

Committee for Development Policy 26th Plenary Session

United Nations
4-8 March 2024

UNHQ Headquarters, New York
Conference Room 6

Monitoring of countries graduating
from the list of LDCs

Lao People's Democratic Republic

Table of content:

Summary.....	2
Macroeconomic situation	2
LDC Criteria and Supplementary Indicators.....	4
Productive Capacity.....	5
Data gap.....	6
Smooth transition.....	6
Annex 1. Supplementary graduation indicators (SGIs).....	8
Annex 2. Lao PDR national monitoring report	12

Summary

Lao PDR continues to meet all LDC criteria and making progress towards sustainable graduation. The government's adoption of the STS in 2023, following thorough and effective preparation, underscores its commitment to progress. Despite successfully navigating many challenges posed by the COVID-19 pandemic and global food and energy crises, the country faces notable difficulties in managing its currency value and debt levels. The Committee advises continued implementation of appropriate macroeconomic policies to address these issues in line with the STS and other relevant strategies, and emphasizes the importance of international support for debt management and economic diversification.

Regarding the adequacy of the length of the preparatory period for Lao PDR, the county has effectively mitigated the adverse effects of the COVID-19 pandemic to some extent and made significant progress in preparing for sustainable graduation after the extended five-year preparatory period and for a smooth transition. The Committee concurred that further extending the additional preparatory period for Lao PDR beyond 2026 is unnecessary. The Committee will continue to closely monitor the progress in preparing and implementing its STS, including the support received by development and trading partners.

Macroeconomic situation

Lao PDR's GDP continued to grow by 5.5-7.3 per cent per annum during 2015-2019. The economy was hit by the COVID-19 pandemic in 2020, resulting in a growth slowdown to 3.3 per cent.¹ The Government balance declined to minus 5.5 per cent of GDP in 2020. Post-Covid, the Lao economy has continued its recovery in 2023 with GDP growth at 3.7 per cent (see Table 1). Improved performance in tourism, transport and logistics services, and foreign investment has contributed to the recovery. However, growth is lower than previously expected, mainly because of the falling value of the kip, inflation, labor shortages, and unfavorable weather. To restore economic stability, it is crucial that ongoing debt renegotiations are successfully concluded.²

Table 1. Selected macroeconomic data for Lao PDR, 2017-2023

Indicator	2017	2018	2019	2020	2021	2022	2023
GDP growth rate (per cent, constant price)	6.9	6.2	5.5	3.3	3.5	4.4	3.7
Inflation rate (%)	0.8	2.0	3.3	5.1	3.8	23.0	31.3
Government revenue (billions of national currency)	22,925.0	24,758.3	25,143.5	21,780.9	27,177.1	32,380.1	39,995.6
Government expenditure (billions of national currency)	30,675.6	31,865.7	30,600.2	31,162.9	29,507.9	35,928.3	48,924.8
Government balance (billions of national currency)	-7,750.6	-7,107.4	-5,456.6	-9,382.0	-2,330.8	-3,548.2	-8,929.2
Government balance (per cent of GDP)	-5.5	-4.7	-3.3	-5.6	-1.3	-1.6	-3.4
Net ODA received (millions of US dollars)	480.4	588.7	621.6	529.5	575.7	547.7	
Balance of Payments (millions of US dollars)							
Current Account	-1,259.8	-1,648.9	-1,319.6	-231.0	446.5	-11.0	
Goods, Credit (Exports)	4,873.2	5,407.8	5,805.9	6,114.9	7,694.5	8,198.3	

¹ UNSD data. Also national source confirms 3.3% Lao's National Statistics Bureau :

<https://laosis.lsb.gov.la/majorIndicators.do?paramGrpId=all#majorIndicatorsConts>

² <https://www.worldbank.org/en/country/lao/publication/lao-economic-monitor-november-2023-fiscal-policy-for-stability-key-findings>

Goods, Debit (Imports)	5,667.3	6,314.6	6,271.9	5,370.4	6,275.0	7,244.1	
Balance on Goods	-794.2	-906.8	-466.0	744.5	1,419.5	954.1	
Services, Credit (Exports)	780.6	985.4	1,179.2	346.2	125.3	406.1	
Services, Debit (Imports)	1,116.4	1,249.4	1,246.3	445.5	252.1	528.3	
Balance on Services	-335.8	-264.0	-67.0	-99.3	-126.7	-122.2	
Balance on Goods and Services	-1,130.0	-1,170.8	-533.0	645.2	1,292.8	831.9	
Balance on Income	-446.4	-785.7	-1,084.5	-1,128.1	-1,072.2	-1,157.5	
Balance on Current Transfers	316.6	307.6	297.9	251.9	226.0	314.6	
Capital Account	21.8	12.5	14.9	12.6	2.4	8.0	
Financial Account	-1,962.2	-2,335.0	-1,819.4	-760.1	-365.2	-429.6	
Direct investment (net)	-1,683.4	-1,358.0	-755.5	-967.7	-1,071.9	-635.8	
Portfolio investment (net)	-326.1	-521.9	41.3	256.5	310.2	-71.3	
Financial derivatives (other than reserves) and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	
Other investment (net)	-167.5	-313.6	-1,229.6	-368.1	445.1	407.7	
Reserve assets	214.7	-141.5	124.5	319.2	-48.6	-130.1	
Reserves (months of imports)	1.8	1.4	1.5	2.4	2.3	1.6	

Source: GDP growth and inflation are from UN DESA, WESP, Government balance is from IMF, World Economic Outlook Database. Net ODA is from OECD, OECD.Stat. All external sector indicators are from IMF, Balance of Payment Data Reports.

The growth prospects in Lao PDR are dimmed amid mounting domestic and international challenges. Lao PDR has an external debt³ of 127 per cent of GNI owing to the high volume of loans contracted for large scale infrastructure projects, such as hydropower and railways. Repayment of existing debt will be a major challenge for Lao PDR in the coming years. The sovereign default risk remains high. Laos' credit rating was downgraded to "CCC-" in August 2022.⁴ The authorities decided to pursue fiscal consolidation to address heavy debt burden.

According to the World Bank, public and publicly guaranteed (PPG) debt is undermining macroeconomic stability and development prospects. The PPG debt stock reached 112 per cent of GDP at the end of 2022 (the value rises to 125 per cent of GDP if expenditure arrears and a swap arrangement are included)⁵. About half of the debt stock in 2022 and half of external debt repayments scheduled for 2024–27 is owed to China. Deferrals of debt payments due to China amounted to about \$2 billion between 2020-23, providing some temporary relief. However, a high degree of uncertainty surrounds future repayment plans, so a successful conclusion to ongoing debt renegotiations will be crucial to restoring macroeconomic stability.

While the government earned more than it spent in the first half of 2023, high debt repayments mean

³ 2022. Supplementary graduation indicators (SGIs) data.

The latest IMF WEO estimated that Lao PDR's general government gross debt to GDP ratio was 128 per cent in 2022. Statista. Laos: National debt in relation to GDP from 2016 to 2026, retrieved from <https://www.statista.com/statistics/804959/national-debt-of-laos-in-relation-to-gross-domestic-product-gdp/>.

⁴ <https://www.fitchratings.com/research/sovereigns/fitch-downgrades-laos-long-term-foreign-currency-idr-to-ccc-04-08-2022#:~:text=to%20'CCC%2D',Fitch%20Downgrades%20Laos'%20Long%2Dterm%20Foreign%2D,Currency%20IDR%20to%20'CCC%2D'&text=Fitch%20Ratings%20%2D%20Hong%20Kong%20%2D%2004,Country%20Ceiling%20at%20'B%2D'..>

⁵ <https://www.worldbank.org/en/country/lao/publication/lao-economic-monitor-november-2023-fiscal-policy-for-stability-key-findings>

fiscal space is still limited, constraining investment in human capital. According to World Bank, assuming that Lao PDR resumes making debt repayments on schedule, economic growth is projected to accelerate to an average of 4.2 per cent in the medium term, led by the services sector and exports⁶.

The IMF Article IV report from May 2023 states that public debt has increased further, largely driven by currency depreciation, but also by additional Government arrears, domestic bond issuances to recapitalize banks, and state owned enterprises debts.⁷ While the prospect is for a return to steady growth in 2023, public debt is assessed to be unsustainable, and servicing Government debt presents substantial risks to this outlook.⁸ But even with higher growth and despite eliminating the primary fiscal deficit, public debt would remain at high levels for an extended period. The scale of public and external debt poses substantial risks to the outlook, including from significant financing needs, low foreign exchange liquidity and reserves, and the prospect of tight global financial conditions limiting external market access.

Consumer price inflation remains elevated in Lao PDR, having peaked at 41.3 per cent in February 2023 and gradually declining to 24.4 per cent in January 2024. Low official reserves and high external debt service payment put continued pressure on the currency depreciation. The kip depreciated by 14.4 per cent against the United States dollar during the first nine months of 2023⁹, and by over 100 per cent since the onset of the pandemic. Continued currency depreciation could translate into further consumer price inflation. Although the central bank managed to bolster foreign reserves from \$1.1 billion at the end of 2021 to \$1.5 billion at the end of June 2023¹⁰ reserve still just covers about 2 months of imports.

Growth to date has been accompanied by only limited economic transformation, and the economy remaining reliant on a small number of sectors and trading partners. Also, Lao PDR has relied heavily on use of natural resources, which are reaching environmental limits and leading to increasingly stark trade-offs between headline growth and environmental protection. Environmental factors and upstream dams in China are posing threat to electric power industry, which implies the necessity of economic diversification.

Growth has also not created opportunities evenly, with fewer opportunities for women and youth to take part in economic development in particular due to women's high burden of unpaid house labour, as well as a large informal economy, lacking social safety net.

LDC Criteria and Supplementary Indicators

The GNI per capita of Lao PDR is estimated as \$2,503 in 2024. The EVI score for 2024 slightly increased to 29.8, which still satisfies the threshold standard of 36 or below. The HAI of the country increased to 74.8 in 2024, which is higher than the graduation threshold of 66.

Although Laos' GNI per capita increased rapidly by exploiting natural resources, it is essential to improve further its EVI and HAI scores for sustainable growth.

⁶ Ibid.

⁷ <https://www.imf.org/en/Publications/CR/Issues/2023/05/22/Lao-People-s-Democratic-Republic-2023-Article-IV-Consultation-Press-Release-Staff-Report-533636>

⁸ <https://www.imf.org/en/Publications/CR/Issues/2023/05/22/Lao-People-s-Democratic-Republic-2023-Article-IV-Consultation-Press-Release-Staff-Report-533636>

⁹ Calculation based on data from CEIC.

¹⁰ CEIC data.

Table 2. Indicators for LDC Identification, Lao PDR, 2020-2024.

	HAI	EVI	GNI per capita
2020	71.8	29.8	2,268
2021	72.6	29.8	2,408
2022	73.7	29.7	2,511
2023	74.2	29.5	2,550
2024	74.8	29.8	2,503

Source: CDP Secretariat, Time series estimates (LDC criteria) dataset (2002-2024), available at <https://bit.ly/LDC-data>

Note 1: For GNI per capita, Year refers to the year of a (actual or hypothetical) review. The data reflects the latest three-year average available for a review, i.e., the value for 2024 refers to the 2020-2022 average. Data differ from previous official triennial review data due to data revisions.

Note 2: For EVI and HAI, Year refers to the year of a (actual or hypothetical) review. The timeliness of source data varies by indicator; generally, criteria capture data up to two years prior to a review. See the 'read me' in the source.

Note 3: Data differ from previous official triennial review data due to data revisions, changes in data sources, methodological changes and most notable, changes in composition of the composite indices HAI and EVI. Minor differences can also occur due to rounding.

Selected supplementary graduation indicators show some areas that requires attention. External debt level and also debt servicing has been at the high level and is likely to increase in coming years. The share of employment in agriculture is high, implying that the country's transformation has currently limited impact on the overall employment structure.

Table 3. Selected supplementary graduation indicators, Lao PDR, 2018-2022

	2018	2019	2020	2021	2022
External debt (% of GNI)	91.44	107.45	114.81	108.31	126.64
Total debt servicing (% of exports and primary income)	11.68	12.85	12.03	23.80	13.08
Share of employment in agriculture	62.80	64.40	66.37	67.75	69.57

Source: CDP Secretariat, Supplementary graduation indicators (SGI) dataset (2000-2024), available at <https://bit.ly/LDC-data>

Productive Capacity

The Lao PDR has improved its Productive Capacities Index, which puts it ahead of the group of LDCs but still leaves a significant gap to the average ODC. The emerging manufacturing sector is driving structural change, where the country now ranks significantly higher than the average ODC. The same is the case in the energy component, thanks to the large hydropower capacity. In the areas of Information and Communication Technology (ICT), human capital and institutions, Lao PDR ranks higher than the LDC average but below the average ODC.

In the period 2012-2022, Lao PDR has made progress in most components of the PCI but somewhat fell behind in natural capital and private sector and worsened markedly in transport, which is a particularly sensitive sector for a landlocked developing country.

Table 4: Productive Capacity Index, Lao PDR, 2022

	PCI	Human capital	Natural capital	Energy	Transport	ICT	Institutions	Private sector	Structural Change
Lao People's Dem. Rep.	36	30.1	39.3	52.6	15.1	37.4	39.4	33.5	61.3
Other developing countries	46.8	44.3	38.4	61.2	34.1	49.6	51.1	50.9	53.2
LDCs	30.9	27.9	49.8	26.3	19.7	25.2	38.3	37.8	41

Source: UNCTAD

Data gap

Lao PDR's overall statistical capacity index was 50 in 2020, slightly lower than the average of LDCs (51).¹¹ While scores on methodology and availability fall behind, periodicity of the given data is superior to middle-income countries.

Smooth transition

The UN General Assembly adopted a resolution on Lao PDR's graduation from the LDC category on 24 November 2021.¹² The country is scheduled to graduate on 24 November 2026, after five years of extended preparatory period, granted mainly due to the need to address the impact of the devastating COVID-19 pandemic. CDP will monitor Lao PDR annually until 2029, and two more times at the triennial review years in 2030 and 2033.

The Government of Lao PDR participated actively in the annual monitoring by submitting the national draft report on STS and also attending the CDP consultation meeting. The participation rate is 100 per cent (three national monitoring report and three consultation meetings in three monitoring cycles).

On 25 December 2023 the Prime Minister has officially endorsed the Smooth Transition Strategy (STS) of Lao PDR. The official Decree includes the endorsement of the STS and its implementation (2022-2026 and until 2030) and the assignation of the Ministry of Foreign Affairs as the focal point to coordinate with other line ministries and local authorities to implement the STS and regularly report its implementation progress to the Prime Minister.

The 9th Five-Year National Socio-Economic Development Plan (2021-2025)¹³ is in line with the country's STS. In July 2023 the 9th NSEDP Financing Strategy was signed by the Prime Minister. The plan focuses on six main outcomes, which are 1) continuous quality, stable and sustainable economic growth achieved; 2) improved quality of human resources to meet development, research capacity, science and technology needs, and create value-added production and services; 3) enhanced well-being of the people; 4) environmental protection enhanced and disaster risks reduced; 5) engagement in regional and international cooperation and integration is enhanced with robust infrastructure and effective utilisation of national potentials and geographical advantages; 6) public governance and administration is improved, and society is equal, fair and protected by effective rule of law.

