

CHAPTER IV

DEVELOPMENT OBJECTIVES AND STRATEGY

In the foregoing Chapter III, the development option has been selected and the framework has been clearly set for SKR development. Further, the scenario towards 2020 has been delineated for phased development. Now, in this Chapter IV, the objectives for SKR development are clearly defined, and several strategies are proposed to attain the defined objectives.

4.1 SKR Development Objectives

The objectives of SKR development are defined on the basis of the current situation as discussed in Chapter II, as well as in the light of the development perspectives as discussed in Chapter III. It is planned that SKR development has clear objectives as defined as follows:

Enhancement of livelihood through the generation/enhancement of income and through the improvement of social infrastructure;

Attainment of a balanced society through socio-economic development in the rural and urban areas;

Protection of the environment to attain sustainable development, especially co-existence and harmonization with forests and the natural environment;

From the national and cross-national viewpoint, a set of the objectives above should be reinforced by the additional following objectives to be incorporated in the development process.

Promotion of partnerships within the region and with neighboring countries for mutual benefit; and

Creation of new development initiatives in SKR which can be used as a model to disseminate to other provinces and regions in Lao PDR.

The **first objective** is defined in view of the current situation that the poverty level is still high in SKR and that many people remain outside the social service network and the market economy. Particularly, the poverty level is much higher and the integration is less promoted in the central and the eastern mountainous areas of SKR. Therefore, SKR development will specifically focus on livelihood enhancement and improve the standard of living in the rural areas. In this context, it is proposed that a holistic approach be adopted for rural development, with primary attention focused on income generation for the rural poor. To take the holistic approach, income generation programs are promoted together with programs for social infrastructure improvement, e.g., schools, dispensaries, water supply village roads, rural electrification. Combination of these two is supposed to make it possible for social infrastructure to be more sustainable and for income-generating capability of the people to be stronger.

The **second objective** aims at closing the disparity between groups and between rural and urban areas in SKR. A balanced society is to be established through the promotion of the rural-urban balance and circulation. The balanced society is to be established not only inbetween the rural and urban areas but also between environmental concerns and economic activities. For instance, the sustainable use of forest resources is planned together with environmental protection.

The **third objective** is defined to protect the environment in SKR, particularly the forest areas. As pointed out in Section 2.1, the high forest area accounts for 50% in Savannakhet province and 49% in Khammouan province. It is a great asset not only for SKR but also for Lao PDR and the world. Such a global asset should not be degraded, and an ecological balance should be maintained. At the same time, the areas designated as production forests will be sustainably developed not only for the benefit of people living in such areas but also for the economic development of the country. Any development program in SKR should be designed so as to manage the resource sustainably.

The **fourth objective** is defined to promote partnership amongst districts and sub-regions in SKR, as well as partnerships with the neighboring countries (i.e., Thailand and Vietnam). As development in SKR is accelerated after the completion of the East-West Corridor and other transportation networks, the

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partnership will be promoted for co-existence and cooperation for the mutual benefit of all the parties involved.

The **fifth objective** is defined to spearhead development initiatives in SKR and to disseminate them to other provinces and regions of Lao PDR. As this regional development plan is a first for Lao PDR, it may serve as a model for planning and development purposes through an area development approach. The development initiatives proposed for SKR, once proved to be effective, should be disseminated to other regions, and these efforts should spread widely over the country.

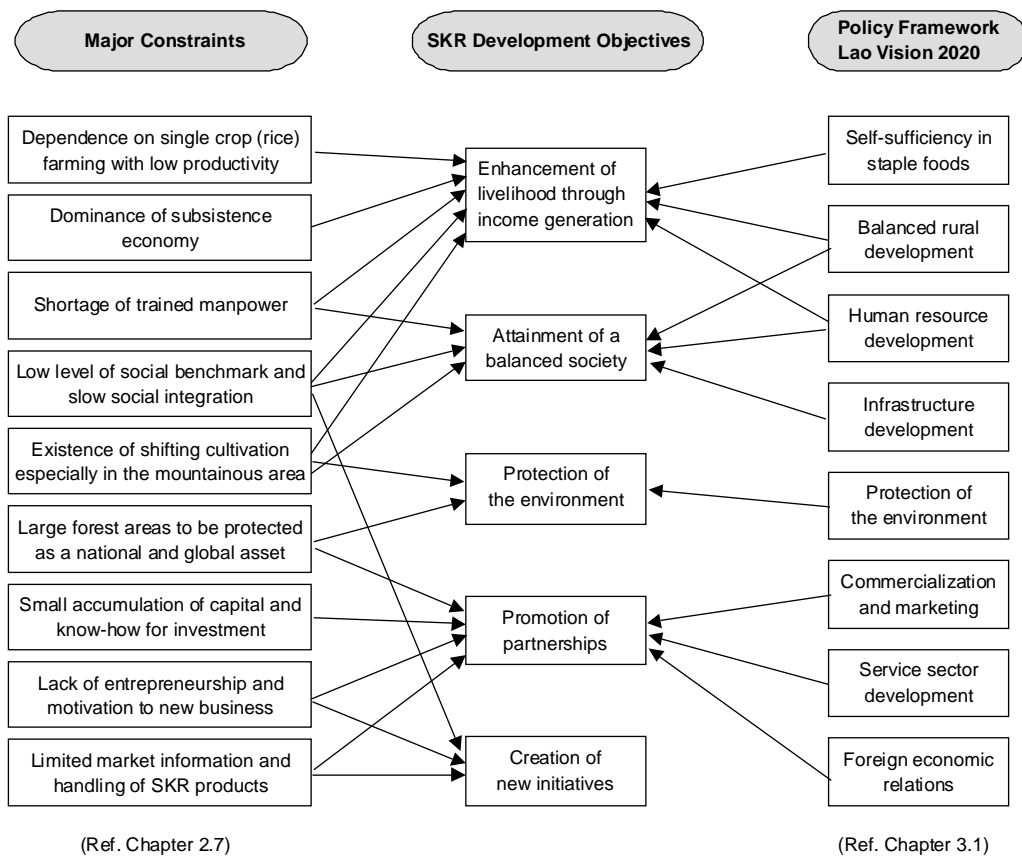


Figure 4.1 Relationship between Major Constraints, Policy Framework and Objectives

4.2 SKR Development Strategy

To attain the SKR development objectives as defined above, as well as to follow the framework and scenario as noted in Chapter III, it is planned that the following strategies will be applied to SKR development:

1) Area Development Strategy

SKR has a variety of physical and social features and it will be inappropriate to formulate a uniform regional development plan and strategy. Basically, the development plan is formulated separately for rural-based development and urban-based development. Since the rural area encompasses 86% of the SKR population and rural poverty reduction is a principal goal, priority for development should be strategically targeted to rural-based development.

For rural-based development, it is planned that the SKR rural areas will be divided into three zones as follows:

- (i) Lowland (Mekong) Region: lowlands extending along the Mekong river (8-districts with 818 villages)
- (ii) Central Region: midlands in the central part (9-districts with 848 villages)
- (iii) East Mountainous Region: mountainous area in the eastern part (7-districts with 677 villages)

District classification by zone are illustrated as follows:

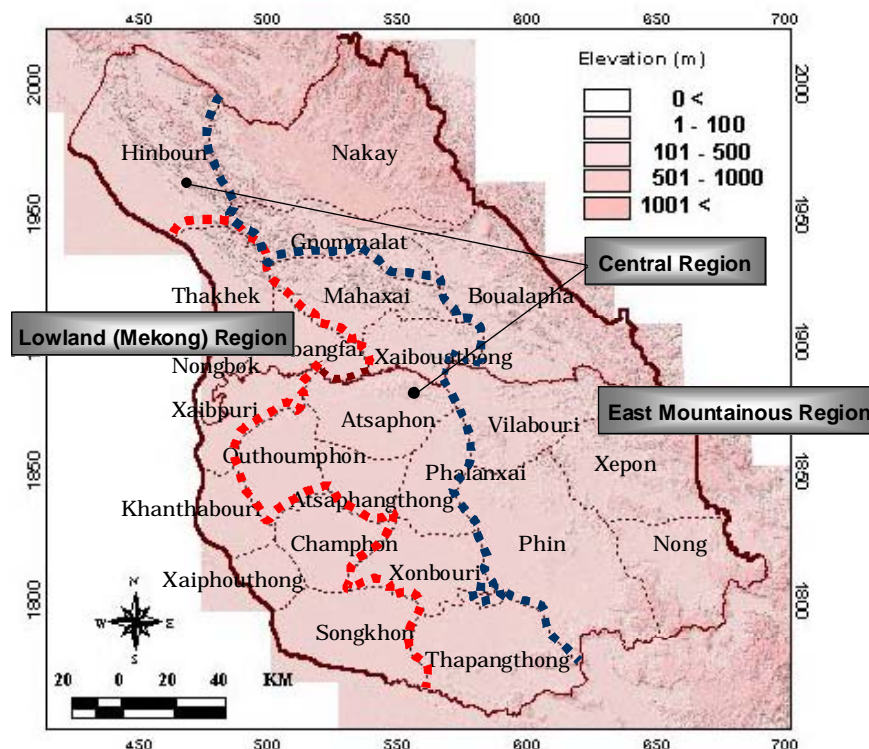


Figure 4-2 Development Zones in SKR

The agriculture development plans and local industry promotion plans are proposed for respective zones. The development framework and scenario should be followed in each zone. For instance, the target to double the farm household income in 10 years should be attained in the Lowland, Central and East Mountainous Zones, respectively. It should be noted, however, that the zone-wise development plan will not be elaborated for social and economic infrastructure improvement.

