpayers. The full VAT will be the single most important source of additional revenue.
- 3) Revenue collections are expected to move from 13.2 percent of GDP in 1999/00 to near 15 percent by FY 2004–05.
- 4) Asian Free Trade Association commitments will reduce custom duties by 2008.
- 5) Timber royalties are predicted to decline from 16 percent of total revenues in 1999/00 to only 5 percent by FY 2004–05. The reduction responds to unsustainable levels of logging and environmental issues.
- 6) Customs collection has improved in some areas.<sup>69</sup> Since 2001, collection in Vientiane Municipality has been linked directly to the Ministry of Finance. In the provinces, customs collections remains less clear as governors have the authority to pay customs officers, who share the revenues with the province, sending only a portion to the Ministry.
- 7) Pilot efforts on special revenues collection systems have begun. (See examples in 4.5.3 on the road taxes and 3.3.4 on the Vientiane UDAA.)

The PER points out an inequity issue on revenue collection. Major enterprises, the largest revenue earners, are not always paying their share of taxes according to the law. Instead, tax officials spend much of their effort pressing tax payments from small shopkeepers and private citizens. The PER calls for *serious and immediate revisions on the priorities on tax collection*.

It's easier to tell cadres to wait than to ask construction companies to do so. The former don't give you anything back, the latter do.

— A provincial official

During consultations, civil servants involved in revenue collection mentioned the above concern, as well as several others, stated below.

- Instead of sending revenues back to the central level, provinces and districts are keeping them for capital expenditures, often outside the budget. This is causing a revenue crisis at the central level.
- Management remains weak on audits, inspections and accounting, and therefore, much training is needed at all levels, but especially at the sub-national ones.

<sup>68</sup> Ibid., Vol. 2, p. 31.

<sup>69</sup> Ibid., Vol. 1., p. 5.



- Revenue collection is based upon desired targets, rather than realistically assessed outcomes.
- Exact tax fees and fine fees are written into laws and this inhibits resetting rate changes for fines and payments, as the value of the kip fluctuates.

The PER also points out that Decentralization has complicated budget preparation and transparency concerns. In particular, the GOL has realized revenues designated for the central level were often being kept at sub-national levels for spending on capital expenditures, sometimes for items outside the budget plan.

#### 4.5.1 *Corporate Governance of State-owned Enterprises*

In the Lao PDR, there are roughly 34 fully state-owned enterprises as well as 8 joint ventures and 59 provincial SOE operations. During consultations, private citizens raised much concern about the operations of State-owned Enterprises (SOEs).<sup>70</sup>

In 2002, GOL officials have begun to comment in the Lao press on the poor systems of corporate governance, accountability, and financial reporting between certain SOEs.

The PER, expressing similar concerns, also pointed out that SOEs are responsible for a large portion of the non-performing loans (NPL) of the state owned commercial banks (SOCBs).<sup>71</sup> They account for about 80 percent of the ten largest NPLs at the biggest bank, BCEL. Revenue collection related to SOCBs and SOEs represent the most serious threat to fiscal sustainability over the medium term, according to the PER. The PER advises the GOL to stop NPL losses and to bring tariffs to cost recovery levels of the SOEs involved in power, aviation, water, transport and telecommunications.<sup>72</sup>

#### 4.5.2 *Forestry SOEs*

The PER claims that logging has become “increasingly independent and secretive without significant monitoring.... Illegal and illicit logging are major governance issues”.<sup>73</sup> The document goes on to allege that forestry royalties as a share of GOL revenues *has decreased from 20 percent in the mid-1990s to 6 percent of tax revenues* and 5 percent of all revenues by 2001. Collection rates are low around 50 percent. Over the last five years the national treasury has realized *only about one-third of the estimated market value of the timber harvested*. In the past, there were problems in accounting for forestry revenues that are reported as collected but not transferred to the national budget.<sup>74</sup> Some of the problems revolved around SOEs previously under the jurisdiction of the Ministry of Defense. In 2002 the GOL began to address these concerns, according to forestry specialists.

Several development specialists, both Lao and foreigners, pointed out how this control over forest revenues by the military and its SOEs denies opportunities for the country’s poorest people to benefit from their local

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<sup>70</sup> Ibid.

<sup>71</sup> Ibid.

<sup>72</sup> Ibid.

<sup>73</sup> Ibid., Vol. 2, p. 114.

<sup>74</sup> Ibid., Vol. 2, p. 113.

resources. Recent research estimates that Village Forestry Management (VFM) could potentially assist up to 1.5 million people living in the poorest zones to raise their incomes and pull themselves out of poverty. VFM has demonstrated success in production, sustainability and revenue generation.<sup>75</sup> In other words, VFM could become a major tool for poverty reduction.

#### *4.5.3 New Road Tax Collection Benefits Operations and Maintenance*

Roughly 55% of the total public investment is devoted to road rehabilitation and extension. The PER attests that over the last decade transport expenditures have cost nearly \$600 million (85% foreign), plus “an uncertain but probably large expenditure financed through forestry concessions.”<sup>76</sup> Road sector expenditures amount to about 7% of GDP, which the PER states is much higher than the regional norm of 2.5%. The report also assesses that “only 40 percent of national network is in good or fair condition;” province and district roads are in much worse condition.<sup>77</sup>

Major revenue losses (likely in the tens of millions) are occurring annually due to early road deterioration caused by minimal maintenance and ineffective enforcement of heavy transport regulations. The twin problems, persistent for several decades, require urgent systematic management, maintenance and enforcement programs. Maintenance of the road network alone costs US\$ 15.5 million annually.<sup>78</sup> The issues become even more complex as Decentralization takes effect, as provincial and district officials claim not to have the capacity and funds to maintain and repair local roads.

Two national efforts have begun. In 1998 to 2000 a research and enforcement training pilot project in Vientiane Municipality addressed the issue of heavy transport overloading and enforcement. Initial surveys showed that in Vientiane town, 85% of the trucks were overloaded, to the extent that roads could be expected to break down in as little as 4–5 years.<sup>79</sup> As a test, the Ministry of Finance authorized a decentralized disbursement of the fine revenue collection. Local enforcement authorities were allowed to keep part of the revenues for equipping enforcement teams (who previously had not one weighing scale or vehicle), training, and overtime staff costs.<sup>80</sup> The Vientiane pilot team went on to train other provinces and districts on their system. On four occasions between June and September 2002 members of the Study Team witnessed heavy transport police enforcement teams weighing trucks along roads. Also, pull-off areas for weighing are now being constructed on all new roads. These all represent positive changes over the past five years.

Second, the Road Maintenance Fund was established in late 2001 through a fuel levy, heavy vehicle surcharges and \$35 million from IDA, Sida and ADB. (See box below.)

While local authorities are likely pleased with the decentralized Fund system, the PER argues that the system runs counter to “best practice”

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<sup>75</sup> Ibid., Vol. 1, p. 23.

<sup>76</sup> Ibid., Vol. 1, p. 26.

<sup>77</sup> Ibid.

<sup>78</sup> Ibid., Vol. 1, pp. 26–27.

<sup>79</sup> Golden Valley, p. 6.

<sup>80</sup> Ibid., p. 3.

principles of public expenditure management. The PER does state that the Fund will “help to allocate maintenance activities in a more effective and efficient manner.”<sup>81</sup>

#### Interview While Paying the Road Tax

The Study Team witnessed tax collection operations all along our travels on major routes. At the Pakkhading Bridge, we spontaneously interviewed collectors as we paid our 2000 kip (US\$0.20) vehicle charge. Several persons (3 Communications and Transport, 1 Finance, 2 Police, and 1 local hire) operate the site 24 hours per day. The attendants present seemed well informed and well trained about the collection system. For this site, the provincial development road construction unit sets up a bank account for depositing the collections. Recurrent costs for repairs can be drawn out after permission is granted by the Ministry of Communication, Transport, Post and Construction. It is a checks and balance system. Without any hesitation, the staff expressed their pleasure with the new process giving several reasons: 1) local authorities do not have to go through the national budget system and National Assembly approval to make ordinary road repairs; 2) the road is being repaired quickly (citing the quick repair during a recent erosion cave-in on the road); 3) the repair and maintenance system becomes sustainable without asking for foreign aid. Without prompting the officers informed us that Sida had helped with the system. They told us that Sida was also providing weighing scales for heavy transport checks along Route 8 and 13.

Back in the car, we ask the privately hired driver what he thought about the road taxes. “Wonderful, as long as they really do keep the roads repaired. I would rather pay 2000 kip for tax than pay 1 million to fix my axles, tires and steering, like before.”

## 4.6 Promotion of Anti-corruption Measures

Those who claim corruption is part of Lao culture are wrong. It has to do with personal values, that's all. Ask any Lao woman. They are the keepers of the culture.

— A Lao woman

Citizens, government officials, and the media claim they can talk more openly about corruption compared to five years ago. For example, several upper-level officials told the study team about attending a September 2002 seminar on the problems of corruption within the World Bank systems and the new policies. The content of the seminar made an impression, as they mentioned these points to us:

- Out of \$20 billion in disbursements, on a global scale, they estimate the loss of 10% to fraud and corruption, including misuse by WB staff employees.
- The Bank will not tolerate corruption in programs it supports and is now taking steps to meet the highest standards of probity.
- Fighting corruption is linked to reducing poverty and improving people's quality of life.

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<sup>81</sup> PER, Vol. 1, p. 27.

- WB will reject proposals, cancel loans, and declare firms ineligible for contracts if corrupt or fraudulent practices are found.
- Staff rules are stricter than before, and the WB has a new investigation unit and confidential hotline system.
- The WB will ask the governments to dismiss employees found to be corrupt, or there will be a suspension of the loan portfolio.