LDC graduation is not expected to significantly affect Lao PDR's trade sector. However, exports to the EU

¹¹ World Bank, WDI, accessed October 2023.

¹² UN DESA, Graduation of Bangladesh, Lao People's Democratic Republic and Nepal from the LDC category, retrieved from <https://www.un.org/development/desa/dpad/2021/graduation-of-bangladesh-lao-peoples-democratic-republic-and-nepal-from-the-ldc-category/>

¹³ Lao People's Democratic Republic (2021). 9TH Five-Year National Socio-Economic Development Plan (2021-2025), accessed 5 January 2022.

will be a concern, particularly in the garment industry. Considering the EU's market share (86.2 per cent) in Lao textile and clothing exports,¹⁴ the country may lose its competitiveness once it cannot benefit from the EU's Everything-But-Arms (EBA) arrangement. The end of LDC-specific preferences by the EU in December 2029 (3 years after graduation) on garments will imply face higher tariffs and the need to comply with more stringent rules of origin. Although the EU provides additional three years after the LDC graduation, it is recommended to improve Lao PDR's productivity and prepare for market diversification. As a member of the Association of Southeast Asian Nations (ASEAN), the country has practiced the Common Effective Preferential Tariff (CEPT) scheme under ASEAN Free Trade Area (AFTA) since 1998. It also joined the Regional Comprehensive Economic Partnership (RCEP), a mega trade bloc, which entered into force on 1 January 2022.¹⁵

Lao PDR is enhancing its climate resilience. It ranked 79th out of 191 countries from 2022 INFORM Risk Index, showing high exposure to floods.¹⁶ It has received funding from the Green Climate Fund (GCF) for three projects (\$87.2 million) and 11 readiness activities (\$4.0 million). From GEF, the country received \$52.7 million for 24 national projects and \$315.5 million for 32 regional/global projects. The country also benefited \$32 million and \$15 million for 8 national projects and two regional/global projects respectively.

Some of the issues highlighted by the CDP in its recommendation as priorities for a smooth transition from the LDC category for Lao PDR include:

- Strong debt relief and improved macroeconomic stability;
- Sustainable and inclusive structural transformation; economic diversification; regional integration;
- Reduction of rural/urban and other inequalities;
- Building disaster resilience and reversing environmental degradation.

¹⁴ UN DESA (2021). Firm-level preparedness for the LDC graduation in the Lao garment industry and expected loss of preferential market access conditions, accessed 5 January 2022.

¹⁵ ASEAN, RCEP Agreement enters into force, retrieved from <https://asean.org/rcep-agreement-enters-into-force/>




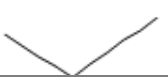
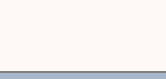
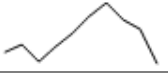

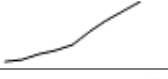

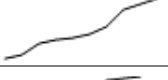




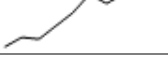





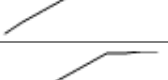



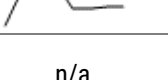
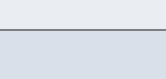

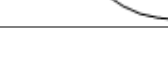
¹⁶ European Commission, Country Risk Profile, retrieved from <https://drmhc.jrc.ec.europa.eu/inform-index/INFORM-Risk/Country-Risk-Profile>

Annex 1. Supplementary graduation indicators (SGIs)

The supplementary graduation indicators (SGIs) complement the official LDC criteria. They provide quantitative, internationally comparable data for vulnerabilities and other factors that are not fully captured by the LDC criteria but that might be relevant for graduation from the LDC category. For more detailed information on indicators and data sources, see the SGI dataset available on the CDP website.

All data are current as of 13 March 2024.

Indicator	Source	Latest available data	Year most recent data refer to	Relative performance in latest year (legend below)	Trend (last decade)	
ECONOMIC VULNERABILITY	GDP growth rate (%)	United Nations Statistics Division	4.42	2022		
	GDP growth volatility	United Nations Statistics Division	3.39	2022		
	External debt (% of GNI)	World Bank	126.64	2022		
	Total debt servicing (% of exports and primary income)	World Bank	13.09	2022		
	Personal Remittances, received (% of GDP)	World Bank	1.28	2022		
	ODA received as percentage of GNI	World Bank	3.21	2021		
	Tourism receipts as share of exports	World Bank	3.51	2020		
	Current account balance (% of GDP)	World Bank	-0.07	2022		
	Standard deviation of net barter terms of trade over 20 years	World Bank	15.28	2021		
	Cereal import dependency	Food and Agriculture Organization	-0.01	2021		
	Tax revenue as share of GDP	World Bank				n/a
	Gross domestic savings (% of GDP)	World Bank	20.33	2016		

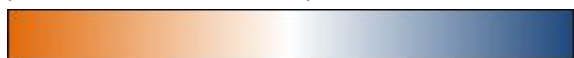
Indicator	Source	Latest available data	Year most recent data refer to	Relative performance in latest year (legend below)	Trend (last decade)
Adjusted net savings (% of GNI)	World Bank	-2.55	2016		
Share of employment in agriculture	International Labour Organization	69.57	2022		
Productive capacities index	United Nations Conference on Trade and Development	36.03	2022		
Percentage of individuals using the internet	World Bank	62.00	2021		
Renewable electricity capacity per capita	International Renewable Energy Agency	1.28	2022		
Percentage of population with access to electricity	World Bank	100.00	2021		
Environmental Performance Index	Yale/Columbia University	30.70	2022		n/a
Global Adaptation Index	University of Notre Dame ND-GAIN	43.78	2021		
INFORM Climate Change Risk Index	European Commission - Joint Research Center	4.00	2022		n/a
Economic loss from natural disaster (% of GDP)	United Nations SDG Global Database	1.03x10 ⁻³	2012		n/a
Annual mean levels of fine particulate matter (e.g. PM2.5) in cities (population weighted)	United Nations SDG Global Database	21.15	2019		
Access to at least basic sanitation (% of population)	United Nations SDG Global Database	79.51	2022		
Access to at least basic drinking water (% of population)	United Nations SDG Global Database	85.46	2022		
Freshwater withdrawal as a proportion of available freshwater resources	United Nations SDG Global Database	4.79	2020		
Proportion of water basins experiencing high surface water extent changes	United Nations Water	30.00	2020		n/a
Red list index, showing trends in overall extinction risks of species	United Nations SDG Global Database	0.81	2023		


	Indicator	Source	Latest available data	Year most recent data refer to	Relative performance in latest year (legend below)	Trend (last decade)
	Change in forest cover (percentage)	United Nations SDG Global Database	-0.21	2020		n/a
	Domestic material consumption per capita	United Nations SDG Global Database	43.37	2019		
HUMAN ASSETS	Human development index	United Nations Development Programme	0.62	2022		
	Multidimensional poverty index	United Nations Development Programme	0.11	2017		n/a
	Proportion of population covered by at least one social protection benefit	United Nations SDG Global Database	12.10	2020		n/a
	Prevalence of undernourishment	Food and Agriculture Organization	4.70	2022		
	Mortality from CVD, cancer, diabetes or CRD between exact ages 30 and 70 (%)	World Bank	26.80	2019		
	Diphtheria tetanus toxoid and pertussis (DTP3) immunization coverage among 1-year-olds (%)	World Health Organization	80.00	2022		
	Gross secondary school enrolment rate	United Nations Educational, Scientific and Cultural Organization	56.88	2022		
	Mean years of schooling	United Nations Development Programme	5.95	2022		
	Learning-adjusted (expected) years of school	World Bank	6.25	2020		
	Total fertility rate (live birth per woman)	United Nations Development Programme	2.41	2023		
	Dependency ratio, i.e. the ratio of youth (Age 0-14) and elderly (age 65+) to population of age 15-64	United Nations Development Programme	53.47	2023		
	Labor force participation rate, female (% of female population ages 15+) (modeled ILO estimate)	World Bank	55.82	2022		
	INCOME	Gross national disposable income (GNDI) per capita, market exchange rates	World Bank	1942.49	2022	
GDP per capita, market exchange rates		United Nations Statistics Division	2040.34	2022		

Indicator	Source	Latest available data	Year most recent data refer to	Relative performance in latest year (legend below)	Trend (last decade)
Gross national income (GNI per capita) at purchasing power parity conversion factors	World Bank	8680.00	2022		
Gini coefficient of disposable income	Standardized World Income Inequality Database	36.70	2018		
Percentage of population below international poverty line (\$2.15)	World Bank	7.10	2018		n/a
Battle deaths per 100,000, 20-year average	Uppsala University	6.92*10 ⁻²	2022		
Population of concern to UNHCR as percentage of total population	United Nations High Commissioner for Refugees	0.00	2022		
Stock of persons internally displaced by conflict as percent of total population	International Displacement Monitoring Centre	0.00	2022		
Intentional homicides (per 100,000 people)	World Bank				n/a
Voice and accountability, capturing perceptions of citizens' participation in selecting governments as well as of freedom of expression, association, and media	World Bank	-1.66	2022		
Government effectiveness, capturing perceptions of the quality of public services and policies	World Bank	-0.60	2022		
Women empowerment index, providing information on women's civil liberties, civil society participation, and political participation	Varieties of Democracy	0.45	2022		

Legend:

On the chromatic scale below, dark blue indicates the most positive performance relative to a reference point; and the darkest orange indicates the poorest relative performance. The reference point is determined, for each indicator, as the performance of the group of LDCs relative to all developing countries (e.g. the 33rd percentile).



 No data available for the corresponding indicator

n/a denotes that a trend cannot be presented due to either only one data point or no data being available for the last ten years.

Annex 2. Lao PDR national monitoring report



LAO PEOPLE'S DEMOCRATIC REPUBLIC

PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

PERMANENT MISSION OF THE LAO
PEOPLE'S DEMOCRATIC REPUBLIC
TO THE UNITED NATIONS

No. 069 /Laos-UN/2024

The Permanent Mission of the Lao People's Democratic Republic to the United Nations presents its compliments to the Committee for Development Policy (CDP), with reference to the letter dated 05 October 2023, and has the honor to enclose herewith, the Annual Report to the CDP on the Preparation of the Smooth Transition Strategy, prepared by the Government of the Lao PDR.

The Permanent Mission of the Lao People's Democratic Republic to the United Nations avails itself of this opportunity to renew to the Committee for Development Policy the assurances of its highest consideration.

New York, 05 February 2024



Committee for Development Policy
New York



Lao People's Democratic Republic

**The Annual Report to the Committee for Development
Policy (CDP) on the Preparation of the Smooth Transition
Strategy**

December 2023

Prepared by
Department of International Organizations
Ministry of Foreign Affairs
National SDG and LDC Secretariat

Table of Contents

1. Summary.....	2
2. The continue impacts of COVID-19 and the Global-Regional crisis, and the implications for preparations for graduation	5
3. Progress since the 2022 Annual CDP Report on the Smooth Transition Strategies for LDC preparation.....	8
1. Process and Consultations (Con't).....	8
2. Content and Key thematic Pillars of STS.....	14
4. International support for graduation from the LDC category	20
5. Enhanced Monitoring Mechanism (EMM)	26
Annex	27
Reference	43

1. Summary

Graduation Approach

Following the Committee of Development Policy's recommendation in 2021, the Government of the Lao PDR embarked on its journey in drafting the Smooth Transition Strategy (STS) to graduate from the Least Developed Country (LDC) status. The Strategy aims to prioritize relevant policy frameworks tailored to the country's specific needs in order to support a smooth, quality and sustainable graduation toward 2026 and beyond.

The Lao PDR remains committed to graduate from the Least Developed Country (LDC) status, and specifically to achieving the targets set in the Doha Programme of Action (DPoA 2022-2031) through the implementation of the national strategies and the Five-Year National Socio-Economic Development Plans (NSEDPs).

Lao PDR's Current Development Trajectory

Graduating from the LDC status has been a long time national development priority for the Lao PDR and the country has set its sustainable development objectives in a comprehensive and ambitious policy framework. The country's sustainable development agenda is anchored in two overarching documents: Lao PDR's Vision 2030 (2016), and the National Green Growth Strategy (NGGS) adopted in 2019. These visions are backed by subsequent national strategic documents, in particular the 9th Five-Year National Socio-Economic Development Plan (NSEDP 2021-2025), and an associated with the National Agenda on Addressing Economic and Financial Difficulties (2021-2023), Resilience Framework (2022-2025), Financing Strategy (2023-2025), and the Smooth Transition Strategy for LDC graduation.

Over the past years, we have been faced with multitude of issues and challenges on an unprecedented scale, these included natural disasters, the impact of the COVID-19 pandemic, energy crisis, and economic and financial difficulties arising from conflicts in various parts of the world. Lao PDR, like many countries, has not been immune to these global phenomena. Currently, the Government is in the process of finalizing the Mid-Term Review of the 9th Five-Year National Socio-Economic Development Plan (NSEDP 2021-2025), the draft report of the mid-term implementation was recently presented and discussed during the 6th Ordinary Session of the National Assembly's 9th Legislature held in late October to November 2023. The meeting noted that although the Lao PDR has been affected directly and indirectly by regional and global uncertainties as well as domestic socio-economic difficulties which have accumulated for many years, the Party and Government have dedicated immense effort in implementing the policy and employing necessary measures and tapping into the country's potential, bolstered by support and assistance from friendly countries and international organizations.

Overall, the Lao PDR has managed these obstacles and challenges to a considerable extent. The 9th Five-Year NSEDP has been effectively implemented, making progress across various fronts. This has been instrumental in maintaining political stability, social order and promoting sustained economic growth of the average of 4.03% in the first half of the NSEDP¹. Furthermore, our ongoing efforts are building a robust foundation for national development for national development, putting us on track to successfully meet the ambitious objectives outlined in the 9th NSEDP and the preparation of the next development cycle, the 10th NSEDP, which will set the overall

¹ The 6th Ordinary Session of the 9th Legislature of the National Assembly of the Lao PDR

frameworks for the following five years through 2030, coinciding with the 2030 Agenda for Sustainable Development, the Lao PDR's Vision 2030 and encompassing the expected transition period for LDC graduation.

In the upcoming year of 2024, a significant period awaits as the CDP will conduct the Triennial Review of the Lao PDR's graduation path from the LDC status. The Lao PDR will also present the Voluntary National Review (VNR) on the implementation of the 2030 Agenda for Sustainable Development for the 3rd time. Importantly, the Lao Government will assume the role of ASEAN Chairmanship in 2024, under the theme '*ASEAN: Enhancing Connectivity and Resilience*', and also designated 2024 as 'Visit Lao Year', which aims to revitalize the tourism atmosphere after the COVID-19 pandemic and contribute to the socio-economic development of the Lao PDR.

Lao PDR's Smooth Transition Strategy

The Smooth Transition Strategy (STS) sets out Lao PDR's plans to manage the historic LDC graduation process. This milestone has been a national aspiration since 2000, and meeting the globally-defined criteria to be eligible for graduation at the 2018 and 2021 triennial reviews represents a major achievement. However, successfully navigating the process of graduating from being an LDC and seizing the opportunities it presents requires careful planning and proactive management.

Preparing for graduation is made all the more challenging by the international context since Lao PDR was recommended for graduation, stemming firstly from the COVID-19 pandemic, more recently from the ongoing consequences of the food, fertilizer, fuel, finance, and animal feed crisis, and the intensifying consequences of climate change and environmental degradation.

