Chapter 12

Report on Social Protection in the Lao PDR

Leeber Leebouapao
National Economic Research Institute, Lao PDR

March 2010

This chapter should be cited as
Leebouapao, L. (2010), 'Report on Social Protection in the Lao PDR', in Asher, M. G., S. Oum and F. Parulian (eds.), *Social Protection in East Asia – Current State and Challenges*. ERIA Research Project Report 2009-9, Jakarta: ERIA. pp.346-370.

CHAPTER 12

Report on Social Protection in the Lao PDR

LEEBER LEEBOUAPAO
National Economic Research Institute, Lao PDR

In the Lao PDR, there are four formal social health-protection systems: the State Authority of Social Security (SASS), the Social Security Organization (SSO), Community Based Health Insurance (CBHI) and Heath Equity Funds (HEFs).

Coverage of social protection in the Lao PDR is limited. The ratio of health care fund contributors to the total population is only 2.9 %, and the ratio of pension beneficiaries and contributors to the total labor force is only 6.15 %.

The main challenges are: the majority of both labor force and population are in low-income groups, poor people and engaged in the informal sector; the population is ageing and there will be more old people due to the increasing life expectancy of Lao people; Government revenue is limited, and is insufficient for social assistance within the country.

The Lao government is planning to develop a new social protection scheme to increase the coverage of social protection by moving towards merging all social protection systems into a single authority, the National Social Security System, in order to strengthen technical capacity, maximize financial and personnel pooling, increase administrative efficiency, introduce new legislative tools and better inform the public.

To increase the coverage of social protection, the author makes four recommendations:

1 to promote economic growth and reduce poverty;

2 to establish social assistance funds for all poor people;

3 to promote more community social protection funds;

4 to promote Lao's traditional and cultural values

1. Introduction

1.1. Overview

The Lao PDR is a mountainous landlocked country in South East Asia with about 6,174 million people in 2010. Over the past decades, the Lao PDR has achieved remarkable economic growth at an average growth rate of about 7 % a year. Economic structures have changed remarkably, from the major share of agriculture in GDP of more than 50 % in 2000 to about 30% in 2010. However, the structure of the labor force has changed insignificantly during the same period. About 73.5% of the labor force is still engaged in the agriculture sector and most of them are subsistence farmers.

In parallel with this remarkable economic growth, significant improvements in major social indicators have been achieved over the last decade. The absolute poverty rate has fallen from 46% in 1993 to 25, 9% in 2008. From 2000 to 2005 the maternal mortality rate (MMR) has fallen from 530 to 405 per 100,000 live births; the infant mortality rate (IMR) from 104 to 70 per 1,000 live births, and life expectancy has increased from 50 to 59 for men and 52 to 63 for women from 1995 to 2005.

However, with an estimated GDP per capita income of about US$ 777 in 2009, the Lao PDR remains one of the Least Developed Countries (LDC) in the world. About 71% of the population lives on less than US$2 a day.

The Lao government's long term development vision is to free the country from Least Developed Country (LCD) status by the year 2020 and it is committed to achieving the Millennium Development Goals (MDG's) by 2015. One of the national Social Economic Development Goals, and the main goal of social protection, is universal health care.

After the independence and foundation of Lao PDR in 1975 until 1993, formal social protection in the form of pensions was eligible only for government employees. Pensions for government employees were fully paid by the government, without contribution. Health care was free for all Lao people. In 1993, the first social security fund for public employee pensions was established, based on 6% of their basic salaries. In 2001, the first Social Security Organization (SSO) for the private Sector, including state-owned and private enterprises, was established. In 2008, a new public social security scheme, called the State Authority Civil Servant Scheme (SASS), was

established. Beside this, there are some medical insurance systems for the informal and non-salaried sector providing health-care benefits, namely the Community-Based Health Insurance Scheme (CBHI) and Health Equity Funds (HEFs) covering. Apart from these, there are health care funds established by different organizations and private insurance companies.

Despite this development, the coverage of social protection in the Lao PDR is very limited; the ratio of health care fund contributors to the total population is only 2.9 % and the ratio of pension beneficiaries and contributors to the total labor force is only 6.15%.

So far, some studies related to social protection in Lao PDR have been carried out; however, many issues still remains critical and questionable. Hence, further study on social protection in the Lao PDR, which is supported by the Economic Research Institute for ASEAN and East Asia (ERIA) research project, is essential for the country.

1.2. Objectives

The main objectives of this report are:

1) to analyze the current state of social protection arrangements in the Lao PDR;
2) to identify the main critical challenges; and
3) to make policy recommendations toward more dynamic and sustainable social protection.

1.3. Research Methodology

The research approaches and methodology used to produce this report are based mainly on literature reviews, interviews and analysis:

1. Literature reviews:

Mr. Prasong VONGKHAMCHANH, Deputy Director General of Social Security Department, National Director of ILO Social Security Project, presented a discussion paper on Social Security Schemes, Pension and Elderly policy in the Lao PDR (2008). He described briefly the regulatory framework and system of social protection in the Lao PDR (social security schemes for the Civil Service and enterprises) and focused on welfare policy for vulnerable groups. The challenges facing social protection in the Lao

PDR are: the increasing number of elderly people, socioeconomic disparity between developed and developing parts of the country, insufficient health care provision and poverty reduction. Future plans to be implemented are to develop and manage innovative, culturally appropriate, cost effective, sustainable and repentant older people, to produce training manuals, resources, materials/ toolkits on home care and community care, and to share experiences, information and technical with ASEAN member countries and another country.

