

# **Country Analysis Report:**

## **Lao People's Democratic Republic**

Analysis to inform the selection of priorities for the next  
UN Development Assistance Framework (UNDAF)  
2012-2015



**The United Nations in the Lao PDR**  
**Vientiane**

## Executive Summary

The Lao People's Democratic Republic (the Lao PDR) is in a period of dynamic change. Robust economic growth, averaging over 7% since 2006, has resulted in a halving of poverty since 1992 and impressive gains across a range of other social and economic indicators. Much of this progress can be attributed to large increases in foreign direct investment (FDI), and the transformation of the Lao PDR into a provider of natural resources in the region, mainly energy, minerals, timber, and cash crops. But un-regulated FDI and accelerated economic growth can be double-edged. They are creating some negative impacts on the environment and society of the Lao PDR, and aggravating disparities in livelihoods and access to basic services.

The 7<sup>th</sup> NSEDP<sup>1</sup> reiterates the Government aim to graduate the Lao PDR from the ranks of the least developed countries by 2020. Doing so will require not just growth in GDP, but greater focus on the quality and equity of that growth. To date, the vast increase in FDI and corresponding economic growth have not been harnessed sufficiently for poverty reduction, food security, job creation, transfer of technologies and skills, and improved services for the majority of the people, particularly people living in remote, rural communities.

**This Country Analysis report argues that the country is at a cross-road.** Continued progress towards achievement of all MDGs will depend on measures to regulate and sustain economic growth, and to make it more inclusive and sustainable with a particular focus on remote rural areas, and the quality and quantity of employment in the formal sectors. Government leadership and action are needed to harness FDI and economic growth to address **10 important human development challenges**, and their root causes. Many of the challenges correspond to Millennium Development Goals (MDGs) where progress is either off-track or seriously off-track. And the root causes correspond to important capacity gaps. Future Government-UN cooperation in the next UNDAF will focus on addressing these gaps, within the framework of national ownership.

In addition, there are **3 cross-cutting issues** that can either aggravate or ameliorate these challenges. Of these, the most critical is the challenge of good governance. The 7<sup>th</sup> National Socio-Economic Development Plan (NSEDP) and the MDGs will only be achieved if state financial resources are properly managed, basic social services are delivered, the law enforced and citizen's rights protected by law, and when decisions are made with transparency and accountability.

This report is aligned with other key works: the 7<sup>th</sup> NSEDP, the MDG Acceleration Framework, and the Lao Human Development Report<sup>2</sup>. Together, these analyses will inform the selection of priorities for the next UN Development Assistance Framework (UNDAF) for 2012 to 2015.

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<sup>1</sup> Lao People's Democratic Republic, The Seventh National Socio-Economic Development Plan (2011-2015) - Executive Summary, Ministry of Planning and Investment, 2010, (un-official translation from original Lao version).

<sup>2</sup> (1) Lao People's Democratic Republic, The Seventh National Socio-Economic Development Plan (2011-2015) - Executive Summary, Ministry of Planning and Investment, 2010. (2) Lao People's Democratic Republic, Accelerating progress towards the MDGs, Innovative options for reaching the un-reached 6 August 2010. (3) Ministry of Planning and Investment and UNDP, National Human Development Report (NHDR), Employment and Livelihoods, Lao PDR, 2009.

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# Country Analysis Report: Lao People's Democratic Republic

## Part I. Introduction: the Lao PDR is at a cross-roads

The Lao People's Democratic Republic (the Lao PDR) is in a period of dynamic change. Economic growth has been robust, averaging 7.5% since 2006<sup>3</sup>. Poverty has declined by nearly half from 1992 to 27%, and impressive progress has been seen across a range of other social and economic indicators. Between 1991 and 2005, net enrolment in primary schools rose from 58% to 84% of children and this enrolment is approaching gender parity. In health, child mortality has dropped to 98 deaths per thousand live births, from 170 in 1995, and the country is winning the fight against malaria and tuberculosis. Between 1990 and 2006, malarial deaths per 100,000 people fell from 9 to just 0.4, and there are high and sustained rates of TB detection and cure<sup>4</sup>. These achievements took place in a low-income, land-locked country, whose geography is dominated by remote uplands, whose multi-ethnic people speak several dialects and languages, and whose workforce is engaged mainly in subsistence agriculture<sup>5</sup>.

And yet, wide and deepening disparities exist in livelihoods and access to health and education, between urban and rural areas, uplands and lowlands, amongst different ethnic groups and between men and boys, and women and girls. For example, literacy among young people, ages 15 to 24, reached 84% in 2005. But for females in rural areas, away from roads, it plummets to 35%. Malnutrition, if unchecked, will compromise the human capital of the country. Unregulated development in mining, hydropower and plantation may degrade beyond recovery the rich ecosystems, upon which the vast majority of the rural population so depend for fuel, food and fibre. The many diverse cultures in the Lao PDR are at risk of being lost in a development process focusing mainly on direct economic growth. For the Lao PDR, globalisation and economic growth present threats as well as new opportunities. Continued progress will depend on measures to regulate and sustain economic growth, while promoting more equitable distribution of wealth across provinces and in rural areas<sup>6</sup>.

### Criteria to graduate from LDC status

Graduation takes place after a country's prospects have significantly improved, and the country can sustain its development path. The following criteria are used to classify countries as least developed:

1. [Gross national income per capita](#)
2. [Human Asset Index](#) comprising 4 MDG indicators: Malnutrition, Mortality rate for children under 5 years, Gross secondary school enrolment ratio, and Adult literacy rate.
3. [Economic Vulnerability Index](#)

UNDESA, DEPAD, Oct 2010.

<http://www.un.org/esa/policy/devplan/profile/criteria.html>

The 7<sup>th</sup> NSEDP reiterates the government's aim to graduate the Lao PDR from the ranks of the least developed countries (LDCs) by 2020. But doing so will require not just growth in GDP, but greater focus on the **quality** and equity of that growth (*see box*). The last decade has seen the transformation of the Lao PDR into a provider of natural resources, mainly energy, minerals, timber, and cash crops, particularly for China, Vietnam, and Thailand. This is being driven by

<sup>3</sup> Lao People's Democratic Republic, The Seventh National Socio-Economic Development Plan (2011-2015) - Executive Summary, Ministry of Planning and Investment, 2010, (un-official translation from original Lao version).

<sup>4</sup> Government of the Lao PDR and the United Nations, [Millennium Development Goals 2008, Progress Report](#), Lao PDR. 2008. Executive Summary.

<sup>5</sup> In 2005, 79% of the workforce was engaged in the agricultural sector. Ministry of Planning and Investment and UNDP, [National Human Development Report \(NHDR\) Employment and Livelihoods](#), Lao PDR. 2009. 23.

<sup>6</sup> Government of the Lao PDR and the United Nations, [Millennium Development Goals 2008, Progress Report](#), Lao PDR. 2008.

Foreign Direct Investment (FDI) which is having a major impact on the economy, environment and society of the Lao PDR. In 2009 alone there were over \$4.3 billion dollars worth of FDI approvals, mainly in energy and hydropower, mining, and agriculture, representing about 70% of GDP. This is a stunning increase from the \$28 million dollars registered in 2005<sup>7</sup>. The 7<sup>th</sup> NSEDP forecasts strong and growing FDI flows to sustain a target GDP growth rate of at least 8% per year.

### **But, what kind of GDP growth will it be?**

To date, the vast increase in FDI and corresponding economic growth has not been harnessed sufficiently for poverty reduction, food security, job creation, transfer of technologies and skills, and improved services for the majority of the people<sup>8</sup>. Under-regulated FDI has increased a range of pressures that are undermining livelihoods, especially for the 80% of the population depending on subsistence farms, and compromising the ability of the state to deliver services, fairly, to everyone. This will make it difficult for the Government to deliver sustainable development, which is an explicit strategic direction of the 7<sup>th</sup> National Socio-Economic Development Plan (2011-2015).

**The country is at a cross-road.** Government leadership and action are needed to harness FDI and economic growth to address several key human development challenges. This is essential for graduation from LDC status, and holds the prospect for greater **social equity and stability**, while preserving Lao PDR's rich natural and cultural resource endowment for the benefit of its present and future generations. A lack of action may worsen a range of **vulnerabilities** which could compromise these aims. As pointed out by President of the Lao People's Democratic Republic, H.E. Choummaly Sayasone, at the 2010 MDG Summit, growth should *"facilitate continuous development...to narrow the development gap between rural areas and cities"*<sup>9</sup>.

## **Purpose of the Country Analysis Report**

This country analysis report is intended to be brief and incisive. It puts a spotlight on **10 human development challenges in the Lao PDR and their root causes**. Many of the challenges correspond to Millennium Development Goals (MDGs) where progress is either off-track or seriously off-track (*see Annex A*). And the root causes correspond to important capacity gaps. Future Government-UN cooperation in the next UNDAF will focus on addressing these gaps, within the framework of national ownership. Three cross-cutting issues are highlighted that can either aggravate or ameliorate these challenges. This report is aligned with other key works: the 7<sup>th</sup> NSEDP, the MDG Acceleration Framework, and the Lao Human Development Report<sup>10</sup>. **Together, these analyses will inform the selection of priorities for the next UN Development Assistance Framework (UNDAF) for 2012 to 2015.**

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<sup>7</sup> UNCTAD, Laos: An investment guide to the People's Democratic Republic, Opportunities and Conditions, 2010.; GTZ, Foreign Direct Investment (FDI) in Land in the Lao PDR, 2009. Between 1989 and 2008, the amount of FDI invested in these 3 sectors exceeded 7 billion USD and accounted for 78% of total investment over the period

<sup>8</sup> In the Lao PDR, the rate of poverty reduction has not mirrored growth in GDP. Rapid increases in national income from 1997 to 2008 did not show commensurate change in the rate at which households left the ranks of the poor. The 2 measures are not yet closely linked. NHDR, p53.

<sup>9</sup> Vientiane Times, "President outlines plan for MDGs at UN Summit", 24 September, 2010.

<sup>10</sup> (1) Lao People's Democratic Republic, *The Seventh National Socio-Economic Development Plan (2011-2015) - Executive Summary*, Ministry of Planning and Investment, 2010. (2) Lao People's Democratic Republic, *Accelerating progress towards the MDGs, Innovative options for reaching the un-reached* 6 August 2010. (3) Ministry of Planning and Investment and UNDP, *National Human Development Report. Employment and Livelihoods*, Lao PDR, 2009.

## Map of the Lao PDR



## Lao PDR: Basic Data<sup>11</sup>

	1995	2007
Human Development Index (HDI)	0.518	0.619
Population ('000 persons)	4,575	5,874
- Rural (% population)	83%	73%
Poverty (% population)	46 (1992)	27.6
Households		982,485
Area (km <sup>2</sup> )	236,800	

<sup>11</sup> Ministry of Planning and Investment and UNDP, National Human Development Report (NHDR), Employment and Livelihoods, Lao PDR, 2009. The HDI provides a composite measure of three dimensions of human development: life expectancy, literacy and gross enrolment in education, and purchasing power parity (PPP) and income.

## Part II. Major challenges

### 1. Rural poverty

#### Situation

The big story for the Lao PDR over the past 10 years is the remarkable increase in FDI and related GDP growth. However, this growth has not generated much economic diversification, nor are its benefits being felt by rural households<sup>12</sup>. **Poverty in the Lao PDR continues to have a distinctly rural face.** About half of the rural poor continue to live in seven chronically poor provinces and this regional concentration of the poor has not changed much in nearly 20 years<sup>13</sup>. A sample of villages for the 2010 National Human Development Report also found that households belonging to ethnic groups other than the Lao-Tai and those living in regrouped, resettled and transition villages are poorer compared to the rest<sup>14</sup>. Most of the rural poor practice subsistence agriculture and productivity is 4 to 10 times less than that in non-agricultural areas<sup>15</sup>. Population growth, concentration, and flows are increasing the pressure on available land and forest resources at the same time that land concessions for mines, hydropower works, and plantations are reducing access to and control of resources. These land and capital-intensive developments are not generating sufficient employment opportunities, especially in rural areas, or demand for local services.

A major result of this dynamic is high rates of unemployment and underemployment in rural areas, estimated to be in the range of 12 to 15%<sup>16</sup>. Female workers experience higher unemployment and sharper seasonal variations. Unemployment is higher among the poor, the landless and small farmers, ethnic groups and the internally relocated. It is suggested that the recent emergence of casual unskilled labour as a primary means of livelihood is an early indicator of stress in rural areas<sup>17</sup>.

#### Causes

**Farm productivity in the Lao PDR is low.** Most Lao farmers produce just enough to support their food and non-food needs. Per capita income in the agrarian economy is less than half the national average, and increasing yields come mainly from expanded cultivation, rather than intensification and innovation. Agriculture and its allied activities must grow so that gains remain with the farmers. Important gaps in policy and plans concern the expansion of agricultural extension services, creation of credit and savings schemes, and access to new technologies, such as improved seed, fertilizer, and tools, and irrigation. Markets, especially in remote areas are non-existent or weak and transport links are poor. Contract farming is an alternative to plantation concessions that can leave more control in the hands of farmers, and support for grower associations are needed to help farmers' secure better terms for their produce and overcome the challenges of commercialization<sup>18</sup>.

**There is rising inequality in land, land tenure security, and landlessness.** It is estimated that up to 15% of rural households are landless, half of which engage in sharecropping or renting land. About

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<sup>12</sup> NHDR, *Ibid.* 106.

<sup>13</sup> These 'chronically poor' provinces are: Phongsaly, Luang Prabang, Huaphanh, Xiengkhuang, Savannakhet, Sekong and Attapeu. In 1992-1993, these provinces were home to 55% percent of the rural poor. In 2002-2003, it was 54%. NHDR, *Ibid.* 52-53.

<sup>14</sup> NHDR, *Ibid.* 105.

<sup>15</sup> NHDR, *Ibid.* 23.

<sup>16</sup> The unemployment rate—measured as a ratio of the person-days involuntarily not worked to total person-days. NHDR

<sup>17</sup> NHDR, *Ibid.* 112.

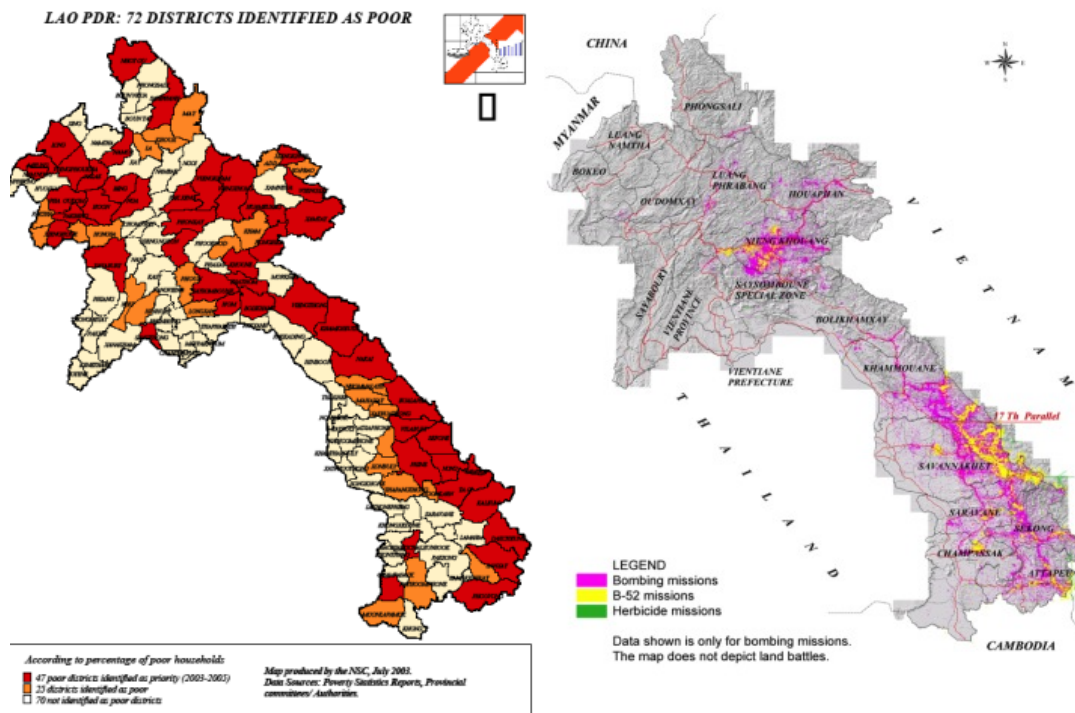
<sup>18</sup> GTZ, *Foreign Direct Investment (FDI) in Land in the Lao PDR*, December 2009.



two-thirds of these landless farmers subsist below the poverty line. Population growth in the 1980s and 1990s increased the workforce by about 2.5% annually which increased pressure on agricultural land.

