

Critical Study of Agricultural Co-operatives in Lao PDR

A STUDY REPORT

ICA NCC Sub-Regional Workshop on Strengthening
Agricultural Co-operatives in Asia Pacific Region,
Colombo - 2003 May 27 - 29



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STUDY REPORT

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**Critical Study of Agricultural Cooperatives and Informal
Farmers Cooperative Movement in Laos**

– A Study Report by Dr. Asanee Ratanamalai

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Abbreviations

ADB	: Asian Development Bank
AFTA	: Asian Free Trade Area
APB	: Agriculture Promotion Bank of Laos
APRACA	: Asia Pacific Rural Agricultural Credit Association
ASEAN	: Association of South East Asian Nations
DLVS	: Department of Livestock's Veterinary Services
EWOs	: Extension Workers
FAO	: Food and Agriculture Organization
GDI	: Gender – related Development Index
GMOs	: Genetically Modified Organisms
GMS	: Greater Mekong Sub-region
GOL	: Government of Laos
GPAR	: Governance and Public Administration Reform
HDI	: Human Development Index
ICA	: International Cooperative Alliance
IMF	: International Monetary Fund
LDC	: Least Developed Country
LSLA	: Lao Saving and Loan Association (Lao Sahakone Omsin lae Sin Seu)
LWU	: Lao Women's Union
MAF	: Ministry of Agriculture and Forestry
NEDAC	: Network for the Development of Agricultural Cooperatives
NEM	: New Economic Mechanism
NPRS	: National Poverty Reduction Strategy
NSEDPs	: National Socio – Economic Development Plans
NTBs	: Non – Tariff Barriers
NUOL	: National University of Lao
PIP	: Public Investment Plan
PPM	: Project Planning Matrix
PRA	: Participatory Rural Appraisal
PRSP	: Poverty Reduction Strategic Plan
RAP	: Regional Office for Asia and the Pacific

ROAP	:	Regional Office for Asia and the Pacific
SOEs	:	State Owned Enterprises
SPS	:	Sanitary and Phyto-Sanitary
UNDP	:	United Nations Development Programme
UNICEF	:	United Nations Children's Fund
UXO	:	Unexploded Ordnance
VRF	:	Village Revolving Fund
VRFC	:	Village Revolving Fund Committee
WCCRD	:	Working Committee on Cooperatives Rehabilitation and Development
WTO	:	World Trade Organization
ZOPP	:	Zeil Orientete Projek Planung (Objective Orienteted Project Planning)

Foreword

In Asia-Pacific region, agriculture is the mainstay of national economies. Cooperatives have been recognized as important institutional system for enhancing productivity of agriculture and promoting food security in the country. In some of the countries, co-operatives have completed a century of their fruitful contribution to agricultural development, particularly in the areas of input distribution, finance, marketing, processing, development of infrastructure development etc. The Government has adopted these cooperatives as its principal agency to implement the programmes of agricultural development. Although Government support resulted into noticeable growth and diversification of such cooperatives, it also adversely affected the democratic and autonomous character of cooperative enterprises and thereby blunting their competitive advantage. Effects of globalization and entry of multi-nationals in the agribusiness combined with lack of professionalism and member participation have further compounded the problems of agricultural cooperatives.

International Co-operative Alliance (ICA) in Asia-Pacific Region has been focusing on development of agricultural cooperatives through its Regional Office. It has adopted development of agricultural cooperatives as one of its Key Result Areas; in pursuance of which it has been implementing a number of projects for strengthening agricultural cooperatives in Asia-Pacific. One of such projects recently implemented by ICA Regional Office for Asia-Pacific (ICA ROAP) with the support of AGRITERA of Netherlands targeted development of agricultural cooperatives in six countries of the region, namely: Bangladesh, India, Nepal, Laos, Thailand and Vietnam. The important outputs of the project were completion of critical studies of agricultural cooperatives in these countries and formulation of country specific action plans for development of agricultural cooperatives.

These studies were conducted through country consultants with the support of Mr. B.D. Sharma, Sr. Consultant, ICA Domus Trust. I hope, the study will provide good insight into the problems of agricultural co-operatives and guide points for strengthening them in the changing times.

SHIL KWAN LEE
Regional Director
ICA ROAP

Acknowledgements

The Critical Study of Agricultural Cooperative in Lao PDR was initiated on consultation with the International Cooperative Alliance, Regional Office for Asia and the Pacific (ICA ROAP). Mr. B.D. Sharma's understanding of the needs to develop Agricultural Cooperatives in Lao PDR since the concept of cooperative has been accepted as one of the vehicle for country's economic development as well as a tool to lift up people's living standard. His support contributed greatly to the development of the study plan and methodology were significant in the success of this study

I have greatly appreciated the support of the ICA ROAP and AGRITERRA in generously subsidizing this study which has never been done before in Lao PDR.

The study was emphasized on literatures' review as well as partial field survey in Champasak, Savannakhet and Bokeo Provinces and have been very important to gather primary information and present view and situation of the country. In particular the government officers, village leaders and villagers in those provinces, have been very friendly and supportive during my visit and conducting of problem census and analysis in the villages. Their names cannot be stated here.

I gratefully acknowledge the significant contribution of Mr. Benedicto S. Bayaua the Secretary General of APRACA who has many experiences in Lao PDR on Rural and Micro-Finance Development, has provided many inputs on important aspects of agricultural cooperatives development in Lao PDR as well as contacts with high rank officers in Lao PDR to provide information for this study.

Special thanks is due to Mr. Wim Polman, FAO/RAP Rural Development Officer who has many experience in rural and agricultural cooperatives development in the Asia and the Pacific Region, who provided me an important aspects of the study on marketing by agricul-

tural cooperatives. It is really important aspect for agricultural cooperative development at present.

Sincere thanks and gratitude for all the support and hospitality of Mr. Fongsamouth Southammavong, Head of Administrative Division of Faculty of Agriculture NUOL, Mr. Kalathone Kouaykesone, Information Associate, UNDP Lao PDR and Mr. Saengkeow Saisudda, Project Officer, GTZ Drugs Control Programme, GTZ Lao PDR who provided a lot of information during my survey in Lao PDR.

I was very impressed with the level of interest of the villagers and their participation during my visit in their villages. Their willingness to participate in discussions, reply to questions, and suggested solutions for solving their confronted problems were very valuable. Their ideas and solutions presented during problem census and analysis, objective analysis and problems solving measures will benefit them greatly in development of agricultural cooperatives development in their country.

Thousand thanks goes to the Officers at the Embassy of Lao PDR to Thailand in Bangkok who are greatly supportive for issuing very quick visa and useful information for me on the study prior my visit to Lao PDR.

Finally, I would like to express my sincere thanks and gratitude to all my staff at the Institute of Trade Strategies who, as a team have worked very hard to make this beautiful report for submission to ICA ROAP.

I do expect that the report on “Critical Study of Agricultural Cooperatives in Lao PDR” will let people have more information about the present view on agricultural cooperatives development in Lao PDR. It is also suggested that ICA ROAP need to implement an in-dept study on the issue.

Lastly, I, as a consultant for ICA ROAP, would like to confirm that all clauses, sentences, ideas and solutions stated and presented in this study are my own thoughts and not of the Institute of Trade Strategies in any respect.

Dr. Asanee Ratanamalai
Executive Director
Institute of Trade Strategies
Bangkok, Thailand

31st October 2002

Executive Summary

The Lao People's Democratic Republic (Lao PDR), which is strategically located in the center of the Indochina Peninsula, is a small land-locked country. It has a total area of about 236,800 sq.km. stretching more than 1,700 km. from north to south and between 100 and 400 km. from the east to the west. The geographic coordinate is 18 00 N, 105 00 E. Out of the total area, 20 percent is cultivable, 80 percent is mountainous and 47 percent is under forest cover. The Lao PDR shares border with the Socialist Republic of Vietnam to the east, the Kingdom of Thailand to the west, the Kingdom of Cambodia to the south and the People's Republic of China and Union of Myanmar to the north. The geographic conditions restrict both the quantity and quality of agricultural land and pose difficulties in the development of trade. Administratively, the country is divided into 126 districts in 16 province 1 municipality and 1 special zone. There are 11,883 villages throughout the country.

The Lao PDR has a small population of about 5,777,180 people. The growth rate of population is one of the highest in the region at 2.47 percent. Out of total population, 55.87 percent are women and 51.95 percent are men. Laos is a sparsely populated country with only 19 person per square kilometer compare to 123 in China, 214 in Vietnam, and 115 in Thailand. Most of the population live in rural areas and are concentrated in the valleys along the Mekong River and its major tributaries. Throughout the country there are about 47 different ethnic groups, which can be classified into three main groups : The Lowland Lao (Lao Loum) who account for 65 percent of the total population and have better access to modern facilities; The Upland Lao (Lao Theung) constitute about 25 percent and The Highland Lao (Lao Soung) constitute about 10 percent.

Per capita income of Lao PDR was about US\$ 225 in 1992, US\$ 335 in 1994 and jumped to US\$ 1,700 in 2000. This is marginally higher

than that of neighboring Vietnam and Cambodia. The life expectancy, however, is only 53.48 years which compares unfavorably with China 69 years, Thailand 69 years and Vietnam 67 years. The Lao PDR is also the country having the highest adult illiteracy rate in the region at 43 percent compared to only 7 percent in Thailand and 12 percent in Vietnam. Lao PDR has about 46.1 percent of total population living under the poverty line which comes to approximately 2,598,180 people. Because most of the Lao population live in rural areas, the number of the poor in the rural areas far exceeds those living in urban areas. Almost 90 percent of the poor in Lao PDR live in rural areas and their main productive activity is subsistence farming.

Lao PDR officially declared its independence in 1975 and applied the centrally planned economic model of socialist country. Under this economic mechanism, all economic activities were highly regulated by the Government. Commodity prices and trade were administratively determined. Food coupons for state employees were used. The industry sector, which contributes less than 22 percent to GDP, are largely composed of state-owned enterprise which are subsidized by the government.

Lao PDR National Development Priorities and Goals have put emphasis to eliminate the status of LDC by the end of 2020 through sustainable and equitable development and aims to eradicate poverty by; efficient protection of environment and eco-systems, and sustainable use of natural resource; increased participation of all stakeholders—regions, provinces, districts and villages—in the development process; continue implementation of the New Economic Mechanism which had been launched since 1986 by the government.

The National Socio-Economic Priority Programmes have focused to; achieving permanent food security, serving the country's natural resources, and developing the national human resource potential, are given the highest priority. GOL has also given highest importance for; food production; commercial production; stabilization and reduction of shifting cultivation; rural development; infrastructure development; improved socio-economic management and foreign economic relations; human resource development; and services development. These development programmes should be consensused with WTO rules and regulations and trade liberalization on globalization concerned.

Regarding the status of Agricultural Cooperatives and other kinds of cooperatives in Lao PDR, the cooperatives existed only in the mid-1970's were Agricultural Cooperatives, Lao Saving and Loan Association, and Credit Cooperative. After the Communist Pathet Lao took control over the government and ruled the country with socialist system in 1975 the government dissolved all types of cooperatives as well as Cooperative Law, Act, and Decree. Therefore, GOL has placed highest priorities on the development of only four important institutions; LWU, Youth, Lao Federation of Trade Unions, and the Lao Front National Construction. Cooperatives development has been put on low priority of GOL even in 1991 UNDP tried to insist GOL of cooperatives rehabilitation and development. It was, eventually, neglected for implementation by GOL.

The Chances of Success for Cooperative Development in Lao PDR is only that GOL should have concretization policies on cooperatives and agricultural cooperatives development. Then put it into the Article of National Constitution, and put the issue of cooperative development into the mainstream of National Development Priorities and Goals. Legislation of Cooperative Law, Act and Decree is the important solution for future of cooperatives Rehabilitation and Development in Lao PDR.

Chapter 1

1.1 Introduction

Destruction of rural natural resource systems throughout the tropical world has become a problem of international proportions. Worldwide devastation of forests has been identified as a factor in the “Green House Effect” which appears to be triggering major alterations in global weather patterns. The progressive demise of ecological stability in tropical forests and watersheds is destroying hydrological systems vital to sustained agricultural and industrial production in developing countries. Extensive damage to fragile ecosystems increasingly threatens people, property and economy; in short, the well – being of entire nations especially for agricultural production of the population. Establishment of Farmers’ Group and Agricultural Cooperatives is therefore an urgent imperative. But these complex human problems demand new approaches.

“It is most appropriate that the cooperative system should be expanded to cover the entire country. This is because the cooperative methods in themselves constitute very sound bases for the democratic system, mainly through teaching people to accept common responsibilities in the way that members elect their representatives to manage the cooperative as well as are kept fully informed of the value and benefits which they should be able to gain together in common” ¹⁾

In Lao PDR., 46.1% ²⁾ of the total population of 5,777,180 ³⁾ people are below poverty line, 2,598,181 of the poorest farmers cultivated their crops in poor soil in the highland which reflected to low yield and low income. If their crops failed due to lack of water, diseases and insects, they will have problem on food deficiency and fall into vicious cycle of debt since their investment capital for their farms are mostly coming from money lenders which are Informal Financial Institutions.

To address these problems at the ground level, the International Cooperative Alliance (ICA) Regional Office for Asia and the Pacific (ROAP) in collaboration with AGRITERRA of the Netherlands has proposed the study initiative entitled : “Critical Study of Agricultural Cooperatives in Lao PDR.”

1.2 Study Background

Important features of agriculture in majority of the countries of the region is predominance of small farmers and landless agricultural laborers. Poverty is endemic in these sections of population. Therefore, the growth strategy in this region has been pro small farmers and pro-poor.

With increased tempo of globalization, agriculture and farmers of Asia-Pacific region are confronted with new challenges and opportunities, particularly the consequential impact of globalization on small farmers and food security. This underlines the need for special safeguards and mechanism to protect them from surge in agricultural imports and to enhance their competitiveness in the world market.

Development of Agricultural Cooperatives has been adopted as one of the most important components of strategy for agricultural and rural development. All most in all the countries, agricultural cooperatives constitute the main segment of entire cooperative movement. These cooperatives provide multifaceted services relating to development of agriculture e.g. input distribution, finance, marketing, processing, infrastructure development. etc. Organizational structure of agricultural cooperatives is federal having primary cooperatives at village level, cooperative business federations at secondary level and apex organization at national level. Cooperative may be either single purpose, multi purpose or specialized commodity organization. The Government has played a leading role in the development of such cooperative. However, this has also brought excessive bureaucratic control and interference and thus adversely affected their democratic and autonomous character. Other important constraints faced by agricultural cooperatives are lack of participation of members, absence of business planning and professional management, lack of capital with inadequate training and education to strengthen competitive strength, absence of inter cooperative relationship in business.

Important Key Result Areas of ICA in Asia Pacific are : Policy Development and Legislation; Promotion and Implementation of Coop-

erative Values and Principles; Promotion of Sound Leadership and Value Based Professional of the Management; and Development of Agricultural Cooperatives and Consumer Cooperatives.

Development of Agricultural Cooperatives, being one of its key result areas and recognizing the need for re-vamping these cooperatives in the context of intensified process of globalization under the aegis of WTO, the ICA Regional Office for Asia and the Pacific (ICA/ROAP) with the support of AGRITERRA of the Netherlands has initiated a Critical Study of Agricultural Cooperatives in Lao PDR.

1.3 General Study Characteristic

1.3.1 Study Objectives

The objective of the study is to find out the existing status and state of agriculture, farmers, farmers' groups and agricultural cooperatives in Lao PDR. The specific objectives of the study can be identified as following :

- 1) To conduct study and undertake partial surveys in order to gather information and relevant baseline data regarding; country profile, place of agriculture, and status of agricultural cooperatives.
- 2) To identify important constraints and potential of agriculture activities, farmers, farmers' group and agricultural cooperatives in Lao PDR.
- 3) To provide appropriate feasible recommendations for the development of agricultural cooperatives in Lao PDR.

1.3.2 Study Conception

The study concept envisioned by the consultant begin with ;

- 1) *Problems Census and Analysis* : The consultant had conducted Brain Storming with the key informants from farmers, academicians, and government officers in three selected site areas in Champasak, Attapeu, Savannakhet, and in Bokeo by using of ZOPP approaches in order to know the real situation of problems, causes of problems, core problem and effects as well as to gather other relevant important information.
- 2) *Objective Analysis* : The consultant had conducted brain storming with the same key informants in order to establish objectives of those problems.

- 3) *Problems Solving Measures* : The Consultant had conducted brain storming with the same key informants in order to establish appropriate feasible measures to solve those problems.

ZOPP, AIC and other relevant approaches had been used by the consultant.

1.3.3 Study Operational Plan

In order to achieve the specific Objectives of the Study, the consultant had followed certain procedures as follow :

- 1) *Base map, data collection and analysis* : General base map at a scale of 1 : 50,000 had been collected in order to obtain existing public utilities, infrastructures, present land use and present environment resources. Relevant existing secondary data has been collected and analyzed to know the situation of the country.
- 2) *Site survey and investigation* : The consultant had conducted partial selected sites survey, in Champasak and Attapeu Province in the southern area, in Savannakhet Province in the central area and in Bokeo Province in Northern area, in order to gather firsthand necessary and important data and information at proposed sites by using of Participatory Rural Appraisal (PRA), Rapid Rural Appraisal (RRA) and Appreciation–Influence–Control (AIC) techniques. Sites survey had allowed consultant to have clear picture of existing environmental conditions and other necessary appearance in the proposed sites which can be assumed as the representative information of the country.
- 3) *Study and investigation of the following issues* :
 - 3.1 *Country Profile–Socio-Economic indicators* – Geographical area, Population – male & female – rural-urban – per capita income – growth rate – GDP – employment situation – human development index – education, health, housing, availability.
 - 3.2 *Place of Agriculture* – important features – its place in national economy – impact of globalization on country agriculture – emerging issues.
 - 3.3 *Status of Agricultural Cooperatives* -
 - (i) *Growth Trends* – Number – memberships, Coverage of Population, Share Capital, Reserves, Deposits,

Business turnover, Number of Cooperatives in profit, Growth trends for cooperatives at primary level and their federations at secondary and tertiary level.

- (ii) Types of Agricultural Cooperatives – Number, membership
 - (a) Multipurpose & Commodity based cooperatives
 - (b) Agro-processing cooperatives
 - (c) Agricultural Credit Cooperatives
 - (d) Agricultural Cooperatives in allied sectors-dairy, fishery
- (iii) Organizational Structure of agricultural cooperatives – role of federations, situation regarding inter-cooperative relationships. How has the structure developed market access for primary level cooperatives in domestic and international market – Management Pattern of Agricultural Cooperatives
- (iv) Strategic Alliances with private sector—experiences of agricultural cooperatives plus and minus points of such alliances.
- (v) Role of agricultural cooperatives in implementing government schemes relating to agriculture and farmers development – experiences and constraints.
- (vi) How the agricultural cooperatives have responded to the issues relating to food security and WTO policies.
- (vii) Problems faced by agricultural cooperatives – organizational, viability, managerial, legal.

3.4 Objective Assessment of Informal Farmers' Cooperative movements – describe their important features – how they are responding to the issues relating to agriculture and farmers from WTO negotiations and globalization. Support of government of such cooperatives – relationship between formal and informal farmers' cooperatives – market share of informal farmers cooperatives – how do they mobilize their resources.

3.5 National Agricultural Policy Changes visualized in the per-

spective of agricultural development in the context of WTO.

- Place of agricultural cooperatives and informal farmers cooperative movements in National Agricultural Policy.

3.6 The Cooperative Legislation and other legislations that have affected growth and development of formal agricultural cooperatives as well as informal farmers cooperatives both positively and negatively.

- 4) Study proposes an appropriate feasible recommendations on:
- 4.1 What is the future of agricultural Cooperatives?
 - 4.2 How their efficiency and competitiveness can be strengthened?
 - 4.3 How they can capitalize the gains of globalization for the benefit of society in general and farmers in particular?
 - 4.4 Action Plan for strengthening agricultural cooperatives in the country under study.

1.4 Objectives of the Study

The main objectives of the study is aimed at :

- 1) To critically examine the existing status and state of agriculture, agriculturists and agricultural cooperatives in Lao PDR.
- 2) To make an objective assessment of informal farmers' cooperative movement and their contribution to agriculture and farmers' development and also their relationship with formal agricultural cooperatives.
- 3) To identify the areas of institutional, managerial and governance reforms to enhance the capacities and competitiveness of agricultural cooperatives to enable them to utilize emerging opportunities from globalization.
- 4) To examine the suitability and effectiveness of existing policy and legislation framework of selected countries for the growth and development of agricultural cooperatives.
- 5) To provide an appropriate recommendations from selected feasible solutions.

1.5 Study Location

The proposed country of the study is Lao People Democratic Republic (Lao PDR). The partial selected sites for site survey and investigation to obtain firsthand data and information are :

- 1) Champasak and Attapeu Province in the Southern area of the country.
- 2) Savannakhet Province in the Central area of the country.
- 3) Bokeo Province in the Northern area of the country.

Figure 1 : Illustrated the Location of Lao PDR.



1.6 Study Approaches

The study covers all areas stated in 1.3.4 and is based on the following :

- 1) Secondary data relating to formal agricultural cooperatives and informal farmers cooperative movements.
- 2) Documents/Study Reports published by Governments, development agencies, universities, cooperative sector.
- 3) Case Study of one agricultural cooperative and one informal farmers cooperative at primary, secondary and tertiary level.
- 4) Interviews with concerned senior government officials, cooperative leaders, farmer leaders, cooperative managers, academicians, cooperative trainers etc.
- 5) Base map collection to use as secondary data for the study of the area on topography, land use, altitude, water sources, transportation and communication track in the country and selected site areas. The base map in the scale of 1 : 50,000 had been collected.
- 6) Study of the relevant data by data collection and analysis. The existing available secondary data and information had been gathered by requesting the concerned government agencies and other Development Project in Lao PDR. i.e.
 1. Local Authorities
 2. District and Provincial Office
 3. District and Provincial Agricultural Office
 4. District and Provincial Livestock Office
 5. District and Provincial Fishery Office
 6. District and Provincial Health Office
 7. District and Provincial Education Office
 8. District and Provincial Metrological Office
 9. Lao – German Highland Development Programme
 10. United Nation Development Programme etc.
 11. Faculty of Agriculture, National University of Lao (NUOL) etc.
 12. Lao-German Drug Control Programme

13. Villagers and Village Headman at Ban Huay Hom, Champasak Province
 14. Villagers and Village Headman at Ban Hin Dam, Attapeu Province
 15. Villagers and Village Headman at Ban Lak Saow, Savannakhet Province
 16. Villagers and Village Headman at Ban Huay Sai, Borkeow Province
- 7) Site survey in order to enhancing existing information on present existing environmental, topographic, land use, agricultural practices, farmers' group, agricultural cooperatives, communication and transportation linkage, inhabitant density, socio-economic conditions of inhabitant, water, land, aquatic, terrestrial resources and marketing. The consultant used the appropriate tools and techniques of PRA, RRA, AIC and Stratified Random Sampling for site survey and information gathering.

Chapter 2

Data Collection and Analysis and Site Survey

2.1 Introduction

Data collection and Analysis and Site Survey had been performed in order to gather primary and secondary data and information as well as to see and understand present situation of Agricultural Cooperatives and other issues concerned in Lao PDR.

2.2 Objectives of the Study

The objectives of the study are as follows :

- 1) Study existing secondary data consensus with this study.
- 2) Exploration site areas to obtain present picture of environmental conditions, topographic and inhabitants.
- 3) Study all aspects as stated in 1.3.4 : Study Operational Plan (3)

2.3 Study Methodology

1) *Data Collection :*

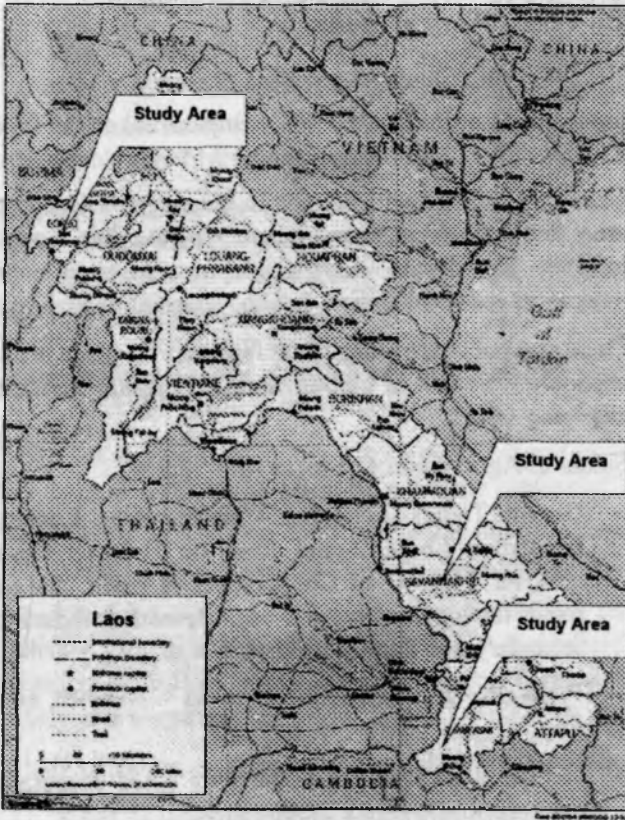
The secondary data and information had been collected and compiled for the study as stated in Appendix 1.

2) *Sites Survey and Investigation*

Partial sites survey and investigation had been done in order to obtain present pictures of the country in various aspects of the study theme as well as to enhance primary firsthand information and data from various key informants. The partial sites survey and investigation had been done in 3 selected sites which is assumed to represent the information of the country. The 3 selected sites are as follows:

- 2.1) Southern Region : in Champasak Province
- 2.2) Central Region : in Savannakhet
- 2.3) Northern Region : in Bokeo Province

Figure 2 : Illustrated the Selected Site Areas for Site Survey and Investigation



Chapter 3

Technical Frame Work of Study

3.1 Introduction

The Technical Frame Work of the Study emphasized on the following areas :

- 3.1.1 Country Profile–Socio-Economic indicators – Geographical area, Population – male and female – rural-urban – per capita income – growth rate – GDP-employment situation-human development index-education, health, housing, availability.
- 3.1.2 Place of Agriculture – important features – its place in national economy – impact of globalization on country agriculture – emerging issues.
- 3.1.3 Status of Agricultural Cooperatives -
 - i) Growth Trends – Number – memberships, Coverage of Population, Share Capital, Reserves, Deposits, Business turnover, Number of Cooperatives in profit, and growth trends for cooperatives at primary level their federations at secondary and tertiary level.
 - ii) Types of Agricultural Cooperatives – Number, membership
 - a) Multipurpose and Commodity based cooperatives
 - b) Agro-processing cooperatives
 - c) Agricultural Credit Cooperatives
 - d) Agricultural Cooperatives in allied sectors-dairy, fishery
 - iii) Organizational Structure of agricultural cooperatives–Role of Federations, situation regarding inter-cooperative relationships. How has the structure developed market access

for primary level cooperatives in domestic and international market – Management Pattern of Agricultural Cooperatives

- iv) Strategic Alliances with private sector – experiences of agricultural cooperatives plus and minus points of such alliances.
- v) Role of agricultural cooperatives in implementing government schemes relating agriculture and farmers development – experiences and constraints.
- vi) How the agricultural cooperatives have responded to the issues relating to food security and WTO policies.
- vii) Problems faced by agricultural cooperatives – organizational, viability, managerial, legal.

3.1.4 Objective Assessment of Informal Farmers' Cooperative movements – their important features – how they are responding to the issues relating to agriculture and farmers, WTO negotiations and globalization. Support of government to such cooperatives – relationship between formal and informal farmers' cooperatives – market share of informal farmers cooperatives – how do they mobilize their resources.

3.1.5 National Agricultural Policy Changes visualized in the perspective of agricultural development in the context of WTO.
- Place of agricultural cooperatives and informal farmers cooperative movements in National Agricultural Policy.

3.1.6 The Cooperative Legislation and other legislations that have affected growth and development of formal agricultural cooperatives as well as informal farmers cooperatives both positively and negatively.

