



**Round Table Implementation Meeting
24th & 25th November 2016
Vientiane Province, Lao PDR**

Background Document

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I. Introduction

1. With the success of the 12th High Level Round Table Meeting (HL RTM) organised on 27th November 2015, 2016 represents an important and remarkable year of transition for Lao PDR:

- From the 7th National Socio-Economic Development Plan (NSEDP) to commencement of implementation of the 8th NSEDP (2016-2020).
- From the Millennium Development Goals (MDGs) to the Results Framework of the 2030 Agenda for Sustainable Development (including the Sustainable Development Goals – SDGs).

2. In this regard, 8th NSEDP (2016-2020) comes at a pivotal time. It will drive graduation from LDC status, complete Lao PDR's unfinished MDGs and deliver early progress on the SDGs. The 8th NSEDP was formulated through a consultative process, and through which the Government of Lao PDR has adopted a results and outcome based approach to its national development plan for the first time. Significant efforts have been made to integrate the SDGs into the fabric and structure of the plan, including its major programmes and monitoring framework.

3. Realising the importance of greater partnership, the 'Vientiane Declaration on Partnership for Effective Development Cooperation' endorsed and signed during the 12th RTM helps to break the mould of the traditional donor-recipient approach. It seeks to build a more diverse partnership, which can also expand the envelope of resources available for development. The core provisions of the Vientiane Declaration are aligned with SDG 17 on partnerships.

4. To follow up on the success of the 12th HL RTM, the Round Table Implementation Meeting (RTIM) will be organised on 24th & 25th November 2016 with the overall aim of shifting the development dialogue onto implementation mechanisms, capacities and resources to assure local development impact (please refer to the 2016 RTIM roadmap for more information on the meeting, agenda and preparatory consultations).

5. Within the scope of these 2016 RTIM objectives, this Background Document has been prepared to capture key progress towards the outcomes and outputs of the 8th NSEDP during its first year implementation (2016). It should be noted that considerable progress reported is in line with a number of the key recommendations and follow up actions arising out of the 12th High Level Round Table Meeting (2015).

6. This Document reflects actions and activities clustered around three outcomes of the 8th NSEDP. Discussions under each outcome are based on the contributions of relevant line Ministries (LMs) and all Sector Working Groups (SWGs) who provided sectoral progress reports based on the 2016 RTIM guideline which captures three broad matters: i) progress towards outcomes and outputs; ii) actions and progress for the implementation of the previous year RTM and RTIM, and; iii) challenges and opportunities. At this stage, it is too early to report on results and outcomes as apart from the fact that 2016 is a transition, a number of tools in particular the Monitoring and Evaluation Framework of the plan with high quality data need to fully adopted to reflect a real result based planning. Please note that all information and figures highlighted in this Background Document covers a period from October 2015 to October 2016.

II. A Brief Summary of Progress on the Implementation of the National Development Agenda in 2016

2.1 Annual implementation progress across three outcomes of the 8th NSEDP including perspectives on the LDC Graduation (with linkage to the key recommendations and discussion points of the 12th HL RTM 2015)

7. For the first year of the implementation of the 8th NSEDP (2016-2020), a progress has been made in a number of areas which will ultimately contribute to the achievement of the plan's major outcomes. In term of income-generating capacity, the Lao economy is estimated to grow by around 7 percent in 2016. Growth has been fueled by a vibrant resource sector, continued domestic and foreign direct investment and gradual improvements in the macroeconomic framework. For human development, the Government has increasingly galvanized its efforts towards improving the level of human assets – including improvement of the status of the population's health, nutrition and education. More broadly, Lao society continues to be characterized by peace, security and order, and people's livelihoods have gradually been enhanced. Not least, during the course of commencement of implementation of 8th plan, the Government has also been paying increased attention to the structural vulnerability of country to economic shocks, in particular trade taking into consideration regional and global developments, as well as building further resilience to environmental shocks.

8. The following sections provide a brief narrative of progress over the past 12 months which collectively indicate that the country is right on track to achieve the 8th NSEDP outcomes to ensure Lao eligibility from graduation of the Least Developed Countries (LDC) status by 2020. Simultaneously, an attempt has also been made to response to key recommendations and discussion points arising from the 12th HL RTM 2015. The Government recognizes the importance of continuity and progress across all of the recommendations, issues and suggestions generated from recent RTMs/RTIMs as being highly valuable to its partnership for helping shape and evolve national development agenda for the attainment of better results.

Outcome 1 – Sustained inclusive economic growth with economic vulnerability (EVI) reduced to levels required for LDC graduation and consolidated financial, legal and human resources to support growth
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Output 1 – Sustained and Inclusive Economic Growth

9. With sustained economic growth of 6.9% in 2015/2016 (10 months) and an expectation of reaching 7% by the end of 2016, which is among the highest and least volatile in the region, the Government is committed to addressing some of the most critical inclusive and sustainable growth constraints (*the following texts under this section also attempt to address discussion point 2 of 2015 12th HL RTM – ‘Enabling inclusive and sustainable growth’*).

10. Efforts have been focused on the need to explore potential drivers of growth other than the resource-based industries. The Government fully acknowledges that the resource-based industries are often capital intensive, and which, given the diminishing marginal productivity of capital. In 2016, the issuing of licenses for mining and hydropower has been put on hold and there are on-going discussions stressing the importance of other key sectors. For instance, agribusiness/agricultural productivity has strong inter-industry

linkages with huge potential for employment generation. Under the framework of the National Rice Production for National Food Security Strategy, the Government has been working with various partners to facilitate trade in paddy and rice to encourage private investment in milling. Support has also been extended to rice farmers with a more balanced approach in allocating resources for extension activities, technology development transfer and irrigation. Additional emphasis has also been placed on strengthening tourism, which is a driver of growth with many subsectors that have high degree of employment response to outputs. Lao PDR is strategically located as a tourism destination. Therefore, the Government has been working with its neighbors to possibility to offer a stronger cluster based tourism destination.

11. In terms of improvements to the business climate and support to Small and Medium Enterprises (SMEs), a number of initiatives have been carried out to enhance and upgrade the investment climate and promote private investment in non-resource industries (Lao PDR ranked 134 out of 189 countries worldwide in the World Bank's Doing Business Indicators in 2016). For instance, implementation measures have been documented for the enforcement of the Law on SMEs. The enterprise registration process was improved to facilitate streamlined, easier and cheaper processing. The total number of days required for the registration was significantly reduced from 60-90 to 3-10. Similarly, the number of documents required has been dramatically reduced from 18 copies to between 4-6. Permits issued are now permanent (i.e., renewal is not required). There have also been improvements of access to finance by SMEs, for example, through the Government's new SME fund via contract with the Lao Development Bank and other related banks to manage the SME loan portfolio. Fund management regulations have also been completed, with compliance to the National Treasury.

12. In regard to business education, the Ministry of Education and Sport and other collaborating agencies have integrated the business operations' manual into the educational curriculum. The curriculum has been piloted in a number of schools and will eventually be integrated into courses at vocational schools and universities. At the same time, the service provider network was launched to provide business development consultation, research and support. A cooperation mechanism between large and small enterprises has also been launched in an attempt to enhance the use of products and services provided domestically by small enterprises. Research efforts were conducted to create an information database on business potential for investment by large enterprises and the public sector. To promote the increase of productivity and to upgrade the quality and standards of SME goods and services, the Government completed the implementation of a project to construct a model factory in both quality and quantity. At present, the Ministry of Industry and Commerce and concerned sectors are in the process of building up the system as well as setting up an agency for certifying SME quality and standards.

13. As agribusiness/agricultural productivity increases and more workers are able to leave farming, it is important that more attractive off-farm jobs be generated within the Lao economy. For this reason, the Government has been working more intensely with local authorities to help create a range of more attractive off-farm employment opportunities. Current actions in this important matter include: i) streamlining and simplifying the business compliance and transaction costs associated in dealing with government to create a more business friendly environment, ii) improving transparency in the provision of public sector services to businesses through measures such as publication of all fee schedules, permits, and licensing requirements, and; iii) establishing a more predictable basis for the private sector, consistent with the implementation of publicly available registration, rules, and regulations in order to improve efficiency and reduce bureaucracy.