Despite the strategy to plan rural-based and urban-based development separately in SKR, concurrently some strategies will be adopted to integrate the rural and urban areas and to maintain their balance. For instance, rural community leaders will be trained at the agricultural college in the urban center and the trained leaders will return to their rural communities. Rural products will be marketed in the urban center, and market information will be disseminated to the inner town and rural villages. Thus, the area development strategy is delineated not only for development of each zone but also to integrate the rural and urban areas.

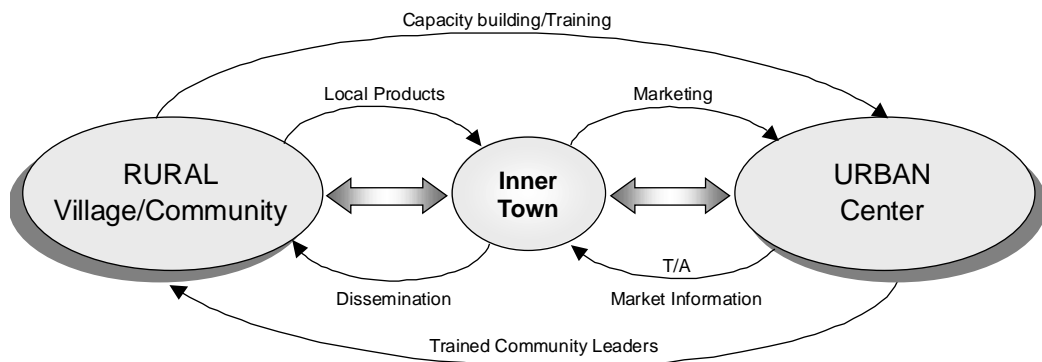


Figure 4-3 Circular Integration of Rural and Urban Areas

2) Income Generation Strategy

As pointed out in Chapter 2.3, the incidence of poverty is high in SKR, particularly in the rural area. Although the PRSP emphasizes poverty reduction by improving social infrastructure at the village level, the SKR development plan places emphasis on enhancing farmers' income. The SKR development plan

seeks to double the farm household income within 10 years or by 2010. This scenario is attainable by applying a strategy to diversify crop cultivation, promote intensive and rotational farming, and to promote organic farming. The farm household income will be further enhanced through the introduction of local industries by making use of unused and waste materials available in the region.

On the other hand, rainfed paddy field will not be expanded, and dry season irrigated paddy field will be limited to the current level under the proposed plan. Instead, the production of field crops (e.g., starchy root crops, peanuts, soybean, mungbean and vegetable) and feed crops (e.g., maize) will be encouraged. Livestock raising (e.g., cattle, pig, and native chicken) will be vigorously expanded in the lowland, central and eastern mountainous zone to meet increasing local demand and for export. The cultivation of fruit tree and tree crops (e.g., mango, tamarind, orange) will be promoted together with agro-processing.

This strategy for enhancing income generation is planned to be implemented through the “new village initiative” as proposed in Chapter V.

3) Capacity Building Strategy

Trained people in SKR are in short supply. Unless human resource development programs are well integrated, the SKR development plan will not be effective. Strategies for capacity building should be elaborated for sustainable development.

In SKR, there are many villages without schools or having incomplete primary schools (i.e., schools incapable of teaching for 5 years). Therefore, improved facilities for basic education, is planned under the SKR development plan as a key component. For primary school improvement, key strategies are proposed. One is to integrate the community into the school operation, offering school facilities as a community center. Schools will be designed to have school farms, orchards, forests or fishponds to generate income for procurement of teaching materials. When schools have such facilities, their integration into the community will be enhanced, making their operations more sustainable.

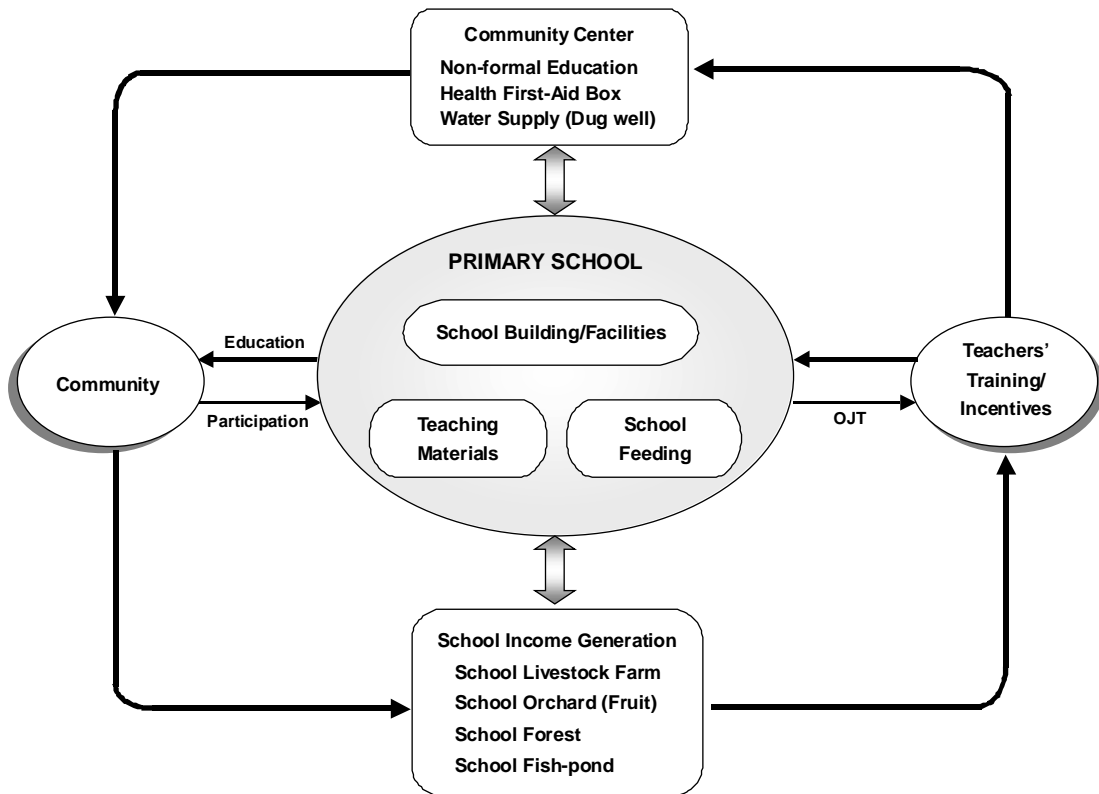


Figure 4-4 School and Community Integration

This strategy of a self-supporting system is also applied to operations of the proposed agricultural college. At the college, practical education and training is programmed and crops cultivated at the college will be used for self-consumption and for sale to generate income for operation and maintenance. The agricultural college is not only for education of village/community leaders but for training of extension workers at the provincial and district levels

Capacity building for SKR development will be strategically promoted through implementing the “human resource development initiative” as proposed in Chapter V.

4) Resource Management Strategy

The forest resources in SKR are the most important assets of the region. Their management is of national and global importance. Resources management will therefore concentrate on the management of these forestry resources.

The forest coverage in SKR has been declining as noted in Chapter 2.2 (i.e., 59% in 1982, 56% in 1990 and 50% in 2000). It is also a fact that a substantial part of the National Bio-diversity Conservation Area (NBCA) contains unstocked (deforested) areas. Without proper measures taken for resource management, these forest resources will further degrade in SKR.

One fundamental principle for forest resource management is to clearly demarcate the NBCA areas and watershed protection areas on the ground. The production forests should also be delineated. This task will require laborious works in the field and cooperation of the villagers. Another strategy is to apply village-based management systems. When the system models prove to be effective, they should be disseminated to other areas. An improved logging concession system should be appraised if the current system is ineffective due to a shortage of trained personnel.

Resource management in SKR will be strategically programmed through the “resource management initiative” as proposed in Chapter V.

5) From a Land-locked to a “Land-linked” Country

Lao PDR is a land-locked country, and SKR is a region sandwiched between Thailand and Vietnam. When the East-West Corridor is opened along NR9, SKR will have dual outlets; i.e., one is the traditional route to the Bangkok metropolitan area and the other is the improved route to the Danang area in central Vietnam. Along with the improvement in the SKR transportation networks, movement of goods and people will be greatly facilitated. It will turn SKR into a land-linked region.

The improvement in the SKR transportation networks should follow the spatial development structure planned and proposed in Chapter 3.3. Further, it should be delineated with utmost attention to protect the environment and be gradually implemented in the light of the development scenario proposed in Chapter 3.4.

In longer term, another corridor might be improved along NR8/NR12 linking Thakhek with Nakhon Phanom in Thailand and Vinh in Vietnam. Thus, SKR would have multiple outlets/inlets to promote trade and partnership.

Being land-linked, SKR can promote the production of niche products for niche markets. Even though SKR is land-linked, SKR should not be turned into a

region of mass production and mass consumption. This strategy should be applied both in the short and long term.

6) Creation of an SKR Image

SKR produces a variety of products for domestic consumption and for exports to international markets. These products, however, have no brand name because most export products are not marketed by local enterprises. Consequently, the markets have no image at all that the products have been produced in SKR. This decreases the value of SKR products.