3.1.7 Study proposes an appropriate feasible recommendations on :

- 1) What is the future of agricultural Cooperatives?
- 2) How their efficiency and competitiveness can be strengthened?
- 3) How they can capitalize the gains of globalization for the benefit of society in general and farmers in particular?
- 4) Action Plan for strengthening agricultural cooperatives in the country under study.

3.2 Objectives of the Study

The main objectives of the study are aimed at :

- 1) To critically examine the existing status and state of agriculture, agriculturists and agricultural cooperatives in Lao PDR.
- 2) To make an objective assessment of informal farmers' cooperative movement and their contribution to agriculture and farmers' development and also their relationship with formal agricultural cooperatives.
- 3) To identify the areas of institutional, managerial and governance reforms to enhance the capacities and competitiveness of agricultural cooperatives to enable them to utilize emerging opportunities from globalization.
- 4) To examine the suitability and effectiveness of existing policy and legislation framework of selected countries for the growth and development of agricultural cooperatives.
- 5) To provide an appropriate recommendations from selected feasible solutions.

3.3 Results of the Study

3.3.1 Country Profile

3.3.1.1 Geographic Setting

The Lao People's Democratic Republic is a landlocked country with a area of 236,800 sq. km. The total land area, it is about 230,800 sq. km., while 6,000 sq. km. is water area. ⁴⁾, stretching more than 1,700 km. from north to south and between 100 and 400 km. from the east to the west. The geographic coordinates is 18 00 N, 105 00 E. Lao PDR is located in Southeastern Asia, northeast of Thailand, west of Vietnam. The land boundaries are totally 5,083 km. It shares borders with Myanmar 235 km., Cambodia 541 km., China 423 km., Thailand 1,754 km., and Vietnam 2,130 km. About 80% of the country is mountainous, with altitudes ranging from 200 to 300 m. About 47% of the area is covered by the forest. Although the Lao PDR has no direct access to the sea, it has an abundance of rivers, including a stretch of 1,500 km. of the Mekong of which major parts including tributaries are navigable. The climatic conditions is tropical monsoon; rainy season in May to November; and dry season in December to April. It was revealed that during rainy season, all villages, towns

and cities in the rural areas are cut-off from the outside world due to bad road track. The terrain is mostly mountains, some plain and plateaus. The elevation at Mekong River which is the lowest point is 70 m. above sea level and the highest point is at Phou Bia at 2,817 m. above sea level.

The geographic conditions restrict both the quantity and quality of agricultural land and pose difficulties in the development of trade, social infrastructure, and transport and communication links. Nevertheless, the Lao PDR is located in the center of a dynamic and prospering region and as such has the potential to provide a strategic resource base and land link to its neighbors. As part of the reform process launched under the umbrella of the New Economic Mechanism (NEM) in 1986, the Lao PDR has sought to strengthen international and regional ties. The Lao PDR is now a member of many regional and international organizations, including Mekong River Commission (MRC) and, since July 1997, a member of Association of South-East Asian Nation (ASEAN).

3.3.1.2 Government :

In 1975 the communist Pathet Lao took control of the government, ending a six-century-old monarchy. Initial closer ties to Vietnam and socialization were replaced with a gradual return to private enterprise, an easing of foreign investment laws, and the admission into ASEAN in 1997.

The country's name of Lao PDR can be called in three categories ;

- Conventional long form : Lao People 's Democratic Republic
- Conventional short form : Laos
- Local long form : Sathalanalat Paxathipatai Paxaxon Lao

The function of present Lao PDR Government can be identified as follows :

- 1) Executive Branch : Chief of State - General KHAMTAI Siphandon is the President of Lao PDR since 26th February 1998 and Vice President is Lieutenant General CHOUMMALI Saignason since March 2001, while the Head of Government is Prime Minister BOUNGNANG Volachit. He is the Prime Ministers since March 2001. There are two Deputy Prime Ministers, They are Mr. THONGLOUN Sisolit since March 2001 and Mr. SOMSAVAL Lengsavat since 26th February 1998. For the

cabinet : Council of Ministers appointed by the President, and approved by the National Assembly.

Concerning to the election; President is elected by the National Assembly for a five-year term; the election last held on 21st December 1997. Next election was to be held in 2002. The Prime Minister is appointed by the President with the approval of the National Assembly for five-year terms.

- 2) *Legislative Branch* : Unicameral National Assembly : There are 99 seats, members are elected by popular vote to serve five-year terms. By the President decree, on 27th October 1997, the number of seats increased from 85 to 99. Election of Legislative Branch last held on 21st December 1997. Next election was due in 2002.
- 3) *Judicial Branch* : There are People 's Supreme Court, the president of the People's Supreme Court is elected by the National Assembly on the recommendation of the National Assembly Standing Committee ; the vice president of the People's Supreme Court and the judges are appointed by the National Assembly Standing Committee.

Lao PDR got its independence from France on 19th July 1949 and has National Holiday on the Republic Day on 2nd December (1975). The Constitution has been promulgated since 14th August 1991. Its Legal System are based on traditional customs, French legal norm and procedures, and Socialist practice as well.

Lao PDR Flag description comprise of three horizontal bands of red (top), blue (double width), and red with large white disk centered in blue band. The languages used officially is Lao. However, French, English, and various ethnic languages are also understood.

3.3.1.3 Population

According to March 1995 census, the Lao PDR comprises a population of 4.8 million ⁵⁴ in 752,105 household, averaging 6.1 persons per household, with an average of 65 families, varying from 34 families in Sekong province to 183 families per community in Vientiane Municipality. The average number of inhabitants per community is 393.

Table 1 : Illustrated Population, Households, Communities and District by Province, mid 1995

Province	Population	Households	Communities	Districts
North:				
Phongsaly	153,400	24,833	662	7
Luang Namtha	115,200	20,580	485	5
Oudomsay	211,300	33,300	803	7
Bokeo	114,900	19,667	397	5
Luang Prabang	367,200	59,513	1,222	11
Huaphanh	247,300	36,094	904	6
Sayabouli	293,300	49,337	571	9
Center:				
Vientiane Municipality	551,800	88,863	486	
Xieng Khouang	201,200	29,834	506	
Vientiane (province)	286,800	47,167	496	
Borikhamesai	164,900	26,642	455	
Khammuane	275,400	49,837	874	
Savannakhet	674,900	106,858	1,560	
Saysomboun Special Region	54,200	8,285	137	
South:				
Saravane	258,300	42,381	720	8
Sekong	64,200	9,520	278	4
Champassak	503,300	84,230	896	10
Attapeu	87,700	15,167	188	5
Total Lao PDR	4,605,300	752,105	11,640	133

Source : National Statistical Centre 1996 : 21-22

Ninety – two percent (92.0%) of the community are rural, 6.4% are semi urban (or : peri urban), and 1.6% are urban. Eighty – nine percent (89%) of the population live in approximately 11,883 small village communities. Two thirds of them are engaged in subsistence agriculture outside the market economy. Population density, at 19.35 persons per sq km., is among the lowest in Asia. About a tenth of the

population lives in five cities : Vientiane, Savannakhet, Luang Prabang, Thakhek and Pakse. Vientiane Municipality, the capital, has a population of 528,000. During 1985-1995, its annual population growth was 2.4%, with 44.2% of the population below 15, and 6.1% above 59 years of age.

Table 2 : Illustrated Population by Market Segment

No	Market Segment	Estimated Population Number	Percent	Communities (Ban) Number	Percent
1.	Rural non – Mekong	2,378,181	51.1	6,914	60.0
2.	Rural Mekong	1,647,313	35.4	3,682	32.0
3.	Semi – urban	301,168	6.5	733	6.4
4.	Urban non – industrial	315,523	6.8	176	1.7
5.	Urban industrial	12,084	0.3	4	0.0
Total		4,654,269	*100.1	**11,519	*100.1

Remarks : * Error due to rounding

** Based on 1990 census figures :

Source : GTZ-MIH 1996 : 11

(A) Population Classification

The Lao PDR is a “multi-ethnic” state. With a population of 5,777,180,⁶⁾ it is home to 47 different ethnic groups, commonly divided into three broad categories ⁷⁾ :

1) *The Lowland Lao (Lao Loum)* : occupy the lowland plains where they practice irrigated agriculture. They constitute about 65% of the population. This category also includes Tai, Lue and other Tai – speaking groups. Most of the Lowland Lao practice Buddhism.

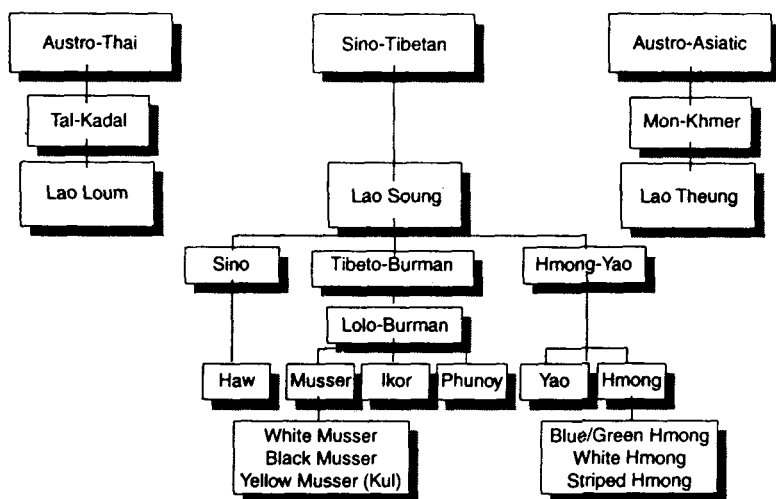
2) *The Upland Lao (Lao Theung)* : include Mon – Khmer speaking groups with the Khamu as the largest group. They occupy the mountain slopes where they usually practice swidden rice farming. They constitute about 25% of the population.

3) *The Highland Lao (Lao Soung)* : include Hmong, Yao, Ikor (Ahka), Musser (Lahu), Kui, Haw, Phounoy and some smaller groups of the Sino-Tibetan language family. They typically live on the mountain tops in northern Laos and constitute about 10% of the population. The Lao Soung grow non-glutinous rice in swiddens as a staple crop. Opium and livestock are their major sources of cash income.

Regarding age structure, it is revealed that people age :

- 0 – 14 years are about 42.50%
(male 1,233,659; female 1,219,872)
- 15 – 64 years are about 54.20%
(male 1,543,246; female 1,591,419)
- 65 years and over are about 3.30%
(male 86,3725; female 102,609)

Figure 3 : Illustrated the Ethnic Groups of Laos : Linguistic Classification. ⁸¹



Source: 1) McKinnon/Bhruksasri 1986
2) Hill Tribes Research Institute, Thailand.

Table 3 : Illustrated Percentage of Population in Lao PDR

No	Ethnic Groups	Percentage
1.	Lao Loum (Lowland)	68%
2.	Lao Theung (Upland)	22%
3.	Lao soung (Highland) including the Hmong (“Meo”) and the Yao (Mien)	9%
4.	Ethnic Vietnamese/Chinese	1%

Source : CIA, July 2001, The World Fact Book

On the statistic of the Department of Public Health, it is found out that the population growth rate in Lao PDR is 2.47% while birth rate is 37.39 births/1,000 population and the death rate falls at 12.71 deaths/1,000 population. The infant mortality rate is 90.98 death/1,000 live births while total fertility rate is 5.03 children born/woman. For the sex ratio, it can be identified as follows :

- At birth : 1.01 male(s)/female
- 15 – 64 years : 0.97 male(s)/female
- 65 years and over : 0.84 male(s)/female
- Total population : 0.98 male(s)/female

Concerning life expectancy at birth, it is revealed that the people of Lao PDR can have their age at 53.88 years, average for total population, while 55.87 years for male and 51.95 years for female.

(B) Ethnic Groups of Laos

For historical, political and geographical reasons the “ethnic dimension” is an important factor for country’s development in Laos. While there are scores of research papers and books on Highlanders of Thailand and although many groups found in Thailand are also present in Laos, little has been published about the ethnic groups of Laos. The following chapter will therefore provide some background information aimed at introduction to these group. A much better understanding will be required for the purpose of future ICA/ROAP development project in Lao PDR.

As mentioned, the population of Lao PDR is usually divided into three broad categories : the Lowland Lao (Lao Loum), the Upland Lao (Lao Theung) and the Highland Lao (Lao Soung). This categorization has been criticized, since many of Lao Loum live at higher altitudes than some of the Lao Soung and today many Lao Soung live in lowland areas. On the other hand, there is also a linguistic justification for these categories.⁹⁾

Lao Soung comprise the Sino – Tibetan speaking people – who coming from China – started to migrate into northern Laos at the beginning of the 19th Century. They now number between 360,000 and 420,000 people and account about 10% of the total population of Laos. The Lao Soung include the following groups :

- Hmong
- Ikor (Akha)
- Yao (Mien)

- Musser (Lahu)
- Phounoy
- Haw

HMONG ¹⁰¹

The Hmong (also called Miao) originated from southern China from where, after a history of conflicts with the Manchu Dynasty, large number of them migrated to the north – eastern part of Vietnam, northern Laos and northern Thailand at the beginning of the 19th Century. The total number of Hmong has been estimated at about 2.7 million, with the majority of them (more than 2 million) still living in China, about 233,000 in Vietnam and about 50,000 in Thailand ¹¹¹ Based on interviews during site survey and investigation in Bokeo and Luangnamtha provinces in northern Laos, the Hmong of Laos can be estimated at between 240,000 to 270,000 people.

The first Hmong arrived in Laos around 1815-1820 and they first settled in what is now the Nonghet district of Xieng Khouang ¹²¹ They are the most numerous group among the Lao Soung, making up about 75% of the “Lao of the Mountain Tops”. In Xieng Khouang, the traditional home province of the Lao Hmong, they account for one third of the provincial population. Large numbers of Hmong are also found in Houaphan, Vientiane, Luang Prabang and Oudomsay. While each of the northern provinces has a contingent of one thousand or more Hmong, only a few dozen live in the south. There are a number of districts in the northern provinces where the Hmong constitute the majority of the population, such as Muong Hom and Xaysomboun (Vientiane) and Nonghet (Xieng Khouang).

Together with the Yao, the Hmong are classified in the Miao – Yao (or Hmong Yao) group of the Sino – Tibetan language family. The Hmong in Thailand and Laos can be divided into three different groups: the Green Hmong, the White Hmong and the Striped Hmong. ¹³¹ While the Green Hmong speak a dialect distinct from the other two, White and Striped Hmong speak the same one. The Hmong language is rich in consonants and includes seven tones. The Hmong have no script of their own, but efforts have been made by American and French missionaries to develop a transcription. ¹⁴¹

“In Hmong society, the village provides for residence and association, but the main orientation of Hmong is toward family and clan, rather than to the village per se”. The household, defined

as those family members living under the same roof, is the key economic unit. While there are households comprising up to 20 persons, the average size is 7 to 8. Polygamy exists and the Lao Government is conducting campaigns against it, but the study showed that probably less than 5% of the marital unions are polygynous¹⁵. The Hmong tend to marry early (sometimes at 14, 15 or even younger) and have many children. Despite a high child mortality rate (30 to 50% is common), a “substantial and continuing population growth is underway”¹⁶.

The Hmong are divided into patrilineal, exogamous clans, and Yang Dao (1975) lists 21 for Laos. Children keep the clan name of the father, and other members of the same clan are referred to as “brothers”. Throughout their lifetime, their legal status is determined by clan membership¹⁷. If Hmong need assistance while traveling, if they migrate to new settlement areas, or need other assistance, they turn to member of the same clan even those living in areas far away from their present location. However, during the Indochinese war, the Hmong often found themselves fighting against their “brothers” of the same clan.

Like most societies based on clans, the Hmong are relatively egalitarian. Inequalities exist between old and young people (the elders are listened to and take decisions), and between man and women (although they may sometimes be in control of the household economy, the women are not involved in political decision – making). The traditional chiefs of the villages are selected in a sort of general election from the most influential and oldest clans. The chief is in charge of ceremonies, conflict – solving and other issues concerning the village as a whole.

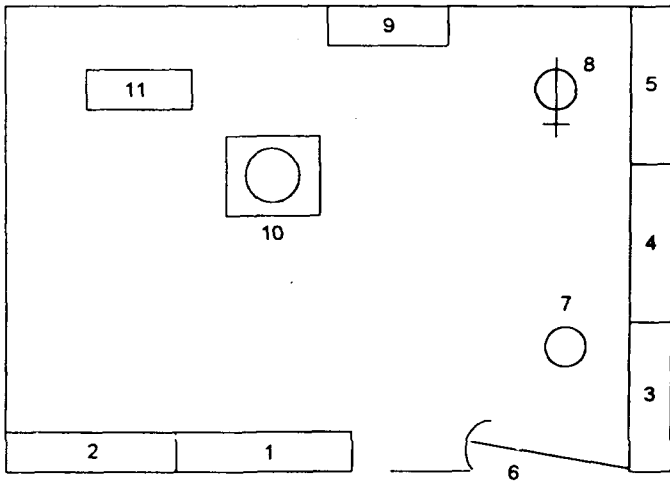
A number of Hmong have high – ranking positions in the political and administrative system of Laos (members of the Central Committee, Provincial Governors, District Chief, etc). Many Hmong studied abroad and returned to Laos in the late 1980s.

The Hmong farming system in Laos can be described in short as follows :

“Hmong farming provides an adequate subsistence diet and livelihood to the family, but little or no surplus generation. The system is based on rain – fed swidden farming on the mountain slopes, and incorporates an extremely wide range of crops, and six or seven varieties of livestock. Constant labor input is re-

quired for different activities throughout the year, punctuated by three or four periods of intense labor demand. None of the crops or animals are managed intensively; rather each is given just enough care to produce some return, without investing more labor than a family can easily provide. The system thus managed generally produces almost enough food for each family, plus income for purchasing additional grain and other necessities. Cash is usually obtained from two sources : the sale of opium and or the sale of cattle and pigs. It is thus success or failure in these activities which ultimately determines a family's economic level. ”[18]

Figure 4 : Illustrated the Hmong's Shelter Description



DETAILS :

- 1. Bedroom
- 2. Bedroom
- 3. For Guests
- 4. Domestic Animals Food
- 5. Domestic Animals Food
- 6. Door
- 7. Stove for pig food
- 8. Rice Pounder
- 9. Ancestral Altar
- 10. Fire Place
- 11. Shelves

Source : Hill Tribe Research Institute, Chiang Mai, Thailand.

IKOR (AKHA)^{19]}

The Tibeto – Burman – speaking Ikor – in Thailand are called Akha, number about 500,000 people spread over Yunnan (from where they originate), the Eastern Shan State in Myanmar, northern Thailand and northern Laos. In Laos they constitute second largest Lao Soung group. Almost all of the about 60,000 Ikor of Laos live in the province of Phongsali (about 29,000) and Luang Namtha (about 26,000). In addition, there are about 4,000 Ikor in Oudomsay and 1,800 in Bokeo. From field surveyed and interviewed with villagers in Bokeo, it is revealed that most of them only migrated from China to Laos in the late 1950s.

The Ikor comprise those people who consider themselves as Ikor. That means, “Ikor” is not an ascriptive classification but a matter of “explicit self-definition”^{20]} Ikor identity and culture have shown extraordinary strength.

“Although there is a great variety of dialects, mythology, and material culture in linguistic subgroups Akha (Ikor) culture as a whole shows a remarkable unity, consistency, and complexity, built up over two and probably more millennia. This is even more remarkable since the Akha, after they were forced out of their city – state in Yunnan, in their own counting about thirty generations ago, seem to have been consistently egalitarian in their social organization, and attach much value to individual, family and village autonomy”^{21]}

This strength is based on several features. Firstly, the Ikor consider ethnic identity as a matter of kinship and themselves as part of what would be called the same clan :

“Akha (Ikor) believe themselves to be lined descendants of a single apical ancestor, “Main Sky, Middle Sky” (Mmang’ah) below whom there were nine generation of spirits before the first man, Smmio, appeared. The various named, unranked partrilineages to which all Akha belong segment below Smmio”^{22]}

The second feature is a complex system called “Akhazanh” which could be translated as ‘religion, way of life, customs, etiquette, ceremonies and traditions as handed down by the fathers’.

“Akhazanh has the authoritative heaviness of the Jewish Torah or the Roman Catholic ‘Scripture and Tradition’, except that is

does not claim divine revelations but rather the authority of a succession of sixty – four generations of patrilineal ancestors during the long journey from Tibetan borderlands into China, Burma and Thailand”.²³⁾

“Akhazanh prescribed how land has to be cleared, rice planted and house built, how villages are to be founded and animals slaughtered, the relation to other groups, marriage, daily behavior etc. In short : “Akha (Ikor) customs are many, Akha (Ikor) customs are difficult”.²⁴⁾

The third feature is a “duplex sense of territoriality”²⁵⁾ On the one hand all Ikor communities or villages are perceived as identically structured units, each a microcosms in itself. At the same time however, each village is seen as part of geographical sphere which includes other ethnic groups or administrative structures.

In Thailand, the Ikor, like some other highland groups, have been characterized as “reluctant assimilators”²⁶⁾ Indeed, the above description of the “Akhazanh” gives the picture of an ethnic group not open for change or development projects. However, there are a number of conditions built in the “Akhazanh”, which are basis for social and economic dynamics and adaptations to a a changing environment. Alting von Geusau (1986) lists some of them :

- a) the poverty – wealth contradiction within Ikor communities,
- b) the minority – majority contradiction, which means, that throughout their history the Ikor were dependent on their ethnic groups,
- c) the upslope – down-slope contradiction,
- d) the market – subsistence contradiction, and
- e) the egalitarian – authoritarian contradiction

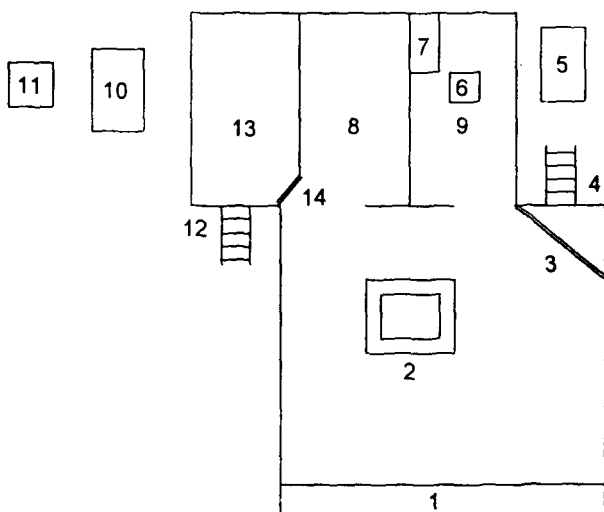
Most of the rituals of the “Akhazanh” are built around rice, which is the subsistence base of the Ikor. According to Kammerer (1998).

“They (the Ikor) are eager to adopt agricultural innovations provided these do not jeopardize their subsistence base. Any development scheme which ignores rice cultivation in favor cash crop will not only endanger the subsistence base, but also threaten the core of Akha (Ikor) customs and thereby threaten Akha (Ikor) ethnic identity”

Based on the little information available about the Ikor of Lao PDR,

the socio – economic situation of the Ikor in Laos can be described as follows : the Ikor are extremely poor even in comparison with other minority groups of northern Laos. High rates of opium addiction further contribute to the poverty of this group. In many cases, Ikor work for Lao Loum, often Lue, in exchange for opium. As the case of other Lao Soung or Lao Theung, illiteracy is very high, and school enrolment low. There are almost no qualified Ikor teachers. Participation of Ikor in the district or provincial administration is rare.²⁷⁾

Figure 5 : Illustrated the Ikor's Shelter Descriptions.



DETAILS :

1. Shelf
2. Fire Place
3. Back Door
4. Back Notched Log Steps
5. Rice Milling Tool
6. Container of Rice for next cultivation
7. Ancestor Spirit House
8. Male Room
9. Female Room
10. Rice Storage
11. Rice Spirit House
12. Front Notched Log Step
13. Front Terrace
14. Front Door

Source : Hill Tribe Research Institute, Chiang Mai, Thailand.

YAO ²⁸⁾

The Yao number 20,000 in Laos (a similar number living in northern Thailand) and, with return of hundreds of Yao refugees from Thailand to the north – western part of Laos (Bokeo in particular), their numbers have been on increase in recent years. Unlike the Ikor or Musser who are concentrated in very few provinces, the Yao are spread all over northern Laos, from the northern most district of Gnot – Ou (Phongsali) to the province of Vientiane and Borikhamsay, and from Houaphan in the east to Bokeo and Sayabouri in the west.

The Yao and in particular the Mien subgroups migrated – like most other Lao Soung groups from China to Laos, Burma and Thailand more than one hundred years ago. Linguistically they are closest to the Hmong. The name “Yao” originates from the time of the T’ang Dynasty (A.D. 618-906) where “mo yao” meant “not subject to compulsory services”. Although it was later changed to “Yao”, that is, “subject to compulsory services”, the Yao understand it in their original meaning. This understanding is based on the “Yao Charter” which apparently originates from the time around 520 B.C. when the Yao and all their descendants were granted the right to be exempt from taxes and levies, and to cultivate swidden rice in the mountains of the Chinese Empire ²⁹⁾. When the French arrived in Indochina, they were presented with a copy of this Yao Charter, which shows that the Yao see themselves as people with long tradition and of aristocratic origin.

According to Yao mythology they were originally divided into twelve patronymic, exogamous clans. However, in their history, these clans broke up into further segments, and nowadays it is less the clan, than the village, which is the center of social activities. This is reflected in the Yao concept of landownership : land is considered the property of the village community, and the right to cultivate it is given to individuals ³⁰⁾. This means land and land – use rights do not become the property of a clan.

Money plays an exceptional role in Yao social dealings. Money guarantees the functioning of a sophisticated credit system between households which includes persons, things and customs. The popular view is that the Yao are poppy growers and clever merchants. However, wealth is not accumulated to become rich but to be able to pay for the heavy expenses required by religious ceremonies ³¹⁾

“Segmentary lineage organization, Taoist religion, popular Chinese magic and divination, ancestor worship, and wealth accumulation – these are the main features of traditional Mien Yao society”³² |

MUSSER ³³

The Musser, who are called “Lahu” in Thailand, comprise several subgroups; in Laos the following are found : Black Musser, White Musser and Yellow Musser (the latter are called “Kui” by the Lao). There are about 16,000 Musser in Laos, compared to about 270,000 in Yunnan, 80,000 in Myanmar and 40,000 in Thailand. The Musser of Laos are almost exclusively found in the provinces of Bokeo (about 9,000 Black and White Musser, and 1,200 Kui) and Louang Namtha (about 1,500 Black and White Musser, and 3,500 Kui). The Musser originate from Yunnan where they “...gained some notoriety as rebels against Chinese rule”³⁴. Influenced by missionaries in Myanmar, the Musser fought against the Japanese and Thai during World War II. Later on, sections of the Musser created a “Lahu National Progressive Party” against Rangoon, while at the same time a number of Musser fought with the Burmese army against the KMT and the Shan.

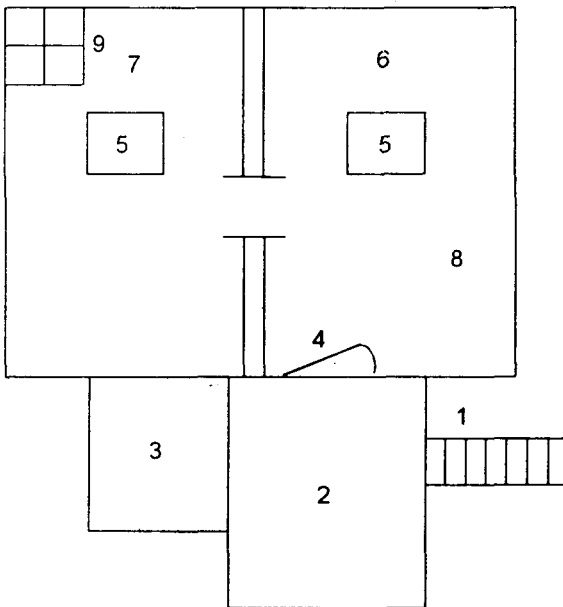
Although there is a variety of dialects, Musser identity is above all a linguistic identity. Between the one group of Musser and another and between Musser villages there is great cultural diversity, influenced by the type of interaction the individual group has with neighboring groups or the dominating administrative or political structure. This is illustrated by the different religions Musser groups have adopted reaching from Taoism to Buddhism and Christianity. In addition to these religions, however, most Musser believe in the existence of a number of spirits associated with natural phenomena which guard the house, fields etc.