14. To support growth in the long run, the Government is highly committed to ensure that the country has a stronger pool of educated, skilled and productive human resources capable of mastering new production techniques that will constantly emerge in an economy that is increasingly being integrated with the world economy. Currently, the Government is working with national and international stakeholders to reverse the trend in education characterized by high dropout rates in the lower grades which prevent pupils from progressing to higher levels of education. The focus has been on: i) investing in quality basic education; ii) education policy at the tertiary level which supports research and development (R&D), and; iii) expanding and equalizing access to education at all levels (for more information, please refer to the section on outcome 2 - output 3).

15. As poor health and nutritional status of children impedes growth and its inclusiveness in the long run, the Government has sustained a strong working partnership at all levels over recent years to address food and nutrition security in the country. Tackling child nutrition is vital for the country LDC goal and has featured as a particularly important part of the Lao national development agenda and has also been a recurrent theme of the Round Table Meetings and Round Table Implementation Meetings (Progress is being made in this area, please refer to outcome 2 – output 2 for discussions).

16. Building on the achievements made in recent years, the Government continues to ensure the reliability, availability and maintenance of networks of infrastructures/transportation and the provision of water, electricity, and other utility services. Dependable infrastructure provides an investment climate conducive to growth since high quality infrastructure serves to raise the marginal productivity of private and public capital. Being a land-locked country, the Government of Lao PDR has introduced a “land-linked” strategy that goes hand in hand with regional and sub-regional infrastructure development trends, especially along the frameworks of, among others, the ASEAN, Greater Mekong Sub-region and Triangle Development Area. The strategy addresses the importance of infrastructure development, particularly in the road/transport sector, as the means to achieve the 2020 vision for the country to graduate from its LDC status. Infrastructure development has been identified as being significant both for poverty reduction and private sector development. Two important areas are road and railway networks. Lao PDR’s total road network has more than doubled over the last decade. With the increase, improvement in terms of the quality of roads is a priority that needs strategic attention for the remaining period of the 8th NSEDP. Regarding the railway network, it is a challenge given its high capital cost. To the extent possible, the Government has been investigating the prospect of establishing an integrated railway network in Lao PDR as it offers some distinct benefits: i) a complementary and alternative means to road transport for both passenger and commodities ii) the potential benefits of increased trade and tourism as a result of improved regional integration (and at the center of) the rail networks of neighbouring countries.

17. In respect to good governance and institutional capacity for the delivery of public goods and services, Lao PDR has also been making good progress towards structural reforms in the context of commitments under the ASEAN Economic Community (AEC) and the prospect of World Trade Organization (WTO) accession. Government institutional capacity has also been gradually improving as shown by its higher ratings of country policy and institutional assessment over time (please refer to texts under crosscutting areas of the 8th NSEDP for more discussion on this).

Output 2 – Macro-economic Stability

18. Progress in implementing the National Socio-Economic Development Plan (NSEDP) is reported annually to the National Assembly which also provides guidance for the parameters of the next annual plan. Thus the NSEDP annual plan for 2015/16

approved by the National Assembly in April 2016 highlights the Government's commitment to continue to effectively enhance macro-economic management and stability by maintaining a low budget deficit policy, together with a stable exchange rate and inflation below the rate of GDP growth recorded at 6.97%.

Table 1: Macroeconomic achievements and targets

Macroeconomic indicators	2015/2016 (October-September)	2015/2016 (Targets)	2017 (Targets)
GDP per capita	\$2,027	\$2,092	\$2,341
GDP Growth rate	6.9%	7.5%	7%
(Agriculture)	3.0%	3.1%	3.1%
(Industry)	9.0%	8.7%	8.9%
(Services)	8.5%	9.0%	7.8%
Budget deficit	6.97% of GDP	6.43% of GDP	6.52% of GDP
(Revenue collection)	20.75% of GDP	21.81% of GDP	18.35% of GDP
(Budget expenditure)	27.71% of GDP	28.64% of GDP	24.88% of GDP

Source: NSEDP 2015/2016

19. With moderate growth, though still high, the Government is fully aware that significant vulnerabilities remain. In particular, although Lao economic prospects remain favourable, to safeguard macroeconomic stability during the transition out of low income country status in the medium-term, it remains vital to strengthen the country economy's resilience to external shocks and put in place condition for sustainable growth (*the following texts under this section address discussion point 3 of 2015 12th HL RTM – 'Enhancing Macro-Economic Management'*).

20. In term of fiscal policy, consolidation is a priority of the Government. The fiscal deficit has been reduced over the last three years. On current policies, however, it is set to rise again going forward. The Government has placed greater effort on stronger revenue administration and expenditure rationalization to ensure continued consolidation. *On the revenue front*, total revenues reduced by 10.59% in 2015/16 compared to the previous year 2014/2015 as key sources of revenue generation came under additional pressure from lower commodity prices and foreign grants declined. To further strengthen its revenue generation efforts, the Government has been considering a number of key measures such as: i) broadening the tax base by looking at exemptions, the personal income tax rate schedule, and taxes on increases in property value, ii) tax administration reform has focused to development on modernisation tax authority and extension registrations to support the implementation of the general tax law, and; iii) strengthening tax administration, for example, the government has focused on large target taxpayers as well as the potential for taxes on vehicles, petrol, and luxury goods, as collection will be based on transaction prices instead of out-dated reference prices. In addition, the Government has decided to make more use of electronic declaration and payments at customs check points, to invest in more staff to counter smuggling, and to create applications for electronic tax payments. *In term of expenditures*, these in future will be based on more conservative revenue projections. The public sector wage bill will be contained through limits on new intake. The Government has improved its control and oversight of off-budget capital expenditure and ensuring capital expenditure to support the country's growth potential. A high level committee has been established to quantify and resolve arrears and debts related to a number of public infrastructure projects, although resolution could take several years. The National Assembly welcomes further fiscal transparency, and the authorities invite further consultation on equivalent expenditure rationalisation experiences of other countries.

21. For monetary and exchange rate policy, the Bank of Lao PDR continues its policy of maintaining the stability of the Lao kip by tightly managing the exchange rate of the Kip against the US dollar and Thai baht and in keeping the inflation low. This decision is based on experience that movements in the kip vis-à-vis the US dollar and the Thai baht strongly

influence domestic prices. The Government acknowledges that greater exchange rate flexibility would promote reserves accumulation. However, a priority is to keep import cost and inflation in check and to avoid significant capital outflows. This will be achieved by well-anchored exchange rate expectations. In terms of gross international reserves, this currently covers 5.57 months of import. The reserve at this level has been a result of Government foreign-currency revenues sale and local Governments' loan repayment to the Bank of Lao PDR. During the past few years, credit growth has been gradually declining (around 60% in 2012 to around less than 10% (estimated in 2016)). Therefore, draining excess liquidity is not a near term priority. However, for liquidity management purposes, there is a consideration for more government bond insurance in recent years.

22. Turning to financial stability, the entry of foreign and private banks in recent years (a total number of banks is currently 40 – the banking sector assets grew by just over 50% in recent years) has expanded access to banking services, and helped create a more commercially oriented banking sector. However, the state-owned commercial banks (SOCBs) still remain dominant, accounting for nearly 50% of total banking lending in 2015/2016. To ensure financial system stability, the Government has recently put in place two measures: an external auditing requirements and a depositor protection system. To ensure that supervisory and bank risk management capacity can keep pace with financial deepening, the Government has suspended banking license insurance in order to review progress and address any weaknesses. The Bank of Lao PDR and the Ministry of Finance have currently been coordinating to prioritize fiscal arrears settlement to limit new Non-Performance Loans (NPLs). There are also discussions over strategies to strengthen state-owned banks.

23. In term of debt management and sustainability, the Government strives to achieve the target of 40–45% of GDP by mid-2020. Although buffers are still limited in the case of adverse shocks, the Government has been committing to heightened efforts to reduce vulnerability, such as through fiscal consolidation and by strengthening public investment management capacity. In addition, with the relatively long maturity profiles of most loans and U.S. dollar returns of the exporting sectors, the Government believes that the risks of debt distress could be mitigated over time particularly during the course of the 8th NSEDP. Currently, debt service has been provided by the Government in a timely manner and in line with contractual terms, resulting in improved trust by investors with regard to the Government's financial status. These efforts have contributed to a better environment for business enterprises. The Government has been closely monitoring the exchange rate, given the considerable share of foreign currency denominated debt, to ensure its stabilization which will have an impact on the debt-to-GDP and the debt service-to-revenue trajectories for external and public debt.

