



**12<sup>th</sup> High Level Round Table Meeting  
Vientiane, Lao PDR  
27<sup>th</sup> November 2015**

**Background Document**

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## **Chapter 1 - Introduction**

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### **1.1 About Round Table Process**




1. The Round Table Process (RTP) is a national aid coordination mechanism established since 1983 with support from UNDP and the Government of Luxembourg in recent years. It presents a unique platform for policy dialogue to promote collaboration, coordination and mutual understanding between the Government of Lao PDR and Development Partners (DPs). The process stimulates substantive dialogue on the country's development agenda, while strengthens development effectiveness and aid coordination in the country. The process is chaired by the Government of Lao PDR and co-chaired by the UN Resident Coordinator/UNDP Resident Representative.

2. The principle Round Table mechanism includes High Level Round Table Meetings (RTMs) held every three years (In the 2014, the Government of Lao PDR has decided to organise a High Level Round Table Meeting every five years in order to synchronise the Round Table Process with the national planning cycle “the National Socio-Economic Development Plan (NSED) timeframe”, Round Table Implementation Meetings (RTIMs) organized on an annual basis, provincial consultation carried out prior to both RTMs/RTIMs, and Sector Working Groups (SWGs).

3. Since 1983, Lao PDR organized 11 High Level Round Table Meetings (RTMs) (5 in country since 2000 and 6 of them in Geneva from 1983 till 1999). In 2005, the RTIM mechanism was introduced and the first RTIM was organized in Vientiane as part of the formulation of the 6<sup>th</sup> five-year plan -National Socio-Economic Development Plan (NSED 2006-2010). Since then, 8 RTIMs were organized in Vientiane (the last RTIM was organized in 2014). At the 2005 RTIM, the Government of Lao PDR also announced to establish Sector Working Groups (SWGs) mechanism that is led by the Government and would build on the donor working groups that were established in December 2003. Prior to the policy dialogue held in the Vientiane capital, during the RTM/RTIM, a provincial consultation meeting has been held since 2008.

4. In recent years, the Round Table Process has evolved from one-off event to an increasingly continuous and inclusive process, which aims to facilitate an increased mutual understanding and consensus between the Government and DPs with respect to development policies and strategies, and to improve coordination and cooperation regarding Official Development Assistance (ODA) to Lao PDR. Traditionally, the RTMs were perceived as a forum between the national Government and DPs. However, an important evolution is the active participation and contribution of provincial authorities and other development stakeholders including civil society and private sector to ensure the national policy dialogue reflects what is actually happening on the ground and in line with national development plans. In broad terms, since the localization of the RTP in 2000, the ability of the partnership can be characterized as having developed as per figure 1 below:

**Figure 1 – The evolution of the Round Table Process (the objectives of the Round Table Process since the localization in 2000)**

The ability of partnership to mobilize resources	The ability of partnership to advocate for important issues	The ability of partnership to share knowledge	The ability of partnership to engage in policy dialogue and create systemic change
RTP (2000-2006) - 5 <sup>th</sup> NSEDP and Aid Coordination			
RTP (2007-2010) - 6 <sup>th</sup> NSEDP & Vientiane Declaration on Aid Effectiveness (Aid Coordination)			
RTP (2011-2015) - 7 <sup>th</sup> NSEDP & Vientiane Declaration on Aid Effectiveness (Aid Coordination)			
RTP (2016-2025) - 8 <sup>th</sup> NSEDP & Vientiane Declaration on Partnership for Effective Development Cooperation (Development Cooperation)			

5. In light of the RTP evolution and the paradigm shifting from aid coordination to development cooperation, looking at the performance of the RTP and SWG mechanism is vital to inform how the ability of partnership under the Round Table Process can best support the country to stand its best chance of delivering on the 8<sup>th</sup> NSEDP goals and targets. One of its most immediate and pressing tests is to ensure that the SWG's make a significant contribution to policy dialogue within the framework of the Round Table Process and to the practical implementation of the priorities for which they are responsible within the 8<sup>th</sup> Plan.

## 1.2 From aid effectiveness to effective development cooperation

6. In 2006, to set a framework entailing principles as per the Paris Declaration to ensure the effectiveness of Official Development Assistance (ODA), the Government of Lao PDR and 22 Development Partners signed the Vientiane Declaration on Aid Effectiveness in November during the 9<sup>th</sup> High Level Round Table Meeting. It has subsequently been signed by an additional three development.

7. Similar to the Paris Declaration on Aid Effectiveness, but with a specific focus on the Lao PDR, the Vientiane Declaration aims to improve the effectiveness of aid based on the five key principles: Country Ownership, Alignment, Harmonisation, Managing for Results and Mutual Accountability.

8. In 2015, the current Vientiane Declaration on Aid Effectiveness (VD I) is under a revision with active participations of both national and international stakeholders. The updated VD I is now called "Vientiane Declaration on Partnership for Effective Development Cooperation" or VD II in short. This is the next phase in the development of the partnership – paradigm shifting from aid coordination to effective development cooperation.

9. The move from VDI to VDII reflects the rapidly evolving global and regional context, the importance being placed on both existing and a diversity of new development partners and resources that need to be mobilized for implementing the post-2015

development agenda in Lao PDR (Financing for Development requires more than ODA and it includes various sources of finance which are important for sustainable growth).

### 1.3 The 12<sup>th</sup> High Level Round Table Meeting – 2015 (12<sup>th</sup> HL RTM)

10. With the in-country RTP evolution for the past 15 years and the paradigm shifting from aid coordination to effective development cooperation, the 12<sup>th</sup> High Level Round Table Meeting to be organised on 27<sup>th</sup> November 2015 is held at a critical juncture in the transition to the new development agenda at both global and country levels, as the 8<sup>th</sup> National Socio-Economic Development Plan (NSEDP 2016-2020) of the Lao PDR is currently being finalized by focusing on graduating the country from the status of Least Developed Countries. The 8<sup>th</sup> NSEDP formulation process coincides also with the conclusion of MDGs and the roll out of the post-2015 development agenda “*Sustainable Development Goals*” which was recently adopted at the UN General Assembly in September 2015.

11. For this reason, the 2015 High-Level Round Table Meeting provides an important opportunity for the Government of Lao PDR and its development partners and other stakeholders to discuss ways and means for the implementation of the 8th NSEDP, particularly the need to enhance partnership for effective development cooperation. The Vientiane Declaration on Partnership for Effective Development Cooperation will be signed with the Government of Lao PDR and its Development Partners during the 12<sup>th</sup> High Level Round Table Meeting.

### 1.4 The 12<sup>th</sup> HL RTM Background Document

12. To provide the 12<sup>th</sup> HL RTM participants some background and contents of key policy issues, this Background Document is prepared and structured around the 12<sup>th</sup> HL RTM agenda with a reference to the follow up from the previous year RTMs/RTIMs recommendations. The production of this Document reflects and it is mainly based on the contributions of relevant line Ministries (LMs) and all Sector Working Groups (SWGs) who provided sectoral progress reports based on the 2015 HL RTM guideline shared with them on 20<sup>th</sup> May 2015. Follow up meetings with relevant SWGs were also organized from August to October to brief about the structure of this Background Documents and inputs required and to response to any questions that SWGs might have over the Document.

13. All sectoral progress reports submitted by SWGs capture three broad matters which are mainly relating to the follow up of the 2013 RTM and 2014 RTIM recommendations. First, most SWGs report on key results of their sectors. Second, SWGs also highlight actions and progress for the implementation of the previous year RTM and RTIM. Third, challenges and opportunities including key issues needed special attention are also reported by SWGs.

14. This Background Document has four Chapters. After this introduction, Chapter 2 provides a brief summary of achievements and challenges of 7<sup>th</sup> NSEDP (2011-2015). Chapter 3 highlights an executive summary of the 8<sup>th</sup> NSEDP (2016-2020). Finally, Chapter 4 provides an update on the implementation of the 2013 RTM and 2014 RTIM recommendations.

15. Please note that all information and figures highlighted in this Background Document cover Lao financial year (FY) – 1<sup>st</sup> October in one year to 30<sup>th</sup> September in the next year.

## **Chapter 2 – A Brief Summary of Achievements and Challenges of the 7<sup>th</sup> National Socio-Economic Development Plan (7<sup>th</sup> NSEDP 2011-2015)**

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### **2.1 Summary of Achievements and Challenges**

16. Set out below is a summary of achievements and challenges which have been taken into account in formulating the 8th NSEDP 2016-2020.

#### **2.1.1 Summary of Achievements**

17. Lao PDR has political stability, with security, peace and an orderly society. The economy has been growing steadily maintaining GDP growth of at least 7.5% annually. This has facilitated socio-economic development especially business operations, production, services and investment. Debt issues have been dealt with and are reducing to a level that is manageable.

18. The implementation of the Millennium Development Goals (MDGs) has made progress in many areas namely the resettlement and allocation of stable jobs for the people, improved necessary infrastructure and social service network resulting in the reduced poverty rate to 23.2% in FY 2012-2013 (based on the result of the Lao Economic Consumption Survey LECS 5).

19. Electricity network has been expanded widely throughout the country and has exceeded the target of the Five-Year Plan (80%) in particular it has been extended to rural remote areas resulting in an increased proportion of families with access to electricity to 84% of the total families as of March 2013.

20. Incomes from selling of industrial cash crops by mountainous people, especially sugarcane, corn, tapioca, and rubber have significantly contributed to improving livelihoods and ensuring their food security.

21. The business environment has been improved including providing facilitating services to entrepreneurs in establishing businesses and requesting for tax and business registration at the same time while also reducing the business tax rate and time for import and export through the application of the tax and customs system (ASYCUDA) at the Friendship Bridge and the shipping port “Thanaleng border”.

22. Vocational sector especially the various levels of vocational training have received greater attention and have been developed by both state and private sector. It could supply quality labor to the labor market to some extent, reduce unemployment rate and achieve labor balance in various sectors.

23. Women have played a very important role and have increasingly contributed to economic development. It can be seen from the economic growth rate which is closely linked with the female labor ratio which covers half of the total labor force. In addition, wage and skills of labors are the main factor in attracting domestic and foreign direct investment.

24. Lao PDR has made satisfactory achievement in international and regional

cooperation. The most outstanding achievement has been the accession to WTO membership at the beginning of 2013. In addition, Lao PDR had received an honor to host the meeting on the Almaty Program of Action for the Land Locked Countries, the 9th Asia-Europe Summit and the 7th Asia-European Parliamentary meeting in October and November 2012, the 6<sup>th</sup> Cambodian-Lao-Myanmar-Vietnam Summit (CLMV) and the 4th Aryavady - Chaophaya- Mekong Economic Cooperation Summit in March 2013.

### **2.1.2 Reasons for the successes**

25. Some of the key reasons for the success of the implementation of the 7<sup>th</sup> NSEDP during the past five years include:

- Political direction defined in each Party resolution especially the IX Party Congress Resolution is correct and the leadership of the Central Party is in accordance with domestic and international environments.
- National Assembly and the Government considered and adopted the National Socio- Economic Plan in accordance with rules and regulations. Sectors and sub-national governments have translated it into programs, projects with available funding for implementation.
- The Government has focused funding to various programs and projects especially rural development and poverty reduction, development of communication network, expansion of electricity to rural areas, promotion of commercial production linking it with employment generation, education and health development and overall expansion by focusing on education reform, human resource development, and promotion of living style that expands opportunities for education, improved health and sanitation, and skilled labor training especially by allocating 17% of funding to education sector and 9% to health sector.
- The people and businesses in every stratum of the society have contributed to support and participated in the implementation of programs and projects.
- International partners have continuously provided support.

26. All the above reasons contributed to the successful implementation of the 7th Five-Year NSEDP during the mid-term period and provide a very strong basis for the progress towards the MDGs achievements by 2015 and exiting the LDC status by 2020.

### **2.1.3 Outstanding issues**

27. In conjunction with the achievements, remained shortcomings and outstanding issues are highlighted as follows:

- Political sensitization has been carried out continuously and at several levels but still does not seem to have led to in-depth awareness and understanding on the direction of the Party. The most obvious one is the inability to genuinely change with regards to the imagination breakthrough. The translation of various resolutions into programs, detailed, focused projects and steps that are suitable to the actual ability of each sector and local is still very slow. A resource mobilization from all sources at the central and local levels has not been that successful and the majority still waits for investment from the Government budget. The government counterpart funds, grants-loans from relevant domestic and international parties are not yet harmonized.
- Although economy has steadily grown, the macro-economic situation is still vulnerable, with limited domestic savings. Many targets set out in the Five-Year Plan as well as the MDGs may not be achievable. Another important issue is the implementation of the policy on rural development and non-resource sector development which is not yet adequately defined and implemented and thus results in increased disparities between rural and urban areas, between and within regions



especially in poverty and real income is not yet distributed to the people in the remote rural areas. People in the rural areas are still without stable jobs, with low income and consequently migrate into cities or abroad to look for jobs. These challenges require coordination between relevant sectors in order to achieve equitable development.

- Economic growth relies mainly on exploitation of natural resources. But the management and utilization of the natural resources in many cases is still carried out in an unsustainable, wasteful and environmentally unfriendly manner. This has resulted in harmful impacts on the local people as well as impacting greatly on the environment of the country. Therefore, consideration must be given for the future development. If the issue is not tackled urgently and timely, it may lead to the Dutch Disease in the Lao economy.
- Investment from the Government budget still cannot meet development needs, and moreover it is spread across without a focus and is not yet effective. The utilization of overseas grantsloans in many projects and the coordination between sectors and sectors and between sectors and provinces are not yet effective and thus resulting in many projects not reaching the people. In practice, there has been difficulty in implementing the composition of public investment in accordance with the ratio 30-35-35% as the Five-Year Plan has determined. Planning and fiscal disciplinary has not yet been strictly implemented and thus resulting in doubtful debt which has become chronic illness and increasingly serious. Therefore, without proper solutions, the country can run into financial crisis like other countries have experienced which is difficult to tackle completely and also poses the risk for macroeconomic stability as well as socio-economic development in the future.
- Monitoring and evaluation of domestic and foreign private investment projects have not been done regularly and widely. The focus has been mostly on appraisal for project approval and therefore resulting in many projects not being carried out in accordance with the timeframe, just being reserved not implemented resulting in significant losses by the government. The provision of investment one-stop-service to attract domestic and foreign investment in some sectors has not been done well. Some legislation is not practical and does not promote domestic and foreign investments, such as Tax Law and Value Added Tax Law. In addition, necessary legislation is still lacking in providing special incentives to investment promotion in the revolutionary base areas or difficult areas as well as in the Special and Specific Economic Zones.
- Although private sector and enterprise development has been improved and promoted (especially non-resources sectors), the competitiveness is not yet high. Investment environment in the Lao PDR still cannot respond to all investment demand as evidenced in the lack of legislation in supporting and projecting investors and access to credits. Given this situation, Lao PDR has been ranked 163rd out of 185 countries worldwide. This problem has further dragged economic growth and put pressure on being the member of WTO and integration into the ASEAN Economic Community in 2015.
- Dissemination on trade integration policy is not widely resulting in limited understanding by entrepreneurs on integration and suitable response mechanism for the increased openness of the economy.
- Human resource development has been promoted by both private and public sector but the quality is still low. Labor lacks necessary skills and moreover human resource development is not linked to the demand by the socio-economic development especially in the area of SME under the condition of the ASEAN Economic Integration and accession to WTO membership. Up until now, the country cannot supply skilled and disciplined labor in accordance with the needs of

investors but at the same time Lao labors migrate legally and illegally to other countries.

- Social-cultural area also has many achievements. However, it can be observed that social drawback have been increasing. Family disputes especially divorces have a tendency to increase causing family institution which is the fundamental cells of the society to be problematic. If this issue is not tackled appropriately, it could lead to unexpected problems in the society, beautiful culture gradually deteriorates, and Lao language is slowly changing. The most dangerous is the spread of deteriorated lifestyles, drug addicts, robbery, burglary and other social problems.
- Market economy mechanism has not yet functioned well because the state governed by law is not yet very forceful and effective which has created loopholes for increased corruptions in various forms and levels which have in turn impacted on the trust and faith of the people to the regime.
- The people's sensitivity including those of the state officials to law enforcement is still low. At the same time there have been many complaints from the people about the land use problem which directly impact the people's benefits while does not really bring benefits to the Government. Another outstanding issue is the people's dissatisfactions with the operations of the Legislative and Judiciary organization as there are many cases that have not ensured the justice in accordance with the law.
- There is a slow progress in implementing breakthrough in improving management and governance regulations. The outstanding issue is concerning macro management under the Central Party Committee's Resolution no. 03/CPC. Inter-ministries coordination and the coordination between central and local level agencies are still weak, not harmonized and not supportive. At present, the government body is gradually expanding but the quality and effectiveness is still low. Social drawbacks have also been increasing.
- There are many pending issues in social welfare area. There is no practical measure to overcoming the problems concerning pension as well as measures to mobilizing people from all stratum of the society to participate in the process of "gratefulness" to officials, army, police who have made significant contribution to the revolution. Moreover, there are complaints by the people on the health care service for the elders, people without shelters and underprivileged.
- Commercial production is one part in improving people's livelihoods. But the people in the rural areas still rely on natural resources by collecting non-timber forest products and selling labor. The collection of non-timber forest product is not sustainable solution.
- Agricultural production is dispersed and not linked to the processing industries and markets. Despite the enthusiasm of local people towards commercial production and successful demonstrations, promotion policies and measures are still unclear; technical officers who are capable and skillful are still lacking at the grassroots level and there is no leader to lead practical work. Up to present, the country still cannot clearly identify niche products that have potentials. Majority of the labor force is in agriculture sector but labor productivity is still low because machinery is not utilized in agricultural production and does not link services which result in slowness in creating primary factor for industrialization and modernization.
- Agriculture service is still limited; there is a lack of veterinary or the services for phytosanitation. These will impact on the agriculture growth and development. In becoming the WTO member, the phyto-sanitation is very important point that the Government has to pay attention to especially focus investment on agriculture services<sup>22</sup>.
- Millennium Development Goals: Although there has been progress on many fronts, some targets need special focus in order to achieve as planned especially the

malnutrition, survival rate of primary school, lower secondary school enrolment rate, proportion of girls to boy in all levels of education, infant and under five mortality rate, maternal mortality rate

#### **2.1.4 Reasons underpinning the shortcomings and outstanding issues**

28. Through out the implementation of the 7<sup>th</sup> NSEDP, some key reasons underpinning the shortcomings and outstanding issues are:

- The responsibility and ownership in implementation by some central and local sectors is not fully undertaken and does not expand rightful ownership and responsibility of all parts of the society. Inter-sector coordination and between the sectors and locals is not yet smooth and in many areas is just nominal.
- There is a significant demand for sector and local grass root development but the ability to supply funding is still limited resulting in ideas and actions that are illegal and not in line with regulations in order to achieve own targets.
- The effectiveness of government's socio-economic development management is not yet high. The disciplinary measures especially planning-budgeting discipline is not clearly changing to the better.
- External environment especially the world economic development, the fluctuation of world fuel price which is difficult to estimate, natural disaster is a barrier to socio-economic development of the country.
- Development role model in local levels is still limited and not yet sufficient. Agriculture production in some local areas still faces problem of markets not being able to absorb the products and thus does not stimulate families and the people to produce for commercial purpose.