Mr. Padeumphone Sonthany, Deputy Director General of the Social Security Organization, under the Ministry of Labor and Social Welfare (2006) wrote a short paper on social security in the Lao PDR. He explained the Lao Government social security policy framework and the current health care system in the Lao PDR (social security for public sector employees and for enterprise employees), the health insurance system for informal sector and the medical care delivery system.

Dr. Saykham Voladet and Chongpraseuth Vilaylack (2004) wrote a paper on Social Protection Mechanism in the Lao PDR. They classified the existing social protection system in the Lao PDR as 2 main systems: First is the social protection system itself, including the Social Security Association for Government Officers, Social Security Association for (private) Enterprise Employees, Commune Social Security Association (Commune Health Care Security System and the Social Security Association of the Village); second are the social assistance projects. However, their explanation was contradictory. They emphasized the role of the Commune Social Security Association and the social assistance projects from which people in the informal sector and poor people can benefit. They stated that the problem with the social security system structure in the Lao PDR is the ineffective implementation of its regulations, thus, the majority (over 95%) of the population of labor force age is not covered by significant social security benefits (medical/ health-care benefit, sickness benefit, employment injury or occupational disaster insurance, retirement pension and invalidity benefit). Improving and increasing the coverage of the social security system are big challenges for Lao PDR. To improve and increase the coverage of the social security system, a "united social security organization" should be established.

ISSA (International Social Security Association) published an article on "Pursuing Universal health-care Provision in Lao People's Democratic Republic". It classifies the

social protection system in the Lao PDR as **four systems:** two compulsory contributory social security schemes, which provide health care alongside social security cash benefits: the Social Security Office (SSO), covering the private salaried sector; the State Authority for Social Security (SASS), covering the public salaried sector (and which is also set to include police and military personnel); the voluntary contributory social health-insurance scheme: Community-Based Health Insurance Scheme (CBHI), covering the informal and non-salaried sector (but providing only health-care benefits); and the non-contributory social assistance system: Health Equity Funds (HEFs), currently funded by bilateral donors and lending banks and implemented by external partners and non-governmental organizations, with the Ministry of Health stipulating that the funds be used to purchase CBHI membership for low-income families. It described the Lao Government's social protection system reform policy, and in particular, the merger of all social protection systems. Therefore, the rationale for merging the social health protection systems is to:

- Consolidate and increase technical capacity, to introduce new legislative tools and to better inform the public.
- Increase membership, with subsidies needed for the poor and near-poor population to reduce the risk of poverty as a result of paying for health care.
- Increase utilization to facilitate improvements in health, reduce unmet needs and facilitate the achievement of the Millennium Development Goals.

SSPTW, Asia and the Pacific (2004) explained the terms of the regulatory social protection framework of the Lao government on old age, disability and survivors, namely: coverage, source of funds, qualifying conditions, benefits and administrative organization.

2. Interviews

Interviews with government officials from the Ministry of Labor and Social Welfare and insurance companies.

1.4. Report Outline

The report consists of 4 major sections:

1) Introduction;
2) Current State and Challenges of Social Protection in the Lao PDR;
3) Main Critical Reforms of Social Protection; and
4) Conclusion and Policy Recommendations.

2. Current State and Challenges of Social Protection in the Lao PDR

2.1. Current State of Social Protection

2.1.1. The Government's Social Protection Regulatory Framework

a. Social Security System for Government Employees

After the foundation and independence of the Lao PDR from 1975 to 1986, social protection, in the context of health care, was fully financed by the government for all Lao people. During that period, there were two regulations on social protection for civil servants: Regulation No. 53 and No.54. Regulation No. 53 described the benefit for invalid persons and the payment for the families of government employees who sacrificed their life before and after independence in 1975. Regulation No. 54 determined the benefits for government employees who suffer social contingencies like sickness, maternity, death, death of spouse, loss of working capacity, old age and loss of child allowance.

In 1993, the Lao government adopted Decree No. 178, introducing a co-payment concept for social security expenditure. Government employees had to contribute 6% of their basic salary to the social security fund and the government, as an employer, had to contribute to the fund and guarantee social security entitlement for employees. The benefits covered by this scheme comprise old-age pension, disability benefit, incapacity benefit (loss of capacity), death benefit, survivor benefit, sickness benefit, maternity benefit, employment injury, child allowance and health care.

In 2006, the current decree, Decree No. 70/ PM, on social security for the public sector was adopted to replace Decree No. 178, determining users' contributions to the

social security fund. It states that employees' contribution is 8% of their basic monthly salary and the employers' contribution is 8.5% of payroll. The coverage is the same as the previous decree.

b. Social Security System for Enterprise Employees

In 1999, the first decree, the Decree of the Prime Minister No. 207/ PM, "Social Security Scheme for Enterprises" was approved and officially implemented in early 2001. It is a contributory and compulsory scheme. The insurable target groups are all employees who work for The State and for private enterprises. The scheme applies to all employers who have 10 or more employees. The total contribution rate is 9,5% of each employee's earnings, of which 5% comes from employers and 4,5% from employees. The minimum earnings for contribution and benefit purposes are 93,600 kip. The maximum earnings for contribution and benefit purposes are 1,000,000 kip. Exceptions are made for those who are working for: embassies; international organizations; companies that have a multinational network located in Laos for a period not exceeding 12 months; companies that have affiliates in other countries and who are sent to work abroad for 12 months or more, who work for the government such as civil servants, military, and police; and students. Benefits provided under this system include: old age pension, invalidity benefit, survivor benefit, sickness benefit, maternity benefit, medical care and work injury benefits. The scheme is administered by the social security organization (SSO), which is an autonomous body under the supervision of the Minister of MOLSW.

c. Health Insurance Policy for Informal Sector Population

In 2005, the Ministry of Health approved the Regulation No. 723/ MoH to promote Community Based Health Insurance (CBHI), which is available for the population in the informal sector, and is based on voluntary membership including family coverage. Benefit includes only health care (traffic accidents and cosmetic care are excluded).