While population growth was a key driver, the vulnerability of rural households is being accelerated by the **dynamics of FDI in land**. The rapid privatisation of lands and forests, some of which are community-managed commons, has reduced livelihoods. The granting of land concessions to both foreign and domestic companies for hydroelectric plants, mines, and plantations has accelerated dramatically.<sup>19</sup> Terms have tended to be generous<sup>20</sup> and have not secured sufficient benefits in terms of national revenue, which can be re-invested in rural areas, or to promote knock-on growth in human resource development or demand for local services. For families that lose land to concessions, it means a rapid transition to wage labour, increased dependency on the concession company, and the prospect of migration to urban centers<sup>21</sup>. This may contribute to increased inequality and food insecurity.

Another contributing factor is **unexploded ordnance (UXO)**. An estimated 78 million anti-personnel sub-munitions, dropped by US bombing missions between 1964 and 1973, still contaminate rural areas. The presence of UXO and poverty go hand in hand, with 5 out of 7 chronically poor provinces having significant UXO contamination. The threat of UXO limits agricultural production and expansion and contributes to food insecurity<sup>22</sup>, as well as the cost in human terms with children being a large percentage of UXO casualties.



<sup>19</sup> In 2008, 131 mining concessions were granted that covered about 10 percent of the country's land area, and exceeded the total current area for cultivation of wetland rice. Ministry of Planning and Investment in NHDR, *Ibid.* 48.

<sup>20</sup> Plantation concession contracts are reported to use a low lease rate of US\$ 6-10 per hectare, and tariff rates on hydroelectricity export are fixed for more than 15-20 years.

<sup>21</sup> GTZ, *Ibid.*, December 2009.

<sup>22</sup> Only 1% of all UXO contaminated land has been cleared (@25000 ha of land for agricultural use, since 1996. Lao National Unexploded Ordnance Programme (UXO Lao), *The UXO Problem in the Lao PDR*, 2010.



The events and processes described above have increased pressures on forested and more fragile uplands. The preservation of these ecosystems is essential for sustainable development in the Lao PDR. These environmental concerns are addressed more specifically under Challenges 6 and 7, below.

**Insecure land tenure** is an important root cause of this increasing inequality in land. The majority of subsistence farmers do not have legal certification of ownership of their land, but a *de facto* accumulated land use right, based on mutual understanding with village authorities, leaving them particularly vulnerable to appropriation, with limited compensation. It means that rural households face difficulties to sell their land or to turn it into capital, to invest in better inputs, such as tools, seeds, and fertilizer. There is also a lack of community ownership or tenure over common land, and these become vulnerable to concessions.

Families in rural Laos, especially from different ethnic groups, do not yet have the capacities to navigate the transition from their agrarian present to a modern, market-based agricultural economy. Agricultural workers, many of whom are women and girls, have few opportunities of joining the formal sector. Nor are government services adequately equipped to help manage the process. As pointed out in the NHDR...“*the likelihood job loss, inequality and poverty are real, particularly in rural areas*”<sup>23</sup>.

To ensure more inclusive economic growth, development policy and planning over the near term must focus on sustaining and improving rural livelihoods, and FDI must be directed more forcefully towards this end<sup>24</sup>. Efforts should ensure that as few rural households as possible lose access and rights to land, and productive resources. Land tenure security needs to be underpinned by a clearly defined system of property rights, and appropriation processes need to be transparent and fairly regulated in accordance with the law. Particularly vulnerable groups such as female-headed households and households from ethnic groups will need special attention. Vibrant family farms, supported with high quality extension and services, and connected to working markets can raise incomes and strengthen livelihoods<sup>25</sup>. Priority area II and related strategies in the MDG Acceleration Framework for the Lao PDR are critical<sup>26</sup>.

## 2. Job creation and employability

### Situation

As the Lao PDR makes the transition from an agrarian to a market economy, job creation and the employability of the workforce become major concerns. As discussed above, nearly 80% of the workforce is presently engaged in agriculture. But the demographic profile in *Annex B* shows that high population growth during the 1980s and 1990s has increased the working-age population, and that the pace of urbanization will accelerate over the next 20 years. Inclusive economic growth will not be achieved through rural development alone. The quality and quantity of employment in the formal sectors, mainly in urban and peri-urban areas is of increasing importance<sup>27</sup>.

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<sup>23</sup> NHDR, *Ibid.* 39.

<sup>24</sup> NHDR, *Ibid.* 105.

<sup>25</sup> NHDR, *Ibid.* 29. Land use via family farms is more enabling than via large plantations under the control of companies, and this is essential for enabling rural households to exercise their right to an adequate standard of living

<sup>26</sup> Lao PDR, *Accelerating progress towards the MDGs, Innovative options for reaching the un-reached*, August 2010. Priority II: Sustainable practices for improved food security and environmental sustainability.

<sup>27</sup> NHDR, *Ibid.* 39.

At the same time, jobs are available. The growing demand for people in agro-processing, small-scale fabrication, and construction industries already outstrips the available pool of skilled labour, and hence the influx of skilled labour from China and Vietnam. There are urgent needs for technical training and vocational education that are market-driven, affordable, and flexible, and for employment promotion policy, enterprise development and job creation, with better public employment services to match the job seekers (or unemployed) and enterprises looking for labour. Without these, the vulnerability of the working age population will increase. Pressures to migrate both internally and externally will grow and **young people, especially women and girls, will be more at risk of being trafficked and exploited** (*see box*).

### **Causes**

Between 1995 and 2005 there was a 7% shift in the workforce from agriculture to industry and services. This is small compared with the growth in FDI and GDP. Total unemployment rate using usual status<sup>28</sup> is 3.4 percent among persons who declared themselves as workers. Unemployment is slightly higher for women than men, much higher for young people (18-25) than for those over 40, and workers from poor households have more frequent involuntary breaks. Given the weight of subsistence agriculture in the economy, this varies considerably by season.

**Young people in rural areas want off-farm employment.** But opportunities do not match their desires, nor do they have the skills to seek out and claim decent wage work. Young people that move from rural areas face the prospect of work that is low paying, of low productivity, and lacks the chance for advancement. Industry and non-farm sectors must grow to absorb workers and provide them with decent work. The NHDR highlighted the urgent need for mining, hydroelectric and plantation agriculture to create more direct jobs and demand more local services. In order for these jobs and services to be sustainable and benefit Lao people, ESAs should be made and implemented cross-sectorally.

Entry into the job market, job mobility is mostly informal, and few new workers outside the farming sector have formal technical training or vocational education. Such imbalance between the job market's need and the qualification of job-seekers leaves young people in both rural and urban areas unemployed and consequently make them even further vulnerable to threats of drug abuse and human trafficking. The priority for job-oriented TVE is rural and urban young people belonging to low income groups. But the TVE system is neither popular<sup>29</sup>, nor is it driven by current industry demands. Schools and workshops are not available in many regions, and the

#### **Human Trafficking in Lao PDR**

Human trafficking is a crime. It involves cheating or deceiving people into sexual servitude or labour for the purpose of their exploitation. In Lao PDR, human trafficking occurs within the context of mass labour migration to neighbouring countries. Thailand is home to an estimated 250,000 registered and un-registered Lao workers. Victims work in domestic services, the entertainment sector, agriculture, fisheries and garment factories. Current trends in Lao PDR are worrying, and suggest increased trafficking of women and girls for sexual exploitation in the entertainment sector and labour exploitation of men and boys on plantations.

- The Mekong Region Human Trafficking Datasheets, 2010. UNIAP-Human Trafficking.  
[www.no-trafficking.org](http://www.no-trafficking.org)

<sup>28</sup> NHDR, *Ibid.* 113. Usual-status unemployment: According to this definition, a person is deemed unemployed if s/he is involuntarily jobless for *much of the time* over a relatively long period, say six months or more. The unemployment rate is the ratio (percent) of unemployed persons to the total workforce (employed plus unemployed).

<sup>29</sup> There has been a 70 percent fall in admissions in the vocational schools and a small fall in admissions to the technical schools in 2007-2008. Source: MOE (2008a).

system is too expensive. As the NHDR argues, “...*the TVE system needs a complete overhaul*”<sup>30</sup>. Key elements of the TVE system to be addressed are:

- Teachers with more qualifications and practical experience;
- Courses that offer flexible terms for admission and duration;
- Schools with current facilities and equipment, and learning materials suited to the Lao context;
- Better communication and collaboration with the sectors and industries that need trained workers<sup>31</sup>;
- Reducing demand-side barriers that prevent young people from ethnic groups, especially girls, from accessing technical education; and
- Tackling the stereotypes that prevent girls from entering the full range of professions and sectors.

### **Small and medium enterprises need a sustained boost**

The manufacturing and service sectors in the Lao PDR employ around 11 and 9% of the workforce. The portion of the Lao economy that is wholly-owned by Lao people is made up of mostly micro and small sized enterprises and unregistered household businesses. New business registration is increasing by about 20 to 30% per year<sup>32</sup>, mainly in garments, wood processing and food processing. While the legal and regulatory environment for small businesses has seen gradual improvement, it still takes too long to get a business license<sup>33</sup>. The contribution of industry and service sectors to GDP has been increasing, but most of the growth has come from capital-intensive, extractive industries, and these have not generated sufficient growth in decent jobs.

The 7<sup>th</sup> NSEDP recognises that growth in small and medium enterprises (SMEs) is essential for poverty reduction and graduation from LDC status<sup>34</sup>. Integrating excess farm-labour and informal small businesses into the market economy, and increasing their competitiveness in both domestic and regional markets is a priority.

Efforts to bolster SME development in Lao must address<sup>35</sup>:

- Low rates of savings and investment, possibly through village-based savings and credit societies;
- The lack of coordination between banks and micro credit organisations prospective entrepreneurs;

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<sup>30</sup> Economic Relevance Study Report, Ministry of Education Strategic Research and Education Analysis Centre. For more discussion of both strategic and practical shifts needed in the Lao PDR TVE system see the NHDR, *Ibid.* 179-180.

<sup>31</sup> A recent study indicates that employers are disappointed with the overall quality of basic education received by young entrants to the labour market and notes the mismatch between social demand for more academic, office-based courses, and the economy's need for practical courses, such as carpentry or plumbing. Labour Market Assessment, MOE and MOLSW, 2010.

<sup>32</sup> This is mainly taking place in cities such as Vientiane, Champassak, Savannakhet and Luang Prabang.

<sup>33</sup> On average, 198 days in 2005 and 103 days in 2008.

<sup>34</sup> Lao People's Democratic Republic, The Seventh National Socio-Economic Development Plan (2011-2015) - Executive Summary, Ministry of Planning and Investment, 2010, (un-official translation from original Lao version). Policies will continue to support SME development with tax and other incentives, as well as trade liberalisation, including WTO accession. Special economic zones (industrial zone, agro processing zone, export processing zone development) are being considered as a way to better regulate FDI.

<sup>35</sup> NHDR, *Ibid.* 28-29. The Lao PDR has a decree to promote SMEs in April 2004 mentioned training, markets and access to finance, with a promotion fund. In 2005, an Enterprise Law was promulgated.

- Weak manufacturers’ associations with a limited role in national economic decision-making;
- Lack of access to new technologies in everything from communications to packaging to agro-processing;
- More favourable treatment of FDI than domestic private investments;
- Limited access to credits by domestic businesses; and
- Limited entrepreneur skills in general.

As the NHDR argued, more research and discussion is needed. Concrete initiatives proposed by the recent National Human Development Report include: legal recognition of urban micro-enterprises as businesses, provision of business development services and credit for micro-enterprises, and support for small cooperatives formed on a voluntary basis in local areas to share assets such as machinery, transport, and telecommunications.

**Women do not enjoy the same employment opportunities and treatment as men.** More male workers than female workers made the shift from agriculture to industry and services, reflecting some inequality in access to employment services and skills training<sup>36</sup>. Many Lao women engaged in off-farm employment are employed in the informal sector. They tend to own small businesses in retail and textiles. They are pushed there by their relative lack of education (see *Challenge 3, below*) and the lack of opportunities in the formal sector<sup>37</sup>. As more resources are invested in SMEs, measures are needed to **prevent discrimination at work** and to apply the principle of equal remuneration for women and men for work of equal value<sup>38</sup>. The Labour Law of the Lao PDR<sup>39</sup> provides the legal framework for non-discrimination and equality at work, but needs to be brought more in line with international standards<sup>40</sup>, for example: policies and practical measures to address sexual harassment at work.

At root, a better managed process of **urbanization** could bring significant development benefits, and sharper policy responses are needed to enhance the role of cities in Lao PDR’s economic growth. However, the cities and towns on their own are not equipped to rise to this challenge. Their limited institutional capacities, person skills and competencies are not able to cope with the demands that will be placed on them. The cities are poorly governed and insufficiently resourced to increase either the coverage or the quality of their services. For the Lao economy to expand urban growth is necessary and for it to remain competitive, urban growth must be proactively managed.

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<sup>36</sup> NHDR, *Ibid.* 77. Recently the rate of women making the shift to wage work outside agriculture has increased, but this also highlights their added vulnerability to poor working conditions, potential abuse and exploitation.

<sup>37</sup> Government of the Lao PDR and the United Nations, [Millennium Development Goals 2008, Progress Report](#), Lao PDR. 2008. 42. According to the 1996 National Survey on Small and Medium Enterprises (SMEs), 63 percent of SMEs were owned by women, whereas men tend to own larger enterprises. Female entrepreneurs had significantly less education than male entrepreneurs: 22% of female owners had no schooling compared with 12% of male owners.

<sup>38</sup> Committee on the Elimination of Discrimination against Women (CEDAW), *Concluding observations of the Committee on the Elimination of Discrimination against Women, Lao People’s Democratic Republic*, CEDAW/C/LAO/CO/7, 14 August 2009. paras 35-36.

<sup>39</sup> Amended: 2006, Promulgated: 27/12/06.

<sup>40</sup> CEDAW, *Ibid.* Some aspects of existing national legislation appear to be inconsistent with or contradictory to one another, which may create difficulty in clarifying the legal rights and obligations of employers and workers. The Labour Law does not provide for a definition of sexual harassment at work, nor does it prohibit it.

### 3. Basic education: Reaching the unreached

#### Situation<sup>41</sup>

Lao has made steady progress towards MDGs 2 and 3. Education is provided for under the constitution and in the Law on Education, and prioritized in the development policies of the Lao PDR, supported with sector coordination mechanisms for aid effectiveness. But striking disparities remain between girls and boys, urban and rural areas, especially rural, off-road communities, and among ethnic groups. Reaching these excluded children, and enabling their families to help realise their children's right to a good quality education is a significant challenge.

