



Comprehensive High-Level Mid-term Review of the
Implementation of the Istanbul Programme of Action for the
Least Developed Countries (2011-2020)

Lao PDR

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Background and context	4
I. Introduction.....	5
II. The national development planning process, including key economic, social, political and environmental trends	5
III. Assessment of progress and challenges in the implementation of the Istanbul Programme of Action for the Decade 2011-2020	6
a. Productive capacity	8
b. Agriculture, food security and rural development	11
c. Trade	12
d. Commodities	14
e. Private Sector Development	14
f. Human and Social Development	16
<i>Education</i>	<i>16</i>
<i>Population and primary health</i>	<i>17</i>
<i>Youth development</i>	<i>21</i>
<i>Water and sanitation</i>	<i>21</i>
<i>Gender equality and empowerment of women</i>	<i>22</i>
<i>Social protection</i>	<i>23</i>
g. Multiple crises and other emerging challenges	24
h. Mobilizing financial resources for development and capacity building	25
<i>Domestic resource mobilization</i>	<i>25</i>
<i>Official development assistance</i>	<i>26</i>
<i>External debt</i>	<i>27</i>
<i>Foreign direct investment</i>	<i>27</i>
<i>Science, Technology and Innovation</i>	<i>28</i>
i. Good governance at all levels	29
IV. Coherence and linkages with the Post-2015 Development Agenda and other global processes	31
V. Conclusion and Way Forward	31

Background and context

The Istanbul Programme of Action (IPoA) adopted at the Fourth UN Conference on Least Developed Countries (LDCs) in Istanbul, Turkey in May 2011, constitutes an ambitious policy agenda agreed by the international community to address the challenges faced by the LDCs, based on the fundamental tenets of mutual accountability and enhanced international cooperation.

The overarching goal of the IPoA is to overcome the structural challenges faced by the LDCs in order to eradicate poverty, achieve internationally agreed development goals and enable them for graduation from the LDC category. It also recognizes that the LDCs represent an enormous potential for world economic growth, stability and prosperity.

As the midpoint of the decade-long programme of action draws near, the UN General Assembly decided to hold the comprehensive high-level midterm review of the implementation of the Istanbul Programme of Action in June 2016, in Antalya, Turkey, for a period of three days (see resolution 69/231 on the *“Follow-up to the Fourth United Nations Conference on the Least Developed Countries”*). Participation shall be at the highest possible political level.

The high-level midterm review shall result in an inter-governmentally negotiated and agreed outcome in the form of a political declaration. The review will undertake an assessment of the implementation of the Istanbul Programme of Action by the LDCs and their development partners. It will share best practices and lessons learned and identify obstacles, constraints and actions and initiatives needed to overcome them, as well as new challenges and emerging issues. The midterm review will also serve to reaffirm the global commitment to address the special needs of the LDCs countries made at the Fourth UN Conference on the Least Developed Countries and to further strengthen the global partnership for development for LDCs in all priority areas of the Istanbul Programme of Action in order to ensure its timely and effective implementation during the remainder of the Decade, while taking into account the post-2015 development agenda as it relates to the LDCs.

As a critical input for the comprehensive high-level midterm review broad-based and inclusive country-level preparations shall be undertaken by all LDCs with a view to assess progress, obstacles, constraints, actions and measures necessary to further the implementation of the Istanbul Programme.

To assist in the preparation of national reports, the General Assembly requested the Administrator of the United Nations Development Programme, in her capacity as Chair of the United Nations Development Group, to ensure full involvement of the Resident Coordinator system and country teams in LDCs in the preparation for high-level midterm review, including in the preparation of national reports.

I. Introduction

Graduation from the LDC category is an important goal of the Government of Lao PDR. Aligned with one of the key goals of the Istanbul Programme of Action (IPoA), the country aims to cross the graduation threshold for the first time by 2020. While Lao PDR did not reach this threshold during the last Committee for Development Policy (CDP) review in March 2015 it has nevertheless made important progress in each of the three criteria. These successes are linked to Lao PDR's efforts to integrate IPoA priority actions and strategies into national plans, especially the 7th National Socio-Economic Development Strategy (2011-2015). This report reflects on Lao PDR's experience to date in operationalizing the IPoA to support structural transformation and development progress. It considers both implementation successes and challenges with the aim of informing new strategies to be adopted for the next plan period to help ensure that the Government's aim of meeting the LDC graduation criteria by 2020 is achieved.

II. The national development planning process, including key economic, social, political and environmental trends

The launch of the Istanbul Programme of Action (IPoA) coincided with that of Lao PDR's 7th NSEDP (2011-2015). This plan represented the Government's medium-term development goals, served as the overarching framework for the mobilization and coordination of resources from Development Partners, and was the main instrument through which both the MDGs and the IPoA priority actions to accelerate progress towards LDC graduation were operationalized. The Government undertook a review of lessons learned during the 7th NSEDP period in 2015. That review significantly informs this National Report on IPoA implementation.¹

A follow up 8th NSEDP (2016-2020), which will be formally approved by the National Assembly in 2016, has already been made operational to support the annual planning process. This plan has been developed with a strong focus on inclusive and equitable growth and further advancing progress towards graduation from LDC status. The 8th NSEDP has also been drafted to reflect Agenda 2030 and to integrate the SDGs in support of a medium- and long-term sustainable development path.

The 7th NSEDP was implemented in a challenging environment owing to a number of international and regional incidents that both directly and indirectly impacted economic growth and social development in Lao PDR. Global issues included: (i) the debt and financial crisis in the United States and the European Union; (ii) increased global fuel and food prices; (iii) political unrest in the Middle East and North Africa; and (iv) the earthquake and tsunami in Japan in March 2011. These and other factors have slowed global and regional economic growth with impacts on Lao PDR. Domestic shocks have also affected plan implementation, especially floods during fiscal year 2012-2013 that caused considerable damage to cultivated areas, infrastructure, and housing.

¹ Lao PDR's 8th National Socio-Economic Development Plan (2016-2020) is the primary source of the data in this national report unless indicated otherwise.

Despite these issues, the Lao PDR economy grew steadily from 2011-15, with GDP growth consistently between 7 and 8 percent annually. This growth facilitated broader socio-economic development, including increased employment, enhanced agricultural production, more trade, and higher public and private investment. While debt remains a concern, it has been largely managed prudently and reduced to manageable levels. Progress has also been made in the implementation of most MDGs—many ahead of schedule. In particular, national poverty has been reduced from 28 percent in 2008 to 23 percent in 2012/13 (Lao Economic Consumption Survey V). Lao PDR's score on the Human Development Index (HDI) also increased from 0.549 in 2010 to 0.569 in 2013 when it was classified as a medium human development country and ranked number 139 out of 187 countries.²

Looking forward, despite signs of a global recovery from the financial and economic crisis, external political and economic risks are expected to persist and remain obstacles to regional and global socio-economic stability. Economic integration and cooperation through the ASEAN Free Trade Area (AFTA) and entrance to the ASEAN Economic Community (AEC) will bring benefits but also more competition. As a Landlocked LDC (LLDC) with an economy driven by the resource sector and limited diversification, Lao PDR also remains vulnerable to economic shocks originating outside the country, such as those related to commodity prices. The country will also continue to be at risk to natural disasters linked to climate change.

III. Assessment of progress and challenges in the implementation of the Istanbul Programme of Action for the Decade 2011-2020

Graduation from LDC status is a key long-term objective of the Government of Lao PDR. This is reflected by significant integration of IPoA priorities into national strategies and strong progress in each of the LDC graduation criteria.

In 2015, Lao PDR was estimated to have reached 99% of the income threshold (US \$1,232 GNI per capita compared to a threshold level of US \$1,242); 92% of the HAI threshold (60.8 compared to a threshold of 66); and 88% of the EVI threshold (36.2 compared to a threshold of 32). Continued high growth as seen in recent years will be necessary to reach the per capita income threshold at the next review. While the natural resource sector is likely to drive this growth, Government policies to diversify the economy are also critical, especially to ensure that the benefits of growth are shared more inclusively.

