



The ASSESSMENT of ISTANBUL PROGRAMME of ACTION (IPoA) FOR THE DECADE OF 2011-2020 in Lao PDR



November 2019

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The Lao National Steering Committee
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Abbreviations

AEC	ASEAN Economic Community
ASEAN	Association of Southeast Asian Nations
BPfA	Beijing Declaration and Platform for Actions
CDP	Committee for Development Policy
CEDAW	The Convention on the Elimination of all Forms of Discrimination against Women
DDF	District Development Fund
EMIS	Education Management Information System
EVI	Economic Vulnerability Index
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GER	Gross enrolment ratio
GNI	Gross National Income
HAI	Human Asset Index
IMC	Inter-Ministry Committee
INGOs	International Non-governmental Organizations
IPoA	Istanbul Programme of Action
LDC	Least Developed Country
LNCCI	Lao National Chamber of Commerce and Industry
LSB	Lao Statistic Bureau
MAF	Ministry of Agriculture and Forestry
MMR	Maternal Mortality Ratio
MoFA	Ministry of Foreign Affairs
MoHA	Ministry of Home Affairs
MPI	Ministry of Planning and Investment
NAFRI	National Agriculture and Forestry Research Institute
NER	Net Enrolment Rate
NPAs	Non-profit Associations
NSEDP	National Social-economic Development Plan
NTFC	National Trade Facilitation Committee
ODA	Official Development Assistance
PPAs	People's Provincial Assemblies
PPP	Public-private Partnership Policy
PRF	Poverty Reduction Framework
SDGs	Sustainable Development Goals
SIA	State Inspection Authority
SMEs	Small-medium Enterprises
TVET	Technical and Vocational Education
UNCTAD	United Nations Conference on Trade and Development
UPR	Universal Periodic Review
UXO	Unexploded Ordnance
VD	Vientiane Declaration
VPoA	Vienna Programme of Action
WTO	World Trade Organization



EXECUTIVE SUMMARY

Since adopting the Istanbul Programme of Action (IPoA) in 2011, Lao People's Democratic Republic (Lao PDR) has appointed the Ministry of Foreign Affairs (MoFA) and Ministry of Planning and Investment (MPI) to be the focal points to coordinate with line ministries and agencies to ensure that the priority areas of the IPoA (1. Productive capacity, 2. Agriculture, food security and rural development, 3. Trade, 4. Commodities, 5. Private sector development, 6. Human and social development, 7. Multiple crisis and other emerging challenges, 8. Mobilizing financial resources for development and capacity building, and 9. Good governance at all levels) are made into the national priorities. In this regard, the IPoA's priority areas have been mainstreamed into the 7th Five-Year National Socio-Economic Development Plan (2010 – 2015) and the 8th Five-Year National Socio-Economic Development Plan (2016 – 2020) as well as relevant sectoral plans as appropriate. The unfinished work will continue to be integrated into the 9th Five-Year National Socio-Economic Development Plan (2021 – 2025).

Lao PDR made progress in some areas of the IPoA's priority areas and need further actions on others. The progress has enabled Lao PDR to meet two of the three Least Developed Country (LDC) graduation criteria for the first time during the triennial review held by the Committee for Development Policy (CDP) in 2018. If present trends prevail, Lao PDR is likely to meet at least two of the three graduation criteria for the second time in 2021 triennial review at which the CDP may recommend Lao PDR for graduation in 2024.

Despite the progress, challenges still remain. The labour productivity of Lao PDR across sectors is still low, especially in the agriculture. The heavy reliance on resource-driven and capital-intensive economy has posed threats to the sustainability of the economic growth. This has called for alternatives to source for growth in non-resource sector. In addition, the limited capacity of the local governments to implement some of the development programmes related to IPoA still needs further enhancement. The inadequate monitoring and evaluation framework to monitor the progress of IPoA that can feed into evidence-based development and policy making also needs further strengthening.

With the declining of official development assistance (ODA) in recent years, the Government of Lao DPR is now in the process of defining channels of mobilising funding to implement the unfinished work of IPoA while committed to implement the 2030 Agenda for Sustainable Development. After the LDC graduation, Lao DPR will continue to embrace the key elements of the IPoA, among many other agendas and international commitments, to ensure that it can achieve a smooth LDC graduation transition and sustainable development with an inclusive economic growth.



1. Introduction

The Lao People's Democratic Republic (Lao PDR) is located in the center of Indochinese Peninsula and surrounded by five countries namely, China to the North, Vietnam to the East, Cambodia to the South, Thailand to the West and Myanmar to the Northwest. With the total population of approximately 6.5 million people¹, comprising 50 ethnic groups, the country has the total area of 236,800 square kilometers, about two-thirds of which is mountainous.

Lao PDR has been on the list of LDC since 1971. In 2011, the country adopted the IPoA for the decade of 2011-2020, hoping to graduate from the LDC status by 2020s. This reflected a determination to undertake the necessary structural and institutional reforms to overcome severe constraints and work towards the eight key priority areas of the IPoA. During the 2015 triennial review, Lao PDR did not meet the criteria for LDC graduation. However, this did not dampen the spirit of the country.

During the last decade, Lao PDR has adopted multiple measures, resulting in significant economic growth. Progress has also been made in education, with a sharp increase in enrolment; health, with longer life expectancy at birth and infant and maternal mortality rates having dropped significantly and poverty-reduction seeing the rate decline from nearly 50 percent in 1992 to 23.2 percent in 2012². Because of these positive developments, Lao PDR met two (Income per Capita and Human Assets Index) of the three LDC graduation criteria for the first time during the triennial review held by the CDP in the triennial review in 2018. Income per capita in Lao PDR increased from about US\$ 350 in 2006 to US\$ 1,996 in 2018 (GNI). Its Human Assets Index (HAI) increased from 46.4 in 2003 to 72.8 in 2018, and the Economic Vulnerability Index (EVI) decreased from almost 60 in 2009 to 33.7 in 2018³. If present trends continue, Lao PDR is likely to meet at least two of the three graduation criteria for the second time in the 2021 triennial review with the potential for graduation in 2024.

Although Lao PDR is on track to meet the LDC graduation criteria, more has to be done to ensure that graduation is inclusive and sustainable. This will also both promote, and be made possible by the efforts of the Government of Lao PDR (GoL) to implement commitments of the 2030 Agenda for Sustainable Development in the spirit of leaving no one behind, among others, and mainstream it into both the national and sectoral plans. In addition, the GoL is also working with UNCTAD and the UN Country Team to prepare a vulnerability profile of Lao PDR which will be submitted as a contribution to the overall Graduation assessment by the CDP in 2021.

In any case, eligibility to graduation does not remove all vulnerabilities that used to make Lao PDR an LDC. Therefore, whether the country is eligible or not, it is very important to keep working on reinforcing all of those criteria in order for its vulnerabilities to be reduced, its development to be sustainable and LDC graduation to occur smoothly.

With the input from CDP and the recent completion of the mid-term review of the 8th Five-Year National Social Economic Development Plan 2016-2020 (NSEDPlan) and the submission of its first Voluntary National Review (VNR) for the Sustainable Development in 2018, the Vienna Programme of Actions (VPoA) and the Beijing Declaration and Platform for Actions (BPfA) in 2019, the assessment of the IPoA, therefore, comes at an opportune time for Lao PDR. A number of the key findings and recommendations in these reports are also relevant to the assessment of the IPoA.



2. The National Development Planning Process

Since the adoption of the IPoA in 2011, the GoL has appointed Ministry of Foreign Affairs (MoFA) and Ministry of Planning and Investment (MPI) to be the focal points to coordinate with all the line ministries and agencies to ensure that the nine priority areas of IPoA are mainstreamed into both the national and sectoral plans as appropriate.

The priority areas of the IPoA for the decade 2011-2020 which have been mainstreamed into the 7th NSEDP (2011-2015) and the 8th NSEDP (2016-2020) are (1) Productive capacity, (2) Agriculture, food security and rural development, (3) Trade, (4) Commodities, (5) Private sector development, (6) Human and social development, (7) Multiple crises and other emerging challenges, (8) Mobilizing financial resources for development and capacity building, and (9) Good governance at all levels. Relevant ministries have also adopted these priority areas and integrated them into their sectoral plans as guiding principles for sectoral development as appropriate.

With the integration of the IPoA priorities areas, it enabled the planning process of NSEDP more transparency with involvement of various stakeholders at all levels. In particular, public information is available on how the NSEDP is formulated, implemented and monitored. Annual and mid-term progress reports are also publicly available and there is media coverage of what the Government annually reports to the National Assembly. In term of the content of the plan, it has also been changed as it took on the poverty reduction metric of the growth strategy, shifting from a traditional input-output framework to an outcome-oriented, policy-based approach.

The GoL will continue to mainstream the unfinished work of IPoA into the 9th NSEDP (2021 – 2025) to ensure that Lao PDR can enjoy the smooth LDC graduation. In addition, they will also be integrated into the relevant sectoral plans owned by line ministries.



3. Assessment of Progress and Challenges

The assessment below captures the progress and challenges of the implementation of the IPoA as well as way forward the GoL will continue to adopt to ensure the implementation of the IPoA is in line with the country's commitment to graduate from LDC status by 2024.