When the market economy is advanced and when AFTA becomes effective for Lao PDR in 2008, the SKR products will face strong global competition. To make SKR products competitive globally, they should have brand names giving the market some images peculiar to SKR or Lao PDR. This is particularly true when SKR produces niche products for niche markets.

Therefore, a strategy is proposed that SKR products are “ecology-friendly” products (or “eco-products”) and that SKR tries to advance this image worldwide. An example is a locally produced and woven cotton processed with natural dye in Savannakhet which is exported as a niche “eco-product” in a niche market in Japan. It is paradoxical to hear that a Thai merchant sells chemically fertilized pineapples in the Lao market saying that they are sweeter, but imports chemical-free Lao pineapples for the Thai market saying that they are “eco-product” and marketable even though they are not so sweet. When SKR produces niche products for niche markets, such products should foster an image that they are “eco-products” made in SKR. It is for this reason that agriculture in SKR is proposed to promote organic farming to the fullest extent and local industry is proposed to make use of ecological and natural products available in SKR. The image of SKR for “eco-products” should be gradually expanded in the niche markets.

This strategy to create an SKR image for “eco-products” will be applied and disseminated through the “competitiveness initiative” as proposed in Chapter V.

7) Strategic Integration of Development Projects/Programs

Since SKR is large and sparsely populated, it is inefficient to plan and implement a single projects/program sector-wise. When projects/programs in some sectors

are integrated for implementation at a certain location, they will have a synergy effect. This is one of the reasons why the area development strategy is applied to SKR development. Fortunately, administrative decentralization has been advanced in Lao PDR, and it is easier to integrate projects/programs at the provincial and district levels.

Strategically, several programs or sub-programs are integrated into “initiatives” for implementation. These “initiatives” are objective-oriented and proposed to be initiated in SKR and disseminated to other regions. It is also planned that the related “initiatives” are further integrated for implementation. For instance, the introduction of new farming systems and the promotion of local industries are integrated into village development as the “new village initiative”. This “initiative” is planned for implementation together with the sub-program for improving primary schools which will be promoted under the “human resource development initiative”. Thus, at the village level, social and economic development is integrated to attain the SKR development objectives as defined in Chapter 4.1.

This deliberate integration is important for rural development, as 86% of the SKR population lives in the rural area. Since a holistic approach is required for poverty alleviation. The sector-wise projects/programs should be integrated into a package for implementation. This integration will also be effective enhancing the motivation of rural people to participate in implementing of the projects/programs. The SKR development projects/programs are, therefore, planned and proposed for implementation in an integrated manner as far as possible.

Seven strategies above are elaborated to attain some of the five development objectives simultaneously. For instance, the “income generation strategy” is planned to attain the four objectives of (i) enhancement of livelihood through income generation, (ii) attainment of a balanced society, (iii) protection of the environment, and (iv) creation of new initiative. Likewise the “capacity building strategy” is elaborated to attain (i) enhancement of livelihood, (ii) attainment of a balanced society, (iii) protection of the environment, and (iv) creation of new initiatives. A relationship between 5-objectives and 7-strategies is shown on Figure 4-5.

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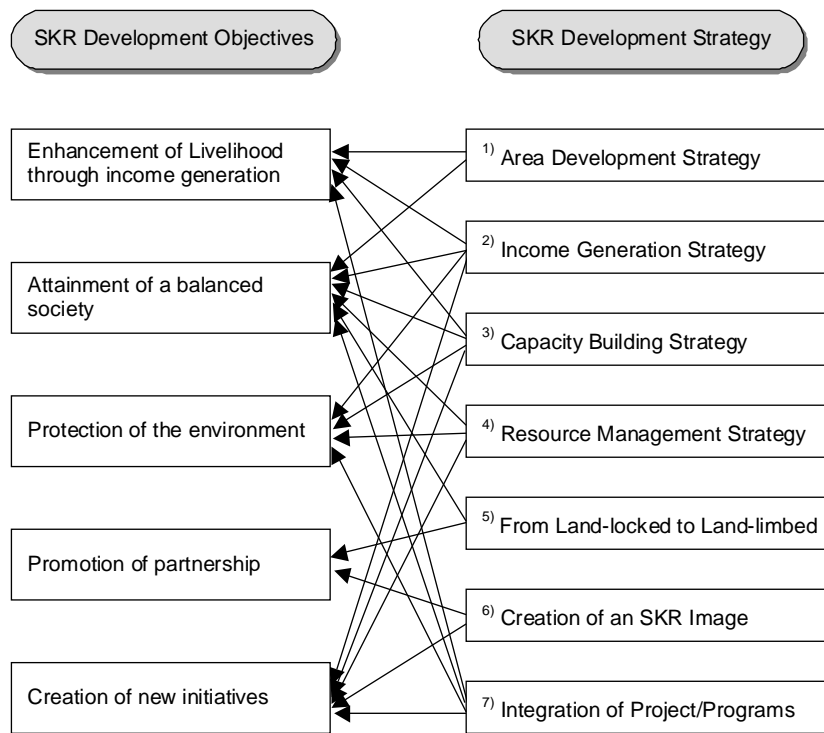


Figure 4-5 Relationship between Objectives and Strategies

4.3 Development Scenario

Based on the selected development option of moderately open regional development and the social, economic, land use and spatial development framework, the development scenario for SKR is accordingly programmed. For the development scenario, the planning period up to the year 2020 will be divided into three phases as follows:

- Phase 1 (Short-term) : 2001-2005
- Phase 2 (Medium-term) : 2006-2010
- Phase 3 (Long-term) : 2011-2020

The development scenario in each phase will be programmed mainly from the viewpoints of (i) human resource development, (ii) natural resource development and management, (iii) rural-based development, (iv) urban-based development, and (v) institutional development. The SKR development scenario is proposed as outlined below.

1) Phase 1 : Formation of Foundation for Regional Development

At the initial stage (2001-2005), development efforts are concentrated on building up the foundations for SKR development. During this period, capacity building and human resource development will be accorded the highest priority because it will lay the foundations for development in the latter parts of the plan period. More specifically, it is planned that investments will be directed more to the improvement of basic education in the rural area and technical education/training in the urban area. Capacity building will be promoted particularly for village/community leaders as well as for extension workers and public officers. This capacity building will be initiated and promoted through the “human resource development initiative” as proposed in Chapter V.

At the same time, a resource management and utilization system is to be established for sustainable SKR development. The area of protection forests should be delineated on the ground and the system for log concession should be appraised for better forest resource management. On the other hand, fuller utilization of non-commercial species and market expansion of small-size wood and non-wood products will be promoted in line with development of local industries. This will generate provincial revenues for investment in other development activities.

For rural-based development, SKR should continue to be a supplier of surplus staple foods to other regions. A farming system in the rural area should be shifted to diversified and recycled farming with the introduction of more livestock, fisheries and agro-forestry products. Market-oriented agriculture will be gradually disseminated to the rural area. Local industry should be promoted by making use of unused and/or waste materials. This paradigm shift in the rural area will be initiated through the “new village initiative” as proposed in Chapter V.

In the urban area, the resource-based industries will be promoted in order to make use of the East-West Corridor to be opened towards the end of this period. Negative impact of the Corridor should be mitigated. The marketing functions should be strengthened paying particular attention to the niche markets for niche products. A detailed plan will be formulated to develop inner core towns.

Institutional building is another priority activity to be promoted during this initial period. Particularly, a plan to set up a “regional development fund” should be initiated through implementation of models at the district and provincial levels,

and this fund should be established by the end of this period for subsequent dissemination.

2) Phase 2 : Dissemination of New Systems and Reduction of Rural Poverty

Capacity building and human resource development initiated in Phase 1 should be strengthened and expanded, qualitatively and quantitatively. Graduates from the newly built schools will enhance the number of educated people and they are expected to contribute to rural poverty alleviation. Likewise, the resource management and utilization system will be disseminated to wider areas.

Human and financial resources during the Phase 2 period will be prioritized, to dissemination of integrated farming combined with promotion of local industries that are to be implemented jointly under the “new village initiative”. Through this initiative, it is planned that the farm household income will double by the end of Phase 2 (2010). Poverty in the rural area will be reduced substantially when the farm household income doubles.

For industrial development, it is planned that a new image or brand of SKR products will be created and disseminated worldwide under the “market promotion initiative” and the “competitiveness initiative” as proposed in Chapter V. With the completion of the East-West Corridor and the initiation of the rural road improvement in this period, SKR will gradually shift from the “land-locked” region to the “land-linked” region.

The regional development fund established under Phase 1 should be expanded with additional funds. The replenishment of the fund should be programmed in line with the dissemination of the new farming system under the “new village initiative”.

3) Phase 3 : Consolidation of Balanced and Cyclical Society

During the ultimate phase (2011-2020), development efforts will be directed towards the consolidation of a balanced and cyclical society in SKR. The ultimate goal is to set up a strong, healthy and hearty society all over the region and people will live in harmony with the nature.

The investment in capacity building and human resource development during Phases 1 and 2 will be consolidated on the basis of regional development.

Farmers' income will be further enhanced, and a balance will be maintained in the rural and urban areas. For management of the forest resources, reforestation programs will be accelerated during Phase 3. The image of SKR products, both agro-based and industrial, will be consolidated in the niche markets worldwide.





Ultimately, by the year 2020, SKR will attain the social and economic targets set under the development framework. Namely, rural poverty will be reduced to a minimum level, rural and urban life is balanced and cyclical, and SKR leaves the level of the least developed country status.