#### **2.1.5 Lessons learned to be applied to 8th NSEDP design and formulation**

29. With the achievement and challenges highlighted, the Government has identified a number of lessons learnt from the implementation of the 7<sup>th</sup> NSEDP which could be applied to the 8<sup>th</sup> NSEDP design and formulation. These lessons learnt include:

- a. Political stability, social order and solidarity of ethnic people in the country are fundamental to the steady and firm socio-economic development.
- b. From translating the policy and resolutions of the Party and the Government into the socio-economic development plan, programs and projects:
  - Sectors and provinces that translate policies, resolution and orders of the party and government in and socio-economic development plans thoroughly, regularly and widely to their staff and people to ensure common understanding will lead to better performance.
  - The harmony between national socio-economic development plans and sector and provincial development plans is key to achieve the development goal taking into account of the nature, characteristics and potential of each sector and province. But rather, if the implementation of the development projects by the sector and local is not consistent and harmonized with the goals and directions of NSEDP and with no focuses will certainly cause unsuccessful to form the targets. Therefore, identification and consideration on development projects must be consistent with the goals and direction of NSEDP.
- c. Macroeconomic management: Maintaining stable macroeconomic (such as inflation below the economic growth, manageable exchange rate, strong revenue basis and

effective expenditure, trade balance, employment generation etc.) is essential factor to the socio-economic development as well as to improve people's livelihood. Socio-economic development base on market economy mechanism that managed and regulated by the government with comprehensive system is a key for the development of socialist orientation.

- d. Sustainable Development: Economic growth in the past mostly based on natural resource sector which is unsustainable, the economic development in the future should give more priority to nonresource sectors particularly development of small and medium-sized enterprises both in quantity and quality to become a firm basis for economic stability and employment generation by creating an environment for business to grow and facilitate access to funds and accelerate the development in agriculture sector to meet the demand from industry production. Improvement and development of infrastructure in rural areas are essential to improve the people's livelihood and create equal access to public and private services on gender equality basis.
- e. Public investment and promotion on the private domestic and foreign direct investments:
  - Public investment: Investment from public budget: given limited budget, the investment focused on building the basic infrastructure that is necessary for the development and focused on areas that benefit the country and its citizens, in which the private investor did not invest in. These investments are essential to shows ownership in improving necessary basic infrastructure or to crucially raise the government's role in developing the country. The stronger from the nation, the more attraction on funds from the outside.
  - Grants and loans (ODA): ODA is essential contribution to the development process in the country. But fund mobilization and utilization with ownership, high responsibility, transparency and high effectiveness are important factors in developing countries under the conditions of regional and international integration.
  - Promotion of private domestic and foreign direct investment: Actively and responsibly improving favorable environment and fund mobilization from the private sector, preparing legislation (record, contract ...) carefully and comprehensively, and regularly monitoring and learning lessons from the plan implementation are crucial.
  - Private investment cover more than 50% of the total investment, the mobilizing and selecting quality investment in developing the country is essential element.
- f. The process of rural development and poverty eradication of multi ethnic people
  - Building political foundation from the grass root level and rural development shall follow comprehensively the 4 concepts and 4 targets, in a continuous and prioritized manner by boosting the economy domestically and internationally. Explore and use local potentials and uniqueness to develop rural areas and address poverty for the people; sectors, provinces and even the people in all classes shall jointly raise accountability and place emphasis on politics and development of the rural to be a battlefield for the national development and become fundamental factor for rural development and poverty eradication.
  - Organizations are responsible to create mechanism and system for inter-sectoral coordination and the coordination between the central and local government to ensure harmony in the implementation and actively performance their duties in a uniform and comprehensive system. This is to ensure that rural development and poverty eradication are achieved.
  - Pay attention on strengthening capacity and building government officials of

concerned sectors to be qualified at working in the grass roots and capable to lead the people doing the actual work along with developing core officials at grassroots level or building permanent government officials to become the developers and capable to lead the people doing actual development work at the village grassroots. Additionally, effort should be made to apply government policies as appropriation.

- Rural development and poverty alleviation need to be closely linked to the 3 build activities and shall continue to be carried out with high results.
- g. Commercial production
- Studies related to the processing and marketing along with modern technique is a key factor to boost production.
  - The production chain and economic relations among the provinces is needed in expanding the manufacturing production under conditions of regional and international integration.
- h. The rule of law:
- Improving and developing legislation to comply with the current conditions to protect the rights and interests of the country is necessary; disseminating laws and regulations to the people in the society is necessary for a uniform utilization.
  - Improve the organizational structure to be more simplified and suitable with actual conditions is essential.
  - Determine the roles and responsibilities of each level of organizations clearly and disseminate them with guideline to stakeholders for uniform understanding is an important factor of practical implementation with high results.
- i. Regional and international economic cooperation and integration
- Actively and responsible cooperate with friendly countries regionally and internationally on the basis of mutual benefit is crucial.
  - In the cooperation under the ASEAN Economic Community and WTO, it essential to increase competitiveness of the local firms in joining AEC, continue developing infrastructure to facilitate growth of business and human resources development, especially to start from families. Entrepreneurs have access to opportunities in terms of doing business, economic, social and culture. Take a chance of growth and efficient production resulting from labor migration between rural to urban and between countries, build capacity for human resources by provision of training for the people to learn new opportunity in the changing economy.
- j. Breakthrough on mindset and coordination between sectors and provinces, inter-sector coordination, inter-provincial coordination and vertical line sector coordination:
- Breakthrough on mindset is needed and will continue to progress further.
  - Consistent, harmonized and systematic coordination among central, sectors and localities and provinces, line sectors are necessary to achieve the national goal.
- k. Improved monitoring, evaluation and reporting of the socio-economic development plan implementation considering actual situation is necessary tools to implement this socioeconomic development plan development efficiently and verifiably.

## 2.2 Key narrative and highlights

### 2.2.1 Overall macro-economic achievements and challenges

30. Under the 7<sup>th</sup> NSEDP framework, the economy continues to grow at an average of at least 7.5% per year, that's higher than any other country in the region and considerably faster than the average growth rate of developing Asian countries, which is around 6.5%. The growth has been fuelled by a vibrant resource sector, continued FDI-financed investment and gradual improvements in the macroeconomic framework. A number of performance targets as stated in the 7<sup>th</sup> NSEDP have been achieved despite the unstable outlook of the global economic. The society has maintained security and order, and people's livelihoods have gradually been enhanced [Following texts under this section address Discussion Points 1 to 4 of 2014 RTIM].

#### A. Economic growth

31. The major source of the growth is service sector (wholesale and retail trade, tourism, transportation and telecommunication), the industrial sector in particular extractive industries, construction, food and non-food processing and agriculture. The contribution of these three sectors to the GDP growth varies (on average, the services sector (3.2%), industrial sector (3%), and the agriculture and forestry sector (0.8%)). Please refer to Table 1 for more detailed information.

**Table 1: Key macro-economic achievements and targets**

Macro-economic indicators	7 <sup>th</sup> NSEDP's targets	FY 2010/2011	FY 2011/2012	FY 2012/2013	FY 2013/2014	FY 2014/2015 (10 months)
GDP per capita (Plan)		\$1,217 (\$1,155)	\$1,349 (\$1,332)	\$1,534 (\$1,520)	\$1,671 (\$1,674)	\$1,857 (\$1,860)
GDP growth rate	>8%	8.1%	8.3%	8%	7.8%	7.5%
- Agriculture	3.5%	2.9%	2.8%	3.1%	3%	3.0%
- Industry	15%	15.8%	14.4%	7.4%	8.5%	8.9%
- Services	6.5%	7.8%	8.1%	9.7%	9.3%	9.1%
Budget deficit *		2.70%	2.56%	5.5%	4.9%	5.07%
- Revenue collection (% of GDP)		16.97%	18.07%	20.60%	17.4%	25.23%
- Budget expenditure (% of GDP)		25.61%	27.10%	32.7%	27.76%	30.09%
Exchange rate Kip/USD		8,037.49	8,010.73	7,867.92	8,024.63	8,065.63
Inflation rate	Less than GDP growth (%)	7.42%	5.12%	5.64%	5.16%	1.76%

Source: Ministry of Planning and Investment (Department of Planning) and Ministry of Finance (Department of Fiscal Policy)

32. Changes in the structure of the economy moving from agriculture to industry have been in line with the direction specified under the 7th NSEDP framework. On average, agriculture sector contributes 23.0%, industry 39% and services 38% of GDP. Some detailed information on the structure of the economy is highlighted in Table 2.

**Table 2 - Changes of Economic Structure in Each Fiscal Year compared with the 7thNSED P Targets**

Description	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15 (Estimated)
Amount of GDP at present value (in million Kip)	62,458	70,343	80,199	90,823	102,320
Composition (%)	100.0	100.0	100.0	100.0	100.0
- Agriculture-Forestry (%)	27.9	26.7	25.2	24.8	23.7
- Industry (%)	26.9	29.6	28.0	27.5	29.1
- Service (%)	45.2	43.7	46.8	47.7	47.2

Source: NSED P 2011-2015 and estimation by the Lao Statistics Bureau

33. With the structure changes, it is worth to note that the natural resource sector is a key fact which drives the economic growth, with 25% of overall growth from mining and hydropower. In addition, another factor that contributed to GDP growth during the period is private domestic and foreign investments on mega projects which mainly are in natural resource sectors, covering 57% of total investment.

34. Total investment (government budget, grants-loans, domestic-foreign private investments and bank credits) amounted to 236,687.96 billion LAK (around USD 29.58 billion) which covered 186% of the 7thNSED P target (127,000 billion LAK), of which the total investment increased from 26,483.93 billion kip covering 42% of GDP in FY2010-2011 to 36,327.07 billion kip, covering 52% of GDP in FY2011-2012, 45,179.64 billion kip in FY2012-2013 and 98,007.32 billion kip in FY2013-2014, covering 107.9%.

35. During the 7<sup>th</sup> NSED P implementation period, the Government has also provided a stimulate package to mitigate the impacts of natural disaster impacts at provincial level to maintain the level of economic development and to continuously address poverty reduction. This has resulted in a gradual increase in public investment from 1,753.23 billion Kip (around USD 219.15 million), covering 6.62% of the total investment in FY2010-2011 to 2,139.07 billion kip, covering 5.89% in FY2011-2012, 2,939.64 billion kip, covering 6.51% in FY2012-2013 and 2,760.82 billion kip, covering 2.82% and 3,300 billion kip, covering 10.75%.

36. For the past five years, public investment is approximately valued at 12,892.76 billion kip (around \$1,611.595 million), covering 5.54% of the total investment and equivalent to 96% of the 5-year plan target (5-year plan target is 12,000-15,000 billion kip or 12-15% of the total investment). Breakdown of the public investment includes:

- Economic area covered 30% of the total investment
- Social area covered 35%; while Education sector and Health sector covered 17% and 9% of the total investment respectively.
- Road and office building construction covered 35%; while road construction covered 28% and office building covered 7% of the total investment.

37. Although relevant sectors and sub-national authorities have also implemented public investment in accordance with the Government's rules and regulations, in some cases public investment programmes have been scattered and the focus areas have not clearly been stated. In particular, the project development still lacks analysis and does not well reflect development goals. Therefore, a few public investment projects have been modified during implementation. In addition, capacity of local authorities to implement public investment projects has still been limited and this has led to project implementation

delays for a few cases. At the same time, monitoring project implementation at sectoral and local levels has not been done in a systematic manner. To address these challenges, attention will need to be placed on project monitoring & evaluation (M&E) and proposal development which need to highlight clear focus and outcomes. Also, implementing several small projects with limited impacts should be avoided.

38. The Government has also been working with development partners to mobilise support for the implementation of the 7<sup>th</sup> NSEDP. Despite the global financial crisis, during the 10<sup>th</sup> High Level Round Table Meeting in November 2010, development partners had expressed their strong commitments to support Lao PDR. Please note during the time of writing this Background Document, the whole picture of the ODA to Lao PDR for the 7<sup>th</sup> NSEDP has not been finalized. Therefore, some related information is documented based on the first three years and a half of the implementation of the 7<sup>th</sup> NSEDP.

39. Within this timeframe, Lao PDR was able to mobilise Official Development Assistance (ODA) of 28,858 billion kip or about USD 2,862.28 million (92% of the plan target - the 7<sup>th</sup> NSEDP set the target of 33,000 – 35,000 billion kip or 24-26% of total investment). The allocation of grants and loans (ODA) has mainly been focusing on some key socio-economic sectors such as:

- Grants have been allocated for the development of social and cultural sectors to achieve the Millennium Development Goals (MDG).
- Loans focused on the development of economic sector and infrastructure such as energy-mining, agriculture and forestry, public work and transportation.

40. In term of domestic and foreign private investment, the Government has put great efforts to create an enabling environment for investors. A highlight during the 7<sup>th</sup> NSEDP period is the opening of the one-door investment service since 01 October 2011, which helps facilitate fast and transparent investment. Together with this service, a website has been launched to allow the public and investors to gain an easy access to investment information. During the 7<sup>th</sup> implementation, the domestic and foreign private investment was around 154,798.10 billion kip or about USD 17,413.10 million, equivalent to 229% of the plan target (the 7<sup>th</sup>NSEDP target is 64,000-71,000 billion kip or 50-56% of total investment). Private investment increased from 15,348.70 billion kip or about USD 1,918.59 million, accounting for 57.95% of the total investment in FY2010-2011 to 21,520 billion kip or about USD 2,690 million, accounting for 59.24% of the total investment in FY2011-2012, to 24,388 billion kip or about USD 3,048.52 million, accounting for 53.98% of the total investment in FY2012-2013, 77,930.40 billion kip or USD 9,723.58 million, covering 79.51% of total investment in FY2013-2014 and 15,611 billion kip or USD 1,951.37 million, covering 50.87% of total investment in FY2014-2015.

41. The domestic and foreign private investment focuses mainly on energy/mining, services and agriculture sector. For the agriculture sector investment is mainly in corn promotion project, sugarcane, rubber tree and other industrial tree plantations, and coffee-tea plantations for export. Energy sector investments include hydropower projects and investments in mining include bauxite mines, establishment of processing factories for alumina and aluminum for both the domestic market and for exports, gold and other minerals mining and processing for domestic and export markets. For services, investments include hotels, villas, golf course, shopping malls, apartments, resorts, conferences, sport centers, and comprehensive telecommunication service projects.

42. For the bank credits, the Bank of Lao PDR has carried out policies and regulations to enable commercial banks to approve loans with low cost. Loan products have been developed continuously where different types of credits have been issued for various



clients' groups. In addition, commercial banks have been providing credits within strengthened regulations and procedures and lending consideration is to enable an easy access to funding sources while enhancing quality loans and avoiding Non-Performing Loans (NPL's level should not be more than 3%). The credits by the Bank of Lao PDR to infrastructure projects and other long-term projects has also been reduced and put on hold.

43. Within the 7<sup>th</sup> NSEDP framework, both public and private commercial banks have released banking credits of 40,139.10 billion kip (around USD\$5,017.38 million), amounting to 16.96%% of the total investment, equivalent to 297% of the plan target (the 5-year plan target is 12,000-15,000 billion kip or 10-12% of the total investment and about 3,000 billion kip per year). The credit's main objective is to support important Government's infrastructure projects as well as poverty reduction and employment generation for people living in rural areas. The credits have also been released for commercial production, livestock and agriculture promotion, and small/medium processing industry.

44. International trade has also been playing an important factor stimulating the Lao economy. Since 2010, Thailand, China and Vietnam have increasingly become main export destinations as well as principle sources of imports for Lao PDR. Between 2010-2014, Lao PDR's merchandise export has been growing at average rate of about 35% per year with both resource and non-resource exports growing at more than 30% a year. However, Lao PDR is expected to become increasingly dependent on mining and electric power exports in coming years. While these two sectors accounted for 67% of total exports in 2013, this share is expected to rise to 77% in 2020. Strong import growth that has accompanied the economic upturn has been characterized by steady growth in the import of consumption goods alongside a slightly higher rate of expansion in the import of capital goods associated with mining and hydropower, although despite growth in absolute values, the overall proportion of trade to GDP has fallen slightly.

45. Although the economy is growing fast, it is becoming less diverse and GDP growth, which remains high, is trending downward. Mining and electric power exports accounted for about 65-70 per cent of total exports during 2010-2014, a share which is expected to rise further in the coming years. Lao PDR's ability to attract inward investment compares favourably with regional comparators and the LDC average - although investment is almost entirely resource-seeking rather than efficiency-seeking (about 80 per cent of FDI are invested in the mining and energy sectors).

46. As an initial step to diversify the investment, the Government has recently been focusing on special economic zones (SEZs) to operationalize the new Investment Promotion Law for the achievement of 7<sup>th</sup> NSEDP's target (further developing the existing SEZs that have been established and creating an enabling environment for the establishment of specific economic zones in other areas throughout the country in order to increasingly attract foreign investment to the country).

47. During the course of the 7<sup>th</sup> NSEDP implementation, the Government has issued the Decree on the organization and activities of the Lao National Committee for Special and Specific Economic Zones (NCSEZ), which acts as a secretariat to the Government in researching macro-policy, supervising and overseeing all SEZs in the country. Currently, at the end of Lao financial year 2015, there are 10 SEZs in Lao PDR (2 - Special Economic Zones and 8 - specific economic zones). Out of these 10 SEZs, 7 have been upgraded from general concession investments to SEZs and 3 SEZs have been newly established: Phoukhyo, Thakhek and Beung That Luang SEZ. These 10 SEZs are:

- Savan-Seno Special Economic Zone

- Golden Triangle Special Economic Zone
- Boten Beautiful Land Specific Economic Zone
- Vientiane Industrial-Trade Area
- Phoukhyo Specific Economic Zone
- Saysetha Development Specific Zone
- Thatluang Lake Specific Economic Xone
- Dongphosy Specific Economic Zone
- Long Thang Specific Economic Zone
- Thakhek Specific Economic Zone

## **B. Macroeconomic stability**

### **Inflation**

48. The inflation rate has moved within the level specified within the 7th NSEDP (i.e. it is at a rate which is lower than the economic growth rate). It changed over the course of 7<sup>th</sup> NSEDP timeframe - 7.42% (2010/11), 5.12% (2011/12), 5.64% (2012/13), 5.16% (2013/14) and 1.76%(2014/15) (please refer to Table 3 for more detailed figures).

49. The main factors contributing to increased inflation are: food and beverage (non-alcoholic drinks) with an average price increase of 8.26%, housing, water and electricity with an increase of 6.76%, goods and services increase of 3.58%. Inflation has also been influenced by external price pressures and imbalance between domestic supply and demand. Uncertainty of fuel prices in the world market has directly affected domestic fuel price. For instance, during the FY2010-2011, the domestic fuel price increased by 20% on average and moved 17 times, 13 of which were upward movements and 4 were downward. In addition, the prices of goods in neighboring countries and in the region have continued to increase, including in Thailand, Vietnam and China. Domestically, insufficient supply has caused the price of meat to rise.

**Table 3 - Changes in the Inflation Composition**

Categories	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15 *	Average
1. Food supply	10.39	6.97	10.37	9.17	4.38	8.26
2. Alcohol	2.28	3.07	3.38	5.47	2.51	3.34
3. Clothing and shoes	2.39	2.35	4.42	6.02	4.20	3.88
4. Housing, water & electricity	3.14	9.15	9.09	3.64	8.79	6.76
5. Home appliance	1.40	2.54	2.70	2.10	1.31	2.01
6. Health care	2.25	1.20	1.31	1.34	0.03	1.23
7. Communication & transport	7.90	4.88	0.43	0.65	-4.79	1.81
8. Post & telecommunication	2.41	2.13	1.71	0.85	1.20	1.66
9. Entertainment & recreation	0.94	1.63	1.81	2.22	0.18	1.36
10. Education	0.57	0.92	2.19	1.31	0.20	1.04
11. Restaurants and hotels	3.50	7.93	8.63	8.60	4.07	6.55
12. Goods and services	9.24	5.61	1.50	1.41	0.12	3.58
<b>Inflation (%)</b>	<b>7.42</b>	<b>5.12</b>	<b>5.64</b>	<b>5.16</b>	<b>1.76</b>	<b>5.02</b>

Source: Lao Statistic Bureau, Ministry of Planning and Investment

\* 10 months Estimate

## **Fiscal and Monetary Policy Management**

50. Foreign Exchange Rate: the exchange rate over the past 5 years has been stable (Please refer to Table 4 for detailed information.) The appreciation of the Kip against the USD during FY2010-2011 to FY2012-2013 is attributable to the continuous inflow of fund

into the country over the past few years, the depreciation of US dollars in international markets caused by the economic situation of the United States and the debt issue in Europe and in November, FY2013-2014, Kip depreciated against the USD due to the government's measures on international monetary liquidity was applied. For LAK against Thai Baht, it is appreciated, because the Baht depreciated against the US dollar.

