

THIRD DRAFT for review
MID-TERM REVIEW OF THE EIGHTH NATIONAL SOCIO-
ECONOMIC DEVELOPMENT PLAN, 2016—2020

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Vientiane

Ministry of Planning and Investment

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Chapter I. Context for the Eighth National Socio-Economic Development Plan (2016–2020)

1. Main Directions and Targets

Planning framework. The year 2016 was unique for development planning in the Lao People’s Democratic Republic (Lao PDR). In addition to the Eighth Five Year National Socio-Economic Development Plan (NSEPD, 2016–2020), the Government of Lao PDR presented the longer-term Vision 2030 and the Ten Year Development Strategy (2016–2025), which were approved by the National Assembly on 22 April 2016. Vision 2030 and the 10 Year Development Strategy will provide comprehensive guidance for the 8th Five Year NSEDP and beyond. The medium and longer-term development plans rely heavily on investment from and trade with neighbouring countries and other international partners. Domestic, regional, and international economic environments are, therefore, crucial to the success of these plans.

Planning context. The plans took into consideration the trends and issues relevant to the country’s socio-economic progress, including the following:

- *The nature and sustainability of growth:* Lao PDR has achieved remarkable economic growth in recent years, leading to improved living standards and sharply rising per capita income. The gross national income per capita income^a has increased since 2000 by 2.5 times. However, the Lao PDR government has become concerned that growth has been resource-based and does not generate sufficient employment required for inclusive growth. The recent decline of commodity prices also highlighted the risks of over-reliance on the mining sector. The Government recognizes the need for the economy to diversify beyond reliance on the energy and natural resources sector, due to these concerns.
- *The continuing disparities in development between and within regions in the country.* This is shown by economic and social indicators: for example, In 2012/13, consumption of the richest quintile was 6.4 times that of the poorest, while two decades ago, the difference was 4.7 times.^b Stunting in rural areas without road access is twice that in urban areas.^c
- *The opportunities and challenges associated with regional and global integration.* These include the entry into the ASEAN Economic Community (AEC), the emergence of strong South–South partners, the development of new financial institutions and various South-South initiatives. It also includes Lao PDR’s potential role in the development of the economic corridors within the Greater Mekong Subregion: the country’s Savan–Seno Special Economic Zone and Boten Special Economic Zone will be crucial for the East-West Economic Corridor and the North–South Economic Corridor. While the country needs to prepare itself to optimize the new opportunities, it will also need to address the challenges arising from greater openness and competition.

^a Constant 2010 data, World Bank.

^b Pimhidzai, et al., 2014 and Lindelow et al., 2010.

^c 2017 MICS results.

Vision 2030

Goal. The ultimate goal of the Vision 2030 is to transform Lao PDR into an upper middle-income country by 2030 by quadrupling the country's per capita GDP and GNI. Vision 2030 recognizes that since the 1990s, the country's economy has grown rapidly by transitioning into a market economy, with further acceleration of the growth since the beginning of this century brought about by the commercialization of export-oriented large-scale mines, installation of hydro-electric dams, and deeper regional integration with neighbouring countries.

Growth characteristics. Vision 2030 further aims to achieve innovative, green and sustainable economic growth, with the following characteristics:

- Strong basic infrastructure and systems to support industrialization and modernization
- Protection of the environment and sustainable and efficient utilization of natural resources
- Enhanced human development, social justice, peace and order, brought about by improved livelihoods and better living standards, reduced disparities in development outcomes between urban and rural areas, universal access to quality social services, People's rights protected under the, and an enhanced administrative system following the principles of the 3-builds directive,
- A foundation of political stability and strength,
- Enhanced competitiveness, connectivity, and integration with the regional and global economies.

Ten-Year Development Strategy (2016–2025)

Goals and strategies. The Ten-Year Development Strategy aims to double per capita gross national income (GNI) of Lao PDR by 2020. The Ten-Year Strategy is composed of seven sub-strategies as follows: (i) pursuing quality, inclusive, stable, sustainable and green economic growth; (ii) graduating from Least Developed Country (LDC) status by 2020, and making progress towards the Sustainable Development Goals (SDGs); (iii) enhancing human resources development; (iv) promoting sustainability and environmental protection, with effective and efficient use of natural resources; (v) enhancing government's role in social management under the effective rule of law; (vi) improving global and regional integration; and (vii) Industrializing and modernising the country.

The Eighth NSEDP (2016–2020)

Key directions. The factors underpinning the Eighth NSEDP and the formulation of its outcomes, outputs, targets and indicators are the analysis of the lessons learnt from the implementation of the Seventh NSEDP, the assessment of trends, the guidelines provided in the Prime Ministers Instruction No.24/PM, dated 7 May 2014,^a and the key directions of the Eighth NSEDP as indicated by the Government, as follows:

- (i) To achieve continued economic growth with quality and macro-stability; and with budgeting that goes hand in hand with development targets and is consistent with the new directions of industrialization and modernization;
- (ii) To ensure sustainable development based on the three harmonized components of economic development, socio-cultural development and environmental protection; preparedness to handle natural disasters in a timely manner; integrated rural development with strong links to poverty reduction through the implementation of the Three Builds Directive;

^a The Prime Minister's Instruction No.24/PM, dated 7 May 2014, concerns the formulation of 2030 Vision, the Ten-Year Socio-Economic Development Strategy (2016–2025) and the Eighth National Socio-Economic Development Plan (2016–2025).

- (iii) To strengthen human resource capacity by improving workforce skills, encouraging workers to be more disciplined and tolerant, increasing the number of technical experts and specialists, and enhancing the technical and professional capacity of civil servants, the private sector and entrepreneurs to enable them to compete within the country and internationally;
- (iv) To maintain political stability, peace and social order, with solidarity, democracy, justice and civilization embedded within Lao society; and
- (v) To enhance and expand international cooperation with country ownership oriented towards benefit for the peoples of Lao PDR, and enhance regional and international integration.

Overall Objective. the overall objective of the Eighth NSEDP is to ensure political stability, peace and order in society; significantly reduced poverty of the population in all areas, the achievement of graduation from LDC status by 2020 through continuous, inclusive and sustainable growth, the effective management and efficient utilization of natural resources; enhanced development using national potential and the country's advantages; and the participation of Lao PDR in regional and international integration with national ownership.

Dimensions. The Eighth NSEDP reflects the three dimensions of sustainable development, as articulated in the global 2030 Agenda.^a The NSEDP reflects the economic, social, and environmental dimensions in its Outcome areas, while NSEDP outputs relate to one or more of the SDGs, in its target and indicator areas. Cross-cutting components – such as governance, innovation and technology, gender equality, youth and women's empowerment, and Green Growth targets and indicators – foster integration across the three dimensions of the NSEDP. The integration is also fostered by having Green Growth indicators and LDC graduation criteria that extend across all three pillars of the NSEDP.

^a United Nations, 2015a. Resolution 70/1.

2. Contextual Analysis: the First Half of the Implementation of the Eighth National Socio-Economic Development Plan, 2016 to mid-2018

2.1. Overview of Changes

International Context. Implementation of the 8th NSEDP has taken place in a relatively challenging regional and international environment that directly and indirectly affects progress towards key plan targets. This includes: (i) political uncertainty in several large world economies; (ii) fluctuations in global fuel and food prices; (iii) growing trend towards trade protectionism and possible retaliation, including in China and the United States; and (iv) increased incidence of natural disasters across the region.

Uneven global growth and commodity price shocks. World economic growth fell to 3.2 percent in 2016 (from 3.5 percent in 2015) but recovered to 3.8 percent in 2017.^a The IMF further forecasts 3.9 percent world growth in 2018 and a similar rate for the rest of the 8th NSEDP period (3.9 percent in 2019 and 3.8 percent in 2020). Global commodity prices also dropped sharply during the first half of the 8th NSEDP but recovered in 2017-18.^b For example, the global copper price fell by 30 percent from 2014-16 (from \$6,863 per metric tonne to \$4,808) but recovered to nearly its 2014 level by 2018. World Bank forecasts suggest it will remain in a similar range over the rest of the 8th NSEDP period (\$6,816 per metric tonne in 2019 and \$6,833 in 2020). The global oil price also fell sharply during the first half of the NSEDP, losing over half its value from 2014-16 (from \$96 per barrel to \$43 per barrel). But oil prices also recovered, reaching \$65 per barrel 2018 and forecast to stay in a similar range through 2020.

Continued strong growth in most of Asia. Growth in developing Asia has, meanwhile, continued to outpace world growth. The IMF's "Emerging and Developing Asia" group of countries saw average annual growth of 6.6 percent from 2015-17. Growth is expected to stay at 6.5 percent over the rest of the plan period (2018-20), in part spurred by the recovery in global commodity prices that will continue to support exporters of primary goods. Given its dependence on a small number of neighbouring countries for trade and finance—especially China, Thailand, and Vietnam--Lao PDR's development progress is affected by continued strong performance in those economies. Growth in China is expected to slow over the rest of the NSEDP period, falling from 6.8 percent annual average growth in 2016-17 to 6.4 percent from 2018-20. A significant slowdown in China would impact many aspects of Lao PDR's economic prospects, including exports, tourist arrivals, and FDI. Growth in Thailand, meanwhile, has lagged many of its ASEAN neighbours, averaging 3.6 percent per year in 2016-17 (with an expected rise to 3.8 percent from 2018-20). Vietnam, finally, is expected to grow at a relatively stable rate over the full plan period (6.5 percent on average across all years).

Domestic Context. Lao PDR remains susceptible to disasters, most clearly evidenced by the July 2018 flooding that affected 13 provinces across the northern, central, and southern parts of the country. This especially affected Attapeu Province through the breached saddle dam of the Xe Pien -Xe Nam Noy hydropower dam. Overall, three flooding incidents in the summer of 2018 affected 17 out of 18 provinces, 90 districts and

^a All growth estimates outside of Lao PDR are from the IMF *World Economic Outlook* database.

^b All commodity price data is in nominal US dollars and is taken from *World Bank Commodities Price Forecast* (April 24, 2018).

268,000 people. These events will affect dramatically progress towards 8th NSEDP targets (See Outcome 3 Output 2).^a

Vulnerability to natural disasters. The recent flooding is not the only disaster that has affected plan implementation. There were also floods in certain provinces during the first six months period of 2017 and an outbreak of crop destruction from insects (e.g., epidemic of grasshoppers in Northern provinces). In general, climate change-linked natural disasters such as droughts and floods are still occurring and remain critical development challenges. With the country largely agrarian and natural-resource based industries the prime sources of growth, extreme weather shocks damage socio-economic development prospects and may reverse gains in poverty reduction

Chair of ASEAN and increased regional integration. Meanwhile, Lao PDR has seen political stability, peace, and social order throughout the 8th NSEDP period. It has also broadened international cooperation, notably through its role as ASEAN Chair in 2016. Among many accomplishments, this included completion of the Master Plan for ASEAN Connectivity 2025 and the Vientiane Declaration on Promoting Infrastructure Development Cooperation in East Asia. Other agreements included the ASEAN Trade Facilitation Framework in 2016; the ASEAN Trade Repository; and the AEC 2025 Trade Facilitation Strategic Action Plan (ATF-SAP). All of these have underpinned Lao PDR's growing role within a more closely integrated ASEAN region and supported its efforts to expand trade and increase foreign investment.

2.2. International Commitments and Cooperation

Active engagement. Lao PDR is committed to its international commitments, as shown by the following examples:

- (i) Lao PDR was among the earliest countries to localize the Sustainable Development Goals (SDGs) and integrate them into its national planning framework. Further details are given in section 1.2.1, chapter I.
- (ii) Lao PDR has acceded to or ratified seven out of nine key international human rights instruments.^b The country continues to incorporate these obligations into its national laws, policies, and programmes.
- (iii) The Government has accepted 116 of the 196 recommendations made by the Working Group on the Universal Periodic Review in 2015 and is addressing implementation gaps in the human rights instruments.
- (iv) Lao PDR became the first country in ASEAN to ratify the Paris Agreement on Climate Change by passing a national law on its Intended Nationally Determined Contribution. While Lao PDR's contribution to global greenhouse gas emissions is still negligible, the government is determined

^a Terms of Reference, Post Disaster Needs Assessment: July 2018 Lao PDR Floods (September 2018).

^b The seven are: 1) CAT: Convention against Torture and Other Cruel Inhuman or Degrading Treatment or Punishment, 2) CCPR - International Covenant on Civil and Political Rights, 3) CEDAW - Convention on the Elimination of All Forms of Discrimination against Women, 4) CERD - International Convention on the Elimination of All Forms of Racial Discrimination, 5) CESC - International Covenant on Economic, Social and Cultural Rights, 6) CRC - Convention on the Rights of the Child and its Optional Protocols on the involvement of children in armed conflict, and on the sale of children child prostitution and child pornography, and 7) CRPD - Convention on the Rights of Persons with Disabilities.

to substantially increase the country's forest cover to 70 percent by 2020, enhance the resilience of agriculture, and conserve and restore valuable terrestrial and freshwater ecosystems.^a

- (v) Lao PDR's leadership role in implementing the Convention on Cluster Munitions^b is widely acknowledged.^c

Development cooperation framework. The Vientiane Declaration on Partnership for Effective Development Cooperation (2016-2025) is the overarching framework for development cooperation in Lao PDR. The Declaration aligns Lao PDR's cooperation principles with the global agenda on effective development cooperation, including the 2012 Busan Partnership for Effective Development Co-operation, the 2014 Mexico High Level Meeting Communiqué, the 2015 Addis Ababa Action Agenda, and the SDGs. At the national level, the Government, together with its partners, has developed a monitoring framework called Vientiane Declaration Country Action Plan (VDCAP), which is in line with the global partnership for effective development cooperation. This will guide how effective development cooperation is monitored and reported on. In addition, to support multi-stakeholder partnerships for sustainable development, Lao PDR has recently reviewed and reconfirmed the commitment to further enhance the national development cooperation forum, the *'Round Table Process, including Sector Working Groups.'* The Round Table Process is guided by globally agreed principles on effective development cooperation such as government ownership of development priorities and plans, a focus on results, inclusive development partnerships and transparency and accountability to one another.

Framework for UN support. The Lao PDR–United Nations Partnership Framework (2017-2021) articulates the collective response of the UN system to national development priorities. The Partnership Framework aims to identify strategic focus areas, promote synergy, improve coordination, and ensure transparency and predictability of resources. It also aims to make the knowledge networks and expertise of the UN system more systematically accessible to the Government of Lao PDR.

2.2.1. Sustainable Development Goals

Lao PDR's engagement. Lao PDR actively participated in the design of the new global agenda 2030. The national consultations that provided inputs into the sustainable development agenda built on not only the views of Government, but also those of civil society, private sector, and citizens from across the country. In September 2015, the Lao delegation led by the President participated in the UN Sustainable Development Summit, where the world adopted the 2030 Agenda for Sustainable Development, the 17 Sustainable Development Goals (SDGs) and 169 targets.

Institutional mechanisms. The government's institutional mechanisms show high priority accorded to the implementation of the SDGs through national development plans. The President issued a Decree on 20 September 2017 appointing the Prime Minister to chair the National Steering Committee for SDG implementation, with members of the Committee drawn from all concerned ministries, ministry-equivalent agencies, and mass organizations. The National Steering Committee will oversee the coordination and

^a United Nations in Lao PDR, 2017. *What does the international Climate Conference COP 23 mean for Lao PDR?* Vientiane, 11 December 2017. Available from: <http://www.la.one.un.org/media-center/news-and-features/361-what-does-the-international-climate-conference-cop-23-mean-for-lao-pdr> Accessed 21 May 2018.

^b Ratified by Lao PDR since 18 March 2009.

^c UNDP, 2015: Norway Renews Its Support to reduce the impact of Cluster Munitions in Laos. Jan 22, 2015. Available from: http://www.la.undp.org/content/lao_pdr/en/home/presscenter/pressreleases/2015/01/22/norway-renews-its-support-to-reduce-the-impact-of-cluster-munitions-in-laos.html Accessed 21 May 2018.

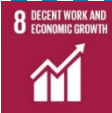





















implementation of the SDGs through the NSEDP and the sectoral development plans of various ministries up to 2030, including the monitoring and evaluation of the implementation results. The Decree mandates SDG implementation by every ministry and sector, and at different levels throughout the country. The 26 National Steering Committee members all have ministerial or vice-ministerial status. The Committee then appointed the National SDG Secretariat in the Ministry of Foreign Affairs and SDG focal points in relevant line ministries to lead and take ownership of each SDG.^a The National SDG Secretariat (Ministry of Foreign Affairs and Ministry of Planning and Investment) works with line ministries to track the progress of SDG implementation. Also in coordination with line ministries, the National SDG Secretariat works closely with United Nations agencies and other development partners to ensure the support necessary for the 2030 Agenda.

Convergence with national planning. Lao PDR is implementing the SDGs through the NSEDPs and the sector development plans of each ministry. Lao PDR has incorporated the SDGs into its national planning frameworks. The lessons learned from the implementation of the Seventh NSEDP (2011–2015), especially with regard to the unfinished Millennium Development Goals (MDGs), informed the development of the Eighth NSEDP. By 2016, the government had localized and integrated the SDGs into the Monitoring and Evaluation Framework of the Eighth NSEDP, with around 60 percent of the 160 NSEDP indicators linked to the SDGs (Table 1) and taking into account the unfinished business of MDGs (Table 2). This means that data collected for those NSEDP indicators will also provide a basis for SDG reporting. The sector development plans of line ministries include additional SDG indicators. The Government will incorporate the 2030 Agenda into the country’s Ninth NSEDP (2021-2025), the Tenth NSEDP (2026-2030) and accompanying sectoral strategies. These successive medium-term plans fit into the country’s longer-term plans, notably the Ten-Year Strategy (2016–2025) and the 2030 Vision. This facilitates the continued implementation of the SDGs through national planning frameworks up to 2030. Successful implementation of these national plans will address unfinished business relating to the MDGs, deliver early progress on the SDGs, and drive the country’s graduation from the ranks of LDCs.

Lao-specific SDG. Lao PDR has adopted its own SDG 18 on unexploded ordnance (UXO). UXO remains a daunting barrier to the progress of development in Lao PDR. From 1964 to 1973, during the Indochina war, more than 500,000 bombing missions dropped over two million tons of bombs, or nearly one ton for every man, woman and child in the population at the time. More than 40 years after the end of war, an estimated 80 million cluster sub-munitions remain unexploded, affecting 15 of 18 provinces in the country and 25 percent of all villages. UXOs cause a crosscutting impact on SDGs, since UXOs limit safe access to agricultural and land for development projects, and also make the construction of transport and power infrastructure, schools, hospitals, and water supply facilities much more costly and dangerous. Consequently, the Prime Minister of Lao PDR H.E. Mr. Thongloun Sisoulith and UN Secretary-General Mr. Ban Ki-moon formally launched the country’s SDG 18 called, “*Lives Safe from UXO*” on 7 September 2016 in Vientiane.







^a Presidential Decree No 206/PSD, Dated 20 September 2017 on the National Steering Committee, to implement the Sustainable Development Goals in the Lao PDR.

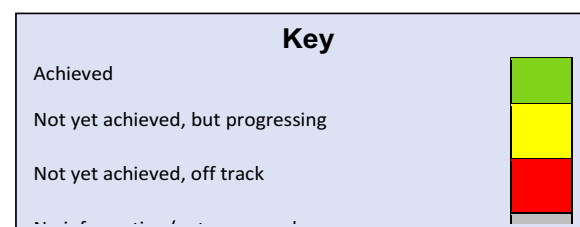
Table 1. Integration of the SDGs, Green Growth, and LDC graduation criteria into the Eighth National Socio-Economic Development Plan

<i>NSEDP Outcome/ Output</i>	<i>Linkages with SDGs</i>	<i>Linked to LDC graduation criteria</i>	<i>Includes Green Growth Indicators</i>
Outcome 1: Sustained, inclusive economic growth, strong economic foundations & reduced economic vulnerability			
Output 1 – Sustained and inclusive economic growth	 <input type="checkbox"/> Часть рисунка с идентифицирующим отношением к SDG10 не найдена в файле.	✓	✓
Output 2 – Macroeconomic stability	 <input type="checkbox"/> Часть рисунка с идентифицирующим отношением к SDG10 не найдена в файле.	✓	-
Output 3 – Integrated development planning and budgeting	<input type="checkbox"/> Часть рисунка с идентифицирующим отношением к SDG10 не найдена в файле. 		✓
Output 4 – Balanced regional and local development	   		-
Output 5 – Improved public/private labour force capacity	  <input type="checkbox"/> Часть рисунка с идентифицирующим отношением к SDG10 не найдена в файле.	✓	✓
Output 6 – Local entrepreneurs are competitive in domestic and global markets	 		-
Output 7 – Regional and international cooperation and integration	 <input type="checkbox"/> Часть рисунка с идентифицирующим отношением к SDG10 не найдена в файле. 	✓	-
Outcome 2: Human resources developed, public/private workforce capacity upgraded, poverty in all ethnic groups reduced, equal access by female/male/all ethnic groups to quality education and health services, the unique Lao culture promoted, protected and developed, political stability maintained with social peace and order, justice and transparency			
Output 1 – Improved living standards through poverty reduction	      		
Output 2 – Ensured food security and reduced incidence of malnutrition		✓	
Output 3 – Access to high quality education		✓	

NSEDP Outcome/ Output	Linkages with SDGs	Linked to LDC graduation criteria	Includes Green Growth Indicators
Output 4 – Access to high quality health care and preventative medicine	 	✓	✓
Output 5 – Enhanced Social Protection			
Output 6 – Protection of traditions and culture	  <div data-bbox="1066 539 1182 656" style="border: 1px solid black; padding: 2px; font-size: 8px;"> Часть проекта с соответствующим отношением к SDG не реализована в фазе. </div>		✓
Output 7 – Maintain political stability, social peace, order, justice and transparency	 		
Outcome 3: Natural resources and the environment protected and sustainably managed, green growth promoted, disaster preparedness enhanced and climate resilience developed			
Output 1 – Environmental Protection and Sustainable Natural Resources Management	  		✓
Output 2 – Preparedness for Natural Disasters and Risk Reduction	  	✓	✓
Output 3 – Reduced Instability of Agricultural Production	 	✓	✓
NSEDP Cross-Cutting Outputs contributing to all Outcomes			
Output 1 -- Public governance and administration enhanced			
Output 2 -- Local innovation and use of science, technology and telecommunications promoted, Information and communication technologies (ICT) enhanced	<div data-bbox="815 1361 932 1478" style="border: 1px solid black; padding: 2px; font-size: 8px;"> Отношение к SDG не реализовано в фазе. </div>		
Output 3--Gender equality and empowerment of women and youth	   		

Table 2. Summary review: progress towards MDG targets and selected indicators

Goal 1: Eradicate extreme poverty and hunger		
Target 1.A: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day		
Target 1.B: Achieve full and productive employment and decent work for all, including women and young people		
Growth of GDP per person employed		
Vulnerable employment		
Target 1.C: Halve, between 1990 and 2015, the proportion of people who suffer from hunger		
Hunger/Undernourished population		
Child undernutrition: stunting		
Goal 2: Achieve universal primary education		
Target 2.A: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling		
Primary net enrolment		
Secondary gross enrolment		
Primary survival/completion		
Youth literacy		
Goal 3: Promote gender equality and empower women		
Target 3.A: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015		
Gender parity in education		
Women in employment		
Women in National Parliament		
Goal 4: Reduce child mortality		
Target 4.A: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate		
Under five and infant mortality		
Immunization		
Goal 5: Improve maternal health		
Target 5.A: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio		
Maternal mortality ratio		
Delivery care coverage		
Target 5.B: Achieve, by 2015, universal access to reproductive health		
Contraceptive prevalence & unmet needs		
Adolescent birth rate		
Antenatal care coverage		
Goal 6: Combat HIV/AIDS, malaria and other diseases		
Target 6.A: Have halted by 2015 and begun to reverse the spread of HIV/AIDS		
Target 6.B: Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it		
Target 6.C: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases		
Malaria		
Tuberculosis		
Goal 7: Ensure environmental sustainability		
Target 7.A: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources		
Land area covered by forest		
Target 7.B: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss		
Target 7.C: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation		
Improved drinking water source		
Improved sanitation facility		
Goal 9: Reduce the impact of UXO in Lao PDR		
Target 9A: Ensure the complete clearance of UXO from priority / high value agricultural land by 2020		
Target 9B: Reduce substantially the number of casualties as a result of UXO incidents		
Target 9C: Ensure that medical & rehabilitation needs of all UXO survivors are met in line with treaty obligations under the Convention on Cluster Munitions		



2.3. Graduation from the LDC category

2.3.1. LDC graduation status

Lao PDR and the 2018 LDC review. During the 2018 triennial review of the Committee for Development Policy (CDP), Lao PDR reached the threshold for graduation from the LDC category for the first time. Specifically, according to the CDP, “the Lao People’s Democratic Republic meets both GNI and human assets index criteria...and will be considered for graduation at the next triennial review in 2021”¹⁴ (Table 3). While graduation from the LDC category will mark an important milestone, it is also necessary to look beyond. Meeting the criteria for graduation does not mean a country is necessarily on a sustainable development pathway. As Lao PDR continues its path towards 8th NSEDP implementation, continued emphasis on building the competitiveness of domestic industries, including through increasing value added in production and reduction of natural resource dependency, can help reduce its vulnerable to external economic shocks and contribute to the likelihood of achieving a sustainable graduation.

Table 3. Lao PDR data from 2018 CDP Triennial Review

	GNI per capita, 2014-2016 average (USD)	Human Asset Index (HAI)	Economic Vulnerability Index (EVI)
Lao PDR 2018 data	\$1,996	72.8	33.7
LDC indicator thresholds	Inclusion threshold: >1,035 Graduation threshold: >1,242	Inclusion threshold: >60 Graduation threshold: >66	Inclusion threshold: <36 Graduation threshold: <32

Source: United Nations, Department of Economic and Social Affairs (DESA), CDP Secretariat.

Countries need to pass the threshold for graduation for two successive CDP reviews and graduation normally takes place three years after that. The next CDP review will be in 2021 so, under the normal schedule, Lao PDR could reach full graduation in 2024. This accomplishment relies, however, on maintaining current development momentum for the rest of the 8th NSEDP period and beyond.

2.3.2. Breakdown of LDC criteria

Lao PDR and progress on the LDC criteria. While they do not mark the end of a development path, improvements in the LDC indicators represents meaningful change. The LDC category and its indicators aim to capture structural challenges that can make both achieving development progress and sustaining it over the long term difficult. Progress across the LDC indicators signify improved living standards for many Lao citizens (Table 4). For example, GNI per capita grew from \$510 to \$1,996 between the 2009 and 2018 reviews.¹⁵

Table 4. Lao PDR LDC graduation data over time

LDC review period	GNI per capita, 3-year average (USD)	Human Asset Index (HAI)	Economic Vulnerability Index (EVI)
2006	\$350	54.0	57.9
2009	\$510	62.3	59.9
2012	\$913	61.4	37.1

¹⁴ CDP (2018), “Report on the Twentieth Session of the Committee for Development Policy”, 12-16 March, 2018 (E/2018/33, Supplement No. 13).

¹⁵ The criteria for LDC graduation includes GNI per capita averaged across three years to help smooth annual fluctuations. The 2018 CDP review, for example, measured average GNI per capita from 2014-16.

2015	\$1,232	60.8	36.2
2018	\$1,996	72.8	33.7

Source: United Nations, Department of Economic and Social Affairs (DESA), CDP Secretariat.

HAI overview. The Human Asset Index (HAI), meanwhile, measures a country’s human capital formation and is intended to capture the degree to which a country has developed the supply of human assets necessary to maintain a durable growth trajectory.¹⁶ This includes measurements of malnutrition, child mortality, maternal mortality, literacy, and secondary school enrolment. Most of these indicators are also included in the SDG global indicator framework.

The index itself depends on performance relative to that of other countries so the final score alone does not necessarily represent the level of human assets in a society. But breaking down the index into its component parts can help illustrate progress and identify remaining challenges for human capital building (Table 5).

Table 5. Components of the HAI

LDC review period	Health		Education	
	Prevalence of undernourishment in total population (%)	Under 5 mortality (per 1000)	Literacy rate	Gross secondary enrolment ratio
2006	22.0	140.6	68.7	44.0
2009	19.0	84.4	73.2	43.5
2012	22.0	56.8	72.7	44.7
2015	21.8	71.4	72.7	50.5
2018	17.1	63.9	84.7	61.7

Source: United Nations, Department of Economic and Social Affairs (DESA), CDP Secretariat.

Progress on education indicators. The Human Asset Index (HAI) assesses the human capital of a country. It is an aggregated index of four equally weighted criteria. Accordingly, the HAI is a value comprised between 0 and 100 and the higher the index, the better. Lao PDR has made progress across all dimensions of the HAI, especially those related to education. Since 2006, for example, adult literacy increased from 69 to 85 percent of the population and gross secondary enrolment ratio rose from 44 to 62. Increases between the 2015 and 2018 reviews have been particularly significant, including for undernourishment, literacy and secondary school enrolment.¹⁷

Challenges for improving nutrition and health. But challenges remain for ensuring most of the Lao population has the nutrition and health services needed to ensure opportunities for personal growth and development. This is illustrated when comparing human capital indicators with neighboring countries (Table 6). The 2018 CDP review found that 17 percent of the Lao population is undernourished—the highest rate in ASEAN. Lao PDR also trails other ASEAN countries (including other ASEAN LDCs) in measures of child and maternal mortality. These are also both SDG global indicators. Lao PDR still requires significant progress to reach the 2030 target for maternal mortality of less than 70 deaths per 100,000 live births

¹⁶ The index construction does not include all components of human capital but aims rather to capture a selected sample that, taken together, provides a proxy of human asset formation in a country.

¹⁷ It should be noted that the CDP review dates do not directly align with data for that specific year. They typically refer to the most recently available data point for each indicator. This means that the increases between the 2015 and 2018 reviews are not necessarily representative of changes during the 8th NSEDP period. For example, the literacy rate measured during the 2018 review for Lao PDR is from 2015. As such changes from 2015 to 2018 referenced here do not directly align with changes during the 8th NSEDP period.

(SDG Target 3.1) and for under-5 mortality of less than 25 deaths per 1,000 live births (SDG Target 3.2).¹⁸ Lao PDR fares more favorably regionally on the education indicators.

Table 6. HAI indicators in ASEAN countries from the 2018 CDP review

	HAI indicators					
	HAI	Prevalence of undernourishment (%)	Under 5 mortality (per 1000)	Maternal mortality (per 100,000 live birth)	Literacy rate (%)	Gross secondary enrolment ratio
Cambodia	68.9	15.3	30.6	160.5	73.9	45.1
Indonesia	90.4	7.9	26.4	126.2	95.4	85.8
Lao PDR	72.8	17.1	63.9	197.4	84.7	61.7
Malaysia	91.0	2.5	8.3	39.8	93.1	77.6
Myanmar	68.5	16.9	50.8	178.5	75.6	51.3
Philippines	89.9	13.8	27.1	114.1	96.4	88.4
Thailand	95.9	9.5	12.2	20.3	92.9	129.0
Viet Nam	89.3	10.7	21.6	54.1	93.5	81.6
LDC average	53.1	26.4	67.5	432.5	57.2	45.7
ASEAN average	83.3	11.7	30.1	111.4	88.2	77.6

Source: United Nations, Department of Economic and Social Affairs (DESA), CDP Secretariat.

EVI overview. The Economic Vulnerability Index (EVI), meanwhile, aims to capture the vulnerability of a country to external shocks and can signal the durability and likely resilience of an economy. At the 2018 CDP review, Lao PDR fell short of the threshold for graduation on EVI, suggesting that continued efforts to increase economic resilience are needed as it considers plans for the remainder of the 8th NSEDP period and beyond.

Measuring vulnerability to shocks. Some components of the EVI are structural and outside of the control of the government (e.g., population, remoteness). These fixed factors nevertheless capture important structural challenges facing a country to be considered when developing strategies and plans. For example, while a country cannot necessarily control its remoteness level from other markets, distance from key trading partners is still a factor for making decisions about infrastructure investments or specific value chain development. But several EVI indicators describe elements of the economic structure that are relevant to resilience and affect long-term sustainable development prospects (Table 7). These relate principally to exports (both their diversity and stability) and the agricultural sector (both its share of total GDP and stability of production).

Table 7. Key components of the EVI

LDC review period	Exports		Agricultural	
	Export Concentration (HHI)	Export stability	Agriculture share of GDP (%)	Agriculture stability
2006	0.3	18.8	48.1	8.2
2009	0.4	24.8	44.8	7.8
2012	0.3	10.2	31.7	6.4
2015	0.3	12.3	25.7	5.3
2018	0.2	12.2	19.6	5.1

¹⁸The SDGs also target zero hunger and full access to safe, nutritious and sufficient food all year round (SDG 2.1).

Source: United Nations, Department of Economic and Social Affairs (DESA), CDP Secretariat.

Comparison of vulnerability across ASEAN. Compared to its ASEAN neighbours, Lao PDR also still trails in some important measures of economic vulnerability (Table 8). Its 2018 EVI score places it ahead of only Cambodia. Nevertheless, the stability of both exports and agricultural production have increased over the last decade. Exports are also less concentrated in Lao PDR than in most other LDCs, including those in ASEAN.¹⁹ This suggests that the 8th NSEDP emphasis on export diversification, including shifting towards non-resource industrialization, is aligned with key elements relevant to LDC graduation.

Table 8. EVI indicators in ASEAN countries from the 2018 CDP Review

	EVI indicators				
	EVI	Export concentration (HHI)	GDP share of agriculture (%)	Agricultural instability	Export instability
Cambodia	34.8	0.31	28.40	6.98	9.05
Indonesia	24.2	0.14	13.85	2.77	10.60
Lao PDR	33.7	0.22	19.60	5.09	12.20
Malaysia	21.4	0.17	8.82	3.30	5.95
Myanmar	31.7	0.35	26.62	4.21	13.69
Philippines	25.1	0.27	10.41	2.71	7.36
Thailand	23.7	0.08	9.05	3.12	5.49
Viet Nam	30.1	0.18	18.90	1.47	2.73
LDC average	41.3	0.47	26.46	6.26	17.11
ASEAN average	28.1	0.21	16.96	3.71	8.38

Source: United Nations, Department of Economic and Social Affairs (DESA), CDP Secretariat.

2.3.3. Implications of graduation: LDC special treatment and preparation for withdrawal

Special treatment for LDCs. The LDC category includes special provisions related to development finance and preferential trade arrangements to help countries overcome structural challenges. As Lao PDR continues to progress towards graduation, the Government is committed to developing a transition strategy that takes advantage of LDC benefits while they are still available and prepares for the withdrawal of support with minimal negative impacts.²⁰

Overall impact of LDC graduation for Lao PDR likely positive. According to analysis by the Government and development partners, the positive effects of graduation likely outweigh potential negative (or unintended) consequences as losses from the phasing out of LDC-specific support are most likely to be limited. As an LDC, Lao PDR receives preferential market access for trade. This includes WTO provisions for Special and Differential Treatment, and autonomous, non-reciprocal initiatives through Generalized System of Preferences (GSP) schemes. For example, as an LDC and WTO member, Lao PDR enjoys preferential treatment in the European Union (EU) under the “Everything but Arms” (EBA) initiative.

¹⁹ Export concentration is measured by the Herfindahl-Hirschmann index. This is calculated on a normalized scale from 0-1 where 1 reflects maximum export product concentration (i.e., when a country only exports one product).

²⁰ After a country has been recommended for graduation it completes a national transition strategy that includes a set of specific measures to help it plan for the change. The development of an ex-ante impact assessment of LDC graduation by the CDP was triggered after the criteria was met for the first time. This aims to capture the likely consequences of graduation and will be available at the next CDP review.

Implications of graduation for trade. An important mitigating factor of the impact of graduation is that a large majority of its international trade takes place with neighbouring countries (especially ASEAN and China) that do not use LDC status as a criterion for preferential market access. Lao PDR will also continue to benefit from LDC-specific Special and Differential measures during a transition period following graduation and LDC graduates have access to non-LDC-specific support measures (e.g., different financing windows, other types of preferential treatment for developing countries) that, though less generous than those available before graduation, still provide support.

Strategy for coping with changes in market access. Still, Lao PDR can still put in place measures to better take advantage of LDC-specific trade provisions before graduation, absorb the impact of their withdrawal, and increase capacity to produce products competitive in world markets regardless of Lao's LDC status.

- **Increase export competitiveness.** First, Lao PDR can improve its competitiveness by enhancing the supply of human capital and upgrading the infrastructure needed for trade. Investments in education, health, and skills are critical for expanding trade opportunities, as are a stable supply of electricity and a dependable transport network.
- **Remove NTBs.** Second, non-tariff barriers are obstacles for trade and Lao PDR can focus on their removal, such as by continuing initiatives to simplify and harmonize customs procedures and standards, especially in the context of AEC integration.
- **Structural reform.** Third, Lao PDR's long-term goals require continued structural reforms, including for improving the regulatory and business environment such as through increased transparency and streamlining procedures to help lower transactions costs.
- **Explore non-LDC trade agreements.** Fourth, Lao PDR can explore further non-LDC specific trading arrangements such as the various GSP schemes for developing countries or seek to negotiate regional or bilateral trade agreements.

Implications of graduation for development finance. There is also LDC-specific support related to development finance, such as voluntary concessional lending arrangements, multilateral earmarking of resources, and LDC-specific financing related to climate change.²¹ But the major sources of development finance in Lao PDR are unlikely be influenced by LDC graduation itself. This includes financing from multilateral agencies (e.g., World Bank and ADB) who do not use LDC status as a criterion for allocation. Nor will it affect possible finance from the Asia Infrastructure Investment Bank or the BRICS Bank. In general, the loan terms offered by bilateral partners (e.g., Thailand, Vietnam, and China) are also driven by factors other LDC status.²²

Traditional ODA is declining with or without LDC graduation. In any case, Lao PDR's concessional lending terms may likely change independent of its LDC status as its income continues to grow, though concessional rates are still available for middle-income countries. Traditional development assistance is also likely to decline in coming years due to the country's overall growth regardless of its LDC status and the modality of ODA may shift away from grants (possibly in response to LDC graduation).

Strategy for coping with changes to development finance. As with trade, there are actions in the coming years related to development finance that can help Lao PDR progress towards graduation and beyond. First, in the years prior to graduation, it can prioritize institutional and human resource development to enhance self-sufficiency, including assistance from multilateral partners that target LDCs. Second, while Lao PDR will still be eligible to access climate funds that are open to all developing countries after graduation, it is important to take advantage of available climate financing mechanisms that privilege LDCs

²¹ There are also non-country-specific measures such as non-binding targets for bilateral ODA allocation to LDCs and recommendations to allocate a higher grant portion of total ODA.

²² Japan uses LDC status as a criterion when determining concessional loan terms.

(e.g., Least Developed Country Fund (LDCF) before that, including for technical training and capacity building. Third, Lao PDR will require increased levels of domestic finance to meet its aspirations. To increase public revenue, continued tax and public finance reform efforts are needed. Finally, Lao PDR can make use of concessional financing arrangements and adopt prudent approaches to non-concessional borrowing to ensure debt sustainability—both before and after graduation.

2.3.4. From LDC Graduation to the 2030 Agenda: A platform for the future

Ensuring a sustainable graduation. As stated at the outset, Lao PDR’s potential graduation from the LDC category will mark an important milestone for the country but it is only a step. Meeting the criteria for graduation does not mean Lao PDR has achieved irreversible sustainable development. It can graduate, for example, without meeting the EVI threshold. To sustain development momentum, to move to an even higher pathway, and to broaden the impact across society, Lao PDR needs continued focus on structural transformation as targeted in the 8th NSEDP, including through expanding productive capacity, diversifying the economy, and building resilience to shocks.

Aligning strategies. Lao PDR’s key LDC graduation priorities have already been integrated into the 8th NSEDP. As it considers the remainder of that plan’s implementation period and begins a new planning cycle for the 9th NSEDP, the Government of Lao PDR will continue its efforts to further integrate the 2030 Agenda into national processes. It is committed to building on the work already accomplished to develop follow up comprehensive strategies that align LDC graduation with the principles of the 2030 Agenda, especially those areas where there has been slower progress. This effort aims to further contribute to accelerated progress towards LDC graduation, preparation for the removal of LDC support measures, and a longer-term sustainable development pathway post-graduation.

Priorities for the 8th NSEDP and beyond. In the context of LDC graduation, strategic priorities can include: commercial production growth and diversification; leveraging AEC integration for opportunities to integrate into regional value chains (including meeting international market standards); improving the investment climate and promoting private investment in non-resource sectors; human resource development linked to labour market demands; and human development support related to nutrition and maternal health. Progress in these priority areas and specific policy options for the remainder of the 8th NSEDP period and beyond are explored in more depth in the subsequent sections.

2.4. Green Growth and the Eighth NSEDP

2.4.1. Context

Lao PDR’s vision of environmental sustainability. The Government of Lao PDR is committed to putting in place a development approach that is sustainable and delivers for all Lao people. This aim drove the design of the 8th NSEDP and its close alignment with the principles and substance of the 2030 Agenda and the SDGs, an alignment most explicit in the overlap between the three dimensions of sustainable development that underlie the 2030 Agenda—economic, social, and environmental—and the 8th NSEDP’s three main outcome areas.

The concept of green growth. Lao PDR’s vision of sustainable development captured by the 8th NSEDP, Development Strategy 2025, and Vision 2030 is also further influenced by the concept of “Green Growth”. While there are different definitions of “Green Growth”, it can refer to an approach to economic growth

that is driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services.²³

Green growth and the 8th NSEDP. The 8th NSEDP's connections to green growth principles are evident across its objectives, outcomes, and outputs. The plan further includes targets and indicators that foster integration across the three dimensions sustainable development along with specific green growth-related indicators in each of the three NSEDP outcome areas. Examples include the use of social and environmental criteria for public infrastructure investment projects, diversification away from the resource sector, labour productivity in resource and non-resource sectors, use of clean energy, and forest coverage and the sustainable management of forest production.

Moving from planning to action. Drafting plans that include green growth-related elements is necessary to help push the shift to new development approaches and to hold government accountable to sustainability principles. But adopting effective green growth strategies also requires that decision-making account for the impact of policies and initiatives across the dimensions of development. In practice, this means that outputs described by the 8th NSEDP are not the domain of specific ministries or departments but rather the responsibility of multiple ministries and departments working closely together. Achieving the 8th NSEDP targets for growth, for example, will require extensive collaboration between, among others, the Ministries of Finance, Public Works and Transportation, Agriculture and Forestry, and Industry and Commerce.

2.4.2. Green growth and sustainable development

Evolution of green growth approaches around the world. Many countries around the world accelerated their economic development primarily through the exploitation of natural resources. This approach to development, however, has brought with it environmental degradation and contributed to climate change. These resource-based growth models are no longer viewed as viable solutions, and as a result the desire for more “green” approaches to growth has become a central part of the international policy dialogue. At the national level, many countries have followed suit and put green growth at the center of their national development strategies. This has included efforts to consider the social and environmental consequences when making decisions and investments related to development. It has also meant no longer setting growth targets alone but integrating them with measures of environmental impact. In other words, a country's growth objectives are not considered met if that growth comes with undesired environmental consequences.

A support rather than a constraint on growth. There are further dimensions to the concept of green growth. It can also help re-frame the concept of sustainability and environmental protection from being seen only as a limit to growth to an opportunity to promote it. Sustainability, in other words, is not just a stop on growth but also a mechanism to achieve it.

Green growth and the SDGs. In terms of the 2030 Agenda and the SDGs, green growth as a concept is most closely linked to the environmentally-focused SDGs, especially Goal 12 that aims to ensure sustainable consumption and production. It is also relevant to other environmental goals, such as Goal 13 on climate change and Goal 15 on protecting and restoring ecosystems. But green growth, as a principle, is not limited to the environmentally-centric goals and targets. Analyses have shown that it is relevant

²³ UN Environment Programme. www.unep.org/greeneconomy.

across the entire SDG framework (e.g., to 14 goals and at least 52 SDG targets).²⁴ Green growth, therefore, represents a fully integrative policy goal.

2.4.3. National Green Growth Strategy of Lao PDR

Green growth and LDCs. Adopting enhanced green growth models is important for developing countries such as Lao PDR that have been reliant on natural resources to drive their development. Lao PDR has made significant achievements in socio-economic development, including during the first half of 8th NSEDP implementation, but the country's economic expansion has been achieved largely through the use of its natural resources, especially from mining, forestry, and water resource use. The potential economic and social impacts of continued environmental degradation are significant and Lao PDR is growing more vulnerable to the effects of climate change. Social and ecological threats to energy, food and water security from climate change and weather risks impact agricultural production, livelihoods, and health—key elements of Lao's long-term development aspirations. Strategies for the future will need to account for these risks and include strategies to adapt and manage them.

Lao PDR institutional support for green growth. Lao PDR aims to forge a new development path anchored in the concept of green growth. To support this, the Government established a Green Growth National Steering Committee in December 2016. The committee is responsible for determining the direction, targets, and implementation mechanisms that guide and lead green growth activities nationwide. This includes, importantly, developing a National Green Growth Strategy and establishing the Green Growth Promotion Centre.

National Green Growth Strategy of the Lao PDR. The country's approach to green growth has now been captured by the National Green Growth Strategy of the Lao PDR, which is expected to be completed by end 2018. This is the translation of the Resolution of the 10th Party Congress, Vision 2030, 10-Year Strategy (2016-2025) and the 8th NSEDP (2016-2020). The strategy is the result of consensus and extensive consultations across society. Specifically, it aims to highlight priorities, identify activities, and develop a monitoring framework to support the country's vision of green growth. It also aims to help mainstream green growth into Lao PDR's planning systems.

Plan alignment. With the latter particularly in mind, the Green Growth Strategy is not intended to replace other plans but rather to serve as a supplementary strategy to support implementation of green growth priorities in national plans and those of individual sectors and local government units. It further serves to highlight priority issues related to green growth that can be stressed in 8th NSEDP implementation (and reflected by the MTR of the 8th NSEDP) and in the design of the 9th NSEDP.

Priority green growth sectors

Lao PDR has followed a holistic approach to green growth in designing its strategy. This means that, in the Lao context, green growth does not “belong” only to SDG 12, nor to any single ministry or 8th NSEDP outcome area. Instead, green growth is related and relevant to multiple SDGs, sectors, and planned

²⁴ See Le Blanc (2015), “Towards integration at last? The sustainable development goals as a network of targets”, DESA Working Paper No. 141 ST/ESA/2015/DWP/141.

activities. Nevertheless, the Green Growth Strategy identifies six priority sectors/areas for focus over the coming period: agriculture, forestry, urban development, transport, energy, and tourism.²⁵

Agriculture. Agriculture provides the majority of jobs to the Lao people and is critical for meeting multiple national development goals, including those related to poverty reduction and food security. The sector is also at high risk to the effects of climate change and its practice affects forests, ecosystems, soils and water resources. Any green growth strategy will likely include activities and plans for the agricultural sector at its center. With this in mind, the Green Growth Strategy of Lao PDR includes a range of targeted activities to support green agricultural development, including to:

- Increase production efficiency and lessen the overspend of labour and natural resources (e.g., through research, importing external examples, and training).
- Decrease the practice of slash-and-burn cultivation by creating conditions for farmers to earn higher incomes from alternative livelihoods.
- End the use of harmful chemicals that affect soil quality, water sources, biodiversity, and human and animal health (e.g., legal and regulatory reform and strengthening enforcement).
- Promote clean agricultural production (i.e., organic farming).

Forestry. The forests of Lao PDR are the source of food, water, and livelihoods for various ethnic groups. More broadly, forests are the source of carbon retention and critical for strategies aimed to mitigate climate change. Forest quality and coverage in Lao PDR has been declining and the National Green Growth Strategy identified the forest sector as a priority. This is aligned closely with the objectives and activities in the 8th NSEDP. Forest-related priority actions aim to:

- Restrict the concession of large areas of land for industrial tree plantation.
- Restrict/end the export of low-value wood and semi-finished wood products with low value.
- Promote investment to increase forest coverage to 70 percent by 2020 (as targeted in the 8th NSEDP).
- Expand national and local conservation forests by improving the laws and regulations and strengthening management.
- Develop financial mechanisms for protecting national and local conservation forests.

Urban Development. Like other countries in Southeast Asia, Lao PDR has seen substantial migration from rural to urban communities. While it helps the government to reach out to larger population more effectively to provide public services than they were scattered in rural areas, which will accelerate the achievement of the Sustainable Development Goals and Targets, increasing pressures are expected on the public infrastructure and social services and appropriate policy measures need to be taken to absorb such movement of people to ensure their well-being. Towns in Lao PDR will need to adapt and manage this growing population. The National Green Growth Strategy sets out activities to support this management and to help ensure the sustainability of urban living conditions, including those to:

- Improve urban waste management systems, especially in large urban areas where re-use and proper disposal of waste is low.²⁶
- Increase green areas (e.g., public parks).

²⁵ This was based on data collection and consultation meetings in 3 regions covering 17 provinces and 1 Capital City. It was further supported by analysis from the Global Green Growth Institute (GGGI), the World Bank and other research institutes both inside and outside the country.

²⁶ According to the Ministry of Natural Resources and Environment and Ministry of Public Works and Transport, only 40-50 percent of waste in large Lao PDR towns are collected for re-use or are disposed by using proper methods.

