
CHAPTER 12 Laos

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In late 1998, the Vientiane office of the United Nations Development Programme (UNDP) applied for funds from the Poverty Strategies Initiative (PSI) to assist the Laotian government in redefining its policies for rural development. The case of the Lao People's Democratic Republic (Lao PDR) illustrates some of the problems that donors and development cooperation agencies may encounter when trying to engage in a policy reform process in a context of weak institutional capacity and limited ownership.

Some governments find the concept of poverty ill-suited to their national political rhetoric, sometimes even potentially threatening. To date, the Laotian government has only reluctantly engaged in limited, mostly donor-driven, analytical work on poverty. This reluctance by no means constitutes a denial by either the government or the Lao People's Revolutionary Party that poverty is a serious issue, but it does reflect the fact that national unity has been the overriding concern in this multi-ethnic country. This concern gives rise to a political discourse that emphasises development rather than differences.

This political reality played a role in the type of work UNDP conducted in Laos. Two other factors influenced the focus of the PSI activities. First, poverty is overwhelmingly a rural phenomenon, which implies that it is not possible to address poverty without also addressing rural development issues. Secondly, the country's rural development strategy has been criticised for its treatment of ethnic minorities and its approach to local-level planning and development management.

In response to these factors, UNDP decided to place its work on poverty in the broader framework of rural development policy, and simultaneously address both rural development management and ethnic minority issues. This was done through the preparation of four studies and a follow-up conference at which the results of the studies were presented to government officials, Party functionaries and representatives from the donor community. UNDP also became involved in supporting two key actors. One is the Central Leading Committee on Rural Development, which is responsible for the supervision of the controversial Focal Site Strategy for the development of the country's remote areas. The other is the Lao Front for

National Construction, which has a mandate to oversee the government's policy towards the ethnic minorities.

Country context

Laos is among the least developed countries in the world, with life expectancy at birth of 52 years and a comparatively high degree of shared poverty.¹ More than 80 per cent of the country's 4.8 million inhabitants live in rural areas, and poverty is overwhelmingly a rural problem. There are 236 different ethnic groups, and the non-ethnic Lao — often referred to as ethnic minorities — make up 70 per cent of the population. These two features are more or less congruent, making poverty reduction a question of how to integrate ethnic minorities into mainstream national development, and how to develop economic opportunities for rural people, and ethnic minorities in particular. There is, moreover, the fundamental question of how to improve government service delivery in a sparsely populated country where large mountainous tracts have no road access.

With the enormous ethnic diversity and rural-urban disparities of Laos, it is virtually impossible to establish meaningful indicators of culturally acceptable minimum standards of living. For this reason, the country has no officially accepted poverty line. Based on minimum caloric requirement, it is estimated that 22 per cent of the population live in deep poverty — with 26 per cent in rural areas and only 8 per cent in urban areas. A Social Indicator Survey conducted in 1992-1993 estimated that 46 per cent did not have enough income 'to live decently'. A World Bank study from 1995 estimates even higher levels of poverty, especially in the rural areas: 26 per cent of rural Laotians do not have the income required to provide a minimum food intake. The situation is worse in the South. More than half of the rural population (53 per cent) falls below a higher poverty line, which includes allowance for non-food expenditures (World Bank 1995).

There is, moreover, no detailed information on the relationship between poverty and ethnicity. Mainly for political reasons, information on ethnicity has not been collected in population censuses and household consumption surveys. There is also the practical problem of no officially recognised terminology for categorising ethnic groups that corresponds to ethno-linguistic classifications or to what people prefer to call themselves. There are groups that live a secure traditional life in areas with abundant natural resources, but an increasing number of minorities experience environmental stress and a sense of deprivation in their inability to generate sufficient income and to benefit from social services.

Ethnic Lao dominate the government, civil service and the Lao People's Revolutionary Party. Despite a long history of peaceful relations with the various ethnic minorities, the government has pursued policies of 'stabilising' and resettling minority communities since independence in 1975. The government justifies

its policies in terms of a development ideology of modernisation and cultural evolution, as well as nation-building and a perceived security risk.² Hence, poverty reduction, rural development and ethnic minority issues are by and large overlapping concerns, with strong political undercurrents that greatly complicate policy.

