

## **Briefing Note**

**South-South Parliamentary Cooperation Project, 2016**

# **Rural Development and Decentralization in Lao People's Democratic Republic**

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# Rural Development and Decentralization in Lao People's Democratic Republic

## I. Introduction

The Lao People's Democratic Republic is regarded as the country with the most rural land in South-East Asia<sup>1</sup>. More than three quarters of the total population live in rural areas and depend on agriculture and natural resources for survival<sup>2</sup>.

According to the Seventh Five-Year National Socio-Economic Development Plan (NSED) 2011-2015 of the Ministry of Planning and Investment<sup>3</sup>, poverty reduction became a priority for the government in order to achieve the target for poverty reduction - to below 25 percent - by 2010, to achieve 15 percent of the Millennium Development Goals (MDGs) by 2015, and to graduate from Least Developed Country status by 2020.

Rural development is thus a key component in planning for poverty reduction. The purpose of this paper is to establish a link between state decentralization and poverty alleviation in the rural areas of Lao PDR.

It will describe and highlight the current situation of the country within this context as well as the challenges and policy options available in the near future. With a focus on education, health care, strengthening of infrastructure, and agriculture, it will explain how the government decentralization framework can improve these respective sectors<sup>4</sup>. This study is based on secondary data.

## II. Current Status of Rural Development in Lao PDR

According to the Food and Agriculture Organization (FAO) of the United Nations, “rural development in Lao PDR has long been recognized as the spearhead to eradication of mass poverty and sustainable improvement of the socio-economic well-being of rural people.”<sup>5</sup> Indeed, the bulk of the country’s efforts to reduce poverty, both sectoral and multi-sectoral, have

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<sup>1</sup> See The International Fund for Agricultural Development (IFAD), rural poverty in Lao People's Democratic Republic at <http://www.ruralpovertyportal.org/country/home/tags/laos>. Accessed 18 March 2016

<sup>2</sup> The International Fund for Agricultural Development (IFAD), Rural poverty in Lao People's Democratic Republic, Accessed 24 February 2016  
<http://www.ruralpovertyportal.org/country/home/tags/laos>

<sup>3</sup> The Seventh Five-Year National Socio-Economic Development Plan (2011-2015) Ministry of Planning and Investment Vientiane, 7 October 2011, accessed 30 March 2016  
<http://www.wpro.who.int/countries/lao/LAO20112015.pdf>

<sup>4</sup> United Nations Economic and Social Council, National Growth and Poverty Reduction Strategy, Lao PDR (2008) at <http://webapps01.un.org/nvp/indpolicy.action?id=461>. Accessed 18 March 2016

<sup>5</sup> Food and Agricultural Organization (FAO), “Country case study: Lao PDR”, at <http://www.fao.org/docrep/004/ac158e/ac158e0c.htm>. Accessed 18 March 2016

been initiatives designed to advance rural development objectives.<sup>6</sup> As observed by the International Labour Organization (ILO) “the country has also made important developmental progress, particularly in terms of education, health care, infrastructure and agriculture”<sup>7</sup>. However, it also noted that “despite this, Lao PDR remains one of the poorest countries in the world, with more than a quarter of the population still living in poverty, mostly in rural areas and mostly tied to subsistence agriculture”<sup>8</sup>.

## Education

The education sector poses a critical issue in the country’s development. Approximately 35 percent of the population is between the ages of 0-14 years old and the country suffers from a 56.6 percent youth dependency ratio. With more than two thirds of the population located in the countryside there is a pressing need for the development of rural education systems.

Low rates of schooling among rural children can be attributed to several factors. Generally, farming tasks take precedence over education. Family obligations result in high drop-out rates and low literacy rates. In addition, the lack of primary or secondary schools near villages means that children must travel large distances to reach the closest education center. (Figure 1)

Figure 1: Education

Age group	Rural (%)			Urban (%)		
	Male	Female	Total	Male	Female	Total
14-16 (Lower Secondary Schooling)	67.7	51.2	<b>59.9</b>	87.0	81.4	<b>84.3</b>
17-24 (Upper Secondary Schooling)	25.0	9.9	<b>16.9</b>	39.6	27.4	<b>33.2</b>

Source: Food and Agriculture Organization of the United Nations

## Health care:

According to the World Health Organization (WHO), rural areas also face inadequate access to proper health care. Progress has been made in terms of the decentralization of services to sub-national administrations but total health coverage remains an issue, especially in remote areas. Only 12.5 percent of people are assisted by social services, and out-of-pocket expenses were over 60 percent in 2015. (This signifies that even for those insured, less than 40 percent of treatment costs were covered by the government.)

