



Lao People's Democratic Republic

Peace Independence Democracy Unity Prosperity

Ministry of Planning and Investment

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“Draft”

The Seventh National Socio-Economic Development Plan (2011-2015)

Executive Summary

Unofficial translation from original Lao version

The document of the Seventh National Socio-Economic Development Plan (2011-2015) consists of two parts:

- I. Assessment of the Implementation of the Sixth NSEDP (2006-2010);*
- II. Direction, Targets, and Implementation Measures of the Seventh NSEDP (2011-2015).*

I. Initial Achievements of the Implementation of the VI NSEDP (2006-2010)

The Sixth National Socio-Economic Development Plan was prepared based on the overall targets of the Socio-Economic Development Strategy until the year 2020 and Resolution of the VIII Party Congress. This plan was endorsed at the initial session meeting of the Sixth National Assembly in June 2006. The Sixth NSEDP has been regarded as an ambitious plan, serving the country's purpose of achieving an average economic growth of 7.5% per year, and attaining social progress targets. The exact approach of implementation has been to work through annual plans, wherein individual projects and programmes are executed. Despite several constraints, line ministries, provincial authorities and the Lao people, under the leadership of the Party and the Government, have put-in their best efforts to achieve the main planned targets of the past five years. Some challenges, however, remain to be addressed.

A. Achievements

1. Macroeconomic indicators continue to remain stable and improve

- **Economic growth in the past 5 years:**

- The Gross Domestic Product (GDP) for five years amounted 219,795 billion Kip, which represents an annual average of 43,959 billion Kip (at constant price). The average annual GDP growth has been 7.9% (which exceeds the target by 0.4%). The breakdown of GDP (tax excluded) by sectors is as follows:
 - Agriculture-Forestry sector increased by 4.1% (against a planned rate of 3.3%); accounting for 30.4% of the GDP
 - Industry sector increased by 12.5% annually (against a planned rate of 13.6%), accounting for 26% of the GDP
 - Services sector increased by 8.4% (against a planned rate of 7.4%), accounting for 37.2% of the GDP
- GDP growth rate by fiscal year was as follows:
 - FY (Fiscal Year) 2005-2006: 8.2%
 - FY 2006-2007: 8.0%
 - FY 2007-2008: 7.8%
 - FY 2008-2009: 7.6%
 - FY 2009-2010: 7.8% (Initial estimated rate)

In the fiscal year 2008-2009, Gross Domestic Product at current prices reached 47,225 billion Kip. The GDP per capita in 2008-2009 was USD 906, and it is estimated that GDP per capita in FY 2009-2010 will be about USD 986 (in contrast, the Five-Year Plan states that the GDP per capita in 2010 should be USD 800)

Inflation rate decreased from 8% in FY 2005-2006 to 0.74% in FY 2008-2009. In March 2010 the inflation rate stood at 4.89%

Kip, the national currency, has continuously appreciated; the average exchange rate appreciated from 10,242 Kip/USD in FY 2005-2006 to 8,515.7 Kip/USD in FY 2008-2009 and 8,470 Kip/USD in the beginning of FY 2009-2010.

- **Investment:**

Public investment in the past five years amounted to 24,747 billion Kip, in which Government-funded investment amounted to 3,982 billion Kip and ODA-funded investment, to 20,765 billion Kip. ODA was provided in the form of grants (58%) and loans (42%). The amount of investment covered by ODA depends upon actual project implementation.¹.

¹ This amount has been consolidated in collaboration with the Department of International Cooperation

The approved private domestic and foreign direct investments in the past five years stood at 9.7 billion USD, in which private domestic investments amounted to 1.7 billion USD. The approved private domestic and foreign investments in each fiscal year were as follows:

- FY 2005-2006: 2.7 billion USD, in which domestic investment was 0.36 billion USD
 - FY 2006-2007: 1.1 billion USD, in which domestic investment was 0.16 billion USD
 - FY 2007-2008: 1.21 billion USD, in which domestic investment was 0.25 billion USD
 - FY 2008-2009: 4.3 billion USD, in which domestic investment was 0.86 billion USD
 - FY 2009-2010: 0.4 billion USD, in which domestic investment was 0.01 billion USD
- Budget-Revenue and Expenditure :
 - Total Revenue has been 36,876.75 billion Kip, amounting to 16.5% of the GDP
 - Total Expenditure has been 46,980.91 billion Kip, amounting to 21.2% of the GDP
 - Budget Deficit has been 10,228.42 billion Kip, amounting to 4.7% of the total GDP
 - Import-Export in the past five years:
 - Exports amounted to 5.11 billion USD, and accounted for 20.72% of the GDP
 - Imports amounted to 6.49 billion USD, and accounted for 26.1% of the GDP
 - Trade deficit amounted to 1.38 billion USD, forming 5.3% of the GDP. The five-year plan had anticipated the deficit to be 1.02 billion USD, which is 5% of the total GDP.

Lao foreign trade continued to be in deficit. In the five years from 2006 to 2010 trade deficit amounted to 1,384 million USD (average annual trade deficit being 276.80 million USD, which is 27.1% of the total exports). However, foreign trade development appears to be following a positive trend, as trade deficit to GDP decreased from 10.79% in FY 2001-2005 (average). It was also low at 5.3% compared to a planned target of 5.8%.

2. Economic and Social Sectors

- Economic sector
 - Agricultural Sector: The annual (average) rice production was 2.9 million tonnes. This is 88% of the quantity projected in the Sixth Five Year Plan (3.3 million tonnes). Nevertheless, rice is adequate in the domestic markets. The production that stands out in this sector is of sugar, industrial tree plantations

(rubber, eucalyptus), corn, cassava, sweet potatoes, and livestock and fisheries (cows, buffaloes, pigs, birds, fish, and other small animals, which have grown in urban suburbs and in mountainous areas for commercial purposes). The consolidated domestic agricultural supply amounts to about 102.4 million USD, and export amounts to about 24.6 million USD, as per current estimates.