24. In addition, a number of current regulations have restricted new external commercial borrowing to no more than 25% of government revenue. Therefore, borrowing in recent years has not expanded. There are also restrictions on borrowing for infrastructure and social development purposes which allow financing only on concessional terms with interest rates below 3% and long-term maturity. These guidelines and regulations could be modified over time if there is any change in terms of financing needs and financial conditions. It is also expected that there could be a shift in borrowing - from external to domestic sources over the course of the implementation 8th NSEDP and over the course of successive national plans as domestic financing becomes cheaper.

Output 3 – Integrated Development Planning and Budgeting

25. In order to support the implementation of the 8th NSEDP, the Government has undertaken a number of measures to strengthen the links between the plan and the development budget, and to improve coordination between the latter and the recurrent

budget (*the following texts under this section address discussion point 1 of 2015 12th HL RTM – The 8th NSEDP*). While the rationale for strengthening the linkages between planning and budgeting is clear, putting in place concrete measures to improve cooperation and coordination is a challenge that the Government is gradually managing to address. For example, the four key measures that the Government is currently pursuing include: i) ensuring clarity of policy direction and institutional frameworks; ii) ensuring that budget allocations reflect priorities; iii) ensuring that spending is consistent with approved budget allocation and allotments, and iv) greater scrutiny over the measuring of results and ensuring implementation feedback into the policy process.

26. The current status of the above measures are generally positive and on track. Providing an outline of the likely overall resource envelope for the 8th NSEDP also serve as an important platform to enhance the link between planning, budgeting and policy implementation. The indicative overall resource envelopes in place for sectors and provinces are expected to create greater scope for prioritizing interventions based on the likelihood of resources being available. The Government's commitment to improve financial allocations to policy priorities is reflected in higher allocations to the social sectors. In addition, according to the approved 2015/2016 Budget Preparation Instruction by the Ministry of Finance, public expenditure must adhere to the budget plan approved by the National Assembly (NA). This instruction represents the Government's commitment to curb spending beyond the NA's approval parameters that would otherwise dilute the focus of financing to national priorities. Another important measure to ensure compliance with the Law on Public Investment is that sectors and local authorities are only allowed to implement Public Investment Plans (PIPs) endorsed by the National Assembly (NA).

Output 4 – Balanced Regional and Local Development

27. The Government has been focusing on rural infrastructure, particularly on roads, in order to ensure market accessibility for rural communities so vital for income generation and poverty reduction. This is in line with the Government's efforts at prioritizing market access to remote areas, including quality of the access to services (combining good infrastructure with good governance and service delivery). This is crucial as the means for development of commercialization and for the realization of stable income earning possibilities for rural communities, which in turn, contributes to poverty reduction. So far the construction of rural roads (especially Farm-To-Market Roads) has been happening in many parts of the country to link market connection with the rural population. Accompanying this, a priority has also been on maintenance of roads that connect rural production to markets, with special focus on border markets.

28. Logistic infrastructure development for private sector development is important to ensure balanced regional and local development throughout the country. The focus at this stage is on linking Lao PDR with regional countries, which in turn facilitate private sector access to the development of all parts of the country. Considering the situation of current exporters, the most competitive transport route for goods presently is by the road-sea mode via Bangkok through Singapore. Because the distance from Vientiane to Bangkok is the shortest and most convenient at present and since all industries are presently located in Vientiane, there is no other choice of a better route for exporters than this one. Other modes, meanwhile, like the road-rail or all-rails route are not yet available (the railway is under construction). In the longer run, decentralizing industry to other parts of the country will widen choices for transportation.

29. Taking this situation into account, some of key focuses of the Government during the implementation of the 8th NSEDP include: i) simplifying procedures on freight transportation from Vientiane to Bangkok (Factory-To-Port Container Movement); ii) developing a consolidation service for small freight shipments; iii) establishing an Inland

Container Depot (ICD)/Dry Port near the border where the shipping lines could deliver loaded containers and receive cargo for loading into empty containers; iv) providing capacity building programs for the logistics industry through cooperation with international organizations and neighboring countries in order to improve the logistic services of domestic forwarding companies; v) monitoring clearance times and productivity at the border crossings in order to ensure the smooth movement of transportation; and vi) developing other modes of transportation such as the road-rail-road, all-rail or rail-road mode whichever is the cheaper. However, these variations all require considerable infrastructure investment. Hence, this is where coordinated regional development programs such as those within the ASEAN and GMS region are paramount.

Output 5 – Improved Public/Private Labour Force Capacity

30. To maintain a low unemployment rate at around 2% (estimated to be around 1.4% for 2016) and achieve various targets of the 8th NSEDP on labour force capacity, the Government has focused its efforts in a number of key areas.

31. Firstly, the Government has been working with national and provincial authorities to improve regulations and mechanisms that ensure compliance with labour laws as revised in 2014, and upgrade the capacity of responsible provincial and district staff to ensure effective implementation of these laws. The new law was the result of extensive discussions between the various Lao authorities, private sector entities and development organisations, and introduces a number of changes to the basic rules of employment in Lao PDR, including the employment of foreign workers.

32. Secondly, a focus has been dedicated towards high-quality labor market information which is essential for facilitating employment shifts and promoting employment growth across and within sectors. In order for employment services to be effective in helping to reduce gaps between labor supply and demand, good-quality labor market information is needed to identify the emerging employment opportunities for workers and the skills that are in demand so that training programs can be designed and tailored accordingly.

33. Thirdly, the Government has also galvanized its efforts towards the effective operation of the Technical Vocational Education and Training (TVET) system. Vocational Training has a significant impact on both productivity and poverty reduction. Thus, technical and vocational education and training (TVET) is a priority area within the Government's Education Sector Development Framework. In this respect, the Government has developed a TVET strategy and master plan.

Output 6 – Develop entrepreneurs, technical experts and professionals

34. Progresses towards the targets of the 8th NSEDP in regard to furthering the development of technical experts and professionals is largely on track. At this stage, the Government has been working on a number of core skill strategies which are supportive of the transition to higher-value-added products and services in priority sectors. Over the course of the 8th NSEDP implementation period, an effort has also been on repairing talent mismatches in the economy through effectively shaping supply to meeting demand-side forces. Currently, each province now has at least one vocational school and emphasis has now been placed on aligning local skills training programmes with economic and industrial policies and opportunities.

35. Discussions over pathways from TVET to bachelor's and master's degrees are crucial to facilitate and create options for students to move from one stream to the other. This is important as acquisition of qualification and certification in a flexible and

nonhierarchical learning pathway will be obtained from a more integrated secondary, postsecondary, TVET, and higher education system. In addition, building on past experience as skills can be acquired through work experience, traditional institution-based training delivery has now been combined with multimode delivery mechanism. For instance, in recent years, the Government has promoted employment services such as career guidance and placement which have become central to the purposes of easing obstacles and constraints to professional workforce entry. Apprenticeships and internships are also assuming even more prominent roles in strengthening the link between training institutions and employers. A number of Dual cooperative Training programs have been developed with support of Vocational Education in Lao PDR (VELA) project funded by German and Swill governments. In these programs, the employers and TVET schools take joint responsibility for development and implementation of the training program and the students undergo systematic training in two learning venues: at schools and in the companies.

Output 7 – Regional/International Cooperation and Integration

36. Lao PDR is seeing significant economic benefits from its increased participation in the global and regional economy. In 2016, Lao PDR assumed the Chairmanship of ASEAN and this year also marks commencement of the implementation of the ASEAN Community Vision 2025. This is an opportunity for Lao PDR to shine a spotlight on the significant strides that are being made in the country. Significantly, there include its efforts to develop the economy, increase economic integration with regional neighbors, and deepen ties with the international community. The nation hosted two of the region's most important annual gatherings —the 28th and 29th ASEAN Summit and the East Asia Summit (6th and 8th September 2016). Apart from these two main Summits, other sideline Summits under the umbrella of ASEAN were also hosted. ASEAN Leaders signed the ASEAN Declaration on One ASEAN, One Response: ASEAN Responding to Disasters as One in the Region and Outside the Region. Whilst acting as ASEAN chair, Lao PDR utilized the opportunity to build further closer tie with some key strategic countries.