The basic social and economic unit of the Musser is the autonomous household. Although there are a number of ties (marriage, kinship etc.) within a village community, households frequently split if there are conflicts or if there is a need to look for new land for cultivation.

Traditionally, the Musser practice swidden agriculture with upland rice and other crops on mountain slopes. The main crops are rice, chili, corn and opium and in some areas sesame. Pigs and chicken

are commonly raised for ritual purposes. Horses are basic animal in every households using for multipurposes carrying. Opium is usually the main commercial product for cash income and is used to secure labor or is for sale ³⁵. However, a considerable amount of opium is consumed by the Musser themselves. In Bokeo, the main area of Musser settlements, the land is not suitable for opium cultivation, and many Musser sell pigs to purchase opium from other provinces, in particular from Loung Namtha.

Figure 6 : Illustrated the Musser's Shelter Descriptions



DETAILS :

1. Notched Log Step
2. Terrace
3. Fuel Wood and Water Chamber Storage
4. Main Door
5. Fire Place
6. Bedroom
7. Bedroom
8. Living Room
9. Sacred Closet

Source : Hill Tribe Research Institute, Chiang Mai, Thailand

PHOUNOY

There are not many literatures about the Phounoy of Laos. According to Matisoff (1986), the Tibeto Burman speaking Phounoy are, like the Ikor, a subgroup of the Southern Lolo. In Laos there are about 25,000 Phounoy, with about 20,000 of them in Phongsali, and the remaining spread over the provinces of Oudomsay, Loung Prabang, Loung Namtha and Houaphan. Since they nowadays tend to adopt Buddhism and in many other ways Lao Loum or Lao – Theung lifestyle, they are considered more and more to be Lao Theung.

According to their legends, they originated from Burma where they were slaves to rich landlords but have been in Laos for several hundred years^{36]}. Like most other Lao Soung groups, they traditionally build their houses on the ground. Their stable crop is upland rice, but most of them face shortage of rice for 3 to 4 months every year. In Phongsali, about 45 out of 75 Phounoy villages are involved in opium production.

HAW

The Haw, also called “Yunnanese”^{37]}, are overseas Chinese, speaking a Mandarin dialect and populating the highlands of Northern Thailand, Burma and Laos. In Laos, they probably number less than 10,000 and most of them, approximately 9,100, live in Phongsali. The other are spread over the northern provinces, and about 100 are found in Vientiane municipality. The Haw can be categorized into two branches : those who for hundred of years have been involved in trading activities, and those who migrated from China to northern Laos and Thailand in the middle of this century and settled down in the hills as farmers and in small towns as shopkeepers. Most of the latter are Han Chinese, “Haw” is an ascribed name (the “Haw” prefer to be called Chinese – in appearance they are indistinguishable from other Chinese) for Chinese highlanders, shopkeepers and traders. They have a noticeable social position in northern Thailand and also in province and city of Phongsali which is heavily influenced by Chinese and Yunnanese culture. Most of the Haw villages in Phongsali cultivate the opium poppy.

3.3.1.4 The Political Structure

After 16 years without a constitution, the People ‘s Supreme Assembly adopted one in 1991. In it the Lao People ‘s Democratic Republic

is defined as an “independent, sovereign and unified country” belonging to “multi-ethnic Lao People”

Article 8 specifically maintains that “the state implements its policies in line with the principle of equality of all ethnic groups. All ethnic groups have the rights to preserve and promote the fine customs and culture of the nation and of their own tribes. All acts of sowing division and discrimination among ethnic groups are prohibited. The state implements every measure to upgrade and develop the levels of the socio-economy of all ethnic groups” (Article 8).

The constitution defines the role of National Assembly as the legislative body, the role and function of the government as the executive body headed by a Prime minister who is to be appointed by the President, and the role of the President as the head of state, to be elected by the National Assembly. Through a vote of no-confidence the National Assembly can dissolve the Government.

The constitution also establishes the judicial system, with the People’s Supreme Court as the highest judicial organ, as well as the Public Prosecution Institute.

Regarding political party in Lao PDR. There is only Lao People’s Revolutionary Party or LPRP of which General KHAMTAI Siphandon is the party president. Other parties in Lao PDR are proscribed. For the political pressure groups and leaders; it is found out that noncommunist political groups are proscribed, most of opposition leaders fled the country in 1975.

3.3.1.5 The Administrative Structure

The capital of Lao PDR is Vientiane. Administratively, the Lao PDR is organized in 16 Administrative Divisions (Khoueng, singular and plural), 1 municipality* (Kampheng Nakhon, singular and plural), and 1 special zone** (Khetphiset, singular and plural); they are; Attapue, Bokeo, Bolikhamxai, Champasak, Houaphan, Khammouan, Loungnamtha, Loungphabang, Oudomxai, Salavan, Savannakhet, Viangchan*, Viangchan, Xaignabouli, Xaisomboun**, Xekong and Xiangkhong. The country comprises a total of 126 districts (“Meuang”) and 11,883 village (“Ban”). The sub-district (“Tasseng”) have lost their importance as administrative units but are often referred to indicating specific clusters of villages. In the past, the provinces enjoyed a great deal of autonomy. The provincial administra-

tions were copies of the central administration: each ministry had its equivalent in the provinces in the form of department. The technical departments in the provinces were under the authority of each province and not responsible to a ministry in Vientiane. This structure proved to be ineffective, and in addition, the province were not able to generate enough revenue to provide basic health, education, agriculture and other services. The decentralized, horizontal structure will in the near future be replaced by more vertical one, with vertical lines of communication and authority from the line – ministries in Vientiane to the perspective department in the province and the technical offices in the district.

3.3.1.6 Social Situation

Laos—in particular the northern provinces – is characterized by high infant and child mortality rates (90.98 deaths/1,000 live birth)³⁸⁾; child mortality rate can reach up 5.03/1,000 or more in some remote areas of northern Laos. Life expectancy is 53.88 years³⁹⁾, the second lowest in the region. Half of the children under 5 years old are affected by malnutrition, and approximately 90% of the population lack access to basic health, birth spacing and nutritional services. Diarrhoeal, respiratory, and intestinal diseases are widespread, and particularly virulent strains of malaria are prevalent. In northern Laos, opium is commonly used as a pain killer, and opium addiction is a real problem among some of the ethnic minority groups in this region. Laos is also recognized as the world's third-largest illicit opium producer (estimate cultivation in 1999 approximately 21,800 hectares, a 16% decrease over 1998; estimated potential production in 1999 approximately 140 metric tons, about the same as in 1998); potential heroin producer; transshipment point for heroin and methamphetamine produced in Myanmar; illicit producer of cannabis.⁴⁰⁾

Although estimates of adult literacy vary 44-70%, reasonable estimates are 57% for all adults, with 70% for males and 44% for females. Significant effort were made to build up primary education after 1975 but, although the ratio of schools to students increased markedly, particularly at the primary school level, the quality of education did not keep pace with the expansion of the system. Ethnic minority groups are even more disadvantaged, with literacy rate estimated at 30-35% for men and 5-10% for women⁴¹⁾. There are hardly any qualified teachers from ethnic minorities.

UNDP's 1992 "Human Development Index" for the Lao PDR, which combines social and economic development indicator, is 0.240 (on a scale from zero to one), and the Lao PDR ranks 129th among 160 country.

3.3.1.7 The Economic Situation

The Lao PDR is a "Least Development Country" (LDC), and as such is considered by the international community to be one of the poorest countries in the world. Although there are one of signs that poverty levels are falling, poverty remains widespread throughout the Lao PDR, with many households unable to meet daily food requirements and satisfy basic human needs. Poverty is particularly widespread in rural areas, especially in northern provinces, and among ethnic groups inhabiting remote areas, the uneducated, and female household member.

The government of Lao PDR – one of the few remaining official communist states – began decentralizing control and encouraging private enterprise in 1986. The results, starting from an extremely low base, were striking – growth averaged 7% during 1988-1997. Reform efforts subsequently slowed, and GDP growth dropped by an average of 3 percentage points. Because Laos depends heavily on its trade with Thailand, it was damaged by the regional financial crisis beginning in 1997. Government's mismanagement deepened the crisis, and from June 1997 to June 1999 the Lao kip lost 87% of its value. Lao's foreign exchange problems peaked in September 1999 when the kip fell from 3,500 kip to the dollar to 9,000 kip to the dollar in a matter of weeks. Now that the currency has stabilized, however, the government seems content to let the current situation persist, despite limited government revenue and foreign exchange reserves.

A landlocked country with a primitive infrastructure, Laos has no railroads, a rudimentary road system, and limited external and internal telecommunications. Electricity is available in only a few urban areas. Subsistence agriculture accounts for half of GDP and provide 80% of total employment. For the foreseeable future the economy will continue to depend on aid from the IMF and other international sources; Japan is currently the largest bilateral aid donor; aid from the former USSR/Eastern Europe has been cut sharply.

Table 4 : Key Social Indicators, Lao PDR

Indicator	Comparator Years	Earlier	Middle	Latest
1. Demographic				
Annual Average Population Growth (%)	1980-85	1985-95		2.4
Children (<15 years) to Total Population (%)		1993	44.2	45.4
Crude Birth Rate (births per 1,000 population)	1970	1985	44	43
Crude Death Rate (deaths per 1,000 population)	1970	1985	23	15
Total Fertility Rate (average children per woman)	1970	1985	6.1	6.8
Age Dependency Ratio (per 100 population)	1960	1985	80.0	92.7
2. Health and Nutrition				
Life Expectancy at Birth (years)	1982	1987	43.0	51.0
Female	1982	1987	45.0	52.5
Male	1982	1987	42.0	49.5
Infant Mortality Rate (per 1,000 live births)	1970	1987	146	125
low Birth Weight (% < 2.5 kg.)		1993	184	18
Under - 5 Mortality Rate		1990	35	182
Malnourished Under - 5 (%)	1982	1993		40
Maternal Mortality Rate (per 100,000 live births)	1984	1994		656
Per Capita Daily Calorie Supply		1993		2,259
Population with Access to Health Services (%)		1992	67	67
Public Health Expenditure (as per cent of GDP)	1960	1985-87	0.5	1.0

The Gross Domestic Product, estimated at US\$ 225 per capita in 1992 and increased to US\$ 1,700 in 2000, understates living Standard in Laos to the extent that the non – monetized segment of the economy is not fully represented in the income data. This is true in particular for the agricultural sector, where subsistence farming is the main occupation and rice the staple food crop.

Agriculture is the principal economic sector in the Lao PDR, with about 80% ^{42]} of the population engaged in rice cultivation as the primary activity, as well as in livestock, fishery and forestry activities. About 70% of the country's rice is grown in the lowlands. The remaining 30% are grown in the uplands, where the majority of the population do not produce enough to cover their own needs and lack rice for about 3-5 months very year. Other crop grown for consumption or export include maize, soybeans, sweet potatoes, cassava, taro, coffee, peanuts, tobacco, cotton, sugar – cane, and other. Livestock include buffalo, cattle, pigs, sheep, goats and poultry. Opium is produced, mostly, in ten provinces of northern Laos. The exports commodities are wood products, garments, electricity, coffee and tin worth US\$ 325 million (F.O.B. 2000). The exports partners are Vietnam, Thailand, Germany, France and Belgium. While the import falling at US\$ 540 million (F.O.B. 2000). The import commodities are machinery and equipment, vehicles and fuel. The imports partners are Thailand, Japan, Vietnam, China, Singapore and Hong Kong. ^{43]}

The industrial and service sectors of the economy currently account of about 22% and 27% of GDP which was estimated at about US\$ 900 million in 1992 and increased to US\$ 1,200 million in 1999 with growth rate of 7.5% in 1999. The industries are in tin and gypsum mining, timber, electric power, agricultural processing, construction, garments and tourism. Manufacturing is the leading component of the industrial sector, and the services sector is led by wholesale and retail trade.

The transport and communication infrastructure is extremely poor : some of the provinces and 50% of the district capitals have no all – year road access. The airport in several provinces consist of dirt strips, and some provinces can only be reached by helicopter. There are 25,000 telephones lines in the whole of the Lao PDR. An additional lines are planned to be installed in the near future. Although electricity is exported to Thailand and is the major source of in come. (Lao PDR can produce electricity in the amount of 1.02 billion kWh ^{44]}

which mostly by hydro (98.04%, and by fossil fuel 1.96%)⁴⁵⁾; These electricity are exported in the amount of approximately 705 million kWh to⁴⁶⁾, the only source of electrical power in most of provinces is small generators powered by fossil fuel, serving one village or few households.

In 1995, the Lao PDR embarked upon a major programme of economic reform, the New Economic Mechanism (NEM), focusing initially on granting management autonomy to some state enterprises. Since 1986, the objectives of the NEM have been refined, and actions have been taken on a broad front, including decontrol of prices and distribution of goods and services, restructuring of the banking system, passage of a foreign investment law, privatization of a number of state enterprises etc. Despite short – term adjustment costs, the success of the reform programme is considered encouraging. The GDP in real term (constant 1990 prices) grew by 13.5% in 1989, 6.6% in 1990, 4% in 1991, 7.0% in 1992 and by 4% in 2000.⁴⁷⁾ Inflation in 1992 stayed below 10%, while in 2000 it is 33%. However, about two – thirds of the country – in particular more remote areas of northern Laos – do not yet benefit from these development.

Table 5 : Illustrated Basic Facts about Economy in Lao PDR

BASIC FACTS		DESCRIPTION	
1.	GDP	purchasing power parity--US\$ 9.2 billion	
2.	GDP – real growth rate	5%	
3.	GDP – per capita	purchasing power parity – US\$ 1,630	
4.	GDP – composition by sector	Agriculture	53%
		Industry	22%
		Services	25%
5.	Population below poverty line	40%	
6.	Household income or consumption by percentage share	Lowest 10% :	3.2%
		Highest 10% :	30.6%
7.	Inflation rate (consumer price)	10%	
8.	Labor force	2.4 million	
9.	Labor force by occupation	Agriculture 80%	
10.	Unemployment rate	5.7%	
11.	Budget	Revenue : US\$ 211 million Expenditures : US\$ 462 million	
12.	Industries	tin and gypsum mining, timber, electric power, agricultural processing, construction, garments, tourism	
13.	Industrial production growth rate	7.5%	
14.	Electricity production	1.02 billion kWh	
15.	Electricity production by source	Fossil fuel :	1.96%
		Hydro :	98.04%

16. Electricity consumption	690.6 million kWh
17. Electricity exports	400 million kWh
18. Electricity imports	142 million kWh
19. Agricultural products	sweet potatoes, vegetables, corn, coffee, sugarcane, tobacco, cotton, tea, peanuts, rice, water buffalo, pigs, cattle, poultry
20. Exports	worth: US\$ 325 mill. (FOB 2000)
21. Exports commodities	wood products, garments, electricity, coffee, tin
22. Exports partner	UK, Thailand, Germany, France, Belgium
23. Imports	worth : US\$ 540 (FOB 2000)
24. Imports commodities	machinery & equipment, vehicle, fuel
25. Imports partners	Thailand, Japan, China, Singapore, Hong Kong
26. Debt external	US\$ 2.53 billion
27. Economic aid recipient	US\$ 345 million
28. Currency	Kip (LAK)
29. Currency code	LAK
30. Exchange rates	Kips per US dollar 9,467.00 (December 2001) 8,954.58 (2001) 7,887.64 (2000) 7,102.03 (1999) 3,298.33 (1998) 1,259.98 (1997)
31. Fiscal year	1 October – 30 September

Source : CIA, 2002 The World Fact Book

**Table 6 : Illustrated Growth Rate of GDP at
Constant 1990 Market Prices, 1992-1995 (in percent)**

	1992	1993	1994	1995
Agriculture	8.3	2.7	8.3	4.9
Crops	13.1	-11.1	12.6	6.6
Livestock and Fishery	9.0	4.2	4.3	3.4
Forestry	-35.4	183.7	4.0	2.6
Industry	7.5	10.3	9.0	11.4
Mining and Quarrying	12.9	36.5	30.2	-2.42
Manufacturing	9.4	7.7	4.7	11.7
Construction	7.4	16.1	17.3	22.1
Electricity and Water	-9.8	21.4	29.0	-12.1
Services	-3.9	7.7	6.5	8.5
Transport & Communication	6.9	3.1	4.3	1.7
Trade	7.0	18.5	7.5	8.9
Banking	11.4	13.2	8.2	10.2
Ownership of dwellings	-16.2	8.0	8.5	11.0
Public wage bill	-2.7	-0.2	-6.6	-4.5
Non-profit institutions	20.8	-9.8	16.1	10.5
Hotels and restaurants	125.3	14.8	50.1	62.8
Other services	51.8	3.5	7.7	2.5
Import Duties	4.9	52.8	13.0	15.6
GDP at market prices	7.0	5.9	8.1	7.1

Source : Reyes 1996 : 8

**Table 7 : Illustrated Inflation Rates
(CPI) in percent, 1990-1995**

Year	Annual average *	December **
1990	40.4	17.7
1991	13.5	10.4
1992	9.9	6
1993	6.3	8.9
1994	6.8	6.8
1995	19.4	25.7

* Consumer price index, twelve – month percentage change

** Consumer price index, percentage change from Dec. of previous year

Source : BOL 1996 : 6 .

**Table 8 : Illustrated Official Exchange Rates, kip/US\$
(annual averages, unless otherwise stated)**

Year	Kip/US\$
1989	576
1990	709
1991	702
1992	715
1993	716
1994	718
1995	815
Dec. 1995	920
Mar. 1996	925

Source : APRACA, Microfinance in Lao PDR, 1997

Table 9 : Illustrated Economic Indicators, Lao PDR, 1990-1995

Indicators	1990	1991	1992	1993	1994	1995
Real GDP Growth Rate (in %)	6.7	4.0	7.0	5.9	8.1	7.1
Nominal GDP (in B Kip)	612.7	722.0	844.3	951.0	1,109	1,395.0
Nominal GDP (in M US\$)	851	1,003	1,172	1,321	1,540	1,516
Nominal GDP per capita (in US\$)	200	216	250	290	335	350
Inflation Rate (end - year)	17.7	10.4	6.0	9.0	6.7	25.7
Liquidity (end - year, in B Kip)	46.9	51.3	76.5	125.8	166.0	193.3
Money	27.5	28.2	35.2	52.2	61.3	67.2
Quasi - money	19.4	23.1	41.3	73.6	104.7	126.1
Liquidity Growth (end - year, in %)	14.4	9.4	49.1	64.4	32.0	16.4
Money	9.6	2.5	24.8	48.3	17.4	9.6
Quasi - money	21.2	19.1	78.8	78.2	42.3	20.4
Exchange Rate (end - year, buy, Kip per \$)	727	727				
Parallel Market	698	711	720	720	726	936
Official Market	695		715	716	716	920
Net Foreign Capital Inflow (in M US\$)	55.8	9.6	9.6	111.5	106.6	203.3
Long - term loans	49.8	35.1	35.1	69.5	55.7	109.2
Short - term loans		-33.5	-33.5	-35.8	7.5	10.2
Foreign investment	6.0	8.0	8.0	77.8	43.4	83.9

External Assistance Inflow (in M US\$)	175	132.6	134.0	181.3	188.7	232.5
Long - term loans		47.1	71.1	77.8	64.0	123.2
Grants		85.5	62.9	103.5	124.7	109.3
Foreign Investment Approved (in M US\$)	58	1,586	328	355	2,598	615
Government Expenditure	199.2	209.9	266.8	236.8	359.5	319.6
(in M US\$)	143.4	151.1	192.1	170.5	266.7	294.0
(in B Kip)						
Government Revenue (in B Kip)	61.0	74.7	93.5	113.3	143.6	165.7
Budget Deficit, excluding grants (in B Kip)	82.4	76.4	98.6	72.9	123.1	128.3
As % of GDP	13.4	10.6	11.7	7.7	11.1	9.2
Outstanding Off. Ext. Debt (end-year, M US\$)	1,043	1,078	1,148	1,202	1,393	1,236
Debt Service Ratio* (in %)	10.3	11.2	6.3	4.6	4.5	4.7
Gross International Reserves (end-year, M \$)	64.8	57.2	81.2	150.9	158.2	191.1
BOP Current Deficit (in M US\$)						
Including Official Transfers	78.1	25.0	41.1	42.6	106.3	91.7
Excluding Official Transfers	101.5	110.5	104.0	146.1	231.0	201.0
As % of GDP	11.8	11.0	8.9	11.0	15.0	13.3
Imports (in million US\$)	202	215	265	432	564	587
Export (in million US\$)	79	97	133	240	300	348

* Debt service payments as proportion of exports of goods and non-factor services.

Source : Reyes 1996: 3

3.3.1.8 Transportation and Communication

The transportation and communications infrastructure is extremely poor : some of the provinces and 50% of the district capitals have no all year road access ⁴⁸⁾ There are approximately 51 airports in the country out of which 9 airports are with paved runways and about 42 airports with unpaved runways.⁴⁹⁾ The airports in several provinces consist of dirt strips, and some province can only be reached by helicopter. There is no railways in the Lao PDR. The highways total length is 14,000 km., out of which 3,360 km. is paved, while 10,640 km. is unpaved highways. There is approximately 4,587 km waterways, primarily in Mekong River and tributaries ; 2,897 additional km. are intermittently navigable by crafts measuring less than 0.5 m. The length of pipelines for transport petroleum products is 136 km. Since Lao PDR is landlocked country, there is no ports and harbors, however, there is one cargo ship (1,000 GRT and over) and mechanical boats totaling 2,370 GRT/3,000 DWT serving in Mekong river.

Regarding communications, there are 25,000 telephone main lines in use throughout the country, while there are approximately 4,915 telephones mobile cellular system ⁵⁰⁾. The general assessment of the telephones system is that service to general public is poor but improving, with over 20,000 telephones currently in service and additional 48,000 expected by 2001. The government relies on a radiotelephone network to communicate with remote areas.

The general system used for domestic communication is radiotelephone communications, while the international satellite earth station – 1 Intersputnik (Indian Ocean region) is utilized for international communication

There are radio broadcast stations, AM 12, FM 1, shortwave 4 with approximately 730,000 radios receivers throughout the country. There are also 4 television broadcast stations with 52,000 television receivers in the country. The Internet country code of Lao PDR is .la. There is only one Internet Service Provider (ISPs) in the country with 2,000 Internet users.⁵¹⁾

3.3.1.9 Health

From literature reviewed and discussed with Health Officers and villagers, it is found out that Malaria, intestinal infections and respiratory diseases are highly prevalent in northern Laos resulting in child

mortality rates of sometime 50% and higher. Most of these diseases do not require hospitals and complicated interventions by experienced doctors but could be addressed through information and education provided by district and village health care workers.

At present there is only one provincial hospital in most provinces with some qualified staff, but even these have little equipment and medicines. At best some districts have a hospital with a few staff, and very rarely any equipment or medicines. Hospital beds at the provincial and the district level do not have the human and financial resources to serve remoter areas. In short : the people in northern Laos have virtually no access to health services.

The impact of this adverse health situation cannot be exaggerated : particularly in a situation where households struggle to meet their subsistence requirements, sickness of even one household member can mean economic disaster. The results of this situation, as far as drug addiction is concerned, opium (mostly cultivated in northern region during October – February) is frequently used as a pain – killer to enable sick people to work despite their health problem ⁵²⁾. The use of opium for medical reasons is the main cause for opium addiction.

Concerning to HIV/AIDS, it is found out that the prevalence rate in adult is 0.05% and people living with HIV/AIDS is 1,400 people. There were 130 people who died with HIV/AIDS. ⁵³⁾

3.3.1.10 Education

Since 1975 the Lao Government has made significant efforts to build up a functioning education system with 5 years of primary, 3 year of lower secondary and and 3 years of upper secondary schooling. However, literacy and school enrolment rates in rural areas are low, with great disparities between Lowland, Upland and Highland Lao (Lao Loum, Lao Theung and Lao Soung). Rudimentary school facilities exist even in remote villages, usually consisting of a shelter where the first two year of primary school are taught by a volunteer as the teacher.

Upland, and in particular Highland, Lao (Lao Soung) are “Educationally Disadvantaged” ⁵⁴⁾ in many way. Not only do they have little access to full primary school and other school facilities, but there are also very few teachers from ethnic minorities. In Bokeo, ⁵⁵⁾ for example, there are total 516 teachers, 27 of them high – and 85 of them

at middle level. However, none of the high – and middle level teachers is a Lao Soung, and only 7 of the middle – level teachers are Lao Theung. Most of the Lao Soung teachers are so – called “no – level” teachers, i.e. teachers who have a certificate from primary school and have been trained in a three – month crash course as teachers. The situation in other provinces is similar. As a result, literacy is much lower among Lao Soung in comparison to Lao Loum or even Lao Theung.^{56]}

Lack of teachers and limited access to educational facilities are not the only reasons for low school enrolment and literacy. One of the key issues is that formal education / the curriculum are often considered irrelevant by people in rural areas in general, and by ethnic minorities in particular. The survey in 1999 reveal that 57% from total population, people can read and write, 70% of male can read and write, while 44% of female can read and write.

3.3.1.11 Human Development Index (HDI)

The Lao PDR is an ethnically diverse country, with 47 officially recognized ethnic groups, with their own customs and dialects. Across the country regional, lowland – upland, urban – rural, ethnic and gender disparities are reflected in inequities in access to fertile land, basic social services, transport and communications. The Lao Loum, who traditionally live in more fertile lowlands are prosperous urban areas along the Mekong corridor, account for some 52.5% of the total population and represent the majority in eight of the 18 provinces. While over 65% of the population are Buddhist, a third are animist. The Lao PDR also has a number of religious groups, for example Christians, who constitute 1.3% of the population. Despite considerable improvements in the quality of life over the past two decades, the general health status of the Lao population remain low. The health situation is characterized by low life expectancy, high infant, (under – five) and maternal mortality rates. Only one half of the total population has access to safe drinking water, and less than half to safe sanitation facilities. The health status of the population is generally worse in remote rural areas, and among women, small ethnic groups, the poor and the uneducated. Lao people, especially the young, are also increasingly vulnerable to HIV/AIDS and drug addiction. Although quantitative and qualitative progress in education has been made in recent years, a significant proportion of children, especially girls and

ethnic groups in remote areas, are not guaranteed and equal opportunity to a basic education. Access to secondary and tertiary education is particularly limited and just under 30% of adult population is illiterate. Economic growth coupled with rapid population growth is increasing the demand for education services and for vocationally qualified people. The quality of education available, however, is currently inadequate to meet economic and social demands, even for few who complete it. Although the Lao PDR has experienced significant advances in social development in recent years, the country is categorized as having a “low level of human development”. In 2001, the Lao PDR was ranked 131st out of 162 countries in the UNDP Human Development Index (HDI), making it one of the poorest countries in South – East Asia, and 119th in the UNDP Gender – related Development Index (GDI), indicating the existence of significant gender disparities.

Table No. 10 demonstrates that the development pace of the Lao PDR in the last six years was slow. In 2002, the Lao PDR was outstripped by Sudan, In 2001 by Nepal, Bhutan and Togo, and in 1999 by India and Cambodia, who have all come up in their HDI ranking. Out of Asian countries, currently only Bangladesh has a lower HDI than the Lao PDR (Bangladesh is 145th). This data clearly indicates that the Lao PDR needs to accelerate its equitable growth rates to be able to breach out of the low human development and the LDC status. Despite more than a decade of high economic growth, following the introduction of market – orientated reforms under the NEM, annual GDP per capita in the Lao PDR is just US\$ 350. Many of the benefits deriving from economic growth and socio – political reform have yet to reach a significant section of the population. Despite numerous capital investment in infrastructure, many households, particularly those in rural areas, lack access to basic health and education services, as well as essential households amenities, such as clean water, sanitation facilities and electricity.

Even though both the industrial and services sectors have experienced high level growth since the introduction of the NEM, agriculture remain the mainstay of the national economy, accounting for more than 50% of GDP.