One senior official wants to recommend a Lao version of this seminar for civil servants. The National Assembly is currently considering the drafting of an Anti-Corruption Law. Presumably, mechanisms for investigations and enforcement would also need strengthening.

#### 4.6.1 Citizens' Perceptions about Corruption

The more developed a nation, the more corrupt" (*Pathed chaleun, heng solatsadon*)

— popular Lao saying

Compared to the mid-1990's, the urban press reports more often and more candidly on incidents of corruption and deception, even providing examples of redress. But, little of this information reaches remote rural areas, where few persons seem to know how to address corruption.

##### **Corruption Hurts Poor**

Villagers in one remote poor village told the study team their unusual corruption story. Several years ago two senior village leaders took the community revolving fund (350,000 kip) of the public rice mill and fled the area. Such an incident had never occurred before. No one, even at the district office, had any experience or means of seeking redress. Sadly, in the end, the village women simply had to go back to the tedious pounding of rice by hand as they could not raise the money for mill repairs.

On the other hand, interviews with 24 Lao and international development professionals revealed a growing concern about incidents of pressure for "gifts" in order to get development project documents approved. Several INGOs as well as some international agencies are developing codes of professional behavior, which set the parameters for staff of what is and is not acceptable. For example, accepting the usual 5–10% commissions from businesses is not acceptable in their guidelines, even though some staff claim "it is the custom."

The parameters of the term "corruption" are neither defined by law nor commonly understood by citizens. When our study team asked about certain questionable contemporary practices, citizens had contradictory points of views, as shown in Figure 7 below.

**Figure 7 Perspectives about Questionable Practices**

Common Practice	No problem	Not good practice
Government-owned properties and project vehicles are given to officials for their personal use	Way of paying officials for their long service to the state and Party	Inappropriate use of public resources for private advantage. Only benefits top echelon.
Accepting commissions from companies and businesses	Part of our culture A way for companies to share their wealth with underpaid officials	Came in with free market Rarely seen before 1990's Nothing to do with culture according to women 10% commission on a million dollar contract a generous "sharing."
Special "salaries" and gifts to get permits, visas and project documents approved.	Must take the money, as it is how Western cultures do business. Insulting the giver if we do not take the gift. Helps underpaid officials Appear stupid and undeveloped if you do not take "gifts."	Only better-off can afford to pay and hurts poor who cannot pay Discourages business investment Slows up development projects, especially those supported by smaller supporters.

#### 4.6.2 Private Enterprise and Corruption

There is no doubt that the emergence of the private sector in Lao PDR during the last decade has been an important driving force for the development of the country. Compared to ten years ago many more private businesses are operating throughout the country.

Six private businesspersons, 3 Lao and 3 foreign working in different enterprises, claimed to the Study Team that overall foreign investment is steadily increasing, despite the economic shockwave caused by the East Asian crisis. The investment permit process is becoming more transparent, they said, due to recent institutional reforms. However, they claim the legal framework for business remains weak, and needs further improvements to avoid conflicts.<sup>82</sup>

As the interface between the public and private sectors has grown during the last decade, there is an increasing need, claims the PER, for clear regulations on procurement of services and goods, and careful accountability and transparency practices.<sup>83</sup> Many donor agencies have set up clear procedures and training processes for contract bidding and procurement and some government offices have made substantial progress on the handling of public funds.

<sup>82</sup> The Study Team took note of, but could not verify, comments by several private businesspersons who suggested that some foreign investors have withdrawn quietly from the country due to an internationally publicized business conflict.

<sup>83</sup> PER, Vol. 1, p. 29.

Nevertheless, discussions with private businesspersons and government officials revealed that various commission systems persist during bidding procedures, and contract negotiations. The Study Team learned that “special commissions” could range from 4% to 10% of the costs of goods and services. There is no evidence that the special commission practice has increased between 1998 and 2002, but there are simply more and more contracts and deals being negotiated between the government and private businesses.

During a dozen interviews with international assistance personnel, three persons claimed they, too, have been offered “commissions” by private and state enterprises during the past five years. In one case, for example, a US\$5000 “donation” appeared in a brown bag on the foreign advisor’s desk after the contract was signed. (The money was returned.)

For Good Governance, some interviewees in business welcomed efforts for open calls for bids, increased transparency and the involvement of more people in bid selection procedures. These efforts, they urged, would be helpful when using the system of three quotations for selecting a company to provide goods or services. Other business sources said the three-quotation process does not work as businesses often consult each other and agree on the future winner of the bid. They claimed the bid winner then pays a certain amount of money to the “losers.” The foreign development agency is satisfied because the three quotations procedure has been applied according to the rules. But, as the businesspersons explained, the total amount includes all the various commissions and bribes.

#### **4.7 Enforcement of Laws and Regulations**

According to several interviewed Lao enforcement specialists, the ethnic Lao culture, which sets the national tone, bumps up against the need for enforcement of laws and regulations. The majority culture is a static worldview, which urges people to avoid 1) disturbing the status quo, 2) doing negative actions towards anyone, and 3) questioning the actions of superior authority. Thus, compared to making laws, the enforcement process may prove much more difficult and slow given this inherent conflict between the legal and cultural frameworks.

Small fish can only eat smaller fish.

—A Lao proverb

Nevertheless, some progress in enforcement is beginning to occur in certain sectors: vehicle safety and registration, heavy transport regulations, regulation on business operations, and the collection of road, land, business and custom taxes, to name a few that the study observed. These areas of enforcement correlate strongly with the amount of pressure coming from senior authorities and with the amount of external support for enforcement training. However, the Study Team found no comprehensive situation analysis on enforcement processes, which could be a useful inter-ministerial assessment leading into setting an enforcement strategy.

In this regard, the study notes that, except in the areas of drug control, customs, and transport, police forces have received little support from international assistance. Police mentioned the need for 1) involvement during the formulation of legal codes, 2) intensified training and equipment for enforcement into other sectors, and 3) exposure to enforcement processes used in the region.

#### 4.8 Development of Mass Media

The Administration can talk, talk, talk, but in reality when the press says something, people listen.

—A Lao development professional

Media circuits are growing. Compared to five years ago, the number of newspapers, television and radio channels, and Internet services available to the public has increased.

However, rural areas report that the gap between urban and rural media exposure became more severe over the past 5 years. The breadth of media access in urban areas includes local and foreign television and radio, local print media (and foreign press which few can afford), and worldwide news through Internet services. In many rural areas and small towns, the main media is Lao and foreign television and radio. One-third of the districts (usually the poorest, least educated and most remote ones) have inadequate Lao TV reception, due to limited transmission facilities. Thus, these areas rely on Thai and Vietnamese television. Local officials and the media emphasized this problem. With Decentralization, many district offices have chosen not to subscribe to the Lao print press as a “cost-savings action.”

Subscription services for the print media are available in urban areas. The practice of selling of daily Lao language newspapers at local bookshops, newsstands and groceries hardly exists. According to Lao media staff, this deficiency is due largely to poor public demand, rather than political restrictions. They pointed out that Lao contemporary culture does not encourage regular reading habits. Educated Lao are beginning to follow local and international news on television (mostly from Thai stations).

During interviews, citizens who access the media and journalists provided a rather positive tone about the media growth. Here are some key points.

- The quality of reporting in many Lao newspapers and magazines, including those run by the Party and military, has improved. Radio programs are produced in 16 provinces. Media professionals are learning how to research and write clearly and to interview ordinary people, even shy rural women. Urbanites cite the English-language *Vientiane Times* as the best in content and format.
- Media is beginning to see itself in a mirror role, even among each other. For example, the Vientiane media told us about the stimulating debate on various issues that is taking place between the Lao-based *Vientiane Times* newspaper and web site and the unrelated US-based “Vientiane Times” website. Each bounces news back and forth, and ends up producing interesting debates on many topics, said the Vientiane media.



- The media is beginning to see itself as the voice in the middle: between government and the people. Many journalists go daily to “the coffee shop assemblies” to listen to the problems and viewpoints of ordinary citizens. However, media personnel admit they are mainly reaching educated urbanites, and not a broad spectrum of the general public.
- The scope of topics presented in the press has expanded. Before the range was lopsided largely on positive issues. Now the content includes both the successes and problems of development. In mid-September 2002, the print press wrote openly about drugs, the trafficking of women and children, poor school attendance, teenagers smoking, AIDS, unfair and discriminating business and service practices by both ordinary citizens and government officials, the closing of prostitution venues, and legal conflicts – all of which rarely were publicized in the past.
- Readers are beginning to write letters to the editor complaining about everything from court decisions to market inflation. Sometimes they phone or send faxes urging the press to investigate an issue, such as a paper factory polluting the environs, and garbage being tossed into the Mekong.
- Media is now using the Internet and worldwide news circuits. For example, the state news service (Khaosan Pathet Lao) is the main circuit of news on the Internet. The KPL receives up to date international news, and translates and feeds the contents into other Lao media quickly.
- Radio is becoming the “Internet of ethnic peoples as it gives equal access of news.” Language broadcasts in Hmong, Khmu, Bru and Alak are popular and a means for people to learn new subjects and listen to their own languages. Air time and programming is limited, however. Many non Tai-Lao speakers interviewed for this study expressed the need for an increase in programs in their languages.
- Development agencies and government offices are working better with the media, but there is still much more that can be done. Development projects spend a lot on posters and their publications, but fail to use the radio, a medium which is cost effective and can broadcast in several ethnic languages.
- The media is beginning to advocate for accountability. For instance, when the press exposed people’s frustrations with rising electricity prices and incorrect billing processes, the electricity company took corrective actions.
- The press is actively promoting Lao goods and services, not just through advertising, but also using human-interest stories. Portraits of good business practices and effective entrepreneurs are now regular features.
- Broadening the media over the long-term will promote Lao language, grammar and vocabulary development.
- In a weak educational setting with low intellectual stimulation, the media can maximize peoples’ exposure and spontaneous absorption to new concepts and ideas, such as good governance.