- Energy Sector: 97% of the plan projection was implemented, between 2006 and 2009. Construction of Nam Mung 3 Dam, NT2 Dam and Sesad 2 Dam, have been completed, and pilot production has begun. Dams that are still in the process of construction are Sekamarn 3, Nam Ngum 2, Nam Lik 1 and 2, Nam Yon, Nam Ngum 5, Theun-Hinboun (expansion), Tad Salan, and Nam Song. Their construction is expected to be completed during 2010- 2012. The total electricity production capacity is currently 1,377 MW, and the power generated nationwide reaches 5,950 million kWh per year. Currently, the total length of electricity transmission lines is 19,503 Km across the country.
 - Mineral production: The value added in mineral production has increased significantly, by 25% annually, and the share of this sector in the GDP has risen to 9.5% as per the latest data. The total value of mineral production in the past five years between 2006 and 2010 increased 13.9% per year (as per current price) and 19.9% per year (at 2002 prices). The exploration and manufacturing of gold increased from 9.7 tonnes in FY 2005-2006 to 10.08 tonnes in FY 2007-2008 (Plan target for 2010 is 13 tons).
 - Manufacturing industry sector: The total value of manufacturing production rose at an average rate of 9.4% per year in the period 2006-2010. Manufacturing and processing activities requires less capital investment when compared to other types of industries, but has higher employment potential. Some sectors of manufacturing that have grown significantly are garment production, tailoring, timber and food processing industry.
- Services sector
 - The basic infrastructure has improved and significantly expanded, including all types of roads, electricity grids, irrigation systems, airports, others. These directly and indirectly support production, transportation, commerce, investment, people's living conditions, and defence and security activities.
 - There is expansion in the linkages between sub-regional growth, and expansion of roads and air transport. Roads have been extended from 33,803 Km to 39,568 Km in the past five years. Tourism infrastructure has benefited from road infrastructure expansion and the number of hotels increased by 17.3% and guest houses by 6.8% annually, from the years 2002-2004, until now. Tourists to Laos grew at 15.8% annually, or about 1.77 million people per year (arrival), and generated income of 261.32 million USD per year (equivalent to 5.19% of the GDP).
 - Telecommunication grids: There are 119 post offices, 99 telephone centres and 3,589,379 telephone connections in the country
 - A comparison of tourist arrival between the Sixth Five Year Plan (2006-2010) and the Fifth Five Year Plan (2001-2005) suggests that tourists to Laos

increased 44.45%, and have generated twice the income in Sixth Plan compared to the Fifth Plan.

- International and Regional Economic Integration

The economic integration of Laos with its regional and international counterparts has been attempted through the implementation of a policy of open foreign economic cooperation, on the basis of independence and mutual benefit. As a result, there has been expansion in cooperation in the fields of economy and commerce. International trade negotiations at the bilateral, regional, sub-regional and global levels have increased and strengthened. International integration includes multi-party trade cooperation, ASEAN and Regional Economic Cooperation, Trade Negotiation within ASEAN and related countries, and Asia-Pacific Trade Agreement.

- Culture – Social Sector:

- Poverty Reduction entails rural development, for which village and village development groups (kumban) are established. Six prioritised focal points in Xiengkhuang and Vientiane provinces have been defined. Capacity building about Village Development Plans has been carried out with 2,586 provincial staff members, and Village Development Plans have been drawn up for 92 village groups in 61 poor districts. An amount of 41.7 billion Kip from domestic funds has been set aside to establish the Village Development Fund. In 2007 and 2008, the Agricultural Promotion Bank had extended loans to farmers amounting to 1,248 billion Kip for cultivation, livestock-raising and small business development. Nayobai (Policy) Bank has given loans to 24,762 households amounting to 1.8 billion Kip. According to the Consumer and Household Expenditure Surveys, the proportion of people below the poverty line decreased from 33.5% in FY 2002-2003 to 27.6% in FY 2007-2008; and from about 26.6% FY 2008-2009 to about 25.6% in FY 2009-2010 (estimate). On average, the poverty rate has decreased by about 3.8% per year.
- The educational network has been improved, with schools being set up in remote areas and poor districts. Sub-standard teachers are getting trained. The numbers of childcare centres and kindergartens have increased to 1,129 and the numbers of elementary schools have gone up to 8,830. The enrolment rate of primary school has increased from 84.2% in 2005 to 89.2% in 2008, and 91.2% in 2009.
- People have been increasingly receiving basic health care services. The average life expectancy is 63 years (for women it is about 64 years and men, about 62 years). There are four central hospitals, 12 provincial hospitals, four regional hospitals, 127 district hospitals, 793 health centres, and 6,736 hospital beds in the country. In the past five years, the country has successfully overcome the bird flu epidemic twice.
- Skills-development among workers has been continuously implemented, and 642,884 new jobs have been created. This exceeds the Sixth Five-Year Plan target by 18.2%. The proportion of workers engaged in the agriculture and

forestry sector gradually decreased from 78.5% of the workforce in 2005 to 75.1% in 2010. Correspondingly, the proportion of workers in industry and construction sectors increased from 4.8% to 5.5%, while the same in the services sector has increased from 16.7% to 19.5%, between 2005 and 2010 (estimates). The shift of workers from agricultural sector to non-agricultural sectors stands at 0.7% annually.

- Senior revolutionary officers have been carefully looked after and provided special care. The total number of senior revolutionary officers is 9,039 which accounts for about 10.64% of the total officers. An estimated 2,217,187 people have benefited from the removal of unexploded ordnance from various locations. Construction of a memorial for revolutionaries and anonymous soldiers has been completed.
- Information and Culture Sector has improved both in quantity and quality. Technical training has been given to staff for diffusing information in the society. FM radio stations increase by 14: there are now 43 stations nationwide covering 90% of the catchment area in the country. Next, there are 36 television stations. The Cultural Sector has been regenerated and it protects the country's culture. National culture has been promoted nationwide and cultural awareness has been raised among the masses of populations. In all, 445 'cultural villages' have been established and 131,346 families have been awarded 'cultural families' status (families meeting high cultural and traditional standards)..

3. Regional development

- Northern Part: Construction and repair of irrigation systems, roads, schools, hospitals and others have been carried out; e.g., the irrigation systems of Nam Seng, Nam Tair, and Nam Mao-Nam Nan; construction and up-grading of the national road connecting Luang Namtha to Nalair; laying down power cables between Ngoy district and Viengkham district in Luang Prabang province; and restoration and repair of the basic infrastructure in areas flooded in 2008. Farmers have been encouraged to grow dry-season crops for commercial purposes. The plantations of corn in Xayabouly, Oudomxay, Borkeo, Huaphanh and Xiengkhuang provinces are among the more successful examples.
- Central Part: Construction of a road to connect Dongdok to Phosy road (450-Years Road, of Vientiane Capital) has been initiated. Railway services between Vientiane and Nongkhai (in Thailand) have begun. The construction of the Mekong Friendship Bridge from Khammouane province to Nakhonphanom province in Thailand has commenced. A sugar factory in Savannakhet Province began production in March, 2009. The project of constructing President Souphanouvong Monument (21 March Park Construction Project) at Khammouane Province has been completed. The preparations of the celebration of 450 Years of Vientiane Capital are being successfully carried out.
- Southern Part: Construction and repair of irrigation systems has been carefully carried out. Farmers are encouraged to plant dry season rice, and other vegetables such as cabbage, Chinese cabbage, and cardamom, and raising livestock (e.g. cows, buffaloes,

pigs, chicken, and goats). Fish aquaculture has also increased. Connecting triangular economic areas, e.g. construction of a road to connect Thatang District to the Bang Village Project (Grants for Triangle Economic Development Project) is going on. Construction of 15A road and Sedon River Bridge are also being completed.

4. National Defence and Security Sectors

National Defence and Security activities continued to be taken seriously, in order to control and combat crimes. People are encouraged to join the National Defence and Security schemes in their local villages, offices and organisations. Political stability, safety and order have been ensured. These are basic requirements for development of the society and economy, and establishment of village and village development groups.