In parallel with the inward efforts for SKR development, the outward efforts will be promoted through the consolidation of complementary, collaborative and cooperative relations with the neighboring regions and countries.

The proposed development scenario for SKR development is summarized and tabulated in Table 4-1.

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Table 4-1 Proposed Development Scenario

Phase	Phase 1	Phase 2	Phase 3
Period	2001 – 2005	2006 – 2010	2011 – 2020
Target	Formation of foundation for regional development	Dissemination of the new systems and reduction of rural poverty Double the farm house-hold income by 2010	Consolidation of the balanced and cyclical society Set up a strong, healthy and hearty society
Human Resource Development	Initiation of “human resource development initiative”: • Basic education improvement • Agricultural college • Technical schools	Further improvement and expansion of basic education, technical education/training.	Enhancement of educational and training level capable of serving for other regions/provinces.
Natural Resource Management	Establishment of legislative and monitoring system for resource management Utilization of non-commercial and unused forest resources	Enhancement of resource management and utilization Utilization of mineral resource and promotion of resource-based industries	Acceleration of reforestation programs Consolidation of resource-based industrial promotion
Rural-based Development	Enhancement of motivation of villagers Demonstration of “new village initiative” for promotion of diversified farming and local industry	Improvement of rural accessibility and expansion of marketing. Expansion of “new village initiative” to double the farm household income.	Promotion of social infrastructure improvement to remoter villages. Consolidation of “new village initiative”
Urban-based Development	Formation of foundation for urban infrastructure improvement Establishment of basis for industrialization (SEZ)	Promotion of inner core towns, rural center towns and rural towns. Promotion of investment in SEZ	Promotion of inner towns and development of Khantabuly Cluster Consolidation of industrial basis through enhancement of competitiveness
Institutional Development	Institutional building for promotion of “initiatives” Establishment of Regional Development Fund (RDF)	Formation of SKR image/brand in markets Expansion of RDF	Consolidation of SKR image/brand and promotion of competitiveness Consolidation of RDF
Event	 E-W Corridor  Gold Mine	 Nam Theun II	 AFTA

CHAPTER V

DEVELOPMENT INITIATIVES

After the development objectives and strategies are defined, the regional development study usually presents the development plans and projects to attain the defined objectives. For SKR development, the development plans and projects are presented in the form of “development initiatives”, since it is considered to be more appropriate to integrate the plans and projects into several objective-oriented packages or initiatives. This integration will be particularly effective for rural development and poverty alleviation for which a holistic approach is required. It will also facilitate implementation, either in the form of an “initiative” or in the form of a “sub-program” integrated into the initiative.

For SKR development, five “development initiatives” are planned as shown below.

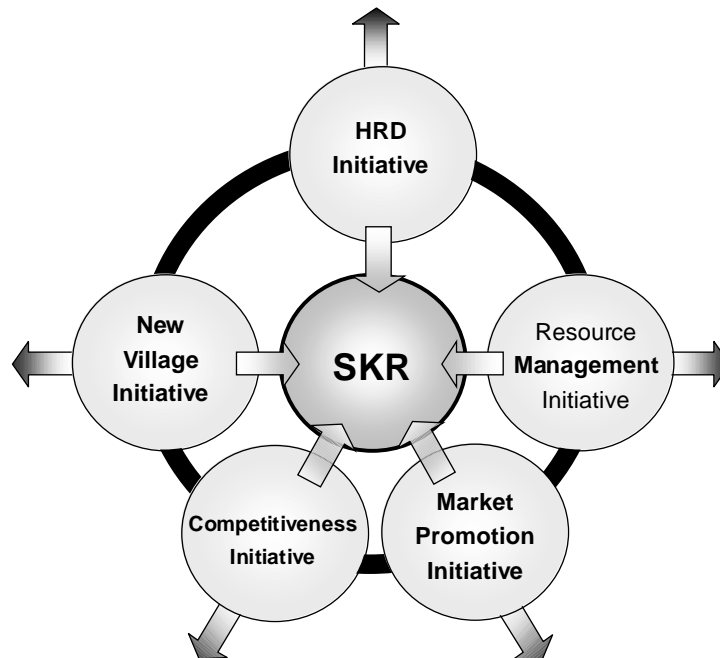


Figure 5-1 Proposed Development Initiatives

Further, in the event that the “development initiatives” initiated in SKR turn out to be effective and successful, they can be used as models to disseminate to other regions and provinces in Lao PDR. Since the SKR development plan is the first integrated regional development plan in Lao PDR, it is recommended that this innovative approach be applied and proved to be effective.

For reference, the relationship between the policy framework (Vision 2020), the SKR development objectives and the “development initiatives” is shown below.

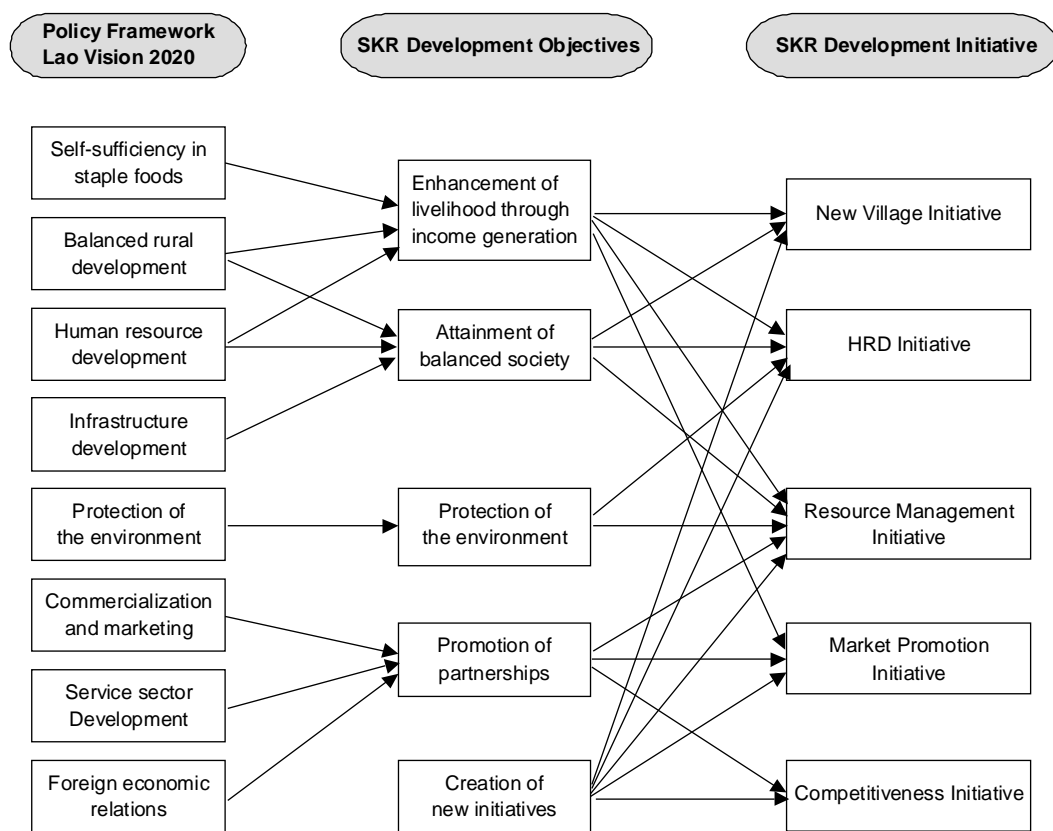


Figure 5-2 Relationship between Policy Framework, Objectives and Initiatives

The proposed development initiatives will not necessarily integrate all the programs/sub-programs formulated through the sector-wise studies presented in Part 2. The sector-based programs/sub-programs that are not integrated into the initiatives will also be taken up as the recommended programs as discussed in Chapter VIII.

5.1 New Village Initiative (NVI)

Background

Since the National Leading Committee for Rural Development (NLCRD) was set up in 1994, the central and local governments have taken some measures for rural development. Under NLCRD, the Rural Development Committee (RDC) was organized at a provincial level. NLCRD and RDC are mainly promoting the program called “Focal Site” (or Focal Zone) which aims at providing the defined areas with farm-to-market roads, irrigation facilities, schools, tree nursery for plantations, and other facilities for village consolidation and resettlement mainly in the shifting cultivation areas. By 1999, about 90 Focal Sites have been designated, of which 11 are in Savannakhet and 4 are in Khammouan. The Focal Site program, however, is primarily for improvement of social and economic infrastructure in villages and it pays less attention to the programs for income generation for farmers or villagers. For poverty alleviation in the rural area, enhancement of farmers’ income is a prerequisite by which a holistic approach can be taken together with improvement in infrastructure. Now, the New Village Initiative (NVI) is proposed primarily for enhancement of the household income level in the rural area. Some programs for social infrastructure improvement will be integrated into NVI along with the different initiatives, e.g. the Human Resource Development Initiative for implementation of primary schools and the Agricultural Collage.

Objectives of NVI

The objectives of NVI are to generate and increase income for the rural households by means of the “Integrated Farming Enhancement Program” and promotion of local industries at the village level, and to build up strong, healthy and hearty villages by the contemporary way of life. A target has been set to double the rural household income in 10 years or by 2010.