With respect to the HAI criterion, fulfilling the MDGs by 2015 was a core objective of the Government and was an essential element of the 7th NSEDP. But despite increases in budgetary allocations to the education and health sectors, achievement of MDG targets related to hunger, secondary education, gender disparity, adult literacy, and child mortality proved difficult. The UNCTAD review of the status of Lao PDR graduation efforts noted that improving the nutrition of children and women of reproductive age is an issue of particular importance.

² UNDP, 2014 *Human Development Report*.

With respect to the EVI criterion, Lao PDR remains economically vulnerable. Significant efforts have been made to strengthen the economy, including through building trade relationships with neighboring countries. However, there is concern that the non-resource sector is not receiving the attention it needs and greater efforts are needed for building an inclusive, broad-based economy. Private sector development and infrastructure provision are required in the non-resource sector to create quality employment opportunities, enhance rural development, and further reduce poverty. Agricultural productivity is still low and enhancing productivity is an essential ingredient for inclusive growth. Environmental management is needed not only to address the effects of climate change and strengthen resilience to natural disasters, but also to ensure that the social and environmental (and economic) impact of activities in the resource sector are fully addressed.

Nevertheless, key achievements related to IPoA implementation during the 7th NSEDP period include:

- **Productive capacity.** The Government has given priority both to increasing agricultural productivity and to developing non-resource sectors. Aligned with this effort, enhancing infrastructure in rural areas has been essential for improving livelihoods and creating equal access to public services. This has included significant investments in building roads to increase connectivity to all districts and villages, increasing electricity production and access, and expanding and modernizing telecommunications.
- **Agriculture and rural development.** Rice production increased during the plan period to meet the demands of society and nearly reach the NSEDP target. Commercial plantations have also expanded, including for coffee, cassava, maize and sugarcane.
- **International trade.** Lao PDR's international trade grew sharply during the 7th plan period and the Government made significant strides in the context of inter-governmental cooperation, including accession to the WTO and preparations for the AEC.
- **Private sector development.** While further enhancements are needed to improve the business climate and support SMEs, several initiatives have been successful: the enterprise registration process was streamlined, a fund for SMEs established, and the construction of model factories completed.
- **Education.** The Government has placed significant importance on human resources development with increased budget allocations aimed to improve and develop education infrastructure and improve teaching-learning across the educational cycle from kindergarten to university.
- **Population and primary health.** Important progress has been made to improve health outcomes, including reducing maternal mortality and controlling infectious diseases. Health networks have been expanded and increasingly reach remote areas.

- **Gender equality.** Achieving gender equality and women’s empowerment is critical to the NSEDP and the Government has aimed to promote the contribution of women to the economy, society, and political system. For example, the Lao Women’s Union has been focusing on promoting laws to protect women and enhance their role in society and a national strategic plan for promoting the advancement of women has also been completed and integrated into sector and local strategic plans.
- **Multiple crises.** To protect against natural disasters and climate change, the National Strategy on Climate Change and the National Adaption Plan of Action have been operationalized.
- **Domestic resource mobilization.** Over the five years of 7th NSEDP implementation, the Government improved revenue collection mechanisms and adopted tax reforms that have increased domestic resources available for financing development.
- **Development cooperation.** The Government of Lao PDR has for several years been committed to the Round Table Process for engaging in policy dialogue with Development Partners. The most recent High Level Round Table Meeting was completed successfully in November, including the signing of the Vientiane Partnership Declaration that will form the basis for enhancing development cooperation.
- **FDI.** The Government has strived to create an enabling environment for investors. A highlight was the opening of the one-stop service for investors.

a. Productive capacity

The Government has given priority both to increasing agricultural productivity and to developing non-resource sectors. Specifically, the 7th NSEDP made economic diversification a priority, especially shifting economic production from agriculture-forestry to industry. There has been some success in this regard in line with NSEDP objectives. The agriculture-forestry sector share of GDP decreased from 27.9 percent in 2010-2011 to 24.8 percent in 2013-2014. The GDP share of the industry sector, meanwhile, increased from 26.9 percent to 27.5 percent over the same period. This remains, however, below the plan target of 39 percent. The service sector share of GDP increased from 45.2 percent in 2010-2011 to 47.7 percent in 2013-2014.

Meanwhile, the share of labor in the agriculture sector fell from 71.3 percent in 2010 to 65.3 percent in 2015. In the industry sector, the employment share increased from 8.3 percent in 2010 to an estimated 11.4 percent in 2015. In the service sector, it increased from 20.4 percent in 2010 to 23.3 percent of the total labor force in 2015.³

³ Labor Force and Child Labor Survey 2010, MoLSW and Lao Statistics Bureau, LECS V, and 8th NSEDP.

Strengthening and developing infrastructure in rural areas is essential for continuing structural transformation, improving livelihoods, and creating equal access to public services, including for both men and women. Even with budget constraints, it is necessary to ensure prioritizing expenditures to build basic infrastructure, especially where private investment is lacking.

Roads. Government invested significantly in building roads in an effort to increase connectivity to all districts and villages. By the end of the plan period, the road network reached at least 84.2 percent of total villages. Upgrading and building of routes into 6 poor districts were also completed, including Kaleum, Duckjeung, Samuay, Saychamphone, Saysathane, and Phonethong.

The overall road network increased from 39,584 km in 2010 to 51,597 in 2014. Road upgrading has also been significant: tarred roads increased from 5,427 km in 2010 to 8,272 km in 2014. There has also been important movement to develop national highways to link domestic roads to neighboring countries along the economic corridors at the regional level aligned with ASEAN integration. Overall progress has been mixed across regions, however, with North-South and East-West economic corridors network coverage exceeding the planned figure. Construction of districts' main roads and roads in rural areas also met only 81 percent of plan targets.

Electricity. Electricity production and access for Lao citizens increased over the plan period. This is one condition or enabling factor that will help achieve the MDGs/SDGs, reduce poverty, and provide important infrastructure for commercial production. Presently, the total number of households with electricity has reached 89 percent, exceeding the NSEDP target of 80 percent. Total production of electricity was 74,481 million KWH, valued at 30,276 billion kip. Throughout the country, there have been 29 projects that are operating with a production capacity of at least 1 MW or more. The total installation capacity of these projects is 3,329 MW and they have the capacity to produce electricity of 16.14 million KWH per annum.

Over the course of five years of the implementation of the 7th NSEDP, the global economic crisis has influenced progress of energy and mining projects. Many large scale electricity development projects have either stopped or have been postponed. Nevertheless, the Government currently has agreements with local and foreign investors for a total of 357 projects (excluding those already operating). Out of these, 45 projects have concession agreements with a total installment capacity of 6,186 MW: 24 are in the process of construction; 33 are expected to begin construction before 2020; 20 have completed a feasibility study; and 206 are in the process of conducting a feasibility study and of preparing a memorandum of understanding.

Despite these positive developments the supply of electricity is still insufficient. The transmission lines for high and medium voltage are not yet connected throughout all regions and some regions still import electricity from foreign countries including China, Thailand, and Viet Nam.

Development of off-grid electrification. Lao PDR has been exploring the potential of off-grid renewable electrification. For example, Lao PDR has the capacity to develop solar power. At present, solar power has

been expanded and installed in rural areas for more than 12,709 households, or 1.3 percent of total households in 430 villages. A solar energy installation with a capacity of 236 KW, which is linked to the on-grid electricity network at parking of Wattay International Airport, has been completed. The study and design of another solar energy installation with a capacity of 150 KW at EDL Headquarters has been completed and is expected to be operational next year.

In addition, the construction of a sugarcane bio-energy station in Savannakhet was completed with an installation capacity of 39.7 MW. The biogas power factory generated by sewage from Beer Laos produces 1,500 cubic metres/day. The construction of a biomass bio-energy and ethanol production factory in Attapeu province was completed at the beginning of 2013 with an installation capacity of 30 MW. In addition, construction of the station to produce bio-energy from waste and biomass energy is on-going in Sayabouly province.

Over the 8th plan period, Lao PDR aims to further develop national sustainable energy for domestic use (through hydropower and coal) and also to research new power sources and increase the expansion of renewable energy and other alternative energy, including solar power, wind power, biomass, and biogas. In this regard, the Government aims to focus on the development and use of clean and environmentally friendly energy to protect forests and water sources.