- In a nation usually slow to absorb outside change, the popular demand and growth for Information Technology (IT) has been awesome. Since 1998, IT services have spread to all provincial capitals. Lao urban youth are exhibiting the worldwide phenomenon of incorporating IT tools into their life styles at lightening speed. For a visual learning society with few printing presses and book resources, IT may prove to be an unexpected and cost effective means of attaining knowledge and change.

#### **4.9 Publication and Dissemination of Government Information**

Quantitative databases used for guiding development have dramatically increased during the last five years. For example, during the preparation of the Lao National Human Development Report 2000 and this report, it became evident that there are more and more quantitative analyses available on various sectors in Lao PDR. The National Statistics Center is largely responsible for the increase in national surveys. As for qualitative studies, the PPA notes a scarcity of information and analyses.

Another critical issue centers on who is reading these studies and using the information to assess past actions for improving future actions. Here the chronic problem of poor dissemination arises, from the central to the district levels.<sup>84</sup> Too many of the databases, surveys, assessments, evaluations, project reports, and on and on are written by and for the external support community and the top Lao elite. Rarely do government offices set up resource bookshelves and urge staff to read the documents. Rarely can one find personnel capable of researching, analysing and writing material at the provincial and district levels of government.

The Study Team noted that there continues to be no central open-to-the-public repository for GOL, project, and donor created documents. Such an effort would foster the preservation of historical records and institutional memory, and promote transparency. Some documents are already being kept at the National Library, but not systematically. Also, new publishing technology, such as Internet and writing on compact disks, might make information dissemination less expensive and more convenient. Especially as provincial and district offices increase their access to computers, these distribution avenues will open.

The Study Team found in interviews that general knowledge about the different roles and responsibilities of the Party, Executive, National Assembly (NA) and Judiciary varies greatly. Central level officials usually can make the distinctions between the three branches, and the roles of the Party and the State. Provincial and district civil servants are less clear about these roles and responsibilities. Private citizens, even those with university educations, admit their confusion.

Interviewed DPACS officials and educators emphasized that the Lao education system has been under-utilised as a public learning venue about the government structure and workings. During consultations with about 60 youth (15–30 years old) in four communities, young people labelled their courses on politics as “boring political tracts.” Yet, they

<sup>84</sup> GPAR Decentralization Report, pp. 17–18 and GPAR Luang Prabang, Organization Review, pp. 3–4.

expressed keen desire to know more about the government system and their rights. GPAR is interested in collaborating with the Ministry of Education on improving political science courses. The key, it seems, is to move the pedagogy away from rote learning and towards inter-active learning. For example, one INGO staff suggested having young people meet with local officials (the village committees, the judges, the NA representative, the administration) and make on-site exposure visits to public institutions (the court, the NA office, the administration, the press). Some pilot efforts on this approach might be useful at this time.

The Study Team also found few district or provincial interviewees who had seen the well-designed and written GPAR materials, including the administration information binders and the English-Lao Management Dictionary. It would be most useful to disseminate as posters the Government-Party organizational charts, which were most intriguing to all that viewed them.

During interviews, several international agency representatives emphasized the need for opening up inter-personnel and inter-agency communications. Creating an inclusive and cooperative atmosphere within the organizational culture could foster knowledge sharing and peer-to-peer training at no cost, they claim.

On the distribution of laws, some districts have begun to post new laws verbatim on bulletin boards near administrative offices. While definitely a step forward, populations with low education levels will require easy-to-read and understand versions. During meetings, villagers sometimes raised the example of the LWU's legal education program in the early 1990's, but remarked that not much has happened since then. GPAR reports continually cite the severe gap in public education about the laws. On the other hand, some creative approaches on dissemination of public information are appearing in the country: puppet shows, colorful posters for community boards, public reading of newspapers, community-created videos, radio and TV spots, ethnic minority language programs on the radio, and integration of information into the school curriculum.

#### **4.10 Consolidation, Rural Migration, and Relocation**

Three types of demographic changes, community consolidation, rural migration, and community relocation, have been occurring since the 1980's in different ways.

The first type, community consolidation, is mainly underway in remote, poor districts. The government's aim, according to district officials, is to bring small isolated villages (less than 20 households) into larger and less isolated settlements located near old or proposed transport routes. The primary intention, they said, is to make public services (schools, health clinics, markets, and agricultural extension) feasible and cost effective, and administration convenient. District officials also told the Study Team that village consolidation helps support livestock development, marketing of non-timber forest products, and fruit tree and commercial tree production. However, the Study Team found no assessment on community consolidations and its consequences.

In Phonsay district, Luang Prabang province, the number of villages has dropped from 92 to 72 villages, with the target set at making 41

administrative communities by the year 2005. Usually the process is merely an administrative incorporation, where the village does not move, but the leadership becomes one unit. The Study Team found that the questions of inter-cultural tolerance and equity have not been examined carefully beforehand, according to the district officials.

Another example is the case of Nam Mo district, Oudomxay province, cited by a Lao –international research team to our Study Team. Nam Mo plans to consolidate 105 villages into 77 villages by the year 2005. To date several villages have been merged and there are now 91 villages. It is reported that the district could not provide conclusive reasons or criteria for the reduction from 105 villages to 77 villages.

Voluntary rural migration is the second type of demographic movement. As the rural population density is low and land availability remains high, especially when compared to neighboring countries, rural migration occurs easily. It can involve whole or parts of villages, clusters of families or single households. The trend is to move from the uplands to the lowlands, from remote locales to road accessible points, and from rural to urban settings. It seems to occur primarily due to the search for improved farming and income opportunities and for access to social and marketing services. Voluntary rural migrations have occurred in every province, according to Lao and international development specialists.

The third demographic change is relocation or resettlement of communities as a result of government development priorities. Community relocations usually occur due to 1) large infrastructure development (hydropower and urban projects), and 2) changing agricultural practices in order to stop pioneering and temporary slash-and burn-cultivation and to eradicate opium production.<sup>85</sup>

The PPA stated, “Relocation may impact villagers physically, as well as socially and psychologically.”<sup>86</sup> It is here, according to our consultations, that further study would be helpful.

During interviews, international agency representatives and some local government officials expressed concern about relocation measures, mentioning particularly the high costs to poor households, the unstudied risks, and the speed and pace of the process. They fear that relocation actions might lead to more poverty, countering the national eradication policy. Disruptions to fragile rural communities with few coping mechanisms (for example, alternative food sources, cash money, vocational training, education) often increase the risks of deepening poverty and community depression.<sup>87</sup> Furthermore, when different ethnic groups are merged into one living zone, sometimes the move strengthens both, but sometimes it weakens the weaker one. Many examples of the latter were cited in the PPA.<sup>88</sup>

<sup>85</sup> Between 1995 and 2000, the decree was for *yut hai* (eliminate upland rice growing). Since 2001, the phase has been refined to *yut hai luan loi* (eliminate random upland rice growing). The emphasis is now on reducing pioneering and temporary slash and burn in heavily forested areas, which is practiced by a limited number of ethnic groups in certain areas. The practice of *hai mun vien* (cyclical upland rice growing), which uses the same fields over and over, is now recognized as viable and not destructive. The distinction is critical for the well being of most swidden societies. The PPA (p. xv) found that the policy on *yut hai* was pressuring ethnic communities without access to paddy land areas into costly unplanned resettlement movements. In some instances, paddy farming became a culturally maladaptive alternative.

<sup>86</sup> *Ibid.*, p. 53.

<sup>87</sup> *Ibid.*

<sup>88</sup> *Ibid.*

The Study Team found that an increasing number of central and provincial level officials are recognizing the need for proper planning and studies before encouraging demographic and administrative changes. Therefore, they are welcoming analytical studies on these three types of demographic changes to avoid socio-ethnic tensions and unexpected economic consequences.

#### **4.11 Equitable Delivery of Services to the Poor**

Despite their pro-poor policies and programs, the Party and GOL have realized in recent years that equity in the delivery of services by provinces and districts to poor, remote peoples is less than adequate. Indeed the PPA agrees:

The gap between policy and implementation remains a severe and pressing problem, especially in the case of villages that have become poor because of the lack of capacity on the part of provinces and districts.<sup>89</sup>

The livelihood coping strategies of people in the Lao PDR seem to be influenced by seven factors, according to the World Food Programme's 2001 study on *District Vulnerability Analysis*:

- 1) Cultural beliefs guided by people's ethnic background;
- 2) Land access;
- 3) Type of rice production;
- 4) Livestock;
- 5) Cultivation of vegetables and other crops;
- 6) Access to and use of forest products (timber and non-timber); and
- 7) Access to roads services and markets.

Mapping of indicators related to these factors showed that most of the vulnerable poverty districts are decidedly concentrated along the northern and eastern borders near Viet Nam and China.<sup>90</sup> These districts also have high concentrations of ethnic groups whose mother tongues are not related to the Tai-Lao language group. (See 5.5.4 below for further discussion.) Logically, increased knowledge about the socio-economics, cultures and languages of the non Tai-Lao ethnic groups would be an asset for meeting poverty reduction targets.