Table 10 : Illustrated HDI and GDI index

Year	HDI	GDI	Out of (total number of countries)
2002	143	143	173
2001	131	119	162
2000	140	117	174
1999	140	115	174
1998	136	125	174
1997	136	114	175

Source : UNDP, 2002

3.3.1.8 Housing

From field survey and observation, it is revealed that traditional houses, are self-built and owner-occupied. The most common is the wooden house built on columns to leave a space below the house for various functions, from cooking to small-scale industries. Nowadays, more sophisticated construction materials, for instance, cement, bricks, steel and other, have rapidly replaced the use of wood in housing constructions. In return, the remained traditional wooden houses have become a valuable architectural heritage for the majority of cities in the country. In addition, the traditional functional design has been widely developed in urban two-story town houses, with the ground floor used not only for living, but also for small retailing shops, storage industries and workshops.

Since 1975, with a purpose to increase the housing stocks, a public housing policy has been promulgated and the construction of apartments blocks and communal housed have been followed. Prime Ministerial Decree 194/PM promulgated a housing policy for government staff. Under this policy, public housing is transferred to concerned government staff, government staff is provided with long-term credit for house construction and new house construction by individual staff receives co-finance from the Government. Bank are providing short-term loans to urban property market. Over the first five years, 1,888 persons benefited from this policy.⁵⁷¹

However, in spite of this effort, the service offered has been limited only to a small number of public servants. Lack of access to land and

housing is a critical issue among the poor in most cities and to completely resolve the problems of this group of people is far beyond the financial ability of the government. A critical issue that has caused an environmental degradation and social problems is the uncontrolled urban development whereby the non-poor infringe upon the marginal areas where the urban poor live. In the policy aspect, the early set housing policy has not been comprehensive enough to address the needs of all groups of residents.

Regarding the issue of land ownership, in Lao PDR, the State is the owner of all land on behalf of the Lao people. It grants legal ownership of use rights to individual households. It is the strategy of the Government to move toward the implementation of a land registration system and the issue of titles to all landholders. In its 1994-2000 Public Investment Programme, the Government of Lao PDR has made commitment to develop a land-titling system. Once that is established, clear land use rights can be established, investment by the private sector encouraged, credit markets can be developed and the sale of land – use rights and taxes on land transactions can become a source of fund for the Government.

A land – titling is in the process of surveying and assigning titles throughout Vientiane and other towns. Until January 2001, around 13,000 titles had been issued out of an estimated total 49,000 ⁵⁸¹ in urban Vientiane, but the current initiatives are not reaching the poor in the marginal areas. Women rank insecurity of tenure as the second priority problem after flooding. Lack of formal land rights make people reluctant to invest in their houses, services and agriculture.

3.3.1.9 The External Assistance

From the literature reviewed, it is found out from the UNDP Round Table Document, recorded external assistance to Lao PDR amounted to US\$ 162.2 million in 1990. The categories supplied with the largest shares of assistance were agriculture (19.8%), economic management (18.5%), transport (18.1%), human resources development (13.4%), and natural resources and energy (13%). Social Development received 3% and health 2.8%. 16 multi – lateral and 25 NGO donors from the convertible currency area contributed US\$ 153.3 million. 40% of the assistance was provided in the form of loan. The largest donors were the Asian Development Bank, the World Bank, Sweden, Japan and UNDP. In 1999, Lao PDR received economic aid

from various donors in the amount of US\$ 345 million.⁵⁹¹

It is also found out that the external assistance inflows in 1995 were estimated at US\$ 232.5 million, comprising US\$ 123.2 million in loans and US\$ 109.3 million in grants. This represents an overall increase of 23.2% over the preceding year. In 1992, the volume of grants was 11.55% below that of external loans. But in 1991, 1993 and 1994, grants exceeded loans by 81.5%, 33.0% and 94.8%, respectively. With a doubling of the volume of long-term loans in 1995 compared to 1994 and a decrease in the volume of grants, the volume of grants was 11.3% below the volume of loans. For 1996, foreign assistance is projected at a substantially lower volume of Kip 171 billion or US\$186 million, which roughly corresponds to the level of 1993 and 1994. The composition of foreign assistance in 1996 will be closer to the pattern of these two years, with grants exceeding loans by 11.6%. It appears that in terms of volume and composition, trends in foreign assistance are erratic. Similarly, the management of economic development and the coordination of domestic and foreign assistance appear to have been erratic. There is no transparency in the selection of projects for external assistance; nor is there a system for monitoring external assistance disbursements as well as the impact monitoring. While considerable technical assistance has been provided to coordinate the transition to market economy, it is being claimed by sources close to the UN that "the situation has hardly improved. Essential linkages between macroeconomic target setting, policy making, public investment programming and budgeting have not been established".

However, one should also point out that it is easier to establish the need of such linkages than to implement them, particularly in wide-open development settings that defy any standard approach. First steps to remedy the situation have recently been taken. Aid proposals are now being processed by a Foreign Assistance Management Committee under the supervision of the Office of the Prime Minister. Planning will be on the hands of a State Planning Committee to be headed by the Minister. Systematic donor coordination would be equally important, presumably under the leadership of the UNDP, which so far has been instrumental in organizing informal Round Table Meetings for the purpose of coordinating external assistance. Whether this might also extend to the private development aid sector remains an open question. Recent efforts of establishing a forum of such private agencies were discouraged through government intervention.

3.3.2 Place of Agriculture

3.3.2.1 Important Features

Since the change to a market – orientation economy (that is, the adoption of the New Economic Mechanisms, NEMS) in the late 1980s, Laos has received “good marks” for its economic performance by international donors. However, while those areas integrated in the national economy have benefited from economy development, for two thirds of the country – and this includes all provinces of northern Laos (with the exception of some areas of Vientiane province) – the move to a market economy has had little impact :

“The NEM has had neither direct positive nor negative effects on these areas isolated from the market economy. However, it has had indirect effects. For example, some mountain dwellers with only infrequent contacts with urban markets have been subject to commercial pressures which, without involving them in the process of economic development, have nevertheless modified their economic behavior. Inflationary trends, poorly understood by uninformed mountain populations, have encouraged them to sell certain essential assets too quickly, particularly cattle, resulting in de-capitalization and subsequent increase in their economic vulnerability” ⁶⁰

Most farmers of Laos in Southern region are primarily concerned with paddy, coffee plantation and orchard production, in Central Region mostly concerned with paddy, cassava, potatoes and maize, in Northern Region are concerned with subsistence production, and a description of the economic situation in these areas must therefore analyze the problems related to food and livestock production.

Agriculture and forestry account for 52 percent of GDP and 85 percent of employment ⁶¹. During 1990s, agriculture output has grown at an average 5 percent per annum. It is estimated that, for the first time, the country overall has achieved aggregate self – sufficiency in food in 1999. It is, however, noted that remote and mountainous areas still face seasonal food shortages due to partly a distributional problem. The government’s approach to developing agriculture is to further increase agriculture output and rural productivity to reduce poverty and to develop rural areas.

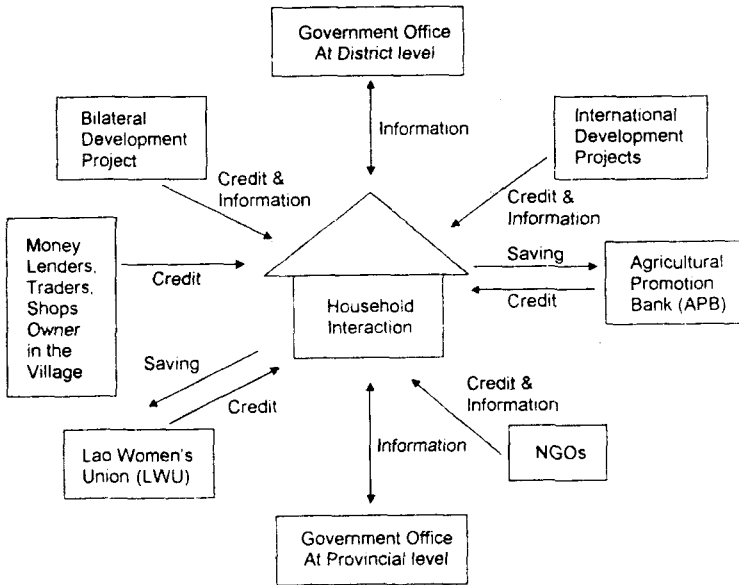
Productivity in agricultural sector is still hampered by a number of institutional and systemic constraints including :

- 1) Weak public sector institutions and human resources, particularly in the country's remote provinces.
- 2) The need to provide more supportive environment for private sector investment in agricultural development.
- 3) Poor rural transport, electricity, and communication infrastructure which severely hinder economic development and the integration of markets and public services delivery.
- 4) Underdevelopment rural saving and credit services.
- 5) Heavy dependence on rain – fed agriculture systems.
- 6) Lack of marketing system linking between producers, wholesalers, and retail buyers.
- 7) Lack of diversification in agricultural production.
- 8) The declining natural resources base resulting in decreased soil fertility, increased erosion, and erratic water supply.
- 9) Lack of a national water policy and legal support mechanism.
- 10) Ineffective coordination among stakeholders utilizing water resources.
- 11) Weak maintenance and rehabilitation for irrigation schemes.
- 12) Drought in rain-fed areas.
- 13) Soil erosion and fertility losses in upland rice (about 36% of total area) cultivation.
- 14) Periodic flooding due to the swelling of Mekong River.
- 15) Sandy soils with low level of fertility, especially P and K.
- 16) Weeds, insects and diseases.
- 17) Inadequate credit and input supply – fertilizer and other agro – chemical.
- 18) Small farm size.
- 19) Price fluctuation of Agricultural products.
- 20) Popular preference to glutinous rice.
- 21) Farmers' investment capital based on Money Lender in the village with high interest rate.

22) In – effective extension support. ⁶²¹

Agricultural Development in Laos aims to reduce poverty by improving and increasing agricultural production through a community-based approach in designing and implementing components which directly impact the lives of the poor. There are nine components.

Figure 7 : Illustrated Household Interaction in Lao PDR



Source - Problem Census and Analysis with Government Officers and Villagers during field survey and investigation

Source : Problem Census and Analysis with Government Officers and Villagers during field survey and investigation.

- 1) Improving rural infrastructure by supporting the rehabilitation of small scale irrigation system.
- 2) The rehabilitation of rural access tracks and trails.
- 3) Improvement of rural water supply and sanitation.
- 4) Institutional strengthening of agricultural services at district, provincial and central level for the delivery of extension services.
- 5) Adaptive research and demonstration.
- 6) Support the policy of transferring responsibility of irrigation management and system to water user associations.
- 7) Environmental management, raising awareness among farmers and extension staff of environment issues.
- 8) Support the implementation and coordination units and in particular strengthen capacity in monitoring and evaluation as well as in financial management.
- 9) Village investment for the poor, a block grant allocated to small farmers in remote villages in agriculture production. ⁶³⁾

3.3.2.1 Food Production

Rice is the main food crop in Laos, often supplemented by vegetables, beans, cassava, potatoes and maize. Considering that Laos as a whole, in normal year without climatic problems, is just self – sufficient in rice and no more, then any area producing less than the average quantity of rice is a rice deficit area. This is the case with seven of the ten provinces in northern Laos : even in normal years, only Vientiane, Borikhamsay and Houaphan province produce more rice than the whole of Laos on average. Within the provinces of northern Laos, opium – producing areas typically grow even less rice, and face rice shortages for four to six months every year. The situation was much worse in 1991 and 1992 because of a drought in northern Laos. In Louang Namtha province, which was particularly affected by the drought in 1992, many farmer, in particular Lao Loum, made up for the loss in rice by producing more opium.

Most farmers in northern Laos practice swidden farming for which they need an area of about 2 hectares of upland rice land per household. As they should not use these 2 hectares for more than 1 or 2 years before leaving it fallow for at least seven years, every house-

hold needs at least 10 hectares of land for sustainable upland rice cultivation. Much less is needed by households with low paddy land and enough water (less than two hectares). However, because of population growth in most areas, 10 hectares are not available for upland rice, and lowland paddy areas are usually taken by other farmers. Upland farmers thus have no choice but to practice upland farming with ever shorter fallow periods, resulting in decreasing yields and environmental degradation.

3.3.2.2 Fishery Production

Developing fresh water fisheries for the rural poor is also required for Lao PDR in order to have cheap protein for people.

Throughout the Lower Mekong Basin, tiny fisheries in seasonal wetlands and small bodies of water support an important second livelihood and provide a crucial source of animal protein for the rural poor. It's a resource that has, until now, been neglected. It is needed to promote management and expansion of appropriate small – scale fisheries. The component of the development should include stocking seasonal wetlands and artificial ponds with local fish species, aiding nearby fishery station to grow fingerlings to stock community fisheries, and to breed other, promising, local fish varieties : mapping the way fish move along the rivers : improving knowledge of fish ecology management and used in small streams, and giving fisheries staff the research tools to better understand community fisheries. More important, giving seasonal wetland fisheries more sustainable will greatly improve local diets and income.

3.3.2.3 Livestock Production

While people in most provinces and areas of northern Laos face rice shortages, most household in these areas also produce more livestock than a Lao household in average. Farmers usually invest their savings in livestock, and if they face food shortage, livestock is – together with opium – the main source of cash income to purchase rice ⁶⁴. Although the regulations (export quotas, tariffs etc of WTO) for cross – border trade are still unclear, it seems that livestock is one of the few products of northern Laos which can realistically be expanded for export to neighboring countries in the future. Given this significant role of livestock, animal health is of crucial importance; the death of a cow mean the loss of all family savings. However, there are few

veterinary services available to farmers and animal diseases are widespread. It was revealed by an IFAD mission to Bokeo province in March 1993, for example, found that about 50% of animals usually die of diseases.

**Table 11 : Illustrated Production
Zones and Cropping Seasons**

• **Production Zones**

Production Zone	Harvested area (% total harvested area)
Savannakhet	15.41%
Champasak	12.63%
Luang Prabang	10.65%
Vientaine Municipal	7.83%
Saravane	6.90%
Vientaine	6.53%
Oudomxay	5.65%
Houaphanh	4.59%
Khammouane	4.59%
Sayabouly	4.15%
Phongsaly	3.83%
Borikhamxay	3.66%
Xieng Khouang	3.29%
Luangnamtha	3.07%
Bokeo	2.50%
Attapeu	2.15%
Spec Region 1	1.52%
Sekong	1.04%

• **Cropping Seasons**

Cropping season	Planting	Harvesting
Main season	5 – 7	11 – 12

Source : Lao PDR Focal Point, 2002.

3.3.2.1 Cash Crop Production

Cash crops other than opium play only a minor role in the economy of mountain communities. Produce such as sesame and legumes are sometimes grown for sale at district and provincial markets. The potential for the expansion of these produce is limited to the demand from within Laos and by the lack of road infrastructure. The same is true for fruits which, even within Laos, in particular in the Vientiane area, have to compete with better quality fruits from abroad (WTO Trade Liberalization).

In a few areas, forest products other than timber are collected : which include cardamom, benzoin, wild mushroom. It is these products which can relatively easily be exported to other countries although there are not many possibilities to increase production.

3.3.2.2 Forestry Production

The Lao PDR forests are endowed with valuable hardwood, which continue to be an important source of foreign exchange earnings. In 1993, exports of wood products including lumber amounted to US\$ 38.2 million. In addition, exports of raw logs generated US\$ 8.5 million. Together, they accounted for more than one fifth (22%) of total exports earnings.

The orientation of government policy is shifting towards the promotion of wood processing from exports of raw logs and lumber. However, full implementation of this policy is hindered by shortage of capital and technical skills within the country.

Over the last three years, the Government has also been implementing a policy of striking a balance between exploitation and conservation of the country's valuable forestry resources. A temporary logging ban was imposed in 1991 pending determination of a sustainable quota system for the logging industry. It would now appear that logging is no longer banned but merely regulated in view of the intensification of activities in the forestry sector, including exports of forest products. As noted in a previous section, forestry value added reportedly increased by almost 200% in 1993 after suffering a contraction the year before.

3.3.2.3 Road Infrastructure and Marketing

Some of the provinces and 50% of the district capitals have either no

all – year road access or even no road access at all. The airports of some provinces consist only of dirt strips, and some provinces can only be reached by helicopter. The situation is much worse within provinces and within districts. It is this lack of transport infrastructure which is responsible for difficult access to markets. For example : a farmer growing pears in Xieng Khouang can make 400% profit if he sells his fruit in Vientiane. Fruit, however, requires good roads, and since there is no reliable road access from Xieng Khouang to Vientiane, farmers in Xieng Khouang are often seen feeding fruit to pigs. Therefore, it is important to improve access of farmers' products to markets.

3.3.2.4 Its Place in National Economy

The annual per capita income, estimated to be about US\$ 290 1993, understates living standard in the Lao PDR because the non – monetized segment of the economy is not represented in the income data. This applies particularly to the agricultural sector, where subsistence farming is the main occupation, and rice is the staple food crop.

Agriculture is the principal economic sector in the Lao PDR, accounting for 56% of total value added in 1993 and covering a wide range of activities from subsistence production to agriculture – related industries. About 80 percent of the population is engaged in agriculture, broadly defined to include livestock, fisheries and forestry.

It is estimated that approximately 649,000 hectares of land are under cultivation, of which 539,000 hectares or 83% are devoted to rice cultivation. Sixty five percent of the country's rice is grown in the lowlands, of which only 3.7% are irrigated. The remaining thirty five percent of rice production is in the uplands, where 60 percent of the population do not produce enough to cover their own needs and lack rice for about 3 months per year, during which time they eat maize, cassava, taro, and other rice substitutes. Families dependent on upland rice production, as well as in the lowest terraces, are particularly vulnerable to the vagaries of the weather.

Other crops, including coffee, maize, cassava, taro, soybean, mungbean, peanuts, tobacco, cotton, sugar cane, tea, and variety of others are planted to the remaining 17 percent of cultivated land area.

Sizeable livestock holdings include buffalo and cattle, as well as pigs, sheep, goats, poultry, and other animals.

The industrial and services sectors of the economy currently account for about 22 and 23 percent, respectively, of Gross Domestic Product. Under the New Economic Mechanism, adopted in 1986, there has been rapid expansion in the output of the industrial sector, particularly manufacturing. Consequently, the share of agriculture to GDP declined somewhat from 59% in 1992 to 56% in 1993. Nonetheless, the economy remains predominantly agricultural in nature.

3.3.2.1 Impact of Globalization on country agriculture

The impact of Globalization and Trade Liberalization on agriculture is being seriously evaluated by the government and farmers' organizations in Lao PDR. Even Lao PDR is now preparing for AFTA and WTO membership. The Agreement on Agriculture (AoA) under WTO seeks to bring in a rule – based disciplined trade order throughout the world. These stipulations affect the member – countries, including Lao PDR, in several ways depending on their present status of agriculture development, agro – production and input supply system, market facilities and legal and operational environment. While the Government of Lao is aware of various negative implication for the Laos agriculture, a number of corrective and awareness steps have been taken.

Agreement on Agriculture under WTO brought within its discipline the commitments regarding domestic support to farm sector, export subsidies, removal of non – tariff barriers (NTBs), conduct of trade relations under a system of transparent tariffs and minimum market access for agricultural commodities and Sanitary and Phyto – Sanitary (SPS) measures. In order to prepare the country ready to confront with globalization and liberalization, a number of seminars, workshops and conferences have been held by the government, various institutions and private sectors to focus on the implication of WTO in general and agricultural agreement in particular as well as trade liberalization, and to generate awareness among the policy – makers, intellectuals and other concerned. The farming communities is being sensitized on the implications and opportunities of WTO through farmers' forum, Lao Women's Union, Youth, Lao Federation of Trade Union. New National Development Priorities and Goals have also been enacted to ensure safeguards.

With a view to protect farmers from the adverse effects of trade liberalization, dependence on imports with adverse consequences on rural

livelihood, the government has taken some measures ; Economic Relation : goal are to consolidate the NEM and reinforce conditions for the high economic growth essential for development. On the domestic side, the programme seeks to promote domestic production and develop rural market. On the international side, it aims to expand international trade and reduce the external trade deficit, by increasing the quality and quantity of export goods, lifting regulations and mechanisms hampering export oriented production, securing increased foreign investment, promoting transit trade, re – export and duty – free zones, and preparing for AFTA and WTO membership.

In term of preparation for the impact of Globalization and Trade Liberalization and Free Trade Area Laos should promote to utilize Information Technology in order to stimulate consumption and production, internal structure reform, promotion of trade competition, clemency of rules and regulations and good governance of government and private sector concerned, reform of rules and regulations of controlling which should not impact to marketing mechanism. APEC member countries and Laos should find out alliance from developed countries to assist for the rehabilitation of economy and extended debt repayment as well as reduction of trade barriers on application of high standard of Sanitary and Phytosanitary Measure (SPS). Apart from this, Laos has to prepare on :

- Effective Social Network.
- Knowledge – based Economy.
- Technology Development and Exchange among countries in the region.
- Human Resource Development.
- Support of Small Enterprise and SME.
- Development of Agricultural Products to reach standard of the World Market.

3.3.2.10 Emerging Issues

The emerging issues shall be emphasized on the Development Potentials and Constraints and Landmine/UXO Problem. The physical and socio – economic characteristics of the Lao PDR set out in the previous sections have given rise to the following development potentials and constraints :

(1) Development Potentials

- abundance of water resources giving vast scope for the development of hydro – electric power facilities.
- large irrigation potential which, once developed, could increase food production capacity and allow for further coop development.
- potential for sustained development of high – value timber, provided forest resource management and reforestation programmes are improved.
- significant export potential for non – wood forest products (such as cardamom, benzoin, sticklac and other resins).
- considerable scope for increasing the quantity of minerals already being exported, and for both mining and exporting minerals which are only now being identified.
- proximity to large external markets and potentially strategic position for entrepot trade, although until now most economic activity tends to be concentrated along the Mekong River and the border with Thailand.

(2) Development Constraints

- economic and social fragmentation since many parts of the country are physically isolated and since the population consists of a wide variety of ethnic groups.
- prevalence of subsistence farming and barter exchange among the vast majority of the population.
- insufficient physical infrastructure (such as transportation networks and communication systems).
- insufficient information on the country's key physical, social, economic and climatic variables, and inadequate access to information on markets, technologies and investment opportunities available abroad.
- limited domestic financial resources, necessitating dependence on external assistance to finance a large part of the Government's investment programme and the balance of payment deficit.
- lack of skilled manpower and insufficient institutional capacities required to support a flexible, growing economy.

- high transportation costs, particularly for exports, because of the country's land – locked position.

(3) Landmine/UXO Problem ^{65]}

The civilian population of Laos is threatened by the presence of landmines and wide variety of unexploded ordnance (UXO) – up to 230 different types in one province alone ^{66]}. Fifteen out of eighteen provinces are considered dangerous due to these explosive remnants of war ^{67]}. Contamination by unexploded ordnance, particularly anti-personnel sub-munitions, is far greater than that of antipersonnel mines ^{68]}. Unexploded bomblets (“bombies”) from the United States cluster bombs are major problem ^{69]}. UXO LAO believes more than two million tons of ordnance were dropped on the country, predominantly by the United States but also by Thai and Lao Air forces, during the Indochina War, especially in 1964-1973. UXO LAO estimated that up to 30% of the air – dropped ordnance may remain as unexploded, and potentially lethal, war remnants ^{70]}.

Explosive war remnants remain a serious obstacle to the development of the country. A survey for unexploded ordnance and mines should be conducted prior to any development project, whether it is the opening of a new field by a farmer, the building of a new wing of a school or a hospital by the government, or the construction of a new road. Few donors take this requirement into account leading to serve delays, and unexpected extra cost. The UXO and landmines areas are mostly in the northern region and in the southern region of Lao PDR.

3.3.2 Status of Agricultural Cooperatives

From the literature reviewed and field interviewed, it is revealed that before Lao PDR closed the country and rules by the communist Pathet Lao since 1975 Lao PDR had an Agricultural Cooperatives and Lao Saving and Loan Association (LSLA) (Lao Sahakone Omsin lae Sin Seu : Sahakone in Lao language means Cooperative). These cooperatives existed in the mid – 1970 ‘s. ^{71]} After that the government has put more emphasis on the development of only 4 important institutions ; Lao Women’s Union (LWU), Youth, Lao Federation of Trade Unions and the Lao Front National Construction. Therefore, there are no more cooperatives, even agricultural cooperatives do not exist in Lao PDR.

Apart from the four community level institutions government has put high emphasis on the development of LWU as for partner of government and bilateral projects for rural development of the country. Therefore, it is necessary to understand more about LWU in the context of background, membership and organizational structure, objective and role, cooperation partners, projects and programmes, financial sector programmes and projects, strength and weaknesses, assessment.

3.3.3.1 The Lao Women's Union (LWU)

(1) Background

The Lao Women's Union (LWU) is, at present, one of the most important institutions within the semiformal sector for rural development in Lao PDR.

The LWU was founded in 1954 ⁷²⁾ under the name Lao Women's Patriotic Organization. LWU took up its current organizational structure as a women's interest group in 1984 after management restructuring. It aims to disseminate information about women, serve women's needs, promote and protect the rights of women and children and encourage poverty alleviation. However, the primary task of LWU was to support mobilize women in support of the revolutionary struggle. In 1975, its function shifted to the task of mobilizing women for national reconstruction and building socialism. Nine years later it changed its name to Lao Women's Union, and in 1989 redefined its tasks and roles within the Lao society. During that time the emphasis changed to directly address the needs of women, particularly poor and disadvantaged women. Throughout the last three years, the LWU has broadened its focus in the sense that the role of women and men are now seen as interrelated, with women having a crucial position within the household economy.

Current Lao Eight National Socio – Economic Development Plan ⁷³⁾ on Human Resource Development which is designed to build capacity at the individual, institutional and community level have emphasized on the development of LWU, youth, Lao Federation of Trade Unions, and the Lao Front for National Construction. The objectives are to link training to the Lao PDR 's socio – economic goals, to upgrade knowledge and skills, to build managerial and technical capacities, and to enhance leadership.

(2) Membership and Organizational Structure

The Lao Women's Union is presently the biggest of four mass – based organizations in Lao ⁷⁴. It has approximately 650,000 members (1995), which is more than a quarter of the female population the ⁷⁵ Membership is voluntary and as a member, a women has to fulfill special conditions and obligations, which include, for example, being 18 years of age, having proved to be good worker and mother, and having shown solidarity in the village or office.

The organizational structure reaches from central, provincial and district level to the villages and so requires an extended administrative network. The LWU is unique in that it is the only organization to have, so called, “Village Volunteers” in almost every village in the country.

Since 1993, the President of LWU is Ms. Onechanh Thamavong, the Vice – Presidents are Ms. Khemphet Pholsena and Ms. Bouavone. The status of the central LWU is equal to a ministry. The staff members of LWU, nearly 20,000 women in 1990, are considered as civil servants.

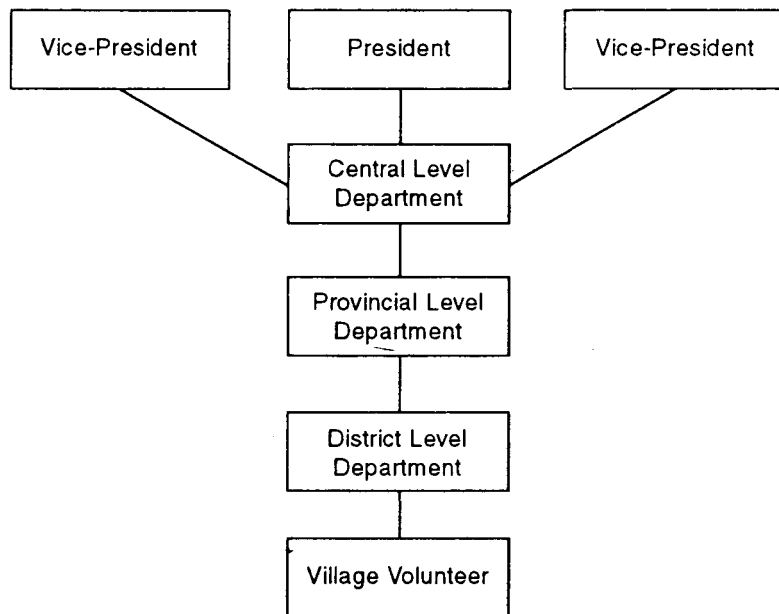
(3) Objectives and Role

The LWU itself defines its different tasks in the Lao society as follow:

General objectives :

- to strengthen solidarity among the women of different ethnic groups and social strata.
- to upgrade the political spirit, promoting patriotism, raising the master spirit of the country.
- to encourage women to participate in the implementation of the new policy of the Communist Party and the socio – economic development programmes of the State.
- to expand the implementation of the “3 virtues” of the Lao women, which comprise being a good citizen, having a good new type of family and achieving good harmony.
- to pursue the “2 Duties”, the duty in national defence and the duty for socio – economic development.