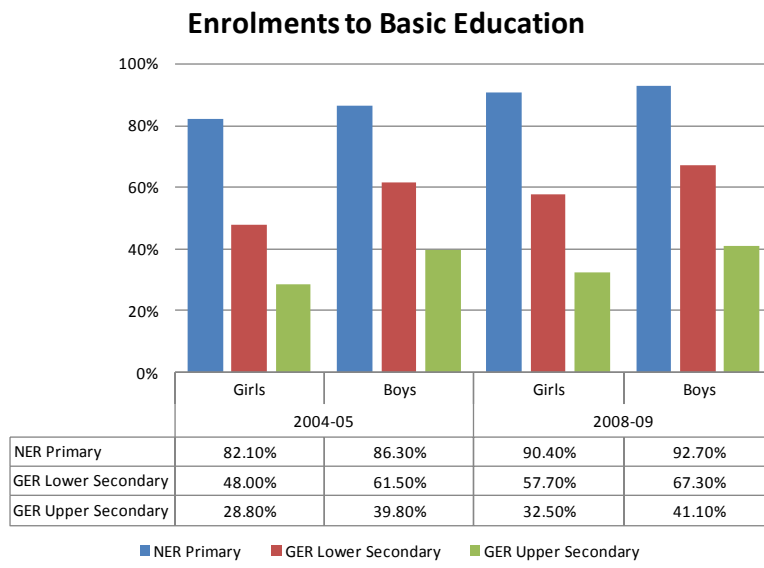
Participation in **early childhood education** (ECE) has increased dramatically over the past five years, but only about 1 in 5 children have enjoyed some form of pre-primary schooling. ECE is only offered in complete schools that offer a full five grades, and as these are mainly in urban areas, children from remote, rural communities have very limited access<sup>42</sup>.

In **primary education**<sup>43</sup>, the national net enrolment increased from 84% in 2004-05 to 92% 2008-09<sup>44</sup> (see box), but there are significant disparities between poor and non poor districts, urban and rural populations, and between girls and boys. Approximately 62,000, or nearly 1 in 10 children, never attended primary school or received any formal schooling, out of which 58% are girls. The average dropout rate has decreased from 9 to 7.5%, but areas with more drop-outs correspond to the larger class sizes, and shortages in teachers and learning resources that characterise rural schools, many of which are 'incomplete' and do not offer the full five grades. And while completion rates are improving steadily, about 1 in 3 children failed to complete the full five years of primary education in 2008-09<sup>45</sup>.

Steadily increasing numbers of primary school graduates have increased demand for **secondary education**, but overall participation

remains low, with enrolment rates of about 63% at lower secondary and 37% at upper secondary levels. Enrolments drop off significantly and gender disparities widen at each higher level of schooling<sup>46</sup>.

Enrolment is also not enough. The **quality of schooling** is critical. For all school levels, there are concerns about poor school facilities, the scarcity of learning materials, and inadequate teaching methods and teacher qualifications. Non-formal education initiatives mainly consist of adult literacy and livelihood



<sup>41</sup> This section draws on preliminary analysis from the UNICEF draft situation analysis report.

<sup>42</sup> Ministry of Education, Lao PDR National Socio-Economic Development Plan, Education Sector 2011-2015. As most ECD enrolment is privately financed, access for children in low income families is very limited.

<sup>43</sup> Ministry of Education, *ibid*.

<sup>44</sup> EMIS data for enrolment rates for 2009-2010: total: 92.7, for female 91.7 and for male: 93.7.

<sup>45</sup> Based on the Ministry of Education's Education Management Information System (EMIS) data as published in the Ministry of Education's Annual Report

<sup>46</sup> Ministry of Education, *ibid*.

education initiatives. The self reported adult literacy rate is 72.7 % with a gender parity index of only 0.77<sup>47</sup>. The literacy rate among young people, ages 15 to 24, reached 84% in 2005 and 92% for urban males. But for females in rural, off-road areas it drops to 35%. In addition great regional disparities exist and literacy rates are significantly higher for those in Lao-Tai linguistic groups than for others<sup>48</sup>. There are also serious challenges for the training and vocational education system, which is neither popular nor driven by employer needs (*see Challenge 2*).

### **Causes**

The **immediate barriers** to school attendance and completion in the Lao PDR are:

- Household poverty, with farming and female-headed households having more children not in school. While primary education is free, the costs associated with uniforms, stationery and contributions to the school are prohibitive for many families<sup>49</sup>.
- The education levels of parents,
- The area of residence with urban girls more likely to attend school than their rural sisters,
- Ethnicity with children from ethnic groups less likely to be attending school, in particular Khmu, Hmong, Akkha and Katang children.
- The amount of time spent working on farm or household chores and the number of children under age five.

For girls, work demands in the home and responsibilities for younger siblings are major barriers. While the gender parity index (GPI) is approaching parity at primary level<sup>50</sup>, largely due to gains in girls' enrolment in urban areas, the Lao PDR has a **serious gender gap** in lower secondary education that worsens at each successive level of education, and is much higher in rural, particularly off-road areas. For example, the drop-out rate of girls at secondary level, is nearly twice that of boys. A lack of parental support and limited employment opportunities are major influences on enrolment and drop-out rates among girls in rural areas, together with cultural factors that accept early marriage and a mostly domestic role for females<sup>51</sup>.

Urban communities have **school facilities** that are better equipped than those in rural areas. Nearly the entire population has access to schools with blackboards and about three-fourths to schools with leak-proof roofs. About half of the urban population has access to schools with electricity, but less than 15 percent of rural schools have electricity, and less than one-third have bookshelves or wall maps.<sup>52</sup> About **2 in 3 primary schools nationwide do not have toilets**<sup>53</sup>. Of those with facilities, only about ¼ are functioning and fewer still are gender-segregated. These schools are problematic for adolescent girls and contribute to their non-attendance.

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<sup>47</sup> Education For All Mid/Decade Assessment Report, 2008

<sup>48</sup> Ibid.

<sup>49</sup> The 1996 Ministerial Decree provides free and compulsory primary education for all children aged 6-14. However, school contributions are estimated to be from \$15 to \$50 USD per child per year. The GDP is only approximately USD 350 per capita and that the average Lao family has between four and six children

<sup>50</sup> EMIS data has the gender parity index at .88 for 2005-2006 and .92 for 2008-2009.

<sup>51</sup> Education for All Global Monitoring Report 2008, UNESCO 2009. The Gender Parity Index is the ratio of girls to boys in primary, secondary and tertiary education.

<sup>52</sup> Education For All Mid-Decade Assessment, Ministry of Education March 2008

<sup>53</sup> Preliminary Analysis of National Primary School Data for Water and Sanitation in Schools Coverage during the 2008/2009 School Year, Lao PDR, UNICEF 2009.

The **long distances to schools** are another big obstacle, as parents fear for their children's safety. The country's topography, and poor road and transport networks means that about 20% of villages do not have schools and only half of primary schools offer a full five grades<sup>54</sup>.

**Malnutrition** is widespread in the Lao PDR and will reduce a child's potential to learn. Late entry is a particular barrier for girls' completion rates, as they may be taken out of school when they reach adolescence. School feeding can have a positive effect on enrolment and attendance for girls. In Laos, pilot school feeding programmes demonstrated that attendance increases by 5.5% per year, enrolment by 16% and dropout reduces by 9%<sup>55</sup> (see *Challenge 4, below*).

**Language barriers** for ethnic children who do not speak Lao is a challenge and has been attributed to non-enrolment, poor learning outcomes, high repetition rates, high daily absenteeism and high drop-out rates<sup>56</sup>. The number of school-age **children with disabilities** is estimated to be 113,500<sup>57</sup>, and only about 4% are enrolled in schools. There is no national system for identification of children with disabilities, and few schools are able to provide education opportunities to children with special needs.

According to the MoE<sup>58</sup>, 27 per cent of the country's teachers do not have sufficient **qualifications for teaching**, and there are 20,000 untrained teachers in the country, almost half at the primary level. This is a fundamental capacity gap, worsened by the lack of **teaching and learning materials**, especially in rural areas and communities without road access. It is not uncommon for a remote school to have neither textbooks nor teacher guides.

Compared with the Asia-Pacific region, **spending on education** has been low, but the draft budget for 2010-2011 shows an increase in the allocation for education towards the commitment in the Education Law of 2007 to increase education's share of the total budget to 18%<sup>59</sup>.

**Past weaknesses in the policy framework** for education are being addressed through the Pro-poor Education Sector Development Framework (ESDF), and other measures that demonstrate a commitment to improved equitable access, quality and governance in education<sup>60</sup>. The MoE has targeted 56 most educationally disadvantaged districts, according to rates of primary enrolment and completion for girls. Of all the children not enrolled in primary school, 75% are concentrated in these 56 districts<sup>61</sup>. This is an important step, and must be followed-up with stronger implementation and monitoring. Equitable access and school quality should proceed together, and must be given priority during this time of rapid transition. Priorities for capacity development are:

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<sup>54</sup> Based on the MoE Education Management Information System (EMIS) data. This affects girls' participation in particular, as they are less likely than boys to travel longer distances or become informal boarders

<sup>55</sup> School Feeding as a Transfer Program: New Perspectives, New Evidence, presentation by Alderman at WFP workshop, Vientiane, October 2009

<sup>56</sup> Save the Children Australia, *Education in Three Districts in Xayaboury Province – A Child Rights Situation Assessment and Analysis* (CRSSA), November 2008, 18.

<sup>57</sup> Based on Ministry of Education estimates. Lao PDR's recent signing of the Convention on the Rights of Persons with Disabilities and drafting of a related decree, together with the new Inclusive Education Policy provides a stronger enabling framework to make progress in this area.

<sup>58</sup> EMIS, MoE Annual Report

<sup>59</sup> Resolution of the National Assembly of the Lao People's Democratic Republic on the Adoption of the (revised) Education Law Ref.No. 48/NA, 3rd July 2007.

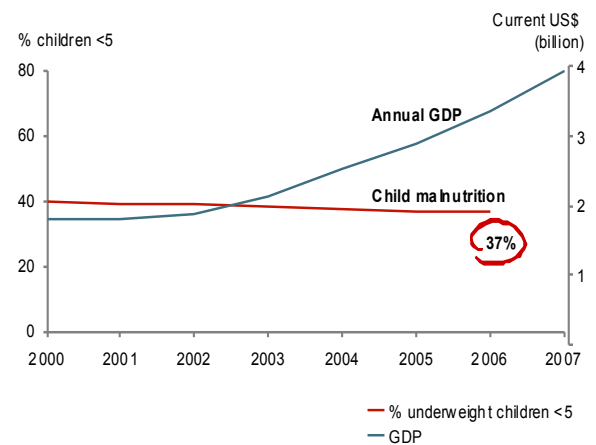
<sup>60</sup> Other recent measures include: (1) A holistic 'Schools of Quality' approach and (2) draft policies for 'Inclusive Education' and 'Early Childhood Development'.

<sup>61</sup> Project Appraisal Document for Lao PDR's Catalytic Fund EFA/FTI Program, March 2010, 5, 24. There is partial overlap between the 56 education districts and 47 poorest districts identified for the NSEDP. Poverty is only one of several factors that influence education outcomes.



- The allocation of resources to adult literacy, non formal education, and teacher training and development at the upper secondary level;
- Development of curricula linked to market trends and that promote non-gender specific roles linked with market needs;
- The spread of participatory teaching and learning methods that encourage critical thinking, the delivery of life skills based education with an emphasis on reproductive health, HIV prevention, and gender equality.

Basic education is a right. Including these unreached children in high quality schools, that are safe and protective is essential not only for their self-development, but also for the achievement of their other human, economic, social and cultural rights. Young people represent half of the population, and unlocking their potential will be essential for graduating from LDC status, and for reaching the goals of the NSEDP.



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## 4. Food and nutrition security

### Situation

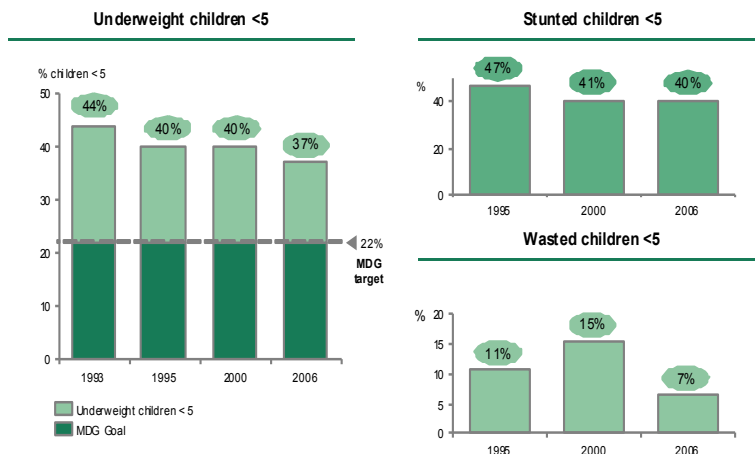
A child's nutritional status is a reflection of her overall health. Choices made and actions taken for her, and all children, during their first 5 years will affect how they develop and how a country progresses. Malnutrition increases a child's vulnerability to disease, and this can be aggravated by poor water and sanitation facilities, and hygiene practices that cause diarrhoeal infections. These are determined by cultural practices and attitudes, including gender and social discrimination, reproductive health, maternal health and nutrition during pregnancy and household food security. Globally, poor nutrition has been identified as contributing to half of all child mortality<sup>62</sup>. Three-quarters of children who die from causes related to malnutrition are only mildly or moderately undernourished and show no outward sign of vulnerability. Malnutrition also has significant economic costs through increased mortality or cognitive impairment that impedes productivity in adulthood<sup>63</sup>. In short: malnutrition perpetuates poverty.

Despite steady economic growth in the Lao PDR, children under age 5 (U5) continue to experience high and mostly unchanged levels of malnutrition (see *boxes*). Estimates are that 37% of children U5 are underweight, and 40% are chronically malnourished or stunted. About a third of the children in the North and Central regions are underweight and in the South it is closer to 50%. **Malnutrition rates are much higher in remote, rural, uplands: 42% are**

<sup>62</sup> UN/GoL (2006a) Malnutrition manifests itself in either protein-energy undernutrition, captured by stunting, wasting and underweight, or in the form of micronutrient deficiencies (e.g., vitamin A, iron, and iodine deficiencies)

<sup>63</sup> For instance, the relative risk of mortality for a child with vitamin A deficiency is 1.75 times that for a non-deficient child (Horton, 1999). The relative risk of neonatal mortality for a low birth weight baby (<2500 g) is 3-6 times that for a baby with normal birth weight (Fishman et al, 2004). Also see World Bank (2006c); Alderman and Behrman (2006); Fishman et al (2004); Horton and Ross (2003).

**underweight and 46% are stunted in rural areas without roads.** Wasting, or acute malnutrition, affects over 6% of children U5, with significantly higher levels in the typhoon-affected southern provinces. Poverty also plays a role, with over 40% of children U5 in the poorest quintiles malnourished, compared with less than 20% in the richest. Without sustained efforts to address malnutrition and its main causes, the steady progress towards achievement of MDG 4 may put at risk.



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## Causes

**Poor feeding practices**, combining a lack of food and low levels of knowledge about proper nutrition, are a main cause of malnutrition in children under five. Stunting is due to poor nutrient intake by the mothers, during pregnancy and breastfeeding, and by the children in their first 2 years. Once this crucial window for nutrition has passed, the damage is done and stunting cannot be corrected.