- Improve the quality of urban public transport systems to promote their usage (and help decrease traffic congestion, import of fuel, and greenhouse gas emissions).
- Improve urban infrastructure, including footpaths, waste water treatment systems, and electric lines.
- Increase green job options for newly arrived migrants and enhance their access to social services (including for their families related to key human development and public health perspectives).

Transport. Lao PDR is dependent on the import of fuel for its transport needs and the sector is the country's leading contributor of greenhouse gas emissions. Traffic safety is also a growing concern.²⁷²⁸ The National Green Growth Strategy sets out to strengthen the transport sector and support more sustainable approaches, such as through plans to:

- Improve the quality and cost of public transport in urban areas (as mentioned above), as well as between provinces and districts.
- Promote production, import and use of transport vehicles that use clean energy (e.g., bicycles and electric vehicles).
- Restrict import and use of personal vehicles that use fuel, as well as raise environmental standards on vehicle imports.

Energy. Lao PDR's development has been strongly supported by the hydropower sector. However, according to the Ministry of Energy and Mining, the sector's potential is still under-utilized. Meanwhile, personal energy consumption remains dominated by non-clean sources, such as bio-mass, fuel, charcoal and coal. The Green Growth Strategy points to the energy sector as critical to support the country's sustainable development aspirations. Specific plans to related to green growth include those to:

- Encourage and promote reasonable/orderly investments in hydro-electricity, solar, and wind.
- Encourage and promote expansion of electric transmission lines.
- Raise awareness and introduce incentives (e.g., price mechanisms and/or taxes) to encourage efficient energy usage.
- Encourage and facilitate the production, import and use of energy-saving materials, production equipment, and transport vehicles.

Tourism. The 8th NSEDP emphasizes the potential of the tourism sector to be an engine of growth in Lao PDR. But this potential depends on maintaining natural landscapes, preserving historical sites, and supporting the traditions and lifestyles of different groups of people. Capitalizing on the growth potential of the tourism sector, therefore, requires that its development remain environmentally and socially-friendly. The National Green Growth Strategy includes activities to support those in the 8th NSEDP related to tourism, such as to:

- Build outside awareness of natural, historical and cultural tourism sites in Lao PDR.
- Enhance protection and development of natural, historical and cultural tourism sites, especially waterfalls, forests, caves, temples, and traditional areas.
- Improve the quality of tourism services (e.g., transport, hotels, restaurants), such as by upgrading staff skills.
- Prevent non-environmentally and non-socially friendly tourism.

²⁷ Over 80 percent of imported fuels are used in the transport sector, especially for household transport or personal vehicles.

²⁸ According to the Ministry of Public Works and Transport, there are more than 6,000 cases of accidents causing more than 1,000 deaths and 16,000 cases of injury per year.

Cross-cutting policy priorities

Meeting the objectives of the plan requires significant coordination across government agencies, as well as collaboration with relevant stakeholders outside government, including development partners, civil society, and the private sector. Aligned with a necessary holistic approach to sustainable development that this suggests, the National Green Growth Strategy includes five cross-cutting priority policy areas.

Strengthening the investment management system. This refers to putting in place the necessary standards and legal and regulatory frameworks to support green investments (public and private). This includes, for example, reviewing and revising as necessary laws and regulations for environmental protection, pesticide usage, forest management, water resources, agriculture, and procurement. It also includes strengthening the framework and requirements for Environmental Impact Assessments. Recognizing that strengthened laws and regulations alone will not be enough, the strategy also aims to build capacity for the Unit of Environmental and Social Impact Assessment and the Ministry of Natural Resources and Environment.

Scientific, policy and technological research. The Strategy recognizes the role of research and innovation in supporting effective green growth policy implementation. Support for technological research in Lao PDR, however, can be strengthened. This can include building a research network led by the Green Growth Promotion Centre. It can also include learning lessons from external partners and adopting new technologies that support greater efficiency. Lao PDR can also launch its own research initiatives related to green growth, sustainable development, and greenhouse gas emissions.

Strengthening the environmental management system. The Green Growth Strategy aims to support environmental management in Lao PDR to make it more systematic and efficient. To help address identified gaps in environmental management, the Strategy includes activities to revise relevant laws and regulations related to environmental protection, increase environment management skills of staff (especially at the provincial level), and provide appropriate environmental measurement material and equipment.

Promoting green lifestyle and consumption. SDG 12 aims to promote sustainable production and consumption patterns. This represents a shift from more traditional development approaches, including its highlighting of the role of the individual. This further supports the adoption of a whole of society approach to development. While lifestyle choices are, at heart, individual, the government can still promote sustainable decisions, such as by raising awareness of the need to adopt simple, self-sufficient, nature-related, and non-extravagant lifestyles to decrease use of the country's limited natural resources. It can also highlight the importance of choosing green and environmentally- and socially-friendly products.

Gender equality. The Green Growth Strategy further recognizes the differential gender impacts of environmental factors, as well as the different needs of genders to support deeper participation in political, social, and economic systems. As such, the Strategy supports the 8th NSEDP's efforts for gender equality by promoting educational parity, especially at the secondary level and higher. It also promotes vocational training and skills development, particularly for women in the green economic sectors.

2.4.4. Green Growth, the 8th NSEDP, and the SDGs

Monitoring and evaluation. The Green Growth Strategy includes a monitoring and evaluation framework to assess progress and support accountability. This includes a set of detailed targets for both 2025 and

2030, with five categories that measure outcomes across the identified priority sectors and cross-cutting activities: efficiency of production and utilization of resources, greenhouse gas emissions and waste, green areas, green lifestyle and consumption, and poverty and gender equality.

Alignment with the 8th NSEDP and SDGs. Analysis of the indicators shows high overlap with both the 8th NSEDP and the SDGs (Table 9). Of the 25 key draft indicators in the Green Growth Strategy, 21 can be considered to have relatively direct parallels among SDG targets. At least 14, meanwhile, are closely aligned with indicators in the 8th NSEDP.

Table 9. Green Growth Strategy, 8th NSEDP, and the SDGs

	Lao PDR Green Growth Strategy	8th NSEDP	SDGs
	Efficiency of Production and Utilization of Resources		
1	Average productivity of rice production	Outcome 1.1: sufficient food production and increased agricultural productivity	SDG 2.4: sustainable food production and increased productivity
	Average productivity of maize production	Outcome 1.1: sufficient food production and increased agricultural productivity	SDG 2.4: sustainable food production and increased productivity
	Labor efficiency	..	SDG 2.3: doubling agriculture productivity
	Efficiency of energy use to GDP	..	SDG 7.3: increasing energy efficiency
	Percentage of the export value of natural resources	Outcome 1.1: shifting in the direction of industrialization and modernization	..
	Greenhouse gas emissions and wastes		
2	Quantity of greenhouse gas emissions	Outcome 6.3: minimize GHG emissions	SDG 13.2: fostering climate resilience and lower emissions
	Average greenhouse gas emissions per person	Outcome 6.3: minimize GHG emissions	SDG 13.2: fostering climate resilience and lower emissions
	Import and use of fuel
	Percentage of use of clean energy	Outcome 1.7: support the development and greater use of clean energy	SDG 7.2: increase share of renewable energy in the energy mix
	Percentage of urban wastes collected for reuse and disposal	..	SDG 11.6: share of urban waste collection
	Green areas		
3	Natural forest coverage rate	Outcome 3.1: increase forest coverage	SDG 15.1: protect and restore forests
	Conservation forest areas	Outcome 3.1: increase forest coverage	SDG 15.1: protect and restore forests
	Poverty rate, social equality and gender roles		
4	Poverty rate	Outcome 2.1: improve living standards through poverty reduction	SDG 1.2: reduce share of people below national poverty line
	GINI	Outcome 1.4: balanced development	SDG 10.1: increase incomes of poor at higher rate
	Enrolment proportion of girls to boys: primary level	..	SDG 4.5: eliminate gender disparities in education at all levels
	Enrolment proportion of female to male: lower secondary level	..	SDG 4.5: eliminate gender disparities in education at all levels

	Lao PDR Green Growth Strategy	8th NSEDP	SDGs
	Enrolment proportion of female to male: upper secondary	..	SDG 4.5: eliminate gender disparities in education at all levels
	Enrolment proportion of female to male: tertiary	..	SDG 4.5: eliminate gender disparities in education at all levels
	Percentage of female members of the National Assembly	Outcome 4.3: increase women's leadership and representation in decision-making	SDG 5.5: 5.5 ensure equal opportunities for leadership at all political levels
	Percentage of female members in the Government (Min/Vice Min)	Outcome 4.3: increase women's leadership and representation in decision-making	SDG 5.5: 5.5 ensure equal opportunities for leadership at all political levels
	Green lifestyle and consumption		
	Average production of wastes per person in the urban areas	..	SDG 11.6: reduce the adverse per capita environmental impact of cities
	Slash-and-burn/upland cultivation areas	Outcome 3.1: reduce slash-and-burn practices	..
5	Average electricity consumption per person
	Percentage of revenue from tourism sector in GDP	Outcome 1.1: increase revenue from tourism	SDG 8.9: promote sustainable tourism
	Average alcoholic drink consumption per person	..	SDG 3.5: reduce harmful use of alcohol

Source: National Green Growth Strategy of the Lao PDR, 8th NSEDP, and the 2030 Agenda for Sustainable Development.

* Denotes direct overlap between the SDG indicator and Green Growth indicator.

Green growth in the Lao PDR context. In several important respects, there has also been an attempt by the Green Growth Strategy to go even further than the SDGs in measuring critical aspects of green growth. For example, on social elements the frameworks are well aligned, including for poverty and inequality. But while the SDGs and the Lao strategy both include measures of gender equality related to educational level and representation in parliament, the Lao approach goes further and targets representation at the ministerial and vice-ministerial level.

Similarly, both the SDGs and the Lao strategy emphasize energy efficiency and the reduction and recycling of waste. But the Lao PDR framework includes hard targets for average per person waste production, average electricity consumption, greenhouse gas emissions (total and per person), import and use of fuel, and natural resource exports. This expanded focus on sustainable consumption and production also represents an important supplement to the NSEDP's inclusion of environmental-related targets. The SDGs, meanwhile, primarily promote the concept of sustainable lifestyles as a general principle, leaving the identification of more tangible approaches open to Governments to determine based on their own context. For Lao PDR, this has further been defined to include measurement of slash-and-burn cultivation, personal electricity consumption, and alcoholic drink consumption. At the same time, the importance of sustainable economic transformation to Lao's development vision represented by hard targets on export of natural resources is also part of the overarching vision put forth by the 8th NSEDP.

2.4.5. Implementation and next steps

Adopting an implementation plan. The Green Growth Strategy lays out a vision of transformation that supports Lao's longer-term sustainable development ambitions. It also includes a draft plan for implementation. Moving forward, the Government of Lao PDR can further validate the Green Growth

Strategy and put in place a plan for operationalizing it at the national, sector, and local levels. This includes following (or adapting as necessary) the implementation plan outlined by the Strategy that includes high level authorization and the operationalization of the Green Growth Promotion Centre.

Green growth financing. Meeting Lao PDR's green growth objectives will require suitable financing—an area also included as part of the Strategy's implementation plan. The National Green Growth Strategy does not call for a specific budget allocation, as its implementation is expected to derive largely from the regular budgets of each sector and local government aligned with the plans of strategies of those entities. The implementing organization will also be the sector and local level department. For this reason, collaboration and integration of priority green growth projects and activities into sector and local plans is critical. The central government may consider, meanwhile, allocating some budget to sectors and the local level through the Green Growth Promotion Centre, particularly for upgrading capacity or implementing specific activities.

Resource mobilization. Green Growth principles can also be supported through the mobilization of revenue from new taxes/duties or fees to support relevant activities. These actions can also support the objectives of green growth and achievement of many strategic aims, especially as they support environmental protection, promote sustainability, and raise the efficiency of resource utilization. Examples of these taxes and fees include increasing the concession royalty for raising the efficiency of land use; increasing the duty for the import of vehicles; increasing the duty on low-efficiency or environmentally-unfriendly technologies; or creating financial mechanisms to protect forests or biodiversity (e.g., payment for environmental services (PES)).

International support for green growth in Lao PDR. Lao PDR can also strengthen its green growth objectives by taking advantage of relevant international support that is available, especially those mechanisms that privilege LDCs before it graduates from that category. As suggested by the Green Growth Strategy, the Green Growth Promotion Centre can take the lead in preparing a strategy for mobilizing international green growth-related assistance and concessional financing.

Strengthening partnerships with businesses. The Government will finally further aim to support the conditions for businesses to contribute to green growth activities and programmes, including through enhanced support for Public Private Partnerships. It is also envisaged that Green Growth programs, projects and activities can become engines of growth themselves by evolving into sustainable businesses. This can include those related to green residential area development, clean agricultural production, solar energy investment installation, eco-tourism development and services, and businesses related to sustainable waste management.

Ensuring flexibility to changing circumstances. The Government's approach to green growth as embodied in its strategy can also be made flexible to adaptation in response to changing conditions and needs. The priorities it lays out also do not aim to capture all the necessary elements of a new growth model, as the approach is specifically designed to supplement the country's more comprehensive strategies (e.g., 8th NSEDP). Nevertheless, the government will continue throughout the remainder of the 8th NSEDP period and, critically, in the formulation of the 9th NSEDP, to ensure core principles related to green growth can be advanced and further integrated into core national strategies.

Considerations for future planning. It will also consider as necessary elements missing from or needing enhancement in the current strategy. This may include, but is not limited to, several thematic areas. For example, there is value in considering how the strategy might enhance its focus on employment related

to the green economy so that it strengthens support for improvements in labour force productivity and increased job opportunities. Second, while the extractive and energy sectors are critical to green growth, the strategy might explore strengthening its targeted support interventions and monitoring to facilitate investment and implementation of new approaches in the agriculture and manufacturing sectors, including how to integrate more fully into global and regional value chains. Third, subsequent iterations of the strategy might consider expanding the agriculture activities targeted, such as by including targets and activities related to improved access to nutritious foods; equitable access to markets, finance, and risk management for all farming communities; and equity of commercialization through farmer organizations and other market governance mechanisms. Fourth, the strategy can consider as it is further developed introducing new priorities related to promoting responsible business practices in all sectors. Finally, the green growth implementation plan may include developing specific activities related to, for example, reducing environmental waste (e.g., plastic bag interventions), promoting recycling, controlling chemical production and use.

Chapter II. Implementation of the Eighth National Socio-Economic Development Plan (2016 to mid-2018)

1.Outcome 1: Inclusive Economic Growth

“Continued, firm and inclusive growth achieved, strong economic foundations consolidated, and economic vulnerability reduced”

1.1. Outcome 1, Output 1: Sustained and inclusive economic growth

1.1.1. Context

A vision of economic transformation. Structural economic transformation is central to the vision of the 8th NSEDP and anchors the Government of Lao PDR’s long-term sustainable growth strategy targeting non-resource based industrialization, productive capacity building, and reduced economic vulnerabilities. This strategy further aims to introduce a balanced and inclusive growth pattern that ensures as many Lao citizens as possible participate in and benefit from the gains of development. Each of these objectives support Lao PDR’s further twin ambitions of forging a durable LDC graduation path and sustaining progress thereafter to achieve the SDGs.

Growth performance. Lao PDR made important progress towards this transformative vision during the first half of 8th NSEDP implementation. Average annual GDP growth has been around 6.8 percent (7.0 percent in 2016, 6.9 percent in 2017, and an estimated 6.5 percent in 2018), a robust rate just below the plan target.²⁹ This strong growth performance was driven mainly by the hydropower and construction sectors but was also bolstered by opening up and further steps toward regional integration. Notably, industrial sector growth far surpassed 8th NSEDP targets, posting 11.8 percent average annual growth over the first two plan years. Estimates for 2018, however, point to a sharp drop in industrial sector growth largely related to the 2018 floods.

Challenges for agriculture and services. But challenges to meeting the ambitions of the 8th NSEDP remain. Both the agriculture and services sectors fell short of overall sector NSEDP growth targets in 2016 and 2017.³⁰ The majority of Lao people continue to derive their livelihoods from agriculture, the sector where productivity has overall lagged most.³¹ Job creation outside the agriculture sector remains limited and the strong economy-wide growth has not significantly altered the composition of employment. Service sector employment, meanwhile, has increased though its overall contribution to employment remains low. Recent natural disasters will put further strain on agricultural output.

Resource-based growth. Industry in Lao PDR is still dominated by resource-based products and the sector’s share of total employment has declined over time. Exports are concentrated both in terms of their source and trading partner. Resource-based products accounted for nearly 75 percent of total exports in

²⁹ The SDGs also include a target of at least 7 percent GDP growth per year in LDCs (SDG Target 8.1).

³⁰ Performance across sub-sectors ranged (with higher growth in some). But overall sector growth has been below the 8th NSEDP target.

³¹ The Government recognizes that GDP calculations in Lao PDR might undervalue the agricultural sector because processing of primary products is attributed to industry in GDP calculations though it is reliant on the agricultural sector. In any case, the output gap is significant and growth of the sector likely lags others.

2015-16—a share that has remained largely steady over time—while most trade is with Thailand, China, and Viet Nam. The NSEDP-targeted shift from resource-based exports to higher value-added products has been slow and recent economic growth has come with a relatively large environmental impact. The rate of depletion of natural resources, for example, is more than double compared to countries at a similar level of development.³² The Government of Lao PDR recognizes these challenges to the sustainability of its current growth model. This includes considering the social, environmental, and economic costs of natural disasters and floods. Looking forward, continued efforts to remove growth constraints of the non-resource industrial sector, improve the business environment, increase agricultural productivity, and unlock the potential of the services sector will be critical priorities for the remainder of the 8th NSEDP period and beyond. Further stocktaking and assessment of hydropower investments and projects will also be an important priority.

1.1.2. Progress and achievements

Economic growth by sector. Average annual GDP growth was 6.8 percent over the plan period. Growth across sectors, however, varied sharply (Table 1.1). The agriculture and forestry sector—the main source of livelihoods—grew at an average rate of only 2.7 percent over this period, below the 8th NSEDP target of 3.4 percent. Services sector growth also fell short of the plan target, posting an annual average of 5.6 percent compared to the targeted rate of 8.1 percent per year. The strong economy-wide growth performance has instead been driven primarily by expansion of the industrial sector, which grew an average of 10.4 percent per year from 2016-18. While this well exceeds the 8th NSEDP target of 9.3 percent it also includes a sharp decline in 2018 to 7.7 percent (from 11.6 percent in 2017).

Industrial growth exceeded plan targets. Industrial growth was led by higher production output from hydropower, especially the Nam Thuen 2 Hydro Power Dam and Hongsa Lignite Power Plant mega-projects. But other smaller hydropower dams also started generating electricity in 2016 and 2017. The 2018 flooding related to the dam breach in Attapeu Province, however, has contributed to a sharp decrease in growth and the government has responded with efforts to ensure the stability and safety of hydropower projects that will have an impact on output throughout the rest of the 8th NSEDP period. Output over the first half of the 8th NSEDP was also generated by ongoing large construction projects, including the Lao-China Railway, special economic zones, and real estate development projects in large urban cities. Growth of the manufacturing sector, meanwhile, has been limited, with the most productive sectors those that are better integrated into regional value chains (e.g., parts and components) and mostly anchored in SEZs.

Services sector overview. Services sector expansion has continued to be concentrated in traditional, low value-added activities. The failure of the sector to meet 8th NSEDP growth targets during the first two years of the plan is also linked in to a reduction in the number of tourist arrivals (especially international tourists) and the subsequent decline in related economic activity. Meanwhile, the retailing and wholesale and the finance and insurance sub-sectors both grew during the first half of the plan period but their size and contribution to the broader economy (including employment) remain small.

Important challenges to agricultural productivity. As noted above, agriculture growth lagged the other sectors during the first half of 8th NSEDP implementation. Rice production during 2016-17 fell short of plan targets, an outcome linked to the negative effects of climate change, natural disasters, and pest outbreaks. Early 2016, for example, saw flash flooding, droughts and other weather events in several provinces with significant consequences for agricultural production. Output from the forestry sector was also

³² World Bank (2017), Lao PDR Systematic Country Diagnostic.

constrained, including as a result of Prime Minister’s Order Number 15 that put controls on illegal logging and strengthened timber management and regulation.

Table 1.1. GDP growth and 8th NSEDP targets (2016-2020)

Description	Annual target (2016-20)	Achievement in 2016	Achievement in 2017	Estimate 2018	Average 2016-18
Total GDP	>7.2 % 1/	7.02%	6.90%	6.50%	6.80%
-Agriculture and forestry	3.4%	2.76%	2.90%	2.50%	2.73%
-Industry	9.3%	12.00%	11.60%	7.70%	10.43%
-Services	8.1%	4.65%	4.50%	7.60%	5.60%
-Taxes and customs duty on goods and imports	%5.0	7.%84	%7.0	3.70%	6.17%

Source: 8th NSEDP and estimates of LSB.

1/ NSEDP the 8th Revised growth target since the drafting of

Structure of the economy. The first half of 8th NSEDP implementation saw progress towards the plan’s targeted industry-led economic structure (Table 1.2). As a share of total GDP, agriculture and forestry declined from 17.2 percent in 2016, to 16.2 percent in 2017, and 15.7 percent in 2018. The industry share of GDP also increased to 31.7 percent in 2018, though this remains below the plan target of 39 percent by 2020. The services sector accounts for the largest share of GDP, with 41.7 percent in 2018. The distribution of labour was much different, as services account for 48 percent, agriculture and forestry 36 percent, and industry only 16 percent.³³

Table 1.2. Structure of the Lao PDR economy

Description	Target share of total GDP (by 2020)	Achievement in 2016	Achievement in 2017	Estimate 2018
Overall economy (%)	100%	100%	100%	100%
- Agriculture and Forestry	16.80%	17.23%	16.20%	15.70%
- Industry	39.00%	28.76%	30.90%	31.70%
- Services	35.40%	42.48%	41.50%	41.70%
- Taxes and customs duties on goods and imports	5.00%	11.53%	11.40%	10.90%

Source: Annual 8th NSEDP update and estimates of LSB and MPI.

Selected developments in 8th NSEDP priority sectors

Industry

Industrial production and handicrafts. The 8th NSEDP targets modernization of industry processing activities with the aim of promoting higher output, greater value-added, and diversification of products for export. The plan objectives also align with the SDGs, especially the target to increase access of small-scale industrial and other enterprises to financial services and integrate them more closely into value chains and markets (SDG Target 9.3).

Over the past two years (2016-17), gross industrial production reached LAK 11,527.93 billion. The average annual growth rate was 4.15 percent. Within the sector, the food processing industry accounted for the

³³ As further detailed in Outcome 1: Output 5, these figures exclude subsistence farmers and only refer to waged employees.

highest share of output with 33.8 percent, followed by beverages with 25.6 percent, and processed wood and wood products with 14 percent.

Electricity. The 8th NSEDP aims to increase the number of and output from hydropower projects to promote higher domestic consumption, increased population access to electricity, and growth of electricity exports. Significant progress was achieved towards reaching key plan targets. Priorities for the electricity sector included a target for increasing access to electricity to 95 percent of the population. During the first half of NSEDP implementation, the share of households with access to electricity reached 92 percent (1,088,770 households). The highest household electrification ratio is in Vientiane Capital (100 percent) and the lowest in Sekong (74 percent). Even in rural areas without road access, 37 percent of households had access to electricity.

The first half of the 8th NSEDP period also saw total electricity generation of 56,616.22 million kWh, representing an average annual increase of 26 percent. The country has 53 hydro-electricity projects with a generation capacity of at least 1 MW. These include 49 hydro-electricity dams, one coal lignite plant, two bio-power plants from sugarcane molasses, and one solar panel facility. **Given the 2018 floods, however, the Government is committed to assessing hydropower projects to ensure their stability. This may have consequences on specific sector targets and growth.**

Mining. While the Government of Lao PDR is committed to transforming its economy away from over-reliance on natural-resource based products, it still recognizes the critical role for current and future economic development that will be played by the mining sector. The Government's aim in the 8th NSEDP is not to abandon mining but to introduce policies and regulations to increase the value of processing, ensure that the benefits of mining are shared by more of population, and that the sector maximizes its contribution to socio-economic development in a sustainable way with minimal negative consequences for the natural environment.

Over the past two years, despite improvements in global commodity prices, the value of gross production output was LAK 20,470 billion and average annual growth was 7.29 percent. Copper continued to be the primary mined mineral in Lao PDR followed by gold.³⁴ Mining output volume overall decreased during the plan period, including gold ore from Phoubia Mining (where output reached 88.4 percent of targets). Copper output from Sepon Mining similarly fell short of planned targets, reaching 73.2 percent of targeted rates from 2016-17.

The 8th NSEDP period also saw further mining development and expansion. In 2017, the Lao PDR government approved concessional agreements for mining to 219 companies covering 372 operations, a nearly threefold increase compared to 2016 (when agreements with 80 companies were reached for 141 mining operations). These agreements included 26 companies for 40 exploration operations; 64 companies for 117 surveying operations; and 52 companies for 77 technical and economic feasibility studies. Another 15 companies with 35 operations were at the construction stage and 62 companies with 103 operations were at the stage of mining and processing minerals.

Construction/infrastructure development. The 8th NSEDP emphasizes building new and strengthening existing transport infrastructure as critical support for reaching many plan targets across all outcome areas. This includes expanding and enhancing connectivity through roads, railways, waterways, and aviation. The plan's infrastructure focus further aligns with SDG target 9.1 that calls for developing quality,

³⁴ Other mining products include nickel, cobalt, lead, magnesium, koban, tin, zinc, boxite, iron, coal, potassium, precious stones (sapphire gems, amethyst), gypsum, limestone, clay, petroleum and natural gas.

reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being.

In Lao PDR, the infrastructure construction sector overall remains challenged, however, especially by a significant gap between infrastructure needs and available financing, the build-up of significant arrears, and an increase in the intensity and frequency of natural disasters affecting infrastructure. The Government also aims to strengthen understanding and balancing of economic and social impacts of construction/infrastructure development affected population groups.

- **Road expansion.** The Government of Lao PDR has prioritized in recent years expansion and improvement of the road network and, as a result, most parts of the country are now connected. However, road density is still low compared to other countries in the region and many road sections, especially in remote areas, are in poor condition and require upgrading and maintenance. Ongoing projects to improve the quality of existing roads include: Feasibility Studies for National Road No. 8 (Ban Lao-Lakxao-VN border), No. 12 (Thakhek-VN border) and No. 13 (Vientiane-Phon Hong); and Feasibility Studies for the Boten-Huaixay, Boten-Vientiane, and Vientiane-Hanoi expressways.
- **Railways.** Railway construction also picked up over the last two years, including on the Lao-China railway project. Efforts are also underway to ensure that the project maximizes its potential benefit for the population and that connectivity between the railway and road network at different levels are improved (i.e., national and local). The Lao-Thai railway project phase II has also been launched and a feasibility study for the Vientiane-Thakhek-Mugia-Tun Up-Vung Ang (the spur line of ASEAN Singapore Kunming Rail Link) has been conducted.
- **Aviation.** The Vientiane International Airport Terminal Expansion Project is ongoing (with completion aimed for July 2018). Feasibility studies for improving Houaysay and Xiengkhoung Airports are also under consideration.

Services

The largest sector of the economy in terms share of GDP. The services share of GDP has steadily increased over time and, by that measure, now represents the largest sector of the economy. Most service industries in Lao PDR are, however, still in their early stage of development and there remains much potential for increasing the contribution to growth and employment through upgrading and modernization. But development of the sector has been constrained in recent years by weaknesses in infrastructure and logistics (e.g., poor quality and high cost) and limited access to finance. Growth of the services sector is also significantly affected by the business environment, and Lao PDR's commitment to reform (reflected most prominently in the Prime Minister's aim of reducing Lao PDR's ranking in the World Bank's Doing Business Index) is expected to pay dividends over the rest of the 8th NSEDP period and beyond.

Sustainable tourism as a driver of growth. The 8th NSEDP prioritizes strengthening the tourism sector as a key driver of development. Moreover, implementation of a sustainable tourism model is critical to increase tourism-related income and employment in the tourism industry (as well as spillovers to other sectors) while simultaneously limiting environmental degradation. The SDGs echo this approach, calling for countries to devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products (SDG Target 8.9).

Decline in tourist arrivals. With this in mind, the 8th NSEDP targeted an increase in the number of tourists to 6 million annually by 2020 along with an increase in number of days per trip to 10. But the total number of tourist arrivals in Lao PDR in 2016-17 averaged 4 million (4.2 million in 2016 and 3.9 million in 2017).

Tourism also generated an approximate income of US \$724 million and US \$648 million in 2016 and 2017, respectively. This was also below the 8th NSEDP target that aims for \$953 million in annual revenue. Meanwhile, the average duration of stay was only 4.78 days in 2017, well below the plan target of 10 days. (The average length of stay for international tourists was 8.39 days.) These results, however, represent a decline from 2015 levels, when there were 4.7 million arrivals for revenue of US \$725 million.

A tourism development strategy. The Government expects tourism to pick up in 2018-19, including from the domestic and international campaigns focused on “Visit Laos Year 2018”. Tackling constraints to tourism development will require further private sector investment and government support. Private investment (local and foreign) has, to a large extent, driven tourism growth, but the government can further support facilitating development of the industry. Looking beyond the current plan period, the growth of the sector will likely depend on improving physical connectivity to regional and global markets, strengthening information and communication technology, streamlining visa and other regulatory procedures, and improving other ease of doing business factors (e.g., restrictions in ownership and business permits, land use, and competition policy). Ongoing transport-related projects, including to support better regional connectivity through road, rail and aviation upgrading, are likely to increase tourism arrivals and revenue when they come online, especially from other ASEAN countries and China.

Technology and communications to support tourism. The Government is also targeting enhanced hotel and other tourism-related facilities development and access and use of communications technologies. For example, Government has already strengthened the tourism website and improved information dissemination. As laid out in the NSEDP, the One District One Product (ODOP) initiative has also been introduced in Lao PDR to promote unique products of different areas of the country to simultaneously appeal to tourists and help enhance livelihoods of communities.

Agriculture and Forestry

Agriculture is central to the Lao PDR economy. While the 8th NSEDP aims for non-resource industrial growth as a key to the country’s future development model, the agricultural sector will remain critical for meeting the country’s aspirations related to poverty reduction and inclusive growth. The sector accounts for nearly 70 percent of total employment over 60 percent of expenditure for low-income groups.³⁵ For the near future, agriculture will still be the primary source of income and livelihoods for a majority of people—many of whom remain at a subsistence level. Reducing poverty and more widely sharing the gains of development requires measures to help this population increase productivity, become more commercially-oriented, and better connect to markets.

Opportunities and challenges for agricultural growth. There is great potential for strengthening the agricultural sector in Lao PDR. The country is less dense than most of its neighbours and enjoys a relatively large area for cultivation. By some measures, agro-ecological conditions in the Lao PDR are also among the most favourable in Asia. But the sector is also constrained by limited investment, both public and private. Meanwhile, although Lao PDR has the highest level of renewable water resources available per unit of agricultural land in Asia, irrigation coverage is low. Input and output markets remain fragmented and underdeveloped and access to credit limited. Investment in research and extension to underpin agricultural innovation could also be increased. Most farmers operate without legally recognized land-use rights and widespread urbanization and the rural exodus to cities of young people has created possible labour shortages.

³⁵ ADB Country Diagnostic (2018).

Actions to promote agricultural productivity. During the first half of the 8th NSEDP, the Government launched important actions that have positively affected the sector. It has targeted, for example, commodity production and commercialization along with more sustainable practices guided by the Green Extension. Recent years have also seen increased private sector involvement that has made many farming communities more food secure through investment in new products and value chains. But private investment (including in the agriculture and forestry but also other sectors with relevant spillovers such as mining and hydropower) has also at times brought negative environmental and social impacts on rural communities. These include possible loss of access to resources by local communities (e.g., encroachments into cultivated areas or forests)³⁶ and damages to the environment. Intensive mono-cropping with a considerable level of chemical use, for example, of cassava, maize, banana, eucalyptus, rubber, as well as intensive livestock pig/poultry production) can affect soil fertility pollute water sources. The policy framework of MAF has been consequently reinforced in order to address these issues.

Role of infrastructure and information. Critical economic infrastructure improvements have helped increased value chain development and economic opportunities, including strengthened information and communication technologies and improved transport networks. Though, as mentioned, further investment and attention is critical in this area. Similarly, the lack of access to rural advisory services, relevant and up to date information and micro- and small-scale credit options continues to hinder the growth of smallholder farmers into modern farmers.

Natural disasters and farming. Progress during the 8th NSEDP period has also been affected by natural disasters, and the impact of these has been worsened by poorly-functioning early-warning systems and response mechanisms, including the availability access to crop insurance. For example, a locust outbreak seriously affected 402 villages in 24 districts across 5 provinces, with a loss estimated at 53 billion kip. Late 2017 also saw an Avian Influenza outbreak in 4 districts of 3 provinces (Vientiane Capital, Xaysomboun, and Champasak) and a loss of at least 22,000 chickens. Flash floods and landslides have also been on the rise, events exacerbated by intensive mono-cropping.

Other challenges to increased production. Finally, flora depletion remains a high risk due to overharvesting, unregulated export to neighbouring countries, and improper agrochemical import and use. These practices impact producers' health (especially women), reduce productivity (as soils and other ecosystem services are compromised), and pollute the natural environment (especially down-stream riparian systems). Ethnic groups mostly living in the uplands are still struggling with staple food shortage and rely on forest and waters to meet their food needs.

Rice production overview. Rice production is essential to basic food security in Lao PDR. Total rice production output over the past two years averaged 4.2 million tons per year (4.2 million tons in 2016 and 4.1 million tons in 2017). Estimated production for 2018 is 3.9 million tons, a decline resulting from the heavy floods in July. This falls below the planned target of 4.7 million tons per year (current production represents 83 percent of the target). Wet season rice production accounted for a large majority of total production (about 80 percent). Dry season farming made up about 12 percent and upland rice cultivation about 8 percent.

National rice production targets to ensure consumption met. Importantly, however, rice production exceeded national consumption targets by some margin (The 8th NSEDP highlighted a production level of 2.5 million tons per year as necessary for sufficiency.) With vegetable and fruit production also exceeding consumption targets there has been sufficient quantity and diversity of foods for good nutrition.

³⁶ See "Linking Food and Land Tenure Security in the Lao PDR" by the MAF Department of Agricultural Land Management (DALaM) and the Land Issues Working Group (LIWG)

Challenges for meeting other rice targets. But the lower than planned production levels can be attributed primarily to climate and pest-related factors (e.g., outbreaks of bamboo grasshoppers in northern provinces and pest outbreaks during a particularly cold January). The Mekong River and its tributaries and water reservoirs also experienced lower water levels than expected with knock-on consequences for agricultural production as irrigation systems could not respond and supply adequate water. Rice cultivation was also reduced by the increased use of agricultural land for other activities. At the same time rice prices fluctuated while production costs stayed high due to the cost of electricity, labour, seeds and fertilizers. This left farmers with small profit margins and incentives to transition toward other more profitable crop farming. Rice production has also been affected by a labour shortage related to the continued migration of large numbers of rural dwellers to cities in search of employment opportunities.

- **Wet-season rice farming.** Wet-season rice farming remained the primary source of rice production. The cultivation area was 769,050 ha with a yield of 3.4 million tons of rice in 2016. The cultivation area in 2017 was slightly lower (762,482 ha) but the yield was slightly higher (3.5 million tons).
- **Dry-season rice farming.** In both 2016 and 2017, the cultivated area was 98,678 ha with a yield of 505,000 tons of rice per year.³⁷
- **Upland rice cultivation.** The 8th NSEDP targeted a decrease in upland rice cultivation in response to the policy of the Government to promote constant farming jobs and stop slash and burn shifting cultivation. The aimed transition is toward more substitutional crops and a reduction in upland rice cultivation areas. These targets were reached during the first half of the plan period. Upland rice cultivation was mostly practiced in the northern provinces, including Luang Prabang, Houaphanh, Oudomxay and Xayabouly provinces. In 2016, the total cultivated area was 104,656 ha and the yield 205,000 tons of rice. In 2017, the cultivated area fell to 78,267 ha and the yield to 158,930 tons.

Food crop farming. In addition to rice, the 8th NSEDP set targets for other food crops to help meet growing consumer demand and to help substitute imports from neighbouring countries, including sweet corn, taro and sweet potatoes, fruit trees, and vegetables. Production of most of these crops exceeded plan targets. In 2016, for example, the cultivated area for sweet corn was 30,350 ha with a yield of 283,000 tons. This increased slightly in 2017 to 31,350 ha and 285,540 tons yield.³⁸ Sweet corn output exceeded the NSEDP target of 228,000 tons by a substantial margin (approximately 25 percent in 2017).

Annual taro and sweet potato output, meanwhile, increased 15 percent during the plan period, from 338,900 tons in 2016 to 389,705 tons in 2017. This represented output 28 percent above the NSEDP target (304,000 tons). Fruit production also easily exceeded the 8th NSEDP target. From 2016-17, yield increased from 1,333,800 tons to 1,390,000 tons.³⁹ This exceeds the plan target of 800,000 tons by nearly 75 percent. Vegetable production was stable over the plan period at 1,700,400 tons, exceeding the target of 1,500,000 tons in the 8th NSEDP by 13 percent. This was driven in part by growth in demand for organic vegetables.

Livestock and fisheries. The 8th NSEDP includes objectives for increasing livestock and fishery production as critical inputs to national food security. In support of this aim, livestock raising has moved gradually towards stall-based production, technical extension services have increased, and in-time veterinary

³⁷ The first half of 2018 is estimated to see production on 76,459 ha with a yield of about 400,000 tons.

³⁸ It is estimated that there will be 5,880 ha in cultivation with a yield of 50,800 tons in the first half of 2018.

³⁹ It is estimated that there will be 17,335 ha of cultivation area with a yield of about 320,400 tons in the first half of 2018.

services become more accessible. In addition, farmers have been encouraged to grow feeding grasses and crops and to use the waste from agriculture and agro-processing factories to conserve feed for livestock during the dry season.

- **Fishery management.** Meanwhile, the network for producing fish fingerlings has expanded to provinces, districts and households in order to adequately supply farmers nationwide. The management of reservoirs, rivers, streams and ponds has also been promoted through efforts to organize and establish community fish management groups and fish conservation zones to protect water ecosystems and ensure fish for consumption.
- **Meat and poultry.** The result of these efforts was meat and egg production levels above 8th NSEDP targets—an important contribution to Lao PDR’s food security strategy. Total output grew 5.2 percent per year during the first half of the plan (the target rate was 6 percent per year). The total volume of output was 398,100 tons in 2016 and 385,330 tons in 2017. This surpassed the plan target of 258,000 tons by 49 percent.

Forestry management. The 8th NSEDP aims to promote the sustainable management and use of timber resources. The first half of the plan period has seen some notable progress towards this objective. For example, 50 out of 51 Production Forest Areas (PFAs) have developed detailed management plans. Prime Minister’s Order Number 15 has also been critical for closing un-licensed timber processing businesses and strengthening forest management. The Lao-EU FLEGT VPA process is further expected to rectify the value-chain of timber and wood products. Close cooperation on cross-border trade of wood between Laos and Vietnam is also underway, aiming to contribute to more effective implementation of Prime Minister’s Order Number 15. These efforts have all contributed to improving the foundation for the more sustainable development of the forestry industry.

- **International support for forests.** Lao PDR also has also participated in international schemes to promote sustainable forestry. This includes REDD+ results-based payment (UNFCCC/GCF, FCPF/Carbon Fund) that provides incentives for better protection and management of forests. Lao PDR officially submitted both its national FREL/FRL to the UNFCCC in January 2018 (currently under UNFCCC assessment) and **a program document (ERPD) for the FCPF/Carbon Fund** in May 2018. Both actions open ways to access ‘REDD+ results-based payment’.
- **Forest conservation.** In terms of forest conservation, Hin Nam Nor Protected Area was proposed to UNESCO as a potential World Heritage Site. The Prime Minister’s Decree on Nam Theun 2 Watershed Management was also completed and a proposal for the Nam Theun 2 Watershed Management Project was presented to the World Bank for review. This aims for a US \$3 million grant to review the allocation plans and protected area context (e.g., database of biodiversity of plants, wildlife, and land use planning). Data collection was conducted jointly with the National Biodiversity Resource Institute for Phou Khao Khouay National Protected Area and Phousabod-Poung Chong National Protected Area. Nakai Namtheun National Protected Area and Nam Et Phou Leuy National Protected Area will also continue to be upgraded as National Parks by improving various conditions to meet the standards of IUCN. Mono-cropped plantations, meanwhile, continue to affect the quality and diversity of natural forests.

Promotion of agriculture commercialization and diversified services. Commercial farming increased during the first half of the 8th NSEDP, often accompanied by additional income and food security for many communities. Commercialization has been most prominent in farming for coffee, cassava, maize, sugar

cane, rubber and beans. Demand for these crops is rising and prices are increasingly attractive to farmers. Higher domestic and foreign private investment has supported this shift.

- **Challenges to commercial farming.** But increased commercial farming has also brought challenges. Access to and availability of traditional and nutritious foods has declined in some communities where commercial farming has expanded. Commercial opportunities are also not equally available, and in some areas non-commercial farmers have fewer productive resources due to competition from commercial ventures. Many commercial crops are also vulnerable to sharp price fluctuations (e.g., boom-bust crops such as rubber, maize, cassava, rice) that make farmers who lack strategies to inform and support the management of market cycles vulnerable.
- **Organization and coordination of farmers.** Meanwhile, there has also been growth in farmers' organizations (e.g., coffee cooperatives, rubber associations, and cattle producers' groups) that have helped improve the efficiency and equity of market transactions. For example, rice farmers' groups have expanded to cooperatives and machinery groups also support post-harvest processing services more systematically. But in some cases, a lack of clarity and inconsistent support for farmers' organizations has hindered their growth and effectiveness.
- **Balancing production and nutrition.** During the 8th NSEDP period, the Government of Lao PDR aims to continue to focus on balancing commercial development and national food security with support for subsistence farmers and food production that meets local nutritional needs. This is related to improving production for local consumption and to pursuing efforts for nutrition-sensitive agriculture. For example, MAF's Green Rice Landscapes approach illustrates this balance by increasing sustainable productivity while preserving eco-system services for food security and nutrition.
- **Financing and extension services.** The Government also aims to strengthen and diversify financing mechanisms and extension services for both farmers and micro/small enterprises to enable investments to modernize small-holder farming and agro-processing. It also will continue to support maximizing the commercial value of Lao products, both internationally and domestically, by emphasizing quality production that builds on Lao's unique assets and through certification (e.g., organic, fair trade, geographical indication).

Value chain integration between large, medium and small enterprises. Since the launch of the 8th NSEDP, the Government of Lao PDR has continued to advance reforms for creating an enabling environment for SMEs, especially to support their closer integration into key value chains. This strategy seeks to take advantage of Lao PDR's increasingly open approach to international trade and the longer-term dynamic structural changes targeted in the economy. The Government has drafted a road map, for example that aims to improve firm and sector-level competitiveness through provision of quality and productivity improvement support.

- **Support for SME development.** Meanwhile, the Government also endorsed the amended Law on Investment Promotion No. 14/NA and established an Investment Management Committee chaired by the Deputy Prime Minister. A further initiative included the creation of a One-Stop-Service Office under the Investment Promotion Department of the Ministry of Planning and Investment. These are all steps to support SME development, especially through streamlining business start-up procedures. Additional initiatives include the website launch that allows investors to download all application forms and carry search enterprise names from a database and an initiative to merge the Tax Registration System and the Enterprise Registration System.

Important progress is also being made to map the enterprise registration process and development and mapping of business licenses/permits.

- **Direct assistance and oversight.** Other support initiatives during the first plan period include the Business Assistance Facility (BAF), a matching grant program started in 2013 that closed in 2017. At the time of its closure, the BAF had assisted 208 firms, of which 34 percent were woman-owned. BAF-assisted firms achieved average growth rates 21 percent higher than non-assisted companies. The Government also launched a Labour Productivity Improvement Scheme where labour inspectors undertake factory visits to conduct assessments against national labour laws and standards and provided training where needed. Finally, the Government also continued to support the Garment Skills Development Centre (GSDC), a provider of services such as training for sewing, management, and industry engineering.
- **Enhancing training and information services.** Other Government activities to support SMEs, include the launch of an SME Service Centre under LNCCI to provide training and advisory services to SMEs, organizational development of LNCCI, training courses on value addition within AEC-related value chains, studies on the impact of the AEC on priority sectors (e.g., tourism, transport and logistics), Public-Private dialogues and information events on AEC, technical trainings on Total Quality Management measures for Coffee Post-Harvest Processes, strategies for greening the Lao Tourism Value Chain, and support for various Lao product promotional activities abroad (e.g., First Lao Coffee Festival, World of Coffee Asia Exhibition, and International Tourism Exhibition Singapore).

1.1.3. Challenges and lessons learned

Job creation outside the agriculture sector remains limited and the strong economy-wide growth has not significantly altered the structure of employment. Most service industries remain in the early stages of development and could be strengthened through upgrading and modernization.

Industry in Lao PDR, meanwhile, is still dominated by resource-based products. Exports are concentrated both in terms of their source and trading partner. The NSEDP-targeted shift from resource-based exports to higher value-added products has been slow and recent economic growth has come with a relatively large environmental impact. Progress during the 8th NSEDP period has also been affected by natural and disasters and human-driven shocks, and the impact of these has been worsened by poorly-functioning early-warning systems and response mechanisms. Finally, the growth of SMEs across different sectors has been constrained in recent years by weaknesses in infrastructure and logistics (e.g., poor quality and high cost), limited access to finance, and business environment.

1.1.4. Next steps

The Government of Lao PDR recognizes the challenges to the sustainability of its current growth model. Continued efforts to remove growth constraints of the non-resource industrial sector, improve the business environment, increase agricultural productivity, and unlock the potential of the services sector will be critical priorities for the remainder of the 8th NSEDP period and beyond. Critically, Government assessment of hydropower investments and projects will also be needed to ensure continued safety and stability. Specific activities include, in particular:

- Ensuring better disaster preparedness and post-impact recovery (See Outcome 3, Output 2), since the early warning systems established previously have clearly been inadequate to cope with the 2018 floods.

- Developing a comprehensive national plan on electricity generation - including hydroelectric dams.
- Continuing the shift to toward a greener and more resilient growth model, as outlined in the new Green Growth Strategy, and mainstreaming green growth priorities and targets into national and sector strategies.
- Strengthening non-farm rural job creation and productivity (e.g., eco-tourism), such as through enhancing watershed management, transport infrastructure, and investing in cultural heritage sites.
- Supporting the development of stronger and more competitive SMEs (e.g., in handicrafts, artisanal wares, higher value-added agriculture products) through increasing access and provision of capital, training, and infrastructure, and through implementation of the SME road map to improve firm and sector-level competitiveness.
- Accelerating productivity in the agriculture sector, including through further implementation of the Agricultural Development Strategy 2020. Specific initiatives include improving agricultural production infrastructure, upgrading technology, strengthening farmers' associations, improving irrigation systems, and improving access to inputs.
- Development and implementation of the national rural employment strategy to promote decent livelihood and rural productivity.
- Continued emphasis on building new and strengthening existing transport infrastructure as critical support for reaching many plan targets across all outcome areas, including expanding and enhancing connectivity through roads, railways, waterways, and aviation.
- Balancing support to commercialization with ensuring food security and access to nutritious foods for all communities (e.g., as highlighted in the 8th 5 Year Agriculture and Forestry Development Plan (2016-2020)).
- Continue support for farmers' organizations, rural finance, and insurance mechanisms as a way to improve productivity, equity, and resilience through modernization.
- Implement strategies for strengthening youth participation in agriculture activities.
- Intensify efforts in implementation of trade and private sector reforms, including through implementation of Prime Ministerial Order No 2 on the Ease of Doing Business, and speed regulatory reforms relating to trade and the business enabling environment (e.g., reducing non-tariff barriers and streamlining regulatory and administrative procedures for business registrations and investment approvals).

1.2. Outcome 1, Output 2: Macro-economic stability achieved

1.2.1. Context

Macroeconomic overview. The 8th NSEDP prioritizes a stable macroeconomic framework as an essential requirement for achieving the plan's vision, including its ambitious targets for sustainable growth and greater inclusivity. At the plan's mid-point, Lao PDR is on track to meet many of its macroeconomic NSEDP targets (Table 1.3). GDP growth averaged 6.8 percent from 2016-18, just below the plan's bold target of 7.2 percent.⁴⁰ Inflation has been contained well within the targeted band. The government also improved its fiscal position in 2017 and 2018, maintaining a budget deficit close to the NSEDP's 5 percent target range—though revenue has fallen short of plan targets in 2017 and 2018 (estimated). Continued

⁴⁰ The Government revised the GDP growth target at the end of 2017 to 7.2 percent (from the original 7.5 at the launch of the 8th NSEDP). This was endorsed by the National Assembly.

improvements in tax administration and collection would support sustained implementation of the NSEDP.

Table 1.3. Macroeconomic achievements and targets

Key Macroeconomic indicators	2014/2015 (baseline)	2016	2017	2018 (estimated)	2020 Target
GDP per capita	\$1,970	\$2,408	\$2,468	\$2,609	\$2,978
GDP Growth rate	7.5%	7.0%	6.9%	6.5%	7.2% (annual)
Budget deficit (% of GDP)	-4.6%	-7.6%	-5.3%	-4.9%	>-5%
Revenue collection (% of GDP)	23.9%	20.5%	16.4%	17.0%	18.6%
Expenditure (% of GDP)	28.4%	28.1%	21.7%	21.2%	23.3%

Source: 8th NSEDP, Bank of Lao, LSB, and MPI. (MPI please confirm data? Especially deficit?)