Telecommunications. Lao PDR has also sought to modernize and expand communications. The postal network has been extended to 128 districts (88 percent of the total) and modern technologies have been applied. Telecommunication services have been expanded through a fiber optic system covering 12,304 km. This represents 72 percent of the Five-Year Plan target of 17,192 km. The objective is to have 52,726 km of fiber optics covering all 18 provinces and 145 districts. There are 5.7 million subscribed fixed line and mobile telephone numbers, covering 89 percent of the total population, exceeding by 8 percent the target of the NSEDP.

The National Internet Centre was improved with data storage and internet service to become a one door service for domestic and international communication. The internet network system has been connected with overseas systems, such as through the leasing contract with Japanese NTT for connecting the internet signal with cables under the sea for direct international connection.

The translation from English into Lao of the Common Locale Data Repository (CLDR Survey Tool) has also been completed with 6000 words or phrases with Unicode scripts to be used with various computer and mobile phone systems. A compilation of 3,814 phrases and more than 60,000 words for English-Lao-English dictionary has been completed and sent to Google in accordance with the Lao language development and promotion plan.

The design of a keyboard in Lao for various types of mobile phones—including smart phones and keyboard phones such as BlackBerry and Nokia—has been completed. The English-Lao-English dictionary program has also been completed as well as the program to change font to online Phetsalat.

b. Agriculture, food security and rural development

Rural development and enhancing agricultural productivity is at the forefront of many 7th NSEDP priorities. While much has been achieved, including in reducing poverty and connecting rural communities to important infrastructure, challenges to meeting programme targets remain. Agricultural production is not yet fully linked to processing industries and markets. While the majority of the labor force remains in the agriculture sector, labor productivity is still low because machinery is not widely used in agricultural production.

In Lao PDR, during the past four years, the agriculture and forestry sector have seen many significant achievements despite the impacts of natural disasters such as the Nok Ten and Haima typhoon, and the fluctuation of agricultural product and production input prices, which have directly affected agricultural production. Nevertheless, food production has increased, commercial production for domestic consumption and exports enhanced, and quality of production improved.

The 7th Plan implementation successes and challenges have brought lessons learned, especially for supporting rural poverty eradication among multi-ethnic populations. For example, it is important to focus on building a political foundation from the grass roots level to support comprehensive and sequenced rural development. Mechanisms and systems need to be enhanced for coordination between sectors and central and local government to ensure harmony of implementation. Attention should also be paid to strengthening the capacity of government officials to work at a grass roots level and support people doing the actual work.

Agro-forestry technical centers. There are now 243 agro-forestry operational technical service centers throughout the country. There are 64 service centers at provincial level, 123 service centers at district level, and 81 service centers at *Kum Ban* level. These centers support technical improvements to agricultural productivity. Efforts have been made to support enhancing production, such as supporting local villagers so they have better knowledge and understanding of new plantation or livestock-husbandry techniques. There has also been an effort to research and produce different types of rice and cash crops. Research and breeding of aquatic animals and livestock has also been completed.

Food security. Rice production was able to basically meet demand of the society and come close to NSEDP targets. The average total rice production over the past five years was 3 million tons per annum. In FY2010-2011 and FY2013-2014, 3.1 million and 4 million tons of rice were produced respectively, and in FY2014-2015, 4.1 million tons were produced. This was equivalent to 96 percent of the plan target of 4.2 million tons. Success was not uniform across rice varieties, however. While rain-fed rice farming system production of upland rice production met plan targets, dry season rice production only accounted for about half of the plan target owing to several factors: climate change and low levels of rainfall compared to previous years; ineffective irrigation systems and damaged canals not repaired in time for the production season; unstable electricity network; water parasites; high production costs; and shifting of rice growing areas into residential land and road networks.

Commercial food production. Commercial plantations have expanded, including for coffee, cassava, maize and sugarcane. The Government has adopted programmes to support and promote commercial production and the private sector has increasingly invested in agriculture and agro-processing for export.

- **Coffee:** Coffee is grown in Champasak, Saravan and Sekong provinces and has both domestic and international market potential. Production increased from 52,010 tons in FY2010-2011 to 99,780 tons in FY2014-2015, exceeding the NSEDP target of 55,300 tons.
- **Maize:** Increased from 917,715 tons in FY2010-2011 to 1.11 million tons in FY2014-2015. This represented 95 percent of the Plan target of 1.17 million tons.
- **Cassava:** Increased from 743,190 tons in FY2010-2011 to 1.52 million tons in FY2014-2015. The Five-Year Plan target of 640,000 tons was far exceeded.
- **Sugarcane:** Production reached 1.75 million tons in FY2014-2015, equivalent to 81 percent of the Five-Year Plan target of 2.15 million tons.
- **Tobacco:** Production declined over the plan period from 81,175 tons in FY2010-2011 to 64,600 tons in FY2014-15. The target of the 7th NSEDP was 90,000 tons.
- **Peanut:** Production yielded 70,195 tons in FY2010-2011 and declined in 2014-2015 to 66,500 tons. The target of the Five-Year Plan was 70,000 tons.
- **Non-timber forest products:** Production of bamboo exceeded the Plan target with an estimated 2.16 million culms produced in FY2012-2013 (the five-year target was 1 million culms). Production of firewood also exceeded the Five-Year Plan target of 10-12 thousand cubic yards, with production of 40,900 cubic yards in FY2012-2013.

Irrigation. Irrigation linked to improved agricultural productivity was another critical goal of the 7th NSEDP. However, damaged irrigation systems due to the rainy season of 2011 and the constrained ability to repair systems in a timely fashion led to difficulty meeting irrigation targets, as only about 50 percent of plan targets were reached. Nevertheless, an achievement has been the implementation of 11 sprinkler irrigation projects in the Takokkoun Technical Service Centre (Bolikhamxay) and Napork Research Centre to water corn and soybeans.

c. Trade

Lao PDR's international trade grew sharply during the 7th plan period and the Government made significant strides in the context of inter-governmental cooperation, especially in the context of WTO accession and preparations for the AEC.

Lao PDR achieved membership of the WTO on 2 February 2013 after 15 years of preparation and trade negotiations. This achievement is a testament to the Government's commitment to increase Lao PDR's participation in international trade. WTO membership more fully integrates Lao PDR into the international

economy and offers the country the opportunity to take advantage of LDC-specific trade support for WTO members.

Meanwhile, preparations for integrating into the AEC over the plan period have been on-going, including the introduction of implementing measures to ensure readiness by 2015. These include reduction of tariff rates as specified in the Common Effective Preferential Tariff (CEPT) scheme. Lao PDR now has a total of 9,558 tariff lines in compliance with the agreed ASEAN tariff code. In 2012, there were 9,110 tariff lines with tariffs lower than 5 percent, equivalent to about 95 percent of total tariff lines. For new ASEAN members (CLMV), there is an extended timeframe for tariff reduction up to 2018. The preliminary tariff list has been established and is in the process of approval from the Government.

In the area of trade facilitation, Lao PDR has participated in the ASEAN Pilot Project 2 with Indonesia and Philippines, for example, to allow business units to issue certificate of rule of origins by themselves. Another important task is the elimination of non-tariff barriers and a detailed implementation plan is being developed with implementation expected from 2013-2015. In addition, Lao PDR has also participated in Free Trade Areas of ASEAN–China, ASEAN–Japan, ASEAN–Republic of Korea, ASEAN–India, and ASEAN–Australia–New Zealand.

Additionally, Lao PDR has participated in negotiations on ASEAN Service Liberalization. The specification of service sectors is implemented in line with WTO sector classification. Under the ASEAN Framework Agreement on Services, 10 main sectors and 128 subsectors will be liberalized. In Lao PDR, 89 subsectors have been liberalized out of the total 128 subsectors of 10 main sectors.

The plan period saw significant progress in the removal of trade barriers by developed countries for Lao PDR. The indicator on tariffs for Lao exports (especially agriculture, clothes and textiles) to developed countries, for example, has decreased. Countries that have given Most-Favored Nation (MFN) status to Lao PDR have reduced tariffs more than half of the 1990 level. In addition, countries that have given Preferential Trade Agreements to Lao PDR have reduced tariffs by more than half. Developed markets also admit 99 percent free of duty for agriculture products, clothes, and garments from Lao PDR.