## Strengthening of infrastructure:

<sup>6</sup> Source: Lao PDR, 8<sup>th</sup> National Socio-Economic Development Plan (NSEDP)

<sup>7</sup> International Labour Organization (ILO), Decent Work Country Programme Lao PDR (2011-2015, page 4 at [http://www.ilo.org/public/english/bureau/p\\_ogram/dwcp/download/laos.pdf](http://www.ilo.org/public/english/bureau/p_ogram/dwcp/download/laos.pdf). Accessed 18 March 2016

<sup>8</sup> International Labour Organization (ILO), Decent Work Country Programme Lao PDR (2011-2015, page 4 at <http://www.ilo.org/public/english/bureau/program/dwcp/download/laos.pdf>. Accessed 18 March 2016

Considerable development of the road network in Lao PDR has occurred over the last two decades. The length of the road network has risen from 20,000 kilometers (km) in 1997 to 35,600 km in 2008. Although Lao PDR's road network is extensive, only 14 percent is currently paved, including 56 percent of the national roads and 3 percent of the total of urban, rural and special roads. Nineteen out of 139 district centers and one-third of all villages (3,500 out of 10,500) do not have year-round all-weather road access.<sup>9</sup> (Figure 2)

Figure 2: Length and Surface of Road Network, mid-2008

Road Class	Paved	Gravel	Earth	Total	Maintainable	Nonmaintainable	
						Gravel	Earth
National	3,896	2,078	930	6,904	6,904		
Provincial	287	3,575	3,086	6,948	5,548	350	1,050
District	77	2,381	2,409	4,867	3,117	700	1,050
Urban	469	901	477	1,847	1,847		
Rural	36	2,716	11,525	14,277	4,727		9,550
Special	81	329	304	714	714		
<b>Total Lengths</b>	4,846 (13.6%)	11,981 (33.7%)	18,731 (52.7%)	35,558 (100.0%)	22,858	1,050	11,650

Source: Government of the Lao People's Democratic Republic, Ministry of Public Works and Transport.

### Agriculture:

In accordance with the 7 to 8 percent national economic growth rate targeted by the government, the Ministry of Agriculture and Forestry (MAF) prepared its Vision 2020 on Agricultural Development.<sup>10</sup>

Vision 2020 foresees the possibility of increasing agriculture<sup>11</sup> and forestry production by concentrating all efforts on the following two initiatives:<sup>12</sup>

- Utilization of rich natural resources and existing potential, along with natural environmental conservation;<sup>13</sup> and
- Effective use of lands based on existing topographical and geographical conditions, specific and traditional agricultural production systems, and appropriate advanced technologies.<sup>14</sup>

<sup>9</sup> Lao People's Democratic Republic, Transport Sector Assessment, Strategy, and Road Map November 2011, Asian Development Bank. Accessed 23 April 2016 <http://www.adb.org/sites/default/files/institutional-document/33327/files/lao-transport-assessment.pdf>

<sup>10</sup> Lao PDR, 1998b. Vision of MAF until Year 2020, Ministry of Agriculture and Forestry, Vientiane

<sup>11</sup> *Ibid.*

<sup>12</sup> *Ibid.*

<sup>13</sup> *Ibid.*

<sup>14</sup> *Ibid.*

In its strategic vision, the government outlined its aims to improve and diversify farming systems with an increase in cash crops, and livestock and fishery production in the flatlands. The strategy was developed in order to improve and maximize agricultural production. In the sloping areas, farming system diversification and agro-forestry can be developed through adaptive research trials and demonstrations on farmers' fields.