51. The appreciation of a currency of one country against foreign currency will impact on the value of exports. But in the case of the Lao PDR, the appreciation of LAK impacted on the profits of export companies as their earnings are in foreign currencies but they pay salaries to local staff and other service charges in Kip. In addition, many foreign currencies are being used in the Lao PDR exposing export companies to risks from exchange rate fluctuations and impacting on cost composition and incomes that are in different currencies. Many companies have been affected especially garment factories, agro-processing and handicraft companies.

52. During July, August and September 2013, monetary trade was not as smooth due to the Bank's reserves declined which caused huge differences between the official exchange rate and the exchange rate at the market. This has affected the state of national monetary and some business units although up to present, this issue has been resolved but continuous monitoring is needed with contingency plans prepared.

**Table 4 - Foreign Currency Exchange Rate**

Currency	2009-10	2010-11	2011-12	2012-13	2013-2014	2014-2015
LAK/USD Rate of change	8,372	8,037.49 4.17% (Appreciation)	8,010.73 0.33% (Appreciation)	7,867.92 1.82% (Appreciation)	8,024.63 1.95% (Depreciation)	8,065.63 0.51% (Depreciation)
LAK/THAI Rate of change	257.39	266.44 3.39% (Depreciation)	258.12 3.22% (Appreciation)	259.33 0.46% (Depreciation)	250.58 3.49% (Appreciation)	248.46 0.85% (Appreciation)

Source: Monetary Policy Department, Bank of Lao PDR

### **Money Supply (M2):**

53. Over the last 5 years, the amount of money in circulation M2 continued to increase at a manageable level in accordance with the market mechanism. For instance, the amount of money in circulation M2 during the fiscal year 2010-2011 increased by 38% compared to the same period of the previous year. The reason for an increase in the amount of money in circulation M2 during 2010-2011 was due to credits to economic sector which increased 6,499 billion kip or 43.89%, in which credits to private sector increased to 4,787.7 billion Kip or 42.7% and credits to enterprises increased 1,296.8 billion Kip or 67.59%. In September, FY 2012-2013, the amount of money in circulation M2 increased 19.2% compared to end of FY 2012-2013 (in September 2013). The trend has also been the same in 2013-2014 and 2014-2015. The increase in amount of money in circulation was due to: 1) increase in net domestic assets coupled with banking credits to economic sector, 2) commercial banks supplied capital to economic sector and financial institutions for promotion of goods production, poverty reduction, and priority projects of the government and to purchase foreign currencies.

54. For the short run in the case of Lao PDR, the increase in M2 has stimulated rapid economic growth and has slight impact on inflation. However, in the longer term, if M2 still continues to increase at the level of 30% like in the past, it may increase the risk that banks in Lao PDR might have especially in term of non-performing loans (NPLs). It might also pose risks to overall economic situation as well as putting pressures on inflation rate.

#### *Foreign Currency Reserve*

55. Over the past few years, foreign currency reserve has been maintained at the level sufficient for 5.11 months import on average. During FY 2010/11, foreign exchange reserve was accumulated to USD 718.1 million, increased by 35% compared to the same period of the previous year and sufficient for 5.02 months of import. In FY 2011/12, the balance was USD 658.57 million, reduced by 9% compared to the same period of the previous year and sufficient for 5.39 months of import, in FY 2012/13, the balance was USD 582 million and sufficient for 5.42 months of import. In FY2013/14 the balance was USD 834.71 million and sufficient for 5.39 months of import and up until August 2015 the balance was USD 994.11 million and sufficient for 6.42 months of import (NSED P target is to cover at least 6 months of import).

### **2.2.2 Labour and employment**

56. In recent years, there has been improvement in the labor structure with a gradual movement towards industrialization and modernization. This change has been seen from the gradual reduction of labor in the agriculture sector which declined from 75.1% in 2010 to 69% in 2014 (the 2015 target is to reduce to 70%). In the industry sector, employment rate increased from 5.5% in 2010 to 7.6% in 2014 (the target is to increase to 7% by 2015) and in the service sector, it also rose from 19.5% in 2010 to 23.4% of the total labor force in 2014 (the target by 2015 is to reach 23% of the total labor force). The employment rate tends to increase, moving from about 12% in 2008 to 14.9% in 2010. It is estimated that by 2015, the demand for labor to fill old and new posts will be 3.26 million while the total labor supply will only be 3.17 million. At present, the labor force is 3.22 million people equivalent to 98.7% of the planned target.

57. Nevertheless, in comparison with the demand of the labor market, the supply is still insufficient due to a lack of information on the labor market. This has caused an inconsistency in labor development planning, the socio-economic plan and the labor market. In particular, investment is mainly focused in urban areas and have not focused on developing processing industries, limited small and medium size enterprises promotion which have an effect of rural migration into the urban. The immediate focus for sector improvements should then be on the infrastructure for skill development and training materials including quantity and quality of training.

### **2.2.3 Rural development and poverty reduction**

58. The main focus of rural development and poverty reduction is on developing villages and focal areas in accordance with the 4 concepts and 4 targets together with the implementation of the 3-builds (building provinces as strategic units, districts as comprehensively strengthened units and villages as development units). Although there is no detailed specification in the 7<sup>th</sup> NSED P, the 3-builds is one of the means of implementation of the 9<sup>th</sup> Party Congress Resolution, which is being piloted in 51 districts and 108 targeted villages.

59. This pilot is on-going and has contributed to strengthening local capacity and poverty reduction. Some highlights are:

- The process of dispatching of government experts to help work at grass root level has been strengthened.
- Attention has been given to ensuring national defense, security and social order, particularly in vulnerable border areas.
- Emphasis has been on the development of economic infrastructure at grassroots

level and in poor remote and very poor areas to create necessary conditions for people to have access to services and promote the expansion of commercial production. In addition to the expansion of road-access to villages, road-access to production areas has also been established to increase commercial production and market trade. At the same time, attention has continued with the expanding education network, health and clean water systems to rural poor and remote areas.

- The focus has also been on provision of permanent settlement and production land and turning villages into small towns in the rural areas, developing border areas and the various government's focal areas. A number of families in these areas have currently shifted from slash and burn cultivation to commercial production based on the local potentials.

60. 10 provinces have brought the poverty level below 17% and 6 Provinces have reduced the number of poor villages to less than 20%. In particular, in Vientiane Capital, the proportion of poor families is below 1%. In addition, Xayabouly, Xiengkhouang, Vientiane and Khammouane provinces have reduced the proportion of poor families to 10%.

61. Policies for rural development and sector development, especially the non-resource sectors are positive for sustainable development and environmental protection. The challenge for socioeconomic development and poverty reduction lies in the disparities between urban and rural areas, between and within regions, resulting in inequalities, particularly for those engaged in agriculture which may benefit less from the country's rapid economic growth.

62. In some rural areas, livelihoods are also affected by agricultural land concessions given for foreign direct investments. Regions with geographical difficulties continue to be a drag on overall development performance. A focused approach, paying close attention to areas vulnerable to poverty with enhanced efforts to promote the non-resource sector will help reduce poverty. The private sector can also provide employment opportunities (at the international level, integration of employment generation and poverty reduction into the plan is critical factor in development planning).

63. An increasing dependency on natural resources highlights the need to diversify the economy to ensure equitable and inclusive growth. Some 77% of rural households are engaged in agricultural production activities related to crops, livestock or aquaculture. In the Northern Region, 89% of households are farmers. At the micro level, small and medium-sized enterprises (SMEs) have important role to play in diversifying the economy. However, ensuring the development of entrepreneurial and technical skills, financing for implementation and an enabling regulatory environment are major challenges for developing SME's especially in agri-business production and ecotourism.

64. Tailored interventions are needed for the poorest groups, where the lack of access to infrastructure, markets and services remain barriers to growth and poverty reduction. These groups with limited opportunities for poverty reduction and economic development should receive special attention by the Government. The assistance to these groups should be implemented strategically to enable them to access to funding sources and markets, prevent child malnutrition and communicable diseases and ensure long-term investments in education and skills training, alongside the on-going efforts to improve access and infrastructure. Social welfare policy and poverty reduction must be tailored to ethnic people's specific needs and capabilities, as well as address the gender issue to ensure quality human capital amongst future generations.

## **2.2.4 Sectoral development**

65. Alongside efforts to continue economic growth, the Government has committed to accelerate efforts in building physical foundation in key economic and sectoral sectors and cross cutting areas. In particular, a number of the NSEDP social development targets have been met while for some areas, huge challenges must be addressed.

### **A. Key economic sectors**

#### **Agriculture and forestry**

66. During the past 4-5 years, the agriculture and forestry sector has made many significant achievements, despite the impacts of natural disasters like Nok Ten and Haima typhoons, the fluctuation of agricultural products and production input prices and other challenges. Nevertheless, there have been many achievements with food production, promotion of commercial productions for domestic consumption and exports, and enhancement of quality and productivity. Some key highlights include:

67. On food supply, rice production met society's requirements. Average annual rice production during the four years of the 7<sup>th</sup> NSEDP was 3 million tons. The focus is on three types. First, rain fed rice-farming production constantly increased. Its target set out in the plan will certainly be achievable. Second, dry season rice requires special attention due to challenges like climate change, a low level of rainfall, the use of irrigation systems, production costs and some others. Third, upland rice production is mostly in the northern provinces, particularly Huaphanh, Xiengkhouang, Sayabouly and Phongsaly.

68. The cultivation of food crops continues to grow moderately. The main products are corn, taro, fruit, and vegetables. Provinces that grow most of the vegetables are Champasak, Vientiane, Oudomxay provinces, and Vientiane Capital. The most outstanding vegetable growing projects are the organic vegetable projects due to high public demand. At present Organic vegetable grower groups have expanded to 8 provinces, with 59 groups and able to supply sufficiently to meet consumption needs of the society.

69. Livestock and fisheries have expanded considerably through the provision of materials and inputs for production; provision of technical training on animal raising, animal feed storing and fodder growing; provision of vaccination against diseases resulting livestock to grow at 5% per year, against a target is 4-6% per year.

70. Commercial plantations have constantly expanded. Crops include coffee, cassava, maize and sugarcane. These crops have market potentials, demand and a suitable price that is satisfactory for farmers, alongside the support and promotion from the Government and the private sector including enterprises investing in agriculture and agro-processing for export.

71. Commercial livestock is likely to meet the target set by the Five-Year Plan due to increasing move to industrial livestock, using improved species, especially pigs, chicken (layer), chicken (boiler), and ducks (layer), which are farmed throughout the country. For cattle farming on plateau and upland areas, farming based on cattle stock of the village and to supply the products to domestic market and neighboring countries along the border. Although overall livestock products have tended to increase, if compared to actual consumption both domestically and abroad, it is still not sufficient, especially regarding large animal (cows) because farmers often lack the knowledge and techniques specific to outbreaks control of animal diseases, cow species are local that yield low production,

enforcement of regulations on protection over pregnant cows from being killed is not strict, slaughterhouses and meat processing factories are very basic and lack of hygiene certifications.

72. In term of management of production and plantation forests, at present across the country, there are 51 National Production Areas covering 3.1 million hectares and divided into 324 sub-areas. Up to date, survey, data collection and allocation plan have been completed. The reforestation has also been a matter that need special attention as it is mostly like that the 7<sup>th</sup> NSEDP target on this could not be met.

73. Turning to agriculture land management and development, survey of agricultural land allocation in many parts of the country have already been completed and a majority of districts have already received the land allocation. Planning and zoning classification for agriculture, especially rice farming, vegetables plantation and livestock have also been done.

74. The sector has also paid attend to research and technical applications. For instance, the number of agro-forestry technical service center has increased to 268 throughout the country. For technical improvement, there were supplies of equipment, drying and screening machines, and drying yards for seeds, together with job creation that suites production potentials and supports from field-staff to Kum Ban regarding regular production promotion, and aims to assist local villagers to know and understand the new better plantation or livestock-husbandry techniques.

75. The production of rice species is expanding. The centers produced several rice types, rice-batch 1, rice-batch 2 and rice-batch 3. There was also production of rice that is resilient to floods. To date, the percentage of farmers using improved rice species has increased by 41% of all farmers nationwide, particularly in the central and the northern regions using 80% in wet season and 100% in the dry season; and there are now 1,300 farmer groups. There is promotion of rice selection and production of good local rice species that have potentials and market demands, for instance “Kai Noy” rice and other local species.

76. Despite the key achievements highlighted above, one of the under-performance targets is the restoration of natural forests. These declined from 263,593 ha in 2011 to 66,348 ha in 2012. Implementation over the past two years has been 329,941 ha, which is only 8.5% of the Five- Year Plan target (3.9 million ha). This jeopardized the accomplishment as planned. One of the reasons for this decline was the transfer of responsibilities from the Ministry of Agriculture and Forestry (MAF) to the Ministry of Natural Resources and Environment on forest management. Out of the three forest categories, MAF is responsible for the production forests and forest restoration but the actual implementation focused mostly on production forests leading to slow restoration activities. The registration of tree plantation sites has been completed for a total of 298 plots with 83,465 ha. But actual tree plantation over the past two years has not been on course, as only 63,746 ha or 32% of the Five Year Plan target (200,000 ha) was completed. Achieving this target is unlikely. The reasons for the under-performance were due to: (i) allocation of rubber plantation areas has not been completed; and (ii) the government’s order on temporary suspension of rubber and eucalyptus concessions (for new projects) and therefore the plantation plans by enterprises have not been implemented. Only plantation by some local people has been on-going.

### **Infrastructure, public work and transportation**

77. Transport infrastructure in Lao PDR is at an early stage of development. To increase industrialization, the Government has emphasized infrastructure development as a

critical need. In particular, being a landlocked country, Lao PDR depends heavily on road transport for economic development. The increase in the road network has been accompanied by even faster growth in the number of vehicles across the country. However, remote areas still have low traffic density due to the low level of their economic activities. Some key highlights include:

78. Development road construction and land transportation has made significant achievements. Road networks have risen from 39,584 km in 2010 to 41,042 km in 2011, an increase of 1,458 km (or 3.7%). One of the areas that received high attention is the improvement of paved roads, which increased from 5,426.67 km in 2010 to 5,702.45 km in 2013.

79. The development of transportation networks linking domestic roads with neighboring countries including the North-South Economic Corridor and the East-West Economic Corridor were implemented in accordance with the plan. By 2015, the transportation network will be around 1,183 km (the plan target is 920 km) exceeding the target by 263 km.

80. Alongside road maintenance, there has been regular road rehabilitation with labor contribution by local people. This consists of 478 contracts with the total value of over 7 billion kip. There are also 67 contracts for a 3-year lump sum road maintenance with the total contract value of about 250 billion kip.

81. The outstanding achievements in national road maintenance include: Road No. 13 South in Vientiane province with funding assistance from the World Bank amounting to 2.8 billion kip and funding from the ADB 11 project amounting to 2.7 billion kip; Road No. 13 South in Bolikhamxay province with value of over 2.5 billion kip.

82. The air transportation service system has seen significant improvement and with a tendency for high growth especially due to big airport expansion, new airport construction and improvement of existing airports to cater to Boeing 747 type aircrafts which can already be catered for at Wattay International airport. The Luang Prabang airport expansion has been 95.66% completed. For Pakse, Phase 2 of the airport expansion project is on-going. The construction of Nong Khang airport in Houaphanh province began in April 2013. Seno and Xiengkhouang airport are also being studied, surveyed and designed.

83. The construction and development of railways, the Lao-Thai railway project's Phase 2 from Thanaleng to Ban Khamsavath village, is at the construction bidding stage. The Lao-China railway project has completed its feasibility study and has been submitted to the Government for consideration for funding sources for implementation. The feasibility study of the Savannakhet - Lao Bao (Lao-Vietnam border) railway has been completed, with the length of 217 km. In addition, other tasks completed include: the survey, marking of roads and railway station areas, monitoring and review the management and protection of preserve areas along the road and railway station from Vientiane capital-Bolikhamxay province-Khammouane and Savannakhet with the total length of 440 km.

84. Development of urban planning and water supply - There were a series of activities such as the construction and inspection of national level projects. In terms of urban planning, the aim is to ensure that cities develop in accordance with the city plans in an orderly, beautiful, and in harmony with the environment. The Government has also encouraged and promoted the preservation and development of unique national architecture. Sheds and street restaurants in Vientiane Capital that do not meet quality standards and with no permission have been removed.



85. The strategic plan of town development until 2030 was completed and presented to the Government in September 2012. The small-town development project funded by ADB has been completed and handed over by ADB with the total value of 18.5 million in 12 districts namely: Samneua, Paek, Paksan, Vangvieng, Phongsaly, Namtha, Say, Huaysay, Sayabouly, Saravane, Lamam, and Samakkisay districts.

86. Regarding water supply, by October 2012, water supply in urban areas reached 57% of the total population living in cities. It is expected that by 2015, the target of 67% will be achieved given that there are many on-going projects, some with significant progress while others have already made significant achievements.

87. With these positive achievements, sufficient investment in transport infrastructure construction, especially roads will be required to ensure sustainable socio-economic impact. The economic impact includes trade linkages and access to market. Better connectivity is seen as crucial for the achievement of the MDGs through improving access to health and education facilities, as well as improved farmers' and enterprises' access to market. It is noted that only 1.3% of people in rural areas without road access received skill training and their proportion in total trainees is only 4%.

88. Nevertheless, in the mountainous and plateau areas, infrastructure construction remains slow. About 55% of villages in mountainous areas do not have year-round road access. In 2011, only 39% of villages in rural areas without road access have electricity. At the same time, about two-third of those villages are over two hours walking distance far from health centers and hospitals. Despite many difficulties, there have been important achievements in the area of education especially where 69% of remote villages have primary schools located within one hour walking distance.

89. Overall, provinces with high poverty rate are the ones with difficult infrastructure such as Sekong, Phongsaly and Houaphanh province. These provinces also have difficulties with road infrastructure, access to health services and no access to electricity grid. In Phongsaly, only 11% of the total villages have access to electricity grid and about 34% with year round road access. About two-third of the total villages are far from health centers and hospitals.

90. The new transport sector strategy focuses on maintaining existing roads, improving domestic and regional connectivity as well as strengthening all types of transportation systems. However, there are still many challenges that need further attention especially in improving infrastructure as 30% of total households in the country live in the areas without year-round road access. Measure to tackle this aim to improve implementation including implementation of transport projects, with a greater better focus that takes economic, social and environmental impacts in concern as well as promoting the use of domestic labor and raw materials, as well as mobilizing broad based participation from private sector. Small towns with road access for transportation and connected with economic corridors, play an important role in providing opportunities for economic and human resources development in surrounding rural areas. The promotion of small-town economic roles will contribute to strengthening the non-resource sector and increase opportunities for off-farm employment.

#### **Post, telecommunication and communication**

91. The postal network has been extended to 128 districts, covering 88% of the total. The modern technologies have been applied in the postal service. For instance, one of them was automatic postal service which was currently being tested in Vientiane Capital

Post Office. The telecommunication services are expanded with optical fiber system to 12,304km or 72% against the target (Five Year Plan target is 17,192km), adding up to the total of 52,726km, covering all 18 provinces 145 districts.