On the basis of these exceptional challenges, Lao PDR was granted an extended 5-year period to prepare, with graduation expected in 2026. Progress and developments will continue to be monitored closely throughout the preparatory period, including through the Enhanced Monitoring Mechanism recently established by UN DESA and the triennial review in 2024.

However, with Lao PDR's strong and continued national commitment to graduation, the STS guides the steps that will be taken to ensure that the graduation process is successful, irrespective of potential external shocks that could impact the process and timeline.

The STS defines a successful graduation as being: **smooth**, in that it should not result in a disruption or reversal of development progress; **quality**, in that progress achieved is consistent with the vision set out in the National Socio-Economic Development Plan; and **sustainable**, in that longer-term risks are adequately managed.

Particular emphasis has been placed on ensuring that the STS is consistent with existing relevant national policy frameworks and strategies to both support policy coherence, and to limit the additional burden placed on stakeholders. The STS also applies key principles from the Doha Programme of Action to the national context, supports a practical implementation of the over-arching global vision for LDCs.

Led by the Ministry of Foreign Affairs, the STS was developed through a careful consultative process involving all relevant ministries and government agencies, and taking on board feedback and recommendations from consultations with development partners, private sector, and non-government organizations.

Identification of necessary steps to successfully manage the graduation process was informed by a range of studies analyzing the expected impacts in terms of trade, development cooperation, and support to participation in international forums.

Through this process, 22 specific actions were defined as necessary to achieve a smooth, quality, and sustainable graduation. These include prioritization of actions from existing frameworks that are considered essential for a successful graduation and therefore will be monitored as part of graduation preparations, and necessary new actions identified through the STS development process.

These actions are split across four pillars:

- **Macroeconomic Stability and Financial Sustainability;** including measures to secure macroeconomic stability, and safeguard investments in human capital, the environment, and climate action;
- **Trade and Investments;** including measures for trade and FDI promotion, and improving the business environment for inclusive growth;
- **Human Capital Development and Structural Economic Transformation;** including measures to promote human capital development and decent jobs, rural development, and urban development.
- **Climate change and Disaster Management;** including measures for integrated and sustainable natural resources management for low-carbon development, and climate resilience and disaster risk reduction.

The STS is designed to be practical and implementable, with clearly defined and agreed responsibilities for each action assigned to relevant lead and supporting Government departments. Where there are existing actions from other Government frameworks that are considered necessary for a successful graduation, they are copied verbatim into the STS and the same responsibilities are maintained.

The Ministry of Foreign Affairs, as chair of the committee responsible for managing LDC graduation, will oversee regular management and reporting against the implementation of the STS as part of an annual cycle. This will include preparation of regular reports to the National Assembly and the UN Committee for Development Policy.

2. The continue impacts of COVID-19 and the Global-Regional crisis, and the implications for preparations for graduation

As noted, over the past year we have been faced with multitude of issues and challenges on an unprecedented scale, these included natural disasters, the impact of the COVID-19 pandemic, energy crisis, and economic and financial difficulties arising from conflicts in various parts of the world, and the Lao PDR, like many countries, has not been immune to these global phenomena and challenges. The CDP recommended Lao PDR for graduation in 2021, but recognizing the exceptional circumstances induced by the COVID-19, the Committee at the time recommended an extended five-year preparatory period, instead of the standard three years. This means Lao PDR's is expected to graduate from LDC status in 2026.

While borders have reopened since 2022, and positive developments have been recorded – including high vaccination rates, decreasing unemployment, and increasing tourist arrivals – Lao PDR is not back on track to achieve the national development priorities contained in the 9th Five Year NSEDP and the SDG. Recent geopolitical developments in Europe have affected global economic prospects and built on historical economic and financial vulnerabilities to further deteriorate livelihoods, in a multifaceted Fuel, Food, Fertilizer, Finance, and animal Feed crisis.

In this context, with the unfolding challenges imposed by the above-mentioned and other difficulties, graduation by the 2026 timeframe has become extremely difficult. As such, a request for revisiting the graduation timeframe might be an option and this should also be taken into account in up-coming Triennial Review early 2024.

The Government has taken steps to mitigate and recover from the COVID-19 and the 5F crisis, through a Multi-Stakeholder Taskforce on the recalibration of the 9th NSEDP in light of COVID-19 in 2020. This initial exercise, in the context of the long-term impacts of COVID-19 and additional shocks, led to the formulation of the Lao PDR Resilience Framework (2023-2025), finalized at the end of 2022, and expected to inform the 9th NSEDP Mid-Term Review and Annual Implementations Plans. According to *the Government's report² on preliminary outcome of the mid-term review from 2021 to 2023 of the 9th Five Year NSEDP (2021-2025) to the 6th Ordinary Session of the National Assembly's 9th Legislature* held in late October-November 2023, some of key issues are highlighted as follow:

The COVID-19 pandemic and the global-regional crisis have affected many sectors of the economy, especially tourism related sectors³ including transport, food and accommodation, and retail trade. According to the Lao PDR Tourism Covid-19 Recovery Roadmap 2021-2025 report, 65% of businesses in Vientiane Capital reduced their employees. The pandemic has indeed further intensified the country's macroeconomic vulnerabilities, **the average economic growth** in the first half of 9th NSEDP (2021-2023) at 4.03% (2021 at 3.5%, 2022 at 4.4% and 2023 is projected to be around 4.2%). The Government is aimed to maintain the economic growth rate of more than 4% in the remaining period of the NSEDP until 2025. However, due to the KIP depreciation, **Gross Domestic Product (GDP)** per Capita is projected to decrease, specifically in 2021 at 2,595 USD, 2022 at 2,022 USD and 2023 is projected around 1,824 USD (NSEDP's target set at 2,880 USD). In terms

² Ministry of Planning and Investment (MPI)

³ The Lao PDR's Tourism COVID-19 Recovery Roadmap 2021-2025

of **Gross National Income (GNI)** per Capita in 2021 at 2,452 USD; 2022 at 1,901 USD and in 2023 is projected around 1,712 USD (NSED P's target set at 2,280 USD).

In term of fiscal and monetary stability, the M2 money supply growth is at 27.58% per year (NSED P's target set at an average of no more than 20% per year), Inflation rate is sky-rockets at 18.24% per year (the average rate between 2021-2023 of the NSED P, the NSED P target set the average inflation rate should not exceed 6%), the inflation rate for 2023 was marked at 31,23%^{4 5}. The exchange rate against the USD at 18.32% per year (NSED P's target set that the exchange rate against the USD should we stable within the defined band of $\pm 5\%$ per year), the foreign exchange reserve is at 3.67 months (NSED P's target set that it should be maintained to cover at least 3 months of imports).

Lao PDR's financial difficulties, aggravated by the exogenous shocks mentioned above-now represent a substantial obstacle to continued development progress. In particular, the recent and depreciation of the LAK is exacerbating an already elevated debt burden that is largely denominated in USD. Currency depreciation and high inflation tempered household spending in the first half of 2023⁶, after falling by half against the US Dollar and by 44% against the Thai Baht in 2022, the LAK depreciated from January to August 2023 by a further 13.6% against the US Dollar and 14.8% against the Baht. Inflation remained high until year-end, lifting average annual inflation to 28%⁷. This builds on years of economic growth that have primarily relied on FDI, themselves promoted by an investment regime based on fiscal exemptions. Lao PDR is currently generating insufficient revenues to meet its development needs, or more than expenditures on health and education combined.

The Government has taken steps to resolve these challenges, firstly with the adoption of a National Agenda on Economic and Financial Difficulties (2021-2023), and secondly, the 9th NSED P Financing Strategy. The National Agenda assessed root causes of the financial situation facing the country and set out top national priorities to avert a severe economic crisis and support the achievement of the NSED P. A macroeconomic reform roadmap proposed by the World Bank and ADB supports the implementation of the National Agenda. The Financing Strategy, sets out 54 actions to increase the volume of development finance to achieve the country's national development priorities. The 9th NSED P Financing Strategy, for which implementation begins in 2023 following endorsement by the Prime Minister, considers all financial flows – domestic/international and public/private. It prioritizes significant reforms to fiscal policy – including the review and abolishment of tax exemptions, the sustainability of revenue generation, the realignment of the budget with national development priorities, evidence-based debt management, including through the exploration of debt relief – but also the evidence-based planning and management of ODA, the improvement of the business environment for private investments in priority sectors, and the safeguard of investments in health and education and environment and climate action, for sustainable development progress.

The impacts from the COVID-19 pandemic, exacerbated by the global economic downturn, as well as skyrocketing global fuel and food prices have put huge pressure on limited funding available for

⁴ Report CPI December 2023, Lao Statistic Bureau

⁵ Inflation Rate 2023k, Bank of Lao PDR

⁶ The Asian Development Outlook (ADO), September 2023

⁷ Ibid.

investment in social sectors. **Education sector**, during the 6th Ordinary Session of the 9th National Assembly Legislature, members of the National Assembly raised concerns over the rising school dropout rates and the acute teacher shortage plaguing both Vientiane and rural areas of the Lao PDR. In recent years, student enrollment in every school grade has fallen, while the dropout rate has increased in both primary and secondary schools. According to the Government report to the National Assembly, **the enrolment rate for 5-years-old in pre-school education** nationwide decreased from 82.7% in 2019-2020 to 81.9% in 2022-2023 (NSEDP's target at least 86% by 2025), **the dropout rate of primary school student** increased from 4.3% in 2019-2020 to 4.4% in 2022-2023 (NSEDP's target set to reduce the rate down to 2%), and **the dropout rate in lower secondary education** increased from 10,3% in 2019-2020 to 11.2% in 2022-2023 (NSEDP's target to reduce the rate down to 8%). The high dropout rate across all age groups is affecting learning outcomes and consequently the development of the country as a whole⁸ - One of the main reasons for this is the current economic situation of the country, including the escalating cost of living, inflation, and the devaluation of the local currency have collectively impacted the higher education pursuits of students.

Health sector, as reported to the 6th Ordinary Session of the 9th National Assembly Legislature that 4 out of 11 health indicators under the NSEDP are facing severe challenges and might not achieve targets. Specifically, **the number of births attended by skilled health personnel** decreased from 80,5% of the target population in 2022 down to only 39.2% in the first six months of 2023 (whereas the target was set to 83% by 2023, and NSEDP's target set at 85%), it is projected that this indicator will not meet its set target. **The immunization coverage for babies up to one year old** is of major concern as well, in 2021 reached at 86.6% of the target population, and the number increased in 2022 at 92%, however, according to the report, in the first six months of 2023 the immunization coverage reached at only 49.6% of the target population, which is far below than the previous year (NSEDP's target set to 95% of the target population).

In the same report, a number of health indicators have made positive progress, in particular **the prevalence of underweight among under-five children** based on the Lao Social Indicators Survey (LSIS) 2016/2017 was estimated at 19.5% in 2022 and for 2023 is projected around 14.8% of the target population (NSEDP's target set at 15%). **The proportion of stunting among under-fives** is estimated to have reached 31.7% in 2022 and is projected to fall to 27.3% in 2023 (NSEDP's target set at 27%). **The under-five mortality rate** in 2021 was 2,253 or 14.3 per 1,000 live births, in 2022 was 2,312 or 14.8 per 1,000 live births, and in the first six months of 2023, the number decreased to 6.84 per 1,000 live births (NSEDP's target set at 30 per 1,000 live births). In terms of **the maternal mortality rate** in 2021 was 96 or 60.8 per 100,000 live births, in 2022 was 100 or 64.1 per 100,000 live births, and in the first six months of 2023 the number decreased to 32 or 20.8 per 100,000 live births (NSEDP's target set at 110 per 100,000 live births).

⁸ J&C Group, 'Laos aims to improve Education and Reduce Dropouts', November 2023

3. Progress since the 2022 Annual CDP Report on the Smooth Transition Strategies for LDC preparation

1. Process and Consultations (Con't)

As reported in the 2022 Annual Report to the CDP on the Preparation of the STS, the Government of the Lao PDR has continued to develop the STS through the 'whole-of-government' approach and in consultation with all relevant stakeholders, responding to the national developments needs and priorities. In 2023, a number of important consultation were held, including: (please refer to Table 1 for a summary of the STS formulation process)

a. The 2022 Round Table Implementation Meeting (26th January 2023)

The 2022 Round Table Implementation Meeting (RTIM) was held on 26 January 2023 in Vientiane Capital, under the theme of 'Accelerating the implementation of the 9th NSEDP (achievements of 2022 and plans for 2023), SDGs, and achieving LDC graduation'. The dialogue of the meeting focused on five critical topics (1) implementation of the 9th NSEDP in 2022 and plans for 2023. (2) the Financing Strategy to support the implementation of the 9th NSEDP, (3) the Lao PDR Resilience Framework, (4) the shaping of the LDC Smooth Transition Strategy, and (5) the review of an effective Development Cooperation in light of the Vientiane Declaration Country Action Plan 2016-2025 and Sector Working Group Review.

Nearly 250 participants attended the meeting, including counterparts from central and 17 provincial planning and investment department, Vice-Ministers of line ministries, representatives of the National Assembly, development partners, non-governmental organizations, the private sector through the online and in-person meetings – for constructive discussions on achieving effective development cooperation in support of the achievement of the Sustainable Development Goals and successful graduation from the LDC category. The meeting reiterated that implementation of development cooperation is valuable and supports the implementation of the 9th Five-Year NSEDP, the two national agenda of the Government, the 2030 development agenda and other international obligation that the Lao PDR is party to.

Related to the STS, the meeting provided the opportunity for detailed consultations with key stakeholders, including its plan during the first and second quarter of 2023 prior to the finalization. Thus, the discussion on the STS during the RTIM has provided high-level feedback on the direction and process of preparing for a smooth graduation. *(Please refer to Annex of this report for Background Document, the Outcome Document and the STS presentation at the 2022 RTIM)*

b. The 5th United Nations Conference on the LDCs (LDC5) in Doha (05th-09th March 2023)

The Fifth United Nations Conference on the Least Developed Countries (LDC5) was held in Doha, Qatar, under the theme 'From Potential to Prosperity', from 05th-09th March 2023 – The high-level delegation of the Lao PDR from across line ministries, including parliamentarians and private sector, led by His Excellency Saleumxay Kommasith, Deputy Prime Minister, Minister of Foreign Affairs, Chair of the National Steering Committee on LDC, attended the conference. As the government was in the process of drafting the STS, the delegation participated in the conference with the aim to 1.) Engage substantially on critical issues for LDCs and upcoming graduation ahead of the finalization of the Smooth Transition Strategy by 2023; 2.) Strengthen inter-ministerial collaboration and policy coherence on graduation and key sustainable development issues; and 3.) Build new and strengthen existing partnerships to garner support for the implementation the

Lao PDR Smooth Transition Strategy and to initiate trade negotiations. In particular, pursue collaboration and engagement with Nepal and Bangladesh together as the 2021 cohort of graduating LDCs.