Against this background, the UNDP office decided to provide assistance to the government for a refinement of its rural development policy. An equally important objective was to help place ethnic minority issues on the country's policy agenda.

Rural development policy

Rural development has been a priority in the Lao PDR since a Party resolution passed in 1994. The topic ranked high on the agenda of the Sixth Donor Round Table meeting in 1997. One of the key objectives of the current policy is to 'alleviate poverty among rural populations in remote areas' (Lao PDR 1998b).³

To achieve this goal, the government elaborated a Focal Site Strategy for 1998-2002, which was presented to the donor community at a meeting held in Vientiane in 1998. Focal Sites are defined as rural areas in which the government concentrates its development efforts to alleviate poverty among its inhabitants. Village consolidation is seen as the most cost-effective way of making development services available to scattered and remote communities that would otherwise not be reached with the limited resources available in Laos. Village consolidation is also officially expressed as a means necessary to reduce the adverse environmental impacts of shifting cultivation in poor and remote areas. As a result of the Focal Site Strategy, the term 'rural development policy' came to be associated with the government's intention to develop rural growth areas, based on settled agriculture and improved public services.

The Focal Site Strategy had been controversial from the beginning. Although the government contends that the Strategy is based on voluntary resettlement, it has set ambitious targets for its implementation. In several cases, more than 50 per cent of the upland district populations, mainly in the South, are to be moved over a period of five years (Goudineau 1997). The speed of the planned resettlement has received criticism from several donors and non-governmental organisations, who fear that the Focal Site Strategy could become an instrument used by the government for coercively resettling ethnic minorities from remote mountain areas to the lowlands. Critics, not least within the donor community, argue that the development rhetoric behind the Focal Site Strategy, while making use of familiar concepts of area-based development, community participation and bottom-up planning, actually disguises a top-down, technocratic approach to development aimed at enhancing control and influence over ethnic minorities.

In response to this criticism, in recent years it appears that the government has taken a more cautious approach, realising that rushing ahead might cause prob-

lems. Nonetheless, there remain reports of overzealous local authorities applying pressure and coercion to meet targets. Even in cases where people moved voluntarily, adjustment to the new sites has turned out to be so difficult for most that quality of life and living standards have dropped.⁴

The Focal Site Strategy also met with a profound scepticism among donors with respect to the implementation capacity of government. A major weakness of the strategy is that it lacks a clear policy and guidelines on resettlement (Goudineau 1997). There is confusion between implementing agencies and lack of transparency and formalisation of rights and obligations in the relations between the state and those who resettle. A critical issue, for instance, is the right to land and the impending scarcity of quality land with the higher concentration of people in the new sites.

There is also incoherence in the process of designating sites. Some are identified by central government, others by provinces and districts. There are as many as 87 official sites, a large proportion of which lack budgetary planning. Part of the problem is an apparent rivalry over the coordinating and monitoring role, between the provincial Rural Development Offices reporting to the Central Leading Committee for Rural Development (CLCRD) and the Party, and the provincial Departments of Planning reporting to the State Planning Committee and Government. Various line departments execute projects. Since these agencies have their own planning processes and sectoral priorities, their programming is not well integrated with the Focal Site Strategy. In some cases, line agencies have dropped projects in localities designated Focal Sites, assuming other sources of funds will fill the financial gap. Management of the Focal Site Strategy, therefore, has become a critical issue.

This climate of confusion and distrust of government policy, in a context in which all parties otherwise agree on the critical importance of promoting rural development, led UNDP to apply funding from the PSI programme to pursue further analysis in two policy areas.⁵ Studies were commissioned to serve both as an input into government decision-making and a means of rallying donor support for the implementation of rural development programmes.

The first theme covered by the studies is the rural development management process. This includes an overview of existing planning and budget procedures, data collection and monitoring systems, and resource mobilisation. Additionally, the model developed under the Integrated Rural Access Programme (IRAP) was reviewed at the request of the Swedish International Development Cooperation Agency (SIDA), the programme's main donor. IRAP is a pilot initiative undertaken with the International Labour Organization (ILO). It aims to prioritise investments and improve local-level planning based on an analysis of people's physical access to different services or basic needs.