92. Telephone numbers that are subscribed to including fixed line and mobile phone have reached 5,76 million, covering 88.61% of the total population which have 8% exceeded the plan target (the Five-Year plan target is 80%); of which there are 724,292 fixed line numbers are subscribed while there are 4.26 million are mobile phones. The National Internet Center was improved with data storage and internet service to become a one door service for domestic and international communication. The internet network system is connected to overseas system, such as the leasing contract with Japanese NTT for connecting internet signal with cable under the sea for direct international connection. Furthermore, there are connections with VDC Ltd, Viettel of Vietnam and CAT of Thailand for ensuring alternatives.

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

94. The design of keyboard in Lao language for various types of mobile phones including smart phones and keyboard phones such as Black Berry and Nokia as has been completed with 19 modes. English-Lao-English dictionary program has been completed as well as the program to change font to online Phetsalat for 60,000 words to enable the system to operate in Windows Server 2008 64 Bits and 32 bits.

### **Industry, trade and private sector**

95. The implementation of the New Economic Mechanism (NEM) has enabled the private sector, both domestic and foreign, and including small and medium-sized enterprises (SMEs), to play an ever-increasing role in the economy. The private sector is expected to account for a much larger part of the economy as the Government attempts to achieve its goal of graduating from LDC status by 2020. The Government links the achievement of the Vision 2020 to attaining an annual GDP growth rate of 8 % from the present to 2020, on the basis of total investments made each year of around 30 per cent of GDP. More than 50 per cent of which should be mobilized from the domestic and foreign private sector. Guided by the NSEDP and research for the Diagnostic Trade Integration Study (DTIS), the key concrete strategy and measures for maintaining a high growth rate in the manufacturing industry and service and commerce sectors include:

- Establishing conducive trade and investment environment through:
- Improving competitiveness, quality and value of agribusiness, manufacturing and service sectors through:
- Improving the aid for trade governance framework to mainstream trade and private sector development through:

96. Between 2011 and 2015, it can be seen that overall processing industries have significant achievements, in creating jobs and adding value. The gross production value of processing industries in (2011-2015) was LAK 25,159 billion, with an average annual growth rate of 13%. Key processing industries include food processing, covering 21% of total processing production value, followed by spare parts – 18%, mineral products – 16% and beverages covering 15.5% of the total processing industry value.

97. For the development of processing industry infrastructure, at present, the total land identification and allocation for industrial zones nationwide has been 18,927 ha, 13,790 ha of which is owned by the state and 5,137 is privately owned. These areas are provided to serve existing factories that would be relocated and for newly established factories to be in the allocated industrial zones. The highlight was that in the FY 2012-2013, there were 206 factories operating within these zones.

98. Some key highlights for the establishment of conducive trade and investment, incremental achievements are an effort to fulfil commitments under Asian Economic Community (AEC) and WTO membership by carrying out a number of studies and assessments such as a horizontal assessment of laws, regulations, and administrative practices affecting trade in services. Also, the assessment of institutional and regulatory framework for telecommunication sector was also completed. Among others, the assessment concludes that in most areas, the primary legislation is already in place or well advanced to ensure the Government has the capacity to enable the required secondary legislation, including establishment of the National Communications Authority, development of a more detailed licensing framework.

99. Lao PDR has recently become a better place to do business for both domestic and foreign firms through introduction of a number of new policies and regulations aimed to improve predictability and transparency of business operating environment. However, there are still certain gaps between policy and implementation and without reducing this gap the potential of key economic sectors is likely to go unrealized. Further improvement in the enabling environment will require a wide range of sectoral and cross-sectoral initiatives.

100. Another key challenge will be to follow through with fuller implementation of legal reforms enacted in recent years. This will be especially challenging in a post WTO accession environment when, evidence from other post accession countries shows, reform momentum may begin to slow. Similarly, as trade and investment flows become increasing driven by the natural resource sectors, substantial efforts will need to be made to ensure that growth in the more labour-intensive non natural resource sectors is not hindered.

101. A lack of information and understanding by SMEs on the benefits of regional integration and FTAs with Dialogue Partners is also leading to the low utilization rate of the AEC implementation. Therefore, some form of policy coordination is crucial for addressing these issues in order to make the AEC realisation. Supporting business to prepare for the joint market will be key to ensure that the Lao economy will maximise the net benefits from regional integration. Partly because of Lao PDR's geographical location, its stage of development of market foundations, the nature of the methodology applied, the country performs poorly in most international benchmarking exercises, including the Doing Business Indicators, Index of Economic Freedom and the Logistics Performance Index. Overall these reports suggest that gaps between Lao PDR and its peers in the region are still significant.

102. Although there are significant constraints associated with its geographical locations such as high logistics and transport cost, limited scale economies because of small and fragmented domestic market, Lao PDR has potential to develop its non-resource sectors based on key endowments such as availability of labor surplus in subsistence agriculture; low nominal wage; availability of land for agriculture, forestation and pasture; availability of forests; availability of electricity at moderate cost; traditional handicraft skills; proximity to fast growing regional markets; and rich tourism resources (unique nature and culture).

103. At the program implementation level, although some encouraging progress has been made across all major areas of the sector Roadmap, the implementation of the second generation of the Trade and PSD program following the DTIS Update is facing a number of new challenges because of the depth and breadth of the program. The key program implementation challenges can be summarized as the following:

- Lack of effective mechanism to address cross cutting issues affecting the private sector
- Challenge in demonstrating linkage between trade, PSD program and poverty reduction
- Mainstreaming trade agenda across sectoral agencies
- High transaction cost of development assistance due to divergent implementation modalities and operational policies and guidelines
- Adoption of priority action plan to follow up on the implementation of key recommendations from the 4 pieces of the service sectors' regulatory assessment, including the horizontal assessment, the telecommunications sector, the insurance sector, and the needs assessment for the MRA implementation remains critical for achieving predefined objectives for enhancing capacity of regulatory capacity in services sectors
- Ensuring effectiveness and efficiency of newly restructured trade policy coordination structure under NSCEI, including adoption of operational procedures, defining priorities of annual work program, setting agenda for semi-annual meetings, keeping tracks of work and assessing progress of decisions initiatives undertaken by the authorities and ensure effective coordination across ministries and public entities and other;
- TFS still faces challenges in encouraging private sector to actively participate in the public private dialogue under the TFS forum and providing adequate support to inter agency coordination and preparation of relevant policy and issues papers;
- Limited level of public awareness, especially SMEs about opportunities and challenges associated with Lao PDR's WTO membership and the upcoming AEC.

### **Energy and Mining**

104. The global economic crisis has influenced the development of electrification and mining. Many large-scale electricity development projects have either stopped or postponed. The mining operations have also experienced the low prices of minerals in some years. However with supports from various stakeholders, many targets have been achieved while there are still some areas that need further efforts. Key highlights include:

105. Total production of electricity during the period is 50,278.91 KWH, which increased annual 29.57%. Currently, there have been 25 projects that are under operation with production capacity of at least 1 MW and more. The total installation capacity of these projects is 3,244.6 MW. Out of these, the Government (via EDL) owns 10 hydropower dams with installation capacity of 390.7 MW covering 11.62%. The private manages 15 dams with installation capacity of 2,853.9 MW covering 88.83% of the total installation capacity.

106. The Government has also had agreements with local and foreign investors for totally 71 projects with total installation capacity of 21,668 MW. Out of these, 31 projects are under the process of feasibility study, 21 projects are under development agreements and 19 projects are under the concession agreements and in the process of construction. The Government also has policy to encourage the development of hydropower for domestic consumption expected to come from 16 projects with total installation capacity of 909MW while 7 out of these have 449MW.

107. The attention has also been towards the development of Off-Grid Electrification as Lao PDR has capacity in developing solar power. It is estimated that on average, annual sunlight is at the level of 5.0kwh/m<sup>2</sup>per day. This kind of energy has been expanded and installed in the rural areas for more than 13,000 households in over 320 villages. A solar energy installation was completed, which links to the on-grid electricity network at parking of Wattay International Airport, with capacity of 236 Kw.

108. The construction of sugarcane bio-energy stations in some provinces was carried out. For instance, in Savannakhet, the construction was completed in 2011 with installation capacity of 3 megawatts and will increase installation capacity to 8 megawatt until 2015. The construction of biomass bio-energy and ethanol production factory in Attapeu province has been completed at the beginning of 2013 with installation capacity of 30 megawatts. In addition, the construction station to produce bio-energy from waste of 5 megawatts and biomass energy station of 50 megawatts is on-going in Sayabouly province (supported by the government of Finland).

109. The total households with electricity has reached 87%, exceeded the Five-Year plan target of 80%. Nevertheless, the development and supply of electricity is still insufficient. The transmission lines for high and medium voltage are not yet connected throughout all regions. Some regions still import electricity from foreign countries such as: Thailand, Vietnam and China. The connection of transmission system needs to continue to targeted markets in neighboring countries especially with Thailand, Vietnam, China and Cambodia.

110. Turning to the average annual growth rate of the mining sector, it stands around 13.65%. The total value of mineral export was over USD 4 million, consisting of about 60% of the total export of the country. More than small and medium 69 domestic and foreign companies have been given exploration contracts. The two large-scale projects are Lane Xang minerals and Phu Bia Mining Ltd. with production value of over USD 500 million a year.

## **B. Key social sectors**

Please refer to 2013 and 2015 MDGs reports for more information. *[Following texts under this section also address Discussion Point 6 of 2014 RTIM].*

### **Education and human resource development and sports**

111. The Government has placed significant importance on human resources development and has allocated increased budget to education and sports which covers 17% of the total government expenditures to improve and develop education infrastructure and improve teaching-learning from nursery, kindergarten, and primary school to university. The focus has been on achieving the MDGs, promoting children within the age of 11-14 to complete secondary school, developing new curriculum for vocational study to respond to the demand by the labor market. Many project implementations have been localized namely the development of quality education project, accelerated education for all, basic education development, dormitory building for students, school lunch and food supplements project implemented in 30 districts in 6 target provinces contributing to increased attendance rate while reduces drop-out rates, expansion and improvement of technical schools in the three southern provinces and others. In addition, block grants are provided for school administration to all primary schools nationwide based on a unit cost of 20,000 kip per student per FY 2011-2012 and increased to 50,000 kip in FY 2012-2013. For kindergarten, primary school, secondary school and high school receive 20,000 per

person per year. This has gradually improves the quality and quantity of Lao education which is evidenced in the actual implementation of various targets.

112. The information, communication technology (ICT) project has been implemented for improving secondary education. With support from People's Republic of China (PRC), 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. Nevertheless, enrolment rates at secondary and high school has been progressing from 75% and 43% respectively in FY 2012-2013 to 74.4% and 41.3% in 2013-2014. This indicator is one of the criteria for assessing whether the country will exit from the LDC status by 2020.

113. The targets that face significant challenge in achieving them include survival rate of primary school students which reached 71.4% in FY 2012-2013 and 77.5% in 2013-2014 while the target is to reach 95% by 2015. Although investment has been put into building more educational infrastructure, the repetition and drop-out rates still increase, in particular at primary school 1 and 2. The ratio between girls and boys at primary school is 0.95, at secondary school is 0.91, high school – 0.84, and vocational education – 0.6. Therefore it can be concluded the higher the level of education, the wider it is for the gender parity.

114. To eradicate illiteracy, mobile teaching has been piloted to teach children between 6-14 years old outside school in the remote areas in 3 provinces including Savannakhet, Khammouane and Sekong under the Education for All programme to enable the children to study. Currently, there are 144 districts in 10 provinces that announced as completed primary level. However, the main challenge in implementing this task is the lack of teaching materials and teachers as well as limited budget.

115. In the area of vocational education, infrastructure for Vocational Education institutions has been improved in Savannakhet, Sekong and Attapue province. In addition, there is also a policy to provide allowances to students from poor families and remote areas. This has contributed to increased enrolment rate. Less than 7% of the students studying at the level of vocational and college level choose vocational education. Merely 12% choose to study agriculture and the rest study in the area of industry and services. Therefore, it results in a situation where subjects studied do not meet labor market demand as stipulated in the 7thFive-Year Plan (2011-2015).

116. To address challenges and improve education outcome, the education sector has taken an innovative approach to developing the next Education Sector Development Plan (ESDP 2016-2020), by commencing the process with a Theory of Change methodology, thus facilitating a participatory and strategic approach to planning leading to broader ownership. The ESDP 2016-2020 has achievements which can be practically measured against output and outcome targets. The Focal Groups (under the Education Sector Working Group (ESWG)) have taken a leading role in the process, with technical assistance support, to ensure that the plan is aligned with related documents including the National Education Sector Reform Strategy, Mid-Term Review of the current EDSP 2011-2015, and master plan for individual sub-sectors. The ESDP (2016-2020) will be completed by end of May 2015.

117. With the support of Development Partners, the Ministry submitted an application for the implementation of Phase II of the Global Partnership for Education (GPE). This program will support the development of a school based management framework. GPE II will also pilot a reading development approach for children with weak Lao language skills.

## **Health**

118. The delivery of high-quality health services is important for the development of Lao PDR. Therefore, scaling up the current health response, increasing access to health services and maintaining their quality are necessary. At the policy level, to strengthen health governance and system reforms for the achievement of national goals and MDGs, in particular, MDG 4 and 5, the Prime Minister issued a Decree to appoint a Commission for Health Reform (PM Decree No.29/Gov dated 20/01/2014). At the same time, a framework of Health Reform has now been established and approved on 24 March 2014 during the meeting of the National Commission for Health Reform. [*Action Point 6 of 2014 RTIM*].

119. At the implementation level, the 7<sup>th</sup> five year Health Development Plan (HDP 2011-2015) has been the key framework to guide all related health activities. Hygiene and health promotion programme has been focusing on mother and child health and primary health care. Disease prevention and control of communicable disease programme pays attention to epidemiology, medical analysis, prevention and control for HIV/AIDS infection and sexually transmitted infections (STIs), malaria control, parasites and insects and tuberculosis control.

120. The most updated estimation by the Maternal Mortality Estimation Inter-Agency Group reported that the Maternal Mortality Ratio (MMR) between 1990-2013 in Lao PDR has decreased by 80% from 1100/100,000 to 220/100,000, which met the expectations of the government set for 2015 (260/100,000). Laos has the 8<sup>th</sup>-largest reduction rate among 166 countries experienced MMR declines.

121. Although Lao PDR has made notable progress in improving maternal and child health for achieving the MDGs, the key Mother and Child Health (MCH) indicators (MMR, IMR, U5MR, and nutrition) are still challenging. Disparity in health outcomes is remaining. Quality of health service, low utilization of MCH services, and financial and non-financial barriers, high Out-of-Pocket expenditure (around 46% of Total Health Expenditure - THE) are one of the multi-factorial causes.

122. Currently, health service network has been expanded especially in rural remote areas. Currently, there are 923 health centers and 859 of which provide services on birth delivery. At district level, there are 143 district hospitals, 27 of which provide Cesarean birth surgery while 3 of which relied on support from provincial medical staff, 5 of which do not provide surgery services and 103 of which could provide very basic support on birth delivery and new born child care. For provincial hospitals, they exercise their services in basic treatment, regular to emergency surgery and cesarean birth surgery that have been referred from the district hospitals. Apart from this, some provincial hospitals have been improved in some areas of expertise to upgrade the service quality to the same level as the hospitals at the central level and become the regional hospitals in the future. At the central level, there are 5 hospitals and 3 specific healthcare centers. There are 13 private hospitals or healthcare centers that officially operate.

123. The Government has also established model health village in accordance with the 8 concepts of primary health care. 4,533 model villages were established, covering 53.5% of the total villages. Under the Government's 490 villages in 64 focal village clusters, 189 villages have been established as health villages. For 109 villages of 51 districts implementing 3-build directives, 91 of them have been classified as health model villages.

124. Although health status of the people is improved, a few indicators are still lagging behind comparing with those in South-East Asia such as indicators on life expectancy, MMR, CMR, and malnutrition. Gaps between urban and rural area exists in terms of provision of health services; the implementation of user fee and free access to health care is not yet in conformity, inability to control resulting in some discouragements, the poor still do not receive health treatment at the hospital and health insurance due to inability to access. Social welfare is insufficient to cover all the people in the society. Lump sum payment scheme to hospitals is not sufficient to encourage the improvement of service quality. The turning direction to universal coverage of health insurance by 2020 is one of the main directions of the health sector reform which has been endorsed by the Prime Minister's Decree on national health insurance and the health financing strategy. For human resource development, the priority is to ensure accelerated planning, training and develop more health workers especially doctors, nurses, midwives, and village doctor for districts, health centers and village which have very limited number at this stage. The acceptance of health workers at grassroots levels to become government employee has not been adequately implemented due to limited quotas.

### **C. Key cross-cutting/multi-stakeholder issues**

#### **Nutrition and food security**

125. Nutrition and food security is one of the sectors that faces challenges in the implementation since it is associated with several sectors such as food security, food access and food consumption. To counter these, it requires effective collaboration and shared responsibilities among the concerned agencies including sector of health, education, agriculture, environment, industry and commerce, etc. This is to ensure food security and nutrition from household level to the national level.

126. Within the 7<sup>th</sup> NSEDP timeframe, the National Committee for Nutrition was established and there has been efforts in promoting hygiene – disease prevention to change living style behavior of people according to the '3 clean' principles such as drinking boiled water, eating cooked food, using latrines. The most important aspect is promoting eating behavior of children that they should eat all food groups by providing milk and food supplements to children at schools, distribution of Vitamin A, de-worming medicines, iron and zinc for children and women in reproductive health age. Nonetheless, there are challenges in achieving several targets set in the five year plan such as achieving target of prevalence of underweight children under 5 years which has very slow progress, based on the Multiple Social Indicator Survey (MICS) 2011, achieving only 27% compared with the target of 22% by 2015; the prevalence of stunting children under 5 (chronic malnutrition) is also still lagging behind reaching on 38% but the 2015 target is 34%. Therefore, increased efforts need to be mobilized in order to achieve these targets.

127. Recognizing a multi-sectoral nature of child undernutrition, the Government of Lao PDR developed the first National Nutrition Policy (2008), the National Nutrition Strategy to 2020 and the Plan of Action for 2010-2015. The development of the national policy and strategic frameworks has been influenced and aided by international development initiatives and frameworks. Between 2008 and 2010, Lao PDR was the first REACH (Renewed Efforts Against Child Hunger and undernutrition) country. In April 2011, Lao PDR joined the global Scaling Up Nutrition (SUN) movement. These national and international frameworks set up a comprehensive agenda for nutrition action, covering nutrition-specific and nutrition-sensitive interventions in the key sectors, including public health, agriculture and food security, poverty reduction, education, water and sanitation. However, the initial operationalization of the 2010-2015 Plan presented challenges due to lack of formal multi-sectoral coordination mechanism, unclear sectoral accountabilities,



significant capacity constraints (human and financial) and limited coordination with and among the development partners.

128. In response to the coordination challenge, in 2013 the Government of Lao PDR established a multi-sectoral National Nutrition Committee (NNC) chaired by the Deputy Prime Minister with authority and power to mobilise multiple sectors and levels of the Government (refer to diagram for more details). The work of the NNC is supported by the Secretariat led by the Ministry of Health and co-chaired by the Ministries of Planning and Investment, Agriculture and Forestry, and Education, Youth and Sports. Since its establishment, the NNC was instrumental for developing a strategic guidance for multi-sectoral response to nutrition. The NNC facilitated the development and testing of ‘convergence’ approach in selected districts and provinces of Lao PDR with close engagement of health, water and sanitation (WASH), agriculture and education sectors. It also coordinated the updating of the National Nutrition Strategy to 2025 and Plan of Action for 2016-2020 and led the integration of nutrition objectives into the national and sectoral development plans for 2016-2020. The development of Common Results Framework for Nutrition, clarifying roles and responsibilities of different sectors in implementing priority nutrition actions has been essential to strengthen the accountability and monitoring framework for nutrition in the country [Discussion Point 5 of the 2014 RTIM].