Macroeconomic risks and challenges. At the same time the Government of Lao PDR is aware of existing risks and vulnerabilities. Both the World Bank and IMF point to growing public debt, risks in the financial sector, and low buffers to shocks as possible threats to sustained macroeconomic stability. Increasing public debt, in particular, poses a threat to stability and future development progress. Total debt has grown over the past decade and now approaches 65 percent of GDP. Meanwhile, foreign exchange reserve coverage is lower than the 8th NSEDP target of 5 months of imports. Many banks, especially state-owned, also have low capital buffers and an increasing number of non-performing loans.

1.2.2. Progress and achievements

Fiscal policy. The Government continued its strategy of fiscal consolidation during the first half of the 8th NSEDP, emphasizing especially improved revenue collection and administration and continued rationalization of expenditure. These efforts have resulted in a significantly reduced deficit since 2016 near the plan target of 5 percent in both 2017 (5.3 percent) and 2018 (4.9 percent in 2017).

- Revenue performance.** Revenue as a share of GDP, however, fell short during the first half of NSEDP implementation of the plan targets of 18.6 percent per year. After posting revenue of 23.9 percent of GDP in 2015, the share fell to 20.5 percent in 2016 and 16.4 in 2017. The early estimate for 2018 revenue is 17.0 percent of GDP. The revenue shortfalls were related in part to price fluctuations of key commodities.
- Tax reform.** The Government of Lao PDR has responded pro-actively, especially with initiatives to improve tax collection and administration. For example, during the plan period the Government launched efforts to eliminate exemptions for oil imports in public projects, review excise taxes, and better administer the Value-Added Tax (VAT). Closing tax exemptions has been a particular focus, including assessing the application of exemptions for vehicles and construction materials. Regarding tax policy, the Government plans to introduce a land tax and revise rates on existing taxes. Technical administrative efforts have also been ongoing during the plan period, such as introducing point-of-sale (POS) recording of transactions for retail businesses, requiring strengthened bookkeeping for presumptive taxpayers, and managing large taxpayers centrally.

- **Emphasis on expenditure reform.** Meanwhile, the Government has also continued efforts for expenditure reform. This includes continued implementation of measures to end off-budget expenditure and enforcement of the Prime Minister’s Order on economizing and eliminating nonessential outlays. The Government will also in the coming period prioritize investment projects with high rates of return and continue to reorient spending towards improvements in health, education, and social assistance. The 8th NSEDP also targets a public sector wage bill of 45 percent of expenditure by the end of the plan period and the Government remains committed to reaching this goal. There was, though, an increase from 44 percent in 2016 to 48 percent in 2017. For the rest of the 8th NSEDP period, continued emphasis on fiscal consolidation will remain a priority.

Exchange rate. The Bank of Lao PDR (BOL) continued its policy of maintaining the stability of the Lao Kip by tightly managing the exchange rate of the Kip against the US Dollar and Thai Baht during the first half of the 8th NSEDP implementation period (Table 1.4). As discussed with development partners, the BOL will likely maintain this approach in the next period and will allow the exchange rate to move only gradually within its band. The Government views this arrangement as temporary and will continue to put in place preconditions for greater exchange rate flexibility over the medium-term, such as enhancing the legal framework (e.g., laws governing the Central Bank and Commercial Banks and the Payments System) and payments system infrastructure.

Table 1.4. Foreign exchange rate

Currency	2016	2017	Estimate 2018 (first 6 months)
LAK against US dollars (LAK/US\$) Rate of Change (appreciated/depreciated)	Depreciated by 0.36%	Depreciated by 2.03%	Appreciated by 0.03%
LAK against Thai Baht (LAK/THB) Rate of Change (appreciated/depreciated)	Appreciated by 3.27%	Depreciated by 5.68%	Depreciated by 6.62%

Source: Department of Monetary Policy, BOL.

Inflation. Inflation stayed well within the defined target of less than 5 percent during the first half of 8th NSEDP implementation (Table 1.5). Specifically, the inflation rate was 1.6 percent in 2016, 0.8 percent in 2017, and 2.57 percent in the first eight months of 2018. This was related to lower global fuel prices and also falling food and non-alcoholic beverage prices—drivers of high inflation in previous years—especially in 2017 due to the lower price of rice coupled with enforcement of price measures for meats in fresh markets.

Table 1.5. Changes in inflation rate

Description of each good basket	2016	2017	2018 (first eight months)	Average
1. Food and non-alcoholic beverages	4.29	-0.11	1.03	1.74
2. Alcohol beverage and tobacco	1.70	0.65	0.85	1.07
3. Clothes and footwear	2.01	2.41	5.05	3.16
4. Residence, electricity, water supply and fuel	1.42	0.60	2.07	1.36
5. Household items and appliances	0.58	1.07	1.34	0.99
6. Healthcare	2.59	0.96	1.15	1.57

7. Communications and transport	-3.49	2.86	4.27	1.21
8. Telecommunications and post	0.08	-0.07	1.61	0.54
9. Entertainment and leisure	0.28	0.14	-0.02	0.14
10. Education	0.18	0.45	0.53	0.38
11. Restaurants and hotels	1.44	1.15	2.73	1.77
12. Goods and services	0.99	1.36	1.82	1.39
Inflation rate (%)	1.60	0.83	1.96	1.46

Source: Estimates of LSB and MPI.

Money supply (M2). Over the past two years, M2 quantity increased continuously in line with the market mechanism and within the 8th NSEDP target range. Specifically, M2 increased 10.9 in 2016 and 12.23 percent 2017. This increase was driven largely by high growth of commercial credit in the domestic economy as well as increased inflows of foreign investments. M2 for the first six months of 2018 is about 7.92 percent.

Foreign reserves. International reserves have been slightly below targeted levels through the first half of the 8th NSEDP implementation period according to government figures.⁴¹ Reserve levels have also been declining annually, from 5.3 months of import coverage in 2016, to 4.4 months in 2017, and to 3.57 months during the first six months of 2018. The Government of Lao PDR is aware of the potential risk from shocks and is prioritizing increasing the level of reserves in the coming years. Challenges to reserve accumulation, however, remain, including a scarcity of foreign exchange in the economy, partly related to the fact that large FDI projects in hydropower and mining were allowed to keep their foreign exchange earnings outside the country.

Financial sector. The Government of Lao PDR has put in place strengthened efforts to improve banking supervision and detect risks since the launch of the 8th NSEDP. The BOL is amending its legal framework to strengthen risk-based supervision and move towards Basel core principles for effective banking supervision. The BOL has also been working on upgrading the payment system and other information requirements for the securities markets.

According to IMF assessments, while the overall banking sector remains sound, risks remain to continued financial stability. Many banks, especially state-owned banks, are plagued by NPLs, and many also have insufficient capital adequacy ratios. These risks pose threats to the overall economy, including possible slowdowns in credit, capital outflows, and pressure on the exchange rate.

Over the remainder of the plan period the Government of Lao PDR aims to continue enhancing efforts to address these risks and reduce possibility of external shocks amplified by banking system failure. This includes continued restructuring of state-owned commercial banks along with plans to eliminate forbearance, ensure that all banks meet the mandatory minimum capital adequacy ratios, and introduce regulations to better manage NPLs.

Enhanced banking supervision will also remain a priority. Plans include continuing the moratorium on new bank licenses and stronger risk-based supervision. Public disclosure of audited statements of banks in Lao PDR will also continue to be enforced to ensure greater banking sector transparency. In the area of accounting, BOL is upgrading requirements in line with International Financial Reporting Standards (IFRS)

⁴¹ The IMF methodology points to a lower level of reserve coverage.

along with criteria to safeguard against Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT).

Debt management. Lao PDR's risk of external debt distress has been reclassified from moderate to high by the IMF and World Bank. According to the 2017 Debt Sustainability Analysis⁴², external debt distress indicators for Lao PDR have increased during the plan period, including its debt stock and projected debt flows to support public investment. The present value of public sector debt-to-GDP ratio has breached the benchmark for some years. Meanwhile, a significant exchange rate depreciation could put further stress on the public debt position.

The Government, however, sees some mitigating factors. While public debt is relatively high much of it is long-term and concessional. The Government also expects ongoing and planned energy projects will generate high and stable economic returns upon completion to help supply enough foreign exchange for debt service.

Critical need to focus on debt sustainability. Nevertheless, prudent debt management will be a high priority for the Government over the remainder of the 8th NSEDP period. It aims to achieve a debt ratio of 40–45 percent of GDP by 2020. This would represent a significant reduction from the current level of nearly 65 percent of GDP⁴³. Public debt as a share of GDP has also risen each year of 8th NSEDP implementation (from 57.7 percent in 2015). To move towards more manageable public debt levels, the Government will put greater emphasis on tightening fiscal policy and consideration of building fiscal buffers, strengthening public financial management, and forging a plan for a comprehensive debt management strategy, including through implementation of the Law on Public Debt Management. Its core elements are the statutory public debt ceiling of 65 percent of GDP and a requirement for National Assembly approval of investment projects above USD \$50 million. The Government aims in general to limit external borrowing projects to those with concessional terms to reduce further debt accumulation. The Ministry of Finance has also been reorganized to merge the management of all debt (domestic and foreign) into one department and the contracting of central banking financing of off-budget investments has also been eliminated.

1.2.3. Challenges and lessons learned

Despite its success related to building a strong macroeconomic framework, the Government of Lao PDR is aware of existing risks and vulnerabilities. This includes growing public debt, revenue shortfalls, risks in the financial sector, and low buffers to shocks as possible threats to sustained macroeconomic stability. On the fiscal side, revenue mobilization has fallen below NSEDP targets throughout the first half of the plan period and efforts are needed to improve tax collection and implementation. Prudent debt management will also need to be a priority for the Government over the remainder of the 8th NSEDP period and beyond. The low level of foreign exchange reserves, meanwhile, and put the country at risk to external shocks. Many banks also have low capital buffers and an increasing number of non-performing loans.

1.2.4. Next steps

Recognizing these vulnerabilities, the Government is committed over the rest of the 8th NSEDP period to strengthening resilience to potential shocks and creating suitable conditions for growth. Lao PDR's macroeconomic priorities for the remainder of NSEDP implementation and beyond will include: managing public debt sustainably, increasing the inclusiveness of the financial sector, strengthening the banking

⁴² IMF Staff Report For the 2017 Article IV Consultation—Debt Sustainability Analysis.

⁴³ IMF Country Report No. 18/84.

sector, improving tax administration and collection, and enhancing the environment for business and investment. Specifically, priorities include:

- Managing public debt sustainably, such as through the new Public Debt Management Law and the Public Procurement Law, especially emphasizing borrowing on concessional terms.
- Reducing foreign currency lending risks, identifying non-performing loans, and strengthening capital buffers.
- Strengthening management of state-owned banks.
- Improving tax administration and collection, such as by closing tax exemptions, introducing new excise taxes, and reviewing the capital gains tax.
- Reviewing and strengthening the regulatory framework for business to help facilitate investments.
- Improving inclusiveness of the financial sector to improve access to credit and lower risks.
- Continued efforts for expenditure reform, including measures to end off-budget expenditure, eliminate nonessential outlays, and reorient spending towards improvements in health, education, and social assistance.
- Maintaining approach to managing the exchange rate by allowing movement gradually within the band while putting in place conditions for greater exchange rate flexibility over the medium-term.

1.3. Outcome 1, Output 3: Integrated development planning and budgeting

1.3.1. Context

Commitment to integrated planning and budgeting. The Government of Lao PDR recognizes the challenges it has experienced in past cycles with aligning development planning and financing. For this reason, the 8th NSEDP included as an explicit objective and output progress towards better harmonizing planning and financing. As Lao PDR considers progress during the 8th NSEDP and develops strategies for the next planning cycle, it is committed to ensuring that funding allocation is timely and aligned with the country's overall development priorities.

Institutional support for harmonization. The NSEDP's goals for harmonizing planning and budgeting are further supported by the Public Finance Development Strategy to 2025, a key strategy approved in 2017 that gives policy directions and a framework through which to strengthen the links between the national plan and the development budget. It also sets forth a plan for improved coordination between the development and recurrent budgets. Both the Public Finance Development Strategy and the 8th NSEDP include targets for growth, central government revenue collection, expenditure, and debt management (progress on each is discussed primarily in the context of Outcome 1: Output 2 related to macroeconomic stabilization)

Priorities for 8th NSEDP and beyond. Strengthening the linkages between planning and budgeting are critical both for 8th NSEDP implementation and for the subsequent 9th NSEDP design. This includes, importantly, stronger tracking of budget plans, allocation and expenditure (national/sectoral, provincial level) against NSEDP objectives. This also supports identification of financing gaps necessary for more effective planning and resource mobilization.

1.3.2. Progress and achievements

Domestic public resources. Domestic public resources grew significantly between 2000 and 2015, from around \$570 million to \$2.2 billion.⁴⁴ This came both from continued high levels of economic growth and from higher revenue (from both natural resource- and non-resource-based sources). As noted above, the first year of the 8th NSEDP saw a fall in revenue both in real terms and as a percentage of GDP (from 17.9 to 15.8 percent between 2015 and 2016), due to lower global mineral prices and shortfalls in expected non-resources revenue (especially VAT and excise duty).

- **Space for increasing domestic resources.** While the Government still needs to make progress to meet the capital requirements of the 8th NSEDP, it still sees significant potential to expand domestic public resources, especially through new hydropower plants coming online and reforms related to VAT, excise, and trade taxes. The Public Finance Development Strategy targets domestic public resource mobilization in the 2016–2020 period of 16–18 percent of GDP, based on economic growth of 7.2 percent per year. Total tax revenue was 13.1 percent of GDP in 2015 and 12.4 percent in 2016.⁴⁵ Nevertheless, the 2015/2016 central government budget allocated around LAK1.4 billion against the stated benchmark the government has set of LAK4.5 billion per annum.⁴⁶

International public resources. International assistance has played an important role in financing development in Lao PDR. It continued to do so during the first half of the 8th NSEDP implementation period. Since 2000, the level of international public resources has remained relatively stable in real terms meaning that it now makes up a smaller proportion of development financing overall. Within the overall resource mix, ODA has until recently been the major source of international public finance, although since 2013 increased government borrowing—especially from Thailand and China to support infrastructure development—has eclipsed it.

- **Vientiane Declaration.** To guide implementation of the eight principles of the Vientiane Declaration and for strategic monitoring and reporting, the Government and its partners have developed a Country Action Plan (CAP 2016-2025). This is an important document for stakeholders at all levels as it outlines action areas needed to achieve effective development cooperation aligned with the 8th NSEDP and SDGs.
- **ODA trends.** In 2015-16, gross ODA averaged USD \$508 million per year, with Japan, Korea, and the ADB the leading providers (Figure 1.1).⁴⁷ About 75 percent of this came in the form of grants. The 8th NSEDP targets international resources to be directed primarily toward the social sectors and ODA trends generally to align with this objective. On average, the social sectors were the main recipient of ODA in 2015-16 (61 percent of the two-year total), especially the education, health, and water sectors (Table 1.6).⁴⁸ Of the remaining ODA in 2015-16, economic sectors received 18 percent (mostly to transport and energy), productive sectors 11 percent (mostly to agriculture), and multi-sector 8 percent (including environmental and non-agriculture rural development support). Most ODA loans were directed at infrastructure. According to OECD data, there was also a gap of approximately \$359 million between commitments and disbursements over the two-year period.

⁴⁴ The investment and financing profile is guided by the analysis contained in the 2017 Lao PDR Development Finance Assessment.

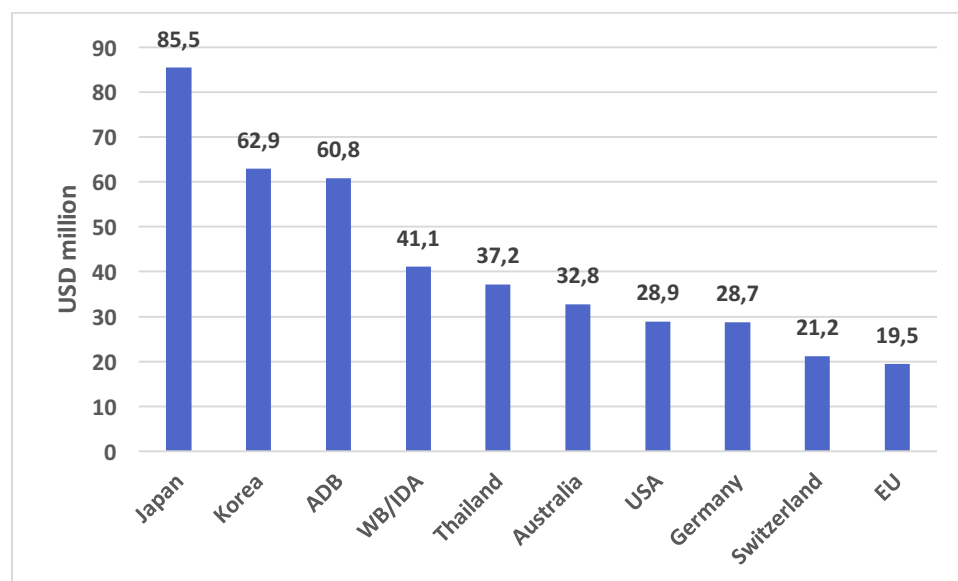
⁴⁵ IMF Country Report No. 18/84.

⁴⁶ 2017 Lao PDR Development Finance Assessment.

⁴⁷ OECD.stat. Average annual net ODA over the same period was USD \$435 million.

⁴⁸ Data from the Creditor Reporting System (CRS) database on OECD.stat. The CRS database reflects ODA commitments.

Figure 1.1. Leading providers of Gross ODA, 2015-16 average



Source: OECD.stat.

Table 1.6. ODA by sector, 2015-16

	Total 2015-16 (USDmn)	Share of total
Social Infrastructure & Services	841	61%
Education	200	15%
Health	203	15%
Population/Reproductive Health	35	3%
Water Supply & Sanitation	233	17%
Government & Civil Society	125	9%
Other Social Infrastructure & Services	45	3%
Economic Infrastructure & Services	247	18%
Transport & Storage	125	9%
Communications	2	0%
Energy	115	8%
Banking & Financial Services	2	0%
Business & Other Services	4	0%
Production Sectors	152	11%
Agriculture, Forestry, Fishing	137	10%
Industry, Mining, Construction	4	0%
Trade Policies & Regulations	6	0%
Multi-Sector / Cross-Cutting	134	10%
General Environment Protection	31	2%
Other Multisector	104	8%
Total commitments (2015-16)	1,375	

Notes: Data represents commitments only. Shares are of total sector allocable flows.

Source: OECD.stat.

- **ODA and the 8th NSEDP.** Looking forward, total investment required for the NSEDP in 2018 was 42,145 billion kip, of which ODA is expected to cover approximately 8,052 billion kip (about 19

percent of total investment). But the estimate of ODA to be disbursed in 2018 (calculated by line ministries, equivalent agencies and provincial) totals around 6.752 billion kip.⁴⁹

- **ODA distribution across ministries and provinces.** The largest recipients of this ODA (Table 1.7) were the Ministry of Public Works (USD \$225.3, 33 percent), Ministry of Education (USD \$192.5, 28 percent), and Ministry of Health (USD \$83.4, 12 percent). Together these three Ministries accounted for 73 percent of ODA allocation. Meanwhile, at the provincial level (Table 1.8), Louangthamtha received the highest amount of ODA (USD \$28 million, 27 percent), followed by Savannakhet (USD \$16 million, 16 percent), and Saravanh (USD \$14 million, 13 percent).

Table 1.7. Estimated distribution of ODA to Ministries, 2018

Ministry	# projects	USD total
Min of Public Work and Transportation	39	225.3
Min of Education and Sports	15	192.5
Min of Health	0	83.4
Min of Post and Tele-communication	6	34.5
Min of Agriculture and Forestry	52	33.6
Min of Public Safety	14	29.5
Min of Information, Culture and Tourism	4	19.6
Min of Labour and Social Welfare	5	15.5
Min of Energy and Mines	5	12.7
Min of Natural Resources and Environment	29	10.1
Min of Industrial and Commerce	2	8.2
Min of Home Affairs	5	7.8
Min of Planning and Investment	5	7.6
Bank of Lao PDR	2	3.1
Lao Youth Revolution Union	1	1.5
Min of Justice	1	0.2
Min of Finance	0	0.0
Min of Foreign Affairs	0	0.0
Lao Women Union	0	0.0
Total	185	685.0

Source: Foreign Aid Implementation Report 2017.

Table 1.8. Estimated distribution of ODA to Provinces, 2018

Provinces	# projects	USD total
Louangthamtha	6	28.0
Savannakhet	144	16.3
Saravanh	30	13.5
Xieng Khuang	7	11.1
Louang Prabang	5	7.9
Oudomxay	57	6.4
Sayyabouly	25	4.4
Vientiane	7	3.8

⁴⁹ Foreign Aid Implementation Report, 2017. This represents USD \$770 million.

Sekong	15	3.7
Khammouane	5	1.6
Bokeo	27	1.4
Bolikhamxay	31	1.3
Champasak	20	1.3
Xaysomboune	3	0.7
Huaphane	6	0.6
Phongsaly	1	0.4
Vientiane Capital	17	0.0
Attapeua	0	0.0
Total	406	102.4

Source: Foreign Aid Implementation Report 2017.

International private resources. Since 2000, inflows of international private resources have grown significantly in real terms, to an estimated \$2.3 billion in 2015. During this period, FDI has been strongly dominated by investment in hydropower and mining. In 2016, the FDI stock was US \$5.6 billion, representing 41 percent of GDP. FDI flows, however, fell in 2016 from USD \$1.1 billion in 2015 to \$889 million in 2016.⁵⁰ The government has highlighted FDI as one of the key forms of the private sector finance that is targeted to provide 57 percent of the funding required under the 8th NSEDP. The IMF estimates the FDI as a share of GDP fell from 14.5 percent to 13.3 percent from 2015 to 2016.

Domestic private resources. Like international private financing, private domestic investment has increased significantly over time, rising in real terms from an estimated \$300 million in 2000 to \$2.7 billion in 2015.⁵¹ Like FDI inflows, large domestic investments are concentrated in mining and electricity generation.

An increase in the availability of credit to the private sector has been a key factor in the increase in domestic private investment. This trend continued in 2016, with increases seen in every quarter although the focus is still on more formal sectors and access to financing for SMEs remains an issue. As well as increasing the availability of credit, the Bank of the Lao PDR has been working with commercial banks to reduce interest rates to levels similar to those seen in other countries in the region. Improved access to credit is important but it is of course not the only challenge facing domestic SMEs. Enhancing the role of SMEs in supporting development priorities can be supported by positive incentive structures targeting an improved business environment, facilitating entrepreneurship, or increasing firm competitiveness. Effectively targeted support to enterprises with higher growth potential is equally critical. BOL also issued a new policy to encourage commercial banks to utilize funding sources from deposits. It also allows commercial banks to use their registered capitals as funding source to provide commercial lending.

Strengthening links between plans, budgets and policy implementation. While the 8th NSEDP provides an overall development framework challenges remain for coordinating government-wide and sectoral plans and ensuring budget allocation to prioritized development priorities and programmes. During the first half of the 8th NSEDP period, the Government has undertaken a number of measures to strengthen the links between the plan and the development budget, and to improve coordination between the latter and the recurrent budget. This includes, for example, approving Budget Preparation Instructions stipulating that public expenditure must adhere to the budget plan approved by the National Assembly (NA). This instruction represents Government's commitment to curb spending beyond the NA's approval

⁵⁰ UNCTAD.stat.

⁵¹ 2017 Lao PDR Development Finance Assessment.

parameters that may dilute the focus on national priorities. The Government also introduced yet another important measure to ensure that the implementation of the Public Investment Plan (PIP) is implemented in compliance with the Law on Public Investment. Specifically, sectors and local authorities are only allowed to implement investment projects endorsed by the National Assembly (NA).

- **Operational reforms.** Meanwhile, at the operational level, the Government with support from partners has been reviewing Government Finance Information System (GFIS) and developing into Financial Management Information System (FMIS). Another review which has been currently conducted Tax policy and Administration. With the introduction of Value Added Tax (VAT), large businesses have been encouraged to adhere to the VAT system. The government has also carried out Public Expenditure Financial Accountability Assessment (PEFA).
- **Public Finance Development Strategy.** The Public Finance Development Strategy to 2025 is also a critical effort to promote better budgeting and planning processes. Key targets toward 2025 include: maintain prudent PFM by strictly adhering to the State Budget Law, develop a comprehensive modern legal framework, implement the State Budget Plan as approved by the NA, apply modern systems in line with international standards, limit revenue leakages and expenditure loopholes to ensure sound planning and fiscal disciplines, and manage public debt prudentially.
- **Enhancing and standardizing sector budget reporting.** But current planning and budgeting are not yet systematic such that close tracking of spending against priorities is possible. Some sectors and ministries are reporting in a way that can promote transparency and better matching of needs with resources. For example, MoES has reported (See Table 2.8 under Outcome 2 Output 3) financial requirements and approved budgets, allowing it to estimate the financing gap in support of mobilizing resources, prioritizing expenditures/projects, and increasing efficiency. In general, standardization of reporting to include needs, budgeting allocation, delivered budget, and expenditure would be an important step and using the example from sectors that have already introduced such reporting practices can be useful.

1.3.3. Challenges and opportunities

Meeting Lao PDR's development challenges will require both significant increases in resources as well as closer linking development plans and the allocation of finance needed to meet their priorities. This includes growing available public finance to provide public services and infrastructure, especially in remote rural communities. Progress towards development targets have so far been constrained, however, by reduced revenue collection in recent years and limited fiscal space linked to high interest payments. FDI, meanwhile, is expected to decline in coming years as hydropower projects are finalized. Domestic private finance has also been constrained by high interest rates on commercial borrowing and by lack of access to financing, particularly for SMEs. Lao PDR remains dependent on international public resources compared with other ASEAN countries, particularly in certain social (e.g. health, education and social welfare) sectors.

1.3.4. Next steps

Key targets of The Public Finance Development Strategy and the 8th NSEDP include efforts to ensure: clarity of policy direction and institutional frameworks, budget allocations reflective of priorities, spending consistent with approved budget allocation and allotments, and monitoring results and ensuring implementation feeds back into the policy process. Specifically, for the remainder of the 8th plan period and beyond, priorities will include:

- Emphasis on greater integration between planning, financing, and monitoring and evaluation, building on ongoing PFM reform initiatives.
- Strengthening longer-term planning, costing, and financing to 2030 to support SDG achievement. This includes strengthening the monitoring framework and its links to Lao's localized SDG targets and ministerial plans, along with the development of cost estimates to help guide financing strategies.
- Strengthening the consistency of ministerial development plans and their linkages with each other and the NSEDP, such as the possibility of standardizing plans that link activities to financing.
- Improving technical coordination and information sharing between ministries for greater coherence at both national and provincial levels.
- Strengthening development and implementation of financing strategies, including the Government's recently drafted public finance strategy. Such efforts include consolidating and providing a clear implementation plan to help facilitate both increased and more coordinated support from development partners.
- Continuing initiatives for greater transparency of financing activities of government and non-state actors to help guide a coherent and informed approach to development plan implementation.
- Carry out a comprehensive mapping exercise of development finance, including to help identify financing gaps.
- Developing clear breakdown of past and future expenditures across sectors and actors to support development of a financing strategy to enable implementation of prioritized activities.
- Re-invigorate the aid management platform to better track international commitments and disbursements, ensure alignment with plan priorities, and enforce partner accountability.
- Introduce better tracking of financial need, planned and approved budgets, and spending, taking advantage of good practices in selected ministries to model practices in a phased manner across government.

1.4. Outcome 1, Output 4: Balanced regional and local development achieved

1.4.1. Context

Inclusive development vision for all regions and provinces. The Government has put greater emphasis on ensuring balanced regional and local development. This is reflected by the 8th NSEDP's tailored targets and priorities for different regions. The aim is to develop regions and provinces based on their unique potential and characteristics. At the same time, the Government is committed to prioritizing economic and social development in areas that have lagged behind and where people have not benefited as much from the gains of development.

Critical inputs for achieving more balanced growth. One important area of concern during the 8th NSEDP period has been the construction and maintenance of rural roads (in different parts of the country in order to better link markets with the rural population). For example, the Government increased its related approval budget from US \$56 million in 2015/2016 to US \$80 million in 2017. Given the need to promote rural livelihoods, increasing agricultural output and productivity has also been encouraged throughout the country. This includes support for development of commercialization and for increasing stable income possibilities for rural communities. All efforts have further included consideration of specific geographical differences and advantages. For instance, in the North, the focus is on rice production, economic tree cultivation (e.g., teakwood, rose wood, and patterned hardwood), vegetable oil processing, sugar cane, and tea processing. In the Central Region, key areas for support have included rice production, cassava,

livestock, and non-timber forest products. For the South, the priority has been plantation and production of coffee, tea, cashew nuts, pepper, rice, fish farming, and rubber tree plantations.

1.4.2 Northern Region

GDP growth. Average GDP growth across the provinces of the northern region ranged from 7.23 percent to 8.99 percent per year during the 8th NSEDP period, slightly lower than the target of 8.5 percent to 11 percent. Vientiane and Xayabouly Provinces achieved the highest levels of growth over this period and were closest to reaching plan targets. In Vientiane, performance was driven by expansions in the industrial sector, wholesaling and retailing, consumer goods, processed agricultural products, and services (especially tourism and hospitality). Growth in Xayabouly Province has been mainly through exports of agricultural products.

Differences across provinces. By contrast, Xaysomboun and Phongsaly Provinces have seen the lowest rate of GDP growth. In both provinces, NSEDP targets of 11 percent per year were possibly set unrealistically high and each has proposed to lower the target. Xaysomboun is a relatively new province and it was hoped it could attract considerable private sector investment, both domestic and international. However, investment has been slow due to safety issues. As a result, Xaysomboun is proposing to lower the target rate to better suit the local context. The situation is similar in Phongsaly. The local government has also submitted a proposal to lower the target rate from 11 percent to 7 percent but are still awaiting authorization from the assembly that would allow them to change the number officially.

GDP per capita. GDP per capita in provinces of the northern region increased from a range of \$856-\$2,510 in 2015-16 to \$863-\$2,596 in 2017. This rate nevertheless falls below the 8th NSEDP target of \$966-\$3,710 by 2020. Luangnamtha and Phongsaly came closest to the GDP per capita target, with progress driven by the size of their economies and the natural landscape. In Luangnamtha, the services sector has also driven GDP per capita growth while in Phongsaly the main income source has been from agricultural productions.

Low income growth in several provinces. In contrast, GDP per capita in Houaphanh and Xaysomboun is much lower than the target. Houaphanh expected more revenue from various events happening in the area such as the Ghost Release Festival in 2018, the preparation for the 50th anniversary of the independence of Phaxay town in 2018, and the meeting of ministers in 2018. Actual revenue collection, however, turned out to be lower than expected. Most of the local population also still makes a living in the agriculture sector (which accounts for 58 percent of GDP).

With regards to Xaysomboun, the economic structure is focused on developing the industrial sector (currently covering 40 percent of GDP), especially mining as the province has a large endowment of natural resources. Nevertheless, mining growth has been slow and the main income source remains agricultural products.

Table 1.9. Economic performance in the Northern Region

	Provinces	GDP growth				GDP per capita		
		5-year plan target	2016	2017	Average	5-year plan target	2016	2017
1	Phongsaly	11.00	7.33	7.13	7.23	966.00	856.00	862.59
2	Luangnamtha	10.50	9.01	8.96	8.99	1,800.00	1,565.00	1,656.00
3	Oudomxay	8.50	7.50	7.60	7.55	1,758.00	1,397.00	1,393.57
4	Bokeo	10.00	9.70	7.70	8.70	2,375.00	1,679.93	1,776.21

5	Luangprabang	9.00	8.40	8.20	8.30	2,400.00	1,764.00	1,887.00
6	Xayaboury	9.00	8.20	8.50	8.35	3,710.00	2,510.00	2,596.00
7	Xiengkhouang	9.00	8.13	8.02	8.08	2,000.00	1,491.28	1,534.17
8	Houaphanh	9.00	8.20	8.39	8.30	1,675.15	919.66	1,031.93
9	Xaysomboun	11.00	8.13	8.04	8.09	1,933.00	1,210.00	1,209.00
10	Vientiane	8.50	8.17	8.21	8.19	2,400.00	1,660.00	1,670.00

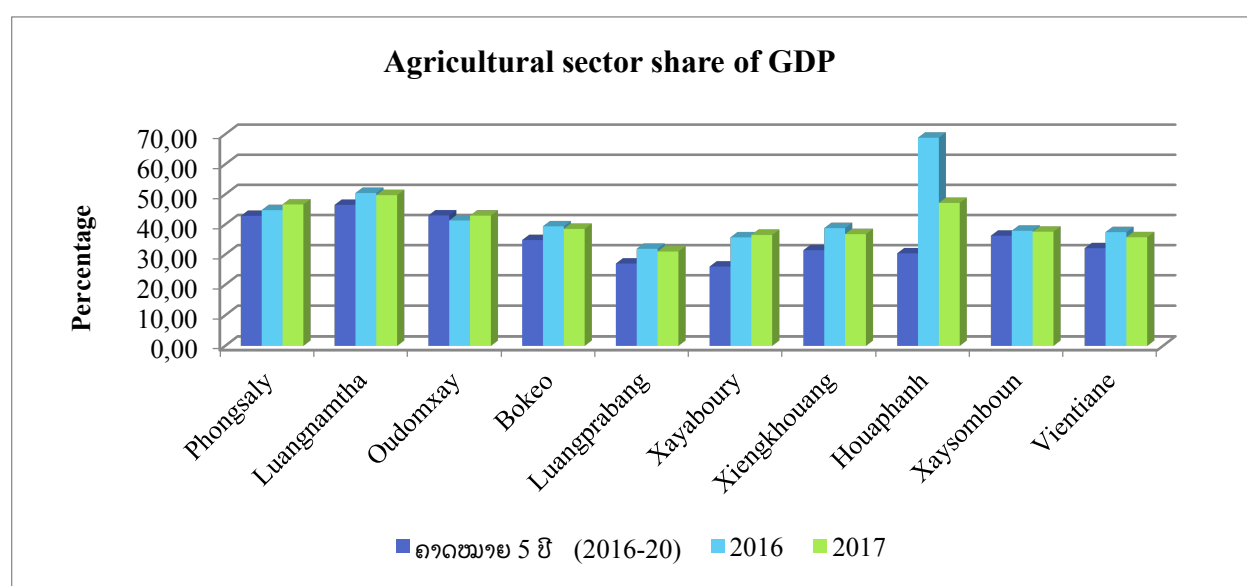
Source: MPI

Economic Structure and Growth Across Sectors

Agriculture. The northern region spans a large geographic area, mostly composed of mountains and hills. There are also, however, flat lowlands that are suitable for rice production and other consumable agricultural goods and the region primarily concentrates on producing agricultural products.

The agricultural sector share of GDP in Xayaboury is targeted at 26 percent, the smallest rate among all the provinces in the northern region. This is due to the local policy that aims to modernize agricultural production and develop into industrial processed products. Actual figures in the past two years have shown that the agricultural share of GDP is 36 percent, still higher than the target.

Figure 1.2. Northern region agricultural share of GDP : NSEDP target versus performance



Source: MPI.

Rice production. Total area for rice production increased from 284,668.9 hectares in 2015-16 to 298,198.88 hectares in 2017. The total amount of rice produced over this same period increased from 1,108,857.94 tons to 1,116,326.93 tons. The low increase in rice production is related to challenges of a natural landscape mostly comprised of hills and mountains. In addition, there have been incidents of floods, irrigation system damage, and pest outbreak.

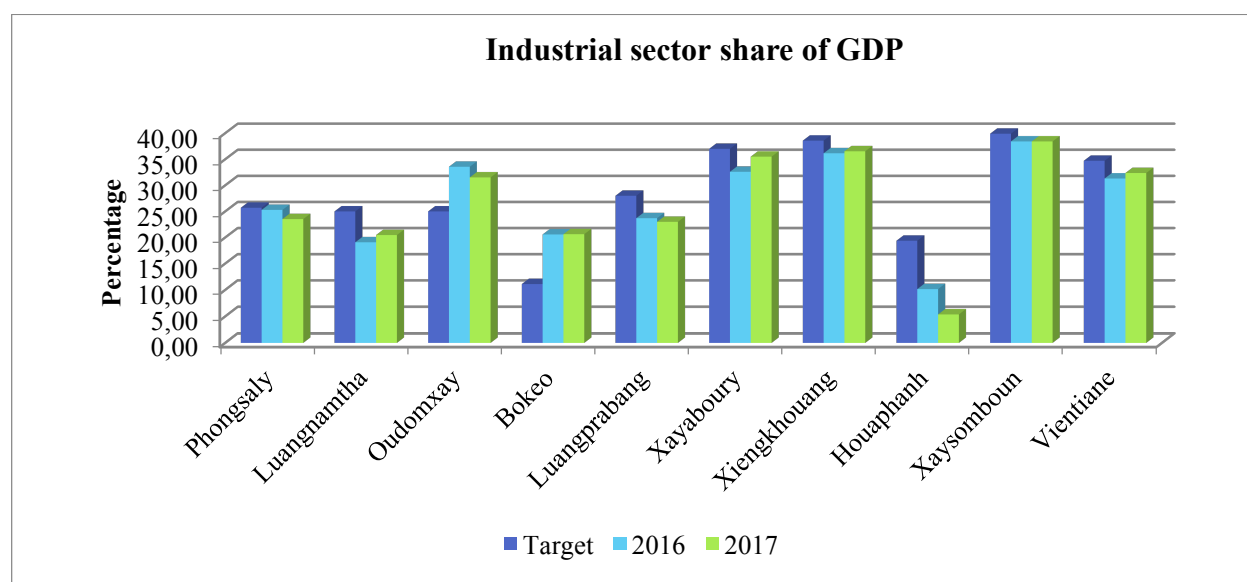
- Seasonal rice.** The producing area increased from 178,516.88 hectares in 2015-16 to 187,546.65 hectares in 2017. Total production increased from 840,443.13 tons in 2015-16 to 844,775.46 tons in 2017. Seasonal rice production is the largest of the three varieties of rice, a result aligned with the plan. In the past two years, the production area in Xayaboury, Xiengkhouang and Vientiane expanded at the fastest rate compared to other provinces. Oudomxay, meanwhile, has seen a decrease in production area. Xaysomboun is not able to approximate the production area due to effects of natural disasters. Regarding the amount of production, Xaysomboun and Houaphanh are performing at the highest rate while Luangnamtha and Oudomxay have experienced a decrease in production mostly as a result of natural disasters.
- Irrigative rice.** The producing area decreased from 15,911.96 hectares in 2015-16 to 15,451.01 hectares in 2017. Total production decreased from 79,981.87 tons in 2015-16 to 70,272.96 tons

in 2017. Irrigative rice area and level of production comprises only a small portion of total rice production in the northern region because the natural landscape is not suitable for this variety.

- **Upland rice.** The producing area increased from 90,240.06 hectares in 2015-16 to 95,201.22 hectares in 2017. Production increased from 1880432.94 tons in 2015-16 to 201,278.51 tons in 2017.⁵² Although there are measures put in place to reduce this kind of rice production, upland rice will remain a source of livelihoods in the foreseeable future due to its suitability with the natural landscape.

Industry. As seen in Figure 1.3, the target for industrial share of GDP is highest in Xaysomboun at 39.9 percent. The characteristics of Xaysomboun are well suited for industrial development such as timber processing, steel mining, and Phubia gold mine. But over the plan period so far, the industrial sector covered 38.4 percent of total GDP.

Figure 1.3. Northern region industrial share of GDP : NSEDP target versus performance



Source: MPI

Production in Vientiane versus other provinces. Vientiane Province’s processed industrial goods have been continuing to grow. Local populations are integrating technology and modern machinery into the production of goods to enhance their effectiveness, efficiency, and value. The promotion of ODOP (One District One Product) in Vientiane Province has also been successful, as seen through the increased production and value of Butter-roasted Banana from Sanakham, Cumin shampoo from Tulakhom District, and Mulberry-leaf tea from KeohOudom District. By contrast, Houaphanh Province’s industrial sector makes up only 11.6 percent of GDP because unlike other provinces it has not had any exports and processing of agricultural products of their own.

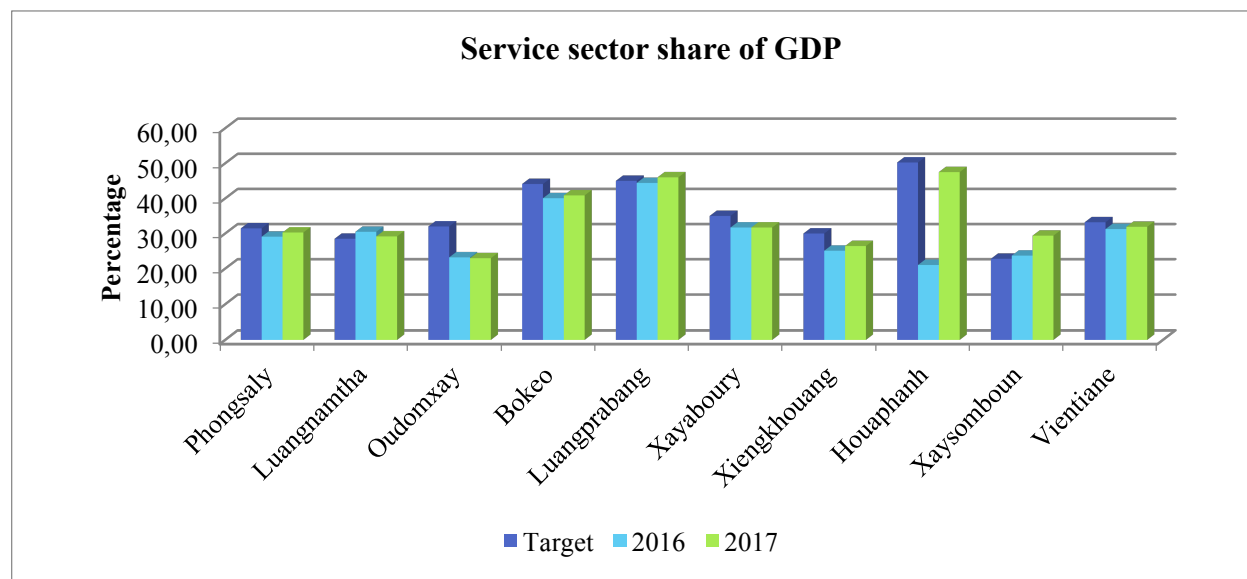
Services.⁵³ The northern region is famous for its tourism because of its many historical, natural, and cultural destinations. These have attracted tourists from China, Vietnam, Cambodia, Thailand and many other places around the world. This has led to the expansion of the tourism industry and the improvement

⁵² MPI to check numbers

⁵³ Unable to collect data for all provinces for the percentage of families and villages defined as poor by NCRDPE.

of people’s livelihoods. This is especially true in Luangprabang, a world heritage city famous all over the world where the service sector covers 45.2 of total GDP.

Figure 1.4. Northern region services share of GDP : NSEDP target versus performance



Source: MPI.

Infrastructure Development. The government prioritizes the new railway in the northern region as a flagship national project. Specifically, the railway will run through four provinces in the northern region: Luangnamtha, Luangprabang, Oudomxay and Vientiane. It is expected that in the long term these provinces will see significant economic improvements as a result of the railway though there are costs in the short term to local populations and the government is developing systems for compensation.

Social Development. In the past two years, the livelihoods of the people in the northern region have improved. Access to clean water, education and healthcare has increased. Schools have been built in rural areas while hospitals and first aid are now readily available throughout the region. At the same time, social development has increased total population and placed a strain on services and provision of jobs.

1.4.3. Central Region

GDP growth overview. Average GDP growth of the provinces in the central region ranged from 7.86 percent to 10.27 percent per year, slightly lower than the target of 7.8 percent to 12 percent. Growth was highest in Vientiane Capital, though it decreased slightly from 10.91 percent in 2015-16 to 9.63 percent in 2017 due to slow growth in the industrial sector. Growth, meanwhile, was mostly steady in Bolikhamxay Province (8.01 percent in 2015-16 to 8.03 percent in 2017), where the services sector been expanding (including the number of retailers and hotels).

Uneven growth across provinces. Khammouan Province, meanwhile, saw a slight GDP growth decline from 7.95 percent in 2015-16 to 7.78 percent in 2017 largely due to a decrease in the price of rare earth elements. Agricultural products in the province were also affected by natural disasters such as floods and the ‘Doksouly’ storm. Savannakhet Province also saw a decrease in GDP growth though the rate

remained quite high (10.31 percent in 2015-16 to 9.52 percent in 2017). The decline came as a result of the discontinuation of various industrial activities such as mining and logging as well as the impact of floods and storms on agricultural production.

GDP per capita. Across all provinces, GDP per capita in the northern region increased from a range of \$1,799-\$4,784 in 2015-16 to \$1,952-\$5,028 in 2017. The 8th NSEDP set a target of \$2,681-\$6,500. The rise in GDP per capita in the central region was related to an expansion in the service sector, mainly retails and tourism, though the agricultural sector remains a key driver.

Figure 1.11. Economic performance in the Central Region

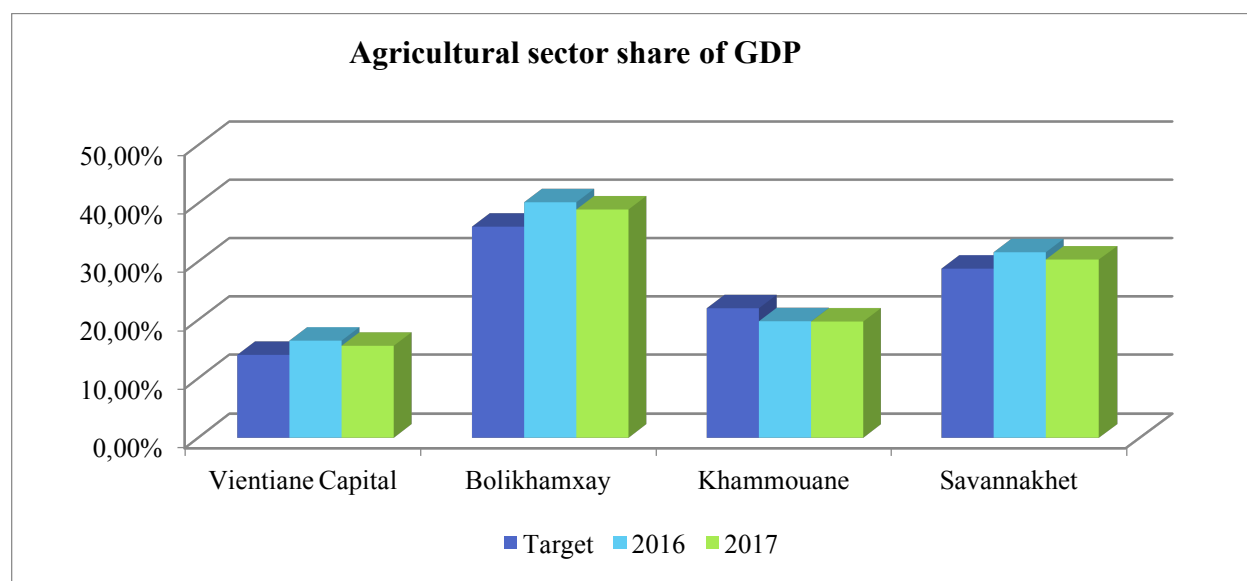
	Provinces	GDP growth				GDP per capita		
		Target	2016	2017	Average	Target	2016	2017
1	Vientiane Capital	11%	10.92%	9.63%	10.27%	6,500.00	4,784.00	5,028.00
2	Bolikhamxay	7.80%	8.01%	8.03%	8.02%	2,730.00	1,981.60	2,150.00
3	Khammouane	8.03%	7.95%	7.78%	7.86%	2,681.00	1,922.00	2,098.00
4	Savannakhet	12%	10.31%	9.52%	9.91%	2,780.00	1,799.00	1,952.00

Source: MPI

Economic Structure and Growth in Each Sector

Agriculture. The rate of growth in the agricultural sector has been affected by natural disasters, changing climates and pest outbreaks. These have particularly affected rice production. Additionally, maintenance and repairing of irrigation systems have also been challenging while some areas for agricultural production were turned into construction sites.

Figure 1.5. Central region agricultural share of GDP : NSEDP target versus performance



Source: MPI.