The studies recommend a shift in government policies from investments in 'hard-

ware' to investments in people, a reduced emphasis on studies, data collection and planning tools that has been typical of most donor projects, and greater attention to public sector reform, especially at decentralised levels of government (Taylor 1999). While endorsing the basic logic of the Focal Site Strategy, the studies nonetheless stress the need for more systematic planning and better coordination between the various players from government and the donor community (Tracey-White 1999a). IRAP is viewed as a useful approach to area development planning, provided it is modified in order to make it less expert-intensive and more geared to facilitating consultative and participatory methods of local level planning (Mercat 1999).

Surprisingly, none of the studies above grappled with the ethnic minority issue in assessing the political, participatory and technical aspects of decentralised planning, despite the multi-cultural context of Laos. In response to this, a separate study was financed by the PSI programme to document the impact of government policies on ethnic minorities and make recommendations on how to integrate these concerns into mainstream development planning (Chamberlain 1999). The main focus of this report is on Laos' Ethnic Minority Policy, which is found to conform to the spirit of the ILO Convention 169 on the rights of indigenous and tribal peoples. The policy, nevertheless, needs to be strengthened and made more explicit with regard to resettlement, traditional land use rights, the status and recognition of minority languages, customs, traditions and indigenous knowledge, and rural development planning.

In addition to these studies, the PSI project included a technical assistance component in support of the State Planning Committee and the CLCRD, and funding for a national workshop to discuss the findings of the studies with all the relevant stakeholders. A synthesis report was prepared in preparation for the workshop, which took place in October 1999. The report lists five policy areas that should receive priority attention from the authorities:

- Creating the right conditions for ethnic minority issues to be fully integrated with rural development planning and management;
- Improving planning processes, at both central and local levels;
- Creating the means for income and employment generation in remote rural areas;
- Expanding human resource development and training;
- Reforming public administration and strengthening of local institutions.

The synthesis report formulated ten potential project packages for the follow-up phase, of which the first two were adopted at the national workshop. They will provide institutional support to the policy-making agencies responsible for the policy on ethnic minorities and the Focal Site Strategy, respectively. Package 1 will assist the Lao Front for National Construction, which has an explicit mandate, given by the Party, to supervise the ethnic minorities policy and 'build solidarity in the population'. Its Department for Ethnic Groups and Social Class is very vocal

on the minority issue and appears to be the best avenue for strengthening minority rights. This includes affirmative actions to ensure greater representation in the National Assembly, protection of cultural heritage and language, and collection of reliable statistics on ethnic groups. The approach advocated by the Front, which emphasised training civil servants and improving statistics on ethnic minorities, won over an alternative proposal presented by the ILO, which stressed the need to focus on the ratification of its Convention 169, but would have required a much larger, and therefore more costly, technical assistance component.

Package 2 will support the Central Rural Development Office in the task of clarifying the Focal Site Strategy, in particular the mechanisms for prioritising sites so as to make more explicit whether their primary function is economic, social or defence. It is expected that this work will be linked to IRAP, if the latter is continued. Support to the Central Rural Development Office seems to be a wise investment, given its current and likely future role in rural development. There is, nevertheless, an urgent need to clarify its responsibilities vis-à-vis the State Planning Committee. There is also a need to clarify how the Focal Site Strategy will be revised and implemented.

In contrast to other donor agencies, UNDP has generally supported the government's Focal Site approach, adopting a strategy of constructive dialogue with the Laotian authorities. However, it remains to be seen whether this strategy of constructive engagement will enable UNDP to play a more catalytic role in bringing about some changes in the most controversial aspects of the country's rural policy, in particular on the issue of resettlement. To play this role, UNDP needs a strategic vision on rural development and anti-poverty policy to guide its dialogue with the government.