129. Development Partners played a significant role in the provision of technical advice and resources in the process of designing and implementing of multisectoral approach to nutrition, including support to the development of the ‘convergent’ model. EU and UNICEF facilitated the organization of quarterly meetings with donors, UN agencies and iNGOs since October 2013, with aim to improve information sharing, discuss harmonization of approaches and the best way of scaling up nutrition actions, identify key policy and implementation issues, mobilise resources to close critical gaps, and promote an increasing alignment of external development assistance to the country priorities. A number of joint initiatives has been initiated and supported by DPs. With support from EU, UNICEF and Lao SUN Civil Society Alliance, NNC is undertaking a comprehensive nutrition mapping exercise to inform the annual planning and budgeting for nutrition in the Government and of DPs’ programmes. WB, EU, IFAD and UNICEF brought their resources together to help the Government develop one multi-sectoral National Communication Plan of Action for Nutrition.

130. The Government of Lao PDR is determined to strengthen the multi-sectoral coordination for nutrition in the coming months and years. While the enabling environment for multi-sectoral nutrition response has been strengthened at the national level, efforts to enhance the comprehension and application of multi-sectoral nutrition governance and planning at the sub-national levels (provincial, district and village level) has just started. This remains to be an area of priority attention for the Government and DPs because without transformative and effective action at this level further and faster improvements in the nutritional status of children, women and their families will be challenging.

### **Unexploded Ordnance (UXO)/Mine Action**

131. From 1964 to 1973 was the period in which Lao people were impacted by bombs from the 2nd Indochina War. During these 9 years, there has been over 2.8 million tons of unexploded ordnance (UXO) out of the total 2.4 million tons of bombs dropped on Lao PDR, which on average is about 0.9 ton per one Lao person.

132. The 2010 National UXO Survey indicated some 48,375 casualties from 1964 to 2008, with the bulk of casualties between ages 15 and 35 years, 60% of the victims were killed and 40% were injured.

133. The target is increase land clearance from UXO contamination to 100,000 hectares by 2015. Up to date, 14,144 hectares has been cleared. In 2011, 4,050 hectares were cleared; in 2012, 10,094 hectares cleared and it is expected that additional 18,000 hectares will be cleared in 2013. Over 6,034 hectares have been cleared for agricultural production, in which 3,666 hectares are for agriculture, 2,368 hectares for various development projects. 186,984 UXOs have been destroyed, of which 288 were big bombs, 33,195 were cluster bombs, 191 were land mines and 153,313 were other types of UXOs. Overall, the clearance target will not be achievable by 2015.

134. The National Regulatory Authority (NRA) has identified 46 priority districts in nine Provinces as the most highly affected by UXO. The contaminated provinces are Huaphanh, Xiengkhouang, Luang Prabang, Savannakhet, Saravane, Sekong and Attapeu. The 2010 survey found that amongst the total 20,493 UXO casualties, only 583 survivors claimed to have received prosthesis and assistance.

135. The magnitude of the UXO problem remains a big challenge in the Lao PDR. The result of the 2008 National UXO Survey indicated that there are over 20,000 UXO casualties which are on average about 300 casualties per year. In addition, the most challenging is the target 9.3 - Provision of proper assistance to UXO survivors, which at present only that only 58% of the survivors have received assistance.

136. Mine risk education, management and information dissemination on UXO to public and especially to children is not yet comprehensive and clear. Therefore, there is a need to continue strengthening information dissemination to enable people to access to information on protection from residual chemicals from the bombs. In addition, community involvement should be further encouraged and promoted enabling them to better understand the impact of UXO on the socioeconomic development and on poverty.

### **Environment and natural resource management**

137. A number of rules, regulations and instructions has been issued in Lao PDR through the course of the implementation of the 7<sup>th</sup> NSEDP which includes for instance, Law on Land, Law on Forest (submitted for National Assembly approval in June 2013), Law on Water and Water Resources, Law on Environment Protection and improvement of the Decree on Social-Environmental Impact Assessment and Decree on Compensation and Relocation of Population. All of these regulation and instruction are formulated with an aim to avoid an unsustainable exploitation of the resource. *[Following texts under this section address Discussion Points 7 & 8 of 2014 RTIM].*

138. A number of decrees have also been drafted, including the draft Decree on upgrading provincial conservation forest to national conservation forests (Hi Phi and La Ving La Vern mountain), draft Decree on determining 13 natural resources conservation areas, draft Decree on Pollution Control, and upgrading the Minister's approval notice on environment standards to Law on National Environment Standards. In addition, the Environment Plan for 2011-2015 was endorsed in 2011 and the draft Strategy on Early Warning and regulations on natural disaster warning which is one of the priorities in the 7th Five-Year Plan.

139. In conjunction with the above mentioned regulations, there are some outstanding works that have been implemented such as:

- For water resources, meteorology and hydrology, implementation of national integrated water resource management has started. A few river basin committees have been established. Some key highlights include the work to check and improve quality of water measuring tool in meteorology and hydrology station in all over the country. And an exchange meteorology and hydrology information with neighboring countries and countries within Asia-Pacific every 3 hours and report every hour on the information and weather situation for aviation.
- In term of environmental aspect, study and research on environmental tax and use incomes from the development projects in the management of sustainable natural resources and environment have been carried out. Also, among other achievement, key highlights are: the production of manual, posters and technology transfer manual for technicians fixing cooling system nationwide; the completion of a plan to control the utilization of HCFCs and the reviews of the environmental impact assessment reports of 75 projects, in which 31 were initial environmental evaluation (IEE) reports and 44 were EIA reports of 44 projects.
- Natural Disaster Management and Climate Change has also been one of the areas with a number of positive progresses. For instance, the National Strategy on Climate Change and the National Adaptation Plan of Action has been operationalized through improvement of regulations and tools to suit the actual situation of Lao PDR. The final draft of the results on greenhouse gasses has been completed for the decision makers in the agriculture and forestry sector. The sector has prepared for the Government to consider adopting the project on reducing greenhouse gasses by avoiding deforestation and degradation of forestry at the local level by New Chip Seng Group (SN-REDD+ Project) to pilot carbon trade. Also, a study on potential and challenges of the Climate Change Fund have been initiated to ensure that resource mobilized from the Fund can bring maximum benefits for Lao PDR.
- Land classification has been basically completed in 354 villages in 47 poorest districts, and at macro level has completed 372 villages in 6 districts of 6 provinces. Also, land registration has been completed and land titles have been issued for over 40 thousand plots (against the target of 1 million plots). This has a very high risk in not achieving the 5-year plan target. At the same time, technical revenue and incomes from turning land use rights over the past one year has exceeded the target at 62% (the plan target is 30 million kip) and revenues from turning land use rights have been collected exceeding the plan at 92% (the plan target is 3 billion kip) and has transferred to national treasury; incomes from land use fees have been transferred to financial sector.

## **Public sector development and good governance**

### ***The Legislative Body***

140. The National Assembly is the organization that supports and promotes strengthening of the government authorities. The National Assembly is also the highest authority elected by the Lao people. Over the past years, the National Assembly, its Committees and members have actively taken forward the successes of each ordinary session of the 7<sup>th</sup> legislature to apply to actual situation of the society by meeting with citizens, local authorities, military, police and ethnic groups in each electoral area in order to disseminate the success of the meeting, Party policy direction, state regulations as well as the National Socio-Economic Development Plan. Meetings with electorates have been taken placed in 2,908 electoral points throughout the country with the participation of 98,217 people, 39,044 were women which is equivalent to 24.55% of the Five-Year plan. In

addition, people's comments and issues have been collected and reported to the Party-Government organizations and related sectors to improve and solve the problems in accordance with the Government's policy and laws.

141. The National Assembly has 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 are related to land and estate issues.

142. The 3rd ordinary sessions of the 7th Legislature of the National Assembly in June 2012 adopted the Law on Election of Members of the National Assembly, the amendment of 7 Laws including Law on Civilian, 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 the Law on Agriculture. Members of the National Assembly also endorsed the appointment of the Present for the State Audit Organization. During 17 days of the 3rd ordinary sessions, several comments from the public were received through the National Assembly hotlines. Most of the comments were related to particularly on public, social and economic sector management.

143. The 4th ordinary sessions of the 7th Legislature of the National Assembly in December 2012 considered and approved several construction projects and the relocation of new Kaleum municipality of Sekong province, adopted 10 laws including 4 new and 6 amended ones. These laws are important tools for public, social and economic management and administration in this new era.

144. Members of National Assembly have had periodic meetings with the people in their electoral areas to disseminate policy, the constitution, laws, resolutions, and orders from the Party and Government. In particular, the National Assembly members have encouraged and advocated for the implementation of the outcomes of the 9th Party Congress, Law on Election of Members of the National Assembly, the Five-Year Plan NSEDP VII and the public investment plan during FY 2010-2011, 2011-2012 and the first 6 months of FY 2012-2013 and etc.

145. National Assembly Standing Committee has endorsed a number of activities including the replacement election of members of the 12th Constituency in Khammouane Province, ratified treaties and agreements that Lao PDR is the party to in accordance with the request from the Government such as the ratification of an Agreement on Forestry Coordination between ASEAN Governments and the Republic of Korea, Agreement on the Emergency Reserves between ASEAN+3, Multilateral Agreement on the Establishment of the International Convention for Landlocked Developing Countries, the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, WTO accession, and others.

146. In addition, the National Assembly has also considered and resolved a number of issues such as retroactive exemption on some issues for the Lao International Commercial Bank Public Ltd (BCEL Public), railway project from the China – Lao border (Boten Luang Namtha- Vientiane Capital) and Mekong hydropower project in Sayabouly province. The National Assembly also issued Lao nationality for 40 foreigners (19 female) and gave pardons to 517 prisoners, 82 of whom were female (2012) and 25 were foreigners.

## ***Administrative Organizations***

147. State administration has been improved in several aspects including improvement of organizational machinery and legal aspect to enable the development of state administration, social organization and population management in order to successfully operationalize the policy direction of the Party-Government. A number of legal instruments have been improved namely the improvement of public administration regulations, the management of civil population especially the birth, marriage, divorce and death registration; strategic development of the state administration, and gender promotion strategy. Apart from these, the Governance Strategy until 2020, the law on government, the law on local administration and the law on civil servants are being drafted. The most outstanding achievement is the review of the salary improvement and financial support for officials - civil servants. In addition, attention has also been on strengthening capacity of the civil servants through developing various training curriculum for newly recruited civil servants and for civil servants at each executive level. A number of authorizations and guidance note have been issued to facilitate the implementation at the local level especially the authorization on the organization and activities of village administration, authorization on population resettlement, Decree on the management and protection of religious activity.

148. Apart from the legislation improvement, a number of organizational machinery has also been improved such as: the Government's Office, Ministry of Home Affairs, Ministry of Science and Technology, Ministry of Post-Telecommunication and Communication, Ministry of Education and Sports, Ministry of Information, Culture and Tourism, Ministry of Natural Resources and Environment. Establishment of 102 associations across the country has been approved as well as 2 foundations namely the Boonxuei foundations and Mekong Wild Life and Forestry protection foundation.

149. Despite the above mentioned successes in the implementation of the public administration development plan, there are some outstanding issues such as: the dissemination and enforcement of legislation is still limited, some legislations still contain loopholes and are not tightened enough, for instance the recruitment of new civil servant is not yet in accordance with the regulations resulting in unsuitable filling for the post; the preparation of the civil servants development plan has not been systematic as it should be leading to inability to meet work requirement.

## ***Judiciary***

### ***- People's Court***

150. People's Court - The focus has been on political training for judges and officials of the People's Court to have the right legal attitude and be transparent, responsible and honest with the tasks. In addition advocacy, disseminations and trainings on various laws have been conducted such as: Civil Case Law, Law on Civil Procedure, case procedure for copyright and international trade in order to ensure compliance with the World Trade Organization (WTO) requirements and preparation for integration of the ASEAN Economic Community. 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 National Assembly to consider establishing labor court committee and preparing for establishing administrative court committee.

151. The People's courts are to protect the legitimate rights, to ensure strictness, fairness and justice to protect the citizen and exercise the rights under law. During the past 2 and half years, there are totally 19,145 cases occurred, of which the court resolved and settled

approximately 17,228 cases which equal to 89.99% of the total cases, the plan target is 85%. The most frequent is criminal case, consists of 9,147 cases, especially the cases concerning withhold and selling illicit drugs; besides, there are civil cases, which covers about 31.41% of total cases, especially about land disputes, trade related cases covers 5.96%, mostly concerning loan agreement. Apart from this, it has been observed that families cases are the cases occurring in many societies and tend to increase, causing impacts to the family living, customs & traditions and culture. These sorts of cases constitute 12.75%, children's cases relating to theft of civilians assets have increased to 2.09%. Therefore the capacity building for administrative authorities and tribunal staff are very important to improve the cases proceeding and prevent social problems so that they gradually decline, by upgrading trainings for the local people's courts chancellors, upgrade the judges across the country to provide clear understanding of case proceedings' procedures.

152. Along with the above mentioned achievements, there are multi-dimensional challenges in particular some cases solutions have not been satisfied resulting in noises and complains from the society and in some cases, the verdict was already made but they were appealed for re opening of the proceedings, these show that the judgment quality is not strong. The basic infrastructure have not met the requirement, only 17 areas have permanent offices but there remains 39 areas needing people's court offices.

**- Prosecutor**

153. Progress has been made in accordance with 4 programs and 19 projects in developing prosecution, particularly on capacity building on professional skills and political thinking. For instance trainings have been organized for Director, Deputy Director of the Public Prosecutor in 39 areas across the country, seminars to monitor, inspect criminal case, civil case were organized in three parts of the country which helped improving its administration to be stronger and smoother and more transparent. Moreover, research and development of 3 fundamental curriculum on public prosecutor work has been completed namely training curriculum for officials, covering 95% of total officials; curriculum on writing techniques in preparing declaration, recording sentence, monitoring law enactment; and curriculum on IT in recording statistics data with computerized system. There has been inspection of any violation of laws in place for detention, detention facilities, rehabilitation centers and rehabilitation camps. There have been more than 5,000 prisoners, of which 159 are foreigners and 1,973 have been released. Attention has been given on monitoring the implementation of the law in court proceedings at each level; 5,375 criminal cases were solved at beginning level on trial or 89.21% of the total cases; 227 civil cases were solved at the beginning level on trial or 90.03% of the total cases; 263 criminal cases were solved at appellate level equivalent to about 92.9%; 217 civil cases at appellate level which equal to 95.17%, 29 criminal and 215 civil cases were at the final stage which equal to 85.29% and 98.17%, respectively. This shows the quality of the settlement of cases has gradually improved reducing negative social noises.

154. Besides capacity building for staff, there has been improvement in infrastructure of prosecution organization at each level as well as provision of necessary equipment such as construction of zone 1 office in Xay district, Oudomxay; zone 2 office in Phaoudom district in Boneo; zone 1 office in Sikhottabong district in Vientiane Capital. Construction of other remaining office building is scheduled in the upcoming years.

155. Governance reform and addressing all the challenges have to continue to be further defined in the next NSEDP. One of the key priorities in the remaining plan period is to develop a roadmap that provides a coherent approach for the transfer of functions, roles, responsibilities and resources from the central ministries to sub-national administration. This road map should help inform the amendments in the existing legal frameworks

needed to institutionalize the de concentration process.

156. Other priorities include the need to complete and get approval on the necessary legislations and or regulations related to civil service code, code of ethics of civil servants, performance management of civil servants, development of a framework for the One-Door Service at the provincial and ministry level, and the approval of the Strategy Plan on Governance.

157. Continuing capacity development support needs to be extended to improve the internal governance structure of the National Assembly and develop the capacity of its members to be able to review draft laws and scrutinize the budget and review the implementation of key Programs. Similarly further work is needed to improve and simplify the existing registration system for civil society organization to facilitate the registration of civil society organization.

158. In the legal sector some of the priorities include: developing handbook for legal terminology in Lao ensure consistency in legal drafting; developing a uniform law drafting manual; clarifying mandates of legal sector agencies; developing a code of ethics for legal sector personnel; and developing an administrative court.

159. In the Lao PDR, the major governance-related risks are in public finance management, procurement, corruption, and accountability. Issues include weak public finance mechanisms, lack of congruence of sub-national priorities with national objectives, weak capacity, inadequate financing of recurrent costs of investment projects, alleged irregularities in procurement, and reportedly rising corruption perception.

160. These could be mitigated and addressed by strengthening public finance management, instilling financial control (internal audit), enhancing external audit, curbing corruption (with the principles of the Second Governance and Anticorruption Action Plan) and reinforcing capacity. Internal and external auditing of government accounts remains weak. Government staff has inadequate knowledge of the procurement system stipulated by the government and development partners. This is due to lack of training and language difficulties, especially relating to commercial and legal terms, and frequent rotation of project staff and their replacement, often by inexperienced new staff.

161. The Poverty Environment Initiative has developed an interface with the National Assembly. The discussions are expected to lead to some important policy initiatives to strengthen environment sustainability. On-going discussions between the National GPAR Program and the Ministry of Natural Resources and Environment are expected to give rise to new partnerships on local governance support for climate change adaptation and ensuring resilience.

162. The 7th NSEDP includes an outcome of increased effectiveness of public administration and rule of law at all levels and by preventing corruption. Progress is being in a number of areas, but defining and implementing the role of the public sector in Lao PDR still remains a challenge. To consolidate the transition to a socialist market based economy, all levels of government should concentrate on delivery of public services (at the present time, all levels of government are deeply involved in business activities).

163. This is particularly important as Laos PDR moves towards graduation as a middle income country (MIC) and thus must consider the kind of public administration and public finance arrangements that are required to sustain that income level and to ensure that the public sector is affordable, cost effective, and provides good quality services.



## **Population, Gender, Advancement of Women, and Mothers & Children**

### ***Population Development***

164. Population is the key factor for national development as both economic and social sectors all need knowledgeable human resources to contribute to the development. Currently, Lao PDR has small population compared to that of neighboring countries and majority of the population is mostly youth with 57.5% of the total population are in the age of below 25. Comparing to Vietnam, Thailand and Cambodia, Lao has the most youth composition of population and will continue to increase. However, the Lao youth population still has low skill level and is not being able to meet the current development demands.

165. Population below the age of 20 and below covers about 46.7% of the total population is considered to be the core labor of the country. But the contribution rate of these labors is still very low resulting in missing an opportunity to gain from the 'demographic dividend'. Therefore, in order to benefit from having youth population, the Party and the Government has been focusing on improving and developing human resources especially in increasing more investment on education and health sectors, so that people receive education, are knowledgeable and healthy. In addition, the government has also focused on developing labor skills.

166. Even though the government has put more efforts on population development, this is still a challenging issue the education level, labor skills and high maternal and infant mortality rates which calls for more investment in these areas by identifying clear work plan, financial plan and implementation measures to achieve these goals in the remaining time period of the 7th NSDP.

### ***Gender Development and Gender Equality***

167. Lao Women Union (LWU) has encouraged and mobilized multi-ethnic Lao women to study the Party directions, constitution, Government laws, international laws and treaties, the resolutions of the VI Congress of Lao Women's Union, the history of the Party, the nation, Lao women historic characteristics through different means and ways, with total participants of 623,000 people, covering 65% of the total LWU members. The LWU Historic room has been improved both on the content and appearance with 1,081 visitors, 1,067 of whom are female and 14 are male.

168. The LWU at each level has improved planning, leading and working approach especially through capacity training to 142 LWU at district level throughout the country with the total participants of 350 people. In addition, trainings on leading and managing women union related work as well as advocacy trainings have been provided to 158 participants. Officials, LWU members and multi-ethnic Lao women have increasingly received capacity enhancement on various aspects such as political theory, professions, technical, vocational, and foreign language training.

169. The preparations and organization of grass-root women union congress have been 70% accomplished to mobilize women union movement to prepare and organize the Women Union congresses at district, provincial, municipality, ministerial and central levels, leading the drafting of Law on Lao Women's Union which is completed at fundamental level.