NVI Sub-programs

The proposed NVI is an integration of the following sub-programs:

- (i) Enhancement of Integrated Farming is the principal sub-program. It is planned to promote intensive farm management, integrated and

rotating/recycled farming, and organic farming. Promotion of livestock raising, fishery development and tree crops are integrated into this program. (refer to Chapter 6.3.2 and Sector Report, Chapter IV.4)

- (ii) Promotion of local industries is integrated into NVI to generate additional household income for villagers. Villagers will be engaged in processing of their local products selected out of the menu prepared for each zone in SKR. Local industry will greatly contribute to enhancement of women in development and to lesson seasonal under-employment. (refer to Chapter 6.3.3 and Sector Report, Chapter V.2)
- (iii) At the village level, some infrastructure will be improved with active participation of villagers (e.g., village/access roads, deep wells).

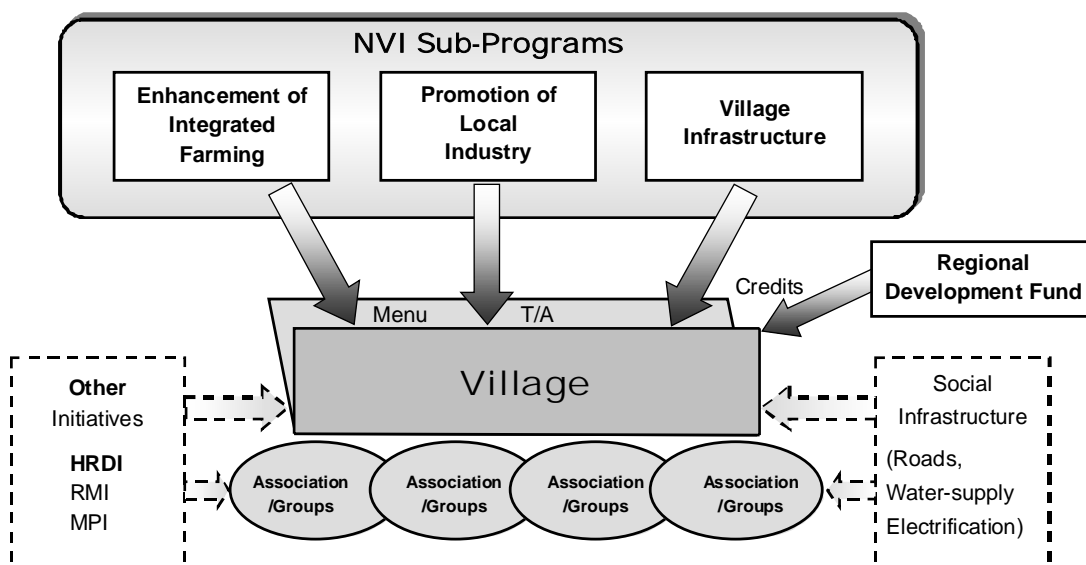


Figure 5-3 Village-based Implementation

Strategies

NVI will deploy the following SKR Development Strategies discussed in Chapter 4.2:

- (i) Area development strategy,
- (ii) Income generation strategy,
- (iii) Capacity building strategy (particularly training of village leaders),

Development Initiatives

- (iv) Resource management strategy (particularly village forests and fruit tree plantation), and
- (v) Strategic integration of development projects/programs.

Related Initiatives/Programs

NVI will be implemented in coordination with other Development Initiatives or programs to be proposed. They are:

- (i) Primary education improvement under the Human Resource Development Initiative (HRDI) will be programmed to support NVI. Primary schools to be constructed under HRDI will not only serve for formal and non-formal education but also function as a community center for community development.
- (ii) The establishment of an Agricultural College will also be programmed under HRDI. The College will serve for training of village leaders and dissemination of the Integrated Farming Enhancement Program.
- (iii) Health improvement program will be programmed separately, including introduction of a mobile clinic for schools and villages, a first-aid medical box and clean water supply at the primary schools.
- (iv) For marketing of local industry, a Market Promotion Initiative (MPI) will be integrated. The Local Product Market Promotion Center is proposed for implementation under MPI.
- (v) Rural road improvement, rural electrification and other infrastructure improvement will be promoted separately under the sector-wise development programs.

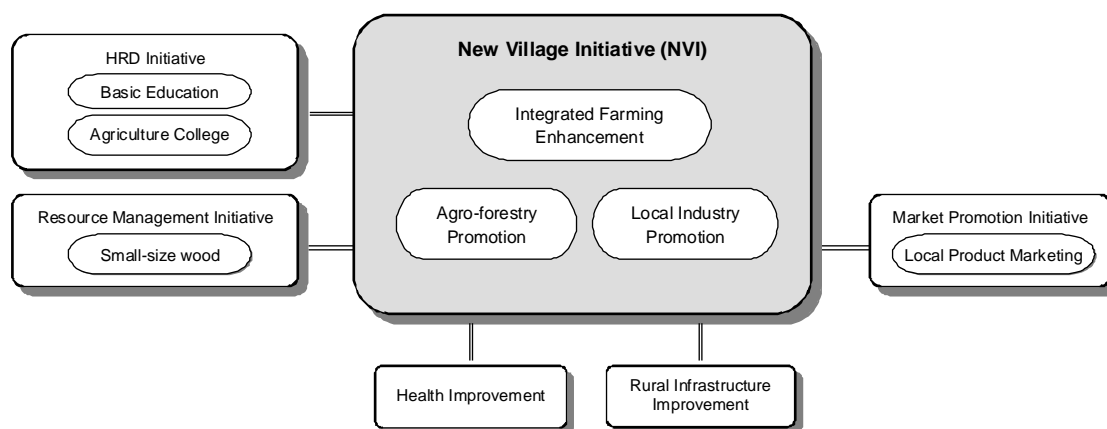


Figure 5-4 NVI and Related Initiatives/Programs

Institutional Arrangements

It is planned that each province will set up a “Center for NVI Promotion” under the governor. Alternatively, the current Rural Development Committee (RDC) formed for development of Focal Sites may be modified to promote NVI. The Center or RDC will coordinate with the district NVI centers, as well as with the proposed Regional Development Fund, NGOs, Lao Youth Union, and Lao Women’s Union at the provincial level.

At the village level, villagers are encouraged to form associations for NVI promotion. For specific purposes, farmers are also directed to form associations by activity. For instance, the existing association of livestock farmers in Savannakhet will be strengthened, and it will be disseminated to Khammouan province. The formation of these associations will be essential to extend financial assistance through the proposed Regional Development Fund.

Phased Implementation

Since there exist nearly 2,300 villages in SKR, it takes more than the plan period of 20 years to disseminate NVI to all the villages. It is therefore planned to implement NVI step by step. At the initial stage, a dozen model villages will be selected for implementation, through which the institutional and financial system will be consolidated. In line with the consolidation of the financial system (particularly the Regional Development Fund and Microfinance), NVI will be disseminated widely, setting an annual target for expansion.

In the event that NVI is implemented as programmed, it will be possible to attain the target to double the farmers' household income within 10 years. It will also make it possible to realize one of the development objectives of SKR, namely, "enhancement of livelihood through generation/enhancement of income".

A pilot program of NVI is further studies as presented in Part 3, Chapter I. When the implementation of models turns out to be effective and successful in SKR, NVI may be expanded to other provinces and regions in the country. NVI could be a national movement for rural area development.

5.2 Human Resource Development Initiative (HRDI)

Background

Human resource development is the most important instrument for long term development of SKR. The current level of basic education is by no means satisfactory, with a low enrollment ratio (72% in 1996), high dropout ratio (20-22%) and high repetition ratio (24-15%). There still remain many villages without primary schools. The level of technical education/training is also unsatisfactory, qualitatively and quantitatively. The existing technical schools are insufficient to meet the applications of students, as well as the requirements of industries. It is also required that education be directed to promote entrepreneurship among the younger generations.

Capacity building is another component of human resource development. Without capacity building for village leaders and public officers, any development program will turn out to be unsustainable. It is therefore required that capacity building be incorporated into any development programs envisaged under the SKR development plan.

Objectives of HRDI

The objectives of HRDI are to improve the educational facilities in SKR over the long term and to attain capacity building in the short term, so that the development programs proposed under the SKR development plan could be implemented effectively and successfully. HRDI will also contribute to build up strong, healthy and hearty villages, as well as for industrial development in SKR.

When SKR people are educated, they can appropriately decide their own values and their own way of life.

HRDI Sub-programs

Among various programs required for human resource development, HRDI intends to promote three major sub-programs as follows: (refer to Sector Report, Chapter I.3 for detail)

- (i) HRDI plans to improve the current situation of primary education in SKR. Since it is required to construct more than 200 primary schools by 2010, it is programmed to construct 100 primary schools at the initial stage. HRDI will not be confined to construction of school buildings and facilities. It is planned that these schools will be equipped with school forests, school orchards, school gardens for livestock raising and crop cultivation in order to generate some income for provision of teaching materials and/or school lunch. (refer to Figure 4.4 in Chapter IV)
- (ii) HRDI plans to set up an Agricultural College in Savannakhet. The College is for practical education/training for village leaders and extension workers. It will also offer courses for training and capacity building of personnel in the public and private sectors. The College is planned to be financially self-supporting.