During the course of six days, the high-level delegation actively participated in number of importance plenary sessions, the general debate and side-events, including the Summit of the LDC Group, Parliamentary Forum; Private Sector Forum, Civil Society Forum, Eight High-Level Thematic Round Table, Ministerial Meeting on South-South Cooperation, among others. At the Summit of the LDC Group, it was clearly noted by all countries that the international community is facing multiple challenges particularly the unprecedented impacts of the COVID-19 pandemic, financial difficulties, food and energy crises and armed conflicts, and the LDC, in particular, have been severely affected by these challenges. H.E. Deputy Prime Minister stated during his speech that 'the LDCs are in need of the highest degree of attention from the international community to reverse the course' adding that 'the adoption of the DPoA comes at the vital time for LDCs, development partners, countries of the south and relevant stakeholders to implement their renewed political will and commitment. These are also clearly reflected through the Joint Statement by the Government of the Lao PDR together with the Government of the People's Republic of Bangladesh and the Government of Nepal during its side-event in the margin of LDC5 Conference. It is more crucial than ever to find solution, not only transformative, but also more practical, effective, action-oriented, sustainable and tailored to the most pressing needs and challenges, so the most vulnerable are not left behind'.

In addition, the Government of the Lao PDR together with the Government of the People's Republic of Bangladesh and the Government of Nepal, with the support of the UN country team jointly organized the side-event in the margins of LDC5 Conference, titled '*Sustainable and Smooth Transition for the Graduating Cohort of 2021*'. Addressing at the side-event, H.E. Deputy Prime Minister of the Lao PDR emphasized that '...an effective preparation for smooth transition is a must. In order to ensure that the graduating country would not slide back to the position like it was at LDC status or worse, as Secretary General Antonio Guterres said that 'graduation should be a reward but not a punishment...' adding that 'Graduating from LDC status requires not only the strong commitments and concrete actions by LDC governments but also by the international community as a whole'. Therefore, the continued partnership, cooperation and international support during graduation, transition and beyond graduation, including support to promote export diversification, provision of easy and flexible access to climate mitigation and adaptation finance on a concessional basis, technology transfer and continued Official Development Assistance to meet financing gaps, among others. The draft STS of the Lao PDR was also presented during the side-event (*Please refer to the Annex of this report for the delegation's statements and the joint statement of the side-events*).

c. Internal Sectoral Meeting (17th March 2023)

An Internal Sectoral Meeting was held on the 17th March 2023 in Vientiane Capital, chaired by Mr. Daovy Vongxay, Director-General of Department of the International Organizations, Ministry of Foreign Affairs and attended by the Director General, Deputy-Director General, and representative from relevant line ministries and ministry-equivalent agencies. The main objectives of the meeting was to recap and debrief about the outcomes of LDC5 and to ensure the understanding of line ministries regarding the next step forward on the drafting process of the Lao PDR's STS.

Importantly, the meeting was also to prepare the relevant line ministries for the Government Monthly Cabinet Meeting for March 2023, at which the outcome of the LDC5 and the latest draft of STS was be presented and discussed during the session of this high-level meeting.

d. The Government Monthly Cabinet Meeting for March 2023 (28th- 29th March 2023)

The Monthly Meeting of the Government for March 2023 was held on 28th-29th March 2023 under the chairmanship of H.E. Prime Minister Sonexay Siphandone. The meeting was attended by Deputy Prime Ministers, Cabinet members on site and provincial leaders in virtual mode. Following the participation in LDC5, the Ministry of Foreign Affairs as the Chair of the National Steering Committee on LDC was tasked to report the outcomes of the LDC5 and presented the latest draft of the STS to the members of the Cabinet.

Highlighted at the meeting, the Prime Minister urged relevant authorities to pay close attention to addressing obstacles to socio-economic development, economic difficulties and investment related problems. Notably, related to LDC *the meeting approved in principle a draft strategic plan on smooth graduation from the LDC status of the Lao PDR* and further tasked the Ministry of Foreign Affairs to work with relevant sectors to revise the draft according to the recommendations of cabinet members and contemplate on possible post-graduation measures.

e. The Lao PDR's Smooth Transition Strategy for LDC Graduation: Consultations with Development Partners and Relevant Sectors (26th May 2023)

In continuation with the implementation of the STS Roadmap, the Lao PDR's Smooth Transition Strategy for LDC Graduation: Consultations with Development Partners and relevant Sectors was held on 26th May 2023, chaired by His Excellency Phoxay Khaykhamphithoune, Deputy Minister of Foreign Affairs, and Co-chaired by Ms. Sara Sekkeness, the United Nations Resident Coordinator to the Lao PDR. The Consultation was attended by more than 100 participants, including LDC focal points from line ministries, representatives from UN Agencies, Development Partners, Non-Governmental Organizations, Civil Society Organizations and Private Sector.

The main objective of the consultation was to raise awareness on the impact and opportunities of planned LDC graduation and on the plans of the government of the Lao PDR to manage and seize those opportunities. Importantly, the consultation also obtained inputs and feedback on specific parts of the STS draft before finalization. The consultation was also attended by the Committee for Development Policy Rapporteur for Lao PDR and UNDESA inter-regional Adviser for LDCs, who providing an in-depth and insightful information on the graduation context and expected impacts and opportunities.

The consultation noted that the STS is an important document that serves the specific purpose to prepare the Lao PDR for graduation from the LDC, not for a short-term up to 2026 graduation mark, but for a long-term development path in a smooth, quality and sustainable manner. The four thematic pillars are well aligned with objectives and addressed the urgent needs and priorities for the smooth, quality and sustainable graduation, and particular attention should also gathered toward the means of implementation, monitoring and evaluation, governance of the STS, specifically strong multi-stakeholders partnership, participation through the whole of government and whole of society approaches, and in-depth understanding of the STS are essential to ensuring effective implementation. In addition, the consultation generated much interests specifically on

the International Support Measures (ISM) for the LDC, which need further clear exploration so that the concerned line ministries and sectors can be better access and seize the opportunities for support while they are still available. The recommendations made during the consultation were valuable to the STS, specifically on redefining the section related to the M&E Matrix (*Please refer to the Annex of this report for the meeting document*).

f. Final Technical Validation Workshop for Lao PDR's Smooth Transition Strategy for LDC Graduation (29th – 30th June 2023)

The Final Technical Validation Workshop for Lao PDR's Smooth Transition Strategy for LDC Graduation was held on 29 - 30 June 2023 in Vang Vieng, Chaired by Deputy Director General of the Department of the International Organizations, Ministry of Foreign Affairs, and Co-chaired by the Representative of the United Nations Resident Coordinator to the Lao PDR. The workshop was attended by more than 40 participants/LDC focal points from line ministries and agencies equivalent to ministries. This important workshop discussed in details of the 22 core actions that compose the STS, and to have a consensus and agreement on the process to monitor and evaluate progress on the implementation of the STS, including identifying responsibilities for implementation and means of verification, as well as exploring where support from the international community would be most needed.

Following the feedback and recommendations, the STS integrated the latest reports and publications, particularly on the impact on trade. A number of actions under the STS and some key wordings were revised. In addition, the first draft translation of the STS was made available and shared with the concerned ministries for feedback. (*Please refer to the Annex of this report for the document of the workshop*).

g. The Government Monthly Cabinet Meeting for November 2023 (23rd - 24th November 2023)

The Government Monthly Cabinet Meeting for November 2023 was held on 23rd – 24th November 2023 at the Prime Minister's Office, under the chairmanship of H.E. Prime Minister Sonexay Siphandone and attended by cabinet members.

Amongst priority issues discussed during the meeting was urgent tasking of concerned sectors to enforce measures to address the economic and financial difficulties given the increasing challenges facing the economy.

Key measures included steps to stabilize exchange rates, modernize the revenue collection system to boost the national income, and boost exports. The government agreed steps ensure that export receipts are paid through the banking system in Laos in order to ensure more foreign currency flow into the country, and reiterated the need to restrict the import of luxury items and goods that can be produced or manufactured domestically, and instructed sectors to remove red tape and improve the business environment to attract more foreign investment.

Following the presentation of the STS draft during the Monthly Meeting of the Government for March 2023 held on 28th-29th March 2023, the final STS both in English and Lao languages were presented once again by H.E. Deputy Prime Minister, Minister of Foreign Affairs, Chair of the NSC of LDC. After close to two years of extensive and intensive consultations at the national and

international levels, *the meeting approved the final version of the Lao PDR's Smooth Transition Strategy for LDC graduation*, with additional guidance to revise some key wordings of the strategy and further tasked the Ministry of Foreign Affairs to revise the STS according to the recommendations of cabinet members and return a final edited version to the Prime Minister Office for final endorsement.

Table 1 – STS Formulation Process

Event or Activity	Date	Purpose and Outcome
13 th High-Level Roundtable Meeting	15 November 2021	<ul style="list-style-type: none"> ▪ Commitment to development the STS ▪ UN LDC Graduation Joint Output pledges support
Internal Consultation Meeting on the process of the STS	25 January 2022	<ul style="list-style-type: none"> ▪ Debriefing LDC focal points on the STS process
Stakeholder mapping, SDG/LDC focal points meeting, analysis and initial discussion within participating ministries	30 June 2022	<ul style="list-style-type: none"> ▪ STS process mapped out ▪ Existing analysis compiled ▪ Focal points identified drawing from the Government's existing SDG/LDC focal point networks
South-South Exchange on Preparing Smooth Transition Strategies	23-25 Aug 2022	<ul style="list-style-type: none"> ▪ Options and good practices for STS development identified through peer exchange with other countries, especially Bangladesh and Nepal that are also scheduled to graduate in 2026
Technical Government Workshop	08 Sept 2022	<ul style="list-style-type: none"> ▪ Initial discussion on scope, objectives, approach, possible thematic and focus areas, as well as plans for prioritization workshop
Prioritization Workshop	18 Oct 2022	<ul style="list-style-type: none"> ▪ Priority themes and subthemes for actions under the STS -based on the necessary conditions for a smooth, quality, and sustainable graduation-identified by participants from Government and the UN output group on LDC graduation

Drafting Workshop (“Write-shop”)	03-04 Nov 2022	<ul style="list-style-type: none"> ▪ STS scope refined vis-à-vis existing strategies and plans ▪ Initial draft of the STS Action Matrix prepared through breakout groups, including priority actions (both existing and new) as well as implementation arrangements.
Report to CDP	13 Nov 2022	<ul style="list-style-type: none"> ▪ CDP informed about progress with STS formulation in advance of the February 2023 plenary meeting
RTM Implementation Meeting	26 Jan 2023	<ul style="list-style-type: none"> ▪ Technical discussion between the Government and with development and trade partners on national development priorities, including for graduation
CDP Plenary	20-24 Feb 2023	<ul style="list-style-type: none"> ▪ CDP feedback obtained on the draft STS
5 th United Nations Conference on the LDCs (LDC5) in Doha	05-09 March 2023	<ul style="list-style-type: none"> ▪ Draft STS presented to the international community
The Government Monthly Meeting for November 2023	28-29 March 2023	<ul style="list-style-type: none"> ▪ STS draft endorsed in principle
Detailed consultations with partners	26 May 2023	<ul style="list-style-type: none"> ▪ In-depth discussion with development and trade partners to identify areas of support and seek feedback on the draft STS
Validation Workshop	29-30 June 2023	<ul style="list-style-type: none"> ▪ Validation of and feedback on the draft STS by key stakeholders
STS finalization	July-August 2023	<ul style="list-style-type: none"> ▪ STS finalized based on feedback from the validation exercise
The Government Monthly Meeting for November 2023 - Proposed STS for endorsement	23-24 November 2023	<ul style="list-style-type: none"> ▪ Propose STS for endorsement by Prime Minister’s Office
The Government officially endorses the final STS	25 December 2023	<ul style="list-style-type: none"> ▪ The Prime Minister Office issued a Decree, no 386/PM, dated 25 December 2023 on the endorsement and announce its implementation of the Lao PDR’s Smooth Transition Strategy for LDC Graduation

2. Content and Key thematic Pillars of STS

As previously reported in the 2022 Annual Report to the CDP, the STS covers a broad subject matter, which underlines the importance of a whole-of-Government approach engaging different sectors. This approach allows for appropriate identification and incorporation of existing frameworks and actions relevant to managing a smooth and quality graduation.

The thematic pillars of the STS were identified based on the challenges and issues that the country has been facing in relation to specific elements of the LDC criteria. See Figure 1 for the link between the thematic areas of the STS and key LDC criteria.

Key thematic areas emerging from looking at the statistics

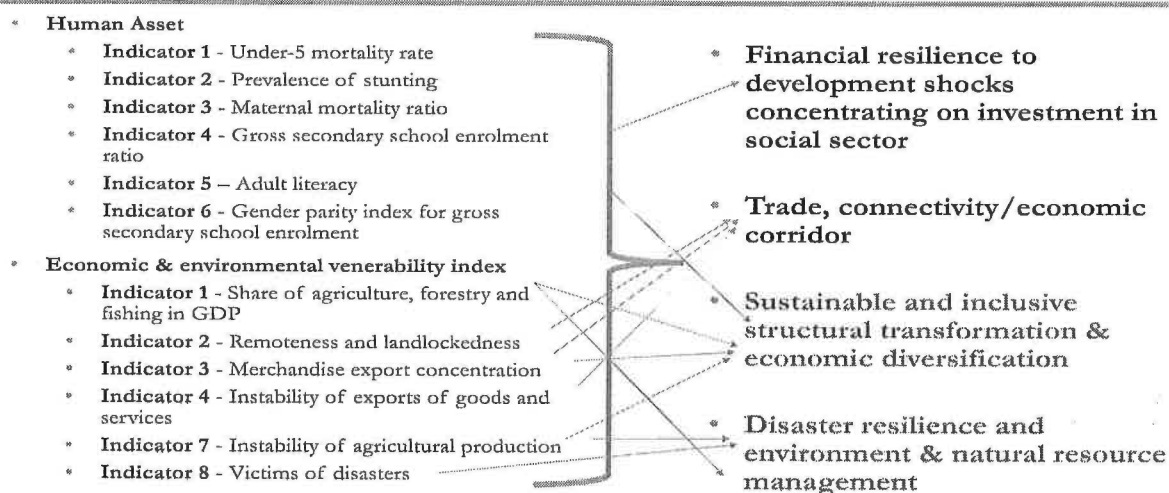


Figure 1 – Key thematic areas emerging from looking at the statistics

Objectives and role of the STS in Lao PDR's development planning

The STS is a policy framework developed to support the long-standing aim of Lao PDR to graduate from the LDC category, and past this important milestone, for high-quality, green, sustainable, and focused development progress (the four directions of the 9th NSEDP). It provides an inter-ministerial and multi-stakeholder platform to discuss priority reforms as well as strengthen the partnerships and cooperation required for graduation.

More specifically, the STS has a threefold objective to prepare for a smooth, quality, and sustainable graduation:

- The first objective is to ensure that Lao PDR graduates smoothly from the LDC category. This means, practically, developing and implementing policies and actions, between 2023 and 2026, to mitigate the potential impacts stemming from the loss of ISMs, so that “*graduating from the category of least developed countries [does not] result in a disruption or reversal of development plans, programmes, or projects*”, in the words of the General Assembly. This also includes the policies and actions that can help to seize the opportunities presented by LDC graduation, such as greater attraction for foreign investors and trade partners.
- The second objective is to maintain Lao PDR on a quality development pathway in line with the vision of the NSEDP, in the context of the exogenous and internal challenges presented above:

COVID-19, '5F'⁹ crisis, economic and financial difficulties. These must be appropriately addressed for Lao PDR to achieve the 9th NSEDP objectives. This means implementing policies and actions, many of which are common to other central frameworks accompanying the 9th NSEDP implementation, such as the Financing Strategy, the Resilience Framework, or the National Agenda on Macroeconomic and Financial Difficulties that are essential for the type of development that the country seeks to achieve. A related and important aim of the STS is to strengthen policy coherence and the focus of the implementation of the 9th NSEDP, by identifying, including from existing policy frameworks, the key policies and actions that need to be implemented by 2025-2026.