Over the four years of implementation of the 7<sup>th</sup> NSEDP in the area of rural development, it can be seen that this sector has been given great attention at both national and sub-national levels<sup>15</sup>. The government focused on developing villages and local areas in accordance with the four concepts and four targets (the four concepts and four targets are outlined in the Central Party Committee decree no. 09/CPC and additional decrees no.13/PM and no.03/CPC dated 30 May 2011). The contents of the decrees aim to encourage people to focus on strengthening capacity at grassroots level and to improve the political system and national defense and security from grassroots level. Economic development and improving the living standards of people are key to achieving the MDGs to give the appropriate degree of grassroots-level access to development and to reduce the gap between rural and urban areas<sup>16</sup> together with the implementation of the '3-builds', namely, building: (1) provinces to become strategic units; (2) districts to become comprehensively strengthened units; and (3) villages to become development units.<sup>17</sup>

Although there is no detailed specification in the 7<sup>th</sup> NSEDP, the 3-builds is one of the means of implementing the resolutions of the 9th National Congress of the Lao People's Revolutionary Party (LPRP)<sup>18</sup>. Currently, the 3-builds are being piloted in 52 districts and 109 targeted villages.<sup>19</sup> New approaches and mechanisms are expected to bring about more coordinated and harmonized rural development activities among major central line agencies and between central agencies and local governments (province/district and village levels), to respond fully to the needs and expectations of local communities.<sup>20</sup> The government now believes that agricultural and forestry development demands a more holistic approach.<sup>21</sup>

Economic growth is dependent on natural resources. Indeed, in 2009, the largest proportion of export earnings came from mining - 45 percent of total exports of which copper had the largest

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<sup>15</sup> The Seventh Five-Year National Socio-Economic Development Plan (2011-2015)  
Ministry of Planning and Investment, Vientiane, 7 October 2011, accessed 30 March 2016  
<http://www.wpro.who.int/countries/lao/LAO20112015.pdf>

<sup>16</sup> Laos foreign policy and government guide, volume 1 strategic information and developments  
Accessed: 4 April 2015. <https://books.google.com.kh/books?isbn=1438728212>

<sup>17</sup> Lao PDR, Five Year National Socio-Economic Development Plan (2016-2020), Ministry of Planning and Investment, Vientiane, 2015

<sup>18</sup> This is the resolution of Lao People's Revolutionary Party every five years. The party has strategy guidelines for the National Socio-Economic Development Plan

<sup>19</sup> Lao PDR, Five Year National Socio-Economic Development Plan (2016-2020), Ministry of Planning and Investment, Vientiane, 2015

<sup>20</sup> *Ibid.*

<sup>21</sup> *Ibid.*

share (33 percent of total exports), while the share of gold and silver combined was 9.28 percent. Agricultural development does not have too much impact on the country's growth in comparison with the other sectors (Figure 3).

Figure 3: Export structure of Lao PDR by commodities 2005-2009 (in %)<sup>22</sup>

Commodities	2005	2006	2007	2008	2009
Wood products	14.13	11.09	9.71	6.02	4.90
Coffee	1.35	1.11	3.13	1.69	2.25
Agricultural products/NTFP	3.65	2.52	1.80	4.82	9.06
Others	3.74	2.72	2.52	2.60	15.43
Garments	20.04	14.45	13.69	23.45	12.70
Electricity	17.81	11.47	9.13	9.89	9.97
Mining	39.16	56.55	59.94	51.44	45.26
Gold and silver	15.69	12.47	10.06	7.38	9.28
Copper	20.40	41.99	47.89	40.85	33.51
Other	3.07	2.08	1.99	3.21	2.47
Fuel	0.13	0.09	0.09	0.09	0.44
<b>Total export FOB:</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: The Seventh Five-Year National Socio-Economic Development Plan

The non-agricultural resource sector is the one that drives the country's economic growth, and with a high capital to labor ratio: it generated 18 percent of GDP in 2013 with only 22,000 people employed.<sup>23</sup> In a World Bank study,<sup>24</sup> the agricultural sector continues to decline in respect of its share of the Gross Domestic Product (GDP). (Figure 4)