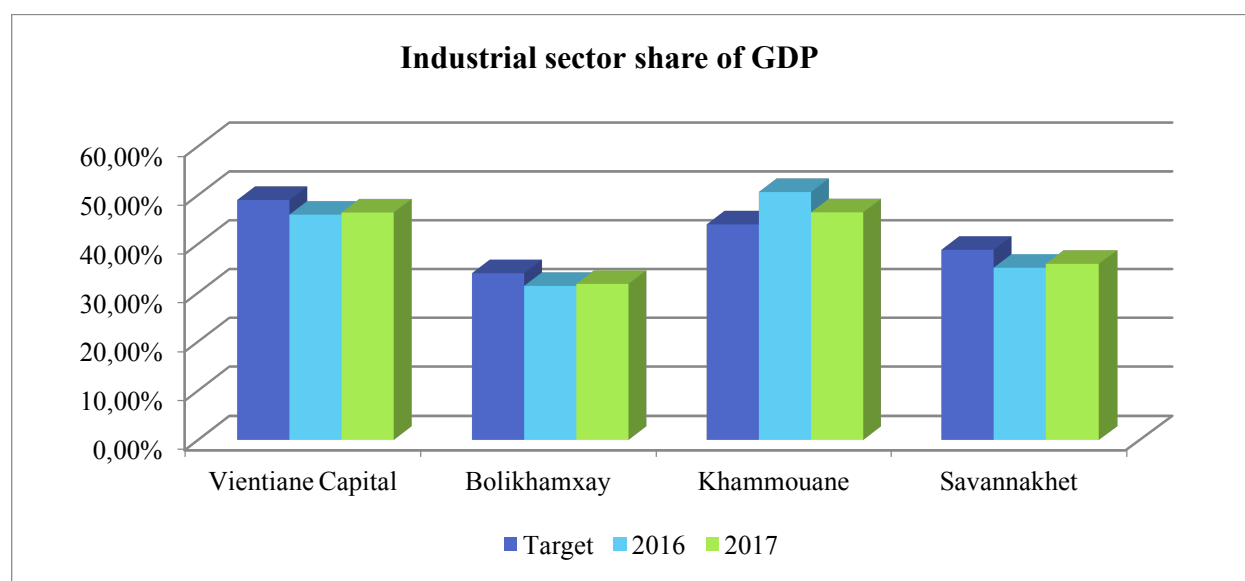
Rice production. The total area for rice production area decreased from 415,226 hectares in 2015-16 to 390,282 hectares in 2017. The total amount of rice produced decreased from 1,780,668 tons in 2015-16 to 1,480,871.75 tons in 2017.

- **Seasonal rice.** The producing area increased from 354,646 hectares in 2015-16 to 360,121 hectares in 2017. Total production decreased from 1,489,561 tons in 2015-16 to 1,340,097.34 tons in 2017. The decrease in output despite the rise in production area was largely due to changing climate that affected the quality of the rice.
- **Irrigative rice.** The producing area decreased from 58,068 hectares in 2015-16 to 27,414 hectares in 2017. Total production decreased from 286,227 tons in 2015-16 to 135,868.53 tons in 2017. Again, output was affected by natural disasters and damaged irrigation systems.
- **Upland rice.** The producing area increased from 2,512 hectares in 2015-16 to 2,747 hectares in 2017. Production, meanwhile, increased from 4,880 tons in 2015-16 to 4,907.88 tons in 2017. Upland rice production was mostly concentrated in Bolikhamxay and Khammouan because local populations settled in areas suitable for upland rice and have been producing this variety for an extended period of time. There have not been any arrangements yet for local people to move or switch to other kinds of production.
- **Commercial rice.** Commercial rice production for domestic and international markets can be found mostly in Savannakhet and Vientiane Capital. Organic rice produced in Vientiane Capital totaled 1,773.50 tons per year. “Hom Sa Wan” rice produced in Savannakhet for export totaled 16,894.75 tons.

Organic vegetables. Associations for organic vegetables farmers and sellers in Bolikhamxay and Vientiane Capital have also been organized. Livestock farming, including of cows, pigs, chickens, and fish, is also becoming more popular in the region.

Industry. Industrial growth in the region has been largely satisfactory. Exports, however, in some areas are still lower than planned (especially in timber processing) and significant numbers of businesses have closed in Bolikhamxay, Savannakhet and Vientiane Capital. As for Khammouane, growth of the industrial sector has fallen significantly from 9.38 percent in 2015-16 to 7.18 percent linked to the decrease in rare earth elements.

Figure 1.6. Central region industrial share of GDP : NSEDP target versus performance



Source : MPI.

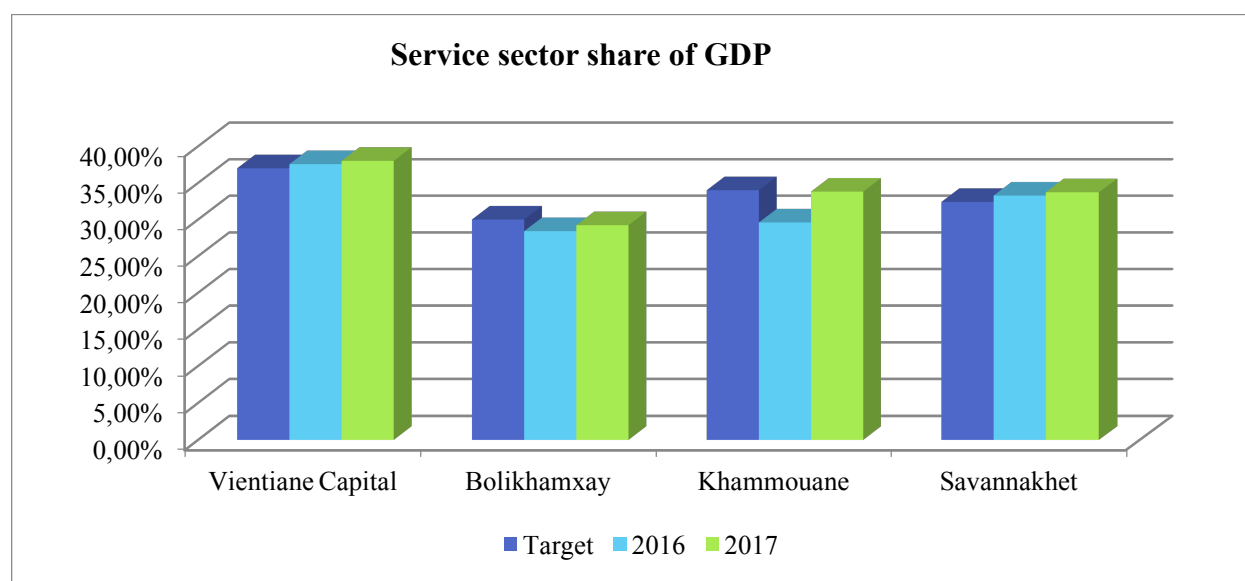
Special Economic Zones. Industrial modernization has been promoted to better serve domestic and international markets and help in growing the economy. Special economic zones have also been introduced to attract foreign investments, especially for SMEs in the clothing and electronics industry.

Examples of special economic zones include:

- Savan-Xeno Special Economic Zone: initially attracted investments from 9 companies totalling USD \$14.5 million. The zone has now grown to 105 companies and total investment of USD \$341.94 million.
- Luang Swamp Economic Zone: the government of Lao PDR signed a contract with a Chinese company Wan Ferng (inaccurate transliteration) to develop the 365 hectare area into a special economic zone. Investment is valued at USD \$1,600 million and has concession duration of 99 years.
- Tha Kaek economic zone: attracted domestic and foreign investors to invest in a total of 22 projects valued at USD \$12,930.72 million.
- There are ongoing efforts to develop industrial zones in Vientiane Capital into green (environmentally-friendly) industrial zones. Preliminary research with the help of Phongsavanh Group is underway to help develop the 300 hectare area.

Services. Regional service sector growth is considered to be relatively strong. Infrastructure in the tourism and hospitality industry has been developing rapidly and trainings in service-related areas are more widely available. Businesses are also more thoroughly inspected to ensure maximum quality for tourists. In 2018, a total of 5,858,514 tourists came to the region, especially to Khammouane and Bolikhamxay, followed by Vientiane Capital and Savannakhet.

Figure 1.7. Central region services share of GDP : NSEDP target versus performance



Source : MPI

Percentage of families and villages defined as poor.⁵⁴ Overall, poverty has gone down in most central region provinces. It is reported that poverty has been essentially eradicated in Vientiane Capital. The number of poor families also decreased from 7,970 in 2015-16 to 5,733 in 2017 in Savannakhet and from 1,151 to 894 over the same period in Khammouane. Only in Bolikhamxay did the number of poor families increase slightly, from 1,705 in 2015-16 to 1,711 in 2017.

Infrastructure development. In order to promote industrialization and closer regional integration, infrastructure has been widely improved across the central region, especially building roads connecting provinces and districts. This includes the 3 districts (Adsaphone, Sonnabury and Tha Pang Thong) in Savannakhet that do not yet have asphalt roads through them. Constructions of roads in rural areas has also been emphasized and has been an important support for helping people to get out of poverty. Some projects include : 2-level asphalt road No.10 (estimated current completion 7.42 percent) ; 2-level asphalt road 1G (from Road No.9 intersection in Phin District to Saravanh border, estimated current completion 27 percent) ; 2-level asphalt road from Road No.9 Ban Dong to Nong District (estimated current completion 100 percent) ; road project from Sisaath to Na khao Lom to Na Yang (Paksan District, Bolikhamxay Province and valued at 79.87 billion kip with estimated current completion 53 percent) ; 7 concrete and asphalt road projects in Paksan Municipality valued at 60 billion kip (current completion 49.19 percent) ; road project from Pakkading Tai to Na Nam Bolikhamxay province valued at 109.35 billion kip (current completion 28.39 percent).

Social Development. There have been an increasing number of schools in rural areas constructed to allow more people to have access to education at all levels such as kindergarten, primary, secondary, tertiary and vocational studies. Furthermore, healthcare services are also improved in terms of technical expertise and accessibility.

⁵⁴ According to NCRDPE.

1.4.4 Southern Region

GDP growth overview. Average GDP growth in the provinces of the southern region ranged from 7.71 percent to 9.19 percent per year, lower than the NSEDP target of 8 percent to 11 percent growth. Champasak, however, met the plan growth target, averaging 8.08 percent growth over the past two years, (slightly higher than target of 8 percent). The other southern provinces, however, fell short of growth targets. In Saravan, GDP growth averaged 7.71 percent in 2016-17, representing a large decrease. It is also projected that GDP growth targets for the remaining period will not be achieved because production areas have been heavily affected by natural disasters and pest outbreaks. GDP growth in Sekong averaged 9.10 over this period, also below the target rate of 11 percent.

Potential impact of 2018 flooding. Finally, in Attapeu GDP growth averaged 9.19 percent from 2016-17, just slightly lower than target of 10 percent. However, future growth is likely to be limited due to the dam incidents that caused losses of lives, assets, and infrastructure. Sanamxay district, for example, was prominently affected and is a plateau located along Xepian river with high agricultural potentials and serves as a main food source for local populations.

Table 1.10. Economic performance in the Southern Region

Source : MPI.

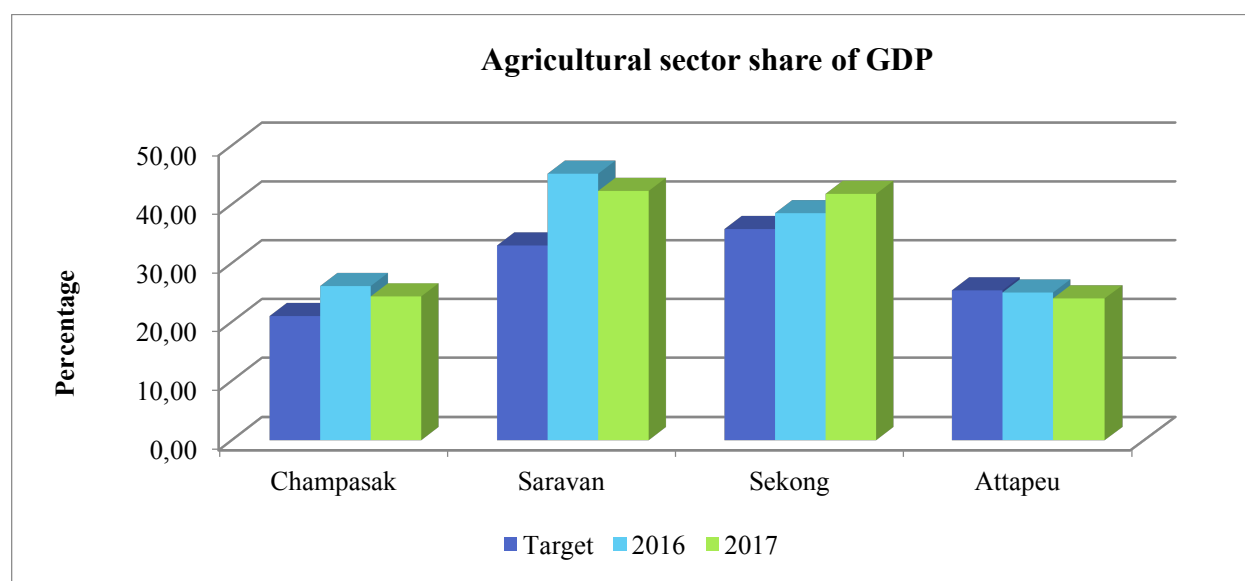
No.	Province	(%) GDP growth rate				GDP per Capita (USD/Person)			
		Target (2016-2020)	2016	2017	Average 2 years	Target (2016-2020)	2016	2017	Average 2 years
1	Champasak	8.00	8.04	8.12	8.08	3,581.00	2,224.00	2,468.00	2,356.00
2	Saravan	11.00	7.90	7.51	7.71	1,950.00	1,180.00	1,197.00	1,188.50
3	Sekong	11.00	9.10	9.10	9.10	2,230.00	1,524.00	1,580.00	1,552.00
4	Attapeu	10.00	10.88	7.50	9.19	2,900.00	1,876.00	1,980.00	1,928.00

Economic structure and growth in each sector. Champasak and Saravan have emphasized modernization and industrialization. As a result, agriculture and forestry share of GDP in Champasak dropped from 26.10 percent in 2016 to 24.34 percent in 2017. It is further estimated to fall to 21 percent in 2018. Industry, meanwhile, has gone up as a share of the economy (from 34.5 percent in 2016, 34.97 percent in 2017), as has services (39.4 percent in 2016 to 40.06 percent in 2017). A similar pattern is seen in Saravan. Agriculture and forestry share of GDP fell from 45.21 percent in 2016 to 42.28 percent in 2017. Industry stayed largely stable (21.38 percent in 2016 to 21.49 percent in 2017) while services grew as a share of the total (33.41 percent in 2016 to 36.23 percent in 2017).

By contrast, in Sekong and Attapeu agriculture is still predominant and this trend will likely continue. These provinces rely on agricultural production and commercial manufacturing production is limited. Meanwhile, the services sector has also declined due to decreased tourist arrivals.

Agricultural Sector. Agricultural production in the southern region is primarily focused on rice though other crops are also cultivated for local consumption and export.

Figure 1.8. Southern region agricultural share of GDP : NSEDP target versus performance



Source : MPI.

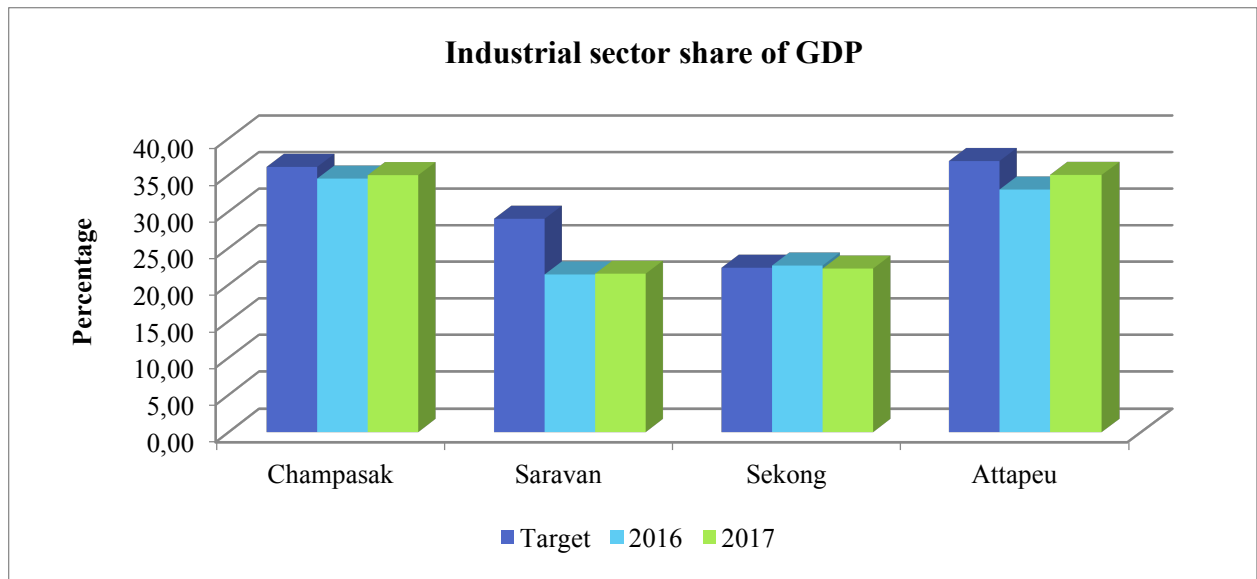
Rice production. Rice production reached over 2 million tons in the past two years, representing about 33 percent of the Plan’s target of 6 million tons. It is projected that by 2020, however, seasonal and irrigative rice production may not reach plan target due to unfavorable climate conditions, production loss, pest outbreaks and untimely irrigation repairs due to insufficient budget. Furthermore, official support and trainings are not yet available everywhere and some production areas have been turned into construction sites. There has also been a decrease in the market price of rice that leads farmers to switch to other kinds of crops with a higher value.

- **Seasonal rice.** The producing area decreased from 223,298 hectares in 2015-16 to 216,061 hectares in 2017. Total production amount decreased from 946,069 tons in 2015-16 to 865,577 tons in 2017.
- **Irrigative rice.** The producing area decreased from 24,879 hectares in 2015-16 to 17,190 hectares in 2017. Production decreased from 121,112 tons in 2015-16 to 80,754 tons in 2017.
- **Upland rice.** The producing area increased from 2,859 hectares in 2015-16 to 3,537 hectares in 2017. Production increased from 5,752 tons in 2015-16 to 6,302 tons in 2017.

Areas that are most well known for rice production in the southern region are the flat lowlands along the Mekong River in Phonthong, Sanasomboun, Mounlapamoke, Soukoumma Districts in Champasak Province; the flat lowlands in Saravan and Sekong; and Sanamxay District in Attapeu.

Industry. Over the past few years, industry sector has been an increasingly important sector that has generated revenue for the government, created value-added products, and increased exports to international markets. However, the drop in agricultural production and the introduction of tight regulations have negatively affected industrial sector performance and may constrain achievement of the 8th NSEDP target.

Figure 1.9. Southern region industrial share of GDP : NSEDP target versus performance



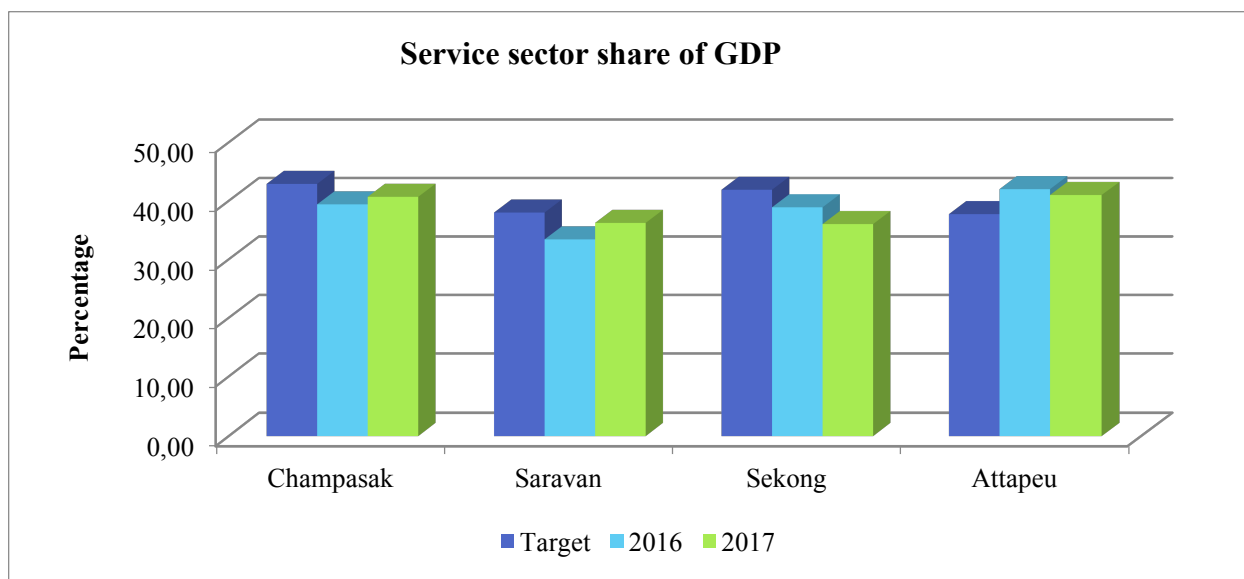
Source : MPI.

Industrial production. Industrial products generated 8,141.48 billion kip in total revenue in 2016 and 2017, representing 43 percent of the target set in the 8th NSEDP. The reason for the result was the decrease of the price of agricultural goods, limited production of cement, and lower number of timber processing businesses. Within the industrial sector, the food and beverage industry is the most prominent, creating 3,688.03 billion kip and covering 45 percent of the total revenue generated.

Industrial zones. Like in other regions, the development of industrial zones has also proceeded in the south. For example, during the NSEDP period various industrial zones have been developed such as industrial zone KM16 in Ba Jieng District ; industrial zone KM30 in Sanasomboun District ; and industrial zone KM 12 in Phonthong District.

Services. Many retailing and services sub-sectors have seen impressive growth in the southern region. Cities have increased access to modern technology that enables them to distribute products more thoroughly across the region. But the tourism and hospitality industry has not been able to attract as many tourists as planned. The number of tourists was 756,425 in 2016, 881,830 in 2017, and 448,390 in 2018, totalling 2,086,645 over the past two years. This number represents only 27 percent of the target. It is forecasted that by 2020, the plan’s target would not be met due to volatile global economic situations and unstable political situation in several neighbouring countries which led to a decrease in tourist spending. Moreover, promotion and advertising have not been able to reach the target audience and need further improvements.

Figure 1.19. Southern region services share of GDP : NSEDP target versus performance



Source : MPI

Percentage of families and villages defined as poor.⁵⁵ According to the NCRDPE, poverty has decreased in most southern region provinces. In Champasak, the number of poor families in 2016 was 743 (representing only 0.6 percent of the total). In 2017, this number was reduced to 222 families (0.4 percent of the total). By 2018, it is projected that the number of poor families will essentially be reduced to zero.

The number of poor families has also decreased in Saravan. In 2016, the number of poor families was 4,719 (representing 6 percent of the total). In 2017, this was reduced to 4,285 families (5.9 percent) and by 2020 it is projected that the number of poor families will be at most 3,631 (5 percent). Poverty rates in Sekong and Attapeu, however, are higher. In Sekong, the total number of poor families was 6,015 in 2016. This represents 25.0 percent of the total, the highest share in the region. In 2017, this number was reduced to 5,556 families (23.1 percent).

- **Poverty in Attapeu.** In Attapeu, meanwhile, the number of poor families was 2,973 in 2015 (representing 10.9 percent of the total). Data is not available for 2016 but in 2017 this number was reduced to 2,481 families (8.8 percent). Further progress in reducing poverty in Attapeu will be affected by the recent flooding and further projections will come following post-disaster needs assessment.

Infrastructure development. The southern region has made improvements in the area of irrigation to ensure sufficient food supply and in building road networks to ease transportation between villages, districts, provinces and region. For example, the southern region has 543 irrigation systems in place to supply water to seasonal and irrigative rice fields and other crops, though some places are unusable because water pumps are broken or there is not sufficient fund to repair them. Altogether, irrigation systems in the southern region can supply water to a total of 49,946 hectare. Meanwhile the lengths of all roads in the southern region collectively add up to 8,174.8 kilometers.

Social Development. During the past few years, the government has invested 17 percent of available public funds in education and sports and 9 percent in healthcare. However, results in these areas indicate that key social targets will not be met by 2020.

⁵⁵ According to the NCRDPE.

- **Education.** Sekong needs to continue to improve the rate of students graduating from primary school. As for Champasak, Saravan and Attapeu, it projected that they will not meet the target to achieve at least 85 percent of students attending lower-secondary school and 60 percent of students attending upper-secondary school. Progress has been affected by the specific economic situation in the region and the targets set in the 8th NSEDP could be reconsidered in this light. Many students in this age group choose to work and earn money to help provide for their families. Moreover, schools in rural areas are still lacking and inaccessible for students.
- **Health.** it is forecasted that various targets set for Saravan, Sekong and Attapeu in the plan will not be met including the target to achieve at least a 20 percent reduction in the number of underweight children under the age of 5; a 32 percent in the number of short stature in children; and 75 percent access for people to use proper toilets and have proper sanitation. **Targets to be checked.**

1.5. Outcome 1, Output 5: Public/private labour force capacity improved

1.5.1. Context

The labour force and Lao PDR’s development vision. Creating a diverse, well-trained, and highly-skilled labour force is an essential piece of the Government’s ambitions to graduate from the LDC category and reach the objectives of the 8th NSEDP. Without a strong labour force, progress towards development goals related to economic diversification, poverty reduction, structural transformation, and inclusive growth will likely be limited. A priority for the 8th NSEDP period was to enhance understanding of employment patterns and needs in the country, including differences across demographic groups and geographical areas. For this reason, the Government placed a premium on releasing the new Labour Force Survey—one of the 8th NSEDP targets for this output.

1.5.2. Progress and achievements

New labour force data. The 2017 Labour Force Survey was released in July 2018. It introduced a new concept of work, employment and labour underutilization adopted by the 19th International Conference of Labour Statisticians (ICLS) in 2013. It is important to note that the new data is not directly comparable to unemployment data from the 2010 survey. This means assessing progress towards NSEDP targets is not possible. Specifically, according to the new international standards, employment includes only those people working for pay or profit and excludes those engaged wholly or mostly in subsistence food production. The effect of this is to lower the count of employment and to increase the count of unemployment because subsistence producers are classified as unemployed.

Overview of the labour market. With this in mind, Table 1.11 gives key labour market indicators from the new LFS. In 2017, the working age population was estimated to be 4.8 million and the labour force 1.9 million. This results in a labour force participation rate of 40.8 percent. The unemployment rate (proportion of the unemployed in the total labour force) is estimated to be 9.4 percent.⁵⁶ Youth unemployment is also relatively high at 18.2 percent.

⁵⁶ These estimates are very different from the estimated indicators in 2010, when the labor force participation rate was estimated to be around 79 per cent and the unemployment rate around 2 percent.

Table 1.11. Key labour market indicators

	2017
Working age population	4,758,031
Labor force	1,940,230
Employment	1,757,733
Labor force participation rate (%)	40.8
Unemployment rate (%)	9.4
Composite rate of labor underutilization (%)	25.8
Youth unemployment rate, aged 15-24 (%)	18.2
Share of wage workers in total employment (%)	32.4
Average gross monthly income, employees (Kip)	2,481,000

Source: Labour Force Survey (2017)

Demographic differences in labour force participation. In general, labor force participation rates were higher in urban areas, for men, and for those with higher educational attainment. Informal employment accounted for 83 percent of workers, with higher rates among women and in the rural areas. In general, younger and older people were more likely to be affected by informality.⁵⁷ The gender gap in informal employment rate was the highest in Sekong (20.1 percentage points) and Attapeu (14.9 percentage points).

Employment across sectors. The largest share of workers, meanwhile, were in the agriculture, forestry, and fishing sectors, (35.8 percent of all employed) followed by wholesale and retail trade (21.4 percent). The manufacturing sector only made up 9 percent of employed people. Notably, despite their importance to the larger economy and contribution to GDP, the electricity and gas sector made up 0.7 percent of jobs and mining only 0.5 percent. There were also gender differences. Larger shares of women work in wholesale and retail trade and manufacturing while larger shares of men work in public administration and construction.

Table 1.12. Distribution of employment by sector

	Total	Male	Female
Agriculture, forestry, and fishing	35.8	34.7	37.1
Mining and quarrying	0.5	0.9	0.2
Manufacturing	9.1	7.0	11.5
Electricity and gas	0.7	1.0	0.2
Water	0.4	0.6	0.2
Construction	5.4	9.1	1.1
Wholesale and retail trade	21.4	17.1	26.4
Transportation	2.5	4.3	0.6
Accommodation and food service	2.6	1.9	3.6
Information and communication	0.5	0.5	0.5
Financial and insurance	0.7	0.4	1
Public administration	10.2	14.2	5.5
Education	5.5	5.0	6.1
Health and social work	1.5	0.9	2.1

⁵⁷ The highest informal employment rate occurred in Huaphanh (94.2 per cent) and in Luangprabang (93.4 per cent). The lowest rates were found in Sekong (68.0 per cent) and Savannakhet (69.1 per cent).

Other services	3.2	2.4	3.9
Total	100	100	100

Source: Labour Force Survey (2017)

Government support for developing the labour force. Many activities were carried out during the first half of the 8th NSEDP implementation period that have contributed to plan objectives. The Government, with development partner support, has been working on developing high-quality labour market information and has been facilitating employment shifts across and within sectors. For example, labour market fairs have been organized throughout the NSEDP period to provide information to job seekers. The Government has also been working with partners to compile up-to-date information about the Lao PDR labour market. The findings and the new statistical information from these efforts will be critical as support to planners, policy makers, researchers, students and other users. In addition to this, the Government has provided needed tools and equipment to skilled labour development centres in Oudomxay, Bokeo and Savannakhet. As a result of various partnership and initiatives, the sector has been able to produce about 270,042 skilled labourers, of which agriculture sector accounts for 70,258 persons (female 28,671), industry 70,232 persons (18,030) and service 129,552 persons (female 73,416).

Several strategies have also been launched to support the Government's goal of developing a highly-skilled labour force. This includes the National Human Resource Development Strategy (NHRDS) to 2025, the Law of Education (amended version, July 2015), the TVET Development Plan 2016-2020, and the Higher Education Development Plan 2016-2020.

Increasing skills and the performance of TVET. Specific emphasis during the plan period has been placed on enhancing TVET. The Government views TVET as a critical driver of a strengthened national workforce. Public and private TVET Institutes have expanded to offer a range of vocational and technical training courses for those who have completed lower secondary school. The Government of Lao PDR recognizes, however, the limitations of the TVET system so far in playing its essential role—despite the efforts and resources expended to develop the sub-sector. Specifically, the quality of TVET programmes still ranges widely, the relevance of the curriculum to the job market is often limited, and coordination with private sector needs remains relatively weak. Training systems also need to be reoriented and made more flexible to the needs of different types of workers (including those in the informal sector).

Table 1.13. Distribution working age population and labour force by level of education

	Working age population			Labour force		
	Total	Male	Female	Total	Male	Female
Not enrolled	20.0	13.1	26.5	9.3	6.5	12.7
Less than primary	33.7	34.4	33.0	33.9	32.8	35.3
Primary completed	18.3	20.4	16.2	20.4	21.6	18.9
Lower secondary	12.9	14.5	11.3	13.4	14.5	12.3
Upper secondary	4.4	5.0	3.8	3.5	3.8	3.1
Vocational first	1.0	1.3	0.8	1.7	2.1	1.3
Vocational middle	2.8	3.3	2.4	4.9	5.2	4.6
Vocational high	3.8	4.2	3.5	6.9	7.2	6.6
University and upper	3.1	3.7	2.5	5.9	6.4	5.2
	100	100	100	100	100	100

Source: Labour Force Survey (2017)

Low participation rates in vocational and higher education. But overall participation in vocational training remains relatively small, both in terms of the share the working age population and of the labour force.

About 7.6 percent of the working age population had completed some form of vocational training. Another 3.1 percent had completed university education or above. Meanwhile, 13.5 percent of the labour force had completed vocational training and 5.9 percent university level or higher. Those who had not completed primary school still make up 53.7 percent of the working age population and 43.2 percent of the labour force.

Growth of higher education but significant challenges. Higher Education Institutes, meanwhile, now offer several study course programs including Diploma, Bachelor, Master, and Doctoral courses. There are at least 99 Higher Education institutes (28 of which are private). Approximately 1,711 government scholarship recipients and 6,216 privately funded students are studying at the 4 public universities. The sub-sector is, however, continuing to face significant challenges. These include the capacity of staff and instructors, limited courses on subject areas to meet the needs of the national socio-economic development strategy, and scientific research that is not well aligned to priority development sectors.

Broadening the vision of education and skills training. Non-Formal Education (NFE) has also been prioritized by the Government as part of its 'education for all' policy. Youth and adult education contributes to the growing workforce and are also pre-requisites for LDC graduation. NFE initiatives include literacy training programs, primary education equivalency programs, lower secondary education equivalency programs, upper secondary education equivalency programs, and basic vocational training program. In addition, with DP support, the NFE subsector has developed a concept of Life Long Learning (LLL), subsequently featured in a Prime Minister Decree. Like other efforts related to enhancing the pool of labour, the NFE sector has challenges still to be addressed, including the effective operation and function of the NFE centres at provincial and district level, budget constraints, limited supply of experienced teachers, and insufficient supply of learning and teaching materials.

Development of sector standards. Meanwhile, other Government initiatives have resulted in progress related to the labour market. As prescribed by the NSEDP, labour skills standards have been improved and clarified for several occupations, including six in the ICT sector, four in industry, and four in tourism. These standards are now being proposed to the National Consultative Council on Vocational Training and Skills Development. Efforts to further develop skills standards will continue over the rest of the plan period aligned with the NSEDP target of developing standards for 25 occupations.⁵⁸ Also aligned with the NSEDP have been efforts to enhanced skills development centres. These aim to promoting to provide vocational and other skills training opportunities.

Signs of progress but critical need for employment generation. While complete data on employment opportunities generated during the first half of the 8th NSEDP are not yet fully available, some initial estimates are available that point to progress in providing job opportunities in targeted sectors. Nevertheless, this remains a critical area for increased focus and prioritization over the coming period as employment generation still appears off-track to reach NSEDP targets.

Mega-projects and employment. Large mega-projects are also impacting the labour market in Lao PDR. For example, the Laos-China railway project was allowed to employ foreign workers for construction and to help Lao workers access some of these positions, the Ministry of Labour and Social Welfare coordinated with employment services centers, employment service companies and labour and social welfare divisions of provinces and Vientiane Capital nationwide to register workers before sending the available workers to work for the project. Once completed, there will be a significant increase in human mobility across the

⁵⁸ Similarly, labor skills standards for builders and for electrical installation have been piloted at the labour skills development centers in Oudomxay and Champasack provinces.

country due to increased connectivity through those mega- infrastructure projects, which will enhance people's options in determining the location and the types of jobs than before.

Labour migration. According to the LFS, a majority of those who had moved from their birthplace now reside in Vientiane Capital and Vientiane province. Of this group, women were much more likely to move for family-related reasons than men and men were more likely to move for job-related reasons. This situation was quite different for international migrants, as 87 per cent were abroad for job-related reasons⁵⁹ and nearly the same share sent funds home (88 percent), with the average remittance amount being USD \$177 per month. About 60 percent of international migrants were women.⁶⁰

Evidence suggests Lao migrants continue to face significant challenges. According to ILO analysis,⁶¹ most international migration takes place through irregular channels and migrants often face limited access to information, training, and resources (especially women). Skill matching when abroad is also difficult for Lao migrant workers as are chances for mobility and social protection support. Upon return to Lao PDR, a substantial portion of migrant workers also tend to have trouble re-integrating, including finding jobs or accessing integration services.

1.5.3. Challenges and lessons learned

Accelerating progress in providing job opportunities in targeted sectors will be a critical area for prioritization over the coming period. Employment generation remains off-track to reach several NSEDP targets. There remain shortages of trained professionals for key sectors and limited on-the-job training opportunities. While the Government has undertaken initiatives to use TVET as a driver of a strengthened national workforce in line with the vision of the 8th NSEDP, limitations remain in the ability of this system to play its essential role coordinate among different skills development centres by different ministries and organizations and TVET under the Ministry education. Cooperation with private sector firms require further strengthening. Specifically, the quality of TVET programmes ranges widely, the relevance of the curriculum to the job market is often limited, and coordination with private sector needs remains relatively weak. The development of stronger higher education institutes to support structural transformation, meanwhile, is also challenged by the capacity of staff and instructors, limited alignment of available courses and the needs of the national socio-economic development strategy, and scientific research that is not well aligned to development priorities. Finally, the non-formal education sector also faces budget constraints, limited supply of experienced teachers, and insufficient supply of learning and teaching materials.

1.5.4. Next steps

The overarching aim of the Government's approach is to develop the human resources necessary to drive sustainable socio-economic development and to compete with ASEAN countries and others. Moving forward for the remainder of the 8th NSEDP and beyond, this can include as priorities:

- Strengthening TVET and skills development coordination mechanism and programmes to develop the human capital required to increase the ability of people to take on new opportunities, especially through partnerships with the private sector to match demand and supply of skills. National qualification of skills mechanism requires further strengthening.

⁵⁹ Labour Force Survey 2017.

⁶⁰ ILO Migration Study.

⁶¹ ILO Migration Study.

- Improving the quality of education across different levels, including primary and secondary, non-formal, and higher. This includes through teacher recruitment, training, and retention; curriculum review; and introducing assessments of student comprehension and mastery.
- Enhancing understanding of employment patterns in the country, including differences across demographic groups and geographical areas, as well as through continuing the systematic conduct of labour force surveys in order to monitor progress in labour force capacity.
- Implementing and enhancing linkages between key Government initiatives to help develop the labour force, including the National Human Resource Development Strategy (NHRDS) to 2025, the Law of Education, the TVET Development Plan 2016-2020, and the Higher Education Development Plan 2016-2020.
- Increasing collaboration between training institutions and private sector firms, such as through internship programs and on-the-job training.
- Exploring further the human capital training programs stipulated in international agreements with ASEAN and other countries.
- Increase access to information for potential migrants to support informed decision-making about going abroad for work.
- Develop regular migration channels that are less costly, time consuming and complex.
- Expand the services provided to migrant workers to assist with return and reintegration.
- Encourage the development of affordable and migrant-friendly remittance and banking services.

1.6. Outcome 1, Output 6: Local entrepreneurs are competitive in domestic & global markets

1.6.1. Context

Building an enabling environment for entrepreneurship. The 8th NSEDP further aims to support building an entrepreneurial class that can help lead the Lao economy in its economic transformation. Such a pool of business leaders is needed to drive growth, employment, and innovation. Also important is the development of strong human resources in priority technical professions, such as engineers, scientists, economists, and lawyers. A highly-skilled set of technical professionals is critical to achieving the long-term vision of the Government.

1.6.2. Progress and achievements

Government initiatives to support new entrepreneurs. To support these aims, each province now has at least one vocational school with an emphasis on aligning training with priority technical skills needed for the economic and industrial shift strategy laid out by the 8th NSEDP. Students have traditionally enrolled in vocational training for vocations such as accounting or hospitality, and the Government has adopted initiatives to shift enrolment to technical fields such as engineering where there is a large skills gap or unmet demand for labour. TVET programs are also undergoing reform to support the development of these technical experts. This includes efforts to improve the quality of education and hands-on training, the supply of qualified and trained teachers, and the design of curricula, teaching and learning materials, and other facilities. One reform is an attempt to shift to skills rewarded in the modern labour market, including critical thinking, problem solving, behavioural skills, and information technology. More pathways to move from TVET programs to higher education. Finally, the Government is conducting a comprehensive, multi-sectoral analysis of the demand for education in the labour market. This includes, critically, an attempt to identify labour, trade, and industrial policies that can create demand for technically-skilled workers.

Information, education, and capacity. In general, SME support to enhance entrepreneurship and develop strong small businesses has been considerable. For example, Prime Minister’s Decree 42 aims for the “Promotion of Small and Medium Enterprises” while the MOIC’s DOSMEP has been active in promoting SMEs capacity and access to finance. The MoES has also integrated “Know About Business” into senior secondary schools to equip learners with entrepreneurial skills and attitudes aimed at enhancing their employment opportunities and improve their business skills. In the long-term, the aim is to cultivate entrepreneurial culture in Lao PDR and increase the productivity and competitiveness among current and future entrepreneurs. Enhancing entrepreneurship opportunities and capacity links to the Government’s comprehensive strategy for developing the private sector, including through targeted interventions to enhance the business environment.

1.6.3. Challenges and lessons learned

Promoting a stronger culture of entrepreneurship and enhancing the enabling environment for SME development are key challenges to the 8th NSEDP’s vision of a vibrant private sector as an engine of growth. While the Government has adopted important initiatives to support SMEs and business owners, many still lack access to business services, technology, and finance. In general, the environment for capital investment needs strengthening.

In particular, SMEs face constraints in accessing credit and difficulty obtaining loans without fixed assets. Many SMEs can also benefit from improved accounting and financial reporting practices, an issue both for the efficiency of businesses and for their ability to access bank financing and investment. In general, more can be done to help Lao firms take advantage of the country’s opening up and regional and global integration.

1.6.4. Next steps

Moving forward for the remainder of the 8th NSEDP and beyond, support for developing entrepreneurs and stronger SMEs can include:

- Strengthening skills development initiatives to include business training and entrepreneurship development-related courses.
- Enhancing understanding of the limitations to entrepreneurial development and SME growth in Lao PDR, including through research and participatory consultations, and developing targeting responses to remove constraints and promoting a culture of entrepreneurship.
- Strengthening SME support service centres both from inside and outside government, such as the SME Service Centre at LNCCI.
- Reviewing and streamlining as appropriate systems and cost for registering and operating SMEs.
- Improving availability of SME finance and supporting efforts to increase access, including through non-bank financial products.
- Developing targeted support initiatives for SME accounting and financial management, including through provision of advisory services, training, and technology.
- Introducing measures to assist SMEs to take advantage of increased trade openness and new opportunities arising from WTO accession and AEC integration.

1.7. Outcome 1, Output 7: Regional and international cooperation and integration achieved

1.7.1. Context

Deepening Lao PDR's engagement with the world. The 8th NSEDP sets out a strategy for further integrating Lao PDR regionally and globally, especially by strengthening trade linkages and deepening partnerships with traditional and new development partners. Development cooperation in Lao PDR is evolving towards greater and more diverse partnerships to achieve the goals of the 8th NSEDP and the SDGs, especially through the Round Table Process and Sector Working Groups. These mechanisms are critical to ensuring aligned support around the Government's key priorities and strategies.

Lao PDR's development priorities are also supported by further regional integration. This includes through ASEAN Economic Community (AEC), Greater Mekong Sub-region (GMS), and the Lower Mekong Initiative (LMI). These efforts along with other regional connectivity and transport network efforts all promote the government's transition from a "landlocked" to "land-linked" developing country.⁶²

Government support for increasing Lao PDR's involvement in international trade, meanwhile, has been focused on three key pillars. First, it includes developing the necessary linkages to support better access to markets and more efficient trade, including by providing suitable infrastructure (e.g., energy and telecommunications) and transport linkages (e.g., road, rail, and water). Second, it includes initiatives to strengthen the design and enforcement of legal frameworks and procedures to help facilitate trade. These include, for example, multilateral and regional economic cooperation frameworks and commitments related to AEC and WTO membership. Finally, it includes strengthening the capacity of domestic industries and firms to develop and trade products that are internationally competitive and demanded by regional and global markets.

1.7.2. Progress and achievements

Bilateral and multilateral cooperation. The Government has continued to lead and strengthen a range of mechanisms for policy dialogue and discussions, including especially the Round Table Process and Sector Working Groups. These dialogues are critical to ensuring aligned support around the Government's key priorities and strategies. Importantly, participation in these mechanisms has also been expanding to include not only the central government and traditional development partners but also National Assembly members, provincial authorities, regional bilateral partners, private sector entities, and civil society.

- **Development cooperation and the Vientiane Declaration.** Lao PDR's approach to development cooperation was codified in the Vientiane Declaration on Partnership for Effective Development Cooperation Country Action Plan (VDCAP 2016-2025). Drafted together with partners, the declaration identified 14 key action areas to enrich and enhance development effectiveness. The Government and its partners have further established a monitoring framework and will continue joint assessments of implementation of the Declaration throughout the 8th NSEDP implementation period.

⁶² Refer to the ADB publication Mr Shunsuke Bando handed out at the consultation: Frielink, B., and Bando, S., 2018. 'Increasing Benefits through Economic Corridor Development in the Lao People's Democratic Republic'. ADB Southeast Asia Working Paper Series. (Available from: <https://www.adb.org/sites/default/files/publication/422031/sewp-017-lao-pdr-economic-corridor-development.pdf>)

- **A Round Table Process to support Lao PDR’s modern development vision.** The Government of Lao PDR and its partners continue to broadly perceive of the Round Table Process as a significant contribution to more effective partnership. Its positive characteristics include frank and open discussions, inclusive participation, and focus on concrete outcomes. Results from RTP mechanisms have consistently been translated into directives from the Prime Minister to line ministries, provinces and concerned agencies. Nevertheless, the Government recognizes the importance of continually assessing and adapting as necessary the approach. While it has led to success, there are elements of the partnership that require further strengthening. Over the rest of the plan period, for example, the contribution and mobilization of support from the private sector to accelerate NSEDP achievement will be a highly pressing objective. More broadly, Government also aims to continue shifting the development dialogue further into discussion and agreement on implementation mechanisms, capacities, and resources.

Regional integration. Deeper regional integration can also support many of Lao PDR’s development priorities, including those related to LDC graduation, 8th NSEDP implementation, and the 2030 Agenda. The Government’s aim to transform into a ‘land-linked’ rather than a land-locked” country supports greater access to markets for trade, deeper integration into regional and global value chains, enhanced competitiveness of Lao enterprises relative to foreign firms, stronger tourism opportunities, and expanded access to technologies and human resource expertise.

Deeper regional integration moved ahead in Lao PDR during the first half of the 8th NSEDP period, including through important regional groupings and frameworks. Many of these efforts support strengthening policy reform and infrastructure connectivity aligned with closer regional cooperation. This includes the transformative regional railway currently underway from China to Vientiane and beyond. It also includes important efforts related to regional groupings, especially the AEC and GMS.

- **ASEAN Economic Community.** The formal establishment of the AEC at the end of 2015 coincided with the launch of the 8th NSEDP in Lao PDR. Integration activities have since continued apace, including important efforts during Lao PDR’s ASEAN Chairmanship in 2016.

Under Lao PDR leadership, key accomplishments included completion of the Master Plan for ASEAN Connectivity 2025 and the Vientiane Declaration on Promoting Infrastructure Development Cooperation in East Asia. Other agreements included the ASEAN Trade Facilitation Framework in 2016 (setting a target to reduce 10% of trade transaction costs by 2020); the ASEAN Trade Repository (one-stop online database on ASEAN trade- and customs-related information); ASEAN Seamless Trade Facilitation Indicators (ASTFI); AEC 2025 Trade Facilitation Strategic Action Plan (ATF-SAP). These efforts all support the key ASEAN-wide objectives of reducing trade transaction costs in the region by 10% by 2020 and doubling intra-ASEAN trade between 2017 and 2025.

The implementation of the AEC Blueprint 2025 and its corresponding sectoral work plan will also be supported by the AEC 2025 Monitoring and Evaluation Framework, which replaced the AEC 2015 Scorecard. Also finalised in September 2016, the Framework improves on the previous AEC monitoring system by incorporating outcomes monitoring and impact evaluation. The AEC 2025 Consolidated Strategic Action Plan (CSAP) was later endorsed in 2017 and provides a comprehensive picture of key actions drawn from the sectoral work plans.

Meanwhile, Lao PDR has been making progress in implementing its AEC commitments, including for cutting tariffs and creating the ASEAN trade repository through an online trade portal. But additional reforms and technical assistance are required to help meet the AEC goal of a national

single window and eliminating other non-tariff barriers. The regulatory and procedural changes needed will require increased coordination of government actors from many different sectors and agencies.

- **Greater Mekong Subregion.** The GMS Program continues to support high-priority sub-regional projects in a wide range of sectors across the six GMS countries. In total, around \$19 billion has either been completed or started implementation in the region. These all aim to increase connectivity, competitiveness, and community in the sub-region. Lao PDR has specifically benefited from program investments in infrastructure supplemented by capacity building support.

The large majority of projects in Lao PDR were for the construction of assets in energy, transport, and other infrastructure (about 94 percent). An analysis by the ADB, meanwhile, of the GMS program at the sector and project level points to its close alignment with the 8th NSEDP. GMS projects are already discussed and prioritized with relevant sector ministries and coordinated by MPI for inclusion in GMS action plans, annual plans, and the NSEDP. But this formal alignment can be better strengthened, especially to ensure complementarity with other initiatives, support for national objectives, and benefit maximization from GMS.⁶³ Further GMS coordination and alignment can be a support to the aim of developing economic corridors in the region. These can include specific policies, institutional arrangements, complementary projects, and capacity development initiatives.

International trade. Although total exports have grown steadily in recent years (including during the first half of the 8th NSEDP), export composition has not changed significantly and remains heavily concentrated on resource-based products. Lao PDR's top trading partners have also remained steady over time and are similarly concentrated among a few countries. Thailand, China, and Viet Nam collectively received 82 percent Lao PDR's exports in 2016.⁶⁴ The concentration of product lines and trading partners increases vulnerability to external shocks, such as global commodity price decreases and economic slowdowns in the main trading partners.