3.1 Productive capacities (IPoA priority area 1)

Over the last decade, Lao economy has been seen in the consistent growth of GDP at the average of 7 percent. However, the productive capacity of Lao PDR is still proven to be challenging across key components of the economic structure, particularly natural resource, agriculture and services.

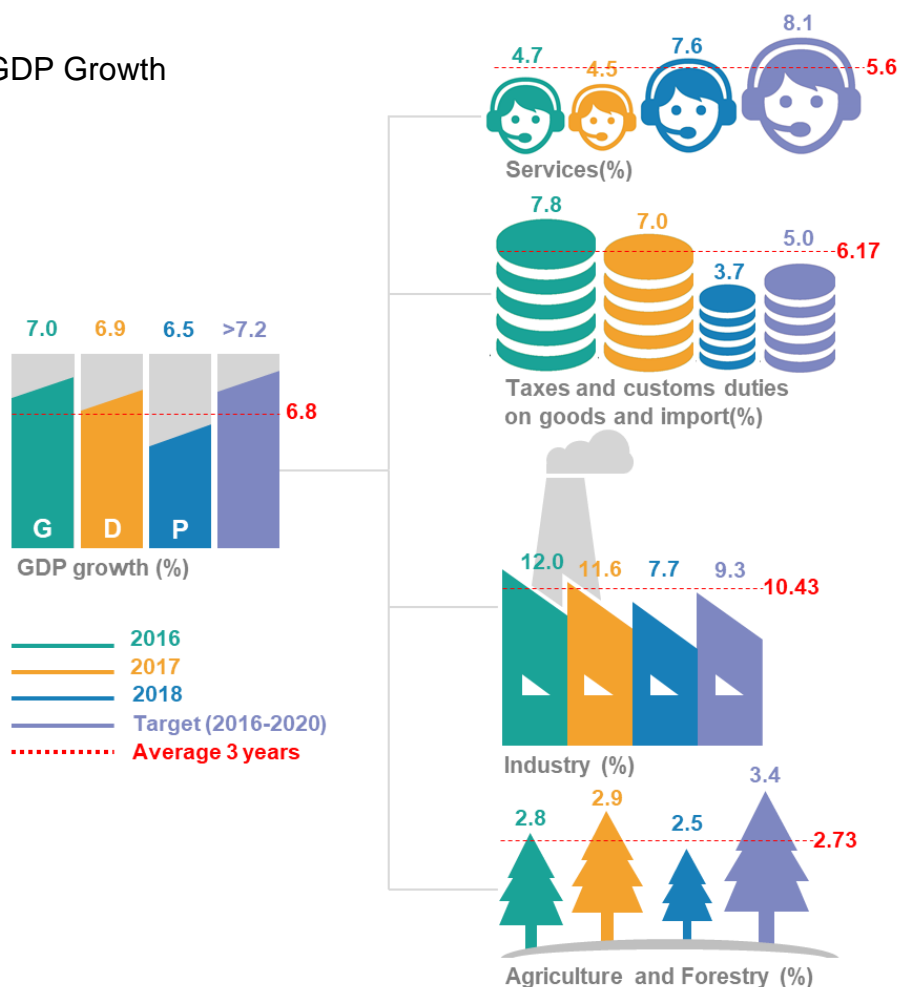
Figure1 highlights shares of key sectors to GDP growth⁴. A brief assessment of the levels of productive capacities seen in Figure 2 has shown that Lao PDR performs well in terms of private sector facilitation and natural capital. However, its scores on institutions, transport infrastructure, structural change and ICT are comparatively low. Therefore, the following will highlight key issues within these parameters.

3.1.1 Natural resource sector

The mid-term review of the 8th NSEDP (2016 – 2020) conducted in 2018 showed a positive outlook of the GDP, albeit slight fall from the target of 7.2 percent. This GDP growth is largely influenced by a large inflow of Foreign Direct Investment (FDI), especially in the natural resource sector (mining and hydropower) starting in the early 2000s.

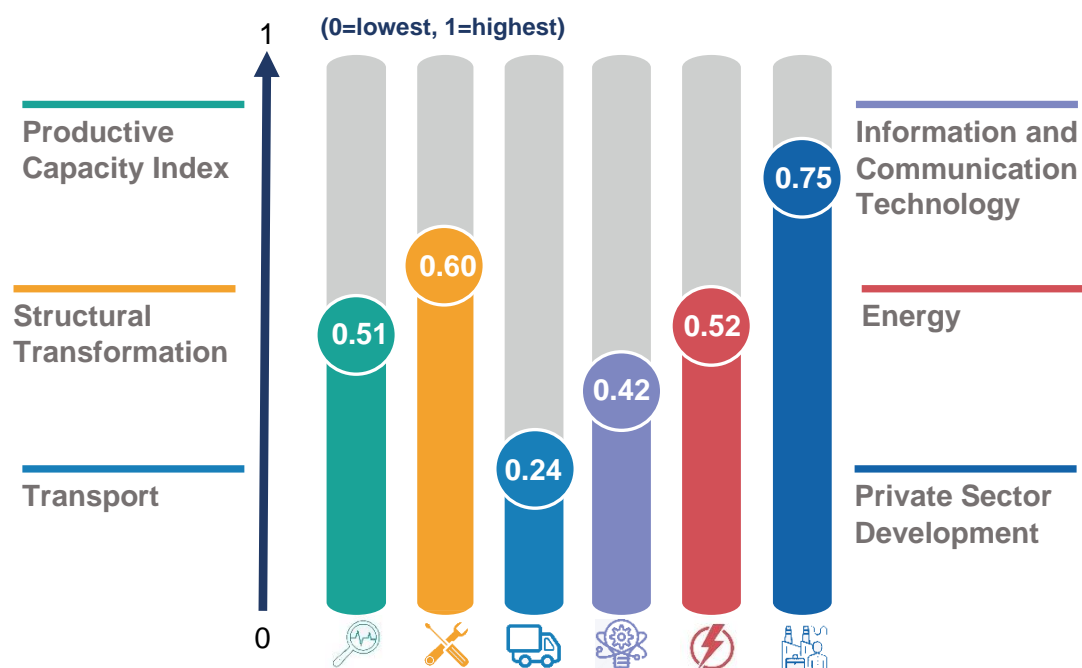
The natural resource sector has the highest share of total exports and the highest rate of labour productivity. Its labour productivity is 12 times higher than the non-resource sector⁵. However, employment in the natural resource sector is less than 1 percent of the total employment, whereas the agricultural sector, which contributes only 16 percent to GDP, employs nearly 70 percent of the labour force. The GoL has acknowledged this as a challenge, especially socio-economic problems related to the unsustainable income distribution between this and other sectors.

Figure 1: GDP Growth



Source: Ministry of Planning and Investment, 2018

Figure 2: Productive capacities index and main categories scores of LDCs



Source: *Benchmarking Productive Capacities in Least Developed Countries*, UNCTAD 2016-2017
<https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1560>

In addition, the economy might be under threat because the natural resource sector has limited stock, demands high level of care to ensure environmental sustainability and is vulnerable to commodity price and climate change fluctuations, leading to unstable and unsustainable economic growth.

Therefore, diversifying the Lao PDR's economy and lessen its dependence of the natural resource sector, by promoting agriculture and the manufacturing and service sectors, is a necessity. The impacts of this outcome are numerous and will improve the country's EVI, paving way for Lao PDR to achieve a sustainable LDC graduation by 2024 under the assumption of meeting all three criteria.

To prepare for economic diversity, the GoL has recently focused on incentives and passed a few laws aiming to provide a conducive and enabling environment for investment in non-resource sector. This includes the various laws and decrees that help to shape the direction of private investment such as the Investment Promotion Law 2009 and its 2016 revision with more attractive incentives, and the Enterprise Law which set the framework for private sector investment, allowing them to invest in various sectors at various zones across the country. The enactment of the law on SMEs in 2017 is also to increase the capacity of SMEs that are currently accounting for 95.7 percent of the total enterprises.

3.1.2 Agriculture and services sector

The low labour productivity in the agriculture sector is one that the GoL has been coming out with measures to counteract. The sector contributes to about 70% of total employment. However, it only contributes to about 16 percent of GDP in 2017.⁶

To increase the productivity of agriculture leading to food security in high value that can benefit all, especially the poor, the GoL is examining the possibility of creating SMART model farms that apply agro-ecology and organic agriculture and supporting SMEs to bring about increased income and a sustainable living standard. Simultaneously, the GoL has been working with development partners to promote agriculture sector productivity and increased earnings for farm workers. This is key to poverty reduction and livelihood improvement in Lao PDR. Measures include (i) improving design and maintenance of irrigation systems, (ii) improving access to infrastructure, (iii) increasing value capture by smallholder farmers through partnerships with private enterprises and government linkage support, (iv) improving production and processing facilities with private sector involvement, (v) promoting labour-saving technologies suitable for small-scale farms and producer groups, (vi) organizing producer groups and cooperatives for improved access to input and product markets, (vii) facilitating rural finance, and (viii) incorporating the value chain approach into extension services to promote private investments in the rice value chain, and possibly in higher value adding crops.