**Figure 8 : Illustrated Organization
Structure of Lao Women's Union**



Source : APRACA, 1997 (C.R. Kunkel & H.D. Seibel)

Detailed objectives :

- to upgrade the knowledge and to develop the ability of Lao women of different ethnic groups and social strata.
- to raise the educational, scientific – technical levels of women to make them capable of participating in economic development.
- to improve the organization of the LWU and to rectify its working style.
- to mobilize the female participation process in national efforts.
- to protect the interests of mothers and children.
- to strengthen relationships with Women's Unions in other ASEAN countries.
- to win the support and assistance of international organizations.
- to advertise the new policies, especially resolution of equality between women and men.

(4) Cooperation Partners

The LWU is in contact with other ministries and departments at all administrative levels. The LWU works actively and effectively together with other departments, especially in rural remote areas, with province and district committees. Nonetheless, the LWU seems to have some autonomy within this cooperation in carrying out their programmes at the village and district level. LWU programmes are mainly financed by – or more likely carried out in cooperation with – donor agencies. On the other hand, the LWU now is the only authorized body for women and gender issues. It is therefore responsible for all gender related government programmes and is the partner for all development agencies concerning gender aspects. The organizations LWU works with multilateral and bilateral organizations like UNICEF, UNIFEM, UNDP, SIDA and NGOs, like Community Aid Abroad (CAA), Quaker Service Laos (QSL), Oxfam Belgium, Save the Children Australia (SCFA), ZOA, etc. In the case of donor funded projects, the LWU is responsible not only for the implementation and monitoring of the project but also for communication with donor – agencies and appropriate government – level – from ministries at the central level to the departments on provincial and district level.

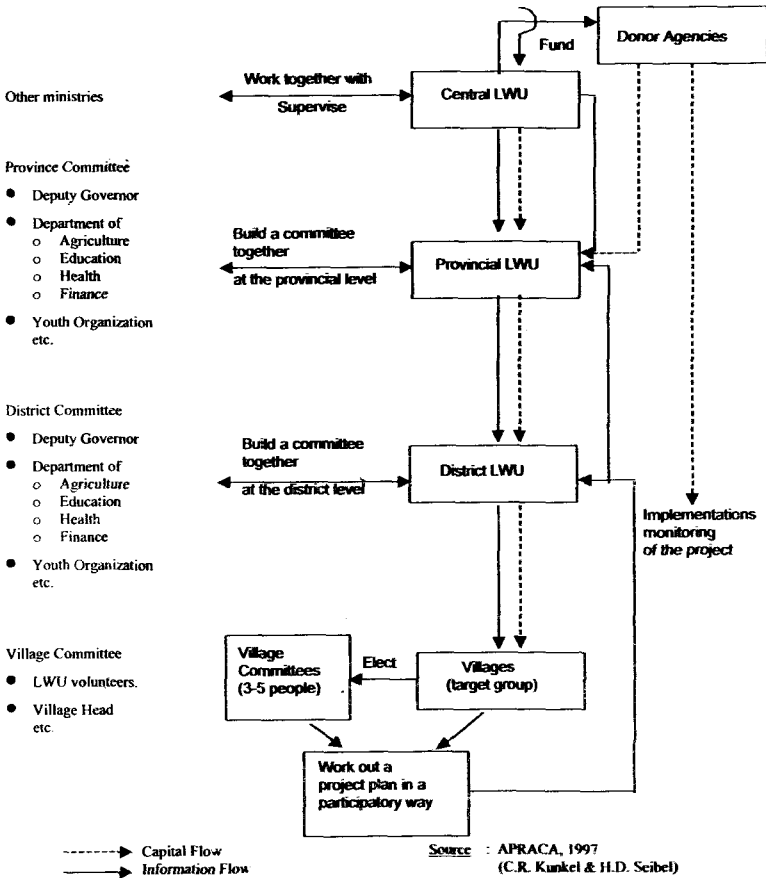
Figure No. 9 : Illustrated the LWU Strategy for Cooperation in and Implementation of Donor – Funded Projects at Village Level.

(5) Projects and Programmes

The LWU aims to realize the empowerment of women through activities which are in accordance with its objectives in various sectors. The main areas of empowerment are education, vocational and skills training, information about laws and rights, women and child health care and support of income generating activities such as handicrafts, gardening and animal production. Projects carried out by the LWU together with donor agencies reach around 3,620 villages with a project – volume of more than 1.8 billion kip in the last six years.

According to the new “National Plan of Action to the Year 2000” (Lao Women’s Union 1996) the LWU will continue its efforts in education and vocational training (planned programme volume US\$ 2 million). Additionally it is planned to support the improvement of employment conditions and opportunities for women, including the protection of women’s labor rights and interest (planned programme – volume US\$ 847,000) and the development of women entrepre-

Figure 9: Illustrated the LWU Strategy for Cooperation in and Implementation of Donor-Funded Projects at Village Level



neurs (planned programme volume US\$ 462,000). Another sector considered important is the development of microfinance services for women. All planned programmes will be carried out with different governmental and non – governmental agencies and international donor agencies. It is intended that 10% of the fund will be prodded by the Lao Government, the remaining 90% coming from international organizations.

(6) Financial Sector Programmes and Projects

The LWU plays a key role in the implementation of donor – funded Lao Village Credit Associations. Most of them are revolving funds and are integrated into projects related to income generating activities and other community development programmes. LWU’s main activity involves the implementation and monitoring of these funds. Faced with the existing inequality of women and problems that hinder women from fully participating in the socio – economic development of the country, LWU passed an action plan for the year 2000. One of the major areas of this plan concerns micro financial matters such as women’s access to credit and sources of finance. The planned programme has the following objective :

“(…) to create opportunities for women to have access to credit and financial sources for production and business purposes. This is aimed at raising women’s income which, in turn, would gradually help improve their own and families’ livelihood”

(7) Strength and Weaknesses

At present, the LWU has developed into the best organized and most effective Lao organization with regard to development. Considering its size and level of organization, it can best fulfill the pre – requisites of a viable institutional channel :

- to reach and mobilize women
- to implement projects and programmes
- to be core partner on rural development programmes

However, it is often argued that LWU still lacks important skills and has only limited absorption capacities, especially considering the steadily increasing number of development activities : most of the foreign donors working together with LWU have provided many trainings to build up capacity of LWU.

(8) Assessment

In order to avoid LWU 's problems in the future regarding women – related issued, the government should diffuse this task to other departments as well and not just only LWU. The women – related projects can be mainstreamed into all sectors with every departments being responsible for integrating women's issues into all programmes. The government should consider to allow the establishment of local NGOs which would be another way to reduce workload of the LWU as well as to help diversify of local partner organizations. The following areas should be supported to strengthen capacity of LWU :

- business strategic planning training
- capacity building
- project planning, management, monitoring and evaluation
- financial institution building
- financial management training

3.3.4 Objective Assessment of Informal Farmers' Cooperative Movement

As mentioned in 3.3.3.3 that in the previous phase when the country was ruled by the democratic government, Lao PDR used to have co-operatives. But after 1975 the Communist Pathet Lao took control of the government. All farmers' groups, cooperatives and people organizations had been dissolved, since cooperatives are the democratic way of people organization for self-reliance. The communist government has put more emphasis only to four groups :

- 1) Lao Women's Union (LWU)
- 2) Youth group
- 3) Lao Federation of Trade Unions
- 4) Lao Front for National Construction.

The objectives were to link training to the Lao PDR's socio – economic goals, to upgrade knowledge and skills, to build managerial and technical capacities, and to enhance leadership. The Government used these four groups as a vehicle for country's rural development. Among these four groups, the Government has put more emphasis on Lao Women's Union as a spearhead for working with government, birateral projects, NGOs and donors since LWU is very ac-

tive organization, which contribute to development of rural development in the Lao PDR. It's advantages is that LWU has a network covering 17 provinces, 134 districts and about 12,000 villages all over the country. Current membership is 650,000 and the full time staff number 20,000. It's mandate is (I) to unite and mobilize people for national defense and construction (II) to develop the rights and to protect legitimate rights and interest of its members. The reach of LWU extends to every village in the country and it has projects in 3,620 villages. All donor funded projects for women's development are handled by the LWU.

Regarding Youth group, Lao Federation of Trade Union, and Lao Front for National Construction, there are no available literatures for study.

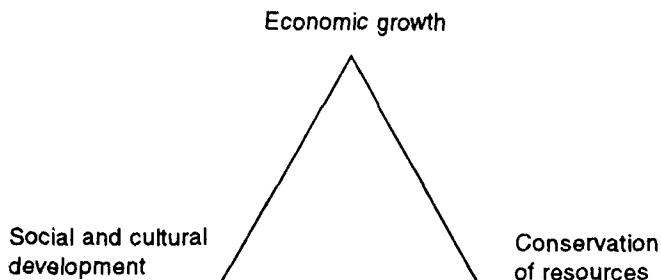
3.3.5 The National Development Plan related Agricultural Policy

(1) *Overarching National Goal*

The Lao PDR's overarching development goal is to quit the status of LDC by the year 2020 through sustainable and equitable development, i.e. "sustain growth with equity". The Government intends to achieve this major goal of eradicating mass poverty by :

- Efficient protection of environment and eco-systems, and sustainable use of natural resources.
- Increase participation of all stakeholders—regions, provinces, districts and villages – in the development process.
- Continued implementation of the New Economic Mechanism (NEM).

The Government adopted a harmonious "triangular" mutually reinforcing approach to growth and development as embodied in the notion of sustained growth with equity :



(2) Stages in National Development

Since 1975, the Government has endeavoured to continuously strengthen the stability of society and has instituted national development policies on a “step by step” basis. The basic tenet underlying the “step by step” approach is to ensure that changes are introduced gradually, and at a rate that does not make them counterproductive to society. The guiding principle is to preserve national values and cultural heritage and to maintain a united society, whilst at the same time to take part in regional integration and globalization.

The national development efforts in Lao PDR have taken place in the context of three stages. These stages are closely inter-linked and need to be developed simultaneously to ensure the progressive transition from an isolated, subsistence – based rural economy to a product and services economy as the condition for advancing coherently towards the 2020 goal.

(2.1) Stage One : Establishment and Implementation of NEM

The NEM was launched by the Government in 1986 in order to gradually transform the economy from a centrally planned to a market oriented model through a number of key reforms, including the liberalization of prices; introduction of trade systems and a two-tier banking sector ; introduction of legal, regulatory and administrative framework needed to support a market economy ; increase transfer of managerial and financial autonomy to, and privatization of, State Owned Enterprises (SOEs)

(2.2) Stage Two : Structural Transformation and Capacity Building of the Economy

Since the introduction of the NEM, the Government has undertaken structural transformations designed to promote national integration, develop a sustainable economic resource base, and build up the basic economic, physical and social infrastructure of the country, with a focus on the development of transport and communications networks. The Government has also sought to promote regional integration, moving towards becoming a full economic partner among countries in the dynamic region and shifting from being a “landlocked” to a “land-linked” country.

(2.3) Stage Three : People – Centered and Sustainable Development

Participatory people-centered development is central to the Government's development efforts. At its core this includes the achievement to basic food security, the preservation of natural resources and the decentralization of development responsibilities to enable greater public participation. The immediate aim is to enhance conditions everywhere in the country, enabling the multi – ethnic population to have access to what are considered the basics of sustainable development : food security, access to markets, education and health. The Lao PDR is predominantly a rural society with an agriculturally based economic structure. The improvement of social conditions and the creation of incomes, especially in rural areas, are top Government's priorities. The integration of rural area into the national market economy is seen as central to eliminating widespread poverty. Rural Development, in its social and physical dimensions, is therefore considered the key to the eradication of mass poverty and sustainable improvement and social well-being.

(3) Eight National Socio – Economic Priority Programmes

The eight national socio-economic priority programmes have been devised to channel the Government's development effort in a focused way towards to 2020 goal. They serve a major reference for the national planning system, and for defining the national investment priorities. Of these priorities programmes, achieving permanent food security, preserving the country's natural resources, and developing the national human resource potential, are given the highest importance.

(3.1) Food Production :

The programme aims to ensure food security by increasing food and rice production. It promotes more intensive and diversified food production, including increasing the productivity of rice, the expansion of dry and rainy season irrigation in identified priority plains, improved animal husbandry and crop varieties, and more appropriate use of machinery, fertilizers, manure and pesticide.

(3.2) Commercial Production :

The programme seeks to promote investment in commodities includ-

ing coffee, fruit and forest products, large livestock and fisheries, to encourage exports including hydropower and mining development, to promote light and small-scale industries and handicrafts, and more varied agricultural production. The programme promotes increased commercial production and the development of processing industries and handcraft enterprises as a means to generate income.

(3.3) Stabilization and Reduction of Shifting Cultivation

The Government wishes to protect forest and the environment by providing sedentary settlements, extension programmes and start-up resources for shifting cultivators.

(3.4) Rural Development

The intention in this sector is to bring together rural development efforts in an integrated and focused manner within a clearly defined geographical area. The focal sites development strategy is designed to provide development services in an integrated and locally owned way, from the construction of basic transport infrastructure, education and health care facilities to skills development, aimed at improving the living standards in rural areas. Other aims are increasing food and commercial production, creating employment opportunities and establishing the conditions for improved living standards in rural areas, thereby reducing rural-urban disparities and rural to urban migration.

(3.5) Infrastructure Development

The programme seeks to modernize national and international communications and transport networks, including roads, bridges, airports and river-port facilities, and to expand postal and telecommunication services in all regions, transforming Lao PDR from a landlocked to a "Land-linked" sub - regional hub in ASEAN.

(3.6) Improved Socio-Economic Management and Foreign Economic Relations

The Goals are to consolidate the NEM and reinforce conditions for the high economic growth essential for development. On the domestic side, the programme seeks to promote domestic production and develop rural markets. On the international side, it aims to expand international trade and reduce the external trade deficit, by increasing the quality and quantity of export goods, lifting regulations and mecha-

nisms hampering export-oriented production, securing increased foreign investment, promoting transit trade, re-export and duty free zones, and preparing for AFTA and WTO membership.

(3.7) Human Resource Development

The programme is designed to build capacity at the individual, institutional and community level in nine sub-programmes : education; labor and social welfare; public health; civil service and public administration; culture and information; Lao Women's Union; Youth; Lao Federation of Trade Unions; and the Lao Front for National Construction. The objectives are to link training to the Lao PDR's socio-economic goals, to upgrade knowledge and skills, to built managerial and technical capacities, and to enhance leadership.

(3.8) Services Development

The programme aims to generate increased foreign revenue, primarily through the development of the tourism sector. The country is endeavoring to improve tourism infrastructure, to facilitate entry into the Lao PDR by improving procedures, port-of-entry and transit posts, to develop tourist routes in each region, and to train personnel in the tourism sector.

(4) National Socio-Economic Development Plans

The Government's development efforts are captured through the 5-year National Socio-Economic Development Plans (NSEDPs) as the principal medium-term planning instruments. All the NSEDPs are geared to improving in sustainable way the living conditions of the Lao PDR's multi-ethnic population, and to help the country achieve its 2020 goal.

(4.1) The National Socio-Economic Development Plan 1996 – 2000

The plan sets out the key tasks, guidelines and targets for national development up to 2000. The objective of the NSEDP 1996-2000 were aimed at :

- 1) poverty reduction, especially in rural multi-ethnic areas.
- 2) infrastructure development;
- 3) human resource development.

The general guidelines affirmed continued building of sectoral and regional economic structures in conjunction with the preservation of the natural environment, regional socio-economic development linked to the development of ethnic mountainous areas, and the gradual reduction of the gap between urban, rural and mountainous areas.

(4.2) The New National Socio – Economic Development Plan 2001-2005

The plan provides a cohesive platform for progress in the 21st century and the progressive industrialization and modernization beyond the year 2000. The overall goals of the NSEDP 2001-2005 are to ensure that the country enjoys firm social order and political stability, and to generate consistent economic growth. The plan aims to reduce the incidence of poverty to less than one half of its current rate; to secure adequate rice and food supply for the whole country; to resolve the issue of slash-and-burn cultivation and eliminate opium and marijuana production by providing farmers with alternative livelihoods and income generation opportunities; to mobilize saving and encourage the private business growth; and to develop human resource along the industrialization and modernization paths.

(5) National Programme of Action to 2010

The Lao PDR's Programme of Action is part of the National Socio-Economic Development Strategy to the year 2010, adopted by the National Assembly in 1996. This development strategy establishing a policy framework for getting the country out of the state of underdevelopment by 2020, is to be carried out in two stages :

- 1) 2001-2010 : Establishing and improving the economic base for ensuring a sustained growth.
- 2) 2011-2020 : Economic and social development which will enable the country to quite the status of LDC.

Quitting the LDC status for Lao PDR implies two major strategies : high economic growth with equity and access to social services and markets for everybody. The Government is actively preparing a National Poverty Reduction Strategy (NPRS), which will focus on fighting poverty through human resource development, rural development and people's participation.

For The period 2001-2010, the key national development objectives include :

- To ensure that the country continue to enjoy political stability and social orderliness.
- To gradually improve living standards of the multi-ethnic population.
- To establish food security for the whole country and to enhance export of agricultural commodities.
- By 2005, to reduce mass poverty by half of its present number (from 39% in 1998 to 20% in 2010).
- To resolve slash-and-burn cultivation and to address opium poppy and other drug issues.
- To strengthen human resources and to improve the quality of education.
- To endeavour to eradicate deficiency (iodine deficiency, tetanus), to reduce serious diseases (malaria, dysentery and dengue fever), to prevent HIV/AIDS pandemic;
- To provide clean water for all by the year 2009.

The Government places an increased emphasis on regional economic development, infrastructure development, and implementation of the decentralization policy, all of which should have direct poverty reduction impact. Planned annual growth rate for the period 2001-2010 of not less than 7% and investment/GDP rate of 25% will help to accelerate structural changes in economy, including a diminution in the relative share of agriculture to GDP from 51.3% to 36.6%, a rise in that of industry from 22.6% to 31.5%, and of that services from 26.1% to 31.9%. Economic development will proceed concurrently with the political, social, cultural, educational and environmental development and international cooperation.

(6) National Development Goals by Region needs

Given the geographic and ethnic diversity of the Lao PDR, the country is divided into three main regions, each having its unique features, specific development needs and potentials.

**Table 12 : Illustrated Selected National Development
Targets 2005, 2010 and 2020**

Indicators	Actual	2005	2010	2020
Total population (million)	5.1 (1999)	5.9	6.7	8.3
Annual population growth rate (%)	2.8 (2000)	N/A	2.4	2.2
Life expectancy at birth (year)	59 (2000)	63	67	70
Infant mortality (deaths per 1,000 live births)	82 (1995-99)	62	40	20
Under 5 mortality (deaths per 1,000 live births)	107 (1995-99)	70	60	30
Maternal mortality (deaths per 100,000 live births)	530 (2000)	350	250	130
Access to clean water (% of population)	56 (2000)	57	100	100
Adult literacy rate (%)	73 (1998/99)	78	84	90
Annual GDP per capita (US\$)	530 (2000)	500- 550	700- 750	1,200- 1,500
Average annual GDP growth (%)	5.2 (1999)	7.0- 7.5	7.0	7.0

Source : The Lao PDR's Development Context, 2002.

(6.1) The North

The North of Lao PDR encompasses seven provinces with 30% of population and 40% of the land area. It is considered the most under-developed part of the country, characterized by poor living conditions, low education levels, and environment damaged by deforestation. The Government's key development goals for the North include:

- Development of infrastructure, in particular the communication network.
- Preservation of forest resources, and reforestation.
- Stabilization of shifting cultivation, and elimination of opium poppy and combating other drugs.
- Ensuring household food security.
- Promotion of commercial production (cash crops, animal husbandry etc.).

- Tourism development.
- Establishment of a special economic area in Oudomxay province, a duty-free trade area in Boten, Luang Namtha province, and the pentagon economic area in the Northern Region.

(6.2) The Center

The Center area encompasses seven provinces with 46% of the population and 40% of the land area. It is the most developed region of the Lao PDR, possessing vast potentials for further development, particularly in the field of agriculture and hydro-electricity. Key development goals for the Center are :

- Infrastructure development.
- Development of hydro-electricity, agriculture and forestry, production of construction materials, utilities and export goods.
- Development of trade, tourism and transit transport systems.
- Establishment of special economic area in Savannakhet province.

(6.3) The South

The South encompasses 4 provinces with 24% of the population and 18% of land area. It is very important strategic region, bordered by Vietnam, Cambodia and Thailand, with enormous potentials for development of forestry, agriculture, hydro-electricity and mining. However the area in the south of Lao PDR, from site survey and investigation, it is revealed that the UXO still remains the major problem for agricultural development since the land area is full of UXO resulted from Indochina War. The Government established the following key development goals for the South :

- Development of infrastructure, turning the region into a transit route.
- Expansion of commercial crops and fruit trees, promotion of cattle rearing, and manufacture of export products based on agriculture (mainly coffee, cardamom and rice).
- Development of agro-processing industry and mining.
- Development of trade, tourism and handicrafts.
- Establishment of a special economic area in Champasak province and the triangle economic area in Attapeu province.

(7) National Development Challenges

The Lao PDR Government identified a set of key development challenges, *“Fighting Poverty through Human Resource Development, Rural Development and People’s Participation”*, facing the country in consequent pursuit of the 2020 goal. The internal challenges are linked to the most urgent task of improving the livelihood in sustainable and equitable manner :

- Capacity and institutional building and human resource development.
- Reducing disparities in income distribution.
- Reducing the gap between rural and urban areas.

The external challenges reflect the Lao PDR ‘s determination to become an active participant in the region and gradually in the world economy.

- Active membership in ASEAN, AFTA and WTO.
- Increasing regional/national development interface through co-operation schemes in the GMS.
- Diversifying the national economy to improve the balance of payments, in particular the trade balance. the

The Government also outlined three sets of priorities that will contribute most decisively to poverty alleviation.

- (1) Sectoral priorities : agriculture and forestry, education, health, and road infrastructure.
- (2) Inter-sectoral priorities : rural development and macro-economic stability.
- (3) Strategic support priorities : governance and public administration reform including decentralization, UXO decontamination, drug control, prevention of HIV/AIDS, population development, gender equality and environment protection.

(8) Strategic Approach to Poverty Eradication

Lao PDR Government established a coherent strategic approach to poverty alleviation by identifying the main sectors, which at the current stage are expected to contribute most decisively to poverty reduction. These four sectors are :

- 1) Agriculture, forestry, livestock and fisheries
- 2) Education
- 3) Health
- 4) Road infrastructure

Whilst development and improvement in all sectors of the economy are needed to achieve sustainable long-term development, the four sectors represent the backbone of the government's approach to immediate poverty alleviation.

The Government undertook a major effort for establishing national long-term strategic visions for these sectors, by holding seven policy dialogues with the donor community during 2000. Action plans has put more concretized the strategic visions into operational programmes and projects, which in return will be integrated into the Public Investment Plan (PIP)

From key investment in the four main sectors, coupled with the improved governance and sound macro-economic policies, the Government expects a number of direct and/or combined output, including :

- Food security.
- Improve human resource base and effective people's participation.
- National Integration (reducing the regional and rural-urban income gaps through equal distribution of resources and a wider access to public goods and services).
- Sustainable social progress guaranteeing quality health care, protection and participation rights of children and women, quality education and other social services to every member of the society.

The main sources of national growth are manufacturing, agro-industry, hydropower, agriculture production, cultural and eco-tourism, as well as the benefits of regional integration. The Government intends to complete a full PRSP by August 2002.

(9) Towards Better Governance

The Lao PDR Government considers governance as a key inter-sectoral element to achieve economic growth and poverty reduction.

and as an essential condition for graduating from the LDC's status by the year 2020. It has thus placed great emphasis on a Governance and Governance and Public Administration Reform (GPAR) programme.

The Government defines good governance as an incremental process aiming for the best possible state of institutional and structural arrangements, decision-making processes, policy formulation, implementation and coordination capacity, information flows, leadership and relationships between the Government and people. The key cornerstones of the GPAR programme are :

- Public sector management improvement.
- Sound financial management.
- Effective public service personnel management.
- Judicial/legal reform.
- Implementation of the government's decentralization policy.
- Local governance reform initiatives.
- Human resource development.

Over the long term, the Government expects from its GPAR programme : sounder governance, improved service delivery, better support for market economy, more cost effective running of local administration, improved accountability and control and improved overall credibility of Government.

(10) Agricultural Development in the context of WTO

The National Development Priorities and Goals of Lao PDR which concerned with agricultural development has put more emphasis and concretized on; Food Production, Commercial Production, Stabilization and Reduction of Shifting Cultivation, Rural Development etc. (see details in 3.3.5). These development will assist Lao PDR to obtain increasing GDP per capita which mostly come from agricultural sector. As agriculture remains the mainstay of the national economy, accounting for more than 50% of GDP, and agricultural products can compete with other countries to be sold in the Global Market and concerned with Food Security. Lao PDR needs to prepare the country right from the beginning prior to applying to be WTO members as follows :

- 1) Establishment of basic legislation for agricultural and rural development affiliated with WTO Agricultural Rules and Regulation.
- 2) Networking and collaboration among Asian countries on technologies to increase agricultural production and trade alliance.
- 3) Improvement of food quality and agricultural products to ensure International and Global Trade acceptance in order to avoid the implication of Non-Tariff Barriers (NTBs) on; Sanitary and Phyto-Sanitary (SPS), Animal Welfare, Trade-related Environmental Measures, Genetically Modified Organism (GMOs), European Organisms, Logo, and Trade and Labor Standard.
- 4) Promotion of chemical-free production as well as production with natural resources conservation.
- 5) Strengthening implementation of soil and water conservation measures on slope agricultural land area in order to maintain soil fertility, which will lead to food security and stabilization of yield.
- 6) Strengthen of forestry and fishery production with natural resources conservation measures.
- 7) Ministry of Agriculture and Forestry as well as other governmental organizations concerned have to study and understand WTO rules and regulations and transfer these messages to the farmers in order to let them produce according to WTO rules and regulations for Global Markets acceptance.
- 8) Government has to gradually reduce supports and subsidies to farmers.

3.3.6 Cooperative Legislation

Like in all developing countries, the cooperative in Lao PDR had been initiated by the government with the objective to use cooperatives as a tools to improve the livelihood and socio – economic condition of small farmers. The government is greatly concerned with deteriorating economic and social conditions of the masses of farmers. The cooperatives which existed in Lao PDR in 1970 prior the Communist Pathet Lao took control of the government in 1975 were :

- Agricultural Cooperatives. ⁷⁶⁾

- Lao Saving and Loan Association (LSLA) (Lao Sahakone Omsin lae Sin Sua).⁷¹
- Credit Cooperatives.

At that stage before 1975, the Cooperatives Act existed. But it had been dissolved later after 1975. Because cooperative is the democratic system which teaches people to accept common responsibilities in their enterprise and members elect their representatives to manage the cooperative as well as are kept fully informed of the values and benefits which they should be able to gain together in common. These cooperative principles are against the communist ways of ruling and National constitution of Lao PDR. Therefore, all Cooperative Policies, Regulations, Decree and Acts had been dissolved after the Communist Party ruled the country.

From literatures reviewed and interviews with the officers in the Ministry of Agriculture and Forestry as well with the National University of Lao (NUOL), it is revealed that at present there is no cooperative legislation and no Agricultural Cooperatives or other kinds of cooperatives remaining in Lao PDR.