5. Management of governance in line with the market economy with socialist orientation

- The Government has improved its public administration from central to local levels: the central level is responsible for macro management and local levels are responsible for implementation.
- Improvements in coordination among line ministries, sectors and local authorities have been made through joint meetings between the Central Government and provincial authorities. Mechanisms have been built to protect and manage civil servants. Some sectors have integrated and harmonised their economic-planning and finance sectors in more than 40 districts on a pilot basis. The government has also prepared a public administration development strategy up to 2020. Improvement in the organisational structure of line ministries, equivalent ministries and central level has completed. The Government has drafted and improved a number of legislations in varied areas. The provincial authorities have participated in this process.
- Authorities at different levels in the Government have focused on justice and society issues, and harmony across society has been encouraged.

6. Implementation of 11 programs, 111 projects and 25 special projects:

All sectors and local authorities are integrating the 11 overarching programs into plans and projects. These include defence and security, agricultural development, forestry and timber industry management, national basic industry development and handicraft promotion, tourism and transit promotion, foreign economic linkages and investment promotion, transportation and telecommunication, improvement of efficiency in the management of macroeconomic plans, human resource and culture – society development, government public administration reform, and the one-stop service project.

B. Summary of Achievements and Outstanding Issues in Implementing the last Five-Year Development Plan

The implementation of the Sixth Five-Year Socio-Economic Development Plan (2006-2010) has been carried out in an environment that facilitates the work plan despite

several challenges and constraints. In the past five years, the performance of the Socio-Economic Development Plan can be briefly summarised as follows:

1. Achievements

- Political stability, peace and security was maintained.
- The economy expanded continuously and at 7.9% GDP growth, exceeded the original target of 7.5%). Overall macro-economic stability has been maintained. The latent potentials have been tapped to a certain extent. The impacts of two natural disasters were withstood, and the country was able to effectively safeguard itself from the global financial crisis.. The economic structure is moving towards industrialisation and modernisation. Production for commercial purposes is increasingly occurring following the market mechanism, monitored by the Government.
- Poverty levels have decreased. The living conditions of Lao people have improved. To a certain extent, social problems have as well been solved.
- Because of the correct and stable foreign policy introduced by the Party, friendly relationships with other countries and international organisations have been maintained, which in turn enhanced economic cooperation and international integration..

2. Outstanding Issues

- Macro-economic expectation
 - The GDP has increased significantly but despite efforts deployed by public authorities to balance the dividend of growth across the country some disparities in terms of investment and distribution of national wealth remained. Poverty has considerably reduced but inequality persists. Raw materials are exported and not processed in the country, resulting in loss of value addition. The industry sector has grown at a slower rate compared to the service sector.
 - There are good basic public investments, but no focal investment areas are identified. The effectiveness of public investment is low (capital-output ratio: 4/1). A number of public investment projects still lack financial support for implementation. Contribution from Government counterpart funding was relatively modest.. The implementation of the private investment promotion policy in several sectors and local areas has been inadequate, and lacked resources. The one-stop service mechanism has not been widely prevalent. Monitoring and evaluation of some approved projects is not carried out effectively.
 - While the budget balance appears to have improved, reliance on foreign aid is still high. Domestic revenue collection is unpredictable, as revenues that are collected adequately in some fiscal years, are not as adequately collected in other fiscal years. This affects the utilisation of domestic revenues for public spending.
 - Labour demand and job creation for the workforce have been carried out according to the market mechanism but have not been well planned. As the result, labour market is not balanced (some Lao labour works in neighbouring countries even when the domestic market requires more labour, as the result a

large number of foreign workers are imported to fulfil the labour demand). In some localities, a large number of agricultural workers from rural areas have moved to urban areas to work in industrial sectors. As a result, some rural areas lack labour to work in agriculture.

- Sectors
 - National forest conservation management, production forests and effective utilisation of agricultural land are not widely carried out. The production of agricultural products for commercial purposes is still in its infancy. Projects lack budget support and technical staff for effective implementation. Technical equipment utilisation and knowledge of management and business administration are still low (about 10%; while in Vietnam it is 33%, Thailand 40% and Singapore 84%).
 - In social and service sectors, the quality of services is poor and speed of services is slow. Many of the educational and health infrastructures are below standards, resulting in non-achievement of targets in “compulsory elementary school attendance”, and people’s health insurance.
- Regional Development
 - Regional development is not well-balanced resulting in low interdependence and integration between regions. Some provinces in the same region achieve higher development targets compared to others. This reflects a lack of coordinated development between different provinces. Economic growth does not effectively reflect the development of all areas in the same region. Co-ordination of the work plan, and development projects among provinces in the same region, are still lacking.
- Implementation of 11 programs and 111 projects:
 - The 11 programs and 111 projects were initiated late, much after the Sixth Five-Year Socio Economic Development Plan was launched. Therefore, there have been difficulties in arranging work plans and projects with the agencies responsible, as well as allocating funds to them. Many work plans and projects are not yet implemented. There have been delays in allocation of work plans and projects to responsible agencies (data: 2007-2008). A work plan, which is the responsibility of multiple ministries, leads to confusion of ownership and results in difficulties in implementation and reporting. Work plans that have not met the targets are basic poverty reduction, entire elimination of slash and burn cultivation practices, and relocation of habitants. These work plans are unlikely to meet targets in the next fiscal year as well.

3. Reasons for the Achievements

- Right political directions are defined in the Resolutions of the Party, especially the Resolution of the Eighth Party Congress. Direction and leadership of the Party is firm, up-to-date and compatible with local and international context.

- The National Assembly and the Government have considered and approved the Socio-Economic Development Plan according to prevailing regulations and laws. Socio-Economic sectors and local authorities translate plans into work plans and projects, take ownership and seek financial support for implementation.
- People at all levels and business community support and participate in the implementation of work plans and projects.
- Strong and valuable support provided by friendly countries and international organisations.

4. Reasons for Outstanding Issues

- Some sectors and local authorities experience delays in translating plans into work plans and projects and in taking ownership. The implementation of such work plans and projects have begun, in the middle of the five-year period and not since the beginning.
- Monitoring and evaluation of work plans and projects are not carried out on a regular basis. Assigned responsibility is still ambiguous.
- Technical knowledge of planning and administrative management of work plans and projects is still limited.
- Natural disasters occurred twice and the global financial crisis has affected the implementation of development plan.
- In a market mechanism, weak management could lead to social and economical problems, and the laws and regulations tend to be ignored.

C. Lessons Learned

1. Continue maintaining the Party's directions and translate its resolutions into detailed work plans and projects and assign responsible agencies for strict implementation.
2. Mobilise domestic and foreign funding and use it effectively. Rapidly respond to changes in world economic situation and prepare necessary measures to minimise the effects of crisis.
3. Restructure the economy towards greater industrialisation and modernisation, while expanding the potential for socio-economic development in each sector and locality.
4. Integrate into the region and the world on the basis of economic self-reliance, resulting in competition and increased output.
5. Expand the market-oriented economy in line with social development which targets poverty reduction, provides opportunity to vulnerable groups, and addresses social challenges.
6. Move toward quality and sustainability of development integrating the three elements of economic growth, social justice and modernisation, and sustainable environmental protection.
7. Improve administrative system so as to be accountable, effective, transparent and responsive. The public official should be a manager, service provider as well as a user of the administrative system.
8. All socio-economic activities must be aligned with: the work undertaken by government experts dispatched to work at the local levels; establishment of 'Development Villages'; and, national defence and security.