37. Moving beyond regional cooperation/integration, Lao PDR as a member of WTO has also been actively engaging in the global economy. Lao PDR's WTO membership is, among other things, primarily to leverage economic integration as a driver for improving the business and investment regime whilst simultaneously expanding supply-side capacity. WTO accession has also been providing the opportunity for the country to strengthen and improve trade policy institutions and coordination. At the same time, it would also give Lao PDR a seat at the multilateral negotiating table and access to the dispute settlement mechanism. the WTO membership could also prove beneficial considering the effort to have established the ASEAN Economic Community (by 2015), as now all 10 diverse ASEAN nations start from the common ground of being beholden to the rules of the WTO.

38. With benefits, WTO membership also bring some key challenges including the need to coordinate and implement commitments which will need to be addressed. As accession is only the start of the process, awareness of the WTO requirements, in particular, needs to be increased across society at large as well as among various actors within the business community. Service liberalization and regulation of strategic sectors such as telecommunication and transportation can carry many benefits for the rest of the economy, but at the same time a number of service sectors are also subject to well-known market failures. Liberalization must be sequenced with regulatory reforms such as establishing independent regulators, developing prudential regulations, and ensuring universal service. Last but not least, implementation of General Agreement on Trade in Service (GATS) obligations will require a strong capacity to coordinate government action

across different ministries and agencies and enhance transparency practically across the broad.

39. Regarding development cooperation, like many developing countries, the landscape of development finance in Lao PDR has been changing. This brings both opportunities and challenges for the achievement of Lao PDR's national development goals, including the Sustainable Development Goals. Lao PDR will need to draw on development finance from a wider diversity of sources and consider the implications of potential changes to the availability and concessionality of financing. Recent key activities to help Lao PDR moving toward greater alignment of development finance and cooperation with sustainable results include: evidence gathering and analysis (The country has recently completed a Development Finance and Aid Assessment (DFAA)), policy reform for effective development cooperation by adopting a new 'Partnership Declaration' and associated Country Action Plan due for adoption at the RTIM in November 2016. Not least, evolution of dialogue on the national development agenda with partners (via the Round Table Process and its Sector Working Group coordination mechanism).

Outcome 2 - Human resources are developed and the capacities of the public and private sectors are upgraded; poverty in all ethnic groups is reduced, all ethnic groups and both genders have access to quality education and health services; the unique culture of the national is protected and consolidated; political stability, social peace and other, justice and transparency are maintained

Output 1 – Improved Living Standards through Poverty Reduction Using the 3-Builds Directions

40. Poverty in Lao PDR has been declining over the past few decades and improvements in various socio-economic indicators show that living standards have been improving. A few key drivers have contributed to the poverty reduction in Lao PDR. In the first instance, the agriculture sector provides work for more than 60% of the labour force at the start of the 8th NSEDP. Importantly, according to the latest LCES 2014, agriculture was responsible for achieving over 40% of the reduction in poverty between 2003 and 2013. Observing the shift from an agrarian based economy to manufacturing and services, the Government is concentrating its efforts on creating a more sustainable path through which to raise agriculture income for the cohort of the population that are likely to depend on the sector for the foreseeable future. Allied to a gradually shift in the structure of the economy, there has been an increase in education attainment in Lao PDR, that will enable the population to make a transition to non-farm incomes whilst maintaining gradually increasing returns to the agriculture sector through mechanization, modernization and better organization with the sector. Growth in services such as trade and tourism and manufacturing have also opened up an increasing range of employment opportunities to local communities. Furthermore, through the implementation of the 3 Builds Directions, better connectivity in rural areas has given rural communities greater access to services and income generating activities. This, as mentioned in the infrastructure sector above, increases the prospects of reducing poverty in rural areas.

41. However, challenges remain to address critical constraints to reducing poverty and inequality in rural areas. In recent years particularly during the first year of the 8th NSEDP implementation, the Government has been pursuing three priorities. First, in seeking to improve productivity in rural areas by promoting greater growth in agricultural income, measures include: commitment to increase public investment and strengthen regulations in order to lower market costs; strengthening production methods and labour skills (for instance, a transition from a focus on rice self-sufficiency to improved competitiveness of

farming systems), and; providing more training and agriculture extension services paying particular attention to those less educated farmers. Second, on creating better economic opportunities for both the poor and non-poor. Third, on strengthening the social protection system, measures to improve social safety nets and insurance which include: increasing resilience in agriculture; strengthening social insurance (health insurance); putting in place social welfare programs and deepening financial inclusion (options available to cope with shocks).

42. Lao PDR faces a unique and quite overwhelming challenges to rural development as estimated 80 million cluster sub-munitions remain unexploded. This represents a significant impediment to development and poverty reduction. Reducing the impact of UXO is Lao PDR's own national Sustainable Development Goal (*Following texts under this section address discussion point 14 of 2015 12th HL RTM – ‘The special case of UXO’*). By committing to SDG 18 (announced during the ASEN Submits organized in Lao PDR in September 2016, and as witnessed by the United Nations Secretary General, Regional Leaders and some key Global Leaders), Lao PDR holds itself accountable to advancing the reduction of UXO impact and contributing to many other goals at the same time, e.g. Goal 1, Ending Poverty. An integrated and coordinated approach is crucial for progress across the multiple goals. With support from international community, the Government has continued its significant efforts on clearing UXOs from development areas, tourist sites, agriculture production, livestock raising and residential areas. In parallel, greater attention has been paid to the treatment, health rehabilitation and assistance for UXO victims. Currently, the “survey to safety strategy” has developed with support from the international community. The plan includes the systematic completion of a non-technical survey with in four years and the full technical survey within five years. This will allow for improved evidence based planning and long-term resource mobilization. The United States has announced an increasing the contribution to the process. In addition, to better articulate needs for the remaining UXO contamination, confirmed hazardous areas have been shared with operators for improved collaboration. In term of coordination, under leadership of the Minister of Social Labour Welfare, the National Regulatory Authority (NRA) convened both policy and technical meetings to ensure coordination across national and international stakeholders.

Output 2 – Food Security Ensured and Malnutrition Reduced

43. Addressing Food and Nutrition Security issues in Lao PDR has been moving towards better multi-sectoral coordination and stronger linkage among different forums for some time now (*the following texts under this section address discussion point 7 of 2015 12th HL RTM – ‘Food and Nutrition Security’*). Lao PDR has identified 22 interventions to address food and nutrition security. These interventions are classified into two groups: ‘specific’ and ‘sensitive’ interventions. ‘Specific’ interventions are identified under the health sector including WASH. Meanwhile ‘sensitive’ interventions fall under the education and agriculture sectors. While reporting on key results is highlighted in a report by the National Food and Nutrition Secretariat, it is important to recognize that there is no “blueprint” for multisectoral program that Lao PDR can simply take and apply. This is a learning process for both the Government of Lao PDR and Development Partners. However, commitment to a “convergence model” is being created over time.

44. To move from the pilot phrase of the convergence approach to address food and nutrition security through nation-wide roll out, the Government aims to bring together key ministries, provincial and district governors and technical staff, communities and development projects and help define the responsibilities of ministries and local authorities regarding implementation, monitoring and reporting of food and nutrition security interventions and their results. The strategic approach to ensure the linkage between prioritization and convergence are: i) plan multi-sectorally; ii) implement sectorally and; iii)

review multi-sectorally. The proposed plan is not creating a new single integrated program that somehow takes various interventions from the different ministries and gathers them together to be run by one agency, ministry or authority. Rather, the approach builds on existing programs. It focuses on getting ministries to work better together and to coordinate their actions, in particular at the provincial level and below. Responsibility for operation remains with the lead ministry for the intervention.

45. The Government acknowledges that implementing programmatic convergence is complex. In this regard, capacity building for local authorities and communities and strengthening multi-sectoral coordination are needed to ensure all interventions are implemented with appropriate coordination. A key recommendation is that the number of interventions could be reduced. It would be useful to develop specific indicators so that district and other level teams know what they should aim for. Significant ownership of stakeholders and local authorities in incorporating the priority sensitive and specific nutrition interventions with focus risk geographical areas in to annual operational plan and implementation are essential. It may be useful to utilize the idea of a village calendar through which all community members know when government services should arrive.