With the increase in the hospitality sector driven by a demand generated by increased tourism and a larger private sector engagement in industry and the service sector, the labour productivity in the service sector has increased substantially over the years. This is also partly because of the effective on-the-job training programmes that the employers have put in for their employees and the change in the technical and vocational education (TVET) curriculum to make it more relevant to the industry demands.

3.2 Agriculture, food security and rural development (IPoA Priority Area 2)

Agriculture, food security and rural development are interlinked. Effective rural development would lead to productive agriculture resulting in higher food security. Over the decade, Lao PDR has developed and implemented a number of policies and strategies to ensure national food self-sufficiency and agricultural production which are highlighted in the following sections.

3.2.1 Agriculture

The GoL has adopted the Agriculture Development Strategy to 2025 and Vision to 2030 to ensure national food security through clean, safe and sustainable agriculture and build an agricultural production potential that contributes significantly to the nation's economy according to its objectives of industrialization and modernization. To achieve this, the GoL has committed to become more self-reliant through its own food production and focus on agriculture commodity production. The Five-Year Agriculture and Forestry Sector Development Plan (2016 - 2020) and the Lao PDR National Agro-Biodiversity Programme and Action Plan II (2015 - 2025) clearly capture this effort, which has impact far beyond the human and economic development.

To support the implementation of the strategy and the sector development plans, the Ministry of Agriculture and Forestry (MAF) has set up NAFRI's Policy Research Center⁷ and the Agriculture and Rural Development Sector Working Group chaired by the Ministry of Agriculture and Forestry, and co-chaired by France and the Food and Agriculture Organization of the United Nations. Critical issues related to agriculture, food security and rural development have been researched and tabled in these platforms.

The Five-Year Agriculture and Forestry Sector Development Plan (2016 - 2020) also aims to increase the declining share of agriculture to the economic structure. In 1998 - 2000, agriculture formed 45.4 percent of the overall GDP but fell to 24.7 percent in 2013 - 2015, and 16 percent in 2017.⁸ Households in agriculture are twice more likely than non-farm households to fall back into poverty, as they are highly vulnerable to shocks. In this regard, the Five-Year Agriculture and Forestry Sector Development Plan (2016 - 2020) aims to turn the agriculture sector in Lao PDR into a modern and dynamic one, increasing its productivity.

On-going work to support the Government's efforts to reduce the instability of agriculture production which will in turn ensure sustainable development and foster stable and continued economic growth includes: expanding modern and effective agricultural production by applying advanced science and technology into primary production; providing production and technical services by promoting their use, researching rice and plant seeds and animal breeds, and experimenting with new technologies to upgrade productivity; building rice storage/warehouses to ensure food security in the event of natural disasters, food crisis and others; and establishing a risk reduction fund to help alleviate the burdens of production costs for farmers during agricultural product price fluctuations.

Subsistence farming and illegal logging has led to wide deforestation rates, which were estimated by the Ministry of Agriculture and Forestry at 0.26 percent per annum between 2010 and 2015. The GoL has passed the moratorium in 2016 to ban illegal logging and strictly control all logging, which was proven to be very effective. The GoL is also determined to substantially increase the country's forest cover to 70 percent by

2020, enhance the resilience of agriculture, and conserve and restore valuable terrestrial and freshwater ecosystems.

3.2.2 Food security

In the Five-Year Agriculture and Forestry Sector Development Plan (2016 - 2020), Lao PDR has set the targets of pursuing annual production of 2.5 million tons of paddy rice through government-introduced food security projects. Of this, between 200,000 and 400,000 tons was to be stockpiled as a national reserve.

To ensure that Lao PDR is on the right track to achieve its food security, it has adopted the global SDG indicator of “2.1.2 Prevalence of moderate or severe food insecurity in the population, based on the Food Insecurity Experience Scale (FIES)” to guide it towards sustainable food security.

Apart from rice farming, Lao PDR’s diverse freshwater ecosystem also provides food and livelihood security. The Lao population rely mainly on subsistence fisheries. Aquaculture is on the increase, but it is still less important than capture fisheries are for food security. The fisheries also support businesses, ranging from services for fishing families to boat builders and fishing gear suppliers.



Despite efforts by the GoL to ensure sustainable agriculture and aquaculture, food insecurity is still significant. Threats to food security include soil degradation and decreasing yields, linked to land pressure from population and large-scale investment projects, high and unsuitable levels of pesticide/herbicide and fungicide use, limited access to irrigation, rainfall dependent agricultural practices, disease outbreaks among livestock, locust swarms and crop pests such as

armyworm, the difficulties for farmers to find economically attractive legal alternatives to opium growing, low resilience to natural disasters and climate change, and UXOs, which make farmland unsafe. Around 11 percent of rural households have poor and borderline food consumption which in turn is a contributing factor to the high level of stunting found among children in Lao PDR.

Furthermore, environmental experts predict that climate change is expected to bring increasingly severe drought and flood conditions to Laos, with crop yields potentially falling 10 percent by 2020 and 30 percent by the year 2050.⁹

3.2.3 Rural development

The implementation of rural development and poverty eradication strategy over the past years has made good progress as highlighted in the Figure 3. Overall, 7 districts, 206 villages¹, and 11,359 families formerly classified as “poor” by the Department of Rural Development and Cooperatives² have escaped from the poverty category.

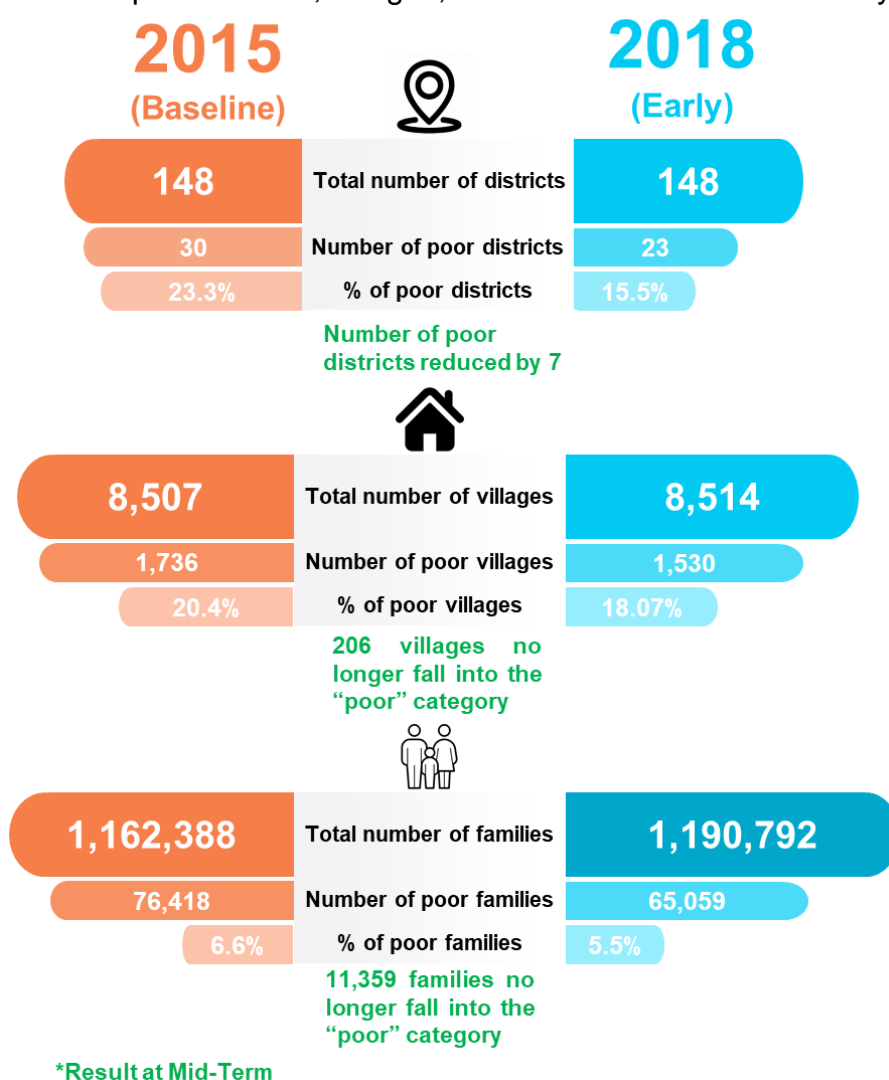
¹ Population and Housing Census 2015

² Formerly National Committee for Rural Development and Poverty Eradication (NCRDPE)

Poverty is still a challenge as some previously non-poor districts have fallen into poverty.

Another effort to accelerate efforts to reduce poverty in rural areas, small towns created by the agglomeration of large villages according to the rural development policy increased from 11 towns in 2015 to 30 in early 2018, meaning an increase of 19 new towns. In the agriculture sector, activities such as the creation of the Department of Rural Development and Cooperatives, participatory land-use planning in villages, and support provided to farmers' organizations contributed to poverty alleviation.