- The third objective is to ensure the sustainability of graduation beyond the 2026 horizon, towards 2030. **This means policy directions for the rest of the decade for continued development progress and achieving of the 2030 Agenda, managing longer-term risks.** Sustainability is highly correlated with sound environmental management, as an economic model excessively reliant on the exploitation of finite natural resources will be unable to deliver prolonged benefits.

The STS also therefore serves to ground the vision of the Doha Programme of Action for LDCs (2022-2031) in the national planning architecture and policies of Lao PDR. In particular, it seeks to operationalize the 6th chapter on *Mobilizing international solidarity, reinvigorated global partnerships and innovative tools: a march towards sustainable graduation*.

The STS therefore serves a specific purpose in national planning in Lao PDR, which is visualized in Figure 2. The Government has developed several policies to strategically deliver on the 9th NSEDP in light of the country's development challenges. This includes, as was mentioned above, the 2021-2023 National Agenda on Economic and Financial Difficulties (which has now been extended to 2025), the 9th NSEDP Financing Strategy, and the Resilience Framework, as well as other key sectoral strategies – that help to prioritize and sequence policies and actions in response to the COVID-19 and 5F crisis.

The initial scope of the STS focuses on specific actions to be implemented during the *preparatory* period prior to the graduation date itself, aiming to make maximum use of the additional preparation time afforded to Lao PDR. However, even though implementation of the identified actions is expected within the coming 3 years, the actions themselves are intended to lay the foundations for sustainable development towards the longer-term national development vision. As implementation progresses, additions or revisions of actions could be considered for inclusion by the relevant authorities for implementation in the subsequent transition period, as appropriate.

⁹ Multifaceted Fuel, Food, Fertilizer, Finance, and animal Feed crisis.

Scope and Structure

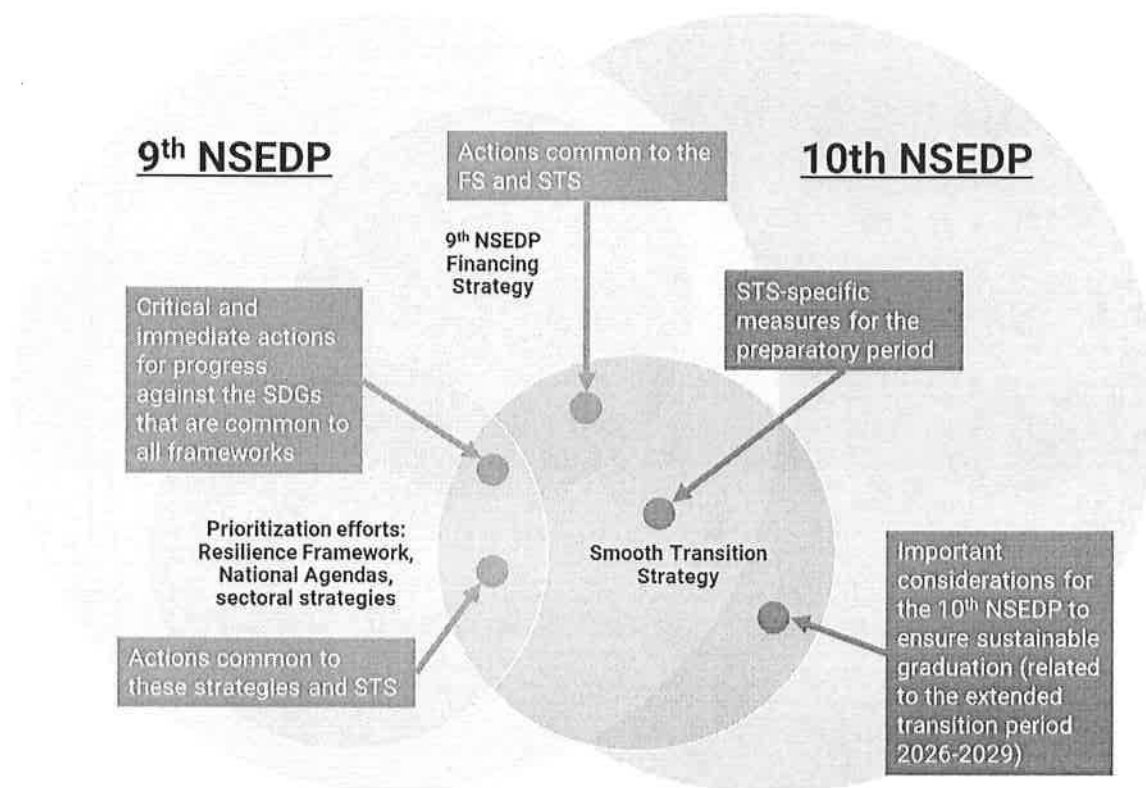


Figure 2 – Understanding the role of the STS

Overall, the value added of the Lao PDR LDC STS is therefore to plan, with a whole-of-government approach, and with all development partners, for:

- A **smooth** graduation: identify the new policies and actions that mitigate the expected impacts and seize the opportunities of graduation (in figure 4, the area with a green dot);
- A **quality** graduation: identify and monitor the progress of implementation of critical policies and actions, many of which are common to at least one other policy framework (in figure 4, the areas with a blue dot);
- A **sustainable** graduation: identify policy directions, to be considered by the 10th NSEDP, to achieve the 2030 Agenda.

As explained above, the STS is complementary to and draws from a wide variety of national frameworks that are already shaping Lao PDR's development pathway. At an international level, the STS is also embedded in the recently adopted Doha Programme of Action for LDCs (2021-2032).

In line with those frameworks, the STS guidance, and through extensive inter-ministerial consultations, an STS structure was developed, composed of 4 thematic pillars and 9 policy areas, to answer Lao PDR's threefold objective to deliver a smooth, quality, and sustainable graduation.

Table 2 presents the STS scope as well as the alignment of its chapters and policy areas to existing policy frameworks and specifies the rationale for the inclusion of each policy area into the STS.

Table 2 – STS scope

Chapter/ theme	Alignment (non-exhaustive)	Rationale
1. Macroeconomic Stability and Financial Sustainability		
1. Macroeconomic stability	<ul style="list-style-type: none"> ▪ NSEDP Outcome 1 ▪ NSEDP Financing Strategy 1.1/1.3 ▪ Resilience Framework Pillar 1 ▪ National Agenda on Economic and Financial Difficulties 	If Lao PDR faces recurrent or extended macroeconomic instability – i.e., excessive currency depreciation, inflation, and deficits – then it will not achieve a smooth, quality, and sustainable graduation.
2. Safeguarding investments in human capital, environment and climate action	<ul style="list-style-type: none"> ▪ NSEDP Outcomes 2/4 ▪ NSEDP Financing Strategy 5.1/5.2/5.3 ▪ Resilience Framework Pillar 4 ▪ Doha PoA Priorities 1/5 	If Lao PDR does not urgently increase resources invested in social sectors and green growth (including environmental protection and climate action), then it will not achieve a smooth, quality, and sustainable graduation.
2. Trade and Investments		
1. Trade and FDI promotion	<ul style="list-style-type: none"> ▪ NSEDP Financing Strategy 4.1 ▪ Resilience Framework 2.a ▪ Doha PoA Priority 4 	If Lao PDR does not diversify trade (in terms of partners and exports) and investment sources, then it will not achieve a smooth, quality, and sustainable graduation.
2. Business environment for inclusive growth	<ul style="list-style-type: none"> ▪ NSEDP Financing Strategy 3.1/4.1 ▪ Resilience Framework 2.a ▪ Doha PoA Priority 4 	If Lao PDR does not create an enabling environment for quality investment, then it will not achieve a smooth, quality, and sustainable graduation.
3. Human Capital Development and Structural Economic Transformation		
1. Human capital development and decent jobs	<ul style="list-style-type: none"> ▪ NSEDP Outcomes 2/3 ▪ Resilience Framework 4 ▪ Doha PoA Priority 3 	If Lao PDR does not create sufficient decent jobs for the large young population, then it will not achieve a smooth, quality, and sustainable graduation.
2. Rural development	<ul style="list-style-type: none"> ▪ NSEDP Outcome 3 ▪ Resilience Framework 3.d ▪ Doha PoA Priority 3 	If sustainable development does not take place in rural areas, then Lao PDR will not achieve a smooth, quality, and sustainable graduation.

3. Urban development	<ul style="list-style-type: none"> ▪ NSEDP Outcome 5 ▪ Doha PoA Priority 3 	If sustainable development does not take place in cities and towns (with 50% of the population expected to live in urban areas by 2030), then Lao PDR will not achieve a smooth, quality, and sustainable graduation.
4. Climate Change and Disaster Management		
1. Integrated and sustainable natural resources management for low-carbon development	<ul style="list-style-type: none"> ▪ NSEDP Outcome 4 ▪ Resilience Framework 5 ▪ Doha PoA Priority 5 	If Lao PDR does not urgently shift to a sustainable management of natural resources, then it will not achieve a smooth, quality, and sustainable graduation.
2. Climate resilience and disaster risk reduction	<ul style="list-style-type: none"> ▪ NSEDP Outcome 4 ▪ Resilience Framework 5 ▪ Doha PoA Priority 5 	If Lao PDR does not urgently improve its resilience to climate change and natural disasters with comprehensive disaster and climate risk management approach and tools, then it will not achieve a smooth, quality, and sustainable graduation.

The STS contains series of policies and actions focused on (1) a transition without disruption (smooth), (2) a graduation with momentum (quality) and (3) continued development progress (sustainable) beyond graduation. These are structured against 4 thematic pillars and 9 policy areas, covering the entire scope of graduation issues. In this section, a brief narrative is followed by the presentation of policy priorities and actions, which were formulated during and following a collaborative prioritization workshop on 3-4 November 2022. In total, there are 22 action areas clustered across 4 thematic pillars and 9 policy areas as per a summary highlighted in Table 3.

Table 3 – Summary of action areas against 4 thematic pillars and 9 policy areas of the STS

Pillar	Policy area	Policy/ action
1. Macroeconomic Stability and Financial Sustainability	1.1 Macroeconomic stability	Action 1: Rapidly increase fiscal space Actions 2: Alleviate the debt burden Actions 3: Increase the resilience of the financial sector
	1.2 Safeguarding investments in human capital and climate action	Actions 4: Prioritise public investments in human capital and green and climate-resilient growth Actions 5: Increase the volume and effectiveness of ODA support in priority sectors Actions 6: Incentivise private sector investments in green growth Actions 7: Plan the country's participation to global affairs

2. Trade and Investments	2.2 Trade and FDI promotion	Action 8: Reform investment promotion and management to attract quality FDI Action 9: Facilitate and develop quality trade relationships Action 10: Enhance and promote domestic production in line with international standards
	2.3 Business environment for inclusive growth	Action 11: Make the business environment one of the most attractive in Southeast Asia
3. Human Capital Development and Structural Economic Transformation	3.1 Human capital development and decent jobs	Action 12: Urgently address learning poverty Action 13: Ensure access to basic social protection services Action 14: Improve employment opportunities and conditions Action 15: Make the country an attractive ecological and cultural tourism destination
	3.2 Rural development	Action 16: Greater efforts for enhancing rural development through a community-based approach essential for poverty reduction. Action 17: Accelerate the transition to sustainable/resilient food systems
	3.3 Urban development	Action 18: Strategically plan urbanization
4. Climate Change and Disaster Management	4.1 Integrated and sustainable natural resources management for low-carbon development	Action 19: Accelerate the energy transition Action 20: Manage natural resources in an integrated and sustainable way
	4.2 Climate resilience and disaster risk reduction	Action 21: Accelerate disaster risk management and reduction Action 22: Accelerate adaptation to climate change

4. International support for graduation from the LDC category

As previously reported in the 2022 Annual Report to the CDP and noted in the STS, cooperation with development partners is an essential component of Lao PDR's approach to graduation. This was also reflected through the remarks at the high-level regional and international conference and it is translated into implementation through:

- The mobilization of development partners through the annual Round Table Meetings and the inclusion of graduation-relevant issues to the agenda of the Sector Working Groups, in collaboration with the Ministry of Planning and Investment, as the secretariat, starting from January 2023;
- The presentation of the STS at the LDC V Conference in March 2023;
- The close collaboration with the UN System (UNRC, CDP, UNDESA, and OHRLLS) to monitor the development pathway of Lao PDR and the implementation of the STS (see monitoring and evaluation framework).

International support for graduation is an on-going discussion between the Government of Lao PDR and its partners. Specific needs for international support for a smooth graduation are being defined and refined against each action as part of the STS development process. Thus, as the Lao PDR is embarking its journey toward LDC graduation, continued support and assistance from all partners are crucial, in terms of funding, technical knowledge, information, infrastructure, capacity building, among others, to ensuring that the Lao PDR is able to access the LDC's specific ISM and make the most use of those support windows when they are still available.

It is expected that the Action Matrix is a living document through the STS implementation and that the development partners' contributions are recorded in the dedicated column.

Key on-going and completed projects/programs that have been discussed within the Government and with the relevant international organizations and international partners are:

- On the loss of LDC-specific special and differential treatment on obligations and flexibilities under WTO rules (other than market access), as the LDC Group at WTO, a proposal is to have a package of support measures that would be applied to any LDC for a uniform transition period (currently proposed as 6-9 years) following graduation. The Government of Lao PDR has been engaged actively with Members, bilaterally and in WTO Committees, to seek an opportunity to obtain support for addressing graduation challenges.
- On the issue of LDC graduation in the context of Regional Comprehensive Economic Partnership (RCEP), the Government will carry out further study to gain more understanding of the issue with the support of UN and other development partners.
- On trade-related capacity-building, training and technical assistance, the Government has engaged with development partners to ensure programmes that are not contingent on its LDC status will be able to support the continuation of capacity-building and technical assistance in matters related to trade.

- On development cooperation, the Government has discussed and negotiated with various partners including, the UN, EU, ADB, Luxembourg, and Japan in 2022 to finalize cooperation frameworks where ODA commitments have been highlighted to ensure that Lao PDR's specific needs and vulnerabilities are taken into account. As such, a plan for the coming year is to prepare a country development cooperation report which capture various elements of effective development cooperation tracking supports at various levels to gain better understanding on various types of supports provided by partners.
- Another important matter is domestic resource mobilization which continues to be crucial, particularly, the Ministry of Finance is considering raising the valued-added (VAT) rate from 7 to 10 percent in an effort to boost government revenue and support the economy, and a new draft legislation to increase the VAT rate is expected to be completed soon. In addition to raising the VAT rate, the Ministry of Finance is also considering other measures to improve the tax system. Furthermore, traditional ODA, non-concessional public finance (other official flows—OOF), blended finance, and South-South cooperation, among others, are also crucial. As such, on-going discussions have been made on taking advantage of guidance and capacity-building from organizations on alternative resource mobilization. A capacity building plan to access different sources of climate finance including the Green Climate Fund (GCF) has been in the development process. This will become important to compensate for no longer being eligible for LDC-specific funds.
- In addition, the Government has also started to discuss with the UN and partners to explore the potential of LDC-specific instruments such as the UN Technology Bank, the Global Environment Facility (GEF), Least Developed Countries Fund (LDCF) and the Investment Support Programme within the period of eligibility (until graduation and up to five years thereafter).
- On support for participation in international organizations and processes, although decision has not been officially made, a few options that the Government is considering which include: a request for extension of the conditions applied to LDCs regarding budget contributions at the ITU; a request for the three-year extension on support to participate in meetings of the United Nations General Assembly and exploring with the relevant institutions possibilities for alternative support for travel to key intergovernmental meetings.