In the Lao PDR, it contributes to delayed school enrolment, lower grade attainment, and higher repetition and drop-out<sup>64</sup>. Babies who were undernourished in the womb face a greatly increased risk of dying during their early years. **Inadequate breastfeeding and weaning practices** contribute to high rates of malnutrition and infant and child mortality. Only 26% of infants aged 0-5 months are breastfed exclusively. The main problems are the too early introduction of water and other liquids as complementary foods<sup>65</sup> essentially linked to lack of knowledge, cultural belief and practices, burden on mothers who are required to also take care of the whole family or on working women who cannot afford to exclusively breastfeed a child for 5 months as the usual maternity leave is only 3 months. And about **1 in 3 children are deficient in vitamin A**. This immune booster, along with iron, iodine and zinc are essential for healthy growth and development<sup>66</sup> and Lao traditional postpartum practices pose a further challenge. There are ready solutions to address the multiple causes of malnutrition, including: Access to micronutrients for pregnant women, mothers, and children; Promotion of exclusive breastfeeding and appropriate complementary feeding; and Regular de-worming.

Emerging good practices are reflected in the recently approved National Nutrition Policy, National Nutrition Strategy and Plan of Action, as well as in the Maternal, Neonatal and Child Health (MNCH) Strategy. **The sections below address two major determinants of malnutrition: water, sanitation and hygiene, and food security.**

<sup>64</sup> It is estimated a moderately or severely stunted child could have a 30-35 percent and 50-65 percent higher lifetime income, respectively, if the child had not been malnourished.

<sup>65</sup> National Maternal and Child Nutrition Survey (MICS3-NNS) Report, Lao PDR, 2006. **Exclusive breastfeeding** for the first six months and continued breastfeeding for at least the first two years of life protects children from infection, provides an ideal source of nutrients, and is economical and safe.

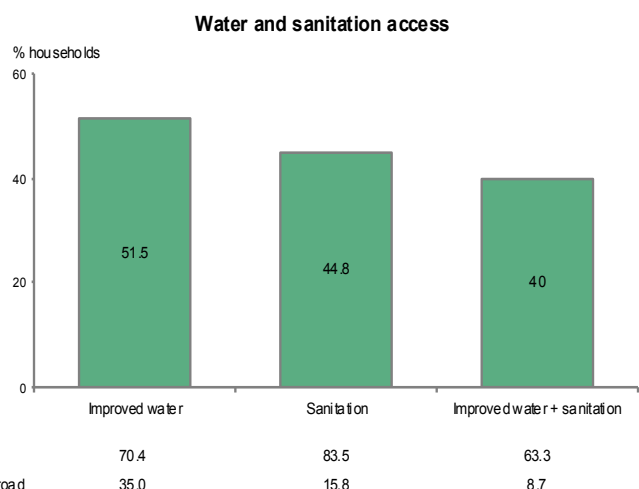
<sup>66</sup> Only 29 percent of target group children received vitamin A supplementation during the previous 6 months. The WHO recommended cut off to determine whether a public health problem exists is a prevalence of low serum retinol among at least 15% of the population.

## Water, Sanitation, and Hygiene

In the Lao PDR, children with poor nutritional status suffer disproportionately from diarrheal

disease and parasitic infections, and these are associated with organ damage, poor physical growth, poor intellectual development and impaired cognitive function<sup>67</sup>. Water supply, sanitation, and hygiene require renewed focus and investment. The country is on track to meet MDG 7, Target C to halve the number of people in urban areas with improved drinking water and sanitation targets in urban areas and off-track in rural communities

In sanitation, both rural and urban coverage have risen rapidly in recent years, with rural coverage growing from 15% in 2000 to 38% in 2008; and urban coverage from 62% to



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85% in the same period, for a total coverage rate of 53% in 2008. But even if the MDG target of 54% is reached, this still leaves about 3 million people, or 46% of the population without access to improved sanitation facilities<sup>68</sup>. It is estimated that up to half of the population practice open defecation, often without hand washing<sup>69</sup>. Hand washing with soap is infrequent, and care-providers have limited knowledge of effective hygiene behaviour. Education is essential: children born to mothers with at least a secondary education have considerably lower rates of malnutrition

The Lao PDR has the lowest access to drinking water in the Mekong sub-region. The steady increase in urban inhabitants who use improved drinking water sources has not kept pace with rapid urbanization, and urban access has stalled at just over 70%. Rural access to improved drinking water increased from 37% in 1995 to 51% in 2008, but both rural and urban coverage trends are considered off-track to meet the 2015 MDG target. And the margins matter more than ever (*see box*). Progress is much slower in isolated rural communities where access to improved water sources was 15% lower in rural areas *without* road access than in rural areas with road access<sup>70</sup>.

Recent gains in rural water and sanitation coverage are due mainly to private investments by individual households, many of whom non-poor rural households, living close to roads and markets. Given rural poverty levels, these rapid gains may not be sustained. Among the causes that contribute to low access to water and sanitation in the Lao PDR, 4 are critical:

<sup>67</sup> National Maternal and Child Nutrition Survey (MICS3-NNS) Report, Lao PDR, 2006. **Parasite infections** affect 54% of children between 2 and 5 years of age. Children with severe malnutrition had more than two times the chance of having diarrhea than children with normal weight for age.

<sup>68</sup> WHO with UNFPA, UNICEF, World Bank, and JICA, Background Paper for the Health Chapter of the Mid-term Review of the 6<sup>th</sup> National Socio-Economic Development Plan (NSED) of the Lao PDR 2006-2010, July 2009. Sanitation coverage is much lower at 16% in *rural areas without road access*. There is also much lower overall sanitation coverage in the Southern region (28%) compared with the (43%) Northern and Central (54%) regions

<sup>69</sup> It is estimated that over 2.2. million people deposit about 330 tonnes of human excreta per day in and around rural villages, contributing significantly to the prevalence of diarrheal disease.

<sup>70</sup> The JMP estimate of 51% rural water supply coverage in 2008 is based on an extrapolation of the best fit from all previous nationally-representative household surveys, thus is higher than the 2006 MICS coverage data.

- Scarce and expensive physical components and low allocation from Government,
- Poor municipal capacity for urban services.
- Traditional attitudes and knowledge that contribute to poor sanitation behaviours and little genuine demand for quality facilities
- Low or non-involvement of village governments, communities and households in planning for water supply and sanitation; and
- Plans and strategies that do not prioritise investments nor respond to the particular needs of different population groups, especially poor households,

In 2004, the Ministry of Public Health adopted a *National Strategy<sup>71</sup> for the Rural Water Supply and Environmental Health Sector* with the objective of improving access, use and sustainability of water supply and sanitation facilities, and a particular focus on remote rural areas that “*have the highest incidence of poverty and disease*”. Lower-cost approaches to water and sanitation improvement for poor households, in remote, rural villages are urgently needed<sup>72</sup>.

## Food Insecurity

Food security and nutrition status are closely linked. Overall, 87% of Lao households are food secure. But after factoring-in the risks from drought, floods, loss of access to land and forest resources, and food price shocks, it is estimated that **only 1 in 3 rural Lao households are food-secure<sup>73</sup>**. Food insecure households tend to be unskilled labourers or farmers who seldom fish or hunt. They practice upland farming on small plots in fragile areas with steep slopes. They are mostly asset poor, poorly educated and from non-Lao-Tai ethnic groups. Poverty is pervasive in the uplands, estimated at around 44 percent compared with 28 percent in the lowland areas. Diets are also a concern. A recent study of Lao eating habits<sup>74</sup> revealed that only half of households ate animal protein, and most had very low levels of fat intake. Rice is the main staple food in the country, but fish, wild game and other forest products are key sources of protein, especially in remote rural settings which is causing biodiversity depletion when unsustainable. The average meal consists mostly of rice, with some vegetables and very small quantities of proteins, oils and fruits that are neither satisfactory nor balanced

**There are 4 dimensions of food security.** With regard to child malnutrition, the key problems with **food usage** were discussed above and include inadequate nutrient intake by mothers during pregnancy and breastfeeding, and poor feeding practices of children, particularly in their first 2 years. The other dimensions are: **availability, accessibility, and stability**.

The low level of domestic food production is a major constraint on **availability**. Nearly two-thirds of the national output of rice takes place under lowland production, mainly in the south, and one-third in upland areas, in the north and north-east. Total rice production grew by an average of 6% per annum between 2006 and 2008, but the growth was lowest in the north at 3%.

Low agricultural productivity, particularly in uplands areas, is caused by:

<sup>71</sup> Revision to the original 1997 National Strategy for Rural Water Supply and Environmental Health.

<sup>72</sup> It will also cost more to reach the un-reached. Given the rising marginal cost of water supply provision the financial, technical and implementation requirements of reaching hard-to-serve communities and households will be higher.

<sup>73</sup> WFP, *The Lao PDR Comprehensive Food Security and Vulnerability Assessment* (CFSVA), 2007, 10. A total of 84,000 households were food insecure at the time of the study.

<sup>74</sup> Gillespie, Anna, 2009, “Informing a Nutrition Communication Strategy for the Lao PDR” mimeo. Study conducted in Borikhamxay and Savannakhet Provinces and in rural Vientiane.

- Small land holdings, with about half of farm households owning less than 1 ha;
- In-secure land tenure;
- Heavy dependency on rainfall in the wet season, with little possibility of dry season cultivation;
- Natural disasters, including floods and landslides;
- High cost of quality inputs such as fertilizers, seed, tools and machinery;
- Poor agro-processing and storage to reduce post-harvest losses;
- Inadequate markets and transport infrastructure and services that make it difficult to shift surplus food from have to have-not provinces and districts; and
- Unexploded ordinance (UXOs), especially along the border with Vietnam, which reduce available land for cultivation.

**Accessibility** of food is hampered by the lack of mechanisms to redistribute surplus food to areas in need. Often, surplus food is sold to neighboring countries and then sold back to other parts of the Lao PDR at higher prices. **Stability** in food production has also been affected by a series of recent natural disasters, particularly, notably the rodent infestation in 2008 in Northern Lao PDR and the floods in Central Lao PDR (caused by Tropical storm Kammuri) and Typhoon Ketsana in 2009 that affected the South, which required emergency food assistance for 77% of the affected population for three months<sup>75</sup> (see *Challenge 7 for more discussion about disasters*).

Underlying these dimensions is an **institutional framework** that struggles to coordinate food security and nutrition policy and programming between government bodies and development partners, and a **policy framework** that struggles to and to reconcile different, often competing priorities. Some recent government policies have reduced the amount of land and forest under subsistence production and contributed to lower household food production. These include: concessions for mines, hydropower works, and plantation tree crops such as rubber, village consolidation, and the ban on all forms of swidden cultivation. In addition policies such as the ban on opium cultivation<sup>76</sup> and the resettlement programme have had a strong impact on food security. The loss of natural habitat and biodiversity are also threats (see *Challenge 6 for more discussion*).

Overall, a household's food security is determined by its assets and the livelihood strategy it pursues. Tailoring policy and programme interventions to particular areas and their dominant livelihood strategies is essential, and it requires a multi-sectoral approach that combines education, hygiene and nutrition, physical infrastructure, and the agricultural and environmental sectors<sup>77</sup>.

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<sup>75</sup> Joint Assessment of Impact and Needs arising from the September 2009 Ketsana Typhoon.

<sup>76</sup> The opium eradication policy was implemented with strong political will and donor support and led to a significant decline in opium cultivation but also resulted in the loss of an important source of income for many communities. WFP, *The Lao PDR Comprehensive Food Security and Vulnerability Assessment (CFSVA)*, 2007. 10.

<sup>77</sup> For a more comprehensive set of policy recommendations see: WFP, *The Lao PDR Comprehensive Food Security and Vulnerability Assessment (CFSVA)*, 2007. Chapter 10.

## 5. Maternal and infant mortality and a health system that is under-resourced and lacks capacity

### Situation<sup>78</sup>

A woman's health and nutritional status is as critical to her own wellbeing, as it is to her children's. While good progress has been made to reduce **maternal mortality** from 650 to 405 deaths per 100,000 live births between 1995 and 2005, it is still among the highest in the region. Two mothers die each day from causes which are preventable or treatable. Rural communities in particular, lag behind cities and small towns in terms of adequate care for mothers before, during and after delivery.

The **infant mortality** rate (IMR) also saw a drop from an estimated 104 to 70 deaths per 1000 live births from 1995 to 2005. But this is still high by regional standards and means that nearly 20,000 children die before their fifth birthday<sup>79</sup>. Mirroring the situation for maternal death, urban-rural disparities are high, and the decline is likely not sharp enough to reach the MDG by 2015. Children in the poorest quintile are more than twice as likely to die within 12 months of their birth as children in the richest quintile. The IMR in rural areas without road is three times as high as in the urban areas. Estimates of provincial infant mortality rates indicate substantial disparities, ranging from about 18 in Vientiane Municipality to 128 in Sekong province. The country is on track to meeting MDG 4 and 6, but it is still off track for MDG 1, 5 and 7. The Government of the Lao PDR has developed a comprehensive legislative, policy and planning framework for health and committed to achieving the targets of the 6<sup>th</sup> NSEDP and the MDGs

### Causes

The causes of **maternal death** are haemorrhage, obstructed labour, pregnancy-induced hypertension, infections and sepsis<sup>80</sup> however the actual cause of these deaths have their roots in poverty, women's status, lack of education, cultural traditions and taboos, weak infrastructure and weak health system –as most of the deaths are avoidable with skilled care and timely access to emergency obstetric care. About 15% of births involve complications that require medical care and 50% of women who bleed to death do so within 2 hours, without medical care. Clean delivery and basic hygiene practices are essential to prevent infections in the mother and newborn. Over 1 in 3 women in the Lao PDR are anaemic, and chronic malnutrition, combined with frequent pregnancies and a heavy workload in home and fields, increase their vulnerability to pregnancy related complications and death<sup>81</sup>. Following delivery, a mother's nutritional status is a key determinant in the nutritional status of her infant as well as her own recovery. In rural areas taboos related to pregnancy and childbirth result in unnecessary infant deaths, including beliefs that childbirth should take place in the forest and not near rice fields.

The number of **births attended by skilled personnel** is a good overall indicator of care, and it is still too low in the Lao PDR. While more than 2/3<sup>rd</sup> of births in urban areas are delivered by skilled trained health workers, including trained community birth attendants, it drops to about 15% in rural areas and to less than 3% in rural areas without roads (*see box*). Most of these

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<sup>78</sup> This section draws on preliminary analysis from the UNICEF draft situation analysis report.

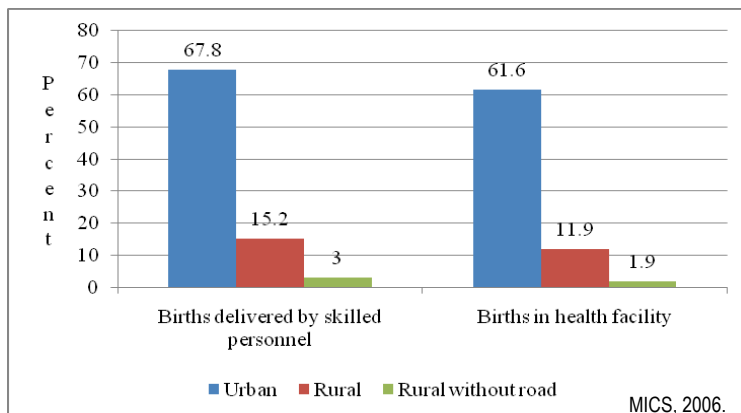
<sup>79</sup> Ministry of Health 2009 (Strategy and Planning Framework for the Integrated Maternal, Neonatal and Child Health Services 2009-2015) Each year in the Lao PDR it is estimated that 5,200 babies die in the first week of life and 6,400 are stillborn (WHO 2005). The neonatal mortality rate is 26/1000 births (LRHS 2005)

<sup>80</sup> Government of the Lao PDR and the United Nations, [Millennium Development Goals 2008, Progress Report](#), Lao PDR. 2008.