Figure 3: Status of poor districts, villages, and families from 2015 to early 2018



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

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

- (i) LAK 242.66 billion for 71 rural development and poverty eradication focal sites³ and 20 fund facilities,
- (ii) LAK 121.22 billion for Lao-Vietnam border development focal sites, comprising LAK 98.68 Billion from domestic sources and LAK 22.54 Billion from Vietnam;
- (iii) LAK 165.34 billion for 145 focal sites across the country, among them four central focal points, for the implementation of the resettlement policy. This includes providing permanent locations and livelihoods, and agglomerating small villages into larger ones to ensure that resettled communities, including ethnic minorities, have stable homes and jobs, and
- (iv) LAK 270.5 billion for the counterpart fund for poverty reduction, consisting of LAK 43 billion domestic funds and LAK 227.51 billion foreign funds.
- (v) Nayobai Bank credits of LAK 2,343.21 billion to provide livelihood opportunities to eligible poor households. Some LAK 1,258.29 billion have already been issued and by the end of 2018, the remainder (LAK 1,084.92 billion) will have been issued.

Lao PDR is now in the third phase of PRF 2016 - 2020. The third phase of the PRF project builds on PRF I and II, and emphasizes the use of a Community-Driven Development (CDD) approach and community-led planning processes, in line with the GoL's policy of decentralization. PRF II (2011 – 2015) had supported more than 450,000 rural community members in about 850 villages. Costed at US\$ 36 billion, the PRF Phase III's focus is on building infrastructure, capacity building and improving the livelihood of the poor of more than 690,000 rural community members in about 1,450 villages. The efforts put in the PRF III gear towards sustainable LDC graduation and implementation of the SDGs.

As a follow up from the PRF III, preparations are underway to scale-up livelihood and nutrition activities through additional financing, to cover 12 districts with high rates of stunting, which have been selected for targeted, multi-sectoral interventions of several upcoming and on-going projects. PRF will complement projects in Social Protection, Water, Sanitation, and Hygiene, and Health. While still supporting rural infrastructure, PRF will shift toward investments that contribute to income generation (i.e., rehabilitation of roads to access markets, irrigation). Farmer Nutrition Groups – formerly Village Nutrition Centers – will focus on supporting children during their first 1,000 days of life.

The use of ICT in the rural area has become more common. According to Ministry of Post and Telecommunications, it shows that the number of 3G signal transmission base stations reached 4,668 in 2017 (3,874 in 2015 and 4,095 in 2016), enabling 78 percent of villages nationwide to access the Internet. The expansion of the 4G network means that 43 percent of villages nationwide were able to access high-speed Internet in 2017.¹⁰ The advancement of technology and the usage of ICT enable the poor to get access to information at a faster pace. Many development programmes in the country also consider utilising ICT to engage the poor, improving their livelihood. Despite the efforts put in by the GoL to lift people out of poverty, challenges still remain.

Inequities. Disparities remain and inequality has even increased in some cases. The poverty rate in rural areas is 2.9 times that of the urban areas. One-third of the population in upland areas is still below the poverty line; in lowland areas, only about

³ Focal Sites are designated zones where large numbers of resettled or poor communities are provided with development services. Focal Sites involve significant infrastructure investment.

one-fifth of the population is poor. The ethnic groups, who traditionally live in mountainous and remote areas difficult to access, have seen slower progress in poverty reduction. The lowland groups, with the highest levels of education, have the lowest poverty rate. Inequality has grown: in 2012/13, consumption of the richest quintile was 6.4 times that of the poorest, while two decades ago, the difference was 4.7 times⁴. Moreover, the delivery of basic services remains uneven due to lack of resources and constrained implementation capacity.

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

3.3 Trade (IPoA Priority Area 3)

With the introduction of market economy, the commitment of the GoL has been to integrate into the regional and international market while improving the local product quality to meet the requirements and conditions imposed by different trade agreements.

3.3.1 International trade

Lao PDR is a WTO member since 2013. As part of its efforts to secure WTO membership, the GoL has made legislative amendments in a number of areas, including tax, trade and intellectual property. To comply with the ASEAN Economic Community (AEC) integration process by 2015, Lao DPR has also reduced many of the import tariffs to zero on goods imported from ASEAN countries. In this regard, the GoL will continue to strive for zero tariffs for all imported goods from ASEAN countries and remove non-tariff barriers as many as possible to facilitate the trade movement.

Since becoming the member of WTO and fully integrated into the AEC, Lao PDR has been promoting economic integration through focusing on effective implementation of goods and services commitments at both the WTO and ASEAN levels. Recent progress includes the launch of the Lao Services Portal, which contains information related to trade and investment services; the establishment of a Regulatory Authority for the Telecommunication Sector; and the adoption of sector regulations, in particular the framework for competition, interconnection, licensing regime and spectrum management. In March 2019, Lao DPR also joined the UN Convention on Contracts for International Sales of Goods, which can elevate cross-border trade of Lao PDR and contribute to its economic growth.

In 2016, Lao PDR was the 106th largest export and 116th largest import economy in the world.¹¹ The volume of trade in Lao PDR has grown in size over the years though the current account is still registering a trade deficit as seen in Figure 4. Some of key export markets are highlighted in Figure 5.

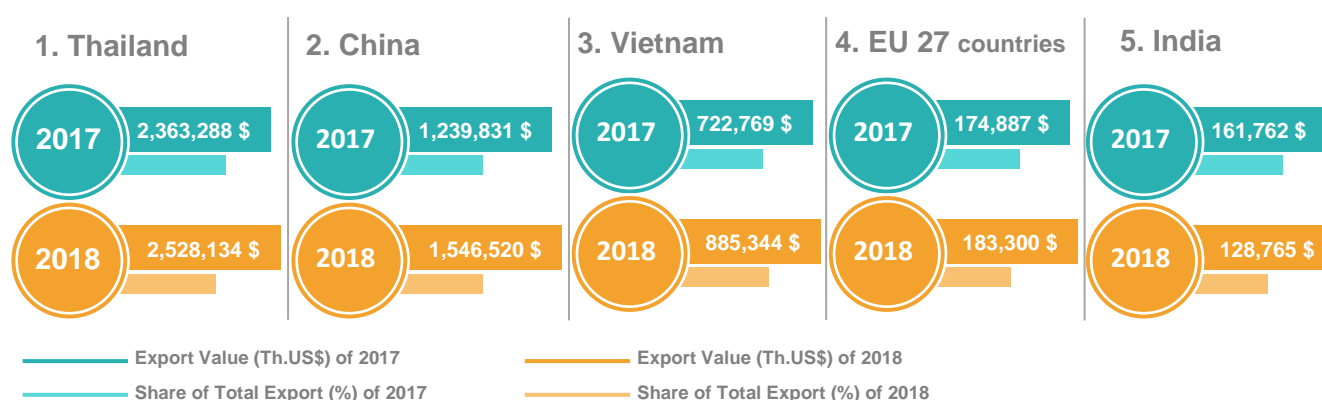
⁴ Pimhidzai, et al., 2014 and Lindelow et al., 2010

Figure 4: Volume of Trade in Lao PDR

Millions of US dollars

	Export	Import	Volume of Trade (VOT)	GDP	VOT/GDP (%)	Trade Balance	Trade Deficit/GDP (%)
2012	2,191.26	3,046.47	5,237.73	10,233	51.23	-855.22	8.37
2013	2,264.46	3,050.26	5,315.38	12,002	44.29	-786.45	6.55
2014	3,276.46	4,975.88	8,252.34	13,268	62.20	-1,699.42	12.81
2015	3,653.31	5,675.33	9,328.63	14,452	64.55	-2,022.02	13.99
2016	4,244.77	5,372.37	9,617.14	15,901	60.48	-1,127.59	7.09
2017	4,822.56	5,635.69	10,458.26	17,061	61.30	-813.13	4.77

Source: International Trade Center, 2018

Figure 5: Major Export Markets of Lao PDR

Source: Statistical Yearbook 2018, Lao Statistics Bureau

3.3.2 Trade facilitation

As of 2017, Lao PDR has signed trade bilateral agreements with Vietnam, China, Cambodia, Myanmar, Thailand, North Korea, Mongolia, Malaysia, Russia, India, Belarus, Argentina, Kuwait and Turkey. To leverage on the potential benefits of these agreements, the GoL has set up institutional mechanism and carried out a number of initiatives to promote trade in the country.

A National Trade Facilitation Committee (NTFC) was set up in accordance with Decision No. 48/PM, dated 26 July 2018. It is chaired by the Deputy Prime Minister with a mandate, among others to monitor, supervise and facilitate trade and business in the country. The NTFC held its first Central meeting on January 07, 2019.

Lao Trade Portal was established in 2012 as a follow-up action from the approval of the Trade Facilitation Strategic Plan 2011 – 2015. Over the years, the trade portal committee has been putting great efforts to improve the functionality of the portal by making sure the availability of legal documents, tariff rates, forms and import-export procedures. This in turns will hopefully help both local and foreign businesses to register in Lao PDR.

Central Investment Promotion and Supervision Committee, on behalf of the GoL, issued an Instruction on Duty and Value-Added Tax Incentives for Master List of Enterprise No.01/CIPSC, dated 02 January 2019. This notification aims to untangle the difficulties related the indicators of ease of doing business in Lao PDR. It is also an instruction to ensure the implementation of duty and value-added tax incentives complies with procedures and operational methods of approving import plan (master list) for the utilization in the investment activities, and to facilitate the investors in Lao PDR. This is a remedy to address matters relating to VAT refund which has been one of matters discussed during the annual Lao Business Forum as the matter has been hindrances for many enterprises in Lao PDR, especially in the manufacturing sector.