Exports. The total value of exported merchandise goods for the first two years of the 8th NSEDP was US\$ 5.6 billion.⁶⁵ Natural resource-based products continue to account for a large majority of Lao PDR's exports (Table 1.14). In 2016, for example, primary commodities made up 78 percent of the total, an increase from 69 percent in 2015. The leading exports were ores and metals, accounting for 31 percent (especially copper, which alone made up 26 percent of the total). These were followed by agricultural raw materials (primarily wood-based) with 16 percent and electricity with 10 percent.⁶⁶

Table 1.14. Resource-based versus non-resource-based exports, 2015-16

Export product	Share of total exports (%)		Export value (USD mn)	
	2015	2016	2015	2016
Primary commodities	69%	78%	1,824	2,273
Non-fuel	52%	63%	1,365	1,832

⁶³ See ADB paper.

⁶⁴ UNCTADstat.

⁶⁵ IMF figures are slightly higher—9.4 million (4.3 for 2016 and 5.0 for 2017). Growth rate also slightly higher (17 and 16.1 respectively). IMF Country Report No. 18/84.

⁶⁶ UNCTADstat. According to UNCTAD, merchandise exports totaled USD \$3,352 million in 2016. This was an increase from USD \$2,769 million in 2015, representing 21 percent annual growth the first year of the NSEDP.

Food	11%	16%	284	461
Raw materials	21%	16%	539	475
Ores/metals	21%	31%	541	896
Fuels	16%	11%	432	310
Electricity	13%	10%	352	302
Petroleum	3%	0%	75	3
Manufactured goods	31%	22%	804	656

Source: UNCTADstat.

Concentration of trading partners. Lao PDR's leading main export destinations continue to be the neighbouring countries of Thailand, China, and Viet Nam (Table 1.15). In 2016, exports to Thailand accounted for 40 percent of the total, followed by China with 28 percent, and Viet Nam with 14 percent. These three countries together accounted for 82 percent of all exports in 2016 (nearly unchanged from 83 percent in 2015).

Table 1.15. Leading destinations for Lao PDR exports

Partner	Share of total exports(%)		Export value (USD mn)	
	2015	2016	2015	2016
Thailand	36%	40%	1,382	1,780
China	32%	28%	1,225	1,268
Viet Nam	15%	14%	553	627
India	4%	4%	135	162
Japan	2%	2%	92	109
Germany	2%	2%	76	75
UK	1%	1%	48	48
USA	1%	1%	43	52
Netherlands	1%	0%	23	17
Australia	0%	0%	3	8

Source : UNCTADstat and ADB Key Indicators for Asia and Pacific 2017.

Imports. Total gross import values at the mid-term of the 8th NSEDP were at US \$9.9 billion. Approximately 2/3 of these were manufactured goods, especially electrical machinery (e.g., appliances) and road vehicles. Lao PDR also imported significant amounts of food and petroleum. As with exports, Lao PDR imports primarily from a small number of neighboring countries. Thailand alone accounted for 65 percent of imports to Lao PDR in 2016—an increase from 61 percent in 2015. Moreover, Thailand, China, and Viet Nam, together made up 90 percent of total imports to Lao in 2016.

Table 1.16. Leading importing countries to Lao PDR

Partner	Share of total imports (%)		Import value (USD mn)	
	2015	2016	2015	2016
Thailand	61%	65%	4,419	4,204
China	19%	16%	1,352	1,071

Viet Nam	8%	9%	555	608
Korea	2%	2%	181	137
Japan	2%	2%	111	124
Singapore	4%	1%	260	47
Germany	1%	1%	48	37
India	1%	0%	55	25
France	0%	0%	13	13
Australia	0%	0%	21	18

Source : UNCTADstat and ADB Key Indicators for Asia and Pacific 2017.

Trade concentration and LDC graduation. This concentration of trading partners has some positive implications related to LDC graduation as none of the key partners give preferential access specifically to LDCs so access will not be affected by graduation specifically. In the cases of Thailand and Viet Nam, open access will continue in the context of AFTA and AEC integration. But the narrow range of partners also suggests that the continued expansion of Lao exports depends on healthy growth in these three economies and on demand for Lao products remaining high.

Slow progress in trade diversification. While the 8th NSEDP aimed to diversify the country's economic structure (including the range of exports), this objective has seen mixed results. This is illustrated by indicators of export concentration (Table 1.17). Lao PDR's base of exports remains narrow relatively to comparator groups, though it has grown in recent years. In 2010, for example, Lao exported 117 products compared to over 250 for both LDCs and ASEAN countries. In 2016 Lao's export base had increased to 141 products though this is still far smaller than LDCs and ASEAN countries. Meanwhile, Lao's export concentration index also decreased sharply since 2010 (and was largely unchanged between 2015 and 2016), but exports remain more concentrated in Lao PDR than in the ASEAN.

Table 1.17. Measures of export concentration and diversification

		Lao PDR	LDCs	ASEAN
2010	Number of products	117	255	258
	Concentration Index	0.31	0.45	0.13
	Diversification Index	0.77	0.69	0.32
2015	Number of products	215	257	260
	Concentration Index	0.19	0.27	0.12
	Diversification Index	0.67	0.69	0.30
2016	Number of products	141	257	259
	Concentration Index	0.20	0.24	0.11
	Diversification Index	0.74	0.69	0.31

Source: UNCTADstat.

Frameworks for enhancing trade integration. One of the pillars of the Government of Lao PDR's strategy for increasing economic integration is continued emphasis on strengthening the implementation legal frameworks and procedures that govern and allow for efficient trade. This includes the adoption and implementation of commitments related to membership in the WTO, AEC and Cross-Border Transport Facilitation Agreement under the GMS. As part of its WTO membership, the Government introduced new legislation in several areas, including for regulating tax, trade, and intellectual property policy. For

example, it has developed regulations for the IPR Law on unfair competition and plant variety, enhanced technical capacity to fully implement IPR border protection measures, and developed detailed draft guidelines on IPR adjudication.

Progress with AEC commitments. Lao PDR also continues to move forward with its AEC commitments, such as reducing its import tariffs to zero on goods imported from other ASEAN countries by 2018 and continuing efforts to remove non-tariff barriers (NTBs). It has also developed regulations and strengthened the capacity for the professional body of accountancy as required by the ASEAN Mutual Recognition Agreements. The Government has also launched the Lao Services Portal that contains information related to trade and investment in country, including legal documents, measures, procedures, forms, services commitments, news, and publications.

Key accomplishments to promote trade. One of the key initiatives of the 8th NSEDP period has been the launch of a Trade Facilitation Roadmap covering 2017-2020. The Roadmap lays out a path towards more deeply integrating Lao PDR into international trade. It includes, for example, action plans for implementing category B and C measures of the WTO Trade Facilitation Agreement. In addition to the global and regional agreements, Lao PDR has signed a series of bilateral trade-related agreements with Cambodia, China, Japan, the Republic of Korea and the United State (among other countries).

The Lao Business Forum. To further business development related to trading opportunities, the Government continued to hold the Lao Business Forum (LBF). In the run-up to the 2017 forum, the Lao National Chamber of Commerce and Industry (LNCCI) and Ministry of Industry and Commerce (MoIC) identified 32 priority issues raised during roughly 150 working group meetings. Solutions were developed and implemented for 4 of the issues presented.

Progress in reducing tariffs and NTBs. Lao's progress in promoting trade integration is illustrated by its reduction of tariffs and NTBs. Import tariffs on non-agricultural and non-fuel products, for example, have gone down during the plan period (Table 1.18). Nevertheless, challenges remain for Lao PDR to meet its trade-related NSEDP objectives. The OECD rates Lao PDR as having low trade facilitation support relative to ASEAN counterparts.⁶⁷ According to the OECD trade facilitation indicators, performance improved between 2015 and 2017 in the areas of information availability, involvement of the trade community, appeal procedures, fees and charges, documents, and automation. Performance in the other areas has been relatively stable with the exception of procedures (which decreased). But there is space for improvement across all the indicators. In particular, this includes simplification and harmonisation of documents, automation and streamlining of procedures, and information availability.

This is particularly true in agricultural trade, as there has been difficulty coordinating the central authorities that grant licenses and the provincial agencies that enforce them at border crossings. This has resulted in the latter sometimes appending additional nonstandard requirements and delay trade. The relative cost of permits required for agricultural trade remains among the highest in the region. More broadly, import and export procedures have tended to adversely affect agricultural trade, even if formal tariffs and the burden of official nontariff measures are not particularly high.⁶⁸

⁶⁷ OECD Trade Facilitation Indicators.

⁶⁸ ADB (2017), Lao PDR Country Diagnostic Study.

Table 1.18. Import tariff rates on non-agricultural and non-fuel products

	2014	2015	2016
Manufactured goods, ores and metals	5.53	8.83	2.36
Ores and metals	2.36	4.88	1.14
Manufactured goods	5.57	8.86	2.38
Chemical products	5.52	9.33	3.13
Machinery and transport equipment	6.25	9.23	2.33
Other manufactured goods	4.55	8.05	2.22

Source: UNCTADstat.

1.7.3. Challenges and lessons learned

Progress diversifying Lao PDR's economic structure has been relatively slow. While total exports have grown their composition has not changed significantly and have remain concentrated on low-value added resource-based products. Lao PDR's top trading partners have also remained steady over time and are similarly concentrated among a few countries. The concentration of product line and trading partner increases vulnerability to external shocks, such as global commodity price decreases and economic slowdowns in key partner economies. Trade facilitation efforts in the context of AEC integration have also been somewhat slow relative to other countries even though official tariff rates have declined in many instances.⁶⁹

Meanwhile, though external public finance will remain an important contributor to Lao PDR's development progress, the availability of traditional ODA, access to concessional loans, and the share of grants in the mix of total external finance may decline as the Lao PDR economy continues to grow. The Government of Lao PDR and its partners will also continue efforts to strengthen their partnerships, such as by widening the range of stakeholder participants in the Round Table Process and enhancing partnership discussions on implementation mechanisms, capacities, and resources. Lao PDR will also work more closely with all development partners, including regional neighbours, to broaden partnerships and ensure alignment and lack of duplication in support. There is also room for more systematically developing comprehensive strategies when it comes to regional integration, including the alignment and coherence of activities related to different regional groupings (e.g., AEC, GMS) and other regional initiatives to support the 8th NSEDP and the 2030 Agenda.

1.7.4. Next steps

The Government of Lao PDR has identified deeper international integration as an important means of promoting domestic socio-economic development and reducing the development gap with other countries. Over the remainder of the 8th NSEDP period and beyond, the Government of Lao PDR aims to prioritize:

- Strengthening the necessary linkages to support better access to markets and more efficient trade, including prioritizing suitable infrastructure (e.g., energy and telecommunications) and transport linkages (e.g., road, rail, and water).
- Strengthening the design and enforcement of legal frameworks and procedures to help facilitate trade, including the commitments related to AEC and WTO membership. This includes reducing

⁶⁹ ADB (2017), Lao PDR Country Diagnostic Study.

import tariffs to zero on goods imported from other ASEAN countries and continuing efforts to remove NTBs, such as by simplifying and harmonizing customs procedures and standards.

- Strengthening the capacity of domestic industries and firms to develop and trade products that are internationally competitive and demanded by regional and global markets (e.g., integration of SMEs into global value chains, and the development of a skilled labour force).
- Implementing the Trade Facilitation Roadmap covering 2017-2020 that lays out a path towards more deeply integrating Lao PDR into international trade.
- Continuing to explore bilateral trade-related arrangements in addition to regional and global agreements.
- Continuing structural reforms related to the regulatory and business environment, such as through increased transparency and streamlining procedures to help lower transactions costs.
- Prioritizing institutional and human resource development support from development partners to enhance self-sufficiency, including assistance from multilateral partners that target LDCs.
- Making use of concessional financing arrangements with development partners and adopting prudent approaches to non-concessional borrowing to ensure debt sustainability—both before and after LDC graduation.
- Adapting as necessary the Round Table Meeting mechanism to strengthen effective development partnerships, including by enhancing the contribution of the private sector, shifting the development dialogue further into discussion and agreement on implementation mechanisms, and strengthening monitoring of commitments in the context of the VDCAP II.
- Strengthening analysis of different regional integration programmes in the Lao PDR to better develop comprehensive strategies for maximizing the benefits of a regional approach at the national level.

2. Outcome 2: Enhanced Human Development

“Human resources developed, public/private workforce capacity upgraded, poverty in all ethnic groups reduced, equal access by all to quality education and health services, the unique Lao culture promoted, protected and developed, political stability maintained with social peace and order, justice and transparency”

2.1. Outcome 2, Output 1: Improved living standards through poverty reduction using the Three Builds Directions

2.1.1. Context

Achievements of the past decade. Lao PDR has made tremendous progress in reducing poverty. Lao PDR had already achieved target 1A of the MDGs by 2013, ahead of time, halving the poverty rate from 1992/93 levels. Household welfare improved in terms of ownership of assets, condition of housing, and access to services and markets. The poor on average have become less poor, as shown by the steady reduction in the poverty gap and poverty severity over time.

Strategies. The government’s drive to expand rural infrastructure, roads and services have led to poverty reduction in these areas, enhancing market access for agricultural produce and improving livelihood opportunities. Another strategy to alleviate rural poverty is to promote entrepreneurship and production facilities in rural areas, encourage agglomeration economies, especially the development of small towns in rural areas, and promote rural employment and income-generating activities for poor and vulnerable households. The strategy aims to strengthen local capacities through implementing the Three Builds Directive, improve and strengthen provincial, district and village-level capacities, promote transparency and strong leadership, and strengthen solidarity and harmonization among different ethnic groups. Since UXOs form a barrier to rural development, UXO clearance is required to free up areas for further development and productive use, such as for agriculture and livestock production, development of residential areas and potential tourism. The treatment, health, and rehabilitation of UXO victims and assistance for these victims are also addressed under this output.

2.1.2. Progress and achievements

Rural poverty reduction. The implementation of rural development and poverty eradication strategy over the past two and a half years has made good progress (Table 2.1). Overall, seven districts, 83 villages and 6,646 families formerly classified as “poor” by the Department of Rural Development and Cooperatives⁷⁰ have escaped from the poverty category. Poverty is still a challenge as some previously non-poor districts have fallen into poverty.

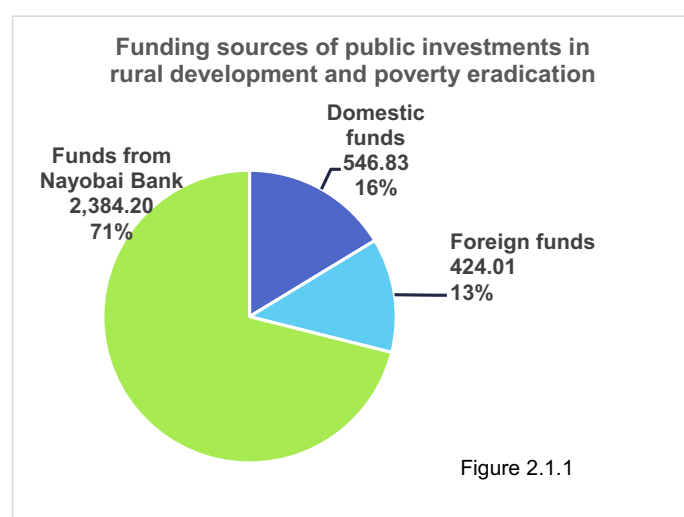
Poverty reduction strategies. Small towns created by the agglomeration of large villages according to the rural development policy increased from 11 towns in 2015 to 30 in early 2018, meaning an increase of 19 new towns. In the agriculture sector, activities such as the creation of the Department of Rural

⁷⁰ Formerly National Committee for Rural Development and Poverty Eradication (NCRDPE)

Development and Cooperatives, participatory land-use planning in villages, and support provided to farmers' organizations contributed to poverty alleviation.

Table 2.1. Status of poor districts, villages, and families from 2015 to early 2018			
	2015 baseline	Early 2018	Result at Mid-Term
Total number of districts	148	148	Number of poor districts reduced by 7
Number of poor districts	30	23	
Percentage of poor districts	20.3 percent	15.5 percent	
Total number of villages	8,507 ⁷¹	8,514	A net total of 83 villages no longer fall into the "poor" category
Number of poor villages	1,736	1,530	
Percentage of poor villages	20.4 percent	18.07 percent	
Total number of families	1,162,388	1,190,792	A net total of 6,646 families no longer fall into the "poor" category
Number of poor families	76,418	65,059	
Percentage of poor families	6.6 percent	5.04 percent	

Source: Department of Rural Development and Cooperatives, Ministry of Agriculture and Forestry



Public investments. Public investments in rural development and poverty eradication from the years 2016-2018 amounted to a total of LAK 3,469.51 billion. There were three main sources of funds: domestic funds, foreign and the Nayobai Bank. Figure 2.1.1 shows the relative proportions of the three sources. Thus far, investments were for the following activities:⁷²

- (i) LAK 242.66 billion for 71 rural development and poverty eradication focal sites⁷³ and 20 fund facilities,
- (ii) LAK 121.22 billion for Lao-Vietnam border development focal sites, comprising LAK 98.68 Billion from domestic sources and LAK 22.54 Billion from Vietnam;
- (iii) LAK 165.34 billion for 145 focal sites across the country, among them four central focal points, for the implementation of the resettlement policy. This includes providing permanent locations and livelihoods, and agglomerating small villages into larger ones to ensure that resettled communities, including ethnic minorities, have stable homes and jobs, and
- (iv) LAK 270.5 billion for the counterpart fund for poverty reduction (CFPR), consisting of LAK 43 billion domestic funds and LAK 227.51 billion foreign funds.
- (v) Nayobai Bank credits of LAK 2,343.21 billion to provide livelihood opportunities to eligible poor households. Some LAK 1,258.29 billion have already been issued and by the end of 2018, the remainder (LAK 1,084.92 billion) will have been issued.

⁷¹ Fourth Lao Population and Housing Census 2015

⁷² Figures and terms to be checked.

⁷³ Focal Sites are designated zones where large numbers of resettled or poor communities are provided with development services. Focal Sites involve significant infrastructure investment.

Unexploded Ordnance (UXO). UXO casualties reduced by 85 percent over the last decade. Lao PDR has recorded more than 53,000 hectares of land that have been cleared of UXO and more than 1.3 million UXO items that have been destroyed. Of the 50,000 casualties reported from 1964-2008, an estimated that 20,000 UXO accident survivors remain. In recent years, a combination of effective risk education, clearance of contaminated areas and wider economic opportunities that reduce risky behaviour have seen the numbers of casualties dropping from 302 in 2008 to 41 in 2017.

A new methodology to address UXO. In recent years a results-focused methodology has evolved for identifying, prioritizing and clearing confirmed contaminated areas. Continued development and expansion of these processes has significantly increased the numbers of UXO being identified and destroyed. A major national survey initiative focused on cluster munitions is underway to provide geographic area contamination details in the form of Confirmed Hazardous Areas (CHAs). The results of the survey will inform long-term resource planning, prioritization and clearance. Throughout the implementation of the survey over the past two years, 7,068 CHAs were established by the end of 2017, equivalent to 51,247.48 hectares of CHAs remaining to be cleared.

UXO survivor assistance. To help survivors Lao PDR has adopted a UXO Victim Assistance Strategy and has also sought to enhance medical services, rehabilitation and socio-economic support regardless of the cause of injury. The implementation of the UXO Victim Assistance Strategy has enabled support to some 1,400 UXO survivors, with medical care, physical rehabilitation, psycho-social support, economic reintegration and vocational training.

2.1.3. Challenges and lessons learned

Inequities. Disparities remain and inequality has even increased in some cases. The poverty rate in rural areas is 2.9 times that of the urban areas. One-third of the population in upland areas is still below the poverty line, while in lowland areas, only about one-fifth of the population is poor. The ethnic groups, who traditionally live in mountainous and remote areas difficult to access, have seen slower progress in poverty reduction. The lowland groups, with the highest levels of education, have the lowest poverty rate. Inequality has grown: in 2012/13, consumption of the richest quintile was 6.4 times that of the poorest, while two decades ago, the difference was 4.7 times.⁷⁴ Moreover, the delivery of basic services remains uneven due to lack of resources and constrained implementation capacity.

Policy challenges. Effective policies will need to be put in place to ensure that improved economic growth translates into pro-poor growth and that the benefits from growth are equally redistributed to the poor and vulnerable sections of society. Pro-poor growth also needs to be underpinned by improvements in the quality of governance, through greater transparency and accountability in public policy.

UXO challenges. Addressing and even quantifying the impact of Unexploded Ordnance (UXO) remains a challenge. The scale and impact of the UXO problem far exceeds the resources available to deal with it, particularly in terms of a lack of clearance capacity. Millions of UXO remain and thousands of hectares of CHAs remain to be cleared. Support to achieve the three SDG 18 targets is not balanced, for example, funding for the survey is currently out of balance with funding allocated for clearance, risk education and support to UXO victims. Inadequate capacities for coordination, planning, quality management and information management inhibit optimal operational performance. Other sectors are not including UXO work in their strategic planning, budgeting or action plans.

⁷⁴ Pimhidzai, et al., 2014 and Lindelow et al., 2010.

Table 2.2. Progress in removing the UXO obstacle to national development and keeping lives safe from UXO			
SDG 18 Targets, summarized	Indicators	Year	Available value
18.1: Zero annual casualties from UXO accidents.	***18.1.1 Number of reported UXO casualties (disaggregated by age group and sex): Total/male/female/boy/girl	2016	T 59/M 51/ F 8 /boy 32/girl 5
		2017	T 41/M 23/F 18 /boy 8/ girl 7
	18.1.2. Percentage of contaminated villages where the population has received information on UXO-Confirmed Hazardous Areas	2017	29
18.2: UXO contamination cleared from high priority areas and villages defined as 'poor'.	18.2.1. Number of hectares of high priority Confirmed Hazardous Areas in Focal Development Areas having completed clearance. ^{75 76}	2016	539
		2017	588
	18.2.2. Number of villages defined as 'poor' with Confirmed Hazardous Areas remaining to be cleared.	2016	2,389
		2017	2,389
18.3: Identified UXO survivors' health and livelihoods needs met	18.3.1. Percentage of registered active-age UXO survivors unable to earn sufficient income with access to basic income security	2016	4.5
		2017	5
	18.3.2. Percentage of registered UXO survivors mainstreamed into health, education and employment services	2016	13.4
		2017	16.5

Source: National Regulatory Authority for UXO/Mine Action in the Lao PDR

2.1.4. Next steps

Poverty alleviation. The Government of Lao PDR is prioritizing the following strategies to reduce poverty directly and to alleviate the impact of poverty on the poor:

- (i) Targeting the poor in planning, budgeting, and programme delivery through appropriate targeting below the district level, and with different sectors working in a coordinated and convergent approach
- (ii) Accelerating interventions such as providing poor communities with access to services, education, and support to livelihoods, all of which are known determinants of poverty levels
- (iii) Using innovative means to reach and educate communities in remote areas, such as the community radio programmes in Xieng Khouang, Sekong, Oudomxay and other provinces and relevant districts, which have been able to reach vulnerable groups, especially women and girls, with radio installed in mobile phones
- (iv) Strengthening social protection systems to cover vulnerable groups and widen the scope of social protection schemes, including through the implementation of the National Social Protection Strategy
- (v) Tapping into domestic capital, through public-private partnerships in local economic development, and incentives for investments that do their sourcing from local firms and workers.

UXO. The Government of the Lao PDR is prioritizing the following actions to progress towards the SDG and NSEDP goal of *Lives safe from UXO*:

⁷⁵ As the full extent of contamination is currently unknown, the Government of Lao PDR plans to undertake a full survey of contamination by 2021. The UXO sector is now in the process of technical survey to define the boundaries of the confirmed hazardous areas across the country. Once the survey is completed, then the percentage of high priority hazardous areas remaining to be cleared can be calculated.

⁷⁶ This indicator is not exhaustive, but shows the progress towards target 18.2 during the reporting period (2016-2017).

- (i) Strengthening national capacity for coordination and efficiency
- (ii) Ensuring the quality of operational data in the national database, in order to enable proper data analysis and a more robust evidence-based reporting
- (iii) Developing policy and procedures to “main-stream” UXO survivors into health, education and employment services
- (iv) Assisting line ministries to incorporate UXO in their planning and budgeting
- (v) Developing a comprehensive funding mobilization strategy to expand beyond traditional donors
- (vi) Continuing to strengthen the capacity of the Lao Army in humanitarian mine action; and identifying and promoting emerging technologies to improve the performance and efficiency of operations.

2.2. Outcome 2, Output 2: Food security ensured and malnutrition reduced

2.2.1. Context

Food security framework. The Government’s 2030 Vision on agricultural development emphasizes food security.⁷⁷ The long-term goal is to ensure the nutrition of the population with the requirements of daily intake of at least 2,600 kilocalories per person per day, through a balanced diet as detailed in the plan.⁷⁸ Accordingly, the 2016-2020 Food Security Action Plan of the Ministry of Agriculture and Forestry aims at ensuring public nutrition, with an intake of 2,600 kilocalories (kcal) per person per day, and improving the production of rice, vegetables, and fruits to meet the standards of good agricultural practice and organic agriculture. The Action Plan sets quantitative targets for rice production (for consumption, reserves, seed and export), other crops, vegetable, fruit, meat, poultry, fish and other aquatic produce, and food from forest resources. For food security, the Action Plan lays out the following strategies: (i) the development of agricultural systems and supporting technologies and services to maximize food production and security, (ii) the reliability and timeliness of food production, transport, storage and provision (including in the context of early warning systems and disaster response), (iii) ensured access to food supply at household level, even in non-food growing areas, through livelihood support, including management of non-timber forest products, and (iv) food safety, through ensuring clean agricultural production systems, food hygiene and safety, monitoring and inspection of food production and household level consumption, and increased sanitary and phytosanitary measures for ASEAN integration.

Nutrition framework. The 2016-2020 National Plan of Action on Nutrition (NPAN)⁷⁹ embodies a multi-sectoral convergent approach with all sectors converging on the most vulnerable communities. Within the first priorities of the NPAN, the various sectors have the following roles:

- The agricultural sector has the roles of (i) increasing cultivation of crops of high nutritional value and high nutrient levels, (ii) producing and promoting animal protein for household consumption, such as meat, poultry, fish, and other aquatic products, (iii) building facilities to cater for post-harvest produce (including food dehydrators and food storage facilities) and

⁷⁷ The 2030 Vision for agricultural development being: “Ensuring food security, producing comparative and competitive potential agricultural commodities, developing clean, safe and sustainable agriculture and shift gradually to the modernization of a resilient and productive agriculture economy, linking with rural development contributing to the national economic basis.”

⁷⁸ Ministry of Agriculture and Forestry, 2015. *Agriculture Development Strategy to the year 2025 and Vision to the year 2030*. Vientiane

⁷⁹ Government of the Lao People’s Democratic Republic: National Nutrition Committee, 2015. *The National Nutrition Strategy to 2025 and 2016-2020 Plan of Action*, December 2015. Vientiane.

applying technology in food processing and preservation to keep food safe and nutritious and ensure food security all year round, and (iv) promoting income generating activities, such as the cultivation of crops, non-timber forest products (NTFPs), and traditional medicines and foods to build household incomes.

- The health sector has the role of (i) providing integrated maternal, neonatal and child health services, (ii) distributing food supplements for pregnant and lactating women and young children, (iii) providing micronutrient supplements, vitamins and deworming supplies, (iv) ensuring immunization, (v) promoting the consumption of iodized salt, (vi) promoting exclusive breastfeeding for children from birth up until the age of six months and counselling for infant and child care, (vii) promoting food safety, (viii) providing therapeutic food supplements and treatment to manage severe malnutrition, (ix) implementing behaviour change interventions related to nutrition, and (x) promoting clean water systems in health centres, communities, households, and schools. NPAN also contains second priority interventions by health and reproductive health services.
- The education sector has the role of (i) promoting school feeding, (ii) supporting vegetable gardens in schools, (iii) integrating nutrition into school curricula, and (iv) distributing deworming tablets and iron supplements in schools.

2.2.2. Progress and achievements

Implementation of the Agricultural Development Strategy. The Government has been promoting agro-ecological practices for sustainability and productivity. Irrigation schemes have been improved and expanded to make agriculture less rainfall-dependent. The Government also contributed to inclusive growth by supporting Farmers Organizations and providing extension services to rural communities. Policy actions undertaken include the “Green Rice Landscapes” initiative on mixing rice cultivation and aquatic species, the Policy Brief on the *‘Role of the Agriculture sector to promote Food Security and Nutrition in Lao PDR,’* the adoption of a Decree on pesticides, together with awareness raising on the issue, and a study on food safety with regard to *E. Coli*, *Salmonella* and *Clostridium*.

Strengthening of provincial and district offices. Province and district level agriculture and forestry offices (PAFOs and DAFOs) are undertaking the planning, design and implementation of an increasing number of projects. Enhanced PAFO and DAFO participation is seen in multi-sector nutrition committees, which coordinate service delivery in eleven provinces through an improved monitoring and reporting system developed by the MAF for nutrition-sensitive agriculture.

Food production outcomes. Lao PDR is performing well in food production: farm production is meeting or exceeding all the national per-capita food production targets. Even with flooding and a major pest infestation, the production in 2017 was strong: rice production was more than double the national consumption targets for 2020, vegetable production was nearly four times, and fruit production was over seven times the consumption targets. Lao PDR as a country is, therefore, producing sufficient quantity and diversity of foods for good nutrition.

Food security outcomes. Lao PDR has achieved the MDG target of halving the proportion of hungry people,⁸⁰ with the proportion of undernourished in the population⁸¹ having fallen from 42.8 percent in 1990 to around 18.5 percent in 2015.⁸² This is important for the country, since the percentage of

⁸⁰ Food and Agricultural Organization et al, 2015

⁸¹ The FAO prevalence of undernourishment (PoU) indicator measures the probability that a randomly selected individual from the reference population is found to consume less than his/her calorie requirement for an active and healthy life. **It is not the same as stunting or chronic undernutrition.**

⁸² FAO projection for 2014-2016.

population undernourished is one of four Human Asset Index (HAI) indicators and when converted into an index, it accounts for 25% weight in the overall HAI.

Implementation of the National Nutrition Strategy.

Process and targeting. The National Nutrition Committee Secretariat has been set up and the past two years have seen good coordination between sectors and services. More than 30 projects, covering all provinces, are actively supporting nutrition-sensitive agriculture service delivery in 81 districts with at least one of the four priority agriculture interventions. Specific stakeholder and action mapping has been conducted annually since 2015, which has captured the convergence of health, education and agriculture sectors. The Ministry of Agriculture and Forestry emphasizes the need for effective prioritization and targeting of upland, remote communities with the following characteristics: only seasonal or no road access, ethno-linguistic groups that do not speak Lao as their mother tongue, and high poverty levels.⁸³

Nutrition-specific interventions. Nutrition interventions are aligned with national policies on free maternal and child health and the free child delivery policy.⁸⁴ Training on infant and young child feeding (IYCF) practices has been carried out in 8 provinces and 31 districts. However the coverage of IYCF training across all districts remains a challenge and has not yet been achieved. Lao PDR needs to have a comprehensive roadmap for scaling up IYCF, which should be supported with the financial and human resources for scaling up and building capacity. Also part of the national policy on free maternal and child health care is the provision of treatment of children with severe acute malnutrition. Current capacity of the health workforce to detect, treat and manage cases of severe acute malnutrition is inadequate. In addition to increasing financial and human resources for scaling up IYCF, there is an urgent need to build the capacities of health care providers to treat acute malnutrition as a childhood illness.

Child nutrition outcomes.⁸⁵ The recent 2017 survey (LSIS-2) shows that moderate or severe stunting among children under age five had decreased to 33 percent from the previous 2012 level of 44 percent. However, wasting among children in the same age group has not improved; rather, moderate or severe wasting has increased to 9 percent in 2017, from 5.9 percent in 2012. Underweight has been reduced from 26.6% in 2011/12 to 21.1% in 2016-17. Altogether, Lao PDR is still off-track on the target of reducing undernutrition.⁸⁶

Multi-sector efforts are being implemented to support consumption of more diverse foods. Such efforts include the district offices of the MAF, MoH and Lao Women's Union. These efforts are important especially for communities that traditionally do not have healthy diets and for families that are having to adapt to changes in resources. Better targeting of services is critical to addressing nutrition challenges.

2.2.3. Challenges and lessons learned

Slow progress and disparities. Undernutrition in Lao PDR is still significantly high, showing strong inequalities, associated with poverty patterns. While all provinces have seen reductions in stunting rates in 2017 compared to 2011/12 levels, stunting in rural areas without road access (43.3%) is twice that in urban areas (21.5%). Stunting in children from some highland ethnic groups (Hmong-Mien, 50.2%) are

⁸³ Deputy Minister of Agriculture's speech, National Nutrition Committee Meeting, 12 July 2018, Don Chan Palace, Vientiane.

⁸⁴ Prime Ministerial decree 178/M 2010

⁸⁵ Stunting reflects the cumulative effects of poor diets and recurrent infections since and even before birth, while wasting is a consequence of insufficient food intake or a high incidence of infectious diseases, especially diarrhoea. On the other hand, 'underweight' is a composite indicator and may therefore be difficult to interpret. WHO, 2010. *Nutrition Landscape Information System (NLIS) country profile indicators: interpretation guide*. Geneva: WHO.

⁸⁶ Lao Statistics Bureau: LSIS 2011/12 and LSIS 2017. Moderately or severely stunted (or wasted) means more than two standard deviations below the median of the reference population based on the WHO growth standards, 2006. http://www.who.int/childgrowth/standards/technical_report/en/

over double those of children from lowland groups (Lao-Tai, 23.2%). Children from the poorest households have stunting rates 3.4 times higher than are children from the richest households. Even in households of the richest and fourth quintiles, some 14 percent and 23 percent of children respectively suffer from stunting. The extremely high levels of stunting and wasting in many provinces have become a public health concern according to the prevalence cut-off values for public health significance as defined by the World Health Organization (WHO).⁸⁷ Wasting is a 'serious' (10–14%) or 'critical' (15% and above) public health problem in five provinces. Stunting is high (30–39%) to very high (40% and above) in over half the provinces (Table 2.3).⁸⁸

	Stunting		Wasting	
	Moderate & severe	Severe	Moderate & severe	Severe
Vientiane Capital	13.8	5	5.5	1.8
Champasack	24.6	7.1	9	2.7
Xayabury	25.1	10.9	19.1	8.4
Savannakhet	28.4	11.2	10.4	2.9
Attapeu	29.6	12.5	15	4.2
Khammuane	29.7	8.8	9.8	2.3
Borikhamxay	29.9	9.6	5.6	1.6
Vientiane	33	12.1	6.6	2.3
Lao PDR	33	12.7	9	3
Luangnamtha	34.1	9.1	3	1.4
Bokeo	34.7	11.3	4	0.7
Huaphanh	40.7	18.1	16.4	8.3
Luangprabang	41.3	16.5	8.9	3.2
Oudomxay	42.7	17	6.2	1.6
Saravane	42.9	20	12.5	3
Xaysomboune	44	17.9	5.8	1.1
Xiengkhuang	46.3	14	5	1.8
Sekong	49.9	21.8	8	2.9
Phongsaly	54	28.9	8.9	4.5

Source: Lao Statistics Bureau, 2017. Lao Social Indicators Survey.

Failure to address causes adequately. The causes of undernutrition have not been adequately addressed. These are primarily poor infant and young child feeding practices (including low rates of exclusive breastfeeding for children under the age of 6 months), cessation of breastfeeding before the recommended 2 years of age, poor maternal nutrition, high adolescent birth rates in some communities, and poor sanitation and hygiene practices, including open defecation. The percentage of children below the age of six months who were exclusively breastfed remains low, although slightly increased from 40.4% in 2011/12 to 44.9% in 2017. The pressure of business lobbies and the promotion of baby formula are

⁸⁷ WHO, 2010. *Nutrition Landscape Information System (NLIS) country profile indicators: interpretation guide*. Geneva: WHO.

⁸⁸ Lao Statistics Bureau, 2017. Lao Social Indicators Survey.

huge challenges that work against interventions to ensure the best nutrition for young children, such as early initiation, and exclusive and continued breastfeeding.

Linkages with open defecation. The National Plan of Action for Nutrition does not sufficiently emphasize the link between poor hygiene and sanitation and undernutrition. The global evidence identifies a strong causal pathway between open defecation and stunting and wasting. The role of environmental enteropathy as a cause of stunting needs to be recognized by the respective line ministries and department, and more efforts are needed for the water, sanitation sector to jointly target areas of high undernutrition with WASH interventions.

Significant threats to food security. The threats to food security include soil degradation and decreasing yields, linked to land pressure from population and large-scale investment projects, limited access to irrigation, rainfall-dependent agricultural practices, disease outbreaks among livestock, the difficulties for farmers to find economically attractive legal alternatives to opium growing,⁸⁹ low resilience to natural disasters and climate change, and UXOs, which make farmland unsafe. Around 11 percent of rural households have poor and borderline food consumption.⁹⁰ Insufficient food supply is still a concern in four provinces (Phongsaly, Bokeo, Houaphanh and Sekong).⁹¹

Managing the shift to commercialization. The agriculture sector faces challenges in managing the shift to commercialization. One challenge is to better integrate nutrition within the effort to promote equitable commercialization. Unless this is done, the rapid commercialization of agriculture could undermine local food security and nutrition strategies. Addressing this challenge requires promoting the local production of nutritious foods in quantities sufficient for local consumption, not just for export, and helping communities that have shifted to commercial production to access nutritious foods produced nearby. Another challenge is to address women's workload and empowerment within the agriculture sector. Several studies have indicated that as women are working more in commercial agriculture, making more money than before, they are away from home for more hours, and have less time for attending to family nutrition needs in traditional ways. Strategies that genuinely empower women need to involve men.

Implementation bottleneck. Strong partnerships between ministries are required to address multi-sectoral and cross-sectoral interventions. The main bottleneck related to the implementation of the National Nutrition Strategy is the slow uptake of the recommended strategy on "convergence" among line ministries at sub-national level, that is, the convergence of all interventions on certain agreed upon communities. Better targeting is necessary to ensure all Lao communities have access to diverse, nutritious foods, and improved water and sanitation facilities. Targets for reducing undernutrition will not be met unless sanitation and hygiene conditions improve. Convergence efforts must take into consideration the role of the water and sanitation sector.

2.2.4. Next steps

The concerned ministries are undertaking a mid-term review of the National Nutrition Plan of Action. This review will look closely at the main challenges and apply the lessons learned. In the post-MTR period, the Government of Lao PDR is prioritizing the following strategies:

- (i) Balancing the support to commercialization of agriculture with the support to food security and access to nutritious foods for all communities. This is discussed in the previous section on

⁸⁹ Food and Agriculture Organization and Ministry of Agriculture and Forestry, 2013.

⁹⁰ Ministry of Agriculture and Forestry, 2013. *Lao PDR Risk and Vulnerability Survey 2012/13: Analysis Report*. May 2013. Vientiane: Ministry of Agriculture and Forestry and FAO.

⁹¹ **Government MTR draft**

Challenges. It is also reflected in the Eighth Five-Year Agriculture and Forestry Development Plan (2016-2020).

- (ii) Continuing support to farmer organizations, rural finance and insurance mechanisms as a way to improve productivity, equity, and resilience through modernization. This is reflected within the Agriculture Development Strategy to 2025 and Vision to 2030, and within the 8th NSEDP's Outcome 1, Output 1, which calls for sustained and inclusive economic growth.
- (iii) Revisiting the Government's Green Growth Strategy to include major themes within the agriculture sectors' policy documents, such as improving access to nutritious foods for all communities, supporting equitable access to markets, finance, and risk management for all farming communities, and improving the equity of commercialization through farmer organizations and other market governance mechanisms. The Government's Green Growth Strategy does not currently reflect the two main priorities under (i) and (ii).
- (iv) Adjusting the monitoring and evaluation indicators for the Green Growth Strategy to reflect the changes made.
- (v) Accelerating the implementation of the National Nutrition Strategy to 2025 and Plan of Action 2016-2020 through better targeting and convergence on high-risk districts, and promoting behaviour change interventions. The increased and high rates of wasting are a particular concern, and call for urgent review and actions.
- (vi) Strengthening efforts to engage the water and sanitation sector and increase focus on ending open defecation and improving access to improved water sources
- (vii) Strengthening service delivery to the most deprived, using participatory strategies, such as empowering village health volunteers, the Lao Women's Union, farmer groups, and village extension workers with the required knowledge and support. The goals for health and nutrition will only be met if there are human resources such as community health workers below health centre level to support caregivers and families.
- (viii) Building the capacity of institutions and universities to produce trained, skilled nutrition professionals.
- (ix) Strengthening the legal framework for the protection, promotion and support of breastfeeding.

2.3. Outcome 2, Output 3: Universal access to quality education achieved

2.3.1. Context

Sector development plans and frameworks. 2018 represents the mid-point of the five-year Education and Sports Development Plan (ESDP) 2016-2020, which is aligned with the 8th NSEDP. The overarching goal of ESDP 2016-2020 is *"By the year 2020, the Education and Sports Sector in Lao PDR is appropriately structured and resourced to create opportunity for all Lao citizens to have equitable access to quality education and sports and to benefit from socio-economic development for the Lao PDR to be eligible to graduate from the least developed country status."* The ESDP 2016-2020 draws on the experiences and lessons learned from two previous sector planning documents: The Education Sector Development Framework (ESDF) 2009-2015 and the Education Development Plan (ESDP) 2011-2015. The over-arching outcome to be achieved from ESDP 2016-20 is *"All learners are equipped with the five principles (moral, intellectual, vocational, physical and artistic development) of Lao education and skills, both cognitive and non-cognitive to develop the capacity to progress and benefit from socio-economic development in order for the Lao PDR to be eligible to graduate from Least Developed Country Status by 2020."* Achievement of

this over-arching outcome is underpinned by five policy objectives and 11 operationally focused outcome statements.

Policy objectives. The ESDP 2016-2020 outlines the overall goals, expected outcomes, policy and strategic directions together with required resources for the period 2016 to 2020, setting out objectives, targets, strategies and priority activities for each sub-sector. The ESDP policy objectives provide the basis for making sound progress towards the achievement of the longer-term goals within the education sector. The five policy objectives ESDP 2016-2020 are:

- (x) *Objective 1:* All learners are equipped with the foundation knowledge and skills needed, including adequate safeguards for their health, to either join the labour market or continue to post-basic education.
- (xi) *Objective 2:* Post-basic education that is relevant to the requirement of Lao PDRs' socio-economic growth in each period, and that can be integrated into and compete with labour forces within ASEAN member countries is provided.
- (xii) *Objective 3:* Human Asset Index target for exit from LDC status is achieved with reduced disparity.
- (xiii) *Objective 4:* The education sector is planned, financed and monitored to utilize resources effectively.
- (xiv) *Objective 5:* Lao sport is gradually integrated to regional and international standards.

Expected Outcomes: There are 11 outcomes to which the various sub-sectors contribute, either individually or combined. These sub-sectors are: (i) early childhood education; (ii) primary education; (iii) lower secondary education; (iv) upper secondary education; (v) non-formal education; (vi) teacher education; (vii) vocational education and training; (viii) higher education; (ix) education administration and training; and (x) sports.⁹²

2.3.2. Progress and achievements

Progress and achievements are set out in terms of the 11 outcomes of the ESDP.

ESDP Outcome 1

The number of learners from ECE to lower secondary grade 9 increases, with special focus on the disadvantaged and gender equity.

Early childhood education (ECE). Since 2016 the Ministry, supported by local authorities and development partners, has developed quality standards for ECE, revised the ECE curriculum, defined school readiness program competencies, provided teaching and learning manuals and promoted pre-primary classes. The participation rate for 3 to 5-year-old children has increased from 43 percent in 2015 to 56 percent in 2018. About 75% of the increase in the number of children accessing ECE was from children living in rural areas with road access. However, children from the wealthiest households are still 6 times more likely to participate in ECE than children from poorest households.

Primary education. The government and development partners have invested a great deal to improve the primary school environment. Both the primary and lower secondary curricula have been (or are being) revised to be used more effectively for teaching, and to be more relevant, in order to increase enrolment rates, particularly in rural areas. Such efforts have contributed to improved enrolment. Although universal access for primary education has largely been achieved, completion rates continue to lag and grade 1

⁹² The separate education sector mid-term review report of ESDP 2016-20 for the Education Sector Working Group (ESWG) includes more detailed assessments of sub-sector performance in contributing to these 11 high-level outcomes.

dropout and repetition rates continue to be high, contributing to relatively low cohort completion rates (80%).

Indicator	2015/16	Total	2017/18		2020 target
	baseline		Female	Male	
Net intake rate, first grade of primary ⁹³ (%)	97.2	97.8	97.6	97.9	99
Repetition rate (%)	5.8	4	3.3	4.8	2
Drop out rate (%)	5.2	4.1	3.8	4.4	2
Gross intake ratio in grade 5 (last grade of primary) ⁹⁴ (%)	N/A	104.5	104.3	104.8	
Net enrolment rate (%)	98.7	98.8	98.6	99.1	
Survival rate	79.6	82.2	83.5	81	

Source: MoES-EMIS and MoES calculations for the the VNR report submitted to the UN General Assembly.

Secondary education. The 2015 amendment of the Education Law has made lower secondary education compulsory. Since 2015, MoES, development partners and local authorities have promoted infrastructure development, including dormitories for schools in remote areas, so that more children would have access to lower secondary education. The ministry has also made efforts to improve the quality of teaching and learning through curricula revision and teacher training for both primary and lower secondary levels. Access rates are on the rise for lower secondary education and the gross enrolment ratio has nearly achieved the 2020 target for lower secondary. The current transition rate from primary to lower secondary is already quite high (86% in 2018) but has decreased slightly over the past three years (91.7 percent in 2015, 90.4 percent in 2016, and 89.7 percent in 2017). Further increases in lower secondary enrolment will require much higher primary completion rates.

Indicator	2015/16	2017/18			2020 target
		Total	Female	Male	
Transition rate, primary to lower secondary (%)	91.7	89.7			
Gross enrolment ratio, lower secondary (%)	78.1	83.1	81.2	84.9	85
Gross intake ratio in grade 9 (%)	N/A	71.8	70.3	73.3	
Gross enrolment ratio, upper secondary (%)	45.8	53.3	50.8	55.7	60
Gross intake ratio in grade 12 (%)	N/A	44.9	43.1	46.6	
Drop out rate, grade 6 (%)		11.5	10.4	12.5	
Drop out rate, lower secondary (%)	7.7	9.2	8.6	9.6	
Drop out rate, upper secondary (%)	4.9	7.1	7.0	7.1	

Source: MoES-EMIS.

Gender disparities. Table 2.6 shows the gender parity indices (GPI) calculated for the different indicators. Gender parity has been achieved for ECE. Lao PDR has also achieved gender parity at primary level. Gender

⁹³ New entrants in the first grade of primary education who are of the official primary school-entrance age, expressed as a percentage of the population of the same age.

⁹⁴ Gross intake ratio in grade 5: Total number of new entrants in the last grade of primary education, regardless of age, expressed as a percentage of the population at the theoretical entrance age to the last grade of primary (UNESCO).

parity has not yet been achieved at secondary level, which explains why the GPI in literacy is still low (that is, in favour of males) among the youth and adult population, especially among the older groups.

Table 2.6. Gender parity indices, 2017/18			
Level	Gender parity indices calculated for:		
	Net enrolment rate	Gross enrolment ratio	Completion rate ⁹⁵
Early childhood education	1.00	1.00	1.00
Primary education	1.00	0.98	1.00
Lower secondary education	1.04	0.95	0.939
Upper secondary education	1.04	0.91	0.905

Source: MoES-EMIS and calculations by MoES for the VNR report submitted to the UN General Assembly.

ESDP Outcome 2

Increased number of primary school children with functional literacy and numeracy skills.

Rationale. Assessment of Student Learning Outcomes (ASLO) and Early Grade Reading Assessments (EGRA) prior to 2015 at Grades 3 and 5 have demonstrated that current levels of functional literacy and numeracy skills are insufficient to support quality learning at higher grades of primary and lower secondary education.

Measuring learning outcomes. MoES has invested in improved measurement of learning outcomes through developing a national primary learning outcomes assessment framework, conducting a revised ASLO at grade 3 level in 2017, and participating in the Southeast Asia Primary Learning Metrics pilot to assess learning outcomes in grade 5. The 2017 Assessment for Student Learning Outcomes (ASLO) identified inadequate learning outcomes through a sample survey of 17,000 grade 3 students from all 148 districts across the country for 2 subjects, mathematics and Lao language. The key results are as follows:

- (i) In Lao language, 34 percent of grade 3 students were judged ready for promotion to Grade 4, while up to another 24 percent could be promoted if they received intensive remedial teaching during the school vacation.
- (ii) In mathematics, 18 percent of students were qualified for promotion to Grade 4, and another 19 percent could be promoted if they received intensive remedial teaching during the school vacation period.
- (iii) In eight provinces, only 10 percent or less of all grade 3 students were sufficiently qualified in mathematics to move up to Grade 4.

Curricula and teaching improvements. With the assistance of development partners, MoES is revising and developing new primary curricula, with special attention to Lao language and mathematics. Spoken language development underpins literacy development and the severely overcrowded grade 1 Lao language curriculum is being reduced. Teacher guides are being improved to better support teachers to implement activities with descriptions of techniques, activities, assessment approaches and several model lessons. The mathematics curriculum is also being revised by improving the scope and sequence, introducing teaching methods according to students' development stages, fostering mathematical and logical thinking skills, and introducing exercises for problem-solving skills.⁹⁶ A new Grade 1 mathematics textbook and teacher guides have been developed for the school year 2018/19. Implementation of the

⁹⁵ UNESCO definition of completion rate: Total number of new entrants in the last grade of each level of education, regardless of age, as a percentage of the total population of the theoretical entrance age to the last grade of primary education.