Technology Needs Assessment (TNA) for the Lao PDR

The LDC5 conference held in early March 2023 in Doha, Qatar and at the sideline of the recent 8th World Investment Forum (WIF) held in October 2023 in Abu Dhabi, UAE – the Lao Delegation led by Ministry of Foreign Affairs, and Ministry of Planning and Investment, respectively, had a bilateral meeting with the Managing Director of the United Nations Technology Bank for the Least Developed Countries and discussed future cooperation on science, technologies and innovation.

The Technology Bank has initiated the process to develop the Technology Needs Assessment (TNA) for the Lao PDR. The TNA is a policy tool designed to: i) identify the specific sectors or economic activities in LDCs that require technological inputs or solutions, in consultation with key national stakeholders; ii) ensure that the technological solutions identified are appropriate and compatible

with LDCs' level of development and are aligned with their national development strategies; and iii) recommend technological solutions and the specific areas where technological capacity building is needed to enable LDCs to address development challenges (Technology Bank, Nov 2023).

The TNA for the Lao PDR is being developed in collaboration with Ministry of Technology and Communication as the designed focal point of the Government of the Lao PDR. It is hoped that TNA will be valuable input to support the preparation of the LDC graduation, by identifying science and technological gaps and priority needs as a first step towards developing a coherent and integrated strategy tailored to the specific situation of the country. The TNA will provide a blueprint for the Science, Technology and Innovation (STI) capacity building programs that a country can include as part of its national development strategy, in order to accelerate efforts towards the implementation of the priorities contained in the Programme of Action, as well as to promote the achievement of relevant Sustainable Development Goals (SDGs). This blueprint, in turn, will produce a set of STI capacity building priorities that will provide a valuable guide to bilateral donors, multilateral and regional development banks, foundations, NGOs and the private sector.

WIPO's Graduation Support Package for Least Developed Countries (LDCs)¹⁰

A new venture sponsored by the World Intellectual Property Organizations (WIPO) kicked off in Vientiane to support the Lao PDR's efforts to graduate from the Least Developed Country status¹¹. Led by the Department of Intellectual Property, Ministry of Industry and Commerce in collaboration with WIPO and the European Patent Office, the scheme aims to help underdeveloped countries determine the needs, priority activities and possibilities for development projects and activities in accordance with their priority plans.

For the Lao PDR, 10 specific projects and activities under two other projects will be rolled out from 2023-2026 (MOIC, 2023). Specific projects will aim to improve intellectual property infrastructure in order to meet the targets required for graduation from Least Developed Country status. This work will include the improvement of offices responsible for intellectual property, to bring them up-to-date and make them more efficient.

In addition, changes will be made to procedures relating to the registration of trademarks, industrial designs, and patents through the introduction of examiners who will oversee these processes. Improvements will be made to intellectual property arbitration procedures and training given on dispute resolution for law enforcement and judicial officials.

The second category of projects will support the enforcement of intellectual property regulations, and strengthen economic competition such as by creating markets for local products, including silk items made in Luang Prabang and Huaphan provinces, and the geographical origin of rice grown in Xieng Khuang and Huaphan provinces. Product markets will be set up and training courses on intellectual given to local business operators.

The proposal on 'WIPO's Graduation Support Package for LDCs' was developed by WIPO in response to the requests expressed by LDC Member States. It aims to provide targeted,

¹⁰ WIPO, 2022, WIPO's Graduation Support package for LDCs

¹¹ Vientiane Times, 23 November 2023, New Project to support Laos' transition from LDC Status

substantive and impactful technical assistance to the LDCs that are scheduled for graduation. The deliverables of the support package focus on assisting graduating LDCs in developing and upgrading their national IP systems to meet IP-related obligations after graduation and, at the same time, on enabling them to harness IP and innovation for attaining graduation goals relating to structural transformation, enhancing productive capacity, competitiveness and economic diversification.

The ASEAN Regional Integration Support – Lao PDR Trade-related Assistance project (ARISE Plus Lao PDR)¹²

The Ministry of Industry and Commerce (MOIC) and the International Trade Center (ITC) have successfully concluded the European Union-funded ASEAN Regional Integration Support (ARISE) Plus – Lao project in Vientiane Capital on December 7 (NIU MOIC, 2023).

. It aims to contribute to inclusive economic growth, increased climate change resilience, mitigation of vulnerability and job creation in Lao PDR. In particular, its three main objectives on 1.) enhancing regional economic integration; 2.) increasing awareness on trade preferences, and 3.) strengthening support services for smallholders and micro business.

Despite challenges posed by COVID-19 and macroeconomic instability, in its five years of implementation, the project achieved remarkable results. These included improved knowledge by public and private sector stakeholders on a wide range of subjects such as organic coffee farming, quality management and sustainable sourcing in the wood-processing sector. The project also published two Export Roadmaps for the two sectors, giving detailed insights into the global and national contexts of the sectors, analyzing challenges, and laying out a detailed plan of action for export competitiveness. In addition, ten quality champions graduated from the project to assess, coach and guide Lao companies in improving product quality. A Quality Platform was launched in the Lao PDR as a one-stop shop to find export market quality requirements, connect to institutional and individual expertise and services, and learn from best practices.

The project conducted an in-depth gap analysis on the ASEAN Trade in Goods Agreement (ATIGA), published a handbook on the ATIGA notification process, Six Everything But Arms (EBA) business guides, four guides on of e-commerce and a handbook on the WTO ePing notification system. A study was conducted on the implications of the LDC graduation, which found that the Lao PDR should harness the power of trade promotion to avoid losing a potential 7.3% or 734 million US dollar in exports after graduation¹³.

The ARISE Plus project has been instrumental in promoting inclusive economic growth, trade intelligence, and participation in global value chains in the Lao PDR. Through its collaboration with key government agencies, trade support institutions, and the private sector, the project facilitated market access, built capacity, and created opportunities for Lao exporters. As the project officially concludes, it leaves behind a legacy of enhanced competitiveness, improved resilience, and sustainable economic growth for the Lao PDR. Similar projects should continue and further this legacy to enhancing the Lao PDR's trade capacity for LDC graduation.

¹² ITC, ASEAN Regional Integration Support from the European Union – Lao PDR/ARISE Plus (2019-2023)

¹³ International Trade Center, 2023, Lao PDR after LDC Graduation: New avenues for exports. ITC, Geneva

Lao PDR Green Climate Fund Country Programme 2021-2023 – Accreditation Support for Direct Access¹⁴

The Lao PDR submitted its first Country Programme in 2019 as a living document in which updates can be made over time to reflect emerging trends and new developments, including priorities for mitigation and adaptation.

Based on the Green Climate Fund Country Programme Guidelines, updates have been made to the Lao PDR GCF Country Programme to take into consideration new policy development and priorities related to climate change. Firstly, Lao PDR has revised its Nationally Determined Contribution (NDC) and put forth more ambitious target to achieve by 2030. They include setting the course for Lao PDR to achieve net-zero emission by 2050 on the condition of increased additional support. Secondly, the planning cycle for the 9th NSEDP (2021-2025) has been completed, with climate change and green growth being reflected in the plan. As a result, sectors have developed their next five-year plan in line with the upcoming NSEDP. Thirdly, many policies, law and decrees have been drafted, approved, amended and updated over the past year. The developments provide a strategic framework for identifying the country's priorities for climate change mitigation and adaptation. The updated Country Programme identifies five priority areas in relation to the GCF as follows:

- i.) Enhancing climate-resilient farming and communities
- ii.) Supporting an increase and maintenance of national forest cover
- iii.) Promoting emission reductions in the energy sector
- iv.) Promoting low-carbon and climate-resilience urban development and transportation
- v.) Enhancing climate resilience in the public health sector

In align with the Lao PDR Green Climate Fund Country Programme 2021-2023, the STS has emphasized climate change actions as the priority of the priority to prepare the Lao PDR for a smooth, quality and sustainable graduation, particularly under the policy area 1.2 Safeguarding investment in human capital and climate action, and also related to policy area 4.1 Integrate sustainable natural resources management for low-carbon development and 4.2 Climate resilience and disaster risk reduction. The Lao PDR is seeking further support in terms of policy, strategy, planning and institutional needs, although considerable capacity exists within the Ministry of Natural Resources and Environment (MONRE) concerning climate change and the development of project investment proposal. However, the development of GCF projects and investment proposals, including the implementation of the Country Programme, will require leadership, engagement and continued support from all relevant partners.

Regarding the Accreditation Support for Direct Access, currently, there is no National Direct Access Entity (DAE) for the Lao PDR, and the Environment Protection Fund (EPF) is applying for accreditation to be the first direct access entity for the Lao PDR. The Ministry of Natural Resources and Environment has been officially appointed as the National Designated Authority (NDA) of the GCF, which plays an important role in coordinating and communicating the country's strategic priorities through the Lao PDR GCF Country Programme. The NDA nominated the Environment

¹⁴ Lao PDR Green Climate Fund Country Programm 2021-2023

Protection Fund (EPF) to become a National Accredited Entity and allocated the GCF Readiness and Preparatory Support Programme (GCF RPSP) to support the accreditation process.

There are a number of capable institutions in the Lao PDR that are already participating in GCF readiness projects, identifying potential GCF project and preparing GCF funding proposal. Among these institution, the EPF is unique and well placed to apply for accreditation to the GCF since it has over 15 years of experience in managing grant funding windows, with a strong network of national and sub-national project developers and project beneficiaries. The EPF was established in 2005 to strengthen environmental protection, sustainable natural resources management, biodiversity conservation and community development. The EPF is an autonomous national entity, both financially and administratively, and is mandated to mobilize funds from national and international sources to support effective and sustainable natural resources management and environmental protection and channel funds through six windows (i. Policy implementation and capacity enhancement; ii. Biodiversity and Community Investment; iii. Pollution control; iv. Water resources management; v. Sustainable land resources management; and vi. Climate Change)

Since the formulation of the first country programme, the Bank of Lao PDR (BOL) has also expressed interest to become accredited to the GCF and took steps to study more about the GCF. The NDA has been inviting the Bank of Lao PDR to major GCF-related events such as the Private Sector Engagement Workshop and the GCF Annual Meeting to keep the Bank of Lao PDR updated on GCF activities and on potential support. Further discussion took place to explain the accreditation process especially in relation to on-lending fiduciary services that may fit with the Bank of Lao PDR's overall mandate. Currently, the Bank of Lao PDR is assessing GCF requirement and criteria to determine whether or not accreditation is technically feasible. The NDA is also exploring an opportunity to support local private banks and other entities to apply for the GCF accreditation especially focused on no-lending instrument.

5. Enhanced Monitoring Mechanism (EMM)

Following a virtual consultation with the CDP in late November 2022 on the Enhanced Monitoring Mechanism for the graduated and graduating countries from the LDC category (EMM), the Government of the Lao PDR led by the Ministry of Foreign Affairs organized its internal consultation on 18th January 2023 with relevant line ministries, specifically with participant from Bank of Lao PDR (BOL), Ministry of Finance (MoF), Ministry of Labor and Social Welfare (MoLSW), Ministry of Industry and Commerce (MOIC), Ministry of Agriculture and Forestry (MAF), among others, to further discuss and exchange about the EMM process, its indicators and data related issues. *It is understood that the EMM is created to strengthen CDP's monitoring efforts through the assessment of the risk LDCs may face, and noting that having official, accurate and reliable data/information sources that reflect the reality of the country's development trend is crucial.* In addition, taking into account the focus mainly on crisis response, the EMM was presented to participants from line ministries and discussed in order to seek common positions on which indicators would be used to measure when a crisis occurs. Furthermore, the member of the CDP also made a field visit to the Lao PDR and had a fruitful dialogue with the concerned ministries and ministry-equivalent agencies in May 2023 on EMM and related topics.

It is decided that **five indicators** from the list initially proposed by CDP were selected, which include the ones on (1) **inflation rate**, (2) **exchange rate**, (3) **foreign reserves**, (4) **natural disasters**, and (5) **food inflation**. It is also noted that these data should be closely monitored and periodically updated and that EMM-related matters should be regularly reviewed and discussed with the concerned government ministries. Table 4 below summarizes of the selected EMM indicators with the associated link of data.

Table 4. Summary of the selected EMM indicators for the Lao PDR (as of November 2023)

Category	No.	Indicator	Source	Frequency	Threshold	Status
Economic	1	Inflation rate	Bank of Lao PDR Lao Statistic Bureau	Monthly	> 9.5%	25.24 (Nov 2023) Link , Link
	2	Exchange rate	Bank of Lao PDR	Monthly	> 4.5%	USD /Currency 20.675 (18 Dec 2023) Link
	3	Foreign reserves	Bank of Lao PDR	Monthly	< US\$ 500 mil.	1,781.96 (2023-09) (Million USD) Link
Disasters	4	Natural disasters	EM-DAT, CRED	Ad hoc	> 500,000 ppl killed and affected	No current data
Health and others	5	Food inflation	WFP LSB	Monthly	30% or above	26.44 (Food and Non-Alcoholic, Nov 2023) Link

Annex

a. The 2022 Round Table Implementation Meeting (26th January 2023) – Background Document and STS Presentation

Background Document can be accessed via the following [\[link\]](#)



**Round Table Implementation Meeting
26th January 2023
Vientiane, Lao PDR**

Background Document

Prepared by
Department of International Cooperation
Ministry of Planning and Investment
January 2023

The Smooth Transition Strategy for LDC Graduation of Lao PDR

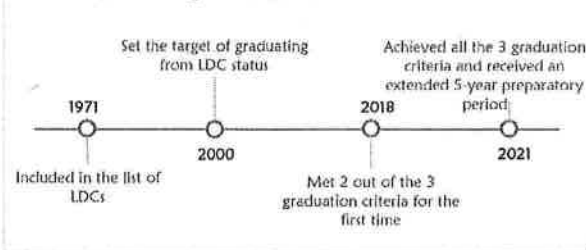
2022 Round Table Implementation Meeting
Under the Theme: "Accelerating the implementation of the 9th NSEDP (achievements of 2022 and plans for 2023), SDGs and achieving LDC graduation"

26 January 2023
National Convention Centre
Vientiane Capital, Lao PDR

Presentation by:

H.E. Mr. Phoxay Khaykhamphithoune, Vice Minister, Ministry of Foreign Affairs,
Acting Vice Chair of the National Steering Committee
for the implementation of the UN Programme of Action for LDCs

I. Review on the progress of the Lao PDR's LDC graduation



Content

I. Review on the progress of the Lao PDR's LDC graduation;

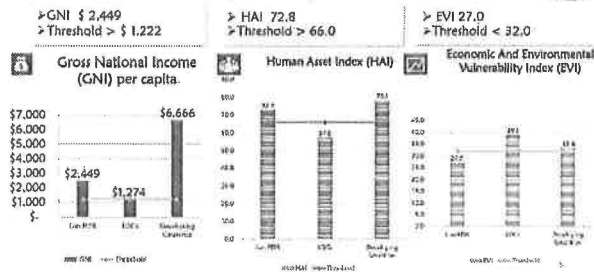
II. Progress on the development process of the Lao PDR's Smooth Transition Strategy (STS) for LDC graduation;

III. Challenges and ways forward for the Lao PDR's STS development process.

The National Steering Committee for the Implementation of the UN Programme of Action for LDCs



2021 Triennial Review



The Adoption of the UN General Assembly resolution on Lao PDR's LDC Graduation

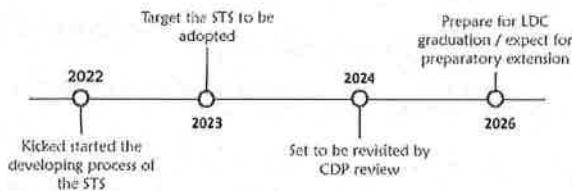


The resolution...