If Lao PDR would like to rehabilitate the cooperatives especially Agricultural Cooperatives to be use as a means for rural and socio – economic development at grass-roots level for small farmers which are the majority of the population of the country, the government has to put more emphasis and concretization on cooperatives development by

- Placing Cooperatives Development into National Development Priorities and Goals.
- Review of National Constitution and put Cooperative Development into the constitution.
- Legislation of Cooperative Act and Decree.

It is also found that the government has tried to establish Credit Cooperative as one of Financial Institutions by legislating the Decree on Management and Operations of Commercial Banks and Financial Institutions where credit cooperatives has been put under this draft Decree on Article 3 : Financial institutions are enterprises which conduct similar business to bank (see appendixes 10). However, there is no details of this Credit Cooperatives on; organizational structure, cooperative's rules and regulation, membership, business and management system of the cooperatives.

Chapter 4

Conclusions and Recommendations

4.1 Preface

The Critical Study of Agricultural Cooperatives in Lao PDR aims to find out the existing status and state, important constraints and potential for development as well as to conclude and provide feasible recommendations and action plan for the development and strengthening of agricultural cooperatives in Lao PDR.

4.2 Objective of the Study

- (1) To examine the existing status and state of agriculture, and agricultural cooperatives in Lao PDR.
- (2) To examine the suitability and effectiveness of existing policy and legislation framework of agricultural cooperatives in Lao PDR.
- (3) To establish conclusions and recommendations for agricultural cooperatives development in Lao PDR.

4.3 Conclusions and Recommendations

4.3.1 Future of Agricultural Cooperatives in Lao PDR

4.3.1.1 Conclusions of Current Situation and Problems

Cooperative enterprise has over the year gained popularity in many countries especially in the Third World. Interest in establishment of cooperatives is on the increase in the villages and communities. People know that cooperatives is one of the best solutions to combat with poverty and based on self-reliance of self-help of the people in the village and community who establishes the cooperatives and are the

members of the cooperatives. The cooperatives have to be formed and established based on the need of the villagers and communities members themselves.

Lao PDR used to have various type of cooperatives in the country the same as other countries in the region, i.e. Agricultural Cooperatives, Lao Saving and Loan Association (Lao Sahakone Omsin lae Sin Sua), and Credit Cooperatives. These cooperatives existed in 1970. After Communist Pathet Lao took control of the government and ruled the country by socialist system in 1975, all cooperatives had been dissolved as well as cooperative Law, Decree and Acts.

In 1991, UNDP tried to initiate programme to rehabilitate cooperatives by focusing on the development of 10-14 agricultural cooperatives. Emphasis was placed on improving accounting procedures and upgrading the ability of cooperative management of manager and staff to handle accounting and auditing tasks. The cooperative members were also requested for extension services and to have cooperative personnel provide training on cooperative understanding and cooperative development to them. But the Government of Lao (GOL) put this request to the low priority of the GOL as well as the approach towards the cooperatives development in GOL National Development Priorities and Goals.

In conclusions the current situation of agricultural cooperatives in Lao PDR are as follows :

(1.1) Prior to 1975

- Top down establishment of the cooperatives from the government.
- Government extension officers' lack of knowledge on cooperatives development.
- Government policies and development direction of cooperatives was not clear.
- Cooperative Board of Director and cooperatives members' lack of knowledge on cooperative.
- Cooperative Manager and staffs' lack of knowledge on accounting and auditing as well as on cooperative management and business operation.
- Only primary cooperatives existed until 1970. There were no Provincial and National Cooperative Federation.

(1.2) After 1975

- All cooperatives, including agricultural cooperatives, farmers' groups and people's organization had been dissolved as well as Cooperative Law, Decree and Acts.
- GOL has put more emphasis on development of only LWU, Youth, Lao Federation of Trade Union, and Lao Front National Construction and give low priority to rehabilitate agricultural and other cooperatives.

4.3.1.2 Recommendations and Development strategies

Mission : Cooperative Legislation

Strategies :

- 1) International Cooperative Alliance, Office for Asia and the Pacific (ICA/ROAP) collaborate with Ministry of Agriculture and Forestry (MAF), Lao PDR to conduct Round Table Meeting on "Strategies on Agricultural Cooperatives Development in Lao PDR" in order to enhance preliminary solutions and action plan for future Agricultural Cooperatives Development with GOL.
- 2) ICA/ROAP prevails upon GOL to reconsider to put Agricultural Cooperatives Development into the Main stream of the Lao National Development Priorities and Goals.
- 3) ICA/ROAP requests GOL to review and to put Agricultural Cooperatives and other Cooperatives Development issues into one Article of the National Constitution.
- 4) ICA/ROAP insists GOL for the legislation of Cooperative Law, Decree of Act.

4.3.2 Strengthening of Efficiency and Competitiveness

4.3.2.1 Conclusions of Current Situation and Problems

Villagers, community members and government officers concerned still lack knowledge on Agricultural Cooperatives as well as on the theme of Cooperative Development on the issues of; Cooperative Principles, Cooperative Management, Credit Management, Purchase Management, Sale Management, Services Management, Accounting, Auditing, Members' Roles, Board of Directors' Roles and Roles of Extension Staff from MAF. Villagers' lack knowledge on appropriate agricultural practices to have high yields and quality products which

can compete with the Local and International Market on WTO Trade Liberalization.

4.3.2.2 Recommendations and Development Strategies

Mission : Provide Education and Training on Agricultural and other Cooperatives Development.

Strategies :

- 1) MAF in collaboration with ICA/ROAP provide training to MAF Extension Staff on Agricultural Cooperative Development on; Cooperative Principles, Cooperative Management Credit Management, Business Management, Purchase Management, Sale Management, Services management, Accounting, Auditing, Members' Role, Board of Directors' Role, and Extension Staff's Role, Crops Production, and Animal Production etc.
- 2) Extension Staff should provide training to villagers on Agricultural Cooperatives Development in all aspects.
- 3) Extension Staff as back-stopper assist villagers to establish Agricultural Cooperatives and villagers decide to set up Agricultural Cooperative by themselves base on voluntary membership.
- 4) Extension Staff further provide training to cooperative members, managers and members of Board of Director of Agricultural Cooperatives according to their needs and requested.
- 5) Extension Staff provide knowledge on appropriate agricultural practices to cooperative members and farmers on; agricultural practices on the sloping land areas, soil erosion control, soil fertility conservation, soil and water conservation measures, plant pathology and its control, plant entomology and its control, weed control, safe and judicious use of chemical treatment for insects and diseases control, crops plantation, post harvest technology, agricultural products marketing, packaging, and transport of agricultural products, animal diseases and its control, etc.
- 6) GOL initiates the process of creating an agricultural university by upgrading one of existing agriculture and forestry schools to the level of community colleges, and over longer term to the level of a university. This would require creation of several departments within a college, that would be eventually be grouped under a number of faculties, that would eventually form a uni-

versity in each region of Laos. The objectives of this strategy is to upgrade the existing agricultural school to be a center for Human Resource Development in agriculture and forestry. Preparation of human resource of skills and knowledgeable persons is very important for agricultural cooperatives development as well as for other sectors' development. The short-term goals and objectives should emphasize the following :

- Curriculum upgrading.
- College administration.
- Establishment of library, expansion of existing library, library management.
- Establishment of entrance and graduation requirement.
- Upgrading of teachers and teaching methods.
- Provision of short course training programmes as well as refresher courses for GOL staff concerned with agricultural cooperatives.
- Provision of mobile training courses and facilities to agricultural cooperatives' members and farmers.

Regarding the development of curriculum taught in the agricultural schools, the curriculum should be diversified to cover all areas which farmers may require in the future :

- Agronomy, which would include soil science, plant pathology, genetics, crop production, farming systems, soil and water conservation, and other courses related to agronomics.
- Agriculture Economics which would include economics, agricultural commodity marketing, cooperatives, agribusiness administration, land economics, socio-economics, home economics, farm management, economics of mixed farming/ integrated farming, diversified farming system, irrigation economics, livestock and fisheries economics, forestry economics, and other topics related to economics.
- Agricultural Engineering.
- Agricultural Education.
- Horticulture which would include courses on fruit and vegetables production, food processing, and other topics related to fruit and vegetable production.

- Livestock Sciences.
- 7) Provide training to MAF Extension Staff on WTO, Trade Liberalization and other related issues.
 - 8) Provide training to cooperative members on WTO, Trade Liberalization and other related issues. The objectives of this strategy is to let the farmers and cooperative members know that if they do not produce their products appropriately with market requirements, and consensus with WTO rules and regulations, they cannot sell their products in the international markets.

4.3.3 Capitalization of the gain of globalization for the benefit of society in general and for farmers in particular

4.3.3.1 Conclusions of Current Situation and Problems

With the Gross Domestic Product, estimated at US\$ 225 per capita in 1992, and plan to reach annual GDP per capita at US\$ 350 in 2000, the economy of Lao PDR will remain dependent on the benefit from external aid from IMF and other international sources and from new foreign investment in food processing and mining. Hence, GOL has relatively low investment of capital for rural development and for the benefit of rural farmers. The investment capital will continue to be based on the aid from donor countries, bilateral projects, UNDP aid fund and ADB and IMF aid programmes.

Rural Development in Lao PDR is a means to eradicate mass poverty and achieve improvement through sustainable socio-economic development of people. New approaches and mechanisms attempt to harmonize development activities among central lines agencies and between central agencies and local government to respond fully to the needs and expectations of local communities. Government recognizes that agriculture and forestry development demands a more holistic approach. Moreover, the diversity of rural livelihood systems implies that development efforts need to be decentralized to provinces, districts and villages. It is now the policy that district level governments are to coordinate combined interventions of central agencies. Community participation calls for effective partnerships between government services and local communities, building on what is ready there. This suggests moving toward flexibility in implementing policies, rules and regulations and the need to make adjustments to seemingly inflexible national programmes as well as to solve the villagers'

problems and the country's institutional and systemic constraints. Therefore, GOL needs to invest more for the benefit of society and farmers in particular.

4.3.3.2 *Recommendations and Development Strategies*

Mission 1 : Marketing and Products Improvement

Strategies :

- 1) GOL Creation of a food analysis laboratory : The objectives of these strategies are to improve the quality of exports of processed and unprocessed food products and to develop national capability of analyzing food quality and product composition
- 2) Creating a market data base system : This strategy is to compile all agricultural commodities prices as "one stop services" so that cooperative members can have fast access to the prices. Market information units will be established to collect, organize, and publish prices and other market data for the consumption of trading communities and farmers in all region of Laos.
- 3) Cooperative Organization and delivery system : This strategy would collect and organize data of interest to farm communities and make it available on a regular basis.
- 4) Assistance to the promotion of food industries : The objectives of this strategy are to train officials in the preparation and appraisal of the project and feasibility studies in the field of processing of food and agricultural commodities and collect and organize information related to production and processing of food and agricultural products. The villagers and farmers will get benefit form this strategy by having opportunity to send their products to factories.
- 5) Creating a saving and credit system : The objective of this strategy is to design saving and credit system appropriate to the rural areas and suitable for small farmers, consistent with NEM policy framework. Close collaboration with Agriculture Promotion Bank (APB) and APRACA is required.
- 6) Creation of a market regulation agency : The objectives of this strategy are as follows : seeing how price regulation is handled in both developed and developing free market countries; setting up a market regulatory agency; and operating the market regula-

tory agency. Lesson learned from Thailand on Talad Thai (Thai Market) and Talad Si-Mum-Muang (Four City Corners Market) should be considered.

- 7) Establishing an integrated system of agriculture training, applied research and extension at the grass root level for increasing agriculture production : The objectives of this strategy are how to link the MAF research results through training of trainers and extension agents and dissemination of knowledge to farmers via farmers' training by MAF extension staff in order to increase agriculture production eventually.
- 8) Marketing Development : The objective of this strategy is building up channels/outlets so that farmers can sell their products. Under present circumstances, export possibilities for the produce of Laos are somewhat unclear. WTO Trade Liberalization, rules and regulations make Laos produce difficult for export in the international market. As long as this is the case, the national market is the main target for this produce. Other than road construction to improve access to provincial and districts markets, activities to improve marketing will have to consist of exploiting opportunities which may come up locally.

Mission 2 : Food Security and Yields Improvement.

Considering the development problems in rural areas of Laos and the fact that most people are actually subsistence based farmers who are producing outside the national economy, it is difficult to imagine how these farmers, who have difficulties meeting subsistence needs, could within a few years successfully participate in, and benefit from, a modern market driven economy. Economic development certainly means more than rice production, but from the farmers' point of view, food security need to be achieved first, before risky experiments with cash crops and other features of the modern market economy can start.

Food security will therefore be one of the key objectives of rural development in Lao PDR. "Food Security" means more than rice production, it means that farmers are able to produce enough food or income to purchase food at the present time, and in the future. It implies that sustainable farming methods and practices are introduced and that these are also ecologically sustainable.

Wherever possible, paddy land and irrigation systems will be developed or improved. Such areas are however, limited and the main challenge will therefore be to design and implement sustainable farming practices and systems.

Strategies :

- 1) Small-scale farmer livestock development in the Central Plain area; and Beef production and grass land management in North-Central Laos : In these strategies GOL should insist private sectors and farmers for investment of technical, financial, and operational resources to undertake the livestock projects. If it is commercially viable to produce large herds of livestock for domestic and export markets on grasslands in North-Central Laos, the private sector will undertake this activity, given the right incentives and favorable investment climate. Farmers in the Vientiane Plain and other more easily accessible areas should be encouraged to participate in livestock raising programme through the provision of credit from a saving and loan association or an agricultural credit institution. They will benefit most from participation in a programme of raising cattle under contract to a private sector firm that will handle difficult aspects of livestock raising for small-scale farmers. Public sector intervention should be limited to the provision of improved animal health care services, training programmes for farmers desiring to participate in a commercialized programmes, and technical assistance to farmers borrowing from an agriculture credit institution for livestock raising, including poultry, swine and other small livestock.
- 2) Improvement of local manufactured paddy thresher-winnower : The objectives of this strategy are to; improve the efficiency and reliability of locally produced threshers to enable them to be sold at lower price than the foreign produced competitor; and, to plan and organize operations for the manufacturing of threshers at the agricultural tool making factory in Vientiane. This activity should be part of a research and development programme undertaken by the mechanical or agricultural engineering department of an agricultural college or university. Lesson learned by this type of activity from Thailand should be considered.
- 3) Creation of irrigation system in Central-Plain for paddy pro-

duction : The objective of this strategy is to link irrigation and paddy in order to allow farmers increasing their yields from double cultivation in the paddy land areas in one cultivating season. In this strategy GOL should invest to construct feeder canals, to link farmers' paddy fields, from the existing reservoirs or dams. Farmers will get benefit of irrigation. However, it should be remembered that most Lao farmers have been practicing rain-fed agriculture for millennia. Their mentality and attitudes are those of rain-fed agriculture farmers, not having had the benefit of irrigation. But MAF should insist and inform them that if they practice irrigated agriculture (paddy), they will increase their yields and gain more income even from the same land. Lesson learned from Thai farmers could be the example for Lao farmers on this strategy.

- 4) Disease Control for Livestock Exports : The objective of this strategy is to guarantee the health of cattle and buffalo being exported from Laos to regional countries, including livestock in transit from Vietnam. This will be accomplished through a diseases control programme implemented through facilities to be established at key border crossing points by MAF. Exporter will be charged for vaccination services. The export tax on livestock will be abolished. A programme of this strategy will be established to promote participation by farmers and traders, while penalizing non – participants. Enforcement of control will be difficult due to the long land border with Vietnam (2,130 km.) and Thailand (1,754 km.), and the history of extensive informal trade with Thailand. Cooperation from the Thai authorities will be required so that Thai importers will be penalized for importing livestock that are not certified as disease free. Cooperation for quarantine and disease control between Laos and Thai side need to be closely coordinated.
- 5) Livestock Diseases Control in the Domestic Market : The objectives of this strategy is to enhance capabilities for animal disease diagnosis and animal health programme planning and implementation; and, to protect livestock from economically significant disease outbreaks. A village information collection and analysis system will be established, that will include data on village livestock sale prices. DLVS will undertake national and provincial level vaccination and animal health campaigns and

train villagers in vaccination procedures. Farmers will pay a small fee for livestock vaccinations, with vaccine being supplied by the Government (MAF). Disease diagnosis facilities will be established in the provinces which have density of livestock (Savannakhet and Champasak and may be other provinces).

- 6) Fisheries Development : The objectives of this strategy are; to promote small-scale farm fish raising, processing and marketing; to have adequate cheap protein source for villagers. GOL should collaborate with International Development Project and NGOs to provide so called "Village Revolving Fund" (VRF) to farmers in each village. This VRF will be used for pond excavation to keep water for raising fishes as well as for water source in farm and for home use. The authority of VRF provision to individual farmer should be based on "Village Revolving Fund Committee" which has been selected by farmers themselves. Amount of VRF loan provision, rules and regulations may depend on farmers and Village Revolving Fund Committee (VRFC).
- 7) Cash Crop Production : The objective of this strategy is to allow farmers to have more chances for earning income from their farm produce. However, experience in Thailand has shown that it is not recommendable to introduce one specific cash crop (coffee or cabbage or tomatoes or strawberries). Farmers should be assisted in trying a number of different cash crops, and based on these experiences farmers will be in a position to decide for themselves if and to what extent they should react to marketing opportunities. This approach should be in line with the areas and attitude of most farmers in Laos who diversify crops and sources of income as much as possible.

Mission 3 : Infrastructures Development

Strategies :

- 1) Road Infrastructure Construction : The objective of this strategy is to construct road infrastructure and improvement of existing roads. There is a real lack of all-weather and feeder roads in the rural areas. This hampers communications between villages and districts and provincial towns as well as effecting the delivery of farmers' products to the market and the delivery of government services and including follow-up of ac-

tivities, the flow of information, the movement of people, and private sector provision of goods and outlets for products especially to the minority villages in remote rural areas. GOL should consider for high investment in infrastructure development.

Mission 4 : WTO, Trade Liberalization, Rules, and Regulations concerned

Countries which do not subsidize their exports and for whom the trade of agricultural commodities is of utmost importance to their economies, urge World Trade Organization (WTO) member countries to continue negotiation on agricultural issues in order to strengthen the progress made towards trade liberalization of agricultural products, through a rules based system.

Commitments for subsidy reductions provided for in the Agreement on Agriculture by the WTO have left a broad margin for subsidizing countries to resort to practices which have allowed them to increase their share in international markets to the detriment of more efficient producers. Therefore, it is imperative to make progress in the elimination of these unfair practices by establishing rules which shall put all stakeholders in international trade on an equal footing. The revival of protectionism created by the abuse of the WTO principles subverts the progress gained by the liberalization of international trade, raise alarm and concern, as well as serious doubts on the effectiveness of the measures provided for in the Agreement on Agriculture. The Agreement on Agriculture which replaced quantitative restrictions and similar measures with tariffs is a step forward in the liberalization of agricultural trade by implementing discipline in issues such as market access, export subsidies and domestic support. Nevertheless, there still exist profound distortions which need to be addressed.

GOL has to prepare for readiness of the products which can compete with other countries in the Global Market under the WTO, Trade Liberalization, Rules and Regulations.

Strategies :

- 1) GOL applies to be members of NEDAC, ICA, APRACA and Asian Farmers' Group for Cooperation in order to have alliance and network for obtaining bargaining power in the Global Forum of the WTO Conference as well as to know the strategies and position of negotiation in the WTO Forum.

- 2) GOL carries out policy surveys to assess the impact of globalization and the WTO related issues and propose solutions/means to overcome such problems at government level. The proposed solutions may be submitted for consideration at the NEDAC, ICA, APRACA and Asian Farmers' Group for Cooperation meeting in order to use as alliance solutions to be proposed to the WTO whenever opportunity of meeting arise.
- 3) Provide training to GOL Officers concerned on the WTO, Trade Liberalization, Rules, and Regulations in order to let these officers know about the WTO and Trade Liberalization and these GOL Staff have to further provide training to farmers in order that farmers can produce their products according to the requirement of the Global Markets.
- 4) In view of the globalization and liberalization of trade, and the implications of the WTO agreement and the policies of other regional groups, GOL should conduct public awareness raising activities through seminars, workshops to keep the general farmers including agricultural cooperative (not existed), LWU, Farmers' Groups informed of the impact on agriculture and suggest the solutions or corrective measures.

4.3.4 Action Plan for Strengthening Agricultural Cooperatives in Lao PDR

4.3.4.1 Conclusions of Current Situation and Problems

The Cooperatives in Lao PDR including Agricultural Cooperatives, Lao Saving and Credit Association (Lao Sahakone Omsin lae Sin Seua), and Credit Cooperative existed only until 1970. After Communist Pathet Lao took control of the country in 1975, all cooperatives had been dissolved. Many International Development Organizations, donors, UNDP, FAO and ADB had tried to rehabilitate cooperatives in Lao PDR since all knew that cooperatives is one of the best means for rural development based on self-reliance and democratic ways of management as well as for equality of members. However, the GOL had put low priorities for the cooperative rehabilitation and development. It is eventually neglected for the implementation.

4.3.4.2 Recommendations and Development Strategies

The details underneath are steps wise "Chances of Success" for ICA-ROAP to insist GOL for the rehabilitation and development of the 'Agricultural Cooperative' as well as other cooperative in Lao PDR.

Action Plan for the Rehabilitation and Development of Agricultural Cooperative in Lao PDR

Activity No.	Description of Activities	Responsible Bodies	Schedule
1.	Meeting officially with GOL to enhance GOL views on cooperatives in general.	ICA/ROAP	December 2002
2.	Conduct Round Table Meeting to ensure GOL Policies on cooperatives rehabilitation and development	ICA, MAF	January 2003
3.	Propose to GOL to set up Working Committee on Cooperatives Rehabilitation and Development (WCCRD)	ICA, MAF	January 2003
4.	Conduct Study Visit on Agricultural Cooperatives Development to Thailand in collaboration with the Cooperative League of Thailand for Working Committee.	ICA,MAF, Working Committee	February 2003
5.	Conduct Participatory Rural Appraisal (PRA)	WCCRD, ICA Consultant	March 2003
6.	Conduct ZOPP Workshop to establish Strategic Plan for Cooperatives Rehabilitation and Development and set up PPM.	WCCRD, ICA, Consultant	April 2003
7.	Submission of Strategic Plan for Cooperatives Rehabilitation and Development to MAF and GOL	WCCRD, MAF, ICA	May 2003
8.	Conduct Plan Approval Meet with MAF, GOL	WCCRD, ICA, ICA Consultant	June 2003
9.	Plan approval	GOL, MAF	June 2003
10.	Conduct training on Cooperative Development to MAF Extension Staff	WCCRD, ICA Consultant	July 2003
11.	Conduct Study Visit on Cooperative Development to Thailand, Korea, and Japan (Request funding support from donor country)	WCCRD, ICA, ICA Consultant	July 2003
12.	MAF Extension Staff provide training to villages in selected villages	WCCRD, EWOS	August 2003 onward

(...Cont'd from previous page)

Action Plan for the Rehabilitation and Development of Agricultural Cooperative in Lao PDR

Activity No.	Description of Activities	Responsible Bodies	Schedule
13.	Villagers established Cooperatives in their villages and communities by themselves	Villagers	September 2003
14.	Monitoring and Evaluation of villagers/farmers' training	WCCRD, ICA Consultant	November 2003
15.	Conduct Impact Monitoring in selected villages	WCCRD, EWOs, ICA Consultant	January 2004
16.	Project Planning Matrix (PPM) adjustment according to the results of Impact Monitoring and conclusions of the implementation	WCCRD, ICA Consultant	February 2004
17.	Further conduct training and campaign on Cooperative Development to villagers in selected villages	WCCRD, EWOs	February 2004 onward

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- 18] Ireson, 1990
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- 20] Kammerer 1980.
- 21] Alting von Geusau, 1986.

- 22] Kammerer 1989.
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- 24] Kammerer 1989.
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- 27] The case of the Chief of Administration in Louang Namtha and an Ikor Village Headman who is a member of the district administration are exceptions.
- 28] 1) Lemoine 1986.
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- 35] Wongprasert, 1986.
- 36] Chazée, 1990.
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- 38,39,40] CIA, 2002, The World Fact Book
- 41] UNDP, 1992
- 42,43] CIA, 2002, The World Fact Book
- 44] CIA, 1999, The World Fact Book
- 45,46,47] CIA, 2002, The World Fact Book
- 48] According to the World Bank, around one – third of all villages in Lao PDR, home to 22% of the population, are in areas that are not accessible by vehicle.
- 49] CIA, 2002, The World Fact Book
- 50, 51] CIA, 2002, The World Fact Book
- 52] A doctor at the district hospital in BoKeo said that the hospital was empty during the rainy season (that is the main malaria season) because people could not afford to be sick: they had to grow rice and could not spend time in hospital.
- 53] CIA : 2002, The World Fact Book
- 54] See Sudprasert/Kampe 1991

- 55) One of selected site for partial survey and investigation, province in northern Lao
- 56) A survey undertaken in rural areas of Loung Prabang showed adult literacy rate of 20% for Lao Soung 45% for Lao Theung and 72% for Lao Loum. With these group, women were the most disadvantaged groups : 5% literacy among Lao Soung, 24% Lao Theung, 61% Lao Loum wives of household head interviewed (UNDP/Swiss Red Cross 1993).
- 57,58) UNDP, March 2001
- 59) UNDP, March 2001
- 60) UNDP, 1991
- 61) ADB
- 62) Problem census and analysis during site survey.
- 63) ADB, 2000
- 64) From interview farmers.
- 65,66,67,68,69) UXO LAO: Key development since May 2000, 7.42 million square meters of land were cleared and 80,538 UXO and mines were destroyed. In the half of 2001; 43,851 UXO and mines were destroyed. According to USO LAO, in 2000, 39 people were killed and 63 injured by UXO
- 70) UXO LAO, 2002, Landmine/UXO Problem.
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- 75) 2,315,931 persons out of a total population of 4,581,258 are women. (cf. National Statistic Center 1995:1)
- 76) UNDP, 1991.
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Appendix 1

