Workshop for the national focal points of least developed countries (LDCs)  
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Report

On the implementation of the Istanbul Programme of Action
Lao PDR

Introduction

The Government of the Lao PDR is strongly committed to effective implementation of the Istanbul Programme of Action for the LDCs and therefore its objectives and priorities have been mainstreamed into our 7th Five-Year National Socio-Economic Development Plans (2011-2015) and it is implemented through Annual National Socio-Economic Development Plans with particular attention given to accelerating MDGs implementation by 2015 and achieving our ultimate goal of LDC graduation by 2020 in line with the National Development Strategy 2020 towards LDC graduation.

Progress and achievements under the Programme of Action for the Least Developed Countries are as follow:

Productive capacity: the government has made transport a key element of the NSEDP, with roads remain the principal focus. The aim is developing links between national roads and those connecting the neighbouring countries, as part of the strategy of transformation from a landlocked to a landlinked country as well as reaping the benefits from regional integration. Nevertheless, the Government is fully aware that district and rural roads are also of great importance, particularly in enhancing service delivery and providing access to markets and, in turn, in the achievement of the MDGs. In parallel, greater efforts have been made in rural electrification and more than 82% of households now have access to electricity, partly due to increases in generation capacity through major investment in developing hydropower plants. Likewise, the electricity coverage and transmission lines have been significantly extended across the country.

Trade: There have been significant improvements in the balance of payment mainly resulted by exports from the resources sector and, as a result, the resource current account will gain surplus by 2016. The non-resource current account deficit is also expected to lessen from 2018, with private capital inflows from FDI an important contributor. In parallel, there has been strong commodity-based growth, mainly involving copper, gold ore, lignite, anthracite and gypsum, with impetus from high copper and gold prices in the world market in 2012. Medium-term prospects are also good owing to expansion in the area mined. These positive trends have been augmented by international and regional economic integration mainly through WTO accession, but also as preparations are made for integration in ASEAN Economic Community from 2015 onwards.

Infrastructure: Roads have been the principal focus in transport development, with developing links between national roads and those of neighbouring countries along the economic corridors of the Greater Mekong sub-region a priority. There has also been significant investment in district and rural roads, aimed mainly at improving access to market and services. Marine cargo transportation also increased and here has been strong development of air transportation services, with the number of domestic and international flights and passenger numbers and cargo volumes increased. Railways are seen as a priority with the intention of closing the remaining infrastructure gaps, mainly at the Lao-Thai border.

Energy: Nationally, more than 82% of households now have access to electricity. This high level of progress arises mainly because generation capacity has increased sharply as a result of major investments in hydropower, bringing installed capacity to 4,249 MW. Construction in progress of additional hydropower facilities will further raise production capacity to 17,263 MW, with most intended for export to Thailand, Vietnam, China and Cambodia. In addition, there is solar energy provision (with nearly 15,000 households supplied with solar energy) and further potential for development.

Science, technology and innovation: Budgetary funds for research focus on efficiency and biomass use in stoves and production of organic fertilizer. A Law on Intellectual Property Rights will shortly be
approved and a Science and Technology Development Strategy 2013-2020 and visions to 2030 are under development, together with a draft Law on Science and Technology.

**Private sector development:** Firms' profits and business confidence are rising, although there is a need to boost competitiveness, further improve access to finance and strengthen readiness for the greater openness as Laos has become a full member of WTO and will be joining the ASEAN Economic Community by 2015. Boosting investments in training alongside the currently robust overall firm-level investment is also a priority, as are measures to prevent a shift of activities to the informal sector. This is being augmented by actions on the overall business environment, with impetus again being given by WTO membership and the AEC. Examples include streamlining business registration procedures and enactment of the Law on Investment Promotion. In addition, there is improved access to finance for SMEs through a fund established by the Lao Development Bank.