⁹⁶ Please explain "using figures/ tables and semi-concrete materials in textbooks"

new curriculum will require initial training of primary teachers and follow-up support from District Education and Sports Bureau (DESB) pedagogical advisers. With support from development partners, MoES plans to increase the operating grant budget for DESBs to allow pedagogical advisers to visit primary schools more often, as well as provide pedagogical advisers with training to upgrade their own skills.

ESDP Outcome 3

Increased number of qualified and competent teachers with better student learning outcomes across all subjects of the national curriculum from ECE to primary and secondary education.

Pre-service training. With development partner support, MoES is revising the pre-service teacher curricula to better align with the primary and lower secondary school curricula, including strengthening the teacher trainee practicum by increasing the amount of time practicing pedagogical skills and content knowledge. The capacity of Teacher Training College (TTC) lecturers is being strengthened to improve pedagogical skills and content knowledge. MoES has designated the establishment of TTC demonstration schools, which cooperate with existing network schools.

In-service training. In-service training for school-based teachers is also ongoing, particularly for English language, mathematics and science. The Department of Teacher Education has developed a National Education Qualifications Framework for teacher development and a comprehensive framework of primary teaching standards. MoES is developing an improved process for in-service teacher training and support, by building teacher trainer skills and competencies with the support of TTC lecturers. MoES has also trained DESB and Provincial Education and Sports Service (PESS) staff (including pedagogical advisors), TTC lecturers, and Grade 1 teachers for the new mathematics curriculum (see ESDP Outcome 2). In-service training for Grade 1 teachers, principals and pedagogical advisers on the remaining new curriculum subjects, including Lao language, will begin in July 2019.

ESDP Outcome 4

All schools have financial and human resources to equitably improve student learning outcomes.

Rationale. In the context of budget constraints and to improve learning outcomes, it is necessary to provide infrastructure and human resources to all schools equally and equitably. Several legislative and policy documents regulate the provision of physical, financial and human resources to schools. Decree 177 outlines the principles for deployment of teachers to schools at different levels and Decree 306 specifies the per-capita amounts for school-block grants to schools at different levels.

Infrastructure provision. The MoES relies on development partners to improve school infrastructure, including dormitories for secondary education, since the education share of the domestic investment budget is relatively low at less than 10%. Development partners generally target disadvantaged areas for infrastructure provision.

Teacher deployment. The Department of Organisation and Personnel conducted a teacher survey in 2017 to identify schools with under-supply or over-supply of teachers and to quantify the numbers of volunteer teachers. The survey indicated that about 8,600 teachers were in schools with over-supply of teachers while schools with an under-supply of teachers needed about 19,600 extra teachers. There are some 12,300 volunteer teachers in schools, but the total annual quota of civil service positions from MoHA was only 1,850 for 2018.

School grants. School block grants are provided in an equitable manner across the country although the efficient delivery of grants is still an issue, particularly to very remote schools without road access. Primary schools receive 70,000 kip per student per year, while 50,000 kip per student per year is provided for early childhood and secondary education. MoES has trained Village Education Development Committees to better utilize these funds for school development plans to improve the quality of teaching and learning.

Despite the deterioration of the economic and fiscal outlook, the MoF has quarantined School Block Grant funding from future cuts.

Sector budgeting and planning. MoES has introduced Annual Costed Sector Plans (ACSEP) to strengthen the linkage between ESDP and sub-national plans and budgets. In 2018 the ACSEPs allowed MoES to analyse the non-wage recurrent budget by province and identify significant imbalances in budget allocation between provinces. This clearly shows that there is scope for a more efficient and equitable allocation policy to support ESDP implementation, as opposed to the current incremental practice, which perpetuates these imbalances (See also ESDP Outcome 8).

ESDP Outcome 5

Increased numbers of basic education graduates who have acquired basic skills and knowledge and can apply for work in the labour market, or continue post-basic education, or become entrepreneurs.

Rationale. There is consensus that skills acquired and other learning outcomes, particularly literacy and numeracy, of the primary and lower secondary programmes do not meet the current demands of the labour market; and that too few lower secondary graduates enter into TVET programs.⁹⁷

Improving TVET enrolment. One strategy of ESDP 2016-20 is to encourage lower secondary graduates to enrol in TVET programs. The new intake in TVET institutions has been increasing every year since 2015. Since 2015, the transition rate from lower to upper secondary has declined from 93% to 78% in 2018. Currently, 20% of students who enrol in upper secondary education follow the academic route while 60% enrol in TVET and another 20% go to labour market. MoES also aims at increasing TVET enrolment through (i) improving the teaching and learning facilities in TVET institutions, (ii) providing certificate courses level 1, 2 and 3 for secondary students who dropped out from school or/and the ones who do not want to take a two to three year course, and (ii) encouraging the private sector to invest in TVET, such as joint training by TVET colleges and hydropower/mining companies. Currently, there are 23 TVET institutions operating under the direct supervision of MoES, 73 private TVET colleges, and more than 10 TVET institutions operating under other ministries. A module on entrepreneurship has been introduced into the curricula of upper secondary and TVET but this approach is hindered by a lack of finance for graduates to pursue their start-up ideas.

ESDP Outcome 6

Increased adult literacy rates and gender parity for adult literacy

Literacy rates and disparities. A literate population is necessary to exit from least developed country status, since adult literacy rate accounts for one-quarter of the weight in the HAI. According to the population census, adult literacy has increased from 73% in 2005 to 84.7% in 2015; however these are based on self-reporting. The LSIS reports on tested literacy. Among 15-24-year olds, LSIS data indicates an improvement in literacy rates for both men and women but the difference between men and women has barely improved. There are also significant differences in literacy rates among ethno-linguistics groups, as shown in Table 2.7. It is clear that female literacy lags well behind that of males, particularly among non Lao-Tai groups. To eradicate illiteracy, MoES has implemented equivalence programmes for youth literacy (out-of-school children aged 6 to 14 years in rural and remote areas) and for continuous education, **with special priority to** ethnic groups living in mountainous areas, disadvantaged groups, women and people with disabilities.

Table 2.7. Literacy rates

⁹⁷ “too many lower secondary graduates transition to “upper secondary” should not be a “concern” as long as upper secondary also equips its graduates with employable skills.

	2011/12 LSIS Tested literacy		2017 LSIS Tested ⁹⁸ literacy	
	Male	Female	Male	Female
Literacy rate, age 15 years and above, Lao PDR			78.0	62.9
Lao-Tai			78	63
Mon-Khmer			67	38
Hmong-LuMien			71	40
Tibeto-Chinese			50	35
Youth literacy rate (15-24 years old), Lao PDR	77.4	68.7	84.6	76.5
Lao-Tai	83.9	81.6		
Mon-Khmer	62.8	45.3		
Hmong-LuMien	81.2	48.6		
Tibeto-Chinese	43.1	30.1		

Source: Lao Statistics Bureau

ESDP Outcome 7

The quality and number of post-basic education graduates from public and private education is aligned with the needs of the 8th NSEDP.

Addressing skills shortages. Employment in Lao PDR continues to be highly concentrated in the agricultural sector although this situation is changing (see Outcome 1, Output 5). Lao PDR faces major skills shortages in key technical fields including for the construction, furniture, plumbing, electrical, and automotive industries. The number of female students is increasing at public TVET colleges, with women accounting for 43% of all students enrolled in the academic year 2016-2017, but mostly in programs such as tailoring, basic business administration, and hospitality. With support from development partners, MoES is addressing barriers to women’s involvement in so-called “blue-collar” occupations. A 20% quota for female participants in courses covering priority skills (construction, furniture making, and automotive and mechanical repairs) has been established. In addition, a voucher assistance system (40% for females) has been implemented to entice poorer students to take up short courses in priority skill areas. Dormitories have been constructed to encourage students from remote and poor rural areas to take up TVET education with 50% of the spaces reserved for girls.

Promoting advanced research and teaching. The Government is investing in infrastructure and human resources to establish, by 2021, centres of excellence for (i) agriculture in Champasack, (ii) logistics in Savannakhet, (iii) engineering and tourism in Luang Prabang, and (iv) engineering and environmental studies at the National University of Laos.

ESDP Outcome 8

The Education and Sports sector is appropriately structured, resourced and monitored by using Annual Costed Sector Plans that are linked to ESDP 2016-2020.

⁹⁸ Those who have ever attended lower secondary or higher education are immediately classified as literate, due to their education level and are therefore not asked to read the statement. All others who successfully read the statement are also classified as literate.

Reorganization of structure and roles. To address both the needs for education development, and the Government’s aim to reduce the number of civil servants, MoES has recently conducted a reorganization of its structure and revision of mandates for personnel from MoES departments and centres, PESS and DESB. More work is required at sub-national level to better match actual staffing to required staffing, given the different needs and numbers of schools across districts. The reduced quota of staff set by MoHA makes it difficult to increase PESS and DESB staff to required levels.

Efficiency of financial and human resourcing. MoES has developed Annual Costed Sector Plans that can be produced at central and provincial level. A pilot is underway to initiate these at district level, which are then to be consolidated at higher levels. However, fixed and large allocations to wage and wage-related expenditure make it difficult for Annual Costed Sector Plans to change non-wage expenditure to improve the efficiency of resourcing. MoES has established a Planning and Budgeting Committee and a Teacher Allocation Committee to improve both human and financial resourcing of the sector, particularly at the sub-national level. One of the targets is to significantly increase the operating budgets of DESBs to enable DESB staff to better support schools.⁹⁹ The Teacher Allocation Committee has the mandate to identify strategies to improve the efficiency of teacher deployment (ESDP Outcome 3).

Monitoring. With support from development partners, MoES is developing a Planning and Budgeting Management Information System (PBMIS) that will draw on data from the Personnel MIS (PMIS) and the Wages MIS (WMIS) to improve planning and monitoring of sector financing. ESDP implementation is monitored by a set of 34 Key Performance Indicators (KPIs) drawn from all the major sub-sectors, but there is no KPI yet for tracking the education performance at sub-national level, but this is being addressed through strengthening the Sector Performance Assessment Framework.¹⁰⁰

ESDP Outcome 9

The ESDP financing plan takes into account the need to reduce disparities related to gender, ethnicity, poverty and location.

Rationale. Although the financing plan of ESDP 2011-15, described as pro-poor, identified the 56 most educationally disadvantaged districts, progress in reducing disparities has been limited. Thus the ESDP 2016-2020 has made disparity reduction one of its priorities, which will require focusing more on poor areas.

Financing the ESDP. In the past two years, the National Assembly has consecutively approved the share of the education sector at 17 percent of total government expenditure. However, due to the government’s budget constraints, the education sector has accounted for only 13 to 14 percent of government expenditure. In actual amounts, the amount MoES has received increased (Table 2.8) from 4,013 billion kip in 2016 to 4,142 billion kip in 2018. Some 60 percent of the education budget goes to salaries, 20 percent goes to non-salary recurrent costs, and another 20 percent to investment costs. MoES now ensures that DESBs receive larger operating budgets.

Table 2.8. Approved budget versus required budget (in billion LAK)			
	2015/16	2016/17	2017/18
Financial requirement identified in ESDP	4,416	4,898	4,969
Approved budget	4,023	4,037	4,142
Percentage share in total government expenditure	15.84%	13.40%	14.02%

⁹⁹ This is included among the targets tied to budget support by development partners.

¹⁰⁰ To clarify: “DOI will improve their ESDP results-matrix through a strengthened Sector Performance Assessment Framework.”

Financial gap	-393	-861	-827
<i>Source: MoES</i>			

Scholarships and stipends. Providing scholarship to students at ethnic boarding schools is one of the MoES strategies to alleviate the impact of poverty and reduce disparities. MoES has also provided scholarships to students in TVET institutions, focusing on girls and students from poor families. Recently MoES issued a decree on providing stipends to poor students, which was implemented in 2018 by providing stipends of 150,000 kip per month per student to about 2,000 secondary students. Disabled students also receive financial support from the government.

ESDP Outcome 10

Policy development is evidence-based.

Rationale. The use of evidence for policy development and decision-making will ensure effective utilisation of the sector’s limited resources. Relevant evidence comes from accurate and timely management information systems (MIS) and relevant research studies that identify operational interventions for sector performance improvement. Evidence drawn from the effective monitoring of policies and strategies is also required.

Management information systems. MoES already has a robust education MIS. With support from development partners, MoES will further develop and implement an overarching Lao Education and Sports Management Information System (LESMIS) at central, province, district and school management levels. The strategy calls for collected individual data and statistical data to be linked, to be fully integrated, and to include sports data. Development partners are assisting MoES to develop PBMS (ESDP Outcome 8) to better link existing databases on personnel and wages.

Research. Both MoES and development partners carry out research studies across various sub-sectors. However, there is no effective mechanism to use the results of such research to inform policy development and planning. There is a “Research Focal Group” as part of the education sector working group (ESWG), but it is a separate focal group, not a group for informing high-level policy makers.

Policy and strategy monitoring. During the previous sector plan (2011-15) Joint Sector Review Missions (under the ESWG) were implemented to monitor progress against key policies, strategies and financing. This approach was not considered cost-effective or efficient. No replacement mechanism was incorporated into the 2016-2020 ESDP.

ESDP Outcome 11

The number of general and professional athletes matching regional and international quality standards is increased and contribute to the nation’s art and culture preservation.¹⁰¹

Rationale. Since the merging of the Sports Committee with the Ministry of Education. The sector has been responsible for improving the physical health of the population through exercise and increasing the competitiveness of Lao athletes particularly in regional competitions.

International and national sports. In 2016, Lao PDR participated for the first time in the Olympic Games at Rio de Janeiro, Brazil. At the 29th SEA games, hosted by Malaysia in 2017, Lao PDR won 2 gold, 3 silver and 21 bronze medals. Within the country, national and Provincial Athletes Foundations have organised

¹⁰¹ Please explain if/how art and culture preservation has been addressed as the ESDP has no mention of such activities under this Outcome 11.

annual sports competitions as well as football tournaments according to FIFA guidelines. Training for athletes, sports coaches and referees has continued at different levels.

School games. Sports and gymnastics have focused on fostering a healthy sporting spirit among secondary school students in national as well as regional competitions. The Sixth National School Games were held in Borikhamxay Province in February 2017. More than 250 athletes and coaches competed for 428 medals in 12 categories of sports. In regional competitions, Lao students participated in the Eighth ASEAN Schools Games in Chiang Mai, Thailand, from 21 to 29 July 2016, where they won one silver medal and seven bronze medals. At the 2017 Ninth ASEAN Schools Games held in Singapore, Lao students won two bronze medals.¹⁰²

2.3.3. Challenges and lessons learned

Disparities. The last two LSIS (2012 and 2017) have confirmed the continuing inequities in education access, survival, and outcomes. The divides are primarily (i) geographic (urban and easily accessible rural areas versus remote rural areas hard to access), (ii) mothers' education, (iii) language (those who speak the official Lao-Tai language as their mother tongue and those who do not), and (iv) household wealth (children from the richer quintiles versus those from the poorer quintiles. The difference for a given education indicator in terms of percentage points is greatest between the richest quintiles and the poorest quintiles, and between children of mothers with no education and those of mothers of post-secondary or higher education (Table 2.9).

¹⁰² Inputs from the education sector" "In 2016, the Lao Sports team in collaboration with the sports teams of Bokeo Province successfully participated in a Sports Competition in Chiang Rai that resulted in 3 silver and 2 bronze medals, and led to the improved reputation of the Lao disabled sports team". Please clarify. Reference to Bokeo and disabled athletes unclear.

Table 2.9. Education inequities as measured by LSIS 2017

	National average	Geography/access		Mother's education		Language			Wealth index quintile		Percentage point difference between groups			
		Urban	Rural without road	Post secondary / Non tertiary	none or pre-primary	Mother tongue: Lao-Tai	Mother tongue: Non Lao-Tai ^[1]		richest	poorest	Geography	Mother's education	Language/ mother tongue	Wealth quintile
1. Children age 36-59 months who are attending early childhood education (%)	32.1	56.8	14.5	74.7	12.6	42	18.9	MK	69	12.6	42.3	62.1	23.1	56.4
2. Children of primary school entry age entering grade 1 (net intake rate) (%)	73.1	81.8	65.2	77.2	59.5	80.2	61.3	MK	83.1	55.1	16.6	17.7	18.9	28.0
3. Primary adjusted net attendance ratio (%)	89.6	95.5	84.4	96.8	80.8	93.9	82.8	MK	97	77.7	11.1	16.0	11.1	19.3
4. Children of primary school age out of school (%)	8.2	2.8	13.4	1	16.5	4.1	14.9	MK	0.9	19.4	10.6	15.5	10.8	18.5
5. Lower secondary adjusted net attendance ratio (%)	60.5	82.8	41.5	91.1	38.7	71.3	43.2	CT	92	27.9	41.3	52.4	28.1	64.1
6. Children of lower secondary school age out of school (%)	16.6	7.5	22.8	2.2	26.4	13.2	22.2	MK	2.8	31.2	15.3	24.2	9.0	28.4
7. Upper secondary adjusted net attendance ratio (%)	38.1	61	14.8	73.5	17.5	48.4	19.3	MK	74.4	7.9	46.2	56.0	29.1	66.5
8. Children of upper secondary school age out of school (%)	38.1	19.1	56.5	12.5	54.5	31	50.8	MK	10.8	68.1	37.4	42.0	19.8	57.3

Notes ^[1] For the ethnolinguistic groups, the groups were selected to show the greatest difference with the Lao-Tai group for the given indicator. This may be the difference with the Mon-Khmer (MK), the Chinese-Tibetan (CT), or the Hmong-Mien (HM)

Challenges specific to each of the 11 ESDP Outcomes are as follows:

- (i) **Participation rates.** ECE access will need to be improved, especially for children in remote areas without road access. In non-Lao Tai ethnic communities, the large numbers of out-of-school girls of primary school age remain a challenge. While providing safe dormitories for teachers and students have helped, the still-high dropout rates among lower secondary students (11.5% in the first year) need to be addressed. In districts with shared borders and in the southern provinces, male students drop out at a higher rate than do female students, largely to seek work.
- (ii) **Learning outcomes.** The challenges include (a) the limited support to teachers from pedagogical advisers, DESB, and PESS; (b) the poor quality of both pre- and in-service teacher training, and consequently, insufficient attention given by teachers to appropriate pedagogical practices; and (c) overloaded curriculum, especially in the early primary grades, resulting in less emphasis on reading, writing and numerical skills.
- (iii) **Teacher supply and quality.** The response to community demand for early childhood education is limited by the reduced number of civil service positions available. Many primary schools suffer from an under-supply of teachers, while other schools have an over-supply of teachers. Attempts to solve such deployment problems have led to engaging volunteer teachers. Many secondary schools face teacher shortages in certain subjects. Consequently, some teachers must teach subjects that they have little training in, or schools may recruit volunteer teachers to teach these subjects.
- (iv) **Financial resources and cost barriers.** The shortfall in budget allocation for the education sector in the last few years is a challenge. The Lao Expenditure and Consumption Survey (LECS V) reported average costs to families of 580,000 kip per student per year against a national average of 830,000 kip per student per year for primary education. The national average cost for secondary education is much higher with an average of 1,400,000 kip per student per year. Thus, significant cost barriers remain, particularly for rural families to send their children to school.
- (v) **Numbers and skills of basic education graduates.** While primary completion exceeds 80%, lower secondary cohort completion is only around 50% (due to low transition from primary, and dropout within lower secondary) and upper secondary cohort completion is less than 30%. The private sector continues to report that post-basic education graduates enter the workforce with inadequate problem-solving skills, little critical thinking, and lack of vocational skills. The basic infrastructure of some TVET institutions remain under-developed; the quality of teaching-learning is still low with no quality assurance of training programs; and technical equipment and teaching-learning materials have failed to keep up with advances in science and technology.
- (vi) **Literacy.** The barriers to increasing literacy rates include weaknesses and lack of comparability in survey data on literacy; delays in the release and availability of data, a shortage of learning resources that are suitable for adult learners, especially those from ethnic groups living in remote areas; and the lack of integration of literacy programs into life-long learning approaches.
- (vii) **Workforce needs of the NSEDP.** A 2018 analysis of the labour market showed that constraints to developing the private sector in Lao PDR include labour shortages, low productivity of the workforce, the low level of education provided by public vocational colleges and schools, and low wages in Lao PDR, which fuels migration to Thailand where wages are higher.
- (viii) **Education budget allocation and expenditure.** Improving the balance between wage and non-wage budget allocations remains a challenge, particularly at sub-national level. More than

90% of the sub-national level budget is allocated to wage-and wage-related expenditure, although across the sector there has been a gradual decrease in the share of the wage bill from 69 percent in 2015 to 62 percent in 2018, which has enabled more spending on education quality improvement and investment spending.

- (ix) **Education financing.** The budget for in-service teacher training and pedagogical advisers' support to teachers in low-performing schools has been reduced. MoES has analyzed the potential impact of budget constraints. Continued cuts to the budget will lead to reduction or elimination of the following: in-service teacher training, monitoring and pedagogical advisers' school visits, equipment, building maintenance, scholarships for secondary education students, and the installation of improved water and sanitation facilities in schools. Wage allocations are difficult to change, a situation made worse by the large number of volunteer teachers waiting for a civil service position. MoES is currently testing a district allocation formula for a more equitable allocation of the operational budget.
- (x) **Evidence based policy.** Policy makers must receive evidence in a timely manner to be able to use it. Timely and efficient data collection, verification, analysis and dissemination remain a challenge. The PMIS includes detailed information on all civil service staff within the education sector, but not the details on volunteer teachers. Updating the PMIS is difficult since it requires provincial staff to travel to Vientiane, and funds are insufficient to do this on a regular and frequent basis. MoES has been piloting an approach whereby the PMIS can be updated from the provincial level.
- (xi) **Sports development.** Investment in the development of sports is limited at all levels and not continuous, which disrupt the implementation of the Sports Development Plan.

2.3.4. Next steps

Overall priorities. Given the limited education budget, the MoES will not be able to support some of the currently donor-funded interventions and will need to prioritize. The overall priorities for the education sector are to (i) consolidate and more fully analyze data on education (e.g., disaggregated analysis of enrolment, dropout, etc.) and analyze linkages between education, employment and other socioeconomic development dimensions to guide evidence-based planning; (ii) improve the efficiency of teacher deployment and placement; and (iii) develop a strategy to allocate the non-wage budget allocation, with priority to addressing key challenges. Specific priorities for each ESDP Outcome for the period 2018-2020 are set out below.

- (i) **Out-of-school children:** EMIS data needs to be reconciled with other data sets, including the international Out-of-School-Children Study and the 2015 population census, to obtain more accurate data on out-of-school children. Data is lacking on children with disabilities, both in and out of school.
- (ii) **Learning outcomes:** a significant increase in operating budgets is required at district level, together with further upgrading of pedagogical advisers, to better support teachers.
- (iii) **Teacher supply and quality.** All new secondary teachers are expected to be able to teach at least two subjects. A strategy needs to be implemented to improve the efficiency of teacher deployment, reduce the number of volunteer teachers, and allow recruitment of new qualified graduates. A priority for utilizing the new civil-service quotas is to recruit specialist secondary teachers in mathematics, science and IT.
- (iv) **Financial and human resources for education.** The shortfall in budget allocation for the education sector in the last few years will need to be reversed. At the same time, the Government will need to reprioritize education sector interventions to make sure limited resources are used to address most critical needs. To this end, the priorities are to (a)

- strengthen linkages between planning and budgeting, (b) increase the operational budget at provincial and district levels and allocate it more equitably, with increased allocations for pedagogical advisers and school monitoring, and (c) strengthen and modernize the planning and budgeting capacity and the accounting capacity of MoES. At the same time, teacher deployment efficiency needs to be significantly improved
- (v) **Numbers and quality of basic education graduates.** Increasing transition rates into and completion rates within lower and upper secondary education are essential. Improving the quality of post-basic graduates will require improving the basic skills and knowledge provided by primary and lower secondary education, and equipping young people with the skills to function in a modern and diversifying economy. A minimum set of competencies should be outlined as the prerequisite for entry into TVET programmes.
 - (vi) **Literacy.** Improving the completion rates for lower secondary education will be crucial. Equivalence programmes for youth literacy and for continuous education need to be strengthened and expanded.
 - (vii) **Alignment of education with NSEDP needs.** Improving fundamental competencies and skills of children from early childhood education to lower secondary will be necessary, rather than focusing only on improving TVET and higher education. Regular labour market surveys and tracer studies of graduates are needed. MoES needs to develop an overall human resource development plan for the education sector. The expanding contribution of the industry and service sectors to GDP also require improved quality of graduates from upper secondary schools, colleges and universities
 - (viii) **Education expenditure.** The quality and efficiency of education spending needs to be developed, including: (a) improving the efficiency of teacher deployment; (b) strengthening the linkage between planning and budgeting; and (c) strengthening the coordination between central and local levels on financial data collection. Fiscal constraints will remain at least until 2020 therefore the sector needs to determine how to more efficiently use its human and financial resources while reducing disparities. Gender equity among administrative staff needs to be improved since few women hold senior positions at PESS, DESB and school principal levels.
 - (ix) **Education financing.** The priority will be to keep ongoing ‘protected’ programmes, such as school block grants and textbook replenishment. MoES has limited flexibility in the use of discretionary funds. The major space for reducing disparity is to improve the efficiency of teacher deployment. However, moving teachers from one location to another is very difficult in the Lao context. Both the Teacher Allocation Committee and the Planning and Budget Committee will examine the recommendations from the ESDP 2016-20 mid-term review to identify strategies to use human and financial allocations to reduce disparities. Consideration might be given to differential use of school block grants (larger grants to areas lagging behind), formula-based allocation of operational budgets to districts, and/or future DESB operating grants to target disadvantaged schools through use of an allocation formula designed to reduce disparities.
 - (x) **Evidence-based policy.** There is a need to establish a mechanism to consolidate and more fully analyze data from various sources on education and employment, and synthesize results and implications for policy developers and in a way that is accessible to non-research specialists. Support is needed to institutionalise this approach across all provinces. A mechanism to better monitor sector performance, particularly at the policy and strategy levels, is needed to enable government and development partners to jointly assess progress towards revised 2020 targets. An efficient Sector Performance Assessment Framework is required that also monitors sub-national implementation of central policies and strategies.

2.4. Outcome 2, Output 4: Universal access to quality health care services achieved

2.4.1. Context

Policy context. The health sector has aligned its goals, targets and indicators to achieve LDC graduation by 2020, universal health coverage (UHC) by 2025, and the remaining SDGs by 2030. UHC is the highest priority of phase II of the Health Sector Reform, which has been integrated into the health sector development plan and monitoring framework. There are thus five priority areas to pave the way for UHC by 2025: (i) human resources for health; (ii) health financing; (iii) governance, organisation and management; (iv) service delivery and hospital management; and (v) health information systems.

Environmental health. Lao PDR places high priority on clean water as a daily life requirement and on proper sanitation as a basic building block in communicable disease control. On water, sanitation and hygiene (WASH), the WASH overarching Policy is waiting for the approval by the Prime Minister. MoH is finalizing the rural WASH Strategy for achieving SDG 6. Climate Change, Gender, accessibility are well reflected in this WASH Strategy. MoES is finalizing the National Standard for WASH in Schools. Standard Operating Procedures are being developed for Community WASH Committees which will enhance the community ownership of the facilities. The Ministry of Public Works and Transport has developed the Urban Sanitation Strategy. Water laws and regulations are in effect.

2.4.2. Progress and achievements

The targets set for this Output in the NSEDP were as follows:

- Achieve an average life span of 71 years
- Prevalence of underweight reduced to 20% and prevalence of stunting reduced to 32% among under-five children
- Infant mortality rate of children under 1 year old reduced to 30/1,000 live births
- Under-five mortality rate reduced to 40/1,000 live births
- Maternal mortality rate reduced to 160/100,000 live births
- 90% of the population use clean water
- 75% of the population use latrines
- 90% of children have received measles immunization
- 80% of the population is covered by health insurance.

Progress on the ten core indicators

The review of the Health Sector Development Plan (HSDP) focused on progress and achievements in the following areas:

- Service delivery and the essential services package,
- Expansion of the National Health Insurance (NHI) scheme and the implementation of the NHI Law, and
- Acceleration of Health Sector Reform, and improvements in planning and budgeting in the health sector.

The health sector adopted 10 core health indicators in the HSDP to monitor health sector progress. Table 2.10 presents these indicators as examined by the HSDP review. It appears unlikely that indicators 6, 7 and 10 (safe delivery coverage, access to an improved water source, and the vaccination coverage) will achieve the 2020 targets.

Table 2.10. Progress on the ten core indicators in the Health Sector Development Plan						
	Indicator	2015	Source	2017	Source	2020 Target
1	Underweight prevalence	25.5	LCAAS	21.1	LSIS	20
2	Infant mortality rate	51	UN estimation	40	LSIS	30
		57	Census			
3	Stunting prevalence	35.6	LCAAS	33	LSIS	32
4	Under-five mortality rate	67	UN estimation	46	LSIS	40
		86	Census			
5	Maternal mortality rate	197	UN estimation			160
		206	Census			
6	Proportion of births attended by trained health personnel	54	MoH: NHR 2014-15	64.4	LSIS	80
7	Proportion of population using an improved drinking water source	85.7	CEHWS	83.9	LSIS	90
8	Proportion of population using an improved sanitation facility	69.3	CEHWS	73.8	LSIS	75
9	Vaccination coverage	79.5	MoH	66	LSIS	95
10	Health insurance coverage rate	32	MoH	71	MoH	80

CEHWS: ????. Please provide the source by its full name; LCAAS: Lao Child Anthropometry Assessment Survey (LCAAS), MoH and LSB; LSIS: Lao Social Indicators Survey, LSB; MoH: Ministry of Health data; NSHR: Ministry of Health National Health Statistics Report, 2014 -2015. Indicator 6 was 54 according to published MoH data, not 64%. Indicator 9 needs more specificity – age group? Antigens?

Health infrastructure and expansion

The Government and development partners have made concerted efforts to improve the facilities and services at all levels. These include the following:

- (i) **Village level.** The number of Healthy Villages¹⁰³ has grown to 5,676, representing 67 percent of all the villages across the country. Some 84% of the 1,020 health centres across the country are equipped to perform deliveries. Some 12 percent or 12 of the 103 health centres in the Three Build districts have been upgraded. In total, 9 percent of all health centres in the country have been upgraded to ‘small hospitals.
- (ii) **District level.** There are now 135 district hospitals in 148 districts, compared to 127 in 2010. Some 21.5 percent of these hospitals are able to provide comprehensive emergency obstetric and neonatal care services, an improvement from 14% in 2015.
- (iii) **Provincial and central level.** Of the 17 provincial hospitals (1,979 beds), two meet health reform requirements (Houaphanh and Xiengkhouang province hospitals). Provincial hospital personnel across the country have had their capacity upgraded in the use of medical technology. Certain provincial hospitals are able to provide quality services equivalent to that of some central level hospitals. At central level, there are five hospitals and 3 special treatment centres.

¹⁰³ The Model Healthy Villages program was established by the Lao PDR Ministry of Health in 2011. It combines eight elements of primary health care, including water supply, sanitation, village health volunteers, village drug kits, sleeping under mosquito nets, immunization, birth spacing, breast feeding, antenatal care, risk case referrals, and birth and death reporting (Ministry of Health 2011. *The Seventh Five-Year Health Sector Development Plan (2011-2015)*).

Table 2.11. Health facilities and infrastructure		
	2015	Mid 2018
Village level		
Total number of health centres in country, of which:	985	1,020
Number of health centres equipped to perform deliveries	xx	859
Number of health centres upgraded to small hospitals	xx	92
Total number of health centres in the Three Build districts, of which	xx	103
Number of health centres upgraded to small hospitals		12
District level		
Total number of district hospitals, of which:	135	135
Number of district hospitals upgraded to provide comprehensive emergency obstetric and neonatal care (CEONC) facilities	19	29
Provincial and central level		
Total number of provincial hospitals, of which:	17	17
Number of provincial hospitals meeting health reform requirements	xx	2
Number of central hospitals and special treatment centres	xx	8
Source: Ministry of Health inputs for the MTR of the NSEDP. Statistics are needed on Government health facilities providing inpatient and outpatient rehabilitation services and related assistive products to enhance functional capabilities of individuals with disabilities.		

Maternal and child health

Slow progress. The maternal and child mortality have been significantly reduced, but Lao PDR still has the highest rates in ASEAN. A significant proportion of interventions required to reduce maternal and child mortality lie outside the health services sector, such as sparse populations in different geographical regions, women's education, livelihood and socio-economic status, culture and behaviour. The health services coverage indicators show significant improvement from that in 2011/12 but nonetheless remains low. The rates for immunization, antenatal care, skilled attendant at delivery, and institutional delivery need to be further improved. Indicators for reproductive health also show improvement, with increased use of modern contraceptives, and a reduction in adolescent birth rate (Table 2.12).

Table 2.12. Health indicators		
Indicator and definition	2011/ 2012	2017
Maternal mortality ratio: Number of women who die from pregnancy-related causes while pregnant or within 42 days of pregnancy termination (per 100,000 live births) ¹⁰⁴	206 (2015)	
Under-five mortality rate: Probability of dying between birth and the fifth birthday (per thousand live births)	79	46
Infant mortality rate: Probability of dying between birth and the first birthday (per thousand live births)	68	40
Neonatal mortality rate: Probability of dying within the first month of life (per thousand live births)	32	18
Full immunization coverage: Percentage of children age 12-23 months who received all vaccinations recommended in the national immunization schedule at any time before the survey ¹⁰⁵	42.9	48.1
Antenatal care coverage: Percentage of women age 15-49 years with a live birth in the last 2 years attended by skilled health personnel during their last pregnancy that led to a live birth		
At least once	54.2	78.4
At least 4 times		62.2
Skilled attendant at delivery: Percentage of women age 15-49 years with a live birth in the last 2 years attended by skilled health personnel during their most recent live birth	41.5	64.4
Institutional deliveries: Percentage of women age 15-49 years with a live birth in the last 2 years whose most recent live birth was delivered in a health facility	37.5	64.5
Contraceptive prevalence rate: Percentage of women age 15-49 years currently married or in union using (or whose partner is using) a (modern or traditional) contraceptive method	49.8	54.1
Modern contraceptive methods only	42	49
Adolescent birth rate: Age-specific fertility rate for women age 15-19 years (per thousand)	94	83
Use of basic drinking water services:		
Percentage of household members using improved sources of drinking water	69.9	83.9
Percentage of household members using improved sources of drinking water in their dwelling/yard/plot or within 30 minutes round trip collection time.	68.6	78.1
Use of safely managed drinking water services: Percentage of household members with an improved drinking water source on premises, whose source water was tested and free of E. coli and available when needed		15.3
Handwashing facility with water and soap: Percentage of household members with a handwashing facility where water and soap or detergent are present		54.1
Use of basic sanitation services: Percentage of household members using improved sanitation facilities which are not shared	56.9	71.0
Open defecation: Proportion of household population practicing open defecation	37.9	23.9

Sources: Lao Social Indicator Survey, LSIS 2011/12 and LSIS 2017. Population & Housing Census 2015. Lao Statistics Bureau.

Infectious diseases

HIV/AIDS trends. HIV prevalence has been generally low in Lao PDR. The HIV prevalence among the reproductive-aged population (15-49 years) is estimated as 0.3% (Asian Epidemic Model 2017). While HIV prevalence among female sex worker remains stable (1%), it is increasing in men having sex with men

¹⁰⁴ MMR in 2011/12 was estimated by the LSIS as 357 per 100,000 live births.

¹⁰⁵ For immunization, the 2011/12 LSIS included: BCG, 3 doses of oral polio vaccine, three doses of the pentavalent vaccine containing DTP, Hepatitis B, and Haemophilus influenzae type b (Hib) antigens, and measles vaccination. In 2017, this included BCG, Polio3, DTP-Hib-HepB3, Measles and Rubella (MR1). (LSIS, 2011/12 and 2017)

(MSM), from 1.6% in 2014 to 3.9% in 2017. Vientiane capital has the highest HIV prevalence among MSM (9.6%). The overall knowledge on HIV remains low: comprehensive knowledge about HIV prevention among women and men has not improved and has even declined. There was an estimated 650 new infections and less than 500 AIDS-related deaths in 2017.

Table 2.13. Knowledge about HIV among the general population in Lao PDR		
	2011/12	2017
Percentage with comprehensive knowledge about HIV prevention		
Women age 15-49 years	22.7	18.6
Men age 15-49 years	29.9	26.4
Women, age 15-24 years	24	19.3
Men, age 15-24 years	27.6	22.1

Sources: Lao Social Indicator Survey, LSIS 2011/12 and LSIS 2017. Lao Statistics Bureau.

HIV treatment and scale-up. Progress on the three global targets for HIV treatment scale-up beyond 2015¹⁰⁶ is constrained by difficulties in reaching people living with HIV (PLHIV) and referral to treatment. In 2017, around 75% (11,876) of the estimated PLWHIV in Lao PDR knew their status; 47% of PLHIV were receiving antiretroviral therapy; and 75 percent of those on antiretroviral therapy had suppressed viral load. This means that the global targets for the HIV treatment scale-up beyond 2015 are still to be reached.¹⁰⁷

Malaria, and Tuberculosis control

Malaria. The utilization of **insecticide-treated** bed-nets (ITNs) is on track: the 2016 survey conducted by the **Ministry of Health** in three high-malaria burden provinces showed 1.6 people per net against the target of 1.5 people per net. The percentage of children under age 5 sleeping under ITNs was **74.3% in 2016** (MoH data). The mortality rate from malaria remains low (**0.03** per 100,000¹⁰⁸ in 2015 and **xxx** 2018) and the target of **xxxx** is likely achievable in 2020 (**target of WHO Global technical strategy for malaria 2016–2030 (GTS) or national target? Figures needed**).

Tuberculosis. Treatment rate for TB cured under DOTS and others was 87% in the first six months of 2018 (in 2015 it was also 87%¹⁰⁹) against the target of 90% in 2020. TB detection needs to be urgently improved.¹¹⁰ TB detection rate has improved from 37 percent in 2015 to an estimated 50% in 2017¹¹¹ but still has some way to go.

Dengue haemorrhagic fever. This is a year-round nationwide risk in Laos, although transmission rates are generally highest during the rainy season from May to September each year. Authorities reported more than 1,950 cases in 2015, and more than 5,610 cases in 2016, with 10 deaths. The surge in activity during 2016 was likely due to the exceptionally strong El Nino weather pattern, which caused prolonged high temperatures and high humidity. Such conditions provide the ideal environment for mosquito breeding and increased dengue fever transmission. During 2017, there were 5,584 cases of dengue fever (including 14 deaths) recorded countrywide in 16 out of 18 provinces. In the first 6 months of 2018, some 1,089 cases of dengue fever have been reported, with two deaths. Most of the cases occurred in the south of the

¹⁰⁶ The targets for the HIV treatment scale-up beyond 2015 are (i) by 2020, 90 percent of all people living with HIV will know their HIV status, (ii) by 2020, 90 percent of all people with diagnosed HIV infection will receive sustained antiretroviral therapy and (iii) by 2020, 90 percent of all people receiving antiretroviral therapy will have viral suppression.

¹⁰⁷ Updated statistics from Global AIDS monitoring, UNAIDS, 2018.

¹⁰⁸ From MDG reporting.

¹⁰⁹ MDG reporting.

¹¹⁰ **data needed on treatment success or treatment outcomes**

¹¹¹ WHO global TB database. <http://www.who.int/tb/country/data/download/en/>

country, with Attapeu province reporting 477 and two deaths, and Champasack province reporting 164 cases. On ASEAN Dengue Day, marked on 15 June 2018, over 100 local people and officials gathered in Vientiane for activities to support the country's battle against dengue.¹¹²

Non-communicable diseases

A growing threat. Some 59.6% of all deaths for all ages in the country were due to non-communicable diseases (NCD) in 2016. Coronary heart disease in Laos reached 5,769 or 13.5% of total deaths, according to the latest WHO data published in 2017. WHO has identified adult risk factors in Lao PDR, among them a high rate of tobacco use. The age-standardized NCD mortality rate per 100,000 population in 2016 was 780.6 (829.9 for males and 739.4 for females).¹¹³ The Ministry of Health has started NCD prevention and control with an action plan for NCD 2014-2020, including through a holistic approach involving other sectors to encourage physical activities and reduce the risk factors for NCDs at community level.

Death from injury. Injuries, estimated as 9% of total deaths in the Lao PDR, are mainly from road accidents. Road accident statistics show a rise of the death rate from road accidents, from 8.6 per 100,000 in 2006 to 15.3 per 100,000 in 2015 and 16.2 per 100,000 in 2017.¹¹⁴ The increase is largely associated with unsafe road conditions, rapid expansion of roads, the growth in the number of motorbikes and vehicles, speed driving after drinking, and limited capacity to enforce traffic laws and regulations.

Safe drinking water and improved sanitation

Progress. The use of clean water has increased in the past 5 years (Table 2.12) from 69.9% in 2011/12 to 83.9% in 2017. There remain many mountainous and remote provinces with lower coverage, and water sources may be prone to contamination from the increasingly frequent floods. The use of improved sanitation facilities (those which are not shared, according to WHO/UNICEF JMP standards) has increased significantly from 56.9 in 2011/12 to 71 percent in 2017. The rate of open defecation has decreased from 37.9 percent in 2011/12 to 23.9 in 2017, but the practice is still a significant health risk. Flooding also poses risks to sanitation facilities and sanitation in general.

Health protection and expenditure

Increased government spending. Many schemes have been introduced to support universal health coverage, including health equity funds, free maternal and child health services, and social health protection schemes. The total health expenditure (THE) per capita has increased from US\$29 (2010-11) to US\$59 (2015-16). The total health expenditure as a percentage of GDP has increased from 2.4% (2010-11) to 3% (2015-16). The general government health expenditure as a percentage of general government expenditure has nearly doubled from 3.7% (2010-11) to 6.9% (2017), but still not yet reached the level endorsed by the National Assembly. Out of pocket spending is still a concern, even though it has decreased from 48.6% of total current health expenditures in 2010-11 to 45.1% in 2015-16.

2.4.3. Challenges and lessons learned

Challenges external to the health sector:

- Flooding throughout the country frequently affects food production areas and damages health infrastructure, including hospitals, health centres, wells and sanitation systems.
- Problems linked to the economy have increased commodity prices and other costs.
- Investment in the health sector has been limited, including from ODA.

¹¹² <https://aecnewstoday.com/2018/lao-morning-news-for-june-18/#axzz5Ri7aU4aj>

¹¹³ WHO Global Health Observatory. <http://apps.who.int/gho/data/view.main.2490> (Please provide more updated data if available.)

¹¹⁴ Police statistics

- Factors such as living standards of communities, and health seeking and care behaviour, depend on knowledge/education, poverty, traditions and culture.
- Health care activities, especially preventive care, are not prioritized by households, communities, society and the authorities.

Challenges within the health sector:

- While the health care service network has been expanded significantly into both urban and remote areas, coverage still needs to increase, and the quality of services at health facilities is still limited. In many district hospitals and health care centres in remote areas, professional staff, vehicles, infrastructure and health equipment are inadequate. The system for referral and transportation of patients also needs strengthening.
- Health personnel is limited in quantity and quality, highlighting the need for capacity strengthening and continuing professional development. Ensuring a more equitable deployment of health staff, especially to remote areas, remains a challenge. Decision makers will need to develop and implement a human resources policy that offers incentives for good performance, improved skills and for dedicated work in remote areas.
- While the national health insurance system has expanded its coverage, access to health facilities remains difficult for people who live in remote areas, especially in rainy season. Coverage by the national health insurance system is only for some health care services only, but not all, such as disease prevention and health promotion.
- The budget for public health has been increased, but on a per capita basis, it is still among the lowest in the ASEAN region. The government budget for health insurance related activities is severely limited.
- The civil registration and vital statistics (CRVS) system is still limited. Other weaknesses, such as limitations in the capacity to analyze and use data, constrain the monitoring of progress.

Challenges and issues related to immunization:

- Health services often have staff shortages and poor staff capacities; some staff are not trained properly on microplanning for immunization service delivery, especially in remote areas.
- Delays in receiving the budget cause delays down the line from implementation and monitoring to reporting.
- Local authorities and other stakeholders need to provide more support to make communities understand the importance of vaccination.
- Difficulties in physical access, the lack of equipment and the lack of vehicles, constrain immunization programmes in remote areas.
- Monitoring and reporting are not systematic and continuous, many provinces/districts have not yet used monitoring tools and lack of appropriate work plan and working methodology.
- Discrepancies in population statistics and coverage data impede efficient monitoring.

Inequities. Many development partners have moved to upstream support, while many essential services still do not reach children, as demonstrated by the outbreaks of diphtheria and polio. Inequities in coverage of health services are manifested by poorer health outcomes amongst the poorest living in remote areas, as shown by the 2017 LSIS. The disparities in health status and service coverage are, as in education, are determined by (i) geography and access, (ii) by the level of education of the mother (in the case of maternal and child health) or the household head (in the case of water and sanitation facilities), (iii) ethnolinguistic group (some groups are more remote than others or may have different cultural practices that affect health), and (iv) the wealth of the household. An additional factor in child, infant and neonatal mortality is the age of the mother: children born of mothers who are too young (below age 20) or older (above age 35) have a higher probability of dying before the age of five. The disparities are greater for certain indicators than others, meaning that for those indicators, the vulnerable groups have

much further to catch up. Education and household wealth are the two factors that make the greatest difference.

Dependence on external funding. Lao PDR needs an exit strategy to move away from support from development partners and other external sources: immunization is still dependent on external funds. The decline in external funding has resulted in a huge gap in the HIV/AIDS prevention program.

Water contamination. New SDG definitions for safely managed water and sanitation show worrying results. While access to “improved” sources of water shows progress, a high proportion of samples (86.3%, with 80.9 % in urban and 88.9% in rural households) tested positive for *E. coli* (a proxy indicator for faecal contamination). The testing produced positive results for *E. coli* in 83.1% of samples at source.¹¹⁵ This means a high percentage of population are at risk because of contaminated water in both urban and rural settings and at the source.

Hygiene challenges. Despite good progress, some 23.9 percent of the population still defecate in the open. The burden is carried by the rural poor (Table 2.12). Among those who practice open defecation, 71.8% are from the poorest quintile. A little over half the households have access to facilities for washing their hands with soap. Even among the richest households, some 13% do not have such facilities.

Challenges in combatting HIV. The past years have seen many large infrastructure and development projects spread across the country, such as the China-Lao high-speed railway, road construction, and dams. These projects bring in internal and external migrant workers that heighten risks and vulnerabilities for HIV among the Lao population. The Integrated Biological and Behavioural Assessment Survey (IBBS) in 2017 highlighted a sharp increase in HIV prevalence among MSM in Vientiane capital from 3.6% in 2014 to 7% in 2017. Stigma and discrimination against PLHIV are still high, largely due to limited understanding. The integration of antiretroviral treatment in the health care system remains a challenge, especially since the health care system still does not have universal coverage.

¹¹⁵ LSIS 2017

Table 2.14. Health inequities as measured by LSIS 2017

	National average	Geography/access		Education of mother/household head		Language			Wealth index quintile		Mother's age			Sex	
		Urban	Rural without road	Post secondary / Non tertiary	none or pre-primary	Mother tongue: Lao-Tai	Mother tongue: Non Lao-Tai ^[1]	CT	richest	poorest	<20	20-34	35-49	Male	Female
Under-five mortality rate (‰)	46	24	62	5	54	35	72	CT	23	63	64	37	73	47	44
Infant mortality rate (‰)	40	20	56	4	49	30	57	MK	19	56	59	33	62	43	37
Neonatal mortality rate (‰)	18	14	24	0	17	15	22	MK	14	20	25	14	32	19	17
Full immunization coverage (%)	48.1	53.4	40.7	61.9	30.6	58.8	27.4	CT	65.2	31.7				46.7	49.6
Antenatal care, at least 1 visit (%)	78.4	93.3	55.4	98.1	49.5	89.4	53.9	CT	97.3	51.7	74.7	80.3	69.2		
Skilled attendant at delivery (%)	64.4	89.7	34.1	91.2	36	78.2	42.5	CT	96.8	32.6	56.4	67	57.3		
Institutional delivery rate (%)	64.5	87.9	37.7	93.6	36.6	77.7	42.8	CT	95	33.9	57	67.1	56.8		
Contraceptive prevalence rate, modern (%)	49	45.8	46.3	43.8	43.2	52.6	25	HM	45.9	41.5	29.1 (age 15-19)				
Adolescent birth rate (‰)	83	42	136	8	176	54	192	HM	20	156					
Use of improved sources of drinking water (%)	83.9	96.7	65	95.1	69.7	91.5	67.5	MK	99.8	58.4					
% of household population with <i>E. coli</i> in drinking water (%)	86.3	80.5	86.7	81.7	90.3	86.2	77.6	HM	77.9	90.1					
Handwashing facility with water and soap (%)	54.1	73.3	31	76.2	35.8	66.4	32.4	HM	86.6	20.9					
Use of improved sanitation facilities (not shared) (%)	71	91.2	50.8	90.3	47.3	82.3	50.1	MK	98.5	23.2					
Open defecation (%)	23.9	4.2	43.9	6.1	48	13.9	46.3	CT	0	71.8					

Notes ^[1] For the ethnolinguistic groups, the groups were selected to show the greatest difference with the Lao-Tai group for the given indicator. This may be the difference with the Mon- Khmer (MK), the Chinese-Tibetan (CT), or the Hmong-Mien (HM)

2.4.4. Next steps

The HSDP review identified the following priorities for the post-MTR period:

- Improving staff capacity and performance, which will require continued strengthening of staff capacity to meet required standards at each level, institutional arrangements to ensure better staff deployment, and the implementation of incentive policies for staff, especially for those in remote areas.
- Improving health facilities, networks and referral systems by ensuring implementation of the 5 Goods, 1 Satisfaction Policy (Good Reception; Cleanliness, Comfortability; Diagnosis; Treatment and Patient Satisfaction), in parallel with expanding the national health insurance system.
- Addressing the causes of maternal and child mortality and malnutrition through upgrading maternal and child health services, including referral systems, basic emergency obstetric and neonatal care (BEmONC) and comprehensive emergency obstetric and neonatal care (CEmONC) services, and preventing malnutrition through behavioural change communication interventions, especially in remote areas.
- Improving the quality of food and drug monitoring and analysis, including traditional drugs.
- Improving the health management information system and integrating the many systems¹¹⁶ into one to obtain robust and timely data for use in monitoring, planning, and improving the services at different levels.
- Strengthening health budget planning and management with priority to national health programmes/projects.
- Mobilizing resources including private investment in health care and official development assistance.
- Enhancing programme/project management, especially effective monitoring, evaluation and reporting.