Meanwhile, over the past few years, the domestic market has been opened and developed, and the quantity and value of annual trade has increased consistently. Market development and infrastructure construction has expanded and there in 2014 there were 753 markets throughout the country—a large increase over the plan period. Markets in urban areas have expanded which facilitates the exchange, buying, selling and trafficking of goods and distribution to rural and remote areas. Prices of goods have been closely monitored on a regular basis, especially strategic and sensitive goods, in order to ensure balance between supply and demand through price structure management. The Government has also launched an important online information center to provide information and facilitate import-export of goods by business sector.

The result of all these efforts is an increase in international trade over the programme period. The gross value of exports during the last five years is estimated to be US\$14,108 million, with an annual growth

rate of 12 percent (the plan target is 18 percent per annum). The main export products are minerals and mining products (48 percent), processing industries (23 percent), hydropower (16 percent), agricultural goods (8 percent), wood and wood products (4 percent) and others (2 percent). Main export destinations are Thailand (47 percent), Australia (13 percent), China (13 percent), Vietnam (12 percent), Netherlands (2 percent), Germany (2 percent), Japan (2 percent), and others (9 percent).

The gross value of imports is estimated to be US\$17,922 million with an annual growth rate of 19 percent. The main imports consist of construction materials (19 percent of the total), vehicles and spare parts (19 percent), petrol and gas (17 percent), industrial inputs (12 percent), electrical appliances (11 percent), household supplies (7 percent), and others (16 percent).

The current trade deficit is expected to be US\$3,813.49 million, or equivalent to 27 percent of the total export value. The deficit was caused by large imports of domestic and foreign direct investment supporting equipment, as well as imports of oil, vehicles, construction materials, agriculture tools, etc.

d. Commodities

Progress has been seen during the plan period in the area of processing industries to support economic diversification away from resource sectors. The gross production value of processing industries over the plan period was 25,159 billion Kip, with an average annual growth rate of 13 percent. Key industries include food processing (21 percent of total processing production), spare parts (18 percent), mineral products (16 percent), and beverages (15.5 percent).

At present, 18,927 ha of land has been identified and allocated for use as industrial zones. Of this land 13,790 ha is State-owned while 5,137 ha is privately owned. These areas are serve existing factories that would otherwise be relocated and for newly established factories. In FY 2012-2013, there were 206 factories operating within these zones. In Vientiane Capital, for example, the construction of the industrial zones and parks has been completed in Vientiane Non Thong Industrial and Trade Area (VITA Park) located 22 km from Non Thong village, Saysetha District, with a total land area of 110 ha. At present, over 60 percent of the zone has been developed with 28 companies registered with total investment value of more than US\$40.6 million.

Nevertheless, economic growth remains based primarily on the natural resource sector and economic development in the future will need to continue to give priority both to increasing agricultural productivity and to developing non-resource sectors, particularly enhancing small and medium-sized enterprises.

e. Private Sector Development

While further enhancements are needed to improve the business climate and support SMEs, several initiatives have been successful:

- **Improved regulations.** The Decree 42/PM was upgraded into a Law on SMEs in 2011.
- **Streamlined procedures.** The enterprise registration process was improved to facilitate streamlined, easier, and cheaper processing. The total number of days required for the registration was reduced from 60-90 to 3-10. It also used to require 18 copies of documents but now only 4-6. The permit issued is also now permanent (i.e., renewal is not required).
- **Access to finance.** There have also been improvements of access to finance by SMEs. For example, the Government successfully set up an SME fund with a contract with the Lao Development Bank to manage SME loans. Fund management regulations have also been completed, with compliance to the National Treasury.
- **Business education.** The Ministry of Education and Sport and other concerned agencies integrated the business operation manual into the educational curriculum. The curriculum has been piloted in a number of general schools and will be integrated eventually into courses at vocational schools and universities.
- **Enterprise development support services.** The service provider network was launched to provide business development consultation, research and support.
- **Enhancing business opportunities and linkages.** A cooperation mechanism between large and small enterprises was launched in an attempt to enhance the use of products and services provided domestically by small enterprises. In addition, another research effort was conducted to create an information database on business potential for investment by large enterprises and public sector.
- **Model SMES.** To promote the increase of productivity and to upgrade quality and standard of the SMEs goods and services, the Government completed the implementation of a project to construct a model factory in both quality and quantity. Of the 4 factories, Indochina Cassava Flour Factory received the ASEAN Outstanding and Fast Growing SME Award. At present, the Ministry of Industry and Commerce and concerned sectors are in the process of building up the system as well as setting up agency for certifying SME quality and standards.

Nevertheless, further efforts are needed to improve and upgrade the investment climate and promote private investment in non-resource industries. For example, Lao PDR was ranked 134 out of 189 countries worldwide in the World Bank's Doing Business Indicators in 2016.

f. Human and Social Development

Education

Human resource development in Lao PDR has not been sufficient to meet the demands of society and the labor market. It is critical to focus more attention on education, especially to reduce repetition and drop-out rates. For example, the survival rate of primary school students reached 77.5 percent in FY2013-2014—very low compared to neighboring countries and well below the 2015 target of 95 percent.

With this in mind, the Government has placed significant importance on human resources development and has allocated increased budget to education, which now comprise 17 percent of total government expenditure. Key aims are to improve and develop education infrastructure and improve teaching-learning across the educational cycle from kindergarten to university.

Project implementation has been focused largely at the local level, mainly for the development of improved quality education projects, accelerated education for all initiatives, basic education development, dormitory building for students, and providing school lunch and food supplements. Projects were implemented in 30 districts in 6 target provinces and contributed to increased attendance rates and reduced drop-out rates. There has also been expansion and improvement of technical schools, such as the development of a new curriculum for vocational study to respond to the demands the labor market. Fewer than 7 percent of the students studying at the level of vocational and college level choose vocational education. This is linked to a misalignment of education and labor market demands.

Examples of projects include:

- An information, communication and technology (ICT) project has been implemented to improve secondary education. With support from the People’s Republic of China, model secondary schools are being constructed in each province and will be linked with an ICT Centre at Ministry of Education and Sports (MoES) in Vientiane.
- To eradicate illiteracy, mobile teaching has been piloted to teach children between 6-14 years old outside school in the remote areas in three provinces (Savannakhet, Khammouane and Sekong) under the Education for All programme. The main challenge in implementing this task is the lack of teaching materials and teachers, as well as the limited budget.
- Infrastructure for vocational education institutions have also improved, especially in Savannakhet, Sekong and Attapue provinces. In addition, there is also a policy to provide allowances to students from poor families and remote areas.

Block grants have been provided for school administration to nationwide. Kindergarten, primary schools, secondary schools and high schools receive 20,000 Kip per person per year. This has gradually improved

the quality and quantity of Lao education which is evidenced in the implementation of various education targets.

- The school enrolment rate for children between 3-5 years increased from 22.1 percent in FY2009-2010 to 33 percent in FY2012-2013.
- The school enrolment rate for children at the age of 5 preparing for primary school reached 66 percent in FY2014-2015 (above the plan target).
- Net primary school enrolment rate increased from 92.7 percent in FY2009-2010 to 98.6 percent in FY2014-2015.
- The literacy rate among the age group of 15-24 reached 89.1 percent, below the target for 2015 of 99 percent.
- The literacy rate of the population above 15 years old has increased from 81.7 percent in FY2012-2013 to 93.6 percent in FY2014-2015—above the target of 87 percent.
- Enrolment rate at secondary level also exceeded plan targets: at lower secondary level it was 78 percent in FY2014-2015 (plan target is 75 percent) and at upper secondary level it was 45.7 percent (plan target is 43 percent).
- The repetition rate of primary school students was reduced from 15.2 percent in FY2009-2010 to 6.9 percent in FY2013-2014.
- The number of villages declared as completing compulsory education (primary) increased from 80 percent in 2011 to 98.3 percent of the total villages in 2014.

Although investment has been put into building more educational infrastructure, repetition and drop-out rates are still too high. And gender disparities in education remain: the ratio between girls and boys at primary school is 0.95, at secondary school it is 0.91, at high school it is 0.84, and for vocational education it is 0.6. This suggests that the higher the level of education the wider is the gender disparity.

Significant disparities also remain in school attendance and survival rates exist between rural areas without road access and amongst the children from the poorest group and children of mothers with no education.