The Sixth National Social Development Plan (2006-2010), identifies health as one of the four sectors for development and calls for full health-care coverage and equity of access by 2020.

The Lao Government is committed to achieving the Millennium Development Goals (MDGs) by 2015, with an emphasis on poverty reduction and health care, in particular for maternity, children and education for all children. The Lao government is planning to implement different development projects to achieve these Goals.

In 2009, the Prime Ministerial Notice was adopted to merge all social protection systems. This was in order to increase coverage and the revenue potential of prepayment and capitation methods for health-care providers.

2.1.2. Social Health-Protection Systems

There are four social health-protection systems: The State Authority of Social Security (SASS), Social Security Organization (SSO), Community Based Health Insurance (CBHI), and Health Equity Funds (HEFs). Table 1 below illustrates the current status and main characteristics of the four systems and their target populations.

Table 1. Four Social Health Protection Systems

	SASS	SSO	CBHI	HEFs
Target Population	Civil Servants and their dependents	Private-sector salaried workers and their dependents	Self-employed and informal-economy population	Families identified as below the poverty line
Estimated no. of people in target population	800,000	200,000	3,500,000 (including about 1,500,000 near-poor)	1,500,000
Dependency ratio	2.7	2.1	4.2	4.2
Legislative tool	Decree 70 (2006)	Decree 207 (2001)	Regulations Decree pending	MOH Regulations
Implementation date	2006	2002	2002	2004
Ministerial authority	MOLSW	MOLSW	MOH	MOH
Current scope of operation	All provinces	Vientiane capital and 3 provinces	18 cities in Vientiane capital and 8 Provinces	Selected provinces
Contributions for health care	4 per cent of salary shared by employer and worker	2.2 per cent of salary shared by employer and worker	Flat amount according to family size, with urban and rural rates	Same as CBHI, where merged amount spent varies by HEF
Health-care delivery	Contracts with providers; capitation and reimbursement	Contracts with providers; capitation with adjustment	Contracts with providers; capitation based on contributions	Capitation through CBHI for some reimbursement by free for service for others
Insured persons (August 2009)	300,000	85,000	65,000	15,000

Source: International Social Security Association, 07 Social Security Observer, Pursuing universal health-care provision in Lao People's Democratic Republic
MOLSW: Ministry of Labor and Social Welfare
MOH: Ministry of Health

a. Compulsory Contributory Social Security Schemes

There are two compulsory contributory social security schemes, which provide health care alongside social security cash benefits:

- The Social Security Office (SSO), covering the private salaried sector.
- The State Authority for Social Security (SASS), covering the public salaried sector (and which is also set to include police and military personnel).

b. Voluntary Contributory Social Health-Insurance Scheme

The Community-Based Health Insurance Scheme (CBHI) covering the informal and non-salaried sector, but providing only health-care benefits.

c. Non-Contributory Social Assistance System

Health Equity Funds (HEFs), currently funded by bilateral donors and lending banks, are implemented by external partners and non-governmental organizations, with the Ministry of Health stipulating that the funds be used to purchase CBHI membership for low-income families.

Collaboration between the MOLSW (Ministry of Labor and Social Welfare), the MOH (Ministry of Heath) and the major development partners – the International Labor Organization and the World Health Organization – resulted in all three contributory social insurance schemes having the same design features. All schemes provide coverage to the insured and his or her dependent family members. Health-care benefits cover ambulatory and in-patient care, without co-payment or limits on the number of contacts or services provided. In all the contributory schemes, capitation is the main provider payment method. The same classification codes are used in their information systems.

The main objective of assuring this compatibility was to facilitate, at a future date, the shift to universal coverage. In August 2009, the total number of persons covered by all four social protection systems was approximately 465,000, or 7.82 per cent of the total population of the Lao PDR of around 6 million.

Utilization of health care has increased significantly. Table 2 shows comparative data for health-care utilization through SSO and CBHI, alongside national estimates.

Table 2. Health-Care System Utilization (2008)

	National	SSO	CBHI
Out-patient visits/ person/ year	0.2	0.83	1.2
Hospital days/ person/ year	0.03	0.05	0.3
Hospital deliveries (childbirth)	10.8 percent	70.0 per cent	36.9 percent

Source: International Social Security Association, 07 Social Security Observer, Pursuing universal health-care provision in Lao People's Democratic Republic

There has also been a substantial increase in revenue coming into public health facilities from the insured population and a reduction in out-of-pocket payments, which typically predominantly go to unregulated private providers.