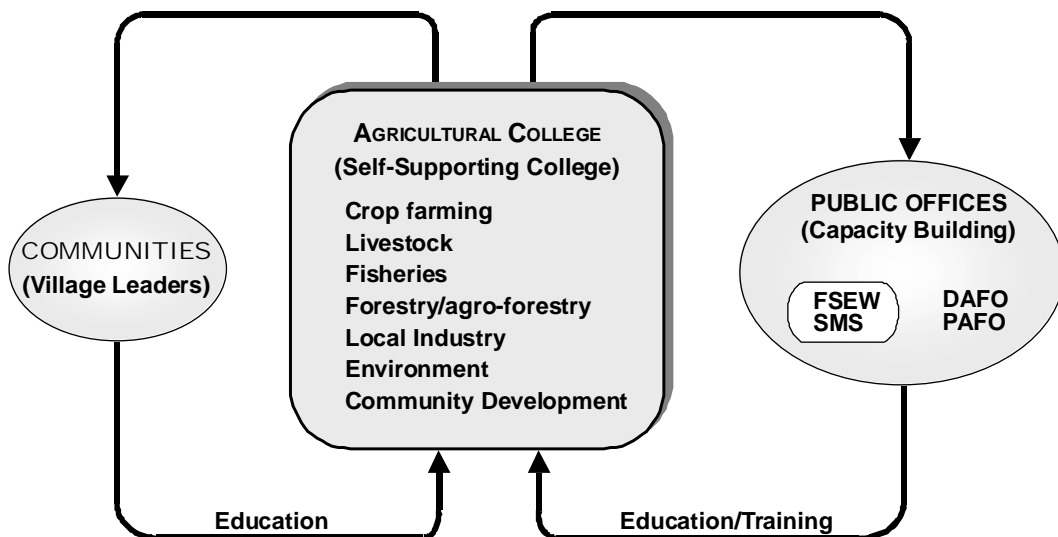


Figure 5-5 Agricultural College

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- (iii) HRDI also plans to restructure and renovate the existing Technical School. Courses for technical education/training will be redesigned and facilities will be renovated to meet the requirements of the younger generations and the industrial enterprises. The entrepreneurial minds should also be elevated through technical education/training.

Strategies

HRDI will deploy the following SKR Development Strategies discussed in Chapter 4.2:

- (i) Area development strategy (particularly in the eastern mountainous zone),
- (ii) Income generation strategy (particularly training of extension workers and village leaders),
- (iii) Capacity building strategy,
- (iv) Resource management strategy (particularly environmental education), and
- (v) Strategic integration of development projects/programs.

Related Initiatives/Programs

HRDI is related to other Development Initiatives and programs proposed for SKR development.

- (i) HRDI is one of the factors to successfully implement the New Village Initiative (NVI). It will educate pupils at the primary schools, and educate/train village leaders at the Agricultural College. Capacity building of agricultural and rural development officers will also be extended at the College.
- (ii) HRDI is related to the Competitiveness Initiative (CI) as it will train and enhance the technical level of industrial workers at the Technical School.
- (iii) HRDI is also related to the Market Promotion Initiative (MPI) as the Agricultural College and Technical Schools will teach marketing of products and how to enhance competitiveness in a global market.
- (iv) HRDI is required to promote the Resource Management Initiative (RMI). Environmental education is to be provided at the primary schools and technical schools, and resource management methods are to be taught at the Agricultural College.

- (v) HRDI is also important for health education, particularly at the primary schools. When villages have no health post, they will serve as a center for promotion of public health, as well. The primary schools will be equipped with a first-aid medical kit and a deep well for water supply.

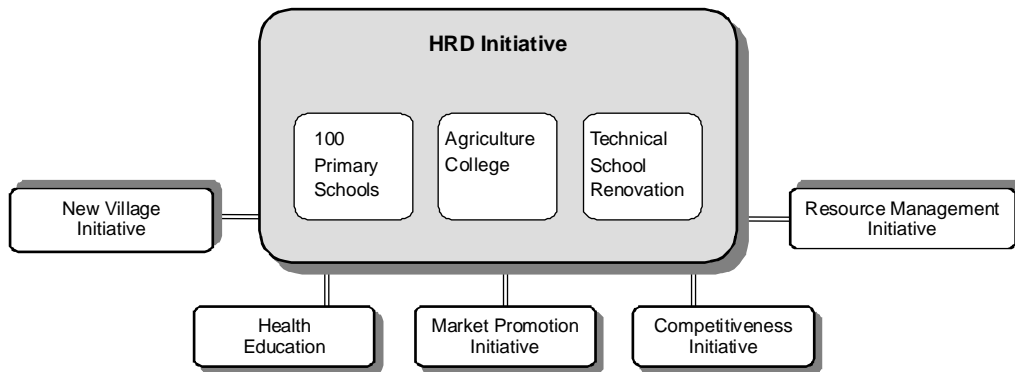


Figure 5-6 HRD Initiative and Related Initiatives/Programs

Institutional Arrangement

The Ministry of Education will be responsible for implementation of the overall programs under HRDI. It will organize a task force for programming and financial arrangements for implementation. At the provincial level, the Department of Education will be an executing agency for implementation of the primary school construction sub-program.

As proposed above, each sub-program will be designed to generate income for operation and maintenance of the facilities. For instance, the Agricultural College is designed to be self-supporting by means of sales of products cultivated in the College farm for training. Some income generation through internship will be programmed in the Technical School. Primary schools are designed to have some facilities for income generation as noted previously.

External financial assistance will be required to implement the proposed three sub-programs, i.e., construction of primary schools, the Agricultural College, and renovation of Technical School.

Phased Implementation

Priority of public investments at the central and provincial level should be directed towards HRDI, and the proposed sub-programs should be implemented as early as possible. At the initial stage, it is planned that 100 primary schools will be constructed in SKR (50 in Savannakhet and 50 in Khammouan). Construction of the Agricultural College and Technical School should also be initiated immediately so that their graduates can contribute to successful implementation of the SKR development plan. At the second stage, the primary school construction sub-program will proceed (100 primary schools additionally) together with construction and improvement of the lower secondary schools.

The primary education expansion and improvement program is further studies as presented in Part 3, Chapter II. When the primary school construction sub-program, combined with the income generation scheme, turns out to be effective and successful in SKR, this sub-program may be disseminated to other provinces and regions as an SKR model.

The sub-program for establishment of the Savannakhet Agricultural College is also studied further as presented in Part 3, Chapter III. Likewise, the sub-program for renovation of the Savannakhet Technical School is studied as one of the priority programs, as presented in Part 3, Chapter IV.

5.3 Resource Management Initiative (RMI)

Background

SKR is endowed with considerable natural resources, particularly forestry resource, and their management is quite important for sustainable development of the region and the country as a whole. Forestry resource management is also a matter of global interest. As pointed out previously, the high forest area in SKR has been decreased from 62.1% in 1982 to 49.0% in 2000 in Khammouan province and from 56.7% in 1982 to 50.3% in 2000 in Savannakhet province. Unless forest resources management is vigorously implemented in SKR, further deforestation and degradation of forests are inevitable. Management of water resources is also important because SKR feeds the Mekong river in a sizable area. Forest area protection in watersheds is required to sustain these water resources in the Lower Mekong Basin.

Objectives of RMI

The over-arching objective of RMI is to preserve most of the existing forest resources, plan for land use changes, while at the same time making the remaining forest areas more productive, and thus improve their sustainability.

The objectives of forest resource management differ depending on what type of forest area is to be managed. In conservation areas, the objectives must be to secure the boundaries by mutual agreement with the local people and draw up a workable management plan in cooperation with villagers. Meanwhile, the principal goal of NBCAs is to conserve the area for bio-diversity and in most cases protect the watershed of rivers. In protection areas, the main objective is watershed protection or preservation of island forests in the lowland areas. Production forest must be clearly defined and the management plans should be worked out with villagers.

RMI Sub-programs

Several sub-programs are incorporated into the Resource Management Initiative (RMI) for SKR (refer to Sector Report, Chapter II.2). They are:

- (i) Sub-program for delineation of conservation, production and protection area is proposed because NBCAs and protection forests have been designated but they are not delineated on the ground. They should be clearly marked on the ground through mutual agreement with villagers.
- (ii) Sub-program for appraisal of long-term concessions is proposed in view of the current system in which short-term concessionaires only pay for what is removed and not what is felled. This leads to over-cutting of desirable tree species and failure to leave sufficient seed trees to ensure regeneration of these desirable species. The granting of long-term concessions by area and payment for what is cut rather than what is removed could be one way to improve forest management.
- (iii) Sub-program for fuller utilization of commercial and non-commercial species is proposed, because much commercial log volume is left in the forest due to wasteful logging. Felling techniques and log selection practices should be improved for better utilization of commercial and non-commercial trees in the forest.

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- (iv) Sub-program for expanded markets of small-size wood and non-wood products is proposed because there is a considerable surplus of small dimensional wood throughout the region. These products offer opportunities for promotion of local industries.
- (v) Sub-program for agro-forestry demonstration is proposed particularly in the area of shifting cultivation. Nitrogen-fixing trees are planted for soil improvement, and fruit trees are planted to enhance household income.
- (vi) Sub-program for rehabilitation of the degraded forest areas is proposed particularly for unstocked forests in NBCAs (about 190,000 ha). It is proposed that a pilot program be implemented in the Nakai-Nam Theun NBCA.
- (vii) Sub-program for tree planting for production can be promoted with sub-program for commercial nurseries, particularly in the degraded forest areas.
- (viii) Sub-program for environmental education is proposed for execution at schools and other public institutes so as to enhance the mind of resource management.

Strategies

RMI will deploy the following SKR Development Strategies discussed in Chapter 4.2:

- (i) Income generation strategy (particularly agro-forestry),
- (ii) Capacity building strategy (particularly environmental education),
- (iii) Resource management strategy,
- (iv) Creation of an SKR image (particularly an image of ecology-friendly products), and
- (v) Strategic integration of development projects/programs.