170. LWU has also led the implementation of the ‘3 Goods’ campaign – good citizen, good development and good family – contributing to increasing political understanding, knowledge and skills to be able to earn income for self and families. Through the assessment of the implementation of the ‘3 Goods’ campaign, it has been concluded as follows: there are 426,717 members of LWU who have met ‘3 Goods’ criteria covering 81.49% of the total participants, there are 249,182 families qualified as ‘good and happy families’, 2,701 village women unions and 31 district women unions that met ‘3 goods’ criteria.

171. In conjunction, the Lao Women’s Union has also focused on protecting women and children’s rights and benefits and promoting gender equality, which is demonstrated by the following tasks:

- LWU has reviewed and provided comments on various policies, laws and programs of sectors that are related to development and protection of women and children’s rights, in particular the on the draft
- Civil Servant Law on the female civil servants retirement age. Reviewed and provided comments on the national policy on population and development, reproductive health, national socio-economic development plans, and integrating gender into each sectoral area.

172. The WU at all levels has duly carried their function in providing counseling services to women and children who encountered problems and coordinated with concerned organizations in solving the problems, mediating on issues for the women to protect and bring about their rightful benefits to women and children. Disseminations and campaigns against the use of violence against women have been carried out through media and various activities to increase awareness by families and society on the issue and to end violence against women and children.

173. LWU has actively contributed to the implementation of the National Socio-Economic Development Plan as well as the MDGs by focusing in particular on the MDG 3 –Gender Equality and the target on reducing maternal and child mortality. For instance, through collaboration with Ministry of Health, LWU organized training on basic knowledge on nutrition, preparation of food supplements for children to women at the village level and contributed to develop 1,500 health facilitators at village level (600 females and 900 males).

174. In an effort to meet the targets of increasing the number of female staff in accordance with the 9<sup>th</sup> Party Congress Resolution, the LWU has coordinated with the party’s committees and organizations at various levels in determining women staff development plans. The central LWU has also defined its staff development plan aiming to train staff who are working on women related issues at all levels. LWU members as well as many Lao women have actively developed their firm political value, revolutionary quality and morale and knowledge and capability so to suit the positions and functions entrusted by the Party and State. Consequently, the number of women in leadership level in each area covers about 5.4% against the target of 15% as determined by the 9<sup>th</sup> Party Congress Resolution. To enhance the employability, labor skill development and SMEs, the central LWU has designed training curriculum and conducted vocational training for women especially poor and deprived women.

175. LWU has continued the cooperation with women’s organizations of the strategic friendly countries, the world friendly countries and the ASEAN women; it succeeded in hosting the 1<sup>st</sup> ASEAN Ministerial Meeting on women, which adopted the Vientiane Declaration on “gender promotion and ASEAN women partnership for sustainable

environment”; this will further uplift the Lao women’s role in the international forum.

### ***Promoting Advancement of Women***

176. To implement the policy directions of the Party and the Government on promoting the advancement of women as specified in the 9th Party Congress and the 7<sup>th</sup> Five-Year National Socio-Economic Development Plan (2011-2015), through the implementation of work plan, there have been significant achievements such as: completed the development of the 2nd Five-Year National Strategic Plan on the Advancement of Women (2011-2015) and integrated this strategy into sector and local strategy.

177. Various campaigns and awareness raising activities have been implemented to advocate and raise awareness for government officials and people in general on understanding of gender, promoting advancement of women, the Convention on Eliminating All Forms of Discrimination Against Women (CEDAW), acting against all forms of violence to women in order to free oneself as well as the Lao society as a whole from violence against women and children and realizing gender equality between women and men enabling the country to graduate from least developed country status gradually. In addition, the website of National Commission for the Advancement of Women (NCAW) has been developed ([www.laonkaw.gov.la](http://www.laonkaw.gov.la)), advocacy materials were also developed and printed such as: 6th and 7th National Periodic Report on the implementation of the CEDAW in Lao PDR and concluding observations on those reports, the CEDAW, the Doha Declaration, newsletters, notebooks, pens, bags, NCAW pins.

178. Seminars and training on gender mainstreaming into sectors and local levels have been conducted. The structure of the Lao National Committee for the Advancement of Women at the national, ministry, organizational, provincial, municipality, districts and village levels have been reorganized in conjunction with the establishment of assistance mechanism to CAW at each level in accordance with actual implementation. The sector has also been collaborating with the Central Party’s Personnel Committee on translating resolution on developing female officials and female ethnic officials, integrating gender and anti-domestic violence especially against women and children into poverty criteria and development criteria as well as carrying out dissemination campaigns and implementing in the government focused areas.

### ***Mothers and Children***

179. The organization of the National Commission on Mothers and Children at ministry, sector and organization levels have been reorganized in 17 out of 20 offices; at the provincial level, the reorganization was completed in 14 provinces which is closely linked to the improvement of secretariat of Commission for Mothers and Children at all levels.

180. The National Commission for the Mothers and Children (NCMC) organized 2 meetings namely the 6th nationwide NCMC meeting and Annual Meeting of Full Members of NCMC 2011-2012.

181. The NCMC and the Commission for the Mothers and Children (CMC) at each level have been monitoring and reporting on the implementation of mothers and children’s work as well as CRC implementation including mobilizing participations by all stakeholders including children themselves in providing comments to the draft of first report on the implementation of the 2 optional protocols of CRC (by organizing a meeting with ministries and sectors, a meeting with international organizations and embassies, 2 meetings with students from the National University of Laos and upper secondary schools in Khamkeut District, Bolikhamxay Province).

182. The NCMC has carried out dissemination campaigns on child rights, printed and distributed booklets of CRC and the 2 optional protocols, created posters and cartoons on child rights and distributed to students and other stakeholders. Books on NCMC organization and implementation, Mothers and Children Strategy 2011-2015 and Mothers and Children Action Plan 2011-2015 have also been produced.

183. In collaboration with Ministry of Health and local authorities carried out immunization campaign achieving 97% which exceeds the target of 95%.

184. 192. Various events have also been organized such as: Walk for Health event with 2,000 participants; art exhibition; presented gifts to children with mental and physical disabilities, drug addicts on International Children's Day which was supported by government and private sectors in the amount of 460 million kip.

185. 193. In collaboration with several stakeholders, campaign Lao Youth Stay Away from Drugs has been launched with the pilot project started in Thatkhao primary – secondary school in Vientiane Capital. 194. In collaboration with the National Commission for the Advancement of Women (NCAW), the NCMC organized talks, scientific meeting, seminar on anti-violence against women, protection and elimination of violence against women and children, seminar on building development families, villages and districts for ministries, concerned sectors, justice officials, police, court, prosecutors, teachers and students from the National University of Laos on International Children's Day and other important days.

186. The NCMC also conducted field visits to support the work on mothers and children in 4 Southern provinces and 6 Northern provinces on the re-organization and implementation of the strategic plan and the national action plan 2011-2015; collaborated with Ministry of Planning and Investment and UNICEF to organize MDG implementation report meeting at district and village levels; organized annual meeting in 7 Southern, Middle and Northern provinces. Advocacy campaigns and disseminations on CRC and the 2 optional protocols, Mothers and Children Strategy Plan and National Action Plan 2011-2015 were conducted nationwide to continue to integrate into sectors, districts and villages according to the vertical reporting line.

### *Adolescent and Youth development*

187. In line with the direction of building the new generation to be patriotic, cherish democracy while developing their knowledge and skills to contribute to the future development of the country, the focus of the Party and the government over the past two and a half years has been on development of youth and adolescent to become capable, knowledgeable and skilled in order to meet market demand and also development and promoting increasing number of youth entrepreneurs.

188. In connection to the projects on constructing the adolescent center and youth history hall as well as construction of the youth-adolescent development center, the Lao Youth Union has focused on training and capacity enhancement for youth leaders and adolescents on theory and leadership attitude in leading the adolescent organization and its activities including camping. Adolescent camping was organized with 2,000 participants. Trainings in various fields have been conducted such as beauty salon and tailoring which was organized for youths in 2 provinces – Oudomxay and Sayabouly and in 4 districts in Vientiane Capital including Saysetha, Chanthaboury, Sikhottabong and Hatsaifong Districts. As a result, among the total trainees, there were 6 youth from deprived areas completed the

training course on beauty salon and have been provided financial support to begin their own careers in order to exit from poverty status step by step. Besides, there was training on journalist and media conducted for youths from all parts of the country held in Bolikhamxay province with the total youth participants of more than 50 coming from 16 provinces and Vientiane capital.

### **2.2.5 Implementation of “Building province as strategy devising unit, district as a strong comprehensive unit and village as a development unit**

189. In pursuing the Resolutions of IX Party Congress, particularly stability building for the people’s democratic republic state, and promoting local ownerships through changing roles of central ministries-organizations to focus on macro management, delegate responsibilities linking with appropriate benefit sharing to local grassroots. Therefore, the Party’s Central Politburo issued the Resolution No: 03/PCP dated 15 Feb 2012 regarding “Building province as strategy devising unit, district as a strong comprehensive unit and village as a development unit” and the Government also issued the Prime Minister’s Instruction No: 16/PM dated 15 June 2012 regarding identification of 15 ministries, 51 districts and 108 villages for piloting from 2012 to 2013, with allocating budgets of LAK 76.78 billion kip for 346 projects.

190. Through the implementation of the Resolution No: 03/PCP of the Party’s Central Politburo and the Prime Minister’s Instruction No: 16/PM, it can be seen that the target ministries and all provinces developed legislations with regards division of responsibility between central and local level; between provinces, districts and villages, especially on benefit sharing on revenue-expenses management at the local level 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, particularly the division of responsibility to each level that resulted in gradual increase in local ownerships. The target ministries also dispatched their staff members to work at the local level for short and long terms in order to strengthen local capacity in the areas of governance, justice, and district/village financial management, the development of Social-Economic Development Plan and the management of public investment programs at the district level.

191. Nevertheless, the actual implementation has been slow and was not sufficiently effective due to the legislation on delegation of authority and responsibility of some sectors are still too general, some localities did not take ownership at their local level and waiting for instruction from the central level; limited capacity of district staff in developing plan and financial management; the identification of the pilot districts and villages was not in accordance with the conditions of the Resolution and the Instruction from the higher authorities; and at the same time, the dissemination of the resolution and instruction at the local level was also delayed leading to weak practical implementation by local people.

### **2.2.6 International and Regional Cooperation**

#### ***Cooperation within ASEAN Framework***

192. The preparation for integrating into ASEAN Economic Community over the previous period has been on-going with appropriate implementing measures in order to ensure overall readiness by 2015. The measures implemented include reduction of tariff rate in each period as specified in the Common Effective Preferential Tariff (CEPT)

scheme, with Lao PDR having a total of 9,558 tariff lines in compliance with the agreed ASEAN tariff code in 2007. In 2012, there are 9,110 tariff lines with tariff lower than 5% equivalent to about 95.31% of total tariff lines, of which, 7,525 tariff lines are under 0% tariff, equivalent to 78.73% of total tariff lines.

193. For the new ASEAN members (CLMV), there is a prolong timeframe for tariff reduction up to 2018, currently preliminary tariff list has been established and in the process of requesting for approval from the government. Lao PDR also accomplished updating ASEAN tariff code from 2002 version to 2007 and to 2012 version.

194. For trade facilitation, Lao PDR has participated in the ASEAN Pilot project 2 with Indonesia and Philippines to allow business units to issue certificate of rule of origins by themselves which is expected to be completed by 2013. Another important task is the elimination of non-tariff barriers with detailed implementation plan being developed and it is expected to start the implementation in 2013-2015. At present there are still many cases related to the non-tariff barriers that remain unresolved especially the corn export from Laos and Cambodia to Thailand. In addition, Lao PDR has also participated in Free Trade Areas of ASEAN – China, ASEAN – Japan, ASEAN – Korea, ASEAN – India and ASEAN – Australia - New Zealand.

195. Moreover, Lao PDR also joined and initiated the implementation of the ASEAN Investment Area (AIA) in 1998. At present, ASEAN ratified ACIA which has been effective from 29/3/2012. This agreement is more comprehensive and inclusive than the previous ones as it is an open agreement, transparent and environmentally friendly. Being the party to agreement has brought about significant benefits in attracting foreign investment into Lao PDR.

196. Additionally, Lao PDR has also participated in the negotiation on ASEAN Service Liberalization. The specification of service sectors is implemented in line with WTO sector classification, totally 11 main sectors and 160 subsectors. Under the ASEAN Framework Agreement on Services, 10 main sectors and 128 subsectors will be liberalized. In Lao PDR, 89 subsectors were liberalized out of the total 128 subsectors of 10 main sectors. Regarding the negotiation on the commitment no. 9 and 10 which is on-going, additional 24 subsectors for each commitment will be liberalized by 2015 (in addition to the 89 liberalized subsectors mentioned above) to meet the target of 128 subsectors for the creation of the ASEAN community.

#### ***Cooperation within the framework of the Greater Mekong Sub-region (GMS)***

197. During the past 2.5 years of implementation of the 7th Five-Year National Socio-Economic Development Plan, there have been many outstanding achievements under the GMS cooperation framework such as:

- Developed the Action Plan for Flood and Drought Control and Management to establish the National Early Warning Center under the ADB-GMS Program;
- Signed MOU (TA 7582) on capacity building in an area of HIV/AIDS for the target provinces along the border namely Phongsaly, Huaphanh, Bokeo, Luang Namtha, Oudomxay, Champasack, Saravane and Attapeu, with the Ministry of Health as a leading agency;
- Priority areas have been determined for economic and social sectors, health, service, eco-system, and ethnic cultural tourism to produce the report and guidance on the Social and Environmental Assessment (SEA) in the golden Quadrangle area in tourism sector;
- The 3 S areas have been identified (Sekong, Sexan and Seprok rivers) where SEA will be piloted in the area of forest conservation project which covers 3 countries

such as Laos, Vietnam and Cambodia;

- 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 disaster and activities on disaster risk mitigation;
- Capacity on monitoring of sanitary and phyto-sanitary (SPS) in the GMS has been strengthened to facilitate trade, with the Ministry of Agriculture and Forestry being the lead agency;
- The project on flood and drought risk management and mitigation was on the review process in accordance with the proposal from the 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.

***Cooperation Framework in Mekong Agreement on Sustainable Development in the Mekong River Basin***

178. Achievements towards cooperation under Mekong Agreement on Sustainable Development in the Mekong River Basin 1995 can be summarized below:

- Preparation of the Draft National Action Plan on the Development in Mekong River Basin 2011-2015 has been completed through operationalizing the IWRM-based Basin Development Strategy and using integrated natural resources management. This Action Plan will be the basis for the implementation by relevant sectors at the central and local levels in managing Mekong Basin;
- Translation of the IWRM-based Basin Development Strategy into detailed program on hydropower initiation plan;
- Coordination with concerned sectors in preparing for decentralization of the International Mekong River Commission to relevant ministries and sectors.
- Preparation of implementing cross-border activity in collaboration with Thailand and Cambodia through the project on Mekong Integrated Water Resource Management (Mekong IWRN Project);
- The study on hydrology in Xebangfai has been completed which was carried out under the Information Management program pursuant to the Huahin Declaration, with a few focused activities as follows:
- Translation of the Mekong River Development Strategy 2011-2015 into the National Mekong Action Plan;
- Attention focused on improving the weather forecast and flood early warning system in the Mekong River basin;
- Continuous review of the implementation of the approved regulations, in particular the regulation on information exchange and notification to inform each other, consultation and agreement issuance; the regulations on monitoring of the water usage, regulation on control of water flow in the Mekong River and regulation on water quality management;
- Opportunity for cooperation has been identified and developed with negotiation partners, development partners and other stakeholders in managing water resources and climate change;
- Regional and national programs have been implemented such as: the program on river basin development, program on environment, program on climate change, program on information and knowledge management, program on initiation of sustainable hydropower, program on fishery management, program on agriculture and irrigation, program on river transport, program on integrated capacity building and program on flood control and impact reduction.

***Accession to the World Trade Organization (WTO) Membership***

198. The accession to WTO membership on 2<sup>nd</sup> Feb 2013 after 15 years of preparation and trade negotiations has been the key highlight of the Lao integration into international economy. This achievement reflects great commitment of the Party and the Government in particular, the Ministry of Industry and Commerce to ensure that Lao PDR has gained a fair share of the globalization and its associated implications. The WTO accession could not happen without greater efforts by the Government. Over the course of 15 years of accession negotiations, Laos enacted some 90 laws and regulations to bring them in line with WTO rules. During the course of the 7<sup>th</sup> NSEDP implementation, 10 Working Party Meetings were organized and Lao PDR responded to over 1,300 questions raised by the WTO member countries. In addition, bilateral negotiations were also carried with 9 WTO members (Australia, Canada, China, Taiwan, EU, Japan, Republic of Korea, Ukraine and the United States).

199. Being a member of WTO, Lao PDR has agreed to adhere to WTO principles, including those related to trading rights; import licensing; customs valuation; investment; sanitary and phytosanitary measures; technical barriers to trade; trade in services; and trade-related intellectual property rights. The Government is working on disseminating its accession package to different stakeholders. On the one hand, this aims to ensure government agencies at various levels understand the contractual obligations that Lao PDR now has with the international community. On the other, it aims to educate the business community and the public at large of the opportunities that arise from joining the WTO.

200. WTO membership provides export opportunities for Lao PDR and the Government has been working with relevant stakeholders to ensure that such opportunities are strategically and properly realised. Despite its relatively robust growth of around 7.5 per cent per year over the last decade, export base will need to be broader. To date, its exports are dominated by a limited number of products, mainly resource-based products (mining and electricity), primary commodities (agriculture and wood) and products with low value add (garments). Opening up the internal market to foreign competition will help to stimulate reform in both the import-competing and export-oriented sectors.

201. The Government of Lao PDR is fully aware of the fact that adapting to the WTO rules is a long-term challenge and both the public and private sectors need to be well prepared. Joining the WTO is not an end in itself. It is a tool to assist the country in adjusting its internal system to the norms of the world trade community. Importantly, taking the results of the accession negotiations seriously and implements its obligations proactively will help ensure Lao PDR to gain the true benefits of WTO accession.

## **Chapter 3 – An Executive Summary of the 8<sup>th</sup> National Socio-Economic Development Plan (2016-2020)**

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### **3.1 The context of the 8<sup>th</sup> National Socio-Economic Development Plan 2016-2020**

#### **3.1.1 8<sup>th</sup> NSEDP Background**

202. The 8<sup>th</sup> National Socio-economic Development Plan (2016-2020) (8<sup>th</sup> NSEDP) is set in the context of the government's longer term planning and in particular the 10 year plan to 2025 and the 2030 Vision. Both of these are currently being prepared<sup>1</sup> in tandem with the preparation of the 8<sup>th</sup> NSEDP. Overall, the aim is to prepare Lao PDR for post LDC graduation and it is recognized that growth in productivity is essential, along with consolidation of knowledge and skills, realization of comparative advantage, acquisition and application of science and technology and continued diversification. These components of transforming the economy require public and private investment, industrial policy which is linked to agriculture, services, education and technology and greater integration into the regional and global economy and value chains.

203. The 8<sup>th</sup> NSEDP has been designed to consolidate the trends which will lead to this longer term transformation. External events also help to focus government longer term development policies:

- (i) Recent falls in commodity prices suggest that over-reliance on the mining sector should be avoided;
- (ii) Government prioritizes energy (hydro) over mining, but the prospect for the energy sector is also insecure with enormous potential competition from Myanmar which will be selling power to the same markets as does Lao PDR;
- (iii) The Asian Economic Community (AEC) and transition from Greater Mekong Sub-region (GMS) to ASEAN presents opportunities and threats; and
- (iv) The emergence of new players – South-South and the increasing relevance to Lao PDR of its major South-south partners Vietnam, Thailand, PRC, Malaysia and India) and new development banks (Asian Infrastructure Investment Bank, BRICS, South-south Exchange Trust Fund and One Belt One Road, as examples, could present new opportunities for Lao PDR<sup>2</sup>.