9. Efforts should be made to secure adequate and balanced development resources for the macro management and sectoral and regional development through the formulation of the 5 year socio economic development plan, annual plans and the national and sectoral monitoring and evaluation system.

II. Strategic Direction of the Seventh NSEDP (2011-2015)

The Seventh National Socio–Economic Development Plan (2011 – 2015) plays a crucial role to implement the Resolution of the Ninth Party Congress. It is also the means to implement the Socio-Economic Development Strategy until 2020 and transform the country into a modern and industrial society.

It is also the necessary thrust to graduate the country from the Least-Developed Country (LDC) status by 2020, and creates opportunities for strengthened regional and international co-operation.

This five year plan is part of the long term goal of the country to implement its policy of national development, achieve economic growth of at least 8% annually, reduce poverty, achieve the Millennium Development Goals by 2015 and construct basic infrastructure for industrialisation and modernisation in the times to come.

The targets and directions of the Five-Year Social-Economic Development Plan are as follows:

1. Ensure continuation of national economic growth with security, peace and stability, and ensure GDP growth rate of at least 8% annually and GDP per capita to be at least USD 1,700. .
2. Achieve the Millennium Development Goals by 2015, and adopt appropriate technology, skills and create favourable conditions for graduating the country from LDC by 2020.
3. Ensure the sustainability of development by emphasising economic development with, cultural and social progress, preserving natural resources and protecting the environment.
4. Ensure political stability, peace and an orderly society.

A. Expected Development Context and Challenges

a. Development Context

i. Opportunities and Strengths

- **International level:**

- Global and regional economies appear to be recovering
- International development partners are reiterating their continued support to the Lao development efforts
- The Lao economy is being upgraded in line with international standards, science and technology, and expansion of free trade

- **Domestic level :**
 - The country is experiencing political stability and social order, and the multi-ethnic society is living in harmony and solidarity
 - The government's socio-economic plans have been supported by national and international agencies
 - Natural resources and geography of the country are significant factors in attracting investors
 - Having appropriate technology and skills are lessons learned from the implementation of the 6th plan.

ii. Demographics

In the next five years, the population in each age group will increase; especially population in working age (15-64 years) will increase from 3.76 million people in year 2011 to 4.10 million in 2015. This will be a positive factor for economic development, because population in working age can earn income more than the expenditure to be incurred on the population.

iii. Challenges and constraints

- **International level:**
 - Uncertainty in the global financial crisis will have direct and indirect impacts on the economy of many countries in the world, and Lao PDR.
 - Countries that have strong economies and international organisations tend to take advantage in different ways over developing countries especially LDCs.
 - Competition in free trade areas is increasingly tough, which impacts the least developed countries
 - The world's climate change and infectious diseases are serious problems
- **Domestic level:**
 - The economic base of Lao PDR is still nascent and sensitive to external effects.
 - The side effects of the free market economy mechanism is that it has adversely impacted the society and socio-economic management
 - Impact from two previous major floods and climate change (heat, drought and flood)
 - The needs for development needs have gradually increased, however the available resources and management and administrative capacities are limited

B. Overall Directions of VII NSEDP

The VII NSEDP identifies seven directions described as follows:

- (1) Develop all aspects of national economy: build a strong base for sustained economic growth by acquiring technologies and the means to pull the nation out of the status of a least-developed country; reduce poverty; centre-stage economic development (to be the

core aim for achieving fast track continuous development); support a shift of economic structure and labour structure towards an industrialised and modernised one; distribute the benefits of development for all; implement State-led market economy mechanism ; promote small and medium enterprises; and promote people's participation.

(2) Make dynamic changes towards rural development and poverty eradication, promote people's livelihoods, make the society just, reduce the gap between urban and rural areas and rich and poor people (through capacity-building and education), support production of goods, protect people through better sanitation, disease control and health extension, develop infrastructure, and put in place Ban and Kumban development.

(3). Socio-cultural and economic development must reinforce each other, promote good livelihoods (both physical and mental) through strong educational reforms and human resource development, for example, through up-grading and expanding educational opportunities, developing the intellect, providing higher education, good health and sanitation, building better management staff and high skilled workers, continuing to protect and raise the value of national culture together with openings for international exchange, and up-grading media and information.

(4) Increase enforcement and effectiveness of public administration, reform democratic state in the direction of rule of law, ensure equality and justice in society, fight corruption, increase savings, and reduce extravagance. Pay attention to address social challenges in a timely manner, allocate responsibilities, and identify clear roles between the central and local levels authorities.

(5) Ensure national defence and security across the country in order to maintain political stability, and social order. Improve mechanisms and enforce rules and regulations regarding migration, and respect the rule of law. .

(6) Increase the skills of labour for it to be appropriate with the nation's development, allocate, reorganise and optimise the use of natural resources, increase cooperation with friendly countries at regional and global levels, provide favourable conditions for socio-economic development, increase the country's involvement in regional integration, and raise competitiveness at the regional and international levels (with focus on domestic and foreign investment), in order to have strong economic growth, develop socio-economic infrastructure systematically, and draw-up investment promotion policies for economic sectors in priority development areas, production areas, and in difficult and remote areas.

(7) Implement industrialisation and modernisation strategies in a progressive way, and develop focused sectors and regions in which to have favourable conditions and positive factors, so as to reduce the gap between development levels with other countries at regional and international levels quickly. Focus on large projects to achieve fundamental growth, and be able to integrate internationally, promote production units and small and medium enterprises, to use new techniques and technologies, in order to increase production quality and efficiency.

a. Targets at Macro Level

• **Macroeconomic**

- Achievement of a growth rate of GDP of not less than 8% per year: agriculture-forestry sector grows at least at 3% annually and have a share of 23% in the GDP; industrial sector increases by 15% annually and have a share of 39% in the GDP, and service sector increases 6.5% annually and have a share of 38% in the GDP. The GDP per capita should be USD 1,700 (based on the exchange rate of 8.500 kip/USD).
- Inflation rate is below the rate of economic growth, a stable exchange rate is maintained, and the year to year fluctuation of the Kip should not be more than 5% compared to major foreign currencies.
- The rate of consumption in society is aimed at 75% of the GDP, investment (public and private) at 40%, export at 35%, and import at 50%.
- Target domestic revenue levels of 16-17% of the GDP per year, total revenue (including grants) at 18-19% of GDP, and budget deficit not more than 3-5% of GDP per year. Increase money deposits by about 20% per year, or about 30% of GDP.