Related Initiatives/Programs

RMI is closely related to other Development Initiatives and programs proposed for the SKR development plan. They include:

- (i) RMI is closely related to NVI in the sense that (i) pressure on the existing forest is decreased by improvement in agricultural productivity, (ii) promotion of agro-forestry is one of the effective measures for decreasing shifting cultivation, (iii) village forests are to be developed for production, and (iv) delineation of protection forests is to be attained through mutual agreement with villagers.
- (ii) RMI is also related with promotion of local industry, because it provides local industry with various materials and products for processing.
- (iii) RMI is to be promoted through environmental education to be promoted under the Human Resource Development Initiative (HRDI).
- (iv) RMI is related to the Market Promotion Initiative (MPI) as commercial species of logs should be processed more in SKR, and higher valued added products are marketed/exported. Also, markets for non-commercial species could be developed.
- (v) RMI is also related to the Competitiveness Initiative (CI) in the sense that the forest products in SKR should be processed in a more competitive way in global markets. RMI will contribute to creating an SKR image of “ecology-friendly” products in niche markets.

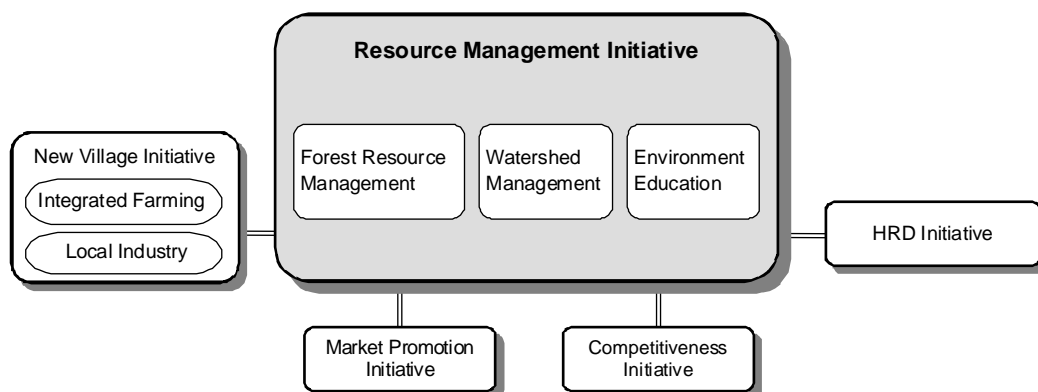


Figure 5-7 Resource Management Initiative and Related Initiatives

Institutional Arrangements

The Department of Forestry of the Ministry of Agriculture and Forestry should take leadership in promoting RMI, particularly forestry resource management programs. Strengthening of forestry officers in the provincial Department is a

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prerequisite for promotion of RMI. Within the Ministry, coordination should be made for promotion of agro-forestry in the areas of shifting cultivation.

For implementation of the sub-program for tree planting for conservation, particularly in the unstocked NBCA forest area, special arrangements might be required because of its magnitude of required investments. An idea is to set up an international fund for reforestation under the management or supervision of the Mekong River Commission (MRC) or other international organizations.

Another idea for funding the tree planting sub-program is a discussion related to the Nam Theun II hydropower project. As the project will flood an area of about 47,000 hectares (including 12,000 ha of NBCA), it may be reasonable to consider that the beneficiaries of the Nam Theun II power would contribute to the reforestation in the unstocked forests around the project.

Phased Implementation

RMI will require a lengthy period for implementation. At initial stage, efforts should be concentrated on capacity building and strengthening of forestry officers, as well as on appraisal of long-term concessions and study on practical methods for fuller utilization of commercial and non-commercial species. Marketing of small-sized wood and non-wood products should be initiated along with the promotion of NVI, particularly promotion of local industry. As the delineation of conservation, protection and production areas will take laborious works in the field, it is desirable that programs for delineation be worked out as early as possible.

The sub-program for rehabilitation of the degraded NBCA forest area is further studied as presented in Part 3, Chapter V. It is recommended that a pilot program in the Nakai-Nam Theun NBCA be further elaborated for implementation.

5.4 Market Promotion Initiative (MPI)

Background

Natural resources exploited from SKR have been exported with little value added. For instance, logs of commercial species have been extracted from the SKR

forests and most of them have been exported to the neighboring countries just after sawing. During the period of depression caused by the Asian financial crisis, logs were exported without processing and value added in the country. Likewise, gypsum mined in SKR has been exported without processing. It appears that such a pattern of export is due mainly to the lack of information and channels for marketing of resources and products. In order to enhance processing and increase value added in SKR, it is indispensable that the marketing system be developed specifically for SKR development. Opportunities for marketing will be enlarged with the completion of the East-West Corridor and transportation networks in and around SKR. As SKR is land-linked to outer markets, now is the time to initiate market promotion.

Objectives of MPI

The objectives of MPI are to expand the opportunities for marketing SKR products, with value added locally to the maximum extent. Promotion of marketing will focus on forestry and mineral resource-based products, as well as on products of local industries. Marketing of agricultural products, particularly livestock products, will also be incorporated. MPI will contribute to realization of the development strategy to shift SKR from a land-locked region to a land-linked region.

MPI Sub-programs

For promotion of marketing SKR products, MPI will incorporate sub-programs as follows:

- (i) For better and more transparent marketing of industrial wood products, it is planned to set up a log auction market in Thakhek. Auction members will be logging companies, sawmills, and furniture manufacturers. It will make transparent the marketing system and stabilize log prices. Certificates could be granted for wood from sustainably managed areas so that such wood should command premium prices on the export market.
- (ii) For export promotion of resource-based industries, it is planned to set up an export marketing center in the Savannakhet SEZ. The center will promote marketing by means of the Internet, exhibition of products, and direct contacts with potential buyers and investors, in close coordination with the

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SEZ Authority. It will also tie up with international organization for trade promotion.

- (iii) Savannakhet SEZ is also planned to accommodate the Local Product Promotion Center. The Center will assist producers and associations of local industry to find out niche markets for such niche products. The Center will also have the Internet marketing system and exhibition of local products.
- (iv) Marketing of products with higher value added will also be pursued through promotion of FDIs, as foreign investors have their own channels for exports.
- (v) Some of agricultural products may be marketed through the system of contract farming or through exporters. For instance, export promotion of native chicken may be more effectively realized through the existing channels in neighboring countries

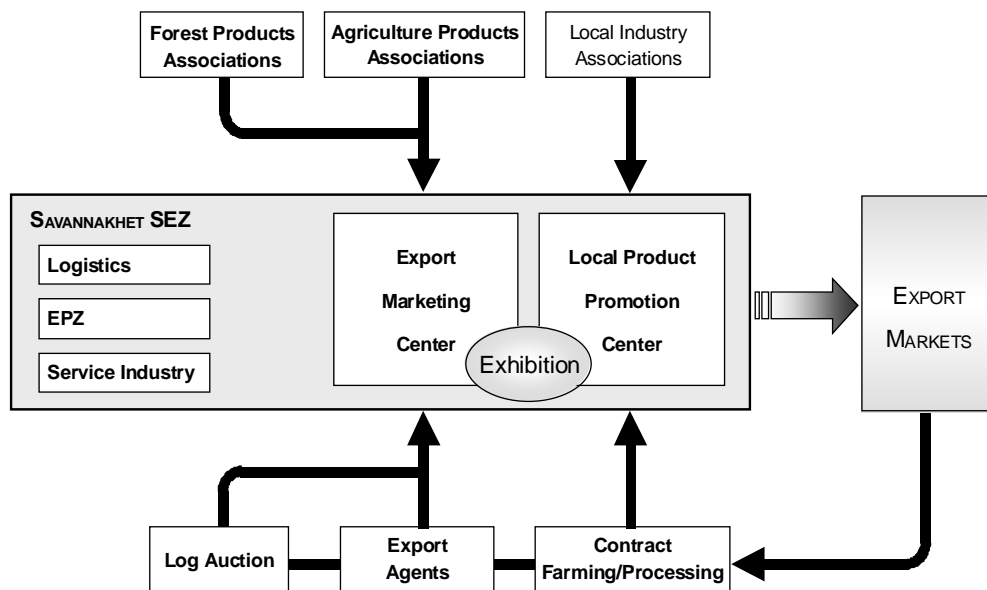


Figure 5-8 Marketing Centers

Strategies

MPI will deploy the following SKR Development Strategies discussed in Chapter 4.2:

- (i) Income generation strategy (particularly marketing of village products),
- (ii) Capacity building strategy (particularly training in the market economy),

- (iii) From a land-locked to a land-linked country (through promotion of marketing),
- (iv) Creation of an SKR image (particularly marketing of “eco-products”), and
- (v) Strategic integration of development projects/programs.

Related Initiatives/Programs

MPI is closely related to other Development Initiatives as it will function as one of the supporting measures.

- (i) MPI is related to the New Village Initiative (NVI) because MPI will promote marketing of agricultural products and products of local industries.
- (ii) MPI is related to the Resource Management Initiative (RMI) as it will promote processing and enhance value added on forestry resources, including promotion of commercial and non-commercial species and small-size wood and non-wood products.
- (iii) MPI is closely related to the Competitiveness Initiative (CI) because competitiveness in global markets is not attainable without an effective marketing system.