Community based strategies. The inequities and challenges outlined in the previous section call for fresh approaches with more attention to the demand side and to the capacity of families and communities. This means increased emphasis on strengthening the capacity of local level service provision and improving the quality of care provided at the peripheral level: to address common childhood illnesses, improve vaccination coverage, provide parenting education and early childhood development, and facilitate elimination of open defecation. Community-based approaches are essential to improving nutritional status and management of children with pneumonia, diarrhoea and others. A community healthcare strategy will also strengthen health promotion, including through the use of local languages, to address social behaviours that are harmful to health.

Key measures to address food and nutrition security are highlighted under Outcome 2, Output 2. The elimination of open defecation requires the rigorous implementation of the alignment between WASH and the Healthy Model Villages, so that to qualify as a Healthy Model Village, all households should have improved sanitation facilities and be free of open defecation.

Health financing. The Government is highly committed to increase its spending on health services provision. Domestic revenue sources are the key to reduce the financial burden on households and the

¹¹⁶District Health Information Software (DHIS2), civil registration and vital statistics system (CRVS), the 10th revision of the International Statistical Classification of Diseases and Related Health Problems (ICD10) and eHealth, which is health information made accessible on cellular phones

vulnerability associated with the uncertainty of external financing and external technical assistance. Phasing out of Gavi¹¹⁷ for immunization will require greater allocation of domestic resources and innovative finance, where feasible, to meet the funding gap for immunization programmes. There is also a need to decrease reliance on out-of-pocket spending, and increase pooled and pre-paid financing.

Priorities for combatting HIV/AIDS are as follows:

- (i) Prevent HIV infections by focusing on key populations at higher risk. This requires achieving global targets on scaling up HIV prevention and treatment, especially for those engaged in high-risk behaviour. More attention is required to address the weak coordination between community workers and service providers.
- (ii) Mobilize resources from private investors collaborating with the Government on large infrastructure development projects. Large infrastructure and development projects have led to an influx in thousands of migrant workers coming into Laos. Hence, it is important that the private investors are involved in the HIV response for prevention. This will help lessen the socio-economic impact due to development in the surrounding areas. In addition, there is also a need to collaborate with neighbouring countries to jointly address the HIV issues among migrant workers.
- (iii) Mainstream HIV into the health system and existing work with all development programmes. HIV/AIDS knowledge, prevention and response should be incorporated into programmes on sexual and reproductive health, maternal and child health, gender equality, human rights, workplace education, health system strengthening and social safety nets.
- (iv) Integrate HIV treatment into health services, and integrate care for PLHIV into social welfare services. There are still many barriers for integration of HIV treatment into health services due to the many vertical programs, lack of coordination and limited capacity of health staff. There is a need to increase efforts on mainstreaming HIV/AIDS into appropriate entry points to health care services. This includes services for maternal and child health, TB/HIV, health promotion, food and drugs.
- (v) Ensure predictable levels of resources for the national HIV Action Plan 2016-2020. Current funding for the HIV/AIDS response is highly dependent on external sources (nearly 100%). Thus, allocation of more resources is required from the national budget.

Cross-sector strategies. While the mid-term review shows encouraging progress, some remaining health challenges will require progress in other sectors. The direction and frameworks for such joint efforts are provided by the sector-wide coordination mechanism, Health Sector Reform, 3 Builds Policy, and the Law on Communicable Diseases Control approved by the National Assembly on 9 November 2017, which sets out the roles and responsibilities of the national communicable diseases committees at each level (central, province, district and village). Close coordination and cooperation from all sectors, stakeholders, local authorities and development partners will be required to achieve universal health coverage by 2020/25, with a firm basis for the achievement of SDG targets in 2030.

¹¹⁷ Gavi, an international organisation is the global Vaccine Alliance, bringing together public and private sectors with the shared goal of creating equal access to new and underused vaccines for children living in poor countries.
<https://www.gavi.org/>

2.5. Outcome 2, Output 5: Improvement of and access to social protection achieved

2.5.1. Context

Goals. Significant steps have already been taken to achieve the goals of a national social protection floor, such as the creation of the National Health Insurance and the National Health Insurance Bureau that will help to accomplish the goal of Universal Health Coverage by 2025. Initiatives such as the Health Equity Fund schemes and Free Delivery of Maternal, Neonatal and Child Health Care (“Free MNCH”), represent significant progress.

Strategy to achieve a national social protection floor. The Government has embarked on a strategy that aims by 2030 to a national social protection floor that protects everybody in all the stages of life. In doing so, the Government follows a two-fold approach. On the one hand, it will increase funding for social protection and expand currently existing social protection schemes. On the other hand, it will develop new social protection interventions to guarantee income security and health to the Laotians throughout their life cycle.

2.5.2. Progress and achievements

Legal framework. Building on achievements from the previous Five Year Plan, the Government has created legal instruments to improve the basis for implementation. For example, the Labour Law has been enhanced and a law on social security approved with a decree on increasing the minimum wage for the labour force working in business, production and service units (from 626,000 Kip/month to 900,000 Kip). A decree on social relief for the disabled is also in a process of finalization. In addition, coverage of social and health security has expanded, including for the disaster affected, elderly, and disabled.

Limited coverage. Access to social protection remains limited and welfare programmes fragmented. The recent Labour Force Survey (2017) has shown that 996,000 people or 14.4 percent of the country’s population are covered by social protection. Social protection extends largely to those employed in formal sectors. Thus, of the country’s 4.8 million working age population, only 752,000 (or 15.8%: 16.7% male and 15% female) are covered by a social protection scheme (Table 2.15). Of those covered by social protection, the National Social Security Fund constituted the biggest share of coverage (72 per cent of the covered population), followed by National Health Insurance Fund (21 per cent).¹¹⁸

Benefits. Social protection benefits include those from health insurance (84% of all benefits), maternity benefits, employment/occupational health benefits, old age/retirement benefits, death and survivor benefits. Of those who reported they currently receive benefits (259,000), the bulk were mainly benefiting from health insurance coverage, followed by maternity benefits and survivors’ pension benefits.¹¹⁹

Informal sector. The majority of workers are not covered by social protection are in informal employment, which consists of two types of employment. The first comprises those who are employed in the informal sector enterprises that are not registered and do not keep accounts of their business, and the workers do not benefit from social protection and work-related benefits. The second segment consists of those who are informally employed and in households. Their employers do not contribute to social protection, and they do not receive work-related benefits such as paid leave and paid sick leave. Contributing family workers are considered to be informal employment regardless of their institutional sector of work. Out of 1.8 million employed persons, 1.5 million were estimated to be in informal employment. Own-account

¹¹⁸ 2017 Labour Force Survey

¹¹⁹ 2017 Labour Force Survey

workers accounted for 33.5 per cent, or 485,000 persons, of informal employment, and contributing family workers accounted for another 46.3 per cent, or 673,000.¹²⁰

	Lao PDR			Urban			Rural		
	Total	Male	female	Total	Male	female	Total	Male	female
Total population estimated by LFS 2017 for Lao PDR	6,916	3,410	3,507	2,038	993	1,045	4,878	2,416	2,462
Population covered by social protection: numbers	996	510	485	523	268	254	473	242	231
Percentage of total population	14.4%	15.0%	13.8%	25.7%	27.0%	24.3%	9.7%	10.0%	9.4%
Working-age population (15+),	4,758	2,328	2,430	1,530	738	792	3,228	1,590	1,638
Working age population covered by social protection	752	388	364	410	209	201	342	179	164
% of working age population who are covered by social protection	15.8%	16.7%	15.0%	26.8%	28.3%	25.4%	10.6%	11.3%	10.0%

Source: Labour Force Survey, 2017. Lao Statistics Bureau

Improvement of and access to social protection: As part of the government’s consistent effort to support the social work profession in Lao PDR, the Ministry of Labour and Social Welfare in developing the training manual for para social workers in collaboration with the National University of Lao. The training manual was used to train the staff of the Ministry of Labour and Social Welfare MOLSW and para social workers at all levels.

The National Social Protection Strategy. One of the key achievements in 2018 is the finalization of the National Social Protection Strategy (NSPS), which is now under consideration for adoption by the Cabinet. The NSPS is the result of the efforts of the Government of Lao PDR and its development partners and provides a clear framework for the development of a national social protection floor (SPF). The NSPS is inspired by the Lao Constitution and the 8th National Socio-Economic Development Plan (2016-2020) and benefited from the work previously done in Lao PDR through the Assessment-Based National Dialogue (ABND) on Social Protection.

Strategic objectives and strategies. The NSPS has defined two major goals in aiming to ensure effective universal access to social protection services, and higher levels of protection for those more in need. Each goal is disaggregated into the Strategic Objectives on health insurance, social security and social welfare.

- (i) The **Health Insurance** section of the NSPS aims to ensure that everyone has access to health services, including promotion, preventive, treatment, rehabilitation and palliative care of sufficient quality to be effective, and that the use of these services does not result in financial hardship for the individuals. These are the goals of UHC.
- (ii) The **Social Security** objective of the NSPS aims to cover all workers and self-employed workers in the formal sector with contributory social protection schemes, and help unprotected workers in the informal sector to access a higher level of protection.
- (iii) The **Social Welfare** objective of the NSPS aims to expand coverage and services of non-contributory schemes to meet the needs of target groups. These include cash transfers to the

¹²⁰ 2017 Labour Force Survey

most vulnerable groups, such as child cash grant, disability grant, non-contributory social pensions, school meals and secondary level scholarships. This objective also includes a sub-objective on providing the working-age population with access to decent employment, skills and vocational training, and labour market information.

2.5.3. Challenges and lessons learned

Investments required. Sufficient, predictable and sustained investment will be required to improve the quality and access to quality social protection. Greater measures are needed to address important issues related to the coverage and scope of social protection, as well as health care service for the elderly, the disabled, homeless and underprivileged. A mechanism needs to be put in place for managing and protecting child benefits, and encouraging workers and people in all professions to contribute to the health insurance fund. Administrative data on social protection has many gaps, and significant investment is needed in a Management Information System, which the government is addressing with support from development partners.

Resource mobilization and financial sustainability are the biggest challenge in implementing the NSPS. The NSPS relies on the use of internal and external funding sources for the realization of its activities. Lao PDR's economy is forecasted to continue growing at a good pace, therefore allowing the Government to invest in social protection services and benefits. With this in mind, the Government's budget will need to incorporate NSPS requirements. Social protection interventions will be introduced gradually in two phases -2018-2024 and 2025-2030- to allow for an accommodative budget planning. Interventions and packages have been costed based on the ILO's Rapid Assessment Protocol tool. It is estimated that starting from 2019, implementation of the Social Welfare component alone would require 0.23 percent of GDP, rising to 0.95% of GDP 0.95% of the GDP, or a 4.78% of the General Government Expenditure (GGE) by 2030 as social protection schemes are expanded and more are added.

2.5.4. Next steps

Implementation of the National Social Protection Strategy. A top priority will be the implementation of the NSPS, expected to be in two phases during 2018-2030. The first phase (Phase I) will take place between 2018 and 2024. The on-going impact of the NSPS will be evaluated in 2024 (mid-term evaluation), before the preparation of the second phase (Phase II) implementation plan, on the second half of 2024. Phase II will take place between 2025 and 2030.

Institutional roles. The implementation of the NSPS and the overall coordination of the implementing bodies (and with development partners) will fall under the responsibility of the National Social Protection Committee (NSPC). The NSPC will be established through Prime Ministerial Decree at the beginning of the NSPS implementation. An NSPS Secretariat will take the responsibility of monitoring NSPS implementation. Cooperation partners will form a crucial part of the NSPS implementation, for technical assistance, capacity building, budgetary support, monitoring of the implementation and evaluation of the results. The Lao Statistics Bureau and the National University of Laos are expected to provide inputs on the targeting of poor households to ensure efficient allocation of resources and maximize the impact of social protection interventions.

A Management Information System on social protection is a top priority. This will be essential in planning, coordinating and supervising the implementation of the NSPS and the overall situation of social protection in the country. This system will also be of central importance in coordinating interventions decentralized to the provinces and districts.

Disability. For the new decree on social relief for people living with disabilities to be effective, clear roles and responsibilities will need to be laid out in the implementation plan. Health care coverage should needs

to include rehabilitation services as well as assistive products for people with disability. In addition, the management information system of the NSPS will need to have data disaggregated by disability status, including UXO survivors, such that it is possible to conduct longitudinal tracking of cases.

2.6. Outcome 2, Output 6: National traditions and culture protected

Promotion of Lao culture, traditions and arts

Many events, shows, festivals and seminars have been held to promote Lao culture, tradition and arts. These activities emphasized cultural identity, the use of national language and the mobilization of all citizens to play a more active role in all cultural fields. The Lao film industry has been given a boost with the following activities:

- (i) Arts, literature and culture promotion events held throughout the country were accompanied by the promotion and use of traditional music instruments and the Lao traditional orchestra.
- (ii) A documentary film was made on Lao identity, culture and ethnic traditions and broadcast on two television channels (Lao television channel 3 and Lao Star TV). The film has been followed up extensive public advertisements.
- (iii) Films on native identity, culture and ethnic minorities' tradition have also been promoted.
- (iv) A competition on short movies by secondary school students was held to nurture children's creative expressions and foster their outgoing competitive spirit.
- (v) As a follow-up to the 40th Anniversary of the establishment of the People's Republic in December 2015, short movies and documentaries were submitted in competitions under the title of *Forty Years of Beloved Motherland*.
- (vi) The number of government-designated Cultural Villages has increased to 5,144 or around 61 percent of total villages, or 11 percent of village groups, while designated Cultural Families now total 810,620 or some 68 percent of all families in the country.

Preservation of cultural and biodiversity heritage

Heritage sites and activities. Conferences and other preparations have been held with the aim of proposing national protected areas and cultural heritage areas for inclusion the list of UNESCO's World Heritage Sites. The current Lao PDR sites inscribed on the World Heritage list are the Town of Luang Prabang (1995), and Vat Phou and Associated Ancient Settlements within the Champasak Cultural Landscape (2001). Sites not yet inscribed but are proposed include the biodiversity-rich, Hin Nam Nor National Conservation Forest in Khammouane Province, the Plain of Jars on Xieng Khouang plateau, and Phou Hin Nam Nor (stone pillar mountain) in central Khammouane province.¹²¹ Other activities reported in this period included a government ceremony for the delivery of eight Buddha statues and ancient silk sins,¹²² a gift from the Lao community living in France, to be placed on display as national heritage artefacts in the National Cultural Hall and the renovation of the ancient wall murals and museum in Sisaketh Temple. A Memorandum of Understanding has been developed with Vietnam for a trans-boundary World Heritage Site between Hin Nam No and Phong Nha Ke Bang National Park.

Promotion of sustainable tourism

Tourism promotion. The celebration of the 20th anniversary of Luang Prabang's inscription on the World heritage list in December 2015 was followed by many tourist activities in 2016. The tourism sector

¹²¹ Ministry of Information Culture and Tourism to provide a list of all sites proposed to UNESCO

¹²² Sin: silk skirt worn by Lao women.

organized a caravan of tourists heading to Viengxay in Houaphanh province. Viengxay is considered the birthplace and spiritual home of the Lao PDR, where the Pathet Lao took shelter from the bombs dropped on them during the Indochina war in a vast labyrinth of caves. The cave audio tour there is the first of its kind in the country.

Table 2.16. Indicators for Outcome 2 Output 6			
NSEDP Indicator	Baseline	2018	Target 2020
Number of villages developed into “Cultural Villages”	4,821 (2015)	5,144	
Number of established tourist sites (green growth indicator if disaggregated):			
National Heritage Sites (cultural/historical /natural)	xx/xx/xx	xx/xx/xx	
Nature tourism sites	xx	xx	
International tourists entering Lao PDR, person-trips	4.2 million person trips (2016)	3.8 million person trips (2017)	6 million person-trips
Revenue from tourism sector	USD 900 million	Xxxxx	
<i>Source: Ministry of Information, Culture and Tourism</i>			

Lower tourism revenues. Compared to other ASEAN countries in 2017, Lao PDR’s tourism revenue was the lowest. The decline in tourists in Lao PDR may be explained by the following factors: (i) tourism costs, when compared to other countries, are higher in Lao; (ii) unclear procedures at borders with regard to entry permit, obtaining or extending visa hinder tourism; and (iii) although there are various tourism sites, only a few are interesting and offer a wide range of activities. Therefore, most tourists tend to visit Laos only as a transit/secondary destination, rather than a primary destination.

2.7. Outcome 2, Output 7: Political stability, social peace, order, justice and transparency maintained

2.7.1. Context

Strategies to address social problems. Efforts to achieve this output focused on mobilizing the public, improving coordination between authorities at all levels and concerned agencies to prevent, mitigate and solve social drawbacks within family and society. The Government, including local authorities, the security forces and mass organisations conducted intensive campaigns and other efforts to raise awareness about government policies, the obligations of both government and citizens, the traditional customs and values of Lao society, and the social problems that currently threaten society.

2.7.2. Progress and achievements

Issues tackled. Special attention was given to educate citizens on drugs, sex workers, robbery, gambling, HIV/AIDS, and other social issues. Local campaigns and mechanisms to address problems linked to such issues have been set up. The emphasis is on increasing societal awareness about the issues and enabling people to be take a greater responsibility in addressing these problems themselves. The issues facing the development of youth were prioritized.

Socialization of laws and their implementation. In addition, activities at national and provincial levels educated, encouraged and mobilized citizens to understand and follow the laws relating to building strong families, villages and towns. To disseminate information on laws and their implementation, the following media channels were used during the reporting period: (i) 989 radio broadcasts in the Lao and Hmong languages at central and local levels; (ii) 78 television broadcasts; (iii) provincial street speakers (1,745 times), and (iv) domestic news broadcasts by the Ministry of Justice (126 times). Written information was

disseminated through the following channels: (i) 400 articles through the official Khao Sanh Pathet Lao (Lao News Agency), 36 news articles in Ministry of Justice’s law newspapers, 619 times in the local newspapers, and 10 articles in the Khao Sanh Pathet Lao newspapers. Dissemination about laws also took place in villages through meetings and groups more than 6,000 times and in classrooms, as lessons for a total of 1,614 hours. The government provided 2,241 free-of-charge consultations on laws for the people.

Activities in the justice sector. The government also undertook the printing and distribution of laws and justice magazines, and the printing of books and manuals compiling laws. Laws and legal instruments have been posted some 2,672 times on the websites of the Official Gazette and the Ministry of Justice. In parallel, efforts also focused on research, inspection, and assessment of laws and legal instruments, and the drafting and improvement of laws. As a result, 22 new laws have been approved, 23 improved and 35 decrees drafted. The past year saw progress in developing and certifying the internal regulations of the Lao Bar Association, disseminating these regulations and improving the laws on the Bar Association regarding the qualifications of laws. Four training courses were held to train 94 lawyers. The government received 126 applications concerning applications for obtaining Lao citizenship, give up citizenship or resumption of Lao citizenship, of which 100 applications have been processed.

Capacity building of the justice system. The Government continues the capacity building of the law enforcement officers, social welfare staff and concerned officials to implement the newly approved laws, particularly laws related to children, especially the Law on Juvenile Criminal procedure, and the Law on Preventing and Combatting Violence against Women and Children. More than 400 judges, judge assistants, prosecutors, police officials and social welfare staff from 17 provinces and Vientiane Capital City received orientation on the Convention of the Rights of the Child and the new Law on Juvenile Criminal Procedures.

Court proceedings. The government is also making efforts to make the court proceedings more effective. The numbers and outcomes of cases handled by the courts in the two and a half years since 2016 are shown in Table 2.17. The courts handled thousands of legal cases, many of them pending from years past and were able to resolve 4,230 cases.

Table 2.17. Court proceedings	
	Period 2016-June 2018
Total number of legal cases (including pending cases from before 2016)	27,464
Of which	
Number of criminal cases	18,895
Number of civil cases	8,569
Number of legal cases resolved, whether through settlement or verdict	4,230
Of which	
Number of criminal cases	2,321
Number of civil cases	1,909
% of legal cases resolved	15.4%
Of which	
% of criminal cases	12.28%
% of civil cases	22.28%
Source: Ministry of Justice	

Ongoing reforms for cases involving children. New child court proceedings have been introduced. These take place in a court room designed to avoid the intimidation of children. Everyone – judges, children,

parents, and prosecutor – sits at the same level around a table. In addition, judges also wear less formal clothes and use simple language in cases involving children. The atmosphere and environment are less formal, less intimidating and, ultimately, child-focused.

Model Families and Model Villages obeying laws. Altogether, the Government designated 55,516 Model Families obeying laws, which amount to some 4.7 percent of all families.¹²³ Some 325 villages (or 3.8 percent of all villages in the country¹²⁴) are designated as Model Villages obeying laws. To solve problems at village level before they develop into law suits and cases, the Government has trained 2,264 villages (or 27% of all villages in the country) on arbitration strategies and tasks to solve disputes at village level.

2.7.3. Next steps

The Government is prioritizing the following strategies:

- (i) **Continue with public education on social problems and laws**, giving priority to educating and mobilizing youth. This strategy will need to be linked up with the National Youth Policy being developed, since educating youth alone will not work without addressing other issues that impede the development of their full potential.
- (ii) **Continue strengthening and reforming the justice sector**, with special attention to implementing reforms in the juvenile justice system to minimize the harm done to children from contact with the law. This will enable children who are in conflict with the law to recover and realize their full potential as productive members of Lao society.

¹²³ The denominator of 1,190,792 total families is used throughout this report to be consistent with outcome 2 output 1

¹²⁴ Similarly, the total number of villages (8,514) is taken from outcome 2 output 1, which reflects the additional 7 villages have added on since the 2015 census.

3.Outcome 3: Improved Environmental Protection

“Natural resources and the environment protected and sustainably managed, green growth promoted, disaster preparedness enhanced, and climate resilience developed”

3.1. Outcome 3, Output 1: Environmental protection and sustainable natural resources management achieved

3.1.1. Context

Policy and planning context. The Forest and Forest Resource Management Action Plan of the Ministry of Agriculture and Forestry aims to (i) Improve forestry legislation and strategies and raise awareness of the importance of forests throughout society; (ii) contribute to increasing forest coverage to 70%, through production forest allocation, regeneration of degraded forests, and the promotion of tree planting, (iii) promote village level forest allocation and management, (iv) contribute to the work of the *Reducing Emissions from Deforestation and Forest Degradation* (REDD+) through trade in forest carbon credits, (v) improve legislation concerning the Forest and Forest Resource Development Fund (FFRDF) and (vi) strengthen management mechanisms in the forestry sector.

3.1.2. Progress and achievements

Table 3.1. Progress against the NSEDP indicators for Outcome 3, Output 1			
Indicator	Baseline	Achievements 2016- to 6/2018	Target
% of forest area in the country ^[1]	58% (2018)		70 %
EVI component: Share of agriculture, forestry and fisheries in GDP			
EVI component: Disaster Victims (Death and Injuries) as % of population			
The number of people affected by disasters (per 100,000 people)	168 per 100,000 ¹²⁵ (year?)		
No. of projects that use IEE and EIA	399 projects	54 projects	
Allocation of Land Use at the Provincial Level	0 Provinces	1 Province	18 Provinces
Allocation of Land at District Level	55 Districts	2 Districts	92 Districts
Number of districts that completed the operational framework and monitoring framework along the 13th National Road and along the Mekong River to create green and clean cities	0	5 Districts	10 districts
Agricultural productivity stabilization index (from EVI)			
Note: ^[1] Forest coverage from National REDD+ Strategy (Draft as of Feb 2018) as reported in the VNR report. Sources: Ministry of Agriculture and Forestry and Ministry of Natural Resources and Environment			

¹²⁵ Derived from 10,928 from MoLSW. Population denominator from census (6,492,228). **Need specific year by year reports.**

Success factors. The factors supporting the progress made include: (i) a larger sector working group for natural resources and environment at MoNRE, which has made task completion more effective and efficient; (ii) skilled officials at MoNRE Department of Planning and Cooperation and other MoNRE departments, which led to higher performance; (iii) the establishment of a new Department of Legislation, which has been instrumental in developing new policies more effectively and in a shorter time; (iv) the extension of bilateral cooperation and more effective bilateral work through detailed action plans and close follow-up; and (v) the development of the Department of Natural Resources and Environmental Policy for the more effective management of strategic environmental assessment (SEA) and ESIA processes. Partnerships with other Asian countries such as China, Singapore, and Thailand have also led to more bilateral agreements on environment, waste management and other issues.

Water resources

Water and Water Resources Law. The Water and Water Resources Law was updated and approved by the National Assembly in 2017. The updated Law aims to improve the sustainability of Lao's water resources. The law is expected to influence the monitoring, management and planning of the country's vast rivers. New provisions have been added on water rights and use, including waste-water discharge permits, wetlands and water-resources protection, ground-water management, and river-basin management. Additionally, the law expands the terms and conditions of large, medium, and small-scale uses and includes articles on environmental flows for hydropower as well as stipulations related to irrigation use. The process benefitted from extensive consultations with a wide range of stakeholders, including the private sector.

Land management and land use

Land use planning and the Land Law. Major progress on the improvement of land management resulted in the adoption of the National Land Use Master Plan and the preparations for the update of the Law on Land (Land Law), which is expected to be submitted to National Assembly by 2018. Guidelines for land use classification have been completed and are currently at the stage of approval. Key proposals for the new Land Law (2016-2017) are to: i) clarify between land classification and land use planning, ii) ensure that land use plans are both bottom-up and top-down, iii) exclude land ceilings for agricultural land, iv) introduce legally binding land use plans that clarify land ownership, and v) introduce land use planning principles in the law. Recommendations to the Land Subsector Working Group are to approve and issue the Land Use Plan as a legally binding document and to simplify the system of Land Classification and Land Use Planning according to administrative levels. These recommendations include: (a) classification at national and district levels; and (b) participatory land use planning at village level. Furthermore, it is suggested to enhance the legally binding character of Land Use Planning in the revision of the Land Law and include the clarification of land ownership during the Land Use Planning process.¹²⁶

Communal Land Registration and Titling. At the end of 2016, a focus group was set up to work on guidelines for communal land registration and titling (CLRT). During 2017, the group developed and discussed a draft of the CLRT guidelines. **The draft guidelines are being tested, improved and finalized by the Ministry of Natural Resource and Environment (MONRE).**

Land concessions, land investments and quality of land concessions. The Land Concession Inventory includes six steps: (i) gathering of concession data, (ii) provincial consultations, (iii) district-level participatory mapping of concession areas, (iv) data integration into computer programs (v) final consultations at provincial level, and (vi) finalization of maps. The data collection took place from 2014-2017, and the first maps were available since late 2017. Most of the concessions are for Asian countries,

¹²⁶ Please clarify whether LUP is Land Use Planning or the Land Use Plan (if the latter, should have only one plan)

such as China, Vietnam, Thailand, South Korea and Japan. Chinese concessions predominate in the northern region of Lao PDR, while Vietnamese concessions are most dominant in the southern part of the country. Most of the agreements are for mining activities, followed by agreements for forest plantations. There are sometimes discrepancies between actual concession and final implementation area. Other issues include concessions that are not worked and are not producing any benefits.

Quality of investments. To assess the quality of investments, a multi-stakeholder consultation process was used, involving government agencies, companies and affected villages (one forum for village heads and one for households). In forestry plantations, most households said that they were not compensated for substantial land loss. The loss of land to plantations was the highest among the concessions for three sectors (agriculture, forestry and mining). Concerning EIA, ESIA and IEE, impact assessments were conducted by at least 55% of the mining companies, 42% of the forestry companies and 6% of the agriculture projects. Agriculture and mining companies carried out the EIA before the concessions were granted, while the majority of land concessions for plantations were granted first and an EIA was done after the land was cleared (65%). Quality assessment interviews have been finalized in the six provinces of the South and two pilot provinces of Luang Prabang and Xiengkhouang.

Climate change

Ratification of the Paris Agreement. On 7 September 2016, Lao PDR became the first ASEAN country to ratify the Paris Agreement on Climate Change. On that date, Lao PDR passed a national law on its Intended Nationally Determined Contribution, which became the basis of Lao PDR's ratification of the Paris Agreement.¹²⁷ Lao PDR was the 26th country in the world to ratify the Paris Agreement.¹²⁸ Lao PDR's Nationally Determined Contribution¹²⁹ was prepared through an inclusive stakeholder consultation process, and was based on existing national plans and strategies. At present, MoNRE is preparing a draft Ministerial Decision on Climate Change Impact Adaptation and Mitigation.

Environmental protection

Environmental assessments. MoNRE is preparing draft guidelines on Strategic Environmental Assessment (SEA) and detailed regulations with a public participation chapter. The SEA Regulatory Guideline is expected to be approved by a MoNRE Ministerial Decision and endorsed further by Prime Minister's Decision, Order, or Instruction in 2018. In April 2018, the responsibility for delivering the SEA Guidelines was changed from MoNRE's Department of Natural Resources and Environment Policy to the Department of Environmental Quality Promotion. All concession projects now have to conduct EIA assessments before being implemented, which helps to protect the environment and the rights of local people. Environmental Standards have been developed and approved. This will help in the implementation of the Green, Clean and Beautiful Strategy for towns and cities in Lao PDR and the development of a waste management system;

Pesticide management. A new pesticides management decree was approved in August 2017. The Decree demonstrates strong commitment to managing agricultural pollution and supporting organic products as a value chain export opportunity. A Ministerial Decision on Licensing of Pesticides Businesses and Post-Registration Pesticides Control and Management is scheduled for approval in 2018.

¹²⁷ Government of the Lao People's Democratic Republic, 2015. *Intended Nationally Determined Contribution*. 30 September 2015. Available from: <http://www4.unfccc.int/submissions/INDC/Published%20Documents/Laos/1/Lao%20PDR%20INDC.pdf>

¹²⁸ UNFCCC: Paris Agreement - Status of Ratification. Available from: <https://unfccc.int/process/the-paris-agreement/status-of-ratification> Accessed 21 May 2018.

¹²⁹ As countries formally ratify the Paris Agreement and look forward to implementation of these climate actions, the "intended" is dropped and an Intended NDC is converted into a Nationally Determined Contribution (NDC). <https://www.wri.org/indc-definition>

Forest resources

Forest coverage and management. The data source for reporting on forest cover has changed, leading to a new coverage figure that is accurate and consistent. The current forest area, according to the new data source, is 58 percent of the land area in Lao PDR.¹³⁰ This was based on the national forest resources field survey in 18 provinces across the country, backed up by missions to inspect the accuracy and the correctness of the field survey team. The National REDD+ Strategy is being finalized, and the National Forest Reference Emission Level/ Forest Reference Level (FREL/FRL)¹³¹ has been constructed based on Lao PDR's national definition of forest. Lao PDR has submitted its Emission Reductions Program Document (ERP) to the Forest Carbon Partnership Facility (FCPF). The revision of the Forest Law is in progress. The management of all types of forests (production, protection and conservation) has come back to the Ministry of Agriculture and Forestry.

Production forests. The Prime Minister's Order No. 15, 2016, which imposed a ban on illegal logging, log transportation, and the export of unfinished wood products, has been highly effective. It has allowed the forest sector to shift to a more sustainable basis by implementing and testing more participatory models of forest management, and introduce important forest governance reforms including certification and timber legality assurance systems. Certification model testing has started. Fifty out of 51 National Production Forest Areas (PFAs) now have detailed management plans. In 40 PFAs, the implementation of management plans is underway, focusing on forest restoration. Due to the ban, Vietnamese imports of round wood and sawn timber from Laos went down by 90 percent in 2017 compared to 2015. A voluntary partnership agreement for Forest Law Enforcement, Governance and Trade (FLEGT) is under negotiation with the EU.

Biodiversity. Lao PDR finalized its Second National Biodiversity Strategy and Action Plan (NBSAP) 2016-2025¹³² and Fifth National Report to the Convention on Biological Diversity. The Sixth National Report to the Convention on Biological Diversity is under preparation for submission in 2018. The NBSAP, prepared as part of Lao PDR's commitment to being a signatory of the Convention of Biological Diversity, lays out an action plan and strategy, which consists of six main strategies: (i) protecting ecosystems, (ii) valuing biodiversity, (iii) strengthening knowledge, (iv) enhancing communication, awareness and public knowledge, (v) implementing effective plans, projects and programmes, and (vi) climate change and disaster risk management. The Fifth National Report presents the progress that Lao has made towards implementing these strategies. The Prime Minister's Order No 5 on the management and inspection of prohibited wild fauna and flora, issued on 8 May 2018, was a significant step forward in combatting illegal wildlife trafficking.

Minerals Sector

Legislation, planning and mapping. A revised Mineral Law was submitted to the National Assembly in the second half of 2017. A Mineral Sector Strategy Implementation Plan is being developed and established. The Plan will focus on sustainability in the mineral sector and will be used as a tool for coordination of development partners by the Ministry of Energy and Mines. A new survey on mineral resources was conducted with development partner support. As a result, geological maps of Lao PDR have been updated, and mineral maps were developed for some regions of the country.

¹³⁰ National REDD+ Strategy (Draft as of Feb 2018). To clarify if the 58% applies to 2015 or 2018. The source is from JICA provided for the VNR report to the UN General Assembly.

¹³¹ Department of Forestry, Ministry of Agriculture and Forestry, 2018. Lao PDR's Forest Reference Emission Level and Forest Reference Level for REDD+ Results Payment under the UNFCCC. January 2018.

¹³² <https://www.iucn.org/content/validation-lao-pdrs-national-biodiversity-strategy-and-action-plan>

3.1.3. Challenges and lessons learned

Cross-cutting challenges. Lao PDR has used its resources to advance the country’s growth and development. However, the Government recognizes that excessive resource use will undermine future growth prospects. The challenges in the environment and natural resources sector are daunting. They include, among others, low institutional and local capacities, and inadequate financial means to manage protected areas and forests, unmanaged use of chemicals, and weak implementation of IEE/ESIA procedures. The increase in foreign direct investment is having an impact on Lao PDR’s environment and natural resources, drawing attention to the urgent need for better protection. One of the impacts is the decline of biodiversity. The number of known species threatened with extinction has increased from 115 in 2008, to 210 in 2017.¹³³

Changing responsibilities. The process of changing responsibilities between MoNRE, MAF and MEM has complicated some processes, as operating projects, project proposals and conventions had to be shifted between ministries. Follow up on the NSEDP and its targets, and monitoring of activities become difficult as different ministries are involved. The mandates of departments and divisions within MoNRE (national, provincial and district levels) were also affected on some issues. The process of final responsibilities within MoNRE was finalized on August 2017, with the assignment and distribution of new departments and new staff in MoNRE. Communication with sub-sector working groups and international partners is still difficult and processes within different departments are time-consuming.

M&E indicators. The indicators of the Eighth NSEDP and its M&E Framework will need to be reviewed as these are currently not adequately representative of MoNRE’s work. An additional three to four indicators on water, hydrology, pollution control, environmental management from the MoNRE Five-Year Plan may be needed.

Private sector and NGO involvement. Public-Private Partnerships and NGO development in Lao PDR need to be fostered, improved, and supported by the Government. In particular, the operation of private businesses has to be supported, together with credit facilities and structured guidelines necessary to open a business. This will allow Lao PDR to develop processed goods rather than sell only raw materials (wood, rice, etc.). Lao PDR needs its own companies to develop goods needed in the country and lessen its dependence on imports from Vietnam, Thailand and China.

Table 3.2. Performance indicators monitored by Ministry of Natural Resources and Environment			
#	Indicator	Achievement as of 6/2018	Target 2016-2020
LAND			
1	No. of Provinces that have land use plans	1	18 Provinces
2	No. of Districts that have land use plans	0	92 Districts
3	No. of Villages that have land use plans	112	3,334 Villages
4	No. of land titles	209491	400,000 Titles
5	No. of land registration	421877	500000
6	Improve the method of land map data for land titles	35213	300,000 Titles
7	Improve the information system on land renting titles	636	500 Contracts
8	Have a digital/PC-based system for land title registration and land registration	311557	500000
9	Number of districts that have price monitoring for land	15	100 districts
10	National Land Legislation is developed	Final Draft	finalized
11	National Land Use Masterplan	Draft	finalized

¹³³ International Union for Conservation of Nature (IUCN), 2016. The IUCN Red List of Threatened Species. 14 September 2017. http://cmsdocs.s3.amazonaws.com/summarystats/2017-2_Summary_Stats_Page_Documents/2017_2_RL_Stats_Table_5.pdf

Table 3.2. Performance indicators monitored by Ministry of Natural Resources and Environment			
#	Indicator	Achievement as of 6/2018	Target 2016-2020
12	Land Law and Land Use Law are improved	Draft	finalized
13	Central Committee of the Political Party on Land Affairs is established	Approval	finalized
WATER			
1	Number of Watersheds that have a management committee	2	10 watersheds
2	Reports on watersheds	3	10 watersheds
3	Management Plans for every Watershed	2.5	10 watersheds
4	Number of Water Quality Check Points	34	200
5	National Ground Water Report	?	1
6	Implementation Report on Management of Watersheds and Groundwater	?	12
7	Study on problems in water quality (not in responsibility of MoNRE)	0	2
8	Development of regulation on Management of Water Resources	0	7
9	Guideline on Integrated Management of Water Resources		9
10	National Strategy on Water Resources	Final Draft	Approval
11	Improve the water resources law	Approved	Approval
12	National Demonstration Site about integrated Management of Water Resources	0.3	1
13	Research Center on water resources		1
14	Center for Management and Water Quality Check-up	0	1
15	Have a system to absorb information on water resources in the medium-sized centres	Finalized	finalized
16	Report on Watershed Management Plans to be included into MoNRE 5-Year Plans and NSEDP Plans	0.33	7 watersheds
17	Report of classification of waterways and reservoirs throughout the country		Approval
18	Mapping of Water Quality	Approved	Approval
DISASTER MANAGEMENT			
1	Law on Hydrology, Meteorology and Earth quakes	0.8	Finalized
2	Finalize Legislations under Law	0	Finalized
3	No. of Meteorology stations that have been improved and are up to date	33	52 areas
DISASTER MANAGEMENT			
4	No. of new Meteorology Stations	0	15
5	No. of earth quake stations that have been improved	2	2
6	No. of new earth quake stations	1	5
7	No. of new Hydrology stations	0	5
8	No. of hydrology stations that have been improved	10	34
9	No. of new hydrology stations REPEAT WITH 7	20	36
10	Finalized National Warning Center	0.8	1
11	Number of Warning Centers for Flooding	2	5
12	Integration of the Department of Meteorology and Hydrology at Bachelor Degree in Higher Level and Middle Class	Finalized	?
13	No. of Students that finalize the studies in Hydrology and Meteorology on BSc. Level		68 People
POLLUTION CONTROL			
1	Agreement on Strategic Environmental Impact Assessment	1	Finalized
2	Number of provinces that have developed a comprehensive provincial environmental management plan	6	6

Table 3.2. Performance indicators monitored by Ministry of Natural Resources and Environment			
#	Indicator	Achievement as of 6/2018	Target 2016-2020
3	Number of provinces that have developed a district-level environmental management plan	2	88 districts
4	Number of provinces that have been promoted to use ISP in socio-economic development plan	2	7
5	Provincial Environmental Management Plan Implementation Report (7 target provinces)	0.17	18 reports
6	Standards on Green, Clean, Beautiful concept	0.5	Approval
7	Recommendations on Green, Clean, Beautiful Concept	1	Approval
8	Number of districts that have a Green, Clean Beautiful Concept	1	10
9	Number of districts being approved as Green Clean Beautiful districts	1	10
10	Environmental Newsletter	6	10
11	Report on World Environmental Day	3	5
12	The number of schools that have been disseminated and understood in environmental issues in areas that are at risk of environmental degradation (by district) across the country or near protected areas.	1	118 Schools
13	The number of villages that have been disseminated and understood in environmental issues in areas that are at risk of environmental degradation (by district) across the country or near protected areas.	1	104 villages
14	Assessment of the use of experimental models for the basic education of basic environmental kindergarten, primary and secondary education	1	1
15	Improve basic education for basic environmental kindergarten, primary and secondary education, according to the assessment report	1	Finalized
16	The number of kindergarten being piloted using improved environmental knowledge.	0	11
17	The number of primary schools being piloted using improved environmental knowledge	0	18
18	The number of lower secondary schools being tested using a modified Environmental Knowledge Base model	0	2
19	The Ministry of Education approved the use of basic education for kindergarten, primary and secondary education across the country.	0	Approval
20	Recommendations on environmental technology	0.5	Approval
21	Finalized the Management Plan for Wetlands following RAMSAR	1	2 areas
22	National Report on State of Environment	0.5	2
ENVIRONMENTAL PERFORMANCE OF INVESTMENT PROJECTS			
1	The number of districts that build an Environmental Monitoring Unit (EMU)	3	28 districts
2	Number of reports on the implementation of the development projects	0	5 reports
3	No. of EIA certificates issued	56	80 projects
4	Decree / Law on Environmental and Social Impact Assessments	1	Approval
5	Technical Guidelines for Writing Environmental and Social Impact Assessment Report (SPE)	0.5	Approval
6	Technical Guidelines for Writing a Baseline Survey on Environmental Impacts (BSWs)	0.5	Approval
7	Technical Guidelines for Review of Environmental and Social Impact Assessment Report (SPE)	0.5	Approval
8	Create technical guidelines for reviewing the initial Environmental Impact Assessment Report (BSS)	0.5	Approval
9	Standards on environmental, social and environmental obligations for development projects in the field of agriculture and forestry	0.5	Approval

Table 3.2. Performance indicators monitored by Ministry of Natural Resources and Environment			
#	Indicator	Achievement as of 6/2018	Target 2016-2020
10	Establish standards for environmental, social and environmental obligations for energy sector investment projects	0.5	Approval
11	Develop guidelines for assessing the social and environmental impacts of an energy sector investment project	0.5	Approval
12	Create technical guidelines on the writing and review of the initial study report on Environmental Impacts and Environmental and Social Impact Assessment for Mining Projects	1	Approval
13	Create technical guidelines on the writing and review of the initial study report on Environmental Impacts and Environmental and Social Impact Assessments for the Electricity Project	1	Approval
14	Create technical guidelines for writing and reviewing the initial education reports on environmental impacts and environmental and social impact assessments for road construction projects	1	Approval
15	Create technical guidelines on reviewing environmental and social impact assessments for Agriculture and Forestry Projects	0.5	Approval
16	Handbook about managing accounting and financial management guidelines for development projects	0.5	Approval
17	Environmental Certificates of Investment Projects (EIA) linking Ministry of Planning and Investment, Ministry of Energy and Mines		
<i>Source: Ministry of Natural Resources and Environment</i>			

3.1.4. Next steps

The Government of Lao PDR is prioritizing the following strategies:

- (i) **Strengthening the governance of the natural resource sectors.** Reversing deforestation and forest degradation, and reversing biodiversity loss are national priorities for Lao PDR. The capacity to manage forests needs to be strengthened, including for ensuring stronger oversight arrangements over salvage logging, enforcing the ban on illegal timber trade, combating poaching and wildlife trafficking, and preventing illegal mining.
- (ii) **Strengthening implementation of existing national policies and action plans relating to ecosystems and natural resources.** These include the Eighth NSEDP 2016-2020, Vision 2030, National Climate Change Strategy (2010), Forestry Strategy to the Year 2020 of the Lao PDR (2005), Renewable Energy Development Strategy (2011), Sustainable Transport Development Strategy (2010), Climate Change Action Plan of Lao PDR for 2013-2020 (2013), National Adaptation Programme of Action (2009), the Second National Communication to the UNFCCC (2013) and the National REDD+ Strategy (to be approved by June 2018).
- (iii) **Promoting private sector involvement and community benefit sharing.** Projects affecting protection forests are required to contribute funds for natural resource management. These include hydropower projects, which are required to contribute one percent of the total value of the sale of the electricity per annum. The Government has also established the Forest Resource Development Fund from various sources, which needs to be made financially sustainable. Equally, the government with support from development partners will need to continue expanding existing initiatives, such as payment for environmental services and payment from preserving forests for carbon sequestration (e.g., REDD+).

3.2. Outcome 3, Output 2: Preparedness for natural disasters and risk mitigation achieved

3.2.1. Context

Lao PDR is highly vulnerable to the impacts of natural hazards and climate change. Lao PDR is exposed to a range of natural phenomena, including typhoons, floods, landslides, droughts, strong winds, locust outbreaks, as well as small scale earthquakes in the northern parts of the country. The country is seeing an increased frequency and intensity of extreme weather events, such as droughts and floods. The majority of floods occur in the central and southern parts of the country along the Mekong plain. From 1990 to 2015, Lao PDR had 21 floods and storms, with the more severe ones affecting over 500,000 people.¹³⁴ Reducing the impact of these disasters on the population will require effective disaster preparedness and risk reduction.

Disaster Management Law and Climate Change Decree. A Disaster and Climate Change Law was drafted in 2016, and in 2017 this was split into two separate legal instruments – a Disaster Management Law under the Ministry of Labour and Social Welfare, and a Climate Change Decree under the Ministry of Natural Resources and Environment. In the process, the responsibilities and scope of work will need to be clarified between the two ministries of MoNRE and Ministry of Labour and Social Welfare.

3.2.2. Progress and achievements

Resilience and early warning. The main achievements under this Output include the promotion of climate-resilient farming practices, and greater attention to disaster risk management.¹³⁵ The Government is promoting¹³⁶ climate resilient farming systems for improved food and nutrition security among the most vulnerable communities. The goal is to initially work with farmers of six provinces (Phongsali, LuangNamtha, Oudomxay, Houaphane, Savannakhet and Saravane) improve their production systems on the basis of information on climate, adapt their techniques accordingly, enhance value chains, and provide them with better access to markets.

3.2.3. Challenges and lessons learned

2018 disasters. Lao PDR remains highly vulnerable to climate-related disasters. From mid-2018, Lao PDR was hit by two tropical storms, Sontinh and Bebinca. Excessive precipitation from Tropical Storm Sontinh contributed to the collapse of Xe Pian-Xe Namnoy hydropower dam in Attapeu province on 23 July, causing flash flooding and widespread damage. The sustained rainfalls from the storms have resulted in widespread flooding. All provinces have been affected, including an estimated 116 districts and 2,400 villages. As of 21 September 2018, there were 55 reported deaths, around 100 people missing, and 647,000 affected. Around 17,000 people were evacuated and 1,772 houses destroyed. Approximately 150 km of national and provincial roads, as well as 133 km of district and 350 km of rural roads and 47 bridges have been damaged. Moreover, around 100,000 hectares of paddy field have been damaged, and a large number of livestock has been lost, including 17,000 large animals and 79,000 poultry. Irrigation systems have been heavily damaged. The most affected provinces were Attapeu, Khammouane,

¹³⁴ Emergency Events Database EM-DAT, Centre for Research on the Epidemiology of Disasters (CRED), Available from: <http://www.emdat.be/> Accessed 21 May 2018.

¹³⁵ [Need more specific details](#)

¹³⁶ For possible funding by the Green Climate Fund.

Savannakhet, Champasack and Oudomxay.¹³⁷ These floods of 2018 have shown that existing early warning systems are not adequate and still need to be strengthened.

3.2.4. Next steps

Post-Disaster Needs Assessment. A Post-Disaster Needs Assessment (PDNA) led by the Government was launched on 24 September. The PDNA provides a platform for the international community to assist in recovery and reconstruction. It comprises a Damage and Loss Assessment, a Human Recovery Needs Assessment and a Recovery Framework. The findings, scheduled to be presented on 31 October, are expected to inform the National Assembly, the Mid-Term Review of 8th NSEDP and the Round Table Meeting. A PDNA Secretariat has been established at the Ministry of Labour and Social Welfare, with Ministry of Foreign Affairs and Ministry of Planning and Investment as co-leads.¹³⁸

Post-disaster recovery. The Government will need to prioritize post-disaster recovery to help restore lives and livelihoods. The implementation of the PDNA recommendations will need to be supported by development partners. Information Bulletin No.2 (dated 21 September 2018) from the Lao PDR Humanitarian Country Team noted that the World Bank, the UN Team and the European Union together with INGOs would be supporting the Government across several sectors, with country-wide geographical scope. Clear identification of needs should be prepared with a recovery framework and strategy. The PDNA should also provide an indication of how the disaster has affected development gains during this NSEDP period. The PDNA report should also contain recommendations on actions to enhance preparedness and resilience, given that flooding now affects Lao PDR frequently.