The weaknesses of each system are: In the SSO, compliance in registration and contribution collection is weak, with less than one-third of private-sector salaried workers covered. Membership is compulsory but the SSO's legislative tool (Decree 207) has no sanctions to enforce an employer to register workers and pay contributions regularly. To date, the SSO operates in the capital Vientiane and three provinces, which were selected since they have a large number of private-sector enterprises. The SSO is reluctant to expand to more provinces, because of the high operating costs incurred for a relatively small number of beneficiaries.

In the SASS, all civil servants are registered by the government (as the employer) and its operations are meant to extend to all provinces and districts. However, the scheme's legislative tool (Decree 70) has so far only been implemented in the capital Vientiane and in Vientiane Province, while the other provinces are still under the previous system of reimbursement for health-care expenses (which has higher actual expenditure per person compared with the population covered by the new capitation system).

In CBHI, low compliance is reflected by late payments and some families pay again when they need care. CBHI members do not represent the wealthier population in the informal economy. They are typically low-income families and many are near-poor families with income that is above the official poverty line but insufficient to pay contributions on a regular basis. The government has recognized that their contributions need to be subsidized because they are at risk of falling into poverty as a result of often having to pay high and unpredictable amounts for health care. The extension of

coverage in CBHI has been hampered by the scattered development of CBHI across the country, which has occurred without first reaching substantial coverage at the village and district level. In part, this situation is linked to a lack of trained staff to launch CBHI in new sites. However, a common problem is that all contributory schemes suffer from a lack of trained staff, particularly at provincial and district levels.

2.1.3. Social Security Fund

The Social Security Fund includes contributions from employers, employees and return on investment. The fund is guaranteed by the government.

The calculation of contributions or premiums draws on an individual employee's salary or wage. The total contribution rate is 9.5%. Of this, 5% comes from employer's contributions and the other 4.5% is from an individual employee, based on his or her monthly salary.

Contribution and benefits are summarised in table 3 below.

Table 3. Contribution To and Benefits from the Social Security Fund

Contribution rate (%)		Health-care benefits	Sickness, maternity and funeral benefits	Retirement, invalidity and survivor pensions	Working Injury or occupational diseases benefits
Employer	5 %	1.1%	0.65%	2.75%	0.5%
Employee	4.5%	1.1%	0.65%	2.75%	-

Source: Department of Statistics, MPI, Lao PDR (2007).

a. Coverage

Mandatory coverage includes all employees working in state-owned and private enterprises with 10 workers or more;

Voluntary coverage applies to enterprises with less than 10 employees.

b. Membership

As of 31 December 2008, there were 43,058 insured persons from 493 employing units who paid contributions to the Social Security Fund. Moreover, the total number of beneficiaries (including insured persons and their dependants) covered by the scheme was 85,854 persons.

c. Types of Benefits

There are 8 types of benefits, namely: Health care, sickness, maternity, funeral, working injury or occupational diseases, retirement, invalidity and survivors.

(i) Health-Care Benefit

Having paid contributions for at least 3 of the last 12 months, the insured person, spouse and children under 18 of age are entitled to medical treatment provided by his or her selected hospital which holds contract with SSO. The medical treatment services are free of charge and there are no limitations for admission. For insured persons who have stopped their contributions due to employment termination, the medical treatment is still offered to them for 3 months after their last contribution.

(ii) Sickness Benefit

Insured persons shall receive income replacement benefit due to sickness only when contributions have been remitted to the Social Security Fund for at least 3 months. Benefit will be equivalent to 60% of the insured person's average salary or wages during the 6 months prior to the incident. This sickness benefit is payable for up to 12 months.

(iii) Maternity Benefit

Having paid contributions to the Social Security Fund for at least 9 months, the insured person who is on maternity leave or miscarries after 6 months of pregnancy or adopts a child younger than 1 year old, is entitled to maternity benefit.

The maternity benefit is equal to 100% of the insured person's earnings and is effective for a period of 3 months. After 3 months, if the insured person is still unable to resume work for medical reasons, he/ she will be entitled to sickness benefit as described in number 4.6.2.

In addition, the insured person, who has contributed to the Social Security Fund for 12 months, shall be eligible for a birth grant equal to 60% of the minimum salary, determined by the government, per child.

(iv) Funeral Benefit

Death benefit is available for the family of a deceased person who contributed to the

Social Security Fund for 12 of the last 18 months before death. The death benefit (or funeral benefit) is equal to 6 months of the deceased person's monthly insured earnings.

If an insured person's spouse dies, the funeral benefit is equal to 3 months of the insured person's insured earnings. For the death of an insured person's child under 18, the funeral benefit will be equal to 2 months of the insured person's insured earnings.

(v) Working Injury or Occupational Diseases Benefits

An insured person suffering from a work-related accident or an occupational disease is entitled to receive employment injury or occupational disease benefits from SSO.

The benefit package in the employment injury or occupational diseases includes:

1. Medical care services.
2. Benefits for temporary loss of working capacity in the amount of 100% of the insured person's insured wage and effective for a period of 6 months. Should this period expire, but the insured person is still unable to resume his/her work, the rules for sickness benefit, as described in number 4.6.2, shall be applied.
3. Monthly benefits for permanent loss of working capacity (invalidity benefit) equal to 67.5% of his or her average insured earnings multiplied by the degree of his/her invalidity in % terms
4. Caretaker benefits are payable according to number of hours of service.
5. Funeral benefits equal to 6 months of the deceased person's insured earnings.
6. Survivors' benefits: The surviving spouse receives 50% of the deceased person's insured earnings. Surviving children under 18 years of age, or disabled children, receive 15% of deceased person's insured earnings per child, with a maximum of 60%.