During field consultations, officials and citizens talked about public services and poverty and made references to working more carefully with non Tai-Lao groups. Their comments, by no means comprehensive, do provide some useful insights. Here is a sampling of what the Study Team heard.

- At the local level, the general sense is that public service delivery is moving forward. Poverty, however, is often described in terms of quantity indexes, and rarely with regards to quality factors. Villagers and officials cite mainly infrastructure developments: new roads, water systems, irrigation, land clearing, schools, clinics and markets.

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<sup>89</sup> Ibid., p. xvii.

<sup>90</sup> See the numerous mapping and indicators in WFP, *District Vulnerability Analysis*.

- Popular descriptions of “social well-being” tend to be culturally skewed towards ethnic Lao situations, rather than being open to cultural deviations. For example, one poverty indicator is “good family housing built on sturdy poles, having a tin or tile roof, and made of wood or cement.” If that description applies, as one leader pointed out, nearly half the population (those who are not Lao-Tai speakers) would have to change their traditional building cultures in order to not be classified as poor.
- The most common demands heard during village consultations centered on local road access, marketing, and education and health care services.
- Youth and adults alike mention the need for more vocational training opportunities for the young, especially in areas where secondary schooling is limited. Many in the youth consultations mentioned that secondary schooling fails to prepare the young for the work force, creating rural area unemployment.
- Training local personnel to carry out tasks, rather than importing outsiders, provides better local services over the long-term, stated Lao staff of the Sekong Ethnic Peoples Development Project to our Team. Especially in areas where the *lingua franca* is not Lao, local people should be recruited and trained for public service delivery.
- Similar to the PPA findings, those who identify themselves as poor linked their poverty largely to external factors: the post-war effects (unexploded ordnance, refugee movements, disruption of subsistence living), poorly planned government policies (resettlement, land allocation), and poorly implemented development projects (clinics and schools without staff, poor quality teachers, roads not maintained).

Many rural development and infrastructure projects are now taking conducting cultural and socio-economic studies prior to undertaking dynamics and indicate that in the past well meaning but hasty measures on community relocation and more recently village consolidation may have worsened poverty and raised unnecessarily socio-ethnic concerns.

#### **4.12 Summary on Progress and Challenges**

Most central level civil servants and senior decision-makers, but less at the sub-national levels, are developing knowledge about the components of Good Governance. However, the training strategy remains confusing and uncoordinated. Districts are calling for an increase focus on administrative training at their level. Civil service reforms, particularly setting a new wage-scale basis, remain the most urgent challenge. Among civil servants, the level of consciousness about gender, ethnicity and poverty sensitivity is rising.

Public information on national budgets, planning and expenditures is available, but difficult to access by the general public. To solve some key problems, international agencies strongly urge 1) an increase in the budget for recurrent costs to cover adequately administration and salaries, and 2) improvements in revenue collection from the largest earners.

Public services and outreach are improving in many sectors. Enforcement of regulations related to road and transport safety has begun, while most other types of legal enforcement remain weak.

Without careful research, planning and participatory discussion, consolidation of villages for administrative purposes and relocation for development interventions can raise socio-ethnic tensions and become economically costly.

Urban people, with high access to media, are discussing critical issues openly, while rural people tend to self-censor themselves on certain issues. Various forms of corruption and deception are now discussed publicly and in some cases problems are being addressed.

# 5. Development of Citizens' Participation

The 1991 Constitution gives all citizens' the rights to education, free expression and association, but in reality the laws sometimes restrict the practice of these rights. The evolvement of civil society institutions lays the foundations for these rights. The Party's 7<sup>th</sup> Resolution in 2001 urged *a creative and non-confronting interaction among state, civil society and the private sectors* to build a democratic culture and process.

The mention of “civil society” and its interlocking and stimulating role in promoting democratic rights and processes raises many questions. Is the statement signaling the need for opening the avenues for an internationally recognized democratic culture, as some Lao citizens and many donors have been urging? And if so, does the government have the capacity to formulate the legal framework? Or is the statement simply a polite nod with little political will behind it in order to appease external donors?

In this section, the study examines progress and areas for further development of citizen's participation, particularly within civil society institutions. The field consultations sought Lao viewpoints particularly about community development groups, interest groups, professional and vocational associations, and the media.

## 5.1 Civil Society in the Lao Context

*Civil Society:* the space between the state and the individual citizen in which the latter can develop autonomous, organized and collective activities of the most varied nature.

— definition used by the Organization of European Community for Development

Institutions of civil society are private, non-for-profit, and independent of state authority, political entities, and the profit-making business sector. The range of civil society institutions can include academic institutions, professional associations, development organizations focused on social, cultural, environmental and economic issues, information and advocacy groups, the media, groups focused on special interests, and religious bodies. Civil society institutions develop most often in urban, populated areas. Similar to the viewpoints of many donor agencies, the Organiza-



tion of the European Community for Development (OECD) claims “an effective state and a vigorous civil society are mutually supportive.” The interaction is vital for democratic Decentralization, according to the OECD, as the state cannot support all needed social activities. The state’s function is to protect legally the “public sphere” so that civil society can develop with no undue interference.

For many Lao citizens, the concept and role of civil society is “a new foreign mystery,” stated one well-educated Lao. Few persons have had formal or informal opportunities to study about civil society, either inside or outside of the Lao PDR. Many Lao individuals involved in emerging civil society institutions (examples below) often do not recognize their roles within civil society. For example, Lao staff of INGOs, who are among the most exposed in the country to such concepts, had difficulty during our consultation explaining the components and role of “civil society.”

When pressed for examples, most Lao point to the four large mass organizations, Lao Women’s Union (LWU), Lao Youth Union (LYU), Lao Front for National Construction (LFNC or Front) and the Lao Labour Union (LLU) as part of civil society. Since 1975 and until recently, these four mass organizations have acted as the civil society sector, largely influencing activities in rural areas. Some regard these mass organizations as quasi-civil society institutions as the state and Party approve their leadership, pay their salaries and strongly guide their focus. Others argue that membership is open to the general populace, regardless of Party membership. According to the OECD and other definitions on civil society, however, Lao mass organizations are not autonomous of the Party and state. Indeed, some contest that the same argument applies to the numerous professional and vocational associations now emerging within urban areas. Here, the influence of the state and Party are less visible. Although associations do obtain government permission to operate (as happens in many countries), the state and Party are far less involved in daily operations.

At the grassroots level, the LFNC and the LWU remain important linkages between the state and citizenry. Among Tai-Lao language groups, LWU representatives carry much weight within the village inner-circle of authority. However, in areas where other language groups predominate and in remote poor zones, Lao and international development specialists contend that the LFNC holds strong authority. At the village level, the LFNC members correspond closely to the Elders’ Council. The LYU and LLU are evident within urban areas and small town areas.

Currently employees of mass organizations are placed on the same salary scale and personnel management system as civil servants. As national budgets dwindled in recent years, the Party has encouraged mass organizations to seek their own funds from donor agencies for both their salaries and development activities. Some staff of mass organizations pointed out that the need to look for outside funding has stimulated healthy internal discussions about personnel and financial management in their institutions.

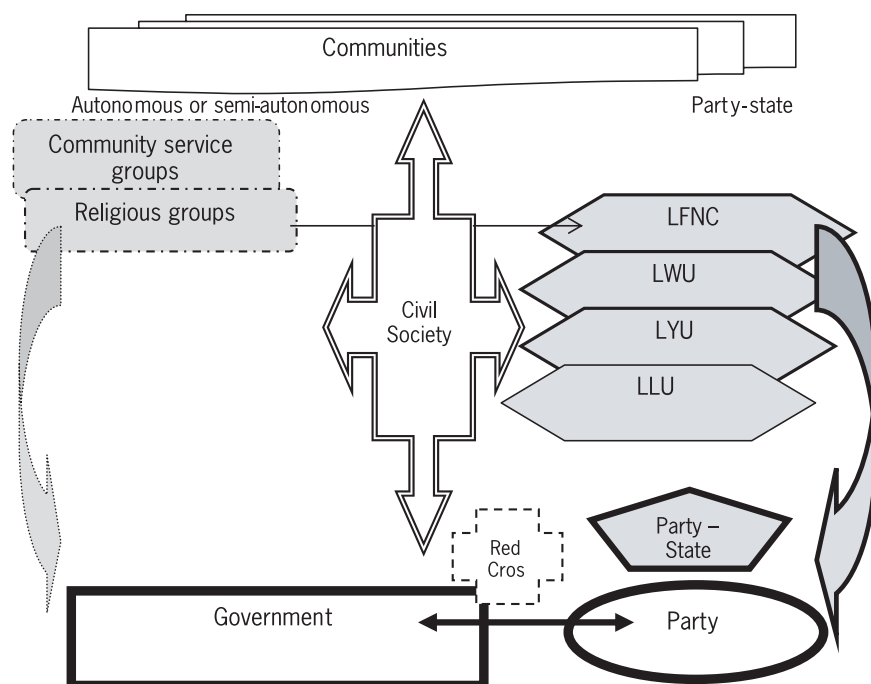
## 5.2 Emerging Civil Society Institutions

Despite the confusion about civil society, and the lack of a structural framework and legal boundaries, *certain aspects of the civil society sector appear to be germinating* recently.



Until the early 1990's, civil society institutions were largely limited to the state-party sponsored mass organizations (Figure 8). A few community service groups (parents associations at schools, water users' groups, handicrafts groups, etc.) and religious-based service groups also surfaced. Within the media, Party and state circuits dominated. The quasi-governmental Red Cross existed but had limited influence.

