History of Socio-Economic Development Planning in Lao PDR

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Roles and Importance of Socio-economic Development Planning

- In the socio-economic development process, all countries around the world apply planning as a tool in governing the countries by setting overall objectives and targets for the immediate and future socio-economic development. Guidelines, tasks and implementing measures are set from time to time to achieve the objectives and targets set out.

- After the foundation of the Lao PDR in 1975, the Party-State (the Government) have applied planning as the key tool in translating and implementing the Party’s guidelines and managing the economy by formulating policies, measures, programs and projects from time to time for the purpose of fully achieving the objectives set out by the Party: “To enrich and strengthen the country, to build the country with civilization and to make people rich and happy”.
Types of Planning

1. The long term plan, dealing with periods of 10 years and more. Such plans define the overview, strategies and priorities of the nation over the long term.

2. The medium term plan has duration of less than 10 years and covers 5 years in Lao PDR.

3. The annual plan is the plan to implement the targets and duties of the 5-year plan.
Socio-economic Development Planning
Lao PDR

- Socio-economic development planning in Lao PDR can be divided into two periods:
  - 1\textsuperscript{st} Period: Centrally-planned System (1976-1985)
  - 2\textsuperscript{nd} Period: “New Economic Mechanism” (Transition to a Market-oriented System) (1986-Now)
1st Period: Centrally-planned System (1976-1985)

In this period, the Government applied the centrally-planed system by setting the production targets. The Government provided the capital, production means and techniques, set the prices, distributed goods and services based on equitable principle. During the period, the Government formulated one-year plan, three-year plan and five-year plan.
Annual plan (1976-1977)

- This annual plan was drawn up in the beginning period of national social-economic development for Lao PDR and provided guidelines and major targets to recover agricultural and industrial production, to move from a subsistence-based economy to a commodity-based system.

- This plan sought to secure national defense and construction and to strengthen the new administration aiming to improve the people’s living standard and the national security.
The economic reconstruction program after war set the major targets to improve people’s living standard and to rebuild districts destroyed by war to enable people to make their living.
Three-year Plan (1978-1980)

- It was formulated to provide housing, farming land and employment for the people, to rebuild districts destroyed by war, and to improve the industrial facilities in order to increase the production.
The 1st five year plan (1981-1985)

The outline of the first five-year socio-economic plan was set by the Party Congress III.

Main objectives of this plan were to:

- Encourage agricultural and forestry production for food security
- Improve existing industrial plants and factories and to construct a number of new industrial plants and factories
- Infrastructure construction primarily for the national highway No. 9 and the national highway No. 13
Socio-economic Development Planning in Lao PDR

- Transition to a market-oriented economic system (1986-now):

After applying the centrally-planned system for a decade, it was realized that a new system consistent with the current situation was necessary and was aimed at proving necessary social and economic infrastructure for the national development.

After the Central Party Congress IV in 1986, the Party announced the introduction of the so-called “New Economic Mechanism” for the national development aiming at preparing the foundation for a market economy.
Transition to a market-oriented economic system (1986-now)

- A market-oriented planning which was more appropriate with emerging requirements at that time replaced the old system.

- A market-oriented planning was based on the targets set by the local level, sectors, business sector, other economic sector and the production base.
This plan elaborated the policies and guidelines set out by the IV Party Congress in 1986 and the transition period from the central command economy to the New Economic Mechanism (NEM) policy.

The main objectives of this plan were to:

- Create the structures for growth in agriculture-forestry, industry and services
- Improve and prepare the laws and regulation for the private sector
- Open door policy for foreign cooperation
- Develop education, public health, and upgrade people’s livelihoods
- Privatize of former state enterprises
The 3rd five-year plan (1991-1995)

This document was prepared for implementing the V Party Congress’s Resolution in 1991 and continuation of new economic mechanism

- Main objectives of the second five-year plan were to:
  - Transform the natural economy to commodity production economy
  - Continue to improve the infrastructure for socio-economic development and approval system for foreign investment and cooperation
  - Promote foreign cooperation and foreign investment
  - Improve people’s living standard
The 4th five year plan (1996-2000)

- This document was prepared for implementing the VI Party Congress’s Resolution in 1996.

The main guidelines were to:

- Enhance unity within the party and the people ensuring the stability and security of the nation
- Encourage all economic sectors and people to contribute to the national development and promote savings for the national balance and self-reliance
- Provide social welfare and increase the number of the people participating in the national economy
- Increase the roles and support the capacity of the party in all professional fields, improve and upgrade the management and state laws
- Promote international cooperation and pursue an open door policy with international friends
The main targets until 2000 were to:

- Encourage economic growth at the average of 8-8.5% per annum
  - GDP’ share of agriculture and forestry should increase by an average of 5% per annum
  - GDP’ share of industry should increase by an average of 12% per annum
  - GDP’ share of services should increase by an average for 10-11% per annum
- Maintain exchange rate stability and keep the inflation rate at less than 10% to the year 2000
- Mobilize state revenues at not less than 13-16% of GDP while reducing the state budget deficit
The main targets until 2000 were:

- By the year 2000, it’s estimated that the population will be about 5.2 million and the per capital GDP will be 500 USD
- 80% primary school enrolment
- Control and limit the epidemic malaria, diphtheria, cholera and reduce the rate of patients and prevention of decease by vaccinations, increase life expectancy to 55-58 years by the year 2000
The 5th five year plan (2001-2005)

- This document was prepared for implementing the VII Party Resolution in 2001

The main targets till the year 2005:

- Encourage economic growth rate at the average of 7% per annum

  GDP’ share of agriculture and forestry should increase by an average of 4-5% per annum
  GDP’ share of industry should increase by an average of 10-11% per annum
  GDP’ share of services should increase by an average of 8-9% per annum
The 5th five year plan (2001-2005)

- GDP per capita will be 500-550 USD
- Control the inflation rate less than 10%
- Reduce poverty by 50% of households
- Reduce slash and burn cultivation basically, eliminate poppy cultivation
- 86% primary school of 6-10 years old enrolment
- Life expectancy 61 year
The Achievements of 5 year plan

- GDP grew at an average 6.2% while the plan defined 7% per annum
  - GDP’s share of agriculture and forestry increased an average of 3.5% per annum (plan 4-5%)
  - GDP’s share of industry increased an average of 11% per annum (plan 10-11%)
  - GDP’s share of services increased an average of 6.7% per annum (plan 8-9%)
- Able to reduce poverty 135 thousand household (plan 150 thousand household)
- Primary school enrolment of 6-10 years old is 84.2%
- Controlled the inflation rate less than 9.6%
- Life expectancy: 61 years
- GDP per capita 491 USD
The 6th five year plan (2006-2010)

The main targets till the year 2010:

- Encourage economy growth rate at the average for 7.5-8% per annum
  - GDP’s share of agriculture and forestry should increase by an average of 3-3.4% per annum
  - GDP’s share of industry should increase by an average of 13-14% per annum
  - GDP’s share of service should increase by an average of 7.5-8% per annum
The 6th five year plan (2006-2010)

- GDP per capita will reach 827 USD
- Control the inflation rate no more than 6.5%
- Reduce the poverty basically
- The population growth rate should be 1.91% per year, population 6.17 million in the year 2010
- Primary school enrolment of 6-10 year old is 90.6%
- Life expectancy 63.5 years