**Mobilising financial resources for development and capacity-building:** The macroeconomic position is sound, with the fiscal deficit back at the pre-global financial crisis average. ODA commitments are high at over US$1 billion with disbursements of US$630 million in 2010/2011. Lao PDR's risk of debt distress has also improved, with now a moderate rating down from the previous high-risk rating due to strong economic performance, improvements in institutional capacity and fiscal consolidation. Debt service is also low since most borrowing is at concessional rates.

**Good governance at all levels:** is a priority and actions in this area are underlined in the implementation of the NSEDP. The strategic plan on governance sets priorities as public services, rule of law, participation and public financial management. In the legal sector, a framework for implementation of the Legal Sector Master plan has been established and a number of international treaties ratified. People's participation has been strengthened through improvements in the environment for civil society and building the role of the National Assembly. Under the Sam Sang or 3-Builds Initiative, pilot measures to define the distribution of functions between the central and the sub-national administration are underway.

**Agriculture, food security and rural development**

Poverty rates have declined steadily, falling from 46% in 1992/3 to 27.6% in 2007/8, 20.5% in 2012/13 which, together with a steady reduction in the poverty gap and poverty severity, meaning the country is on track to achieving the MDG target. Poverty has declined across all population groups over the 15-year period, with efforts now to be strengthened in rural areas and other parts of the country which are particularly disadvantaged.

Policies for rural development and associated development of the non-resource sector are showing results, with policy targeting commercialisation through producer groups and extension advice provided by Agro forestry Technical Centres. This is also aimed at boosting prospects for those who gain least from these trends, particularly in the northern and southern regions.

Despite natural disasters, the global financial crisis, sharp price fluctuations and the rising oil price, agriculture has seen 3% growth annually in recent years, while rice production (at an average of 3.3 million tonnes per annum) meets domestic demand (at 300-350 Kg/person/year). There have also been increases in fruit and vegetable production, while the area under commercial plantation has grown. Livestock production has also expanded, benefitting from the use of new feeding methods and wider vaccination, together with an increase in animal numbers, notably in cows, buffaloes and pigs. This is augmented by increased commercialisation of agriculture, which is creating new livelihood opportunities and increasing rural employment, thereby increasing the ability to buy food and so further ensuring food security.

**Climate-change related policy documents and instruments** have been developed under the UN Framework Convention on Climate Change, with actions underway to improve climate change forecasting and introduce community-based adaptation technologies. Outcomes are being helped by a slowing rate of reduction of forest cover. To improve disaster preparedness, a National Disaster Management Plan has been developed, as well as a National Risk Profile and Hazard Risk Assessment and Vulnerability Mapping. These are in turn linked to the Inter-Agency Contingency Plan, which revitalises sector cluster groups to coordinate response.

**Human and social development**
Education and training: There has been good progress towards universal primary education and the 98% enrolment rate target for both girls and boys has nearly been achieved, although improving efficiency in the education system remains a priority. This will be particularly aimed further improvements in survival rate to grade 5, which moved from 48% in 1992 to 70% in 2012 and will give particular attention to rural areas without road access, children in the poorest quintile, and in children of mothers with no education. The transition rate from primary to secondary education has steadily increased, with the secondary gross enrolment rate increased from just above 20% in the early 1990s to 46% in 2012 (65% for lower secondary).

Population and primary health: the population of Lao PDR is small compared to that of neighbouring countries (less than 7 million), while 60% is aged below 25 years. Compared to Vietnam, Thailand and Cambodia, Lao PDR has the most youthful population. A large part of the population (about 73%) lives in small rural villages, with some 42% of the urban population living in small towns ranging from 2,000 to 20,000 people. The rate of growth of the urban population suggests that there is substantial rural-urban migration.

Health service coverage has been expanded, especially in rural areas. Currently, there are 5 national hospitals, 16 provincial hospitals, 130 district hospitals, 3 specific treatment centres, and 894 health centres. Over 5,000 villages are equipped with medicine-boxes, with training given to village health volunteers on how to prescribe medicines. There are now 4 rounds of immunization per year at villages, schools and hospitals, combined with campaigns to encourage use of the '3 cleans' principle.