Population and primary health

Substantial achievements have been observed in the areas of population and primary health. Health networks have been widely expanded and increasingly reach remote areas⁴:

- Presently there are 985 health service centres, 840 of which are capable to render birth delivery services.
- There are 135 district hospitals, 20 of which are capable of conducting surgery.

⁴ Report on FY 2013-2014 Plan Implementation, Lao PDR Department of Healthcare.

- There are 17 provincial hospitals which are able to carry out general treatment service activities, can execute general and urgent surgery, and can receive patients transfer from district hospitals for birth delivery by operation.

Some provincial hospitals have improved their services and are capable of service quality equivalent to the central hospitals. These centres can continue to develop and transform themselves to become regional hospitals in the future. There are five central hospitals and three specialized treatment centers and 16 private hospitals which officially operate in accordance with regulations (10 in Vientiane Capital and 6 in the provinces). There are 1,044 private disease diagnosis rooms which have been approved by the Ministry of Health to be officially opened (377 in Vientiane Capital and 667 in local areas).

There has also been a focus on building model health villages.⁵ Presently there are 5,492 model health villages covering 64.8 percent of the total number of villages across the country. Including in these, 290 villages of the Government focal point villages groups covering 59.2 percent the total.

Nevertheless, significant challenges remain, including for reducing child and infant mortality.

Selected health outcomes include:

- The percentage of births with help of medical staff is 58 percent, exceeding the 50 percent target for 2015.
- The mortality rate of children below 1 years of age has decreased from 68 per 1,000 live births in 2011 to 32 per 1,000 live births in 2015 (target was 45)
- Mortality rate for children below 5 years of age mortality was 79 per 1,000 live births in 2011 and 72 persons per 1,000 live births in 2012 (the target was 70 persons).
- Children below 1 years old having received vaccines was 85 percent in 2013 (the target was 90 percent).
- Use of birth contraception reached 49 percent in 2014 (target was 55 percent).
- Share of those receiving adequate pre-natal medical checkups reached 46 percent in 2014 (target was 69 percent).
- Maternal mortality rates currently remain at 220/100,000 live births, as per the assessment by WHO in collaboration with the United Nations Secretariat, the United Nations Children's Fund (UNICEF), the United Nations Population Fund (UNFPA) and the World Bank. Based on these figures it can be shown that that Lao PDR has achieved the target in 2015 (260/100,000). But the survey on the index marking Lao society suggested that the maternal mortality rates remain at 357 per 100,000 live births.⁶

Meanwhile, a comparison with 2006 MICS data suggests that the equality gap has widened or remained the same, with better-off and urban families recording improved livelihoods and faster progress.

⁵ Report on Health Village Establishment 2013-2014, Lao PDR Department of Hygiene and Health Promotion.

⁶ Report on 2013-2014 Plan Implementation on Tuberculosis, Lao PDR Tuberculosis Centre.

Therefore, to achieve further reductions in infant and child mortality, better service provision to this segment of the population and appropriate investment in the health sector to reach the poorest population living in the remote areas is required.

Another challenge is to ensure provision of funding for maternal, neonatal and child health services in a sustainable and predictable manner. Capacity strengthening for health personnel and administration as well as improving supply and management system is also needed.

Meanwhile, despite the positive trend of maternal and reproductive health service indicators, the country's progress towards this goal is not on track due to the following issues: the relatively low rate of facility-based delivery and the poor quality of health services. Interventions required are those that can achieve high population coverage, improve the quality of services, and promote facility-based delivery.

Contraceptive prevalence rate and antenatal care coverage is also progressing slowly. Additional funding support is needed to implement various projects such as focused on: childcare and free maternal services, reproductive health, family planning, immunization for women at reproductive age, and skilled birth attendant building.

With regard to the prevention of HIV/AIDS and other STDs⁷, the number of consultation venues has been expanded to 165 across the country (55 at the provincial level, 89 at the district level and 21 health centers).

HIV infection rates have largely met targeted levels:

- The current HIV infection among the general population is at 0.3 percent (the target for 2015 was < 1 percent).
- The rate of HIV infection among sex workers aged 15- 49 is 1.2 percent (target for 2015 was <5 percent).

But targets for prevention and treatment have not been met:

- The ratio of sex workers using condoms is 92.5 percent (target for 2015 was 95 percent).
- The ratio of adults and children infected with HIV being treated with anti-viral medicines is 53.4 percent (target for 2105 was >90 percent).

ART coverage has also increased but still needs to improve. The problem appears to be inadequate reporting, identification/diagnostics, and increasing demand for medical treatment. To reach the national targets by 2015, a number of actions are recommended: building partnerships with key affected populations, groups and networks; strategically addressing needs related to mother to child transmission; securing access to treatment for all; and increasing the domestic financial contribution.

⁷ Report on 2013-2014 Plan Implementation on HIV/AIDS and STD Control and Prevention.

The strategy on malaria control has been quite effective leading to the widespread use of bed nets amongst adults and children. The National Bed Net Survey found that 81 percent of children under five years of age slept under insecticide-treated bed nets and that 98 percent of children slept under one kind of bed net or another.⁸

Nevertheless, the malaria outbreaks in 2011 in five southern provinces have become an issue that needs special attention in order to ensure that it is not spread to other areas and pose threats to people's livelihoods. The outbreaks were associated with large-scale development projects that may transmit new kinds of acute malaria and there was a possibility that it caused drug-resistance malaria amongst the local populations. The expansion of certain livelihoods is increasing exposure to the newly virulent malaria.

The ratio of people with access to clean water was 84 percent in 2014, exceeding the 80 percent target set for 2015. The ratio of people with access to sanitation facilities was 65 percent, again exceeding the target of 60 percent set for 2015.

Child Nutrition. Improving child nutrition requires effective collaboration and shared responsibilities among the concerned agencies, including health, education, agriculture, environment, industry and commerce. This is to ensure food security and nutrition from the household to the national level.

Lao PDR established the National Committee for Nutrition and there have been efforts in promoting hygiene and disease prevention related to changing behavior according to the '3 clean' principles: drinking boiled water, eating cooked food, using latrines. The most important aspect is promoting better eating behavior of children, such as emphasizing the importance of all food groups and providing milk and food supplements to children at schools. Other efforts include distributing Vitamin A, de-worming medicines, and iron and zinc for children and women in reproductive health age.

But despite these efforts, Lao PDR has faced challenges in meeting NSEDP and MDG nutrition targets, such as the prevalence of underweight children less than 5 years old. Based on the Multiple Social Indicator Survey (MICS) in 2011, the share of underweight children was 27 percent compared with the target of 22 percent by 2015. Meanwhile, the prevalence of stunting in children under 5 years of age (chronic malnutrition) is also still lagging: it was 38 percent compared to the 2015 target of 34 percent.

There are also high inequities in stunting and underweight levels between children from the poorest and the richest quintiles. Stunting is more pronounced in rural areas and amongst children from ethnic groups living in remote mountainous areas, which is caused by insufficient food consumption. Nevertheless, this issue is related to many factors beyond food consumption. The process of stunting begins before birth and proper care and feeding practices afterbirth are very important in reducing child malnutrition, especially before the age of 2.

⁸ Report on 2013-2014 Plan Implementation, Centre for Parasitology, Entomology and Malaria Control.

Lao PDR has, however, a number of opportunities to accelerate progress in reducing malnutrition. First, the country's sustained economic growth provides fiscal space for increased allocations to social sectors. Second, the country's health reforms have already identified the priorities and thus are supportive of rapid implementation. Third, it can be seen that private sector and international partners have provided significant assistance in nutrition areas, such as multiple micronutrient supplements for infants—a highly promising initiative.

Youth development

Lao PDR has small population compared to that of neighbouring countries and the majority of the population is young: 60 percent are below age 25. This represents a higher share of young people compared to Viet Nam, Thailand, and Cambodia. But at the same time the Lao PDR youth population is relatively low skilled and not yet able to meet current development and labor market demands.

The continued low contribution of young workers to the economy will result in a lost opportunity to gain from the 'demographic dividend', the boost in economic productivity and growth that comes when there is a relatively larger share of the population in working age. With this benefit in mind, the Government has been focusing on improving and developing human resources, especially through increasing investment in education and health. The Government has also focused on initiatives for young people to develop skills appropriate to the market along with efforts to promote healthy and safe lifestyles for young people.