Output 3 – Universal Access to High Quality Education

46. In view of the important role education plays in determining the labour-market status of people, and the labour market being the major source of economic opportunities, strengthening the quality of basic education and improving access to and completion of primary and lower secondary education are the priority focus to the Government, while targeting vulnerable children and youth. However, the survival rate of primary school students reached around 78% — still low compared to neighboring countries and well below the national target of 95% (*the following texts under this section address discussion point 8 of 2015 12th HL RTM – ‘Access to Quality Education and Health’*). With this in mind, the Government has placed significant importance on human resources development and has allocated an increased budget to the education sector, which now comprise 15.63 % of total government expenditure. Key aims are to improve and develop education infrastructure and improve teaching-learning across the educational cycle from kindergarten to university.

47. The year 2016 marks an important transitional period for the first year of the implementation of the Education Sector Development Plan (2016-2020). At policy level, with the adoption of the sectoral development plan, the updated Education Law was completed responding to ASEAN integration and the 4th SDG. The key feature of the new Law is that free and compulsory education has been extended to include lower secondary education. At a strategic level, the education sector has been moving towards results based planning practices for some time, based on an agreed Theory of Change with 11 outcomes supporting the overall goal. Through a consultative and participatory process, annual work plans of the sector and sub-sectors have been prepared and a comprehensive monitoring and evaluation framework is being developed. To further accelerate the achievement of the sector goals and objectives, the Aid Memoir-Joint Review Mission 2015 was approved and signed off by the Ministry of Education and Sports, the Australian Ambassador and EU Charge d’Affaire as co-chairs of the Education Sector Working Group to implement the agreements of Joint Sector Review Mission (JSRM) 2015. At a technical level, a consensus across stakeholders was made through meetings in 2016 to strengthen and improve the functionality of the Education SWG and its sub-technical work groups through revitalization of its terms of reference. A SWG review will be carried to inform and guide this work.

48. Apart from the sector coordination mentioned above, to improve indicators on education, both public and external investment needs to reach the sector budget

requirement of 18% of the national budget allocation. In particular, non-wage investment categories need to be increased significantly. In addition, it is important to put greater efforts on reducing the costs of attending school and expanding schooling options in accordance to the new revised Education Law. Although these will not consistently increase student achievement, they could potentially increase student attendance and attainment. As the actions of parents will help to reduce repetition and drop-out rates, it is important to provide information about school quality, encouraging appropriate parenting practices, and the economic returns to schooling. The plan to establish provincial coordination meetings (currently the term of reference were approved by the SWG at the technical level) could also play a role in this regard. This will not only serve to monitor progress and coordination but also review priorities and create linkages across various development issues such as health, food and nutrition security, economic opportunities, et.

Output 4 – Universal Access to Quality Health Care Services

49. Building on achievements made during the past years, the trend of improvement in health indicators defined in the 8th NSEDP can be seen in the latest data available as per the table below) *(the following texts under this section address discussion point 8 of 2015 12th HL RTM – ‘Access to Quality Education and Health’)*.

	Previous data	Latest data*	8 th NSEDP 2020 Target	* Data sources (data year) of the latest data
Average life span (year old)	63 (F), 59 (M) (2005 Census)	65 (F), 62 (M)	71	Census (2015)
Stunting in children under 5	44% (2022/12 LSIS)	36%	32%	LCAA (2015)
Infant mortality rate (per 1,000 live births)	70 (2005 Census)	57	30	Census (2015)
Under 5 mortality rate (per 1,000 live births)	98 (2005 Census)	86	40	Census (2015)
Maternal Mortality Rate (per 10,000 live births)	405 (2005 Census)	206	160	Census (2015)
Coverage of Measles immunization	54% (2012/13 NHSR)	80%	90%	NHSR 2014/15 (2014/15)
Health insurance coverage	16% (2011), 29% (2015)	50%	80%	NHIB/MOH report 2016

50. In 2016, the focus is on preparation for the implementation of health sector reform in line with the 8th Health Sector Development Plan (2016-2020) and Sector Reform Framework to 2025 to ensure the achievement of sector outcomes in the five priority areas: (i) Human resources for health; (ii) Health financing; (iii) Governance, organisation and management; (iv) Service delivery and hospital management; and (v) Health information system towards Universal Health Coverage by 2025.

51. First of all, emphasis has been placed on greater government investment in the health sector and greater attention is given to how any additional government funding would be allocated to achieve the greatest benefit. This is a work in progress, yet many health finance indicators of Lao PDR are among the worst in ASEAN countries. In addition, the Government has been trying its best to find every means to invest more funding in both the demand side and the supply side of the health system. In July 2016, the National Health Insurance scheme was introduced and has been scaling-up in several provinces to improve financial protection of health services users in the public sector. The Government has acknowledged that the performance and quality of services, regulation of the private sector, and other barriers to access should be further addressed to improve service utilization.

52. Another effort that the Government is currently pursuing is on measures to increase the size of the health workforce. The trend of health professional density has been increasing, yet two-thirds of health centers nationwide do not have any midwife. A strategic move of the Government is in a hub which is at the district level, including health centres and district hospitals, as these are basic health services that rural people and the poor can

better access. Therefore, significant improvements are needed in the capacity to implement these changes.

53. The context of the health system in Lao PDR has evolved in a number of ways: (a) favourable economic performance has supported greater fiscal space for the Government to spend more on the health of the people; (b) a portion of the government revenue generated from hydropower and sin-tax is being (or is to be) spent on health; (c) the lower-middle-income status of the country and rapid increase of GNI per capita is leading to a reduction in the amount and percentage of external sources for health which is called health finance transition, so domestic funding should progressively replace donor resources in a relatively short-time. Otherwise it might lead to a negative equity consequence, such as an increase in out-of-pocket payments. (Note: the external sources on health as percentage of total health expenditure for health is 32% in 2014, the highest in the ASEAN countries); and (d) income distribution gaps have widened as the country becomes richer, creating an urgent need for redistribution through improvement of health finance further in favour of the poor.

Output 5 – Improvement of and Access to Social Protection

54. The 8th NSEDP is making social protection a priority. This is evidenced through the efforts to establish and improve a social insurance system and expand its coverage widely and effectively to ensure that the rights and interest of workers and the poor are protected (*the following texts under this section address discussion point 13 of 2015 12th HL RTM – ‘Illicit Drugs and other related issues’*). Building on achievements from the previous five year plan, to help achieve the 8th plan targets in this area, a number of relevant mechanisms have been improved and the Government has created legal instruments to improve the basis for implementation. For example, the labor law has been enhanced and a law on social security approved with a decree on increasing the minimum wage for the labor force working in business, production and service units (from 626,000 Kip/month to 900,000 Kip). A decree on social relief for the disabled was also in a process of finalization. In addition, coverage of social and health security has expanded, including for the disaster affected, elderly, and disabled.

55. Nevertheless key pending issues in the area of social welfare need further attention. In particular, sufficient, predictable and sustained investment is required to improve the quality and access to quality social protection. Greater measures are needed to address important issues related to the coverage and scope of pensions as well as for health care service for the elderly, homeless and underprivileged. In addition, there is a need to carry out a proper analysis for establishing a mechanism to manage and protect child benefits and encouraging workers and people in all professions to contribute to the health insurance fund.

Output 6 – Protection of National Traditions and Cultures

56. 8th NSEP sets a number to targets to protect national traditions and cultures and a number of activities have been progressing in the right. For instance, currently, there are 810,620 cultural families (67.72% to total families across the country) and 5,144 model development villages (60.93% of tall villages across the country). Efforts have also been on adopting attitudes towards cultural and educational policies by stressing the cultural identity and the use of national language and mobilizing the people to take more active part in all cultural fields. Currently, the Government has been carrying out a number of tasks in this areas such as; preserving and revitalizing cultural heritage by integrating vernacular cultures - folk tales and folk songs, handicrafts and art, museums and archaeological sites - into every day life; drawing upon innovation and eradicate inappropriate traditions; training

competent staff in the field of culture and education; encouraging the area of cultural services (*e.g.*, participation in the art); and stimulating creativity. Lao PDR has also participated in the programmes of UNESCO and Asian Cultural Centers for UNESCO (ACCU), and within the latter, particularly in the field of book development.

Output 7 – Maintain Political Stability, Social Peace, Order, Justice, and Transparency

57. Attention was given to mobilizing, improving coordination between authorities at all levels and concerned agencies in solving social drawbacks that happened within family and society through disseminating, encouraging mobilizing people to understand and follow the laws aiming at building strong family, village and towns. In addition, the project of friend-help-friend was implemented to prevent negative impacts on youths and to reduce school dropout rates, avoid using of illicit drugs, prevent accidents on the road and any actions that lead to violation of law.