There has been significant decline in the infant and under-five mortality rates and the under-five mortality rate MDG target will be achieved, providing the current rate of reduction continues. This has been achieved mainly because of the increasing number of children that now have access to high-impact child survival interventions, such as immunization and oral rehydration therapy. The maternal mortality rate has declined considerably (out of every 1,000 live births, about four women die during pregnancy, delivery, or within two months of childbirth), with this attributable to the increased proportion of births assisted by trained health personnel. The percentage of pregnant women who received antenatal care by health personnel also improved from 35% in 2006 to 54% in 2011-2012.

There is significant progress in contraceptive use, though further actions will be needed on the adolescent birth rate. HIV/AIDS prevalence remains low, while recent years have seen steep declines in malaria mortality and incidence, with incidence decreasing to 30% of 2000 levels such that the country has almost achieved its MDG target. Tuberculosis incidence, prevalence and mortality rates also show a steady decline, with both the detection and cure rates surpassing 2015 targets.

Youth development: The country’s demography presents a challenge in ensuring the availability of decent work employment opportunities, especially for young people. With the proportion of the working-age population expected to rise from 57% in 2005 to some 62% by 2020, Lao PDR is expected to have the highest labour force participation rate in ASEAN by 2020. Creating jobs will be challenging given that young people will be predominantly from rural areas, often with limited education or skills. Efforts continue to develop labour skills at provincial level in the 156 Labour Skills Development Centres.

Shelter: Average household size is nearly 6 people and, nationally, the average housing area is 44 sq.m (68 sq.m in Vientiane), with a high level of house ownership by both urban households (90%) and rural households (98%). The policy of the Ministry of Public Works and Transport is to: (i) encourage, through regulation, construction of hygienic and stable shelter appropriate to local conditions; (ii) integrate international best practice in construction; (iii) promote the production and use of local construction materials; and (iv) manage and control construction through regulations on the survey, design and construction of dwellings and other buildings in compliance with safety, aesthetic, convenience and resistant standards.

Water and sanitation: There is steadily increased access to safe drinking water, with 83% of the population now having access to clean water, with actions being taken to accelerate this in order to achieve the 2015 target. Both urban and rural areas have made progress, although an urban-rural gap remains. The coverage of improved sanitation has increased three-fold from the 1990s and, if trends

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1 Estimates show population growth in Vientiane of nearly 5% per annum and over 4% per annum in smaller towns, far in excess of Lao PDR’s overall population growth rate of 2.2% in 2010.
continue, the MDG target of 60% of households will be achieved. Urban sanitation coverage has progressed rapidly and a high coverage of 88% has been achieved, although renewed efforts are needed on rural coverage.

Gender equality and empowerment of women: Gender parity has steadily improved in all levels of education and the country is on track to achieve parity between boys and girls in primary education. Other levels of education also show progress, with actions aimed at children from the poorest quintile and amongst those whose mothers have no education. Initiative are also being taken on literacy rates to improve levels of female illiteracy, which are already showing improvements given higher female school enrolment rates in recent years. The share of women in wage employment in the non-agricultural sectors has increased from around 20% in 1990 to 34% by 2010, while Lao PDR has amongst the highest proportion of women in national parliament in the region.

Social protection: Social security coverage is mainly through two social security schemes, together with a community-based health insurance scheme and a number of health equity funds. The Social Security Organization is a contributory scheme for employees in both private and state-owned enterprises with 10 of more employees. It is currently implemented in four provinces and will soon be expanded into others. The State Authority for Social Security is a contributory scheme for civil servants.

Multiple crises and other emerging challenges

Economic shocks: There are moves to increase the current reserve coverage (around 2 months of imports) as a way of dealing with shocks, while rapid credit expansion is under review in order to ensure that it stimulates exports rather than leading to imports and to prevent threats to banking sector soundness. There is also agreement that any revenue over performance or under spending, together with a higher share of mining revenue should be saved. The vehicle for this will be a State Accumulation Fund to be managed by the Ministry of Finance, with the Fund intended to be used in the event of natural disasters or if the need for counter-cyclical policies arises.