<sup>81</sup> Here again there is a clear urban-rural divide. Only 6% of women receive iron and folate supplementation during pregnancy, but nearly all of them live in urban areas or rural areas with roads

trained health workers, especially the community workers, however lack the competencies, authority, equipment and drugs to manage even simple complications<sup>82</sup>. Ante-natal care (ANC) is a critical entry point for women and children in the health care system, and only about 1 in 3 women do receive it from trained personnel<sup>83</sup>, and regional disparities are striking. ANC coverage was highest in the central region and urban areas, and lowest in the southern region and in rural areas with no road. **Women with secondary education received services at a rate five times higher than women with no education.** Only 16% of women in the poorest quintile received ANC services, compared with over 87% of women in the richest quintile. The **variable access to health facilities** is critical. Of over 10,000 villages, fewer than 8 percent of villages have their own health centre. Nearly a quarter of the Lao population lives more than 2 hours from a fully functioning hospital<sup>84</sup>. Cultural practices and beliefs as well as poor physical access also mitigate against women seeking timely care in pregnancy and for complications will often seek traditional healers first which results in delays which can be fatal. Financial barriers and quality of care are other reasons of low use of health care in general and maternal health care in particular<sup>85</sup>.

Marriage marks the onset of childbearing for most women. **Early pregnancies** often result in increased complications for pregnant girls whose bodies are not sufficiently developed to withstand pregnancy and childbirth.<sup>86</sup> The TFR continue to be high at 4.5. **Family planning** can contribute to reducing maternal deaths by up to 30% by eliminating unwanted pregnancies. The contraceptive prevalence rate (CPR) increased from 29% to 35% among married women between 2000 and 2005, but the estimated **unmet need is high** at 27%, the unmet need for birth spacing is 11% and for limitation is 16.3%. The CPR is 45% for urban women in the Lao PDR, and drops considerably for women in rural areas and rural areas without roads, at 36% and 26%, respectively. Low education levels and a lack of information materials in different languages



make it difficult for families to access health information. With about 50% of the population under 20 years of age, the lack of information on sexual and reproductive health especially for unmarried young people is a concern, and the reach of reproductive health services for adolescents and young people needs urgent attention.

There are also strong cultural beliefs related to maternal and childcare that influence the use of health services,

<sup>82</sup> UNFPA Standard Basic Agreement Assessment, 2009

<sup>83</sup> According to MICS 2006, 35% of women, ages 15-49, received ANC. According to LRHS 2005, the figure is 28.5 percent. The difference is because MICS records births in two years prior to the survey while LRHS records births in 5 years prior to the survey.

<sup>84</sup> A 2008 assessment showed that only 27 of 41 facilities that should offer comprehensive emergency obstetric and neo-natal care actually do so. The Assessment of Skilled Birth Attendance in the Lao PDR 2008.

<sup>85</sup> *Reproductive Health at the Margins: Results from PEER Studies in Southern Laos, 2009* reports in the ethnic animist communities beliefs of birth linked with harvest may cause women to give birth away from home and that although the researchers found that obstetric emergencies were sent to the hospital, but only after two to three days of labour, and often only after an animal sacrifice had been performed thus resulting in many fatalities due to delay in receiving timely care.

<sup>86</sup> Global estimates show that girls aged 10-14 are five times more likely to die in pregnancy and childbirth than women aged 20 and 24 <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTHEALTHNUTRITIONANDPOPULATION/>.



and discourage the use of skilled personnel<sup>87</sup>. This can be aggravated by poor communication and counselling skills among health workers.

Most **child deaths** in the Lao PDR<sup>88</sup> are due to common preventable and treatable conditions including pneumonia, diarrhoea and perinatal conditions. **Pneumonia** is a leading cause of death in children and just over 6% of women know that the danger signs of pneumonia – fast and difficult breathing – mean they should seek care. **Diarrhea** is the 2<sup>nd</sup> largest killer of children, causing a quarter of neonatal deaths, and contributes to high rates of malnutrition. A large proportion of these deaths by using improved drinking water and sanitation, and better hygiene practices (*see Challenge 4 for more discussion*). A Lao child was twice as likely to suffer from diarrhea if she lived in rural areas, was amongst the poorest quintile of households, and whose mother had less than a secondary education.

**Care-seeking behaviour** by families is central to improving the health of children, but only about ¼ of the population seeks care on a timely basis. People in rural areas tend to make far less use of public health services than those in the urban areas, and the lack of staff, drugs and long distances to facilities discourage use: Only 8% of villages have their own health center. Without any general health insurance system, people are exposed to expensive diagnostic procedures and treatments. ‘Out-of-pocket’ health spending accounts for about 75%<sup>89</sup> of total health expenditures, and this is a major cause of impoverishment and a deterrent to care-seeking by many households.

Access to health services decreases dramatically as you move outside urban areas, with the gap widening between rural and hard-to-reach rural areas without roads. National health communication strategies, sensitive to language and ethnicity, are needed. **Gaps in health communication and education** are most severe for those who need it most: Rural, remote communities that are marginalized by education and language barriers. This often means that the most vulnerable communities remain un-informed of critical health information messages and available services.

The key root cause is a **health system with insufficient capacity** to perform, especially for the delivery of maternal, neonatal and child health interventions (the *MNCH package*). The Ministry of Health is the main provider of health, particularly in remote, rural areas, and it is strongly administrative. Since 2005, **health spending is mostly unchanged** at about 3.5% of total government expenditures<sup>90</sup>. As noted above, “out-of-pocket” health expenditures are a prime reason for some households falling into poverty<sup>91</sup>. Total health expenditure per capita from all sources in 2005 was about US \$19,<sup>92</sup> low compared with spending in other LDCs, and well below the US \$34 recommended standard for developing countries. Low recurrent spending,

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<sup>87</sup> Reproductive Health at the Margins: Results from PEER Studies in Southern Laos, 2009. Also some **traditional post-partum practices** restrict the consumption of fruits and vegetables and physical activities of Lao women. These can also reduce the nutritional content of breast milk.

<sup>88</sup> According to Child Survival Profile of the Lao PDR (WHO 2007), children under five die of neonatal conditions (34%), Pneumonia (19%), diarrhoea (16%), measles (6%) and other causes (22%). Malaria is not a big killer (1%) and injuries are directly responsible for 2% of total deaths.

<sup>89</sup> World Health Statistics 2008, <http://www.who.int/whosis/>

<sup>90</sup> World Bank, Lao PDR Recent Economic Developments, Lao PDR Economic Monitor Issue 14, 2009. 14. Health expenditure as a percent of total expenditures was 3.6% in 2005/06, 3.2% in 2006/07, and 3.7% in 2007/08.

<sup>91</sup> WHO, *Health Financing Strategy for the Asia-Pacific Region (2010-2015)*, 16. For example, in 2005 in the Asia-Pacific Region, an estimated 80 million people faced catastrophic health expenses and 50 million were impoverished because of out-of-pocket payments for health services. Prime Ministerial Decree No. 52 of 1995 authorized the collection of official fees at health facilities. Officially it exempts the poor, but implementation is difficult.

<sup>92</sup> MoH, UNESCAP, WHO, ILO, *Review of Ongoing Health Financing Reform in the Lao PDR and Challenges in Expanding the Current Social Protection Schemes*; 2008

particularly in non-wages, is a serious constraint. About 73% of government spending (excluding donor support) in the health sector is devoted to salaries, with 15% for non-wage recurrent costs. This is insufficient for effective and efficient operation. There is also an **imbalance in budget allocation**. For example, nine hospitals and health institutes located in Vientiane receive 40 percent of total government health budget.<sup>93</sup>

District and health centres continue to suffer from a **shortage of qualified health staff**. There are inadequate numbers of health care staff in the workforce to provide emergency obstetric and neo-natal care, and a lack of referral systems. Nationwide, there are only 59 doctors per 100,000 people, one of the lowest ratios in East Asia, and existing staff are poorly distributed, with a concentration in urban rather than in rural facilities<sup>94</sup>. Overall, much greater attention is needed for coordinated capacity development, including data management and reporting, and finance planning at central, regional and district levels.

## 6. Ecosystem changes are undermining rural livelihoods

### Situation

Most of the Lao PDR is hilly and mountainous, and forests are a vital livelihood and economic resource<sup>95</sup>. The rural population, and the rural poor in particular, depend upon forests for food, fuel, fiber, and shelter, and they help to conserve biodiversity, soil and water values. But deforestation and forest degradation are accelerating. From a high of 70% in the 1940s, forest areas have been reduced to about 42% by 2002. Forest clearing continues at an estimated rate of 134,000 ha per year, driven by extensive commercial use and expanded subsistence agricultural production<sup>96</sup>.

The Lao PDR is one of the most biodiversity-rich countries in the region. Biodiversity losses, due to deforestation and destruction of habitat, have been heavy. There are an estimated 8 to 11,000 species of flowering plants in the country. Fish diversity of the Mekong River basin is estimated to be roughly three times that of the Amazon River<sup>97</sup>. About a quarter of mammal species are endangered<sup>98</sup>. And it is thought that there are still thousands of undocumented species in the Lao PDR.

### Causes

The main causes of forest degradation and deforestation, and biodiversity loss are: Pioneering shifting cultivation, commercial development for mines, hydropower works, forest plantations, commercial agricultural expansion, urban infrastructure developments, and unsustainable and illegal logging.

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<sup>93</sup> World Bank (2007).

<sup>94</sup> Vangkkonevilay, P., "Human Resources for Health Situation and Challenges", MOH, Lao PDR, Thalath Workshop, July 2007, mimeo. Only eight doctors work at health centres in the entire country. In 2005 39 percent of newly recruited staff were allocated to the central level, most of whom were high- and mid-level workers. And as evident from the Table 3.5, Vientiane Capital and the three Central Hospitals account for nearly half the total number of nurses, 40 percent of the total number of SBAs, and 43 percent of General Physicians in the country. However, these numbers include administrative officers at the provincial and central levels and so must be interpreted with care

<sup>95</sup> As agriculture accounts for some 50 percent of GDP, forestry may contribute some 15-20 percent of the non-agricultural GDP.

<sup>96</sup> Government of the Lao PDR and the United Nations, [Millennium Development Goals 2008, Progress Report](#), Lao PDR. 2008. 70-72

<sup>97</sup> CBD (2010). There are over 1200 species of fish in the Mekong River basin and over 700 species of birds in Lao PDR. 4<sup>th</sup> National Report. <http://www.cbd.int/doc/world/la/la-nr-04-en.pdf>.

<sup>98</sup> Surveys have reported 247 mammal species including three new species.; 60 of the mammal species are classified as threatened

**Shifting Cultivation** or slash and burn agriculture is practiced widely in upland, rural areas, and it is significant to the cultures of non-Lao-Thai ethnic groups. It can be sustained with long fallow periods and when population densities are low. But productivity is extremely low, and it is vulnerable to both drought and excessive rain. When pressures on land and forest increase, fallow periods are shortened, resulting in increased degradation and deforestation. The clearance of forest for shifting cultivation is declining, but still amounts to an estimated 200,000 ha per year<sup>99</sup>. The national policy is to halt shifting cultivation by the year 2020. But the policy does not distinguish between areas and communities that practice sustainable shifting cultivation and those who carry-out pioneering slash-and-burn agriculture that results in the permanent conversion of forest to more fragile grasslands<sup>100</sup>. With large increases in foreign direct investment (FDI) in land (see *Challenge 1*), deforestation is increasingly driven by commercial development:

- **Industrial tree plantations** are becoming a major cause of loss of natural forests. Rubber planting is expanding rapidly on a very large scale in Laos, driven mainly by FDI.
- Conversion of forests for **concession-based commercial agriculture** is also on the rise. The main commodities grown for export are maize, coffee, soybeans and cassava<sup>101</sup>. While the impacts of large-scale concessions garner much attention, smaller investment and household based agriculture is increasing, as farmers switch to cash crops and industrial tree farming<sup>102</sup>.
- Hydropower development is also a main contributor. In addition to the 10 operational **hydropower** plants, and 12 plants scheduled for completion by 2015, another 31 areas, amounting to over 140,000 ha of forest have been earmarked for hydropower dam construction<sup>103</sup>.
- In the mining sector, the government has approved over 180 **mining** projects by more than 100 companies, most foreign owned, with a focus on bauxite and aluminum mining in *Champasak* and *Attapeu* provinces.
- Logging, both legal and illegal, is a main cause of deforestation or forest degradation, and removes an estimated 0.3 to 2% of forest annually. While logging quotas have been reduced since 2001, it is widely believed that illegal cutting has increased, in response to high demand and profits, and weak law enforcement<sup>104</sup>.

The Government has a range of laws and regulations for environmental conservation and protection: The Environmental Protection Law (1999) and implementing Decree (2002), is the country's principal environmental law. It includes measures for the protection, mitigation and restoration of the environment, as well as guidelines for environmental management and monitoring. The Forestry Law (2007) was amended to strengthen sustainable management of forests, while the Wildlife Law also was enacted to provide a stronger legal framework for biodiversity conservation. Important steps for the sustainable management of forests, including conservation, have been taken with the establishment of National Conservation Forests (NCF),

<sup>99</sup> The government has attributed deforestation and forest degradation from shifting cultivation at about 200,000 ha per annum in 2001, (STEA 2000)

<sup>100</sup> There is, however, MAF Notice 0034/of 4 Feb 2009, differentiating three types of shifting cultivation: 1) unplanned shifting cultivation resulting in forest degradation and biodiversity loss, 2) swidden with 3 to 5 year rotation returning to the same plots, and 3) old shifting cultivation plots that are now permanent agricultural land.

<sup>101</sup> Cassava is also cultivated as a feedstock for bioethanol.

<sup>102</sup> REDD Readiness Preparation Proposal. Lao PDR. DRAFT, August 2010. 33.

<sup>103</sup> Dams and reservoirs will have immediate effect on aquatic fauna and fisheries based livelihoods.

<sup>104</sup> REDD, *Ibid.*, 32.

highly managed Production Forest Areas (PFA) and 20 protected National Biodiversity Conservation protected areas<sup>105</sup> but they all require stringent implementation at the district level.

These laws, decrees, and their supporting technical regulations are adequate. But they are not well disseminated, applied or enforced, especially at Province, District and Village levels. Decisions about land use are often taken with only a cursory appraisal of potential social and environmental impacts. Without greater safeguards, growth of FDI in land may harm food security and the sustainable management of forests. For example, the rapid process of granting concessions is often done without fully understanding the impacts on upland, subsistence farmers who rely on forests products for their seasonal food security. The recent establishment of the Department of Forest Inspection within the MAF is expected to address illegal logging, but progress is constrained by the lack of funds and experienced staff, particularly in Provinces and Districts

The Forestry Law of 2007 allows for a wide range of tenure rights, including state rights, communal rights, private, corporate, and open access or commons. As a result, different stakeholders may have overlapping rights and interests. There is very limited awareness among farmers about their land and forest-use rights, and more formal mechanisms are needed to involve local communities in land-use planning, so that households do not lose their land and forest use rights, or are adequately compensated and supported to make a transition in their farming practices. There is also an urgent need to increase awareness of the need for environmental protection among foreign and domestic investors and businesses. Without renewed efforts to address these root causes, the ongoing overexploitation of natural resources will deprive future generations of the ecosystem resources they need to sustain rural livelihoods and help reduce poverty.