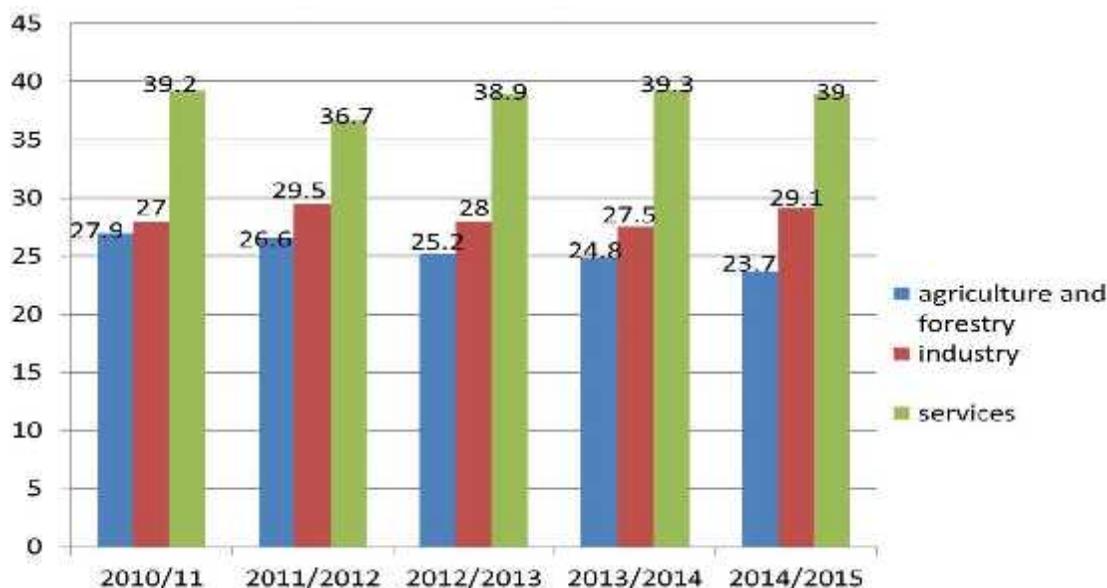
Figure 4: Lao PDR Sector Shares to GDP (in percent)<sup>25</sup>

<sup>22</sup> The Seventh Five-Year National Socio-Economic Development Plan (2011-2015) Ministry of Planning and Investment Vientiane, October 7, 2011, accessed 28 March 2016 <http://www.wpro.who.int/countries/lao/LAO20112015.pdf>

<sup>23</sup> World Bank, Lao PDR Development Report 2014

<sup>24</sup> Source: WB, World Development Indicators at <http://data.worldbank.org/country/lao-pdr>. Accessed 18 March 2016

<sup>25</sup> WB, World Development Indicators at <http://data.worldbank.org/country/lao-pdr>. Accessed 18 March 2016



Source: World Development Indicators

### Decentralization in Lao PDR

Lao PDR is divided into 17 provinces and the capital.<sup>26</sup> The provinces are further divided into districts and municipalities with the districts/municipalities divided into villages.

From 1986-1991, decentralization further devolved because provincial administrations were given planning and budget responsibilities. Moreover, provincial administrations had taxation powers at both the district and provincial level,<sup>27</sup> and were provided with authority and management responsibility over provincial civil servants and their salaries and benefits.

Decree 01/PM in 2001 was seen as the rebirth of decentralization with its main objective to define the roles of provincial and district administrations.<sup>28</sup> The provincial administration is defined as the strategic unit (e.g., establishing strategic policy), while the district is the budget implementation unit. Based on the Law on Local Administration in article 59, budgetary levels for sub-national administrations include the province and district, while the village is the unit for revenue collection and its expenditure responsibilities are allocated at district level.<sup>29</sup> Provincial and district administrations are governed by a governor appointed by the central government, and

<sup>26</sup> *Ibid.*

<sup>27</sup> *Ibid.*

<sup>28</sup> Martinez-Vazquez, Jorge; Gomez, Juan Luis; Yao, Guevera.2006. *Fiscal Decentralization in People's Democratic Republic of Lao*. International Study Program. Working Paper 06-22. P.5

<sup>29</sup> Gomez-Reino, Juan Luiz; Martinez-Vazquez, Jorge & Sepulveda, Cristian. 2011. *Reining in Provincial Fiscal 'Owner': Decentralization in Lao PDR*. Georgia State University, Department of Economy

these sub-national administrations do not have a locally elected legislative body.<sup>30</sup> Furthermore, the provincial governor is authorized to appoint and remove staff of line ministries at the provincial and district levels.<sup>31</sup> It is also worthwhile to note that the village level administration has been elected since 2001.