Lao PDR has made tremendous progress in developing its transport infrastructure to support and facilitate the flow of trade. Around 85 percent of the rural population now live in villages with all-weather road access. Regional transport linkages have improved connectivity to neighbouring countries, leading to increased intraregional trade. Road transport accounts for nearly 90 percent of passengers, and some 81 percent of freight volumes. The train connecting China to Lao PDR under the Belt Road Initiative expected to be operationalized by 2021 is also expected to increase the trade volume to new and unprecedented levels.



3.3.3 Domestic Products

Apart from being active in the international and regional market, the GoL has been promoting domestic products, aiming to support local business holders and improve community livelihood. This has led to the creation of the One District, One Product Strategy in 2009. This is a government strategy to reduce poverty, create jobs, and equip people with relevant skills, whilst bringing Lao products to the regional and international market. In May 2017, the Trade Department under the Ministry of Industry and Commerce (MoIC) recorded more than 484 products from 17 provinces and Vientiane Capital, and awarded more than 130 businesses with the One District, One Product trademark.

3.3.4 Challenges

While the achievement is laudable, there are still some challenges the GoL is trying to solve. From 2011 to 2018, trade has always been on the deficit side, meaning the country has been importing more than exporting.

The length and quality of the road infrastructure still need improvement, especially in rural areas, while urban areas need better transport infrastructure and services. The new Lao PDR Road Sector II Project is part of the country's national program to build climate-resilient roads and infrastructure.

Lax customs and border control procedures and inadequate border management could lead to a rise in illegal trade, trafficking, and crime. Increased connectivity is beneficial for trade and economic growth, but if not regulated, it also opens up for transnational crime syndicates.

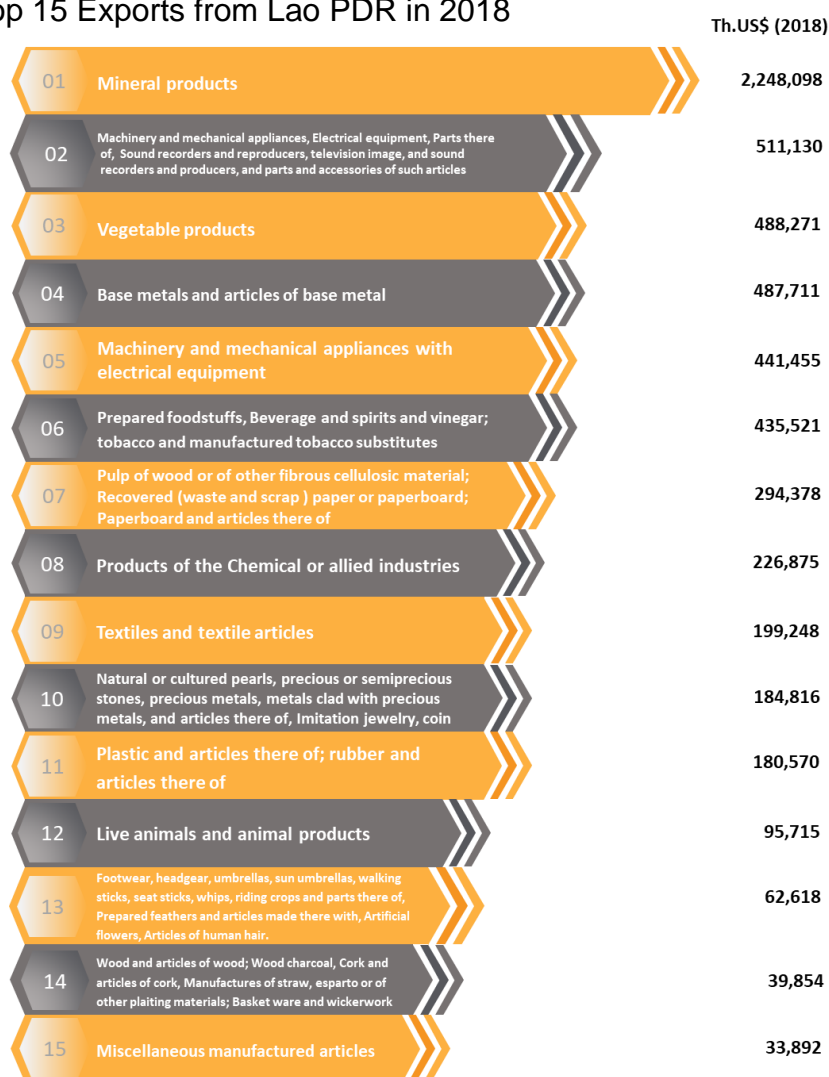
3.4 Commodities (IPoA Priority Area 4)

The main commodities among the top 15 export products of Lao PDR are mineral products, machinery, vegetables and base metals such as copper.¹² Since 2010, the number of commodities has been increasing in both types and quantities. Lao PDR's top 15 exports accounted for over three-quarters (80 percent) of the overall value of its global shipments. Wood pulp was the fastest-growing among the top ten export categories, up by 3.45 percent since 2017. The second place for improving export sales was electrical machinery and equipment thanks to a 32.2 percent increase. Lao PDR's shipments of copper posted the third-fastest gain in value up by 24 percent.

However, given the lack of a robust trading system and financial derivatives in Lao PDR, the export commodities of the country are subject and vulnerable to global price fluctuations. Though MoIC has been working with development partners and businesses to set up cushion mechanisms to protect local businesses and guard against price shocks, the progress is slow, and the process is often piecemeal.

Further to this, the flooding and natural disasters in recent years have posed threats to the commodities' export as well as food security of the country.

The import and export data on commodities of Lao DPR maintained internally is still lagging due to multiple reasons, including trade passing through the customary check-points. This challenge also makes it difficult to get a robust picture of the country's commodity profile, which could be used for further policy analysis.

Figure 6: Top 15 Exports from Lao PDR in 2018

Source: Statistical Yearbook 2018, Lao Statistics Bureau

3.5 Private sector development (IPoA Priority Area 5)

As of 2018, there were more than 150,000 private enterprises registered with the Ministry of Industry and Commerce.¹³ The role of private sector to the development of Lao PDR and the need to strengthen the private sector productivity is highly valued and embedded in the 7th NSEDP and 8th NSEDP. The GoL expects that by 2020, domestic and foreign private sector investment should contribute about 54 - 57 percent of the total investment.¹⁴

Private sector has been invited to contribute their ideas on how they could become an actor of change towards achieving the Agenda 2030 for the Sustainable Development as part of the stakeholder engagement, which is a critical process in the implementation of SDGs and IPoA.

The recent unsatisfactory Ease of Doing Business Index (136 in 2015, 139 in 2016, 141 in 2017 and 154 in 2018 out of 190 countries¹⁵) raised an alarm for the GoL to cut down some of the unnecessary steps to facilitate smooth business registrations for enterprises and support them in their operations. To support and accelerate the role of the private sector towards LDC graduation as mentioned in the 8th NSEDP (2016 -

2020), the GoL has been setting up many platforms to actively engage the private sector. One such platform is the Lao Business Forum, which has been running since 2005, to allow for productive dialogues between the GoL and business sector. Lao National Chamber of Commerce and Industry (LNCCI), the highest representing body of businesses in Lao PDR, has together with a variety of interest groups and chambers of commerce representing foreign investors, also been working with key ministries to support the private sector. Through all this, hindrances to businesses processes have been removed greatly.

To further encourage the participation of the private sector in key development areas, the GoL has launched the public-private partnership policy (PPP) in 2015, aiming at laying out a path to gradually achieve the long-term objectives of the GoL with regard to PPP and setting out the detailed policy actions required to realise its long-term vision for PPP. At the moment, most of the projects under PPP are in the area of infrastructure and energy.

To further support the enterprises, the GoL has launched the Lao PDR Trade Portal to help businesses and traders to find all the information regarding import goods into Laos and export goods from Laos, including information related to import/export process, regulations for specific products, relevant laws and other useful information.¹⁶

Lao PDR, for the first time, has a formal SME Development Plan which is in line with the time frame of the 8th NSEDP (2016 – 2020). This plan has set out clear objectives and priorities for SMEs in the country. The key objectives are to:

- (i) Improve the enabling environment for SMEs,
- (ii) Enhance the competitiveness and sustainable growth of Lao SMEs, and
- (iii) Enable their integration into regional (especially the ASEAN Economic Community) and international markets.

For priorities, the plan covers: (i) the promotion of productivity, technology and innovation, (ii) the promotion of access to finance, (iii) the promotion of access to business development services, (iv) the enhancement of market access and expansion, (v) the strengthening of entrepreneurial development, (vi) the policy to create a favourable environment for business, and (vii) policies on customers and taxation.

3.6 Human and social development (IPoA Priority Area 6)

The human and social development of the country has shown a remarkable achievement as testified in the HAI assessed by CDP in 2018.

3.6.1 Maternal mortality ratio

Lao PDR achieved the MDG target by reducing its maternal mortality ratio (MMR) by three-quarters from 1990 levels. Over the past two decades, MMR has declined from 1,100 per 100,000 live births in 1990 to around 220 in 2013 and 206 in 2015.¹⁷ Major hospitals can provide caesarean services, and basic emergency obstetric and newborn care services are available in every district. Nevertheless, MMR is still high by any standards as many still give birth unattended by professional health workers and at home.