• **Economic sector**

- Aim to achieve rice production at 4 million tonnes, sown across in 1.04 million hectares, and achieve productivity at about 3.9 tonnes per hectares.
- Aim to achieve growth in livestock at 4-5% per year, including cows and buffaloes at about 2-3%, and pigs and poultry at about 6%.
- Aim to achieve annual exports growth at about 18% and imports at about 8% per year.
- Aim to expand electricity transmission lines of 22 KV and spread electricity in areas which are not presently covered by the grid including rural and remote areas, so as to achieve 80% coverage of households in the country.
- Aim to have mining and processing of important minerals, such as copper plates (86,200 tonnes per year), gold bars (six tonnes per year), and coal 728,000 tonnes per year.
- Aim to increase the inflow of tourists to about 2.8 million people, discover and expand natural, cultural and historical sites, and aim to have two more world heritage sites.
- Aim to achieve aviation growth by 8-10% per year,
- Aim to provide water supply to people in urban areas, covering 67% of total urban population.
- Aim to expand the network and communication service to rural areas, covering 90% of all villages in the country. Increase more mobile phone and fixed line telephone connections to cover 80% of total population.

• **Social sector**

- Decrease poverty to below 19% of the total population, and poor households to below 11% of total households, by year 2015.
- Increase net primary school enrolment rate to 98% in year 2015.

- Achieve enrolment rate of students who continue study from year 1-5 at 95%, and literacy rate of people in the group of 15-23 years old at 99%.
 - Reduce mortality rate of children below five years at 70 per 1,000 live births;
 - Reduce infant mortality rate (below one year) at 45 per 1,000 live births;
 - Reduce children below five years that are underweight to 20% and stunting to 34%;
 - Reduce maternal mortality rate so as not to exceed 260 women per 100 000 live births;
 - Increase population having access to clean water to 80% and use of latrine at 60% of total population
 - Control average unemployment rate to no more than 2%
 - Decrease labour deployment in the agriculture-forestry sector to 70%, increase labour in industrial-construction-mining to 7%, and increase labour in the service sector to 23% of the total workforce.
 - Increase ‘cultural villages’ to more than 700, increase ‘cultural families’ to more than 100,000 families, develop at least four central public parks and at least one park in each province.
- **Environment**
 - Ensure forest cover at 65% of the total area of the country.
 - Preserve mineral sources (keep mineral source at more than 65% of total mineral wealth in the country), keep good condition of the soil, water, and help mitigate climate change.
 - Secure the country from losses due to natural disasters, such as controlling forest fires, drought, flood, erosion of rivers, and denuding of mountains.
- **International integration**
 - Enhance international trade and economic cooperation and full international integration. Reach the political, security, economic and social targets set by the ASEAN community by 2015. Also, aim to be a member of WTO.
- **Balances at Macro Level:**
 - **The balance of investment:** To ensure growth of 8%, there must be investment of about 127 thousand billion kip (USD 15 billion) or about 32% of the GDP. The public investment (including domestic budget investment, grants and loans) is aimed at about 43-47 thousand billion kip, domestic private investment, foreign private investment and converting assets into capital at about 64-70 thousand billion kip, and bank borrowings and loans at about 13-15 thousand billion kip.
 - **Division of Responsibilities**
 - i. Central level: Programmes and projects, which are national and large-scale, and are a priority
 - ii. Sector level: Programmes and projects, which are large-scale, at ministry/government/agency and macro levels (Type 1)

- iii. Provincial level: Programmes and projects, which are large, at the provincial level (Type 2)
 - iv. District level: Programmes and projects, which are large at district level (Type 3)
 - Fund allocation based on sectors: Economic sectors 30%, Social sector 35%, and Infrastructure 35% of total investment
 - Fund to pay for debt at 35% of the expenditure on domestic investment
- **Balance in budget:** Expect total budget in the next five years to be 18-19% of GDP, government expenditure to be 20-22% of GDP, and deficit to be at 3-5% of GDP.
- **Balance in expenditure and saving:** Aim to increase savings in banks to 30% of GDP per year and the State Accumulation Fund should have more than 3-5% of the domestic revenue.
- **Balance in import-export:** Increase the value of exports by an average of 18%, increase foreign currency in secondary stock, and have enough foreign exchange reserves for imports equivalent to at least six months in a year.
- **Balance in labour:** In the year 2015, there will be demand of 3.26 million workers, but the workforce supply will be only 3.17 million (including 276,828 new workers, average 55,365 workers per year). This will include labour in the agricultural sector by about 209,669 workers, industry sector about 14,272 workers, and service sector about 52,431 workers.

C. Specific Directions of the VII NSEDP

❖ Rural development and poverty reduction

- **Directions:**
 - From 2011-2015, poor villages and Kumbans all over the country will be the main targets and priority for rural development and poverty reduction
- **Targets:**
 - Decrease poverty to less than 19% of the total population and 11% of total households in the country by 2015.
 - More than half of the villages to become 'development villages', and to urbanise Kumbans for them to become small town centres (at least 1-2 Kumbans per district)
 - Expand electricity in rural areas, covering 60% of the rural population, and access to clean water in the rural areas covering 75% of the rural population.
- **Measures:**
 - Continue to dispatch government experts to help work at the grass roots level within the Kumban development context (four contents and targets) for strengthening the capacity and leadership of local government officials for

planning and implementation of poverty reduction and rural development programs.

- Administrative restructuring of the rural development and poverty reduction agencies to strengthen institutional capacities from the central level to the grassroots in management, monitoring, reporting and leadership.
- Analyse appropriate rules and mechanisms for implementing policies regarding tax, customs and credit, adequate mobilisation and utilisation of local resources, capitalisation of assets and other relevant policies for poor districts, historical areas, remote and mountainous areas as well as ethnic groups not in poor districts.

✿ Economic development

Agriculture and forestry sector

• Directions:

- Systematically develop all aspects of agriculture and forestry in line with industrialisation and modernisation priorities in areas that have favourable conditions; ensure food security; promote commodity production for domestic use and export; improve productivity and enhance end-product quality.

• Targets:

- **Food production:** To produce rice equivalent to 4 million tonnes, at 3.9 tonnes per hectare on average; produce meat at 32 kg/person/year and aquatic products (fish, frogs, shrimps) at 22 kg/person/year
- **Commodity production:** To produce 100,000 tonnes of high quality rice seeds by 2015; produce 40,000 tonnes of high quality maize seeds, expand maize production to 150,000 hectares, and produce 120,000 cattle for export (in border areas). Produce coffee at more than 553,000 tonnes.
- **Forestry:** Increase forest coverage to 65% of the total country's area by 2015, rehabilitation of 3.9 million hectares of deteriorated forest and reforest 200,000 hectares. Additionally, undertake a survey of 60% of forest cover under the three classification types. Expand the certified production forest area by 10% by 2015.
- **Irrigation:** By 2015 the irrigated area in the dry season to be increased to 500 thousand hectares including 300 thousand hectares for dry season irrigated rice; wet season irrigated areas to be expanded to 9.5 hundred thousand hectares.
- **Experiment and use technology in agriculture:** Improve 216 existing agriculture and forestry extension centres and expand to over 500 extension centres across the country.

• Measures:

- Use modern technologies and methodologies, and improve productivity through established extension centres in Kumbans, especially in districts where villages and/or people have been relocated.