(vi) Retirement Pension (Old-age Pension)

Generally, to receive a retirement pension an insured person must have continuously or periodically paid contributions to the Social Security Fund for at least 60 months and must have reached the age of 60. In special circumstances, insured people aged 55 to 59 years may also receive the retirement pension.

After reaching 60 years of age, a person disqualified from receiving a retirement

pension person shall be entitled to a lump sum from the SSO.

(vii) Invalidity Pensions

The insured person entitled to the invalidity benefit (invalidity pension) must satisfy the following prerequisites:

- Contributions have been made to the Social Security Fund for at least 60 months by the insured person.
- The insured person with poor health or physical disability is proved as invalidity (loss of working capacity).
- The insured person with poor health or physical disability is proved as invalidity (loss of working capacity).
- Such invalidity is neither caused by working injury nor occupational disease. However, the invalidity must occur either during the period of time that such insured person was a contributing member to the SSO, or during the period of being an SSO benefits recipient. (This condition is subject to determination).

(viii) Survivors Benefits

Conditions:

- Prior to death, the deceased insured person has paid contributions to the social security fund for at least 5 years or 60 months.
- The insured person died while being a contributing member of the social security organization; or
- The insured person died while receiving benefits from the social security organization; or
- The person died while being a retirement pensioner or an invalidity pensioner (with an invalidity degree of not less than 81%) to the social security organization;

For people to be entitled to survivors benefit (survivors pension), they must be the deceased insured person's legal spouse or children.

Survivors Benefit is divided into 3 Categories:

Adaptation Benefit: which is equivalent to 80% of the dead insured person's monthly

pension or insured salary averaged over the last 12 months and shall be paid for a maximum of 12 months.

Widow(er) Benefit: This equals 60% of the monthly pension received by the deceased pensioner, or of the assumed invalidity pension of the deceased spouse. This benefit is paid on monthly basis.

Orphans' Benefit: which entitles each surviving child under 18 to a monthly benefit equivalent to 20% of the monthly pension received by the deceased pensioner or of the assumed invalidity pension of the deceased insured person.

d. Taxation

All social security benefits and the Social Security Fund are exempted from taxation.

2.2. Challenges and Constraints.

The main challenges for improving and developing a well-functioning social protection scheme in the Lao PDR are:

1) The current coverage of social protection in the Lao PDR is limited; the majority of the population remains without health-care coverage. The ratio of health care fund contributors to the total population is only 2.9% and the ratio of pension beneficiaries and contributors to the total labor force is only 6.15%. More importantly, benefits from the social protection scheme are relatively low and not always sufficient for the needs of the beneficiaries. To increase the benefits and work towards full health care coverage, great efforts must be made through developing a relatively comprehensive social protection strategy including fund raising, establishment of social protection institutions, management, capacity building and pooling of human resources. Achieving this strategy will take a couple of decades.
2) The current administrative capacities of formal social security systems are limited. There is a need for improvement and further development.
3) The majority of the labor force and population is relatively poor underemployed people, working in the informal economy in rural and remote areas. It is difficult to increase coverage to the informal sector, both in terms of members and

contributions.

4) The population is aging and life expectancy at retirement is increasing. The duration of retirements, and therefore receiving benefits, is being extended. This will increase the burden on social protection funds.
5) Governments' revenues, as the main source for the social assistance, are limited and insufficient to cover, in particular, the very poorest people. These are the main critical challenges in the short and medium term.

3. Main Critical Reforms of Social Protection

3. 1. Increase Coverage

In response to these challenges, the Lao Government has formulated a strategy framework to extend the social health protection scheme to formal- and informal-economy workers, while developing mechanisms to cover the poorest through social assistance.

The National Health Development Plan of the Lao PDR determines:

- Targets for insurance of heath care:
  30% of total population by 2010, 50% of total population by 2015, more than 70% of total population by 2020.
- Expansion of the health care network through the public health care system reaching up to remote and mountainous areas to increase the health care utilization rate.
- Reduce financial barriers to health care services for the Lao people, especially the low income and poor people by decreasing user fee systems and increasing pre-payment systems through health insurance.

However, due to the challenges mentioned earlier, these coverage targets would probably not be achievable.

With a longer-term goal of realizing universal coverage, it is expected that the merging of the systems will lead to:

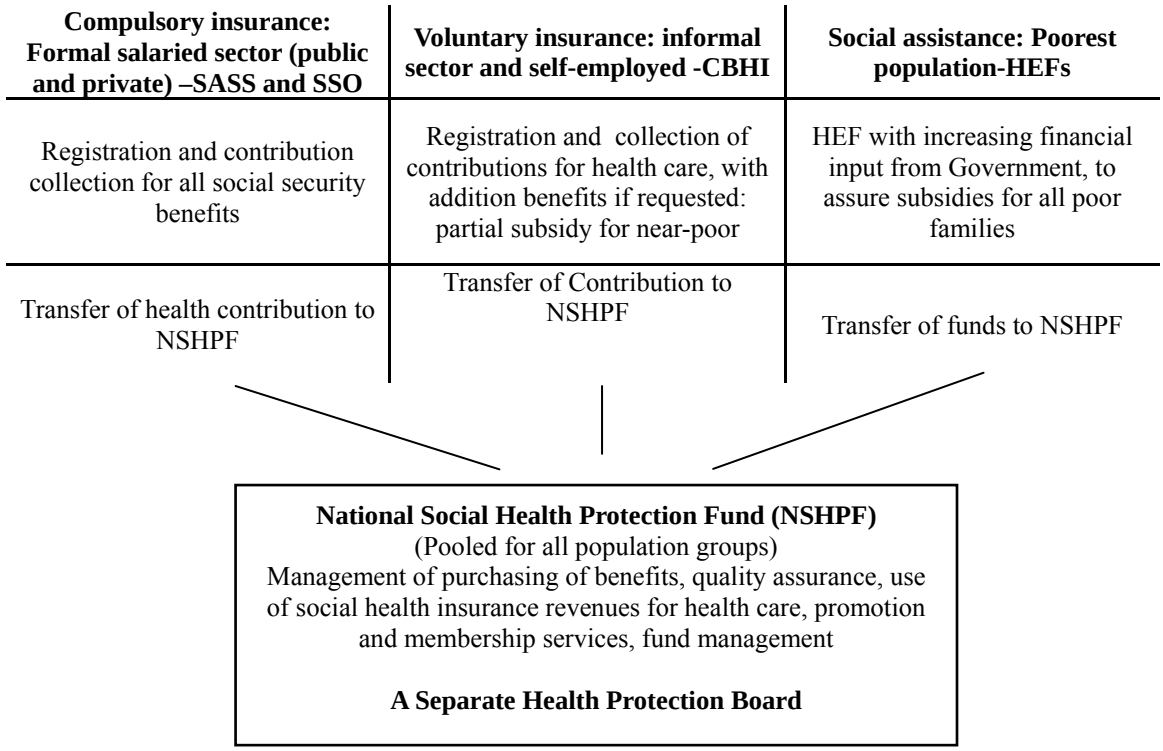
- Enhanced equity and solidarity among all population groups through maximized pooling of risks and social protection funds.
- Greater efficiency in the administration of social protection.

- The creation of one fund with adequate reserves and allocations for high-cost care, health promotion and prevention and appropriate research and documentation.
- The assurance of portability in social protection between public, private, self-employed and informal-economy workers.

In the proposed merger, a single authority, the National Social Security System, will be responsible for the registration of, and collection of contributions from, all population sectors (see Figure 1.). The National Social Health Protection Board will have a tripartite structure, compatible with the current Medical Boards of SSO and SASS, and will allow for appropriate representation of the informal sector, health-care providers and civil society. The MOH will retain responsibility for health-care policy development.

The new Social Security System is illustrated in Figure 1 below:

Figure 1. The National Social Security System



3. 2. Financing

Important prerequisites for the proposed merger are financial support, acceptance by health-care providers of improved quality of care, appropriate legislative tools, and adequate technical capacity through consolidation and strengthening of all professionals into a single institutional framework.

The salaried-sector schemes provide a broad range of cash benefits, as well as health care. The cash benefits include a retirement pension, income replacement for short-term sickness absenteeism, invalidity, maternity, and survivor's benefit and funeral grants. The comprehensive nature of these benefits will need to be maintained after any merger. It is hoped that, in the future, additional social protection benefits, such as old-age benefits and the funeral grant, will be available for all population sectors, including those in the informal economy.

Potential sources of revenue for subsidies include Health Equity Funds and additional government funds. Other potential revenue sources are an increase in the Vehicle Road Tax to support the treatment of road accident injuries, and revenue from fines imposed for the late payment of contributions.

4. Policy Recommendations and Conclusion

4.1. Policy Recommendations

To increase coverage of social protection for all Lao people, the author recommends the following:

1) Promote Economic Growth and Reduce Poverty

As explain earlier, low income, poverty of the Lao population and low government budget revenue are the critical challenges hindering an increase in the coverage of the social protection in the whole country, including the informal sector, where the majority of the labor force is engaged. So, at the macro level, great efforts must be made to achieve the government's National Social Economic Development Plan (NSEP), in particular to realize the target of gross domestic product (GDP) growth of no less than 8 percent per year, to realize the Millennium Development Goals (MDGs) by 2015, to reduce poverty by half according to the current poverty incidences, to increase GDP per capita to about US$ 1.700; to escape from having the status of a Least Developed

Country by 2020. Realizing those goals will create the basic conditions for extending the general coverage of social protection to more people, albeit not for the majority of the Lao people yet.

2) Establish Social Assistance Funds for the Poor

Poor people cannot afford fees for the social protection funds. So, the government should establish a social assistance fund to provide health care for all the poor in the whole country. So far, there are only a few social assistance projects for basic health care, and only for some remote areas with limited facilities and limited services.

3) Promote Establishment of Community Social Protection Funds

So far, there are some community health care funds which have been established and are functioning relatively well. This model should be applied to other groups of people.

4) Promote Lao Traditional and Cultural Values

Traditionally and culturally Lao people, by nature and in particular for relatives and villagers, help each other if any person gets sick, dies and has any trouble. Children take care of their parents when they get old. The majority of Lao people follow Buddhism, the pagoda of which is the venue for most funerals in the Lao PDR. These are the cultural and traditional values of Lao, which should be promoted.

The challenge that, as villages are urbanized and the economy grows, old people get more pensions for longer durations; Lao traditional and cultural values will be irreversibly changed.

4.2. Conclusion

Over the past 30 years, the social protection system in the Lao PDR has been developed gradually from a non- contributory social protection system exclusively for government employees to a contributory fee scheme, from state to private enterprise schemes, from voluntary to compulsory schemes, from formal to informal sector schemes and to social assistance schemes.