Climate change and environmental sustainability: Climate-change related policy documents and legal instruments have been developed under the UN Framework Convention on Climate Change. They include the First National Communication on Climate Change (2000); the Lao National Programme of Action to Climate Change Impacts (NAPA, 2009); and the Second National Communication (2013). In addition, the government also recently developed two strategy documents—the National Strategy on Climate Change (2010) and the National Action Plan on Climate Change (NAPCC, 2013). These have encouraged integration of climate considerations into national laws and policies, including new laws on agriculture, water resources, and land use policy, and many sector strategies.

Among actions to date, efforts are being made to improve climate change forecasting and scenario development. A variety of community-based adaptation technologies have been introduced, including resilient crop varieties and species, diversified farming systems, better water management, soil improvement, off-farm income-generation, and improved facilities for domestic water supply. Emphasis on climate change mitigation is gaining ground in order to reverse the country's shift from a net sink to a net producer of greenhouse gas emissions over the past decade. Reduction in forest cover remains a concern, although the rate of deforestation has slowed. This is likely to have additional benefits in preserving the country's rich biodiversity with the coverage of National Biodiversity Conservation Areas and the areas under provincial and district protection enabling this.

Disaster risk reduction: In 2012 the National Disaster Management Office, which serves as secretariat for disaster response coordination, completed the draft National Disaster Management Plan. A National Risk Profile and Hazard Risk Assessment and Vulnerability Mapping, along with provincial-level risk profiles for high risk provinces have also been prepared. Efforts have continued to strengthen coordination and, in 2013, the first Inter-Agency Contingency Plan for disaster response was finalised. This revitalized sector cluster groups for shelter, water and sanitation, food security, nutrition, health, early recovery, communications and education to help coordinate response activities. In 2011, the Department of Natural Disaster Management and Climate Change was established under the new Ministry for Natural Resources and Environment. As part of the restructuring, the government also decreed that the National Disaster Management Office should move to the ministry, with the aim of consolidating climate change and disaster management in a single ministry.

Contingencies covered by the two schemes are similar: health; pensions; maternity; family allowance and sickness, as well as housing allowances for contributors and their families.

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Challenges and the way forward

GDP growth of 8% was achieved in 2012 despite monetary and fiscal tightening, global uncertainty, and natural disasters in Lao PDR and the main trading partner, Thailand. Activity was buoyed by mining and hydropower investments and by construction, while expansion in the services sector was indicative of resilient domestic demand. In parallel, reforms under the umbrella of WTO accession and the ASEAN Free Trade Agreement are paving the way for an improved business climate that will enhance the competitiveness of the non-resource sector.

Improvements in poverty, child and maternal mortality, as well as higher levels of gender equality, have led to better human development outcomes. Future actions will however need to address sharp variations in human development and poverty across country, as well as pockets of poverty (both urban and rural) which arise due to interlinked factors, including geography, ethnicity, livelihoods, farm productivity, ownership of land and livestock, transport, infrastructure, access to markets and credit, migration patterns and urbanization. The legacy of the Vietnam War has also contributed, with one-in-six rural villages affected by unexploded ordnance (UXO), with strong efforts being made on UXO clearance. Renewed efforts are also needed to boost human development through overcoming low productivity in agriculture, stimulating domestic job creation and encouraging labour movement out of agriculture into higher productivity and higher wage jobs.

This will, in turn, needed to be underpinned by diversification of the economy to promote more equitable and inclusive growth, such that the large rural population can obtain gains. As elsewhere, micro, small and medium-sized enterprises are expected to play a key role and accordingly, actions are required to ensure the availability of entrepreneurial and technical skills, financing, and an appropriate regulatory environment. This will need to be backed by tailored interventions for the poorest groups, including measures to increase their access to resources and markets, prevent child malnutrition, protect against health shocks, and provide education and skills training, alongside on-going efforts to improve access and infrastructure. And while, climate change is increasingly being mainstreamed into national development actions, particularly in the seven target sectors (agriculture, forestry, water resources, public health, infrastructure and urban transportation, and public finance), further efforts to implement policy and strategy priorities are essential.