Obstacles to reform

It is improbable that policy reform initiatives can succeed in the absence of strong national ownership. Public debate on rural development and poverty reduction is restricted in Laos and, although a certain pluralism of opinions is allowed within the People's Revolutionary Party, the country has no explicit national discourse on poverty yet. 'Poverty', in fact, does not seem to be a popular concept in the political vocabulary of the Party, as is often the case in one-party states. It prefers to emphasise stimulating growth in the rural economy, rather than dwelling on inequality and on the poor as specific social category. The studies financed by the PSI have not had a discernible impact in this respect.

Ironically, in a country where 80 per cent of the population live in rural areas, only 8 per cent of public investments are earmarked specifically for rural development. Although this figure does not include the projects located in rural areas of various line agencies, most of which have substantial donor funding, it nonetheless reflects a strong urban bias in public investments. Moreover, even if we examine

the distribution of the Focal Site investments themselves, we observe that as much as 40 per cent go to transport infrastructure, whereas health and education combined receive 14 per cent. In all sectors, the outlays on buildings are quite high, which points to a syndrome typical of many countries in which too little emphasis is given to human capital development and operational costs.

The ideology that drives the Focal Site approach has led the government to define rural development as a 'sector', resulting in problems of vertical and horizontal coordination of development planning. There is, in fact, a serious problem of dual and overlapping responsibilities in the management of the country's rural development policy. The State Planning Committee and its planning offices at various levels are responsible for development planning and monitoring, but the Party has formed a set of new institutions (the Rural Development Offices) with a mandate to supervise the Focal Site Strategy. To complicate matters further, the respective roles of the planning and rural development offices with regard to the line agencies in the formulation, budgeting and execution of projects remain to be clarified. UNDP is trying to foster a more rational division of responsibilities among all the parties involved, but with no significant results so far. Unless these issues are resolved, the absence of institutional coordination will continue to be a critical bottleneck in the management of rural development programmes in the Lao PDR.

There is, obviously, a need for a more comprehensive approach to rural development than the one currently being pursued by the Laotian government. The contribution of the PSI project to this outcome has been modest. Apart from helping to produce a less controversial version of the Focal Site Strategy, the support from UNDP has done little to enhance the government's will to reform its controversial rural development policies.

The only likely exception is the work on ethnic minorities, where the information and advocacy facilitated by the PSI project could provide new encouragement to reformers in the government and elicit support from donor circles. The support to the Lao Front thus seems a promising initiative. The project has opened up an opportunity to promote the ratification by Laos of ILO Convention 169 on the rights of indigenous and tribal peoples. More and better information on the situation of ethnic minorities could also be a useful tool for those within the Lao Front who would like to strengthen the existing policy environment for ethnic groups. If this is achieved, a major point of contention between the government and the donors will have been removed.

Donor engagement

Laos cannot achieve its development targets without substantial foreign assistance. Today, more than 80 per cent of the rural development budget originates with donors. The government now realises that more active participation of donors in

rural development policy is both necessary and a 'price to pay' for attracting more resources. Given its central position amongst donors, UNDP can play a major role in this respect.

With 37 projects under implementation in 1999, UNDP remains, in fact, the biggest single actor on the donor side and a preferred advisor to the government on policy matters. The central role of UNDP as an advisor on rural development policy dates back to 1996, when the Laotian government requested its assistance in formulating a national rural development programme to implement a Party resolution that had been passed two years before. The programme's chief goal was to strengthen methods of local level planning by testing approaches to decentralised planning and implementation of projects in remote areas. Despite UNDP's significance as a donor, it is struggling to form its own strategic views in Laos. In this regard, the PSI programme has played an important role not only in providing information, but also in helping UNDP to clarify its own vision.

Another important goal of the programme was to create a better framework for mobilising donor funding. Support was to be concentrated on 5 of the country's 17 provinces, and implementation started with the preparation of provincial socio-economic profiles, followed by donor round tables in each of the provinces. A package of projects, developed on the basis of local consultations, was presented to these round tables, with a view to soliciting pledges from participating donors.

The results were disappointing. Bilateral donors did not come forward and the projects were funded mostly by UNDP sources. The lack of donor response clearly points to the need to strengthen the government's capacity to 'sell' its policies more effectively. Consequently, when funding from the PSI programme became available, one of the main objectives became to support the government's efforts to produce a more sanitised version of the Focal Site Strategy and to engage the donor community in the discussion.