The high MMR is explained by the limited coverage and inadequate quality of services, poor nutrition, and low contraceptive use. About 64 percent of births are assisted by trained health personnel and 64.5 percent of deliveries take place in health facilities according to Lao Social Indicator Survey (2016/2017), an improvement from the 2011/2012 survey, however, service quality and referral systems are in need of improvement. Low contraceptive use resulting in high fertility rates coupled with high anaemia rates are also major contributors to high maternal mortality. Among married women and women in union, the unmet need for modern contraceptives is high (28 percent in 2016/2017). Adolescent pregnancies are also highly prevalent, in particular among girls from certain ethnic groups and from poor families. Adolescent birth rate overall has declined from 94 to 83 births for every 1,000 adolescent women (age 15 - 19) between 2011 and 2017, but this remains the highest among ASEAN countries. The rate is also significantly higher in rural areas (136) than in urban (42). This is due both to the prevalence of early marriage and the limited information on, and availability of, modern contraceptives for teenagers.¹⁸



3.6.2 Infant mortality and under-nutrition

Lao PDR has also made significant progress in reducing under-five and infant mortality. In 2015, these had declined to half the levels in 1990. The most recent Lao Social Indicator Survey shows that in 2016/2017, under-five mortality rate has now declined to 46 per 1,000 live births. Immunization programmes have made good progress, although still below the levels required to induce herd immunity and reduce the threat of outbreaks. On this, Lao PDR is also highly dependent on the Global Fund and Gavi - the Vaccine Alliance - for the financing of its immunization, malaria, tuberculosis (TB), and HIV/AIDS program. Lao PDR entered the accelerated transition phase of Gavi in 2017 and is now undergoing the transition process.

Lao PDR has achieved the MDG target of halving the proportion of hungry people.¹⁹ The proportion of undernourished in the population has declined from 42.8 percent in 1990 to around 18.5 percent in 2015.²⁰ Lao PDR affirmed its commitment to fight hunger and undernutrition through the launch of the National Zero Hunger Challenge in May 2015, and through its Agricultural Development Strategy, National Nutrition Strategy, and the 7th and 8th NSEDP.



Despite recent progress, Lao PDR is still off-track on the target of reducing underweight and stunting. In 2016/2017, some 33 percent of children under five years of age were stunted, and 9 percent were wasted. Undernutrition in Lao PDR shows strong inequalities, associated with poverty patterns. Stunting in rural areas without road access is twice that in urban areas. Stunting in children from some highland ethnic groups are nearly double those of children from lowland groups. Children from the

poorest households have stunting rates three times higher than those among children from the richest households. Even in richer households, 20 percent of children have stunting.

The causes of undernutrition have not been adequately addressed.²¹ These are primarily poor infant and young child feeding practices (including low rates of exclusive breastfeeding for children under the age of 6 months), poor maternal nutrition, high adolescent birth rates among some ethnic groups, and poor female education. Children of uneducated women have stunting rates four times higher than do children of mothers with at least secondary education.²²

3.6.3 Net enrolment rate

Lao PDR has achieved universal coverage in primary enrolment. The primary net enrolment rate (NER) reached 98.8 percent in 2016. Lao PDR has two types of primary schools: incomplete and complete. Incomplete schools are those that cannot provide the complete primary education cycle due to infrastructure constraints. Complete primary schools are able to provide the full range of classes in the primary cycle up to grade 5. In recent years, expanding the number of complete primary schools has enabled many more children to complete their primary education: 80.9 percent of all primary schools in 2015/16^{23,24} are now complete schools (from 48 percent in 2007/08). Consequently, disparities in net primary enrolment decreased from 30 percentage points in 2007 to around 5 percentage points by 2015/16²⁵, Dropout rates however, contribute to a negative trend.

3.6.4 Gross enrolment ratio

Significant gains were also realized in secondary education. The national gross enrolment ratio (GER) target for lower secondary education was achieved in 2015/16, reaching 82.2 percent. Upper secondary GER has increased from below 20 percent in the early 1990s to 47.8 percent. Overall, secondary GER had increased to 67.2 percent by 2015/16.



Many children still drop out of school, usually in the early grades. Around 30,000 primary students drop out from primary education every year²⁶, and therefore the survival rate to grade 5 was only around 79.6 percent in 2016. Survival rates vary by province from 59.7 percent in Saravane to 95.5 percent in Vientiane capital (2015/16). Children's lack of school readiness is a key factor. The access to early childhood education is limited. About 56 percent of new entrants in grade 1 had preschool experience in 2016, most of whom had been enrolled in urban areas. The dropout rates and disparities in secondary education cycle are also significant.

Less accessible areas continue to lag behind. School attendance, survival, and literacy are lowest among children and adolescents in remote rural areas, those with uneducated mothers, those living in households in the poorest quintile, and those from the more remote ethnic groups²⁷. In such communities, the demand for education, especially secondary education, is low.

The literacy target for youth remains to be achieved. A large proportion of children do not continue on to secondary education. In response, the Government has non-formal education programmes, and the numbers enrolled in these classes at lower secondary level have rapidly increased. However, the quality and efficiency of these programs are still inadequate.

Lao PDR has an effective education management information system (EMIS), which produces data routinely disaggregated by sex and robust enough for annual planning. Many SDG 4 indicators that are linked to this priority are of IPoA can be monitored through EMIS.

However, data on TVET need strengthening and linkage with employment outcomes. Education for children with disabilities will require further inter-ministerial work. Successive surveys and censuses will need standardization: the mix of self-reported and tested literacy rates in different surveys funded by different partners is not conducive to interpreting trends. The education system has not yet established mechanisms to regularly assess and report on the quality and outcome of services. Current data on learning outcomes in primary school are obtained through one-off or infrequent assessments by external partners that do not always follow the same standards. The Ministry of Education and Sports plans to institute mechanisms for standardized measurement of learning outcomes that can be tracked across time.

3.6.5 Gender equality and women's empowerment

The recent review of BPfA in 2019 has shown that gender equality and empowerment of women in the country has attained a laudable level.

The main progress made in the implementation of BPfA over the past five years includes the:

- (i) Formulation of legal frameworks that provide an overarching architecture for the effective implementation of advancement of women's rights;
- (ii) Improved health care and service to serve the medical needs for women and
- (iii) Better education attainment by women.

Despite the achievements, there are also some challenges such as the lack of sex-disaggregated data, the shortage of human and financial resources for implementing BPfA, and the low level of understanding and acceptance of gender equality among the general public, especially those residing in rural and mountainous areas. The evolving forms of human trafficking also make it strenuous to implement BPfA in the country.

3.6.6 Youth development

Lao PDR has a young population, with 60% of its over 6 million inhabitants estimated to be under 25 years of age. Such a young population represents a unique opportunity from which the country could benefit. Therefore, the Government in recent decade and great efforts with support from various partners in recent years to pay great attention and increase more efforts and investments the areas of education, health, employment, protection and participation which will ensure that every young person's potential is fulfilled. In general, there is a positive policy environment for young people in Lao PDR, although some specific areas that require further development, for example, young people and alcohol consumption and places of entertainment. With recent development and challenges encountered, there is on-going discussion and a recommendation for a development of comprehensive national policy for young people in Lao PDR that makes the linkages between the different sectoral policies and laws that exist. The Government has also been working with authorities concerned to ensure that young people are aware of the laws and policies that both govern and protect them. Particularly, they need to know their rights in relation to health, education and employment. Without an awareness of the protections afforded them by law, they are vulnerable to exploitation and abuse, and may not seek help from the authorities when appropriate. At the same time, duty bearers also need to know and understand the implications of existing laws and policies as these relate to young people. Investing in adolescent girls is an important task to support sustainable development. There have been joint campaigns over the years to increase knowledge on the adolescent girl's issues and diminish the obstacles to her development. In terms of programmes and projects supporting youth development, the trend is on the rise. However, a complete set of data on this is relatively limited, yet it is anticipated that this situation will improve over time. In particular, there is a general view that all policies, strategies and programmes should take into consideration the specific needs and requirements of young people, and when they are developed they need to be reviewed through a "young people's lens" and, to this end, ensure the participation of young people. In addition, youth development requires multi-sectoral collaboration as there need to be

strong linkages between health, education, employment, protection and participation in contributing to the future of young people in Lao PDR.

In terms of youth development, adolescent pregnancy requires attention. Despite achieving adolescent birth rate of 83 per 1,000 live births (the national target was 90), this rate remains one of the highest in the region. The high adolescent birth rate requires prioritizing the availability and use of contraceptives, especially among unmarried adolescents who still have difficulties in accessing such services despite the national policy on birth spacing²⁸. The rate is highest among adolescents with little or no education or those living in areas without road access.