204. The Government of Lao PDR has also taken great care to ensure that the preparation of the 8<sup>th</sup> NSEDP is evidence based and lessons learned from implementing the earlier 7<sup>th</sup> NSEDP have been identified along with remaining challenges. Challenges remaining include:

- (i) Adequately stimulating the non-resource sector and making the private sector a cornerstone of future development;
- (ii) Increasing the competitiveness of small and medium enterprises (SMEs) in order to be a foundation for the growth and employment as well as for poverty reduction;

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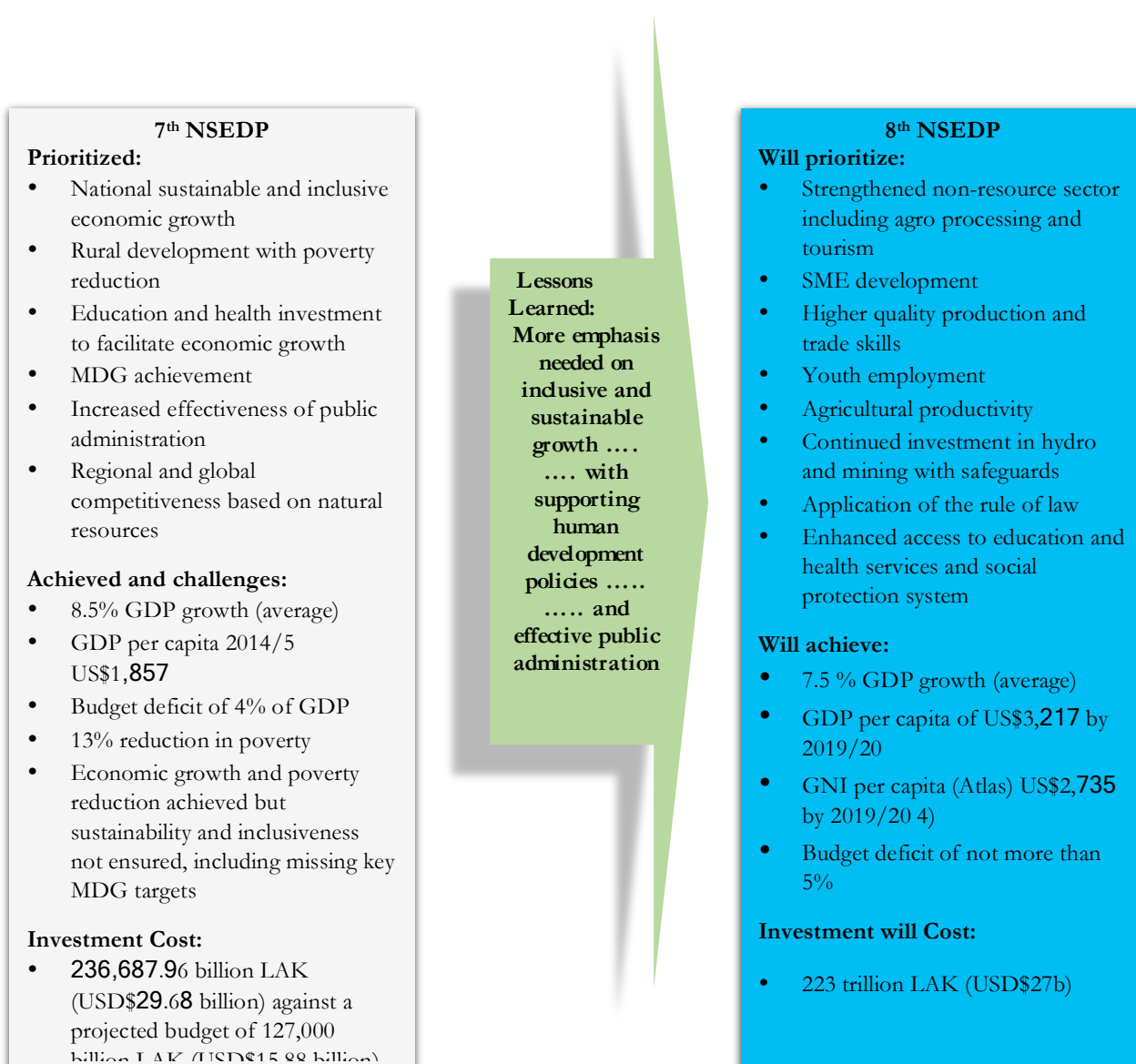
<sup>1</sup>The National Economic Research Institute (NERI) takes the lead in the preparation of these.

<sup>2</sup>The draft "Development Finance and Aid Assessment for Lao PDR" report (UNDP 2015) recommends the establishment of a high-level (cabinet level) committee to coordinate South-south cooperation



- (iii) Developing entrepreneurs' technical and professional skills by strengthening marketing capacity, mobilizing financial resources for enterprises and businesses and improving the business climate within the framework of maximizing the benefits of WTO membership and preparing for integration into ASEAN Economic Community;
- (iv) Further development of infrastructure for small and medium enterprises and human resources, enabling the people, farmers and entrepreneurs" to access business, economic, social and cultural services;
- (v) Assessing the impact of land concessions and land lease on agriculture sector in order to manage concessions more effectively;
- (vi) Continue implementation of the Millennium Development Goals with special focus on the off-track MDGs and adapt SDGs to the Lao development context and integrate them into the Plan; and
- (vii) Protect the environment by focusing on environmentally friendly production. The Figure in ANNEX 1 highlights shift in policy emphasis between the 7<sup>th</sup> and 8<sup>th</sup> NSEDPs.

**Figure 3.1 - 7<sup>th</sup> and 8<sup>th</sup> NSEDP policy emphasis**



### 3.1.2 Demographic Context

205. The current population annual average population growth rate is between 1.7% and 2%<sup>3</sup>. An event which will affect planning in various ways will be the publication of the results of the decennial census, with preliminary results in late 2015 and full results expected in Q2 of 2016. Lao PDR is facing considerable population growth. The current official population projections show an increase of between 1.71 and 1.91 million between 2015 and 2030, and a population of between 10.25 and 10.72 million by 2050. Over the 8th Plan period, the number of school-aged children (5-14) is projected to decrease by 3.7%, while the working-age population is expected to increase by 10.6% and the elderly population by 10.1%.

206. The census results will allow testing of important assumptions which are currently being made on the basis of very old data. Important amongst these is the assumption that because the age structure still reflects the high fertility of the past, there are successively large cohorts moving up through the age pyramid. This leads to growth through “population momentum” – meaning that population will keep increasing long after fertility falls to replacement level. The changing age structure of Laos’s population is leading to what is referred to as the “demographic bonus”, meaning that the proportion of the population in the working age groups will increase, so that there are fewer dependents for any one worker. It will start to rise slowly after 2050. The implication is that the provision of high quality jobs for the growing working age population is required for Lao PDR to fully benefit from this comparative advantage.

### 3.1.3 Graduation from Least Developed Country Status

207. The 8<sup>th</sup> NSEDP responds to the strong political commitment to graduation from LDC status by 2020 and a part of the overall objective of the draft 8<sup>th</sup> NSEDP is achievement of the graduation from LDC status. The LDC graduation criteria include:

- (i) GNI per capita (the currently used threshold is US\$1,242);
- (ii) Human Asset Index (HAI), including sub-criteria:
  - a. % of population undernourished;
  - b. Mortality rate for children 5 yrs. and under;
  - c. Gross secondary school enrolment ratio; and (d) the adult literacy rate; and
- (iii) Economic Vulnerability Index (EVI), including sub-criteria:
  - a. Population size;
  - b. Remoteness;
  - c. Merchandise export concentration;
  - d. Share of agriculture and forestry in GDP;
  - e. Instability of exports of goods and services;
  - f. Share of population which have been victims of natural disasters; and
  - g. Instability of agricultural production.

It should be noted that whilst achieving these criteria is at the core of the draft 8<sup>th</sup> NSEDP, the draft plan also acknowledges the emerging view<sup>4</sup> that graduation from LDC status in

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<sup>3</sup> Estimate provided by the Lao Statistics Bureau. A population census was completed in 2005 and a further decennial population census was undertaken in 2015, with preliminary results expected in the first quarter of 2016.

<sup>4</sup> Put forward strongly by National Economic Research Institute.

2020 whilst theoretically possible,<sup>5</sup> is not actually necessary<sup>6</sup> and it may not be advantageous to graduate too soon.

208. UNCTAD<sup>7</sup> has confirmed that Lao PDR narrowly failed to achieve the GNI per capita criteria in the 2015 Committee for Development Policy (CDP)<sup>8</sup> assessment of LDC's which are being considered for graduation. Similarly the Lao PDR did not qualify under the HAI criteria in the 2015 CPD assessment. What is clear is that Lao PDR is improving its performance on the GNI per capita and all the HAI indicators and the focus of the 8<sup>th</sup> NSEDP is consolidation of HAI indicator performance trends by strengthening ongoing government and associated development partner interventions.

209. The Economic Vulnerability Index (EVI) is the most difficult set of criteria for Lao PDR to achieve. Based on analyses provided by UNCTAD the following key points are noted:

- (i) On the remoteness indicator it helps that Lao PDR has large trading nations as neighbors as this reduces remoteness and the main trading partners of Lao PDR are Thailand (Lao PDR exports to Thailand 2010-2012 37.4%); PRC (Lao PDR exports to PRC 2010-2012 26.8%) and Vietnam (Lao PDR exports to Vietnam 2010-2012 14.4%)<sup>9</sup>;
- (ii) Lao PDR is also diversifying the sectors which are producing exports and although diversification is not yet sufficient the trend is for greater diversification;
- (iii) The share of the agricultural and forestry sector is reducing and this reduces the impact of shocks;
- (iv) Lao PDR exports of goods and services is stabilizing; and
- (v) The share of population which have been victims of shocks is reducing and agricultural production is stabilizing – becoming less vulnerable to shocks. As with the HAI criteria indicators all these EVI indicators suggest that Lao PDR's development trajectory is promising and the purpose of the 8<sup>th</sup> NSEDP is to consolidate the trends.

### **3.1.4 Application of a New Approach to NSEDP Planning**

210. For the first time the 8<sup>th</sup> NSEDP has been designed as a results-oriented plan. The Plan's Overall Objective is derived from directions from Party Resolution and Government and a thorough analysis of what has been achieved in the 7<sup>th</sup> NSEDP to date, the reasons for successes and the reasons for the challenges which remain and analyses of external issues arising have also been undertaken.

211. The Overall Objective has at its core eligibility for graduation from LDC status and to achieve this core objective the 8<sup>th</sup> NSEDP has been designed with 3 Outcomes, each with a set of Performance Targets, achievements of which are necessary within the Plan period if the Overall Objective is to be achieved. The 3 Outcomes are based on the 3 categories of assessment required for recognition as being eligible for graduations from LDC status.

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<sup>5</sup>Subject to achievement of at least two of the three main criteria in UN assessments to be made in 2015 and 2018 and, if necessary, 2021.

<sup>6</sup>It is argued that the decision on when to graduate should be taken only after careful consideration of the benefits and dis-benefits of graduation.

<sup>7</sup>The United Nations Conference on Trade and Development (UNCTAD).

<sup>8</sup>The CDP is a subsidiary of the United Nations Economic and Social Council.

<sup>9</sup>UNCTAD 2015

212. In turn, the design of the 8<sup>th</sup> Plan has identified 20 Outputs, the Performance Targets of which must be achieved if the 3 Outcomes are to be achieved. Additional Cross-cutting Outputs have been identified and the Performance Targets of these need to be achieved for the 3 Outcomes to be reached. Broadly speaking, the performance targets of the Overall Objective and Outcomes are national level measures and the performance targets of the Outputs are divided into priority targets monitored at national level and other Output targets will be monitored at line ministry and provincial levels.

### 3.1.5 Participatory Development of the Plan

The 8<sup>th</sup> NSEDP has been prepared by DoP/MPI in association with NERI, line ministries, provincial governments, private sector representatives and with support from international development partners.

## 3.2 The design of the 8<sup>th</sup> NSEDP

### 3.2.1 Overall objective and outcomes

213. Linking the achievement of LDC graduation criteria to inclusive and sustainable economic growth, the draft 8<sup>th</sup> Plan also recognizes that: (i) achievement of HAI targets contributes to inclusiveness and provision of better educated work force; and (ii) without reduction in economic vulnerability it will be difficult to achieve sustainable economic growth. The linked LDC graduation and continued inclusive and sustainable economic growth components of the 8<sup>th</sup> NSEDPs are reflected in the overall objective of the 8<sup>th</sup> NSEDP and are also reflected in the 3 outcomes by supported from cross cutting sectors.

214. The Overall Goal also acknowledges that there are associated development priorities and these include achievement of the off-track MDG targets, adaptation of SDGs to the Lao PDR context<sup>10</sup>, sustainability of economic growth, inclusive economic growth and enhanced environmental management. These are associated with the criteria of LDC graduation but need to be stated to broaden out the aims of the 8th NSEDP.

**OVERALL OBJECTIVE:** Reduced poverty, graduation from Least Developed Country Status with sustained and inclusive growth through promotion of national potential and comparative advantages, effective management and utilization of natural resources and strong international integration

**OUTCOME 1:** Sustained inclusive economic growth with economic vulnerability (EVI) reduced and consolidated financial, legal and human resources to support growth

.... *in association with* .....

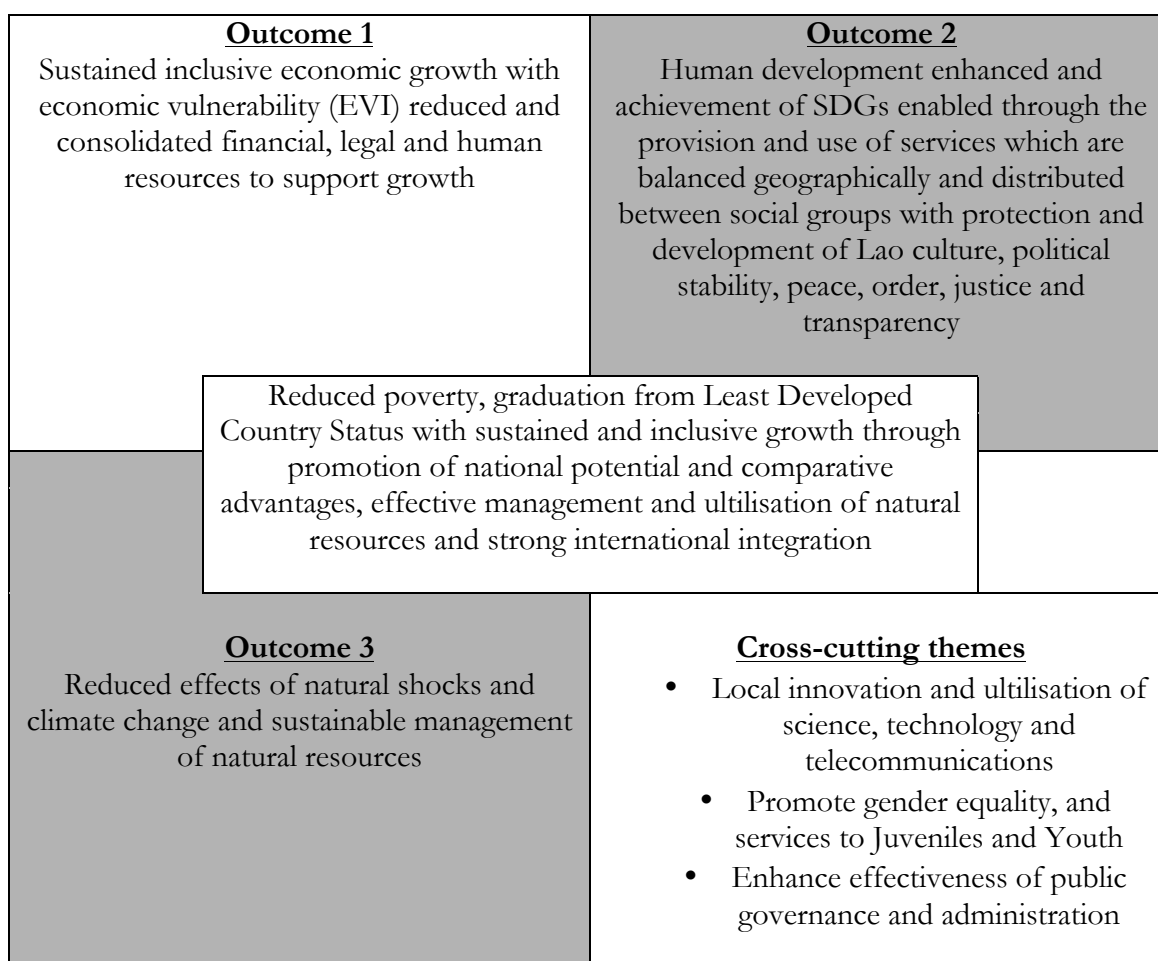
**OUTCOME 2:** Human development enhanced and achievement of SDGs enabled through the provision and use of services which are balanced geographically and distributed between social groups with protection and development of Lao culture, political stability, peace, order, justice and transparency

... *in association with* .....

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<sup>10</sup>The 8<sup>th</sup> NSEDP has been designed to be consistent with the SDGs and the SDGs will be fully incorporated as part of the process of SDG adaption to the Lao PDR context.

**OUTCOME 3:** Reduced effects of natural shocks and climate change and sustainable management of natural resources



### 3.2.2 Outputs to achieve Outcomes

215. Mostly, Outputs to achieve the Outcomes will be achieved at sector /ministry level with aligned provincial government support. Outputs which need to be achieved at line ministry / provincial level include:

#### **Outputs of Outcome 1**

- Output 1 – Sustained and Inclusive Economic Growth
- Output 2 – Macro-economic Stability
- Output 3 – Integrated Development Planning and Budgeting
- Output 4 – Balanced Regional and Local Development
- Output 5 – Improved Public/Private Labour Force Capacity
- Output 6 – Local Entrepreneurs are competitive
- Output 7 – Regional/International Integration

#### **Outputs of Outcome 2**

- Output 1 – Improved Living Standards/Poverty Reduction
- Output 2 – Improved nutrition
- Output 3 – Access to High Quality Education
- Output 4 – Access to Health Care and Preventative Medicine

Output 5 – Enhanced Social Protection  
Output 6 – Protection of Traditions and Culture  
Output 7 – Political Stability, Order and Justice

### **Outputs of Outcome 3**

Output 1 – Environmental Protection and Sustainable Natural Resources Management  
Output 2 – Preparedness for Natural Disasters and Risks Mitigation  
Output 3 – Reduce Instability of Agricultural Production

### **Outputs of Cross-Cutting Issues**

- Local innovation and utilisation of science, technology and telecommunications
- Promote gender equality, and service to Juveniles and Youth
- Enhance effectiveness of public governance and administration

### **3.2.3 Activities to achieve Outputs**

216. Indicative Activities to achieve Outputs have been identified by DoP / MPI, line ministries and development partners and these will continue to be discussed in detail and refined with ministries / sectors and provinces. Resources to implement Activities will also continue to be discussed including human resources and financing – this will be repeated each year as part of annual plan and budget preparation and will be based on reviews of progress with the implementation of the 8<sup>th</sup> NSED. P.

217. Discussion on the financing of Activities will be linked to Public Investment Program (PIP) preparation and this is logical as many of the Activities will be financed through government and ODA funded projects and programs. This is also particularly useful as it has been agreed within government that the PIP will be in the form of a 3-year rolling program and instruments have been designed for the collection of demand data by ministries and provinces. What are needed to make this optimally effective are appropriate budget ceilings to be available at the time of discussing NSED. P. Output linked Activities with the PIP rolling program.