## 7. Vulnerability to disasters

### Situation

Following on the discussion above, rural households are dependent on natural resources to sustain their incomes and food security. The rural poor are highly vulnerable to natural disasters and even small events can have devastating impacts on family livelihoods. Most of the northern and central parts of the Lao PDR are rugged and mountainous. This diverse geography creates natural hazards and disasters occur in a cyclical manner, following the seasons. The main hazards are: Annual river floods, flash floods and landslides, resulting from deforestation and soil erosion, forest fires, drought, tropical storms like *Kammuri* and the 2009 Typhoon *Ketsana* that devastated crops in the Central and Southern provinces, rodent infestations, and animal and human epidemics. Floods, droughts, and rodent infestations in particular have had significant impacts on people and agricultural production<sup>106</sup>. Natural disasters are exacerbated by the increasing effects of global Climate Change and the lack of preparedness, low capacity and resources make the Lao PDR more vulnerable.

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<sup>105</sup> These cover 5,340,195 ha or 22.55% of land areas (WREA, 2007). STEA was restructured and reformed to be "Water Resources and Environment Administration-WREA", which is equivalent to the Ministry.

<sup>106</sup> Developing a National Risk Profile for Laos PDR, Inception Report, Asian Disaster Preparedness Centre, March 2010. Over 27 major floods have been experienced by the Lao PDR in the past 35 years. During 1966-2001, a total of 17 severe floods affected more than 3.5 million people, an average recurrence every 1.5 years. In five major drought events, more than 4.25 million people were affected. WFP conducted an EFSA in the Northern Provinces in mid-March 2009 that estimated between 85,000 and 140,000 to be food insecure due to rodent infestation, representing 5% of the population in affected provinces.

The country has taken considerable steps to anticipate natural disasters and mitigate the risks. Following severe flooding in the mid 1990s, the Lao PDR adopted a national disaster management framework and established a National Disaster Management Office<sup>107</sup> (NDMO), with overall coordinating responsibility. While in line with the Hyogo Framework<sup>108</sup>, the large size of the NDMO may make it cumbersome to act<sup>109</sup>. It runs the risk of becoming a forum for discussion and not a rapid decision-making body in times of emergency<sup>110</sup>. The government has established a national Disaster Management Centre to mitigate the impact of floods<sup>111</sup> and developed a National Strategy and Action Plan for Adaptation to Climate Change, under which it is investigating adaption and mitigation measures for the agriculture, forestry, water resources, and health sectors. A national strategy exists to halt shifting cultivation (*see Challenge 6 for more discussion*), and set a reforestation target of 70% of the total land area by 2020.

Going forward, much more has to be done to widen the scope of disaster risk reduction efforts and integrate DRR considerations into policy and planning processes at local levels, and into household decision-making.

### **Causes**

Lack of awareness about disaster risks at many levels, the absence of systematic contingency planning, lack of resources and uneven enforcement of building codes make the built environment in the Lao PDR susceptible to disasters. The rapid increase in forest and land concessions for commercial agriculture, forestry, mines and hydropower works has the potential to increase disaster risks, especially if safeguards such as environmental and social assessment are not carried-out<sup>112</sup>. Other key contributing factors:

- At provincial and district levels, there is a lack of training, coordination and information-sharing amongst Disaster Management or Operations Centres, decreasing the reach and effectiveness of coordination efforts by the NDMO.
- The police and fire services lack sufficient numbers, training, equipment, and communications infrastructure to carry out their expected duties.
- Building code inspection and enforcement procedures are uneven and poorly monitored, just as the number of high-rise multi complex buildings are being planned and built.
- Military personnel are reported to have limited training in disaster risk reduction and response, and there appears to be little coordination between military and civilian agencies in preparing for disaster response, including an agreed chain of command for using military assets to respond to emergencies. However, the military are the first on the line on the ground to help the victims in disaster situations, as witnessed by the 2008 floods and 2009 Ketsana. Hence, the involvement of the military should be considered positively and they should receive adequate training.

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<sup>107</sup> Decree No. 158 of the Prime Minister, dated 22 August 1999. It is led by the Minister of Labour and Social Welfare (MLSW) and consists of representatives of eleven ministries and the Lao PDR Red Cross.

<sup>108</sup> Hyogo Framework for Action 2005 - 2015: Building the Resilience of Nations and Communities to Disasters, ISDR, 2005.

<sup>109</sup> After the 2008 floods, the National Disaster Management Committee at State Level, and below that the NDMO, under the Ministry of Labour and Social Welfare, were established – there has been discussion to put NDMO under the PM Office in the same way as the National Emerging Infectious Diseases Coordination Office (NEIDCO).

<sup>110</sup> UN-Office for the Coordination of Humanitarian Affairs, *UNDAC Disaster Preparedness Mission, Lao PDR*, 12-24 February 2007. 14.

<sup>111</sup> Lao People's Democratic Republic, *The Seventh National Socio-Economic Development Plan (2011-2015) - Executive Summary*, Ministry of Planning and Investment, 2010, (un-official translation from original Lao version).13.

<sup>112</sup> UN-Office for the Coordination of Humanitarian Affairs, *UNDAC Disaster Preparedness Mission, Lao PDR*, 12-24 February 2007. 19.

- Health surveillance units at National and local levels are understaffed, resulting in delays in collection and analysis of specimen and the development of rapid responses to disease outbreaks. Health education and public awareness-raising about communicable disease outbreaks is not done systematically for health personnel as well as the general public.
- NGOs complement government disaster risk reduction and response initiatives. Regular meetings are needed between the NDMO and NGOs to explore joint disaster preparedness and contingency planning.
- There is no early warning system for natural disasters or standard operating procedures for who will do what during the immediate onset of disasters. And this is hampered by the lack of a legal framework governing Emergency Relief operations.

While a commitment to disaster risk management in the Lao PDR is evident from the decrees and policies that have been issued since 1999, in particular the Strategic Plan of Action, the institutional commitment has not been met with sufficient budget resources<sup>113</sup>.

## 8. Empowerment of women and young people

### Situation

There is a strong national commitment to empower women, to prevent discrimination, and to ensure a more equal say in decision-making at family, community and national levels. It is expressed in the Constitution, the NSEDP (2010-2015), the National Strategy for the Advancement of Women, and the Law on the Development and Protection of Women (LDPW), and in actions to implement the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), and the Beijing Platform for Action<sup>114</sup>. Slow but steady progress has been seen in the status of women through legislative and policy reform on gender-related issues, and the establishment of the Lao National Commission for the Advancement of Women (NCAW) in 2003 and the strengthening of the Lao Women's Union (LWU). There is recognition among decision-takers that the country will reduce poverty and improve the human indicators required to graduate from LDC status, only with the active participation of all women.

One in four members of the National Legislature is a woman. This is a four-fold increase in women's political representation since 1990, and one of the highest levels in the region<sup>115</sup>. At provincial, district, and village levels, women's participation drops-off quickly. About 1 in 3 civil servants are women, but very few occupy senior managerial posts in municipal government or in the judiciary<sup>116</sup>. In 2008 women represented 1.4% of village chiefs and 4.4% of deputy chiefs. The limited role of women in village leadership, and the lack of women from ethnic groups in civil positions, hamper the effectiveness of poverty reduction programmes in rural areas and

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<sup>113</sup> *Ibid.* 18.

<sup>114</sup> The constitution provides all Lao citizens with equality before the law, irrespective of gender, social status, beliefs and ethnic group. CEDAW was ratified in 1981 and the Beijing Platform for Action in 1995. The principle of gender equality is also included in the NSEDP, along with the principle of "positive discrimination" for ethnic groups to increase their access to basic services. It recognises that Lao women play critical roles in agriculture and other economic activities, and are primarily responsible for maintaining the food security and health of their families. The LDPW (2004) and its implementing decree provide guarantees of equality in political, economic, social, cultural and family spheres.

<sup>115</sup> Government of the Lao PDR and the United Nations, [Millennium Development Goals 2008, Progress Report](#), Lao PDR. 2008. 42.

<sup>116</sup> A National 'Gender in Governance' strategy has been drafted, and will offer a comprehensive framework to improve gender equity in the civil service.

provide few role models for girls from ethnic groups<sup>117</sup>. Village meetings are less about exchanging ideas and making decisions as communities, and more about delivering instructions about government decrees and policies<sup>118</sup>. Civil society organisations at all levels are developing slowly. These have the potential to accelerate work on gender equality initiatives<sup>119</sup>.

### **Causes**

**Entrenched stereotypical attitudes towards women and girls** in the family, schools and society, sustain traditional gender roles. Females experience an unfair distribution of domestic labour and men are usually considered the main or only decision-makers in all domestic and community affairs. Combined with the gender gap in education (*see Challenge 3*), women are prevented from making a fuller contribution to community development, despite their significant social and economic role.

Gender equality will not come without equality of education and the Lao PDR has **a serious gender gap in lower secondary education** that worsens at each successive level of education, and is much higher in rural, particularly off-road areas. This is influenced by a range of factors: A lack of parental support, cultural factors that accept early marriage and a mostly domestic role for girls and women, school facilities without either toilets or toilets that are gender segregated, long distances to schools, and malnutrition which reduces a child's potential to learn and may cause late entry and non-completion of school (*see Challenges 3 and 4 for more on these issues*).

**Language** plays a key role in women's empowerment and participation in civil society. Women from ethnic groups living in remote communities may not have had access to education, and therefore missed the opportunity to learn Lao. The lack of spoken and written proficiency in Lao acts as a de facto barrier to participation and decision-making in civic life, and to accessing health, financial, training and other services and resources.

Structural and human resource constraints should be addressed to

- Increase women's participation in local government administration, and work with service providers in order to lead to improvement and better targeting of services;
- Promote the appointment of women to leadership positions, particularly at village, district, and provincial levels; and
- Adjust local development planning processes to better involve women and ensure they participate in a meaningful way.

**Information about the scale of gender disparity is still weak.** More systematic efforts are needed to collect and analyse sex and age-disaggregated data at sub-national levels, report on gender disparities, and sensitise decision makers and communities about the problems faced by the women and girls. This will foster a better understanding at all levels of the dynamics that sustain gender inequalities, and form the basis for targeted policies, strategies and actions, and re-prioritization of public expenditure.

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<sup>117</sup> Government of the Lao PDR and the United Nations, [Millennium Development Goals 2008, Progress Report](#), Lao PDR. 2008. 44.

<sup>118</sup> For example, anecdotal evidence suggests that LWU representatives do not perceive their role 'to represent women in their village' - rather, their responsibility is seen to be to 'encourage' women to follow Party and other government instructions.

<sup>119</sup> The government-sponsored consultation in 2007 with NGOs for the preparation of the most recent CEDAW national report demonstrates more openness to discussion on gender issues



## 9. Violence against women, children and young people

### Situation

Violence against girls and women happens in daily life at many levels of Lao society, and this hinders their education, employment opportunities and livelihoods. While this is not reflected in any one MDG, it intersects with each Goal and is at the core of the United Nations Millennium Declaration. The Lao PDR addresses violence against women in the Law on Development and Protection of Women as does the Law on the Protection of the Rights and Interests of Children. It establishes support facilities for victims of domestic violence. However, measures to punish offenders are focused on mediation rather than prosecution. Mediation units do not require staffing by neutral personnel trained in domestic violence, and lack a system for monitoring and assessing their work.

In addition, the Penal Law of 1990 indirectly implies that marital rape is legal. Recognition of the problem is a challenge<sup>120</sup>. In 2006<sup>121</sup>, women ages 15 to 49 were asked if husbands are ever justified to hit or beat their wives or partners, and why? Over 80% of women responded that a husband is justified for one of following reasons: When she goes out without telling him, when she neglects the children, when she argues, when she refuses sex, or when she burns the food. Response rates were only somewhat higher in rural areas (84%) than in urban areas (75%), and even women with a secondary education level (76%) agreed that husbands were justified to hit or beat.

In 2010 at an Adolescent Youth Health Summit, both young men and women identified violence as a key threat to their well-being. Young people frequently made reference to the growing threat of violence in their communities and homes that involved gangs, and parents reporting the use of weapons such as knives and emotional violence<sup>122</sup>.

### Causes

**Women and men are not aware** of the rights of girls and women due to a lack of information and education, and engrained social and cultural norms. Customary law, which is yet to be comprehensively studied in the Lao PDR, dictates many practices that discriminate against women.<sup>123</sup> Structural and resource barriers result in **weak law enforcement** and few reliable avenues to seek redress. The number and capacity of judges, prosecutors and lawyers remains insufficient, and the implementation of court decisions continues to face difficulties.

**There is little dialogue about violence.** Violence against women and girls is a sensitive topic. Available data are not always reaching the wider public. The UPR and CEDAW reporting processes brought attention to the issue, but greater willingness is needed to discuss the situation amongst law and policy makers, and at community and household levels. This should challenge entrenched attitudes that violence against women and girls is permissible under certain circumstances. At the village level, greater awareness is needed that violence against women is not just wrong, but criminal. Men must play a role in developing and implementing

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<sup>120</sup> In the Concluding Comments of the CEDAW Committee, January 2005, Principal Area of Concerns and Recommendations, no. 38 raised this issue, stating that "the Committee is concerned that there is a lack of awareness or recognition of domestic violence, including marital rape, as a form of discrimination against women..."

<sup>121</sup> Multiple Indicator Cluster Survey, 2006, Ministry of Planning and Investment, Department of Statistics, Ministry of Health, Hygiene and Prevention Department, supported by UNICEF, 2008.

<sup>122</sup> Let the Children Speak: A Call to Action, UN Video 2010

<sup>123</sup> For example, a recent impact assessment of a UNDP community radio project found that groups of ethnic women were unaware of their rights, even to the extent that they did not know it was illegal for their husbands to lock them in their houses when they went away from the village.

any national or grassroots prevention and advocacy strategies that are aimed at eliminating violence.

Finally, **the lack of data impedes the dialogue**. Much more information should be collected routinely from police stations, hospitals, and communities where authorities come into contact with victims and perpetrators. The national health system should incorporate training and capacity building to enable them to provide care to victims. Further training and care should be provided to ensure that health, judicial, policing and social services help victims recover and avoid further victimization. They must also prevent perpetrators from re-offending.

The root causes of discrimination against women are related to gaps in the current legal and policy framework, and the need for more coherent coordination between national stakeholders for implementation and presumably the capacity to address the issues. These are addressed under cross-cutting challenge 12.

## 10. HIV and the burden of communicable diseases

The Lao PDR remains a low prevalence country with an estimated 9000 people living with HIV (PLHIV), or 0.2% of the adult population, and with 1000 new infections per year<sup>124</sup>. The first case of HIV was reported in 1990 and the first case of AIDS in 1992. Today, a total of 3,659 notifications have been reported to the Centre for HIV/AIDS and STI, of which 189 are children under the age of 15<sup>125</sup>. Nearly 2/3<sup>rd</sup> of cases are among the most productive age groups of 25 to 39 years of age<sup>126</sup>. This suggests that vulnerability to HIV peaks during the early to mid-twenties. Young people have increased vulnerability to HIV if they have multiple concurrent partners or inject drugs. Many sex workers and high-risk men who have sex with men (MSM) are young with greater biological and social vulnerability<sup>127</sup>.

On the surface there appears to be a fairly equal distribution of reported cases between males (56%) and females (44%), but a further break down by age and sex is worrying: While males are more affected in the older age groups (59%), in the younger age group 15/29 years, the majority (61%) are female. The epidemic is mainly urban and a majority of cases have been identified in three provinces, *Savannakhet* (40%), the *Vientiane* capital (33%), and *Champassak* (9.8%).

