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**Lao People's Democratic Republic: Poverty Reduction Strategy Paper  
Preparation Status Report**

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**Lao People's Democratic Republic**  
*Peace Independence Democracy Unity Prosperity*

**PROGRESS REPORT**  
**ON**  
**THE FINALISATION**  
**OF**  
**THE NATIONAL POVERTY ERADICATION PROGRAMME (NPEP)**

**Prepared by**  
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**July 31, 2003**

### Introduction

Since the last Progress Report on the Preparation of the NPEP (May 31, 2002), much headway has been made. The NPEP is now in its last stage of finalisation. Its draft version has been successfully presented at a “mini-roundtable meeting” (May 30, 2003) leading up to RTM 8, scheduled for September 4-6, 2003.

The final version of the NPEP will be sent out in early August as the main Government document for the RTM 8, in order to reach the donor community at least 3 weeks before the actual meeting.

The purpose of this Status Report is to briefly summarise the main steps that have been undertaken since the last progress report to finalise the National Poverty Eradication Programme. The NPEP is a comprehensive framework for growth and development, with a focus of an in-depth improvement of the poverty situation in the poorest districts, as defined in the PM Instruction 010 issued on 25/6/2001.

The NPEP is the Government’s operational planning instrument, based on active participation at all levels to achieve growth and poverty eradication. As a planning and implementation tool, the NPEP aims to increase the level of synergy by helping the sectors achieve their nation-wide mandate, while contributing to reduce poverty in the poorest districts through a community-driven, access-oriented rural development approach. This will be possible thanks to a comprehensive framework for growth and development.

The NPEP, as always stated, is conceived as a national document, reflecting the country’s actual capacity and level of mastering. It is an assertion of the country’s development issues and solutions and pursues the dual objective of enhancing sustainable economic growth and poverty eradication within a comprehensive development framework.

### 1. Main Achievements since last report

Since June 2002, the Government has proceeded to draft the NPEP by organising a series of workshops, seminars, meetings and surveys at the central, provincial and district levels in which to discuss and design the best strategies to eradicate poverty.

More than 20 major consultation meetings have been held throughout the country since June 2002 with various segments of the society. They led to the preparation of sector papers and priorities for the various national programmes as well as to the identification of the poorest districts.

In addition, many workshops were held with the international community on various sectoral and inter-sectoral meetings. These enabled the close involvement of the donor community in the finalisation of the draft NPEP.

A mini-roundtable meeting was held at the end of May 2003 to discuss with the donor community the draft version of NPEP which represents a coherent National Development Framework for growth and poverty eradication.

The major benchmarks that led to the presentation of the NPEP draft version at the mini-RTM in May 2003 are summarised hereafter:

### 1.1 Poverty Assessment and Monitoring

Poverty analysis has been deepened considerably and includes various vulnerability and coping strategy analyses in order to prepare appropriate anti-poverty planning at the local levels. The results from the Lao Expenditure and Consumption Survey 2002-2003 (LECS 3), including expanded modules on health, education, the labour force and other interests, will be available by year-end. Preliminary indications show that the level of poverty has declined considerably since 1992/93 to date (from 45 per cent to about 30 per cent).

Poverty monitoring at the district and village levels has been designed by using a reporting system based on the criteria delineated in Instruction number 010/PM.

Three poverty monitoring tools have been developed, namely i) poverty monitoring at the households via village level statistical data, ii) quantitative poverty monitoring using the LECS and iii) qualitative poverty monitoring using participatory methods. The NPEP monitoring will be completed by a separate monitoring of the progress achieved towards the MDG goals, for which a taskforce has been established.

The Poverty assessment defines the national strategy for poverty eradication through sectoral, cross-sectoral and rural/district development as well as macro-economic policies and priorities.

### 1.2 Macro-economic growth framework

Much work went into the preparation of the framework leading to macro-economic stability and private sector enhancement. It rests on four pillars (macro-economic stability; private sector development and regional integration; improved governance; an expanding resource base) for which policy priorities and corresponding matrices have been detailed.

Its weaker factors (especially revenue collection) are presently strengthened, through various measures taken (enforcement of import duties, excise tax, fees and service charges collection; focused capacity building; among others). These decisions are incorporated into the NPEP.

A medium-term expenditure framework (MTEF) has been elaborated with relatively conservative projections particularly with regard to growth and revenue collection.

Everything is undertaken to strengthen macro-economic stability, one of the NPEP's major strengths.

### 1.3 Sectoral Issues

Sectoral Action Plans have been completed with the help of various consultants provided by the ADB, UNDP, WB, Japan and Sweden.

Poverty-focused sector papers have thus been prepared. Sector papers have received most of the critical comments from the participants at the mini-RTM. Presently, the sector-responsible agencies have undertaken a revision of the sector papers, from a national perspective. These national papers reflect renewed government ownership.

Priorities have been defined drawing on the poverty assessments and appropriate matrixes have been developed.

Supporting sectors, some of which will soon become future growth sectors, have also been given detailed attention.

#### 1.4 Trans-sector priorities /national programmes

*Governance Issues* have been discussed with the donor community on the basis of a Policy paper on Governance issues, prepared by the Department of Public Administration and Civil Service (DPACS). The discussions reflected the numerous governance priorities identified in the paper.