3.3. Outcome 3, Output 3: Instability of agricultural production reduced

Strategies. Since the agriculture sector is hardest hit by climate events, agricultural stability is linked to climate change adaptation and disaster risk reduction. Lao PDR has developed and implemented a number of policies and strategies to ensure national food self-sufficiency and stable agricultural production. These include the Agriculture Development Strategy to 2015 and Vision to 2030,¹³⁹ the **National Rice Production for National Food Security Strategy**,¹⁴⁰ and the Development Strategy of the Crop Sector 2025 and Vision 2030 (adopted March 2015). Priorities include:

- (i) The promotion of climate-resilient agricultural practices (agroecology, participatory land-use planning),
- (ii) The promotion of an Agriculture Innovation System to promote sustainable niche agriculture production for the niche markets,
- (iii) The development of technological capacities to improve and maintain agricultural productivity and innovate, including research into rice and plant seeds and animal breeds, and new technologies to upgrade productivity,
- (iv) The allocation of agricultural land in the whole country and the allocation of land areas for cultivation of food crops and cash crops, based on local conditions, natural resources, cultures and local knowledge,

¹³⁷ United Nations, 2018. Lao PDR: Floods. *Humanitarian Country Team Information Bulletin No.2* (as of 21 September 2018). Vientiane: United Nations Office of the Resident Coordinator.

¹³⁸ United Nations, 2018. Lao PDR: Floods. *Humanitarian Country Team Information Bulletin No.2* (as of 21 September 2018). Vientiane: United Nations Office of the Resident Coordinator.

¹³⁹ https://www.asean-agrifood.org/?wpfb_dl=81

¹⁴⁰ From the RTM report. Please give a reference.

- (v) The sustainable management of farming systems, resources and water resources, and allocation,
- (vi) Strategies such as rice storage or warehouses to ensure food security in the event of natural disasters and food crises, and
- (vii) A risk reduction fund to help alleviate the burdens of production costs for farmers during agricultural product price fluctuations.

Private sector investments. Realizing quality private sector investment for agriculture is a priority. Dialogue has taken place on improving the quality of private sector investment to align this with national goals, specifically in the areas of contract farming, agro-biodiversity, pesticide use and mono-cropping. Some civil society members of the Sector Working Group have published *Voluntary Commitments for Responsible Agribusiness in Lao PDR*,¹⁴¹ following the 2016 OECD-FAO Guidance for Responsible Agriculture Supply Chains.¹⁴²

Investing in skills. Young people involved in agriculture need to be provided with greater opportunities for learning and applying advanced skills. This is the key to addressing rural to urban migration and to promoting more advanced technologies and modernization of agriculture in rural areas.

¹⁴¹ <http://www.laolandinfo.org/wp-content/uploads/2011/12/BOOKLET-ENG-1.pdf>

¹⁴² OECD/FAO (2016), OECD-FAO Guidance for Responsible Agricultural Supply Chains. Paris: OECD Publishing. <http://dx.doi.org/10.1787/9789264251052-en> Available from: <https://mneguidelines.oecd.org/oecd-fao-guidance.pdf>

4. Cross-Cutting Outputs

4.1. Cross-Cutting Output 1: Public governance and administration enhanced

Table 4.1. Progress against governance indicators in the Eighth NSEDP M&E Framework

	8 th NSEDP M & E Framework Indicators (Governance)	NSEDP Baseline (2015)	MTR (2018)
136	Laws passed by National Assembly that have implementation regulations in place		133
137	Number of grievances from citizens resolved through courts and village mediation units using legal aid services		
138	Percentage of accepted recommendations of the Second Universal Periodic Review Cycle that have been implemented		
151	Percentage of Districts meeting the criteria of 3 Builds (Sam Sang) District ^[1]	51	75
152	Percentage of Districts having completed training for the rollout of the 3 Build (Sam Sang)	51	75

Notes: The indicators on women are reported under Outcome 3 Output 3.
 [1] On the districts meeting the criteria of 3 Builds, information on the extent of meeting these criteria is not available

4.1.1. Government structures, administrative and legal frameworks

Progress and achievements

Legal and administrative frameworks. Updates to the Constitution and laws promulgated in 2016 were progressively applied during 2017. These updated laws included (i) the Establishment of People’s Provincial Assemblies, (ii) the Law on Government, and (iii) the Law on Local Administration. These updates to the administrative framework and legal frameworks reflect government policies and the lessons learned from the piloting of Sam Sang policy, and help to clarify the roles, responsibilities and mandates of government and sub-national administration. The Law on Local Administration provides regulatory and/or legal framework for administrative decentralization. The law provides guidance regarding the functions that have been assigned to local administrations. Following research, regulations were improved, such as those on government, local administration, the law on civil servants, the Decree on religion management and protection in Lao PDR, the Decree on non-profit associations, and the Prime Ministerial Ordinance on establishment of municipalities.

Decentralization process. The Government has established an Inter-Ministry Committee (IMC), which will further facilitate the decentralization process (Sam Sang) and strengthen a more integrated approach to planning, finance and sub-national administration improvements that underpin better service delivery to local citizens. The IMC also provides a national level platform to oversee the implementation of the District Development Fund and its full alignment into national systems. Decentralization is further discussed in the next section.

Government structure reforms. An assessment was conducted by MoHA of the Government’s organizational structure at each level. Based on this, changes were made, such as the establishment of new ministries, the merging of similar functions across ministries, and the reassignment to line ministries

of certain functions attached to the Prime Minister's office (e.g. the Poverty Reduction Fund into The Ministry for Agriculture and Forestry).

One Door Service Centres. Re-engineering of the One Door Service Centre concept is ongoing with the aim of improving access, transparency and accountability of public service delivery. One Door Service Centres represent an opportunity for government agencies to respond to citizens' needs for public services with a coordinated, holistic approach to delivery. The Centres should further facilitate both domestic and international investments' application processes, as well as services in the following sectors: (i) administration and civil registration (birth certificates, marriage certificates); (ii) public works and transport (driving license, vehicle registration); (iii) land registration; and (iv) tax. Well implemented, these initiatives can transform agencies from separate organizations that deliver according to service boundaries into citizen-centric agencies that take a strategic approach to supporting people's life.

Challenges and lessons learned

The countrywide application of policies, regulations, roles and responsibilities relating to legal and administrative frameworks, is a formidable undertaking, which is slow and potentially budget consuming. Sustained capacity building programmes are needed for local staff to be able to understand and apply new regulations in their work. The state budget for activities such as dissemination and workshops is limited. While administrative decentralization has taken place in an early stage of process; many assigned functions remain unfunded due to budget deficits faced by the Government. Reaching a common understanding on Sam Sang/ decentralization/ devolution among different ministries requires further efforts. The weakness in cross-sector collaboration is a systemic impediment to better and joined-up services, a situation evident in the operating challenges in the One Door Service Centre model.

Next steps

Legal and administrative frameworks. On legal frameworks, an effective and efficient process needs to be developed for rapid and consistent application of new laws / regulations and compliance with national policies, legal rights and duties. On administrative reform, a formal recourse or appeal mechanism is required for citizens versus inadequate administrative practices. The low level of domestic revenue collection restricts the budgets available for line ministries to implement their roles and responsibilities. Continued efforts are needed to strengthen public financial management, with support to MOF, State Audit Office and National Assembly on their budget oversight capacity.

Decentralization process. Administrative decentralization will need to be linked with fiscal decentralization. The Sam Sang process requires enhanced fiscal relations and simple, effective financial management processes between the national government and local administrations.

Organizational restructuring will continue to be a priority. Accordingly, efforts will continue to encourage ministries and governmental organizations to improve their organizational structure relevant to their roles and responsibility especially at department level, according to the Prime Ministerial Decree No. 03/PM and to revise job descriptions, for example, through a gap analysis. Appropriate structures will be developed for provincial and district levels, more in line with their respective mandates and functions.

4.1.2. Decentralization and local service delivery

Progress and achievements

Strengthening districts. Under the Sam Sang devolution initiative, which was officially extended nationwide to all 148 districts, local administrations are being assigned more responsibilities and authority to be more proactive and self-reliant in local development and poverty reduction. The District Development Fund (DDF), which was introduced by the Ministry of Home Affairs in 2006, was initially

designed as a district capital financing mechanism. The objective of the up-dated (2018) DDF investment fund is to strengthen districts' own capacity to deliver key basic services (as per Sam Sang national policy) and help to accelerate the implementation of the SDGs included in Provincial and District Socio-Economic Development Plans. The Fund provides districts with finance and technical support to strengthen district-level public financial management processes so that districts can achieve a "comprehensive district" effectiveness rating in accordance with the Sam Sang policy.

Challenges and lessons learned

The successful expansion of Sam Sang to all 148 districts presents formidable challenges relating to organisational efficiency, performance of public servants, and budget.

Next steps

Continued Sam Sang implementation. An action plan and indicative budget scenarios should be developed for roll out / implementation of relevant aspects of Sam Sang. The positive lessons in relation to DDF have been learned and are being applied, including a simple and effective public expenditure framework, a model for blended financing of local services (co-financing from multiple sources), applied capacity development in support of Sam Sang implementation, an effective model for budget assignment system to districts, and accountability to local citizens through citizen surveys.

4.1.3. Public Personnel/human resources

Progress and achievements

Civil service management improvements:

- (i) Regulations and important documents related to civil service management were revised and developed; for example, the law on civil servants approved by NA 2015 and promulgated in 2016.
- (ii) In order to delegate more responsibilities to sector and local level, according to Sam Sang policy, MoHA proposed that the government assign direct responsibility for nine tasks in civil service management to ministries-organizations and local level entities.
- (iii) The decree on administrative positions, the decree on technical position for staff/civil servants and the instruction for the implementation of those decrees were completed.
- (iv) The Prime Ministerial Ordinance No. 55/PM (2016) on management measures and payment of salary, allowance and other support, especially the implementation of the mechanism to check the number of public servants, was disseminated for implementation to ministries, organizations and local levels.
- (v) The Prime Ministerial Ordinance No.09/PM (2017) regarding the effective use and savings of the state budget was disseminated, and is being applied. This involved analyzing all relevant regulations regarding the remuneration of staff/civil servants and revising the remuneration to match with the actual conditions. A study was completed for the development of the system to link the number of civil servants with the payroll system in the same account.
- (vi) Preparation of SMART cards for civil servants was carried out, with links to the national public services' Personnel Information Management System (PIMS). The use of PIMS is being expanded to province and district level.

Performance appraisal and development of civil servants:

- (i) The government issued and promulgated the Decree on civil service performance appraisal and the Decree on staff/civil servant training and development.
- (ii) A draft strategy has been initiated on civil servant development 2016-2025.
- (iii) Draft instructions have been prepared on planning for civil servants training and development.

- (iv) A draft decree was developed on the code of conduct for staff and civil servants.
- (v) A training curriculum was assessed and developed for each level, such the curriculum for training of high ranking officials at the Director General level and other levels.
- (vi) Trainings provided include those on public administration at central and local level; and training on planning, budgeting and financial management.
- (vii) Preparations were made to conduct research on the governance system of Laos from 1975-2015.

Challenges and lessons learned

Performance of civil servants. Given the limited budget, better service delivery will need to be achieved through greater productivity. In turn, this needs effective mechanisms for accountability, appraisal and capacity development. An efficient and transparent system for effective performance appraisal is required, tied to accountability and code of conduct of public servants.

Next steps

Civil service management. Improvements to the civil service will continue at central and local level by implementing the law on civil servants and by developing bylaws and instructions such as decrees on job description, code of conduct, and the manual for civil service management. The draft strategy on civil servant development 2016-2025 will be completed and implemented. The development of the curriculum/training programme for civil servants will continue and will be implemented.

4.1.4. Legal sector, rule of law and the Universal Periodic Review

Progress and achievements

Legal sector. Important changes in the legal sector have been introduced following a Constitutional amendment and new/revised laws approved by the National Assembly in December 2015 and promulgated in 2016. These have been implemented by the Government and administration. Many of the activities envisaged under the national Legal Sector Master Plan (LSMP) have been, or are in the process of being, implemented. Approximately 109 laws have been adopted by the National Assembly. Courts and prosecutors' offices have been restructured or expanded with new offices. In addition, plans to establish an administrative court are underway and the Village Mediation Units (VMUs) have been established in most villages.

The codifying of the criminal and civil codes is a significant exercise that marks a critical juncture in the legal sector evolution, as the codes are expected to introduce new legal provisions in both spheres giving rise to significant changes in the legal landscape. Importantly, international obligations will need to be incorporated into domestic laws. Remarkable progress was made in 2017 including the adoption of the penal code; the amendment of the law on lawyers; the development of the legal aid and legal fund decrees; the adoption of the law on treaty; and the revision of the law on judgment enforcement. These legislative developments are steadily moving the country's legal reform agenda forward.

Legal aid. The legal aid decree was informed by the citizens' survey led by the Ministry of Justice (MoJ), which was the first in the justice sector. The survey has set a positive trend in recognizing the need to have reliable and current data to draft pragmatic laws. Efforts have been made to expand nationwide coverage of legal aid services. The Lao Bar Association (LBA), which leads the amendment of the law on lawyers in Lao PDR, has continued its efforts to expand and strengthen the legal profession in the country. There are now seven regional provincial branches (Oudomxay, Xayabouly, Xiengkhuang, Vientiane Capital, Xekong, Savannakhet and Champasak) with nine legal aid offices. Several administrative reforms to strengthen accountability, including the restructuring of the internal administrative frame work of the Lao Bar Association, have been completed.

Tools. The database installed to monitor judgment enforcements and the pilot case management system being introduced are expected to make the delivery of justice services more efficient and effective once completed. The case management system (CMS), in particular, is expected to reduce the time taken to transfer files from court houses from the sub-national level to the central level.

Anti-corruption. Lao PDR has initiated a successful anti-corruption campaign. Lao PDR is witnessing a new level of transparency. This is shown by the released reports of the State Inspection Authority (SIA), an internal government watchdog, on the use of state funds by ministries and provincial offices, by corruption-related arrests, by the SIA nationwide audit of assets of officials.

Universal Periodic Review. The Government has accepted 116 of the 196 recommendations made by the Working Group on the Second Universal Periodic Review (UPR) in 2015 and is addressing implementation gaps in the human rights instruments. MOFA is leading the finalization of the action plan for implementation of the UPR. Stakeholders' consultations are ongoing. This included the Sub-sector Thematic Workshop on the update of the UPR action plan, which was organized in July 2017 with various stakeholders including development partners, civil society and government officials.

Challenges and lessons learned

Towards a Rule of Law state. Steady progress has been made towards establishing Rule of Law, but significant challenges remain. The expansion of legal services is constrained by human and financial factors, such as the costs of running legal aid facilities, insufficient number of qualified lawyers and judges, and limited understanding about access to justice among men and women. On-going sector challenges include the limited legal awareness and knowledge within the legal sector and administration, and among citizens in general, especially to understand the significance of a Rule of Law state. Access to justice, and fair and universal application of the law (Equality before the Law) requires political leadership, cultural shifts, establishment of ethical legal institutions, capacity development, transparent and ethical practices, and accountable processes and personnel. A body of informed legal analysis, judgements and precedent cases is nascent, and will require ongoing support to become a body of knowledge, which is the foundation stone of a Rule of Law state. Lessons from the first UPR cycle revealed the need to have a well-elaborated action plan to follow up on UPR implementation.

Next steps

Enhancing legal capacity. Going forward, the following will be prioritized:

- (i) Strengthening legal capacity and ethics amongst lawyers and establishing an accountable mechanism to ensure unbiased judgements,
- (ii) Enhancing collaboration with stakeholders (Government agencies, development partners, INGOs/CSOs) in the implementation and monitoring of the legal sector action plan,
- (iii) Reviewing the Legal Sector Master Plan (LSMP) and propose amendments aligned with the current trend of the development of the rule of law,
- (iv) Organizing a National Forum on the Rule of Law for deepened understanding and awareness among stakeholders,
- (v) Aligning the Rule of Law with international standards (e.g. International Law on Treaties),
- (vi) Taking a systematic approach to address anti-corruption,
- (vii) Continuing to strengthen the judicial system, including consideration of the establishment of administrative court and developing the administrative code,
- (viii) Developing an amendment to the law on judgment enforcement in 2019,
- (ix) Systematically developing an insolvency mechanism to improve the business environment, and
- (x) Combatting trans-national crime and strengthening the criminal justice system.

4.1.5. People's participation and representation

Progress and achievements

Political participation. Constitutional amendment provided for the establishment of People's Provincial Assemblies (PPAs). The first elections in March 2016 returned 360 PPA members; and 149 National Assembly (NA) members (41 females). The NA continues to provide increasingly proactive oversight of public services and aspired to increase people's participation in the decision-making process, through such tools as the hotline, petitions, and public hearings.

Participation of INGOs and NPAs. The Vientiane Declaration (VD) and the VD II highlight the importance of increased engagement of INGOs and NPAs in the country's socio-economic development programming process. Some 152 NPAs and 11 Foundations are officially registered. A revised draft NPA decree (No. 238) was signed in 2017. The intention within the new Associations Decree 238 include clarifying the process and assigned responsibilities in setting up an NPA. The Lao NGOs have proposed measures to promote understanding and use of common tools and procedures amongst stakeholders at local and national level as well as amongst Line Ministries. The Ministry of Home Affairs (MoHA) continues to serve as holder of the national Register for all types of Associations. NPAs' and INGOs' participation in the Governance Sector Working Group and Round Table Meetings has become the norm. The valuable involvement by civil society and development partners in the Penal Code drafting is well recognized by the government. A regular mechanism is established to discuss the implementation of INGO guidelines amongst INGOs, development partners and Ministry of Foreign Affairs (MoFA) at the national level. Additionally, provincial venues will need to be established to discuss the implementation of INGO guidelines.

Challenges and lessons learned

People's Provincial Assemblies. Capacity development and budget support are needed, especially for the newly established PPAs. There is still a limited understanding of the mandate and role of PPAs. The resolution of the complaints still needs improvements.

Next steps

Strengthening Provincial and National Assemblies. The priority will be to strengthen the capacities of the National Assembly and the PPAs, and ensure budget support for these institutions. Since PPAs have an independent role and oversight over the Executive, clearer separation of PPAs from the Executive will be needed and this requires a shift away from the dependence on the Executive for office, budget and other functions. The public and the private sector will need education on the mandate, roles and responsibilities of PPA. The system for the resolution of complaints should be formalized, with reporting back requirements to the National Assembly and PPAs by the Executive. The NPA decree will need to be clarified further; the related guidelines, the formulation and implementation of the legal framework, and the collaboration and partnership will need to be consistent with the Vientiane Declaration.

4.2. Cross-Cutting Output 2: Local innovation and use of science, technology and telecommunications promoted, information and communication technologies (ICT) enhanced

Legislation and policy. A number of legislative and policy actions have been enacted to improve scientific innovation, such as the Law on Intellectual Property and associated implementation of trademarks, copyrights, and industrial patents. The Law on Science and Technology has been completed and was presented to the National Assembly for approval. The National Science and Technology Strategy 2013-2020 and Vision 2030 have been developed and finalized.

Progress and achievements. The Sub Sector Working Group on Farmers and Agribusiness provides the biggest online information services for development workers in Laos (LaoFAB and Lao44). Other uses of ICT in the agriculture sector include Lao PDR's participation in the Agroecology Learning alliance in South East Asia (ALiSEA) network and the new Agro-Biodiversity Web Portal – “Pha Khao Lao,” The Government is using technology advances in a number of other areas, such as in cultivation of orchids and the inspection of fuel cargo trucks. The Postal Counter Automation System has been installed in 63 points nationwide. Five ministries' systems have been linked (MONRE, MOHA, MAF, MPI and MEM), and this is also the same for four hospitals (Friendship hospital, Luang Prabang hospital, Park district hospital and Savannakhet hospital). A central video conference has also been set up covering the Ministry of Science and Technology (MOST), Central Committee for Propaganda and Training, and 18 district departments. The .LA domain is now managed locally and there are more than 47,500 users.

ICT survey results. The first ICT survey in 2017 indicates that computer users account for 36% while internet users account for 45% of the total population. Some 37% of the population have access to high speed, 27% of households have access to the internet. 54% of the population are landline telephone users and 92% of the population are mobile phone users.

Cooperation with other countries. Work is progressing on a South-South Cooperation Plan with the Ministry of Science and Technology of Viet Nam. Other initiatives with neighbouring countries and development partners in science and technology have also taken place. Some initiatives under discussion include: (i) ICT in education, (ii) private sector partnerships for ICT development, (iii) access to ICT by rural communities, such as the use of ICT to reach remote communities with health interventions and expand rural health service access, (iv) the use of ICT to link research and farmers, and (v) the use of mobile phones and on-line early warning systems in disaster management.

Challenges. The national budget for innovation, science, technology and telecommunications and ICT is still minimal.

Next steps. Lao PDR aims to enhance technological capabilities, including innovation, as key for sustained growth through fostering structural economic transformation and building productive capacities. This will be carried out by improving linkages between and among firms and sectors as well as promoting science, technology and innovation systems, including R&D centres. Supportive policies and incentives need to be put in place to ensure that FDI brings with it not only capital and machinery but knowledge, skills and modern management techniques as well as technological benefits and technology transfers. Lao PDR could also learn from other countries, such as setting up an innovation and knowledge hub to foster IT and non-IT based innovative thinking to address issues and solve problems.¹⁴³

¹⁴³ For example, Bangladesh has such a hub under the Prime Minister's Office.
<https://bangladesh.ifpri.info/2017/10/12/knowledge-innovation-hub-on-the-cards/> and
<https://avpn.asia/organisation/access-to-information-a2i-programme-prime-ministers-office/>

Table 4.2. Implementation of Cross-Cutting Output on Innovation science and technologies

No.	Target	Implementation			Status
		2016	2017	2018	
1	Promote knowledge and research, and develop Science, Technology and Innovation	Completed in 2 sectors: Vientiane capital (Sang thong district) Rice cultivation Vientiane Province (Thoulakhom district) Ginger tea (producing, packaging, and advertising)	Advertising production		
2	Increase funds spent on research and development (target: from 1% to 2% of Government investments by 2020)	LAK 33 Billion	LAK 33 Billion	LAK 28 Billion	Total LAK 94 Billion
3	Encourage business sector to invest in research and development (target: at least 30% of Government investment in research and science by 2020)		MOU with Space eyes China company on Cooperation for Science and Technology	MOUs with Lina network joint stock company on Blockchain technology research and development, Investment and Hydro power Co, Lao Net communication Co, Lao technology development Co,	Processing the proposals
4	Promote construction area for Science and Technology development, construction beginning from 2018				Completed 100% (at Huayang district, Borikhamxay Province,)
5	Improve and upgrade Institute of Research under Ministry of Science and Technology to global standards by 2020		Completed Institute of Ecology and Biotechnology		Completed 100%
6	Promote transfer of Technology	Completed Biotechnology Research Centre		Processing project proposals: Blockchain Technology Satellite remote sensing and unmanned aerial vehicles (UAV) Hi-tech park Software industry Metrology Centre Standard and quality control centre	50% achieved so far.

No.	Target	Implementation			Status
		2016	2017	2018	
7	Construction Science and Technology Data Centre		Completed projects of Lao PDR Energy Efficient Data Centre (LEED)		100%
8	Develop researchers (target: 11 researchers per 10,000 population by 2020)	2011-2016 (591 Ph.Ds in the field of Education)			2017-2018 No survey conducted
9	Encourage development of researchers in universities nationwide by allocating the research budget for a target of 50 projects in 2020		25 projects		25 projects (50%)
10	Promote publication: science magazines, research chapters to science magazines and global magazines (target to 250 papers by 2020)				151 papers in process
11	Construction of training center for Science and Technology management target beginning in 2016		Completed (Institute of Science and Technology Management)		100%
12	Allocation of at least 25% of budget to research projects related to sustainable development every year				Processing decree edition of development on Science and Technology Fund
13	Law on Transfer of Science and Technology		The Law on Transfer of Science and Technology drafted/approved?		

4.3. Cross-Cutting Output 3: Gender equality and empowerment of women and youth

4.3.1. Progress and achievements

Gender

Education. Gender parity has steadily improved in education in Lao PDR. The country is well on track to achieve parity between boys and girls in primary education. Progress is also seen at higher levels of education, although there is a significant gender gap in literacy that is generally associated with poverty.

In employment, sectors characterized by vulnerable employment have the greatest proportion of women, either self-employed or engaged in unpaid work for the family. The vulnerability of women workers is due to poor education, and limited access to resources and employment. The most prevalent form of gender discrimination in labour markets is the wage gap between male and female workers.

Table 4.3. Progress against indicators in the Eighth NSEDP M&E Framework		
	2015	2017
Percentage of women in top decision making positions / leadership positions:		
Civil servants in administrative position type 1 (Minister & equivalent)	19.1%	12.3%
National Assembly	27.5%	27.5%

Decision making. Increasingly, it is being realised that in addition to aspiring for equal rights equal rights and the empowerment of women, it is also a matter of efficiency and enhanced outcomes if women participate together with men at all levels of decision-making in government structures, in the community, in private sector enterprises and in the home. At the decision-making level Lao PDR has amongst the highest proportions of women in national parliaments in the region. In the civil service, the proportion of women among the top civil servants in administrative position type 1 has decreased from 19 percent in 2015 to 12.3 percent in 2017 (Table 4.3). Table 4.4 shows the proportion of women in other decision making positions in the national civil service. Overall, from the Deputy Head of Sector level up, women account for 31 percent, but mainly occupy the lower positions. The proportion of women in other decision-making institutions is still low. The total share of women in leadership and management-level positions is around 5 percent (2012).¹⁴⁴ In 2017, women represented about 45 percent of the 183,680 civil servants overall.¹⁴⁵ In 2015, 1.7 and 7.2 percent respectively of village chiefs and deputy village chiefs were female.¹⁴⁶

Targets on gender equality. A number of targets on gender equality are outlined in the Eighth NSEDP. These include:

- (i) Promoting women to take up 20 percent of leading management-level positions: 10 percent at village level, 20 percent at district level, and 20 percent at provincial and capital level; encouraging women to take up to 30 percent of the management-level positions at central level, especially in organizations where women officials account for more than half of all officials;

¹⁴⁴ Ministry of Home Affairs data provided to Lao Women’s Union. From the VNR report.

¹⁴⁵ Ministry of Home Affairs data provided to Lao Women’s Union. From the VNR report.

¹⁴⁶ Data from the Prime Minister’s Office, as provided by Lao Women’s Union. From the VNR report.

- (ii) Increasing the proportion of female members of the 8th National Assembly to 30 percent, although Lao PDR is already doing well for women parliamentarians at 27.5 per cent, above the world average of 23.5 percent;
- (iii) Increasing the proportion of female students graduating from secondary school to 85 percent; and
- (iv) Increasing the proportion of poor women with vocational education and stable employment.

Institutional changes. Changes in institutional setups took place in 2017. The Lao Women’s Union (LWU) stated that their responsibilities were to upgrade knowledge to improve the implementation of socio-economic development and poverty reduction, contribute to the achievement of the gender-related SDGs in Lao PDR, and promote gender equality, especially within the family structure. The Lao National Commission for the Advancement of Women, Mothers and Children (NCAWMC) has been merged with LWU since 2017. They keep their mandate and are still the operational arm of the government in promoting gender equality within all the ministries and other government structures. NCAWMC is responsible for monitoring the implementation of gender-related national strategies and the follow-up on the implementation of the obligations under CEDAW. NCAWMC is also the main focal point action on eliminating violence against women and children.

Table 4.4. Female representation in decision making positions						
	Male	Female	Total	Male	Female	Total
	Number			Percentage		
Ministers	92	13	105	88	12	100
Vice-Ministers	723	126	849	85	15	100
DG	1,882	373	2,255	83	17	100
Deputy DG	5,670	1,293	6,963	81	19	100
Head Division	9,599	3,041	12,640	76	24	100
Dep. Head Div.	14,482	5,665	20,147	72	28	100
Head Sector	9,594	5,931	15,525	62	38	100
Dep. Head Sector	4,009	4,330	8,339	48	52	100
Total	46,051	20,772	66,823	69	31	100

Source: Lao Women’s Union, LWU, February 2018

Legal and policy framework. Lao PDR has developed a legal and policy framework for the promotion of gender equality, which includes various gender-related laws, national strategies and international commitments. The National Strategy for Advancement of Women (2016-2025) and the five-year Plan of Action for Gender Equality (2016-2020) provide the guiding framework for the implementation of activities by LWU and NCAWMC. In April 2016, the National Assembly approved the establishment and improvement of 55 Laws including a new Law on Gender Equality, and NAWMC has been assigned to draft this new Law.

CEDAW. The Government’s commitment to achieving the objectives of the CEDAW was demonstrated in their government CEDAW report submitted to the CEDAW Committee in August 2017. Lao PDR’s policy framework for women and gender equality are also grounded in the commitments under the CEDAW. The Strategy and Plan is quite comprehensive in content, but do not sufficiently specify targets and goals for each Ministry. On the other hand, MOHA has drafted Strategy 2030 on gender equality for staff and civil servants. The objective is to ensure the equal rights of men and women, and promote the equality of

women in decision making. MAF has conducted a Country Gender Assessment of Agriculture and the Rural Sector.

Youth

Youth policy. More than half of the population are under the age of 25 years. To benefit from the demographic dividend to the economy, the Government is prioritizing the enhancement of skills and knowledge among youth. The first ever National Adolescent and Youth Policy is being developed through a consultative process under the leadership of Lao Youth Union. The process involves a series of consultations with adolescents and young people, the relevant line ministries, and other stakeholders. The policy aims to empower all adolescents and youth in Lao PDR, including those with disability, to lead safe, healthy and productive lives and realize their potential through equitable opportunities and a supportive environment. The youth policy is expected to be endorsed by the Government before the end of 2018. This will help in developing and implementing programmes and strategies to address the various challenges facing Lao youth and adolescents.

4.3.2. Challenges

Institutional constraints for women's empowerment. Rollout and implementation of gender strategies across the public service is a wide and long term undertaking. The LWU and NCAWMC require the continued and strengthened political support and the resources for their advocacy work to ensure Ministries integrate targets and priorities into their sectoral strategies reflecting the aims and intent of the Second National Strategy for the Advancement of Women (2016-2025) and the Five-year Plan of Action for Gender Equality (2016-2020). The challenge will be to ensure women's participation and leadership in all aspects of the country's socio-economic development, particularly in areas where there is lower female participation, such as at the village and district levels, and in rural areas.

Challenges facing youth. Lao PDR needs to address a number of challenges and priorities facing youth and adolescents to fully benefit from the demographic dividend to its economy:

- (i) A large proportion of children do not continue on to secondary education. In response, the Government has non-formal education programmes, and the numbers enrolled in these classes at lower secondary level have rapidly increased. However, the quality and efficiency of these programs are still inadequate.
- (ii) Overall use of information communication technologies (ICT) is still low, although the majority own a mobile phone. Three-quarters of young women (75—77 percent) owned a mobile phone, while a slightly higher percentage of young men (76—84 percent) did. In 2017, only 8.8 percent (age 15-19 years) and 12.9 percent (age 20-24 years) of young women had used a computer during the last three months, while corresponding figures for young men were 17.5 percent and 22.8 percent respectively for these age groups. There appears to be no gender divide in internet use. Some 47 percent (age 15-19 years) and 40 percent (age 20-24 years) of young women had used the internet during the last 3 months, while the corresponding proportions among young men were respectively 42 and 39 percent respectively.
- (iii) Adolescent girls require special attention. Lao PDR is among countries with the highest proportion of early marriage and the highest adolescent birth rate in the region. For every thousand adolescent women (aged 15-19), there are 83 births - this has declined from 94 in 2011/12, but is still the highest rate among ASEAN countries. This means that adolescent girls in Lao PDR are facing challenges, such as not being able to develop their full potential. One in five adolescent girls drop out of school; one in four girls aged 15-19 are married, and from the same age group, one in ten girls have begun childbearing. Investments in adolescent girls' health, nutrition, and education contributes to reducing early pregnancy, maternal mortality,

and child stunting. Such gains translate to improved health and education outcomes, which contribute to LDC graduation.

4.3.3. Next steps

The Government of Lao PDR is prioritizing the following strategies for gender:

- (i) **Improving the implementation and monitoring of national gender equality laws, policies, and instruments.** These include enforcing the existing family law, which does not allow marriage before the age of consent; the gender output in the Eighth NSEDP; the 2016-2020 Women's Development Plan, the National Gender Equality Development Plan; the Second National Strategy on Gender Equality (2016-2025), the National Law on Preventing and Combatting Violence against Women and Children, the National Action Plan on Eliminating Violence against Women and Children, and the implementation of the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW).
- (ii) **Strengthening national capacity to generate gender statistics and enable gender-sensitive planning.** Directives and Notifications have been issued by the Prime Minister's Office (In May 2000 and January 2005) on the inclusion of sex-disaggregated statistics in policy and planning, on gender-sensitive development programs/projects, and on the implementation of sex-disaggregated statistics by all sectors. Disaggregation of data by sex and age has improved, but is still inconsistent. Moreover, many areas such as employment, migration, incomes, disability, domestic violence, ethnicity, and residence need robust gender statistics. Data on violence against women and girls need to be regularly collected and monitored with due consideration of the principles to ensure women's safety and confidentiality.
- (iii) **Developing measures to combat violence against women.** Appropriate detection, response, and protection mechanisms are required as well as strengthened institutional capacities. A strong coordinating body and a clear referral system within and across the sectors are also required.
- (iv) **Harnessing the full potential of Lao women's participation in the market economy as entrepreneurs, employees, and consumers.** Appropriate strategies and policies to reduce the gender equality gap in employment will need to be further developed, such as specific support to women SME owners, and to the expansion of vocational training and counselling centres for women.

For youth, the Government is prioritizing the following strategies:

- (i) **Addressing the issues that prevent adolescent girls from reaching their full potential.** A focus on the adolescent girl will help to accelerate progress towards all SDGs, and in particular SDGs 2, 3, 4, 5 and 8.
- (ii) **Accelerating the progress towards targets for youth on literacy and employable skills, including the use of ICT.** To this end, the MoES is expanding programmes on TVET, and enhancing the national base of fundamental competencies and skills among children and young people. More participation from the private sector will be needed.

4.4. Cross cutting issues for special consideration

UXO as Cross-Cutting Output 4. Currently the UXO program is placed reports to the Ministry of Labour and Social Welfare (who is responsible for Outcome 1 Output 5 on the labour force, and Outcome 2, output 5 on social protection). On the other hand, within the Eighth NSEDP, the UXO programme is placed under Outcome 1, Output 1 on poverty reduction, the goal on poverty reduction and the poverty reduction fund is under the mandate of the Ministry of Agriculture and Forestry. Yet the Eighth NSEDP should be results-based and not institution-based. While it is true that UXO clearance must be part of efforts to reduce rural poverty, giving the UXO programme its own Output would elevate the UXO issue in national awareness and properly reflect Lao PDR's Special SDG 18 on UXO.

People with disabilities are another vulnerable group. Disabilities in Lao PDR are often caused by UXO, road traffic accidents, disease and congenital conditions. The overall prevalence of disabilities among the population 5 years and over is 2.8 percent.¹⁴⁷ Lao PDR ratified the Convention on the Rights of Persons with Disabilities (CRPD) in 2009 and submitted the State Party's Report in 2016.¹⁴⁸ Lao PDR has set up the National Commission for Persons with Disabilities and the Elderly, and has taken several measures to implement the CRPD as laid out in its Report, such as the Decree on Persons with Disabilities (No. 137) in 2014, and adopting a National Strategy and Plan of Action on Inclusive Education (2011-2015).

Inclusion of the rights of people with disability. The issue of disability and the rights of people with disability may be considered as a cross-cutting issue in the NSEDP. The issues that the NSEDP will need to consider include the following:

- (i) The economic empowerment of persons with disabilities, particularly women with disabilities. For those who own land or work on family land, providing the means and adaptations to engage in agricultural work could be one way. For those people with disabilities who do not own land, other means of economic empowerment will need to be identified in the context of Lao PDR.
- (ii) Services for people with disabilities, especially in rural areas, where accessibility is an added challenge.
- (iii) Greater inclusiveness of the education system. In this regard, the Inclusive Education Centre established by the Government within the Ministry of Education and Sports (MoES) will need to have an expanded role and mandate to focus on disability issues across all departments.
- (iv) Greater awareness of disability. Most communities, parents and school personnel are not aware of the right to education of children with disabilities. Awareness raising is thus the first step, and needs to be done from village level up, through Village Education Development Committees.
- (v) Greater access to health and rehabilitation services for people with disability, including the use of related assistive products to increase, maintain, or improve functional capabilities of individuals with disabilities. This should form an integral part of Universal Health Coverage.
- (vi) Systematic disaggregation of all statistics by disability status, and dedicated systems and registers to monitor indicators for people with disabilities. The management information system of the National Social Protection System (NSPS) will need to have data disaggregated by disability status.

¹⁴⁷ Census 2015.

¹⁴⁸ Government of the Lao People's Democratic Republic, 2016. *Initial report submitted by the Lao People's Democratic Republic under article 35 of the Convention, due in 2011*. U CRPD/C/LAO/1. New York: United Nations.

- (vii) Systematic allocation of national, provincial and district budgets to programmes and strategies to implement the CRDP, which Lao PDR has ratified. The issue of UXO survivors who have disabilities needs to be coordinated with the action plan to achieve SDG 18.
- (viii) Clear roles and responsibilities in the implementation plan for the 2014 Decree on Persons with Disabilities (No. 137).

5. Policy Recommendations

5.1. Outcome 1

Structural economic transformation is central to the vision of the 8th NSEDP. It also anchors the Government of Lao PDR's long-term sustainable growth strategy targeting non-resource based industrialization, productive capacity building, and reduced economic vulnerabilities. The strategy further aims to introduce a balanced and inclusive growth pattern that ensures as many Lao citizens as possible participate in and benefit from the gains of development.

Each of these objectives support Lao PDR's further twin ambitions of forging a durable LDC graduation path and sustaining progress thereafter to achieve the SDGs. For the remainder of the 8th NSEDP period, continued efforts to remove growth constraints of the non-resource industrial sector, improve the business environment, and increase agricultural productivity will remain priorities. The Government is further committed to developing the human resources necessary to drive sustainable socio-economic development and to compete with ASEAN countries and others. These will all be supported through its continued efforts to deepen regional and global integration, including by strengthening trade linkages, policy harmonization (especially within ASEAN), and partnerships with traditional and new development partners.

These ambitions require closer linkages between planning, financing, and monitoring and evaluation, building on ongoing PFM reform initiatives. For the remainder of the 8th NSEDP period and beyond, Lao PDR would benefit from strengthening its longer-term planning, costing, and financing to 2030 to support SDG achievement. This includes the monitoring framework and its links to Lao's localized SDG targets and ministerial plans, along with the development of cost estimates to help guide financing strategies.

The MTR details specific policy recommendations relevant to each output. Among these, key priorities include:

- ***Continuing the shift to toward a greener and more resilient growth model,*** as outlined in the new Green Growth Strategy, and mainstreaming green growth priorities and targets into national and sector strategies.
- ***Strengthening non-farm rural job creation and productivity,*** such as through enhancing watershed management, transport infrastructure, and investing in cultural heritage sites.
- ***Supporting the development of stronger and more competitive SMEs*** (e.g., in handicrafts, artisanal wares, higher value-added agriculture products) through increasing access and provision of capital, training, and infrastructure, and through implementation of the SME road map to improve firm and sector-level competitiveness.
- ***Accelerating productivity in the agriculture sector,*** including through further implementation of the Agricultural Development Strategy 2020. Specific initiatives include improving agricultural production infrastructure, upgrading technology, strengthening farmers' associations, improving irrigation systems, and improving access to inputs.
- ***Continued emphasis on building new and strengthening existing transport infrastructure*** as critical support for reaching many plan targets across all outcome areas, including expanding and enhancing connectivity through roads, railways, waterways, and aviation.

- **Intensifying efforts in implementation of trade and private sector reforms**, including through implementation of Prime Ministerial Order No 2 on the Ease of Doing Business, and speed regulatory reforms relating to trade and the business enabling environment.
- **Managing public debt sustainably**, such as through the new Public Debt Management Law and the Public Procurement Law, especially emphasizing borrowing on concessional terms.
- **Continuing efforts for expenditure reform**, including measures to end off-budget expenditure, eliminate nonessential outlays, and reorient spending towards improvements in health, education, and social assistance.
- **Promoting development and implementation of financing strategies**, including the Government's recently drafted public finance strategy.
- **Strengthening TVET and skills development**, including the coordination mechanism and programmes to develop the human capital required to increase the ability of people to take on new opportunities, especially through partnerships with the private sector to match demand and supply of skills.
- **Further designing and enforcing legal frameworks and procedures to help facilitate trade**, including the commitments related to AEC and WTO membership. This includes reducing import tariffs to zero on goods imported from other ASEAN countries and continuing efforts to remove NTBs.
- **Adapting as necessary the Round Table Meeting mechanism** to strengthen effective development partnerships, including by enhancing the contribution of the private sector, shifting the development dialogue further into discussion and agreement on implementation mechanisms, and strengthening monitoring of commitments in the context of the VDCAP II.

5.2. Outcome 2

Outcome 2 is crucial for the country to achieve all the goals in the other Outcome areas. Much progress has been made, but disparities remain and inequality has even increased in some cases. The stark inequities call for fresh approaches with more attention to the demand side and to the capacity of families and communities. This means an increased emphasis on strengthening the capacity of local level service provision, improving the quality of services, strengthening local governance and ensuring that extra attention is placed on planning and coordination between sectors to reach the poorest and most disadvantaged groups. Community-based approaches, are essential to address social behaviours that are harmful to families and communities and to ensure sustainability of the gains made. Strengthening service delivery to the most deprived will require using participatory strategies, including the use of local languages, and empowerment village health volunteers, the Lao Women's Union, farmer groups, and village extension workers with the required knowledge and support.

Effective policies will need to be put in place to ensure that improved economic growth translates into pro-poor growth and that the benefits from growth are equally redistributed to the poor and vulnerable sections of society. Pro-poor growth also needs to be underpinned by improvements in the quality of governance, through greater transparency and accountability. Key policy recommendations coming out of the MTR include the following:

- **Improving the targeting of the poor** in planning, budgeting, and programme delivery especially below the district level. Different sectors must work in a coordinated and convergent approach, and provide the targeted communities with access to services, education, and support to livelihoods, all of which are known determinants of poverty levels.
- **Involving the private sector** through public-private partnerships in local economic development, and incentives for investments that do their sourcing from local firms and workers.

- **Strengthening national capacity to address UXOs** through putting in place measures to increase coordination and efficiency in planning, targeting and clearance operations, improve the quality and use of operational data in the national database, and ensure the mainstreaming UXO survivors into health, education and employment services.
- **Balancing the support to commercialization of agriculture with access to nutritious foods** for all communities, through continuing support to farmer organizations, rural finance and insurance mechanisms as a way to improve productivity, equity, and resilience through modernization
- **Accelerating the implementation of nutrition-specific and nutrition-sensitive measures** by ensuring better targeting and convergence on high-risk districts, and promoting behaviour change interventions, especially in the case of infant and young child feeding and household hygiene. At the same time, the legal framework needs to be strengthened and enforced for the protection, promotion and support of breastfeeding.
- **Planning, prioritizing and increasing budget allocations for the most critical needs in education and life-saving interventions in health**, so that essential interventions in these two sectors are assured of a sustained, predictable core budget, independent of external funding. Planning and budgeting needs to be improved to make sure limited resources are used to address most critical needs. Reaching the poorest and most remote groups will require significantly increases in operating budgets as well as the recruitment of greater numbers of peripheral-level service providers, such as midwives and school teachers.
- **Lifting the national base of fundamental competencies and skills of children and youth**, starting from ECE/primary to lower-secondary as a building block, improving the relevance and quality of basic education and strengthening of the link with TVET and higher education. It will also mean developing and implementing a comprehensive evaluation framework on student learning outcomes with accompanying corrective measures and involving private sector more in TVET.
- **Prioritizing the achievement of UHC** as set out in the health sector reform plan. This includes expanding the skills base, size and equitable distribution of health workforce in districts, health centres and at community level, building their capacity to address common childhood illnesses, improve services coverage for maternal, child and reproductive health, and facilitate elimination of open defecation. These must be coordinated to converge with community based approaches outlined above.
- **Preventing HIV infections by focusing on key populations at higher risk.** This requires reaching those engaged in high-risk behaviour, and requiring private investors for large infrastructure development projects and other stakeholders working with high risk groups to coordinate and collaborate in mitigating HIV risks. HIV treatment and care of PLHIV will need to be integrated into health services and social welfare services to make best use of decreasing resources for the sector.
- **Implementing the National Social Protection Strategy, starting from 2018. This will involve** putting in place measures for technical assistance, capacity building, and budgetary support, establishment of a **Management Information System** to monitor and evaluate the roll-out of NSPS as well as the situation of vulnerable groups in the country, including those with disabilities. Targeting of households must ensure efficient allocation of resources and maximize the impact of social protection interventions.
- **Enhancing the management, protection and preservation of current and potential heritage sites**, improving existing information systems to track these by cultural, historical and natural heritage

categories, identifying and addressing the main bottlenecks constraining the growth of the tourism sector.

- **Continuing to strengthen and reforming the justice sector**, with special attention to implementing reforms in the juvenile justice system to minimize the harm done to children from contact with the law, and educating the public on social problems and laws, giving priority to educating and mobilizing youth within the framework of the pending National Youth Policy.

5.3. Outcome 3

Outcome 3 is crucial for ensuring that progress can be sustained under Outcomes 1 and 2, especially as Lao PDR has used its resources to advance the country's growth and development. The Government recognizes that excessive resource use will undermine future growth prospects. The challenges in the environment and natural resources sector are daunting. Key policy recommendations coming out of the MTR include the following:

- **Strengthening the governance of the natural resource sectors** to halt and reverse deforestation, forest degradation, and biodiversity loss, through capacity building and stronger oversight arrangements. The implementation of existing national policies and action plans relating to ecosystems and natural resources need to be monitored and enforced. Private sector involvement and community benefit sharing will need to be expanded and enhanced so that development projects contribute funds for natural resource management and forest/local communities' development and participation. The government with support from development partners will need to continue expanding existing initiatives, such as payment for ecosystem services.
- **Prioritizing post-disaster recovery from the 2018 floods** to help restore lives and livelihoods, and putting in place the measures enhancing disaster preparedness and resilience, given that flooding now affects Lao PDR frequently.
- **Ensuring better disaster preparedness and post-impact recovery.** The early warning systems established previously have clearly been inadequate to cope with the 2018 floods. Strengthening institutional and individual capacity in disaster preparedness, response and recovery will be necessary.
- **Developing a comprehensive national plan on electricity generation – including hydroelectric dams.** The Ninth Plan will need to look at this in light of the recent collapse of Xe Pian-Xe Namnoy hydropower dam in Attapeu province. The approach to be employed will need support from partners to ensure proper management.

5.4. Cross cutting outputs

Key policy recommendations coming out of the MTR include the following:

- **Improving governance** through rapid and consistent application of new laws/regulations, ongoing administrative and civil service reform, and continued Sam Sang implementation. An action plan and indicative budget scenarios should be developed for the expansion and implementation of Sam Sang.
- **Enhancing legal and legislative capacity**, developing a sound action plan to follow up on UPR implementation and ensuring adequate capacity and budget support for People's Provincial Assemblies.
- **Enhancing technological capabilities, including innovation**, through improved linkages between and among firms and sectors and promotion of science, technology and innovation systems and

centres. This needs to be backed up by supportive policies and incentives to ensure that FDI brings with it not only capital and machinery but knowledge, skills, modern management techniques, and technology transfers.

- **Promoting gender equality and women's empowerment** by improving the implementation and monitoring of national gender equality laws, policies, and instruments, strengthening national capacity to generate gender statistics and enable gender-sensitive planning, developing measures to combat violence against women and harnessing the full potential of Lao women's participation in the market economy as entrepreneurs, employees, and consumers.
- **Accelerating the adoption and implementation of the National Youth Policy.** Special emphasis is required on measures to empower adolescent girls to reach their full potential, and accelerate the progress towards targets for youth on literacy and employable skills, including the use of ICT.
- **Establishing UXO as a Cross-Cutting Output on its own to give it due importance and attention as Lao PDR's Special SDG 18 on UXO.** The Eighth NSEDP should be results-based and not institution-based. While it is true that UXO clearance must be part of efforts to reduce rural poverty, giving the UXO programme its own Output would elevate the UXO issue in national awareness and in the international community.
- **Establishing the issue of disability as another cross-cutting issue in the NSEDP.** This Output should include measures to promote the economic empowerment of persons with disabilities, services for people with disabilities especially in rural areas, greater inclusiveness of the education system, greater awareness of disability, improved information systems and data on people with disabilities, systematic allocation of national, provincial and district budgets to programmes and strategies to implement the CRDP, and clear roles and responsibilities in the implementation plan for the 2014 Decree on Persons with Disabilities.