For example, the friend-help-friend project was launched to reduce school dropout rates, address the use of illicit drugs, prevent road accidents, and limit criminality. Attention was given to promoting good mental health and appropriate behavior in young people through building infrastructure to facilitate youth development, such as construction of the Youth Centre, Adolescent Centre, and youth training centres.

This was part of a larger campaign to help young people become more knowledgeable, skilled and capable. In connection to the projects for the Adolescent Centre and youth history hall, the Lao Youth Union developing training activities for enhancing the capacity of youth leaders for leadership, among other skills. Vocational trainings in other fields such as beauty, salon and tailoring have also been conducted in several provinces. There was also a national training session for young journalists and media.

Water and sanitation

Lao PDR adopted important initiatives to expand the water supply and sanitation services into rural, remote and poor areas. For example, development along the sub-Mekong region corridor (financed through loans and ODA) has been pursued along with completion of several water supply and sanitation projects throughout the country (e.g., the Dongmakkhai water supply project).

Also implemented is a national integrated water resources project that includes improvement of laboratory facilities for testing water quality, development of a national water strategy and policy, and completion of surveying areas for piloting initiatives for training, research, and raising environmental consciousness.

As a result of these and other activities, the target of halving by 2015 the proportion of people without access to sanitized water was achieved at 84 percent in 2014 (above the 80 percent for 2015). Moreover, the proportion of population using sanitation facility was 65 percent in 2014—the target of 60 percent in 2015 has been achieved

Gender equality and empowerment of women

Achieving gender equality and women's empowerment is critical to many NSEDP targets and the Government has aimed to promote the contribution of women to the economy, society, and political system. For example, sector planning aims to take into consideration gender issues, including in the education sector where the focus has been on expanding education services for girls. But despite these efforts there are still disparities in school enrolment ratios of girls to boys and the difference increases with the level of education.

Literacy rates are also lower for females than males, especially in rural areas without road access, and amongst the poorest groups. The ratio of literate women to men in the younger population (age between 15-19 years) is better than it is in older groups. This could be due to increased school enrolment for girls that has been seen in recent years.

The share of women in waged employment in non-agriculture sectors increased from approximately 20 percent in 1990 to 34 percent in 2010—though this figure is still low. The limited participation of women in the labour market may be related to the high proportion of women in unpaid family work. The male workforce also remains better educated than the female workforce and women are more likely to be involved in non-stable employment, self-employed or engaged in unpaid family work; 65 percent of women work in these areas compared to 35 percent of men.

The Lao Women's Union (LWU) has been focusing on promoting laws to protect women and enhance their role in society, including operationalization of the Convention on Eliminating All Forms of Discrimination Against Women (CEDAW). Efforts have included conducting workshops for women's groups and promotion through newspapers, magazines, and television programmes. These efforts at promoting gender development and equality through the media have increased at both the local and national level. The LWU at each level has also improved their own capacity, including in terms of leadership, work planning, and training.

The LWU has also provided counselling services on the protection of women and children's rights by working in conjunction with concerned organizations and providing training to consultants to ensure their effectiveness. The LWU has also been working closely with Ministry of Health to provide basic knowledge training on nutrition at the village level to both females and males.

To encourage enhanced participation in the economy, the LWU has designed a training curriculum and conducted vocational trainings to support 8,791 poor women and 1,009 deprived people (1,003 were women). There are also important initiatives at the village and grassroots level to support women's access to finance. For example, Village Saving Groups related to women's unions have been launched in 84 villages and 6 districts with a total of 35,124 members and revolving funds of more than 121 billion kip. The objective is to support commercial production and assist in the case of sickness or disability. A microfinance institution focusing on services for women was also established in 2009 with the approval by the Bank of Lao PDR and thereafter opened for services in 5 branches. These institutions now have 2,777 clients and total deposit of approximately 2 billion kip.

The LWU has also continued cooperation with women's organizations in other countries, especially in ASEAN. For example, Lao PDR hosted the 1st ASEAN Ministerial Meeting on Women, which adopted the Vientiane Declaration on "gender promotion and ASEAN women's partnership for sustainable environment".

There has also been progress in other areas to promote gender equality. Notably, the 7th NSEDP included actions for promoting the advancement of women and was integrated into sector and local strategic plans. Furthermore, government officials have been trained in relation to gender roles and the promotion of advancement of women, including related to CEDAW and for the elimination of all kinds of violence against women. The website of the National Commission for the Advancement of Women has been developed (www.laoncaw.gov.la) and advocacy materials such as the 6th and 7th National Periodic Report on the implementation of CEDAW developed. Seminars and trainings on gender at sector and local levels have also been conducted to highlight the importance of gender equality and end domestic violence against women and children.

There has also been a reorganization of the National Commission on Mother and Child (NCMC) at the central and provincial levels. The NCMC has carried out the dissemination campaigns on child rights, printed and distributed CRC booklets on the organization and implementation of the NCMC, Mother and Children Strategy 2011 – 2015. The Mother and Children Action Plan 2011 – 2015 was also produced. In terms of specific activities, the NCMC has also been working closely with the Ministry of Health and local authorities to carry out immunization programmes.

Social protection

Social protection mechanisms have been improved and the Government has created legal instruments to improve the basis for implementation. For example, the labor law has been enhanced and a law on social

security drafted with a decree on increasing the minimum wage for the labor force working in business, production and service units (from 626,000 Kip/month to 900,000 Kip). A decree on social relief for the disabled was also drafted.

Other changes have led to increased Government support to vulnerable populations. Coverage of social and health security has expanded, including for the disaster affected, elderly, and disabled. For example, efforts have been launched to raise assistance from domestic and external sources to relieve the hardship for the victims of disasters. This has resulted in significant assistance to the victims of natural catastrophe, displaced people and the people who are deprived of opportunities (approximately 205,054 families costing 49.8 billion Kip).

Better support has also been provided to the elderly and disabled, with financing from the central down to local areas. In addition to finance, increased in kind material support has been provided, social opportunities and chances for exchanges of views arranged, and free health examinations given. Handicapped associations have been enhanced to protect rights and benefits—though their membership still represents only a relatively small portion of the total population.

Nevertheless there are many pending issues in the area of social welfare and sufficient, predictable and sustained investment is required to improve the quality and access to quality social protection. For example, there are important issues related to the coverage and scope of pensions as well as for health care service for the elderly, homeless and underprivileged. The 8th plan is making social protection a priority, as one of the key priorities will be to establish and improve a social insurance system and expand its coverage widely and effectively to ensure that the rights and interest of workers and the poor are protected. This includes establishing a mechanism to manage and protect child benefits and encouraging workers and people in all professions to contribute to the health insurance fund.

g. Multiple crises and other emerging challenges

Experiences during the 7th NSEDP demonstrated that Lao PDR is vulnerable to economic and natural disasters. The Government has already taken important steps to improve the country's resilience to these shocks and more is planned during the 8th NSEDP period. For example, to protect against natural disasters and climate change, the National Strategy on Climate Change and the National Adaption Plan of Action have been structured and operationalized.

Several other specific projects have also been implemented. For example:

- A project on flood and drought risk management and mitigation is in the review process in accordance with the proposal from relevant sectors and will be jointly implemented by the Ministry of Agriculture and Forestry and the Ministry of Public Work and Transport.

- The GMS project on initiatives to reduce impact of climate change on women has been implemented.
- The investment plan for regional cooperation in GMS (2012-2022) has been completed.
- Activities have been implemented under the ASEAN Sub-committee of Meteorology and Geography Program (SCMG), such as installation of the early warning system on natural disasters.