### HIV and AIDS Estimates: the Lao PDR

HIV seroprevalence among population 15-49 years (2010)	0.2% (0.1-0.4)
HIV seroprevalence among female sex workers (2008)	0.4% (0.2-1.1)
HIV seroprevalence among selected client groups of female sex workers (2008)	0.3% (0.1-1.2)
HIV seroprevalence among men who have sex with men : Vientiane2007	5.6%,
HIV seroprevalence among men who have sex with men : Luangprabang 2009	0%
Estimated No. of people living with HIV (2010)	9,000 (6,000-13,000)
Estimated No. of women >15 years living with HIV (2010)	3,700 (2,500-5,500)
Estimated No. of children living with HIV (2010)	<500 (<200-<500)
Cumulative No. of officially reported HIV-positive people (Dec. 2009)	3,659
Portion of women among the officially reported HIV-positive people (Dec. 2009)	44%
Cumulative No. of officially reported AIDS-related deaths (Dec. 2009)	1,038
No. of PLHIV on anti-retroviral therapy (Dec. 2009)	1,345
Pledged funds for the national response in 2009	6 million USD

Nearly 90% of new cases are caused by unprotected heterosexual sex. Mother to child transmission represents 4.6% of new infections, while unprotected sex among men accounts for 1.3% of new infections. As a recent phenomenon, injecting drug use is increasing and with it a growing concern that it

<sup>124</sup> WHO/UNAIDS/CHAS 2009.

<sup>125</sup> WHO/UNAIDS/CHAS 2009.

<sup>126</sup> The number of HIV notifications rise steadily from 20 years and then a peak in the mid 30's, falling sharply in older age groups.

<sup>127</sup> UNGASS Country Progress Report 2010 Lao People's Democratic Republic

may further accelerate the epidemic in the country. Formative research on drug use and HIV are underway in-country and additional epidemiological data should be available soon to inform the HIV response.

Assuming the response will be kept at its current level, epidemiological modelling suggests that low risk men and, more significantly, women in the general population will represent more than half of the new HIV infections<sup>128</sup>. The epidemic in sex workers and their current clients will stabilize but significant increases are expected in both men having sex with men and injecting drug users. The number of people living with HIV in need of treatment is currently around 2000 and with the current level of response this number is expected to reach 7,700 by 2015.

The overall trend of the epidemic seems to have stabilized but a set of determinants have the potential to accelerate the spread of the epidemic:

- Poverty is still widespread and often forces people to make risky lifestyle choices;
- There is increased population mobility, accentuated by new roads linking the Lao PDR with its neighbours with higher HIV prevalence;
- Internal and external labour migration is high. Most external migrants work in Thailand, which was home to an estimated 250,000 registered and un-registered Lao workers in 2004-05<sup>129</sup>;
- There is a high prevalence of sexually transmitted infections (STIs) including Gonorrhoea and Chlamydia among different vulnerable groups, with recent studies indicating 9% STI prevalence among men who have sex with men to 22% in female sex workers<sup>130</sup>;
- Limited access to services has the potential to create new vulnerability to HIV infection;
- Lack of information in ethnic languages.

The overarching goal for the Lao PDR in HIV is to maintain the present low prevalence and work towards universal access for prevention, treatment, care and support. The new Lao PDR's "National Strategy and Action Plan on HIV/AIDS/STI 2011-2015" (NSAP) forms the basis for an expanded coverage and quality of response to HIV and AIDS, setting clearly defined priorities and ambitious targets for the national response within the framework of the MDGs. It addresses a range of underlying factors that are driving the epidemic:

**Prevention efforts must be scaled-up**, especially for higher risk groups such as sex workers and their clients, men who have sex with men, (injecting) drug users and most at risk adolescents and young people. Interventions need to be age and gender appropriate in design and implementation. The planned prevention package in the NSAP includes the peer-led "100% condom use program", consisting of behaviour change communication, condom distribution, management of sexually transmitted infections, volunteer counselling and testing and in some cases access to a drop-in centre to create a space for community building. Some groups such as drug users and close setting groups are not yet sufficiently covered and research is needed to assess vulnerabilities and design interventions.

The percentage of HIV positive pregnant women receiving anti-retrovirals to reduce the risk of mother to child transmission has remained low<sup>131</sup>. In 2009, only 14% of HIV infected pregnant

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<sup>128</sup> WHO/UNAIDS/CHAS 2009

<sup>129</sup> Ministry of Planning and Investment and UNDP, *National Human Development Report (NHDR). Employment and Livelihoods*, Lao PDR. 157.

<sup>130</sup> UNGASS Country Progress Report 2010 Lao People's Democratic Republic

<sup>131</sup> UNGASS Country Progress Report 2010 Lao People's Democratic Republic

mothers received anti-retrovirals to reduce the risk of mother to child transmission<sup>132</sup>. Efforts are needed to expand the **campaign for the virtual elimination of Paediatric AIDS**. The use of antenatal care by pregnant women is generally low and health seeking behaviours and practices are strongly influenced by men, ethnic and cultural practices, the accessibility of services (largely associated with cost and language)<sup>133</sup>. Vulnerability to HIV infection particularly during pregnancy is also a threat. A commonly held belief that sex with your wife during pregnancy increases the risk of miscarriage or damage to the unborn child has traditionally legitimized men's visits to sex workers when wives are menstruating or pregnant<sup>134</sup>. Not surprisingly, housewives account for 18% of reported cases of HIV infection<sup>135</sup>. Ensuring that all HIV positive pregnant women have coverage of Prevention of Mother to Child Transmission (PMTCT) services is a Government priority. In 2007, National Guidelines for PMTCT were developed, endorsed and disseminated to six provinces. Meanwhile, PMTCT has been integrated into the newly approved Framework for the Integrated Package of Maternal and Neonatal Child Health Services (2009-2015)<sup>136</sup>.

**Treatment, care and support services need expansion**, including community care and support for people living with HIV. It is a major success that 1,345 people are currently receiving antiretroviral therapy, including 95 children. It is provided free of charge but treatment of opportunistic infections and transport costs are still barriers. Antiretroviral therapy centres were increased since 2006 from 2 to 5 regional sites. But challenges remain: capacity building of health providers, monitoring and quality assurance of services, and supply chain management of drugs and reagents. By 2015, it is estimated that over 7000 people with advanced cases will need antiretroviral therapy, with many more needing care and support services. At present, antiretroviral therapy relies on external finances, and HIV medical management is delivered in special clinics. To sustain access to treatment and expand services geographically, HIV medical management needs to be integrated in the public health sector.

## Burden of Communicable Diseases

Communicable diseases remain the main cause of morbidity and mortality in the country. The main causes are poverty, poor sanitation and water supply, malnutrition, poor health awareness, and lack of proper hygiene in a context of inadequate access to quality health care.

Avian influenza A (H5N1) and pandemic Influenza H1N1 have newly appeared in the population. Outbreaks of known infectious diseases such as typhoid fever, seasonal influenza, leptospirosis, measles, and diarrhea continue to pose significant public health threats. The Lao PDR will need to further strengthen its public health surveillance and response system and capacity and be prepared for early detection and rapid response to emerging diseases including cross-border transmissions.

Neglected tropical diseases (NTD)<sup>137</sup>, are important public health problems in the Lao PDR. *Opisthorchis viverrini* (OV) in particular represents a major, not-fully-addressed public health

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<sup>132</sup> UNGASS Country Progress Report 2010 Lao People's Democratic Republic

<sup>133</sup> UNICEF Lao Meeting Minutes, *Meeting on the Situation of Children and Women: HIV/AIDS* April 30, 2010

<sup>134</sup> Study of young men's sexual behaviour, Vientiane, Lao People's Democratic Republic, August-November 2004, Burnet Institute, Centre for International Health.

<sup>135</sup> UNGASS Country Progress Report 2010 Lao People's Democratic Republic

<sup>136</sup> Ministry of Health, Strategy and Planning Framework for the Integrated Package of Maternal Neonatal and Child Health Services 2009-2017, June 2009

<sup>137</sup> Important NTDs are: Helminth infections such as soil-transmitted helminthiasis (STH), food-borne trematode infection due to *Opisthorchis viverrini* (OV), Schistosomiasis and Lymphatic filariasis (LF).

problem throughout the entire country. Approximately 1.7 million people or about 1 in 3 of the population is infected. Among those infected, in addition to the associated liver morbidity, a significant portion would develop cancer in the bile duct and gall bladder. Dengue is another major public health issue in the Lao PDR. The incidence of dengue has increased dramatically during the past decade. Efforts to control these diseases include development and implementation of a number of frameworks including national strategic plans and also fund raising but some control activities in particular NTDs and dengue remain grossly underfunded.

## **Cross-Cutting Concerns**

### **11. Governance**

The Lao PDR is making the transition from an agrarian economy to one driven by the provision of energy and natural resources to regional and global markets. The country has gone through an accelerated process of development and economic growth, spurred by foreign direct investment, mainly in natural resource extraction, hydro-power, and commercial land concessions, and is dedicated to make a transition to a state governed by the rule of law by 2020. However, the planned graduation from LDC status by 2020 will depend on how effectively and efficiently revenues from these investments in large-scale resource extraction can be invested in health, education, and opportunities for the rapidly growing, young labour force. As discussed above under challenges 1 and 6, land and forest use must be balanced between short-term economic growth and the need for longer term food and income security for the rural population.

A well coordinated machinery to implement policies that place priority on equitable development in Lao society is needed and the government is undertaking steps to address these challenges through the strategic plan of governance and other relevant policies such as the 7<sup>th</sup> NSEDP.

The Government of the Lao PDR is promoting the development of an accountable and responsive state that engages genuinely with communities, civil society, and the private sector to formulate and implement national development goals and strategy. This approach is critical for boosting economic growth and for ensuring an equitable distribution of wealth and opportunity<sup>138</sup>. Recent evidence<sup>139</sup> suggests that the correlation between MDG progress and improved governance is stronger than for any of income, GDP or ODA per capita. In short, the importance of good government cannot be understated. The following sections briefly describe the main structural and human resource constraints for improved governance in the Lao PDR<sup>140</sup>:

#### **Public Service Improvement**

Despite an adequate framework of laws, decrees and resolutions, many government service providers are still unable to deliver services that people want in a timely and effective manner. **Laws and regulations lack rigorous enforcement**, nor are they adequately supported by monitoring and performance assessment. Transfers of tasks and authorities, trained personnel,

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<sup>138</sup> Summarised from 'Introduction': Lao People's Democratic Republic, *Strategic Plan on Governance*, 2006 – 2010, November 2006.

<sup>139</sup> [Who Are the MDG Trailblazers? A New MDG Progress Index](#), Benjamin Leo and Julia Barmerier, Centre for Global Development, Working Paper 222, August 2010.

<sup>140</sup> This section was informed by: Lao People's Democratic Republic, *Strategic Plan on Governance*, 2006 – 2010, November 2006; and Presentation by Government: Governance Sector Challenges and Way forward, Governance Working Group meeting, October, 2010.

and budgets to District and local levels are not commensurate with work demands, and lack regulations and guidelines to support implementation. **Flows of communication are irregular** and sometimes without good alignment between central, provincial and district levels (and sectors), with the result that policy guidance is not reaching grass-roots level, is inconsistent, and lessons are not filtering back up to inform policy choices. Overall, there are **too many redundant approval processes** and performance is driven mainly by internal rules and procedures rather than actual needs<sup>141</sup>. **Information sharing and communication is weak**, preventing a wider and deeper understanding of laws and regulations amongst the civil service and in Lao society, more broadly.

## People's Participation

The Lao Government understands that good decision-making and continued political stability requires effective, popular consultation and inclusion in decision-making processes, and that effective governance should free individuals, including children and young people families and communities to improve their livelihoods. People's participation is enshrined in the Constitution, and is linked with the ratification of international conventions on human rights. At the same time, the Government is wary that growth of individual freedoms may come at the expense of peace and stability.

**More flexible and decentralised mechanisms and processes** are needed to encourage the effective participation of households and communities, and civil society groups, especially young people, ethnic groups and remote, rural communities. People face difficulties to access government services through processes that are complex, lacking in transparency, and include variable fees. Growing partnership between mass organisations and Civil Society Organisations will require a more open climate for dialogue and participation. Young people, constituting 50% of the population are asking for more livelihood opportunities and greater opportunities for participation in the development of the country.

## Rule of Law

The functioning of the legal system is constrained by the **inconsistent application** and knowledge of the law from one province to another, and by the same institutions. From drafting legislation through to law enforcement, the **lack of qualified personnel** constitutes the highest priority. Local level legal offices, including courts, prosecutor's offices, and police stations have inadequate facilities and capacity to perform their routine functions. There is a need to improve the frameworks to ensure issues of mismanagement or corruption are adequately dealt with, and to support the government in increasing its capacity towards this end.<sup>142</sup>

In remote, rural areas, and among ethnic groups, law enforcement faces **social customs and traditions** that do not coincide with formal laws and regulations. However, customary or semi-legal systems, such as village mediation units, are preferred since access to the formal system is either absent or the formal system is not necessarily always the first choice of some groups. Public legal education and awareness-raising is essential to address these discrepancies.

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<sup>141</sup> There is a tendency to create large organizational structures for the delivery of government services that the available pool of human resources cannot sustain.

<sup>142</sup> The recruitment and promotion of legal and judicial officials also lacks clear criterion and performance expectations. Presentation by Government: Governance Sector Challenges and Way forward, Governance Working Group meeting, October, 2010.

However, the Ministry of Justice and other concerned legal institutions have been unable to effectively disseminate information on laws and legal processes to all parts of the country<sup>143</sup>.

People from non-Lao-Thai ethnic groups are more disadvantaged in terms of their ability to seek and afford legal information and counsel, and they are less willing to address their complaints in the court system. They rely on traditional dispute resolution mechanisms at the village level, including arbitration by the village head and elders, that have few quality controls, are generally not gender-responsive, and create worrying gaps in jurisprudence.

**Awareness about the special needs of women and children** and people with disabilities within the legal system, and special measures to address these needs, should be increased.<sup>144</sup> Capacity building of the law enforcement system will also be a priority, including ensuring strong prosecution measures for drug trafficking, corruption, human trafficking and other crimes by organized criminals, which have the potential to seriously undermine the foundation for sound socio-economic development.

## Public Financial Management

The government recognises that public financial management and accountability is under-performing<sup>145</sup> while some progress on overall macro-economic stability has been made in recent years. On the revenue side, the central challenge is to expand the tax base and implement national tax rules<sup>146</sup>. The legal basis for public and private sector accounting is ad-hoc and uneven and needs regulation. A single set of procedures and systems for revenue collection and management must be expanded to all Ministries and Provinces. Banking services are disjointed and not widely accessible in rural areas, and the improved delivery of services for priority economic sectors remains a significant challenge for both private and State Owned Commercial Banks (SOCB). The number and quality of staff within the State Audit Organisation is a major limitation. Investment licensing remains a cumbersome and complex process and will need to be addressed.

Underlying the constraints discussed above are **3 fundamental concerns**:

- The need to increase the capacity within the civil service , to improve civil service management, including a focus on strengthening the system for merit based recruitment;
- Salaries are too low to boost performance, encourage deployment to remote, under-served areas, and, compared with private sector pay scales, the recruitment and retention of high quality staff is becoming a challenge; and
- Central-local relationships remain unclear and need to be urgently clarified.

In his Instruction on the formulation of the Seventh Five Year Plan (2011-2015), The Prime Minister stated that one of the main objectives of the next NSEDP is to “*provide necessary pre-*

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<sup>143</sup> For example although laws are now published in the Official Gazette, only a limited number of copies are available, and only on a quarterly basis. The current focus of MoJ efforts is on the compilation and dissemination of laws relating to the economic areas for the business community.

<sup>144</sup> The Lao Women's Union has taken an active role in disseminating laws through its units at the local level to women in different part of the country, and is actively raising awareness, including the establishment of a Center for legal Advice for victims of trafficking sexual exploitation and violence within the home.

<sup>145</sup> The government has developed the Public Expenditure Management Strengthening Program (PEMSP) focused on capacity development of the Ministry of Finance, CPI, SAO, line ministries and Provincial/district Finance Departments. The program has five components: a) Fiscal Planning and Budget Preparation, b) Budget Execution, Accounting and Financial Reporting, c) Local Government Financial Management, d) Financial Legislation and Regulatory Framework, and e) Capacity Building

<sup>146</sup> Policies under consideration include: (1) Centralized revenue administration, (2) Implementation of Value Added Tax; (3) Rationalise variable tax rates.