- Optimal use of capital and formulation and implementation of policy for tax incentives and trade facilitation that support the expansion of market networks from the wholesale to the retail, including the storage, processing facilities and logistics for better market access.
- Promote irrigated farming systems to support production activities and improve productivity.
- . Develop human resources by sending government experts in the area of veterinary and agricultural extension to the areas where there is insufficient expertise, to assist, guide and train local farmers in new techniques in agriculture and animal husbandry to ensure high productivity.
- Management, legislation and policies: Take measures and implement policies regarding the quality control, phytosanitary standards (SPS) and diseases prevention; reforest by reidentifying areas for protection of natural forests; and improve the quality and structure of forests by planting appropriate species of plants.

Industry and commerce

- **Directions:**

- Promote agricultural products for export so they rapidly become a source of economic growth; promote SMEs, especially in products that already have access to markets and are highly competitive; promote handicraft products which represent the tradition of the Lao people; concentrate and integrate trade with foreign countries and carry out obligations as mentioned in international treaties; and prepare for entry into the ASEAN community by 2015 and become the WTO members.

- **Targets:**

- Expand food processing and handicraft at an average of 12-13% per year, expand handicraft at 15% per year, increase the trade volume at average 11% per year, increase exports value at 18% per year, expand retail markets to cover 80% of the total Kumbans, and establish rural enterprise units in at least 30% of the villages.

- **Measures**

- Apply modern technology in production, especially improving the value-added of products, and be able to compete in the international market.
- Attract investment and participation of economic operators for infrastructure development, such as wholesale-retail markets, rural markets, and border area markets, by establishing suitable market mechanisms to increase production activities.
- To regulate the industry and commerce sector to support the requirements of rapid economic growth; and strengthen capacity of staff, and workers in production units, enterprises and import-export entities.

Energy-mining

- **Directions**

- Develop hydropower sources and renewable energy in order to supply energy to the production sectors and the society, and become the battery of ASEAN. Extractive industries should take into consideration the conservation of the resource and protection of the environment (including water). It is also the aim to develop systems for transmitting electricity to target areas (to raise production), and to reduce poverty, especially in remote areas, and expand power in other areas that have the potential to produce exportable goods.
- **Targets**
 - Build 10 more large dams, to produce 5,015 Mega watt power
 - Ensure that the number of households who access electricity increases to 80% by 2015
 - Complete transmission lines (115 KV lines) in the north, central and south regions, to meet the power demand.
 - Operate mining, and process important minerals to transform into finished products or semi finished products, like copper plates (86,200 tonnes/year), gold bar (six tonnes/year), coal (728,000 tonnes/year), copper ore (298,000 tonnes/year), and gypsum (600,000 tonnes per year).
- **Measures**
 - Mobilise and effectively utilise resources including grants and concessional loans for effective development of power infrastructure; and invest in developing the mining sector especially in those areas having high return and economic potential. ,
 - Regulate the mining sector to ensure the highest return and benefits to the country;, draw up legal measures for the extractive industries and ensure full enforcement of prevailing laws and regulations.
 - Improve policies, laws, regulations and coordination procedures; and increase effectiveness and transparency in the procedures for the study of project proposals and other documents, to attract more investment.
 - Strengthen the numbers and capacity and effectiveness of personnel in the geology and mining sector.

Public works and transportation

- **Directions**
 - Strengthen public works and transportation sector to increase efficiency in production, so that it becomes a fundamental factor for modernisation and industrialisation. Additionally, connect north-south and east-west economic corridors, and connect with neighbouring countries.
- **Targets:**
 - Build and expand road connectivity at the sub-regional levels to complete 100% of the transport plan, or about 920 km.
 - Build main roads of districts, and rural roads that connect with priority areas and Kumbar development areas. The roads must meet standards (e.g. made from gravel and be usable at least for one season in a year). All these roads should be 100% complete by the year 2015

- Build connecting roads, which are important and necessary for national defence/security
- Complete the construction of road transport connecting to Vietnam's sea port (Vung Ang port)
- Conduct a feasibility study to build a new airport large enough for landing a Boeing 747 aircraft in Vientiane Capital. Additionally, conduct studies for four other airports, large enough to land a Boeing 737 aircraft (in Luang Prabang, Xiengkhouang, Savannakhet, and Champassack).
- Increase total freight volumes to reach 23 million tonnes (or on average, increase by 7% per year).
- Increase product flows to reach 2.2 billion tonnes-km, or an average increase of 7% per year.
- **Measures**
 - Increase loans and grants from foreign countries, especially sources that offer untied and unconditional assistance
 - Strengthen macro management: formulate regulations, rules, decrees and necessary technical standards for management of construction, transport and postage.
 - Promote use of modern technology, and strengthen the capacity of staff, personnel and organisation in the public works sector.

Post and telecommunication

- **Directions**
 - Promote infrastructure development in postal services, telecommunications and high-speed Internet in order to modernise this sector for augmenting socio-economic development as well as be a link-point in the region and the world.
- **Targets:**
 - Expand telecommunication network and services to rural areas to cover 90% of all villages, and install 17,192 kilometres of fibre-optic cables.
 - Expand mobile phone connections and fixed line phone connections to cover 80% of total population.
 - Build stations to inspect and manage radio frequency at three locations in the country
- **Measures**
 - Create a favourable environment for telecom and post operators/entrepreneurs in the sectors of post, telecommunication and Internet through the provision of necessary infrastructure, and advanced technology.
 - Regularly disseminate policies and strategic plans on post, telecommunication, and Internet development.
 - Develop the capacity of personnel in the post, telecommunication and Internet sectors to meet international standards.

Tourism

- **Directions**

- Expand and strengthen the tourism sector and its contribution to the promotion and distribution of the country's goods and services. Develop natural, cultural and historical tourist sites and attractions, and promote eco-tourism, ensuring sustainability through people's participation.

- **Targets:**

- By 2015, the aim is to have more than 2.8 million tourists, which will generate receipts of about 350 million USD. The aim is to have 300 hotels in the country and to explore the natural, cultural and historical attractions. Additionally, the country is to have two world heritage sites and 29 national heritage sites.

- **Measures:**

- Develop tourism sites and facilities systematically between villages, districts and provinces nationwide, with detailed tourism programmes and improve existing sites to meet standards.
- Ensure that tourists have access to travel information; encourage people who live in tourism areas to produce domestic products; and build clean and quality accommodation and services.
- Improve tourism services to attain high quality, through facilitating in-coming and out-going services.

Public Finance and Banking

Public Finance:

- **Directions**

- To strengthen the fiscal and monetary policy in order to effectively enhance the macroeconomic management and stability, increase both domestic and international revenues, and efficiently use such revenue to gradually reduce the budget deficit.

- **Targets:**

- Total revenue of more than 18-19% of GDP.
- Public expenditure at a level of 20-22% of GDP; average increase each year being 0.2-0.25% of GDP.
- Budget deficit of no more than 3-5% of GDP.
- Public investment is aimed at more than 9.5% of GDP by 2015.

- **Measures:**

- To strictly implement the Budget Law No. 02/NA, Dated 26 December 2006 and financial regulations; and take any necessary financial measures to mitigate the impacts of external factor effects;
- To enhance coordination between line ministries, concerned agencies, and local authorities in financial supervision;

- Advocate for and upgrade the knowledge related to financial regulation for the businesses through the provision of regular trainings.