The sub-national governments of the Lao PDR are assigned with financial responsibilities to deliver public services such as, but not limited to, education, health, agriculture and infrastructure development. They are also provided with some revenue through tax collection powers.<sup>32</sup>

Decentralization therefore provides an opportunity for Lao PDR to solve current deficiencies in the sectors of education, health care, infrastructure and agriculture in rural areas. By providing relative budget and administrative autonomy at sub-national levels, the government may be able to better respond to provincial or municipal needs. Political decentralization could have three beneficial outcomes: 1) Engaging local populations in the decision-making process will help to provide services better suited to their needs; 2) Service provision and national institutions will be more effective because they are located closer to the people; and 3) A viable infrastructure will be created to mobilize resources at the local level.

As an example, the District Development Fund (DDF), created by the United Nations Capital Development Fund (UNCDF), has provided district grants to support village-sponsored activities through the local government since 2006. It has financed more than 66 local service investments as well as 578 interventions in education, health and agriculture equaling USD 2.8 million. In addition, not only has this support bolstered service provision, it has also allowed capacity building at the local level to monitor budget and enable systemic cooperation in a “bottom-up” fashion.

### III. Challenges of Rural Development

Despite development efforts, Lao PDR remains one of the poorest countries in the world with more than a quarter of its people still living in poverty - mostly in rural areas and mostly tied to subsistence agriculture.<sup>33</sup> Notwithstanding the fact that the government has already instituted reforms to improve and develop the agricultural industry in Lao PDR, the results are not impressive, and the agricultural industry’s contribution to the country’s GDP continues to

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<sup>30</sup> *Ibid.* 192.

<sup>31</sup> Gomez-Reino, Juan Luiz; Martinez-Vazquez, Jorge & Sepulveda, Cristian. 2011. *Reining in Provincial Fiscal ‘Owner’: Decentralization in Lao PDR*. Georgia State University, Department of Economy. P.193

<sup>32</sup> Martinez-Vazquez, Jorge; Gomez, Juan Luis; Yao, Guevera.2006. *Fiscal Decentralization in People’s Democratic Republic of Lao*. International Study Program. Working Paper 06-22. P.80-86

<sup>33</sup> *Ibid.*

decline.<sup>34</sup>This stems in part from the fact that the country faces a number of pressing challenges to rural development in general and to agricultural development in particular.

The government has no overall concrete and enduring policies that can address rural development in general and agricultural reforms in particular<sup>35</sup>. Although there are measures embodied in many policies of the government, such as the 7<sup>th</sup> and 8<sup>th</sup> NSEDPs, Vision 2020, etc., they are scattered and on a piecemeal basis.<sup>36</sup> Effective coordinating mechanisms that create links with other agencies of the government are yet to be institutionalized. There is also a lack of coordinating bodies for harmonizing planning, research and development, and extension work to promote rural development<sup>37</sup>. In fact, the government has tended to go backwards in that agricultural land concessions were given away for foreign direct investments. This could possibly result in the decline of the agricultural industry and, with it, a loss of income for people in rural areas. Many of these land concessions were devoted to the construction of buildings and mining facilities, rather than being focused on agricultural production and support for rural development<sup>38</sup>. Several government projects appear to have manifested a “top-down” approach at the expense of the requisite “bottom-up” process that could pave the way for rural development.<sup>39</sup>

According to the Ministry of Agriculture and Forestry, other challenges that can be a stumbling block for rural development efforts seem to be the lack of effective and strategic prioritization of resources and insufficient technical capacity to promote rural development.<sup>40</sup> Many government agencies have concentrated their effort on a certain number of villages in a limited geographic area<sup>41</sup>. Government also seems not to have sufficient resources to finance the construction of farm-to-market roads in order to facilitate the free flow of goods, capital, and skilled labor.<sup>42</sup>

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<sup>34</sup> See WB, World Development Indicators at <http://data.worldbank.org/country/lao-pdr>. Accessed 18 March 2016

<sup>35</sup> The comments of the National Assembly Standing Committee to the Government’s report on the performance of the 3-builds (Lao version), accessed 28 March 2016

[http://www.na.gov.la:8000/na/session10/session10\\_docs/day12/41.pdf](http://www.na.gov.la:8000/na/session10/session10_docs/day12/41.pdf)

<sup>36</sup> Ibid.