With the exception of some progress in bringing ethnic minority issues to the forefront of the policy agenda, it is not clear that UNDP has succeeded in persuading donors to support the government's policy thrust. The Asian Development Bank and the World Bank have stated categorically that they cannot support a rural development policy that involves involuntary or coerced movement of people — which, according to the Laotian government, it does not. And while some NGOs have agreed to follow the government's request to work in designated Focal Sites, most of the bilateral donors continue to shy away from them. In this situation, government representatives clearly appreciate any support from UNDP that can help them sell the Focal Site concept to the donors.

At the same time, the PSI project has furthered the collaboration between UNDP and ILO on local-level planning. This collaboration has facilitated the transfer of perspectives from some of the international programmes sponsored by

ILO, which emphasise the promotion of rights and income-generation activities among indigenous peoples. This, in turn, has opened the door for providing support to the Lao Front for National Construction, which is probably the most significant institutional impact of the PSI project. Meetings with the Front, as well as comments from independent observers, confirmed that there is a genuine commitment to pursue policy reform along the lines of ILO Convention 169 on the rights of indigenous and tribal peoples. Other sections of the polity, however, still advocate assimilation and relocation of minorities as the way forward.

Leaving aside the thorny issues of resettlement and ethnic minorities, there are also other reasons for revisiting the approach and improving the message to donors. The experience with area development and integrated rural development in other countries is mixed. Both models have encountered problems related to the implementation of top-down and expert-led project management units that were poorly integrated with local politics and local capacity. Often headed by expatriate personnel, these units have tended to be too obsessed with technocratic approaches to planning, at the expense of a more organic view of development, where government programmes are responsive to community and private initiatives.

The evaluation of the IRAP model, funded by the PSI project, underscores similar lessons. It points to the fact that, in a country characterised by a weak local government structure, donor-managed rural development projects easily may repeat some of the mistakes made in other countries. UNDP can play a role in bringing this type of knowledge and experience to the attention of government and donors in Laos, and demonstrate how more flexible programmes anchored in community initiatives and local government decision-making can be replicated.

Conclusions

Poverty in Laos is predominantly a rural phenomenon. As the political climate does not favour an explicit focus on poverty issues, UNDP sensibly concluded that they would best be addressed through policies dealing with rural development and ethnic minorities. The PSI funds were thus intended to assist the Laotian government in clarifying its development strategy towards the rural sector, especially its controversial Focal Site approach.

Two general lessons emerge from the project. First, donors and development agencies need to accept that policy work addressing poverty issues may have to take place under different banners, without becoming less relevant for that reason. Second, in many countries, dealing with poverty issues will entail engaging in basic conflicts over rights, entitlements and influence. For donors to become involved in such circumstances requires more than money. It demands careful understanding of the situation and a clear vision of the role they want to play.

Clearly, UNDP remains in a position to play a constructive role in rural devel-

opment policy-making. In addition to its wide experience accumulated over several years of implementing projects, UNDP is the only agency with an overview of the general direction of development planning and implementation in Laos. Its strategy of constructive engagement in policy dialogue has given it a place at the table in a country where weak national capacity has led to a rather fragmented and uncoordinated donor engagement. Given its unquestionable position within the donor community, new donors will go to UNDP for advice if they seek a role in rural development.

UNDP has been supportive of the government's efforts to clarify its Focal Site concept and sell it to sceptical donors. Nevertheless, there are no indications that the assistance provided has either improved the government's salesmanship or its will to reform the policy by shedding some of its more contentious aspects. The studies sponsored by UNDP addressed a rather narrow audience, which severely limited their impact and potential use. One of the studies was requested by a donor agency that needed an evaluation in order to decide whether or not to continue supporting the IRAP project. Other studies provided a general overview of rural management issues in Laos, but lacked an identifiable audience and were not integrated with a genuine national reform process. As a result, key government agencies feel very little ownership of the results of the studies. The report on ethnic minorities appears to be the only one that has contributed some useful analysis that could be used to influence policy reforms.