58. The government including local authorities, security forces and mass organisations have boosted their efforts in organising events and activities for combating social problems, especially through educating and campaigning, in order to raise awareness about the government policies, obligations, customs and social problems that currently threaten the society. Special attention: drugs, prostitution, robbery, gambling, HIV/AIDS, etc. As a result, social related problems are getting resolved gradually, through local campaigns and many persuasive mechanisms. Efforts are also being made to make the society and people responsible to address these problems themselves.

Outcome 3 – Natural resources and the environment are effectively protected and utilized according to green-growth and sustainable principles; there is readiness to cope with natural disasters and the effects of climate change and for reconstruction following natural disasters

Output 1 – Environmental Protection and Sustainable Natural Resources Management

59. The Government of Lao PDR places great importance on sustainable natural resources management and utilization, such as ensuring sustainable land use planning, implementing the national sustainable hydropower development, environmental friendly mineral extraction. The protection and improvement of the environment is also fundamental to the third criteria for LDC graduation, the HAI, which comprises literacy and secondary education, under five mortality rate and undernourishment in the population. The water and sanitation targets of SDGs are also directly linked to under-five mortality rate and to undernourishment.

60. The direction that the Government is taking with the 8th NSEDP framework is to ensure continued quality, green and sustainable economic growth where development and natural resource management (of land, forests, biodiversity, mineral resources, water and wetlands) will need to be planned in a practical, sustainable, fair and most effective manner. A number of rules, regulations, instructions and decrees has recently been updated and issued in Lao PDR with the ultimate aim to achieve this direction (*the following texts under this section address discussion point 9 of 2015 12th HL RTM – Environmental Sustainability*).

61. 2016 marks a year to accelerate implementation of various activities for the realization of the national goal and objectives. Regarding to land management and

administration, the development of the national master plan on land use and the land allocation across the country are on going and expect to be completed with the remaining period of the 8th NSEDP. Also, the Government has continued its efforts to issue land titles in the rural and urban areas. At the same time, a survey on land titles through a computerized system has currently been carried out and a plan to upgrade IT system for modernizing land management has currently been initiated. Turning to water resources management, integrated water resource management (IWRM) has been introduced in 10 priority river basins and the river basin committees have been established in key river basins. In addition, some key water-quality monitoring points have been identified. In relation to natural resource management. A number of activities start to kick off, for instance, development of forest management, protection and restoration plans for key seven protected areas across the country, establishment mechanisms and databases on mineral resources, and development of an environmental management plan at provincial and district levels.

Output 2 – Prepare to cope with the Disaster Risks and Impacts from Climate Change

62. As Lao PDR is vulnerable to economic and natural disasters, the Government has already taken important and necessary steps to improve the country’s resilience to these shocks. For example, to protect against natural disasters and climate change, the National Strategy on Climate Change and the National Adaption Plan of Action have been structured and operationalized. Several other specific projects have also been implemented. For instance, a project on flood and drought risk management and mitigation has now been finalized and its first year of implementation has been driven forward by the Ministry of Agriculture and Forestry and the Ministry of Public Work and Transport. The GMS project on initiatives to reduce the impact of climate change on women has also been implemented and the investment plan for regional cooperation in GMS (2012-2022) has been completed and disseminated. Lao PDR has also been part of the ASEAN Subcommittee of Meteorology and Geography Program (SCMG) on key activities such as installation of the early warning system on natural disasters.

63. SDG 13 adopted by the UN General Assembly calls for “urgent action to combat climate change and its impacts”. The major milestone for the UNFCCC was the Conference of Parties (COP) 21 held in December 2015 in Paris, where Lao PDR presented its Intended Nationally Determined Contribution (INDC) as well as its a Nationally Appropriate Mitigation Action (NAMA). The participating 195 countries agreed, by consensus, to the final global pact, the Paris Agreement, to reduce emissions as part of the means for reducing greenhouse gases. The Government of Lao PDR has a well-developed Climate Change Strategy and completed both the First and Second National Communications to the UNFCCC. The Ministry of Natural Resources and Environment (MONRE) is leading on this agenda with well-developed links with the Ministry of Agriculture and the Ministry of Mines & Energy.

64. Regarding green growth, the Government of Lao PDR has also been working with partners to build awareness of the opportunities and importance of green growth. There have been discussions led by Ministry of Planning and Investment to identify how Lao PDC can plan, implement and fund green growth at the national level and at the city level. Regarding disaster preparedness, the national strategic plan on disaster risk management is available and national disaster management committees exist at national, provincial and district levels.

65. The National Strategy on Climate Change and the National Adaptation Plan of Action referred above have been operationalized through the improvement of regulations and tools to suit the actual situation of Lao PDR. The Intended Nationally Determined

Contribution was also adopted by the Government of Lao PDR as a part of the preparation for the UNFCCC COP 21. The results on greenhouse gasses have 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. In addition, a proposal for the Climate Change Fund has been submitted to ensure that resource mobilized from the Fund can bring maximum benefits to Lao PDR.

66. A few key initiatives targeted in the 8th NSEDP with the aim of being proactive over the management of economic and natural risks have been making positive progresses. These include, for instance, preparations has been in place to establish and improve the station networks and warning systems of the six priority river basins in the central and southern region; improvements to two earthquake warning stations and to establish five new stations in the northern region; the establishment of a national fund for prevention and a national fund for climate change research as a key mechanism to respond to climate change impacts as well as to promote research and innovation in the sector; to mainstream plans for adaptation to climate change in at least three sectors: water resources, agriculture and public health and to produce a disaster risk reduction plan for eight provinces, 45 cities and 160 villages, as well as one national and at least two local level readiness and response plans. These initiatives are expected to be completed within the 8th NSEDP timeframe.

Output 3 – Reducing the Instability of Agricultural Production Cased by Disaster Impact

67. Lao PDR has developed and implemented a number of policies and strategies to ensure national food self-sufficiency and agricultural production, namely the Agriculture Development Strategy to 2015 and Vision to 2030, the National Rice Production for National Food Security Strategy, Development Strategy of the Crop Section 2025 and Vision 2030 (*the following texts under this section address discussion point 4 of 2015 12th HL RTM – ‘Agriculture’*).

68. On-going work has been carried out in 2016 to support the Government’s efforts to reduce the instability of agriculture production which will in turn ensure sustainable development and foster stable and continued economic growth. At this stage, the Government together with various stakeholders at all levels has managed to update and incorporate disaster management, prevention and a control plan into the agriculture development strategy and its main programmes. Discussions over recent years have contributed to the creation of guidelines for better integrating work on climate change, disaster risk reduction and mitigation of GHG efforts, and to including them within the strategies and operational plans of the agriculture, forest, public works and transport sectors.

69. Moving forward, a number of initiatives within the context of the 8th NSEDP prevail for the purpose of being more proactive with regard to the management of economic and natural risks. Among other targets, the Government plans to: expand modern and effective agricultural production by applying advanced science and technology into primary production; provide production and technical services by promoting their use, researching rice and plant seeds and animal breeds, and experimenting with new technologies to upgrade productivity; build rice storage/warehouses to ensure food security in the event of natural disasters, food crisis etc; and establishing a risk reduction fund to help alleviate the burdens of production costs for farmers during agricultural product price fluctuations.

Enhance Effectiveness of the Public Governance and Administration

70. Public Service Improvement – interventions here are clustered into three main areas (*the following texts under this section address discussion point 11 and 12 of 2015 12th HL RTM – ‘Good Governance and Space for Civil Society’*). Firstly, with regard to *central-local relations and service delivery*, the administration framework was updated in line with government policies including amendments to the Law on Government, the Law on Local Administration and draft regulations on City and Municipality. These laws are expected to address ambiguities and clarify the roles and responsibilities and relationships across the complete range of Government agencies, related administrations, the National Assembly constituency offices, mass organizations, People’s Provincial Assemblies and civil society, at all levels, to participate in the public sector development. In addition, the Government has now extended the “Sam San” policy to cover all provinces and districts in Lao PDR. Its implementation roll-out may be incremental, depending on local capacity, with certain functions being selectively assigned to districts. The expansion of Sam Sang to all 148 districts presents an ongoing challenge and adds further pressure to the state budget. In term of capacity and budget support to the local administration, this has been provided under the District Development Fund (DDF) to 53 District administrations. The DDF uses the Government’s own systems and staff to provide united block grants together with practical learning. Greater alignment of the DDF, Sam Sang and the Poverty Reduction Fund (PRF) would be a practical example of effective partnership and would help accelerate the implementation of the 8th NSEDP and SDGs.