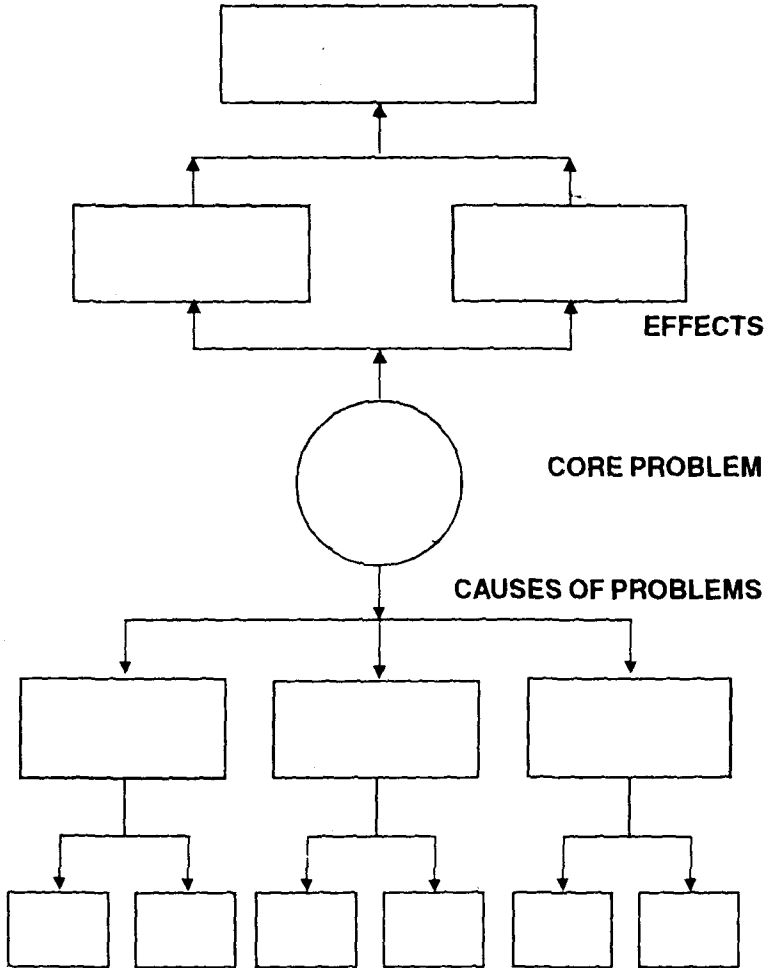
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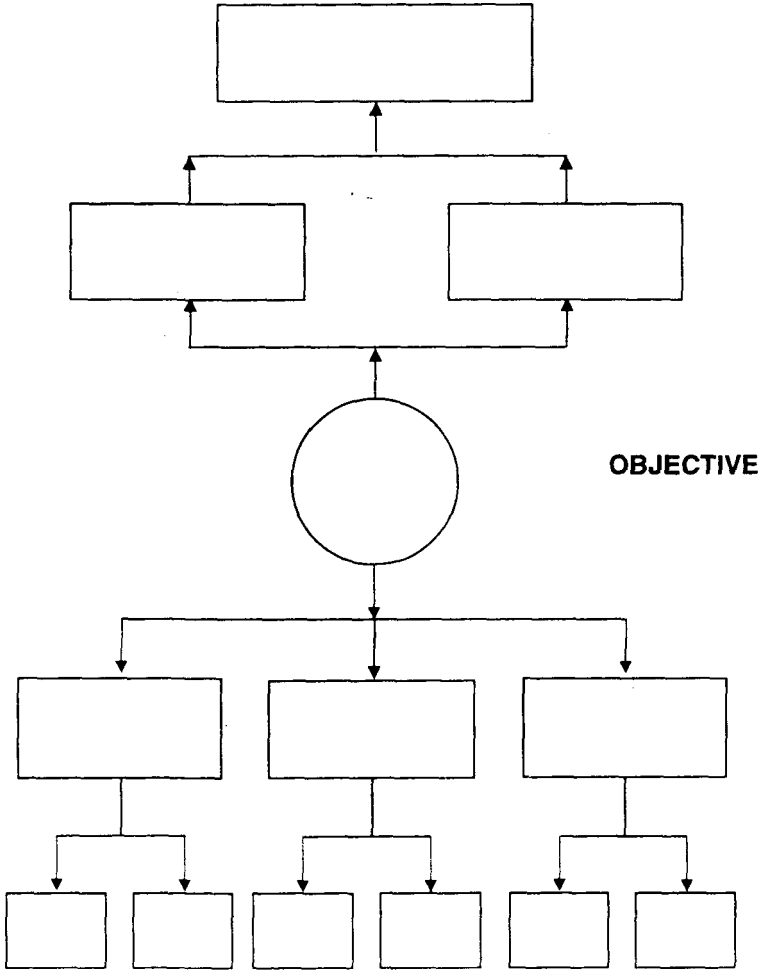
Appendix 2

Schematic Diagram: Illustrated Problem Census and Analysis Model



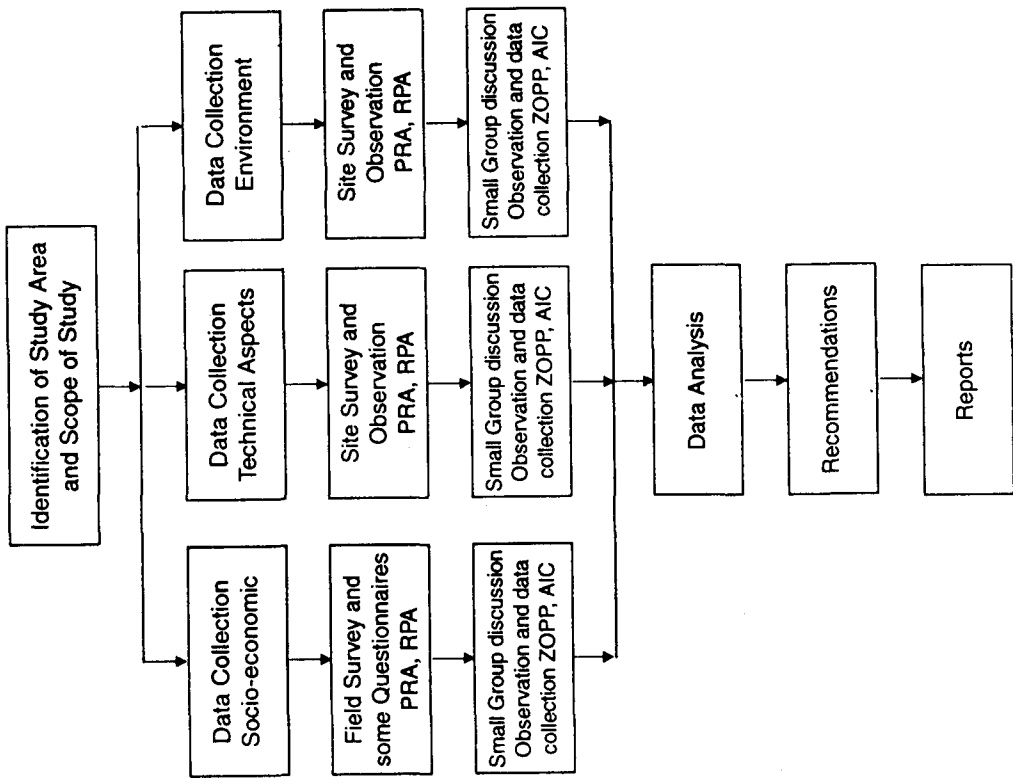
Appendix 3

Schematic Diagram: Illustrated Objective Analysis Model



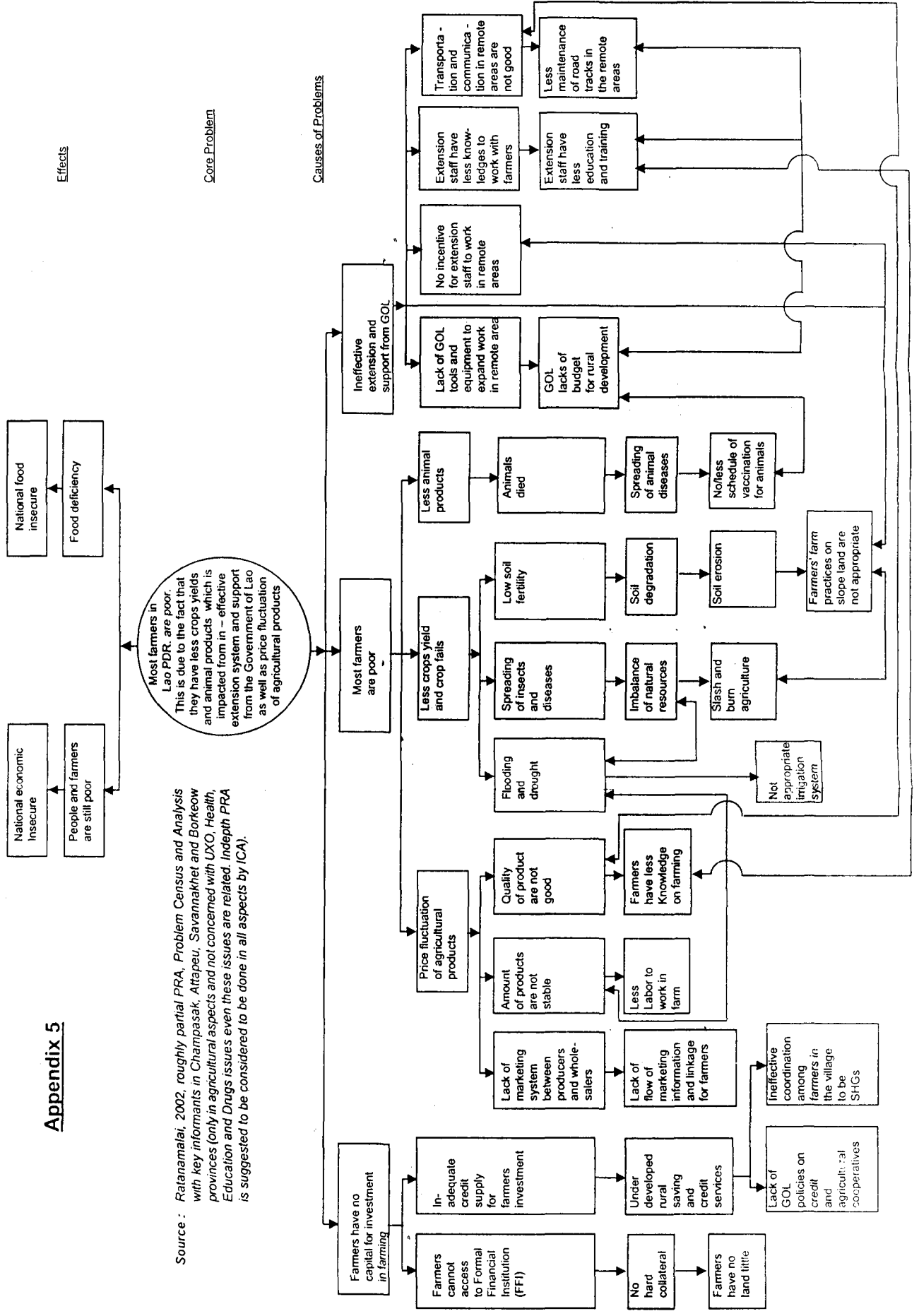
Appendix 4

Schematic Diagram: Illustrated Structure of Study Approaches and Data Collection



Appendix 5

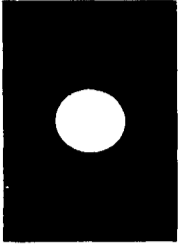
Problem Tree Illustrated Farmers' Problems related with Agriculture



Source : Ratanamalai, 2002, roughly partial PRA, Problem Census and Analysis with key informants in Champasak, Attapeu, Savannakhet and Borkeow provinces (only in agricultural aspects and not concerned with LXXO, Health, Education and Drugs issues even these issues are related. In-depth PRA is suggested to be considered to be done in all aspects by ICA).

Appendix 7

Summary Fact about Lao PDR.



Introduction

Background: In 1975, the Communist Pathet Lao took control of the government, ending a six-century-old monarchy. Initial closer ties to Vietnam and socialization were replaced with a gradual return to private enterprise, an easing of foreign investment laws, and the admission into ASEAN in 1997.

Geography

Location: Southeastern Asia, northeast of Thailand, west of Vietnam

Geographic coordinates:

Map references: Southeast Asia

Area: total: 236,800 sq km
water: 6,000 sq km
land: 230,800 sq km

Comparative: Area - slightly larger than Utah

Land total: 5,083 km

boundaries: border countries: Burma 235 km, Cambodia 541 km, China 423 km, Thailand 1,754 km, Vietnam 2,130 km

Coastline: 0 km (landlocked)

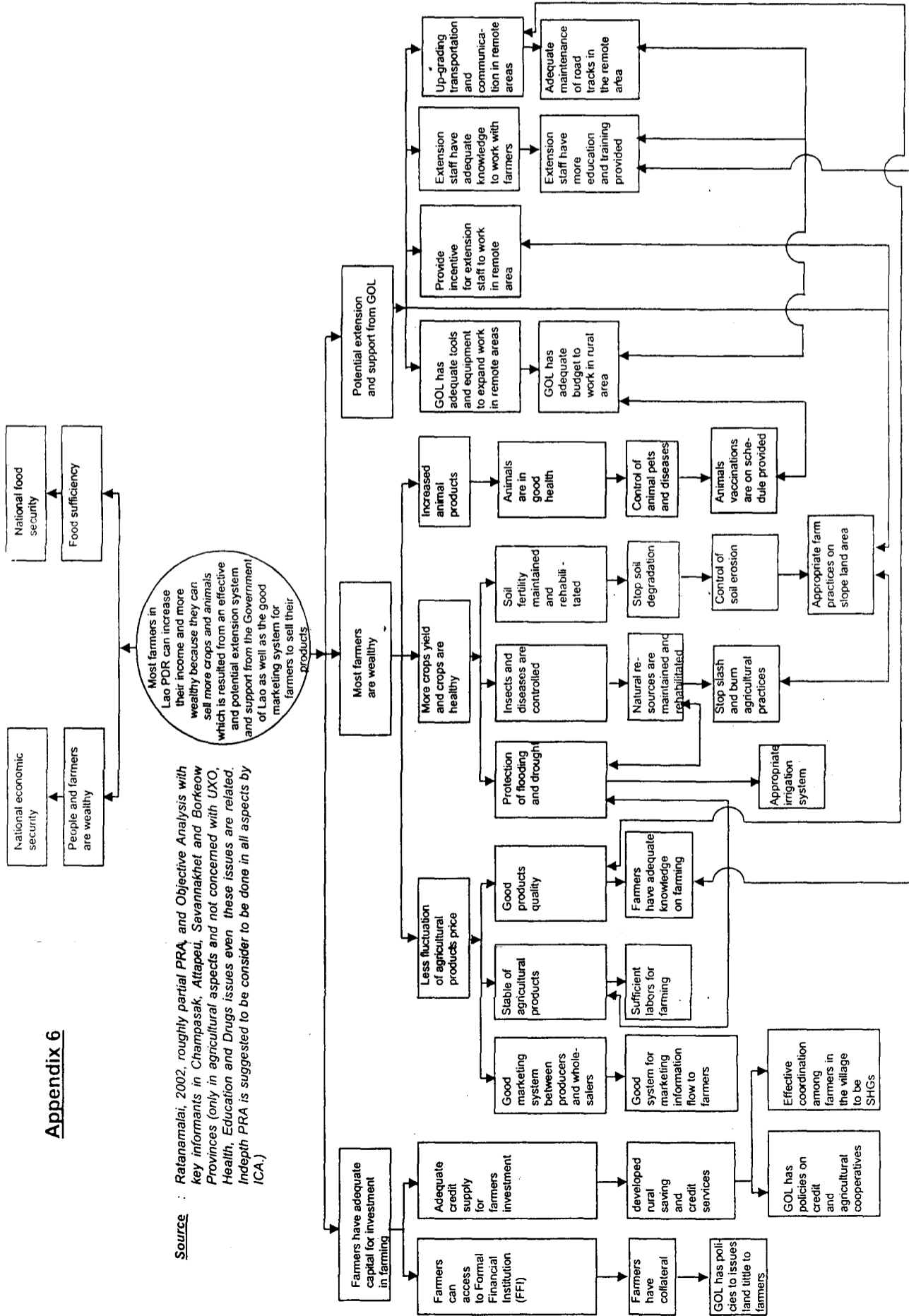
Maritime claims: none (landlocked)

Climate: tropical monsoon; rainy season (May to November); dry season (December to April)

Terrain: mostly rugged mountains; some plains and plateaus

Elevation extremes: lowest point: Mekong River 70 m
highest point: Phou Bia 2,817 m

Objective Tree Illustrated Farmers' Objective to solve the Problems



Source: Ratanamalai, 2002, roughly partial PRA, and Objective Analysis with key informants in Champasak, Attapeu, Savannakhet and Borkeow Provinces (Only in agricultural aspects and not concerned with UXO, Health, Education and Drugs issues even these issues are related. In-depth PRA is suggested to be consider to be done in all aspects by ICA.)

Appendix 6

Natural resources: timber, hydropower, gypsum, tin, gold, gemstones

Land use : *arable land:* 4%
permanent crops: 0%
other: 96% (1998 est.)

Irrigated land: 1,640 sq km
note: rainy season irrigation - 2,169 sq km; dry season irrigation - 750 sq km (1998 est.)

Natural hazards: floods, droughts

Environment - current issues: unexploded ordnance; deforestation; soil erosion; a majority of the population does not have access to potable water

Environment - international agreements: *party to:* Biodiversity, Climate Change, Desertification, Environmental Modification, Law of the Sea, Nuclear Test Ban, Ozone Layer Protection
signed, but not ratified: none of the selected agreements

Geography - note: landlocked; most of the country is mountainous and thickly forested; the Mekong forms a large part of the western boundary with Thailand

People **Laos**

Population: 5,777,180 (July 2002 est.)

Age structure: 0-14 years: 42.5% (male 1,233,659; female 1,219,872)
15-64 years: 54.2% (male 1,543,246; female 1,591,419)
65 years and over: 3.3% (male 86,375; female 102,609) (2002 est.)

Population growth rate: 2.47% (2002 est.)

Birth rate: 37.39 births/1,000 population (2002 est.)

Death rate: 12.71 deaths/1,000 population (2002 est.)

Net migration rate: 0 migrant(s)/1,000 population (2002 est.)

Sex ratio: *at birth:* 1.03 male(s)/female
under 15 years: 1.01 male(s)/female
15-64 years: 0.97 male(s)/female
65 years and over: 0.84 male(s)/female
total population: 0.98 male(s)/female (2002 est.)

Infant mortality rate: 90.98 deaths/1,000 live births (2002 est.)

Life expectancy at birth: *total population:* 53.88 years
female: 55.87 years (2002 est.)
male: 51.95 years

Total fertility rate: 5.03 children born/woman (2002 est.)

HIV/AIDS - adult prevalence rate: 0.05% (1999 est.)

HIV/AIDS - people living with HIV/AIDS: 1,400 (1999 est.)

HIV/AIDS - deaths: 130 (1999 est.)

Nationality: noun: Lao(s) or Laotian(s) adjective: Lao or Laotian

Ethnic groups: Lao Loum (lowland) 68%, Lao Theung (upland) 22%, Lao Soung (highland) including the Hmong ("Meo") and the Yao (Mien) 9%, ethnic Vietnamese/Chinese 1%

Religions: Buddhist 60%, animist and other 40% (including various Christian denominations 1.5%)

Languages: Lao (official), French, English, and various ethnic languages

Literacy: definition: age 15 and over can read and write
total population: 57%
male: 70%
female: 44% (1999 est.)

Government **Laos**

Country name: conventional long form: Lao People's Democratic Republic
conventional short form: Laos
local short form: none
local long form: Sathalanalat Paxathipatai Paxaxon Lao

Government type: Communist state

Capital: Vientiane

Administrative divisions: 16 provinces (khoueng, singular and plural), 1 municipality* (kampheng nakhon, singular and plural), and 1 special zone** (khetphiset, singular and plural): Attapu, Bokeo, Bolikhamxai, Champasak, Houaphan, Khammouan, Louangnamtha, Louangphabang, Oudomxai, Phongsali, Salavan, Savannakhet, Viangchan*, Viangchan, Xaignabouli, Xaisomboun**, Xekong, Xiangkhoang

Independence: 19 July 1949 (from France)

National holiday: Republic Day, 2 December (1975)

Constitution: promulgated 14 August 1991

Legal system: based on traditional customs, French legal norms and procedures, and Socialist practice

Suffrage: 18 years of age; universal

- Executive** *chief of state:* President Gen. KHAMTAI Siphandon (since 26 February 1998) and Vice President Lt. Gen. CHOUMMALI Saignason (since 27 March 2001)
head of government: Prime Minister BOUNGNANG Volachit (since 27 March 2001); First Deputy Prime Minister Maj. Gen. ASANG Laoli (since NA May 2002), Deputy Prime Minister THONGLOUN Sisolit (since 27 March 2001), and Deputy Prime Minister SOMSAVAT Lengsavat (since 26 February 1998)
cabinet: Council of Ministers appointed by the president, approved by the National Assembly
elections: president elected by the National Assembly for a five-year term; election last held 24 February 2002 (next to be held NA 2007); prime minister appointed by the president with the approval of the National Assembly for a five-year term
election results: KHAMTAI Siphandon elected president; percent of National Assembly vote - NA%
- Legislative** unicameral National Assembly (109 seats; members elected by popular vote to serve five-year terms; note - total number of seats increased from 99 to 109 for the 2002 election)
elections: last held 24 February 2002 (next to be held NA 2007)
election results: percent of vote by party - NA%; seats by party - LPRP or LPRP-approved (independent, non-party members) 109
- Judicial** People's Supreme Court (the president of the People's Supreme Court is elected by the National Assembly on the recommendation of the National Assembly Standing Committee; the vice president of the People's Supreme Court and the judges are appointed by the National Assembly Standing Committee)
- Political parties and leaders:** Lao People's Revolutionary Party or LPRP [KHAMTAI Siphandon, party president]; other parties proscribed
- Political pressure groups and leaders:** noncommunist political groups proscribed; most opposition leaders fled the country in 1975
- International organization participation:** ACCT, ARF, AsDB, ASEAN, CP, ESCAP, FAO, G-77, IBRD, ICAO, ICRM, IDA, IFAD, IFC, IFRCs, ILO, IMF, Interpol, IOC, ITU, NAM, OPCW, PCA, UN, UNCTAD, UNESCO, UNIDO, UPU, WFTU, WHO, WIPO, WMO, WTO, WTrO (observer)
- Diplomatic representation in the US:** *chief of mission:* Ambassador VANG Rattanavong
FAX: [1] (202) 332-4923
telephone: [1] (202) 332-6416
chancery: 2222 S Street NW, Washington, DC 20008
- Diplomatic representation from the US:** *chief of mission:* Ambassador Douglas A. HARTWICK
embassy: 19 Rue Bartholonia, B. P. 114, Vientiane
mailing address: American Embassy, Box V, APO AP 96546
telephone: [856] (21) 212581, 212582, 212585
FAX: [856] (21) 212584

Flag description: three horizontal bands of red (top), blue (double width), and red with a large white disk centered in the blue band

Economy

Laos

Economy overview: The government of Laos - one of the few remaining official Communist states - began decentralizing control and encouraging private enterprise in 1986. The results, starting from an extremely low base, were striking - growth averaged 7% in 1988-2001 except during the short-lived drop caused by the Asian financial crisis beginning in 1997. Despite this high growth rate, Laos remains a country with a primitive infrastructure, it has no railroads, a rudimentary road system, and limited external and internal telecommunications. Electricity is available in only a few urban areas. Subsistence agriculture accounts for half of GDP and provides 80% of total employment. The economy will continue to benefit from aid from the IMF and other international sources and from new foreign investment in food-processing and mining.

GDP: purchasing power parity - \$9.2 billion (2001 est.)

GDP - real growth rate: 5% (2001 est.)

GDP - per capita: purchasing power parity - \$1,630 (2001 est.)

GDP composition by sector: agriculture: 53%
industry: 22%
services: 25% (2000 est.)

Population below poverty line: 40% (2001 est.)

Household income or consumption by percentage share: lowest 10%: 3.2%
highest 10%: 30.6% (1997)

Distribution of family income - Gini index: 37 (1997)

Inflation rate (consumer prices): 10% (2001 est.)

Labor force: 2.4 million (1999)

Labor force by occupation: agriculture 80% (1997 est.)

Unemployment rate: 5.7% (1997 est.)

Budget: *revenues:* \$211 million
expenditures: \$462 million, including capital expenditures of \$NA (FY98/99 est.)

Industries: tin and gypsum mining, timber, electric power, agricultural processing, construction, garments, tourism

Industrial production growth rate: 7.5% (1999 est.)

Electricity - production: 1.02 billion kWh (2000)

Electricity - production by source: *fossil fuel:* 1.96%
hydro: 98.04%
other: 0% (2000)
nuclear: 0%

Electricity - consumption: 690.6 million kWh (2000)

Electricity - exports: 400 million kWh (2000)

Electricity - imports: 142 million kWh (2000)

Agriculture - products: sweet potatoes, vegetables, corn, coffee, sugarcane, tobacco, cotton, tea, peanuts, rice, water buffalo, pigs, cattle, poultry

Exports: \$325 million (2001 est.)

Exports - commodities: wood products, garments, electricity, coffee, tin

Exports - partners: Thailand 20%, France 7.5%, Germany 5.9%, UK 4.1%, Belgium 4% (2000)

Imports: \$540 million (f.o.b., 2000 est.)

Imports - commodities: machinery and equipment, vehicles, fuel

Imports - partners: Thailand 52%, Singapore 3.9%, Japan 1.6%, Hong Kong 1.5%, China 0.8% (2000)

Debt - external: \$2.53 billion (1999)

Economic aid - recipient: \$345 million (1999 est.)

Currency: kip (LAK)

Currency code: LAK

Exchange rates: kips per US dollar - 9,467.00 (December 2001), 8,954.58 (2001), 7,887.64 (2000), 7,102.03 (1999), 3,298.33 (1998), 1,259.98 (1997)

Fiscal year: 1 October - 30 September

Communications Laos

Telephones - 25,000 (1997)
main lines in use:

Telephones - 4,915 (1997)
mobile cellular:

Telephone system: *general assessment:* service to general public is poor but improving, with over 20,000 telephones currently in service and an additional 48,000 expected by 2001; the government relies on a radiotelephone network to communicate with remote areas
domestic: radiotelephone communications
international: satellite earth station - 1 Intersputnik (Indian Ocean region)

Radio broadcast stations: AM 12, FM 1, shortwave 4 (1998)

Radios: 730,000 (1997)

Television broadcast stations: 4 (1999)

Televisions: 52,000 (1997)

Internet country code: .la

Internet Service Providers (ISPs): 1 (2000)

Internet users: 6,000 (2001)

Transportation Laos

Railways: 0 km (2001)

Highways: *total:* 14,000 km
paved: 3,360 km
unpaved: 10,640 km (1991)

Waterways: 4,587 km approximately
note: primarily Mekong and tributaries; 2,897 additional km are intermittently navigable by craft drawing less than 0.5 m

Pipelines: petroleum products 136 km

Ports and harbors: none

Merchant marine: *total:* 1 ship (1,000 GRT or over) totaling 2,370 GRT/3,110 DWT
ships by type: cargo 1 (2002 est.)

Airports: 51 (2001)

Airports - with paved runways: *total:* 9
2,438 to 3,047 m: 1
runways: 1,524 to 2,437 m: 5
914 to 1,523 m: 3 (2001)

Airports - with unpaved runways: *total:* 42
1,524 to 2,437 m: 1
914 to 1,523 m: 15
under 914 m: 26 (2001)

Military **Laos**

Military branches: Lao People's Army (LPA; including Riverine Force), Air Force, National Police Department

Military manpower - military age: 18 years of age (2002 est.)

Military manpower - availability: *males age 15-49:* 1,365,027 (2002 est.)

Military manpower - fit for military service: *males age 15-49:* 734,945 (2002 est.)

Military manpower - reaching military age annually: *males:* 64,437 (2002 est.)

Military expenditures - dollar figure: \$55 million (FY98)

Military expenditures - percent of GDP: 4.2% (FY96/97)

Transnational Issues **Laos**

Disputes - international: demarcation of boundaries with Cambodia, Thailand, and Vietnam is nearing completion, but with Thailand, several areas including Mekong River islets, remain in dispute; ongoing disputes with Thailand and Vietnam over squatters

Illicit drugs: world's third-largest illicit opium producer (estimated cultivation in 2001 - 22,000 hectares, a 5% decrease over 2000; estimated potential production in 2001 - 200 metric tons, about the same as in 2000); potential heroin producer; transshipment point for heroin and methamphetamine produced in Burma; illicit producer of cannabis; growing methamphetamine abuse problem

Appendix 8

Resolution of The Seventh Congress of The Lao People's Revolutionary Party

The Seventh Nation-wide Congress of the Lao People's Revolutionary Party was convened on 12-14 March 2001 in Vientiane. Taking part in the Congress were 452 delegates, coming from various sectors at the central, local, and grassroots levels throughout the country, representing over 100,000 Party members.

I. The Congress thoroughly studied and contributed views to and endorsed the Political Report of the Sixth Party Central Committee, presented by Comrade Khamtay Siphandone, President of the Party Central Committee to the Seventh Party Congress.