- Takes note of the endorsement by the Economic and Social Council of the recommendation of the Committee for Development Policy that Bangladesh, the Lao PDR and Nepal be graduated from the least developed country category;
- Also takes note that the Committee found that a five-year preparatory period would be necessary for the three countries recommended for graduation at the 2021 triennial review;
- Takes note that the Committee will analyze at its 2024 triennial review;
- Invites Bangladesh, the Lao PDR and Nepal to prepare, during the five-year period between the adoption of the present resolution and their graduation from the least developed country category, their national smooth transition strategy, with the support of the United Nations system.



Overview of the upcoming process...



II. Progress on the development process of the Lao PDR's STS for LDC graduation

- Recalling the outcomes of the 13th Round Table Implementation Meeting in 2021;
- The Government has been developing a national Smooth Transition Strategy for LDC graduation in cooperation, and with support of the UN system and development partners.

Purpose: The STS is developed to prepare Lao PDR for a smooth, quality, sustainable, and irreversible graduation.

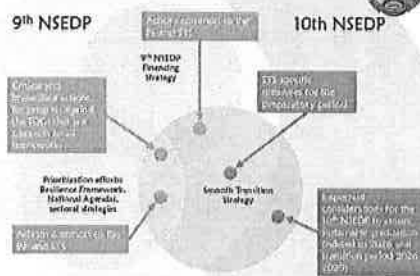
Specific Objective: The STS will ensure that:

- Transition from LDC specific support does not disrupt the country's development pathway;
- Use of these support measures is optimized whilst still available; and
- Measures are put in place during the preparatory period to ensure the optimal position at the time of graduation.



The cohesion between

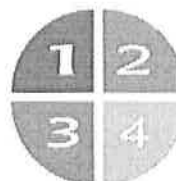
- The Smooth Transition Strategy (STS);
- The Financing Strategy (FS);
- The Resilience Framework (RF);
- The National Socio-economic Development Plan (NSEDP);
- Sectoral development plan.



The Progress on the Development of the Smooth Transition Strategy (STS) Principles of the STS Process

A whole-of-government approach
Enhanced participation from all stakeholders

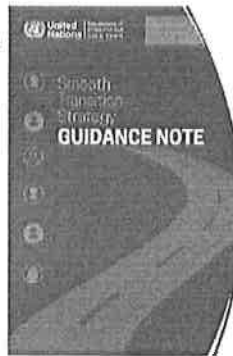
Facilitated and utilized to the extent possible
Existing mechanisms



Country-led and owned process
Integrated with the development priorities as in the NSEDP

Country-demand driven development needs and priorities
International community support

The Progress on the Development of the Smooth Transition Strategy (STS)



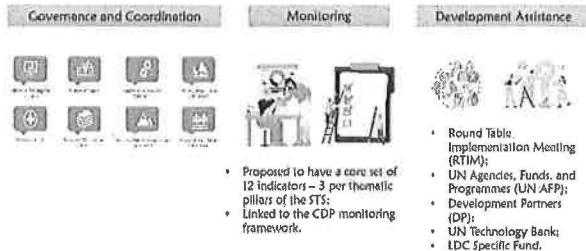
Main Content of the STS

Introduction	Section 1	STS Approach and Process
	Section 2	Impacts of Graduation and Smooth Transition Measures
	Section 3	Prioritized Smooth Transition Measures and Implementation Modalities
	Section 4	STS Roadmap

4 Thematic Areas of the Lao PDR's STS 9 Policy areas and 22 Actions

- 1) Macroeconomic stability and financial sustainability**
 - Macroeconomic stability
 - Safeguarding livelihoods in times of crisis, environment and climate risks
- 2) Trade and Investment**
 - Trade and FDI promotion
 - Business environment for inclusive growth
- 3) Human Capital Development and Gender Equality**
 - Human capital development and gender jobs
 - Rural development
 - Urban development
- 4) Climate change and disaster management**
 - Integrated and climate-resilient natural resources management
 - Climate resilience and disaster risk reduction

STS Implementation Mechanism



Challenges

- The prolonged impacts from COVID-19 pandemic;
- The ongoing situation of economic and financial difficulties;
- Limited internal human resources and technical and expertise capacity;
- Challenges on mainstreaming and integrating sectoral priorities into the STS;
- Difficulty in prioritizing priorities of various national and sectoral frameworks for the STS;
- Lacked awareness for general public both from central and local levels;
- Shortage of budget and financial resource for practical implementation.



III. Challenges and ways forward for the Lao PDR's STS development process.

Way Forward for STS Process

- Continue a consultation with DPs and UN CT for additional inputs for the current draft STS;
- Finalize in the current draft STS in a validation workshop with all governmental stakeholders;
- Participate in the 5th UN Conference on LDC in Doha, Qatar, in March 2023;
- Integrate the STS into the outcome of the LDC 5 Conference;
- Propose for the adoption of the STS, tentatively by mid 2023;
- Disseminate and mobilize support from DPs and international community for the STS implementation;
- Report on the STS implementation to CDP;
- Convene an annual National Steering Committee for LDC with regards to the STS implementation.

Thank You

b. The 5th United Nations Conference on the LDCs (LDC5) in Doha (05th-09th March 2023)

Statement by
H.E. Mr. Saleumxay KOMMASITH
Deputy Prime Minister, Minister of Foreign Affairs,
Lao People's Democratic Republic

The Summit of the Least Developed Countries
at the 5th United Nations Conference on the Least Developed Countries (LDC5)

Doha, 04 March 2023
(Please check against delivery)

Your Excellency Lazarus McCarthy Chakwera, President of the Republic of Malawi, Chair of the LDCs group,
Excellency Sheikh Mohammed bin Abdulrahman Al Thani, Deputy Prime Minister, Minister of Foreign Affairs of State of Qatar,
Mr. António Guterres, Secretary- General of the United Nations,
Excellencies,
Distinguished Delegates,

Allow me to begin by expressing my sincere appreciation to Malawi for the able chairmanship of the LDC group and for convening this first ever Summit of the LDC group. I would also like to thank sincerely the Government and the people of the State of Qatar for the warm hospitality and the generous support for hosting this important LDC5 Conference in Doha.

Mr. Chair,

This LDC Summit indeed provides a great opportunity for the LDC group to exchange our views, experiences and lessons learnt on addressing numerous challenges and seeking practical solutions [in order to implement the Doha Programme of Action for LDCs for the Decade 2022-2031 in line with our national development context in an effective and timely manner].

We meet today at a critical juncture when the international community is facing multiple challenges particularly the unprecedented impacts of the COVID-19 pandemic, financial difficulties, food and energy crises and armed conflicts. The LDCs, in particular, have been severely affected by these challenges, which further exacerbated their already existing structural vulnerabilities and extreme poverty. Moreover, the decade long development progress made by the LDCs and their aspiration to graduate from the LDC status as well as the achievement of the SDG are utterly derailed from their tracks.

Against this backdrop, the LDCs are in need of the highest degree of attention from the international community to reverse the course. The adoption of the Doha Program of Action-DPoA, therefore, comes at a vital time for the LDCs, development partners, countries of the south and relevant stakeholders to implement their renewed political will and commitment. It is more crucial than ever to find solutions, not only transformative, but also more practical, effective,

action-oriented, sustainable and tailored to the most pressing needs and challenges, so the most vulnerable are not left behind.

We as the LDC group need to further strengthen our unity and solidarity and ensure that we convey our strong voice and participate effectively in all relevant forums to protect and promote our common interest. At the same time, we need to mobilize global solidarity, enhanced support and renewed partnerships for addressing the development needs of the LDCs.

In this context, we are of the view that our group should continue calling on developed countries to honour their ODA commitments. They must fulfill their historic commitment to allocate between 0.15% and 0.20% of their GDP to ODA for the least developed countries. We should also call for transfer of appropriate technology and capacity building from both developed countries and developing countries to the LDCs.

Mr. Chair,

For the Lao PDR having recognized multidimensional challenges and development needs of the country, the Lao Government is strongly committed to the implementation of the Programmes of Action for LDCs and other UN development cooperation frameworks. In order to achieve our national development goal of graduation, we have made every effort to mobilize resources and support from not only the traditional development partners but also our southern partners and domestic sources. We also actively participate in the ASEAN Community and other regional frameworks and initiatives.

Mr. Chair,

As you are well aware, Bangladesh, Nepal and my country Lao PDR are in the transition period for graduation by 2026. Our three countries have discussed and exchanged views on our national undertakings including the development of smooth transition strategies for graduation. Taking this opportunity, we would like to invite all distinguished delegates to our joint side event titled ***'Sustainable and Smooth Transition for the Graduating Cohort 2021'*** tomorrow. We hope that this joint event will be of value-added and contribute to enhancing dialogues and actions while advocating for the enhanced international support measures for not only the 2021 cohort but for the LDCs as a whole.

Thank you for your kind attention!

[End of statement]

Statement by
H.E. Mr. Saleumxay KOMMASITH
Deputy Prime Minister, Minister of Foreign Affairs,
Lao People's Democratic Republic

at the 5th United Nations Conference on the Least Developed Countries (LDC5)

Doha, 6 March 2023
(Please check against delivery)

Mr. President,
Excellencies,
Distinguished Delegates,

At the outset, I would like to congratulate you on your election as President of the Fifth United Nations Conference on the Least Developed Countries. Let me also express our sincere appreciation to the Government and the people of the State of Qatar for the excellent organization of this significant conference and for the generosity and the warm hospitality extended to us.

Mr. President,
The implementation of the Istanbul Program of Action (IPOA 2011-2020) has allowed the LDCs to make some progress but still uneven. The LDCs have been severely affected by the multiple challenges particularly the unprecedented impacts of the COVID-19 pandemic, financial difficulties, food and energy crises and armed conflicts, which further exacerbated their already existing structural vulnerabilities, limited productive capacity and extreme poverty. All of this has not only undermined the LDCs' ability to sustain the progress made but also further imposing a serious threat to revert the decade long progress.

Against this backdrop, the adoption of the Doha Program of Action for LDCs (DPoA) marks an important milestone for the international community to help the LDCs to achieve rapid recovery from the Pandemic, build resilience against future shock, eradicate extreme poverty, achieve graduation and the Sustainable Development Goals.

Now it is urgent for the international community to double efforts to ensure the effective and timely implementation of the Doha Program of Action by fulfilling commitments contained therein. The LDCs are in need of enhanced international support measures and strengthened partnerships more than ever so that they can move forward from their potential to prosperity, and importantly that no-one and no-country will be left behind.

Mr. President,
In the year 2000, the Lao PDR set its goals for LDC graduation by 2020. Since then, it has been pursuing this ultimate objective through integrating LDC Programmes of Action into its national socio-economic development strategy from 2001 to date. As a result of two consecutive reviews in 2018 and 2021, the Lao PDR was recommended for graduation despite the setback caused by the outbreak of Covid-19 that undermined many progress and achievements attained prior to

Covid-19 pandemic. Therefore, given the negative impact posed by Covid outbreak, the Lao PDR has given an extended transitional period by the year 2026.

We are well-aware that to maintain this hard-earned achievement in the midst of on-going challenges, it is decisive that we prepare and build a momentum of continued development progress beyond graduation. To this end, we have been working closely with the UN Country Team and all relevant stakeholders to formulate the Smooth Transition Strategy that lays out policies and priority actions critical to our smooth, quality and sustainable graduation.

Mr. President,

Graduating from LDC status requires not only strong commitments and concrete actions by the national government but also by the international community as a whole. We therefore call for continued partnership, cooperation and international support during graduation, transition and beyond graduation. The international community should support the promotion of export diversification, provision of easy and flexible access to climate mitigation and adaptation finance on a concessional basis, transfer appropriate technology and capacity building, and honor ODA commitment pledged for the least developed countries.

We look forward to a fruitful outcome of the conference that would enhance our partnership and cooperation for the next decade of building transformative change in the LDCs and the road from potential to prosperity.

I thank you.

[End of statement]

Statement by
H.E. Mr. Saleumxay KOMMASITH
Deputy Prime Minister, Minister of Foreign Affairs,
Lao People's Democratic Republic

Sustainable and Smooth Transition for the Graduating Cohort of 2021

(Side Event organized by Bangladesh, Lao PDR, and Nepal in the margins of LDC5 Conference)
(Please check against delivery)

H.E. Sheikh Hasina, Honorable Prime Ministers of Bangladesh,
H.E. Narayan Kaji Shrestha, Deputy Prime Minister & Minister of Physical Infrastructure & Transport of Nepal,
H.E. Armida Salsiah Alisjahbana, Executive Secretary, UNESCAP,
Distinguished participants,

At the outset, I would like to express my sincere appreciation to all the teams of our three countries, Bangladesh, Nepal and Lao PDR, as a Graduating Cohort of 2021, for the tireless efforts in preparing and organizing this important joint side-event during the LDC5 Conference. Let me also thank the teams of the RCO in our 3 countries for their support and close collaboration, that makes this side event possible.

It is my great honour and pleasure to join the Honorable Prime Minister of Bangladesh and Honorable Deputy Prime Minister of Nepal in sharing our experience and efforts on pressing for our common cause and aspiration for graduation.

The joint side event is meant to inform the international community on our respective policy dialogue and consultation aimed at finalizing our Smooth Transition Strategies for quality graduation process and maintain development momentum beyond graduation.

Excellencies,

In the year 2000, the Lao PDR set its goals for LDC graduation by 2020. Since then, it has been pursuing this ultimate objective through integrating LDC Programme of Action into its national socio-economic development strategy from 2001 to date. As a result of two consecutive reviews in 2018 and 2021, the Lao PDR was identified as a country eligible for graduation despite the setback caused by the outbreak of Covid-19 in 2020-2021 that undermined many progress and achievements attained prior to Covid-19 pandemic. Therefore, given the negative impact posed by Covid outbreak, the Lao PDR has given a 5 year extended transitional period that would end by the year 2026.

To this end, an effective preparation for smooth transition is a must. In order to ensure that the graduating country would not slide back to the position like it was at LDC status or worsen, as Secretary General Antonio Guterres said yesterday that graduation should be a reward but not a punishment. In this context, over a year now we have embarked on many phases of formulating our STS, which is a policy framework tailored for the country's needs in response to possible

disruptions in our national development course that can support a smooth, quality, and sustainable graduation toward 2026 and beyond.