71. Second, concerning *people’s participation and representation*, Lao PDR has various channels and forums in recent time compared to a decade ago. These now range from indirect participation through to representative institutions such as the National Assembly, the newly established People’s Provincial Assemblies, approved mass-organisations and formal business associations, to interest groups, civil society, Non-Profit Associations (NPAs), the formal media and other forms of social communication. In particular, there has been increasing recognition by both central and local government agencies of the contributions made by of civil society to national socio-economic development. The Vientiane Declaration signed at the 12th HL RTM in 2015 between the Government and development partners highlights the important contributions of both INGOs and NPAs. With formal recognition of NPAs through the 2009 Decree 115 on Associations (a plan for a revision was in principle approved by the Government on 20th October 2016). Meanwhile, the number of associations has been increased in recent year to approximately 157 nationwide (147 Associations and 10 Foundations). In terms of INGO implementation, a guideline was finalized and approved by the Ministry of Foreign Affairs. This has led to a regular consultation mechanism reaching out to all major stakeholders.

72. Thirdly, in respect to the *National Assembly and People’s Provincial Assemblies*, over the recent years, the National Assembly has provided increasingly proactive oversight of public services and aspired to increase people’s participation in the decision-making process. This is being achieved through tools such as the hotline, petitions, and public hearings. A constitutional amendment adopted by the NA Ordinary Session in December 2015 paved the way for establishing the People’s Provincial Assemblies (PPAs). Election to PPAs was held for the first time in March 2016 and consequently, 100% of the 360 PPAs members are new. The March 2016 elections led to an important turn-over amongst National Assembly members since 73% (108 out of 149 MPs) at that time were new MPs, including most of the highest positions. Discussions have recently centered on over the roles and responsibilities of the new PPAs and their mandate during the Governance SWG meeting in July 2016.

73. Legal Sector/Rule of Law – During 2016, several key initiatives related to policy reforms in the legal sector that have since begun to take shape. Important changes in the legal sector are expected to be introduced following the amendment of the Constitution in 2015, which took place almost 12 years after the first amendment in 2003. A number of the activities under Legal Sector Master Plan (LSMP) have been, or are in the process of being, implemented. For instance, approximately 109 Laws have, to date, been adopted by the National Assembly. While courts and prosecutors' offices have now been restructured or new ones added, plans are underway to establish an administrative court. At the same time, Village Mediation Units have been established in most villages. The Government is currently in the process of codifying the criminal and civil codes. In terms of justice sector, for the very first time, efforts are underway to draft the legal aid decree based on empirical evidence. The Data installed to monitor judgment enforcements and the pilot case management system are expected to make delivery of justice services more efficient. The Lao Bar Association is currently leading the amendment of the law on lawyers. In 2016, the provincial level offices (in 3 provinces) and district units (in 4 districts) were established to expand its outreach. At the same time, a restructuring of the internal administrative framework of the Lao Bar Association was completed to increase stronger accountability.

74. In addition, human right education in the country has been progressing steadily. Efforts are now underway to embrace innovative approaches such as self-learning and online forums to disseminate information on human rights more widely and in a cost effective manner. In terms of the 2nd Universal Periodical Review (UPR), following its completion, the Government has adopted 116 recommendations from a total of 196 recommendations that it received. Building on past experience, MOFA has currently initiated the requisite process to draft an action plan which is expected to be completed by the end of 2016.

Promote Local Innovation and Utilization of Science, Technology and Telecommunications and Management and Application of ICT

75. The Government has reorganized and developed science-related undertaking by allocating budget for scientific research amounting to 1% of the total national annual budget to conduct research on how science can better support and advance social-economic development in Lao PDR. Meanwhile, a number of legislative actions have been enacted to improve scientific innovation, such as the Law on Intellectual Property and associated implementation of trademarks, copyrights, and industrial patents. A Cooperation Plan with the Ministry of Science and Technology of Viet Nam has also been developed in order to bring advanced science from overseas. This is a solid example of south-south cooperation. The National Science and Technology Strategy 2013-2020 and Vision 2030 have also been developed and are currently being finalized. Moreover, the draft Law on Science and Technology has been completed and will be soon presented to the National Assembly for approval. Data collection on the production of bio-energy from waste has also been completed. Finally electronic and hard-copy documentation of work, generally, has been improved.

Promote and Develop Women, Juveniles and Young People

76. Youth development - Lao PDR has small population compared to that of neighbouring countries and the majority of the population is young: 60% are below age 25. This represents a higher share of young people compared to Viet Nam, Thailand, and Cambodia. But at the same time the Lao PDR youth population is relatively low skilled and not yet able to meet current development and labour market demands (*the following texts under this section address discussion point 13 of 2015 12th HL RTM – Illicit Drugs and other related issues*).

77. The Government has started to pay particular attention on initiatives for young people that will help them to develop skills appropriate to the market along with efforts to promote healthy and safe lifestyles for young people. For example, the friend-help-friend project was launched to reduce school dropout rates, address the use of illicit drugs, prevent road accidents, and curb criminality. Attention has also been given to promoting good mental health and appropriate behavior in young people through building infrastructure to facilitate youth development, such as the construction of the Youth Centres, Adolescent Centres, and youth training centres. In connection to the projects for the Adolescent Centre and youth history hall, the Lao Youth Union have developed training activities for enhancing the capacity of youth leaders for leadership and life skills, among others. Vocational trainings in other fields such as beauty, salon and tailoring have also been conducted in several provinces. There was also a national training session for young journalists and media.

78. Gender equality and empowerment of women - Achieving gender equality and women's empowerment is critical to many NSEDP targets. The Government has likewise aimed to promote the contribution of women to the economy, society, and political system. Women's representation at the 8th National Assembly has increased from 25% to 27.5%. In addition, president and one of the vice presidents of the National Assembly are female. Policies and instruments have recently been developed to enhance gender equality and women's empowerment. To name a few, the Law on Lao Women's Union, Law on Women's Development and Protection, the Law on Prevention and Suppression of Violence Against Women and Child, the Law on Non-Violence Against Women and Children, Vision 2030 on Women's Development, the 10 year Women's Development Strategy (2016-2025), the five year Lao PDR Women's Development Plan (2016-2020), and the National Plan of Action on Protection and Elimination of Violence Against Women and Children of the Lao PDR (2014-2020).

79. Within these regulatory frameworks, Lao PDR has made considerable progress in various aspects in order to achieve the 8th NSEDP targets and goals. The Lao Women's Union (LWU) has been focusing on promoting laws to protect women and enhance their role in society, including operationalization of the Convention on Eliminating All Forms of Discrimination Against Women (CEDAW). Efforts in 2016 have focused on the proportion of Lao Women Union members who are educated in policy theory, constitutional matters, treaties, international agreements relating to the development and protection of women, gender equality, and national traditions and culture. In addition, efforts to promote women to take up 20% of leading management-level positions have been promoted across the country (currently it is estimated to be less than 10% across all levels). The aim is to reach 10%, 20%, 20%, and 30% at village, district, provincial and central levels, respectively by the end of the 8th NSEDP life cycle. At the same time, with a reorganization of the National Commission on Mother and Child (NCCMC) at the central and provincial levels completed in the last two years, a number of NCCMC activities will kick off in 2016 which will yield tangible results within the new few years time.

80. In terms of education and employment, more work needs to be done in a number of areas. For instance, despite recent great efforts, there are disparities in school enrolment ratios of girls to boys and the differences tend to increase with the level of education. Literacy rates are also lower for females than males, especially in rural areas without road access, and amongst the poorest groups. Although the share of women in waged employment in non-agriculture sectors increased from approximately 20 % in 1990 to around 40% in recent years—this figure is still low. The limited participation of women in the labour market may be related to the high proportion of women in unpaid family work. The male workforce also remains better educated than the female workforce and women

are more likely to be involved in non-stable employment, self-employed or engaged in unpaid family work; 65 % of women work in these areas compared to 35% of men.