Moving forward, several initiatives are targeted in the 8th plan with the aim of being proactive on managing economic and natural risks. Among other targets, the Government plans:

- Expanding modern and effective agricultural production by applying advanced science and technology into primary production;
- Providing production technical services and promoting their use by 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 etc.;
- Budgetary risk prevention measures (e.g., reducing off-budget expenditures);
- Establishing a risk reduction fund to help alleviate the burdens of production costs for farmers during agricultural product price fluctuations’
- Establishing and improving the station networks and warning systems of the six priority river basins in the central and southern region;
- Establishing a more effective management and prevention plan against natural disasters (e.g., systems for early warning, response, assistance, emergency evacuation, and assets and recovery systems);
- Improving two earthquake warning stations and establish five new stations in the northern region;
- Establishing a national fund for prevention and a national fund for climate change research as a key mechanism to respond to climate change impacts and promote research and innovation in the sector;
- Mainstreaming plans for adaptation to climate change in at least three sectors: water resources, agriculture and public health.
- Producing a disaster risk reduction plan for eight provinces, 45 cities and 160 villages, as well as one national and at least two local level readiness and response plans.☐

h. Mobilizing financial resources for development and capacity building

Domestic resource mobilization

Over the five years of 7th NSEDP implementation, the Government initiated efforts to improve mechanisms and arrangements for revenue collection. Total revenue collection during the five years was 98,911 billion Kip which accounted for 24.4 percent of GDP—this exceeded the five-year plan target of

between 19-21 percent of GDP. In FY2010-2011, revenue of 14,310 billion Kip (22.9 percent of GDP) was collected and in FY2014-15 the figure was 24,587 billion kip (24 percent of GDP).

Overall domestic revenue collected during the NSEDP period was 75,691 billion Kip (18.6 percent of GDP). The five-year plan target was 16-18 percent of GDP. In FY2010-2011, 10,601 billion Kip (17 percent of GDP) was collected and in 2014-2015, domestic revenue was 19,923 billion kip (19.5 percent of GDP).

Nevertheless, additional tax-base broadening and administration improvement have the potential to yield substantial additional domestic revenues. The Government has discussed further tax reforms with Development Partners, especially the IMF. Proposed revenue measures include: broadening the tax base by eliminating exemptions, flattening the personal income tax rate schedule, and strengthening tax administration, such as by establishing a large taxpayer unit and raising the threshold at which VAT registration becomes compulsory.⁹

Official development assistance

The Government of Lao PDR has for several years been committed to the Round Table Process (RTP) for engaging in policy dialogue with Development Partners. The most recent High Level Round Table Meeting (RTM) was completed successfully in November, including the signing of the Vientiane Partnership Declaration that will form the basis for enhancing development cooperation.

The RTP supports mutual accountability for the national development effectiveness agenda. It calls for efforts to increase collaboration around the implementation and assessment of progress of national development plans and the timely sharing of information on aid flows. Within the RTP, RTMs take place every three to five years and Round Table Implementation Meetings (RTIMs) annually. Both provide government and partners with the opportunity to review progress of NSEDP implementation as well as to discuss critical emerging issues. The RTP supports also alignment of ODA with national priorities. For example, at the most recent RTM participants voiced support for the 8th NSEDP and committed to working with the government to ensure their development assistance is aligned.

The RTP is complemented by 10 Sector Working Groups, which stimulate substantive dialogue on progress and support coherent development planning at sector and provincial levels. The creation of the SWG mechanism has also improved collaboration. Chaired by the relevant Government ministries, each SWG now plays a meaningful role in supporting NSEDP formulation and implementation, especially ensuring that sector priorities are reflected in national plans.

According to Government of Lao PDR data, during the 7th NSEDP period, the country mobilized 28,858 billion Kip (US\$2.9 billion) of ODA—reaching 92 percent of the plan target (30,000-33,000 billion Kip).

⁹ IMF Lao PDR 2014 Article IV Consultation.

Of this ODA, grants and loans increased from 5,355 billion Kip (US\$630 million) in FY2010-2011 to 6,376 billion Kip (US\$795 million) in 2013-2014. The use of grants and loans (ODA) focused mainly on socio-cultural (grants) and economic sector (loans). The social and cultural support has targeted the MDGs and economic sector support has targeted infrastructure, such as energy, mining, agriculture and forestry, public works and transportation. Bilateral support covers about 60 percent of total cooperation.

External debt

According to the most recent debt sustainability analysis (DSA) by the IMF and World Bank,¹⁰ the risk of Lao PDR facing external debt distress remains moderate. But attention is needed to ensure this position is sustained as the country is considered to be on the cusp of a transition to high risk, with heightened vulnerabilities for public debt. According to the DSA, external debt distress indicators have risen, including a higher external debt stock and likely less concessional borrowing terms over time. Buffers are also limited in the case of adverse shocks. The analysis suggest heightened efforts to reduce vulnerability, such as through fiscal consolidation and by strengthening public investment management capacity.

Specifically, public and publicly guaranteed debt (excluding unidentified arrears) is projected at 60 percent of GDP in 2014 (52 percent of GDP in present value terms), requiring immediate attention. Maintaining the current policy trajectory would increase public debt to about 65 percent of GDP in the medium term, making it unlikely that the Government will achieve the target of 40–45 percent of GDP by mid-2020. Owing to significant reliance on external borrowing, public debt is also sensitive to large, abrupt exchange rate movements. The nominal stock of PPG external debt has been mainly the result of higher borrowing from Thailand and China and investment in power generation projects.

Bilateral creditors are owed a larger share than multilateral creditors and this trend is expected to continue. Bilateral creditors—mainly China, Russia, Thailand, Japan, and Korea—accounted for 64 percent of total external PPG debt at end-2013. Debt service has been provided by the Government in a timely manner and in line with contractual terms, resulting in improved trust by investors with regard to the Government’s financial status. These efforts have contributed to a better environment for business enterprises.

Foreign direct investment

The Government has strived to create an enabling environment for investors. Private investment covers more than 50 percent of the total and, in addition to mobilizing further funds, ensuring that the quality of these investments in terms of their development impacts is essential.

¹⁰ IMF Lao PDR 2014 Article IV Consultation.

Domestic and foreign private investment during the plan period reached 154,798 billion Kip (US\$17,413 million), equivalent to 129 percent of the plan target (the 7th NSEDP target is 64,000-71,000 billion Kip or 50-56 percent of total investment). In FY2010-2011, private investment was 15,349 billion Kip (US\$1,919 million), accounting for 58 percent of total investment. It rose dramatically over the plan period: in FY2013- 2014 investment reached 77,930 billion Kip (US\$9,723 million), accounting for 79.5 percent of total investment.

Private investment has focused mainly on energy and mining, followed by the services and agriculture sectors. In the agriculture sector, investment has been mainly in corn, sugarcane, rubber trees and other industrial tree plantations, and coffee-tea plantations for export. Energy sector investments include hydropower projects while investment in mining include bauxite mines, establishment of processing factories for alumina and aluminum for both the domestic and international markets, gold and other minerals mining, and processing for domestic and export markets. In the service sector, investments included 5-star hotels, high-class villas, golf course, shopping malls, apartments, resorts, conferences and sport centers, and comprehensive telecommunication service projects.

In terms of actions to support the investment environment, an important highlight was the opening of the one-stop investment service starting from October 2011. This helps facilitate fast and transparent investment. In addition, a website has been developed to allow investors easy access to investment information. But while the investment one-stop service has been an important innovation, success has not been uniform across sectors. In addition, legislation necessary to provide special incentives to investment promotion including the SEZs is still lacking.

Science, Technology and Innovation

The Government has reorganized and developed science-related works by allocating budget for scientific research amounting to 1 percent of the total national annual budget to conduct the research on how science could support the social-economic development. Research topics have included on how to create drying stoves from solar power, how to create biomass stoves, how to produce organic fertilizer from animal waste mixed with saltpeter, and how to extract Jatropha oil in producing organic fertilizer.

Meanwhile, a number of legislative actions have been enacted to improve scientific innovation, such as the Law on Intellectual Property and associated implementation of trademarks, copyrights, and industrial patents. A Cooperation Plan with the Ministry of Science and Technology of Viet Nam has also been developed in order to bring advanced science from overseas. The National Science and Technology Strategy 2013-2020 and Vision 2030 were developed and are currently being finalized. Moreover, the draft Law on Science and Technology has been completed and will be presented to the National Assembly for approval. Data collection on the production of bio-energy from waste was also completed and electronic and hard-copy documentation of work, generally, has been improved.

i. Good governance at all levels

The Government has also committed to strengthening governance to ensure appropriate implementation of IPOA supporting policies. This has included enhancements for improving the effectiveness of the National Assembly to meet with citizens, training for judges and officials of the People's Court, and the launch of the local governance capacity building initiative for strengthening provincial, district, and village management capacities.

