

Phou Xang He NBCA

This area is located south of the Xe Nou, a major tributary to the Xe Bang Fai. It is a hilly area containing many species that are globally threatened. An extension of 117 km² to the west and south to incorporate a still largely undisturbed forest area has been proposed.

In spite of the fact that NBCAs have been established, the unique value of the biodiversity in the Bolikhamxay and Khammouane Provinces are under serious threat. In general for the NBCAs in Lao PDR logging and slash and burn cultivation are seen as the most serious threat to biodiversity. In these two provinces, however, and in particular in the western parts, wildlife trade is seen as an even more acute problem (IUCN, 2000). The centre of this trade is supposed to be Lax Xao and about 60-70 % of the goods is assumed to go to Vietnam and eventually to China.

The lower part of the Xe Bangfai plain is highly developed with little natural habitat and wildlife left. A large tract of previously forested land west of Hin Nam No NBCA has been cleared by logging and consequently also lost most of its biodiversity value.

The Wildlife Conservation Society (WCS) is planning a 5-year project in Bolikhamxay Province, co-financed by GEF. Provided that the project plans are approved by GEF and the GoL, this will bring biodiversity conservation in this region an important step forward.

10 POVERTY AND ECONOMIC DEVELOPMENT

10.1 Regional Perspective

During 1985-95, Thailand was one of the fastest growing economies in the world with an average annual rate of growth of over 8 percent. However, the Asian financial crisis that started in 1997 led to an economic slump from which the country now is slowly recovering. While the GDP contracted by minus 10.5% in 1998 the economic growth amounted to an estimated 6.7% in 2003.

Largely escaping the effects of the Asian crises economic growth in Vietnam has been increasing rapidly over the last decade as the country has moved towards a more market-oriented economy. For the period 2000-2003 GDP has grown with around 7% annually. The Vietnamese economy is still expected to grow at a relatively high rate.

While Cambodia experienced a relatively low economic growth during the first half of the 1990s the last years have seen a strong growth of the GDP peaking in 1999 with 10.8% leveling off to an estimated 5.1% in 2003. Continued strong economic growth is expected in the years to come.

Economic development has primarily been concentrated to urban areas and at least part of the urban population has experienced substantial increases in standards of living. The quality of life for poorer people, mainly the rural part of the population, has, however, not changed to a lesser degree. The rural population constitutes more than 80 percent of the total population in the Mekong Basin.

Poverty is a universal problem in all rural areas of the Mekong River Basin. Indicators, such as literacy, health, and access to safe drinking water, are quite low in Cambodia and Lao PDR. For Thailand and Vietnam the part of the countries belonging to the Mekong Basin generally indicate lower figures than the parts outside the basin.

10.2 Lao Perspective

Much of the economic activity in Lao PDR is confined to the Mekong Corridor leaving the remote and mountainous areas lagging behind in the relatively rapid development the country now is experiencing. The agriculture sector employs around 80% of the population and accounts for approximately half of GDP. The industry and service sector each account for around 25%. In the period 2000-2003 GDP has grown by around 5.8% annually. Industry is the fastest expanding sector with an estimated growth of 11.3% in 2003.

Lao PDR, along with Cambodia, has the highest poverty occurrence in the region, with more than three quarters of the population living on less than US\$2-a-day. However, household surveys show a decline in poverty from 45 percent in 1992/3 to 38.6 percent in 1997/8 measured against the national poverty line. The latest preliminary government estimates indicate that poverty has dropped to approximately 30 percent in 2003/3. Poverty in rural areas is almost twice as high as in urban areas. In Vientiane Municipality, only one in seven people fall below the poverty line, compared to about one in two for the rest of the country.

Poverty varies across regions and provinces. The North is the poorest region, with a poverty incidence in rural areas of 53% in 1997/98. In the Southern and Central Regions the rural poverty incidence at the same time was 39 and 36 percent, respectively (GoL, 2001)

Poverty alleviation is now the overarching goal for the Lao Government. In the Interim Poverty Reduction Strategy Paper (I-PRSP) a broad strategy for poverty reduction is outlined. Four sectors are identified as particularly important: agriculture and forestry, education, health and road infrastructure. Improved governance and sound macroeconomic policies are identified important underlying and enabling conditions. The I-PRSP was elaborated in a national Poverty Eradication Plan presented in 2003. The Government is committed to halve poverty by 2015, which is one of the Millennium Goals adopted by Lao PDR.

10.3 Local Perspective

According to the Lao Expenditure and Consumption Survey (LECS) carried out in 1992/93 and 1997/98 the incidence of poverty has declined slightly in Khammouan and Savannakhet while it in Bolikhamxai has increased substantially. However, the figures for Boulikhamsay is so much lower than the national average and neighboring provinces that some doubt can be raised about their accuracy and validity.

Table 23: Poverty Incidence by Provinces Surrounding NT2

Province	1992/93	1997/98
Bolikhambxai	10.6	25.8
Khammouan	43.7	41.6
Savannakhet	45.7	37.1
National average	45.0	38.6

Source: Interim Poverty Reduction Strategy Paper, 2001

In connection with the national poverty reduction strategy work all villages and districts in the country has been classified in relation to the calculated national poverty line. This resulted in 72 districts being categorized as poor and 70 as non-poor. Out of these 72 districts 47 have been earmarked for special priority interventions to reduce poverty. Table 24 lists the poverty classification of the districts in the 3 provinces in NT2's influence zone.

Table 24: Poor Districts in Provinces Surrounding NT2

Province	Poor Priority Districts	Poor Non-priority Districts	Non-poor Districts
Boulykhamxay	Bolikhan Khamkeuth Viengthong		Pakkading Pakxanh Thaphabat
Khammouan	Boulapha Nakai	Gnommalat Mahaxay Xaybouathong	Thakek Nongbok Xe Bangfai Hinboun
Savannakhet	Nong Xepone Phin Vilabouly	Thaphangthong Xonnabouly Phalanxai	Xaibouly Outhoumphone Khantabouly

In terms of poverty reduction efforts in the NT2 influence area the World Bank is currently preparing a project aiming to improve livelihoods and enhance opportunities for the downstream rural population in the Xe Bangfai basin. The core districts will be the Gnommalat, Mahaxay, and Xe Bangfai while Boulapha, Nongbok and Xaibouly may receive more specifically targeted assistance. The project is intended to improve the local populations opportunities to benefit from the economic development that is expected to result from the NT2 Project. Interventions will include activities to improve market linkages through building an improved rural access road network and strengthening marketing organisations, improvement of natural resource management, increased agricultural productivity through diversification and extension, and, enhancing women's opportunities to participate in the economic development. The Government has also requested the project formulation team to consider interventions also in the health and education sector. Due to the funds available it has been recommended that the project does not engage in irrigation development.