However, the coverage of social protection is very limited. The main challenges are: the majority of both the labour force and population are poor people in the low income groups who are engaged in the informal sector; the population is ageing and there will be more old people due to the increased life expectancy of the Lao people; Government revenue is limited and insufficient for social assistance within the country.

The Lao Government has made efforts to establish a more efficient social protection scheme to increase the coverage of social protection by moving towards merging all social protection systems into a single authority, the National Social Security System, in order to strengthen technical capacity, maximize financial and personnel pooling, increase administrative efficiency, introduce new legislative tools, and better inform the public.

The author makes the following recommendations to increase the coverage of social protection for the Lao people:

First is to promote economic growth and reduce poverty;

Second is to establish social assistance funds for all the poor;

Third is to promote more community social protection funds;

Fourth is to promote Lao traditional and cultural values.

Annex. Selected Socio - Economic Indicators

Table 1. Main Economic and Social Indicators

	2006	**2007**	**2008**	**2009**
GDP (%)	**8.7**	**6.8**	**7.5**	**7.6**
Inflation (%)	6.8%	4.5%	7.63%	0.03%
Population	5,312,631	5,423,266	5,536,206	5,651,497
GDP per capita (US$)	670.1	700.0	775.8	776.9

Source: Department of Statistics, MPI, Lao PDR (2010).

Table 2. Population Size and Growth

Age Group	Female	%	Male	%	Total	%
0-4	384.3	13.0	391.5	13.4	776	13.2
5-9	361.6	12.3	368.1	12.6	730	12.4
10-14	376.5	12.8	391.7	13.4	768	13.1
15-19	344.7	11.7	351.9	12.0	697	11.9
20-24	279.0	9.5	273.0	9.3	552	9.4
25-29	228.7	7.8	221.1	7.5	450	7.7
30-34	190.4	6.5	182.9	6.2	373	6.4
35-39	169.5	5.8	166.1	5.7	336	5.7
40-44	144.6	4.9	143.3	4.9	288	4.9
45-49	119.0	4.0	118.9	4.1	238	4.1
50-54	98.8	3.4	95.6	3.3	194	3.3
55-59	72.7	2.5	68.5	2.3	141	2.4
60-64	56.2	1.9	51.3	1.8	108	1.8
65-69	43.6	1.5	39.5	1.3	83	1.4
70-74	32.3	1.1	28.2	1.0	61	1.0
75+	43.2	1.5	36.8	1.3	80	1.4
TOTAL	2945	100	2929	100	5874	100

Source: Figure is estimated from the Population and Housing Census 2005, DoS, MPI.

Table 3. Natural Population Increase in 1995-2005.

Census Year	Census Population	Intercensal Increase		Estimated Number of Births, Deaths and Natural Increase during Intercensal Period			Estimated Net Migration 000	Natural Annual Growth Rate %
		Absolute Number 000	Annual Growth Rate %	Births 000	Deaths 000	Natural Increase 000		
1985	3 584 000							
1995	4 575 000	991	2.5					
2005	5 622 000	1 047	2.1	1 775	590	1 185	-138	2.5

Source: Department of Statistics, MPI, Lao PDR (2007).

Table 4. Age and Sex Distributions in 1995 and Population Censuses.

Age group	1995 Census			2005 Census		
	Females	Males	Total	Females	Males	Total
0 - 14	43	45	44	39	40	39
15 - 64	53	51	53	57	56	57
65+	4	4	4	4	4	4
Total	**100**	**100**	**100**	**100**	**100**	**100**

Source: National Statistics Centre, MPI, Lao PDR (1997); Dept. of Statistic, MPI, Lao PDR (2007).

Table 5. Fertility Measurements and Estimate in 1995-2020

Fertility Measurements	1995	2000	2005	2010	2015	2020
TFR	5.0	4.8	4.5	3.7	2.9	2.1
GRR	2.4	2.3	2.2	1.8	1.4	1.0
NRR	1.9	1.9	1.9	1.6	1.3	1.0
Mean age of childbearing	29.0	29.0	29.0	28.8	27.9	27.3

Source: Department of Statistics, MPI, Lao PDR (2007).

Table 6. Summary of Mortality Estimates

Mortality Measurements	1995 *(%)*	2000 *(%)*	2005 *(%)*	2010 *(%)*	2015 *(%)*	2020 *(%)*
Female LE	52.0	61.0	63.0	66.7	70.3	74.0
Male LE	50.0	57.0	59.0	62.7	66.3	70.0
Total LE	51.0	59.0	61.0	64.7	68.3	72.0
CDR per 1000	13.6	11.6	9.8	8.0	6.5	5.3
IMR	104.0	82.0	70.0	56.5	44.0	32.4
U5MR	170.0	107.0	97.6	76.4	57.2	40.5

Note: Crude Death Rate (CDR).