3.6.7 Social protection

A large proportion of the working age population work in subsistence-level activities, mainly for own consumption and decent work opportunities are limited. The high level of vulnerable work is driven by the agriculture and fishery sector sales workers, and elementary occupations.²⁹ Most agricultural work and informal sector work are characterized by low incomes, poor working conditions, and inadequate access to social protection and workplace representation. Lao migrant workers are a vulnerable group, accounting for around 8 percent of Lao PDR's working population, and mostly working in Thailand.³⁰



Realizing this challenge, the GoL is committed to strengthening social protection systems to cover vulnerable groups. Initiatives such as the Health Equity Fund schemes and Free Delivery of Maternal, Neonatal and Child Health Care represent significant progress. However, access to social security coverage remains limited and welfare programmes fragmented. Support is required to widen the scope of social protection schemes

namely, to support the implementation of the forthcoming National Social Protection Strategy. Building upon the recommendations from the review of CEDAW and MDGs in 2015, the GoL has continued to improve on the quality of healthcare and services aiming for universal health coverage by 2025. In addition, to advance the implementation of the Social Protection Strategy, World Bank supports Lao PDR in 2019 on the US\$27 million social protection project that aims to reduce rural poverty and malnutrition, laying the foundations of a national social protection system and support the delivery of a conditional cash transfer program for improved nutrition.³¹

While progress has been made, access to social protection is still inadequate. Only workers employed in the formal Lao economy have social security coverage, while workers in the informal economy have inadequate access to basic coverage. Health insurance coverage is still low. On this, the GoL has been working to extend the reach. Therefore, the year 2017 saw 12.4 percent of the total population being covered by social transfers. The Ministry of Labour and Social Welfare in partnership with International Labour Organization continues to launch awareness campaigns on social security through traditional and social media platforms, and workshops to public and private sectors as well as the general public to increase the sign-up rate.

The government's drive to expand rural infrastructure, roads and services has led to poverty reduction in rural areas, enhancing market access for agricultural produce and improving livelihood opportunities.

3.7 Multidimensional and emerging challenges (IPoA Priority Area 7)

The long-standing unexploded ordnance (UXO) and natural disasters in recent years have posed threats to Lao PDR in many socio-economic development aspects. Apart from this, the emerging challenges such as inability to collect data in timely manner to support the needs for policy making and evidence-based development approach, and new forms of social issues such as trafficking and illicit use of drugs make it difficult to implement IPoA and other related agendas.

3.7.1 Unexploded ordnance (UXO)

The long-standing obstacle presented by the high contamination of UXO has had adverse impacts causing significant delays and derails to the country's development trajectory. Even though the number of UXO casualties has reduced by 85 percent in the last decade, UXO still poses threats to the socio-economic development of Lao PDR. According to data obtained from the National Regulatory Authority in 2018, the majority of casualties in 2016 were male (59 casualties). Of the total, 5 were girls and 3 were women.

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



seen the numbers of casualties dropping from 302 in 2008 to 41 in 2017 and 2018 respectively although slightly up again in 2019 with around 40 incidents thus far.

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

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

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

3.7.2 Natural disasters

Lately, Lao PDR has been hit by natural disasters that called for urgent responses. There was widespread flooding due to tropical storms and depressions bringing large quantities of rain that caused unprecedented damages to house, land and people in 2018 and 2019.

The post-disaster needs assessment of the severe flooding in 2018 valued the total overall effects of the floods on the economy at an estimated 3,166.99 billion LAK, or approximately US\$371.5 million. This further pose risk on the vulnerability of the economy of Lao PDR. To deal with this, the GoL is now in the process of drafting the disaster recovery plan. At the same time, Law on Disaster Management has recently been adopted.

3.7.3 Human trafficking

Human trafficking in new and dynamic forms makes it strenuous for the GoL to track it down. Most human trafficking cases start as voluntary movement, before being tricked, cheated or forced into exploitation situations after border-crossing. Trafficking in person is sustained and strengthened through local Lao middlemen collaborating with traffickers to facilitate illegal entry. Individuals offering transportation services near the Thai border also play a key role in cross-border trafficking. About 90 percent of trafficking from Laos occurs to Thailand where the majority of victims are girls aged between 12 and 18 years.³² In recent years, trafficking to China has also increased.

3.7.4 Data for Monitoring and Evaluation

Data to support the monitoring of LDC status and other priorities is still a challenge. In Lao PDR, Lao Statistics Bureau (LSB) takes lead to be the national data provider, and the statistic law was officially issued on 30 June 2010. Under LSB's Strategy for the Sustainable Development of National Statistical System (2016 -2025) and Vision toward 2030, it is promising that there will be a robust data system to support national development needs. However, there are still many constraints to this such as the inadequate capacity of the statisticians, the system to harmonize the administrative data and the national data under the leadership of the Lao Statistics Bureau and the lack of funding to conduct data gathering and surveys.

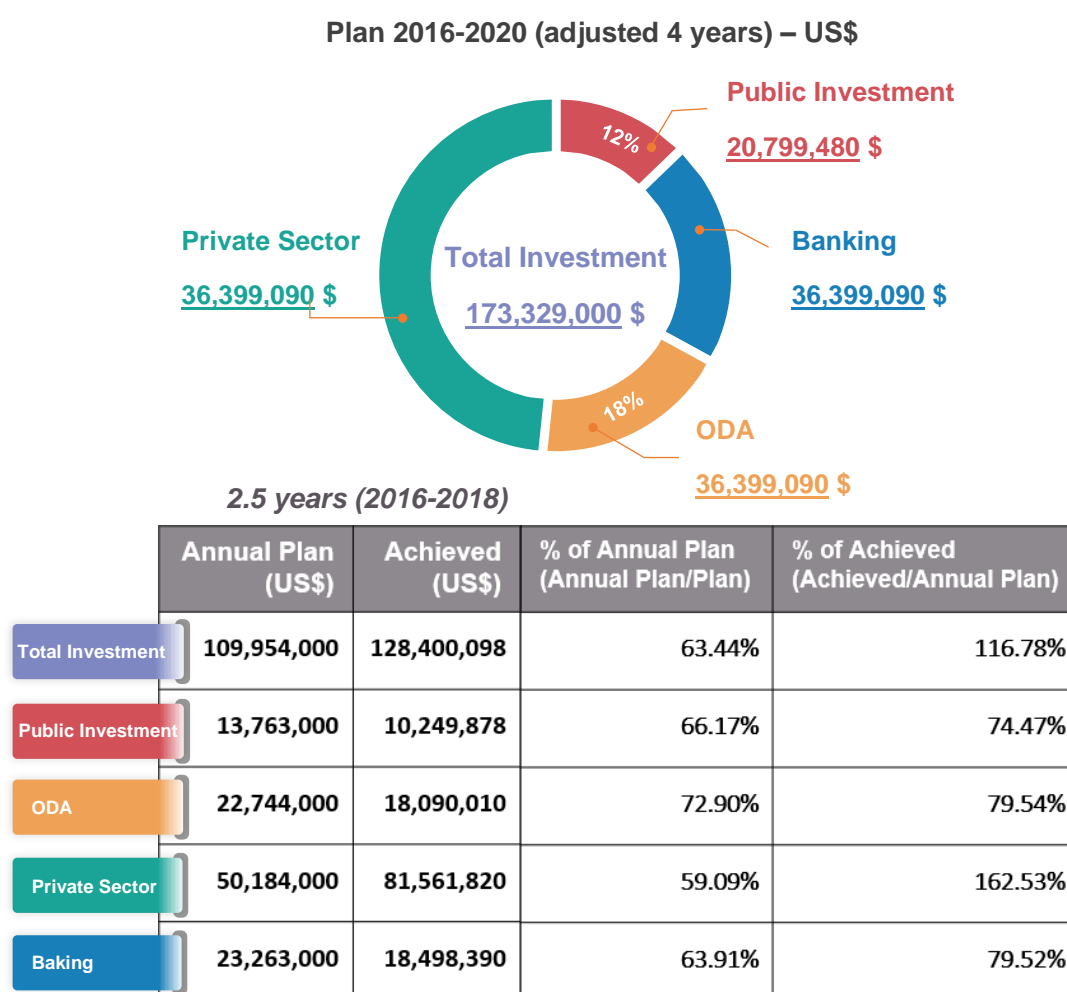
3.8 Mobilizing financial resources for development and capacity building (IPoA Priority Area 8)

To achieve the priority areas of IPoA and national development goals, Lao DPR will need to maximize strategic allocations of development finance from different sources.

The GoL estimates that implementing the 8th NSEDP (2016 – 2020) will require over US\$ 21.4 billion, as endorsed by the National Assembly in 2016. Some 40 to 49 percent will need to come from foreign and domestic private investment, and another 40 to 49 percent from financial institutions. Government investment is expected to be around 12 to 15 percent, while ODA is expected to contribute from around 15 to 24 percent of the total. However, in the recent mid-term review of 8th NSEDP (2016 – 2020), these numbers are still far from reach.

In January 2017, the International Monetary Fund (IMF) raised the country's risk of external debt distress from moderate to high. The Round Table Meeting with development partners held in Vientiane in December 2018 called for the GoL to put greater emphasis on achieving effective fiscal policy administration, while implementing a comprehensive strategy for debt management.