- The delegates of the Congress fully and unanimously agreed on the content of the Political Report, particularly on the general assessment of the achievement of the Party leadership during the past 45 years, as well as the implementation of the resolution of the Sixth Party Congress, including the five summary points as lessons of the leadership in the implementation of the Party guidelines in the past years.
- Based on the achievements reached during the implementation of the resolution of the Sixth Party Congress as well as the objective assessment of the characteristics of the international environment and the real situation of our country, the Congress unanimously endorsed the targeted goals on the development of the country in the period to 2020, 2010 and 2001-2005 as follows:

The period to 2020:

To lead the country out of underdevelopment to become one with firm political stability, peace and social order, with continuously and steadily growing economy at a relatively fast pace; with the people's living conditions increased thrice when compared to the present; with a firm basis for the national economy in which the agro-forestry component, and industry and services are closely related in an active and balanced manner; with systematic state-managed market economy having as fundamental factor a gradual shifting towards industrialized and modern economy, in which

all economic sectors grow harmoniously and constitute components of the national economic strength: in which the state economic sector and the people's cooperative economy constitute the majority of the national economy; with strong people's democracy political system having the Lao People's Revolutionary Party as leader; with clearly shown the nature of the state of the people, by people and for people in which the rights of the citizen are ensured through effective management by law, and people of all ethnic groups are solidly united, have formal education of lower secondary level, receive thorough health service and enjoy favorable conditions for self-development; in which the fine culture of the nation is preserved and developed to become ever richer. The Lao PDR has wide international cooperation for the nation's legitimate interests and is able to actively join international activities.

To accomplish these aims, from 2006 to 2010, we have to create every conditions to push the economy on continual growth with the average rate of at least 7% per year by developing the agriculture and forestry sector in connection with industry and services in a strong and focused manner. The components of this economic sector should be balanced and gradually modernized. On the basis of strong agricultural production and effective exploration of focused potentials, slash and burn cultivation would be basically terminated, and the situation of poor families would be solved. The country would have economic, cultural, technical and scientific infrastructure and personnel to endorse the future industrialization and modernization.

From 2001 to 2005, we have to implement the following targeted tasks:

Ensuring the firm continuity of social security and political stability in our country, and of the economic growth, advancing in the right direction at the average of at least 7% each year. At least more than half of the current number of poor families is reduced. Slash and burn practices should be basically stopped and opium growing terminated. We should create some basic activities towards future industrialization and modernization. Lao people have to be instilled with virtue and understand and respect the law, cherish justice and humanitarian and self-reliance spirit, know how to legally earn a living and produce goods not forbidden by law, have good health, and be more diligent at work. Personnel should be sufficiently trained to meet the demand for the implementation of the two strategic tasks. The cadres must be steadfast in political ideology and revolutionary virtue and have essential profession and knowledge to ensure the efficiency of work.

As for the political sector, we have to maintain and raise even higher the

Party leadership role to make our state more efficient and compact in management, more simplified in working methodologies, close to reality and less negative phenomena.

In foreign affairs, we have to enhance friendship and co-operation with countries in the world.

The Congress unanimously agrees that the mentioned targeted goals are consistent with the actual practical requirement of our society, based on the realistic capabilities of our country and lessons of our achievements as well as internal and external favorable conditions. Furthermore, the Congress affirms its high responsibility for the destiny of the country and determines to explore the right methods, closely enhance the guidance and encouragement and active work, thoroughly explore and exploit the national and local potential in order to address the requirement of the society; to move our country out of the underdevelopment, by focusing on the implementation of the following common tasks:

- Increase unity throughout the Party and people, develop patriotism, the spirit of independence, self-mastery and self-strength building; explore and exploit substantially all the domestic potentials in conjunction with seeking actively international assistance and cooperation in view of safeguarding and developing our nation while firmly pursuing the renovation policy.
- The whole party and people shall concentrate all physical and intellectual energy on developing our economy by considering it as the central task closely linked with the solution of social problems and the development of progressive Lao citizens, which should be conducted at the beginning.
- At the same time, we shall improve simultaneously the Party's leadership role over all sectors, and the state apparatus efficacy and effectiveness, enhance the National Front and other mass organizations and actively develop the mastery's right of the people.

The Congress assigns the Seventh Party Central Committee to transform the Political Report into resolutions and detailed projects and to closely lead and guide the implementation in order to realize the targeted goals.

The Congress requires the Party committee and authority at all levels, Party members and all personnel, specifically all core leading cadres to pay attention to study and grasp the content of the Political Report with a view to develop it into resolution and work plans of the Party committee as well as their organizations, sectors and localities.

II. The Congress was informed of the survey relating to the leading ac-

tivities of the Sixth Congress Party Central Committee and highly appreciated endeavors in their successful duty performance; specifically solidarity and unanimity within the Party Central Committee have been firmly maintained, the Party has become the core of solidarity and unanimity within the entire Party, armed force and people and has enhanced lessons and creative ability in successfully guiding the implementation of the resolution of the Sixth Congress. At the same time, the Congress delegates have frankly given comments on the shortcomings of the collective leadership as well as each individual member of the Party Central Committee.

The Congress was informed of the improvement of the Party Statutes, studied in depth and gave detailed comments with a view to make the organization policy consistent with the Party's political line. Furthermore, the Congress has endorsed the amended Seventh Congress Statute, which will enter into force from May 1st, 2001.

The Congress elected the Seventh Congress Party Central Committee to be the leading core of the entire Party, armed forces and people in the implementation of the Congress Resolution as well as the renovation policy with greater success.

The first meeting of the Seventh Congress Party Central Committee fully and unanimously elected Comrade Khamtay Siphandone as the President of the Party Central Committee.

III. The Congress praised the Party members, cadres, combatants and the people of all ethnic groups and social strata throughout the country for their active contribution to the national defense and development causes during the last 5 years, which has established new foundation and momentum for the move forward of the country in the next years.

The Congress requested the entire Party, armed force and people to uphold the spirit of patriotism, independence, self-mastery, self-reliance and self-resilience; and also requested them to be united and ardent in exploiting the overall national potentials in combination with the potentials of the cooperation and assistance from the international friends to build the Lao PDR with peace, independence, democracy, unity and prosperity.

Vientiane, 14 March 2001

The Seventh Congress of the Lao People's Revolutionary Party

Appendix 9

Decree of the Council of Ministers pertaining to the Management and Operations of Commercial Banks and Financial Institutions

- based on the law concerning the creation of the Bank of the Lao PDR number 04/90/SPA dated July 10 1990 and promulgated by Presidential decree number 39/PL dated July 27 1990;
- based on the proposal of the Governor of the Bank of the Lao PDR; the President of the Council of Ministers decides:

Part I : Definitions of Banking Business

Article 1: Commercial Banks are enterprises that conduct the banking business as their normal professional activity:

- accept different types of deposits from the general public;
- make different types of loans;
- offer other services to their customers: foreign exchange; placement of currencies to gain interest or the clearing of customers payments at the bank or other financial institutions domestically or abroad; buying and selling and the safe custody of securities, bonds, documents and other valuables.

Article 2 : There are three types of commercial banks: development banks, commercial banks and specialized commercial banks which can be state owned, joint ventures, foreign owned and joint ventures with foreigners etc....

Specialized commercial banks can be agricultural banks, industrial banks and banks which operate in specific sectors.

No person or legal entity Other than a bank may conduct banking business and name itself or advertise itself as a bank in Lao or any foreign language in such a way as to make people believe that it is a bank.

The Bank of the Lao PDR has the right to investigate any person or legal entity that it suspects is conducting the banking business illegally and it has the right to prosecute such person or entity in the courts.

Article 3 : Financial institutions are enterprises which conduct similar business to banks:

- mobilize funds from the public by way of issue of shares or
- make loans in different forms,
- carry out foreign exchange Operations;
- provide leasing or purchase finance;
- act as a middle man to seek funds for large investment;
- Placement of funds with banks and other financial institutions;

Financial institutions are not authorized to mobilize deposits from the general public in the way of banks nor may they clear funds for their customers in the manner of banks.

Financial institutions in the Lao PDR comprise:

- The State Treasury and Pension Funds;
- Insurance Companies;
- Finance Companies;
- Credit Cooperatives and others.

The State Treasury, Pension Funds and Insurance Companies operate under the laws of the Lao PDR and the specific regulations concerning their operations.

The other financial institutions must operate under the provisions of this decree and must abide by the Bank of the Lao PDR Act.

Article 4 : Licensed representative offices of foreign commercial banks or financial institutions in the Lao PDR may provide only certain services for the commercial banks and financial institutions that are their customers. They are not authorized to conduct banking business or carry out activities similar to banking business in the Lao PDR.

Article 5 : Commercial banks and different types of financial institutions that are established in the Lao PDR are legal entities having equal rights before the law and enjoy the protection of the law and operate according to their respective roles to compete for the business of their customers and must respect the laws, orders and regulations of the Lao PDR and other policies set out by the Government.

Part II : Establishment of Banks and Financial Institutions

Article 6 : Individuals or legal entities who wish to establish commercial banks or financial institutions in the Lao PDR must make written application and must file complete and accurate documents as laid down by the Bank of the Lao PDR.

An applicant who wishes to establish a commercial bank shall satisfy the

following basic conditions:

- shall have adequate capital as determined periodically by the Bank of the Lao PDR;
- shall have the technical competence and financially qualified staff as determined by the Bank of the Lao PDR;
- shall have credibility in the eyes of the public;
- and shall have a qualified management team with ability and experience in the banking business.

Only the Bank of the Lao PDR is authorized to grant or refuse a license to an applicant for establishing a bank or financial institution.

Article 7 : The establishment of a joint venture bank with a foreign partner, the branches of foreign commercial banks or financial institutions in the Lao PDR shall be in accordance with the Foreign Investment Code of the Lao PDR and shall have the approval of the Governor of the Bank of the Lao PDR and have the permission of the Government of the Lao PDR.

The Bank of the Lao PDR has the right to ask the foreign bank that wishes to establish a branch or have a joint venture bank in the Lao PDR shall be bank with a sound financial position and lawful operations in the banking business in its own country.

Domestic commercial banks that wish to establish their branches in the Lao PDR shall obtain the permission of the Bank of the Lao PDR and if they wish to open branches overseas they shall have the approval of the Governor of the Bank of the Lao PDR and the permission of the Government of the Lao PDR. Branches of foreign commercial banks or financial institutions in the Lao PDR are not authorized to open any other branches in the Lao PDR.

Article 8 : After being granted a license officially, the applicant shall bring the capital for registration of the establishment of a commercial bank, financial institution or branch of a foreign bank or financial institution within the Lao PDR. The capital shall be transferred to a deposit account in its name at the Bank of the Lao PDR within a period of 90 days.

Beyond the above mentioned period, the Bank of the Lao PDR is authorized to cancel the license or to allow a further defined time in which to bring in the capital for registration.

Part III : Capital of Commercial Banks and Financial Institutions

Article 9 : The capital of commercial banks and financial institutions comprises:

9.1 Paid up capital: It is the capital provided at the establishment of the commercial bank or financial institution. The Bank of the Lao PDR shall determine the initial ratio that must be kept in the reserve fund or determine the ratio of the aforesaid capital so that the concerned commercial bank and financial institution can use it to operate their business.

The co-investors in the establishment of a commercial bank or financial institution are called "partners". Partners have the right to sell or transfer their shares to others. Partners have the right to withdraw their own shares in the case of liquidation of the commercial bank or financial institution and after clearing all financial obligations. A bank or financial institution, being a joint venture with a foreigner, shall carry out the terms of the agreement made at the time of its establishment.

9.2 A capital increase: The commercial bank or financial institution can increase its capital by extending its shares to the public. The co-investors in the extension of the shares are called "shareholders". Shareholders may withdraw their holdings in accordance with the terms and conditions established at the time of the extended issue, in conformity with the decision of the Board of Directors of the concerned commercial bank or financial institution.

9.3 If owners of the shares (partners and shareholders) should die, become insane, or terminate their legal rights, the beneficiary shall take over the concerned shares with their respective rights and obligations.

Part IV : Organization of Banks and Financial Institutions

Article 10 : The Board of Directors:

10.1 A commercial bank and a financial institution established in the Lao PDR, except a branch of a foreign bank and a representative office of a foreign bank or foreign financial institution, shall have a Board of Directors.

The Board of Directors is the organ which has the full power to decide all matters of a commercial bank or a financial institution except for some rights reserved for the general meeting of the shareholders.

10.2 The Board of Directors determines regulations and monitors the business activities of the management team of a commercial bank or a financial institution.

10.3 The members of the Board of Directors consist of at least five persons or at most fifteen persons whom the general meeting of the shareholders shall elect or remove from office. The Governor of the Bank of the Lao PDR shall appoint or remove from office the Chairman, the Vice Chairman and the members of the Board of Directors and the manage-

ment team of a state owned commercial bank. The members of the concerned Board of Directors shall be selected from different concerned sectors, from individuals who are businessmen or qualified people and professionals with experience in financial matters and banking and who have never been indicted for offenses affecting their credibility in the business and political arena in general.

In the case of the death of a member of the Board of Directors or his resignation in between two general meetings of the shareholders, the Board of Directors can appoint someone to the Board to replace him temporarily.

10.4 At least one third of the members of the Board of Directors shall be Lao citizens who are normally resident in the Lao PDR.

10.5 Members at a meeting of the Board of Directors of a non state-owned commercial bank shall elect its Chairman and its Vice Chairman from amongst the Board members or remove them from office. The Chairman and the Vice Chairman of the Board of Directors have the same term in office as their membership of the Board and can be reelected.

10.6 Normal meetings of the Board of Directors shall be held every quarter (every three months of the year) and extraordinary meetings can be held at any time when necessary at the request of the Chairman of the Board or when requested by at least two thirds of the Board members. A quorum for valid resolutions at meetings of the Board shall be at least half the members thereof.

10.7 Decisions of the Board shall be taken by a majority of the members present and voting. In the case of a tie, the Chairman shall have a casting vote. Minutes shall be kept of all decisions of the Board of Directors and circulated to the members after the meeting for signing.

10.8 The proceedings of the Board of Directors shall be in accordance with the regulations of the commercial bank or financial institution which do not conflict with this decree. The general meeting of the shareholders shall approve such regulations. Regulations approved by resolutions of the general meeting of the shareholders shall be sent to the Governor of the Bank of the Lao PDR for promulgation and appropriate registration to be valid.

10.9 The Chairman, Vice Chairman and all members of the Board of Directors who are given the power by the general meeting of the shareholders to manage a commercial bank or a financial institution have the full right to decide upon matters of that commercial bank or financial institution and shall be responsible for the interests of the shareholders

thereof and the Chairman, Vice Chairman and other empowered members shall not take any opportunity to further their own interests.

The Chairman, Vice Chairman and other members of the Board of Directors shall answer the questions of the shareholders at the shareholders meeting. In the case of loss the Bank of the Lao PDR has the right to call the Chairman, Vice Chairman and members of the board of Directors with the management team of a commercial bank and financial institution for investigation.

10.10 The appointment or election of members of the Board of Directors of a commercial bank or financial institution with a foreign partner shall be in conformity with the laws and regulations of the Lao PDR and shall be in accordance with the agreement of the establishment signed with the foreign partner.

Article 11 : Management Team.

11.1 The Chairman and Vice Chairman of the Board of Directors are the Managing Director and Deputy Managing Director of a state owned commercial bank and state-owned financial institution. The appointment and removal from office of the Managing Director and his team shall be conducted in accordance with the provisions of Article 10 section 10.3 of this decree.

11.2 The Managing Director of a joint venture bank, a bank with a foreign partner etc.. shall be appointed and removed from office by the Board of Directors. The Board of Directors shall determine the salaries, rights and functions of the concerned Managing Director.

11.3 The Managing Director has the authority and task to manage the given business delegated by the Board of Directors to whom he shall be responsible. The Deputy Managing Director shall assist the Managing Director and carry out the work given to him by the Managing Director. There may be a small or large number of Deputy Managing Directors depending upon the tasks and on the decision of the Board of Directors.

11.4 The Managing Director is the representative of a commercial bank or financial institution to make contracts with third parties and has the right to present disputes to the Court, and pursue the dispute in the Court to protect the interest of the commercial bank or financial institution within the authority delegated to him by the Board of Directors.

11.5 The Managing Director shall employ or dismiss the officers, promote, reward and admonish those officers within his delegated authority and in conformity with the Labor Law of the Lao PDR.

11.6 The Managing Director shall determine the appropriate units within

the organizational structure of a commercial bank or financial institution and the respective placing of employees therein, subject to the approval of the Board of Directors.

Article 12 : General Meetings of Shareholders.

There are two types of shareholders general meetings such as the ordinary general meeting and the extraordinary general meeting.

12.1 An extraordinary general meeting shall be held to vote on:

- the approval of amendment of the statutes of a commercial bank or financial institution.
- the election of members of the Board of Directors and their removal from office.
- the liquidation or transfer of activities to another party.
- consideration of important and urgent problems which would affect the efficiency of a commercial bank or financial institution.

Resolutions of an extraordinary general meeting are valid in the presence of at least two thirds of the owners of the shares or their valid representatives.

12.2 An ordinary general meeting shall be held once a year to hear the annual report of the Board of Directors in the presence of at least one fourth of the owners of the shares or their valid representatives. In the absence of one fourth of the share owners another meeting shall be called. If less than one fourth of the share owners is present at the second meeting then the proceedings and decisions of the meeting shall nevertheless be valid.

12.3 Advance notice shall be given for each ordinary or extraordinary general meeting to the owners of the shares. The Chairman of the Board of Directors or a half of the shareholders have the right to call for a general meeting of shareholders. The chairman of a meeting shall be appointed by the participants at the shareholders' general meeting.

12.4 Resolutions of a shareholders' general meeting shall be adopted by a simple majority of the votes at the meeting. Votes shall be cast in line with the number of shares held.

Article 13 : Restrictions imposed on and obligations required of 8 member of the Board of Director's, the Management Team and officers of a commercial bank or financial institution.

13.1 The Chairman, Vice Chairman and a member of a Board of Directors and the Management Team of a commercial bank or financial institution shall not borrow from his own commercial bank or financial institu-

tion or obtain a guarantee from his own commercial bank or financial institution so that he may borrow from another party or to misuse his position to issue his personal guarantee to enable other persons to borrow from his own commercial bank or financial institution.

13.2 Every contract between a commercial bank or financial institution and any member of the Board of Directors shall have the advance approval of the Board of Directors.

13.3 Any officer of a commercial bank or financial institution who wishes to accept any other second employment shall obtain the advance approval of the Chairman of the Board of Directors.

13.4 The appointment of a member of the Board of Directors, Management Team or any officer who is convicted of murder, fraud, embezzlement, corruption or who has been made bankrupt, or who has broken a regulation pertaining to monetary management, shall be terminated immediately.

Part V : Activities of a Commercial Bank or Financial Institution.

Article 14 : Activities of a commercial bank.

14.1 Accepting deposits:

Lao or foreign citizens or legal entities may open accounts with a commercial bank established in the Lao PDR. Those who apply to open a deposit account shall complete documents as determined by the commercial bank.

An account holder may authorize another person to make deposits to the holder's account and to make withdrawals therefore. However, that authority shall be in writing bearing the valid signature of the account holder and that of his delegate.

A commercial bank is authorized to mobilize deposits of different types such as a demand deposit, a savings deposit, a time deposit and other types of deposit.

A commercial bank shall guarantee the withdrawals of its customers in accordance with the agreement for that type of deposit and shall keep information on a customer's account confidential.

Disclosing information about a customer's account is considered a criminal offense and a customer has the right to present a case to the Court for compensation, except for the case mentioned in Article 16 paragraph 1 of the Bank of the Lao PDR Act.

A commercial bank may determine the rate of interest it pays on deposits within the guidelines set by the Bank of the Lao PDR periodically.

A commercial bank shall pay interest to its depositors in accordance with the agreement applying thereto.

14.2 Credit Operations:

A commercial bank may grant credit from its paid up capital, from its deposits, borrowed funds and others. In the case of an insufficiency of funds a commercial banks may request an additional loan from the Bank of the Lao PDR in the form of an advance, or sell commercial bills in accordance with the conditions and regulations of the Bank of the Lao PDR. The

The types of credit given by a commercial bank are :

- temporary advance,
- overdraft,
- day today loans
- short term loan (one year or less)
- medium term loan (one to three years)
- long term loans (more than three years)
- the opening of a letter of credit (L/c) for export and import with foreign countries and etc..

Loans shall be evidenced by contracts between a commercial bank and its customer and the parties shall perform the obligations in full contained therein. The provisions of the contract shall include certain basic elements, such as:

- (1) the amount of the loan,
- (2) the purpose and the draw down period of the loan,
- (3) the maturity,
- (4) the repayment conditions,
- (5) the interest rate,
- (6) penalties,
- (7) the security,
- (8) events causing repayment to be accelerated.

A commercial bank may determine the interest rate on a loan within the guidelines set by the Bank of the Lao PDR.

A commercial bank may request a borrower to provide security for his loan in an amount which it deems suitable. That security shall be registered with the authorized organization.

A commercial bank may issue a loan guarantee for its customer, discount his commercial bills and etc...

14.3 Other Services:

A commercial bank may charge commissions and fees for transferring money, clearing items, foreign exchange, issue of letters of guarantee etc...as it may periodically determine.

A commercial bank may buy and sell foreign exchange or establish foreign exchange bureau upon the conditions expressed in the Council of Ministers' decree governing the Management of Foreign Exchange and Precious Metals and under the control of the Bank of the Lao PDR.

Article 15 : With regard to the activities of a financial institution, a finance company, a credit cooperative and etc., the Bank of the Lao PDR shall establish separate regulations for the management of each type of those financial institutions.

Article 16 : The activities of a credit cooperative.

16.1 A credit cooperative is an enterprise formed by a group of people who operate to mobilize funds by selling shares (credit shares) to the public.

16.2 A credit cooperative shall use its mobilized funds to make loans to customers in different forms or to deposit them with a commercial bank to earn interest. A credit cooperative may request a borrower for security to guarantee the amount of his loan in the same manner as a commercial bank.

16.3 A credit cooperative may establish a foreign exchange bureau provided it gets a license from the Bank of the Lao PDR.

16.4 A credit cooperative may not mobilize funds from the public in excess of twenty times its paid up capital and may not make loans in excess of its net worth plus the mobilized funds. A credit cooperative shall comply with Article 17 of this decree.

16.5 A credit cooperative shall pay interest for mobilized funds and charge interest on loans in accordance with the guidelines set out by the Bank of the Lao PDR.

Part VI : Supervision of a Commercial Bank and a Financial Institution

Article 17: All activities of a commercial bank and a financial institution (except the State Treasury, Pension Fund, Insurance Companies) shall be under the supervision and Control of the Bank on the Lao PDR.

A commercial bank and a financial institution shall maintain the different ratios set out by the Bank of the Lao PDR.

- total reserves ratio;
- liquidity ratio;
- required reserve ratio;
- loan/deposit ratio;
- agricultural lending ratio;
- as set out in the foreign exchange management decree; and etc....

A commercial bank and a financial institution shall send a statement of its financial position to the Bank of the Lao PDR each month or at the request of the Bank of the Lao PDR and that statement shall be in the form and manner required by the Bank of the Lao PDR.

The Bank of the Lao PDR may carry out on-site examination whenever it deems fit.

In the event of a change, in the amount of the registered capital, of the Chairman of the Board of Directors or the Managing Director, a commercial bank or financial institution shall report such change immediately to the Bank of the Lao PDR.

A commercial bank and a financial institution, or a person who is in breach of any law, decrees, regulations of the Lao PDR, and any of the provisions mentioned above shall be warned and/or fined and/or have the business license withdrawn or in extreme cases taken to Court and prosecuted according to the law.

Article 18 : Auditors of a commercial bank and a financial institution.

- A commercial bank established in the Lao PDR shall have an auditor. The auditor shall be appointed by the general meeting of the shareholders upon the recommendation of the Board of Directors and shall be approved by the Bank of the Lao PDR.

The function of the auditor is to check, review and verify the accuracy of the financial accounts and make recommendations thereon for each financial year. The auditor has the right to examine every document that he needs to fulfill his duties. At the end of each financial year the auditor shall make a report of his assessment of the accounts for that year to the general meeting of the shareholders for approval.

- The Board of Directors of a commercial bank or financial institution shall establish an audit committee to verify the accounts. the verification shall be performed quarterly, yearly or if it deems necessary it may do so on any occasion.

The audit committee shall be selected from a list of accounting experts whose qualifications have been approved by the Bank of the Lao PDR.

The audit committee has the right to request, verify all documents it deems necessary but shall maintain the confidentiality of any documents and data that the committee receives and shall report to the Board of Directors and to the Bank of the Lao PDR. This report shall be signed by two members of the Board of Directors acknowledging the findings there of.

- Bank of the Lao PDR may ask a commercial bank and a financial institution to make additional auditing by the external auditors at the expense of the commercial bank and financial institution.

Part VII : Responsibilities towards Customers and Employees

Article 19 : A commercial bank and a financial institution shall be responsible for the business operations and shall be responsible for the repayment of deposits to depositors and for the full repayment of credit shares to their customers. The customers who suffer any losses may seek compensation by legal process.

Article 20 : A commercial bank and a financial institution shall pay salaries according to its revenues and according to the regulations approved by the Board of Directors. The regulations regarding the salaries paid by a commercial bank and a financial institution shall be in accordance with wage laws of the Lao PDR.

Part VIII : The Distribution of Profits and Losses

Article 21: The net profit for the year is the profit after the payment of taxes, deduction of provisions for bad debts. Net profit will be allocated to the establishment of different kinds of reserves in accordance with the regulations of the Bank of the Lao PDR, reserves for future expansion, staff bonus funds, welfare funds; the remaining amount may be distributed among the shareholders in accordance with the decision of the Board of Directors.

Article 22 : In the event of losses, a commercial bank and a financial institution shall use its reserve funds to cover its losses.

The Bank of the Lao PDR may intervene in the activities of a commercial bank or a financial institution in the cases where it deems necessary.

Part IX: Liquidation of a Commercial Bank and a Financial Institution

Article 23 : Liquidation of a institution shall take place in the following circumstances:

- on the decision of the shareholders general meeting;

- in the case of losses that prevent the future operations;
- by order of the Bank of the Lao PDR or the Court to cease operations because of malfeasance;
- upon the sale or transfer to another party.

Whatever the circumstances for the liquidation of a commercial bank and a financial institution, the Bank of the Lao PDR shall make it known to the public and set up a special examination committee to investigate and evaluate the assets and liabilities of the commercial bank and financial institution to repay the creditors. The remaining assets shall be distributed to the partners and shareholders in accordance with the decision of the Board of Directors. Where a commercial bank and a financial institution has been registered as a partnership having unlimited liability, the partners are responsible to the extent of their individual assets for the payment of the creditors.

Part X : Final Part

Article 24 : For the implementation of this decree the Bank of the Lao PDR has the right to give a license to establish a commercial bank or a financial institution including the issuance of regulations for the stable and efficient conduct by a commercial bank and a financial institution of its business, the Bank of the Lao PDR has the right to supervise and regulate the activities of a licensed commercial bank and a financial institution.

Article 25 : This decree is valid from the date of signature and will replace any previously issued decrees, regulations, that may conflict with this decree. The Governor of the Bank of the Lao PDR, Ministers, Heads of Provinces and Municipalities have the responsibility for the implementation of this decree according to their respective roles.

The Bank of the Lao PDR shall make a detailed guideline for the implementation of this decree. If any problems are encountered in the implementation of this decree, the Governor of the Bank of the Lao PDR has the responsibility to study and propose amendments to the Council of Ministers.

Vientiane

date.....

Prime Minister

Appendix 11

List of Contacted People

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ICA CO-OPERATIVE IDENTITY STATEMENT

DEFINITION

A Co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

VALUES

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, Co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

PRINCIPLES

The Principles of Co-operation are guidelines by which Co-operatives put their values into practice.

First Principle: Voluntary and Open Membership: Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Second Principle: Democratic Member Control: Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women, serving as elected representatives, are accountable to the membership. In primary Co-operatives, members have equal voting rights [one member one vote], and Co-operatives at other levels are also organised in a democratic manner.

Third Principle: Member Economic Participation: Members contribute equitably to, and democratically control, the capital of their Co-operative. At least part of that capital is usually the common property of the Co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their Co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the Co-operative; and supporting other activities approved by the membership.

Fourth Principle: Autonomy and Independence: Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their Co-operative autonomy.

Fifth Principle: Education, Training and Information: Co-operative provide education and training for their members, elected representatives, managers, and employees, so that they can contribute effectively to the development of their Co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of Co-operation.

Sixth Principle: Co-operation among Co-operatives: Co-operatives serve their members most effectively and strengthen the Co-operative Movement by working together through local, national, regional and international structures.

Seventh Principle: Concern for the Community: Co-operative support the economic and social development of their communities through policies approved by their members.