2.2 Preparing for Sustainable Development Goals (SDGs) Implementation

81. Lao PDR actively participated in the design of the new global agenda 2030. The national consultations that contributed to the sustainable development agenda was founded not only on the views of Government, but also those of civil society, private sector, and from citizens right across the country. In September 2015, the Lao delegation at the highest level participated in the UN Sustainable Development Summit, where the UN General Assembly adopted the new 2030 Agenda for Sustainable Development. Immediately after the SDG adoption in New York, the Administrator of the United Nations Development Programme (UNDP) and the Chair of the UN Development Group (UNDG), Ms. Helen Clark announced during the 12th HL RTM that Lao PDR has also been selected as a pilot for SDG localization (*the following texts under this section address discussion Ppoint 6 of 2015 12th HL RTM – ‘From MDGs to SDGs’*).

82. In order to keep up the excellent momentum, the Round Table Implementation Meeting (RTIM) on 24th and 25th November 2016 will feature a dedicated panel discussion and a plenary policy dialogue on SDG integration and the preparation of a roadmap towards SDG achievement. Key immediate focus includes: taking stock and identifying priorities for implementation within the framework of the 8th NSEDP, which, if implemented successfully, will drive graduation from LDC status, address Lao PDR’s unfinished business related to the MDGs, and deliver early progress on the SDGs. In addition, the SDGs have been integrated into the NSEDP’s M&E Framework, with 60% of NSEDP indicators linked to SDG indicators. They will now need to be integrated into sector strategies and provincial development plans. Furthermore, a proposal for national SDG indicators has been drafted.

83. Futhermore, preparation of a national SDG roadmap has been initiated. The main activities on this include: i) conducting a thorough needs assessment and costing exercise: this will determine the volume of public and private investment required for SDG achievement. To start the process, Lao PDR could for instance consider six major investment areas that cover the principal investments needed to achieve the goals: health, education, social protection, food security and sustainable agriculture, infrastructure, and ecosystem services and biodiversity; ii) preparing to monitor SDGs (a) finalising the national SDG indicators for monitoring purposes as integral to the M&E framework of the NSEDP, selecting a limited number of indicators, with focus on tier I indicators, for which there is a clear methodology and available data, b) strengthening the national statistical capacity and c) capitalizing on the data revolution, harnessing new technologies and new sources of data; and, iii) promoting issue-based partnerships, given effective partnerships are not centrally planned, and they do not require one actor that oversees all activities.

84. Last but not least, the integrated nature of the SDGs requires corresponding institutional arrangements, within and across national and local governments, involving multiple ministries, departments, and other government institutions. Currently, the Prime Minister’s decree on MDGs is being revised to provide the legal basis for SDG implementation. The different roles of main government actors are being discussed.

85. In addition, the Government has recently launched a Development Finance and Aid Assessment (DFAA) report highlighting the emergent development finance landscape in Lao PDR and providing key useful recommendations for effective management of diversified sources of development financing for the achievement of sustainable

development within a broader partnership. On a human needs and development perspective, the 5th National Human Development Report (NHDR) focusing on moving out of the Least Development Country status will be finalised at the end of 2016. Specifically, the 5th NHDR pays greater attention to the Government's LDC graduation strategy with specific reference to the Human Asset Index (HAI) and synergies between HAI and the Human Development Index. Therefore, key recommendations of the report have direct implications for the implementation of the SDGs in the long run.

2.3 Update on the Implementation of the Vientiane Declaration on Partnership for Effective Development Cooperation

86. Given the complexity and diversity of sources of development finance and dynamically changing development cooperation landscape, Lao PDR has found value in galvanizing its efforts to improve and adjust laws, policies and partnership mechanisms at all levels to reflect the current reality. The increasing focus on greater and more inclusive partnerships, bringing on board private sector, partners from the region, civil society and others represent something of a breakthrough. One of the major outcomes of the 12th HL RTM 2015 was unanimous endorsement by all participants of the Vientiane Declaration on Partnership for Effective Development Cooperation (The Vientiane Partnership Declaration). This signaled a shift from traditional ODA towards greater partnerships, and towards a more comprehensive and inclusive range of development financing and resourcing options. Since the adoption of the Vientiane Partnership Declaration, a number of key activities have been carried out in 2016 (*the following texts under this section address discussion point 10 of 2015 12th HL RTM – 'The Vientiane Declaration on Partnership for Effective Development Cooperation (2016-2025)'*).

87. To guide implementation of the eight principles of the Vientiane Declaration and for strategic monitoring and reporting, the Government and its partners have been developing a Country Action Plan (CAP 2016-2025). This VDCAP (2016-2025) is an important document for stakeholders at all levels as it outlines 14 focused action areas needed to achieve effective development cooperation, which in turn will help accelerate the 8th NSEDP and SDG implementation. At the same time, the Government is currently in the process of revising the Prime Minister Decree No. 75 on ODA management in accordance to changes of authority arrangements. A framework for this revision is for effective management, monitoring and reporting on impacts of different sources of development finance. Furthermore, it has also been valuable to work towards a more integrated and coherent approach to managing various sources of development finance. A recent conducted Development Finance and Aid Assessment (DFAA) in Lao PDR provides important evidence and analysis to begin to work towards an Integrated National Financing Framework (INFF).

88. ODA and more traditional development cooperation provides crucial support and remains important to address national development priorities, including the graduation from LDC status and the achievement of the Sustainable Development Goals. The structured partnership mechanism 'the Round Table Process' has greatly contributed to development effectiveness, especially promoting greater national ownership, partners' alignment with national priorities/goals and better harmonization among various partners. Given the changing landscape of development finance and the need for strong partnerships which are essential for policy dialogue and which underpin systemic change, Lao PDR is at an important juncture in terms of enhancing its existing partnership mechanisms at all levels.

III. Conclusion – Challenges, Opportunities and Priorities Going Forward

89. While Lao PDR is yet to reach the threshold for LDC graduation during the 2015 review, the country has made important progress in each of the three main assessment criteria. If Lao PDR can continue its development trajectory there is a good chance that it can reach the overarching aim of meeting the threshold by 2020.

90. The 8th NSEDP is the framework around which the Government aims to accomplish this goal. The NSEDP outlines a strategy that supports further growth in employment across different sectors, agricultural production, trade, and resource mobilization. The Government is also committed to social policies to support creating a healthy and educated population. Important efforts are also being undertaken to build the resilience of institutions, communities and households to economic and natural shocks. But as there have been achievements, there have also been challenges related to the first year of the 8th NSEDP implementation that will need critical attention in the remaining period:

91. **Economic transformation.** The economy is still based principally mostly on natural resources, yet there is significant space for growth in the productive sectors with increasing competitiveness and diversification. The policy on rural development and non-resource sector development needs to be more fully realized and implemented. Labour productivity needs to be further improved to link agriculture with processing industry. Manufacturing is relatively small and the economy is vulnerable to external factors such as changes in commodity prices and international market competition which will need further reform in order to gain benefits from regional integration.

92. **Unfinished MDGs, inequality and SDGs implementation.** Despite significant progress, some MDG targets were not reached, including those related to hunger, school retention, child mortality, deforestation and UXO. The nutrition of children and women of reproductive age is an issue of particular importance. Sufficient, predictable and sustained investment is required to improve the quality and access to basic social services.

93. **Business environment.** Although private sector and enterprise development has improved and been promoted, further efforts are needed to improve and upgrade the investment climate and promote private investment in the non-resource industries. Lao PDR was ranked 134 out of 189 countries worldwide in the World Bank's Doing Business Indicators in 2016. Hence, there is ample opportunity and appetite to wish to improve the Lao PDR position.

94. **Implementation capacity.** Governance improvements are still needed to ensure the effectiveness of legislative and judicial institutions. Coordination between ministries and central and local level agencies also needs to be further harmonized. Implementation of plan priorities and the translation of various resolutions into programs and implementation of detailed projects will need to be improved. Resource mobilization from all sources at the central and local level will need further enhancement to ensure its effectiveness and efficiency.

95. **Strengthening human resources.** As human resource development has been promoted by both the private and public sector, it is important to pay great attention to overall quality. Moreover, human resource development will need to be fully linked to labor market demands, especially for SMEs. Ultimately, developing the human resources of the country holds the key for the long term prosperity of Lao PDR.