Banking:

- **Directions**

- To ensure stability of the national currency and contribute to reach socio-economic development targets.

- **Targets:**

- To increase deposits to approximately 20% per year or about 30% of GDP.
- To increase commercial loans by 20% per year, (and reach 20-23% of GDP) .
- To secure sufficient foreign reserves to cover imports for six months or more.

- **Measures:**

- To improve private banking regulation and financial institution supervision through application of advanced technologies, in harmony with the global financial environment.
- To strengthen and ensure stability in the banking system and develop a sustainable capital market, integrated and connected to the international markets.
- Develop a capital market - that has public trust and confidence - as a financial place to attract investment, direct resource mobilisation and to become the long-term funding resource for the Lao PDR development.

Land Management, Administration and Development

- **Directions:**

- To establish a land use system, protect and develop land and other natural resources in a sustainable, integrated and efficient manner in order to secure land for the Lao people for housing, subsistence and agricultural and non-agricultural commercial production, as part of economic development.

- **Targets:**

- To create a detailed land management plan at both macro and micro levels , and land use plans in villages and Kumbans across the country.
- To complete issuing one million land titles in a systemic and regulated manner, without conflict and achieving a three-fold increase in land revenue (or equal to 5% of the national revenue).

- **Measures:**

- To survey and collect information, manage and classify areas by type, create maps and master plans for use in administration, regulation, protection, development and utilisation of land and other natural resources, with cooperation across all levels, and in collaboration with the Land Management Authority.
- To focus on disseminating policy and raising public awareness of government policy, and creating conditions for people to follow policies and

regulations related to land and other natural resources through media, meetings, workshops and via schools.

★ **Social and cultural development**

Education and Human Resource Development

- **Directions**

- Educational development from now until 2015 aims to ensure continuous increase of quantity and quality of education, continue the national education system reform, and ensure improvement of education in three areas: physical, intellectual and social behaviour in the national context as well as contemporary concepts. To develop human resources in a variety of fields, including skilled labour, mechanics, technicians, engineers, managers, executives and others. , in order for them to have a secure job and be able to compete in labour market.

- **Targets:**

- To increase the primary school net enrolment rate to 98% by 2015;
- To increase the total enrolment of secondary school students to 75% by 2015;
- To achieve 75% upper secondary school students enrolment by 2015;
- To create a favourable environment to reduce illiteracy among citizens of age 15-24 years to 99% by 2015;
- To reduce the illiteracy of citizens of age more than 15 years to 87% by 2015;
- To build at least three vocation training schools in cities that have high economic potential and growth.

- **Measures:**

- To increase investment in the educational sector to 18% of the total budget expenditure through mobilising funds from various sources.
- To have policies that support talented people to become scientists and competent managers
- To expand upper secondary schools, vocational and technical schools and universities according to the plan, and to encourage scientific studies, foreign languages and new technologies, to meet development needs.
- To create and increase educational opportunities in remote areas for children, especially the poor, female, ethnics, and disabled children.

Health and Nutrition

Health Development

- **Directions**

- To focus on improving conditions for people to be physically and mentally healthy and thus be capable of engaging in their economic and social

activities; to create conditions for them to be able to access health-services and receive quality care; to attain equality in receiving health services among people; and to balance the improvement of hygienic activities and health promotion. All these are to increase the standards of living of the people.

- **Targets:**

- To decrease maternal mortality ratio to not more than 260 per 100,000 live births;
- To decrease the infant mortality to 45 per 1,000 live births;
- To decrease under-five child mortality ratio to 70 per 1,000 live births;
- 80% of total population to have access to potable water;
- 60% of total population to have and use latrines.
- To decrease the proportion of underweight children age under five years to 20%;
- To decrease the proportion of stunted children under five years to 34%;

- **Measures:**

- To make use of modern techniques and technologies in health services.
- To continue setting up mobile medical treatment units to reach rural areas, at least four times in a year in order to assist poor communities in each village, especially areas that have high risks of illness and high maternal and infant mortality rates.
- To increase the ability of disease prevention and enhance the quality of treatment at hospitals at every level; To continue to strengthen the capacity, knowledge and skills of doctors, and particularly female midwives and skilled birth attendants at the local levels.

Nutrition Development

- **Directions**

- It is important to ensure adequate nutrition and food security for the Lao people, to achieve the Millennium Development Goals.

- **Targets:**

- To decrease the proportion of stunted children under five years to 34%;
- To decrease the proportion of wasted children under five years to 4%;
- To decrease the proportion of children under five, suffering from anaemia to 30%;
- To decrease anaemia among women in the reproductive age to 30%.

- **Measures:**

- To encourage scientific research for improving the capacity in the areas of drug and food safety.
- To attract investment in the nutrition development sector, for the implementation of planned activities.
- To increase the awareness of three hygienic principles (in eating, drinking water, and habitat) among the Lao people for practice in daily life.

Labour and social welfare

- **Directions**
 - To develop and up-grade skills, knowledge, ability, experience, vision and discipline for Lao workers to obtain the right jobs; having social protection and better welfare; and create opportunities for disadvantaged people and victims of disasters, to receive assistance quickly.
- **Targets**
 - In the next five years, the demand for labour is expected to be about 3.26 million; the agriculture sector at approximately 2.29 million, processing industry and construction at approximately 226,000 and service sector 739,000.
 - To implement the policy for 51,337 people who served the revolution before 1954, and provide housing for disable officers.
- **Measures**
 - Mobilise resources from various sectors: the government, private domestic sector and international development partners to form a pool of funds for labour development. This would be used for creating conditions for employment as per the Labour Law, as well as creating more self employment.
 - To extend cooperation among different economic sectors including regional and international cooperation, for enhancing employment opportunities for Lao workers overseas.
 - To continue research and formulate strategic plans for labour and social welfare as well as improve legal and regulatory framework in relation to the development of labour and social welfare. Meanwhile, also disseminate, instruct and implement these two strategic plans effectively.

Information and Culture

- **Directions**
 - To ensure that Lao culture, heritage and values remains the foundation of the nation and is protected and preserved as part of the development process.
 - Use the media to promote political awareness, Party and State direction and the rule of law.
- **Targets**
 - Increase ‘cultural villages’ to more than 700, increase ‘cultural families’ to more than 100,000 families, develop at least four central public parks and at least one park in each province by 2015.
 - Expand the broadcasting coverage of radio stations to cities and villages to cover more than 95% of the country by 2015.

- Expand TV receiving stations and improve the quality of TV programmes. Programmes in provinces and rural areas to broadcast for at least 10 hours per day and cover at least 80% of the country. .
- **Measures**
 - Ensure the Nation's cultural values are conserved by strategically undertaking cultural activities that are open to modern concepts while reflecting traditional values.
 - To encourage all the people of Lao society to effectively participate in the development of information and cultural affairs.
 - To promote and foster cultural exchange among ethnics, in order to protect and preserve these valuable cultures.

The 7th Five Year Plan will also continue to emphasise priorities such as gender equity, scouts, youth and sport development, , technological research and application, unity among all ethnics and religions; social and behavioural challenges, cooperation within ASEAN, GMS and foreign countries, and public administration. Details of these are contained in the full text of the 7th NSEDP.