There has been considerable success in mobilizing FDI. This is substantially for the resources sector (principally for hydropower and mining) and has had major impacts on budgetary revenues and exports. ODA is also substantial. Debt management and debt sustainability have improved significantly and have contributed to the country’s reclassification from high to moderate debt risk. But monitoring of credit expansion and a build-up of reserves to provide a buffer against shocks will be essential if the economic gains are not to be prejudiced.

Much has been achieved in improving governance particularly at the sub-national level, with the division of responsibilities between the national and sub-national administration in the process of being defined. In parallel, building the capacity of the National Assembly is a priority so that it can better review draft laws, scrutinize the budget and monitor the implementation of legislation.

Graduation from LDC status is underpinned by Lao PDR’s strong economic performance and, with real GDP growth of 8% in 2012, it is likely that the GNI target for graduation will be met. This has been achieved despite natural disasters frequently occurred in Lao PDR and in Thailand (its main trading partner) and the global economic downturn. This suggests that growth trends have considerable resilience and, indeed, the government’s goal is to maintain growth above 8% annually, based mainly on growth in the industrial and service sectors, while keeping the budget deficit below 5% of GDP.

- Achieving breakthrough in the Human Assets Index rests on progress in key human development outcomes. As noted, the MDG target for under-five mortality will be achieved, while gross enrolment rates are improving. Actions are, however, needed on literacy and, in particular, on nutrition with the MDG target for stunting still off-track.

- Actions on the Economic Vulnerability Index are focused on private sector and agricultural development, coupled with measures to limit the effects of economic shocks. Liberalisation of the business environment (which, as noted, has been given impetus from the country’s access to the WTO) is boosting private sector development and so helping rebalance the economy from heavy
reliance on the resources sector. Priorities in this respect include ensuring the availability of entrepreneurial and technical skills, enterprise financing, and an appropriate regulatory environment. Vocational training, mainly through the Labour Skills Development Centres, will also be crucial, particularly in making sure that rural youth inflows to labour market have the right skills.

- The *priorities for development assistance* are principally in addressing the off-track MDGs, but also in rebalancing the economy and in agricultural development. Action planning will shortly begin on the off-track MDGs and will target **MDG 1**, with the nutrition target off track and stunting in children remains a major challenge. It will also address **MDG 2** since, although Lao PDR has made steady progress towards universal primary education coverage, low survival rates pose a risk to MDG achievement.

- While **MDG 4** will be met, under-five mortality rates are still high. To achieve more ambitious targets, efforts will need to maintain the current reduction rate of more than 4 percentage points a year. This will involve tackling significant challenges, in particular reaching the poorer segments of the population and people living in remote areas.

- **MDG 5** on maternal health is off track and maternal mortality rates remain high, despite positive trends. Interventions will need to achieve high population coverage, improve the quality of services, promote facility-based delivery and prevent high risk and unwanted pregnancies. Meeting the national **MDG 9** on unexploded ordinance demands effective education and, while the clearance of high-risk areas has led to a significant reduction in casualties in recent years, the magnitude of the problem remains a daunting task.

- Other priorities are derived from the recent mid-term review of the 7th NSEDP and have a direct bearing on LDC graduation. They focus on enhanced growth in the non-resource sector through accelerating support to micro and small enterprises, principally by improving the business environment and solving market failures in enterprise finance, but also by increasing agricultural productivity. Capacity building at all level is essential. These are essential elements in enterprise growth and agricultural development and are fundamental to preparation for the ASEAN Economic Community.

Based on the recommendations derived from the Midterm Review on NSEDP implementation as well as MDG Report 3, the Lao PDR will continue to implement the Socio-Economic Development Strategy 2011-2020 through the implementation of the 7th NSEDP in order to achieve MDGs and ASEAN Economic Integration by 2015. At the same time, the preparation for the 8th NSEDP (2016-2020) will be continued in the participatory process, and sustainable development and LDC graduation by 2020 will be the main focus of the 8th NSEDP.