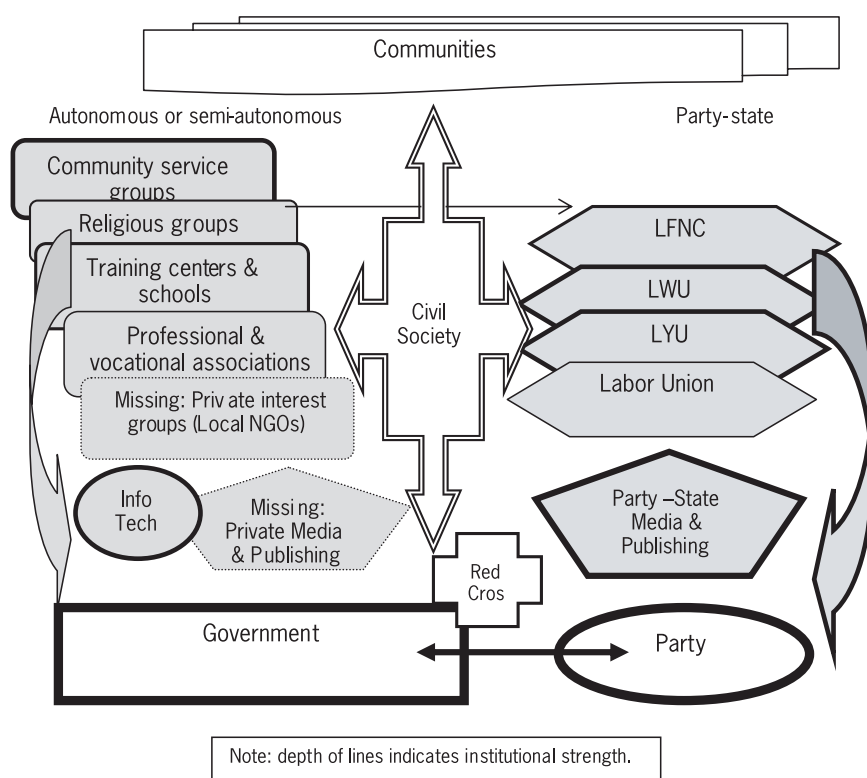
**Figure 8 Civil Society Institutions in the Lao DPR – 1990**



The 1991 Constitution opened the chance for the development of semi-autonomous professional and vocational associations, testing the boundaries of civil society. In the early 1990's, modest attempts to form private associations, local NGOs, and private media and publishing outlets could not gain GOL – Party approval. According to a knowledgeable official, this happened for two reasons: 1) the definition, legal framework, and operational regulations were not in place; and 2) Party decision-makers were highly apprehensive about opening the free market economic window and the civil society window at the same time, as they could not cope with the unknowns of both.

Nevertheless, new elements of civil society are now appearing (Figure 9). The Party-state sponsored institutions have strengthened and broadened their civil society roles, largely due to increased donor assistance to them. They are involved in rural development and social issues such as HIV/AIDS, human trafficking, and family planning. The weakest, the Lao Labor Union, receives only occasional external support.

**Figure 9 Civil Society Institutions in the Lao DPR – 2002**



The biggest gains have come within the autonomous and semi-autonomous institutions. While these emerging institutions require Party and state sanctions to exist, they are decidedly the stepping-stones towards genuine civil society development. The study team also found other notable changes.

- *Community service groups have decidedly grown in numbers, influence and activities at the local level.* A variety of service groups focused on village development, irrigation management, water and sanitation, schools and students, health, livestock-raising, weaving, marketing, micro-credit and revolving funds have surfaced out of rural development projects. Some turned into sustainable community institutions; others have died as soon as donor-support ended. (Why and how each has survived or died out would make an illuminating study.)
- *Local religious-based groups are increasingly setting up small social service agencies.* Buddhist, Evangelical Christian, Adventist, Catholic and Ba Hai groups are developing community clinics, English schools, community-development programs and youth activity groups. As religious-based institutions, each activity is required to register and be approved by the quasi-party umbrella agency of the Lao Front for National Construction (LFNC).
- *Private training centers and schools are established and widening the choice of vocations and opportunities.* Urbanites now have the choice to send students from pre-school to college to private education facilities. Private vocation and professional training centers are boosting opportunities.

Unlike state-provided facilities, these schools and centers benefit largely those who can pay and those with relatives in the five largest urban areas. At this time, the poor and “unconnected” continue to have few vocational choices without the intervention of the state or civil society institutions focused on their needs.

- *A host of professional and vocational associations have also surfaced in urban centers.* Associations such as those for journalists, teachers, writers, artists, and vehicle drivers, have been established and approved (and some claim, organized) by the GOL and Party. Their activities are content-related and focus on training, seminars, and inter-facing with the government bodies. They rarely express public viewpoints about social, economic and government issues, as happens elsewhere. For institutional legitimacy, all are “sponsored” by a ministry or government department or the LFNC. Some associations receive occasional outside support. Sometimes, approvals for associations take much time. Medical personnel started their request procedures in 1998 after a meeting with ASEAN medical association, but the paperwork still remains with the Ministry of Justice.

Despite the above progress, *several gaps remain.*

- *Private publication of books and the private media remain largely under-developed* due to the lack of capital investment funds, low levels of popular reading habits, and frustrations with censorship and with publication approvals. On the last item, some writers claim the approval process now takes only five days. Others say there is little change, so they continue to distribute their materials as “drafts” to avoid the frustrating censor process.
- *Private interest groups (local NGOs) have not been allowed.* Lao professionals wishing to help the nation on social, cultural, economic and conservation development are currently limited to working with international non-governmental organizations. Some Lao have started created training centers under the sponsorship of ministries to work around this dilemma.

### **5.3 Lack of a Civil Society Legal Framework**

The key for the development of full civil society in the Lao PDR is the creation of a legal framework and guideline for its operations. Unfortunately, there is no evidence that the Administration and the NA have made any progress over the past decade on producing legal codes – not even a draft guideline.

The GOL has two choices: 1) reduce the pace and scope of change, and sacrifice local ownership as foreign agencies will have to continue to lead many actions, or 2) find the comfort zones with the local private civil society sector and let them go forward on socio-economic development.

— a senior representative of an international organization in the Lao PDR

Herein lies the dilemma: civil society in all of its forms remains a sensitive issue. The GOL *and* the Party have not quite found their “comfort zone” in allowing the Lao private sector to enter into social and economic development work. Yet, several senior international development officials suggested to the Study Team that a crucial way for the government to maximize available human and financial resources for meeting its ambitious development targets is to encourage the development of civil society institutions. In essence, without delegating its work to the private sector, the GOL cannot achieve its long-term goals

The development of the Lao private sector into civil society institutions, say Lao development professionals and international staff, could facilitate all these developments, put ownership of the efforts into Lao hands, *and* attract additional external funding for the country.

## 5.4 Citizen's Participation in Development Projects

The right to participation forms a core aspect of civil society development. “People’s participation” is like “development” and “poverty.” Everyone’s experience and learning frames the interpretation. For this discussion, we simply mean that every person has the right to know about and be involved in issues influencing his or her well-being. The participatory process requires time, a process-orientation, an inclusive style of working, and trained facilitators with appropriate communication skills.

*Participatory techniques fit well with traditional village decision-making processes of many of the ethnic cultures found within the Lao PDR.* Informal discussion of choices and alternative actions, consensus-building and collective labour inputs are natural practices.

Participatory development practices can foster rudimentary forms of democracy and ensure human rights. During the course of a community project, if citizens can assemble together, learn about their choices for change, voice opinions, make plans, vote on decisions and abide by majority rules, they have conducted a democratic process.

We are working with a cluster of Phrae villages doing regular exchange meetings. The learning is going very quickly this way. The intra-village participation and inter-village communications are totally new for them. The training venue is so cost effective. Villagers teach villagers. The process is developing a natural zone of development, and in this way we can see a quasi-democratic process emerging, too.

— an INGO staff

Since the 1990’s, several improvements in Lao development approaches have enhanced opportunities for equity, community participation, good governance, and Decentralization.

1. Many projects, including solely GOL funded ones, are reaching for the first time into remote and difficult to access areas, where the poorest people dwell.
2. Project personnel have begun to realize the value of identifying and including the poorest households in villages. Previously, it was considered “divisive” to do so.

3. In theory, the GOL and most of its development partners, including the multi-nationals, accept the concept of Participatory Development to promote sustainability, local ownership and build equitable empowerment. Some international donor agencies make it a condition for assistance.
4. Many development projects have incorporated software elements of capacity building alongside hardware provisions of construction and equipment.

The format and results of the participatory process varies from place to place and from project to project. Several areas for future improvement, mentioned during consultations with INGOs, Lao project staff, and international organizations, are listed below.

1) Within large-scale infrastructure projects, there is a need for dissemination of information, pre-project public forums, disclosure of economic, environmental and social impact studies, and mitigation where there are conflicts. Some GOL officials have realized the long-term social and economic benefits of allowing participatory mechanisms. Mandates of some newly formed government institutes include assisting on these tasks. For example, the new government Institute for Environment Research conducts environmental impact studies, raising critical issues which five years earlier met with resistance. As yet, no Lao-based independent, private research and monitoring bodies have become visible.

2) Community development projects need improved participatory dynamics: bottom-up design, community exposure to new ideas and choices, community wide discussions and decision-making, and then participatory planning, implementation and assessments. Some community projects have introduced electoral processes for selecting leadership of village development committees and of groups focused on water use, credit, production, and marketing. Within this component, the practice of Participatory Development varies widely according to place, objectives and external supporter.