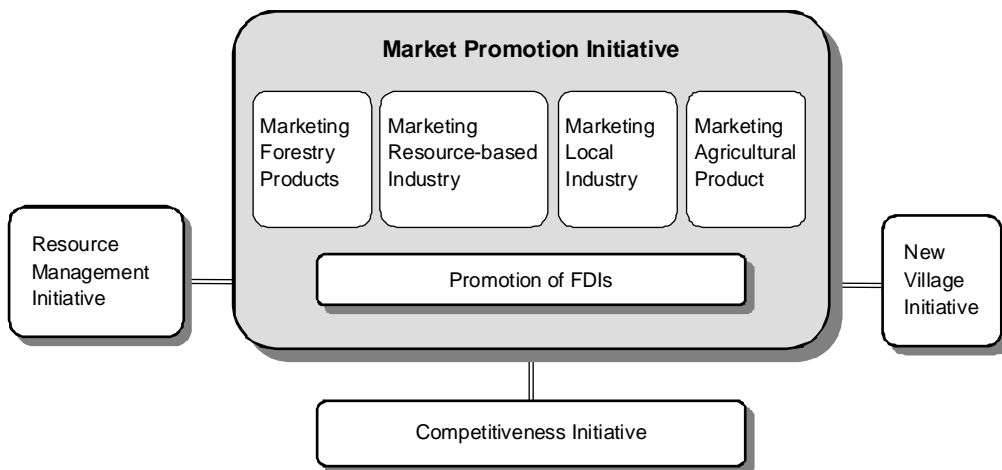


Figure 5-9 Market Promotion Initiative and Related Initiatives

Institutional Arrangements

The Ministry of Commerce and Tourism will be responsible for implementation of MPI. The Ministry, together with the provincial offices, is to work out a detailed program for implementation of the proposed sub-programs. Since the Marketing Center and the Local Product Market Promotion Center are planned to be established in the Savannakhet SEZ, the Ministry should also coordinate with the provincial governments and the proposed SEZ Authority.

At the same time, associations of producers of local industry will be guided to find out respective channels for marketing in the neighboring countries. Promotion of contract farming will also be promoted through an association of producers to hedge against marketing risks.

Phased Implementation

MPI is planned for implementation step by step. At the initial stage, a study should be made on establishment of the proposed log auction market. Promotion of marketing channels for agricultural products will be initiated without delay. Implementation of the Marketing Center and the Local Product Market Promotion Center should be scheduled in line with the construction of the Savannakhet SEZ (planned for completion in or around 2004).

5.5 Competitiveness Initiative (CI)

Background

Although SKR development does not contemplate development of mass-production articles but envisages production of niche products for niche markets, it still faces competition with the neighboring countries and such competition may become more severe when SKR is land-linked after completion of the East-West Corridor. Quality and price competitiveness of SKR products therefore should be enhanced by all means. Competitiveness will be more significant after AFTA and WTO free trade regimes become effective for Lao PDR. At the same time, farmers are obliged to produce their products at the internationally competitive quality and price as the market economy penetrates

into the rural area. Under such situations, it is considered essential to promote the Competitiveness Initiative under the SKR development plan.

Objectives of CI

The objectives of CI are to enhance competitiveness of SKR products in the international markets. SKR products will not be limited to forestry and other resource-based products, but they will cover products of agriculture and local industry to be promoted in the region. For agriculture and local industry, CI intends to find out niche products for niche markets to maintain competitiveness. It is not the intention of SKR development to promote import substitution industries as they are less competitive due to small domestic markets.

CI Sub-programs

CI will incorporate some sub-programs for implementation. They are:

- (i) An image or brand of the SKR products is to be created. It is planned that the SKR products are all “ecology-friendly” products (or “eco-products”) and that the image of “eco-products” is disseminated. The SKR products should bring with them the image that they are “eco-products” produced in SKR.
- (ii) Competitiveness is to be enhanced through quality improvement in the increased value added products. When niche products have higher quality, they would have higher competitiveness in international niche markets.
- (iii) The private sector should also be empowered to enhance capability to evaluate information obtained, quality of products, stable supply, entrepreneurial mind, marketing, and so forth. It is a prerequisite to formulate associations by sector to deal with the market economy and international competition.
- (iv) The public sector is to be strengthened to enhance competitiveness of local products. Measures should be taken for accelerated legislation, providing foreign investors with transparent implementation of laws and regulation related to industrial development, simplification and removal of bureaucracy, establishment of the foreign exchange system, and capacity building of trade and industry related officers to confront with international competition.

- (v) SEZ is planned to enhance competitiveness of resource-based and agro-based industries through promotion of FDIs. Factory industry and service industry located in SEZ will have some advantages over competitors and they should make use of such advantages.

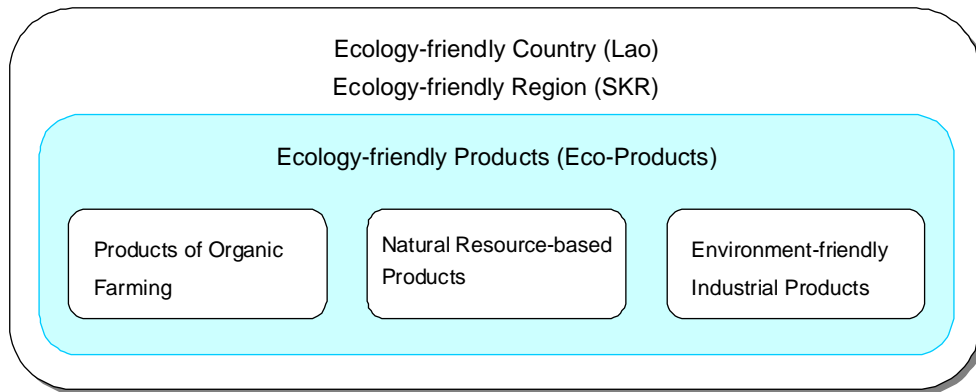


Figure 5-10 Image of SKR Products

Strategies

CI will deploy the following SKR Development Strategies discussed in Chapter 4.2:

- (i) Income generation strategy (particularly in production of niche products for niche markets),
- (ii) From a land-locked to land-linked country,,
- (iii) Creation of an SKR image, and
- (iv) Strategic integration of development projects/programs.

Related Initiatives/Programs

CI is related to some other Development Initiatives and it will be implemented in an integrated manner.

- (i) CI is closely related to the Market Promotion Initiative (MPI) as marketing is essential to enhance the competitiveness of manufacturing and service industries. CI and MPI should jointly work so that an image of SKR products (“eco-products”) is created and disseminated in the markets.

- (ii) CI is also related to the Resource Management Initiative (RMI) as forestry resource is the richest resources and its products are expected to have high competitiveness in global markets.
- (iii) CI is related to the New Village Initiative (NVI) in the sense that products of agriculture and local industry should bring with them an SKR image (“eco-products”) to make them competitive in international markets.
- (iv) CI also has relations with the Human Resource Development Initiative (HRI) because the public officers and private entrepreneurs should be empowered to take competitiveness into account under the market economy.

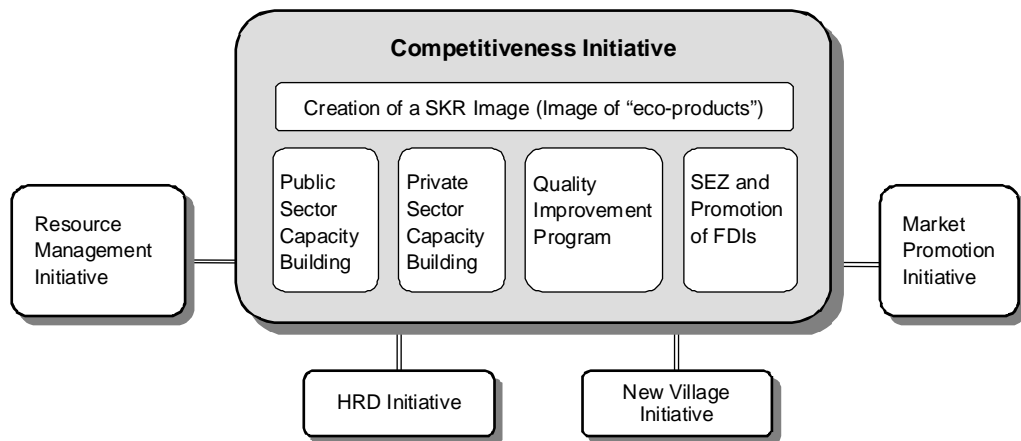


Figure 5-11 Competitiveness and Related Initiatives

Institutional Arrangements

CI should be promoted both in the public sector and private sector. The Ministry of Commerce and Tourism and the Ministry of Industry and Handicrafts should coordinate the promotion of CI in the public sector. The Ministry of Agriculture and Forestry should also participate in this initiative, because agriculture and forestry products are targets to create an image of SKR products and enhance their competitiveness. Particular attention will be paid to forestry products and livestock products in promoting CI for SKR development. Capacity building and institutional building are of particular importance for the public sector CI promotion. The private sector should also be organized to promote CI. Formation of associations by sector will be indispensable for such CI promotion.

Phased Implementation

Competitiveness is not attainable all at once and it should be gradually enhanced. At the initial stage, efforts should be concentrated on legislative settings to promote CI and capacity building in the public and private sectors. Implementation of the proposed Savannakhet SEZ (scheduled for completion in 2004) will form a spearhead to cultivate CI in a practical manner. In the medium term, more intensive CI promotion will be required after AFTA becomes effective in 2008. The scenario for industrial development could be attained if CI is successfully implemented under the joint efforts of the public and private sectors.