Figure 7: Sources of Funding to Support the Implementation of 8th NSEDP



Source: Ministry of Planning and Investment, 2018

Realizing this shortfall, the Lao Government has devised a mix of strategies for financing the achievement of national goals and priorities. These are as follows:

- Improving the efficiency and effectiveness of domestic public revenues by strengthening planning, budgeting, and budget monitoring systems, examining the allocation of domestic public revenue against national priorities, and increasing social sector allocations to address social inequalities;
- Expanding the Round Table Implementation Mechanism to more comprehensively coordinate and manage other development finance flows, in line with the Vientiane Declaration on Partnership for Effective Development Cooperation (2016 - 2025);
- Promoting the domestic private sector in Lao PDR through measures to improve the overall business climate, enhance economic diversity and resilience, and promote not only major project investment, but also enable access to finance for micro- and small- and medium enterprises;
- Ensuring that private sector investments are aligned with NSEDP goals and priorities, and reviewing bank lending practices in this context;
- Maximizing the growth potential of FDI by (i) improving investment and trade-related administrative procedures and regulations; (ii) undertaking reforms that enable the Lao Government to better implement the revised regulations; and (iii) using diagnostic tools to map processes and pinpoint inefficiencies;
- Reviewing current FDI themes and incentives against NSEDP requirements, and promoting tourism— especially ecotourism and cultural tourism;
- Sharpening the criteria for Public Private Partnerships to ensure that such a partnership serves a clear and vital public sector purpose in line with the NSEDP;
- Improving monitoring and evaluating mechanisms to ensure data integrity and up-to-date data to better predict the financing needs of NSEDP, IPoA, the 2030 Agenda and other agendas
- Implementing a clear strategy on debt, including publicly announced targets on key debt measures for transitioning from an LDC to a middle-income economy;
- Further developing the Green Growth strategy that can help ensure economic growth balanced with equity against social and environmental protection.
- Developing Corporate Social Responsibility approaches and partnerships that contribute towards national development goals.

3.9 Good governance at all levels (IPoA Priority Area 9)

The GoL embraces that good governance is key to the attainment of many development agendas and is a foundation for Lao PDR to overcome challenges highlighted above, and continue to enjoy prosperous and sustainable development after graduating from LDC status. Efforts have been made over the last decade to ensure progress in various areas of good governance.

3.9.1 Government structures, administrative and legal frameworks

Legal and administrative frameworks. Updates to the Constitution and laws promulgated in 2016 were progressively applied during 2017. These updated laws included (i) the Establishment of People's Provincial Assemblies (PPAs), (ii) the Law

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

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

Government structure reforms. An assessment was conducted by MoHA of the Government's organizational structure at each level. Based on this, changes were made, such as the establishment of new ministries, the merging of similar functions across ministries, and the reassignment to line ministries of certain functions attached to the Prime Minister's office (e.g. the Poverty Reduction Fund into The Ministry for Agriculture and Forestry).

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

3.9.2 Decentralization and local service delivery

Strengthening districts. Under the Sam Sang devolution initiative, which was officially extended nationwide to all 148 districts, local administrations are being assigned more responsibilities and authority to be more proactive and self-reliant in local development and poverty reduction. The District Development Fund (DDF), which was introduced by the Ministry of Home Affairs in 2006, was initially designed as a district capital financing mechanism. The objective of the up-dated (2018) DDF is to strengthen districts' own capacity to deliver key basic services (as per Sam Sang national policy) and help to accelerate the implementation of the SDGs included in Provincial and District Socio-Economic Development Plans. The Fund provides districts with finance and technical support to strengthen district-level public financial management processes so that districts can achieve a "comprehensive district" effectiveness rating in accordance with the Sam Sang policy.

3.9.3 Public Personnel/human resources

Civil service management improvements:

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

Performance appraisal and development of civil servants:

- (i) The government issued and promulgated the Decree on civil service performance appraisal and the Decree on staff/civil servant training and development.
- (ii) A draft strategy has been initiated on civil servant development 2016 - 2025.
- (iii) Draft instructions have been prepared on planning for civil servants training and development.
- (iv) A draft decree was developed on the code of conduct for staff and civil servants.
- (v) A training curriculum was assessed and developed for each level, such the curriculum for training of high-ranking officials at the Director General level and other levels.
- (vi) Trainings provided include those on public administration at central and local level; and training on planning, budgeting, and financial management.
- (vii) Preparations were made to conduct research on the governance system of Laos from 1975 - 2015.

3.9.4 Legal sector, rule of law and the universal periodic review

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

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

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

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

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

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

3.9.5 People's participation and representation

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

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



4. Coherence and Linkages with the 2030 Agenda

Lao PDR has adopted the 2030 Agenda for Sustainable Development in 2015. To ensure the coherence and the linkages between IPoA and 2030 Agenda that bring about the most effective use of resources, the GoL has worked with all the line ministries and local governments to identify and localize SDGs to ensure that they are relevant to the local and national context while not missing out the essence of the country's commitment towards LDC graduation and sustainable development in the spirit of leaving no one behind.

Apart from establishing the linkages between IPoA and 2030 Agenda, the GoL also harmonizes similar agendas through cross-referencing with regional and international frameworks such as the Addis Ababa Action Agenda, Partnership for Effective Development Cooperation framework, Sendai Framework for Disaster Risk reduction, Beijing Declaration and Platform for Action as well as Paris Agreement, while discerning distinct indicators to ensure that they are mainstreamed into the national and relevant sectoral strategies and allows for effective monitoring, evaluation and reporting. This is also in endeavor of the GoL not to segment different agendas to pursue on a standalone approach but to find synergy and appropriate platforms to integrate them into the national and sectoral strategies in accordance with a whole-of-government approach that can mirror a whole-of-society approach to needs and priorities of the Lao population.

4.1 Institutional mechanism

The GoL has appointed the Department of International Organizations in the Ministry of Foreign Affairs and Ministry of Planning and Investment to coordinate with line ministries and agencies to ensure the effective implementation of the priority areas of IPoA. It is also the Department of International Organizations that has been appointed to lead the National SDG Secretariat to report to the National SDG Steering Committee on the SDG implementation of Lao PDR. Therefore, the implementation of IPoA has constantly been monitored by the Department of International Organizations to ensure that the priority areas are aligned with that of SDGs and other agendas.

The IPoA and SDG related discussion topics have also been feeding into the agenda of the annual Round Table Meeting, a national platform for the GoL to discuss with

partners the development needs, priorities and challenges that can inform development cooperation with Lao PDR.

4.2 National reviews

The assessment of IPoA comes at an opportune time when Lao PDR has recently finished its Voluntary National Review for Sustainable Development (VNR) and the mid-term review of the 8th NSEDP (2016 – 2020) as well as the conclusion of annual Round Table Meeting in 2018, and the submission of the Beijing Declaration and Platform for Action (BPfA) and Vienna Programme of Action (VPoA) in 2019. Therefore, the content of the assessment of IPoA is constructed around key progresses highlighted in these exercises which were taken in perspectives of different stakeholders in line with the principle of transparency, participation and inclusiveness of the 2030 Agenda for Sustainable Development.



5. The LDC Agenda

To achieve the smooth LDC graduation, it will require strengthened efforts to broaden the sources of growth and the diversification of the economy of Lao PDR.

At the moment, the natural resources sector is the key driver of growth, but this growth model is also a source of vulnerability sensitive to fluctuations in the global markets, environmental concerns and looming climate change challenges and does not generate sufficient employment opportunities. Given the large rural population, the agricultural sector is key to improving the incomes of farmers, creating jobs in agribusiness and agro-processing, enhancing health and nutrition, and contributing to overall food security.

Another important policy action that the GoL needs to take is to build resilience to shocks through fostering productive capacities and mitigating, as well as adapting to environmental shocks. There is also a need for concerted efforts by the international community to continue international support to Lao PDR to ensure that graduation does not jeopardize the country's progress towards the achievement of other national and international development goals, including progress made towards achieving the Sustainable Development Goals.

Robust monitoring and evaluation should be put in place to ensure that indicators of GNI, HAI and EVI continue to be comprehensively monitored so that challenges can be flagged in a timely manner, and not risk that Lao PDR de facto fall back into LDC again after graduation. On this, productive capacity of key industries and labour will continue to be the main focus for the GoL even after the LDC graduation.

Across all these, good governance will continue to be the top priority for the GoL to transit Lao PDR from LDC to non-LDC to ensure that it is a country that is governed by a set of good governance and rule of law



6. Conclusion

Since adopting the IPoA in 2011, Lao PDR has made progress in many of the priority areas, especially on the economic, human and social development. This is testified by the achievement of GNI and HAI assessed in 2018 by CDP, putting the country on track to graduating from LDC status by 2024.

Despite the progress, challenges still remain in the area of productive capacity and the ability to diversify its economy. The economic growth has been largely natural resource-driven and capital-intensive, but not broad-based and inclusive generating sufficient proactive employment. It has furthermore become vulnerable to global fluctuations, environmental concerns and looming climate change challenges. The GoL has acknowledged that sustaining high-level growth and addressing the missing link between growth and development could not be achieved without productive capacity development. Such a task constitutes a multidimensional endeavor, requiring not only investments in health, education and other SDG-related interventions but also expansion of production and export supply capacities, including physical infrastructure development, greater access to finance, improved trade facilitation and other private sector development enablers.

Above all, the GoL is committed to implement IPoA, among other agendas, to smooth transit Lao PDR from an LDC to non-LDC country on its way to achieve the 2030 Agenda for Sustainable Development.

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