Lao and international development specialists agree that the presence of international support agencies working alongside the GOL increases the chances of participatory approaches being used. Sometimes when the GOL works alone, classical top-down approaches tend to re-appear. For instance, for over a decade external agencies introduced participatory approaches into Savannakhet's irrigation sector. Yet, presently several extensive and costly irrigation projects are being implemented using typical top-down approaches. The inconsistency leads donors to wonder if officials "only adopts participatory approaches when donors are around," rather than because they truly believe in the benefits.

While the number of Lao development workers has increased dramatically, many remain poorly trained, and in need of serious on-the-job mentoring, according to Lao and international development staff. Especially at the provincial and district levels, there remains a serious gap between required professional development skills required and local capacity. While INGOs offer sporadic short-term courses and the National University has begun a few courses, no in-country degree course in development studies is available. Furthermore, there is no systematic

mechanism for on-the-job and coursework training in development for young people in rural districts, where the need is greatest. Such an effort would be an asset for developing the sorely needed indigenous core of development workers for remote areas. (See SEP-Dev box below.)

Yes, we use participatory approaches, as we push for it to be used. Many Lao officials like the PRA training (Participatory Rural Appraisal) for working in villages. Then they head back to their offices with the information and make the plans themselves. In the end, they go back to tell the villagers what to do. And that is as far as it goes. In other words, the cadres do not continue the participatory approach after the PRA because they are not instinctively accustomed to thinking without a formula. So, yes, we have a policy on Decentralization and yes, cadres are practicing PRA sometimes. But these come largely when projects are around. The real test is whether the GOL system will absorb these concepts and practice them instinctively – without even thinking about donors and externally supported projects.

— a senior development staff

Project reports from many agencies note that the staffs of both government and support agencies often are rushing to show results, forgetting the day-by-day mentoring of the intended beneficiaries. They revert to a paternalistic and top-down process, rather than approaching communities with open and appreciative attitude about what local people know and who they are. Many reports including the PPA are now urging project staffs to consider the study of indigenous knowledge, languages and traditions of ethnic peoples prior to working with them. As a result, several INGOs have begun special ethnic sensitivity seminars for their staffs in order to break down stereotypes and build up genuine appreciation for diversity in culture.

*An Innovative Opportunity for the Disadvantaged*  
– SEP-DEV's District Development Volunteers

The best lesson we have learned from SEP-DEV work is to develop and use local people for our development work. Early on, we realized that we did not have enough qualified district personnel in Kalum and Dakchung, as both are very poor and remote areas. So, we decided to set up a system of District Development Volunteers (DDVs) – and we are getting good results. The 10 DDVs are not civil servants. They are paid a “learning stipend” by the project. When they started to learn and work, none had finished 8<sup>th</sup> grade! But they come from our ethnic peoples and know well the customs, the language and the needs. Each year, the DDVs get training for several months and study tours to expose them to new ideas and technology – and new dreams for the future. If we had sent in cadres from the province town or Vientiane, as was originally planned, they would likely have failed, given the local conditions. Definitely, we want to promote the DDV approach within our development plans.

— Sekong Senior official

## 5.5 Gaps in Citizen's Participation

In the ideal, democracy requires 1) means for peacefully selecting the leadership who upgrade laws and policies and set the course for public reforms, 2) mechanisms for continual monitoring, reviewing and learning by its citizens, and 3) forums for voicing opinions freely. Conditions for

democracy must include the tools for citizens' participation. This section discusses gaps in citizens' participation, which the GOL wants to improve but has not yet found the means and sometimes methods to do so.

#### *5.5.1 Public Knowledge about Government*

With high levels of illiteracy and diverse languages, the building of a knowledgeable and active populace within a democratic system is a challenge. Empowerment of public knowledge about government systems is essential.

During the last decade the Lao PDR embarked on setting the institutions of democratic governance (Constitution, laws, branches of government, elections). DPACS agrees with this study's findings that it is time to take the next step forward by expanding public knowledge about those new institutions.

- *Knowledge about Government Leaders:* Many interviewees claimed that Lao citizens do not know the name of key leaders in the country. To test the validity of the claim, the study team asked 15 rather bright young persons, ages 15 to 30, all high school graduates in the capital, to name the President and Prime Minister. Only one came up with the President's name, but she referred to him as the Prime Minister. Six mentioned former leaders, including Prime Minister Kaysone, who died a decade ago. On the other hand, half could name the Prime Minister of Thailand! Thus, our informal study suggests young people may be absorbing more Thai news than local news.
- *Learning about Governance Structure:* The study found most citizens know little about the structure of the government (administrative, legislative and judicial branches) and how these institutions link with the Party's structure. The desire to learn, however, was high. Civil servants suggested using posters, TV and radio programs, and revising the political studies curriculum in schools at all levels.

#### *5.5.2 Missing Elements of Public Interests Organizations*

INGOs, international organizations, consulting groups, not-for-profit businesses, and local training centers are the main employers of Lao development professionals working outside of government and business. After years of being mentored and trained, Lao professionals expressed disappointment with the lack of government approval for setting up local public interests organizations. Those with the ability to set up local development service agencies have been told by government officials to wait until a legal framework for civil society institutions is set.

Concerned government offices claim they do not have the resources to study the development of local non-governmental organizations (NGO), in order to make recommendations to the Party and GOL leadership. Although several bilateral donor agencies and INGOs have offered assistance, no action has yet resulted.



We (Lao professional NGO staff) have proven that we can work alongside local government services effectively and efficiently. We have proven that we can supplement government services with appropriate, cost effective development tools. We are learning how to manage organizations and programs. That's why we think it is time to allow Lao the opportunity to direct and lead our own NGOs. Otherwise, we will never be the owners of our work.

— a senior Lao staff of an INGO

Since 2001, some senior officials have begun to recognize publicly the appropriateness, cost effectiveness and efficiency of INGOs working side-by-side with government offices on meeting national targets. The GOL hosted the Cambodia, Laos and Viet Nam Forum organized by INGOs and attended by over 500 persons interested in the region. In October 2002, INGOs were invited to participate in a preparatory forum on Round Table Discussions with other donors.

The Lao Government has long recognized the important role of Non-Governmental Organizations (NGOs) in the development of our country.... We were honored to host the 10<sup>th</sup> Conference of the Forum on Cambodia, Laos and Vietnam in our capital, Vientiane, last June (2001) with the theme "Improving Partnership for Poverty Alleviation and Sustainable Development." The outcome of the Forum was considered by many to be a great success.

H.E. Mr. Somsavat Lengsavad Deputy Prime Minister and Minister for Foreign Affairs,  
New York, 17 September 2002

INGOs, on the other hand, have mixed assessments about the Lao – INGO relationship. Some maintain that the current regulatory atmosphere remains tense and unchanged. Others point to efforts by the GOL to open dialogue, such as the hosting of the 2001 Forum, organized by INGOs.

#### 5.5.3 *Special Concerns about Non Lao-Tai Speakers*

Development of culture and society cannot be separated from economic development.

— Dr. Khamphay Rasmy, Member of National Assembly

Party and government commitments to national and cultural integration and to equal rights and opportunities for all are strong. Nevertheless, consultations with villages, mass organizations, government officials and international agencies indicated that certain non Lao-Tai language groups tend to be uninterested in the government system and poorly informed about their rights due to their remoteness and language barriers.

The PPA attained similar findings. It claimed, "poverty in the Lao PDR is inextricably related to culture and ethnicity, and that its locus is with highlanders." The report also indicates that the majority of the



poorest villages are those of non Tai-Lao speakers (Mon-Khmer, Hmong-Mien, Tibeto Burman language groups). The PPA identified the lack of Lao language ability as “a major barrier to economic growth with equity.”<sup>91</sup>

The PPA also suggested that the country’s rich ethnic diversity offers rich opportunities for learning about indigenous knowledge.<sup>92</sup> The opportunities for studying about ethnic peoples, according to Lao and foreign ethnicity researchers, has improved in recent years. In the past, both Party and government authorities voiced strong hesitancy about such activities, fearing it would cause “disunity and dissention.” During the 1990’s several institutions showed a growing awareness that deeper knowledge about the traditions, practices and attitudes of various ethnic groups could help to alleviate poverty, reduce economic and education gaps and build the strengths of each ethnic group.

As early as 1993, according to LFNC officials, they called for the use of the exact names of ethnic groups (rather than the broad terms of Lao Lum, *Lao Theung*, and *Lao Sung*.) During our consultations, our Study Team noted for the first time that government officials urging the use of specific named of ethnic groups.

The LFNC’s Department for Ethnic Minorities as well as the Linguistic Institute and the Institute of Cultural Research are quietly urging ethnographic and linguistic studies. However, these bodies remain weakly supported by external agencies.

During interviews, a number of central, provincial and district authorities recognized the need for increased study of ethnic groups and their languages, especially when doing development projects. Several spoke about the common misconception among many Lao officials and development professionals that almost all ethnic minorities can understand Lao. For example, one development specialist told us that among the 91 villages in Long District in Luang Nam Tha, the people of 71 communities cannot understand Lao well enough to comprehend basic information. Members of the National Assembly are calling for a law protecting the rights of each child to education and the eradication of illiteracy. If enforced, such a law could dramatically increase the chances of non Lao-Tai children to attain basic education.