### **3.2.4 Performance Indicators and Targets**

218. The Overall Objective, Outcomes and Outputs are accompanied by Performance Indicators and associated Targets. DoP/ MPI will be responsible for monitoring at Outcome and Overall Objective level and will also be responsible for monitoring specified core Output level Performance Indicators and Targets. Other Output Indicators and Targets will be monitored by line ministries / sectors<sup>11</sup> and provincial governments. Indicators and Targets have been identified in detailed discussions with line ministries and with substantial support from development partners.

## **3.3 Key initiatives of the 8th NSED. P. 2016-2020**

219. Continued economic growth (averaging not less than 7.5% per annum over the period of the plan) which is inclusive and sustainable is targeted in the 8<sup>th</sup> NSED. P. and it is noted that inclusive economic growth requires accelerated efforts to create the conditions in which SMEs and micro-enterprises can be established and can flourish.

220. As was already evident at the time of the formulation of the current 7<sup>th</sup> NSED. P., the disadvantages and risks of increasing dependency on natural resource exploitation are recognized and it is noted that the importance of continuing to diversify the economy has

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<sup>11</sup>The M&E Framework will be presented in the final version of the Plan.



been increasingly recognized throughout the 7<sup>th</sup> NSEDP implementation period<sup>12</sup>. To ensure inclusiveness, small and medium-sized enterprises (SMEs) and micro-enterprises are expected to play a key role in the development of the non-resource sector. Strengthening entrepreneurial and technical skills, providing financing, transforming the regulatory environment into a facilitating environment are all still recognized as major continuing challenges.

221. It is also recognized in the 8<sup>th</sup> NSEDP that the country is experiencing rapid urbanization, but this is taking place with insufficient urban planning which leads to inefficient land use, lack of access to urban services and environmental damage. It is noted in the draft 8<sup>th</sup> NSEDP that small and medium sized towns could play a key economic role in facilitating the provision of off-farm employment opportunities and supporting a process of rural industrialization.

### **3.3.1 Key economic initiatives:**

222. A stable economy as a platform for sustained and inclusive economic growth, with:
- Consolidated macro-economic management including integrated development planning and budgeting
  - Continued energy and mining activities with enhanced environmental sustainability
  - Consolidated non-resource sector, including agro-processing and tourism, with accelerated public and private investment
  - Balanced regional and local development
  - Improved public/private labor force capacity
  - Labor force capacity better matched to employment market demand through improved partnerships with business
  - Lao PDR effectively facilitates opportunities for its young population (i.e. demographic dividend)
  - Local entrepreneurs are competitive in domestic and global markets
  - Support to increase entrepreneurial skills development, with priority on the non-resource sector (including agro-processing and tourism)
  - Regional and international cooperation and integration
  - Trade and transport facilitation an investment priority with GMS and AEC support
  - Enhanced integration among provinces and regions facilitating the creation of supply chains

### **3.3.2 Key Social initiatives**

223. Improved living standards and participation in economic growth, with:
- Improved living standards through poverty reduction
  - Individual, household, village and district income poverty rates reduced through accessible on and off farm employment
  - Strengthened social protection services including creation of social safety nets and development of a comprehensive social work system to support the disadvantaged
  - All development is people centered
  - Food security is ensured and incidence of underweight / malnutrition is reduced
  - Food production improved with emphasis on the nutritional value of accessible food, nutrition education strengthened and accessible health services

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<sup>12</sup>For example through the fluctuation in gold, silver, copper and potash prices and through the growing awareness of the strong competition for hydro-energy markets from Myanmar in the longer term (the Ministry of Mines and Energy estimates that Myanmar has triple the capacity for hydro-power generation for export than Lao PDR).

- Enhanced access to high quality education and health care (including preventative medicine)
- Improved “foundation skills” including literacy and numeracy by improving access to educational opportunities for all children, men and women
- Improve access to health care and preventative medicine with special attention on maternal health
- Protection of traditions and culture

### **3.3.3 Key environmental initiatives:**

224. Environmental protection and sustainable natural resource management:
- The 8th Plan promotes, regulates, manages, enforces and monitors environmental protection and the sustainable utilization of natural resources with equitable and fair access to land through good and sustainable land management and secured land rights for all people.
  - Green growth strategies to consolidate resilience.

### **3.3.4 Key public governance and administration initiatives:**

225. Key public governance and administration initiatives include:
- Implementation of the Legal Sector Master Plan
  - Legal framework harmonized with regional standards and in compliance with international legal obligations
  - Institutional capacity development of all justice providers to deliver quality and efficient justice services
  - Improvement of human resources capacity to effectively address contemporary justice issues and deliver people-centered services
  - Outreach of justice services to all segments of population including the socially disadvantaged and vulnerable groups

### **3.3.5 Key Public Service improvement initiatives:**

226. Key public service improvement initiatives include:
- Sam Sang continues as central policy to 2020
  - One-door-service improvement and citizens’ services from other service sectors enhanced
  - The revision of the Constitution, and related legislation on center-local relationships

### **3.3.6 Key People’s Participation initiatives:**

227. Strengthened public participation and oversight in the development process by strengthening the role of civil society, media and the development of local councils, including CSO participation

## **3.4 Fundamentals of the 8<sup>th</sup> NSEDP Budget**

### **3.4.1 Macro-economic stability**

228. Some macro-economic stability factors include:
- A budget deficit of not more than 5% is planned for each of the five years of the plan
    - Internal domestic budget revenue of 19%-21% of GDP needs to be achieved
    - Total budget expenditure less than 28% of GDP



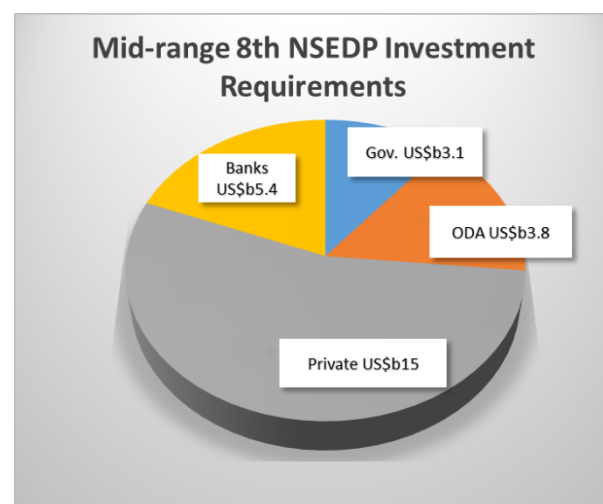
- Public sector salaries will not exceed 45% of domestic revenue
- GDP growth of not less than 7.5% pa will be achieved
- Inflation managed at less than 5%
- Exchange rate stability
- Foreign exchange reserves consolidated to safe levels at least five months of import coverage.

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Population	6.9m	7.0m	7.1m	7.2m	7.3m
GDP Growth	7.5%	7.5%	7.5%	7.6%	7.7%
GDP current price (billion Kip)	115,452	130,292	147,122	166,145	187,885
GDP current price (US\$ million)	14,432	15,698	17,726	20,017	22,637
GDP deflator	5.0	5.0	5.0	5.0	5.0
ICOR	4.0	4.0	4.0	4.0	4.0
Exchange rate (Kip/US\$)	8,300	8,300	8,300	8,300	8,300
Investment (%)	29.8	29.9	29.8	29.5	30.0
Population (million)	6.9	7.0	7.1	7.2	7.3
GDP per capita (Kip million per person)	17	19	21	23.0	26
GDP per capita (US\$ per person)	2,092	2,243	2,497	2,773	3,217

### 3.4.2 Investment Requirements – amounts and financing plan

229. A summary of the investment requirements is highlighted as follows:

- To achieve the GDP growth rate total investment of 223 trillion Kip (US\$27 billion) is required over the five-years<sup>13</sup>
- Government investment will need to contribute between US\$2.9 billion and US\$3.24 billion –government revenue to achieve this is essential for adequate funding of the social sectors especially
- ODA will need to reach between US\$3.24 billion and US\$4.32 billion – this level of investment is also essential to support all aspects of the Plan, facilitating investment including through support to the social sectors
- Continued allocation of public and ODA funds to education and health should be re-assessed on an annual basis but should not fall below 17% for education and 9% for health in the 8<sup>th</sup> Plan period.
- The private sector will need to contribute between US\$14.58 billion and US\$15.66 billion through public private partnerships and private investment and the banks will need to contribute/lend between US\$5.13 billion and US\$ 5.67 billion.



<sup>13</sup> Assuming GDP deflator all years of 5%, ICOR of 4 and exchange rate kip/US\$8,300 all years.

- Economic investments will be required not less than 40% of total investment and great care must be taken to ensure that this is not only on major energy and mining, but is also oriented to stimulating and consolidating the non-resource sector.
- With this level of investment (about 30% of total GDP) and with budget allocations reflecting the Plans priorities, inclusive and sustainable growth can be achieved, with an average annual GDP growth rate of 7.5%

### **3.4.3 Estimated per capita growth based on investment plan**

230. Estimated per capita growth

- GDP per capita 2019-2020: 26.9 million kip per person
- GDP per capita 2019-2020: 3,217 US\$ per person
- GNI per capita 2019-2020: 2,735 US\$ per person
- GNI per capita (Atlas) 2019-2020: 2,543 US\$ per person

## **3.5 8th NSEDP Monitoring and Evaluation**

231. In order to adequately monitor and evaluate progress of the 8th NSEDP, including MDG (and SDG) achievements, the development of a Monitoring and Evaluation (M&E) Framework was considered crucial. Key elements of the 8th NSEDP M&E system include:

- The design of the 8th NSEDP and its M&E Framework are integrated using a logical framework
- The Impact, Outcome levels of the NSEDP M&E Framework and the core indicators for Outputs are the responsibility of MPI / MOF and their associated agencies
- The Output level of the NSEDP M&E Framework is the responsibility of ministries/ sectors in association with implementing provinces and districts. Inter-sectoral/ ministry coordination on achieving cross-sector Outputs will require strong support from coordinating ministries and other central government coordinating bodies
- Data availability and quality for Indicators and Targets at all M&E levels will be improved incrementally and explicit strategies are being developed for this over the course of the 8th NSEDP implementation period.

## **3.6 8th NSEDP Implementation**

232. The M&E system will be applied to Annual Plan preparation in the first quarter of 2016, planning for the FY 2016/2017

## **Chapter 4 – Progress of the implementation of the previous year RTM/RTIM recommendations**

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### **4.1 Background**

233. Key points relating to development issues as summarised by the Chair of the 2014 Round Table Implementation Meeting organised in Vientiane on ..November 2014 are divided into four focused areas. Each area has it detailed recommendations and comments as follow:

#### **A. Macroeconomic Management**

1. The pace of growth which needs to be balanced with macro-economic stability and addressing issues of sustainable and equitable growth.
2. A coordinated management of macro-economic parameters especially to ensure: an effective fiscal management and appropriate sectoral budget allocation, especially to MDG off track areas.
3. The preparation of the 8<sup>th</sup> National Socio-Economic Development Plan (NSED 2016-2020) where there is a strong link with fiscal framework where financial strategy with proper costing.
4. Greater involvement of private sector and pro-business climate for both domestic and foreign direct investments, quality foreign director investment and infrastructure development and maintenance which are important for further stable growth and development of Lao PDR.

#### **B. Off-track MDGs and action plans**

5. The implementation of the Multi-sectoral Food and Nutrition Security (Convergence) Action Plan needs appropriate budget allocation and enhancing a multi-stakeholder approach
6. Improving quality and access to education and health services, especially in remote areas is a priority to improve both education and health outcomes. Especially, there is a need to ensure deployment of human resources to rural communities.
7. Continued efforts are needed to have more realistic targets for MDG 7 and to prioritise sustainable management of natural resources including illegal logging and export.
8. The RTIM participants look forward to a conclusion of the national land policy through approval by the National assembly. It is important that the Government allows expropriations only for public purposes, to ensure affected parties receive full, fair and prior compensation both in cases of individually and communally held land.
9. Meeting that national UXO targets will require a significant scaling up of resources and capacities, the application of the evidence based survey approach for clearing UXO contaminated land needs further investigation within the Lao context (including the follow up on funding window for CSOs and a multi-stakeholder approach.

#### **C. Governance reforms**

10. It is important to have a regular review and assess the improvement of INGO and NPA results and have a proper forum to advance application of guideline and discuss outstanding issues.

11. Having a regular update on Sam Saang review is important to facilitate best supports from various stakeholders and DPs.

#### D. Development cooperation for better results

12. There is a need to consider further improvement of the RT process to better suit the 8<sup>th</sup> NSEDP circumstances
13. More efforts are needed to continue reviewing the findings from the VDCAP monitoring for effective development cooperation and the RTP.
14. Enhancing statistical capacity to trace and access updated information and the analysis of data is indispensable. The RTIM participants highlighted the importance of looking beyond data collection and focus more analysis of findings which are significant for ensuring effective cooperation.

## 4.2 Progress update

234. The following narrative is a brief update on the overall progress and detailed information on each point is actually embedded in the texts highlighted under Chapter 2 of this Background Document. At the time of writing this Background Document, a follow up matrix of the RTM/RTIM discussion points has been updated and it has currently been used by all 10 Sector Working Groups to guide their discussions and policy dialogues linking to the Round Table Process and the implementation of the 8<sup>th</sup> NSEDP.

### 4.2.1 Macroeconomic management

235. The main issues have been reviewed recently by the Macroeconomic SWG in the context also of the annual Article IV consultations with the IMF. While medium term prospects are positive and overall there has been steady progress in stabilizing the macro economy, the Government has acknowledged that several aspects need our further attention.

236. The Government budget constraint persists, so how to increase revenues while suitably prioritising expenditures is a major preoccupation. Expanding capacities that lead to realizing LDC graduation criteria and MDG targets and to the reduction in inequalities and vulnerabilities, should be guiding the decisions. This budget point was emphasized also at the provincial consultations (Luang Namtha 2013 and Saravan 2014) in the context of implementing the local level convergence approach to Food and Nutrition Security.

237. The Government has also putting great efforts to prioritise reform of the banking sector to address current weaknesses and to increase finance for private sector activities that can generate decent jobs, increase revenues and expand exports. The application of environmental and social safeguards, especially in FDI projects, and how far the EITI would be beneficial to Lao PDR at this point have also been discussed and followed up within the framework of the 8<sup>th</sup> NSEDP.

238. A related issue concerns the competitiveness of the Lao economy, especially the implications of ASEAN integration by 2015, and areas of progress have been detailed by the SWG on Trade and Private Sector. The Government has encouraged representatives from the private sector to speak to all these issues and share not only your perspective on the AEC but how you could contribute to make integration more effective in benefiting Laos PDR.

239. In respect of the preparation of the 8<sup>th</sup> plan, as highlighted in Chapter 3, the Government is committed to the operationalization of an outcome based plan that is fully costed and linked to budgets, and one that also addressed vulnerabilities and inequalities. A number of elements of sustainable development and inclusive growth have been integrated into this 8<sup>th</sup> NSEDP. While its M&E framework is currently being developed, it is important that the implementation of the plan is carried out in such a multi-sectoral way ensuring involvement of various dynamic stakeholders as much as possible.

#### **4.2.2 Off-track MDGs and action plan**

240. Many of the MDG action plans are being implemented and that crucial issues raised are being addressed. Progress with Food and Nutrition Security under MDG 1 has been discussed in length under Chapter 2. The 2015 MDGs Summary Report has highlighted key achievements and lessons learnt for the post-2015 period. An overarching effort is an access to statistics and data, and more effort is warranted.

241. Gender equality and women's empowerment is another overarching consideration for all interventions. In the UN and World Bank review of efforts to accelerate progress, for instance, towards the Food and Nutrition Security MDG target, gains are seen to be long- term and self- sustaining only if women's empowerment takes place in some six multi-sectoral dimensions.

242. The recent SWG and policy forum for UXO matters (MDG 9) also showed significant progress on a number of critical issues. With the magnitude of UXO problems in Lao PDR, it is important that a strategic effort is warranted for sustaining investments to fully implement the revised policy for survey and clearance and to realize the development gains expected from higher levels of land release.

243. Progress in MDGs related to education and health is constrained by resources and quality issues continue to dominate questions about accelerating progress, including deployment of existing staff to underserved areas. With the increased of the budget allocation for the sectors, the Government will put more concerted action to implement existing policies and strategies to realize benefits for the poor and vulnerable communities.

244. In respect of MDG 7 and the issue of forest cover, there appears to be progress that might resolve the issue of the status of this MDG target if a proper assessment is undertaken in 2015 and acceptable international definitions used to measure progress against the target. Irrespective of the result of such calibrations, however, concerns have been expressed at the continuing deterioration of forest wealth due to illegal logging and exports. This is clearly a critical issue also for 8<sup>th</sup> plan targets, if ensuring sustainable development is to be made meaningful.

245. On land, positive progress has made in issuing land titles and in finalizing the land law through the National Assembly. The Government has also worked on a revision to the land law that expands the criteria for government decisions over compulsory land acquisitions to include commercial and national needs. Within the 8<sup>th</sup> NSEDP timeframe, the Government will arrive at a common approach on finalizing these important reforms.

#### **4.2.3 Governance reforms**

246. In the context of overall sound progress with governance reforms apart part from what highlighted under Chapter 2, there have been various consultations with INGOs on

the revision to the operating guidelines as well as the consultations with NPAs. If well implemented we anticipate an expansion of activities by these types of organisations, which should provide direct benefits to the poorest and most vulnerable. The Government looks forward to their continuing contribution to our development dialogue today.

247. Over the past year we have seen progress also in legal reform and improvements to Access to Justice as well as consultations around the Universal Periodic Review report. In this context that only two important human rights conventions remain to be ratified by Lao PDR, the International Convention for the Protection of All Persons from Enforced Disappearances and the International Convention on the Rights of All Migrant Workers and Members of Their Families.

248. The Government has also announced the decision to expand the Sam Sang initiative with district as the focus for improving service delivery and with direct access of communities to small grants to address their self-identified priorities and constraints.

#### 4.2.4 Development cooperation for better results.

249. Lao PDR has made much progress towards a number of its national goals to increase aid effectiveness. The VD and VDCAP can be seen as having, overall, made an important contribution to the development effectiveness agenda in Lao PDR across each of the guiding principles.

- ***Ownership.*** NSEDP formulation have been more inclusive and has involved consultation with a wider range of stakeholders. The national plans have also been more closely linked to the Government's long-term vision and sectoral strategies, including through the SWG mechanism.
- ***Alignment.*** There is evidence of the Partners aligning more closely their strategies and programmes with the NSEDP. Government is also working toward the improvement of public sector management, initiatives that can help enhance Partner confidence in using national systems.
- ***Harmonisation.*** Some of the basic building blocks of PBAs are currently in place and some comprehensive sector or programme strategies have been developed. Efforts to coordinate and facilitate joint missions have also taken place, including joint programming and joint portfolio review.
- ***Managing for results.*** Coordination of the M&E framework has now been carried out in a more systematic manner, especially the national M&E system to tracks NSEDP input, output and outcome indicators. Reporting on key national development results has also been done on a more regular basis and comprehensive reviews of NSEDPs have been conducted and tabled at RTIMs and RTMs.
- ***Mutual accountability.*** The RTP has provided the Government and the Partners with the opportunity to review NSEDP implementation as well as to discuss about critical emerging issues and has become more inclusive over time, both for more stakeholder participation and for expansion to the local level. Lao PDR is notably engaged in a regional Joint Initiative on Mutual Accountability (along with Cambodia, Viet Nam).

250. The dialogue around development cooperation has evolved since the launch of the VD. A follow up partnership “The Vientiane Declaration on Partnership for Effective Development Cooperation” can build on additional areas of focus for development cooperation, especially those outlined in the Busan Partnership for Effective Development Co-operation. This includes greater inclusion of new actors, increasing transparency and public access to development cooperation information, South-South and triangular cooperation, and private sector for development.