<sup>37</sup> The Prime Minister’s report on the perform of the 3-builds, reporting to the 10th Ordinary Session of Seventh National Assembly(Lao version), accessed 28 March 2016

[http://www.na.gov.la:8000/na/session10/session10\\_docs/day12/40.pdf](http://www.na.gov.la:8000/na/session10/session10_docs/day12/40.pdf)

<sup>38</sup> Cor. H. Hanssen, CIDSE-Laos Management Advisor, Lao land concessions, development for the people, accessed 28 March 2016

<http://www.laolandissues.org/wp-content/uploads/2011/12/Cor-H.-Hanssen-2007-Lao-Land-Concessions.pdf>

<sup>39</sup> The comments of the National Assembly Standing Committee to the Government’s report on the performance of the 3-builds (Lao version), accessed 28 March 2016

[http://www.na.gov.la:8000/na/session10/session10\\_docs/day12/41.pdf](http://www.na.gov.la:8000/na/session10/session10_docs/day12/41.pdf)

<sup>40</sup> Savanh HANEPHOM, Planning Department of the Ministry of Agriculture and Forestry, LAO PDR, Country Paper:Lao PDR’s Paper on Poverty and Rural Development, accessed 28 March 2016

[http://info.worldbank.org/etools/docs/library/87213/Asia\\_1002/lao\\_rural\\_paper.pdf](http://info.worldbank.org/etools/docs/library/87213/Asia_1002/lao_rural_paper.pdf)

<sup>41</sup> WFP Lao PDR Country Strategy 2011-2015, accessed 28 March 2016

[https://www.wfp.org/sites/default/files/WFP%20Lao%20PDR%20Country%20Strategy\\_ENG.pdf](https://www.wfp.org/sites/default/files/WFP%20Lao%20PDR%20Country%20Strategy_ENG.pdf)

<sup>42</sup> Leeber Leebouapao, National Economic Research Institute, Lao PDR Challenges, Prospects and Strategies for, CLMV: The Case of Lao PDR Accessed 28 March 2016

Finally, Unexploded Ordinances (UXOs) are hampering agricultural development. There are still many areas in the country, particularly in some rural areas, from which these UXOs have not yet been cleared. They not only prevent the utilization of the vast tracts of agricultural land for agricultural purposes, but also pose imminent danger to the lives of the people in rural communities.<sup>43</sup>

#### **IV. Policy Options for Rural Development**

The following are options that could be considered for improving existing policies towards rural development in Lao PDR:

- a. Creation of lead coordinating bodies for harmonizing planning, development aid and extension work within the Ministry of Agriculture and Forestry*

One major role is to develop the conceptual framework for an 'area-based livelihood systems approach' to upland development, and the responsibility to forge closer links among the relevant technical departments (that is, "breaking walls" among ministries). This approach to development planning would greatly help to make the related government-supported programs and projects (including international assistance) a more effective and viable instrument for rural development and ensure more coherence in the provision of aid/assistance to the target areas, groups and individuals.

- b. Implement research and development activities through existing grass-roots institutions*

Appropriate mechanisms and modalities must be devised so that research and development activities are executed through existing grass-roots institutions, taking into account local traditions in resource use and management. Execution of research and development activities should be entrusted to the grass-roots village organizations (rather than to individual farmers) consisting of the village authority, the party and the mass organizations (representing different interest groups) with the necessary guidance and support provided by the district office. The emphasis here is on strengthening the managerial capacity of the village organizations, groups and individuals to look after and make use efficiently of resources provided to them.

These research and development activities can only be institutionalized if there is an enabling law, such as the agricultural modernization law, that can set various mechanisms for research and development. Moreover, this approach to implementing development activities at the grass-roots level would fit better into the existing collective management of resources and community

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[http://www.eria.org/publications/research\\_project\\_reports/images/pdf/PDF%20No.4/No.4-part3-11-Lao%20PDR.pdf](http://www.eria.org/publications/research_project_reports/images/pdf/PDF%20No.4/No.4-part3-11-Lao%20PDR.pdf)

<sup>43</sup> UXO sector Annual Report 2012, Accessed 28 March 2016

[http://www.nra.gov.la/resources/Annual%20Reports/UXO%20Annual%20Report%202012\\_ENG.pdf](http://www.nra.gov.la/resources/Annual%20Reports/UXO%20Annual%20Report%202012_ENG.pdf)

solidarity that characterizes most Lao villages.<sup>44</sup> It is believed, however, that cooperative behavior can be ensured in circumstances where the state, community and individuals gain at the same time. The key objective here is to avoid interventions that promote one-sided and overly individualistic self-interest that could undermine the effectiveness of the local regulatory system.<sup>45</sup> For example, in the issuance of several mining permits that could adversely affect the agricultural areas tilled by the farmers, these farmers should have a voice and be consulted before any development could take place.