Within the Ministry of Education, there is an ongoing dialogue about the need for “mother-tongue” instruction in the initial primary years. Teachers in remote districts told the Study Team that they have limited training on how children and adults develop language literacy and how to plan useful language transitions for non-native Lao speakers. Statistics show that non Lao-Tai speaking children more frequently experience early learning failure than Lao-Tai groups. This is partly responsible for the high drop out and repetition rates of children in initial grades, both of which are socially and economically costly.<sup>93</sup>

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<sup>91</sup> PPA, p. xvii.

<sup>92</sup> PPA, p. xviii.

<sup>93</sup> Save the Children – UK, Language Study.

## **5.6 Summary Citizen's Participation**

Community development projects broaden people's participation in local governance. However, citizens' overall understanding about the concept and structure of governance remains weak. Improvements on public information and education on governance would be helpful.

Some civil society institutions (professional associations, private schools, training centers) are emerging. Until a legal framework for civil society is in place, the growth of local non-governmental organizations and public interest groups will be hindered. If these institutions can be fostered, the government would more likely be able to maximize the country's human resource potential and achieve ambitious targets on development.

If funds are available, private publishing outlets may be forthcoming, which could assist media outreach and encourage reading and writing habits.

Despite government and Party actions, non Lao-Tai speakers are facing increasing risks of disenfranchisement and poverty, as their access to education and to employment remain low. The LFNC is urging more study on ethnic groups to learn how to address problems. Discussions about increasing the use of mother tongue languages in development projects, primary education and literacy programs are beginning, as well.

# 6. Considerations for Sida – GOL Cooperation

Good governance and participatory development require careful and constant listening processes. For 25 years, the Swedish and Lao governments and people have built a mutually respectful and positive partnership based on listening to one another. This study is an example of the healthy commitment of both parties to base actions upon listening to one another. The OECD terms this “conducting policy dialogues” with partner governments and civil society institutions. In that spirit, this study puts forward some considerations for the direction of the next five-year program of Lao-Swedish cooperation. Most suggestions came from field consultations and interviews. Other donor agencies may also find them useful.

Beforehand, allow us to indicate a few cautions for donors. Foremost, donors should *be cautious about meddling with existing institutional structures*. No matter how slow the movement of reforms on governance, democratic procedures, and participatory development may be, they must become Lao owned. These improvements must grow from inside societies and political systems, not be driven or forced by outsiders. The GOL appears to be moving in step-by-step, trial-and-error fashion towards establishing democratic structures. Even though the process may at times seem laboured, in the end democracy, Decentralization and participatory development must move at a Lao pace, within the Lao context, and by Lao demands.

Second, donors should *assume Lao understanding of concepts such as free elections, civil society, participatory development, sustainability, accountability, corruption and civil service reforms may be quite different from the international meanings*. These terms are not easily translatable into Lao and sometimes become grossly distorted. Societies worldwide learn such terms by experience. In comparison, Lao exposure to these concepts is just beginning, especially with its entrance into ASEAN and its increasing role with the United Nations. The GPAR English-Lao dictionary of management and administration terms should begin to help. However, its dissemination has been rather limited.

Third, donors should *be guarded about accepting reports about the Lao situation, without re-checking the contents widely with the Lao general public*. Outsiders pen most reports and studies written about the country. Most foreign-written reports quote other foreign-written reports. Few Lao read, write

or critique carefully even a fraction of these reports, which are mostly in English and French. Few reports incorporate ordinary people's viewpoints. Thus, cross-referencing foreign-written reports with Lao opinions, usually provided orally and privately, becomes essential.

With those qualifications, this study suggests that Sida and the GOL consider "policy dialogues" and actions in ten focal points for promoting Democratic Governance.

*1. Immediate restructure of civil service management, especially salary scales.*

This concern is urgent. To avoid further losses of the best and brightest of the civil service core, and to improve the quality and quantity of work performance to meet ambitious national targets, this issue must be paramount. The first step requires the Prime Minister and the Party to decide firmly that they will take all means to improve immediately civil service management. The task should address a scaled salary system based upon a liveable wage index, performance and responsibilities. At the same time systems of codes of professional behaviour including clauses to promote anti-corruption, and improved personnel hiring and firing processes could be initiated.

Sida could assist DPACS and MOF in their attempts to address the difficult issues of realigning the limited national budget, and of setting civil service standards, procedures and wage scales. Along side the major effort, Sida could also support two recommendations made by civil servants. 1) The establishment of a proactive recruiting system to track and to promote opportunities for women and underrepresented ethnic groups into the civil service. 2) To coincide with forthcoming anti-corruption regulations, civil servants would benefit from inter-active workshops on Anti-Corruption Measures (similar to the World Bank's effort).

*2. Long-term strategy and vision for Public Administration Reform*

Comprehensive PAR programs require a vision and strategy on how to improve Good Governance with focus on civil service reform, Decentralization, education on governance and information access. Sida could support DPACS on the strategy formulation including research on key issues, problems, and best practices, conducting participatory workshops with various levels of government and civil society, piloting the strategy, and putting the strategic components into operations.

*3. Legal framework for civil society regulations and law*

The government claims it lacks trained personnel for creating the legal framework for civil society regulations. Sida could support several types of activities to push forward the tasks. 1) Send government officials and Lao professional development specialists to study civil society law on a short-term basis with the condition that they would draft the needed codes thereafter. 2) Assist the creation of a GOL-INGO liaison office, as proposed at the October 2002 Round Table session. 3) Support existing and new civil society institutions.

#### *4. Public participation, information and education on public administration*

Many people want to understand better their government and to know how they can participate in it. The following suggestions came from interviews and consultations.

- 1) Improve the mass distribution of already-prepared GPAR materials. GPAR tools include government-party structure charts, books describing the roles of each ministry, and a bilingual English-Lao dictionary on management and administration.
- 2) Make mass distribution posters and easy-to-read booklets that depict the three-branch government structure and the interface of the Party. The interface of civil society could also be included. These communication visuals should be understandable to newly literate adults.
- 3) Assist DPACS to work with the Ministry of Education on curriculum development for secondary and tertiary levels on government structure and overall governance concerns.
- 4) Establish a central repository and public information center for the general public to access easily government statistics, reports, budgets, laws, decrees, international agreements, and the vast collection of international and government reports on development projects.
- 5) Set up a means of duplicating and distributing regularly key government documents on computer disks (CDs). As all provincial administrations and a growing number of district offices have computers, this inexpensive means of publication distribution needs to be utilized.
- 6) Publish brief articles and visual aids about government institutions in newspapers, similar to the weekly ASEAN and legal information pieces.

#### *5. Additional pilot PAR projects focused on sub-national levels*

Sida is currently supporting in the multi-ethnic upland province of Luang Prabang a pilot PAR effort, which will reach down into several districts. It would be useful to have at least two more pilots, one in an urban municipality or secondary town, and one in a province heavily populated by ethnic minorities. Besides learning about personnel management, accounting, leadership, revenue collection, meeting facilitation, computer operations and participatory approaches to management, improvements for basic office operations could be made for districts. Once the sub-national models are operating, other provinces and districts could be provided exposure and exchange tours, creating a cascading effect. At this point, other external support agencies could be encouraged to support the same type of learning experiences in the focal areas of their support.

In some cases, training on PAR uses the one-way, lecture style. Sida could assist PAR teams learn student-centered and participatory training methods, such as learning-by-doing techniques, participatory dialogues, and advisory mentoring and coaching, all of which have produced good results in other sectors.

The GPAR program would benefit greatly from writing up and publishing case studies of best practices in district and village administration and from exchange tours to such sites. Also, Sida could grant awards

(small financial donations with high publicity) to model administrations and leaders on PAR, similar to UNDP's awards on Participatory Development practices. As the Stoop report suggests, "Instead of always creating new projects for development of local governance, it is essential to build on, support and strengthen the interesting efforts and experiences that are already present in the local administration"<sup>94</sup>

6. *Strengthen studies on the rich ethnic diversity found within the country, and increase opportunities in government and development for non Lao-Tai peoples where possible.*

Working with the existing institutions involved in cultural and linguistic studies, Sida could support ethnic sensitivity workshop, now being promoted by some development professionals. (One decade ago, Sida was instrumental in doing the same on gender, which is now a widely accepted concept.) Sida could also assist the MOE to enhance the curriculum on the nation's cultural richness and to explore the new pedagogy of bilingual education. (Cambodia has developed a successful pilot effort, which some Lao officials praise as a useful model.)

Limited numbers of non Lao-Tai peoples have entered into development work, due to their low education levels. Some INGOs are establishing hiring practices that are sensitive to this consideration. Indeed, a special apprenticeship or volunteer learning program would be helpful to build skills and confidence and assistance with cultural understanding. Sida support for these types of efforts within ongoing efforts would be helpful.

7. *Expansion of media outreach to rural areas*

While media outlets in the urban areas have begun to grow, there remain many gaps, especially in the rural zones. The media wants to improve itself, but has only occasional external support. Sida could work with Lao media in their efforts to set up markets for newspapers sales and mini public libraries and improve Lao TV broadcast signals to remote district. Sida could also direct its support to improving media access of the poor and remote ethnic groups by providing poorest households with a small radio (\$1 x 500,000 = \$500,000), and providing funds for training ethnic peoples in media work and extending multi-ethnic language programming on radio and TV.

8. *Strengthen the National Assembly*

Sida could focus attention on further building the capacity of the National Assembly, one of the nation's newest democratic institutions. The provincial and district offices of assembly members have become new institutions for strengthening the role of accountability and monitoring of local authorities, and listening to constituents' demands, concerns, complaints and enquiries.

<sup>94</sup> GPAR Decentralization Report, pp. 96-111.