Legislative Body. Over the past years, the National Assembly (NA), its Committees and members have actively taken forward the successes of each ordinary session to meet with citizens, local authorities, military, police and ethnic groups in each electoral area in order to disseminate discuss progress and exchange perspectives. In addition, people's comments and issues have been collected and reported to Party-Government organizations and related sectors to improve and solve problems in accordance with the Government's policy and laws. During ordinary sessions, for examples, comments from the public were received through NA hotlines. Most of the comments were related to public, social and economic sector management.

The NA has meanwhile made efforts in improving and resolving grievances in a timely manner and in accordance with its status, rights, and duties. During the past two and a half years, the NA received 1,433 cases (excluding the outstanding ones since the 6th Legislature), of which 1,031 cases have been resolved. Among these cases, 1,073 were at the central level and 632 out of which were resolved. Most of the grievances were related to land and estate issues.

Important laws adopted by the NA include the Law on Election of Members of the National Assembly, Law on Prevention of the Terrorism, Law on State Property, Law on Sports and Physical Activity, Law on State Audit, Law on Cross-Border Trade, and Law on Agriculture.

Public administration. Public administration has been improved in several aspects including improvement of organizational machinery. A number of legal instruments have also been improved, including the improvement of public administration regulations and the management of civil populations, especially birth, marriage, divorce and death registrations. In addition, a Governance Strategy until 2020, a Law on Government, a Law on Local Administration, and a Law on Civil Servants are being drafted.

Attention has also been paid to strengthening capacity of civil servants through developing various training curricula for new recruits and those at higher levels. A number of authorizations and guidance notes have been issued to facilitate implementation at the local level, especially the authorization on the organization and activities of village administration, the authorization on population resettlement, and the decree on the management and protection of religious activity.

Despite the above mentioned successes in the implementation public administration, there are some outstanding issues: the dissemination and enforcement of legislation is still limited, some legislations still contain loopholes and are not tight enough (e.g., the recruitment of new civil servants is not yet in

accordance with the regulations), the preparation of the civil servants development plan has not been systematic, and the review of the salaries for officials is outstanding.

Judiciary. Regarding improvements to the judiciary, the focus has been on political training for judges and officials of the People's Court regarding transparency and integrity. In addition to advocacy and training on these concepts, trainings on various laws have also been conducted: Civil Case Law, Law on Civil Procedure, and case procedure for copyright and international trade in order to ensure compliance with the WTO requirements and preparation for integration of the AEC. In addition, the improvement of the content of the Law on Civil Procedure and draft on juvenile case procedure has been completed. The People's Court has also reported to the NA to consider establishing a labor court committee.

Along with the above mentioned achievements, there are multi-dimensional challenges. In particular, some judgements have resulted in complaints and the re-opening of the proceedings. Basic infrastructure has also not met needs; only 17 areas have permanent offices while 39 areas still need people's court offices. Additional capacity building is also needed for administrative authorities and tribunal staff.

Decentralization. In February 2012, the Government launched a decentralization initiative aiming to build the province as the strategic devising unit, the district as a strong comprehensive unit, and the village as a development unit. During the three years of implementation, the focus has been on strengthening and developing the local infrastructure to support these goals. Specifically:

- Target ministries and all provinces developed legislation with regards to the division of responsibility between central and local level, and between provinces, districts and villages. This especially concerned benefit sharing and budget allocation at the district level.
- There has been a committee in charge of supervising piloting activities in each sector and locality acting as a focal point for coordinating, supporting and monitoring actual progress of target districts and villages.
- 15 target ministries have sent their officials for local visits in order to build stronger local administration, fund management, and socio-economic development planning capacity.
- Implemented 943 government-invested projects at the district and village with total investment funding 248 billion Kip to support and build conditions for building local capacity.

But despite these successes, actual implementation has been slow and not sufficiently effective due to legislation on delegation of authority and responsibility of some central sectors that has been too general; some localities not taking ownership and instead waiting for instruction from the central level; limited capacity of district staff in developing plans; the identification of the pilot districts and villages not in accordance with the conditions of the Resolution and the Instruction from the higher authorities; and the dissemination of the resolution and instruction at the local level also delayed leading to limited local implementation.

Regional and international forum participation. Cooperation within multi-lateral frameworks, in particular with UN, has expanded regularly, such as participation in the UNFCCC process. Preparation for accession to the WTO during the past two and half years has also included 10 Working Party Meetings and bilateral negotiations with several WTO members.

In addition, cooperation in the Greater Mekong Sub-region (GMS) and in particular with the Mekong River Commission (MRC) has increased, especially on research work and developing programmes to strengthen the protection of water resources and reservoirs. Preparation for AEC integration has also involved participation in regional fora.

IV. Coherence and linkages with the Post-2015 Development Agenda and other global processes

Lao PDR made significant progress in achieving the majority of the MDGs, especially related to poverty, health, education and gender equality. As the MDG era comes to a close the world launched an ambitious follow up agenda for long-term and sustained development. The SDGs build on the MDGs and go much further, addressing the root causes of poverty and the universal need for development that works for all people.

Implementing the SDGs will require action in every country, making sure it is tailored to local needs and priorities. Lao PDR is already adopting a programme for localisation of the SDGs, such as by considering the alignment of the targets to the national plan. In order to adequately monitor and evaluate progress of the 8th NSEDP, including MDG and SDG achievements, a Monitoring and Evaluation (M&E) Framework is being drafted. As the 8th NSEDP is already consistent with the SDGs, the potential is being explored for the possible incremental development of the 8th NSEDP M&E Framework to more precisely accommodate the SDGs.

At the recent RTM, Development partners also praised the Government for formulating the 8th National Social Economic Development Plan (2016 – 2020) and called it an appropriate framework for an integrated approach to sustainable development that addresses the unfinished MDGs, priorities to achieve LDC graduation, and critical SDG goals and targets.

V. Conclusion and Way Forward

While Lao PDR did not reach the threshold for LDC graduation during the last CDP review, the country has made important progress in each of the three criteria. If Lao PDR can continue its development trajectory there is a good chance that it can reach the overarching aim of meeting the threshold by 2020.

The 8th NSEDP is the framework around which the Government aims to accomplish this goal. The NSEDP outlines a strategy that supports further growth in employment across different sectors, agricultural production, trade, and resource mobilization. The Government is also committed to social policies to

support creating a healthy and educated population. And important efforts are also being undertaken to build resilience of communities and people to economic and natural shocks.

But as there have been achievements, there have also been challenges related to IPoA implementation that will need critical attention in the next plan period:

- **Economic transformation.** The economy is still based mostly on natural resources and there is significant space for commercial production growth and diversification. The policy on rural development and non-resource sector development needs to be more fully realized and implemented. Meanwhile, agricultural production is not linked to processing industries and markets and while the majority of the labor force is in the agriculture sector, labor productivity is low because of limited use of machinery in production. Manufacturing is relatively small and the economy is vulnerable to external factors such as changes in commodity prices and international market competition.
- **Unfinished MDGs and inequality.** Despite significant progress, several MDG targets were not reached, including related to hunger, school retention, child mortality, deforestation and UXO. Geographic disparities also remain, especially between urban and rural areas. People in rural areas are less likely to have stable jobs and have lower incomes and social outcomes. The nutrition of children and women of reproductive age is an issue of particular importance. Sufficient, predictable and sustained investment is required to improve the quality and access to basic social services.
- **Business environment.** Although private sector and enterprise development has improved and been promoted, further efforts are needed to improve and upgrade the investment climate and promote private investment in non-resource industries. Lao PDR was ranked 134 out of 189 countries worldwide in the World Bank's Doing Business Indicators in 2016.
- **Implementation capacity.** Governance improvements are still needed to ensure the elimination of corruption and the effectiveness of legislative and judicial institutions. Coordination between ministries and central and local level agencies also needs to be further harmonized. Implementation of plan priorities has also proved difficult in some cases, and the translation of various resolutions into programs and implementation of detailed and focused projects has sometimes been slow. Resource mobilization from all sources at the central and local level has often come below targets leaving projects waiting for Government investment.
- **Strengthening human resources.** Human resource development has been promoted by both the private and public sector but overall quality is still limited. Moreover, human resource development is not fully linked to labor market demands, especially for SMEs.