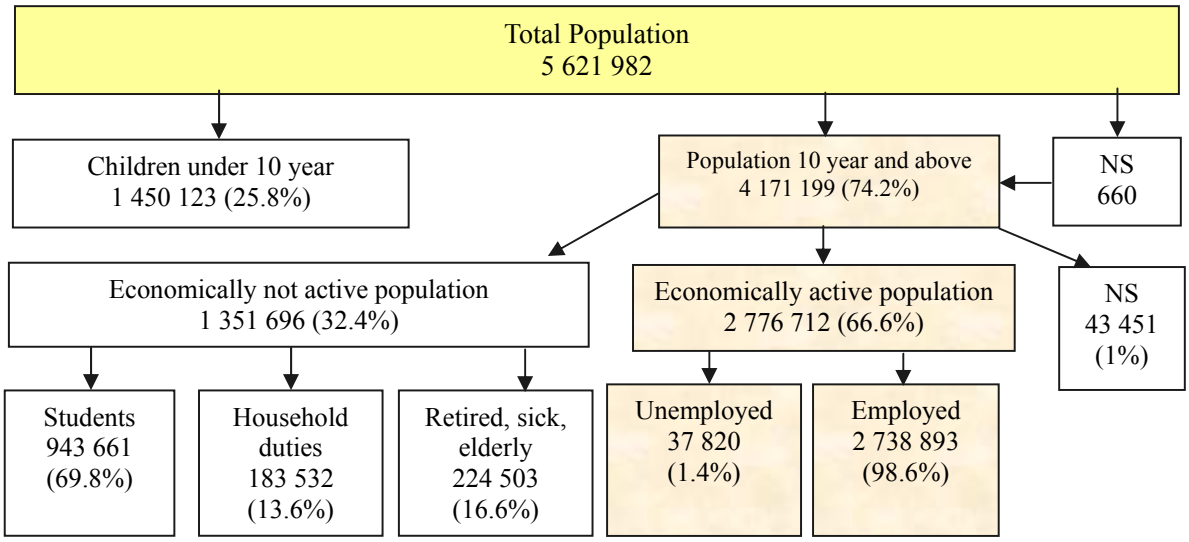
Table 7. Population Projection for Lao PDR from 2005 – 2020

Characteristic	2005 *(%)*	2006 *(%)*	2007 *(%)*	2008 *(%)*	2009 *(%)*	2010 *(%)*	2011 *(%)*	2012 *(%)*
Fertility								
Input TFR	4.2	4.3	4.2	4.0	3.9	3.7	3.5	3.4
GRR	2.2	2.1	2.0	2.0	1.9	1.8	1.7	1.7
NRR	1.9	1.9	1.8	1.7	1.7	1.6	1.6	1.5
Mortality								
Female LE	63.0	63.7	64.5	65.2	65.9	66.7	67.4	68.1
Male LE	59.0	59.7	60.5	61.2	61.9	62.7	63.4	64.1
Total LE	61.0	61.7	62.5	63.2	63.9	64.7	65.4	66.1
IMR	70.0	67.2	64.4	61.8	59.2	56.6	54.1	51.5
U5MR	97.6	93.0	88.6	84.4	80.4	76.4	72.4	68.4
Vital Rates								
CBR per 1000	34.7	33.7	32.6	31.6	30.7	29.9	28.0	28.1
CDR per 1000	9.8	9.4	9.1	8.7	8.4	8.0	7.7	7.4
RNI percent	2.5	2.4	2.4	2.3	2.2	2.2	2.1	2.1
Characteristic	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Fertility								
Input TFR	3.2	3.1	2.9	2.7	2.6	2.4	2.3	2.1
GRR	1.6	1.5	1.4	1.3	1.3	1.2	1.1	1.0
NRR	1.4	1.4	1.3	1.3	1.2	1.1	1.0	1.0
Mortality								
Female LE	68.9	69.6	70.3	71.1	71.8	72.5	73.3	74.0
Male LE	64.9	65.6	66.3	67.1	67.8	68.5	69.3	70.0
Total LE	66.9	67.6	68.3	69.1	69.8	70.5	71.3	72.0
IMR	48.9	46.4	44.0	41.7	39.4	37.1	34.7	32.4
U5MR	64.3	60.7	57.2	53.8	50.5	47.2	43.8	40.5
Vital Rates								
CBR per 1000	27.2	26.2	25.1	24.0	22.8	21.5	20.1	18.7
CDR per 1000	7.0	6.8	6.5	6.2	6.0	5.7	5.5	5.3
RNI percent	2.0	1.9	1.9	1.8	1.7	1.6	1.5	1.4

Source: Department of Statistics, MPI, Lao PDR (2008).

Table 8. The Labour Force in 2005.

Distribution of the Population by Main Activity:



Source: Department of Statistics, MPI, Lao PDR (2007).

Table 9. Number of Employed in the 2005 Census

Code	Categories	Employed	Females (%)	Males (%)
01	Government Employee	138 388	31	69
02	Parastatal Employee	11 446	33	67
03	Private Employee	121 786	40	60
04	State Enterprise Employee	19 486	27	73
05	Employer	7 210	31	69
06	Own Account Worker	1 149 906	32	68
07	Unpaid family Worker	1 260 671	71	29
	Total	**2 738 893**	**50**	**50**

Source: Department of Statistics, MPI, Lao PDR (2007).

References

Padeumphone, S. (2006) Social Security in Lao P.D.R.

International Social Security Association (ISSA) (2007) Pursuing universal health-care provision in Lao People's Democratic Republic.

Prasong V. (2006) Social Security Scheme, Pension and Elderly Policy in Lao PDR.

Saykham V. and Chongpraseuth V. (2004) Social Security Mechanism in Lao PDR.

International Social Security Association (ISSA) (2009) Dynamic Social Security for Asia and the Pacific: Integrated Responses for More Equitable Growth, Geneva: ISSA.