*requisites for improving people's living conditions, reducing poverty and accomplishing MDGs by 2015 and exiting LDC by 2020", and to "improve efficiency, reliability, rapidity, transparency of public administration and management". Hence, a much more prominent role ought to be granted to Good Governance in the 7<sup>th</sup> NSEDP.*

## 12. Gender equality: From concept to implementation

Three of the challenges discussed above relate directly to the status of women and girls in society and the economy of Lao PDR. However, all of the challenges have gender dimensions which highlight the vulnerability of women and girls, and the tremendous opportunities that come with a renewed focus on gender equality. Greater emphasis on gender equality will require increased efforts to strengthen state implementation mechanisms and processes and ensure they are gender-responsive<sup>147</sup>.

**Legal and Policy Framework:** The amended Constitution and Laws of 2003 (Article Nos. 8, 35, 37) provide the guarantee of gender equality but lack the laws, policies, and regulations to implement and monitor gender equality and the international obligations of CEDAW. The concluding observations from the 2009 CEDAW report raise concerns about the "*adverse social norms*" that create a disadvantaged or unequal status for women in education and public life<sup>148</sup>. The Law on the Development and Protection of Women (LDPW) provides no definition of the term discrimination, although the law is aimed at eliminating all forms of discrimination, nor is there any explicit mention of particular prohibition, penalty or punishment measures, although the Prime Minister's Decree 149 of February 2006 defines the term "discrimination against women". The LDPW places the responsibility on women themselves to be active in protecting their rights, which they are often unable to do when suffering violence and intimidation. Domestic violence may not always be classified as an offence which cases can then be handled by the Penal Law. The promulgation of decrees on behaviour in the workplace, to prohibit misuse of powers and sexual harassment, are still being considered.

**Institutions and coordination to promote the advancement of women:** The Lao National Commission for the Advancement of Women (NCAW), established in 2003, is the government focal point on gender mainstreaming and equity. The Lao Women's Union (LWU), established in 1955, is the mass organisation for women. Given their overlapping membership, there is some confusion about the roles and responsibilities of the two bodies. The NCAW has a network throughout the country of sub-commissions (sub-CAWS) at the Ministry and Provincial level, and in some Districts, and their supporting Divisions of the Advancement of Women. They are responsible for encouraging structural reform to bring about greater gender equality. The LWU has the structural network from the center to the grass-root level throughout the country, covering the central committee and different ministries and organisations at all administrative levels from city to province, district and village. It is also responsible for delivering services and carrying out projects of benefit to women, often with the support of donors.

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<sup>147</sup> This should include coordination mechanism among and between the Lao NCAW, its Secretariat, SubCAWS, the LWU and the NA Women's Caucus and processes and ensure that all sectors and government institutions become more gender-sensitive.

<sup>148</sup> Lao People's Democratic Republic, *Accelerating progress towards the MDGs, Innovative options for reaching the un-reached*, 6 August 2010. 55.

<sup>149</sup> Gender Equality Laws: Global Good Practice and a Review of five Southeast Asian Countries, 2009. UNIFEM. The LDPW and decree do not include any actual measures or obligations for employers to implement special measures to achieve non-discrimination.



The LWU, together with Ministries and Government offices has been given responsibility for the implementation of the Law on the Development and Protection of Women.<sup>150</sup> The Lao NCAW is required to monitor and assess the implementation of the National Strategy on the Advancement of Women, in association with other agencies. Overall, it can be difficult to distinguish between the advocacy and monitoring roles of the Lao NCAW and the service delivery and support roles of the LWU. Given that the two bodies both have a role to play in the advancement of women, there is a need to ensure that they consult and share information regularly. The establishment of a coordination mechanism between the two bodies, relevant ministries and civil society organisations which are promoting gender mainstreaming would help strengthen implementation, monitoring and evaluation.<sup>151</sup>

### 13. Data and evidence for policy-making

More and better data are needed to strengthen the policy making process<sup>152</sup> and help the allocation of scarce public resources. The national strategy<sup>153</sup> for statistical system development highlights the need for a better organised and functioning national statistical system. It pinpoints several organisational and operational weaknesses:

- Overall, there has been little adherence by Ministries, Provincial and District governments to the requirements and standards established for the National statistical system.
- The National Statistical Bureau is under-staffed and resourced to perform its expected data collection, compilation, analysis and reporting tasks.
- Statistics sections of provincial departments are often understaffed and resourced, and at District level, units typically have one staff person.
- Across the system, staffs have limited knowledge and practice of applied statistics, contributing to inaccurate and delayed data collection and analysis.
- Data collection formats are not standardised, complicating national aggregation and analysis.
- Some sectors do not report on a monthly, quarterly or seasonal basis and the conduct of surveys suffers from missing data.
- Publication of data is limited, contributing to poor utilisation of existing data and poor overall perceptions of the quality of data.
- There is underutilisation of existing ICT infrastructure.

There are 4 urgent needs to support the achievement of the 7<sup>th</sup> NSEDP and MDGs:

- **More systematic vital records** on births, deaths, marriages, pregnancies, and migration should be maintained at village and district levels, and used to track the health status of households, women, and children<sup>154</sup>. This should strengthen administrative efficiency and improve planning and budget management at district and village levels<sup>155</sup>.

<sup>150</sup> The LPDW does not specify a role for either of the macro level agencies, ie. The LaoNCAW or the Ministry of Justice (see Art 43).

<sup>151</sup> Dr. Souvanpheng, the Vice-Chair of the Economy, Planning and Finance Committee of the Lao National Assembly suggested that while the legal framework for women's equality and empowerment is sufficient, the focus should be on implementation. She suggested that it should be a priority to 'bring together all the women's empowerment machinery' to work collectively in the same direction. See UNFPA Briefing Note, Women's Equality Participation and Empowerment in Laos, 2010.

<sup>152</sup> Recent policy decisions regarding the cessation of all forms of shifting cultivation could have used more data and evidence.

<sup>153</sup> Government of the Lao PDR, Strategies and Measures for the Official Statistical System Development of the Lao PDR, 2006-2010.

<sup>154</sup> Ministry of Planning and Investment and UNDP, National Human Development Report (NHDR). Employment and Livelihoods, Lao PDR. 69.

<sup>155</sup> Lao People's Democratic Republic, The Seventh National Socio-Economic Development Plan (2011-2015) - Executive Summary, Ministry of Planning and Investment, 2010, (un-official translation from original Lao version). 49.

- A **Labour Market Information System**<sup>156</sup> is urgently needed to help the Lao PDR make the transition from an agrarian to market-based economy. It is critical for matching the supply of labour with demand and providing information to workers and employers alike on jobs and worker availability.
- The **labour migration story** for the Lao PDR is mostly anecdotal or relies on data from other countries. Labour migration should be incorporated into national statistics such as the population census, household surveys, population projections, labour market and labour force projections to assess the trends, magnitude and its economic and social impact.
- **Gender sensitive data** is only available for MDGs 3 and 5. Data disaggregated by sex, age and ethnic group is urgently needed for all other MDG targets and for all Ministries and sectors.

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<sup>156</sup> *Ibid.*, 44. A LMIS is a comprehensive database of different aspects of labour in an economy: size of population and workers; age; sex; qualifications; regional disaggregation; migration details. LMIS also includes information on opportunities for vocational and technical training, and jobs.

## Part III. Comparative Advantages of the UNCT in the Lao PDR

The Lao PDR is at a cross-road. Achievement of the goals of the 7<sup>th</sup> NSEDP, MDGs, and graduation from least-developed country status by 2020 will depend on measures to regulate and sustain economic growth, and to make it more inclusive. This country analysis report has argued that Government leadership and action are needed to harness FDI and economic growth to address 10 important human development challenges, and their root causes, as well as 3 cross-cutting issues. During this historic period of transition and growth, the UN in the Lao PDR is ready to make a significant contribution to these efforts. With its resources, its knowledge base, and its global network, the UN will work in close partnership with Government to develop critical capacities to strengthen public institutions, grow a dynamic enterprise sector, and improve the targeting and delivery of basic social services, while ensuring the protection of the weakest and most vulnerable groups in Lao society.

The comparative advantages offered by the UN in the Lao PDR are<sup>157</sup>:

- Its impartiality and neutrality, enabling a credible, trusted partnership with Government, and one that allows the discussion of sensitive development issues,
- Its focus on capacity development at all levels within the framework of national ownership,
- Its technical expertise, across a range of diverse issues,
- Its coordination role and facilitation of dialogue amongst diverse groups of donors and implementing partners, as a kind of “one-stop-shop”,
- Its advocacy of, and support for, international norms and standards agreed by member states in various UN-sponsored conventions and world conferences, and its human-rights-based approach to development, and
- Its long term commitment to the future growth and development of the Lao PDR state and peoples.

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<sup>157</sup> Several of these comparative advantages were highlighted by Mr. Saleumxay Kommasith, Director General, Ministry of Foreign Affairs, at the UNDAF Strategic Planning Retreat, 18-19 November 2010, Vientiane, Lao PDR.

## Annex A: Progress towards MDG Targets (Goals 1-7), Lao PDR, 2008<sup>158</sup>

Target	Seriously off track*	Off track**	On track***	No target	Data gaps
<b>Goal 1: Eradicate Extreme Poverty and Hunger</b>					
Reduce extreme poverty by half					
Reduce hunger by half					
Achieve full and productive employment and decent work for all					
<b>Goal 2: Achieve Universal Primary Education</b>					
Universal primary schooling					
<b>Goal 3: Promote Gender Equality and Women's Empowerment</b>					
Eliminate gender disparity in all levels of education					
<b>Goal 4: Reduce Child Mortality</b>					
Reduce mortality of under-5-year-olds by two-thirds					
<b>Goal 5: Improve Maternal Health</b>					
Reduce maternal mortality by three-quarters					
Universal access to reproductive health					
<b>Goal 6: Combat HIV/AIDS, malaria and other diseases</b>					
Halt and reverse the spread of HIV/AIDS					
Achieve universal access to HIV/AIDS treatment for those in need					
Halt and reverse the spread of malaria					
Halt and reverse the spread of TB					
<b>Goal 7: Ensure Environmental Sustainability<sup>159</sup></b>					
Reverse loss of environmental resources					
Reduce rate of biodiversity loss					
Halve proportion without improved drinking water in rural areas					
Halve proportion without improved drinking water in urban areas					
Halve proportion without sanitation in rural areas					
Halve proportion without sanitation in urban areas					

\***Seriously off track:** Country is highly unlikely to meet the target because no progress was made or it is regressing

\*\***Off track:** Country is unlikely to meet the target because it is progressing at a too-slow pace

\*\*\***On track:** Country is likely to meet the target

<sup>158</sup> Government of the Lao PDR, *Millennium Development Goals Progress Report, 2008*.

<sup>159</sup> Another indicator here is the production of CO<sub>2</sub> and Ozone depleting substances. In the case of CO<sub>2</sub> production, Lao is off track as it recently became a net CO<sub>2</sub> emitter as opposed to a carbon sink. Preliminary findings of the Second National Communication to the UNFCCC, GHG inventory for the Lao PDR.

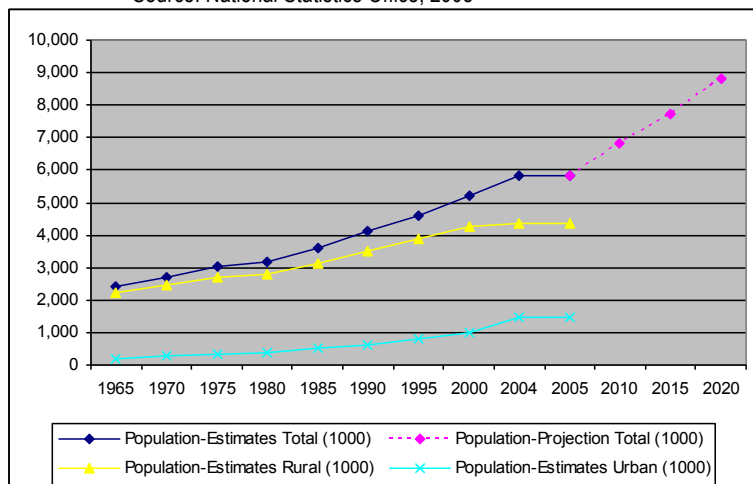
## Annex B: Demographic Profile and Trends<sup>160</sup>

In 2007, the total population of the Lao PDR was 5.9 million of which 73% lived in rural areas. The population growth rate is 1.4% per annum. In absolute terms, the population grew by one million each decade between 1985 and 2005. The total fertility rate (TFR), or the average number of children a Lao woman would have in her lifetime, fell from 5.6 in 1995 to 4.5 in 2005. This trend is consistent with women pursuing higher levels of education, marrying later, and increasingly joining the labour market. And while the growth rate is declining, absolute numbers will continue

to increase. By 2015, the total population of the Lao PDR is projected to reach over 7 million.

### Lao PDR: Population growth and projection

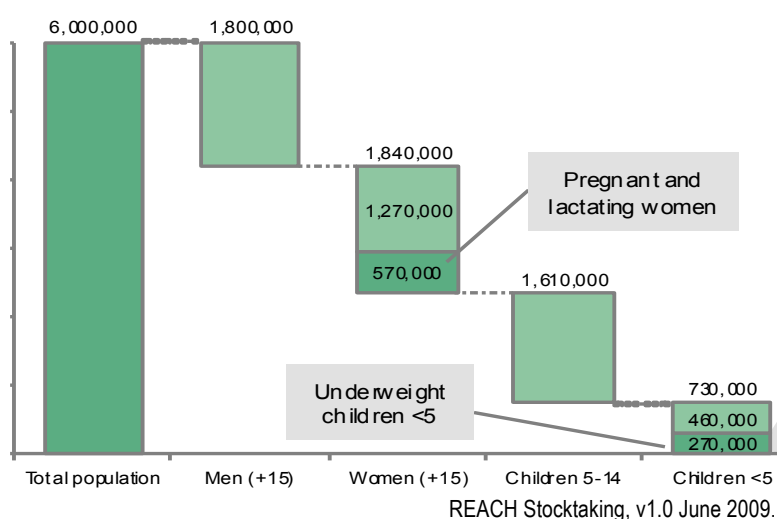
Source: National Statistics Office, 2005



The population in the Lao PDR is young. About 50% of the population is below 20 years of age. Although the share of population below 15 is expected to decline, it will still account for around 32% of the total population in 2020. For the next 30 years, the country will benefit from a growing working age population (15-64 years). By 2015, the working age population will account for 2 out of 3 persons (63%).

With declining fertility and increasing life expectancy, it is expected that the proportion of the elderly population (age 65+) will begin to rise. Life expectancy at birth for males and females is projected to increase to 67 and 70 years, respectively, by 2015. The population 65 and over is expected to increase from 3.7% in 2005 to 4.5% by 2020.

### Demographic summary of Lao PDR



The Lao PDR is urbanising. By 2005, the urban population had risen to 27% compared to 17% in 1995. This trend is expected to continue, as the country makes a transition from an agrarian to a market economy. Migration of young people from rural areas to cities in search of employment opportunities is likely to continue. In 2004-05, Thailand was home to an estimated 250,000 registered and un-registered Lao workers<sup>161</sup>.

<sup>160</sup> UNFPA, Population and Development in the Lao PDR. 2009.

<sup>161</sup> Ministry of Planning and Investment and UNDP, National Human Development Report (NHDR). Employment and Livelihoods, Lao PDR. 157. A total of 181,614 Lao workers registered with the Thai Government for permits.