It is our belief that the STS will help the Government, development partners and relevant stakeholders to stay focused more on development priorities, addressing the most pressing needs and challenges that may disrupt the country's graduation process. The STS will also be critical to manage newly emerging crises, help steering the country back on track with the development agenda and graduate with momentum, and boost up the country to further climb the development ladder.

Excellencies,

Graduating from LDC status requires not only the strong commitments and concrete actions by LDC governments but also by the international community as a whole. Taking this opportunity, we call for continued partnership, cooperation and international support during graduation, transition and beyond graduation, including support to promote export diversification, provision of easy and flexible access to climate mitigation and adaptation finance on a concessional basis, technology transfer and continued Official Development Assistance to meet financing gaps, among others. We look forward to receiving your constructive views, enhanced support and solidarity to the graduating LDCs in the spirit of the Doha Programme of Action as we are on board this lofty and ambitious journey to make this historic graduation possible.

Let me conclude by reaffirming once again the Lao PDR's strong political will and determination to graduate from LDC status.

Thank you all for joining our side-event!

[End of statement]

Joint Statement

By the Government of the People's Republic of Bangladesh, the Government of Lao People's Democratic Republic, and the Government of Nepal as a part of the side event on the margins of the Fifth United Nations Conference on Least Developed Countries on
Sustainable and smooth transition for the Graduating Cohort of 2021
05 March 2023, Doha, Qatar

1. As the Graduating Cohort of 2021, we, the Government of the People's Republic of Bangladesh, the Government of Lao People's Democratic Republic, and the Government of Nepal underline our common commitment to sustainable and inclusive national development despite the challenging circumstances. We are confident that the global economic recovery will enable the Least Developed Countries (LDCs) to attain at least 7 per cent Gross Domestic Product (GDP) growth per annum in line with the 2030 Agenda and Sustainable Development Goals (SDG). And we are committed to pursuing sustainable graduation from the LDC status with the ambition to move sustainably towards higher levels of prosperity and equality that leaves no one behind with support from the international community and partner countries.
2. We are aware that the continuing impacts of the recent pandemic, the geopolitical tensions, and the resultant economic uncertainties, more frequent and intense climate-related crisis, among others, have exacerbated the underlined structural vulnerabilities of the LDCs, including the graduating ones, reversing their development gains in some areas and impacting their abilities to pursue sustainable development. These existing and emerging challenges have affected and may continue to challenge our preparations for smooth, irreversible and sustainable graduation.
3. We take graduation seriously, and as such we are developing Smooth Transition Strategies (STS) that identify the necessary steps by all stakeholders for a successful graduation process. We are also committed to utilizing the existing or new inclusive consultative mechanisms to ensure that the transition is smooth, sustainable and engages a wide spectrum of voices across our respective countries.
4. However, we recognize that graduation is not the end goal for our national development endeavors. It significantly represents the remarkable achievements made by our governments over the past years, with support extended by the international community.
5. Against this backdrop, to successfully manage the transition of graduating countries, especially in the context of global challenges, we call up on our international community and development partners, including multilateral development banks and international financial institutions to extend necessary support to the graduating LDCs in the spirit of the Doha Programme of Action that calls for international solidarity and reinvigorated global partnership.
6. More specifically, we call upon the international community and development partners for:
 - a. *Continued partnership, cooperation and international support* to formulate and implement strategies in the areas of fostering structural transformation, improving competitiveness of domestic producers, reducing digital divide and promoting international trade and foreign investment during and beyond graduation.
 - b. *Continuation of International Support Measures* beyond graduation, for which a formal submission has been made to the World Trade Organization (WTO) for consideration, including preferential market access and TRIPS waivers, particularly for pharmaceutical products for combating public health-related challenges and pandemics.

- c. *Mobilization of international support to promote export diversification* both in terms of commodities and markets, and advocate for necessary support for recently graduated countries, including through WTO processes.
 - d. *Providing easy and flexible access to climate mitigation and adaptation finance* on a concessional basis, including in the context of loss and damage, and continuation of technology transfer to LDCs after their graduation, as emphasized through the Conference of the Parties (CoP) process.
 - e. *Ensuring technical assistance to support Public Finance Management reforms*, notably to fill data and infrastructure gaps with regard to a large informal sector, and capacity development and modernization of tax administrations.
 - f. *Continued Official Development Assistance to meet financing gaps for attaining the Sustainable Development Goals* and national development priorities and to make a shift towards sustainable development practices, noting our collective commitment to the 2030 Agenda for Sustainable Development in 2015.
 - g. *Post-graduation extension of the waivers in the regional and sub-regional trade agreements* and other support measures provided to the graduated LDCs.
 - h. *Assurance of safe, orderly and regular migration* with full respect for human rights and the humane treatment of migrants, regardless of their migration status, easy access to quality financial services to lower the transactional cost of remittances, and technical support to ensure remittances can be used for long-term investment in productive sectors, such as micro-, small-, and medium-sized enterprises, for economic transformation and job creation in the LDCs.
7. In the context of the shocks to development that the world is contending with, it is incumbent upon all of us to stay the course with the global call to rescue the SDGs and get back on track to building a better world that “leaves no one behind”, and the success of the Graduating Cohort of 2021 in reaching the thresholds for graduation is a major milestone and shows our common commitment to this progress. However, maintaining the progress throughout the transition, and ensuring that the graduation is sustainable and irreversible, requires continued and concerted support measures from the international community and development partners along with our collective endeavor and commitment to implementation of the Doha Programme of Action.

e. The Lao PDR's Smooth Transition Strategy for LDC Graduation: Consultations with Development Partners and Relevant Sectors (26th May 2023)

Lao PDR Least Developed Country Graduation Smooth Transition Strategy: consultations with development partners, the private sector, and civil society

26 May 2023

Meeting Document can be accessed via the following [\[Link\]](#)

Background

- The 2021 Triennial Review of the UN Committee for Development Policy (CDP) declared Lao PDR, together with Bangladesh and Nepal, eligible for LDC graduation with an extended 5-year preparatory period until 2026, in the context of the multifaceted impacts of COVID-19.
- Expected impacts of graduation include limited but notable losses in trade and ODA preferences, while opportunities exist for structural reforms to ensure a smooth and irreversible graduation, in the context of multiple crises.
- Since the 13th High-Level Round Table Meeting (November 2021), the Ministry of Foreign Affairs (MoFA) has led an inter-ministerial process to develop a LDC Smooth Transition Strategy, with the support of the UN in Lao PDR.
- The draft STS was presented at the latest Round Table Implementation Meeting (January 2022) as well as at the LDC 5 conference (March 2023) in Doha.
- The draft STS was endorsed in-principle at a cabinet meeting chaired by H.E. Prime Minister Sonexay Siphandone on Wednesday 29 March 2023.

Objectives

MoFA, supported by the UN in Lao PDR, convenes the development partners, civil society, and the private sector to:

- Raise awareness on the impacts and opportunities of planned LDC graduation and on the plans of the Government of Lao PDR to respectively manage and seize them;
- Obtain detailed inputs on specific parts of the STS draft to finalise the STS without delays.

Participation

- Development partners: embassies and development agencies, UN System, international organisations
- Civil society, represented by national and international CSO/NGO networks and members
- The private sector, represented by LNCCI and international chambers of commerce and members

Approach and structure of the consultations

- All relevant stakeholders are invited to join all sessions.
- The advanced draft of the Lao PDR LDC Graduation STS will be presented in parts, focusing on the policies and actions proposed by the Government chapter by chapter, after initial introductions on the impacts of graduation and the approach taken by Government to develop the STS.
- In advance of the consultation, each set of participants (development partners, civil society, private sector) will receive the draft STS as well as a simplified note on a few specific aspects of graduation and of the STS for which their awareness and inputs are required.

Tentative agenda

Time	Session	Speaker
08:30-09:00	Registration	
09:00-09:15	Opening remarks	H.E. Mr. Phoxay Khaykhamphithoune, Deputy Minister of Foreign Affairs(TBC) Mrs. Sarah Sekkeness, UNRC Resident Coordinator
09:15-09:30	Graduation context and expected impacts and opportunities	UNDESA, tbd
09:30-09:45	Formulation process and approach to graduation	Department of International Organizations, MoFA
09:45-10:15	Comments and reactions	Plenary
10:15-10:30	Coffee break	
10:30-10:50	Presentation of policies and actions under chapter 1: Macroeconomic Stability	Representative from MoF (TBC)
10:50-11:20	Comments and reactions	Plenary
11:20-11:40	Presentation of policies and actions under chapter 2: Trade and Investments	Representative from MOIC (TBC)
11:40-12:10	Comments and reactions	
12:10-13:30	Lunch	
13:30-13:50	Presentation of policies and actions under chapter 3: Human Capital Development and Structural Transformation	Representative from Department of Planning, MPI (TBC)
13:50-14:20	Comments and reactions	
14:20-14:40	Presentation of policies and actions under chapter 4: Climate Change and Disaster Management	Representative from MoNRE and MoLSW (TBC)
14:40-15:10	Comments and reactions	
15:10-15:20	Implementation, monitoring and evaluation, governance	Department of International Organizations, MoFA
15:20-15:30	Closing remarks	Mrs. Sarah Sekkeness, UNRC Resident Coordinator Mr. Daovy Vongxay, Director General of Department of International Organizations, MoFA

f. Final Technical Validation Workshop for Lao PDR's Smooth Transition Strategy for LDC Graduation (29th – 30th June 2023)

Final technical validation workshop

Lao PDR Smooth Transition Strategy for LDC graduation

June 29-30, Vang Vieng

Meeting Document can be accessed via the following [\[Link\]](#)

Context

- The 2021 Triennial Review of the UN Committee for Development Policy (CDP) declared Lao PDR, together with Bangladesh and Nepal, eligible for LDC graduation with an extended 5-year preparatory period until 2026.
- Expected impacts of graduation include limited but notable losses in trade and ODA preferences, while opportunities exist for structural reforms to ensure a smooth and irreversible graduation, in the context of multiple crises.
- Since the 13th High-Level Round Table Meeting (November 2021), the Ministry of Foreign Affairs (MoFA) has led an inter-ministerial process to develop a national Smooth Transition Strategy, with the support of the UN in Lao PDR.
- The draft STS was presented at the latest Round Table Implementation Meeting (January 2022) as well as at the LDC 5 conference (March 2023) in Doha.
- The draft STS was endorsed in-principle at a cabinet meeting chaired by H.E. Prime Minister Sonexay Siphandone on Wednesday 29 March 2023. The draft STS is composed of 4 chapters, 9 policy areas, and 22 core actions.
- The draft STS was presented to development partners and civil society at a consultation on March 26th.

Objectives

With the recent endorsement in principle of the STS by the cabinet, the objectives of the workshop are to finalise the STS. This involves:

- Agreeing the details of the 22 core actions that compose the STS;
- Agreeing the process to monitor and evaluate progress on the implementation of the STS, including identifying responsibilities for implementation and means of verification;
- Exploring where support from the international community would be most needed.

Approach

- The first day and larger part of workshop will focus on the revision of the specific actions of the STS, one at a time (15-30 minutes per action on average), in a plenary session. Participants will be expected to agree on the wording of the action specifics as well as responsible leads and means of verification.
- The second day will focus on the M&E processes and the technical validation of the actions of the STS.

Agenda

Day 1: revising the STS	
08:45 – 09:00	Opening remarks
09:00 – 09:15	Guidance for the workshop
09:15 – 10:00	1.1 Macroeconomic stability and development finance (actions 1-3)
10:00 – 10:15	Coffee break
10:15 – 11:00	1.2 Safeguarding investments in human capital and climate action (actions 5-8)
11:00 – 11:45	2.1 Trade and FDI promotion (actions 9-10)
11:45 – 12:15	2.2 Business environment for inclusive growth (action 11)
12:15 – 13:30	Lunch
13:30 – 14:30	3.1 Human capital development and decent jobs (actions 12-15)
14:30 – 14:50	3.2 Rural development (actions 16-17)
14:50 – 15:05	Coffee break
15:05 – 15:25	3.3 Urban development (action 18)
15:25 – 16:10	4.1 Integrated and climate-resilient natural resources management (actions 19-20)
16:10 – 16:55	4.2 Climate resilience and disaster risk reduction (actions 21-22)
Day 2: M&E and validation	
08:55 – 09:00	Opening remarks
09:00 – 10:00	Monitoring and evaluation processes
10:00 – 10:15	Coffee break
10:15 – 11:45	Technical validation of the STS
11:45 – 12:00	Closing remarks
12:00 – 13:00	Lunch

Lao PDR's Smooth Transition Strategy for LDC graduation

Latest version in Lao and English, and other related documents can be accessed via the following [\[Link\]](#)

The Lao PDR Smooth Transition Strategy for LDC Graduation 2022-2026 with a vision to 2030 and beyond

LDC Secretariat, Ministry of Foreign Affairs, Government of Lao PDR
With the technical assistance of the United Nations

Foreword.....	ii
Executive Summary	iv
List of acronyms	vi
I. Introduction.....	1
A historic milestone.....	1
A specific context for graduation	3
Objectives and role of the STS in Lao PDR's development planning	5
Scope and structure	6
Formulation process and methodology.....	9
II. Diagnostics: implications of LDC Graduation.....	11
2.1 Expected impacts	11
2.2 Opportunities to seize	14
III. Policies and actions for a smooth, quality, and sustainable LDC Graduation	15
1. Macroeconomic Stability and Financial Sustainability.....	16
2. Quality Trade and Investments.....	22
3. Structural Economic Transformation.....	27
4. Climate Change and Disaster Management	33
IV. Implementation arrangements	37
Governance and coordination	37
Monitoring.....	38
Development assistance	38
Annex 1: Reference policy frameworks	41
Annex 2: Action Matrix for the STS implementation	43
Annex 3: Monitoring and Evaluation Framework.....	44

Reference

Asia Development Bank (2023), *Asian Development Outlook – September 2023*.

International Trade Center, (2023), *Lao PDR after LDC Graduation: New avenues for exports*. ITC, Geneva

Government of Lao PDR (2021), *The 9th Five-Year National Socio-Economic Development Plan (2021-2025)*.

Government of Lao PDR (2023), *The 9th National Socio-Economic Development Plan Financing Strategy (2023-2025)*.

International Trade Center, (2023), *ASEAN Regional Integration Support from the European Union – Lao PDR/ARISE Plus (2019-2023)*. Available from < <https://intracen.org/our-work/projects/lao-pdr-asean-regional-integration-support-laos-arise-plus> > [Accessed online 04 December 2023]

J&C Group (2023), *‘Laos aims to improve Education and Reduce Dropouts’*, November 2023 [Accessed online 04 December 2023]

Ministry of Information, Culture and Tourism (2021), *Lao PDR’s Tourism COVID-19 Recovery Roadmap 2021-2025*.

Ministry of Natural Resource and Environment, (2021), *Lao PDR Green Climate Fund Country Programm 2021-2023*.

Ministry of Planning and Investment, (2022), *The Lao PDR Resilience Framework (2022-2025)*.

Vientiane Times, 2023, *New Project to support Laos’ transition from LDC Status*, November 2023 [Accessed online 04 December 2023].

World Intellectual Property Organization – WIPO (2022), *WIPO’s Graduation Support package for LDCs*.