✪ **Environmental Protection, Natural Resources Management and Sustainable Development**

- **Directions**
 - To ensure that socio-economic development is fully aligned with protection of the environment and sustainable development of water resources
- **Targets:**
 - To protect the quality of the environment (water, land and air) in 25 towns having development projects within the national environmental standards..
 - To set up models for managing green environments, particularly in the four main cities along Mekong river: Vientiane Capital, Luang Prabang, Kaysone Phomvihane and Pakse. Establish clean development and carbon credit mechanisms to maximize the benefits for the country.
- **Measures:**
 - To raise awareness among people about environmental protection in the society, so that they understand the importance of protecting water resources and environment, and get involved in protecting these.
 - To share the focal plan on environment with the relevant sectors for their knowledge and understanding, in order to translate these concepts into rules, programmes and projects, for effective implementation.
 - Together with the relevant sectors, to undertake research and improve efficiency of early warning systems if drastic changes in weather occur.
 - To mitigate the effects of climate change, which can affect approximately 1.1% of GDP each year.

✧ **Development of Enterprises**

• **Direction**

- The plan will aim to develop all economic and business sectors in a harmonised and systematic manner. It would also improve the state enterprises for them to act as models for other sectors. The different measures would include developing enterprises in line with the market mechanism, and support small and medium enterprises (SMEs), mixed enterprises, partnerships, local enterprises and economic integration, so as to grow strongly in the future.

• **Targets:**

- To establish strong enterprises, to broaden mixed businesses domestically and internationally, to establish conditions for business-enterprises in all economic sectors to closely follow government regulations.
- To encourage production in small and medium enterprises, this to grow at least at 15% per annum, on average.
- To accomplish greater market participation ratio of small and medium enterprises, so that they provide employment to more than 85% of the non-farm workforce.

• **Measures:**

- To enhance coordination and divide the management responsibilities among different ministries, sectors and regions, to enable enterprises to work effectively. This would result in a strong associational system, allowing both domestic and international competitiveness.
- To increase trade facilitation for entrepreneurs, provide greater market access, and enhance competitiveness of Lao-made products.

✧ **Regional and Local Development**

Regional Development

- The regional development approach is aimed at expanding the potential and capacity of the provinces. The purpose is also to integrate the development of a province with other provinces within the region, provide support to provinces that have potential for rapid growth, and assist provinces with less opportunity to be able to keep up with others.
- The expectations of the 7th Five Year Plan are to reduce the development gap between the regions and provinces within the same region. Each province and region should develop according to its characteristics, relative advantages and actual conditions. There must be synergies and complementarities between nationally, regionally and locally based projects. The plan aims to develop six focal areas as models, expand development areas within provinces, expand industrial zones, expand special economic zones, encourage other special zones, and develop joint village development areas and urban development.

- **Measures:**
 - Provinces within the same region, district within the same development area should jointly develop plans, programmes and projects which complement each other and share priorities.
 - The regional programmes and projects of any sector should be led and managed by the concerned Ministry, including resource mobilisation and coordinate the effective use of shared infrastructure.

Spatial Planning and Development

Allocate land and forests in a sustainable manner to people living in target areas that continue to practice slash and burn cultivation by balancing utilisation and protection of the allocated land and forest. Focus is also on the development of mountainous, plain, remote and border areas.

Urban Development

To consider urban areas as the focus for development as well as a meeting and linking point among focal areas. Improve urban planning system;, develop cities conforming with industrial and business centres, and arrange for providing smaller cities with the opportunity to sufficiently support the movement of labour force.

Village and Focal Area Development

Infrastructure development is a necessary foundation for enhancing the people's quality of life; the promotion of the untapped potential and strengthen the capacity of each area for mutual assistance in socio-economic development. Encourage dispersed populations to group in villages, in pre-decided locations and provide job opportunities for them to gradually reduce poverty. Additionally, there would be attention on the development of six focal areas in Vientiane province and some focal areas in the southern provinces.

Special Economic Zones

To focus on special economic zones which are already established and create appropriate environment for building up special economic zones in other regions within the country. Some examples: special economic zone Boten in Luang Namtha, special economic zone Huaysai-Tonpheung in Bokeo, and special economic zone SavanSeno in Savannakhet.

- **Measures**
 - To improve and progressively upgrade the quality and efficiency of the management system, while supporting the use of modern technology and media in management activities.
 - To create favourable environment for investment by focussing on providing basic infrastructure development, public utilities, water treatment, , waste management, as well as improving the quantity and quality of the labour force.

✧ **Governance**

To focus on implementing prevailing laws , to ensure equality before the Law for the entire Lao population and further strengthen the legal framework to reflect the interests and concerns of citizens; continue to adequately address social issues, such as poverty, social challenges and corruption. To ensure people have access to the legal and judiciary system and gradually integrate the legal framework into the region. Promote ownership and encourage people and mass organisations to participate in development activities in order to achieve the targets as planned. Provide regular training and updated information including knowledge and technical know-how for the public administrators at all levels.

✧ **Public Security and National Defence**

The plan aims to focus on strengthening the readiness (strong and firm) of the public security and national defence force at three levels. Economic development goes hand in hand with national defence, public security and foreign affairs in order to protect and promote peace, and expect these to accomplish the ultimate targets for peace and development by 2015.

✧ **International and Regional Cooperation**

Implement cooperation policy to promote political and diplomatic cooperation that serves the purposes of economic development and cooperation through the aid effectiveness agenda; contribute to facilitate and improve the external environment. Additionally, implement foreign relations policy that fosters greater connectivity with regional, sub-regional and international environments, so as to capitalise on existing opportunities particularly within the ASEAN region, GMS and preparing for WTO membership.

✧ **Industrialisation and modernisation**

To continue to establish strategic industrialisation and modernisation urgently for national development and prosperity, to encourage improvements in people's ways of living, and to derive maximum benefit from human and natural resources. To select sectors and regions having power and conditions for growth to quickly reduce the gaps between this country's and other countries' development level. The strategy would include stabilisation of the currency, raise experience and qualification of personnel, and enhance economic competitiveness. The emphasis in the first place would be the development of main sectors (agriculture, hydropower industry, tourism industry, mining industry and building material industry); next, other sectors such as human resources, technological development and application; and third, infrastructure development and development of services.

In general, the Five Year Plan will continue to strengthen the foundations of the main areas for industrialisation and modernisation.

D. Strategic Implementation for the National Socio-Economic Development Plan for the period 2011-2015

To fulfil the above directions and targets, eight main groups of measures and proposed actions are listed below:

- a. Mobilise funds and improve the effectiveness of the use of funds.
- b. Adhere to the market economy , guided by the State
- c. Implement the industrial and modernised transition policy and encourage the use of modern technology
- d. Improve human resources and capacity development
- e. Strengthen capability and effectiveness of public management of the economy.
- f. Divide responsibilities among different management levels.
- g. Enhance international economic cooperation, mobilise resources and secure significant support from friends and development partners.
- h. Convert the 7th Five Year Socio-Economic Development Plan into sectoral, regional and local action plans.