9. *Increase support research institutes and pilot projects*

Sida is already assisting several research institutes, such as the National Institute of Health (NIH) and the National Agriculture and Forestry Research Institute (NAFRI). Such investigative and training bodies are sorely needed for training the country's first generation of professional analysts and researchers. Only in this way will the country build ownership in its ideas and base policies and actions on logical and well-conceived foundations. Without such research bodies and self-owned analysis, the nation will continue its expensive and time-consuming pattern of trial and error.

10. *Support pilot efforts to link revenue collection and maintenance.*

Sida's support for linking road tax collections with maintenance and repair revenues seems to be useful in the short-term. However, within the national budget, maintenance and repairs on all infrastructures should become serious components eventually. Otherwise, the country's costly construction efforts will fall into disrepair quickly.

# 7. In Conclusion

During the last decade, the Lao PDR has established and developed rudimentary institutions for Good Governance and Participatory Development: the Constitution, legal codes, the National Assembly, the judicial branch, research institutes, the national auditing system, tax collection, and enforcement bodies. Citizens are being exposed to participatory development projects, increased media and IT access, and some elements of civil society. The one-party centralized government system clearly has shown its political will on starting the long-term process of Decentralization. Overall, the Study Team determined that *the Lao PDR has taken significant steps forward in establishing new institutions for Good Governance and Participatory Development.*

*However, citizen awareness about how these new institutions of governance and development function remains far too low. Few understand how these institutions interlink and interact with each other.* Terms such as *Decentralization, democratic elections, the separation of powers, government, accountability, civil service reforms and public information access, and civil society* are rather new to the country's limited number of educated professionals and not well understood yet. For the vast majority of rural people, such concepts have scant meaning yet. To learn about these concepts of Good Governance and put them into systematic practice within the Lao context will be the challenge of the next few decades.

Here, the growth of Participatory Development practices, which blend naturally into the general socio-cultural framework, appears to be fostering aspects of Good Governance. Within many development projects at all levels, participatory approaches are exposing a growing number of Lao citizens to forms of public consultations and dialogues on planning and implementation, group decision-making, aspects of informed choice, models of good management, and accountability and transparency measures.

There is no question that the government and people face many serious growth challenges during the next decade. Some key issues reviewed in this Study were civil service reforms, enforcement of laws and regulations, equitable service outreach, equitable revenue collection, realistic planning, budgeting and expenditure implementation, improvement to district and village administrations, and enlargement of the civil society framework. As national human and financial resources are limited



for addressing many of these issues, *international support and opportunities for further learning remain critical.*

In the opinion of the Study Team, if the government and people can continue to address these challenges, the Lao PDR has a reasonable chance of strengthening its legs of Good Governance and Participatory Development and moving forward on path of Democratic Governance.

# Annex 1: Itinerary of Consultations

## Participatory Consultations for Democratic Governance Study

10/9 Mon	Arrange and review schedule with CPC, Mr. Pheng
12/9 Wed	Meet GPAR, Mr. Khammoune Viphongxay, Mr. Singthavone Dalavong, Ms. Chantha Onxayvieng.
17/9 Tues	Meet Mr. Khamphanh to discuss details of the schedule
18/9 Wed	8:30–9:00 Dialogue with members of the National Assembly 1:30–4:00 Dialogue with Youth organization, Lao Women Union and others.
19/9 Thur	9:00–16:00 Dialogue with mid-level technical staff of government (Dept. of Governance and Public Admin., Min. of Justice, Min. of Agriculture, Min. of Education, Min. of Health, Min. of Finance and Min. of Information and Culture)
20/9 Fri	9:00–12:00 Dialogue with Lao media / writers / artists 1:30 Dialogue with Dr. Pangkhram Viphavanh 3:00 Dialogue with ADB (Paul Turner and Nophakhon) 4:30 Dialogue with IRAP (Mr. Ounheun)
23/9 Mon	Champassak Public Administration Office
24/9 Tues	9:00 Meet with V-Gov Boualeury, Sekong Province 10:00–12:00 Sekong: Interview senior province authorities involved in Government Administration, Decentralization and Enforcement of Laws SDG 2:00–4:30 PM Small Group Dialogue with development workers (SIP-Dev staff / volunteers and other Lao staff of NGOs working in Sekong)
25/9 Wed	8:30 – 9:30 Dialogue with V-Governor La Man District 10:00–12:00 AM Interview senior district authorities involved in Government Administration, Decentralization and Enforcement of Laws SDG. 2:00 PM–5:00 PM Small Group Dialogue with villagers (15 persons from 3 non Lao-Tai villages)

26/9 Thurs	2:00–2:30 Meet with V-Gov Sukhaseum, Savannakhet 2:30–4:30 Interview senior province authorities involved in Government Administration, Decentralization and Enforcement of Laws SDG.
7/9 Fri	8:30–9:30 Phine District, Governor or Vice-Governor 10:00–12:00 AM 00 Interview senior district authorities involved in government Administration, Decentralization and Enforcement of Laws SDG. 2:00 PM – 5:00 PM * Small Group Dialogue with villagers (15 persons from 1 Thai Dam & other ethnic group villages) Dinner and Dialogue with Development Workers in Phine
28/9 Sat	8:00–12:00 (with lunch after) Small Group Dialogue with youth from 3 villages (15 persons from 1 Thai Dam & other ethnic group villages – different villages than ones on Friday)
1/10 Tues	10:00 Oudomsay: Meet with Governor or Vice-Governor 1:30–4:30 Interview senior province authorities involved in Government Administration, Decentralization and Enforcement of Laws SDG and interview. evening –Dialogue with local business persons
2/10 Wed	9:00–10:00 Meet with Beng District Governor or Vice-Governor 10:00–12:00 AM Interview senior district authorities involved in Government Administration, Decentralization and Enforcement of Laws SDG. 2:00 PM – 5:00 PM Small Group Dialogue with villagers (15 persons from Hmong, Khmu, Leu, Iko villages)
3/10 Thurs	9:00 Luang Prabang: Meet with Governor or Vice-Governor 10: 00–12:00 Interview senior province authorities involved in Government Administration, Decentralization and Enforcement of Laws SDG. 2 :00–5:00 pm Dialogue with representative of mass organizations in Luang Prabang 6:00–9:00 PM * Small Group Dialogue with development workers (dinner)
4/10 Fri	Travel to Muang Phonsay 9:30–10:00 Meet with Phonsay District Governor or Vice-Governor 10:00–12:00 AM Interview senior district authorities involved in Government Administration, Decentralization and Enforcement of Laws SDG and interview. 2:00 PM–5:00 PM *Small Group Dialogue with villagers (15 persons from Hmong, Khmu and other ethnic villages)

5/10 Sat	8–11:00 (with lunch after) *Small Group Dialogue with youth from 3 villages (15 persons from different ethnic group villages – different villages from Thursday)
6/ 10 Sun	Dinner and dialogue with INGO representatives
7/10 Mon	2:00–4:30 Dialogue with Lao Mass Organisation-Mid-level persons (LWU, LYU and NLSS) (tentative)
8/10 Tues	8:30–12:00 Dialogue with 10 Lao professionals working with development organizations.
9/10 Wed	11:00–12:00 IMF, Erik Sedgwick
14/10	8:30–12: 00 Present the findings and feed back from GPAR
	15:00–16:30 Interview Panh Manh Village Authorities

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# Annex 3: Plan to Develop and Improve Laws of the 5<sup>th</sup> National Assembly

## **Five-Year Plan to Develop and Improve Laws of the 5<sup>th</sup> National Assembly** (unofficial English translation)

Plan to develop and improve laws over 5 years approved by of 5<sup>th</sup> National Assembly on 9/10/2002 according to following categories:

### **I. Governmental**

#### *A. New Laws to Develop*

Law on Local Administration  
Law on Military Leadership of Lao People's Army  
Law Prisons  
Law on Civil Service  
Law on Police Justice  
Law on Inspections (Request anew)  
Law on Corruption (Request anew)  
Law on Court Decisions (Request anew)

#### *B. Laws to Improve*

Constitution  
Law on National Assembly  
Law on Government  
Law on Citizenship  
Law on People's Court  
Law on Organizations of Public Prosecution  
Law on Civil Trial Procedures  
Law on Criminal Trial Procedures  
Law on Inheritance

### **II. Economic**

#### *New Laws to Develop:*

Law on Government Assets  
Law on Trade  
Law on Special Economic Zones  
Law on Government Economics  
Law on Civil Aviation  
Law on Construction

Law on Aquatic and Wild Animals  
Law on Bank Notes  
Law on Post Office  
Law on Improving Provision on Economic Conflicts  
Law on Economic Cooperation among People (request anew)  
Law on Intellectual Property Rights (Request anew)  
Law on Tourism (new request)  
Laws to Improve  
Law on Income Tax  
Law on Business  
Law on National Bank  
Law on Investment Management and Promotion of Foreign Investments  
in Country (Request anew)  
Law on Internal Investment Promotion in the Country (Request anew)  
Law on Customs (Request anew)  
Law on Agreements and Legal Bonds (Surety) (Request anew)

### **III. Culture and Society**

#### *New Laws*

Law on National Artifacts  
Law on Women and Children  
Law on Professional Associations  
Law on Veterans  
Law on Illegal Drugs  
Law on Food  
Law on Curative Medicine  
Law on Legal profession  
Law on Consumer Protection (Request anew)  
Law on People's Proposals/Suggestions

Altogether there are 31 new laws and 16 laws to improve  
The Standing Committee will decide the details on correcting sections in  
process and improving laws every year.  
Signed: President of the National Assembly



*Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.*



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