The main priorities, especially with regard to public service reform, central-local relations ('decentralisation') and the rule of law, are an integral part of the NPEP.

*Gender, environment, population, social security* and particularly *capacity building* are other cross-sectoral priorities which have been given highest attention. There is no sector that does not emphasise its concerns with regard to environment, gender issues and capacity building, and make them an integral part of their action plans.

Priorities with regard to specific *Support Programmes* (UXO decontamination, Drug control, HIV/AIDS/STD prevention) are now under revision to include the latest decisions taken by the Government.

#### 1.5 District poverty

The poverty assessment clearly showed the risk of the poor districts becoming "de-linked" from the rest of the country. For this reason, the Government and the provinces identified the most vulnerable districts, and selected 47 among these 72 districts as the poorest. The Government will focus its efforts on them to eradicate poverty. This will in part be addressed by allocating a more than proportional increase of available funds to these districts in the future.

A consultation was held between CPC and the provinces in December 4, 2002, chaired by H.E. the Deputy Prime Minister and President of CPC, on the identification of the poor districts. In January 2003, the poorest among them were selected.

An access-oriented approach to rural development has also been developed and is based on community-driven, integrated district planning to ensure the complementarity of action and participation to achieve food security.

## 2. NPEP Costing

It is essential that the NPEP policy framework be translated into a coherent investment programme for growth and poverty eradication that sets priorities within the medium-term expenditure framework and which can be adequately monitored. The draft NPEP presented at the mini-Roundtable meeting did not contain this aspect (Part V was lacking) as discussions between sectors, provinces and districts had not yet been completed.

The Government proposed a separate meeting to be held once the budgetary situation was clear and agreements had been reached between all stakeholders on priorities and allocation of national resources.

This proposal was welcomed by the participants at the mini-RTM and a meeting on costing will be held with the donor community shortly after the Government meeting has decided on the budget proposal for FY 2003-2004 to be submitted to the National Assembly.

Once Part V has been discussed with the donors, its final version will be immediately introduced into the NPEP and the final NPEP document be distributed.

### 3. Participatory approach

The NPEP has been developed through an active participatory approach at the household and village level. This includes participatory poverty assessments and the involvement of all sectors of society in formulating, implementing and monitoring poverty eradication plans, programmes and projects.

Participatory planning exercises and permanent dialogue with mass organisations and projects have continued to preside over the preparation of the NPEP.

As already mentioned, an impressive series of consultative sector and cross-sector meetings have taken place since the last progress report, on sectoral issues linked to the NPEP's action plans for agriculture/forestry, education, health and transport as well as on cross-sectoral issues, including gender, environment, governance, population, UXO, drug control, industrialisation, and small and medium enterprise development.

Meetings were also held with the University and other constituents.

Several national consultative workshops have taken place with the poorest districts and concerned provinces to identify district poverty issues and approaches to poverty eradication.

These national consultations included the CPC's consultation with the provinces (December 2002), chaired by H.E. the Deputy Prime Minister and President of CPC, to identify the poor districts, the 1<sup>st</sup> National Poverty Conference (March 2003), chaired by H.E. the Prime Minister, to assess progress made so far and future needs, and define further guidelines, and a joint meeting organised by CPC and the Ministry of Finance in July 2003 on the medium-term expenditure framework and the NPEP's costing, with the participation of all provinces and central agencies and mass organisations.

At the 1<sup>st</sup> National Conference on poverty eradication, an important resolution was adopted by the participants from all sectors and parts of the country. The text of this Resolution was distributed together with RT Newsletter 24. The decisions taken and priorities adopted on this occasion are integrated into the NPEP.

Furthermore, consultative meetings were held with the private sector (April 28, 2003) and international non-governmental organisations and mass organisations (April 30, 2003). Many of the suggestions made during these consultations have also been integrated in the NPEP.

All in all, it can be said that an intensive consultation process has taken place and vastly inspired the whole NPEP exercise.

The Lao way of consultation and participation requires continued consultation even after a policy has been adopted to ensure that local concerns improve a given policy and to ensure locally-grounded implementation. For this reason, once the NPEP has been adopted, the consultation process regarding the NPEP will intensify.

The Government will prepare an action plan to ensure the widest dissemination of the NPEP and increased debate at the local level.

#### 4. Timetable leading to the presentation of the final NPEP

The NPEP is now in the final stages of completion. The next steps are:

- i) Organising the meeting on the costing (earliest in August 2003).
- ii) Finalising a complete executive “donor friendly” version, that can stand on its own.
- iii) Sending out the executive version by August 12.
- iv) Finalising the background document containing more issue analysis and more detailed information on all policies and strategies and action matrices.
- v) Sending out the background document around mid-August – together both the background and executive document constitute the NPEP documentation.
- vi) Organising a workshop with members of the National Assembly on the NPEP documents (around mid-August).
- vii) Presenting the NPEP at the RTM 8.
- viii) Submitting the NPEP to the National Assembly for consideration and final approval (Session September-October, 2003).
- ix) Implementing and monitoring the NPEP. This will involve strengthening the planning mechanism to achieve the NPEP’s dual objectives of enhancing sustainable growth and eradicating poverty.