*c. Adopting best practices from neighboring countries for promoting agricultural and rural development*

This policy option can be instituted through the adoption of legislative measures to institutionalize the agricultural modernization in Lao PDR, taking note of the best practices on agricultural and rural development in the ASEAN region, particularly through reference to the agricultural modernization law in the Philippines<sup>46</sup> and in Thailand: these countries made drastic changes in the development of the agricultural sector in their respective countries and Lao PDR could learn from their experiences.<sup>47</sup> Moreover, this policy option sums up all the policy alternatives. The Lao PDR National Assembly can consider all other possible options for the improvement of the rural community through the adoption or passage of an agricultural modernization law that can completely institutionalize important policies relative not only to agricultural and infrastructure development, but also to the development of the rural community in general.

*d. Promote youth development in rural areas through the education system.*

One of the challenges faced in Lao is a considerably high youth dependency ratio coupled with a very low rural enrolment rate especially for secondary education. For the sake of future development, and in an attempt to spring the existing youth from poverty traps, additional investment in education could be warranted. The granting of budgets for districts and villages in order to create schools would nurture proximity with the education system. In addition, further decentralization, by allowing sub-national governments authority over curriculums and social services, could eliminate hindrances to school attendance. For one, if school curriculums were arranged based on the local context, then more dialectal groups could attend. Second, the

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<sup>44</sup> See Food and Agricultural Organization (FAO), Country case study: Lao PDR at <http://www.fao.org/docrep/004/ac158e/ac158e0c.htm>. Accessed 1 April 2016

<sup>45</sup> See Food and Agricultural Organization (FAO), Country case study: Lao PDR at <http://www.fao.org/docrep/004/ac158e/ac158e0c.htm>. Accessed 1 April 2016

<sup>46</sup> Cristina C. David, Philippine Agriculture: Its Path to Modernization <http://dirp3.pids.gov.ph/ris/dps/pidsdps9529.pdf>, Accessed 19 March 2016

<sup>47</sup> Nipon Poapongsakorn, Thailand Development Research Institute R&D and Performance of the Thai Agriculture and Food Processing Industry: The Role of Government, Agribusiness Firms, and Farmers, accessed 30 March 2016. <http://www.eria.org/Chapter%209%20Thailand.pdf>

provision of social services, health care and public infrastructure could alleviate many of the pressures that force children to drop out of the school system.

## **V. Conclusion**

Lao PDR has made several changes in its overall economic development—from graduating from Least Developing Country status to that of a Developing Country. This is evident from the continuing growth rate of the nation's GDP. However, as the country enjoys its growth and development, there are still large numbers of people living in poverty, particularly in many rural areas. People in the rural areas who are dependent on agriculture continue to live in poverty as the growth rate of the agricultural sector continues to decline.

Although the government has several policy measures to develop and promote rural development, these policies are not concrete, broad-based, enduring or strategic. Agricultural production, which is the principal industry of many people in rural areas, is still not properly developed. In fact, its contribution to the country's GDP continues to decline. Thus, to promote inclusiveness, the agricultural industry must be modernized, be a priority concern of the policymakers and be developed into a productive industry that can raise the quality of life of many people in the rural areas.

These policies can only be drawn by the country's policymakers, the National Assembly, to develop a full rural development and agricultural modernization law. The law must also encapsulate all the policy options - from capacity building, research and development, to a more conducive, sound and enduring agricultural development program.

The equivalent can be said for youth development. Given its demographic makeup, Lao PDR has an opportunity to capitalize on its future labor force but must do so by investing heavily in rural education. Decentralization and de-concentration therefore play a key role in ensuring that a successful social delivery system flourishes and that capacity is built in more remote areas of the country.

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