There are critical institutional barriers to effective rural development planning and implementation in Laos. The Focal Site Strategy seems to be underpinned by an outmoded approach to rural development, dominated by top-down technocratic planning. The dominant picture has been one of institutional fragmentation and competition within the public sector. Capacity-building has been negligible in the first phase of the PSI project, while the linkages of the studies financed by UNDP to national decision-makers have been too weak to exert any pressure on reforming the management structure. Consequently, despite its deep involvement in rural development, UNDP has not been able to move the Laotian government in the direction of resolving the institutional quagmire that hampers implementation. The support to either the CLCRD and its Rural Development Offices, or the State Planning Committee, raises a number of questions, given their fragile institutional set-up and overlapping mandates.

Three fundamental issues need to be resolved to facilitate an improved working relationship between the government and donors. They are the policy towards ethnic groups, the Focal Site approach, and the management of development planning and execution of public projects at the local level. These issues also are critical components of a strategy to reduce poverty. Yet promoting a national strategy for reducing poverty as an integral part of a rural development policy requires a

clarification of UNDP's own vision of rural development, poverty reduction and local government in the country.

UNDP is walking a tightrope, trying to assist the Laotian government in its policy efforts while at the same time upholding international standards and best practices. It is evident that the current official policy of resettling ethnic minorities, even if by incentives rather than force will potentially collide with internationally recognised rights of indigenous peoples, like the right to self-determination. The planned support to the Lao Front is therefore a promising initiative, and probably the best course to follow at the present time.

While it awaits the enactment of a more rational local government system, the donor community can probably make its best contribution by systematising experiences on how different Focal Sites have been managed, collecting lessons on various approaches to participatory community development in donor-funded projects, and accessing international experiences on local government support programmes. ■

Notes

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¹ This shows in the statistics as a low Gini coefficient and a low poverty gap despite a high poverty headcount. A major reason is that almost all of the rural households have land use rights or free access to land. This keeps absolute destitution and famine at bay. Socio-economic data need to be interpreted with great caution. There is, for instance, much uncertainty with respect to how to monetise incomes in non-tradable rural produce. Some estimates claim that only 20 per cent of the economy is visible to macroeconomic planners. The remainder is in black market transactions and trade in illicit commodities (timber, wildlife, timber, forest products and drugs).

² More recently, the adverse ecological impacts of shifting cultivation have been added to the list of arguments. While many minorities have been able to lead their traditional way of life, with ample nourishment and a sense of cultural dignity, several groups have been victims of man-made or environmental upheaval.

³ This policy and its so-called Focal Site Strategy date back to 1994 when the Party adopted a resolution that made rural development a priority issue. The rural development policy was further consolidated in the 1995 with the preparation of the five-year Socio-Economic Development Plan (1996-2000). This plan identified eight priority programmes for Laos to achieve the stated goal of moving out of the rank of low-income country by the year 2020. Although only one of the programmes was labelled 'rural development', in a country where 80 per cent of the people live in rural areas the other seven programmes will also necessarily have to target rural areas.

⁴ Laos has a long history of population displacement, dating back to the Indochina and American wars. In the post-war period, there was a considerable movement of people returning to their pre-war home areas. Development-induced resettlement is a more recent phenomenon. It includes involuntary resettlement caused by development projects, in particular hydropower schemes, as well as for purposes of 'stabilising' shifting cultivation and combating deforestation. On the other hand, a traditional adaptive strategy of most ethnic minorities has involved relocation in intervals of 10 to 20 years. They are thus seen as accustomed to resettling, which should ease their adaptation to a Focal Site policy. In spite of this, there are examples of resettlement undertaken without due consideration of its impact on people's livelihood. It has turned out to be particularly difficult for upland people to establish viable paddy farming systems. As a result, many have ended up as agricultural labourers for established lowland farmers.

⁵ The project was approved in December 1988, with a budget of US\$ 200,000 allocated in two phases. The first phase financed four thematic studies and a national workshop. The second phase, which began in mid-2000, includes follow-up activities that were agreed upon during the national workshop.